

Exploring business and owner traits of small and medium enterprises that exhibit increased revenues in South African townships: The case of selected townships in Strand

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DECLARATION

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ABSTRACT

Apart from meeting basic customer needs, small and medium enterprises in the townships are a source of employment and livelihood for many. Businesses in the townships of the Strand have mushroomed from a formerly neglected area, like others in various townships throughout South Africa. Yet very little is known about them and their owners. What are their characteristics? What traits distinguish those that make higher revenues from the rest?

Many of these small businesses have emerged without government assistance, even though such support is often seen as a non-factor in determining the rate of an enterprise's growth. Entrepreneurship, as literature often explains, is a dynamic endeavour which requires a business founder to display both determination and skill. Yet very few businesses normally survive the early stages. Many aspects of entrepreneurship need to be practically learned to enable the business to overcome many prevalent obstacles, and thus enable the enterprise to grow and contribute to job-creation.

Not all entrepreneurs are alike in their capability to spot an opportunity. Also, entrepreneurs differ in their ability to either steer or set up systems to take an enterprise through its various transitions. Yet still, the financial strategic decisions made at inception stage often influence the rate at which businesses will generate revenues later in existence. Government, both local and national, has a responsibility to provide an enabling environment for businesses to thrive.

Using a study of spaza and informal trade done in the past by Unisa and by Bojanala Platinum District Municipality as a baseline, this study surveyed 60.6 percent of businesses in the Strand townships that were identified through the database of both Khanyolwethu School and Sinobulumko Business Association. The main areas of focus were – the socio-economic and demographic profile, the physical characteristics, financing, relationship with suppliers, transport, income/turnover and traits that distinguish higher-revenue businesses from others.

Analyses through the Mann-Whitney U, the Spearman's rank correlation coefficient, the chi-square and the Kruskal-Wallis test then showed that the businesses that tend to make larger monthly revenues are those that are owned by males, using cheque accounts for the business, and those whose main suppliers deliver merchandise to their premises. The businesses that make larger daily revenues were shown to be those that are owned by males, registered with CIPRO, using cheque accounts for the business and those whose owners have Grade 7 to 9 qualifications and above.

For government, the results of this study call for a further refining of the criteria used for loaning to businesses in townships, as well as to make the public more aware of the assistance provided by government's business support agencies. For banks, the study calls for the designing of a '*Spaza Account*', tailored to the needs and skills level of businesses owners in the townships. Socially, the study calls for the tearing down of all the walls that make it difficult for open trade to take place.

OPSOMMING

Klein besighede in informele nedersettings spreek die behoefte aan van kliënte en genereer 'n tipe inkomste, maar daar is min kennis oor eienaars se belange. Besighede in die Strand se informele nedersettings was gestig in minderbevooregte gebiede, soos baie ander regdeur Suid Afrika. Watter karaktereienskappe beskik hierdie eienaars om 'n beter inkomste te genereer as die res van die inwoners?

Baie van hierdie besighede het ontstaan sonder enige hulp van regering instansies ten spyte van ondersteuningsdienste wat aan hulle beskikbaar was. Afhangende van die groei van die besigheidseienaar word dit in elk geval nie in ag geneem nie. Entrepreneurskap verduidelik letterlik dat die besigheids eienaar uithouermoe en vaardighede kan uitbeeld. Baie min van hierdie besighede oorleef hulle eerste fase vanuit die staanspoor. Baie aspekte van die besigheid moet prakties aangeleer word om daaglikse uitdagings te oorkom. Op hierdie wyse groei die mark en sodoende word werksgeleenthede geskep.

Nie alle besighede is sodanig op hoogte van sake om geleenthede raak te sien nie. Dikwels verskil bestuurstyle van besighede om sisteme in plek te stel wat verandering kan meebring. Finansiële besluite wat geneem is aan die begin stadium het 'n impak op inkomste wat op 'n later stadium in die besigheid gegenerer word. Beide die nasionale en plaaslike regering het die verantwoordelikheid om 'n goedgegewe besigheids omgewing te skep vir besigheids groei.

'n Vorige studie van 'n spaza en oor informele handel deur Unisa en Bojanala Platinum Distriksmunisipaliteit was as basis gebruik. Die studie het bewys dat 60.6 persent van besighede in informele nedersettings in die Strand geïdentifiseer is deur gebruik te maak van die databasisse van beide plaaslike skole en besigheidsverenigings. Die hoof fokus areas was die sosio-ekonomiese en demografiese profiele, die fisiese karaktereienskappe, finansiering, verhoudinge met verskaffers, vervoer, inkomste en kenmerke wat die hoër – inkomste genererende besigheide van die ander skei.

Analises deur die Mann-Whitney, die Spearman rank korrelasie, die Chi-square en die Kruskal-Wallis toetse bewys dat besighede met 'n hoër maandelikse inkomste deur mans besit word wat hulle besigheide vanaf hulle eiendomme bestuur en gebruik maak van tjekrekening. Die besighede wat 'n daaglikse hoër inkomste genereer is ook daardie wat deur mans besit word, geregistreer is by CIPRO, gebruik maak van tjek rekening vir die besigheid en daardie van wie se eienaars kwalifikasies van graad 7 tot 9 en hoër het.

Asgevolg van die uitkoms van hierdie studie, soos van toepassing op die regering, moet vereistes vir lenings aan besighede in informele nedersettings hersien word. Die publiek moet ook meer bewus gemaak word oor die ondersteuning wat deur die regering beskikbaar gestel word. Ten opsigte van banke het die studie uitgelig dat daar 'n spesiale '*Spaza rekening*' geskep moet word wat voldoen aan die behoeftes en vaardighede van besigheidseienaars in die informele nedersettings. Op 'n sosiale vlak vra die studie aan dat die 'mure' wat dit moeilik en onmoontlik maak vir ope mark besigheids geleenthede om plaas te vind, afgebreek moet word.

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DEDICATION

I dedicate this work to the memory of my late friend and brother, **Minenzima “Mini” Vusani**

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CHAPTER 1 – BACKGROUND AND PROBLEM FORMULATION

1. Introduction

Today's global economy is made up of many contributing entities, big and small. Each of these, with its own activities, contributes to a local area's economy, and thus to a municipal, then state or provincial, national, regional and consequently the global economy. Even though big entities are often the most visible, the smaller entities are no less important. This is because they are mostly found at the coalface, meeting the immediate human needs wherever these are located.

In a study of the product life-cycle in various small organisations, Herbst (2001:104) found that these entities are important to economies and are not simply miniature versions of larger organisations. In order to understand the totality of economic systems worldwide, a study of the unique characteristics of small organisations is crucial. Herbst (2001:104) further states that these smaller entities have both common and unique organisational and management features when compared to other, larger organisations.

In the process of their growth from an idea to a start-up company and further through the various stages of growth, these businesses often manifest specific traits or characteristics that lead them to either succeed or fail in building higher revenues. Some of these characteristics relate to decisions made at inception and through the various stages of organisational growth. Some of these characteristics are core to the business, while others are decisions that can be changed. On the other hand, some of these are traits that manifest as a general trend among businesses that are showing signs of success.

Research conducted by Bradford (2007:96) found that the businesses that tend to exhibit higher revenues are generally those that are owned by males, operate from a container or a formal building, whose owners have vehicles and who own credit cards. Bradford (2007:96) further asserts that businesses that are registered, and whose processes include

the formal recording of receipts and disbursements, have a higher propensity to make higher revenues than their counterparts. Bradford's (2007) study was conducted, among other reasons, for the purpose of developing a framework for selecting businesses to receive government assistance.

The study herein intends to explore the features and characteristics of small, medium and micro business enterprises in the townships located in Strand, Western Cape. In particular, it explores the common critical traits among those businesses that have succeeded in creating higher revenues than others.

1.1 Background to the study

Since the 1950s, the area of Lwandle in Strand has grown from a small settlement made of hostels for housing migrant labourers to a bustling set of townships (namely Lwandle, Greenfields, Pholile, Nomzamo and Asanda Village). These townships have further grown from a single electoral ward to two, with extensive systems and types of small and medium enterprises mushrooming all over the area. These enterprises include spaza or tuck shops, barber shops, motor mechanics, tailors, barbecued meat sellers, raw meat suppliers, liquor outlets, photocopy shops and cosmetics shops.

Most local people depend on these small and medium enterprises (SME) for many aspects of their livelihoods. Many locals are avid consumers of their products, while others are full-time or part-time employees. As for the owners of such businesses, these are the main source of livelihood for their families.

The success of these business enterprises is very important to government's goal towards job creation and enterprise development. Hence the promulgation of the 1995 *White Paper on Small Business* by government, which set forth the national objectives for the post-apartheid Small, Micro and Medium Enterprises (SMME) economy – also targeting the informal sector.

Various pieces of legislation were then promulgated on the basis laid by this White Paper. Among the objectives of the National Small Business Act, No. 102 of 1996 (RSA, 1996:1) is to provide guidelines for organs of state in order to promote small business in South Africa. The government has further established a litany of entities that are meant to advise and fund the development of such enterprises over many years.

As some of these government institutions provide advice, as well as decide which entities will receive financial assistance, this non-exhaustive study seeks to contribute to the development of clear, updated criteria and guidelines to be used by these institutions in their decision-making. It is therefore important to study the owner and business traits that could be encouraged, to demystify the factors that commonly result in these businesses becoming profitable and to interpret factors preventing success in terms of their underlying impediments. This could further assist in focusing the assistance that government provides to small and medium enterprises as the study's aim is to further understand the factors that cause some business owners to succeed, whereas others fail.

According to the National Planning Commission (RSA, 2011:11), South Africa has not yet been successful in laying the groundwork for faster Small, Medium and Micro Enterprise (SMME) entry and expansion. Yet many studies of various aspects of business have been conducted in townships and rural areas such as those in the Strand and elsewhere.

Hence it is important to also provide a broader overview of the specific geographic area that is being focused on. This is because of the old adage that 'no two snowflakes are alike'. The townships in the Strand originate from a unique set of circumstances which may also need to be examined.

1.2 Townships in Strand

The townships of Nomzamo and Asanda Village originated from the area of Lwandle (isiXhosa for '*the ocean*') in the Strand. Strand is a key part of the Helderberg Local Municipality within the City of Cape Town, Western Cape. According to Buthelezi (2008:67), Lwandle emerged as an area of isolated black, single-male hostel residences, providing cheap labour in the Helderberg Basin for factories like AECl, Gants Canning Company and the local municipality.

Buthelezi (2008:68) further describes how, from the 1960s to the 1990s, this area was controlled and regulated through harsh apartheid legislation which denied Africans the right to permanent residence. From living in the fenced, single entrance hostels, the men who resided here had to return to their families in the Bantustans every time their employment contracts expired. This meant that, legally, they could not claim continuous, uninterrupted residence in the area and consequently could not own any fixed property.

According to Mogale (2007:344), such townships were far from sites of major economic activities and unsympathetic finance houses compounded the marginalisation of poverty-stricken local micro and medium enterprises by denying them financial services.

Having further spawned the adjacent township of Nomzamo (named after Nomzamo Winnie Mandela), the area of Lwandle rapidly birthed two new government housing developments, known as Asanda Village (named after Asanda C.J. Phakade, a local civic activist) and Greenfields, between 2002 and 2005. The south and west sides of the area are separated from the suburbs of Strand by a wall and a set of railway tracks respectively, with no facility for crossing on foot.

For Mogale (2007:344), a plethora of segregationist policies and laws demarcated and literally pushed the poor and vulnerable, mainly black entrepreneurs, to the outlying densely populated and underserved dormitory townships. Thus a majority of potentially successful local micro and medium enterprises became stunted, crowded into poorly

serviced, crime-ridden and violent townships which were often out of sight of local government's mainstream budgetary processes.

However, these townships continue to produce masses of hard-working individuals who ride the trains to work every weekday – mornings and evenings. Many of them spend their earnings in the surrounding urban areas (Strand, Gordon's Bay and Somerset West) as well as in local township-based businesses, churches, schools and community-building activities.

1.3 Statement of the problem

In spite of the perceived upturn from the 2008/2009 financial market crash, Dun and Bradstreet Limited (2011:6) predicts that there is going to be a rise in the number of business failures. While the South African government has put in place some business support systems, the Small Business Project (2009:2) estimates that only 2.3 percent of South Africans own a business that is more than 3.5 years old, indicating a high failure rate among start-ups.

Additionally, according to Terblanche (2011:9), in the lead-up to the 2010 Soccer World Cup, more than five percent of adult South Africans were setting up a business. Many such businesses have been struggling since its end.

Although many initiatives have been actively taken, especially by government to support and fund these businesses, many of them fail. The result is that this sector does not grow enough to enable entry into the formal sector. Even though they are among the main contributors to the economy, very little is known about the characteristics of these Small, Medium and Micro Enterprises (SMMEs) and of their business owners who do succeed.

According to Bradford (2007:95), given the scarce resources that the government has for supporting entrepreneurial development, support must be targeted on those with greater potential to grow and increase employment.

A clear appreciation of the economic and social profile of the SMME sector in the selected township context could serve to provide a detailed local comparison to the national baseline established by Ligthelm's (2002) survey authorised by the Bureau of Market Research (BMR) for the University of South Africa (*Characteristics of spaza retailers: Evidence from a national survey*).

