



# **Role of supporting and stimulating the township economy and informal sector in the Gauteng townships**

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## **DECLARATION**

I, Sigcino Kubone, Student Number 27830497 do confirm that all work of this mini-dissertation is the result of my research work, and that this it has never been submitted by myself for any educational institution before, whether partly or in full.

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Sigcino Kubone

20 November 2018

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## ABSTRACT

The purpose of this research study was to look at different ways of supporting and stimulating the township economy and informal sector. There is a need to investigate whether township business sector and communities do benefit from interventions that are coming from different bodies, which are supporting the developments and the sustainability of township economies. However, township entrepreneurs are struggling to survive and grow their businesses due to the socio-economic challenges that are affecting negatively their daily entrepreneurial activities. These challenges creates obstacles that hinders entrepreneurship growth, entrepreneurial opportunities, creation of income and employment, and business survival.

The study had the primary objective to investigate the role of supporting and stimulating the township economy and informal sector in Soweto Township under the Gauteng Province. The case study objective was based on outcomes of supporting and stimulation of the township economy and informal sector. For every input from any interventions, there is supposed to be expected results of delivery, achieving the intended purpose and corrective actions when there are deviations. Quantitative research approach has been followed in this study and the key findings of the study provides the information from Sixty eight (68) respondents sampled from the township of Soweto. Other supplementary information was researched from journals, observation and interviews with interested stakeholders on this particular research problem. The data was gathered by means of a questionnaire.

This study has shown that there are many challenges and constraints facing township entrepreneurs that need to be overcome, challenges such as historical background of township location, aging infrastructure, lack of investing to townships, overpopulation, lack of resources, informality and regulation, non-compliance to payment of rate and taxes and low employment levels. Furthermore, the study identified that there is a need to create an enabling environment, economic infrastructure support, training and roll-out for enterprise development in the townships.

**Key terms:** *Entrepreneurship, informal economy, informal sector, township economy, small (micro) business, job creation, entrepreneurial activity growth, Soweto.*

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

CSBD	Centre for Small Business Development's
DTI	Department of Trade and industry
SEDA	Small Enterprise Development Agency
Stats SA	Statistics South Africa
TEA	Total Entrepreneurial Activities
TERS	Township Economic Revitalisation Strategy

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# **CHAPTER ONE**

## **NATURE AND THE EXTENT OF THE STUDY**

### **1.1 INTRODUCTION**

According to Swanepoel, Strydom and Nieuwenhuizen (cited by Chimucheka, 2014:403), the unemployment rate is very high, low economic growth rate and low Total Entrepreneurial Activity (TEA) in South Africa, and its causing a threat to the economy. According to Tarborda (cited by Manyaka-Boshielo, 2017:1), poverty is very high in South Africa and also the youth are jobless. Worldwide, entrepreneurship is regarded as one of the important solution to unemployment, slow pace economic growth and also in reducing poverty (Smith *et al.*, 2017:164). The country is ranked lower out of fifty-nine (59) countries from the survey of 2012 by Global Entrepreneurship Monitor, ranked at twenty seven (27) (GEM, 2012:13).

South Africa had an initial plan after 1994, focusing on transforming the country through a reconstruction and development program (Republic of South Africa Parliament, 1994). The unemployment rate in South Africa is currently 27.7% as indicated in the third quarter of 2017 and GDP in the third quarter of 2017 grew by 2.0% (StatsSA, 2017). In order for the township small businesses to play a role in the economic developments, government policies must be favorable to small business regulations (Manyaka-Boshielo, 2017:9).

The government of South Africa has devoted sizeable resources in support of small businesses since 1994 (Phillips *et al.*, 2014:86). The government through its economic policies, South Africa launched a National Development Plan (NDP) as a detailed blueprint and a vision that can eliminate poverty and reduce inequality by the year 2030 as forecasted (National Development Plan, 2011:14). The NDP forecast for 2030 is that; about 90% of the new eleven million jobs would be created by the small medium size enterprises and the revitalisation of township economy is rooted from the overall vision of the National Development Plan (Government Gazette, 2012). According to Chimucheka (2014:403) entrepreneurship education is developing and improving the competencies that are needed to successfully establish and run some entrepreneurial businesses.

In 2008, the minister of finance Pravin Gordhan, reckons that the economy expansion growth rate has been slow and failing both the formal and public sector to absorb job seekers in South

Africa (Republic of South Africa Parliament, 2008). Despite of all effort from policy makers, our monetary and fiscal policies are not well synchronising to stabilise our economic situation and the 2008 economic downturn reversed all the positive economic gains that our country economy had achieved.

The things that work against and prevent the implementation that will drive the township economy is the historical background of township location, aging infrastructure, lack of investing to townships, overpopulation, lack of resources and low employment levels. Most businesses in townships are normally the retail spaza shops, hair salon, shebeens (township pubs), shisanyama (meat place), informal motor mechanics, and other small scale businesses as informal traders. The informal small medium enterprises could assist in addressing some of the key challenges of employment creation and economic stimulation growth in vulnerable and affected areas (Charman *et al.*, 2015:1).

Informal trader refers only to people who conduct informal street trading on a small scale, mostly from street pavements, and who as a group offer a large variety of products and basic services to prospective clients (Willemse, 2011:7). The informal economy contributes significantly too many developing countries to the provision of employment to the people and right though the most African countries (Fleetwood, 2009:23; Neves, 2010:2). In recent studies done on the township economy found that most township businesses are at survivalist stage and informal, townships entrepreneurs face more challenges of taking their small businesses to another high level that generate broader economic benefits (World Bank Study, 2014).

## **1.2 PROBLEM STATEMENT**

The research study focused on establishing the role and outcomes by the provincial government and interested non-governmental groups, in supporting and stimulating or revitalisation of the township economy as its problem statement. The case study investigates the role of support and intervention as another approach of developing a sustainable township economy, so that poverty can be reduced or totally removed from township and residents can begin to play a role in the economic activities and developments. In South Africa, economic development has become characterised by the 'new norms' of higher unemployment, lower productivity growth and subdued economic growth as mentioned in Global Entrepreneurship Monitor (GEM) report (Herrington *et al.*, 2015:25). In their efforts to encourage entrepreneurial developments and support of new generation of entrepreneurs, policy-makers and service providers will require

to identify and work to reduce factors that challenges entrepreneurial intentions (GEM report, 2015:26).

Entrepreneurship is considered to be an important mechanism driver of sustainable economic growth through job creation, innovation and its welfare effect (Herrington *et al.*, 2016:23). Mentorship networks intervention is required and necessary to entrepreneurs and through their entrepreneurial journey by provided them with an opportunity to have people that will mentor, inspire and coach them so that they will be more effective on their businesses (GEM report, 2016:73).

According to the South African Institute of Chartered Accountants (SAICA) on the SME report (2015:4), the NDP proposes that for South Africa to overcome poverty, and to reduce the proportion of people who are dependent on welfare payments from the state, the SME sector would have to grow significantly. Furthermore the NDP expects that by 2030, 90% of new jobs will be created by the (Small Medium Enterprise) SME sector (SAICA report, 2015:4). The objective of this study is to understand forces that work against the efforts that undermines the township entrepreneurship developments in Soweto.

### **1.3 DEFINITION OF KEY TERMS**

#### **1.3.1 Informal economy**

The International Labour Organisation Conference (ILO) launched the concept termed “informal economy” in 2002, as an attempt to incorporate in the definition of this concept, as other forms of informal employment that were not considered in this notion (Ouédraogo, 2017:257). The definition of this concept informal sector refers to all activities used to producing goods or services that are unregulated and hardly fit into any of the known conventional economic categories (Ouédraogo, 2017:257). The International Labour Organisation defines it as “all economic activities by workers and economic units that are, in law or in practice, not covered or insufficiently covered by formal arrangements and informal work which can be carried out across all the sectors of the economy both in public and private spaces’. There are activities that are viewed as part of the informal sector and ranges from fringe and survival strategies like the street vending, letter writing, and shoe shining and to more organised operating units of small artisans, mechanics, and carpenters (Ouédraogo, 2017:258).

### **1.3.2 Informal sector**

The informal sector primary market lies in the provision of basic consumer services and goods to people as consumers in the low-income categories which refers to production and employment in unregistered enterprises (Meagher, 2013:2). It can be referred to as people who conduct informal street trading on a small scale, mostly from street pavements and who offers as a group a variety of products and basic services (Willemse, 2011:1). According to Willemse (2011:1) it can be seen from the previous mentioned definition, that the informal economy includes a variety of different types of employment. In the statistical South Africa report, the term informal employees are described as employees with no contract of employment, with no income tax registration, and receive no work benefits (StatsSA, 2011:XVII).

### **1.3.3 Township economy**

‘Township economy’ refers to enterprises and markets based in the townships where business activities are located and in that township settlements (Charman, 2015:1). According to Charman (2015:1) township entrepreneurs operates these business enterprises in the township to meet primarily the needs of township consumers and it can be understood as ‘township enterprises’.

### **1.3.4 Entrepreneurship**

Imafidon (2014:101) refers to entrepreneurship as origin of economic extension and good entrepreneurial in business activities drive have an impact that is positive for that country and quality life. The SMMEs as part of entrepreneurship has a responsibility of creating jobs in all economies and in Africa it would help specifically in poverty alleviation, economic growth and job creation (Cant, 2016:559). According to Jili, Masuku and Selepe (2017:1) there are different government initiatives that support small businesses and in turn are assisted by the trade and industry department and other associated organisations and agencies such as Ntsika Enterprise Promotion Agency, Centre of Small Business Promotion (CSBP), and Khula Enterprise Finance.



## **1.4 RESEARCH STUDY OBJECTIVES**

### **1.4.1 Primary objectives**

The overall aim of this study was to investigate the role of supporting and stimulating the township economy and informal sector in Gauteng townships as the township of SOWETO, selected for this research.

### **1.4.2 Secondary objectives**

Objectives that are secondary for this study were:

- To identify the outcome role of support and major challenges facing township entrepreneurs. This study should assist the provincial government and non-governmental groups or departments with answers to the question about their roles in helping the Soweto township entrepreneurial activities. The highlight was to find out whether interventions were able to have an effect on township economy revitalisation;
- To explore the areas in which government and the private sector can intervene to assist entrepreneurs, the key focus were issues that affect township entrepreneurship development and challenges that hinders the growth of township economy. This will also help to highlight barriers and challenges hampering the growth and development;
- To identify monitoring and instruments that check the outcomes of this project achievements;
- To Identify effectiveness of policies and strategies that promotes economic development or activities in the townships and taking their small businesses to another high level that generate broader economic benefits; and
- To examine through the case study that township economy creates jobs as proclaimed or supported by different existing research work on the concept of SME's.

## **1.5 SCOPE OF STUDY**

### **1.5.1 Field of study**

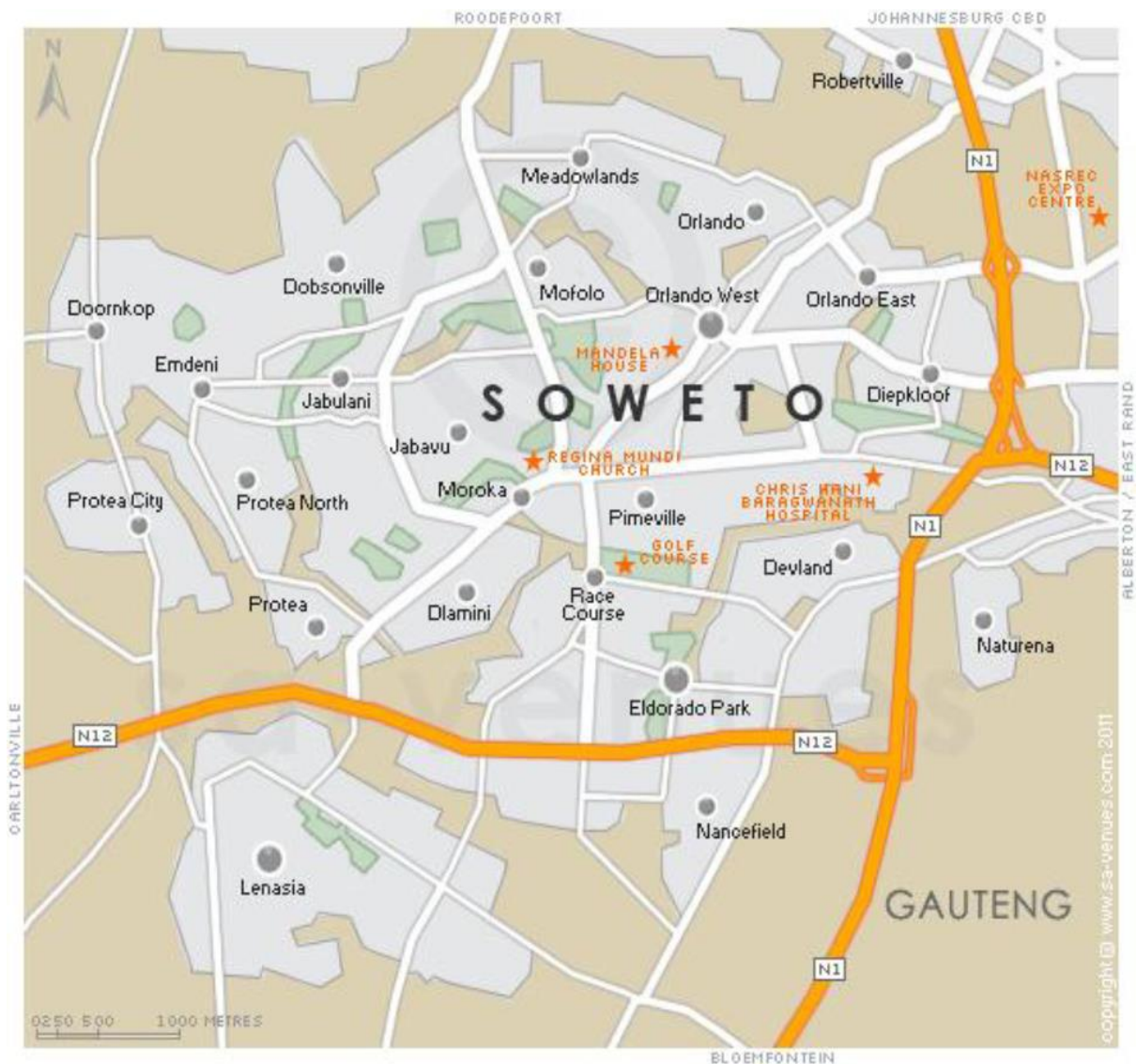
The purpose of this research study was to outline results of entrepreneurial activities coming out from the role of supporting and stimulating the township economy. The case study objective

was based on outcomes of supporting and stimulation of the township economy and informal sector. For every input from any interventions, there is supposed to be expected results of delivery, achieving the intended purpose and corrective actions when there are deviations. The study helps to highlight results and also challenges in the revitalisation of township economy from creation of stable township enterprises and employment through township entrepreneurial activities. The review of the literature and observations are done through participant observation research.

### **1.5.2 Geographical**

This study was based on entrepreneurial activities within the informal sector and limited to the community of Soweto Township. Soweto is an urban settlement or township located southwest of Johannesburg with a population estimated at 1.48 million from the census conducted in 2016 (StatsSA, 2016). Soweto falls under the Greater Johannesburg Metropolitan Municipality in the Gauteng Province with an estimated population of 4.434 million as from community survey of 2016 (StatsSA, 2016:15). Soweto falls and demarcated under the Region D as an area of the Greater Johannesburg Metropolitan Municipality. Soweto as a name stands for South-Western Townships as it incorporates many townships. Its western periphery forms the furthest boundary of the City of Johannesburg. Gauteng Province is the smallest province with inhabitants around 14, 7 million people, which floods from other provinces and the rest of Africa to look for economic opportunities in this province (StatsSA, 2017:2).

**Figure 1.1: The Map showing the Soweto Township**



**Source:** Map showing the location of Soweto ([www.sa-venues.com/maps/atlas/gau\\_soweto.gif](http://www.sa-venues.com/maps/atlas/gau_soweto.gif))

## **1.6 RESEARCH METHOD**

This research, pertaining to the specific objectives, consists of two phases of literature review and an empirical study.

### **1.6.1 Phase A: Literature review/theoretical review**

Theoretical framework was determined to support the academic argument regarding entrepreneurship in the townships within the context of this study. Considering current, previous research and other alternative research used to investigate any economic development

of township settlements through entrepreneurship, informal economy, informal sector and job creation. Among other things, the articles from databases and journals were used to effectively deal with issues relating to entrepreneurship. Sources consulted included:

- Scientific journals.
- Google scholar and other internet searches.
- Published Books and Theses.
- Previous research studies on entrepreneurship.
- Statistical reports from Statistics South Africa.
- Reports from the Gauteng Department of Economic Development

Primary data targeting group in their businesses locations was collected and were also formulated as to receive independent responses from respondents The measuring instrument used was a questionnaire survey that was designed to gather information from township entrepreneurs in relation to the case study problem statement. It was also used to serve as a measure on whether entrepreneurship and role support of township entrepreneurs, contributes meaningfully in addressing challenges that are found to be obstacles in the growth of township economy and employment creation by it. Some of the quantitative data was supported by qualitative data where information was workable. The analysis will focus on benefits that are visible in terms of impact, value, progress and the main challenges facing the township economy including SME's progress within the townships.

### **1.6.2 Phase B: Empirical study**

The empirical study consists of the research design, respondents, measuring instrument and statistical data analysis where applicable. The measuring instrument used was a questionnaire survey that was designed to gather information from township entrepreneurs in relation to the case study problem statement. It was also used to serve as a measure on whether entrepreneurship and role support of township entrepreneurs, contributes meaningfully in addressing challenges that are found to be obstacles in the growth of township economy and employment creation by it. Some of the quantitative data was supported by qualitative data where information was workable. The analysis will focus on benefits that are visible in terms of impact, value, progress and the main challenges facing the township economy including SME's progress within the townships.

### **1.6.2.1 Research type design**

The questionnaire was designed based on the important issues identified in the literature review. The research approach for data collected for this case study was a quantitative research design with a cross-sectional approach to evaluate township entrepreneurs' responses and perceptions to issues related to their entrepreneurial challenges and decisions based on the role of support and interventions by external stakeholders. Creswell (2009:22) noted that using criterion sampling is useful for quality assurance. Focus was on getting responses on the themes of entrepreneurship within this sector, access to capital, access to market, skills, role of support from any group which is government or private, the incubators and as well as enterprise development.

### **1.6.2.2 Population/sampling**

The sampling method to be used in the research will compose of structured questionnaires. The first step was to select the sample of township entrepreneurs that will form the study population. The sample size was limited to the township entrepreneurs of Soweto as in the Gauteng Province. Township entrepreneurs selected were briefed on the questionnaire contents information in order to eliminate or reduce errors. Participants will complete a set of questionnaires, participation will be voluntary and participants' information obtained will be treated confidential and the case study results will be used for research purpose only. The researcher will explain to the participants or respondents the reason behind this survey or research and how the information gathered will be treated, as this will give permission to continue with the questionnaires or survey to avoid discomfort to the participants.

The empirical study consists of an instrument used as in a form of a questionnaire and was developed at the North-West University School of Business and Governance. The questionnaire was divided into five sections as:

- **Section A:** Personal information
  - Developed to gather information from the respective respondent regarding their profile and characteristics and to help us with the statistical information analysis of the data for comparisons among different businesses.
  
- **Section B:** Business Information

- Developed to source and measure the characteristics of township entrepreneur-owned business.
- **Section C: Motivational Factors**
  - Developed to measure motivational factors for the purpose to determine which factors drove entrepreneurs to enter into their own business ventures or to start a business.
- **Section D: Obstacles Faced by Entrepreneurs**
  - Developed to measure the barriers factors as well as challenges that are faced by township entrepreneurs in starting-up and running currently their own business ventures better and successfully.
- **Section E: Financing Needs of Entrepreneurs**
  - Developed to determine the training and financial development needs of entrepreneurs who were involve on this research survey.

### **1.6.2.3 Data analysis and interpretation**

All information and notes taken from the process of gathering information from the entrepreneurial community of Soweto were subjected to this process of analysis and interpretation. Descriptive statistics and the appropriate inferential statistics was used to derive meaning from the data. The Special Package of Social Science (SPSS Inc.) 2015 IBM SPSS® Statistics Version 25 technology was applied in this process together with Microsoft Excel. The graphs were also utilised to interpret the results obtained from the survey.

### **1.6.2.4 Data collection**

For data gathering tool, the study used structured questionnaire survey for data collection to all the respondents that participated in the study and will be distributed to the local business owners in Soweto. Questionnaires will be either personal delivered to the business owners' physical addresses or e-mailed and sufficient time will be allowed for participants to properly complete questionnaires. The respondent will be assisted so that the questions are understood and correctly when clarity is required. Other information was sources from previous researched

information, the provincial government data and other non-governmental groups as part that supports the case study.

#### **1.6.2.5 Reliability & validity**

The study will be based on empirical investigation and on real-life situation of entrepreneurs' business activities, and also based on perception, opinions and experience of individuals as participants. The research approach and data collection is based on township business owners' opinions, feelings, and experiences and cannot introduce treatments or manipulation by government stakeholders as they seek to control outcomes of respondent answers. Organised data are with the aim of formulating general themes and link them together to create an explicitly explanation of the prime theme for this study. Cronbach's alpha coefficient has been used, which recommends a value between 0.7 and 0.8 for the reliability and consistency of any items (Pallant, 2013:47).

#### **1.6.2.6 Ethical consideration**

In the field of research there are very critical vital ethical considerations and are mainly plagiarism and manipulation of information. Requirements from participants were discussed with their rights and risks that might be encountered including benefits to participants. Throughout the study the following will be ensured:

- Clarify the aim and study objectives and follow the procedures with all the respondents upfront.
- Inform respondents that participating in this survey is voluntary.
- That all participants' privacy will be respected at all time and that everything shared will be treated as confidential.

### **1.7 LIMITATIONS**

Research design aims is to respond to the research questions as outlined in the research problem statement for this survey. The unit of analysis for this study aims for a descriptive analysis that is limited to one selected township in Gauteng province, as SOWETO. The review has identified the limitations to this study as follows:

- It's evident that some of the participant to the survey may experience some difficulties in completing questionnaire and assistance may be required to prevent any errors or misleading information from other person than the intended respondent;
- logistical issues will require a lot of travelling to visit entrepreneurs' businesses;
- not all participants to this survey respond to questionnaires honestly;
- the willingness to participate to the case study may be challenging; and
- anticipated level of education of some participants.

## **1.8 THE STUDY LAYOUT**

This study layout comprises of five chapters themes and the chapters in the mini-dissertation are presented as follows:

### **Chapter 1: Introduction and problem statement**

The first chapter will cover the orientation and the problem statement where the chapter discusses the background, research questions, problem statement, extent of the study, research methodology and the overview of the research design and the layout summary of the next chapters.

### **Chapter 2: Literature review and empirical study**

The second chapter will be having literature reviewed and empirical study on the issues of entrepreneurial concept, township economy and informal sector. It will also focus on the concepts that previously were researched as topics that support the research problem statement.

### **Chapter 3: Research methodology**

The third chapter covers the details of the research methodology that the researcher will be using to carry out the study.

### **Chapter 4: Results and discussion of empirical study**



The fourth chapter will contain the data presentation and analysis of results, while the fifth chapter will cover the summary, conclusion on the results findings.

### **Chapter 5: Summary and the study Conclusions**

The fifth chapter will also look and made comparable of cases studied done in different locations based on experience and outcomes and comparing some learning and improvements approaches. Recommendations will be summarised.

## **CHAPTER 2**

### **LITERATURE STUDY OF ENTREPRENEURSHIP**

#### **2.1 INTRODUCTION**

The main purpose for this research case study is to investigate two aspects of role supporting and stimulating township economy and informal sector in Gauteng townships. Entrepreneurship is recognised to be a vehicle of sustainable economic growth through job creation, innovation and its welfare effect (Herrington *et al.*, 2014:25). According to Strydom (2015:464) the majority of township formal businesses from the research work studies, proves that majority of those formal businesses were located in small, formal neighborhood centres and the majority of them are small retailers. The township economy can be regarded as part of entrepreneurship activities in the township business environment. Global, entrepreneurship is recognised as a driver for economic growth and is generally focused as an action-oriented phenomenon with immense creativity and innovativeness that ranges from opportunity or necessity entrepreneurship (Mokaya *et al.*, 2012:128).

This chapter is going to explore what township economy is, what entrepreneurial activities associated with the economy and then expand on the theoretical framework which elaborates on the challenges and role of supporting township entrepreneurship as a concept. The purpose of this study is to provide answers to some of the critical concerns and uncertainties raised by informal business and inhabitants in the township economy. The township economic growth in South Africa has been progressing at a snail pace as there are so many constraints that affect its progress. South Africa can no longer solely depend on the government or large public or private organisations to create jobs and must shift the emphasis towards small and medium enterprises to stimulate job creation (Herrington *et al.*, 2014:25).

