

# **A study of informal sector entrepreneurial activity within the townships in Emfuleni Local Municipality**

**by**

**Xolani Simphiwe Makhoba**  
21464545

**Mini-dissertation submitted in partial fulfilment of the requirements  
for the degree *Master in Business Administration* at the North-West  
University, Potchefstroom Campus**

**Supervisor: Prof. T.E. du Plessis**

**November 2010**

## ABSTRACT

*Past research has established that South Africa has a problem of high unemployment rate. This is accompanied by a low entrepreneurship activity that tends to lag far behind that of other developing countries as measured over the years by the Global Entrepreneurship Monitor (GEM) research. Entrepreneurship and small business are well recognised for their role in both economic growth and job creation. This study set out to investigate the informal sector entrepreneurial activity in Emfuleni Local Municipality which has experienced large scale retrenchments over the past decade. A literature survey was conducted to understand the characteristics, successful practices and weaknesses that distinguish the informal sector from the formal sector.*

*The empirical study which was conducted by means of survey questionnaire among the informal sector entrepreneurs indicated that entrepreneurship in the informal sector can provide a form of income for some people that cannot be absorbed in the formal labour market. The findings of the study was that this area of entrepreneurship is dominated by the youth as more than half of the respondents were below the age of 35 years. It was also found that most of the entrepreneurs have never been formally employed which may be problematic when it comes to skills. While most of them recognised the importance of training and skills, they were also positive that they can benefit from training especially in the area of marketing and promoting their product and services.*

*These entrepreneurs however do not seem to be benefiting from government initiatives such as the workshops offered by the local municipality and other assistance offered by the government agencies. The low skills level of most of these entrepreneurs may also hinder their ability to grow their businesses beyond the one-man operations. It is recommended therefore that the organisations such as the National Youth Development Agency double their efforts in helping the youth to become successful small business owners. The government agencies, particularly those targeting the youth should make a concerted effort to provide training in particular to these people if they are to make a lasting impact on job creation.*

**Key terms:** *Entrepreneurship, small business, economic growth, job creation, entrepreneurial activity, Emfuleni Local Municipality*

## **ACKNOWLEDGEMENTS**

- I would like to express my sincere appreciation to my supervisor, Prof. Tommy Du Plessis for his guidance, encouragement and support.
- I would like to thank the entrepreneurs in Emfuleni Local Municipality for their co-operation and participation in the research.
- I would like to thank my parents and family for their support, encouragement and understanding.
- Finally, I would like to thank my study group members for their support right through the duration of the MBA.

## TABLE OF CONTENTS

	Page no.
ABSTRACT .....	ii
ACKNOWLEDGEMENTS .....	iii
TABLE OF CONTENTS .....	iv
LIST OF TABLES .....	vi
LIST OF FIGURES.....	vii
LIST OF ABBREVIATIONS .....	viii
<b>CHAPTER 1: NATURE AND SCOPE OF THE STUDY.....</b>	<b>1</b>
1.1      INTRODUCTION.....	1
1.2      BACKGROUND OF THE STUDY.....	2
1.3      PROBLEM STATEMENT .....	4
1.4      RESEARCH OBJECTIVES .....	5
1.5      SCOPE OF STUDY .....	6
1.6      RESEARCH METHOD .....	6
1.6.1      Phase 1: Literature/theoretical review .....	6
1.6.2      Phase 2: Empirical study .....	7
1.7      LIMITATIONS/ANTICIPATED PROBLEMS .....	8
1.8      CHAPTER DIVISION .....	8
1.9      CHAPTER SUMMARY .....	8
REFERENCES.....	9
<b>CHAPTER 2: A study of informal sector entrepreneurial activity in the townships in Emfuleni Local Municipality .....</b>	<b>13</b>
ABSTRACT .....	12
2.1      INTRODUCTION.....	13
2.2      LITERATURE REVIEW .....	13
2.2.1      Unemployment and job creation.....	14
2.2.2      Global Entrepreneurship Monitor (GEM) reports and job creation .....	16
2.2.3      Role of entrepreneurship in job creation .....	18

## TABLE OF CONTENTS (continued)

	Page no.
<b>2.2.4      Informal sector as job creator .....</b>	<b>21</b>
2.2.4.1    Description of the informal sector.....	21
2.2.4.2    Unique characteristics and challenges of the informal sector .....	22
<b>2.2.5      Business incubators as job creators .....</b>	<b>23</b>
<b>2.2.6      Public sector agencies .....</b>	<b>24</b>
<b>2.2.7      Access to capital.....</b>	<b>25</b>
2.2.7.1    Government .....	25
2.2.7.2    Private sector organisations.....	26
<b>2.2.8      Emfuleni Local Municipality .....</b>	<b>28</b>
2.2.8.1    The geographic landscape of Emfuleni Local Municipality .....	28
<b>2.3           RESEARCH METHODOLOGY.....</b>	<b>31</b>
<b>2.3.2        Empirical research .....</b>	<b>31</b>
<b>2.3.3        Measuring instrument.....</b>	<b>31</b>
<b>2.3.4        Data analysis .....</b>	<b>32</b>
<b>2.3.5        Study results .....</b>	<b>32</b>
<b>2.4           DISCUSSION.....</b>	<b>54</b>
<b>2.5           SUMMARY.....</b>	<b>55</b>
<b>REFERENCES.....</b>	<b>56</b>
<b>CHAPTER 3: CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS.....</b>	<b>62</b>
<b>3.1           INTRODUCTION.....</b>	<b>62</b>
<b>3.3           LIMITATIONS .....</b>	<b>63</b>
<b>3.4           FUTURE RESEARCH .....</b>	<b>64</b>
<b>3.5           SUMMARY.....</b>	<b>64</b>
<b>APPENDIX 1: Questionnaire used for the empirical study .....</b>	<b>65</b>
<b>APPENDIX B: Letter form language editor.....</b>	<b>71</b>

## LIST OF TABLES

<b>Table 2.1:</b>	<b>Interpretation guide for Cohen's d-value .....</b>	<b>48</b>
<b>Table 2.2:</b>	<b>Summary of results for the t-tests on gender .....</b>	<b>49</b>
<b>Table 2.3:</b>	<b>Summary of results for the t-tests on different age groups .....</b>	<b>50</b>
<b>Table 2.4:</b>	<b>Interpretation guide for the phi-coefficient .....</b>	<b>51</b>
<b>Table 2.5:</b>	<b>Summary of results for the chi-square tests between gender and questions from Section B .....</b>	<b>52</b>
<b>Table 2.6:</b>	<b>Summary of results for the chi-square tests between age group and questions from Section B .....</b>	<b>53</b>

## LIST OF FIGURES

<b>Figure 2.1:</b>	<b>Gender of interviewed entrepreneurs .....</b>	<b>33</b>
<b>Figure 2.2:</b>	<b>Age classification of entrepreneurs .....</b>	<b>33</b>
<b>Figure 2.3:</b>	<b>Academic qualifications of entrepreneurs .....</b>	<b>34</b>
<b>Figure 2.4:</b>	<b>Status of the businesses .....</b>	<b>34</b>
<b>Figure 2.5:</b>	<b>Age of the business .....</b>	<b>35</b>
<b>Figure 2.6:</b>	<b>Marital statuses of entrepreneurs .....</b>	<b>35</b>
<b>Figure 2.7:</b>	<b>Findings on the number of employees working for the business .....</b>	<b>36</b>
<b>Figure 2.8:</b>	<b>Findings on the classification of sectors.....</b>	<b>36</b>
<b>Figure 2.9:</b>	<b>Findings on the turnover of the business.....</b>	<b>38</b>
<b>Figure 2.10:</b>	<b>Summary of findings on questions about entrepreneurial culture .....</b>	<b>38</b>
<b>Figure 2.11:</b>	<b>Responses of entrepreneurs about formal work experience.....</b>	<b>39</b>
<b>Figure 2.12:</b>	<b>Summary of findings on questions about role models .....</b>	<b>39</b>
<b>Figure 2.13:</b>	<b>Results on how start-up capital was obtained .....</b>	<b>40</b>
<b>Figure 2.14:</b>	<b>Results on perceptions about access to opportunities .....</b>	<b>41</b>
<b>Figure 2.15:</b>	<b>Results on the training from the government .....</b>	<b>42</b>
<b>Figure 2.16:</b>	<b>Results on the training needs of entrepreneurs.....</b>	<b>42</b>
<b>Figure 2.17:</b>	<b>Results on how skills for the business were obtained .....</b>	<b>43</b>
<b>Figure 2.18:</b>	<b>Summary on findings about the role of incubators .....</b>	<b>43</b>
<b>Figure 2.19:</b>	<b>Summary of results on findings about BBBEE .....</b>	<b>44</b>
<b>Figure 2.20:</b>	<b>Summary of results on number of years since last employment.....</b>	<b>45</b>
<b>Figure 2.21:</b>	<b>Results on whether the area provides employment opportunities .....</b>	<b>46</b>
<b>Figure 2.22:</b>	<b>Results about perception of entrepreneurs on business opportunities .....</b>	<b>46</b>

## **LIST OF ABBREVIATIONS**

AsgiSA	Accelerated and Shared Growth Initiative of South Africa
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
CPPP	Community Public Private Partnership Programme
CSI	Corporate Social Investments
DTI	Department of Trade and Industry
EPWP	Expanded Public Works Programme
GDP	Gross Domestic Product
GEP	Gauteng Enterprise Propeller
GEDA	Gauteng Economic Development Agency
GEM	Global Entrepreneurship Monitor
NAMAC	National Manufacturing Advisory Centre
NEF	National Empowerment Fund
SEDA	Small Enterprise Development Agency
SAMAF	South African Micro-Finance Apex Fund
SMME	Small, micro and medium enterprises
Stats SA	Statistics South Africa
TEA	Total Early-Stage Entrepreneurial Activities
TEP	Tourism Enterprise Partnership

# **CHAPTER 1**

## **NATURE AND SCOPE OF THE STUDY**

### **1.1 INTRODUCTION**

Internationally the informal sector has been receiving considerable attention as a contributor (or potential contributor) to the economic welfare of society (Carree & Thurik, 2003:437). This is particularly the case in the South African dual economy which, due to structural legacy, is divided into the first economy and second economy (Gumede, 2008:15). It has also been reported that South Africa's Gini measure has increased from 0.64 to 0.66, representing an increase in wealth inequality (Govender, Kambaran, Patchett, Ruddle, Torr & van Zyl, 2007:130). The Gini co-efficient is a measure of inequality and the higher it is the greater the degree of income inequality while the lower a country's Gini score, the more equitable is its distribution of wealth (Schiller, 2000:672). Most Western countries have Gini scores of between 0.20 and 0.40; this further emphasises the unusual nature of the South African economic structure. One way in which overlooked people in the second economy can be brought into the mainstream first economy is via entrepreneurship in addition to other social interventions (North, 2002:24).

Entrepreneurship is described as a process of "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" (Hisrich & Peters, 2002:11). An entrepreneur will thus be someone who can take risks and initiative to turn resources into products and service needed by the market. Some entrepreneurs are opportunity entrepreneurs and others are necessity entrepreneurs. The necessity entrepreneurs are forced by circumstance to go the entrepreneurship route due to lack of alternatives (Bosma, Jones, Levie & Auto, 2007:19). These necessity entrepreneurs are the main focus of interest of this study and the aim is to develop recommendations for bringing them into the mainstream economy.

Since the focus is on the informal sector it is a good idea to define this term. Morris and Pitt (1995:78) describe the informal sector as those economic activities not recorded in the public financial records, and not subject to formal rules of contract, licensing, labour inspection, reporting and taxation. Rogerson (2000:689) specifically described the informal sector as mostly home-based enterprises, single-person or family operations. This sector generated an estimated R51.7 billion in 2004 and accounted for 6.3% of total household cash expenditure nationally (Lighthelm, 2006:41). Therefore this sector, focusing on the Emfuleni Local Municipality, cannot be ignored and needs to be understood on whether it can create businesses that are a sustainable source of financial independence. The rationale for the focus on this municipal area is due to the massive retrenchments that have taken place due to downsizing in companies such as Arcelor-Mittal Steel which used to be known as Iscor. This company has been a major source of employment opportunities in this area. Iscor has retrenched some 20 000 workers since 1994, many of whom are now living in extreme poverty (Daniel, Southall, Buhlungu & Lutchman, 2006: 343).

## **1.2 BACKGROUND OF THE STUDY**

The South African economy is often described as consisting of a dominant first economy which is cutting edge and globally competitive (Lighthelm, 2006:41). On the edge of this is a large section of the population that remain unemployed due to geographic location, level of skills and the structure of the economy (Gumede, 2008:15). Within this second economy which has received considerable attention from the government through the Accelerated and Shared Growth Initiative of South Africa (AsgiSA) programme is a thriving generation of entrepreneurs. Entrepreneurs whose informal ventures (or micro-enterprises) tend to be survivalist in nature may be the desired route to poverty reduction and self employment (World Bank Task Team, 2000:36). They have offerings in a wide range of goods and services such as general dealers, cafés, tuck-shops, spaza shops, shebeens, bottle stores and hardware stores; hair salons, transport activities, car repairs, panel-beating, shoe repairs and electrical repairs; and in manufacturing or construction, beer brewers,

brick making, welding, clothing, dressmaking, knitting, baking, wood workers and more (Ndabeni & Rogerson, 2005:130).

Emfuleni Local Municipality forms part of the area known as the Vaal triangle consisting of dominant high-tech companies that require highly skilled technologists and professionals, for example, Arcelor-Mittal Steel, Sasol and Eskom. Alongside this is a population that are disconnected from the world economy and cannot be employed in the positions available in these companies. It is evident, therefore, that creating opportunities for this section of the population will support the government initiatives such as AsgiSA and Broad-Based Black Economic Empowerment (BBBEE).

There are some private sector organisations that are involved in entrepreneurial development. The driving force behind this may in part be due to Corporate Social Investments (CSI) initiatives but may also be due to the need to comply with the BBBEE requirements. BBBEE rests on seven pillars of participation which can be measured within an enterprise. These pillars, as listed in the codes of good practice developed by the Department of Trade and Industry (DTI) (2010) as guidelines for the private and public sectors in the implementation and interpretation of BBBEE, are: equity ownership (20%) in the entity by black persons, management control (10%) of entities by black persons, employment equity (15%) targets, skills development (15%) and the transfer of skills to black employees, preferential procurement (20%) from black owned entities, enterprise development (15%) of black enterprises and socio-economic development (5%) investments (Chedza, 2010; Department of Trade and Industry, 2007:1). This measurement across seven aspects of an enterprise distinguishes BBBEE (the focus being on "broad-based") from Black Economic Empowerment (BEE) which had up till now focused on the narrow concept of the extent of black 'ownership' in an enterprise. Therefore, organisations have the flexibility of being able to contribute via any number of these pillars to comply with the BBBEE Act (53/2003) (SA, 2003). Some of the private sector corporations are taking advantage of this broader scope of BEE.

Private sector organisations such as Sasol, Anglo American, De Beers, Old Mutual, Barlows and South African Breweries have enterprise development divisions, for

example, Chemcity in the case of Sasol. These companies help small and medium businesses during start-up and this contributes to their BEE scorecard. The assistance given is in the form of feasibility studies, business plans for funding applications to product and process development (Chemcity, 2010:1). It is from this background that research in this area is required, since if these organisations are to make a dent in poverty reduction they have to understand this informal part of the economy.

### **1.3 PROBLEM STATEMENT**

South Africa has a problem of chronic unemployment (Schoeman, Blaauw & Pretorius, 2008:67) and low entrepreneurial activity as mentioned in Global Entrepreneurship Monitor (GEM) reports (Driver, Wood, Segal & Herrington, 2001:13; Foxcroft, Wood, Kew, Herrington & Segal, 2002:13; Orford, Herrington & Wood, 2004:10; Von Broembsen, Wood & Herrington, 2005:7; Maas & Herington, 2007:8; Herrington Kew & Kew, 2008:4). The Global Entrepreneurship Monitor (GEM) measures the different countries' entrepreneurial intensity where the focus is specifically on the Total Early-stage Entrepreneurial Activities (TEA), defined as from 0 months to 3.5 years. The TEA index measures the percentage of individuals between the ages of 18 and 64 that are involved in starting new businesses. South Africa's TEA is not at a level where it can sustain economic growth rates that will create wealth for its population. The TEA index of South Africa is almost 50% lower than that of other developing countries such as Argentina, India, Brazil and Mexico. This is not supportive of economic growth and job creation which are still South Africa's biggest challenges, according to Kroon, de Klerk & Dippenaar (2003:320).

The low level of entrepreneurship, as indicated by the TEA index, has often been linked to structural problems within the South African economy such as a low level of literacy (North, 2002:24). There are other factors that amplify this such as access to capital and credit which may be related to creditworthiness of these individuals. Therefore, based on the factors such as the low level of entrepreneurship and high

rate of unemployment, it would seem that the focus should shift to stimulating entrepreneurship among the lower end of the South African population.