A further survey of the informal business sector, based on the same Unisa study, was undertaken by the Bojanala Platinum District Municipality (herein after referred to as Bojanala Municipality) in 2003. The results (Bojanala Municipality, 2003) were found to be largely consistent with the Unisa national study, albeit some stark local realities emerged that could be useful to both the enterprises and the local municipality. Evidently, even though the study conducted by Unisa's BMR in 2000 was based on spaza shops, it is possible to reliably replicate it on any rural and township business enterprises in South Africa.

The main gap that this research seeks to analyse relates to the external characteristics that are common among the businesses that often succeed in creating higher revenues, compared to those that do not.

1.4 Objectives of the study

The objectives of this study can be categorised into two, namely the general and the specific objectives, as follows:

1.4.1 General objectives

This study seeks to explore the economic and social profile of the small and medium business enterprises in the Strand townships and their owners.

The study also seeks to find the common external characteristics or traits that distinguish those businesses that create high revenues from those that do not.

1.4.2 Specific objectives

Based on the general objectives explained above, the study will explain and compare:

- i. The socio-economic and demographic profile of the business owners in Strand townships,
- ii. the physical characteristics of the businesses,
- iii. the financing of the businesses,
- iv. the businesses' relationship with suppliers,
- v. transport issues affecting the businesses,
- vi. the businesses' income/turnover, and
- vii. the key traits of the businesses that show higher revenues.

The study will further explore:

- i. A case study of businesses in Bojanala, along similar lines as the current study,
- ii. the financing of the small business sector, and
- iii. specific implications and recommendations on possible business support initiatives for government, the banking sector, the academic sector and private enterprises.

1.5 Key research questions

- i. What are the characteristics of the businesses, and of their owners, in the townships that are in Strand?
- ii. What is the range of revenues that these businesses normally generate?

- iii. What are the common distinguishing factors among the businesses that eventually create higher daily revenues and monthly revenues, as opposed to the rest of the businesses?

1.6 Significance of the study

In 2000, according to Ligthelm (2002:54), the SMME sector accounted for R7.4 billion in annual turnover – which was 2.7 percent of retail trade in South Africa. This means that their turnover was about 20% of that of the large hyper- and super-markets combined, and larger than that of the other branded superettes including Kwikspar, 7-Eleven, OK Foods and Score.

The South African government, according to I-Net Bridge (2011), has now made available an amount totaling R2.8 billion for small, medium and micro enterprise support through entities like Khula, the Independent Development Corporation and Samaf. The questions are, is this money being used to fund enterprises that contribute to wealth-creation and the national economy, and what helps these businesses to move higher than elementary levels in their revenue-creation?

Again, according to I-Net Bridge (2011), the government is currently considering merging several of its key small-business development agencies under a new brand, Khula Direct. This is in recognition of the major shortcomings of the current business funding mechanisms.

This study is being conducted at a pivotal and strategic moment. Its findings could contribute greatly to setting up a new perspective for the new funding agency, as well as informing the assumptions therein throughout its existence. This consolidating of resources and institutions is expected to take place at national, provincial and municipal levels. This study could also influence the development of criteria to be used by lending agencies, both in the government and the private sector.

1.7 Outline of the chapters

The chapters of the study are as follows:

Chapter 1: Background and Problem Formulation – This chapter puts the problem under investigation into proper context. The chapter also provides a contextual description of the townships of Strand. As such, it further explains the rationale and objectives of this research, as well as its significance.

Chapter 2: Literature and Theoretical Review on the Small and Medium Enterprises Sector – This chapter discusses the factors and challenges encountered by the small business sector along with the theoretical approaches that underpin the sector, including an analysis of the small business sector in South Africa. This is followed by a profile of an entrepreneur and by various theories of entrepreneurship and business growth. The chapter concludes by describing the financing of the small business sector in South Africa along with recommendations for small business financial support which could lead to a brighter future for the sector.

Chapter 3: Case Study on Small and Informal Businesses in Bojanala Platinum District Municipality – This chapter discusses the business surveys that were conducted by Unisa and by Bojanala Municipality. In the process this comparison between the two studies lays a basis for the current study on the townships of Strand.

Chapter 4: Research Methodology – This chapter discusses the methodology that is employed to obtain primary data. Key among these is the research design, methodology and sampling. Also the chapter describes how the primary data is collected as well as analysed, along with the limitations of the study.

Chapter 5: Profile of the Businesses in Strand Townships: Statement of Findings and Interpretation – This chapter states the findings from the analysis done and interprets

them in line with the research questions. Here the responses from the research subjects are analysed through various statistical analysis techniques and displayed in the form of histograms, charts and tables.

Chapter 6: Overview of Findings from Businesses in Strand Townships and Discussion of Results – This chapter provides an explanation and justification of the findings, together with their link to the literature that has been reviewed.

Chapter 7: Conclusions and Recommendations – Apart from providing practical recommendations derived from the findings, this chapter provides the researcher's concluding remarks on the findings and explains some possible uses for the study.

1.8 Conclusion

This study focuses on external, observable characteristics and does not dwell on the internal inclinations which can be measured through psychological or psychometric tests. By combing through the townships in Strand to establish the nature of the small and micro businesses, this study could unearth some very useful information. This information would serve to create a larger picture that can be used as a template to map the small and micro enterprise sector during its developmental planning.

Over the next decade this study will be a useful yardstick in mapping the trajectory of the development of this sector. By isolating the traits that are common among businesses that consistently achieve high revenues, it will be possible to decide if there are changes that can be implemented in lending criteria, and in training, to increase the 'bang for the buck' that is expected from these businesses.

CHAPTER 2 –LITERATURE AND THEORETICAL REVIEW ON THE SMALL AND MEDIUM ENTERPRISES SECTOR

2.1 Introduction

This chapter provides a review of literature relating to the small and medium enterprises sector, with a particular emphasis on South Africa. Many of the enterprises focused on in this study are not registered. Therefore the literature straddles the fine line between formal and informal enterprises.

Informal enterprises, according to Charmet (2000:62), are characterised by individuals working for their own account with no permanent employees, some employing individuals on a continual basis, such employment being below the legislative thresholds of normally five to ten jobs and/or both, the business and its employees being unregistered (particularly for tax purposes). These enterprises have an especially important role, particularly in a society where the formal sector has not been successful at absorbing all the available human resources.

According to Virtanen (1997:8), new consumer goods, new methods of production and transportation along with the new markets are key drivers of the capitalist engine worldwide. The resulting capitalist enterprises regularly create new forms of industrial organisations. This study explains some aspects of the diversity in industrial organisations, particularly the Small and Micro Enterprises (SME).

The rest of this chapter describes the characteristics of such enterprises in the South African context, the general motivations behind the entrepreneurs who form them and the classical and modern theories relating to businesses and their growth. Importantly, it details the South African government's endeavours to finance and develop the sector and the effects and challenges of these initiatives.

2.2 The small business sector in South Africa

For Rogerson (2000:684), the 1995 *White Paper on Small Business* set out the national objectives for the post-apartheid Small Micro and Medium Enterprises (SMME) economy, also targeting the informal sector. This White Paper effectively set up a framework within which the post-apartheid SMME sector would be encouraged and supported.

Emanating from this framework, the National Small Business Act No. 102 of 1996, as amended by Act No. 26 of 2003 defines a small and medium enterprise (SME) as ‘a separate and distinct entity including cooperative enterprises and non-governmental organisations managed by one owner or more, including its branches or subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards’ (RSA, 1996:2). An entity can only be classified as a Small and Micro Enterprise (SME) by satisfying the criteria mentioned in the schedule of size standards.

Olawale and Garwe (2010:730) summarise the above-mentioned schedule of size standards in Table 1 below:

Table 1: Schedule of size standards for the definition of SMEs in South Africa

<i>Type of firm</i>	<i>Employees</i>	<i>Turnover</i>	<i>Balance sheet</i>
Small	1 – 49	Max: R13m	Max: R5m
Medium	51 – 200	Max: R51m	Max: R19m

Source: Adapted from Olawale and Garwe (2010)

These enterprises exhibit a variety of characteristics. Rogerson and Rogerson (1997:87) identify two types of emergent small enterprises found in Johannesburg: *survival enterprises* – which are usually undertaken by unemployed black people who are unable

to find regular employment, and micro enterprises. Both types of enterprises are found not only in Johannesburg, but throughout South Africa.

Micro enterprises, according to Rogerson and Rogerson (1997:87), often involve the owner, some family members and at most four employees. These types of enterprises usually lack the trappings of formality (such as licenses) and their owners usually have only rudimentary training. Many micro enterprises exhibit some ability to transition into viable small businesses.

Green, Kirkpatrick and Murinde (2006:1019) classify the various SMEs according to the number of their employees as follows: survival enterprises (<1 employee), household activities (1< employee), the micro enterprise sector (<5 employees), small emergent enterprises (<25 employees) and growth businesses (<100 employees). In the ensuing sub-sections the small and micro enterprise sector will be explained using a combination of these formal definitions. Furthermore, the study will explain the South African context of these enterprises, as well as the challenges that they face.

2.2.1 Small business sector and legislation

The National Small Business Act, no 102 of 1996, according to Toomey, classifies SMMEs into five categories (as shown in Table 2 below):

Table 2: Legal classification of SMMEs in South Africa

<i>Type</i>	<i>Description</i>
<i>Survivalist Enterprises</i>	Income generated is generally less than the minimum income standard or poverty line. There are no paid employees and the business asset value is minimal. The business exists mainly to provide the minimal means to keep the business owner alive. This group is pre-entrepreneurial and comprises of hawkers, vendors, subsistence farmers and others.
<i>Micro Enterprises</i>	Generate an annual turnover that is less than the VAT (Value Added Tax) registration limit of R150 000 per annum. They have less than five employees, no formal tax registration and do not adhere to labour legislation or standard accounting procedures. These include spaza shops, cafés, home-based businesses, mini-taxis and small-scale construction and textile manufacturing.
<i>Very Small Enterprises</i>	This is a category unique to South Africa. These businesses employ less than ten persons, except for mining, electricity, manufacturing and construction sectors where the limit is 20. These operate in the formal economy, are VAT-registered and have access to limited technology in business operations.
<i>Small Enterprises</i>	Have an upper limit of an employee size of 50 and use more established business practices and supervision. Management structures are increasingly complex. Small enterprises have usually passed the stage of direct supervision by the entrepreneur and have developed secondary management systems. Growth into a small enterprise usually requires an accumulation of resources over time and access to credit.
<i>Medium Enterprises</i>	These are formal entities with more complex divisions of labour and management structures employing up to 100 persons (200 in the mining, electricity, manufacturing and construction sectors).

Source: Adapted from Toomey (1998:83-84)

South Africa shows some budding potential for entrepreneurship. ‘South Africa had 2.43 million small enterprises in 2007. Of these 595 000 [24 percent] were in the formal sector and 1.39 million [57 percent] were in the informal sector. A further 59 000 people above 65 years old were running a business and a further 431 000 were involved in

subsistence farming. Small and micro enterprises contribute between 27 percent and 34 percent of South Africa's GDP' (Timm; 2011:14). This shows that the SMME sector is a very important cornerstone of the South African economy.

Recent research by Finmark Trust (2011:9-10) reveals that South Africa has 5 979 510 small businesses of which 78.7 percent are retailers and 21.3 percent provide a service. Of these, Finmark Trust (2011:17) further asserts that the retailers offer 7.672 million employment opportunities, while the service providers offer 3.933 million. This is an estimated total of 11 605 employment opportunities! The services businesses are less than one third in number of the retail businesses, yet they contribute about half the number of the employment opportunities provided by the retail businesses.

Bradford (2007:97) asserts that the small business sector makes up 98 percent of the firms in South Africa, contributes 37 percent of its GDP and employs 68 percent of the country's labour force. This means that the bigger enterprises employ around 30 percent of the labour force. If South Africa is to aggressively tackle its high unemployment problem, then the small business sector has to be a key part of the solutions mix. As the number of small businesses increases, the employment rate also marginally increases.

These businesses have enormous challenges, yet exhibit massive potential for growth. Among the main problems, cited in Rogerson's (2007:86) research on tourism, SMMEs in Mpumalanga are: a) low quality of labour supplies, b) crime against businesses, c) vagrancy, and d) expansion of informal settlements close to business premises. Yet, 26 out of the 45 enterprises that Rogerson's (2007:86) research covered had shown a revenue increase trajectory over the preceding period of five years, while 18 had increased the physical size of their operations and 36 expected increased profits during 2007. This is a sector that clearly can withstand some of the headwinds generated by changes in the macro-economy.

This is obviously a very important sector with a role that is bigger and more complex than some would readily admit.

2.2.2 Role of the small business sector

Small and micro businesses are the foundation of an economy. According to Green et al. (2006:1018), in the majority of cases micro and small enterprises (MSE) are initially informal but gradually some of them survive and become formal enterprises thereby providing the foundation of modern private companies. This growth has the potential to bring entities that were previously in the periphery to join the tax-payer base and to take full advantage of the benefits of registration and formalisation.

According to Rogerson (2000:678), the informal economy includes flea-markets, hawkers, taxi drivers, street barbers, shoe-shiners, prostitutes, home-based enterprises including spazas (retail outlets), shebeens (liquor outlets), backyard or garage workshops/repairs, video-showing, as well as formalised ventures like small-scale manufacturers, hairdressers and liquor taverns. Obviously, not all these would have a stable physical address to operate from.