Entrepreneurship activities in South Africa continue to be challenged in many areas including the lack of financial support from financial institutions (Fatoki & Van Aardt Smit, 2011:1414; Kerr, 2009:88). The study focuses on the challenges facing township entrepreneurs in their entrepreneurial activities while investigating the role of support from the external stakeholders as they seek to overcome barriers that affect township entrepreneurship. Activities based on enterprises and markets in the township are referred as the concept of ‘Township economy’ (Basardien *et al.*, 2014:46).

Charman (2016:1) the idea that in South Africa township economy need to be revitalised has re-gain its significant momentum from politician and for a while it had seemed as though, the informal economy and small business enterprises had been dropped off the developmental radar with the country's strategically National Development Plan focusing only on creation of jobs within the formal economy sector.

According to Malony (quoted by Charman, Petersen *et al.*, 2015:1), "*informal economy*" contributes to employment in marginalised communities both through business generation but also through the transfer of skills and experience to informal workers. According to Basardien *et al.* (2014:46) "*informal trading*" relates to unregistered activities in the economy and also known or mentioned as the informal economy that will contribute to the Gross Domestic Product value, calculated or observed.

The study focuses on "*entrepreneurship*" and its challenges within the context of townships economy in South Africa and also investigates the role of entrepreneurial support in this environment. The empirical study conducted in the township of Soweto will reveal challenges affecting entrepreneurial activities in this environment and the role of supporting and stimulating township businesses as a way of sustainable township economies developments. In the context of investigating entrepreneurship in the informal sector, the situation in the township of Soweto in regard to unemployment, entrepreneurial activities and government interventions was examined as part of literature review study.

## **2.2 EVOLUTION OF ENTREPRENEURSHIP AND ITS THEORIES**

By varying and assessing both habits and routines, the entrepreneurial process founders continually adapt to changes in the external world (Breslin, 2011:3). In some instances, this might result in new heuristics or means-ends relationships being created in response to a changing world or indeed in anticipation of a changing world (Gartner, 1989; Kirzner, 1997; Shane and Venkataraman, 2000) as quoted by Breslin (2011:3). At a micro-level the entrepreneur selects particular habits and routines when completing key entrepreneurial activities. However, choices made by the entrepreneur during the selection of habits and routines are complicated by a number of factors, including the misinterpretation of environmental feedback as a result of cognitive bias, where positive outcomes are attributed to

the actions of the entrepreneur and negative outcomes to external factors beyond their control (Baron, 1998; Busenitz & Barney, 1997) as quoted by Breslin (2011:4).

As Loasby (2007) argues ‘entrepreneurship defies routine; but it requires routine and results in routine’ and a failure to achieve a balance between routinisation and creativity, is a major difficulty which few entrepreneurial ventures overcome (Loasby, 2007:1104).

Richard Cantillon as quoted by Chimucheka *et al.* (2014:160), developed one of the early theories of entrepreneurship in 1725 focused on the individual involved in an enterprise and defined the entrepreneur as an individual who assumes risk, by buying at a certain price and selling at an uncertain price. Timmons and Spinelli (2009:47) defined entrepreneurship as, ‘*a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach and leadership balanced for the purpose of value creation and capture*’. According to Hisrich and Peters (2002) and Makhoba (2010:9) (cited by Matli *et al.* 2016:128), entrepreneurship refers to a procedure that involves, “*creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks and receiving the monetary rewards as well as personal satisfaction and independence*”.

According to Sobel (2011:39) an entrepreneur organised, managed and assumed the risks of a business venture. According to Swanepoel *et al.* (2010:66) entrepreneurship is a continuously changing process of vision, change and creation and it requires an application of energy and passion towards the creative solution on implementing new ideas and solutions. According to Makhoba (2010:17) the South Africa’s high unemployment rate requires other different means of fighting the epidemic of unemployment, so that opportunities will be created through higher levels of entrepreneurial activities and the creation of SMME to reverse this adverse.

According to Bosma and Levie (2010:11) as quoted on the research of Agbenyengah (2013:28) they summarised the concept of entrepreneurship as follows:

- The general impact of entrepreneurship on a developmental project is likely to show signs of dissimilarities in each phase regarding time frame and actual size;
- entrepreneurship serves as essential tool in every phase of the economic development; and
- policy makers have stressed the basic requirements of efficiency enhancement innovation machinery yet entrepreneurship serves as the primary tool of development.

According to Swanepoel *et al.* (2010:63) as quoted from Kuratko and Hodgetts (2004:30) on defining entrepreneurship as an evolving concept, developed an integrated definition that acknowledges the critical factors needed for this phenomenon, including the cognitive scripts of arrangements, willingness's and ability. According to the quote, entrepreneurship is a dynamic process of vision, change and creation and it requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include:

- the willingness to take calculated risks and in terms of time, equity, or career; the ability to formulate an effective venture team;
- the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and
- finally, the vision to recognise opportunity where others see chaos, contradiction, and confusion.

According to Rostow (1960), as quoted by Acs *et al.* (2010:3) there are five stages of economic and entrepreneurship and suggested that all countries go through these five stages of economic growth:

- The traditional society
- The preconditions for take-off
- The take-off
- The drive to maturity and
- The age of high mass-consumption.

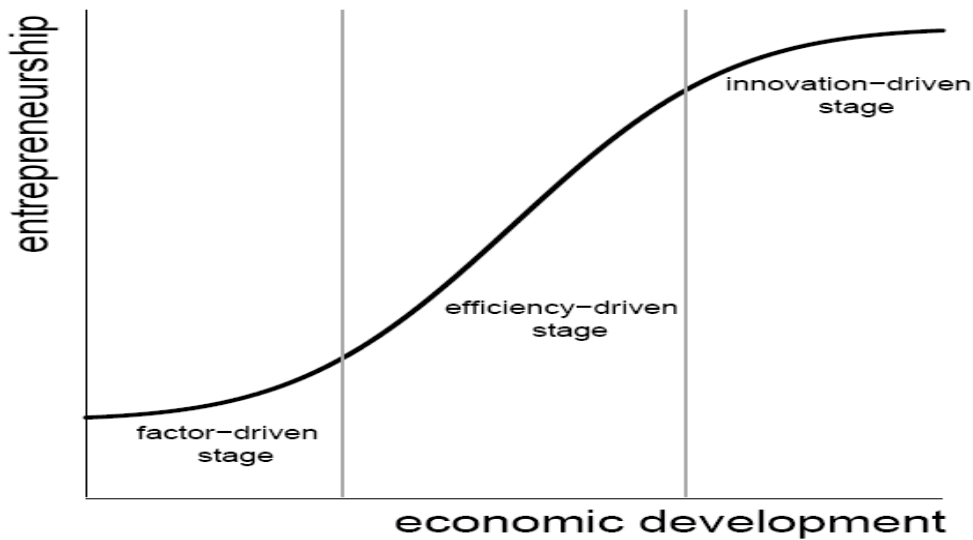
While these stages are a simplified way of looking at the development of modern economies, they identify critical events (Acs *et al.*, 2010:3). Michael Porter (2002) has provided a modern rendition of this approach by identifying three stages of development: (1) a factor-driven stage, (2) an efficiency-driven stage and (3) an innovation-driven stage (Acs *et al.*, 2010:4).

The factor-driven stage is marked by high rates of agricultural self-employment stage (Acs *et al.*, 2010:4). Almost all economies experience this stage of economic development (Acs *et al.*, 2010:4). These countries neither create knowledge for innovation nor use knowledge for exporting (Acs *et al.*, 2010:4). To move into the second stage, the efficiency-driven stage, countries must increase their production efficiency and educate the workforce to be able to adapt in the subsequent technological development phase: the preconditions for take-off plays

a crucial role (Acs *et al.*, 2010:4). The drive to efficiency describes the first transition that is predominantly institutional in nature (Acs *et al.*, 2010:4).

To compete in the efficiency-driven stage, countries must have efficient productive practices in large markets, which allow companies to exploit economies of scale. Industries in this stage are manufacturers that provide basic goods and services (Acs *et al.*, 2010:4). In the efficiency-driven economy capital and labour play a crucial role in productivity and the focus is on technology, in the decision making process (Acs *et al.*, 2010:4). For over a century there has been a trend in economic activity exhibited in virtually every developing country toward larger firms (Acs *et al.*, 2010:4).

**Figure 2.1: Entrepreneurship and the corresponding stages of developed.**



**Source:** The GEDI graph (2010:7) (Acs *et al.*, 2010:5)

According to Baumol (1990) on Figure 2.1, the intersection of the curve on the vertical axis suggests that entrepreneurship is also a resource and that all societies have some amount of economic activity but that activity is distributed between productive, unproductive and destructive entrepreneurship (Acs *et al.*, 2010:5).

### 2.3 THE VIABILITY OF INFORMAL BUSINESS OWNER ACTIVITIES

According to André *et al.* (2010:1) in analysing South Africa's entrepreneurial developments, there is substantial micro-enterprise or small business sector that offers various and vibrant setting for analyses. The expanding and small firms will play a vital role in more job creation

as they will become prominent generating a majority of new employment opportunities (National Development Plan, 2011:140). Micro-entreprise has a potential in all endeavours to create employment and generate income (André *et al.*, 2010:2). Developmental approach as promotion to small business under developing countries, its original objectives is the creation of viable enterprises economically and enterprises that can survive without perpetual subsidy and contribute to the growth of income and also to better living standards (Staley *et al.*, 1965:318) as quoted by André *et al.* (2010:2).

According to De Soto (1986) as quoted by Ligthelm *et al.* (2010:8) there are different range of activities that the informal sector encompasses in South Africa, the largest concentration are in retail including spaza shops, hawkers, and shebeens and there are no accurate records of these businesses and most of them are also not available from any official sources.

Rogerson (1997:337) as quoted by Berner *et al.* (2012:383) it is possible, nevertheless, to delineate two central categories of informal business: survivalist and entrepreneurial and on the one hand, survivalist businesses generate minimal income while owners wait for formal sector job opportunities. On the other hand, a select group builds lasting businesses, making capital improvement for example, and has the potential to flourish.

**Table 2.1: Different types of entrepreneur definitions**

Type of entrepreneur	Definition
Survivalist	A survivalist entrepreneur is often associated with the informal sector and is a person who is forced into entrepreneurship due to circumstances.
Lifestyle entrepreneurs	Lifestyle entrepreneurs are people who open up businesses as hobby or to maintain a certain lifestyle.
High growth entrepreneurs	These entrepreneurs are able to generate profits quickly, which enable them to create a bulk of new jobs.

Source: Constable (2015)

## 2.4 THE TOWNSHIP ENTREPRENEURSHIP

The township can be described as previously environment that is not well developed living areas in the urban environment (Jordaan *et al.*, 2016:127). According to Matli *et al.* (2016:126)

the current Township Economy Revitalisation (TER) campaign includes increasing the engagement and success of township entrepreneurs to involve themselves in their township economy activities. It is necessary to force a continuous process that will drive innovative sustainable development in the townships. According to Matli *et al.* (2016:130) government and private sector need to invest seriously in township revitalisation for growing the economy within the townships environment.

Education and training is regarded as the one of the conditions that are the weakest in terms of entrepreneurial conditions according to the Entrepreneurship Monitor report in South Africa (Herrington & Kew, 2015/16:7). In the township, it is difficult to secure funding for entrepreneurs because of their low credit status (Makhoba, 2010:41). The government and small business perceive that agencies and non-financial and financial institutions, do not meet the needs of the small business sector (Phillips *et al.*, 2014:88).

The low credit score of township entrepreneurs seems to be a challenge in securing funding (Makhoba, 2010:41). According to Smit *et al.* (2012:6326) there is a lack of access to credit by emerging African SME entrepreneurs, majority depends on personal savings or loans from other people, as their source of start-up capital. Entrepreneurs in townships are faced with numerous basic challenges that includes the support from community they serve, getting hold to the right information and receiving mentorships from other successful entrepreneurs within their communities (Matli & Jordaan, 2016:128).

**Table 2.2: Summarised Township Economic Revitalisation Strategy by Gauteng Provincial Government.**

Key Focus Areas	Brief Definition
Making sure of regulatory and legal framework	It seeks to review and revise the regulatory and legal framework applicable to small businesses in order to increase the growth and sustainability of these businesses. It focuses on provincial and municipal regulations which place both a time and monetary burden on small businesses and may therefore potentially discourage informal businesses from growing and registering as formal businesses.
Promoting manufacturing and productive activities.	Aimed at providing training, technical assistance and project support to township businesses active in the manufacturing sector, thus increasing the level of local content in the market and decreasing the dominant position of larger and established suppliers.



<p>Infrastructure supporting the enterprise development.</p>	<p>About the provision of different kinds of specialised economic infrastructure to township businesses. This should have the impact of reducing the cost of doing business as well as increasing linkages and co-operation between township businesses. It also focuses on the province wide and comprehensive roll-out of the Gauteng Broadband Network (GBN) in business hotspots in the townships as well as the establishment of industrial parks, business hubs and incubators and the provision of management, administrative and technical support.</p>
<p>Promoting entrepreneurship development in the township.</p>	<p>Focuses on the expansion of training and workplace programmes in townships, thus increasing the total number of entrepreneurs and employment opportunities in the township economy. Examples of specific programmes under this KFA include the Tshepo 500,000 initiative and collaboration with SETAs, FETs and state-owned enterprises to produce artisans and apprenticeships within townships. The figure below summarises the specific actions in the TER needed to achieve this change objective.</p>
<p>Financing and Investing in the Township Economy.</p>	<p>Focuses on addressing the difficulties experienced by township businesses in accessing external finance and the need to bring additional and new forms of finance into the Township Economy. Specifically, the strategy identifies the need to re-capitalise and strengthen the Gauteng Enterprise Propeller (GEP); investigate the establishment of a state-owned bank; Township Economy Bond or Solidarity Fund; and develop and formalise co-operative banks and insurance enterprises. Together, these initiatives are expected enhance financial access for businesses and residents throughout the Township Economy.</p>
<p>Ensuring Access to Markets.</p>	<p>About the use of government procurement as an instrument to support the growth or creation of Township Businesses as well as the potential role of community markets and clusters in deepening linkages between producers and sellers with and outside of the Township Economy. This KFA therefore addresses the ability of Township Businesses to obtain improved access to government and corporate markets through revised procurement procedures. This, in turn would generate a higher level of local content within the Township Economy and stronger linkages with mainstream markets.</p>
<p>Promotion of Innovation and Indigenous Knowledge Systems.</p>	<p>Focuses on providing support for firms to innovate, protect indigenous knowledge and improve the commercialisation of products under development will result in more successful enterprises in townships. This is summarised below.</p>
<p>Understanding the Economic and Social Value of the Township Economy</p>	<p>Focuses on building research, data and information systems to understand the township economy better and to increase the scale of interventions and furthermore ensure that the economic actors in the township are recognised.</p>

**Source:** TER Strategy: Mid-Term Implementation Evaluation report (2016:3)

## **2.5 ROLE OF ENTREPRENEURSHIP IN JOB CREATION**

Entrepreneurship is regarded worldwide as an engine required in scaling up the economic, reduction of economic challenges such as poverty and joblessness and it is undoubtable of a relationship that is there between the economic growth and entrepreneurship levels for any nation (Chimucheka *et al.*, 2014:160). According to Herrington *et al.* (2012:10) entrepreneurs has a contribution in the global economy in creation and development of new jobs and growing businesses. The entrepreneurial sector is well recognised as a significant employer. For a critical driver of job creation and growth, the governments look to entrepreneurship as a solution (Chinomona & Maziriri, 2015:836).

According to Mc Camel (2018:13) quoting Lauterbach (1997:283) the employment concept involves activities that are compensated financially and are considered to have a positive direct or indirect effect on labour productivity within economic sectors generating employment. According to Wright *et al.* (2015:5) quoting from McMullen and Warnick there are several things that entrepreneurs have introduced as technologies that produce many new industries, creating jobs and improving socio-economic conditions different nations.

South Africa has recognised in socio-economic re-address, another tool in overcoming challenges by developing entrepreneurs (Phillips *et al.*, 2014:85). In all efforts in rebuilding and readdressing our economy situation, poverty continues, unemployment remains high and inequality gap widens. Proxies to measure the dimensions in “entrepreneurship” need to be used and are defined as innovation, risk-taking and identifying markets (Faggian *et al.*, 2015:2).

## **2.6 A BROADER DEFINITION OF TOWNSHIP AND ITS ECONOMIES**

The term ‘township’ is a legal term that refers to a formally promulgated urban area (Karuri-Sebina *et al.*, 2014:10). According to Karuri-Sebina, McGallin and Napier (2014:11) many commendable state interventions have sought to address the high levels of destitution and joblessness in townships as well as their segregated nature. When the necessary basics of an economy are not there, whatever attempts to grow or support township economy will have a slim chance to survive (Karuri-Sebina *et al.*, 2014:8). The key question is whether socioeconomic problems in a township can be addressed by intervening within township economies or by improving the access of township residents to opportunities outside these areas (Karuri-Sebina *et al.*, 2014:9).

Therefore, township economies depend on the state of the economies of the cities and towns to which they are linked and the provincial, national and global economies status (McGaffin *et al.*, 2015:19). In fact, townships are rich with economic vitality and often have varied informal businesses in public areas as well as private household spaces.

According to Karuri-Sebina, McGallin and Napier (2014:11) the township environment has common characteristics as follows:

- Most township economies still currently serve the dual purpose of providing cheap labour to established nodes and cities and of absorbing growing numbers of ‘surplus’ labour;
- they are often relatively poorly located and are spatially disadvantaged in terms of facilitating economic activity and accessing other economic nodes and job opportunities; and
- they generally have a disproportionate concentration of lower income households and lower skills levels.

Mahajan (2014:55) describes a conceptual framework for the township economy as an informal traditional economy exists almost entirely in townships and informal settlements, characterised by low productivity, very low capital intensity and unreliable or no electricity connection; lacks its own transport; relying on expensive private commercial transport facilities; has limited use of technology (cell phone mostly); lacks bank accounts and access to formal credit; offering only membership in informal savings clubs; largely comprises household-sector enterprises (with not more than one or two paid workers); has proprietors likely to have less than a high school education who, if given a choice, would pick stable salaried employment in the formal sector; has a fair number of owners who are foreign nationals without formal documentation; lacks a downstream connection with the formal advanced economy while trading in products largely manufactured in the formal advanced economy; and predominantly features street vending and other small-scale retail sales operations, personal services (hair salons) and artisanal production.

The township informal economy is concentrated on with the retail trade in food, consumable groceries and drink, where else youth entrepreneurs have more interest (and aptitude) for the service sectors (Charman, 2017:2). In South Africa, the lifestyle and leisure sectors contain some of the most promising youth start-ups (Charman, 2017:2). Davies and Thurlow (2009:3)

developed a study of categories based between interactions of formal and informal sector and below are four types of that informal activities as:

- Informal producers who compete with formal producers in product markets;
- informal traders who sell formal sector products and charge a fixed transaction cost margin;
- workers who are informally employed in producing formal sector products; and
- informally employed workers producing goods and services that are not produced by the formal sector (i.e., non-competitive producers).

## **2.7 THEORETICAL FRAMEWORK FOR TOWNSHIP ECONOMY**

The South Africa's township economy has its desired objective of a job creation and a rapidly growth as mentioned in the South African master plan as the National Development Plan (2012) but challenges are its low developments, weak linkages with the formal sector and the negligible industrial production within the township borders (Mahajan, 2014:51). The dual economic model analysis as developed by the economist Arthur Lewis (1954) in his seminal paper, "Economic Development with Unlimited Supplies of Labour", he included, a "*Capitalist Sector*" the modern, rapidly industrialising part of the economy with a narrow interest in capturing capital, knowledge and new ideas; and, the "*Subsistence Sector*" representing a traditional, unproductive, static part of the economy so inundated with surplus unskilled labour that the marginal productivity of labour had been driven down to zero, or even negative levels in some situations much lower, in any case, than in the modern economy (Mahajan, 2014:52).

The "*Substance Sector*" (traditional sector) has a virtually unlimited supply of unskilled labour waiting to be tapped by the growing modern sector (Capitalist Sector) that required the unskilled labour at the market wage price as mentioned by Lewis. According to Lewis (1954) as quoted by Mahajan (2014:53) the development process in the Lewis model therefore unambiguously viewed the modern sector as the dominant engine of economic growth; there was little scope for the traditional or informal sector to play a significant part. The binding constraint to the economic expansion process became the availability of capital and natural resources because labour was readily and cheaply available at any given wage price. The key, according to Lewis, was "the use which is made of the capitalist surplus. In so far as this is reinvested in creating new capital, the capitalist sector expands, taking more people into capitalist employment out of the subsistence sector. The surplus is then larger still, capital

formation is still greater and so the process continues until the labour surplus disappears” (Lewis 1954).

According to Mahajan (2014:53) the Lewis’s conclusions are significant for South Africa’s dual economy structure and troubling. If the fate of the country’s employment generation and shared prosperity hangs mostly on the growth potential of its modern sector, then that by itself cannot be very encouraging news. It will surely be difficult to tackle unemployment in the range of 25 percent, most of it structural and involving unskilled workers, on the back of an economic sector that is incapable of growing faster than 3 to 4 percent a year on a sustained basis (Mahajan, 2014:53).

## 2.8 SOUTH AFRICA UNEMPLOYMENT AND ECONOMY ISSUES

South Africa moving to democracy has dealt with many labour hindrances that impeded on economy growth moving forward and open up labour markets. Verick (2012:376) explains that the impact of the crisis on the South African labour market was multifaceted as it saw a total of 900 000 job losses for that period of 2008/9.

The Table 2.3 provides overview summary creation of South Africa employment and its variation growth during the year 1995 to 2016 (StatsSA, 2017b).

**Table 2.3: South Africa employment and its variation growth for 1995 – 2016**

Year	Number of employed people	Year on year change in employment	Number of people unemployed	Year on year change in unemployment
1995	8 069 000	1.2%	1 644 000	-17.3%
2000	11 880 000	14.6%	4 333 000	37.2%
2006	13 237 000	5.9%	3 984 000	-0.2%
2010	13 061 000	-2.3%	4 401 000	6.7%
2016	16 069 000	0.3%	5 781 000	11.3%

**Source:** Holborn (2012); Stats SA (2017b)

There are so many explanations from researches about defining informal employment and also informal economy as an issue in the country's economy. Informal employment has been described as a precarious employment environment and the informal economy includes variety of different types of employment (Willemse, 2011:7)). Statistics South Africa describes informal employees as those employees who do not have a written contract of employment, are not registered for income tax or value-added tax and do not receive basic benefits such as pensions or medical aid contributions from their employers (StatsSA, 2011:XVII). The South African economy growth pace is stagnant and growing slowly and experiences high poverty especially in rural areas (Jiyane *et al.*, 2013:6). According to Bianchi (2012:277) self-employment can be a solution to unemployment.

Manyaka-Boshielo (2017:1) explained that as early as in 1995, Trevor Manuel, former Minister of Trade and Industry, identified unemployment as one of the major problems facing the new regime. Manyaka-Boshielo (2017:1) the minister addressed the important mitigating role of entrepreneurship when he said '*small, medium and micro enterprise is an important transport to address the employment creation challenges, economic rise and equity in our country*'.

The three constraints of poverty, inequality and unemployment for South Africa have been identified as the most vicious constraints to economic development and economic participation of individuals and the gap between the have and have not, is widening (Parliament of the Republic of South Africa, 1994). For economic stimulation SME's are expected to be play a vital role to address obstacles that hinders job creation, sustainable economic growth and matters of equitable distribution of income (Fatoki, 2014:922).

Statistics South Africa announced that unemployment fell by 330 thousand to 5.88 million people and unemployment rate decrease to 26.7 percent on the fourth quarter of 2017 from the Labour Force Survey (StatsSA, 2017). Herrington and Kew (2016:5) explained in 2015 that TEA rate had regained some ground, from 7 to 9.2 percent in 2014 to 2015 respectively. In 2013 and 2014, approximately 85 percent of South African early-stage entrepreneurs were black Africans, but in 2015, this figure had declined by a fifth, to 68 percent (Herrington & Kew 2016:5). According to the Statistics South Africa unemployment in metros comparison, Gauteng metros are the highest amongst other countries' provincial metros and this can be attributed from high unemployment in the townships, informal settlements and peri-urban residential of the province (StatsSA, 2014).

Unemployment levels in the youth of South African is very high and total unemployment rate has progressively gone up and at 26.7 percent, and the youth unemployment levels at 54.5percent (StatsSA, 2016:29). From the case study published under the study of South African Township Economies and Commercial Property Markets, the study concluded that despite of many attempts that the state has intervened in addressing the high levels of destitution and joblessness in townships, the impact of support has been limited due to the required fundamentals of an economy that are missing (McGaffin *et al.*, 2015:39).