The objective of this study is to understand the participants in the informal entrepreneurial landscape with the aim of making some recommendations on the best practices or interventions for this group of entrepreneurs. According to the South African GEM report (Maas & Herrington, 2007:19), individuals have different motivations to go the entrepreneurial route. The necessity entrepreneurs, whom this study is likely to focus on, become involved mainly because they have no other option of earning an income.

## **1.4 RESEARCH OBJECTIVES**

### **1.4.1 Primary objective**

The primary objective of this research was to determine the level of informal sector entrepreneurial activity in the townships falling under the Emfuleni Local Municipality and the major obstacles and challenges these entrepreneurs face when starting their small businesses.

### **1.4.2 Secondary objectives**

The secondary objectives of this research were:

- To identify the major challenges in the informal business sector entrepreneurs in these townships. This question and its answers should help policy makers, especially the local government and other departments, to identify the intervention that can be implemented.
- To highlight the successful practices and business strategies that entrepreneurs in this category employ. The questions and answers will help identify best practices which are to be used by the entrepreneurs. The focus was on the key issues that may affect entrepreneurship development in this

sector such as the culture of entrepreneurship, access to capital, skills, role of the incubators and other support organisations as well as enterprise development and BBBEE. This will also help in recommending the course of action to be followed to increase the level of entrepreneurship and to identify the relevant obstacles and best practices.

## **1.5 SCOPE OF STUDY**

This study's focus was on entrepreneurial activities within the informal sector as a means of combating chronic poverty and unemployment. It also attempted to help to identify the challenges that entrepreneurs in this category encounter. The study was limited to the Emfuleni Local Municipality whose main towns are Vereeniging and Vanderbijlpark. Areas falling under this municipality include townships namely Evaton, Sebokeng, Sharpeville, Boipatong, Bophelong and Tshepiso.

## **1.6 RESEARCH METHOD**

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

### **1.6.1 Phase 1: Literature/theoretical review**

In phase 1, a complete review is given regarding entrepreneurship within the context of this study. Among other things, the articles from databases and journals were used to effectively deal with issues relating to entrepreneurship. The sources that were consulted include:

- Sciedirect (database)
- Ebscohost (database)
- JSTOR (database)
- Sabinet Online (database)
- Emerald (database)

- Google scholar and other internet searches
- Books and Theses

### **1.6.2 Phase 2: Empirical study**

The empirical study consists of the research design, participants, measuring instrument, and statistical analysis where applicable. The measuring instrument used was a questionnaire that was designed to gather information from necessity entrepreneurs. It was also used to serve as a measure on whether entrepreneurship is contributing meaningfully in addressing chronic unemployment and poverty.

#### **1.6.2.1 Research design**

The questionnaire was designed based on the important issues identified in the literature review. These were focused on getting the responses on the themes of culture of entrepreneurship within this sector, access to capital, skills, role of the incubators and other support organisations as well as enterprise development and the effect of BBBEE.

#### **1.6.2.2 Study population**

A random sample of informal traders and self employed individuals was selected. They were personally briefed on the contents of the questionnaires to eliminate interpretation errors.

#### **1.6.2.3 Data analysis**

Statistical analysis of data was carried out using suitable statistical tools, STATISTICA (2009) and SPSS (2009), to manipulate and present the data where applicable. Graphs were also used to highlight the results so that they can be in a presentable fashion. Descriptive statistics in the form of frequencies and percentages were calculated and classified according to demographic factors such as gender and age.

## **1.7 LIMITATIONS/ANTICIPATED PROBLEMS**

It was anticipated that the low level of education of some of the participants may hinder their ability to fill out questionnaires. This was countered by giving assistance that could have resulted in false responses due to privacy concerns.

## **1.8 CHAPTER DIVISION**

The chapters in the mini-dissertation are presented as follows:

- Chapter 1: Introduction and problem statement.
- Chapter 2: Literature review and empirical study.
- Chapter 3: Conclusions and recommendations

## **1.9 CHAPTER SUMMARY**

In this chapter, an introduction to entrepreneurship and the link to the informal sector of the South African dual economy were given together with the meanings and interpretations. The problem statement, which is the reason for this study is explained together with how the research was approached. Certain aspects that can be useful in measuring entrepreneurial activity are explained and how measurements were done was highlighted. In the next chapter, a literature review was conducted to understand the extent to which this topic was researched in the past.

## REFERENCES

- ASGISA. 2009. A summary. [Web:] [www.info.gov.za/asgisa/](http://www.info.gov.za/asgisa/) Date of access: 27 Nov. 2009.
- BOSMA, N., JONES, K., LEVIE, T. & AUTO, E. 2007. The Global Entrepreneurship Monitor Executive Report. Wellesley, MA: Babson College.
- CARREE, M.A. & THURIK, A.R. 2003. The impact of entrepreneurship on economic growth. (In: Handbook of Entrepreneurship Research, Acs, Z.J. & Audretsch D.B. (eds.)), Great Britain.
- CHEMCITY. 2010. Frequently asked questions. [Web:] <http://www.chemcity.co.za> Date of access: 22 Feb. 2010.
- DANIEL, J., SOUTHHALL, R., BUHLUNGU, S. & LUTCHMAN, J. 2006. State of the Nation: South Africa, 2005-2006., Cape Town: HSRC.
- DRIVER, A., WOOD, E., SEGALI, N. & HERRINGTON, M. 2001. Global Entrepreneurship Monitor. Cape Town, Graduate School of Business, University of Cape Town.
- FOXCROFT, M.L., WOOD, E., KEW, J., HERRINGTON, M. & SEGAL, N. 2002. Global Entrepreneurship Monitor. Cape Town. Graduate School of Business.
- GOVENDER, P., KAMBARAN, N., PATCHETT, N., RUDDLE, A., TORR, G. & VAN ZYL, N. 2007. Poverty and inequality in South Africa and the world. *South African Actuarial Journal*, 7(2007):117-160.
- HERRINGTON, M., KEW J. & KEW, P. 2008. Global Entrepreneurship Monitor South African Report, Cape Town. Graduate School of Business, University of Cape Town.

HISRICH, R.D. & PETERS, M.P. 2002. Entrepreneurship. 5<sup>th</sup> ed. New York, NY: McGraw-Hill.

KROON, J., DE KLERK, S. & DIPPENAAR, A. 2003. Developing the next generation of potential entrepreneurs: co-operation between schools and businesses? *South African Journal of Education*, 23(4):319-322.

LIGTHELM, A. 2006. Size estimate of the informal sector. *South African Business Review*, 10(2):32-52.

MAAS, G. & HERRINGTON, M. 2007. Global Entrepreneurship Monitor. Cape Town. Graduate School of Business, University of Cape Town.

MORRIS, M. H. & PITI, L. F. 1995. Informal sector activity as entrepreneurship: insights from a South African township. *Journal of Small Business Management*, 33(1):78-86.

NDABENI, L. & ROGERSON, C.M. 2005. Entrepreneurship in rural tourism: the challenges of South Africa's Wild Coast. *Africa Insight*, 30(4):130-145.

NORTH, E. 2002. A decade of entrepreneurship education in South Africa, *South African Journal of Education*, 22(1):24-27.

ORFORD, J., HERRINGTON, M. & WOOD, E. 2004. Global Entrepreneurship Monitor. Cape Town. Graduate School of Business, University of Cape Town.

ROGERSON, C. M. 2000. Successful SMEs in South Africa: the case of clothing producers in the Witwatersrand. *Development Southern Africa*, 17(5):687-717.

SCHILLER, B.R. 2000. The economy today. New York, NY: McGraw-Hill.

SCHOEMAN, C., BLAAUW, D. & PRETORIUS, A. 2008. An investigation into the determinants of the South African unemployment rate. *Acta Academia*, 40(3):67-84.

SOUTH AFRICA. 2010. Department of Trade and Industry. South Africa's economic transformation: a strategy for Broad-Based Black Economic Empowerment. [Web:] <http://www.dti.gov.za> Date of access: 22 Feb. 2010.

SPSS Inc. 2009. SPSS® 17.0 for Windows, Release 17.0.0, Copyright© by SPSS Inc., Chicago, Illinois. [www.spss.com](http://www.spss.com).

STATISTICA 2009. StatSoft Inc. (Data analysis software system), Version 9.0. [www.statsoft.com](http://www.statsoft.com).

VON BROEMBSEN, M., WOOD, E. & HERRINGTON, M. 2005. Global Entrepreneurship Monitor. Cape Town, Graduate School of Business. University of Cape Town.

WORLD BANK TASK TEAM. 2000. South Africa: constraints to growth and employment. Evidence of the small, medium and micro enterprise firm survey, Macroeconomics Technical Group Africa Region. Report No 24330-ZA. Washington DC, USA.

## **CHAPTER 2**

### **A study of informal sector entrepreneurial activity in the townships in Emfuleni Local Municipality**

#### **ABSTRACT**

South Africa lags far behind the other developing countries when it comes to entrepreneurial activity as measured over the years by the GEM research using the TEA index. Since entrepreneurship and small business are well recognised for its role in both economic growth and job creation this does not augur well for a problem of a high unemployment rate. The aim of this study was to investigate the informal sector entrepreneurial activity in Emfuleni Local Municipality which has experienced large scale retrenchments over the past decade. A literature review was carried out to distinguish between the informal sector and the formal sector and what was its job creation potential.

Accompanying this, the literature review was followed by an empirical study among existing necessity entrepreneurs to understand the characteristics, successful practices and weaknesses in the sector. It was found that the entrepreneurs do not seem to be benefiting from government initiatives such as the workshops offered by the local municipality and other assistance offered by the government agencies. These entrepreneurs also had low levels of skills which may hinder their ability to grow their businesses beyond the one-man operations. The recommendation is that the agencies, particularly those targeting the youth (as most of the entrepreneurs were in the youth category) target the informal sector entrepreneurs. This should be done with the aim of increasing their business skills to increase their chances of success and creating employment opportunities.

**Key terms:** Entrepreneurship, small business, economic growth, job creation, entrepreneurial activity, Emfuleni Local Municipality

## **2.1 INTRODUCTION**

It is well established that South Africa has a plight of a high unemployment rate (Bhorat, 2004:940; Kingdon & Knight, 2004:394; Klasen & Woolard, 2009:2; Banerjee, Galiani, Levinsohn, McLaren & Woolard: 2008:722; Kingdon & Knight, 2006:292; Kingdon & Knight, 2007:815). Accompanying this, is the low entrepreneurship activity that tends to lag far behind that of other developing countries as measured over the years by the GEM research (Driver, Wood, Segal & Herrington, 2001:13; Foxcroft, Wood, Kew, Herrington & Segal, 2002:13; Orford, Herrington & Wood, 2004:10; Von Broembsen, Wood & Herrington, 2005:7; Maas & Herrington, 2007:8; Herrington Kew & Kew, 2008:4). This coupled with the low skills level of the unemployed has led to a proliferation of informal small businesses as a means to make a living.

The informal sector generates considerable income; in fact, some believe that economic development cannot happen in developing countries without the informal sector (Morris, Jones & Nel, 2006:111; Ligthelm, 2006:41). Therefore, due to its contribution as a means to livelihoods especially in the absence of formal employment, the informal sector deserves supportive policies much like other growth-oriented enterprises which provide the motivation for this study.

Relevant literature was consulted to establish the effects of unemployment and entrepreneurship on specifically the informal sector. An empirical study was conducted in Emfuleni Local Municipality townships to determine the level of entrepreneurship within this sector.

## **2.2 LITERATURE REVIEW**

In the context of investigating entrepreneurship in the informal sector, the situation in the Emfuleni Local Municipality in regard to unemployment, entrepreneurial culture and government interventions was examined.

## **2.2.1 Unemployment and job creation**

This section investigates unemployment and the efforts of job creation in the South African context.

### **2.2.1.1 Unemployment**

The issue of employment and unemployment is of interest to a broad spectrum of the population since formal employment is often the only way to earn a living. South Africa has had protracted persistence of high unemployment as shown in Quarterly Labour Force Surveys, the sample surveys conducted by Statistics South Africa (Stats SA). The results from the labour force survey released by Stats SA show that the South African unemployment rate increased from 23,5% in the first quarter of 2009 to 25,2% in the first quarter of 2010 (Stats SA, 2010). The same report also paints a bleak picture of the Gauteng province, which is considered an economic powerhouse, with the unemployment rate standing at 27.1%.

The situation may be much worse as these numbers only refer to those people in the labour force. People outside of the labour force are thus a combination formed by people who do not want a job, people who are not searching but might take a job if offered, and people who are searching for a job but took their last step more than four weeks before the interview. This means there are many people without work who may not fit into this definition and therefore unemployment may be quite significantly higher than this. According to the broad definition of unemployment which includes people who are not searching for a job, but who would be willing to start one if offered, typically called “discouraged workers” was standing at 38% when the official rate was 24% in 1999, according to the broad definition (Brandolini, Cipollone & Viviano, 2006:154; Klasena & Woolard, 2009:1).

Kingdon and Knight (2007:823), after investigating this issue of employment in some depth, concluded that for the South African labour market the broad measure of unemployment is a more accurate reflection of joblessness than the narrow measure as the non-searching unemployed are, on average, significantly more deprived than

those that were searching. The devastating impact of the recent world-wide economic crisis also has worsened the unemployment situation in South Africa, with over a million jobs lost during 2009 (Herrington, Kew, & Kew, 2009:15).

#### 2.2.1.2 Job creation

The South African economy has a world recognised first economy which is cutting edge and globally competitive (Lighthelm, 2006:41). This achievement is unfortunately undermined by the fact that there is a large number of the population that remain unemployed due to geographic location, level of skills and the structure of the economy (Gumede, 2008:15). This is often called the second economy which has been earmarked by the government through the Accelerated and Shared Growth Initiative of South Africa (AsgISA, 2009) programme whose goals are to come up with interventions to address inequalities and target the marginalised poor, to bridge the gap with the second economy, and ultimately to eliminate the second economy.

The other instrument that the government has used to create employment, thereby bringing people to the first economy, is the Expanded Public Works Programme (EPWP). The aim of the EPWP is to utilise public sector budgets to alleviate unemployment (Department of Public Works, 2009:8). The programme driven by the national government draws unemployed people into productive work, with the aim of exposing them to skills while they work, and increase their capacity to earn an income. It is seen as a way of bringing the unemployed into the formal economy (Plaatjies & Nicolaou-Manias, 2005:9).

The government, therefore, has a role to play in job creation; however, this role is very limited. McCord (2008:561) argues that the employment opportunities created by the EPWP tend to be temporary and therefore, although some training has been achieved, it is still a challenge to absorb these workers into the existing businesses. It is hoped that the skills gained by the workers, for example in construction, will enable them to start their own businesses and thereby provide employment opportunities (Department of Public Works, 2009:249).

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

Looking at the issues relating to unemployment and job creation this section attempts to relate this to the results of the Global Entrepreneurship Monitor (GEM) surveys.

### **2.2.2.1 GEM method of measuring entrepreneurial activity**

The previous section focused on the seriousness of the unemployment problem facing South Africa. Based on this background the efforts of this study are to examine some of the suggested alternative ways of creating employment opportunities. Based on this background, therefore, in order to reverse this trend it would seem that entrepreneurship amongst SMMEs is critical. Since the study has relied heavily on the GEM research on entrepreneurial activity it is deemed necessary to discuss some characteristics of the GEM methodology. It must be emphasised, however, that the study does not purport to emulate a GEM survey; however, some of the definitions and methods are applicable.

GEM defines people who are entrepreneurially active as adults in the process of setting up a business; this also includes those that own or are currently owning and managing an operating young business (Reynolds, Bosma, Autio, Hunt, De Bono, Servais, Paloma, Lopez-Garcia & Chin; 2005:209). It then distinguishes between “nascent entrepreneurs” and new business owners based on the age of the business. According to Bosma and Levie (2010:14), GEM considers the payment of any wages for more than three months the birth of the businesses. Therefore, the distinction between businesses that have remunerated employees for more than three months and less than 42 months are considered new. The nascent entrepreneurs and new business owners considered together are viewed as indicators of early-stage entrepreneurial activity in a country. Business owners who have remunerated employees for more than 42 months are classified as “established business owners” as they have demonstrated their survival ability. Based on the primary and secondary objectives of this study the population will consist of those

businesses that are just setting up to those that are established according to the GEM definition.

#### 2.2.2.2 Results from the GEM survey

This section describes the structural problems relating to unemployment in South Africa to entrepreneurship on the back of the findings of the GEM reports.

The issue of the high unemployment rate in South Africa necessitates that alternative ways of creating employment opportunities be found; therefore, a higher level of entrepreneurship and increased level of SMME start-up is critical to reverse this trend. The GEM research (Herrington *et al.*, 2009:15) has consistently revealed that this has not taken place as anticipated due to some challenges in South Africa. The top challenges for entrepreneurship in South Africa are a difficult regulatory environment, the low level of education and training among the population, lack of finance and other social factors that do not encourage entrepreneurship as a career choice.