Apart from being the key lifeblood of the economy in the townships, these make up the majority of businesses that are found there. They also provide a significant percentage of opportunities for employment in the townships and rural areas.

2.2.3 Small business and employment

Do these enterprises provide any specific employment opportunities? Are they an alternative to formal employment?

For Green et al. (2006:1019), the MSE sector develops in response to the growth in unemployment, functioning as a place of last resort for people who are unable to find employment in the formal sector. This is a sector that requires less capital and knowledge than the production sector, yet it does require some working capital for the trader to secure an income.

Mayrhofer and Hendriks provide an excellent explanation of the importance of small businesses: 'First, although many micro-enterprises operate at the lower end of the spectrum of economic activities, the income derived is crucial for the satisfaction of basic household needs. Secondly, micro- and small enterprises offer the best potential for creating and strengthening a solid base of dynamic indigenous entrepreneurs. Thirdly, in order for micro-entrepreneurs to fully develop their economic potential, the initiative of individual entrepreneurs must be boosted' (2003:596).

Any positive, legal measures for creating employment opportunities need to be encouraged and nurtured. Small businesses provide an income for many families and that translates to opportunities for children's education and, in addition, an escape from poverty. However, it is important to exercise caution when examining the business owners' use of the revenues that they generate. Without separating the costs for purchasing merchandise from the expenses related to using some of the stock as ordinary household groceries, it would be hard to determine if the enterprises are truly making a profit.

The townships are faced with a uniform but unique set of circumstances and the businesses in many of them exhibit some interesting characteristics, which are explored below.

2.2.4 Small businesses in South African townships

Even though they face challenges that are largely similar to others, small and micro enterprises that exist in the townships have additional and unique issues to deal with. Apart from the legacy of past discrimination, which still essentially limits their ability to grow and compete on a large scale, they also operate without most of the infrastructure that is often taken for granted in other parts of society. Operating in townships also means that they operate within a micro-environment where the private sector has not been able to create enough jobs for many of the people who live there.

Economics Nobel laureate, Joseph Stiglitz, as quoted in Green et al. (2006:1021) argues that market failure is a fundamental cause of poverty, and financial market failures, which mainly arise from market imperfections, asymmetric information and the high fixed costs of small-scale lending, limit the access of the poor to formal finance thus pushing the poor to the informal financial sector or to the extreme case of financial exclusion.

The townships are very poor and many of the people who require assistance to start businesses live in them. Due to the possible economies of scale associated with many people living in such dense settlements, this is where many businesses tend to mushroom. Improving the supply of financial services to the poor, for Green et al. (2006:1021-1022), can directly contribute to poverty reduction in the townships.

A 2007 study aimed at distinguishing between legally formal and economically formal businesses in townships found the following generic information to describe these businesses:

‘At least 54 percent are male, while 46 percent are female; 47 percent are between 20 and 35, while 39 percent are between 36 and 50 years of age; while only 41 percent can speak English well, 84 percent can read it well and 81 percent can write it well; in-fact, 47 percent prefer to receive their training tuition in English; and 52 percent have received more than 9 years of formal education; while 59 percent started their business because they had no other choice, 40 percent were seizing an opportunity; only 39 percent have any family business background; and 29 percent have started another business; for 12 percent, their business is registered; 58 percent would accept a job if offered; 65 percent have a dedicated bank account; 45 percent do keep the business transaction records; and 19 percent of them own a vehicle.’

Bradford (2007:99-101)

According to Bradford (2007:95-96), legally formal businesses are those that have informed the appropriate government bodies of their existence and received a license to operate and can be taxed and provided with government services as legal entities. Such businesses would typically have valid CK1, CK2, CM1 or CM46 documents from the Companies and Intellectual Property Registration Office (CIPRO), now known as the Companies and Intellectual Property Commission (CIPC).

Additionally for Bradford (2007:96), economically formal businesses simply have institutionalised processes and procedures that normally do lead to success as profit-making firms. This is an important distinction, particularly for a government like South Africa's, which has limited resources to target its support for entrepreneurs with.

People of various geographic and ethnic origins are a strong feature of the South African small business mix. Rogerson (2000:677) states that black Africans occupy a host of niches in the urban informal economy, including sidewalk street traders, taxi drivers, hairdressers and small-scale manufacturers. Since the 1990s, Rogerson (2000:677) observes that, of these, immigrants from Asia (Pakistan, China, Taiwan, India, and Korea), Central and Southern Africa (Zimbabwe, Zambia, and DRC) and West Africa (Nigeria, Ghana, and Senegal) have established a significant number of new informal businesses. Even in townships in the Cape it is possible to find many traders who originate from Somalia, Mozambique, Ghana, Pakistan and Bangladesh.

Recent events where township women have publicly stood against xenophobic violence emphasises the way many women find convenience in the businesses that flourish throughout the townships. Yet, according to Rogerson (2000:680), women entrepreneurs generally occupy the bottom layers of the urban informal economy and generally earn less than men.

Importantly, Bradford (2007:96) finds that the businesses tending to have higher revenues are generally those owned by males, that operate from a container or a formal building, whose owners have vehicles and who have credit cards. Businesses that are registered

and whose processes include the formal recording of receipts and disbursements also have a higher inclination to make bigger revenues. However, it is important to ascertain if the businesses that operate from containers and formal buildings are not necessarily unique types of businesses, whose very model is prone to be more profitable than others.

There is no reason for businesses in townships to not aspire for the standards set by many of the successful formal businesses outside of them. By emulating some of the practices of successful businesses, they could challenge most conventional thinking and provide an example for upcoming entrepreneurs. Having established themselves against serious opposition as evidenced in this section, businesses in townships often thrive and succeed in spite of the barrage of challenges that they face.

2.2.5 Challenges faced by businesses in townships

Bradford (2007:96-97) argues that the owners of businesses in townships have three major problems: (i) how to keep financial records of the business, (ii) how to market the product, and (iii) lack of money to buy capital items/for running costs. The other minor problems that they cite relate to the amount of competition, as well as transport costs.

Again, due to lack of knowledge about processes and benefits, there are large numbers of businesses that are not registered with the government. Toomey (1998:90) argues that this is mainly due to the lack of desire or capacity to keep detailed records and the erroneous belief that lack of registration evades VAT (whereas, in reality, input VAT remains payable even if output VAT is not remitted).

As a result, Toomey (1998:90) further argues that the burden of paperwork for often non-literate SMME operators, the survivalist nature of many SMME activities and the short-term nature of many such enterprises are all reasons that militate against business registration. Part of the reason the government provides support services to some SMMEs is to regularise such businesses.

Therefore there is massive latent potential in the micro enterprises that are in the townships. ‘Although micro enterprises lack the trappings of formality in terms of business licenses, operating permits, accounting procedures and such, many have the potential to develop and flourish into larger formal small business enterprises’ (Rogerson, 2000:675). For the economy to grow, all areas that show potential have to be prodded along and provided with the necessary boost, where required.

Among the constraints for doing business in a township like Soweto, as identified by the Centre for Development and Enterprise (CDE, 2007:5-7) are: a) crime, b) costs related to lack of infrastructure, c) informality and regulation, d) corruption, e) labour problems, f) increased competition, g) negative public perceptions about Soweto, and h) problems with expanding beyond Soweto. Many of these constraints are not unique to Soweto and apply to many of the townships in the country.

Yet still, these businesses receive valuable help from home-grown business associations, whose mode of operation tends to blend in with the local culture.

2.2.6 The role of trade associations

Trade associations are set up to advance certain interests. According to Sullivan, Bettcher and Shkolnikov (2008:3), private sector interest groups – business associations, chambers of commerce and trade groups – can be beneficial to the provision of public goods in instances where markets fail. However, these are known to stifle economic growth by constantly lobbying for the exclusive benefit of their members at the expense of some other group in society. Due to the emergence of powerful business groups and individuals, distortions in societal and business power relations have become commonplace.

This, for Sullivan et al. (2008:4), has resulted in a collective need for fair, efficient market rules, resulting in the establishment of associations to press for a market-oriented,

business-friendly environment. This has always been the key motive behind the establishment of trade associations and similar interest groups, worldwide.

Unfortunately these trade associations are also known to, over time, become an instrument for stifling the markets. For instance, the minibus taxi business in most townships is widely known to be ruled by closely-knit oligarchs who control taxi associations, thereby enriching themselves through high mandatory membership fees, spot-fines, threats of violence and compulsory renewable route permits. Because they were the first to operate minibus taxis, some of these have become heavy-handed gatekeepers, who extract usury-like informal taxes on any other minibus taxi owner, throughout the lifetime of the business.

For Sullivan et al. (2008:4), voluntary business associations can act as the voice of the business, bringing the issues that firms face on a day-to-day basis and their possible solutions before policy makers. There are two types of agendas that are pursued by these associations. According to Sullivan et al. (2008:4), *distributive groups* shield their members from competition through trade barriers, while *market-promoting associations* seek to improve the market by enforcing contracts and reducing transaction costs and procedures. This is the main difference between market-enhancing and rent-seeking trade associations.

How effective are these associations at representing the interests of the small business owner? Research conducted by CDE (2007:3) reflects that business organisations do very little to represent or assist young entrepreneurs in Soweto. These include the National African Federal Chamber of Commerce and Industry (NAFCOC), the Soweto Small Business Executive Council (SSBEC) and the Johannesburg Chamber of Commerce and Industry (JCCI).

The business owners in the Strand, as elsewhere, are seeking business success. Obviously each of them had their own reasons for setting up a business, and their philosophy for running a business is shaped and influenced by various factors. In the

sections below, the study will attempt to explain the generic personality, and psychosocial profile, of people who engage in entrepreneurship by starting and running their own businesses.

2.3 Profile of an entrepreneur

What is entrepreneurship? Virtanen defines it as ‘the dynamic process of creating incremental wealth. The wealth is created by individuals who assume major risks in terms of equity, time and/or career commitment or provide value for some product or service. The product or service may or may not be new or unique, but value must somehow be infused by the entrepreneur by receiving and allocating the necessary skills and resources’ (1997:6).

Various psychological traits generally distinguish consistently high-achieving entrepreneurs from those who keep falling below their goals. According to Rose, Kumar and Yen (2006:1), entrepreneurs (founders) tend to score significantly higher than small business managers (non-founders) on need for achievement, risk-taking propensity and tolerance for ambiguity.

Tian, as quoted in Treoc Times (2011) differentiates between four (4) categories of entrepreneurs, based on their personality styles, in Table 3 below:

Table 3: Entrepreneur personality styles

<i>Type</i>	<i>Description</i>	<i>Examples</i>
<i>Creators</i>	Dreamers, stimulated by ideas and concepts, looking for problems to solve. Kick-starters who let others run with the idea. Tendency of moving from project to project.	Sergey Brin, Larry Page (Google founders)
<i>Implementers</i>	Make ideas happen by breaking them down into actionable items. Tend to drift off to 'the next stimulating project'	Jeff Bezos (Amazon), William Kellogg (Kelloggs)
<i>Drivers</i>	Consistently maintain longevity and forward business motion. Executors who might reject and resist change by staying to attached to systems.	Dietrich Mateschitz (Red Bull), Ray Kroc (McDonald's founder)
<i>Closers</i>	Impact players, thriving on growth and expansion. Maximum effort in 6 to 12 months to lift a business from good to great. Can hurt many people in the process.	Hugh Hefner (Playboy), Steve Jobs (Apple)

Source: Adapted from Treoc Times (2011)

Entrepreneurs have a unique opportunity to shape their generations. Various generations have been defined by what their entrepreneurs were able to create. Today's 'Twitter, Facebook and Internet' generation could not imagine functioning in an era without these comforts. Rose et al. (2006:3) state that entrepreneurs with high initiative are able to stay ahead of their competitors and are role models for their employees.

Again Tian, as quoted in Treoc Times (2011), further explains the reasons for different people to become entrepreneurs in Table 4 below:

Table 4: Reasons for starting a business

<i>Reason</i>	<i>Description</i>
<i>Survivalist Entrepreneur</i>	Desperate. Never wanted to be an entrepreneur and would take a job if one arose. Business exhibits little product differentiation. Would benefit from improving own skills.
<i>Reluctant Entrepreneur</i>	Would prefer a job. Technically capable but not sensitive to customer needs. May need to improve knowledge of both the business and the customer.
<i>Lifestyle Entrepreneur</i>	Values freedom more than the financial reward of a demanding business. Creates a simple business, opening free time for other interests. The business may benefit from good systems and processes.
<i>Social Entrepreneur</i>	Values social, non-financial rewards like fame and opportunity to help their fellow man.
<i>Serial Entrepreneur</i>	Creates wealth by building and selling many businesses at a healthy profit in the medium term. They place systems that run the business independently, making it an asset of value.
<i>Corporate Entrepreneur</i>	Aims to turn small businesses into corporations over many years. Are patient with the phases of growth and good at setting systems and foundations.

Source: Adapted from Treoc Times (2011)

Entrepreneurship is generally a domain that gets attempted by people with a diversity of educational backgrounds, including those without much formal education. The general education profile of South African entrepreneurs unearthed by a study by Netswera (2001:34) was matric (25 percent), post-school diploma (23 percent), degrees (23 percent), post-graduate degrees (23 percent) and other (15 percent).