### **2.8.1 Youth unemployment from a South African perspective**

Manyaka-Boshielo (2017:1) described South Africa as a country where poverty levels are very high and unacceptable and in particular the youth unemployment. In 2015, 3.6 million young people (between 35 and 37 percent of this demographic) were unemployed and were actively looking for a job (Herrington *et al.*, 2016:34). The stats reveal that there were slightly above ten million people aged 15 to 24 years in 2018 second quarter who are unemployed (StatsSA, 2018:11). Between second quarter of 2017 and 2018, young person between age 15 to 24 years were jobless, no education or training and were estimated around 3.3 million (StatsSA, 2018:11).

### **2.8.2 Global Entrepreneurship Monitor (GEM) reports and job creation**

According to Herrington and Kew as quoted by Malebana *et al.* (2015:91) from the 2013 Global Entrepreneurship Monitor (GEM) study, South Africa's total entrepreneurial activity and the country is now ranked position thirty five on sixty eight countries that participated in (GEM) study. For a business enterprise to succeed and grow, the most important factor is the size of its market and growth is constrained by the size of the local market (Karuri-Sebina, 2014:39). The GEM survey report 2016/2017, indicates that only 15.4 percent of South Africans have entrepreneurial intentions and men are more likely to have higher entrepreneurial intentions and engage in early-stage entrepreneurial activity than women (Kew *et al.*, 2016:34).

## **2.9 GENERAL CHALLENGES OF STARTING A BUSINESS IN SOUTH AFRICA**

When increasing attractiveness for an entrepreneur's career and enhancement capabilities to start a business, support programmes and education or training could help improve

entrepreneurial activity rates (Malebana *et al.*, 2015:107). It's difficult to start business without the inputs of all stakeholders that includes the government and private sector, and the educational limitation affects the entrepreneurs on the capacity to formalise their business and the exploitation of new markets (Charman, 2016:2). According to Fatoki (2014:1) the SMME's have a great potential of creation of employment and on the other hand the SMME's in South Africa suffer from high rate of failure.

Former president Thabo Mbeki of South Africa on the state of the parliament address (SOPA, 2003) mentioned that, "a structural fault in the economy and society has resulted in dual economy and society". "There is a need necessary to build or focus with a strategy that will involve building on comparative advantages of the township economy; particularly, abundance of cheap, unskilled labour; adjoining land space that is more affordable than the city centres; and a potential consumer market that is still untapped" (Singer, 2014:114).

## **2.10 INSTITUTIONS THAT SUPPORT ENTREPRENEURSHIP**

According to Fatoki *et al.* (736:2010) the support agencies of government such as SEDA which help with finance and training to new SMEs need to be rigorously marketed to create awareness. The initiatives programmes such as SEDA, Khula, and IDC, all aim to provide finance, expansion, growth and competitiveness (Pretorius *et al.*, 2003:519; Page *et al.*, 2015:44). The mandate is to implement government's small business strategy, design and implement a standard and common national delivery network for small enterprise development and integrate government-funded small enterprise support agencies across all tiers of government (BER, 2016:6).

## **2.11 CHALLENGES FACING TOWNSHIP ENTREPRENEURS AND GOVERNMENT CONTRIBUTIONS**

### **2.11.1 Government contribution**

Charman, (2017:1) in South Africa the intention that the township economy needs to be 'reenergised' has begun to earn significant political grip. According to Manyaka-Boshielo (2017:4) quoting Makhura (2015:20) the provincial government of Gauteng has turned its focus



in pulling its resources and emphasis into township transformation and has allocated R300 million to support township businesses and cooperatives in that year 2015.

Fourie (2015:14) argues that the NDP provides inadequate attention to the ‘unique obstacles faced by micro-enterprises in the margins of the economy’. Charman (2017:2) mentioned that its objectives in this respect are set out in a strategy document ‘Revitalisation of the Township Economy’ (2015). The strategy details a plan of action through which the government seeks to channel resources and create opportunities to foster an inclusive economy based on the promotion of manufacturing, support for cooperatives and the growth of opportunities in retail and financial services (Charman, 2017:3).

### **2.11.2 South Africa Incubators**

Across all countries, the small business incubators have been identified as strategic tools for helping entrepreneurial base to grow while reducing the collapse rate of SMME (Masutha *et al.*, 2014:49). Small business incubators to any developed and developing countries have been identified as strategic tools for helping to grow a countries entrepreneurial levels while reducing the high mortality of SMMEs and governments have supported business incubation within various developments contexts working against challenges (Rogerson, 2014:49). In South Africa the first business incubator was introduced in the year 1995 through an initiative of the Small Business Development Corporation, naming the project "hives of industry" (Jooste, 2014:3).

In the year 2013 the trade and industry department as quoted by Rogerson (2014:50), for assisting SMME’s to reach maximum heights of growth, business incubators have been identified to help SMMEs to become successful. Incubator services include rent subsidies, advisory and administrative services, continuous consulting, business marketing, research and development support, training, new technology and subsidised labour (Temtime, 2011:33).

### **2.11.3 Challenges facing township entrepreneurs**

The challenges facing township entrepreneurs are about what occur in their business activities, on where people conduct business. According to Choto *et al.* (2014:95) entrepreneurs towards economic growth and business development, face many challenges on their businesses operations. Mahajan (2014:53) explains that the informal modernising sector, in this setting

can either compete with or complement the advanced formal economy. Large retailers companies take advantage of the buying power in townships. Obtaining financial support for SMEs in developing countries are regarded a very important challenge (SME Insight report, 2015:15).

#### **2.11.4 Constraints on informal street trading**

The informal street traders face four common constraints: economic pressures; sociocultural challenges; adverse political conditions and policies; and operational challenges (Tambunan, 2009:46). According to Southiseng *et al.* (2010:59) it is harder to keep and sustain the business running in comparing with starting-up a business. Willemse (2011:8) explains that ‘*Economic barriers*’ are the primary hindrances people face to successfully enter informal street trading. Many people have no alternative but to enter informal street vending because they cannot find employment in the formal sector, or they earn insufficient income elsewhere, or they have large households to sustain, or a combination of the above (Akinboade, 2005:257; Cohen, 2010:279; Fleetwood, 2009:23; Fonchingong, 2005:243; Madichie *et al.*, 2010:305; Onyenechere, 2009:85; Skinner, 2006:130).

### **2.12 IMPROVING ENTREPRENEURSHIP ACTIVITIES**

Informal economy and micro-enterprises had fallen off the developmental radar for a while, with the National Development Plan (2011:115) focusing on job creation in the formal economy and must develop a more competitive and diversified economy by raising levels of investment, improving skills and human capital formation as well as increasing net exports. According to Chinomona *et al.* (2015:841) referring from Gangata and Matavire the government should also provide training to entrepreneurs in areas like financial and strategic management, to ensure that they manage properly their entities and the government should start on planning about possibility of opening a bank to look upon the needs of entrepreneurs.

### **2.13 THE INFORMAL SECTOR AS MEANS OF BUSINESS AND SURVIVAL**

In the language of economics, trading that is informal is referred to as the informal economy and this concept also refers to workers and enterprises that are not registered also not forming legal corporation (Appoles *et al.*, 2014:46). Townships population is utilising small-scale

outlets for shopping as grocery stores that provides everyday grocery items needed by customers. According to Charman, (2017:2) referring from Mahajan the structure of the township economy is dominated by small-scale trade in food and/or consumables, serving ‘thin’ localised markets with ‘weak effective demand’, whilst the retail sector in general has come under increasing competition from supermarkets and large retailers, thus reducing opportunities (Mahajan 2014:10). According to Mahajan (2014:10) spaza shops as businesses enterprises known are located in every corner of the townships and informal settlements.

Both forms of retail trade tend to be inwardly focused, supplying the surrounding communities (McGaffin *et al.*, 2014:19). According to Ntombela (2016:40) the informal businesses in townships have the tendency to market their goods and services within townships and this limits their growth potential and does little to contribute to the expansion of their tax base and the overall need to restructure their economic base. The spaza market although is dominated by foreigners who migrated on our shores and are dominating the spaza market business (Charman *et al.*, 2015:16).

## 2.14 SOUTH AFRICA SMME’s SECTOR

The latest Global Entrepreneurship Monitor survey report for 2016/2017 indicates SMME’s in South Africa contributes 36 percent to gross domestic product. In the eight United Nations Sustainable Developments Goal (SDG) on entrepreneurship, it was mentioned that entrepreneurs do create new ventures and also new businesses creates employments, intensifies competition and creation of jobs may directly into increase the levels of economic growth (Momani, 2017:10). In Gauteng alone there are 676831 number of SMEs (SEDA, 2016:13).

According to Nicolaides (2011:1044) South Africa is estimated to have approximately 2 million small and medium business enterprises (SMMEs), representing 98 percent of the total number of businesses. According to Friedrich and Visser (2005) as quoted by Nicolaides (2011:1044) in South Africa, the ratio of entrepreneurs to other workers is roughly 1 to 52.

**Table 2.4: Schedule of size standards for the definition of SME’s**

<b>Firm</b>	<b>Employees</b>	<b>Turnover</b>	<b>Balance sheet</b>
Small	1-49	Maximum 13m	Maximum R5m

Medium	51-200	Maximum R51m	Maximum R19m
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**Source:** Government Gazette of the Republic of South Africa (2003)

Cant (2017:77) in the National Small business Act of 1996 (Act No.102 of 1996) defining the various categories of SMMEs, categories can be seen to use the size of the business and annual turnover as a measure as quoted from Marnewick in 2014. Table 2.5 below indicate various categories of SMMEs. There are five divided categories such as survivalist enterprise, micro enterprises, very small enterprises, small enterprises and medium enterprises (Cass, 2012:82).

**Table 2.5: South Africa categories of SMMEs**

<b>Category Description</b>	<b>Category Description</b>
<b>Survivalist enterprise</b>	A survivalist enterprise can be seen to form part of the micro-enterprise sector and operates in the informal sector. Such businesses are usually started by unemployed individuals, the enterprise will have few capital assets and owners are not well trained. The opportunity for growth in these enterprises is small. Examples are: Vendors or hawkers.
<b>Micro-enterprise</b>	Micro-enterprises are enterprises that do not register their business formally (no license) as their turnover is less than R300 000. These businesses do not employ more than five people, usually family members. Owners usually have the basic training and business skills and have the potential to transform their business to the formal sector. Examples of micro-enterprises include minibus taxis, household industries and spaza shops.
<b>Very small enterprise</b>	A very small enterprise can be seen to operate in the formal sector and do not hire more than ten employees, unless in construction, mining, electricity or manufacturing sector. Example: Plumbers and electricians.
<b>Small enterprise</b>	A small enterprise can be seen to operate in the formal sector and employ not more than 50 employees. Such businesses can be seen to operate with a more complex business structure.
<b>Medium enterprise</b>	A medium enterprise can be seen to include additional management structures within their business, they employ a maximum of 100 employees,

	however if they fall within the construction, mining, electricity or manufacturing sector the enterprise could employ up to 200 employees.
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**Source:** Adapted from: Marnewick (2014), Entrepreneur’s toolkit (2009) and Added by Cant on (JBRMR), Vol. 11 Issue 4 (2017)

According to Masutha and Rogerson (2014:48) the promotion and growth of SMMEs for South Africa is one of the cornerstones to achieve economic development in this sector. Despite the long-standing government commitment and increased support for the sector South African SMMEs have not reached their intended impact, anticipated or desired by policymakers (Masutha *et al.*, 2014:48). The provincial government of Gauteng has responded with a strategy that promises to drive resources and create possible chances for micro-enterprises (Charman, 2017:1).

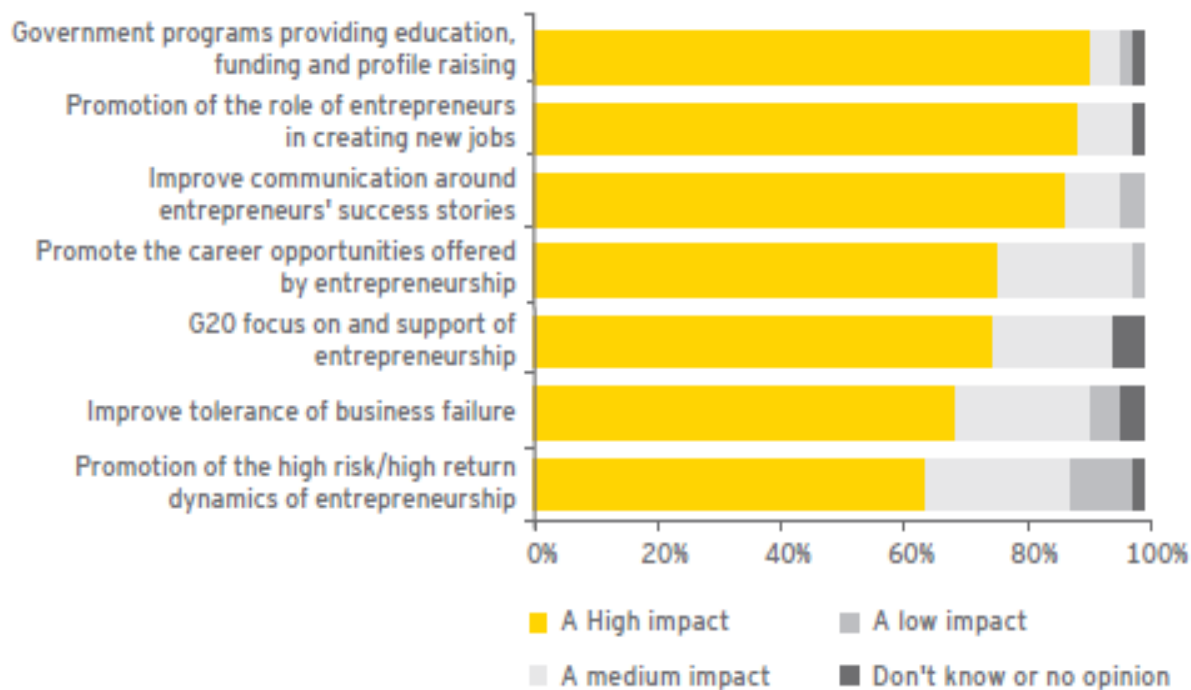
## **2.15 ACCESS TO CREDIT AND FINANCING**

According to Mahajan (2014:9) on the World Bank Study, access to finance is also problematic for township residents, including its entrepreneurs, which only adds to their vulnerability and economic exclusion. The lack or inaccessibility of bank finances is a serious constraint during the formation of new ventures as well as at later stages as business requires additional inflows of capital to support growth (Nieuwenhuizen & Groenewald, 2009:11).

The SMMEs sector forms the foundation of South Africa’s economy, not just they contribute to national Gross Domestic Product, but especially in terms of creation of jobs (Chimucheka & Rungani, 2011:1). According to Singer (2014:115) when it comes to township businesses whether micro, small and medium enterprises, 12 percentage points less likely to use a bank account than MSMEs in non-township urban areas. While credit penetration is generally very low (less than 5 percent of MSMEs in either townships or non-township urban areas report any borrowing), most credit in townships originates from family and friends, whereas in non-township urban areas it does so from banks (Singer, 2014:115).

The Figure 2.3 below from Ernst & Young report (2013:7) points to the needs that entrepreneurs indicated as important determinants for entrepreneurship and one of the determinants as government programs providing funding and profile raising took a large percentage.

**Figure 2.3: Entrepreneurs view as to which factors will have the highest impact on entrepreneurship culture**



Source: Ernst & Young report (2013:7)

### 2.15.1 Overview through access to finance and support from institutions

Due to the challenges of easy accessing finance or credit, entrepreneurs who are starting their businesses found it generally discouraging to continue starting a business (Cant, 2017:79). The typical difficulties towards small businesses obtaining finance mentioned on the GEM report include: inadequate collateral on the part of the entrepreneur, a lack of credit history (Financial Services Regulatory Task Group, 2007), the inability to produce an acceptable business plan according to financial institutions, poor market research and the absence of a viable business idea, and lack of access to vibrant markets (GEM, 2015:32). There is a lack of knowledge from entrepreneurs about government initiatives that provide support of finance, growth, competitiveness and expansion such as the Small Enterprise Development Agency (SEDA), the Industrial Development Corporation (IDC) and Khula Enterprise Finance (Pretorius & Van Vuuren, 2003:519; Page & Söderbom, 2015:44).

### 2.15.2 Factors considered by banks when offering credit

A study by Agyapong and Darfor (2011:132) found that when loan managers are deciding on whether to accept or reject a loan application from small business operators, the intended purpose of the loan, repayment records or previous loans, repayment schedule, type of business activity, size of loan relative to the size of a business and also the availability of collateral are ranked high on the criteria list. Chimucheka *et al.* (2011:8) quoting from a study of Agyapong *et al.* (2011:133) the assessment of credit worthiness of small business borrowers was based on the experience and skills of bankers in applying basic lending principles such as the 5Cs approach or the CAMPARI approach. The 5Cs approach considers the character of the borrower, the capacity, capital, collateral and conditions. On the other hand, the CAMPARI approach involves the assessment of the character of the borrower, ability, margin, purpose, amount, repayment and insurance (Agyapong *et al.*, 2011:133).

Agyapong and Darfor (2011:132) on the study, confirmed that there are different criteria from one bank to another used to offer credit or loan applications and there are also factors to consider in accepting and rejecting the application. Factors considered by banks on small business operators include collateral, guarantee, maturity and schedule of repayment (Agyapong *et al.*, 2011:132).

### 2.15.3 Alternative financing instruments

Financing instruments alternative to straight debt alter this traditional risk-sharing mechanism (OECD, 2015:17). Table 2.6 provides a list of external financing techniques alternative to straight debt, categorised into four groups, characterised by differing degrees of risk and return, whose main features (modalities/operational characteristics, enabling factors, trends and support policies) will be outlined in detail in this report.

**Table 2.6: Alternative external financing techniques for SMEs and entrepreneurs**

Low Risk/ Return	Low Risk/ Return	Medium Risk/ Return	High Risk/ Return
Asset-Based Finance	Alternative Debt	“Hybrid” Instruments	Equity Instruments
Asset-based lending.	Corporate Bonds	Subordinated Loans/Bonds	Private Equity Venture Capital

Factoring	Securitized	Silent Participations	Business Angels
Purchase Order	Debt	Participating Loans	Specialised Platforms for Public
Finance.	Covered Bonds	Profit Participation	Listing of SMEs
Warehouse	Private	Rights	Crowd funding (equity)
Receipts.	Placements	Convertible Bonds	
Leasing.	Crowd funding (debt)	Bonds with Warrants	
		Mezzanine Finance	

Source: OECD (2013b)

## 2.16. ECONOMIC IMPACT OF SOWETO

### 2.16.1 Soweto economics overview

Gauteng contributes a share of the national GDP, and 30 percent more SMMEs are located in the province and the SMME failure rate has a detrimental effect to the province. The recent studies done on the township economy found that most of the business enterprises found in the townships are at a survivalist stage and informal (Gauteng Township Baseline Study, 2017; and the World Bank Study, 2014). According to Strydom (2015:465) large shopping developments in townships such as the Jabulani, Bara and Maponya malls are dependent on a large customer base and on attracting sustainable anchor tenants such as national grocery retail chains offering a full range of perishable and non-perishable grocery items to Sowetan residents. Some products offered by these large retailers are similar to those offered by the small formal and informal small businesses in the township and create what is classified as an intertype competitive situation (Levy and Weitz, 2012) as quoted by Strydom (2015:465).

### 2.16.2 SMME development in Soweto Townships under Gauteng Province

Interventions in improving the operations and environment of township enterprises must be based on a systematic understanding approach of how and when these businesses operate that considers: the quality of life, social capital, knowledge inputs, financing, suppliers, markets, infrastructure, business management skills, availability of specialised services, industrial support and government policies (Karuri-Sebina *et al.*, 2014:40). According to the Gauteng Economic Development Agency (GEDA Report, 2016:1), the Gauteng provincial government had re-engineered their economic development section. Blue IQ Investment holdings (Pty) Ltd



and GEDA merge to form the Gauteng Growth Development Agency in 2012 (Matli & Jordaan, 2016:130).

Gauteng has developed the B-BBEE strategy, (SOPA, 2009) and the Strategic Procurement Framework, (SOPA, 2012) to ensure that the state uses procurement as the tool to create new industries whose goods and services will satisfy the state demand. The aim of these policies is to empower and interact with many black entrepreneurs who are already running their businesses but need more support from government and big business

## **2.17 SUMMARY**

This chapter discusses literature background that support the problem statement of two concepts as ‘township economy’ and ‘informal sector’ which are part of the microeconomics that seek to support inclusive economy. The literature comes from different sources of researched information supporting the role of interventions that would transform and yield results for small businesses to flourish and create employment. Unemployment remains a challenge in South Africa as quoted from different sources such as the Stats SA survey and scientific journals. SMME’s are the driving force of economic growth and job creation.

Surveys of small business failures show that entrepreneurs often have good ideas and are to some extent competent but they have no underlying appreciation of business and lack business management skills. It is therefore clear that being a successful entrepreneur involves knowledge, skill and determination. For job creation entrepreneurship can be possible used as a tool and this come out from the literature background of this report. For the purpose of this study on entrepreneurial orientation and perceived business success the study questionnaire developed by Professor Stephen Van der Merwe will be used with a slight modification to make the questionnaire only relevant to township business owners.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

The literature considered in Chapter 2 demonstrated the need to establish an opinion of township business owners in order to produce actual facts relating to the role of supporting and stimulating the township economy and informal sector under the provincial government of Gauteng. The study is aimed at understanding the problem statement of this research. The chapter provides an understanding to the practical ways and to the methods used in gathering the information for the empirical part of this research.

Chapter 3 will outline how sampling, data was collected and data analysed processes. The researcher opted to make use of a survey technique to collect data from the selected respondents. The chapter will end with a deliberations on the limitations for this particular study. The technique that was utilised by the researcher is the quantitative research method. Elmonds and Kennedy (2013:20) explain that the quantitative research, refers to the applications of systematic steps of scientific method, at the same time using quantitative properties to research effects of the specific variables.

A sample of questionnaires were distributed amongst entrepreneurs operating small business in the township, such as owners of spaza shops, supermarkets, street vendors, hawkers, car panel beaters business, informal general dealers and some questionnaires were also distributed to other institutions that support entrepreneurship as part of gathering more information about the problem statement of this research. Next, the method utilised for data collection and questionnaire design will be described. When this chapter concludes, the data processing method, data interpretation and evaluation of the results obtained will be discussed.

#### **3.2 THE RESEARCH TYPE DESIGN**

The types of research instruments were designed for this study. Creswell (2009:3) the research design is a plan that stretch the decisions from wide range of assumptions to a detailed methods of how it will be collected and analysed. The tool was designed for the purpose of collecting quantitative data and this was done with the use of a structured questionnaire for the purpose

of gathering information. The measuring instrument or tool also served as a measure on whether entrepreneurship is contributing meaningfully in addressing unemployment and poverty. The personal information section was used to obtain information about the entrepreneur's level of education and past years' experience. In the section relating to entrepreneurship the respondents were asked about entrepreneurial conditions and also the type of assistance whether as training, finance or any kind of support that would increase their chances of success and determine the role of external support from institutions that support entrepreneurship.

Elmonds and Kennedy (2013:20) state that the purpose of the research design is to present a plan, a structure and the strategy of investigation that will be used by the researcher in order to obtain answers for the research questions identified. The quantitative research method is referred to as a deductive process and initiative in nature (Elmonds *et al.*, 2013:20). This is determined by the research findings. The research questions were chosen based on the relevance towards the study in order to maintain an appropriate and scientific meaning.

The unit of analysis for this study is selected through one township in Gauteng, the SOWETO Township which comprises of several townships and is under Region D of the City of Johannesburg Metropolitan Municipal. The quantitative research is worried about the analysis and production of statistical data using empirical evidence gathered from an observed setting (Creswell, 2014:4). Research results emanating from a quantitative method are structured. Creswell (2015:155) summarise the Advantages and Disadvantages of quantitative research method as follows on Table 3.1 below:

**Table 3.1: Quantitative research advantages and disadvantages method**

Advantage(s):	Disadvantage(s):
The quantitative research method proposes a deductive approach.	The researcher might have the complexity to separate a theory from the components of the research process.
The theoretical discussions are logical and they explain how and why variables are related.	The rationale may be included and left out of the discussion of origin and the underlying principle for the use of the theory and
There is a clear separation of theory from the components of the research process and the reader will have an understanding of the study.	The reader might not easily connect with other components.

**Source:** Creswell (2015:155)

### 3.2.1. Survey

The word ‘*survey*’ can be described or interpreted as ‘to view comprehensively and in detail’ (Denscombe, 2010:13). Surveys have emerged in recent times as one of the most popular and common place approaches to social research (Denscombe, 2010:18).