GEM research has shown that entrepreneurial activity in the developing countries is generally higher than in the developed countries. However, South Africa lags behind other developing countries in promoting early-stage entrepreneurial activity (Driver *et al.*, 2001:13; Foxcroft *et al.*, 2002:13; Orford *et al.*, 2004:10; Von Broembsen *et al.*, 2005:7; Maas & Herrington, 2007:8; Herrington *et al.*, 2008:4).

This report reveals that in general terms necessity entrepreneurship is higher among the black population at 27% compared to coloureds (22%), Indians (11%) and the white population (18%). Herrington *et al.* (2008:14) also suggest that Indians and whites are more likely to be the owner managers of new and established firms. The employment potential rises dramatically with educational achievement for all race groups. In all three race groups, the employment potential is greatest among those with tertiary education. What the GEM 2008 report highlights is that the TEA activities will have to improve if South Africa wants to sustain economic growth rates. Otherwise, the dependency on existing businesses and social grants may become unsustainable.

### **2.2.3 Role of entrepreneurship in job creation**

Hisrich and Peters (2002:11) describe entrepreneurship as a process of “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”. Timmons and Spinelli (2007:52) describe entrepreneurship as a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach, and leadership balanced.

The entrepreneurial sector is well recognised as a significant employer. According to Timmons and Spinnelli (2007:51), start-up SMMEs create as much as 75% of net new jobs. Entrepreneurial firms are responsible for as much as 20% of job growth. So, while in the past the large, established firms were significant employers the SMMEs are now the most important players in this area. The informal sector is a significant employer in the South African economy. According to some estimates the informal sector in South Africa is estimated to represent between 16% and 40% of the gross domestic product (GDP) and provides employment to about 4 million people: a significant portion thereof are from the black population (Abedian & DeSmidt, 1990:405; Rogerson, 2000:715).

#### **2.2.3.1 Opportunity versus necessity entrepreneurs**

Entrepreneurs pursuing an entrepreneurial opportunity are referred to as opportunity entrepreneurs while those who are involved in an entrepreneurial effort because they have no other choice of work are termed necessity entrepreneurs (Maas & Herrington, 2007:19). About 74% of all entrepreneurs in developed countries are opportunity entrepreneurs and 26% necessity entrepreneurs, according to the Global Entrepreneurship Monitor (Maas & Herrington, 2007:19). The figure for developing countries has a much higher rate of necessity entrepreneurs with a split of 63% opportunity entrepreneurs and 37% necessity entrepreneurs. In South Africa, the split between opportunity and necessity entrepreneurs is 58% opportunity and 42% necessity entrepreneurs (Maas & Herrington, 2007:19). The GEM report further

argues that the opportunity entrepreneurs generate more income than the necessity entrepreneurs and play a more critical role in job creation and economic growth.

#### 2.2.3.2 Characteristics of an entrepreneur

A lot has been written about the entrepreneur's character traits and what exactly makes one an entrepreneur. Timmons and Spinneli (2007:7-13) as well as Dingee *et al.* (2000:72) cite a number of researchers that have contributed into studying these characteristics. These generic characteristics that are common to most successful entrepreneurs provide a helpful assessment when studying entrepreneurship. These are commitment, drive and determination, leadership, opportunity obsession, tolerance for risk and uncertainty as well as creativity and ability to adapt.

#### 2.2.3.3 Personal motivation

There are indeed different types of personalities that choose to follow the entrepreneurship route; this section investigates the differences. The decision to become an entrepreneur (the potential entrepreneur) and actually start a new venture is influenced by a perception on whether starting this enterprise is desirable. The factors that drive the entrepreneur may be the negative present situation called the push factor, or the attractiveness of becoming an entrepreneur called the pull factors (Wickham, 1998:49; Hisrich & Peters, 2002:11). Some of these push factors are limitations of financial rewards from conventional jobs, or being unemployed in the established economy. Examples of the pull factors are financial rewards of entrepreneurship, freedom to work for oneself and freedom to pursue a personal innovation (Wickham, 1998:49). Factors that play a role in the desirability are the influence of the culture, family, teachers and peers. It is unlikely that an individual will find it desirable to start a new venture if peers and family do not think so too. Another factor mentioned by Hisrich and Peters (2002:13) is that a potential entrepreneur also considers whether starting a new venture is possible. This is normally enabled by government policies that are friendly to start-up companies, the background of an entrepreneur as well as the availability of finance and role-models.

The term entrepreneurial culture has become accepted as an expression of an attitude towards commerce at a business level. Morrison (2000:64) described it as one in which a positive social attitude towards personal effort is widespread, enabling and supporting entrepreneurial activity. An entrepreneurial culture grows partly out of the current business environment of a country. A culture that prizes entrepreneurship; prioritises education of the population to increase the entrepreneurial potential; and a government that liberally supports pure and applied science, promotes entrepreneurship with progressive policies, and enables schools to produce the best educated students will create more successful entrepreneurs.

#### 2.2.3.4 Societal influences

Local social conditions play an important role in the origination and absorption of innovation and its transformation into economic growth. Entrepreneurial culture is seen as an important element of a regional culture facilitating the success of regional clusters and regional economies in general. Cultural features together with the institutional setting jointly determine the extent of entrepreneurial activity. Entrepreneurial culture is normally indicated by the general climate towards risk-taking, values on the formation of new ventures and rewards for individual effort; more individuals will choose the entrepreneurial path over more common employment in a large organisation under these societal conditions (Beugelsdijk, 2010:137; Mitchell, 2003:727).

The issue of role models is also important and should not be under-estimated. Van Vuuren and Groenewald (2007:278) point out that in South Africa, little attention is given to role models and success stories of entrepreneurs and small businesses, with more focus on failures than successes. The importance and recognition of role-models must receive more attention and be included in training and education programmes. It also became evident that there were other concerns for South African entrepreneurs; these include economic uncertainty, crime, corporate tax rates and labour legislation, and are viewed as the biggest threats facing the small business sector. Additionally, the unstable and high interest rate and inflation result in higher costs to the small business, and hamper their ability to plan and budget

effectively (Van Vuuren & Groenewald, 2007:278). These authors further found that personal management and involvement, access to role models, effective time management and support from partners and advisors will play a role in the success of the business of potential entrepreneurs (Van Vuuren & Groenewald, 2007:278).

The other additional issue that greatly influences individual entrepreneurs is the family background. Morrison, in their study in different countries, including South Africa, found that family background plays an important role in two ways. First, if an entrepreneur has previous experience of the effect of entrepreneurship from a family member they are more prepared for the consequences of their own activities. The role of the extended family in enabling access to funds and markets to support individual entrepreneurs in the creation and development of their businesses was also identified as of significance (Morrison, 2000:69). It is clear that the society at large has a role to play in entrepreneurial activity as discussed earlier.

#### **2.2.4 Informal sector as job creator**

In this section, the definition of the informal sector is given as well as some of this sector's contribution to the economy and challenges.

##### **2.2.4.1 Description of the informal sector**

The informal sector is not uniform and is very hard to define. Morris and Pitt (1995:78) characterises the informal sector as those economic activities not recorded in the public financial records, and not subject to formal rules of contract, licensing, labour inspection, reporting and taxation. Rogerson (2000:689) mentioned that the distinguishing factor of the informal sector is that it is mostly home-based enterprises, single-person or family operations. Regardless of the definitions, the importance of this sector cannot be underestimated as it generated an estimated R51.7 billion in 2004 and accounted for 6.3% of total household cash expenditure nationally (Ligthelm, 2006:41).

The National Small Business Act (26/2003) (South Africa, 2003) divides SMMEs into the following five categories: medium enterprise, small enterprise, very small enterprise, micro enterprises and survivalist enterprises. The majority of enterprises falling under the informal sector are the survivalist, micro-enterprises and very small enterprises as defined by this act. *Survivalist enterprises* operate in the informal sector of the economy mainly undertaken by unemployed persons. It is a means to an income generated below the poverty line, providing minimum means to keep the unemployed and their families alive. It is characterised by little capital invested, not much training and very little, if any, assets and opportunities for growing the business. *Micro enterprises* have between one to five employees, usually the owner and family. They are also informal with no license, formal business premises, and labour legislation. The turnover is below the value added tax (VAT) registration level of R300 000 per year characterised by basic business skills and training. These enterprises have the potential to make the transition to a viable formal small business. According to the act there are other categories of enterprises such as *very small enterprises, small enterprises and medium enterprises* which are much bigger and are part of the formal economy, but these fall outside the scope of this study.

#### 2.2.4.2 Unique characteristics and challenges of the informal sector

The challenges facing entrepreneurship in South Africa that have been highlighted in the GEM reports such as the negative societal attitude towards entrepreneurship as a career path; lack of access to finance; and a difficult regulatory environment also apply to this sector (Herrington *et al.*, 2009:15).

The informal sector is often viewed as consisting of businesses whose owners have limited skills, whose operations are unsophisticated, and who create little in the way of profits or employment growth (Morris, Jones & Nel, 2006:111). The results reported by Morris *et al.* (2006:111) on their study of the informal sector in townships were contrary to such characterisations. Actually, the findings of their study were quite consistent with studies of the formal sector, which suggest that a relatively small percentage, perhaps only 10%, of small business are responsible for creating most of the growth, especially in employment. Their argument therefore is economic development cannot happen in developing countries without the informal sector.

Therefore, according to these findings, the informal sector deserves supportive policies as other growth-oriented enterprises supporting the rationale for this study.

There are other challenges in this sector that have been confirmed by a number of studies especially relating to the low level of education (Martins, 2005:36; Smith & Perks, 2006:23). Smith and Perks (2006:23) in their study of the skills needed by informal business owners found that the micro-entrepreneurs do not have general business management skills. This, in turn, hinders their ability to grow their businesses and generate employment opportunities (Smith & Perks, 2006:22). It was also found that they lacked essential skills such as record-keeping and financial management as well as knowledge on how to handle their employee issues. It is therefore clear that training and skills development is one of the major needs for this group of entrepreneurs. It must, however, be borne in mind that there are some people who start a business with no aim of growing it to a bigger enterprise. These people, normally women, start a business to provide self employment, a flexible response to their economic needs, while adapting to their family responsibilities (Lee-Gosselin & Grisé, 1990:431).

### **2.2.5 Business incubators as job creators**

It is accepted worldwide that the development and growth of small, micro and medium enterprises (SMMEs) can play an important role in turning the high unemployment and low economic growth situation around (Timmons & Spinelli, 2007:51). Policies and programmes to support the development of SMMEs are therefore an important part of the democratic government's programmes to create a better life. It is evident, therefore, that creating opportunities for this section of the population will support the government goals of increasing employment. It has been established that SMMEs will play an increasingly important role in job creation. It is for these purposes that the various government institutions and non-government institutions have been established to assist entrepreneurs in establishing and growing their enterprises from one man operations to organisations that can contribute to provision of employment and to attract investment.

Key challenges these entrepreneurs face are a lack of investment funds, insufficient business development support and skills development. The challenges as mentioned, if addressed properly, will result in emerging businesses, under the dynamic leadership of empowered entrepreneurs that have a potential to create jobs and wealth in poor communities, where these are in short supply. The support organisations are mostly established with the intention to help address these challenges and to help entrepreneurs succeed, by developing micro, small and medium-sized enterprises so as to stimulate job creation and enterprise development for poor communities. In this section, the limited list of some more prominent support institutions whose primary aim is to assist entrepreneurs is discussed.

## **2.2.6 Public sector agencies**

In 1996, the National Small Business Act (102/1996) (South Africa, 1996) was passed by Parliament, which provided for the institutions to implement the development of small businesses in South Africa. Apart from these, the South African government has put in place various initiatives and strategies, such as the Small Enterprise Development Agency (SEDA), Khula, the National Empowerment Fund, the Umsombovu Youth Fund and the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) to fast-track the empowerment of formerly disadvantaged individuals into business entrepreneurship. The other agencies that focus on funding are the Khula Enterprise Finance and the National Empowerment Fund (NEP). The other agency that focuses specifically on youth is the National Youth Development Agency. This was established through the National Youth Development Agency Act (54/2008) (South Africa, 2008). There are also other government agencies that focus on specific sectors such as the Tourism Enterprise Partnership (TEP) in the tourism sector SMME development (Njiro & Companoni, 2010:146-166). In addition to these, there is also the Innovation Hub, a part of the Blue IQ which focuses on promotion of technology focused businesses. It is clear, therefore, that the South African government takes the issue of entrepreneurship development seriously.

SEDA has a large footprint in the SMME development arena and runs a number of programmes to assist the SMMEs in accessing the markets. It was established in 2004 as an agency under the Department of Trade and Industry (DTI), by merging three organisations: Ntsika Enterprise Promotion Agency, National Manufacturing Advisory Centre (NAMAC) and the Community Public Private Partnership Programme (CPPP). The most prominent programme run by this agency is the national procurement programmes and the Small Exporter Training and Development programmes which assist small enterprises in becoming strong enough to compete in export markets.

Since the focus of the current study is an area within the Gauteng province it is worth mentioning some of the organisations that are active in entrepreneurship development within this province. Gauteng Enterprise Propeller (GEP) established through the Gauteng Enterprise Propeller Act (5/2005) (South Africa, 2005) is geared to provide both financial and non-financial support for the benefit of SMMEs in Gauteng. The goals of the GEP are to enable full SMME participation in the economy and ensuring their contribution to the creation of employment opportunities. It offers both financial and non-financial assistance to an entrepreneur as well as aftercare service through relationship managers and mentors (GEP, 2010:3).

## **2.2.7 Access to capital**

The constraint of lack of access to finance remains a key impediment to the growth and development of SMMEs and the government is playing a big role in regard to this challenge.

### **2.2.7.1 Government**

The government has a number of initiatives aimed at stimulating small business development. The DTI, which is the leading government institution for SMME development have already established the institutional framework for the promotion of a more inclusive economy, in the form of the Integrated Small Business Strategy

and the agencies designed to deliver support and services to SMMEs (South Africa, 2009:1).

Khula Enterprise Finance which mainly targets very small, small and medium enterprises, with two small programmes for the survivalist and micro sector. This finance to the under-serviced market ranges between R10 000 and R250 000. The other agencies that assist in this regard are the Small Enterprise Development Agency (SEDA) for non-financial support; the South African Micro-Finance Apex Fund (SAMA) for micro-finance of R10 000 and below; as well as the National Empowerment Fund (NEF) for financing of BBBEE transactions. Depending on the sector one operates in, there are a large number of organisations that offer sector specific finance. There is also the Umsobomvu Youth Fund which targets mainly the youth but has recently expanded its role to include women entrepreneurs. There are also other firms that offer funding starting from a minimum of R1 million; these are clearly aimed at a more sophisticated entrepreneur rather than the informal sector and are not discussed.

#### 2.2.7.2 Private sector organisations

The other organisations that offer assistance to entrepreneurs are private sector companies as well as non governmental and community based organisations. Some that may be mentioned are the banks. Most of the commercial banks have small business advisory services. Some private sector corporations are involved in entrepreneurial development within the areas in which they operate. The driving force behind this may in part be due to Corporate Social Investments (CSI) initiatives but may also be due to the need to comply with the Broad Based Black Economic Empowerment (BBBEE) requirements. The companies concerned do not explicitly mention BBBEE as motivation for getting involved in SMME development. However, BBBEE has seven pillars of participation which can be measured within an enterprise. The companies involved in entrepreneurship development will benefit from two of these pillars, enterprise development and socio-economic development.

The private sector organisations such as Anglo American, SAB and Sasol promote entrepreneurship; Anglozimele in particular promotes small business in locations

surrounding Anglo mining business units. SAB Kick-start Enterprises development initiative provides services to the previously disadvantaged youth nationally. Chemcity, which is part of Sasol, provide services for start-ups mostly in chemicals and related industries nationally (Chemcity, 2010:1). There are also a number of outreach programmes facilitated by universities such as Wits Business School and University of Pretoria to work closely with disadvantaged communities (Njiro & Companoni, 2010:146-166). Masisizane, an Old Mutual initiative focuses on women-owned enterprises on investments in start-up businesses and businesses established for less than five years, requiring capital less than R5 million and employing less than 50 people (Old Mutual, 2007:1).

The other source of finance is the informal investment arena (family and friends); in fact, that is how most new ventures are financed in the early stage. Bosma and Levie (2010:52) even conclude that if such informal investors stopped providing money to start-ups, the global economy would immediately feel the effect with a sudden jump in unemployment. These investors are even more vital now because the banks are tightening the lending criteria while recovering from the effects of the global recession experienced in 2008. These informal investors, who are mostly friends and family, tend to take money from their savings and current income when they invest in entrepreneurs.

It is clear, therefore, that there are a plethora of institutions for potential entrepreneurs to approach for assistance both financial and otherwise that may provide needed assistance. However, it remains to be seen whether these organisations are doing enough to make themselves visible to the lower end of the entrepreneurship spectrum and whether some of their services are accessible to the lower skilled entrepreneur.

## **2.2.8 Emfuleni Local Municipality**

The unique characteristics of Emfuleni Local Municipality are discussed in this section within the context of entrepreneurship development.