Rose et al. (2006:3-4) believe that an entrepreneur with a higher level of education, industrial and management experience as well as business exposure has a greater chance of succeeding than those without a tertiary education, minimal industrial and managerial experience and with little or no business exposure.

What, though, are the common characteristics among individuals who successfully start and run successful business ventures?

2.3.1 Characteristics of successful entrepreneurs

Various character traits distinguish high-achieving entrepreneurs from those individuals who would be more likely to quit, when business is failing.

Entrepreneurs, according to Virtanen (1997:5-6), work hard and are driven by an intense commitment and determined perseverance; see the cup half-full, rather than half-empty; strive for integrity; competitively desire to excel and win; are dissatisfied with the status quo; seek opportunities to improve almost any situation they encounter; use failure as a tool for learning and seek effectiveness. They also believe that they, personally, can make an enormous difference in the final outcome of their ventures and their life.

As in all other aspects of life, business people have to constantly grow their skills sets in order to succeed. Yet specific important skills are often required at the start-up phase of the business. For Rose et al. (2006:5), entrepreneurs who have the necessary competencies in operations, finance, marketing, human resources and management skills are more likely to succeed at start-up.

In Africa, business in the modern sense is normally not a home-grown skill. The capitalist mentality is, in many ways, foreign to indigenous African culture. As a result, Mayrhofer and Hendriks (2003:597) recommend encouragement of an entrepreneurial culture through alignment with African principles of *ubuntu* (community-sharing, emphasising the good of the community). Business pursuit should be promoted and encouraged in this manner, not as a selfish endeavour, but as an individual's contribution towards the common good.

Yet, even with the well-honed entrepreneurial skills available, businesses are constantly challenged by various factors in their quest for success. Overcoming these age-old

challenges then becomes the test that many entrepreneurs have to constantly attempt to pass. On the bright side, these problems also present an opportunity for the entrepreneur to increase their skills and capacity. The problems and opportunities explained below are not unique to the South African context, many relate to various developing countries.

2.3.2 Problems and opportunities for small businesses

According to Nigrini and Schoombee (2002:736), SMEs play a very important role in the developing economies, providing more than 90 percent of all worldwide job-creation and supplying low cost items for the poor. This makes them a very crucial aspect of the global economy. With bigger companies already existing and being well-established, naturally most job creation occurs in smaller enterprises.

In implementing its policies of racial segregation, the past apartheid regime systematically destroyed many black people's ability to run private business enterprises. This was done through actively brutalising many business owners in the townships, constant police raids, inferior education and limited access to suppliers, among many other methods. Because of this, many black South Africans are now trapped in a vicious cycle where they do not have a tradition of family entrepreneurship. Hence, there is often a need for entrepreneurial mentorship and education.

The entrepreneur's reason for starting a business can have a massive impact on their response to the challenges that they face in business. For Rogerson (2000:682), much growth in the informal sector is due to supply-push, where individuals search out informal activities to sustain themselves, rather than a consequence of demand-pull, where new enterprises grow to fill certain observed market demands. Individuals who have entered business with the aim of fulfilling their own needs rather than those of their customers could miss some of the serious 'blind-spots' in business.

For Rose et al. (2006:5), the three major reasons for start-up failure are financial difficulties, product/market problems and managerial problems. The extent and rate of

these failures could be remedied, especially through good preparation. Many businesses' only tangible support network is the bank and this is a recipe for failure. Rose et al. (2006:5) further argue that support from an informal network such as friends, relatives, previous employers and acquaintances is often beneficial to a business.

A paper written by Brink, Cant and Ligthelm (2003:19) on the problems experienced by small businesses argues that all management functions are important for the success of the businesses, with marketing-related issues seen as the most important for business success. This is followed closely by financial issues, general management actions and lastly the impact of macro-environmental aspects on business activities. Brink et al. (2003:19) also conclude that managers or owners with some sort of qualification normally do not perceive aspects in the environment to be as threatening as managers without qualifications do, and also utilise opportunities more than those without.

Many people who enter these business ventures are not adequately skilled to run a business. Many are often uneducated, do not have any relationship with potential mentors and do not come from families that have owned businesses. Research by Chao, Pauly, Szrek, Pereira, Bundred, Cross and Gow (2007:476) shows that, while 59 percent of all households in the Durban area had never been involved in any business activity, ten percent had recently closed their business and only 31 percent had an active business.

Also to be considered, HIV/Aids and other health challenges tend to also be prevalent in many poor areas. Chao et al. (2007:477) estimate that the prevalence of HIV in peri-urban Durban was around 30 percent. The prevalence of these diseases does not necessarily affect businesses but, according to Chao et al. (2007:477), it is the deteriorating health of the entrepreneur over time that tends to increase the probability of business closure.

Small businesses have challenges that make the entrepreneur's attempt to solve them an enormous opportunity. These challenges make entrepreneurship a rewarding and

exhilarating adventure. How the entrepreneur solves the problems and the challenges is what determines their net worth in future.

Both formal and informal businesses have specific needs. Rogerson (2000:690-693) identifies four major needs of informal businesses: a) access to finance and credit, b) education and training, c) infrastructure support and service support and d) new market opportunities through business and government linkages. Using a combination of sources to meet these needs has the potential to develop a winning SMME sector.

Businesses in rural areas tend to have a more uphill climb. Wynne and Lyne (2003:565) identify seven factors that add to transaction costs in rural businesses: a) limited access to communication technologies, b) large distances over poor roads, c) limited access to vehicles, d) lack of security of land tenure, e) low levels of education, f) disintegration in community traditions and trust and g) the dichotomy between traditional and formal legal systems. As a result, the businesses that develop in rural areas tend to be constrained by a wider variety of factors that may not be as relevant in townships and urban areas.

In the following section, the study focuses on the major theoretical approaches that have been devised relating to entrepreneurship and business success internationally. These theories are clearly neither exhaustive nor mutually exclusive, nor are they prescriptive. These range from generic descriptions of a typical business life-cycle, the keys to managing the transition between the various stages of the cycle, how to keep business growth sustainable as well as those about the motivations of an entrepreneur.

Studying these theories will provide an idea of the timeless fundamentals that have been observed over many years. It may also be important to consider whether they are relevant in the times of the post-2008/2009 market crash.

2.4 Theories of entrepreneurship and business growth

Many writers have conducted serious research about the factors that determine the success of businesses, big and small. From a generic point of view, Stokes, Wilson and Mador (2010) provide a simple stage-by-stage analysis of the financial life cycle of a business in its various stages of growth, in Table 5 below:

Table 5: Financial Life Cycle of a Business

<i>Stage</i>	<i>Source of finance</i>	<i>Financial issues</i>
<i>Conception</i>	Personal investment	Under-capitalisation, inability to raise finance
<i>Introduction</i>	Bank loans, overdraft	Controlling costs, lack of management information
<i>Development</i>	Hire purchase, leasing	Overtrading, liquidity crisis
<i>Growth</i>	Venture capital	Equity gap, appropriate information systems
<i>Maturity</i>	All sources	Weakening return on investment
<i>Decline</i>	Sale of business	Tax issues

Source: Adapted from Stokes, Wilson and Mador (2010)

For Olawale and Garwe (2010:730), business growth is typically defined and measured using absolute and relative changes in sales, assets, employment, productivity, profits and profit margins. Of these, sales data is usually readily available and easy to measure.

What are the typical stages of a business in its growth cycle?

2.4.1 Churchill and Lewis' five stages of business growth

Old research by Churchill and Lewis (1983:3-9) identified five stages in the life of successful companies: *existence*, *survival*, *success*, *take-off*, and *resource maturity*. Sadly, many companies do not last through the survival stage. Each of these stages comes with its own opportunities and challenges.

During start-up, the firm is mostly concerned about establishing itself as a business, possibly becoming registered and/or ensuring that it possesses the products or services that it is set up to trade in. According to Rose et al. (2006:4), in the start-up stage the

company is normally concerned with inventing the product or services, establishing a market niche, attracting new customers as well as the manufacturing and marketing of the product.

Again for Rose et al. (2006:4), once the company begins to grow rapidly it will need to have more formal structures and coordination due to the increase in functional activities. Also, in the growth stage, the entrepreneur is forced to focus on the long-term stability while maintaining the innovative and entrepreneurial spirit that made it successful in the first place.

Rose et al. (2006:4) further argue that, as the founding member of the company, the entrepreneur plays an important role in the long-term business success of a new venture and in championing the vision, inspiring investors, venture capitalists, bankers, customers and employees to support the vision. This is noticeable particularly among the founders of Facebook, Google and such technology ventures.

With time, Rose et al. (2006:4) believe the company will continue to grow, and the founder must focus and emphasise on different areas of competencies and talents in order to lead the company to long-term business success.

By setting up a new ministry for economic development along with that for trade and industry, the Zuma administration has given a tacit acknowledgement of the need for creative ways of encouraging business growth. Yet interestingly, according to the Global Entrepreneurship Monitor (2010:39) report, despite the difficulty in setting up a business compared to South Africa, Brazil's entrepreneurial tendency rate stands at 5.1, while South Africa's is at only 3.1.

To ensure that businesses do not die out at obvious and critical transitional stages, it is important to examine the various ways of handling transitions in the organisational life-cycle.

2.4.2 Theory of organisational transition

At various junctures in its existence, a business has to transition from one stage to another. Solymossy and Penna (2000:2) argue that the transition from a surviving entrepreneur to a growing organisation presents personal challenges to the founding entrepreneur, as well as to the firm. The founder has to set up systems to ensure that the business can function and thrive without his/her constant direct involvement.

For Solymossy and Penna (2000:7), to achieve economies of scale and efficiencies a firm has to transition from an entrepreneurial firm to a functional structure. As a result, the focus is no longer on the entrepreneur but on the organisation itself. It is this transition that determines whether the organisation will succeed or not. At some point, the organisation has to introduce some formalisation. Formalisation, according to Robbins and Barnwell (2006:110), refers to the degree of standardisation of jobs and procedures in an organisation.

Solymossy and Penna further list five factors that are important to any organisational transition. These are:

- a) *Evolution of formalisation*: How the entrepreneur uses writing as a habit, as well as the existence of documentation and organisational records.
- b) *Delineation of functions*: How much time an entrepreneur spends on each of the functions, for instance, marketing, managing, and the like.
- c) *Identification of motivating factors influencing the entrepreneur*: This includes documenting the various environmental influences, in order to isolate the cause and effect influences, other than the entrepreneur's influence.
- d) *The entrepreneur's cognitive processes develop with changes in managerial tasks and capabilities*: With time, there will be clear changes in the organisational processes due to experiences learned by the entrepreneur.
- e) *The development of strategic processes*: The entrepreneur must be able to develop and articulate the strategy of the firm in line with his/her own values.

(2000:10-12)

In handling the various transitional stages the business seeks to keep itself thriving and sustainable.

2.4.3 Sustainable growth model

Phillips, Anderson and Volker (2005:2) believe that, in general, small and medium sized enterprises do not seek growth beyond their ability to control and sustain the business. Many entrepreneurs face the challenge of always trying to be in control of various aspects of the business. As a result, some take a while to allow the business to grow beyond the perceived limited abilities of the entrepreneur.

All business activity involves some level of risk-taking and most business risk is incurred at start-up stage. This model espouses that business risk normally declines over the growth cycle and this naturally goes hand-in-hand with lower returns. Therefore the profitability of the firm continues in the trajectory that it would have established over time, barring any major changes in the environment.

Phillips et al. (2005:5) believe that small firms typically put their long-term productive assets in place at inception (when capital is most likely to be procured). Thus, during the growth phase, sales gains are normally achieved without adding any significant long-term assets. As a result, even if no asset/sales rate changes occur during the growth phase, the growth rate in sales is still likely to increase.

The inception stage is the most critical stage for any business. Accordingly, Phillips et al. (2005:8) argue that firms normally put long term debt in place at inception stage, and then leverage it for short term debt at various stages of the growth of the firm. Through various ways of leveraging the assistance provided at inception stage, if adequate, can serve the business throughout many subsequent stages of its growth.

As a result, Phillips et al. (2005:8) believe that the growth cycle stage of a business, as measured by sales, needs to be considered when using financial ratio data as a

benchmarking tool. After all, sales determine the revenues and revenues determine the rate of growth (all within the context of the business liabilities).

Even though many other factors also have a considerable influence in the success of a business, the mental state of the entrepreneur has a very important role to play.

2.4.4 Israel Kirzner's theory of alert entrepreneur

Kirzner's writings place emphasis on the importance of the entrepreneur for economic growth and the functioning of the capitalist process. For Tiryaki (2011:7), the driving force of the market process and cause of market equilibrium, is the profit seeking and speculating entrepreneur and it is the profit opportunity that stimulates entrepreneurship. An entrepreneur always seeks to buy something for less than he can sell it for.

From seeing an opportunity in a packet of sweets, all the way up to a massive piece of land, an entrepreneurial mindset sees opportunities and seizes them. Gunning (2000:1) explains Kirzner's view – that individuals spontaneously discover a means of satisfying wants through following a subconscious hunch and discover an entrepreneurial element by discovering hitherto undiscovered opportunities.

When the human mind is in a state of alertness, according to Gunning (2000:2), it can enter into spontaneous learning. Thus the individual would transform spontaneous learning into conscious knowledge. Two sellers who are trading on the same products may also have varying degrees of alertness. That can be the determining factor in their levels of success.