The arguments for the use of this strategy are (Descombe, 2010:18):

- A survey can have wide and inclusive coverage. It implies that the research could have a breath and ‘take it all in’ panoramic view.
- It usually relates to the present state of affairs and it endeavours to give a snapshot of how issues are at the specific time at which data is collected.
- Survey work involves the idea of empirical research where the researcher gets out of the metaphorical chair and purposefully seeking the required information in the context that is being studied.
- In fact, survey based research can presented as an accurate and generalised representation of the field of study (Fisher, 2015). This strategy is underpinned by the adoption of a structured approach. This necessitated the use of both structured and semi-

structured questions in the survey as described in the section on data collection techniques below.

- Surveys have several additional merits that include:
  - The accessing of empirical data: surveys tend to produce data based on real-world observations. There is the notion of an active attempt by the researcher to go out and get information ‘straight from the horse’s mouth’ (Denscombe, 2010:48).
- Wide and inclusive coverage:
  - the study benefits from a span of vision which is wide and inclusive. Its breadth of coverage implies that it is more likely to get data based on a representative sample than other approaches. As a result, findings from a good survey research score well in terms of generalisability (Denscombe, 2010:49).
- That surveys lend themselves to quantitative data:
  - the survey approach can be used with particular tools such as questionnaires comprising both structured and semi-structured questions subjected to statistical data analysis.

### **3.3 RESEARCH APPROACH**

There are three categories which can be either qualitative, quantitative or a mixed method approach categorised in a research study (Williams, 2007:65). The purpose of a quantitative approach is to answer questions regarding where, who and how, while a qualitative method is an approach directed towards why and how questions (Harrison & Reilly, 2011:7).

The research approach will be quantitative research and will be based on township community opinions, feelings and experiences through a questionnaire and cannot introduce treatments or manipulation effects of support by the government and interested institutions and the information is through first-hand experience. For this research study the questionnaire as an instrument used has five sections that are relevant to the initial research problem. The analysis will focus on benefits that are visible in terms of impact, value, progress, skills development, employment creation, infrastructure development and access to funding and the main challenges facing the township economy including SMME’s progress within the townships. Another selected respondents besides township (Soweto) entrepreneurial community, business owners and business managers, were interested institutions who support township economy

either financial or non-financial just to gather information that would support the research question.

This researcher employed the deductive research approach. The emphasis was on scientific principles where theories were applied to the development and assessment of questionnaires. This leads to an attempt at explanation of casual relationships between variables. There was then a collection of quantitative data within the selected sample.

### **3.3.1. The Quantitative Research work**

A focus group is a form of quantitative research in which a group of people are asked questions about their opinions, perceptions, beliefs and attitudes towards a product, service, concept or idea (Chinomona & Maziriri, 2015:843). The quantitative research method was used in order to obtain insights into how the participants perceived the programme to assist them with adequate knowledge to initiate and manage their businesses located in the township area. Welman, Kruger and Mitchell (2005:8), described quantitative research as research that evaluates objective data consisting of numbers, where flexibility is limited to prevent any form of bias in presenting the results and where the purpose is the abstraction of reality.

Chapter 4, will contain the findings for the empirical research were based on the responses obtained from the questionnaire that were distributed to the entrepreneurs. The quantitative research results were categorised, displayed and grouped on that chapter. The researcher collected the data by moving from one business enterprise to another one. Quantitative data is subjected to analyses using descriptive statistics analysis.

### **3.3.2. Contents of the quantitative research questionnaire**

The quantitative research questionnaire content were chosen to highlight the differences in; personal information, sources of business information that include; business ideas, levels of creativity, skills and knowledge, educational qualification levels, access to resources, motivational factors, obstacles faced by entrepreneurs and financing needs of entrepreneurs. A detailed quantitative research questionnaire sample layout is attached to this study as Annexure A.

### **3.4 TIME FRAME HORIZON**

The collection of data for this research will be done over a period of that gives respondent time to complete the questionnaire. The questionnaires were hand delivered, sent via email and collected, rather than posted. Data analyses done and will be reported in Chapter 4. It is the limited timeframe that inherently made it impractical to conduct an exhaustive study. However, the methods used to collect data ensured validity and reliability which strengthened the study's attempt to produce a reasonably comprehensive study.

### **3.5 UNIT OF ANALYSIS**

This study focused on entrepreneurial community, business owners and business managers in general but with a particular reference to the township economy in Soweto as a survey strategy for this research as mentioned on Chapter One in a problem statement.

### **3.6 RESPONDENTS TO THE SURVEY**

The population target for sampling were the entrepreneurial community, business enterprise owners and business managers as participants for this research. Walliman (2011:94) explains that the population does not signify a number of people however it is a collective term that is used to articulate the total quantity of things, types of objects, people and or even events. In pursuit of this study research, the researcher selected population of entrepreneurial community, business owners and business managers within Soweto as a township.

#### **3.6.1 Sampling Strategies**

The target population and subsequent sampling units were based on small businesses in various townships of Soweto. The sample size was limited to one township of Gauteng province for due to limited resources. The case study research question is based on outcomes role of supporting and stimulation of the township economy and informal sector as a problem statement. Sample information are a combination inputs from the interested institutions that support township economics financial or non-financial, entrepreneurial community, business owners and business managers. A random selection was done from the strata for questionnaire distribution.

The sample was randomly selected from the population various sub-groups and was divided into smaller groups and a stratified Random Sample technique refers to a population sample that requires the population to be divided into smaller groups called strata (Scheaffer, 2006:15). Participants were chosen as a sample from various strata for this research and they consisted of owners of retail spaza shops and informal general dealers, building and construction, informal car mechanics and panel beaters, transportation, informal general dealers and catering small business as meat place (shisanyama) and township pubs, informal supply and chain businesses, hair salons and other small scale businesses as informal traders as street vendors and hawkers.

### **3.6.2 Sample Size Collected and Framework**

A sample could be deducted from that of a population and it is a representative element chosen from the population to study the characteristics of the whole population. Malhotra (2010:375) further states that an effective sampling strategy has five stages, which include defining the target population, identifying a sampling frame, selecting an appropriate sampling technique, determining an appropriate sampling size and lastly implementing an effective sampling process.

The sample size can be calculated using a Raosoft sample size calculator (Chimucheka & Rungani, 2010:9). Sampling theory guarantees good results, regardless of the population size provided that the sample size is bigger than 30 ( $n > 30$ ). It is for this reason that the researcher sampled 100 to represent a very large population. According to Walliman (2011:96) the probability sampling is a procedure in which the samples are collected in a process, with the purpose that gives all the individuals in the population an equal opportunity of being selected.

### **3.7 METHODS UTILISED TO OBTAIN DATA**

A questionnaire was designed to endorse and reflect on the main objectives of this study. The study research questions allowed for descriptive data to be collected. For data gathering tool, the study used structured questionnaire survey for the information collected to all the participants that participated in the study. Information obtained from the literature survey was used to construct the research questionnaires. Questionnaires were delivered personally, others were sent by means of email to the respondents and the completed surveys were collected from the respondents (Ferrell *et al.*, 2015:91). In order to assess an awareness of respondents, the



primary data information is directly collected by the researcher from the participants. Demographic area included selected areas in Region D of the City of Johannesburg Metropolitan Municipal as the Soweto Township.

### **3.7.1. Primary Data and the Collection Tool Instruments**

Primary data is the information collected to solve the design research problem under investigation. According to Denscombe (2010:18, 172 & 197) the common techniques used as collection instrument tools are; interviews, questionnaires and observations. The researcher limited the data collection techniques to questionnaires as a primary instrument of collection of data.

### **3.7.2 Questionnaire Technique**

The most popular method of data collection in a survey research is through the use of a questionnaire. It was the main tool utilised for the merits to be expanded upon. It is celebrated for its characteristic wide coverage. Questions, mainly the structured ones, align the responses of the sample to the expectations of the researcher through the provision of options. In other words, the research questions are translated into the language of the respondents. In this study, the researcher used the questionnaires to solicit data that would answer the research questions. The questionnaires were deliberately designed to target the entrepreneurial community, business owners and business managers. Appendix A is the structure of the questionnaire that was administered to the respondents.

As discussed in the section of survey, the use of questionnaires are highly ranked for their objectivity as compared to other techniques. There are less chances of interviewer bias and they collect data quicker than interviews. This advantage is caused by anonymity and privacy which eliminates pressure on the respondents.

These questionnaires were directly given to the entrepreneurial community, business owners and business managers to enhance immediate responses exactly in a manner explained by Denscombe (2010:157). The questionnaire was structured in a manner to maintain uniformity and hence enhancing comparability of answers when presenting and analysing the collected data.

The following advantages arised to the researcher for utising the questionnaire medium as proposed by Denscombe (2010:169):

- The questionnaires were very economical in the sense that they supplied a considerable amount of research data for a relatively low cost in terms of materials, money and time.
- Questionnaires collected data that was not contaminated through variations since they supplied standardised answers to the respondents and data could not be affected by ‘interpersonal factors’.

In some of the questionnaires ticks (X) or (√) was used and other as to specify the respondent views was included with exception not to cause confusion. Structured answer questionnaires exposed the biases of responses since the researcher had predetermined options.

### **3.7.3 The Pilot Study**

The researcher conducted a pilot study in order to test if and if need be, to modify the questionnaire. It is the pilot study that made the researcher to realise the duration it takes to respond to a questionnaire and making questions straight forward and speedy as possible by including the ticks (X) or (√) as to speed up the process as an option to simplify the respondent responses (Denscombe, 2010:162). It is the pilot study that made the researcher to reduce open-ended questions. The researcher should prepare questions that are clear and easy to answer, which is usually referred to as a close ended questions (Lategan *et al.*, 2011:42). The simplicity of the questionnaire was modified after consultation with the research supervisor and also after checking the quality of the first batch of responded challenges categorised as interested institutions.

## **3.8 VALIDATION AND RELIABILITY**

It was very necessary that the researcher obtained all truthful answers and prudent approaches were necessary to avoid being a gullible dupe who accepted all that was said at face value Denscombe (2010:188).

### **3.8.1 Validity and Reliability of this case study**

The study will be based on empirical investigation and is based on real-life situation and is also based on perception, opinions and experience of individual participants. The research approach

and data collection is based on the township business community's opinions, feelings and experiences as reported in the questionnaire as means of data collection and cannot introduce treatments or manipulate by any external institutions. The information was through first-hand experience as it was collected.

The researcher read the questionnaire to the respondent and transcribes the data collected from the survey to capture a general sense of the whole ideas presented. Analysis and findings are supported by including the direct quotes from the respondent. Organised data are with the aim of formulating general themes and link them together to create a good understanding of the main theme that is researched for that particular study. Cronbach's alpha coefficient has been used, which recommends a value between 0.7 and 0.8 for the reliability and consistency of any items. A value of 0.7 is the internationally acceptable standard. A low coefficient can mean that the question asked is not properly formulated and does not correlate strongly

The researcher enhanced reliability by diligently recording the data from the questionnaires. Furthermore, the researcher was deliberately conscious of the theories obtained in Chapter 2 and the questions were aligned to answer the research questions and achieve the study objectives in a way that would yield the same conclusions should another examination be pursued by contemporary researchers. The questionnaire was constructed and the following methods were used to analyse the information that was collected:

- Reliability and validity analysis.
- Descriptive analysis.
- Significance tests.

### **3.9 DATA ANALYSIS INTERPRETATION**

Data collected were quantitative and were subjected to analysis. All information and notes taken from the process of gathering information either from the township entrepreneurial community, business owners including business managers and interested institutions (stakeholders) were subjected to this process of analysing and interpretation of information obtained. The meaning of displayed results would be established by interpreting patterns, explanations, information flows, propositions, configurations and regularities. According to Walliman (2011:97) the collected data can be analysed by using a Statistical Package for the Social Science (SPSS) version 25.

This software will assist the researcher with the calculations and the presentation of the data. The data is illustrated in a percentage form. Pallant (2007:52) gives explanation that a descriptive statistic is essential in decision making. This statistical technique is suitable to address specific research questions. Descriptive statistics and the appropriate inferential statistics was used to derive meaning from the data. Data collected were analysed in terms of frequencies and percentages. The Special Package of Social Science technology will be used in this process together with Microsoft Excel. In the next Chapter 4, the meaning of data collected would be following interpreted and presented as results using tables, charts and graphs.

### **3.10 LIMITATIONS**

The most inherent limitation was the non-inclusion of all township businesses in data collection as per full circumference area of SOWETO. The contributions of this research has its limitations as were spelt out in the demerits of a survey strategy and questionnaire technique, which provide avenues for future researches.

The following limitations were recognized:

- The study only focused on a specific township in Gauteng as it cannot deal with every township within the province.
- The area coverage of the Soweto as a township cannot be covered as the researcher has limited resources to cover the whole township.
- The lack of time and financial resources to conduct a more detailed and thorough quantitative empirical study.
- The study focused mainly on the township business owners, township entrepreneurship, township entrepreneurial community and the informal economics as consideration for the research and within the legal framework of both the province and the country.
- The study was conducted amongst South African SMME's operating under South African local authorities' rules and regulations, the results related primarily to the South African situation and should be interpreted as such.

### **3.11 STUDY CHAPTER SUMMARY**

A survey strategy as data collection method was used because of the nature of the study and its advantages improved validity and reliability of data. Samples were collected from the Soweto entrepreneurial community, business owners and business managers were selected using probability and non-probability methods. The following section as Chapter 4 consists of interpretations, analysis and presentation of findings obtained from the data analysis. The questionnaires were analysed by means of the Statistical Package of Social Science (SPSS) and the data will be analysed as a results to establish the conclusions of this particular study. The results therefore will be presented in response to the research questions and objectives in chapter one.

# **CHAPTER FOUR**

## **RESULTS AND DISCUSSION OF EMPIRICAL STUDY**

### **4.1 INTRODUCTION**

The aim of this study was intended to understand economical entrepreneurial activities in the township, regarding the assessment role of support of these activities and it be verified in terms stimulating the township economy. The key to determine the outcomes or verify problem results will be to look at the business establishments, contribution to tax as in a form of a registered business, creation of employment, source of funding, training and financial needs, motivational factors to start a business and hardships faced by entrepreneurs.

### **4.2 MEASURING INSTRUMENT**

In an attempting to present answers to the concepts highlighted for this particular research, this chapter delivers the primary data received with the assistance of an instrument tool as a questionnaire for this study. Quantitative research approach has been followed in this study and the key findings of the study provides the information from Sixty eight (68) respondents sampled from the township of Soweto. Other supplementary information was researched from journals, observation and interviews with interested stakeholders on this particular research problem. The study was aimed at collecting sufficient information that would assist to explain the challenges of township entrepreneurs' development and also the type of assistance that would increase their chances of success.

### **4.3 STUDY RESULTS**

This chapter will further encompass comprehensive data collected in the form of closed-ended questions (quantitative: frequencies). Eighty questionnaires were given to the entrepreneurs in Soweto and 71 were collected and 68 were used for this studies. The quality of 68 questionnaires collected had some errors but were usable for the study.

### **4.4 STATISTICAL DATA ANALYSIS**

The analysis of the data collected, the Statistical Consultancy Services of the North-West University, was approached and it was analysed using Statistica and SPSS Inc. 2015.IBM SPSS® Statistics Version 25. The validity of the questionnaire was assessed by calculating Cronbach Alpha coefficients. The results are discussed on this chapter four.

#### **4.5 DESCRIPTIVE STATISTICS AND FREQUENCIES**

The questionnaire was structured in **FIVE SECTIONS A - E** and the feedback from participants answers are detailed as indicated below:

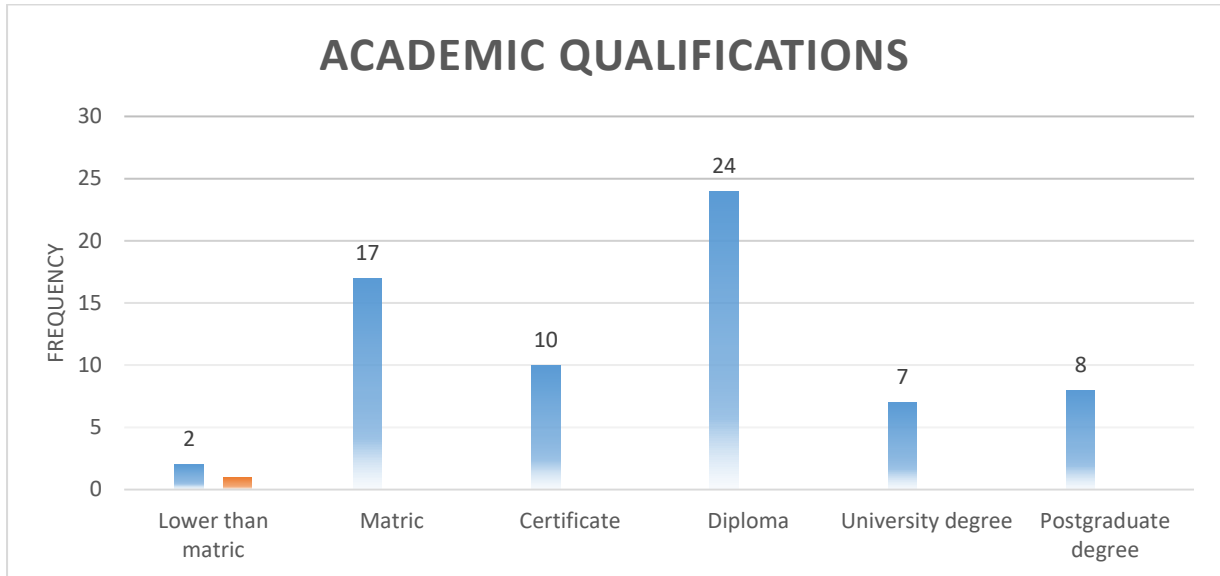
##### **SECTION A: PERSONAL INFORMATION (BUSINESS OWNER).**

This section sought to gain an understanding of the respondents and close ended used questions to collect information such as highest academic qualification, occupational background and years of self-employment with the aim of understanding the character of the business owner relationship with the aim of external role support and stimulation of the township business economy. Questions were prepared in a form of a multiple-choice for the respondent to have choices of more than one. This information gathered on this section allowed the researcher to get a better understanding of the entrepreneur's background. A total of 68 business owners were interviewed. The sections below discuss the findings.

#### 4.5.1 Distribution of the highest academic qualifications of the entrepreneurs

- **Results obtained.**

**Figure 4.1: Distribution of academic qualifications of entrepreneurs**



**Source:** Question A1 of Questionnaire Findings

- **Analysis of the results**

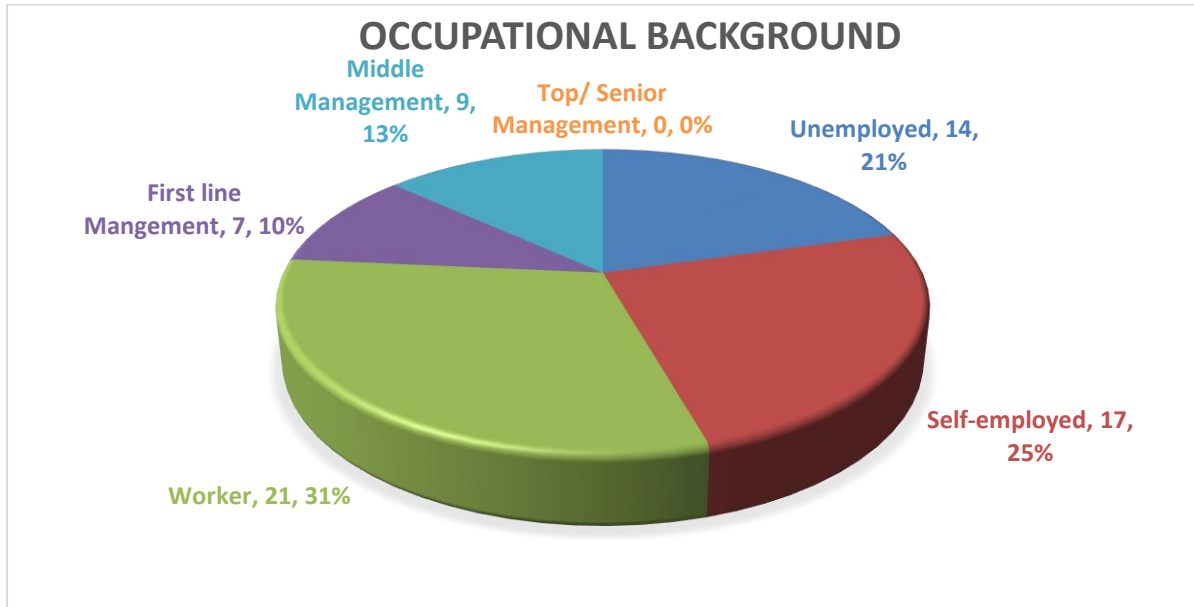
The above results indicate that 24 (35%) of entrepreneurs interviewed have diplomas, 17 (25%) have matric, 10 (14.7%) have certificates, 8 (11.8%) have postgraduate degrees, 7 (10%) have university degrees and 2 (2.9%) have qualification lower than matric. The participants' level of education was observed as having a relationship with a type of the business an entrepreneur have but the level of education does not guarantees or qualifies the business success. There are some other factors that qualifies the business success. Participants selected more than one choices of which the survey ended up with 87 frequencies.



#### 4.5.2 Distribution of occupational background (previous occupational background)

- Results obtained.

Figure 4.2: Distribution of occupational background (previous occupational background)



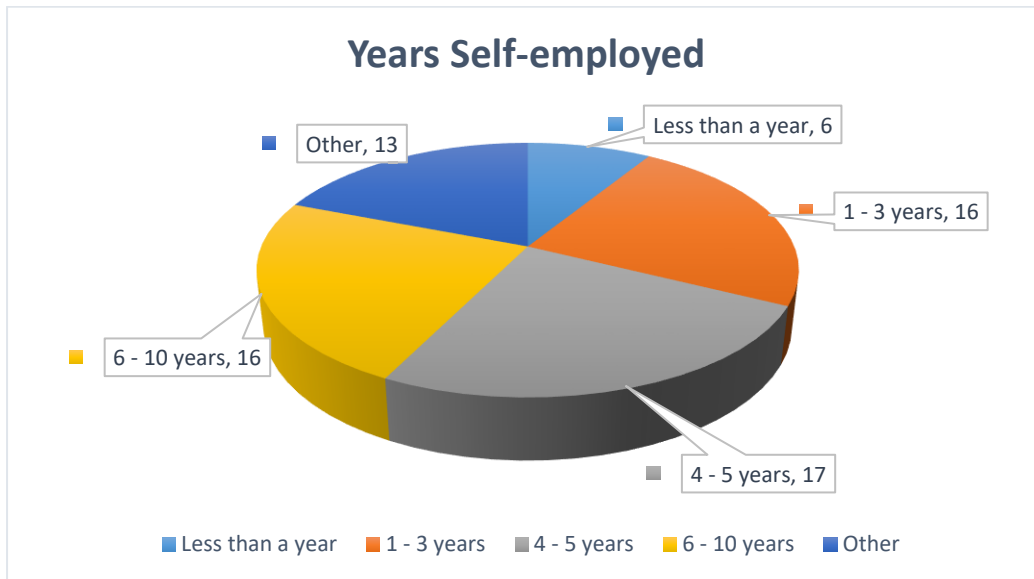
Source: Question A2 of Questionnaire Findings

- Analysis of the results

There were no entrepreneurs with top or senior management background, 25% have been self-employed, 21% have never been employed, 31% have a previous work experience, 10% have been in a first line management and 13% have a middle management background. Participants selected more than one choices of which the survey ended up with 87 frequencies.

### 4.5.3 Number of years self-employed

Figure 4.3: Years self-employed



Source: Question A3 of Questionnaire Findings

There were (Six) 6 entrepreneurs with less than a year self-employed, 16 (sixteen) with 1 – 3 years, 17 (seventeen) with 4 – 5 years, 16 (sixteen) with 6 – 10 years and other entrepreneurs who are 13 (thirteen) had different years ranging from 12 - 22 years (twelve to twenty two) self-employed. Self-employed on this research means having the responsibility of running your own business.

## SECTION B: BUSINESS INFORMATION.

This section represents results by participants on their business information, profile and its activities. The results included the sector at which the business belong, legal status, business operational period, path to business ownership, source of start-up funding, business operational premises, number of employees if any, training received source and present business ownership.