### **2.2.8.1 The geographic landscape of Emfuleni Local Municipality**

Emfuleni Local Municipality is one of three local municipalities that constitute the Sedibeng District Municipality. The Vaal River forms the southern boundary of the Emfuleni Local Municipality and its strategic location affords it many opportunities for tourism and other forms of economic development. Emfuleni shares boundaries with Metsimaholo Local Municipality in the Free State to the south, Midvaal Local Municipality to the east and the City of Johannesburg metropolitan area to the north (Emfuleni, 2009a:1).

### **2.2.8.2 Demographic profile**

Emfuleni Local Municipality has two main city/town centres, namely Vereeniging and Vanderbijlpark. Emfuleni also contains approximately six large townships of Evaton, Sebokeng, Sharpeville, Boipatong, Bophelong and Tshepiso. The other smaller suburban settlements surround these towns and these are Bonanne, Steel Park, Duncansville, Unitas Park, Arcon Park, Sonlandpark, Waldrift, Rust-ter-vaal, Roshnee and Debonairpark which comprises a number of large residential areas (Emfuleni, 2009a:1). The Community Survey carried out in 2007 revealed that Emfuleni's population size was 650 867. The racial composition of the Emfuleni population is made up of 84% black, 14% White, 1% Indian and 1% Coloured, with 51% female population. Geographically most of the African population is concentrated in townships such as Sebokeng, Evaton, Sharpeville, Boipatong and Bophelong (Emfuleni, 2009a:12).

#### 2.2.8.3 Social challenges and unemployment

Unemployment is one of the most important challenges facing the poor people in this country as highlighted earlier. This has been made worse by the fact that over the last two decades, the formal economy such as mining and manufacturing has been shedding jobs and many workers were retrenched. The municipality estimates that 33% of the workforce is employed whilst 30% are unemployed, with the economically inactive population constituting the remaining 37%, implying high poverty levels and dependency (Emfuleni, 2009a:11). This reality faces the population in Emfuleni Local Municipality which has seen huge job losses as companies such as Arcelor-Mittal (the former Iscor) have had massive retrenchments (Daniel, Southall, Buhlungu & Lutchman, 2006:343).

South Africa, similar to other southern African countries, has a high prevalence of HIV-Aids. The residents of Emfuleni municipality are not unaffected by this disease (Emfuleni, 2009a:12). This has a tremendous impact on the economy, as people who are ill are often subsequently absent from work. They may lose their jobs, denying families of their main source of livelihood. Children, especially female, are forced to leave school to care for relatives who are ill, denying them essential access to education. HIV-Aids also seems to impact more on the unskilled workers thereby worsening their ability to be economic active (Adams, 2006:47).

#### 2.2.8.4 SMME development in Emfuleni Local Municipality

The Emfuleni Local Municipality seems to be committed to the support of SMMEs; the municipality has an SMME training programme called Young Business Owner Programme. This programme provides business training including information such as the development of business plans and business portfolios, capital management, staff management and guidelines on opening new business. According to the municipality, this training is based on the realisation that some community members had skills in various trades and potential to achieve success. It was found that despite this, these people do not succeed mainly due to lack of exposure to

professional business management training and essential personal skills required in the business world (Mshudulu, 2009:1).

According to the annual report, the municipality works with other government agencies like Gauteng Economic Development Agency (GEDA), Gauteng Enterprise Propeller (GEP), Anglo Small Business Development Hub, Gauteng's Department of Economic Development in hosting quarterly information sharing sessions for SMMEs. (Mshudulu, 2009:1). Additionally, the municipality initiated Renewal Projects in its towns that prioritise to develop the infrastructure such as roads, the development of the local economy through job creation and SMME development projects, like grass-cutting and the setting up of vegetable gardens and agriculture projects for the community in the areas (Emfuleni, 2009b:1). These initiatives by the municipality demonstrate the commitment to developing the SMME sector as well as infrastructure for small businesses. It remains to be seen whether these are yielding the desired outcomes.

### **2.2.9 Summary**

Unemployment remains a challenge in South Africa. The low TEA rate as measured by the GEM reports is indicative of the fact that entrepreneurial activity is low. Entrepreneurship has been used as a tool for economic growth and job creation in other countries. Therefore, it is essential that the job creation potential of entrepreneurs is not overlooked if the unemployment problem is to be solved. The area of Emfuleni Local Municipality has a high unemployment rate due to recent retrenchments by some of the companies operating in the area. While some entrepreneurs in this area have been identified to have good trade skills, business skills are a problem. The promising part here is that there are some efforts by the local government and other agencies to assist the entrepreneurs in establishing and developing their businesses.

## **2.3 RESEARCH METHODOLOGY**

The research of this study consists of an extended literature review and survey-based empirical research. A survey-based research design was deemed to be the best suitable for this study because of the large geographical area covered.

### **2.3.1 Literature review**

A complete review was given regarding entrepreneurship within the context of this study. Articles from databases and peer reviewed journals were used to effectively deal with issues relating to entrepreneurship. The searches for sources included computer-based searches on academic databases and the information extracted formed the basis of the literature review. The purpose of the literature review was primarily to provide a scientific basis for the theory and analysis of the findings of prior research done on this topic.

### **2.3.2 Empirical research**

The researcher conducted a survey through administering a research questionnaire so that the findings of the literature review could be substantiated. A random sample of informal entrepreneurs and self employed individuals was selected. They were personally briefed on the contents of the questionnaires to eliminate interpretation errors. Research assistants were used to collect the data to expedite the process and data integrity was assured by randomly contacting about 50% of the respondents afterwards to verify that they were interviewed.

### **2.3.3 Measuring instrument**

The measuring instrument was a questionnaire that was designed to gather information. It also served as a measure on whether entrepreneurship is contributing meaningfully in addressing chronic unemployment and poverty. The biographical section was used to obtain information about the entrepreneur's gender, age, and

level of education. In the section relating to entrepreneurship the respondents were asked about entrepreneurial conditions and also the type of assistance that would increase their chances of success.

### **2.3.4 Data analysis**

Analysis of data was carried out using statistical tools STATISTICA (2009) and SPSS (2009) to manipulate and present the data where applicable. Graphs were also used to highlight the relationship between the results. Descriptive statistics in the form of frequencies and percentages were also calculated and classified according to demographic factors such as gender and age.

### **2.3.5 Study results**

In this section, the results of the empirical study are presented, the use of suitable tools such as descriptive statistics namely, the t-tests and the chi square tests.

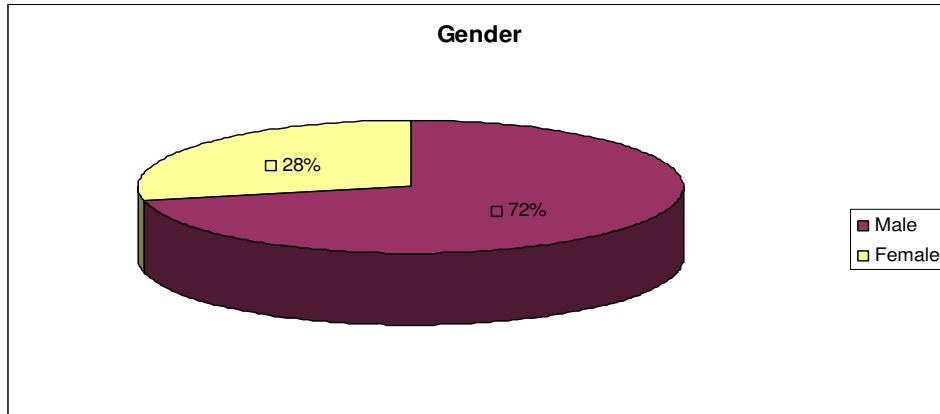
#### **2.3.5.1 Descriptive statistics and frequencies**

The responses to the questionnaires were analysed using descriptive statistics and frequencies, and the findings are presented in this section.

#### **Section A: Biographical information**

It is important to understand the relationships between the profile of respondents and their background and experiences, because it plays a role in the results obtained in the research. A total of 60 small business owners were interviewed. The sections below discuss the findings.

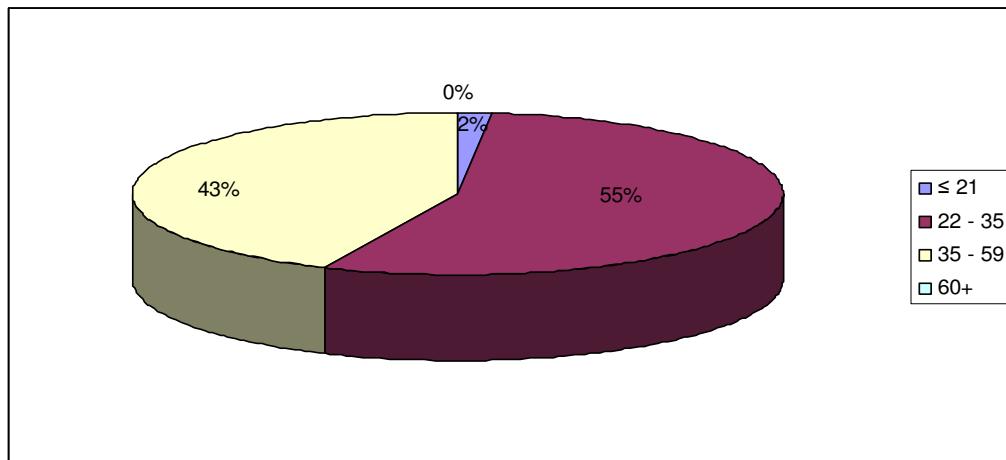
**Figure 2.1: Gender of interviewed entrepreneurs**



- **Source: Question A1 of Questionnaire Findings**

The above figure shows that 72% of men are involved in entrepreneurial activity and only 28% of women. This shows that for the study sample more entrepreneurs are men and only a small number are women.

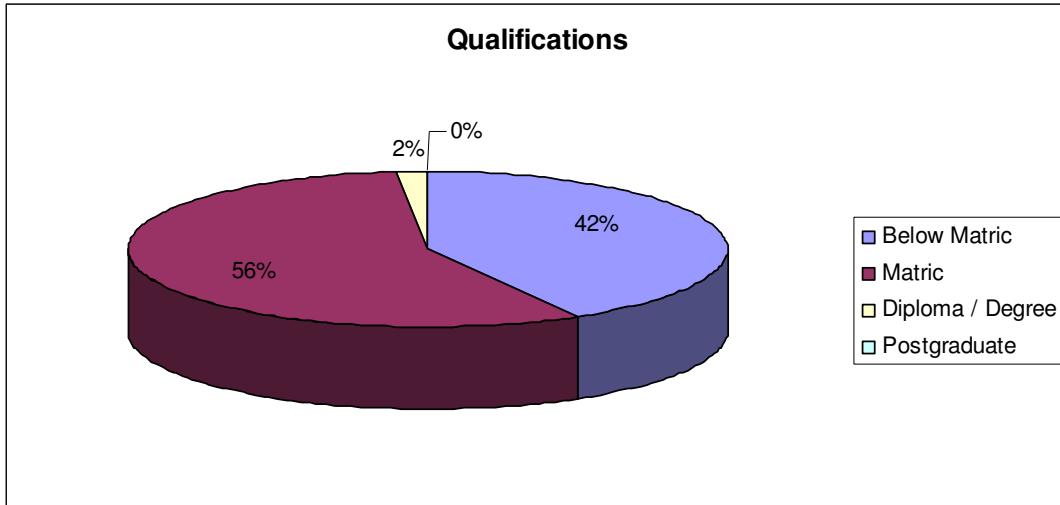
**Figure 2.2: Age classification of entrepreneurs**



**Source: Question A2 of Questionnaire Findings**

Figure 2.2 shows that 2% of entrepreneurs interviewed are at the age of less or equal to 21 years, 55% are between the ages of 22 to 35 years, 43% are between 35 and 59 years and 0% at 60 meaning there are no entrepreneurs interviewed older than 59 years.

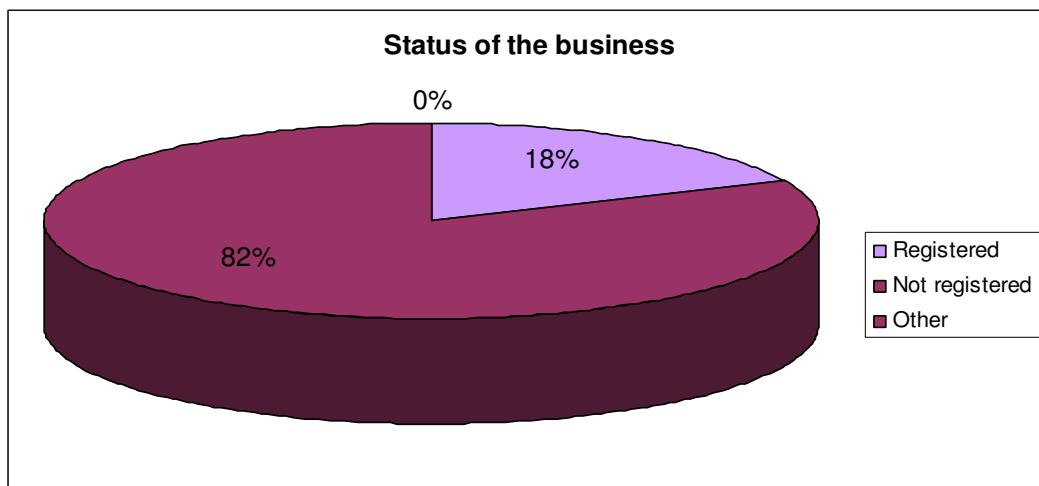
**Figure 2.3: Academic qualifications of entrepreneurs**



**Source: Question A3 of Questionnaire Findings**

The above results indicate that 42% of entrepreneurs interviewed do not have matric, 56% have matric, 2% have diplomas and degrees and no entrepreneurs interviewed had a postgraduate qualification.

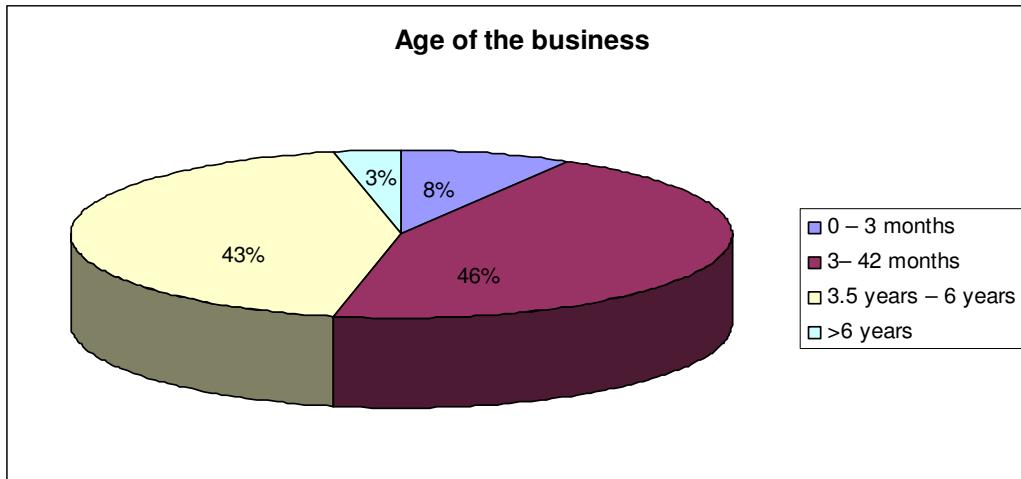
**Figure 2.4: Status of the businesses**



**Source: Question A4 of Questionnaire Findings**

The above result shows that only 18% of the businesses are registered and more than 82% of the businesses are not registered.

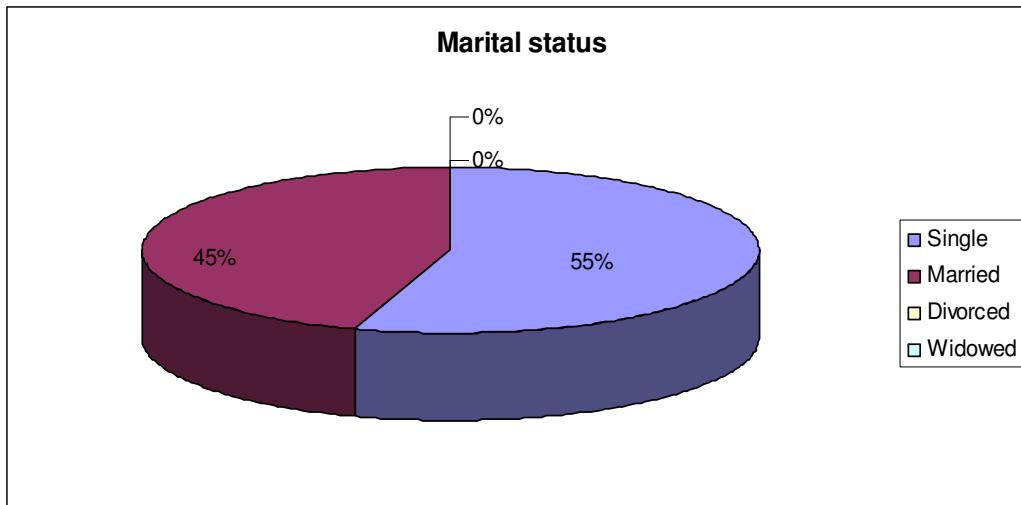
**Figure 2.5: Age of the business**



**Source: Question A5 of Questionnaire Findings**

The results show that 8% of the entrepreneurs have been running their businesses for 0 to 3 months, 45% for 3 to 4 months, 43% between 3.5 and 6 years and only 3% for more than 6 years.