According to Gunning (2000:5), the pure entrepreneur first subconsciously discovers what he regards as an opportunity to earn money by buying and selling (or by buying resources, producing a good and selling it), finances his venture by borrowing money from a capitalist, then uses the funds for his entrepreneurial venture. He then pays back the capitalist, including interest, and keeps the pure entrepreneurial profit.

This, in essence, describes how the market economy operates. Over many decades now the market economy has been the driving force of economic revival, worldwide. Additionally, even though it is described more as a mixed system, South Africa's economy is primarily based on market principles.

2.4.5 Other research on entrepreneurs and small businesses

As mentioned, the theories visited above are neither prescriptive nor exhaustive. Some of the research done in the area of entrepreneurship and small businesses does not provide a pure theoretical basis. However, the findings could be crucial towards seeing the bigger picture of these two areas.

A study by Rose et al. (2006) was done to investigate the formal and informal attributes of founding entrepreneurs contributing to venture growth and, concerning government support programs, questions were asked about whether the entrepreneurs are aware of the availability of such programs and if so, were they utilising these programs and what difficulties were being faced in obtaining assistance with these.

Here the dependent variable, the level of venture growth, was measured against 14 other independent variables. These included educational level, prior work experience, parents' ownership of businesses, market analysis, and others. Rose et al. (2006:13) state that government support programs were found not to be significant to venture growth. This is because most entrepreneurs expressed frustration in applying for loans, where most application procedures were apparently most preoccupied with internal bureaucratic concerns, not the entrepreneurs' needs.

After having provided a wide range of theoretical underpinnings for business and entrepreneurship, there is a need for the study to proceed to a disqualifying factor relating to starting and running a business, the area of funding. In the following section this study focuses on the funding of the small business sector, particularly in the South African

context. It will also showcase some of the approaches that the South African government has set in motion for funding the commencement and expansion of business ventures.

2.5 Financing the small business sector in South Africa

Due to South Africa's past discriminatory policies it is often necessary for deliberate action to be taken to counter the effects of skewed access to business support. For Green et al. (2006:1022), inadequate access to credit and other financial services from formal financial institutions has long been recognised as a constraint to the expansion of the MSE sector.

As described, the post-apartheid South African government has put together a number of business support systems. Yet 'although (government) support service providers are in place, certain businesses and prospective entrepreneurs, through either ignorance or lack of information, could still remain unknowledgeable about the availability and accessibility of these support systems' (Netswera, 2001:32). Thus, they do not leverage the available support.

The result is a vicious cycle where the SME sector does not grow enough to enable entry into the formal sector. Due to this the market loses out on a potential new entrant and government on additional resources to aid the economy to grow to its full potential.

The rest of this section provides a detailed description of the business financial support systems that the South African government has put in place since the *White Paper on Small Business* came about in 1995.

2.5.1 Government support systems

The South African government has set in place numerous targeted initiatives aimed at supporting the growth of the SMMEs. According to the DTI's directory, here is a list of some of them (in Table 6 below):

Table 6: South African government's business support systems

<i>Initiative</i>	<i>Description</i>
<i>Khula Enterprise Finance Ltd</i>	An agency of the Department of Trade and Industry (the dti), this is a wholesale finance institution operating across the public and private sectors through a network of channels and financial intermediaries to supply funding to small business. Its channels include South Africa's leading commercial banks, retail financial institutions and specialist funds and joint ventures in which Khula itself is a participant. Its primary aim is to bridge the 'funding gap' in the SME market not addressed by commercial financial institutions. Khula includes the Khula Credit Guarantee Scheme, Thuso Mentorship Scheme, as well as Start-up funds that are administered by Khula, in partnership with other entities.
<i>National Youth Development Agency (NYDA)</i>	A youth-focused agency located within the Presidency. It exists to initiate, facilitate, implement, coordinate and monitor youth development interventions aimed at reducing youth unemployment and promoting social cohesion. The NYDA's primary target group is young people aged between 14 and 35 years. Its mandate is to: Advance youth development through guidance and support to initiatives across sectors of society and spheres of government. To embark on initiatives that advance the economic development of young people. To develop and coordinate the implementation of the Integrated Youth Development Plan and Strategy for the country. Seeks to enhance the participation of young people in the economy through targeted and integrated programmes. The NYDA will support both for-profit businesses as well as social enterprises that promote job placement, self-employment and income generating activities. NYDA – formerly Umsobomvu Youth Fund, includes SME Fund, the UYF Business Partners Franchise Fund and the UYF-FNB Progress Fund.
<i>Small Enterprise Development Agency (Seda)</i>	An agency of the dti which supports the establishment and growth of small enterprises in South Africa. Seda aims to enhance the competitiveness and sustainability of small enterprises by providing needs-based programmes, products and services. The organisation works with new businesses as well as with existing ones which seek to strengthen their competitiveness and growth. Seda's services to entrepreneurs include: business registrations, business planning, export development, access to domestic and international markets, cooperatives support, access to technology and training and

<i>Initiative</i>	<i>Description</i>
	mentoring. Includes the SEDA – Western Cape Provincial Government’s Small Business Weeks, and Red Door.
<i>Cape Town Small Business Week</i>	Organised by the City of Cape Town in partnership with the Provincial Government of the Western Cape and Seda, this is a week-long event that facilitates access to business information, opportunities and skills development workshops through business opportunity exhibitions, business linkage programmes, seminars, workshops and networking events. The event takes place annually in November.
<i>The Industrial Development Corporation (IDC)</i>	Aims to develop entrepreneurial skills, particularly in small and medium-sized businesses. Clients receive business support to solve short-term problems and are provided with long-term assistance. The IDC pays part of the cost of business support and structures a loan facility for clients to pay the balance of the costs when they are in a financially sound position. The IDC also offers a range of sector-specific financing products. In most cases the minimum loan size is R1-million but in some cases loans range from R500 000 and upwards, for example for bridging facilities. Includes the Imbewu Procurement Finance and Imbewu Franchise Finance.
<i>The National Empowerment Fund</i>	Provides risk capital to new and early stage businesses owned and managed by black South Africans. The NEF provides funding ranging from R250 000 to a maximum of R20-million with an investment horizon of five to seven years. Depending on the product offered, the target return on investment is a nominal pre-tax IRR of between 12 percent and 18 percent.
<i>The South African Micro Apex Fund (samaf)</i>	This is a wholesale funding institution tasked with facilitating the provision of affordable access to finance to micro, small and survivalist businesses for the purpose of growing their own income and asset base. The primary purpose of samaf is to reduce poverty and unemployment and also to extend financial services to reach deeper and broader into the rural and peri-urban areas. As a wholesale institution, samaf provides micro-finance to financial intermediaries such as Financial Services Cooperatives (FSCs) and Micro-finance Institutions (MFIs) who, in turn, on-lend to their members and clients. Therefore, anyone who wants to obtain a samaf -backed loan should first join an FSC or apply to the MFI for a loan. Samaf offers two types of loans via its financial intermediaries – micro enterprise loans and development loans . The micro enterprise loan is offered to financial intermediaries who on-lend to poor people to establish and grow their micro survivalist businesses. To qualify, the loan applicant must earn R3 500 per month or less. Development loans are aimed at FSCs and MFIs for on-lending to client households earning R1 500 and below per month. Clients can use development loans for paying school fees, medical fees and improvements to their household.

<i>Initiative</i>	<i>Description</i>
<i>Investing in Culture (IIC) Programme</i>	The Department of Arts and Culture aims to provide empowerment opportunities for unemployed people from the second economy through training and job creation in arts, culture and heritage. It provides access to markets and skills as a tool for urban regeneration, rural development, and job creation. The funding targets of the IIC programme are 60 percent women, 30 percent youth, and two percent people with disabilities (PWD) with 40 percent living in the poverty nodes.
<i>Isivande Women's Fund</i>	This fund seeks to improve the lives of women in business and women-led households in South Africa and the eradication of poverty. Its key objective is to accelerate women's economic empowerment by providing more affordable and responsive finance than is presently the case.

Source: Adapted from Republic of South Africa (2010:5-79)

Further, according to Herrington, Kew and Kew (2010), here is a list of some additional government support initiatives (in Table 7 below):

Table 7: (More) South African government's business support systems

<i>Initiative</i>	<i>Description</i>
<i>RED Door</i>	The Western Cape's RED Door Initiative (Real Enterprise Development) for developing small business in the province was started in November 2004. The RED Door is a one-stop shop for new and existing businesses looking for assistance, advice and finance – from the most basic to the most sophisticated. The RED Finance Programme, managed by Casidra (Cape Agency for Sustainable Integrated Development in Rural Areas) on behalf of the Western Cape Department of Economic Development and Tourism, has as its key objective the creation of new jobs. The project provides financial and non-financial support through services such as mentorship and capacity building to historically disadvantaged individuals, SMMEs and cooperatives.
<i>Innovation Fund</i>	The Innovation Fund was established in 1999 by the Department of Science and Technology to promote technological innovation through investing in late-stage research and development, intellectual property protection and commercialisation of novel and inventive South African technologies. It is managed by the National Research Foundation. It is open to all in the research science, engineering and technology fields including individuals, NGOs, science councils, private companies, SMEs and tertiary institutions. A number of different funds and support services are offered.

<i>Initiative</i>	<i>Description</i>
<i>Gauteng Enterprise Propeller (GEP)</i>	GEP is a provincial government agency established in 2005 under the auspices of the Department of Economic Development to provide non-financial support and financial support and to coordinate stakeholders for the benefit of SMEs in Gauteng. The financial support comes in various forms, provided the entrepreneur has personally contributed in an amount which depends upon 'business affordability'. The agency has, however, not been rated as either efficient or effective by many SMMEs.

Source: Adapted from Herrington et al. (2010:139-140)

Local government also has a responsibility towards the growth of SMEs. According to the White Paper on Local Government (RSA, 1998), the Department of Trade and Industry has launched a programme to establish local business service centres (whose aim is to assist with skills, premises, information, networking, marketing and access to credit) and municipalities are encouraged to support this programme where appropriate.

After all, it is economic activity at local level that ensures economic growth at macro-level. The City of Cape Town does have specific business support systems in place, including a Business Support Voucher system. The City also monitors socio-economic issues, and promotes economic growth and job creation through its Economic and Human Development (EHD) Department.

Furthermore, the local municipality in small towns surrounding Bloemfontein, for instance, supports its local informal economy in the following ways:

- The Street Trader Database which is linked to an identity card permit system,
- the provision of infrastructure for street traders (viz, hawking stalls designed together with the street traders, and provision of ablution facilities),
- the establishment of the Mangaung SMME Service Centre with its satellite centres and outreach programme, and
- assistance and support to community-driven LED projects.

(Mangaung Local Municipality, 2005:6)

According to Bradford (2007:95), the South African government targets its scarce entrepreneurial support services through a) categorising entrepreneurs according to their capacity to grow their firms and create jobs, and b) identifying the particular training and support requirements of each category. However, from most of the literature reviewed in this study thus far, this sounds more like an intention, rather than the reality. It is important to operationalise the above-mentioned intentions and to update characteristics of businesses that have the requisite capacity to grow.

Small businesses require well-targeted support particularly that which will enable them to be successful without requiring further support in future. Therefore, Mogale (2007:347) argues that micro-finance loans play a critical role in the informal economy by enabling small micro enterprise owners to enhance their business volumes while improving business opportunities to diversify their business portfolio.

Further, Mogale (2007:347) believes that by increasing incomes from new business opportunities, facilitating the creation of savings, business expansion and diversification and household asset accumulation, small micro enterprise owners who use the assistance received for these purposes can be viewed as local economic development catalysts.

There are some interesting additional assumptions motivating the provision of micro-finance. According to Green et al. (2006:1024), the provision of a micro-finance package of technical assistance and a loan is intended to increase household income which, in turn, may lead to greater household economic security and thus to positive changes in the morbidity and mortality of household members, as well as in educational and skill levels and future economic and social opportunities.

However, is this financial support of any tangible importance in the life of a business?

2.5.2 Availability and importance of financial support

A study by Netswera (2001) on how Johannesburg small business operators perceive their problems and support systems revealed that four areas of support are seen as available. In relative order of perceived availability (Netswera, 2001:34-35), these are a) hands-on managerial and staff development training, b) government financing through the Development Bank of Southern Africa and Khula, c) business partnership activities such as subcontracting and franchising, as well as d) an ability to access and disseminate information through advertising.

These available areas of support are not all equally important to these entrepreneurs. For the respondents in Netswera's (2001:36) study, the relative importance of these forms of support was as follows: access to information (59 percent), skills training (58 percent), financing (51 percent) and business partnerships (51 percent).

Local government could play a very pivotal role in making these interventions available where businesses can find them. For Mogale, (2007:346), because the small and micro enterprises sector is drawn from the large unemployed and poverty stricken section of the population, its prospects for growth are undermined by the lack of a consciously supportive intervention programme from either local/provincial governments or large financial institutions.

There is a need to both change perceptions of the financial systems towards the small enterprises, and vice-versa. Thus, Mogale (2007:347) states that South African financial institutions' ignorance about the informal market sector, the lack of collateral by small and micro enterprise owners necessary to obtain credit and high administrative costs associated with small savings amounts are the often-cited rationalisations for their reluctance to be involved.

It is no use having business-friendly policies and support systems when businesses are not able to access them. Regular market-place interaction opportunities would go a long way in letting businesses know about the products and services that the financial

institutions have available. After all, both the businesses and the support systems need each other's business.