#### 4.5.4 Economic sector where your business operate

- **Results obtained.**

**Table 4.1: Economic sector of your business**

<b>Economic Sector</b>	<b>Frequency</b>	<b>Percentage</b>
Retail Industry (01)	8	9.2
Wholesale trade (02)	2	2.3
Manufacturing (03)	6	6.9
Construction (04)	8	9.2
Transportation/ distribution (05)	6	6.9
Accomodation and restaurant (06)	3	3.4
Food Industry (07)	10	11.5
Agriculture/ Forestry/ Fishing (08)	0	0
Type of service (09)	14	16.1
Other (10)	9	10.3
<b>TOTAL</b>	<b>68</b>	<b>100</b>

**Source:** Question B1 of Questionnaire Findings

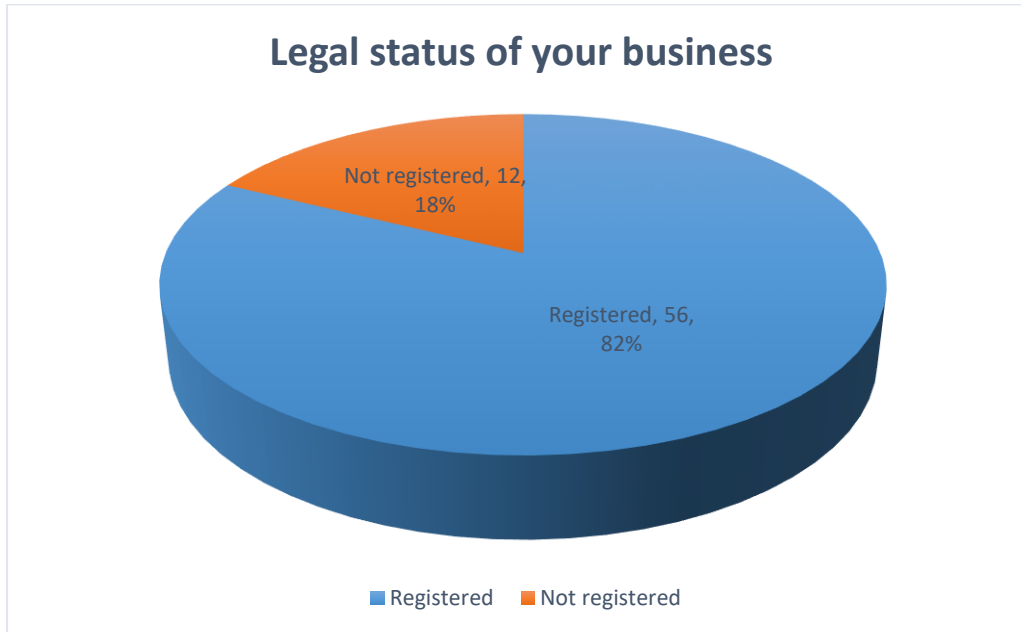
- **Analysis of the results**

The majority of participants' economic sector were operating on the service sector with 14 (16.1%), followed by Food industry with 10 (11.5%), other business type with 9 (10.3%), Retail Industry and Construction with 8 (9.2%) respectively, Manufacturing and Transportation/ distribution with 6 (6.9%) respectively, Accommodation and restaurant with 3 (3.4%) and Wholesale trade with 2 (2.3%). The service sector with 14 (16.1%) include, Funeral, Laundry, Car wash, Cleaning, Tourism, IT, Retail and Finance, Event Management (Planner), Early Child Care, Training Provider, Automotive Repair, Security services and other sectors with 10 (10.3%) include, Water proofing, Furniture design, House Shades, Welding, Music, Fashion Design, Hospital, Bakery, restaurant, art and entertainment and Guest house and Spa.

#### 4.5.5 Formal registration status of your business

- **Results obtained.**

**Figure 4.4: Legal status of your business**



**Source:** Question B2 of Questionnaire Findings

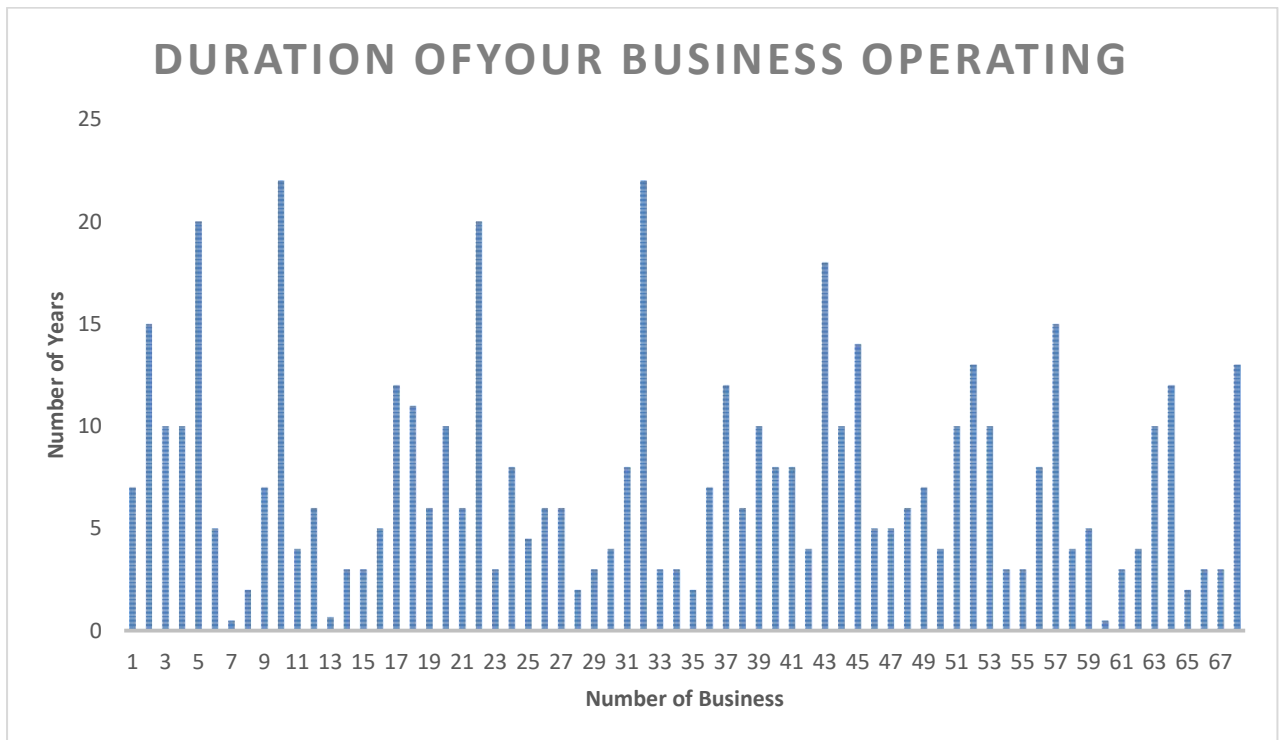
- **Analysis of the results**

The above graph shows legal status of businesses, with 56 (56.82%) as registered and 12 (12.18%) as unregistered. The Companies and Intellectual Property Registration Office (CIPRO) is responsible for the formal registering of businesses.

#### 4.5.6 Duration of your business in operation

- Results obtained

Figure 4.5: Duration of business in operation



Source: Question B3 of Questionnaire Findings

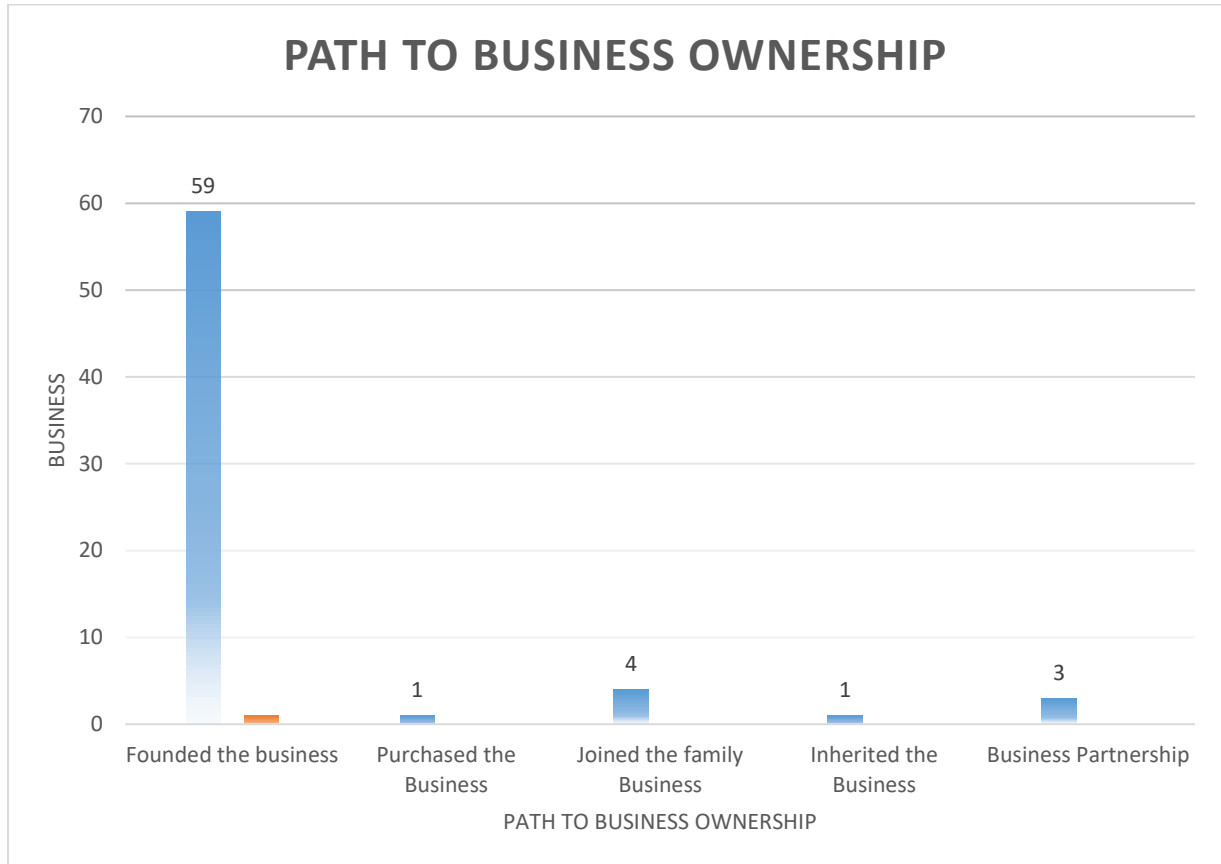
- Analysis of the results

The results indicate the duration of business in operation, ranging from 6 months to 22 years on average from sixty eight (68) participated township entrepreneurs for this research.

#### 4.5.7 Path of business ownership

- **Results obtained.**

**Figure 4.6: Path of business ownership**



**Source:** Question B4 of Questionnaire Findings

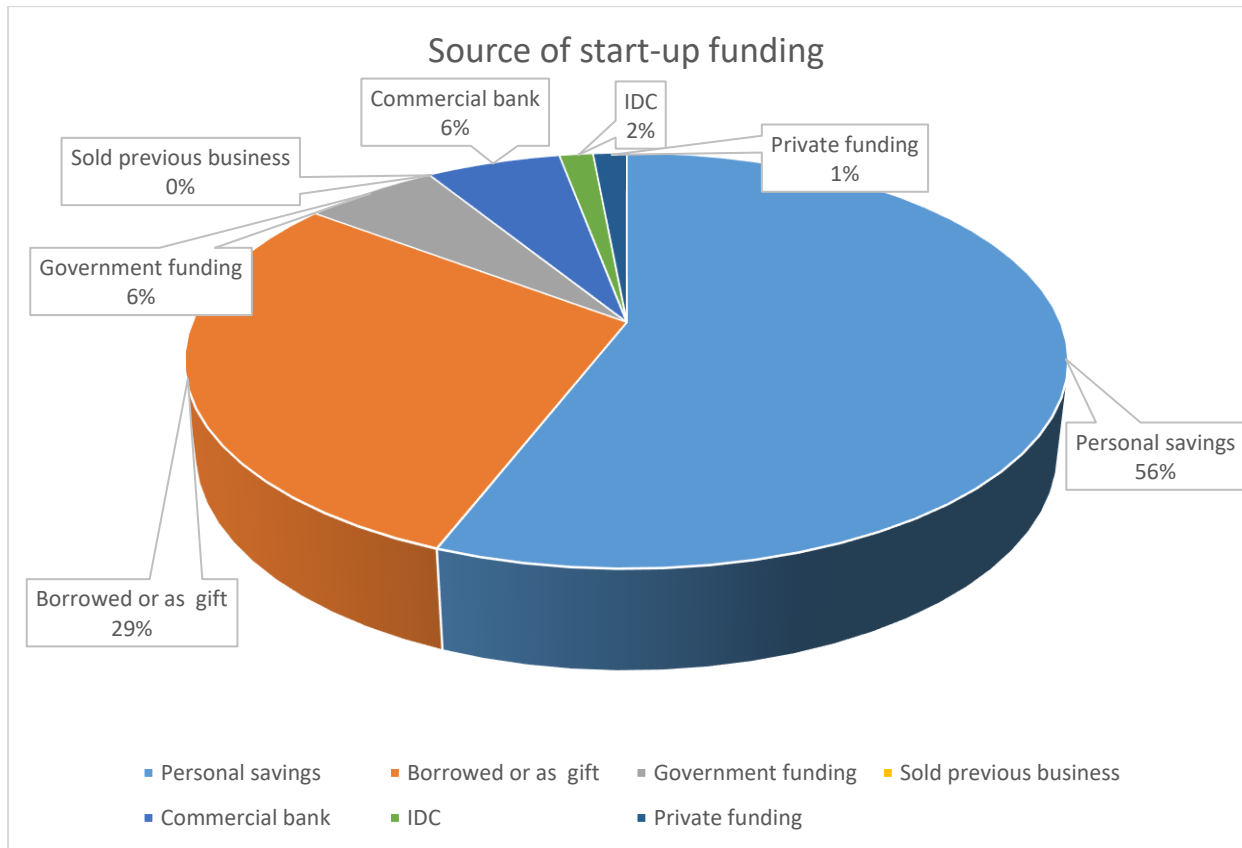
- **Analysis of the results**

Figure 4.6 indicates that most entrepreneurs started their businesses with fifty nine (59), four (4) joined their family businesses, three (3) started with business partners, one (1) purchased the business shows and another one (1) inherited the business.

#### 4.5.8 Source of start-up funding

- **Results obtained.**

**Figure 4.7: Source of start-up funding**



**Source:** Question B5 of Questionnaire Findings

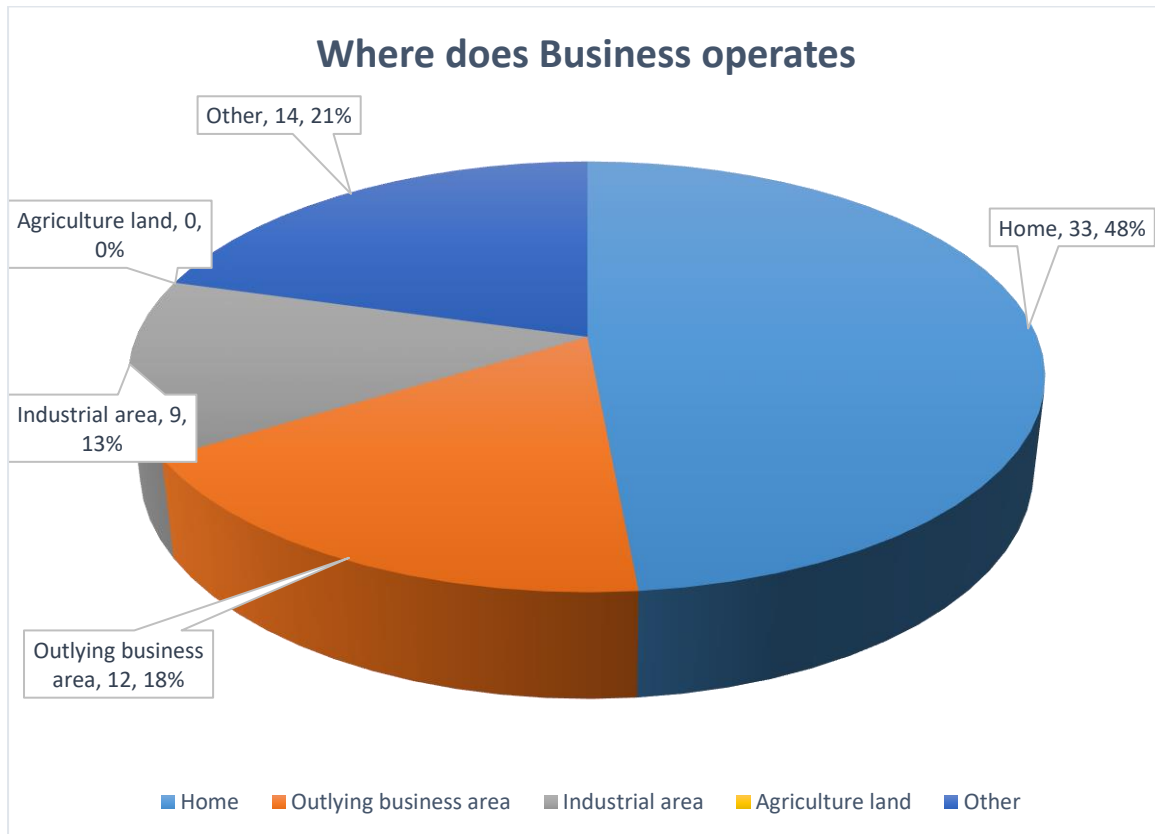
- **Analysis of the results**

Participated entrepreneurs of about 56%, started their business out of their personal savings; 29% obtained their start-up capital from borrowings or as gifts; 6% from the bank; 6% were funded by government; 2% were also funded by IDC and 1% were from private funding.

#### 4.5.9 Business premises where the business operates

- **Results obtained.**

**Figure 4.8: Indicate your business premises**



**Source:** Question B6 of Questionnaire Findings

- **Analysis of the results**

Out of 68 participants for this research approached, 48% operated their businesses at home, 18% at outlying business area, 13% at industrial area and other 21% operated their businesses at other places where they rent the premises, a door to door type of a business and the government allocated space or yard. Location of the business is important towards determining the failure and its success. Township location have challenges of aging infrastructure, lack of investing to townships, overpopulation, lack of resources, non-compliance to payment of rate and taxes and low employment levels. The location is one of the external socio-economic challenges that small business encounter. These are factors that need to be considered when choosing a location: proximity of raw materials, proximity of costumers and adequate

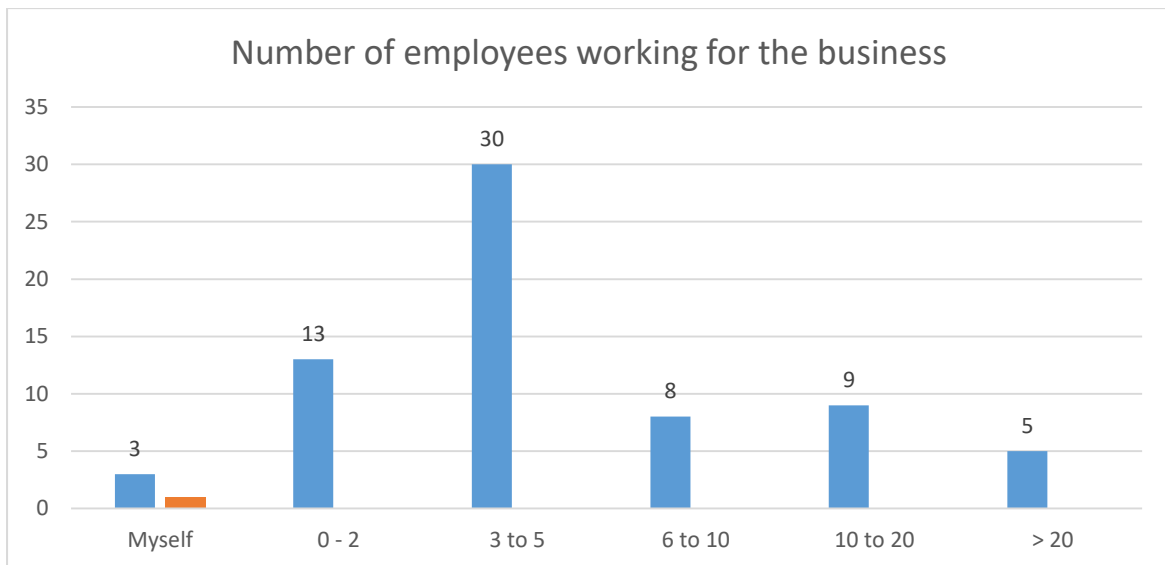


infrastructure. This is what the research seems to understand as what sort of barriers stood in their businesses activities.

#### 4.6.1 Number of Employees employed by your business

- **Results obtained**

**Figure 4.9: Permanent employees employed by your business**



**Source:** Question B7 of Questionnaire Findings

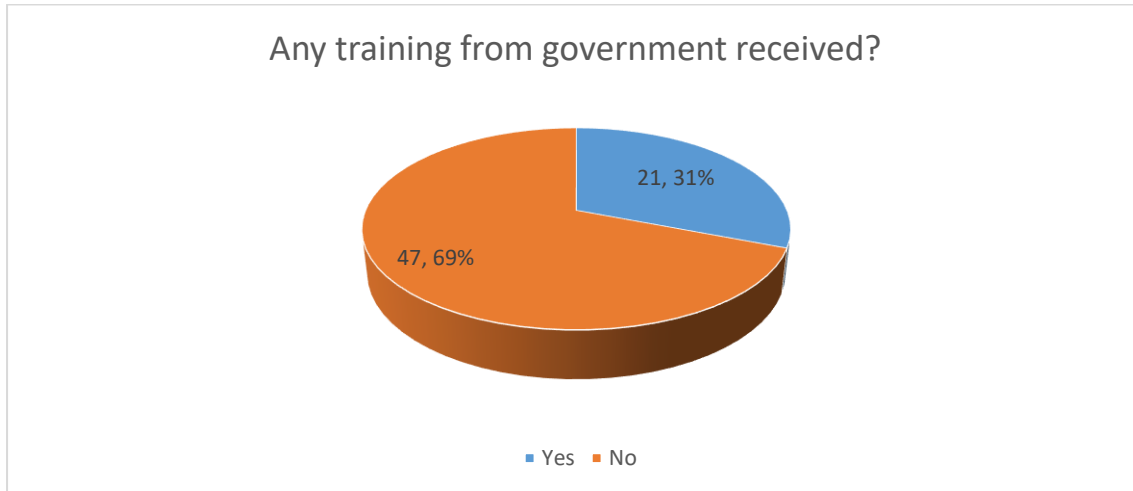
- **Analysis of the results**

Figure 4.9 indicates that 44% of the respondents have 3 to 5 employees; 19% have 0 to 2 employees; 13% have 10 to 20 employees; 12% have employed 6 to 10 employees; 7% have employees greater than 20 and 4% have the owner as an employee. This proves that small businesses in the township does create employment as part of township economy activities.

#### 4.6.2 Any form of training received from the government?

- **Results obtained.**

**Figure 4.10: Have you ever received any training from the government?**



**Source:** Question B9 of Questionnaire Findings

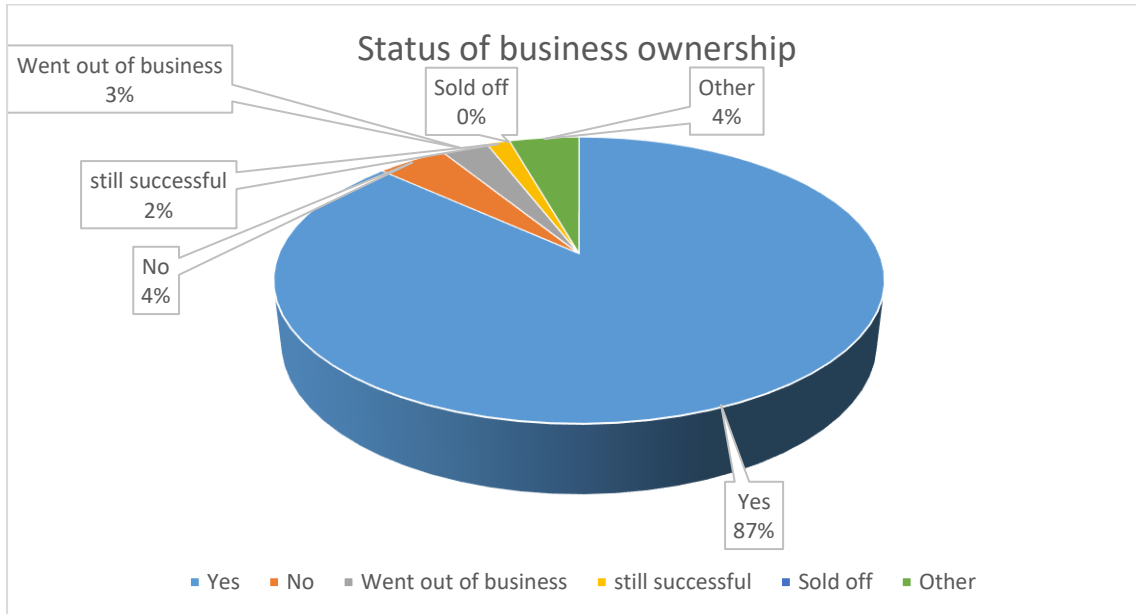
- **Analysis of the results**

Figure 4.10 results, indicates about receiving training from the government that the majority of entrepreneurs interviewed (69%) have never received any form of training but 31% did received some form of training. The training from government vary from type of SETA's, government agency and Business Skills Hubs, Labour Department, educational training institutions and GEP (Gauteng Enterprise Propeller). The private training vary from attaining training from previous work experience, tertiary institution, self-taught and other stakeholders. The survey proves the kind of support received by entrepreneurs as in a form of training by either government or other organisations but the majority from this survey has never received any support as in a form of training. From Chapter 3, as was mentioned, the reason why businesses tend to fail is because of the lack of training as also part of business skills.