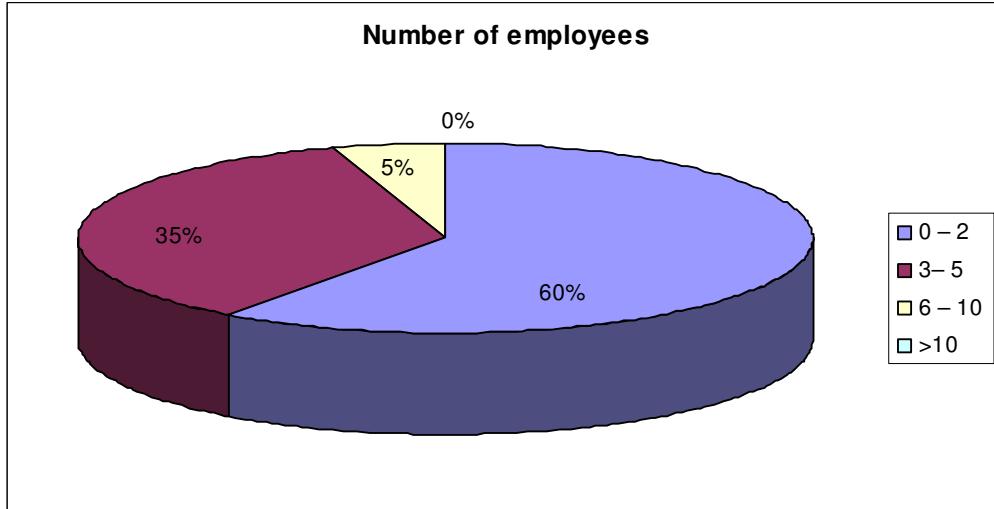
**Figure 2.6: Marital statuses of entrepreneurs**



**Source: Question A6 of Questionnaire Findings**

Figure 2.6 shows that from the interviewed entrepreneurs 55% are single while only 45% are married.

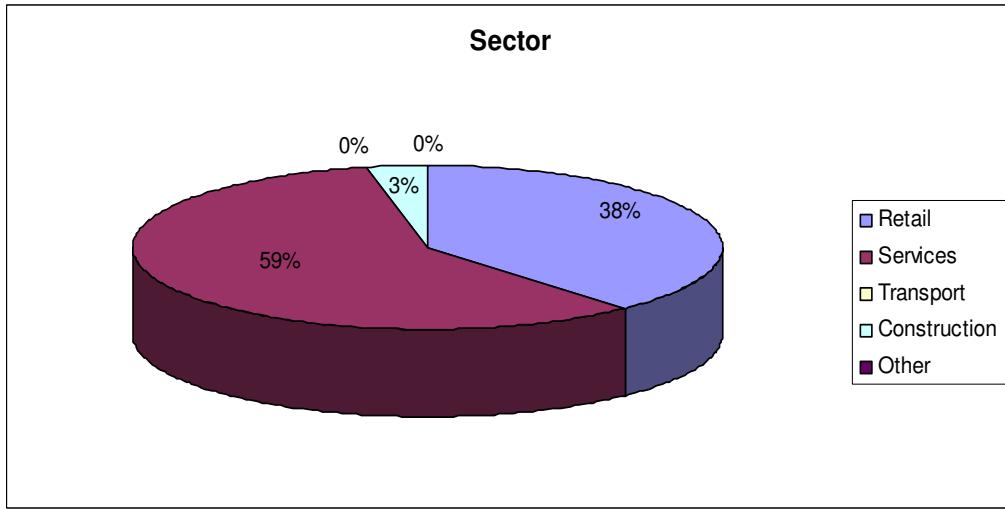
**Figure 2.7: Findings on the number of employees working for the business**



**Source: Question A7 of Questionnaire Findings**

Figure 2.7 reveals that more than 60% of the respondents had less than 2 employees, 35% have employed 3 to 5 employees, and 5% have 6 to 10 employees and none of the entrepreneurs employed more than ten employees.

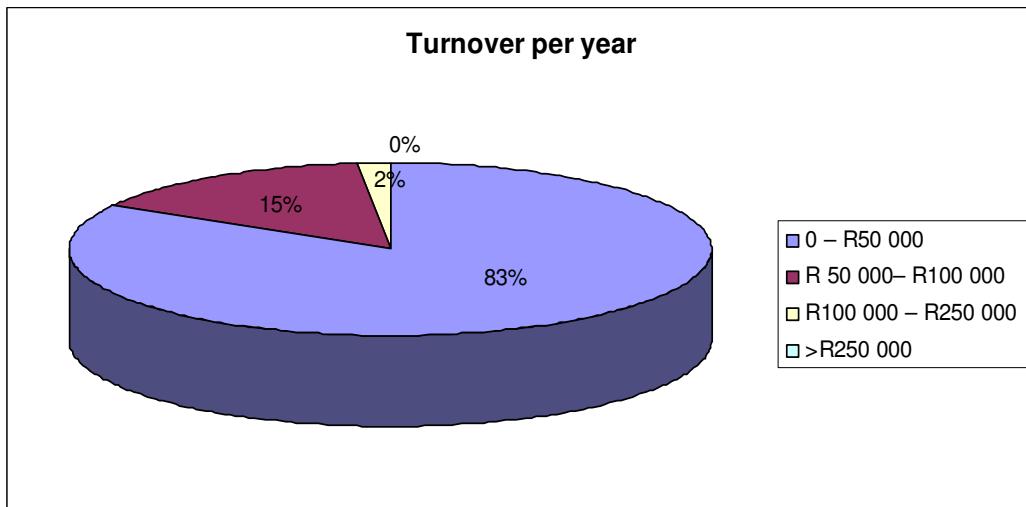
**Figure 2.8: Findings on the classification of sectors**



**Source: Question A8 of Questionnaire Findings**

The above graph indicates that the majority entrepreneurs interviewed operates as services renders (58%), followed by 38% as retailers and then 3% are involved in construction; no transport business owners were interviewed.

**Figure 2.9: Findings on the turnover of the business**



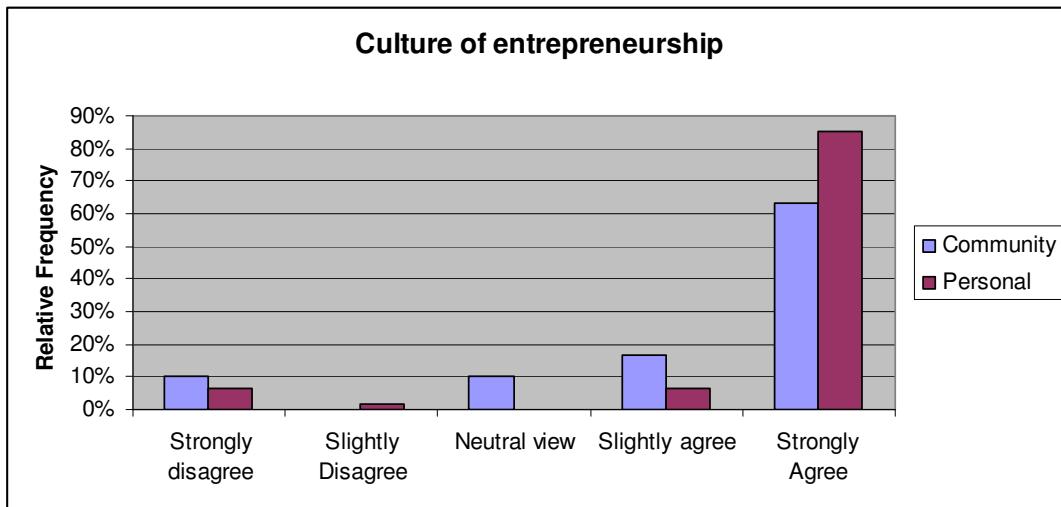
**Source: Question A9 of Questionnaire Findings**

The figure shows that 83% of entrepreneurs make between R0 and R50 000 turnover per annum, 15% between R50 000 and R100 000, 2% between R100 000 and R250 000 and no greater than R250 000 turnover.

## **Section B: Entrepreneurship**

This section presents the results on the responses of the entrepreneurs to the questionnaire on entrepreneurship. Issues such as culture of entrepreneurship, BBBEE, access to capital and role of incubators were examined.

**Figure 2.10: Summary of findings on questions about entrepreneurial culture**



**Source: Question B1 and B2 of Questionnaire Findings**

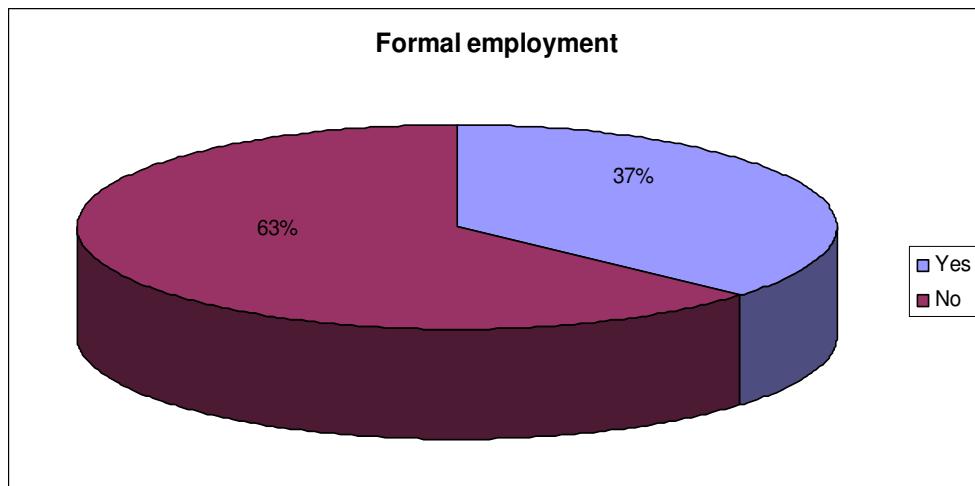
**Question B1: This community respects people who have their own businesses.**

The results showed that 63% of interviewed entrepreneurs strongly agree that the community respect people who own a business, 17% slightly agree with the statement, 10% have a neutral view on the statement, and 10% of the entrepreneurs strongly disagree. The mean was 4.23 and the standard deviation was 1.267 meaning that on average the respondents agree with the statement.

**Question B2: Starting my own business has always been my dream.**

Of the entrepreneurs interviewed 85% strongly agree that it has always been their dream to start a business, 7% slightly agrees that it has always been their dream, and 7% says they have never dreamed of owning a business. The mean was 4.62 and the standard deviation was 1.075 meaning that on average the respondents agree with the statement.

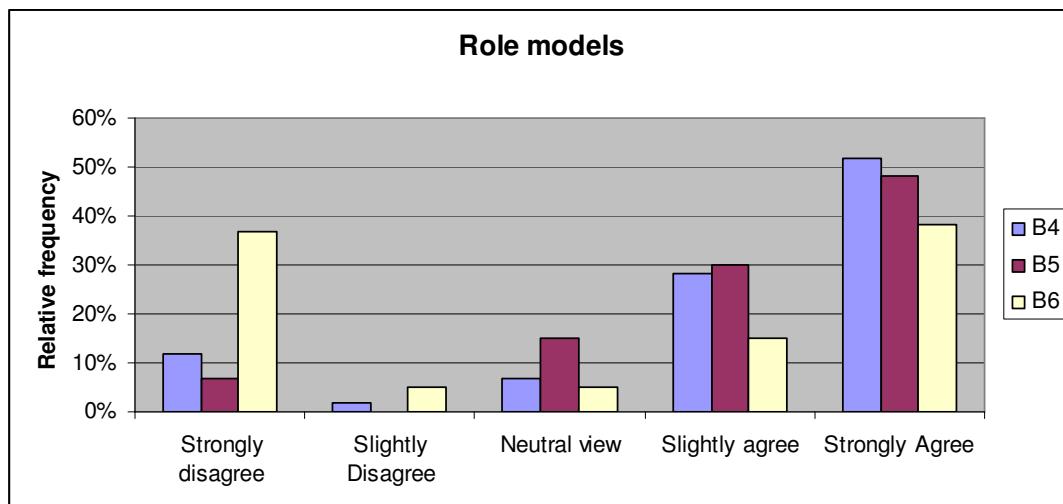
**Figure 2.11: Responses of entrepreneurs about formal work experience**



**Source: Question B3 of Questionnaire Findings**

The above graph shows that 63% of the entrepreneurs have never been formally employed and 37% were in formal employment prior to starting their enterprises.

**Figure 2.12: Summary of findings on questions about role models**



**Source: Question B4, B5 and B6 of Questionnaire Findings**

#### **Question B4: I would encourage people to start a new business.**

Responding to question B4, 12% of entrepreneurs would never encourage people to start their businesses, 2% slightly disagree, 7% have a neutral view on the statement, 28% says that they would slightly encourage people and 52% says they

would definitely encourage people. The mean was 4.13 and the standard deviation was 1.255 meaning that on average the respondents agree with the statement.

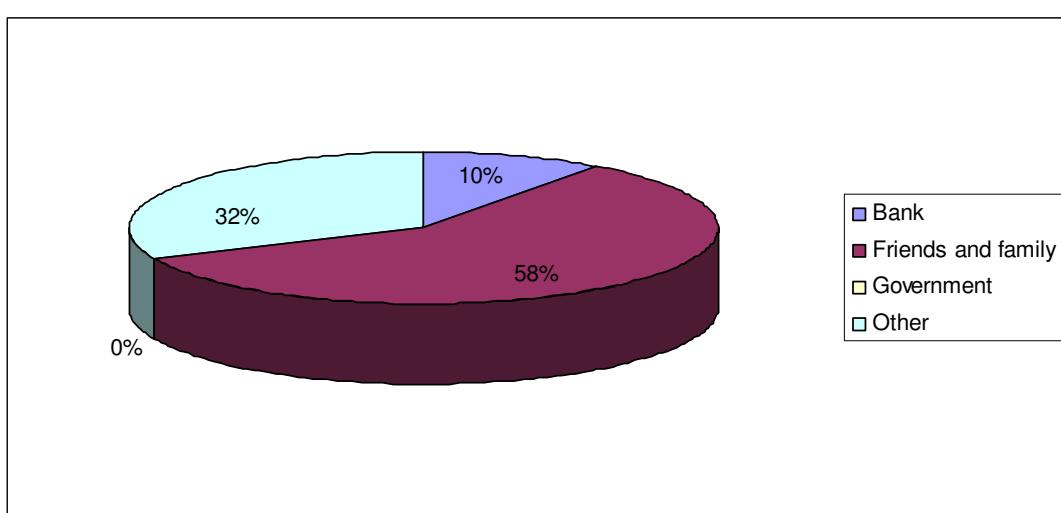
**Question B5: Access to role models encourages people to start their businesses.**

On the question whether access to role models encourages people to start their own businesses 7% of the interviewed entrepreneurs strongly disagree, 0% slightly disagree, 15% of them have a neutral view on the statement, 30% slightly agree and 48% strongly agree as a reply to question B5. The mean was 4.27 and the standard deviation was 0.954 meaning that on average the respondents agree with the statement.

**Question B6: While growing up I had family and friends who had their own businesses.**

In response to question B6, 37% of entrepreneurs strongly disagree that they had family and friends who own businesses when they grew up: 5% slightly disagree, 5% have a neutral view about the matter, 15% slightly agree that they had family and friends who owned businesses and 38% strongly agree. The mean was 3.22 and the standard deviation was 1.805 meaning that on average the respondents slightly agree with the statement.