Government's support, though, is always conditional. While some enterprises are registered through appropriate government systems, others for various reasons are not. An enterprise's registration status is not a measure of its potential or its entrepreneur's competence. In this regard Bradford (2007:113) argues that government services that assist SMMEs are typically more available to registered firms than to unregistered firms.

'Supporting only registered businesses will forfeit the potential growth in income and employment from supporting viable unregistered firms. The government of South Africa can provide assistance to legally informal/economically formal firms in a way that they are motivated to become legally formal, and this may be more productive (in terms of impact on economic development) than providing assistance to legally formal/economically informal firms, with the hope that these firms will become economically formal' (Bradford, 2007:113-114).

Government financial support systems targeting small businesses, like the markets they serve, are expected to be flexible enough to meet the needs of the intended recipients. Through constant improvement, these systems could play a meaningful role in the life-cycle of businesses throughout the country. Next this study provides various recommendations, mostly drawn from literature, on how these support systems could have their effectiveness improved.

2.6 Recommendations for small business financial support

South Africa is a nation that often boasts of its diversity. According to Kesper (2001:170), the South African SMME sector is far from homogenous and would require a fine-tuned set of interventions rather than the generic assistance currently provided. Over the years the government, the NGOs and the private sector have provided a plethora of recommendations to ensure the success of this sector.

Government's role in enabling the growth of this sector is very crucial. The growth of the SMME sector requires the deliberate removal of constraints through supportive policies and regulations. It is important, however, not to turn this into an ideological battle about the merits and demerits of regulation and government intervention.

Research on financial support in the building industry, conducted by Ndlovu and Thwala (2008), recommends specific interventions at national, provincial and local level. Some of these could be applied in various types of small and micro enterprises. At national level, Ndlovu and Thwala recommend as follows (paraphrased):

- i. Revising and expanding the reach of the Khula Credit Guarantee Scheme,
- ii. better tailored non-financial support services,
- iii. a programme to leverage capital for smaller, early stage investments,
- iv. tax incentives for SMMEs,
- v. large-scale delivery of SMME financial services for rural areas,
- vi. targeted credit rehabilitation for borrowers with bad credit records,
- vii. regional business incubation programmes,
- viii. specialised capacity building support best practice, and
- ix. a review of the impact of interest rates on SMMEs.

(2008:4-5)

And at the level of the provinces, Ndlovu and Thwala further recommend the following (also paraphrased):

- i. A review of the mandates of Provincial Development Corporations,
- ii. a review of the role of the SBDC in the respective provinces,
- iii. an assessment of SMME service delivery infrastructure in various areas in each province, as well as
- iv. closer relationships with banks demonstrating the greatest commitment to the SMME sector.

(2008:5)

Drilling down to local or municipal level, Ndlovu and Thwala go on to recommend the following (also paraphrased):

- i. Survey of information about bank services at the local level,
- ii. relationships with local banks demonstrating the greatest commitment to the SMME sector, and
- iii. provision of advisory and information services to local SMMEs.

(2008:5)

It is the role of the government to ensure an environment where businesses can thrive and make a profit, so that they may expand and contribute to employment creation. It is, therefore necessary for the government not to expect to reap huge tax benefits from a small business sector that remains at an embryonic stage. Carroll, Holtz-Eakin, Rider and Rosen, (2001:122) believe that the tax system has grown into a monstrous predator that kills incentives, swallows time and chokes the hopes and dreams of many entrepreneurs.

Although many of the solutions recommended in this study relate to government intervention, it is not always necessary for serious entrepreneurs to seek such assistance. An ability to constantly self-criticise is a skill that could set an entrepreneur in a league of their own. As such, Kesper (2001:197) recommends that entrepreneurs move beyond the notion that solutions to their problems lie external to their SMMEs and work on addressing their own internal incompetence issues, such as quality controls.

2.7 Is there a future for the small business sector?

According to Small Business Project (2009:6), over the past fifteen years there has been a significant increase in various new types of alliances to address development issues – among companies themselves, and between organisations in the public and private sectors and civil society, involving public-private and multi-sector partnerships.

These partnerships have the potential to tap into most of the human resources that reside in townships. Hence Rogerson (2000:683) boasts of a new trend where longer-term

subcontracting arrangements exist between large firms and small enterprises, offering important market opportunities to informal enterprises. These partnerships, linkages and arrangements are the key to future success of businesses in South Africa.

On the other hand, Nigrini and Schoombee (2002:736) assert that, given the country's legacy of big business domination, South Africa's SMEs are an important force to generate employment and more equitable distribution of income, to activate competition, exploit niche markets and stimulate economic development. The SME sector can help cushion an economy from the shock of recession as they are usually not 'too-big-to-fail'. Luiz (2001:2) also points out that those small businesses are likely to be resilient to depression and offer a steadier level of employment than larger ones.

Government must decide where most entrepreneurial potential is without applying mutually-exclusive standards. According to Bradford (2007:97), if the priority in South Africa's townships is growth through the legally-formal business sector, then government support should be focused on registered firms. But, if the priority is growth through firms that have the best internal foundation for growth, then government support should focus on the economically-formal firms: firms that have reached internal milestones in their development as viable entities.

The solution is, therefore, not 'either-or.' The government can use the process of providing information to businesses as a tool to assist them to register, while at the same time connecting them to funding and other support systems.

The study by Bradford (2007:114) concludes by asserting that supporting unregistered firms that record receipts and disbursements in business assistance programs will reach more women-owned firms, more firms in retail- and consumer-oriented lines of business and more firms in areas where the infrastructure is less well developed (in terms of electricity and water).

In their study on the effectiveness of possible business incubators as an alternative model, Buys and Mbewana (2007:357-358) identify the following key success factors: a) access to expertise and facilities, b) availability of funding, c) quality of entrepreneurs, d) stakeholder support, e) supportive government policies, f) competent and motivated management, g) financial sustainability, as well as h) networking. These success factors are applicable beyond incubators and can even determine the success of businesses that are without the formal support systems that incubated companies have.

2.8 Summary and conclusion

The importance of Small, Micro and Medium Enterprises (SMME) in the economies of both developing and developed nations cannot be underestimated. SMMEs have become the main engine of growth and employment creation. In the South African context, it is very important to ensure that the businesses of those that were previously marginalised are given special attention. This is because, with the measures taken since 1995 to lift them up currently in place, the solution is not to give up but to re-assess.

Importantly, young people hold the key to an entrepreneurial future. The question is, ‘is a future culture of entrepreneurship a priority to the current government?’ In urging a new agenda for the African National Congress Youth League (ANCYL), Msomi (2011:9) asks, what better way to promote economic freedom than by helping the country produce young entrepreneurs and skilled individuals who have the potential of propelling South Africa to future prosperity?

Next this study examines the characteristics of small and informal businesses and of their owners in detail. This is done through two pre-existing surveys. The purpose is to demonstrate the level of analysis that is possible, as well as the alignment of this study to similar research that has been done. As a result, the research in Strand’s townships will be provided with a practical model to follow.

CHAPTER 3 – CASE STUDY ON SMALL AND INFORMAL BUSINESSES IN BOJANALA PLATINUM DISTRICT MUNICIPALITY

3.1 Introduction

This chapter presents the results obtained in two related surveys conducted on the characteristics of small business enterprises in South Africa, which have a bearing on this research study. The first study was conducted by Ligthelm (2002) for the Bureau of Market Research (BMR) at the University of South Africa (Unisa) and the second one by Bojanala Municipality (2003). The Unisa study was meant to determine the size, role and characteristics of spaza trade and traders in the whole of South Africa (Ligthelm, 2002:5). Similarly, the Bojanala Municipality (2003:2) study was meant to measure the characteristics of the informal business sector in Bojanala Platinum District Municipality, founded on the baseline established by the Unisa study.

Bojanala encompasses the local municipal areas of Rustenburg, Moses Kotane, Moretele, Madibeng and Kgetlengriver in the North West Province. Although this chapter will also present the statistics from Bojanala, it is necessary to reflect the key baseline which is mainly found in the Unisa national statistics.

The study on the characteristics of the business enterprises in the Strand townships draws direct comparisons with those done by Unisa. And the Bojanala study presents its findings by making direct comparisons with the baseline findings of the Unisa one. In the coming chapters the statistics for the Strand townships will also be presented in direct comparison with the national statistics elicited through the same Unisa study.

For this reason it is important to present a summary of the findings of these two studies (Unisa's and Bojanala's), particularly on matters relating to the scope of this current study on the Strand townships. The main areas of focus for this study are the socio-economic and demographic profile of the business owner, the physical characteristics of

the business, financing of the business, relationship with suppliers, transport costs, business income/turnover, as well as the external traits that distinguish those businesses that make higher revenues from others.

3.2 Socio-economic and demographic profile of the business owner

3.2.1 Gender of business owner

Figure 1 below indicates that 64 percent of business owners nationally are male, compared to 36 percent females. Yet, with two-thirds of business owners being male and one-third being female, males hold a slight monopoly in the ownership stakes in Bojanala.

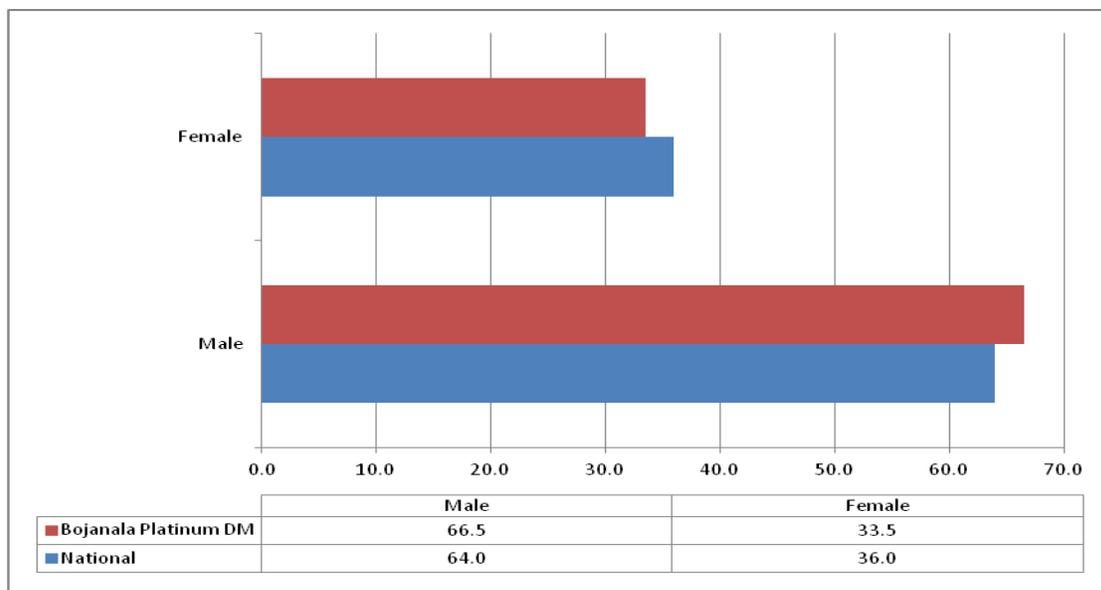


Figure 1 - Gender of business owner

Data Source: Bojanala Platinum District Municipality (2003)

This means that males are the predominant owners of the businesses both nationally and in Bojanala. Although it is a historical fact that South Africa is a paternalistic society, it would be important to uncover if this does manifest in business ownership stakes. Also, does this still manifest at the Strand townships in the Western Cape? If so, it would be

important to pose a challenge to the civic, public and private sectors to decide if there are any specific interventions that can be made relating to the empowerment of females for purposes of entrepreneurship.

3.2.2 Level of education of business owner

In Figure 2 below, only 10.2 percent of business owners nationally have a post-school qualification, 26.7 percent have a Matric qualification, 25.2 percent have between Grade 7 to 9, 22.2 percent have between Grade 6 to 8, 11.1 percent have less than Grade 4 and 4.2 percent have no formal education at all. The clear picture that emerges is that Bojanala has more than nine percent than the national average when it comes to business owners with qualification levels of Grades 7 to 9.