### 4.6.3 Business ownership status

- **Results obtained**

**Figure 4.11: Status of business ownership**



**Source:** Question B10 of Questionnaire Findings

- **Analysis of the results**

Out of the total sample of 68 approached, 87% entrepreneurs currently business is their first that they own, 4% has another business they own, 3% went out of business, 2% were still successful; and other 4% own another business but were interviewed on a particular business where the researcher was seeking information about it.

### **SECTION C: MOTIVATIONAL FACTORS.**

The purpose of this section is to determine main motivational factors that drove entrepreneurs to enter into their own business venture. In this exercise entrepreneurs had to mark X to indicate that they agree or disagree with the statements: 1= strongly disagree, 2 = disagree, 3 = neutral view, 4 = agree, and 5 = strongly agree. Refer to Appendix A at the back.

### 4.6.4 Variables measuring entrepreneurial motivational factors

Section C of question C1 – C15, consisted of 68 statements with the intention of determining the entrepreneurship motivational factors from the respondents. Fifteen constructs were used namely as indicated on the table below that shows the dimensions of entrepreneurial motivational factors with the mean (x) measured levels of application and recognition. The standard deviation (s) indicates how the recorded data is distributed. It provides the number to add to, or subtract from the mean value (x) to obtain the highest or lowest accurate perspective without being concerned about the effect of outliers.

- **Results obtained**

**Table 4.2: The dimensions of entrepreneurial motivational factors**

	<b>Constructs</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>N</b>
C1	Need for Independence	3.94	0.844	68
C2	flexible work schedule	3.16	1.002	68
C3	Need a challenge	3.71	0.793	68
C4	Self-fulfilment	3.91	0.805	68
C5	Develop hobby	3.46	0.871	68
C6	Role models	3.21	1.140	68
C7	Redundancy (retrenchment)	2.69	1.162	68
C8	Dificulty to find a job	3.35	1.255	68
C9	Dissatisfaction with salary job	3.25	1.028	68
C10	Compatibility with family duties	2.81	1.011	68
C11	Insufficient family income	3.71	1.023	68
C12	Desire for wealth	3.94	0.751	68
C13	Ensure high job security	3.32	0.953	68
C14	Entered the family business	2.15	1.136	68
C15	Confidence in the product/ service you offer	4.32	0.679	68
	<b>TOTAL</b>	<b>3.93</b>	<b>0.964</b>	<b>68</b>

**Source:** Question C1 to C15 of Questionnaire Findings for Motivational Factors

- **Analysis of the results**

Table 4.2 results indicate an average mean of 3.93 that was recorded when dealing with all 15 constructs in measuring an entrepreneurial motivational factors with an average standard

deviation of 0.964. The constructs which scored the highest above the average mean value (as a motivational factor) are **confidence in product/ service offered** (C15), **need for independence** (C1) and **Desire for wealth** with an average of 4.32, 3.94 and 3.94 respectively scored mean values. The **insufficient family income** (C11), **need for challenge** (C3) and **difficult to find a job** (C8). The constructs that scored far lower than the average value demonstrated a motivational factors that mark least than others were **compatibility with family duties** (C10) with a recorded mean value 2.81, **redundancy (retrenchment)** (C7) with 2.69 and **entered the family business** (C14) with a lowest mean value of 2.15.

#### **SECTION D: OBSTACLES FACED BY ENTREPRENEURS.**

The aim of this section is to accumulate a body of knowledge of barriers as well as challenges that inhibit township entrepreneurs to start their own business ventures. Section D of question D1 – D13, consisted of 68 statements with the intention of determining the factors or obstacles that inhibit township entrepreneurs to start their own business. In this exercise entrepreneurs had to mark X to indicate that they agree or disagree with the statements: 1= strongly disagree, 2 = disagree, 3 = neutral view, 4 = agree and 5 = strongly agree. Refer to Appendix A at the back.

#### **4.6.5 Variables measuring obstacles faced by entrepreneurs**

- **Results obtained**

**Table 4.3: The dimensions factors that hinders township entrepreneurs to start their business**

	<b>Constructs</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>N</b>
D1	Lack of start-up capital	4.15	0.821	68
D2	Lack of business plan	3.12	1.135	68
D3	Awareness/access to business information	3.70	0.835	68
D4	Lack of timely business information	3.45	0.875	68
D5	Lack of role models	2.55	1.034	68
D6	Isolation from business network	3.13	0.886	68
D7	Lack of collateral	4.13	0.869	68
D8	Lack of business management skills	3.58	1.047	68

D9	Lack of education and training (in general)	3.52	1.146	68
D10	Lack of access to or to obtain credit	4.28	0.831	68
D11	Lack of self-confidence	2.88	1.023	68
D12	Risk averse (fear of failure)	3.18	0.886	68
D13	Legislative focusing on entrepreneurship	3.25	0.859	68
	<b>TOTAL</b>	<b>3.46</b>	<b>0.942</b>	<b>68</b>

**Source:** Question D1 to D13 of Questionnaire Findings for Obstacles faced by Entrepreneurs

- **Analysis of the results**

Table 4.3 results indicate an average mean of 3.46 that was recorded when dealing with all 13 constructs in measuring that hinders township entrepreneurs to start their own business with an average standard deviation of 0.942. The constructs which scored the highest (as an obstacle) above the average mean value were a **lack to obtain credit** (D10), **lack of start-up capital** (D1) and **lack of collateral** (D7) at 4.28, 4.15 and 4.13 mean values respectively, **awareness/access to business information** (D3) at 3.70, **lack of business management skills** (D8) and **lack of education and training (in general)** (D9) at 3.58 and 3.52 mean values respectively. Others were below the average mean value of 3.46 and are **lack of timely business information** (D4) at 3.45 and the rest of constructs are between 3.25 to 3.12. The constructs that scored below the average value of 3.46 were **lack of self-confidence** (D11) with a recorded mean value 2.88 and the **lack of role models** (D 5) with a mean value of 2.55.

#### **SECTION D: OBSTACLES FACED BY ENTREPRENEURS CURRENTLY IN THEIR RUNNING BUSINESSES**

The aim of this section is to gather knowledge of barriers as well as challenges that inhibit township entrepreneurs to start their own business ventures. Section D of question D15 – D25, consisted of 68 statements with the intention of determining the factors or obstacles that inhibit township entrepreneurs to start their own business. In this exercise entrepreneurs had to mark X to indicate that they agree or disagree with the statements: 1= strongly disagree, 2 = disagree, 3 = neutral view, 4 = agree, and 5 = strongly agree. Refer to Appendix A at the back.

#### **4.6.6 Variables measuring factors currently facing entrepreneurs in running their businesses**

- **Results obtained**

**Table 4.4: The dimensions factors (obstacles) that township entrepreneurs are facing currently in their running business**

	<b>Constructs</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>N</b>
D15	Inability to secure Credit facility	3.84	0.994	68
D16	Family pressure (gender role expectations)	2.46	0.943	68
D17	Awareness/Access to business support	3.25	0.910	68
D18	Lack of timely business information	2.99	0.788	68
D19	Lack of Role models and support	2.27	0.898	68
D20	Isolation from business network	2.84	0.828	68
D21	Socio-cultural environment	2.85	0.875	68
D22	Lack of business management skills	2.75	0.975	68
D23	Liquidity problems and other financial problems	3.81	0.892	68
D24	Gaining acceptance/respect of people (internally and external)	2.33	1.006	68
D25	No time for trainig/upgrading of skills	2.64	0.900	68
	<b>TOTAL</b>	<b>2.91</b>	<b>0.909</b>	<b>68</b>

**Source:** Question D15 to D25 of Questionnaire Findings for factors (obstacles) faced by Entrepreneurs currently in their businesses.

- **Analysis of the results**

Table 4.4 results indicate an average mean of 2.91 that was recorded when dealing with all 11 constructs in measuring factors (obstacles) that township entrepreneurs are facing currently in their running business, with an average standard deviation of 0.909. The constructs which scored the highest mean values above the average mean value were **inability to secure Credit facility (D15)** , **liquidity problems (D23)** and **awareness/access to business support (D17)** at 3.84, 3.81 and 3.25 respectively. The highest value of 3.84 is high and it's because entrepreneurs are unable to obtain funding from credit providers that could be from the lack of collateral and other factors which came from this survey. The lack of funding is one of the key internal socio-economic challenges that entrepreneurs encounter. Others were below the average mean value of 2.91 and the constructs scored lower than the avarage mean value were

**gaining acceptance/respect of people (internally and external) (D24)** with a recorded mean value of 2.33 and **the lack of role models and support (D19)** with a mean value of 2.27.

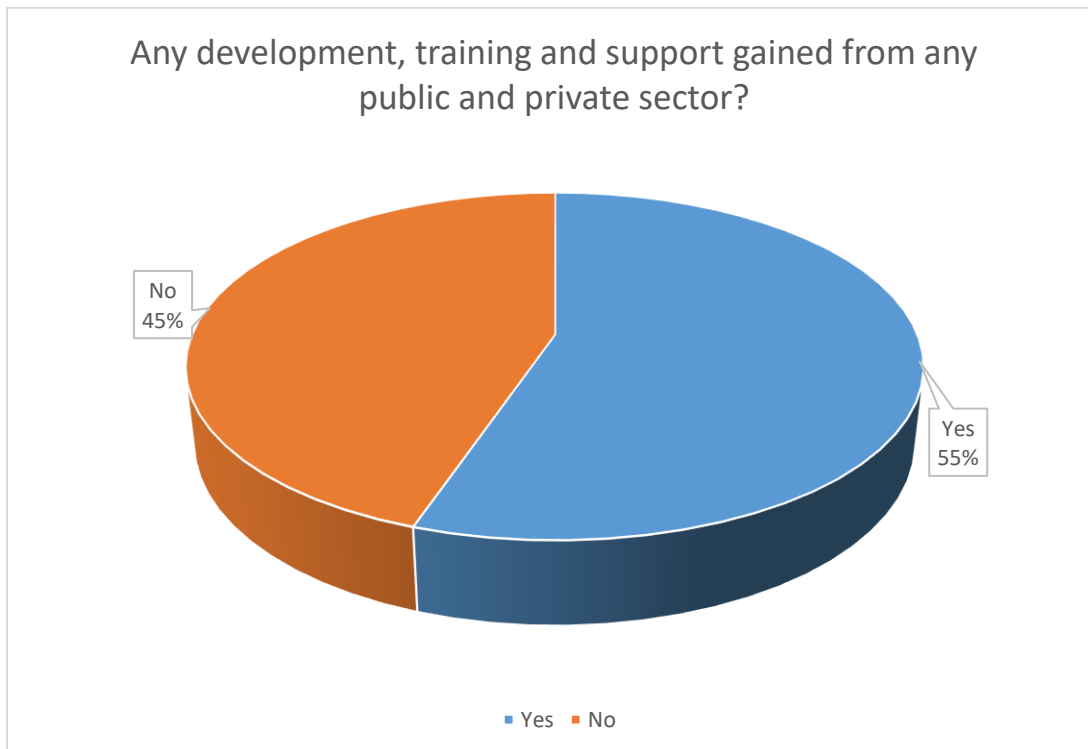
### **SECTION E: TRAINING AND FINANCING NEEDS OF BUSINESS OWNERS.**

This section is about accumulate information and about the training and financial needs of the township entrepreneurs who participated on this research study. Section E of question E1 – E7, consisted of 68 statements with the main purpose to establish the developmental needs of the township entrepreneurs in their roles.

#### **4.6.7 Any development, training and support gained from any public and private sector?**

- **Results obtained.**

**Figure 4.12: Any development, training and support gained from any public and private sector?**



**Source:** Question E1 of Questionnaire Findings

- **Analysis of the results**

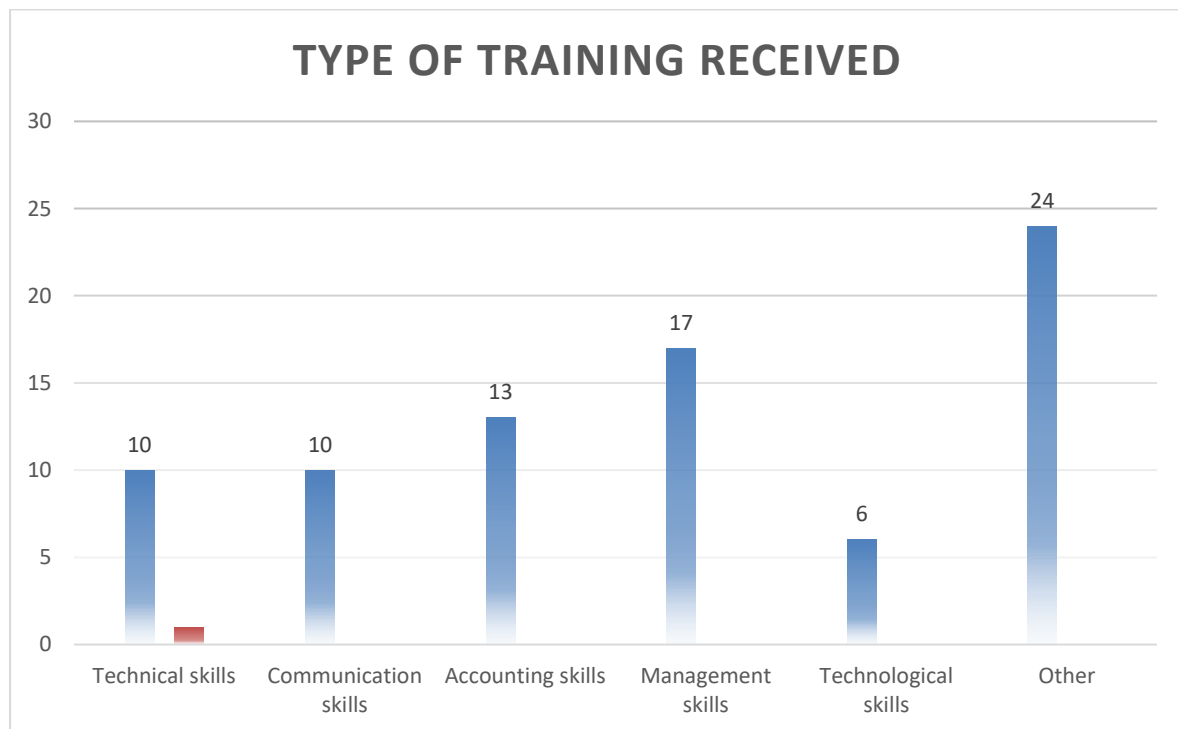


The above graph reveals that 37 (55%) of entrepreneurs did receive support, training or were developed by either government agency or the private sector (non-governmental group) and 30 (45%) there was a lack of training and support developments. One (1) respondent did not answer the question to make a total of 68 participant. In order for a business to grow, an enabling environment has to be created and the local government together with interested parties can assist township entrepreneurs in creating an enabling environment by creating adequate training facilities, workshops and business incubators whereby they can be trained and guided to establish and sustain their aspired business ventures.

#### 4.6.8 Type of training received by entrepreneurs

- **Results obtained on Part two of Question E1**

**Figure 4.13: Type of training received by entrepreneurs**



**Source:** Question E1 of Questionnaire Findings (Part two)

- **Analysis of the results**

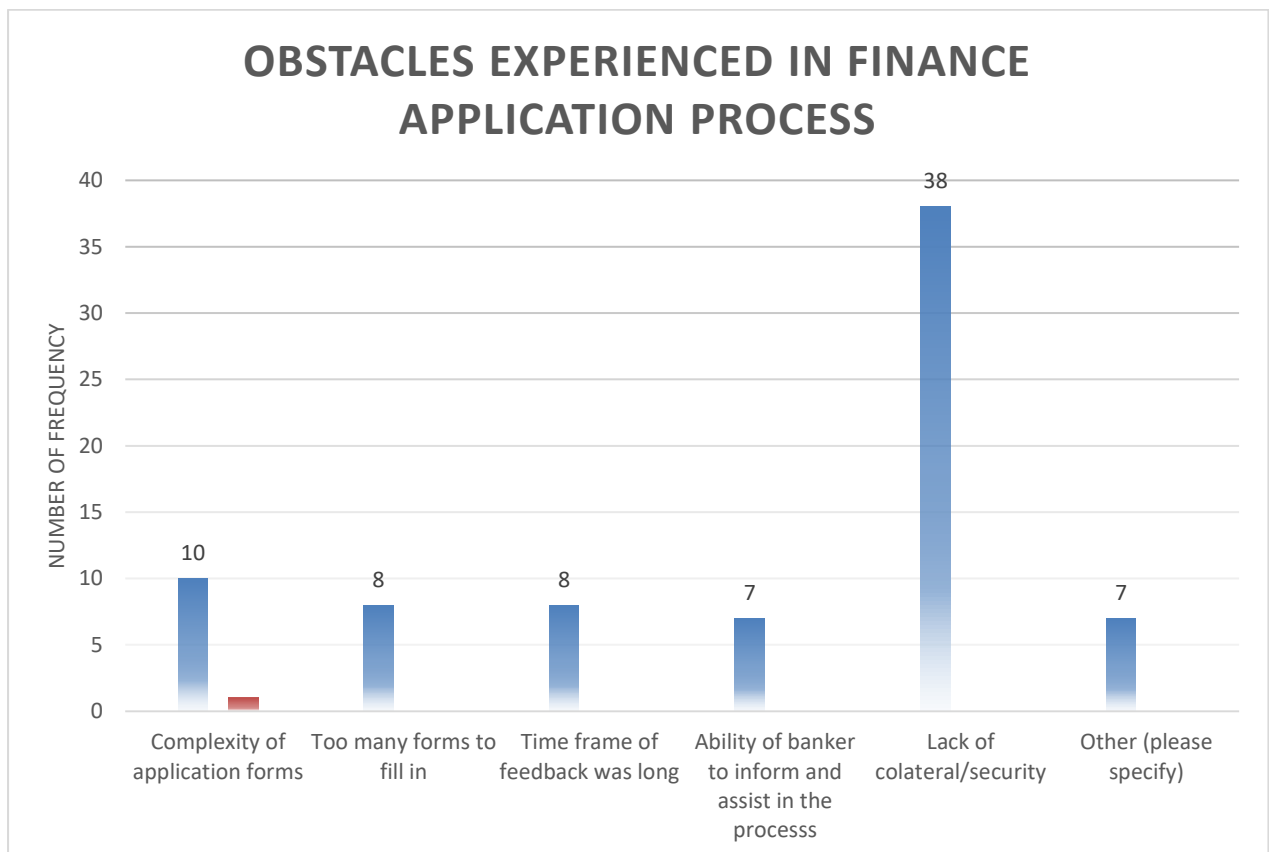
Participants selected more than one options for this question. Participants who opted for (other) as their option, indicated the type of training that they have received as from Varsity and Technical Colleges (vocational training), Appedt (Umalusi and DHET), Boston College (Musical arrangement, recording and producing), CETA & Eskom Contract Training

Academy, ETDP SETA, Tourism Department, Fashion Design School, Gauteng Township Retail Enterprise Development Programme, Government Nursing College & Imperial Group, Medical School & Private Practice, Sas-SETA, WHS Business School, MerSETA, NHBRC, NYDA & Paradise Boutique Cuisine, Nhlamulo Host Investments and Macro-GEP Pilot Project.

#### 4.6.9 Type of obstacles experienced during the financial application process

- **Results obtained.**

**Figure 4.14: Obstacles experienced in application process for financial assistance**



**Source:** Question E2 of Questionnaire Findings

- **Analysis of the results**

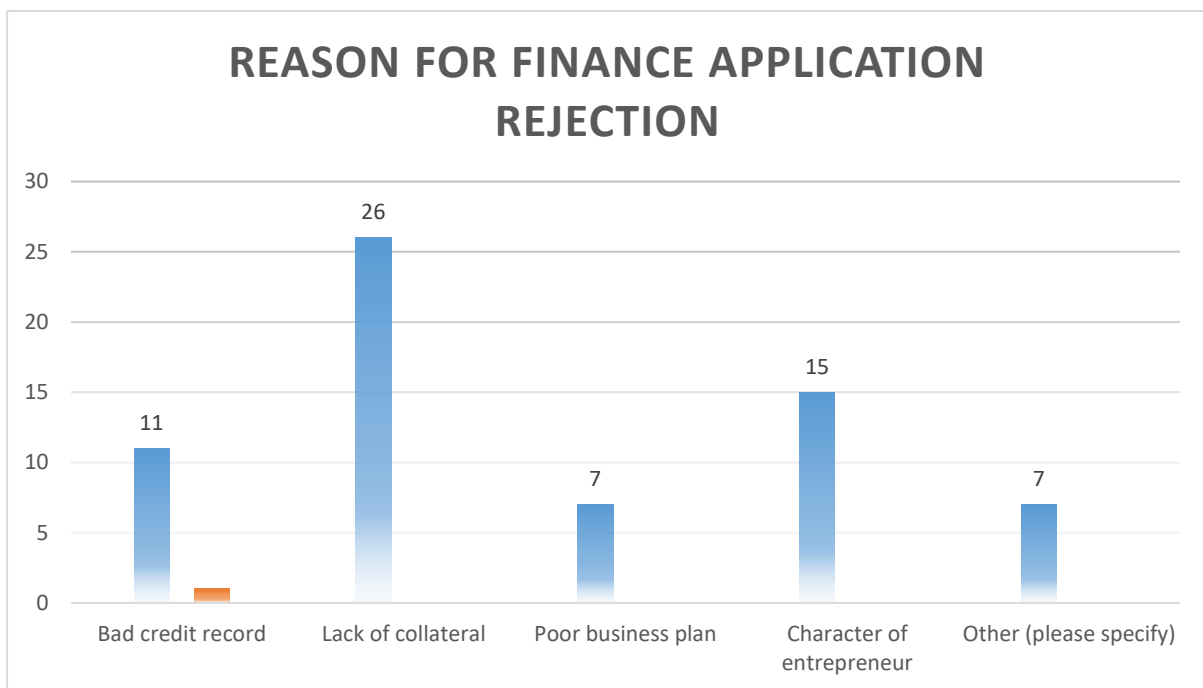
The above graph (figure 4.14) reveals that participants opted for more than one choice. The majority of participants (who are 38) find the lack of collateral as obstacles that they have experienced in their application process for finance assistance. Ten (10) find complexity in application forms. Eight (8) complained about too many forms to complete and also another

eight (8) about time frame of feedback was long. Seven (7) was about the ability of the participants to be given information and be assisted by the banker in the entire application process. Other seven (7) participants specified different options as; they have never tried to apply, borrowed from family members, credit score low, never tried and none as their response. These are barriers that stood in their businesses activities as part of the research problem statement that the survey wanted to understand.

#### 4.7.1 Reason (s) for financial application rejection

- **Results obtained.**

**Figure 4.15: Reason for financial application rejection**



**Source:** Question E3 of Questionnaire Findings

- **Analysis of the results**

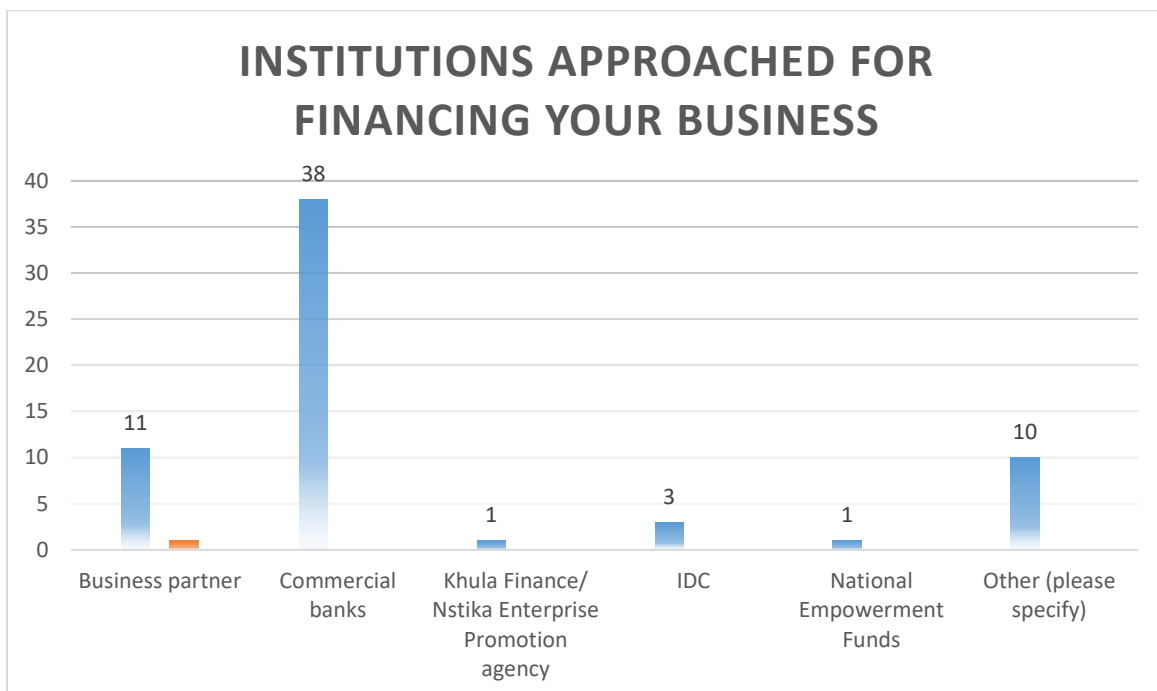
The above graph (figure 4.15) reveals that the respondents opted for more than one choice. The majority of participants in the financial application rejection (who are 26), were rejected due to lack of collaterals, Fifteen (15) due to their character of entrepreneurship, Eleven (11) due to bad credit record, Seven (7) due to poor business plan and the other Seven (7) specified different options as; problem was their business location, lack of financial security and opted

for none as their option which could mean they have never been rejected or never applied for finance.