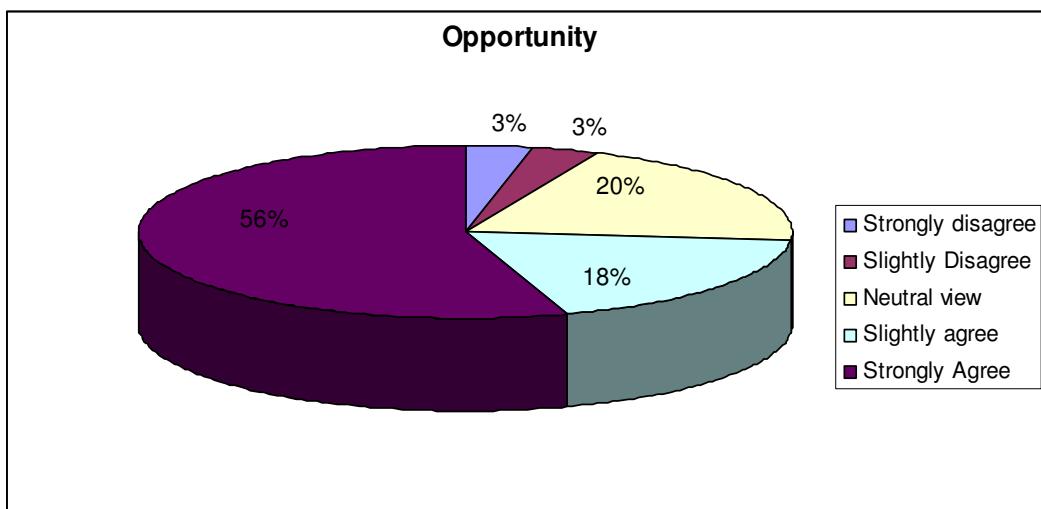
**Figure 2.13: Results on how start-up capital was obtained**



**Source: Question B7 of Questionnaire Findings**

Most of the interviewed entrepreneurs, about 58%, obtained their start-up capital from family and friends; only 10% sought their funding from the bank and 32% saved up for their business venture.

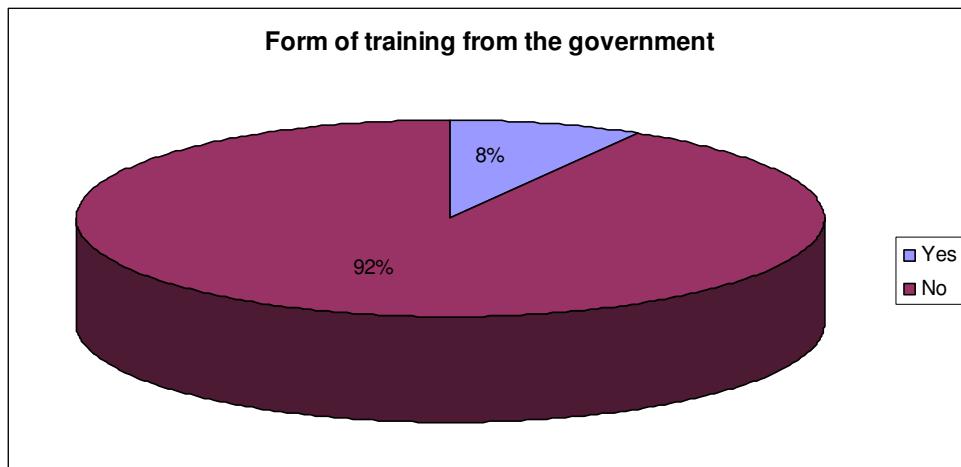
**Figure 2.14: Results on perceptions about access to opportunities**



**Source: Question B8 of Questionnaire Findings**

In response to the statement, "Where others see unemployment, I see opportunities to create my own employment" about 56% of the interviewed entrepreneurs strongly agreed; 3% strongly disagree, 3% slightly disagrees, 20% of them have a neutral view on the statement and 18% slightly agree. The mean was 4.17 and the standard deviation was 1.044 meaning that on average the respondents agree with the statement.

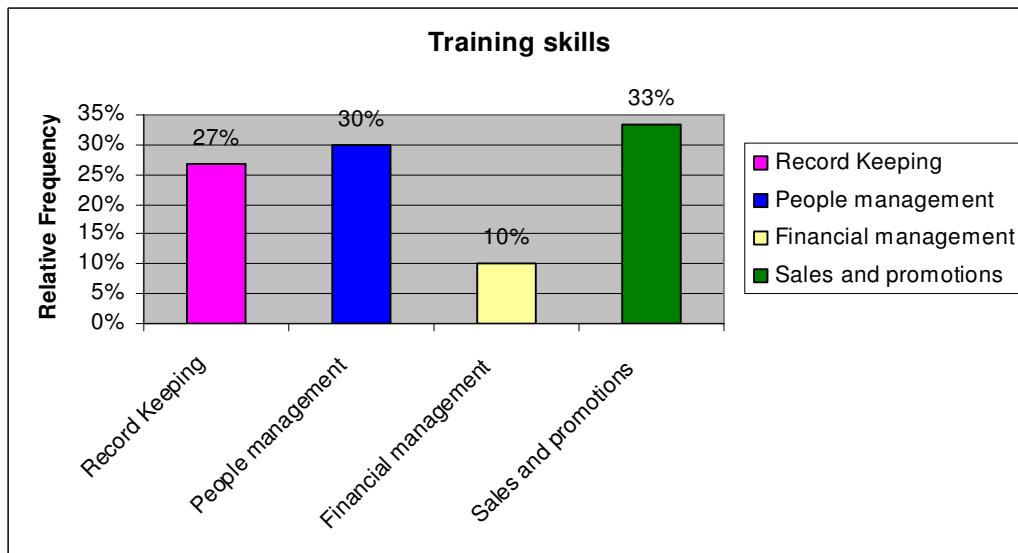
**Figure 2.15: Results on the training from the government**



**Source: Question B9 of Questionnaire Findings**

The results of the responses to the question about training from the government shows that the majority of the interviewed entrepreneurs (92%) have never received any form of training from the government and only 8% were trained.

**Figure 2.16: Results on the training needs of entrepreneurs**

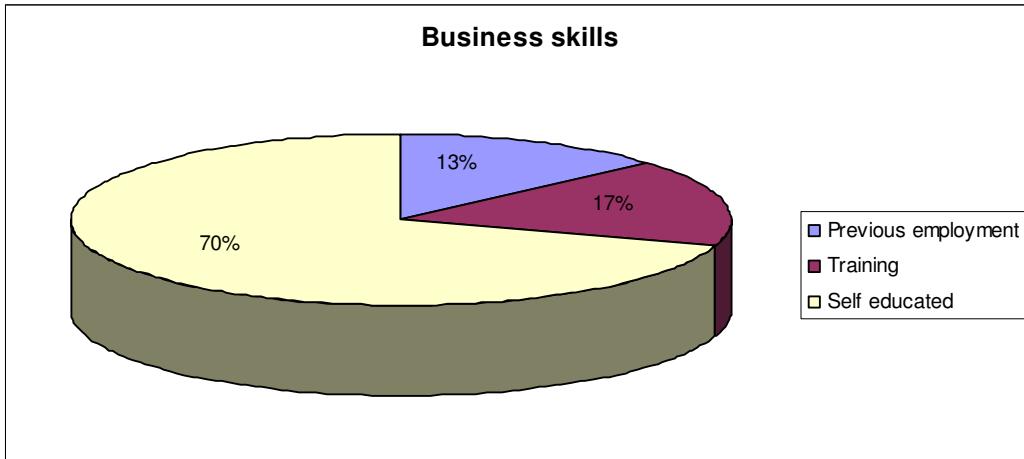


**Source: Question B10 of Questionnaire Findings**

The response to a question about the training needs of entrepreneurs indicated that 33% of entrepreneurs said they need assistance in sales and promotion, 30% need

employee management, 27% need assistance in record keeping and 10% need assistance in financial management.

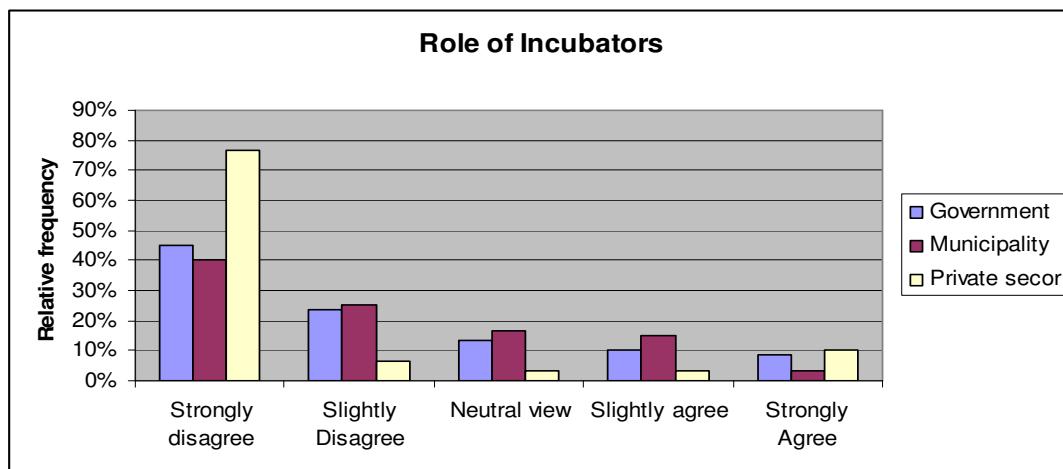
**Figure 2.17: Results on how skills for the business were obtained**



**Source: Question B11 of Questionnaire Findings**

Results on how skills for the business were obtained show that about 70% of entrepreneurs acquired their skills through self education while 17% went to formal training and only 13% obtained the skills from previous employment.

**Figure 2.18: Summary on findings about the role of incubators**



**Source: Question B12, B13 and B14 of Questionnaire Findings**

**Question B12: I have a good understanding of the services offered by the government agencies to small businesses.**

On the understanding of the services offered by the government, 45% of the interviewed entrepreneurs strongly disagree, 23% slightly disagree, 13% of them have a neutral view on the statement, 10% slightly agree and 8% strongly agree. The mean was 2.10 and the standard deviation was 1.311 meaning that on average the respondents slightly disagree with the statement.

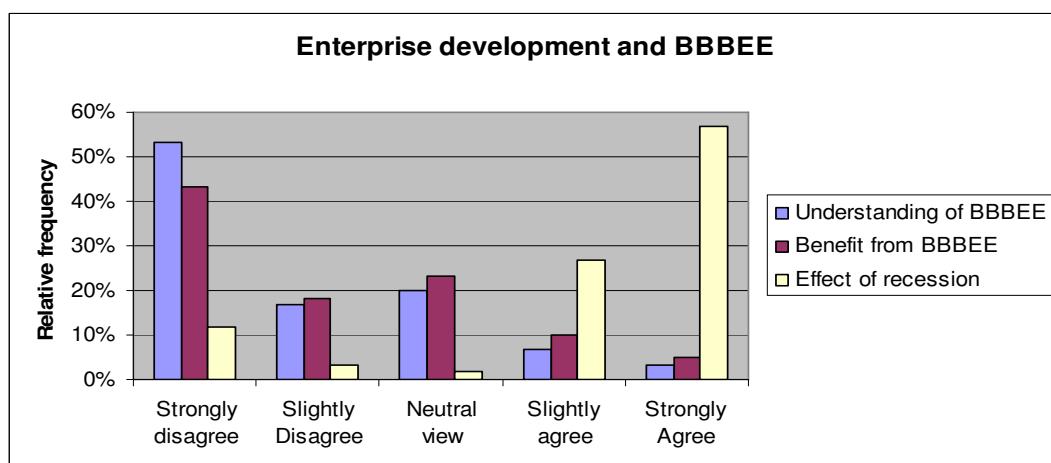
**Question B13: I have an understanding of the services offered by the municipality to small businesses.**

The responses to the statement on the understanding of services offered by municipality show that 40% of the interviewed entrepreneurs strongly disagree, 25% slightly disagree, 17% of them have a neutral view on the statement, 15% slightly agree and 3% strongly agree. The mean was 2.18 and the standard deviation was 1.214 meaning that on average the respondents slightly disagree with the statement.

**Question B14: My business succeeded from the help of government and private sector incubators.**

On whether their businesses succeeded from the help of government and private incubators, 77% of the interviewed entrepreneurs strongly disagree, 7% slightly disagree, 3% of them have a neutral view on the statement, 3% slightly agree and 10% strongly agree. The mean was 1.58 and the standard deviation was 1.306 meaning that on average the respondents disagree with the statement.

**Figure 2.19: Summary of results on findings about BBBEE**



**Source: Question B15, B16 and B17 of Questionnaire Findings**

### **Question B15: I have an understanding of BBBEE.**

There were mixed views on the statement, “I have an understanding of BBBEE”, with 53% of the interviewed entrepreneurs strongly disagreeing, 17% slightly disagreeing, 20% of them have a neutral view on the statement, 7% slightly agree and 3% strongly agree. The mean was 1.88 and the standard deviation was 1.121 meaning that on average the respondents disagree with the statement.

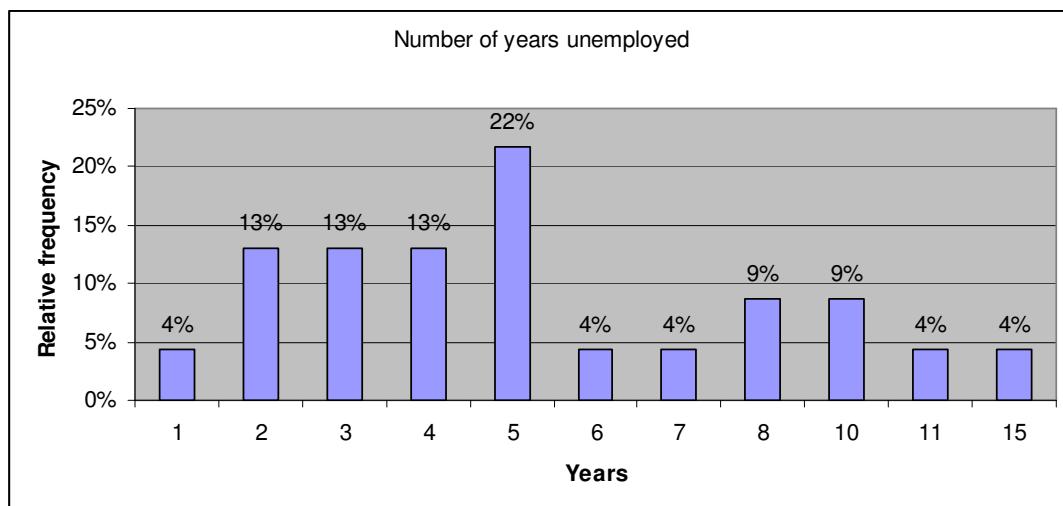
### **Question B16: My business can benefit from BBBEE.**

About 43% of the interviewed entrepreneurs strongly disagree with the statement “My business can benefit from BBBEE”, 18% slightly disagrees, 23% of them have a neutral view on the statement, 10% slightly agree and 5% strongly agree. The mean was 2.22 and the standard deviation was 1.263 meaning that on average the respondents slightly disagree with the statement.

### **Question B17: The recession has affected my business negatively.**

On whether the recession has affected their businesses, 12% of the interviewed entrepreneurs strongly disagree, 3% slightly disagree, 2% of them have a neutral view on the statement, 27% slightly agree and 57% strongly agree. The mean was 4.22 and the standard deviation was 1.277 meaning that on average the respondents agree with the statement.

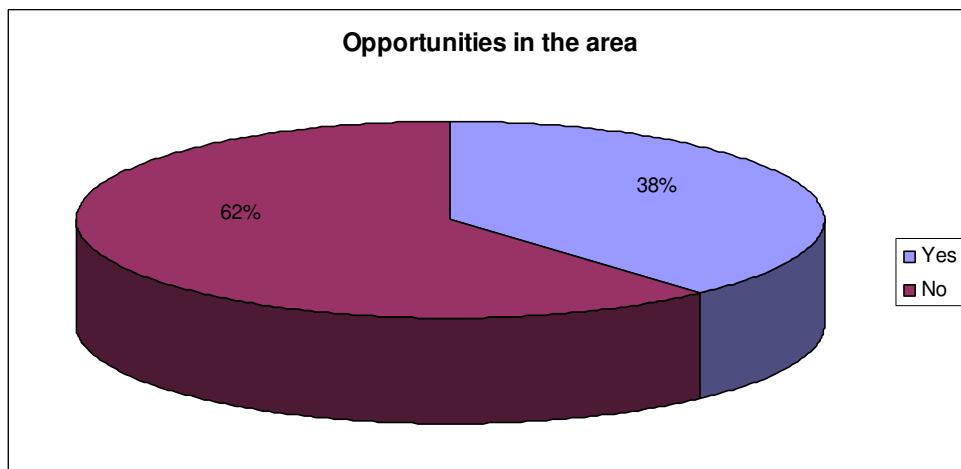
**Figure 2.20: Summary of results on number of years since last employment**



**Source: Question B18 of Questionnaire Findings**

The average duration since last formal employment for respondents who were formally employed was five years with the lowest being one month and the longest being 15 years.