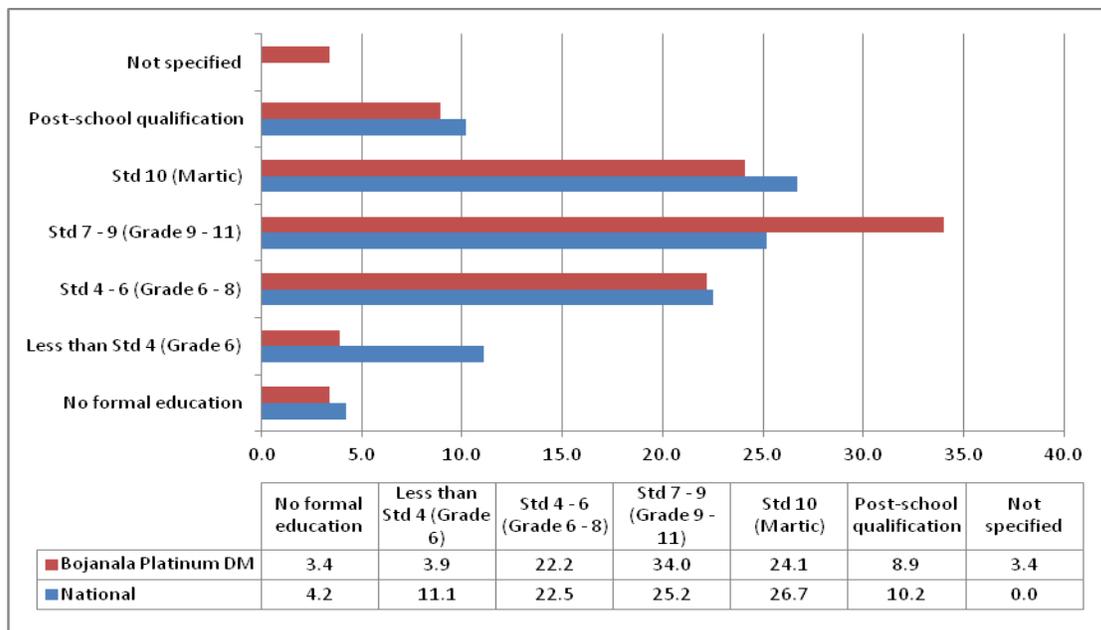


Figure 2 - Level of education of business owner

Data Source: Bojanala Platinum District Municipality (2003)

More than two-thirds of business owners in Bojanala have had seven years of schooling or more. Is the level of a business owner’s schooling a factor that could distinguish between successful businesses and the rest? Are there any distinguishable aspects of the

past or current educational curriculum that relate to whether or not a business owner would make higher revenues? If so, there would be a need for basic education policy developers to emphasise such aspects, if entrepreneurship is to be encouraged.

3.2.3 *Accepting a job in the formal sector*

In Figure 3 below, 70 percent of business owners in Bojanala would accept a formal job offer. This is 11.1 percent more than the national average of people who would accept one, which sits at 58.9 percent. There could be various reasons for a business owner to accept a formal job offer. Among these reasons could be the inability of the business to sustain his/her family’s livelihood.

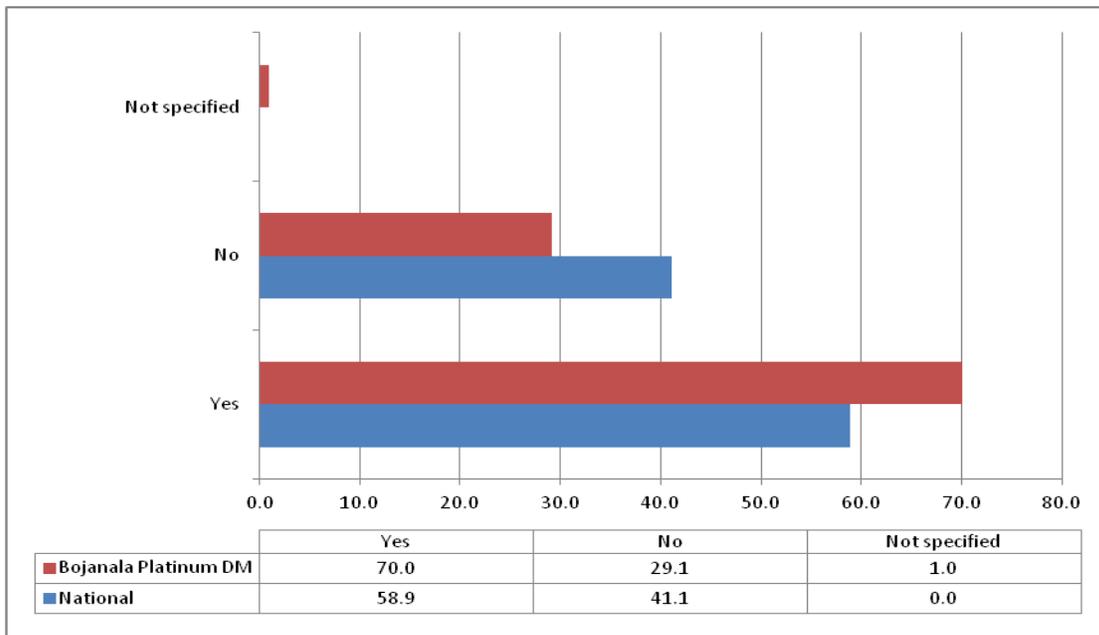


Figure 3 - Accepting a job in the formal sector

Data Source: Bojanala Platinum District Municipality (2003)

Factors that would cause an individual to make a decision to either accept or reject a job offer, apart from being about the household’s financial situation, could be rooted in social and psychological factors. In a society where males are expected to ‘bring in the bacon’, there might be social pressure on them to face up to the family’s daily needs by entering

into the security of a job, instead of the risk-taking that normally accompanies entrepreneurship.

3.2.4 Main reason for starting the business

Figure 4 below depicts some of the main reasons for various individuals to start a business. People from divergent walks of life will, of course, have different reasons for starting a business.

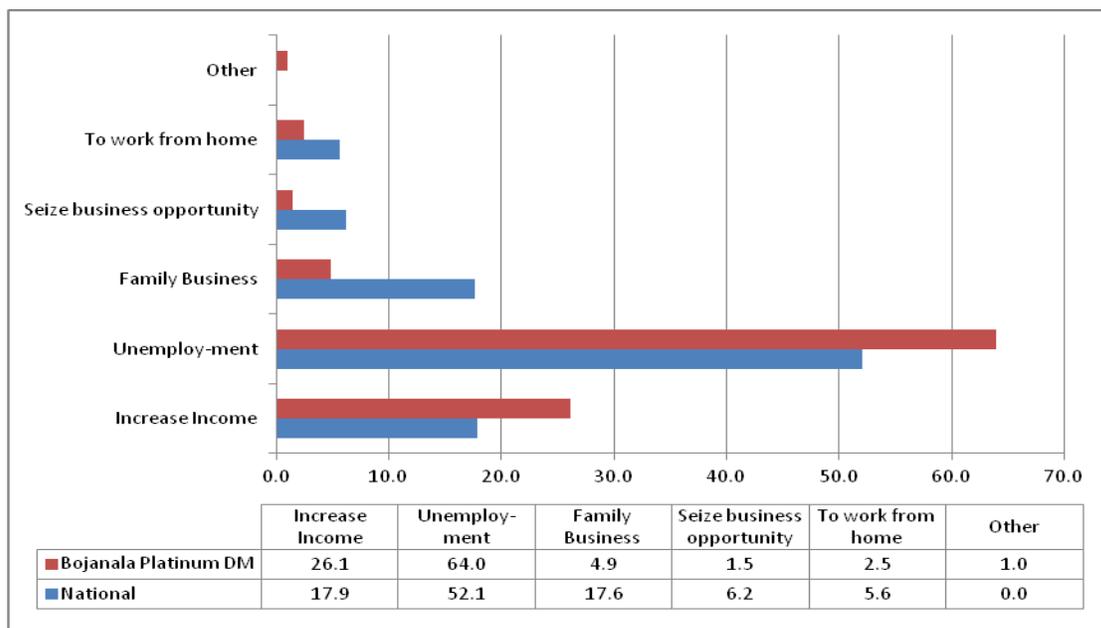


Figure 4 - Main reason for starting the business

Data Source: Bojanala Platinum District Municipality (2003)

For two-thirds of the informal business owners in Bojanala, the reason for starting the business was unemployment. Interestingly, the national trend indicates that 52.1 percent start businesses for the same reason. Also, only 6.2 percent started businesses nationally as a consequence of demand-pull, compared to only 1.5 percent in Bojanala. This means that alert entrepreneurs, as identified earlier, are quite rare among those surveyed. Most business-owners did not start a business because they had identified a lucrative opportunity; instead, they most possibly started it because they were the ones in need.

Whereas only 4.9 percent of respondents in Bojanala were running a family business, 17.6 percent of respondents nationally were on a similar path. This means that there is very little family tradition of entrepreneurship both nationally and even more so in Bojanala.

3.2.5 *Period that the business has been in operation*

Figure 5 below depicts the length of time that the various businesses have been in operation.

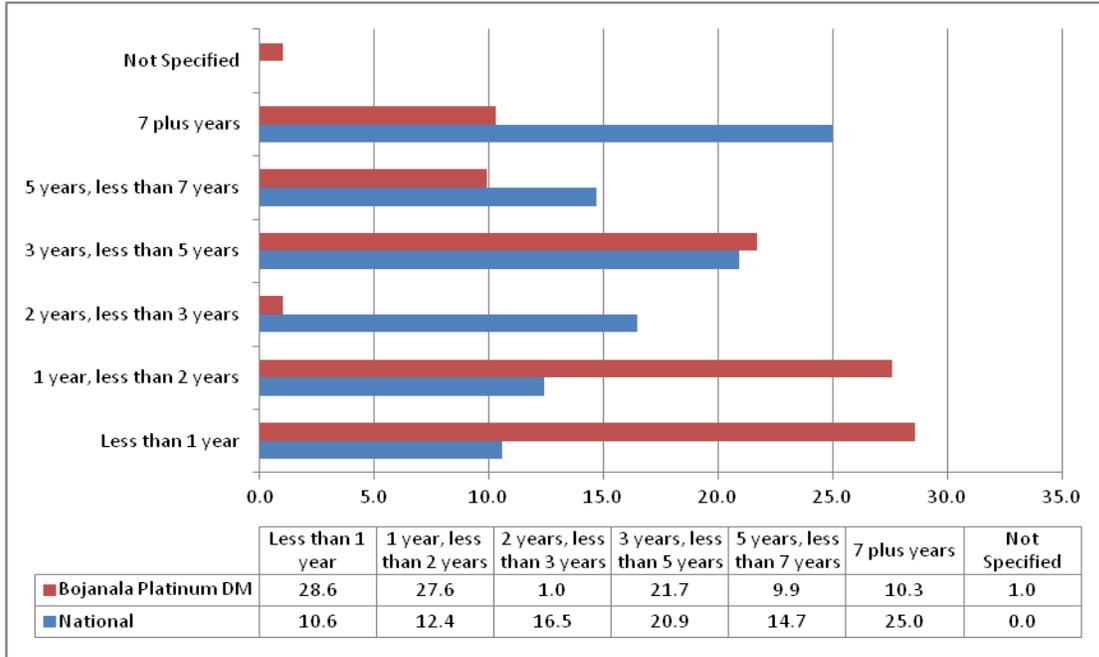


Figure 5 - Period that the business has been in operation

Data Source: Bojanala Platinum District Municipality (2003)

Compared to the 23 percent national figure of businesses that have been operating for two years or less, over half of the businesses in Bojanala have been running for two years or less. Only one-tenth of businesses in Bojanala have been operating for more than seven years, compared to the national average of one-quarter. This shows that few businesses

in Bojanala have been in operation for seven years, and most of them have been running for only a short period of time.

As much as it is a positive achievement for a business to display some longevity, it should be equally important for the business to make financial profits as a reason to continue to operate.

3.2.6 *Involvement of owner in the business*

Figure 6 below shows the percentage of owners who run their businesses full-time, compared to those who operate them on a part-time basis.

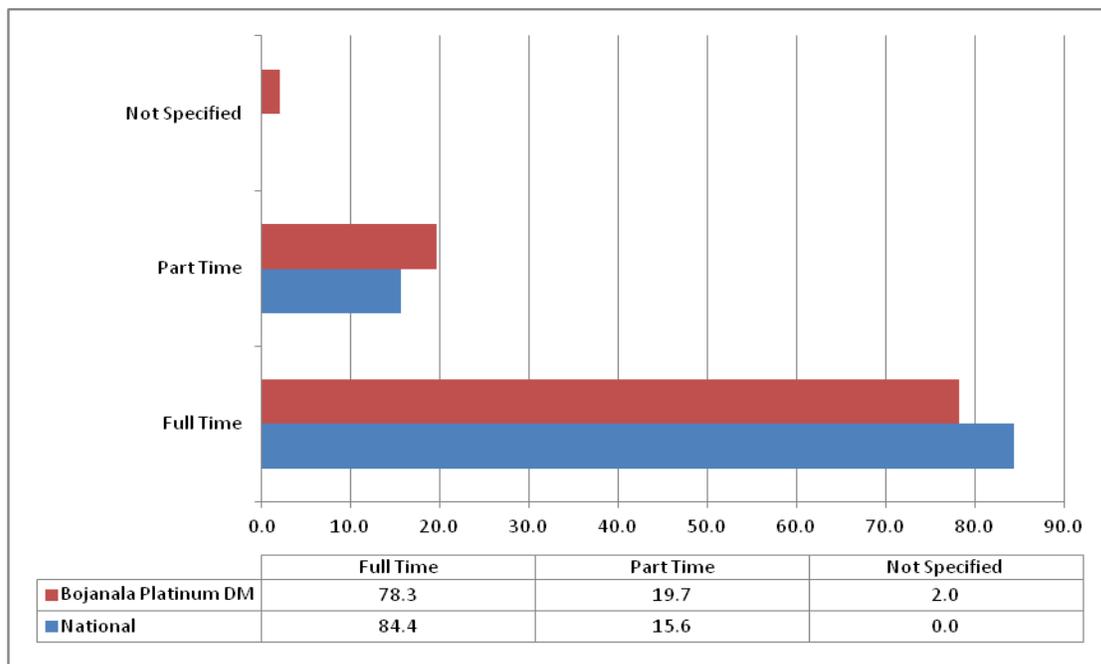


Figure 6 - Involvement of owner in the business

Data Source: Bojanala Platinum District Municipality (2003)

Nationally, an overwhelming 84.4 percent of business owners are full-time in the business, compared to 78.3 percent in the Bojanala district. This means that, for most of the owners, the business is their main source of income.