#### 4.7.2 Institution (s) approached to finance your business

- **Results obtained**

**Figure 4.16: Institution approached to finance your business**



**Source:** Question E4 of Questionnaire Findings

- **Analysis of the results**

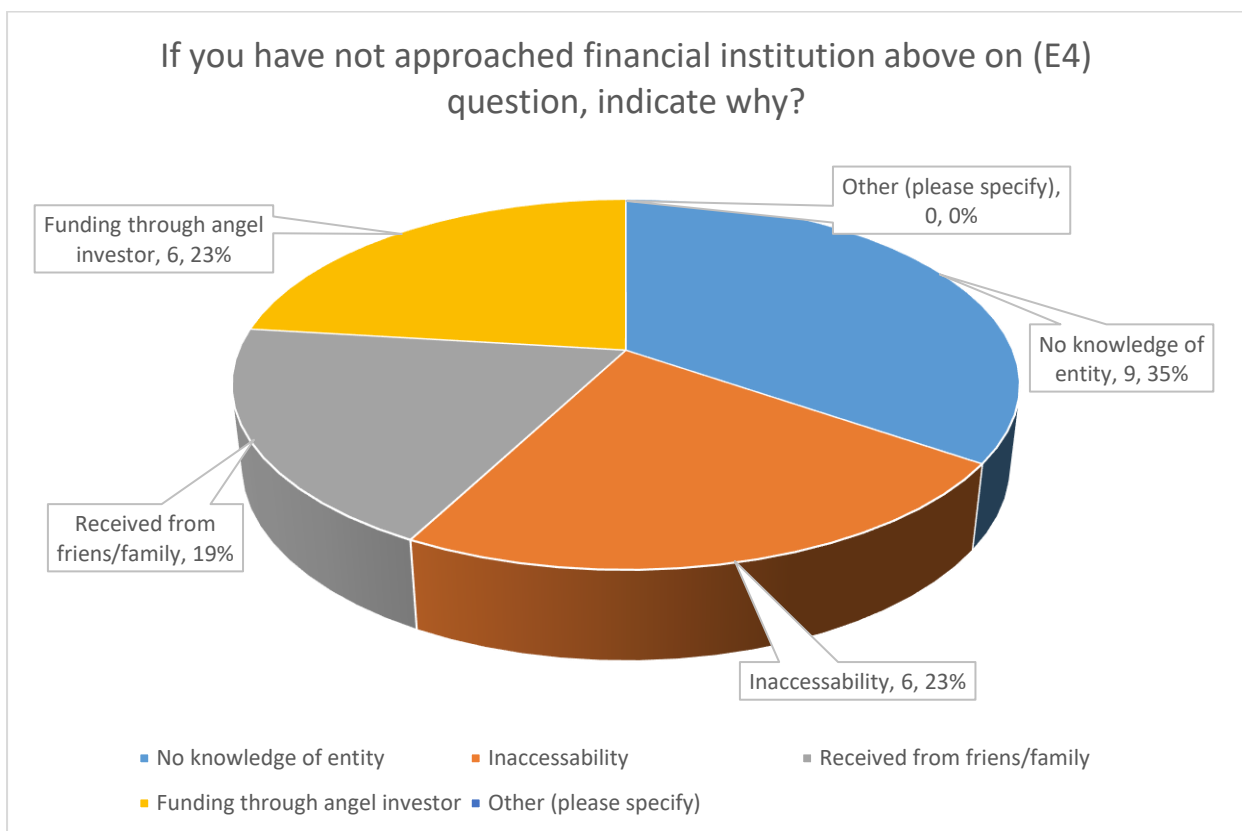
The above graph (figure 4.16) reveals that participants opted for more than one choice. The majority of participants in giving the institutions that they approached for financing their businesses, Thirty eight (38) approached commercial banks, Eleven (11) approached business partners, Three (3) approached Industrial Development Corporation (IDC), One (1) approached Khula Financial or Ntsika Enterprise Promotion Agency, One (1) approached National Empowerment Funds and the other Ten (10) specified different options as; Co-operative Incentive Scheme & GEP Grant Funding, family and my savings, GEP (Micro finance), Unjani Clinic & Imperial Group. Others opted for 'None' which may mean that they can finance their business themselves or the business required less funding. The lowest score on government

agencies signifies that they have never approached these agencies for financial assistance or they do not know about them. The objective of finding out about role of the government agencies has been evaluated and it is noted for this research that is not visible.

#### 4.7.3 Indicate if you have not approach financial institution (s) above on Figure 4.16?

- **Results obtained**

**Figure 4.17: If you have not approached financial institution above on (E4) question, indicate why?**



**Source:** Question E5 of Questionnaire Findings

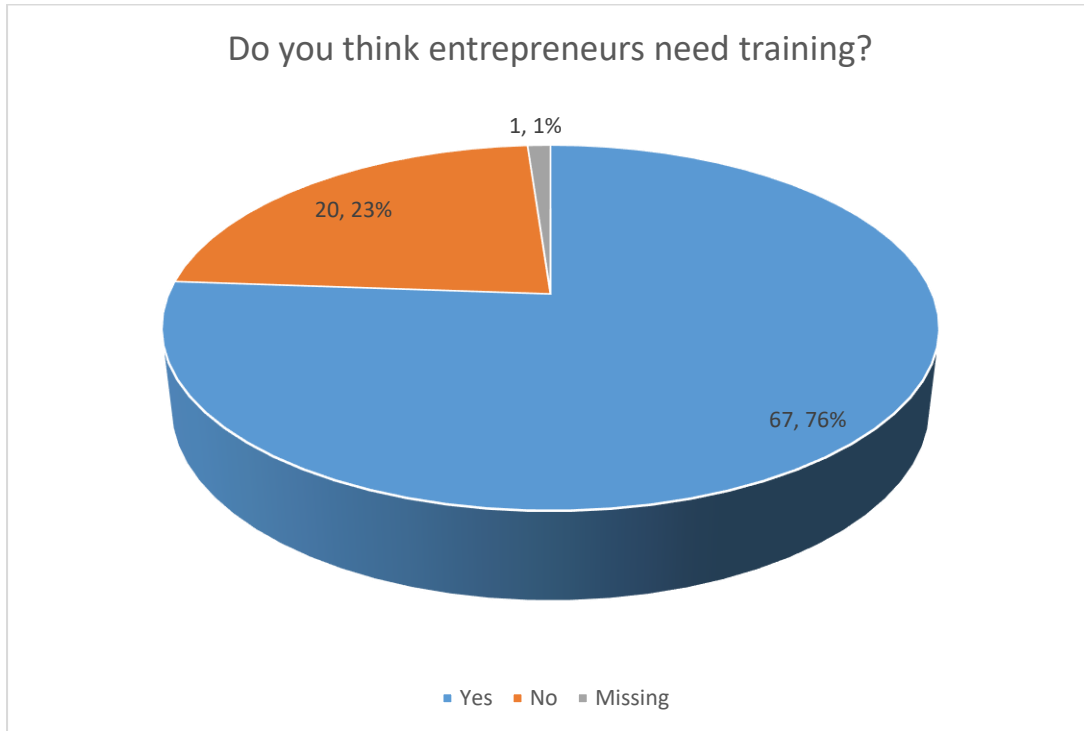
- **Analysis of the results**

The above graph (figure 4.17) indicates why participants have not approached financial institution above on question (E4). Nine (9) participants (35%) had no knowledge of some entity mentioned above on (E4), Six (6) (23%) had funding through angel investor and another Six (6) (23%) find these financial entity inaccessible. Five (5) (19%) received funding from friends or family and there were no participants who specified other reasons.

#### 4.7.4 Do you believe that entrepreneurs need training?

- Results obtained

Figure 4.18: Do you believe entrepreneurs need training?



Source: Question E6 of Questionnaire Findings

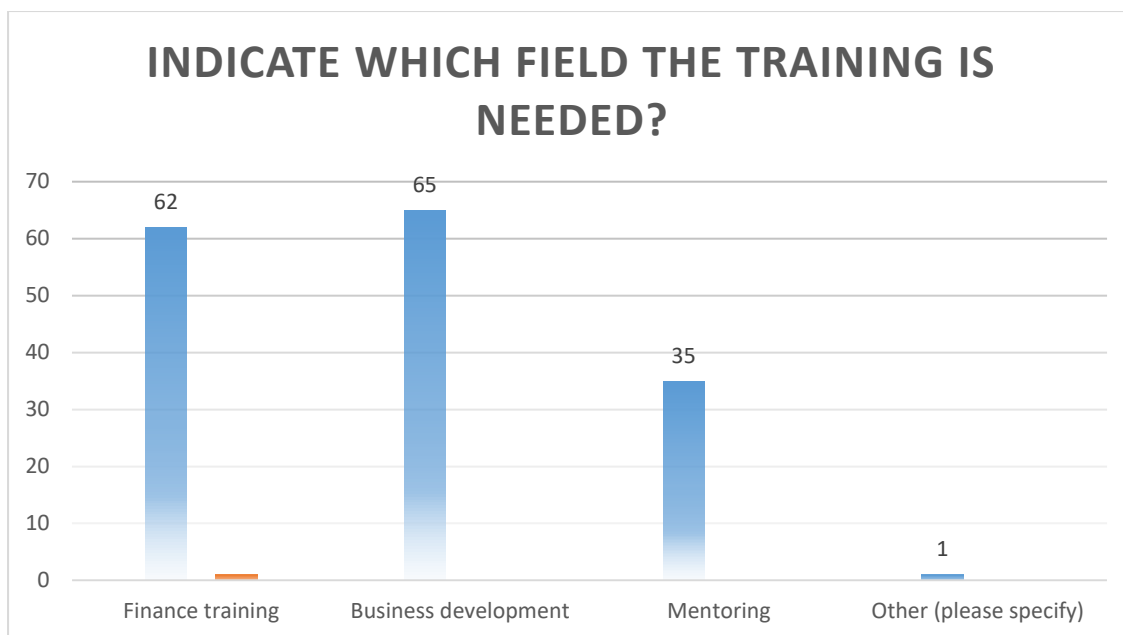
- Analysis of the results

The above graph (figure 4.18) for participants in revealing about needing a training. The majority of participants, sixty seven 67 (76%) agreed that they need training and Twenty (20) disagreed that they need no training. One (1) participant did not respond or participate on this question.

#### 4.7.5 Indicate the field where you need training?

- Results obtained

Figure 4.19: Indicate which field do you need training?



**Source:** Question E7 of Questionnaire Findings

- **Analysis of the results**

The above graph (figure 4.19) reveals that participants opted for more than one choice in selecting different fields for training needed. The majority of participants opted for both Business development and Finance training at Sixty five (65) and Sixty two (62) respectively, thirty five (35) opted for Mentorship and One (1) specified an option of needing ideas on how to expand, which was similar to the option of business development to select.

#### **4.6 RELIABILITY OF THE QUESTIONNAIRE IN MEASURING THE CONSTRUCTS**

The software used was IBM SPSS statistics version 25. Cronbach's alpha coefficient has been used, which recommends a value between 0.7 and 0.8 for the reliability and consistency of any items (Pallant, 2007:52). A value of 0.7 is the internationally acceptable standard. The figure that is greater 0.90 value is very high reliable, the value between 0.8 – 0.9 is highly reliable, 0.70 – 0.79 value is reliable, value between 0.6 – 0.69 is marginally reliable and figure less than 0.60 is unacceptable low reliability. The reliability for Section C & D of the questionnaire was determined as discussed on this study. A low coefficient can mean that the question asked is not properly formulated and does not correlate strongly. Table 4.5 below indicates the Cronbach Alpha coefficients of the constructs (see Table 4.5 below) measuring Motivational

Factors, Obstacles that inhibit township entrepreneurs to start their businesses and Obstacles currently faced by entrepreneurs in running their businesses.

- **Results obtained**

**Table 4.5: The Reliability Statistics in measuring Section C and D**

<b>Motivational Factors Section</b>		
Cronbach Alpha	Cronbach Alpha on standardised items	Number of items
0.772	0.771	15
<b>Obstacles faced by Entrepreneurs</b>		
0.848	0.851	13
Cronbach Alpha	Cronbach Alpha on standardised items	Number of items
<b>Factors (obstacles) entrepreneurs are facing currently in running their businesses</b>		
Cronbach Alpha	Cronbach Alpha on standardised items	Number of items
0.800	0.802	11

**Source:** Section C & D of the Questionnaire from statistics calculations

- **Analysis of the results**

A final alpha value of 0.772 was achieved for Section C (**Motivational Sector**) 15 variables had a reliable reliability value, 0.848 value. Section D (**Factors that inhibit township entrepreneurs to start businesses**) 13 variables had a highly reliable value. Also for Section D (**Obstacles currently facing entrepreneurs**) 11 variables had also a highly reliable value of 0.800 for the study. From the results tabulated in Table 4.5, Cronbach's alpha coefficients computed from the motivational factors scale returned a 0.772 obstacles faced by entrepreneurs scale returned a value of 0.848 and the factors (obstacles) entrepreneurs are facing currently scale returned a value of 0.800, all of them above the 0.7 minimum threshold (Pallant, 2010:100).

#### **4.7 DISCUSSION AND RESULTS OF THE CONSTRUCTS**

- **Results obtained**

**Table 4.6: Reliability of the constructs measuring motivational climate**



	Mean	Std. Deviation	N
Need for Independence	3.94	0.844	68
flexible work schedule	3.16	1.002	68
Need a challenge	3.71	0.793	68
Self-fulfilment	3.91	0.805	68
Develop hobby	3.46	0.871	68
Role models	3.21	1.140	68
Redundancy (retrenchment)	2.69	1.162	68
Difficulty to find a job	3.35	1.255	68
Dissatisfaction with salary job	3.25	1.028	68
Compatibility with family duties	2.81	1.011	68
Insufficient family income	3.71	1.023	68
Desire for wealth	3.94	0.751	68
Ensure high job security	3.32	0.953	68
Entered the family business	2.15	1.136	68
Confidence in the product/ service you offer	4.32	0.679	68
<b>TOTAL</b>	<b>3.38</b>	<b>0.963</b>	<b>68</b>

**Source:** Section C of the Questionnaire from statistics calculations

- **Analysis of the results**

Constructs, **Confidence in the product/ service you offer** with a mean value of 4.32, tested the highest in this study as motive for the respondent to start a business which is above that average mean value of 3.38 on the table above.

The constructs, **Need for independence**, **Desire for wealth**, **Self-fulfilment**, **Need a challenge**, **Insufficient family income** scored all above the average mean value but below the highest mean value of 4.32 which are also good as motivational factors.

The three constructs, **Compatibility with family duties** (mean value = 2.81), **Redundancy (retrenchment)** (mean value = 2.69) and **Entered the family business** (mean value = 2.15), obtained the lowest average scores which are far below the average mean value which means these constructs can be regarded as having a least effects that motivates entrepreneurs to enter to business venture.

- **Results obtained**

**Table 4.7: Reliability of the constructs measuring obstacles faced by township entrepreneurs to start businesses**

	Mean	Std. Deviation	N
Lack of start-up capital	4.15	0.821	67
Lack of business plan	3.12	1.135	67
Awareness/access to business information	3.70	0.835	67
Lack of timely business information	3.45	0.875	67
Lack of role models	2.55	1.034	67
Isolation from business network	3.13	0.886	67
Lack of collateral	4.13	0.869	67
Lack of business management skills	3.58	1.047	67
Lack of education and training (in general)	3.52	1.146	67
Lack of access to credit	4.28	0.831	67
Lack of self-confidence	2.88	1.023	67
Risk averse (fear of failure)	3.18	0.886	67
Legislative focusing on entrepreneurship	3.25	0.859	67
<b>TOTAL</b>	<b>3.46</b>	<b>0.875</b>	<b>67</b>

**Source:** Section D of the Questionnaire from statistics calculations

- **Analysis of the results**

Constructs, **Lack to obtain credit**, **Lack of start-up capital** and **Lack of collateral** with a mean value of 4.28, 4.15 and 4.13 respectively tested the highest in this study as obstacles for township business owners to start businesses which is above the average mean value of 3.46.

The constructs, **Awareness/access to business information** (mean value = 3.70), **Lack of business management skills** (mean value = 3.58) and **Lack of education and training (in**

**general**) (mean value = 3.52), scored all above the average mean value 3.46. These also represent or indicate good obstacles faced by entrepreneurs to start their businesses.

The two constructs, **Lack of self-confidence** (mean value = 2.88) and **Lack of role models** (mean value = 2.55), scored far below the average mean value which means these constructs can be regarded as having least effects that the respondents' selected as their choices.

- **Results obtained**

**Table 4.8: Reliability of the constructs measuring obstacles you are currently facing in running your business**

	Mean	Std. Deviation	N
Inability to secure Credit facility	3.84	0.994	67
Family pressure (gender role expectations)	2.46	0.943	67
Awareness/Access to business support	3.25	0.910	67
Lack of timely business information	2.99	0.788	67
Lack of Role models and support	2.27	0.898	67
Isolation from business network	2.84	0.828	67
Socio-cultural environment	2.85	0.875	67
Lack of business management skills	2.75	0.975	67
liquidity problems and other financial problems	3.81	0.892	67
Gaining acceptance/respect of people (internally and external)	2.33	1.006	67
No time for training/upgrading of skills	2.64	0.900	67
<b>TOTAL</b>	<b>2.91</b>	<b>0.909</b>	<b>67</b>

**Source:** Section D of the Questionnaire from statistics calculations

- **Analysis of the results**

Constructs, **Inability to secure Credit facility** (mean value = 3.84), **liquidity** problems (mean value = 3.81) and **Awareness/Access to business support** (mean value = 3.25) tested the highest in this study as obstacles you are currently facing in running your business for this study which is above the average mean value of 2.91.

The construct, **Lack of timely business information** (mean value = 2.99) scored above the average mean value but below the highest mean value of 2.91 which are also good as a factor that entrepreneurs are currently facing in running businesses.

The other constructs, scored below the average mean of 2.91 and **Lack of Role models and support** (mean value = 2.27), obtained the lowest score which is far below the average mean value and these construct can be regarded as having a least effect on the respondents' choices.

#### 4.8 ANALYSIS OF VARIANCE (ANOVA)

Analysis of variance is a statistical technique used to analyse variations in response variables that are measured under conditions defined by discrete factors (Martin & Larson, 2008:115). Analysis of variance is conducted with the intention to identify any general differences (variations) between groups on some variables. Analysis of variance is a widely used statistical technique among researchers due to its easy access in most statistical packages such as IBM-SPSS Statistics. With the aim of addressing the third empirical objective, this study used ANOVA in order to determine the influence of some personal information variables such as *highest education, previous occupation and years self-employed* on the three identified factors of township entrepreneurship intentions namely, *motivational factors, obstacles faced by entrepreneurs in starting their business and obstacles currently faced by entrepreneurs in running their business*. The ANOVA results as provided in these sections.

##### 4.8.1 Three factors (ANOVA) by highest education

- **Results obtained**

**Table 4.9: ANOVA – three factors by highest education**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.403	3	0.134	0.566	0.640

Motivational Factors	Within Groups	14.721	62	0.237		
	Total	15.124	65			
Obstacles Faced	Between Groups	2.482	3	0.827	2.573	0.062
	Within Groups	19.941	62	0.322		
	Total	22.424	65			
Obstacles Currently	Between Groups	1.378	3	0.459	1.694	0.177
	Within Groups	16.810	62	0.271		
	Total	18.188	65			

Source: Survey data (2018) (Alpha at 0.05 level)

- **Analysis of the results**

Analysis of variance conducted by highest education on three factors of; Motivational Factors, Obstacles Faced and Obstacles Currently. The results indicates that there was no statistically significant difference at  $p > 0.05$  level between all three factors.

#### 4.8.2 Three factors (ANOVA) by previous occupation

- **Results obtained**

**Table 4.10: ANOVA – three factors by previous occupation**

		Sum of Squares	df	Mean Square	F	Sig.
Motivational Factors	Between Groups	.915	3	.305	1.358	.264
	Within Groups	14.368	64	0.225		
	Total	15.283	67			
Obstacles Faced	Between Groups	3.312	3	1.104	3.643	0.017
	Within Groups	19.392	64	0.303		
	Total	22.704	67			
Obstacles Currently	Between Groups	3.231	3	1.077	4.522	0.006
	Within Groups	15.241	64	0.238		
	Total	18.472	67			

Source: Survey data (2018) (Alpha at 0.05 level)

- **Analysis of the results**

Analysis of variance conducted by Previous Occupation on three factors; Motivational Factors, Obstacles Faced and Obstacles Currently. There was no statistically significant difference at  $p > 0.05$  level on motivational factors. There was statically significant difference at  $p < 0.05$  level on obstacles faced (0.017) and obstacles currently (0.006).

#### 4.8.3 Three factors (ANOVA) by Years of self-employed

- **Results obtained**

**Table 4.11: ANOVA – three factors by Years of self-employed**

		Sum of Squares	df	Mean Square	F	Sig.
Motivational Factors	Between Groups	0.658	3	0.219	0.960	0.417
	Within Groups	14.625	64	0.229		
	Total	15.283	67			
Obstacles Faced	Between Groups	1.928	3	0.643	1.980	0.126
	Within Groups	20.776	64	0.325		
	Total	22.704	67			
Obstacles Currently	Between Groups	3.644	3	1.215	5.243	0.003
	Within Groups	14.828	64	0.232		
	Total	18.472	67			

**Source:** Survey data (2018) (Alpha at 0.05 level)

- **Analysis of the results**

ANOVA conducted by Self- employed on three factors; Motivational Factors, Obstacles Faced and Obstacles Currently. There was no statistically significant difference at  $p > 0.05$  level on motivational factors (0.417) and obstacles faced factors (0.126). There was statically significant difference at  $p < 0.05$  level on obstacles currently (0.003).

#### 4.9 CORRELATION ANALYSIS

According to Ghauri & Gronhaug (2010:175), correlation analysis is a statistical procedure that examines the strength of a linear relationship between two variables. This study used the Pearson correlation coefficient ( $r$ ) in order to measure the degree of linear association, thereby establishing the relationship among the three (3) factors namely, *highest education, previous*

occupation and years of self-employment. Results were ranging from  $r = 0.013$  to  $r = 0.620$  at  $p < 0.01$ . The results indicated that there was a positive linear inter-factor association. Table 4.12 below provides a summary of the correlation matrix for this research study. Table 4.13 below shows the guidelines that can be utilised to interpret the strength of relationship between variables.

- **Results obtained**

**Table 4.12: Correlation matrix summary**

Spearman's rho		Highest education	Previous Occupation	Years of self-employment
Highest education	Correlation Coefficient	1.000	.620**	0.059
	Sig. (2-tailed)		0.000	0.634
	N	68	68	68
Previous Occupation	Correlation Coefficient	.620**	1.000	0.013
	Sig. (2-tailed)	0.000		0.918
	N	68	68	68
Years of self-employment	Correlation Coefficient	0.059	0.013	1.000
	Sig. (2-tailed)	0.634	0.918	
	N	68	68	68

**Source:** Survey data (2018)

**Table 4.13: Strength of relationship between variables**

Size of (r)	Interpretation of (r)
± (0.5 to 1.0)	Strong relationship
± (0.3 to 0.5)	Moderate relationship
± (0.1 to 0.3)	Weak relationship
± (0.0 to 0.1)	Very weak or no relationship

**Source:** Turkmen (2013:1011)

- **Analysis of the results**

Table 4.12 indicates that *highest education* suggested a strong relationship in comparing with, *previous occupation* ( $r= 0.620$ ;  $p < 0.01$ ) (See Table 4.13 for checking results of (r)).

*Highest education* showed a very weak relationship relationship with *years of self-employment* ( $r= 0.059$   $p < 0.634$ ) (See Table 4.13 for checking results of (r)).