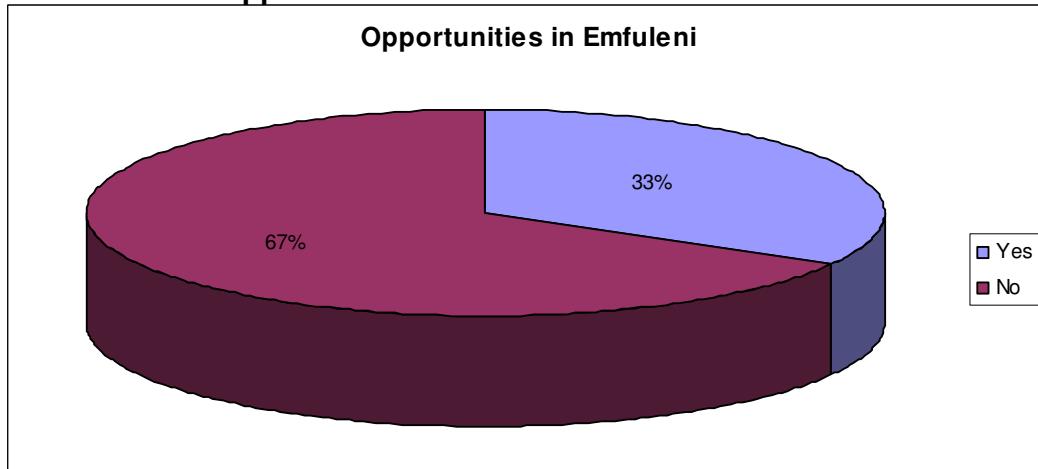
**Figure 2.21: Results on whether the area provides employment opportunities**



**Source: Question B19 of Questionnaire Findings**

The above figure shows that 38% of interviewed entrepreneurs agree that the area provide employment opportunities and 62% disagree.

**Figure 2.22: Results about perception of entrepreneurs on business opportunities**



**Source: Question B20 of Questionnaire Findings**

The above graph shows the results on whether the entrepreneurs perceive Emfuleni in terms of access to opportunity for their businesses. It was found that the majority, about 67%, of the interviewed entrepreneurs responded that there were no opportunities and 33% indicated that there are opportunities.

**Question B21: Do you have any area that you think the small business owners need assistance on from the government e.g. SEDA, Khula, Gauteng Enterprise Propeller and the local municipality?**

Although all entrepreneurs indicated that they require assistance from the government very few mentioned the nature of assistance required. Almost all the interviewed entrepreneurs that specified the kind of assistance required indicated the need for funding assistance.

#### 2.3.5.2 Other statistical tests

According to Ellis and Steyn (2003:52), data obtained from convenience sampling cannot be analysed as if it were obtained by random sampling. These data should be considered as small populations for which statistical inference about the population is not relevant. Statistical inference is used to draw conclusions about a population by using data of a sample drawn randomly from the population. The data used in this study was obtained by means of convenience sampling and therefore statistical inference and  $p$ -values are not relevant. However, instead of reporting only descriptive measures, effect sizes, which give an indication of practical significance, can be used.

##### 2.3.5.2.1 *T-tests*

T-tests are used to test if two groups differ significantly on a continuous variable. In this study, t-tests were conducted to test if different genders and different age groups responded differently on selected questions in Section B. The selected questions were answered on a 5-point Likert scale, which yield ordinal variables. 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.

If a random sample was selected, then a t-test p-value of less than 0.05 would have indicated a statistically significant difference between the two groups being analysed. However, since the sample was not random, effect sizes are rather used to indicate practical significant differences. The p-values are reported, though, for the sake of completeness. The effect size Cohen's d-value is used to determine if the difference is practically significant; Cohen's d-values can be interpreted according to table 2.1.

**Table 2.1: Interpretation guide for Cohen's d-value**

Cohen's d-value	Interpretation
$d =  0.2 $	Small effect; no practically significant difference
$d =  0.5 $	Medium effect; practically visible difference
$d =  0.8 $	Large effect; practically significant difference

(Source: Ellis & Steyn, 2003)

Practical significant differences can be understood as a large enough difference to have an effect in practice.

**a) T-tests on Gender**

The t-tests were conducted and effect sizes calculated to evaluate whether the males and females responded differently to selected questions. The results are summarised in the table that follows.

**Table 2.2: Summary of results for the t-tests on gender**

Question number	Mean (male)	Mean (female)	Standard Deviation (male)	Standard Deviation (female)	P-value	Effect size Cohen's d- value
B1	4.23	4.24	1.231	1.393	0.994	-0.002
B2	4.58	4.71	1.118	0.985	0.674	-0.111
B4	4.12	4.18	1.349	1.015	0.852	-0.045
B5	4.37	4.00	0.757	1.323	0.288	0.281
B6	3.16	3.35	1.799	1.869	0.722	-0.102
B8	4.16	4.18	1.090	0.951	0.962	-0.013
B12	2.00	2.35	1.254	1.455	0.387	-0.243
B13	2.19	2.18	1.200	1.286	0.979	0.007
B14	1.56	1.65	1.259	1.455	0.827	-0.061
B15	1.65	2.47	0.948	1.328	0.030	-0.617
B16	2.16	2.35	1.233	1.367	0.622	-0.139
B17	4.35	3.88	1.173	1.495	0.260	0.312

Cohen's d-values are small for all questions analysed except for question B15 which indicates that male and female responses were not practically significantly different on all those questions. Cohen's d-value for question B15 is -0.617 which indicates a practically visible difference between the male and the female responses to this question. The mean responses of the two gender groups presented in the table indicate that the females feel that they have a better understanding of BBBEE than males do. However, both groups are negative about their understanding of BBBEE (for both groups the mean responses are less than 3).

**b) T-tests on different age groups**

After collection of all the data it was found that only one respondent indicated that she/he was younger than 21 years old and no respondent was older than 60 years. Therefore, for the purpose of analysis the first two age groups were combined and only two age groups were considered. These were the age group of younger than 35 years old and the age group of 35 to 59 years of age.

The t-tests were conducted to evaluate whether the two age groups responded differently to the selected questions and the following table summarises the results of the findings.

**Table 2.3: Summary of results for the t-tests on different age groups**

Question Number	Mean (<35 years)	Mean (35- 59 years)	Standard Deviation (<35years)	Standard Deviation (35- 59years)	P-value of the t-test	Effect size (Cohen's d-value)
B1	4.17	4.32	1.248	1.314	0.661	-0.113
B2	4.71	4.48	0.86	1.327	0.443	0.177
B4	4.17	4.08	1.098	1.470	0.794	0.062
B5	4.23	4.32	0.973	0.945	0.717	-0.094
B6	3.20	3.24	1.762	1.899	0.934	-0.021
B8	4.00	4.40	1.138	0.866	0.128	-0.352
B12	2.03	2.20	1.200	1.472	0.634	-0.116
B13	2.06	2.36	1.162	1.287	0.354	-0.235
B14	1.43	1.80	1.092	1.555	0.310	-0.239
B15	1.94	1.80	1.083	1.190	0.636	0.120
B16	2.17	2.28	1.272	1.275	0.746	-0.085
B17	4.43	3.92	1.092	1.470	0.150	0.346

The Cohen's d-values are small for all questions analysed which indicates that the different age groups did not respond practically significantly differently. For questions B8 and B17 the d-values are still small. However, they are closer to medium than for the other questions. This indicates a practically more visible difference, albeit still small. For question B17 about the effect of the recession, the d-value is 0.346 and the mean values show that the younger sample group (less than 35 years old) felt slightly more strongly that they had been affected by the recession than the older group. For question B8, about the ability to create self employment opportunities, the d-value is -0.352 and the mean values show that the older group (those between the ages of 35 and 59 years) were more positive and in terms of their ability to create self employment opportunities than the younger group.

#### 2.3.5.2.2 Chi-Square tests

Dependency between variables that were measured on a categorical scale was analysed with the use of the chi-square tests. The chi-square ( $\chi^2$ ) test indicates if two categorical variables are dependent on one another. The p-values of the chi-square test can be used to give an indication of statistical significant dependence if a random sample was used, where a p-value of less than 0.05 indicates a statistically significant dependence. However, since a convenience sample was used in this study, statistical inference and p-values are irrelevant. Effect sizes are rather used to

give an indication of the practically significant dependence. The phi-coefficient ( $\varphi$ ) is the effect size that will be used and can be interpreted according to Table 2.4.

**Table 2.4: Interpretation guide for the phi-coefficient**

phi-coefficient	Interpretation
phi =  0.1	Small effect; no practically significant dependency
phi =  0.3	Medium effect; practically visible dependency
phi =  0.5	Large effect; practically significant dependency

(Source: Ellis & Steyn 2003:52)

The chi-square test's p-values and the phi-coefficients were calculated to test for dependence between various variables in the study. Note that the p-value of the chi-square test is included in the tables for the sake of completeness. However, for interpretation the emphasis falls on the effect sizes.

The variables in the questionnaire were changed slightly to take into consideration the data obtained. In the case of qualifications it was found that no respondent possessed a postgraduate qualification and only one respondent had a degree/diploma. Therefore, the categories were reduced to two with only a combined matric/degree/diploma category and a less than matric category. In terms of turnover as well, it was found that only one entrepreneur earned between R100 000 and R250 000 and none earned greater than R250 000. This was also reduced into two categories of R0 to R50 000 and a combined category, R50 000 to R200 000. The results on tests of dependence of respondents' age, gender and the business turnover on various other variables are summarised in the tables that follow.

**a) Chi-square tests on gender**

Chi-square tests were conducted and phi-coefficients calculated to determine if responses to selected questions from Section B of the questionnaire are dependent on gender.

**Table 2.5: Summary of results for the chi-square tests between gender and questions from Section B**

Question number	p-value of Chi-square test	Effect size phi-coefficient
B3	0.434	0.167
B7	0.211	0.263
B9	0.320	-0.129
B10	0.397	0.222
B11	0.448	0.086
B19	0.776	-0.037
B20	0.037	0.269

Looking at the table above, it is observed that all the phi-coefficients are in absolute value below 0.3 indicating that for most of these questions there were no practically significant dependencies on gender. The phi-coefficient for question B20 on the perception regarding the business opportunities in Emfuleni Local Municipality is close to 0.3. This indicates a relatively weak dependency on gender where the females were more positive regarding the availability of business opportunities.

**b) Chi-square tests on age group**

Chi-square tests were conducted and phi-coefficients calculated to determine if responses to selected questions from Section B of the questionnaire are dependent on age of the respondent.

**Table 2.6: Summary of results for the chi-square tests between age group and questions from Section B**

Question number	p-value of Chi-square test	Effect size phi-coefficient
B3	0.629	0.124
B7	0.332	0.192
B9	0.484	0.090
B10	0.320	0.242
B11	0.348	0.188
B19	0.448	-0.099
B20	0.542	-0.079

Looking at the table above, it is observed that all the phi-coefficients are below 0.3 in absolute value indicating that for these questions there were no practically significant dependency on age.

### c) Chi-square test on turnover

Chi-square tests were conducted and phi-coefficients calculated to determine if turnover is dependent on the respondents' qualification and the business's age.

**Table 2.7: Summary of results for the chi-square tests between turnover and qualification / age of business.**

Question number	p-value of Chi-square test	Effect size phi-coefficient
Qualification	0.068	0.235
Age of business	0.183	0.284

The phi-coefficient is considerably lower than 0.3 for the case where the dependency between qualification and turnover was determined, indicating that there were no practically significant dependency between the variables. The phi-coefficient for age of business versus turnover is close to 0.3 which indicates that there is a medium effect indicating a practically visible dependency.

## **2.4 DISCUSSION**

In this study, the respondents were asked a number of questions relating to entrepreneurship in their setting as identified in the literature. The study was carried out using a sample based in the townships of Evaton, Sebokeng, Bophelong and Sharpeville; the only townships that could not be covered within this municipality were Boipatong and Tshepiso due to time constraints. The businesses varied from fast food outlets, vegetable shops, funeral services, herbalists, hair salons, spaza shops to photographers and day care centres.

It is important to note that this area of entrepreneurship is dominated by the youth as more than half of the respondents were below the age of 35 years. Also, as might be expected, the educational level of the respondents was very low with less than 2% of the respondents having post matric qualifications. Since the focus of the study was on the informal sector, more than 80% of the businesses were unregistered. The majority had less than 6 years of operation and employed less than two people.

On issues of skills development the entrepreneurs recognised the importance of training and skills. Most of them were positive that they can benefit from training especially in the area of marketing and promoting their product and services. This training, however, will have to be targeted on the right level as most of them have differing educational backgrounds. This is an area in which the small business incubators can contribute immensely as this will have other additional benefits in other areas such as access to finance which most entrepreneurs view as a challenge.

Most of the entrepreneurs indicated that they have never been formally employed. This may in some cases indicate they have gone into entrepreneurship out of necessity. This is supported by the fact that most of them thought that chances for employment were slim. The entrepreneurial culture per se may indicate that entrepreneurship is encouraged because many of the entrepreneurs thought that the community respected entrepreneurs and highlighted the importance of role models.

It is clear that the government agencies, private sector and local municipality have much work ahead to ensure public awareness of their services, since most of the entrepreneurs in this sector do not understand the type of assistance they can receive from these organisations. On the subject of BBBEE, virtually all entrepreneurs visited were black people. However, it was clear that most of them did not see a direct link between their business activities and BBBEE as most of them neither understand BBBEE nor how their businesses can benefit from it. It is also observed that some of them do see the connection with the bigger picture as they mentioned that the recent recession affected them as well. In addition, most of the entrepreneurs interviewed were not at all positive about the employment and business prospects within the area falling under the Emfuleni Local Municipality.

## **2.5 SUMMARY**

As discussed in the literature review section, South Africa has a very high unemployment rate. Entrepreneurship is one of the possible tools for job creation. The findings of this study indicate that entrepreneurship in the informal sector can provide a form of income for some people that cannot be absorbed in the formal labour market. These entrepreneurs, however, do not seem to be benefiting from the workshops offered by the local municipality and assistance offered by the government agencies. The low skills level of most of these entrepreneurs may also hinder their ability to grow their businesses beyond the one-man operations. It is recommended, therefore, that the agencies, particularly those targeting the youth, make a concerted effort to reach these people if they are to make a lasting impact on job creation. It would appear in particular that the skills development area is an area that needs attention.

## REFERENCES

- ABEDIAN, I. & DE SMIDT, M. 1990. The informal economy in South Africa. *South African Journal of Economics*, 58(4):404-424.
- ADAMS, S. 2006. The impact HIV/AIDS has had on unemployment and the contributing factors. *South African Pharmaceutical Journal*, 73:46-47, June.
- ASGISA. 2009. A summary. [Web:] [www.info.gov.za/asgisa/](http://www.info.gov.za/asgisa/) Date of access: 27 Nov. 2009.
- BANERJEE, A., GALIANI, S., LEVINSON, J., MCLAREN, Z. & WOODLARD, I. 2008. Why has unemployment risen in the New South Africa? *Economics of Transition*, 16(4):715-740.
- BEUGELSDIJK, S. 2010. Entrepreneurial culture, regional innovativeness and economic growth: entrepreneurship and culture. Berlin: Springer.
- BHORAT, H. 2004. Labour market challenges in the post-apartheid South Africa. *South African Journal of Economics*, 72(5):940-977.
- BOSMA, N. & LEVIE, J. 2010. Global Entrepreneurship Monitor 2009. Babson Park, MA: Global Entrepreneurship Research Consortium.
- BRANDOLINI, A., CIOLLONE, P. & VIVIONO, E. 2006. Does the ILO definition capture all unemployment? *Journal of the European Economic Association*, 4(1):153-179, March.
- CHEDZA. 2010. The seven pillars of BBBEE. [Web:] <http://www.chedza.co.za> Date of access: 20 May 2010.
- CHEMCITY. 2010. Frequently asked questions. [Web:] <http://www.chemcity.co.za> Date of access: 22 Feb. 2010.

DEPARTMENT OF PUBLIC WORKS. 2009. Expanded Public Works Programme Five Year Report 2004/05 - 2008/09. 236 p. [Web:] [www.epwp.gov.za](http://www.epwp.gov.za) Date of access: 20 May 2010.

DINGEE, A.L.M., HASLET, B. & SMOLLEN, L.E. 2000. Characteristics of a successful entrepreneurial management team. (in Price RW. (ed.) Annual editions: Entrepreneurship.2000/2001. Guildford: Dushkin/McGraw-Hill.

DRIVER, A., WOOD, E., SEGALI, N. & HERRINGTON, M. 2001. Global Entrepreneurship Monitor. Cape Town, Graduate School of Business, University of Cape Town.

ELLIS, S.M. & STEYN, H.S. 2003. Practical significance (effect sizes) versus or in combination with statistical significance (p-values). *Management Dynamics*, 12(4):51-53.

EMFULENI LOCAL MUNICIPALITY. 2009a. Annual Report 2008/2009. [Web:] <http://www.emfuleni.gov.za> Date of access: 20 May 2010.

EMFULENI LOCAL MUNICIPALITY. 2009b. Integrated Development Plan. [Web:] <http://www.emfuleni.gov.za> Date of access: 20 May 2010.

FOXCROFT, M.L., WOOD, E., KEW, J., HERRINGTON, M. & SEGAL, N. 2002. Global Entrepreneurship Monitor. Cape Town, Graduate School of Business, University of Cape Town.

GAUTENG ENTERPRISE PROPELLER (GEP). 2010. Gauteng Enterprise Propeller Annual Report 2008 – 2009. 120 p. [Web:] <http://www.gep.co.za> Date of access: 20 May 2010.

GEP **see** GAUTENG ENTERPRISE PROPELLER.

GUMEDE, V. 2008. Poverty and the “Second economy” in South Africa: an attempt to clarify applicable concepts and quantify the relevant challenges. Human Sciences Research Council, Development Policy Research Unit Working Paper 08/133.

HERRINGTON, M., KEW J. & KEW, P. 2008. Global Entrepreneurship Monitor South African Report. Cape Town, Graduate School of Business, University of Cape Town.

HERRINGTON, M., KEW, J. & KEW, P. 2009. Tracking entrepreneurship in South Africa: A GEM perspective. Cape Town, Graduate School of Business, University of Cape Town.

HISRICH, R.D. & PETERS, M.P. 2002. Entrepreneurship. 5<sup>th</sup> ed. New York, NY: McGraw-Hill.

KINGDON, G.G. & KNIGHT, J. 2004. The nature of the beast. *World Development*, 32(3):391-408, March.

KINGDON, G.G. & KNIGHT, J. 2006. The measurement of unemployment when unemployment is high. *Labour Economics*, 13(3):291-315, June.

KINGDON, G.G. & KNIGHT, J. 2007. Unemployment in South Africa, 1995-2003: causes, problems and policies. *Journal of African Economies*, 16(5):813-848.

KLASEN, S. & WOOLARD, I. 2009. Surviving unemployment without state support: unemployment and household formation in South Africa. *Journal of African Economies*, 18(1):1-51.

LEE-GOSSELIN, H. & GRISERISÉ, J. 1990. Are women owner-managers challenging our definitions of entrepreneurship? An in-depth survey. *Journal of Business Ethics*, 9(4):423-433, April.

LIGTHELM, A. 2006. Size estimate of the informal sector. *South African Business Review*, 10(2):32-52.

MAAS, G. & HERRINGTON, M. 2007. Global Entrepreneurship Monitor. Cape Town, Graduate School of Business, University of Cape Town.

- MACCORD, A. 2008. Training within the South African Public Works Programme, in Human Resources Development Review: Education Employment and skills in South Africa. (Ed.) Kraak, A. & Press, K. South Africa: HSRC Press.
- MARTINS, J. 2005. The state of skills training in very small and micro-enterprises in the South African environment. *South African Journal of Labour Relations*: 29(4):34-58.
- MITCHELL, B. C. 2003. African entrepreneurs: an analysis of their motivation for starting their own business. *South African Journal of Economic and Management Sciences*, 6(4):724-743.
- MORRIS, M. H. & PITI, L. F. 1995. Informal sector activity as entrepreneurship: insights from a South African township. *Journal of Small Business Management*, 33(1):78-86.
- MORRIS, M.H., JONES, P. & NEL, D. 2006. The informal sector, entrepreneurship and economic development. Proceedings of the USA Small Business Conference, Timer Warner Center in New York, NY. pp108-123.
- MORRISON, A. 2000. Entrepreneurship: what triggers it? *International Journal of Entrepreneurial Behavior & Research*, 6(2):59-71.
- MSHUDULU, S.A. 2009. Speech by the Executive Mayor at the 1st Annual Vaal Region SMME Conference and Awards event at the Emerald Resort and Casino, 27 October 2009. [Web:] <http://www.emfuleni.gov.za> Date of access: 20 May 2010.
- NJIRO, E. & COMPANONI, M. 2010. Institutions providing services to small, micro and medium enterprises in South Africa. *Journal of Contemporary Management*, 7:146-166.
- OLD MUTUAL. 2007. Igniting the economy! [Web:] [https://www.oldmutual.co.za/documents/masisizane/Masisizane\\_280208.pps](https://www.oldmutual.co.za/documents/masisizane/Masisizane_280208.pps) Date of access: 10 Jun. 2010.

ORFORD, J., HERRINGTON, M. & WOOD, E. 2004. Global Entrepreneurship Monitor. Cape Town, Graduate School of Business, University of Cape Town.

PLAATJIES, D. & NICOLAOU-MANIAS, K. 2005. Budgeting for job creation in social welfare services: exploring EPWP opportunities. *Proceedings of the International Conference on Work 2005*. HSRC Press, 4-20.

REYNOLDS, P., BOSMA, N., AUTIOUTIO, E., HUNT, S., DE BONO, N., SERVAIS, I., LOPEZ-GARCIA, P. & CHIN, N. 2005. Global Entrepreneurship Monitor: Data Collection Design and Implementation 1998-2003. *Small Business Economics*, 24:205-231.

ROGERSON, C. M. 2000. Successful SMEs in South Africa: the case of clothing producers in the Witwatersrand. *Development Southern Africa*, 17(5):687-717.

SA **see** SOUTH AFRICA.

SMITH, E.E. & PERKS, S. 2006. Training intervention needed for developing black micro-entrepreneurial skills in the informal sector: a qualitative perspective. SA *Journal of Human Resource Management*, 4(1):17-26.

SOUTH AFRICA. 1996. National Small Business Act 102 of 1996. Pretoria: Government Printer.

SOUTH AFRICA. 2003. National Small Business Amendment Act 26 of 2003. Pretoria: Government Printer.

SOUTH AFRICA. 2005. Gauteng Enterprise Propeller Act 5 of 2005. Pretoria: Government Printer.

SOUTH AFRICA. 2008. National Youth Development Agency Act 54 of 2008. Pretoria: Government Printer.

SOUTH AFRICA. 2009. Department of Trade and Industry. The BBBEE Codes of Good Practice. [Web:] <http://www.dti.gov.za> Date of access: 22 Feb. 2010.

SOUTH AFRICA. 2003. Broad-Based Black Economic Empowerment Act 53 of 2003. Pretoria: Government Printer.

SPSS Inc. 2009. SPSS® 17.0 for Windows, Release 17.0.0, Copyright© by SPSS Inc., Chicago, Illinois. [www.spss.com](http://www.spss.com).

STATISTICA. 2009. StatSoft, Inc. (Data analysis software system), version 9.0. [www.statsoft.com](http://www.statsoft.com).

STATS SA. 2010. QUARTERLY LABOUR FORCE SURVEY FIRST QUARTER. Statistics South Africa. Pretoria: Statistics South Africa. [Web:] <http://www.statssa.gov.za> Date of access: 12 Oct. 2010.

TIMMONS, J.A. & SPINELLI, S. 2007. New venture creation: entrepreneurship for the 21<sup>st</sup> Century. 7<sup>th</sup> ed. New York, NY: McGraw-Hill.

VAN VUUREN, J.J. & GROENEWALD, D. A. 2007. Critical analysis of the influence of start-up factors in small businesses and entrepreneurial ventures in SA. *Acta Commercii*, 7(1) 269-280.

VON BROEMBSEN, M., WOOD, E. & HERRINGTON, M. 2005. Global Entrepreneurship Monitor. Cape Town. Graduate School of Business. University of Cape Town.

WICKHAM, P.A. 1998. Strategic entrepreneurship: a decision-making approach to new venture creation and management. 2<sup>nd</sup> ed. London: Prentice Hall.

# **CHAPTER 3**

## **CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS**

### **3.1 INTRODUCTION**

In this chapter, conclusions are drawn regarding the specific objectives of this study. The limitations of the research are discussed, followed by recommendations regarding future research. This chapter, which is the final chapter of the study, summarises the conclusions and recommendations relating to the findings of Chapter 2. Conclusions are made, based on the analysis of results obtained in the research. The recommendations offered then follow the conclusions drawn in the research and is accompanied by the recommendations for other areas of future research.

### **3.2 CONCLUSIONS AND RECOMMENDATIONS**

The main goal of this study was to provide a snapshot view on the informal sector entrepreneurial activity within the Emfuleni Local Municipality townships. The study conducted has indicated that most respondents within the Emfuleni informal business sector understand the importance of entrepreneurship. The objectives of the study overall have been achieved. A definition of what distinguishes the informal sector from the formal sector was presented in Chapter 2 with the literature review. A case on the importance of entrepreneurship in a country like South Africa with a high unemployment rate was presented followed by a survey that was conducted to understand the characteristics, successes and weaknesses in the sector.

It became clear that while the entrepreneurs had been pushed to starting their venture by necessity, they still recognised and respected their role within society. There are a large number of entrepreneurs that agreed that role models are important in encouraging entrepreneurship. This also means that while entrepreneurship may not be a first option for most people it is still a respected career choice.

The impact of access to finance was an issue that the entrepreneurs felt will strongly benefit them in growing their businesses. Clearly, some of the businesses have been in existence for a number of years and have not been able to grow into the formal sector. Since these small business owners may struggle to gain finance from the bank due to lack of collateral or credit history, alternative finance mechanisms need to be found. The best vehicle for these entrepreneurs is through one of the government initiatives such as Khula Finance as discussed in the literature review section. This programme needs to be accessible to these entrepreneurs and have offices close to their areas.

The issue of small business incubators, though not surprising, was quite a concern as most of these entrepreneurs have not had any direct interaction with the agencies. It is clear that informal sector entrepreneurs need assistance, especially in the form of skills transfer, which will assist them with practical skills for growing their business. The business incubators are the important linkages in ensuring that businesses within the sector graduate from informal to the formal arena. It is therefore recommended that these organisations focus on this sector, if they are to assist in alleviating unemployment.

The impact of BBBEE is largely unfeared by this section of the population as was noticed by their responses to the questions. It is quite regrettable that such a finding is obtained as the stated goals of BBBEE are to reach the broader society. Some of the businesses run by some of the entrepreneurs, particularly the services, while lacking in economies of scale can benefit from the preferential procurement programmes from some government departments and the private sector. So, while the aims of BBBEE are clear it is important that the benefits of how small businesses can position themselves to benefit from it be publicised broadly.

### **3.3 LIMITATIONS**

There was one major limitation in this study that had to be overcome. The Emfuleni Local Municipality covers a wide geographical area and consists of six relatively

large townships; therefore, convenience sampling had to be used due to time resource limitation for the study. This sample cannot be considered representative of the total informal sector entrepreneurs in Emfuleni.

### **3.4 FUTURE RESEARCH**

The study could be repeated in the future in order to evaluate sector specific issues such as retail or services as these entrepreneurs will have differing challenges. In addition, the study could also focus on areas that need improvement, and an in-depth analysis of the reasons for a lack of development of these small businesses beyond the one man operations and how to improve these areas, can be done. Another possible area of further study is the cause and effect of entrepreneurship on job creation.

### **3.5 SUMMARY**

The literature review conducted in Chapter 2 indicated that there have been ongoing studies on entrepreneurship although there was limited information of the informal sector. South Africa has a low level of entrepreneurial activity as measured using the TEA index by the GEM survey researchers. A review of the literature emphasised the importance of entrepreneurship in job creation and economic growth. Chapter 2 also provided the research methodology and the results of the study, indicating that entrepreneurship in the informal sector exists; however, it also indicated the unique challenges of this sector such as low level of education, lack of access to information about opportunities and training. This chapter, being the final chapter, drew conclusions, made recommendations and identified areas for future research.

## **APPENDIX 1: Questionnaire used for the empirical study**



Private Bag X6001  
Potchefstroom Campus  
North-West University  
**Potchefstroom**  
2520

**Code number:**

### **QUESTIONNAIRE:**

### **AN EVALUATION OF ENTREPRENEURSHIP IN EMFULENI LOCAL MUNICIPALITY**

#### **CONTACT DETAILS:**

Xolani Makhoba  
Cell: 082 8814971  
E-mail: [xolani100@gmail.com](mailto:xolani100@gmail.com)

# Entrepreneurship Questionnaire

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

## GENERAL INSTRUCTIONS:

1. The selected entrepreneurs from EMFULENI LOCAL MUNICIPALITY must complete this questionnaire.
2. Please answer the questions as objectively and honestly as possible.
3. Please answer all the questions, as this will provide sufficient information to the researcher so that an accurate analysis and interpretation of data can be made.

All the questions may be answered by making a cross in the relevant block. Use the following key: **1** = Strongly disagree; **2** = Slightly Disagree; **3** = Neutral view; **4** = Slightly Agree, **5** = Strongly agree. **You must select the number which best describes how you feel about the item.** For example, should you be asked the extent to which you agree with the statement:

“Starting my own business has always been my dream.”

and you feel that you slightly agree, you will mark the number **4 (4 = Slightly agree)** as in the example:

		Strongly disagree	Slightly disagree	Neutral view	Slightly agree	Strongly agree
<b>B2</b>	“Starting my own business has always been my dream.”	1	2	3	<input checked="" type="checkbox"/>	5

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

## SECTION A: DEMOGRAPHIC & BUSINESS INFORMATION

The following information is needed to help us with the statistical analysis of the data for comparisons among different businesses. 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>Gender</b>	Male	Female

<b>A2</b>	<b>Age group</b>	≤ 21	22 - 35	35 - 59	60+

<b>A3</b>	<b>Qualification</b>	Below Matric	Matric	Diploma / Degree	Postgraduate

<b>A4</b>	<b>Status of your business</b>	Registered	Not registered	Other
If other please specify				

<b>A5</b>	<b>Age of business</b>	0 – 3 months	3– 42 months	3.5 years – 6 years	>6 years

<b>A6</b>	<b>Marital status</b>	Single	Married	Divorced	Widowed

A7	<b>Number of employees</b>	0 – 2	3– 5	6 – 10	>10

A8	<b>Sector</b>	Retail	Services	Transport	Construction	Other
If other please specify						

A9	<b>Turnover per year</b>	0 – R50 000	R 50 000– R100 000	R100 000 – R250 000	>R250 000

## SECTION B: ENTREPRENUERSHIP QUESTIONNAIRE

Indicate to what extent you agree or disagree with the statements. Mark the applicable block with a cross (X).

	Strongly disagree	Slightly Disagree	Neutral view	Slightly agree	Strongly Agree
<b>Culture of entrepreneurship</b>					
<b>B1</b> This community respects people who have their own businesses	1	2	3	4	5
<b>B2</b> Starting my own business has always been my dream.	1	2	3	4	5
<b>B3</b> Have you ever been formally employed? Yes <input type="checkbox"/> No <input type="checkbox"/> If yes for how long ago .....					
<b>Role models</b>					
<b>B4</b> I would encourage people to start a new business?	1	2	3	4	5
<b>B5</b> Access to role models encourages people to start their businesses.	1	2	3	4	5
<b>B6</b> While growing up I had family and friends who had their own businesses.	1	2	3	4	5
<b>Access to capital</b>					
<b>B7</b> How did you get your start-up capital? Bank <input type="checkbox"/> Friends and family <input type="checkbox"/> Government <input type="checkbox"/> Other <input type="checkbox"/> If other please specify.....					
<b>B8</b> Where others see unemployment, I see opportunities create my own employment.	1	2	3	4	5
<b>Skills</b>					
<b>B9</b> Have you ever received any form of training from the government? Yes <input type="checkbox"/> No <input type="checkbox"/>					
<b>B10</b> Which skills in terms of training needs would benefit your business the most? Record Keeping <input type="checkbox"/> People management <input type="checkbox"/> Financial management <input type="checkbox"/> Sales and <input type="checkbox"/>					

		Strongly disagree	Slightly Disagree	Neutral view	Slightly agree	Strongly Agree
	promotions					
<b>B11</b>	Where did you get the skills for your business? Previous employment Training Self educated					
	<b>Role of the incubators</b>					
<b>B12</b>	I have a good understanding of the services offered by the government agencies to small businesses.	1	2	3	4	5
<b>B13</b>	I have an understanding of the services offered by the municipality to small businesses.	1	2	3	4	5
<b>B14</b>	My business succeeded from the help of government and private sector incubators.	1	2	3	4	5
	<b>Enterprise development and BBBEE</b>					
<b>B15</b>	I have understanding of BBBEE.	1	2	3	4	5
<b>B16</b>	My business can benefit from BBBEE.	1	2	3	4	5
<b>B17</b>	Recession has affected my business negatively.	1	2	3	4	5
<b>B18</b>	How long ago were you formally employed? ..... .....					
<b>B19</b>	Do you think this area provides opportunities for those that are seriously looking for employment? Yes No					
<b>B20</b>	Do you think Emfuleni provides opportunities for your business? Yes No					
<b>B21</b>	Do you have any area that you think the small business owners need assistance on from the government e.g. SEDA, Khula, Gauteng Enterprise Propeller and the local municipality? ..... ..... .....					

**WE THANK YOU FOR YOUR TIME TAKEN TO COMPLETE THIS QUESTIONNAIRE!**

## APPENDIX 2: LETTER FROM LANGUAGE EDITOR

Tuesday, November 16, 2010



**Xolani Simphiwe Makhoba**  
21464545

### Re: Letter of confirmation of language editing

The MBA mini-dissertation "*A study of informal sector entrepreneurial activity within the townships in Emfuleni Local Municipality*" was language, technically and typographically edited. The sources and referencing technique applied was checked to comply with the specific Harvard technique as per North-West University prescriptions.

A handwritten signature in black ink, appearing to read "Antoinette Bisschoff".

**Antoinette Bisschoff**  
Officially approved language editor of the NWU