*Previous occupation* had a very weak relationship with *years of self-employment* ( $r=0.013$ ,  $p < 0.918$ ) (See Table 4.13 for checking results of (r)).

*Years of self-employment* also had a very weak relationship with *previous occupation* ( $r= 0.013$ ,  $p < 0.918$ ) (See Table 4.13 for checking results of (r)).

#### 4.10 ANALYSIS OF T-tests ON LEGAL STATUS OF YOUR BUSINESS

The t-test has two variants: the t-test for independent samples and the t-test for related (or ‘paired’) samples. An effect size can lie between 0 to 1 (Cohen *et al.*, 2007:521). In using Cohen’s d-values, the following measurements were deemed acceptable as shown on the Table 4.14 below:

**Table 4.14: Cohen’s d- values measurements**

The effect Size	Measurement
0 – 0.20	Weak effect
0.21 – 0.50	Modest effect
0.51 – 1.00	Moderate effect
> 1.00	Strong effect

**Source:** Cohen *et al.* (2007:543)

The selected questions were from section B (B2) and Section E (E6) of the questionnaire and for the purpose of the analyses, these variables are handled as if they were measured on a continuous scale and t-tests are conducted on them (See Table 4.15 and 4.16 below).

- **Results obtained**



**Table 4.15: Relationship between variables measuring the legal status of your business and the variables**

Variables	Constructs	N	Mean	Std. Deviation	Std. Error Mean	Effect Size
Motivational Factors	Registered	56	3.336	0.492	0.065	0.67
	Not registered	12	3.666	0.277	0.079	
Obstacles inhibit factors	Registered	56	3.410	0.573	0.076	0.24
	Not registered	12	3.564	0.632	0.182	
Currently obstacles	Registered	56	2.773	0.465	0.062	1.59
	Not registered	12	3.515	0.320	0.092	

Source: Survey data (2018)

- **Analysis of the results**

From the results tabulated in Table 4.15, the outcome of the *d*-values revealed effect of results between the measurements of the **business legal status factor** with regards to the variables as per Table 4.15. Following variables obtained a *d*-values result; **Motivational Factor** ( $d = 0.67$ ) measuring a moderate effect, **obstacles inhibit factors** ( $d = 0.24$ ) measuring a weak effect, and **currently obstacles** ( $d = 1.59$ ) measuring a strong effect for the constructs of *Registered* and *Not Registered*.

#### 4.11 ANALYSIS OF T-tests ON ANY FORM OF TRAINING FROM GOVERNMENT/PRIVATE SECTOR

- **Results obtained**

**Table 4.16: Relationship between variables measuring any form of training from government/ private sector received and the variables**

Variables	Constructs	N	Mean	Std. Deviation	Std. Error Mean	Effect Size
-----------	------------	---	------	----------------	-----------------	-------------

Motivational Factors	Yes	21	3.438	0.418	0.091	0.12
	No	47	3.375	0.504	0.073	
Obstacles inhibit factors	Yes	21	3.326	0.651	0.142	0.25
	No	47	3.487	0.548	0.080	
Currently obstacles	Yes	21	2.65	0.476	0.103	0.70
	No	12	3.515	0.320	0.092	

Source: Survey data (2018)

- **Analysis of the results**

From the results tabulated in Table 4.16, the outcome of the *d*-values revealed effect results between the measurements of the **any form of training from government and private sector factor** with regards to the variables as per Table 4.16. Following variables obtained a *d*-values result; **Motivational Factor** ( $d = 0.12$ ) measuring a weak effect, **obstacles inhibit factors** ( $d = 0.25$ ) measuring a modest effect and **currently obstacles** ( $d = 0.70$ ) measuring a moderate effect for the constructs of *Yes* and *No*.

#### 4.12 SUMMARY OF RESEARCH FINDINGS

From the findings in this study indicate that township entrepreneurship can create kind of jobs. The role of support can increase economic activities in the townships and the support could be from private and government sector. Majority of respondents need financial and business development training as means of support. Township entrepreneurs still find it difficult when they seek to find financial applications from financial institutions. Some respondents have received training skill related to the business they currently operate. The training may either comes from previous occupational experience, vocational colleges or any other institutions and also from any type of agency. Significant amount of entrepreneurs, seems not to benefit from the workshops offered by the provincial or local municipality and any assistance offered by the government agencies.

This chapter reported and interpreted the findings of the role of support and stimulating the township economy and informal sector in Soweto. Entrepreneurial activities were discussed for this township and factors that hinders growth or support growth activities. Results were

presented, discussed and integrated. The next chapter five (5) discusses the results, conclusion and the recommendations.

# CHAPTER FIVE

## SUMMARY AND THE STUDY CONCLUSION

### 5.1 INTRODUCTION

The research aimed at assessing the state of support for entrepreneurship in Soweto through entrepreneurial activities in the township. Secondly, the study focused on understanding the role of supporting and also stimulating the township economy and informal sector. This chapter provides the overall conclusion of the empirical research. This study case focused directly to the entrepreneurs in the township from Soweto where entrepreneurial activities were monitored and information gathered with the aim to explore factors and obstacles that influences or hinders growth of township economy. To gain insight into the entrepreneurial activities based on the research problem study, data was sourced through questionnaires from Sixty eight (68) township entrepreneurs and through literature study in Chapter 2 which was compared to the data gathered in Chapter 4.

The recommendations will be followed by the conclusions drawn from this research and will be accompanied by the recommendations for future research work.

### 5.2 MAIN FINDINGS AND PURPOSE OF THIS CASE STUDY

The contribution of the support role and stimulation will contribute to the change in entrepreneurial activities, contribution to employment and improved quality life of the township residents through promotion of township economy and economic participation. The informal economy provides opportunities for employment and entrepreneurship.

The findings were aimed at covering core characteristics of their businesses before exploring how the entrepreneurs had started their businesses, any kind of support received from other organisations, what sort of barriers stood in their businesses activities, and immediate interventions required to improve their business situations. Main purpose of this section is to provide the findings of the research study that are in accordance with the five empirical objectives as identified in Chapter 1 of this research survey. The **first and second empirical objectives** were to identify the outcomes role of support and major challenges facing township entrepreneurs, issues that affect township entrepreneurship development and challenges that hinders the growth of township economy. From the research the townships entrepreneurs are

facing more challenges of taking their small businesses to another greatest level that generate broader economic benefits. Firstly, on the legal status of the business there were a number of businesses that were not registered and could not benefit from advantages and protection as compare to registered businesses.

Secondly, another challenge observed from the survey is that large amount of entrepreneurs has never received any kind or form of training as proof of support from either government or other organisation. Thirdly, another challenge that hinders the growth of township economy as part of this survey obstacles dimension that inhibit township entrepreneurs to start their own business was the lack to obtain credit, lack of start-up capital and lack of collateral as all these scored high. Skills and training scored second behind the financial challenges. Fourthly, when dealing with factors that currently facing township entrepreneurs, constructs which scored high were inability to secure credit facility, liquidity problems and awareness or access to business support. These outcomes confirms the role of support and stimulating the township economy as a main research problem statement. Access to finance is also problematic as mentioned on the World Bank study to township residents, including its entrepreneurs (Mahajan, 2014:9).

The **third, fourth and fifth empirical objectives** were about identifies monitoring and instruments that check the outcomes of this project achievements, identify effectiveness of policies and strategies that promotes economic development and to examine through the case study that township economy activities does creates jobs as proclaimed. The project achievements of this research on township economy is to prove and compare as from the research that small businesses (SMME's) do create employments and contribute to economy. The results that were obtained in the study revealed that small businesses in the township do create employment as part of township economy activities.

The majority of businesses from this survey found that 44% of businesses recorded having 3 – 5 employees. Role of government is to create environment that enables township businesses a possibility to flourish and be able to access market. Provincial government of Gauteng responded to this challenges by positioning out strategies working on the promises to channel resources and produce opportunities for micro-business enterprises policies and programmes that supports the development of SMME's. Charman (2017:2) mentioned that the Gauteng provincial government has already started with the strategic of revitalisation of the Township Economy' (2015). In Gauteng province, there is an institution Gauteng Enterprise Propeller (GEP) that provide both financial and non-financial support for the benefit of SMMEs that

was established through the Gauteng Enterprise Propeller Act (5/2005) (South Africa, 2005). Other legal forms of business registration are with the South African Companies Act.

### **5.3 LIMITATIONS OF STUDY**

The study sample could only focus on the specific township of Gauteng Province as it cannot deal with every township in the entire Gauteng province. The study focused mainly on the idea of township economy, township entrepreneurship and informal economy as consideration for this research and within the legal framework of both the province and the country. The questionnaire was also broad and general and also covered the selected sample township business community of Soweto.

### **5.4 CONCLUSION AND RECOMMENDATION FOR THE STUDY**

From this research a total number of 68 entrepreneurs were interviewed who completed the questionnaires and the majority who participated indicated these major challenges which conform to the problem statement of this research and its objectives:

- Taking their small businesses to another level that generate broader economic benefits.
- Legal status of their business that were not registered and could not benefit from advantages that the provincial government, government agencies and other institutions are offering.
- Training as proof of support from either government or other organisation as majority of participants indicated that Financial Training and Business development are key on their needs.
- Absence of obtaining the credit, lack of capital as start-up and unavailability of collateral on obstacles that inhibit entrepreneurs to start their own business enterprises.
- Liquidity problems and awareness or access to business support on factors that entrepreneurs are currently facing in their running businesses.

**Recommendation 1:** Although mentorship score lower in comparing with finance training and business development but on the point of taking their small businesses to another level, training, support and stimulation of township entrepreneurship so that it can generate broader economic benefits for the entrepreneurs. The provincial government and other organisation

should create the environment that is helpful to the township business and entrepreneurial developments. Business owners need to easily access an number of support programmes such as sectorial incubators, business hubs, industrial parks, business parks, straining and learning centres, public-private partnerships programmes, and collaboration with government agencies, that focuses on the expansion of training and workplace programmes in townships that promotes entrepreneurship development in the township.

**Recommendation 2:** There are benefits when the business has a registered legal status as it can be regulated, guided and can operate under legal framework applicable to small businesses as stipulated under provincial business laws. Businesses belonging under organised business board sector, benefit from information that can result in their business to support, growth and sustainability from government, government agencies and other institutions. A registered business is recommended so that the government and government agencies will find it easy to support them. Government needs to simplify regulations for township enterprises in relation to licensing, permits or registration of the business enterprises. Get rid of bureaucracy and red tapes which are not cost effective in promoting township entrepreneurship.

**Recommendation 3:** Financial Training and Business development are key on their support needs, by providing training, technical assistance, and project support to support for township economic enterprises. Government should form a partnership with organisations that provides training and mentorships. There should be more financial entrepreneurial targeted campaigns and seminars that are at the disposal for township entrepreneurs to easily access with full range of financial tools.

**Recommendation 4:** Lack to obtain credit, lack of capital as start-up and collateral on obstacles that impede entrepreneurs from the township to establish their own businesses. There is a need of initiatives that focuses on addressing the difficulties experienced by the township businesses in accessing external finance, either through a bank or any other financial institutions. Government need initiatives that are expected to enhance financial access for businesses in the township. Type of business, business location and collateral are part of things that participants pointed out as outcomes of this research and these outcomes affects the township entrepreneurs in accessing credit from financial institutions. Government guarantees or alternative finance mechanisms need to be developed for financial institutions to give township entrepreneurs access to credit as long as the business had been pre-evaluated that it has potential to grow and be sustainable.

**Recommendation 5:** Liquidity problems and awareness or access to business support on factors that entrepreneurs are currently facing in their running businesses, financial management training is required as it was evident from this research. Financial education and training will provide entrepreneurs with knowledge with liquidity problems. Managerial challenges are often associated with the lack of skills by the entrepreneur to operate a business venture.

## **5.5 RECOMMENDATIONS FOR FUTURE STUDIES**

This study has shown that there are many challenges and constraints facing township entrepreneurs that need to be overcome, challenges such as historical background of township location, aging infrastructure, lack of investing to townships, overpopulation, lack of resources, informality and regulation, non-compliance to payment of rate and taxes and low employment levels.

These are some of the recommended future studies:

- There is a need to strengthen capacity building programmes on policies that aims to assist and promote the development of township economy so that township entrepreneurs could have access to market that they supply.
- A study that focuses on addressing the challenges experienced by township businesses in accessing the mainstream finances assistance and the development of other alternative means to access credit.
- Future research should focus on how to generate and deliver knowledge that would allow entrepreneurs to have access to information that would support its business activities easy and faster without challenges.

Collection of municipal rates in order to improve infrastructure and the delivery of services as part of promoting township economy as the municipal have challenges in persuading township residents to pay rates that are due. There is a need for economic infrastructure support and roll-out for enterprise development in the townships.

## **5.6 SUMMARY**

The second chapter literature review and empirical study conducted indicated that there were previously researched topics that support the research problem statement and there have been several ongoing studies on entrepreneurship. It has become clear from the literature review that



being a successful entrepreneur involves knowledge, skill and determination and entrepreneurship is regarded as a tool that is possible in job creation. It is be seen from this research from the participants that small businesses do create employment as it was also mentioned from the literature review.

This final chapter, resulted in drawing up findings, formulating of recommendations in supporting township economy in Soweto and identified areas for future research.

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# ANNEXURE A: STUDY QUESTIONNAIRE

## ENTREPRENEURSHIP QUESTIONNAIRE

### PLEASE NOTE:

This questionnaire must only be completed by entrepreneurs of **Soweto** in Gauteng Province.

All information will be treated as **STRICTLY CONFIDENTIAL** and will only be used for academic purposes.

### Instructions for completion:

1. The selected entrepreneurs from SOWETO as a TOWNSHIP must complete this questionnaire.
2. Please answer the questions as objectively and honestly as possible.
3. Place a cross (x) in the space provided at each question which reflects your answer the most accurately. Use the following key: **1** = Strongly disagree; **2** = Disagree; **3** = Neutral view; **4** = Agree; **5** = Strongly agree.

		Strongly disagree	Disagree	Neutral view	Agree	Strongly agree
<b>B7</b>	I am aware of the support and interventions from the government and other groups in promoting township entrepreneurship.	1	2	3	<b>X</b>	5

It is essential you indicate your choice clearly with a **pen**.

4. Where asked for comments or to express your own opinion, keep answers short and to the point.
5. Please answer all the questions, as this will provide more information to the researcher so that an accurate analysis and interpretation of data can be made.

Thank you for your co-operation. We hope that you will find the questionnaire interesting and stimulating.

## SECTION A: PERSONAL INFORMATION

Take note that all your responses will be treated confidentially. We appreciate your help in providing this important information.

**Mark the applicable block with a cross (X). Complete the applicable information.**

<b>A1</b>	<b>Indicate your highest academic qualification.</b>	
	Lower than matric	(01)
	Matric	(02)
	Certificate	(03)
	Diploma (Technical College or Technikon/University of Technology)	(04)
	University degree	(05)
	Postgraduate degree	(06)

<b>A2</b>	<b>Indicate your past experience before self-employment (occupational background).</b>	
	Unemployed	(01)
	Self-employed (owned a business)	(02)
	Worker (administration, clerk, secretary, cashier)	(03)
	Supervisor (first-line management)	(04)
	Middle management	(05)
	Top/Senior management	(06)

<b>A3</b>	<b>Indicate the number of years that you are self-employed.</b>	
	Less than one (1) year	(01)
	1 –3 years	(02)
	4 – 5 years	(03)
	6 – 10 years	(04)
	More than 10 years. <b>(Please specify)</b>	(05)

## SECTION B: BUSINESS INFORMATION

**Mark the applicable block with a cross (X). Complete the applicable information.**

<b>B1</b>	<b>In which economic sector does your business operate?</b>	
	Retail trade	(01)
	Wholesale trade	(02)
	Manufacturing	(03)
	Construction	(04)
	Transport/distribution	(05)
	Accommodation and restaurant (guest houses, hotel)	(06)
	Food industry	(07)
	Agriculture/forestry/fishing	(08)
	Services <b>(Please specify the type of service)</b>	(09)
	Other: <b>(Please specify)</b>	(10)

<b>B2</b>	<b>Indicate the legal status of your business (form of business ownership).</b>	
	Registered	(01)
	Not registered	(02)
	Other: <b>(Please specify)</b>	(03)

<b>B3</b>	<b>For how long has your business been in operation?</b>
	<b>Please specify:</b>

<b>B4</b>	<b>Indicate your path to business ownership.</b>	
	Started (founded) the business	(01)
	Purchased the business	(02)
	Joined the family business	(03)
	Inherited the business (from the family)	(04)
	Other: <b>(Please specify)</b>	(05)

<b>B5</b>	<b>Indicate your source of start-up funding.</b>		
	Personal savings		(01)
	Borrowed or gifted (donated) from relative or friend		(02)
	Government funding		(03)
	Sold previous business		(04)
	Commercial bank		(05)
	Other: <b>(Please specify)</b>		(06)

<b>B6</b>	<b>Indicate your business premises (from where does your business operate?)</b>		
	Home		(01)
	Outlying business area (business hubs)		(02)
	Industrial area		(03)
	Agriculture land		(04)
	Other: <b>(Please specify)</b>		(05)

<b>B7</b>	<b>How many permanent employees are employed by your business?</b>					
	Myself	0 - 2	3 - 5	6 - 10	10 - 20	> 20
	(01)	(02)	(03)	(04)	(05)	(06)

<b>B9</b>	<b>Have you ever received any form of training from the government?</b>	<b>Yes</b> (01)	<b>No</b> (02)
	<b>If no, where did you get training from? (Please specify – i.e. other private group, self-education, or learned from family business).</b>		

<b>B10</b>	<b>Is the present business the first business that you own?</b>	<b>Yes</b> (01)	<b>No</b> (02)
	<b>If no, please indicate what happened to the business previously owned.</b>		
	Went out of business		(03)
	Still successful		(04)
	Sold off		(05)
	Other <b>(Please specify)</b> :		(06)



## SECTION C: MOTIVATIONAL FACTORS

The purpose of this section is to determine which factors drove entrepreneurs to enter into their own business ventures.

**Indicate to what extents do you agree or disagree with the statements. Indicate your motive to start your own business on the scale. Mark the applicable block with a cross (X).**

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
<b>C1</b>	The need for independence	1	2	3	4	5
<b>C2</b>	Need for flexible work schedule	1	2	3	4	5
<b>C3</b>	Need for a challenge	1	2	3	4	5
<b>C4</b>	Self-fulfilment	1	2	3	4	5
<b>C5</b>	To develop my hobby	1	2	3	4	5
<b>C6</b>	Role models and other people's influences (friends & family members)	1	2	3	4	5
<b>C7</b>	Redundancy (lost your job, retrenchment)	1	2	3	4	5
<b>C8</b>	Difficulty finding a job	1	2	3	4	5
<b>C9</b>	Dissatisfaction with salaried jobs (job/ career frustration)	1	2	3	4	5
<b>C10</b>	Compatibility with family duties	1	2	3	4	5
<b>C11</b>	Insufficient family income	1	2	3	4	5
<b>C12</b>	Desire for wealth	1	2	3	4	5
<b>C13</b>	Ensure high job security	1	2	3	4	5
<b>C14</b>	Entered the family business	1	2	3	4	5
<b>C15</b>	Confidence in the product/service offered.	1	2	3	4	5
<b>C16</b>	Others <b>(Please specify)</b>					

## SECTION D: OBSTACLES FACED BY ENTREPRENEURS

The purpose of this section is to accumulate a body of knowledge of barriers as well as challenges that are faced by current entrepreneurs in entering and running their own business ventures successfully.

Indicate to what extent do you agree or disagree with the statements concerning the obstacles/barriers for township entrepreneurs to start their own business.

Mark the applicable block with a cross (X).

		Strongly disagree	Disagree	Neutral view	Agree	Strongly agree
<b>FACTORS (OBSTACLES) THAT INHIBIT TOWNSHIP ENTREPRENEURS TO <u>START</u> THEIR OWN BUSINESS</b>						
<b>D1</b>	Lack of start-up capital (finance)	1	2	3	4	5
<b>D2</b>	Lack of proper business plan	1	2	3	4	5
<b>D3</b>	Awareness/ Access to business support	1	2	3	4	5
<b>D4</b>	Lack of timely business information	1	2	3	4	5
<b>D5</b>	Lack of role models	1	2	3	4	5
<b>D6</b>	Isolation from business network	1	2	3	4	5
<b>D7</b>	Lack of collateral	1	2	3	4	5
<b>D8</b>	Lack of business management skills	1	2	3	4	5
<b>D9</b>	Lack of education and training (in general)	1	2	3	4	5
<b>D10</b>	Lack of access to credit facility	1	2	3	4	5
<b>D11</b>	Lack of self-confidence	1	2	3	4	5
<b>D12</b>	Risk averse (great fear of failure)	1	2	3	4	5
<b>D13</b>	Legislative (lack of focussed entrepreneurship policies from regional municipalities or government)	1	2	3	4	5
<b>D14</b>	Other ( <b>Please specify</b> )					

Indicate to what extent do you agree or disagree with the statements concerning the obstacles/barriers that you are currently experiencing in your own business.

Mark the applicable block with a cross (X).

		Strongly disagree	Disagree	Neutral view	Agree	Strongly agree
<b>FACTORS (OBSTACLES) YOU ARE FACING <u>CURRENTLY</u> IN RUNNING YOUR BUSINESS</b>						
<b>D15</b>	Inability to secure credit facility	1	2	3	4	5
<b>D16</b>	Family pressures (gender-role expectations)	1	2	3	4	5
<b>D17</b>	Awareness/ Access to business support	1	2	3	4	5
<b>D18</b>	Lack of timely business information	1	2	3	4	5
<b>D19</b>	Lack of role models and support	1	2	3	4	5
<b>D20</b>	Isolation from business network	1	2	3	4	5
<b>D21</b>	Socio-cultural environment	1	2	3	4	5
<b>D22</b>	Lack of business management skills	1	2	3	4	5
<b>D23</b>	Liquidity problems and other financial problems	1	2	3	4	5
<b>D24</b>	Gaining acceptance/respect of people (internally and externally)	1	2	3	4	5
<b>D25</b>	No time for training/upgrading of skills	1	2	3	4	5
<b>D26</b>	Other ( <b>Please specify</b> )					

## SECTION E: TRAINING AND FINANCING NEEDS OF ENTREPRENEURS

Mark the applicable block with a cross (X). Complete the applicable information.

<b>E1</b>	<b>Have you ever been supported, trained or developed by either a government agency or the private sector (non-governmental group)?</b>	<b>Yes</b> (01)	<b>N</b> <b>o</b> (0 2)
(03)	<b>If yes, name the institutions you know:</b>		
	<b>Indicate the type of training that you received.</b>		
	Technical skills (i.e. hand crafting)		(04)
	Communication skills		(05)
	Accounting skills		(06)
	Management skills		(07)
	Technological skills (computers)		(08)
	Other: <b>(Please specify)</b>		(09)

<b>E2</b>	<b>Which of the following obstacles have you experienced in the application process for financial assistance?</b>		
	Complexity of application forms		(01)
	Too many forms to fill in		(02)
	Time frame of feedback was long		(03)
	Ability of banker to inform and assist in the entire application process		(04)
	Lack of collateral/ security		(05)
	Other: <b>(Please specify)</b>		(06)

<b>E3</b>	<b>If your application was rejected, what was the reason/s for the rejection?</b>		
	Bad credit record		(01)
	Lack of collateral		(02)
	Poor business plan		(03)
	Character of entrepreneur		(04)
	Other: <b>(Please specify)</b>		(05)

<b>E4</b>	<b>Which institutions did you approach to finance your business?</b>	
	Business partners	(01)
	Commercial banks	(02)
	Khula Finance/ Ntsika Enterprise Promotion agency	(03)
	Industrial Development Corporation	(04)
	National Empowerment Funds	(05)
	Other: <b>(Please specify)</b>	(06)

<b>E5</b>	<b>If you have not approached any of the above (E4), please indicate why:</b>	
	No knowledge of entity	(01)
	Inaccessibility	(02)
	Received funding from friends and/or family	(03)
	Funding through Angel investor or Venture capitalist	(04)
	Other: <b>(Please specify)</b>	(05)

<b>E6</b>	<b>Do you believe entrepreneurs need training?</b>	
	Yes	(01)
	No	(02)

<b>E7</b>	<b>If you selected Yes above (E6), please indicate in which field the need for training exists</b>	
	Finance training	(01)
	Business development	(02)
	Mentoring	(03)
	Other <b>(Please specify)</b>	(04)

**THANK YOU FOR YOUR TIME.**

**ANNEXURE B: LANGUAGE EDITOR'S CONFIRMATION LETTER**

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I confirm that I did a language edit of S Kubone's Mini dissertation.

**Role of supporting and stimulating the township economy  
and informal sector in the Gauteng townships**

**I was instructed by the student to just edit chapters 1 to 5**

I am registered at SATI (South African Translation Institute) Nr 1001334.

S Postma