As businesses grow, they enter into various stages of transition. Key among these is when the business develops systems that enable it to run without the constant direct involvement of the founder. Also, for the founder to go-ahead and set up new ventures, it could be advantageous that their involvement in their first business is minimised. This would ensure a greater level of focus to enable the growth of a new venture.

3.2.7 Employment in the business

Table 8 and 9 below depict the average number of individuals who are employed in the businesses nationally and also provide a comparison to Bojanala's average.

Table 8: Employment characteristics: National

<i>Type</i>	<i>Full-time</i>	<i>Part-time</i>	<i>Total</i>
Members of household	1.77	0.44	2.21
Non-members	0.57	0.14	0.71
Total	2.34	0.58	2.92

Data Source: Bojanala Platinum District Municipality (2003)

Whereas the national averages are 2.34 full-time and 0.58 part-time employees, Bojanala's is 1.18 full-time employees and zero part-time. It is a very important observation that, nationally, these businesses provide employment to an average of about three individuals per business entity whereas in Bojanala this is an average of one individual.

Table 9: Employment Characteristics: Bojanala Platinum District Municipality

<i>Type</i>	<i>Full-time</i>	<i>Part-time</i>	<i>Total</i>
Members of household	1.05	0.00	1.05
Non-members	0.13	0.00	0.13
Total	1.18	0.00	1.18

Data Source: Bojanala Platinum District Municipality (2003)

If these small businesses each provide employment to an average of three individuals, does their collective effect on decreasing unemployment amount to anything significant? In the case where a hundred businesses provide employment to an average of 292 individuals, for instance, in the South African context, are these businesses worth all the effort that the government puts into them? In Bojanala, 100 businesses would only provide employment to a meager 118 individuals.

3.3 Physical characteristics of the business

3.3.1 Structure from which business is operated

Figure 7 below reflects the type of physical structure from which the businesses operate.

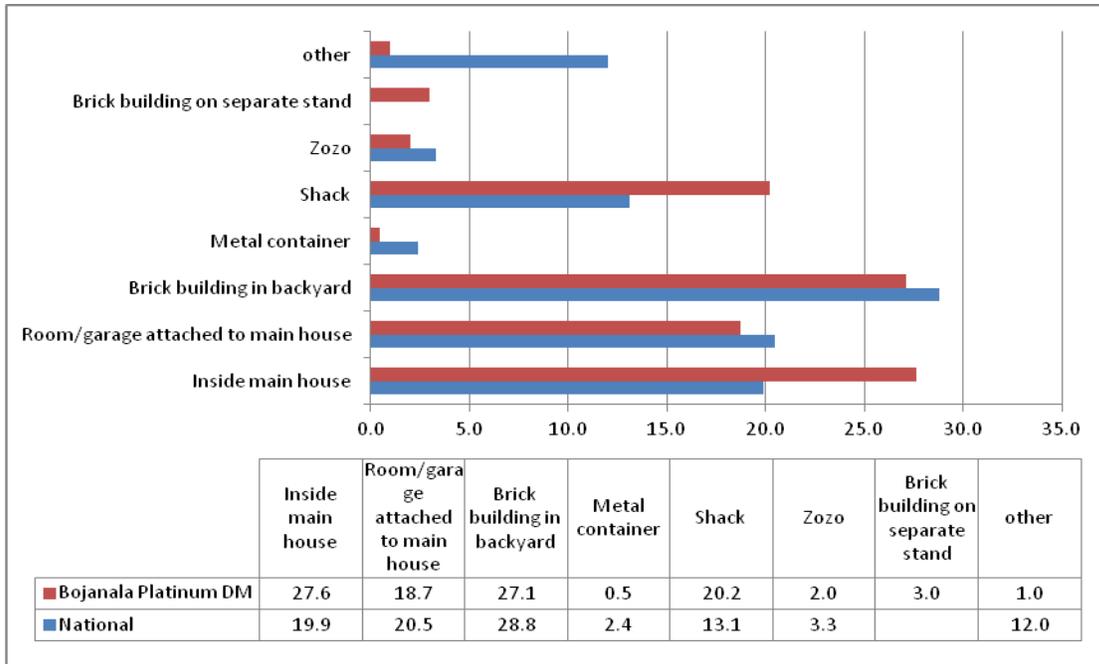


Figure 7 - Structure from which business is operated

Data Source: Bojanala Platinum District Municipality (2003)

Whereas more businesses nationally are operated from a brick building in the backyard (28 percent) and from a room/garage attached to the main house (20.5 percent), in Bojanala more businesses operate from a shack (20.2 percent) and from inside the main house (27.6 percent).

Businesses like phone shops normally operate from specially-constructed structures provided by the vendors like Vodacom. However, at start-up some businesses operate from shacks and metal containers containers. It is often a steep investment for aspiring business owners to set up an adjoining brick structure within the stand where they reside. Doing so is often a step towards establishing a business and not necessarily a result of business growth.

3.3.2 Availability of electricity

Figure 8 below presents the rate of availability of electricity on the stand from which the business is operated.

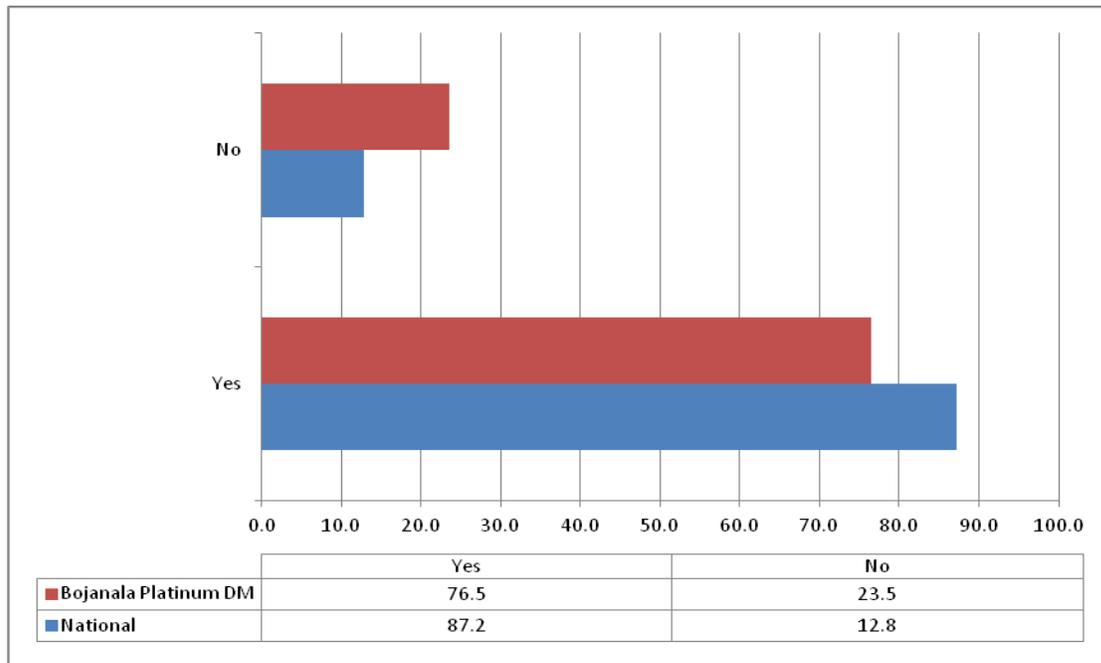


Figure 8 - Availability of electricity

Data Source: Bojanala Platinum District Municipality (2003)

More businesses (87.2 percent) nationally have electricity whereas only 76.2 percent of those in Bojanala have. Since the the mid-1990s, many villages and informal settlements have been electrified.

However, some businesses operate by connecting a long electricity cable from a formal house to the business premises, possibly because the business is not located on a proper stand but on illegally occupied space and is not provided with appropriate services. Some car-wash businesses are located in this way.

3.3.3 Availability of water

Figure 9 below reflects the availability of water on the stand from which the business is operated.

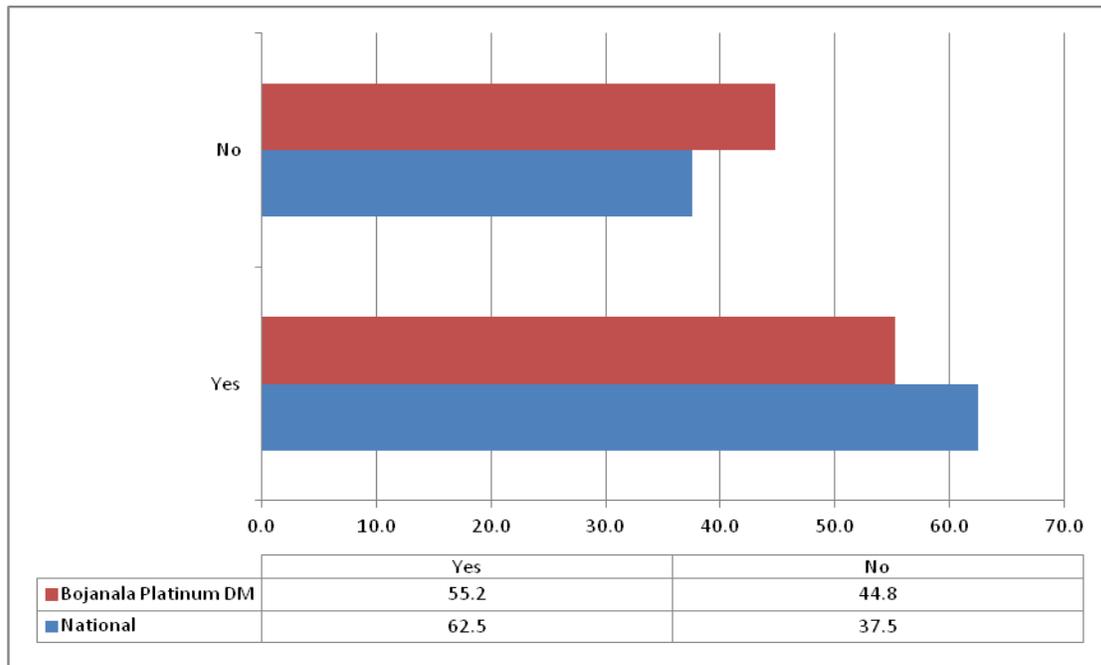


Figure 9 - Availability of water

Data Source: Bojanala Platinum District Municipality (2003)

More businesses (62.5 percent) nationally have access to running water, yet less than half of those in Bojanala do not have water. Water may not be a necessity in all business types, but its availability is not a luxury and may mean the difference in comfort levels for both employees and customers.

3.3.4 Main method of trading

Figure 10 here below depicts the main method by which trade in the business premises takes place.

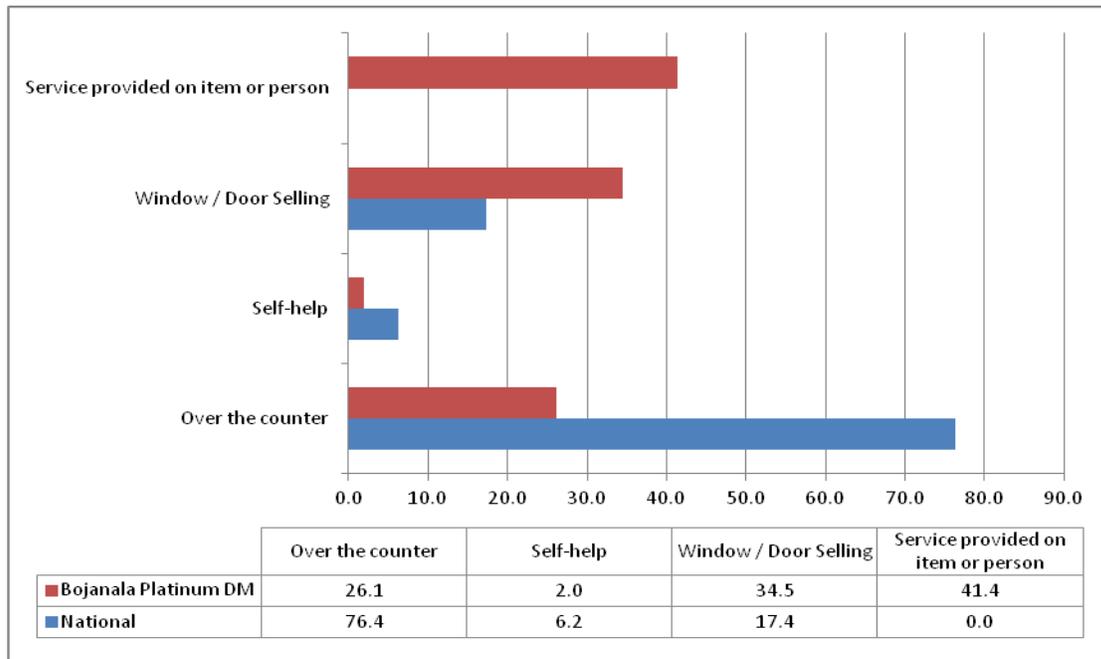


Figure 10 - Main method of trading

Data Source: Bojanala Platinum District Municipality (2003)

Bojanala’s predominant method of trading is the provision of a service on an item or person (41.4 percent) yet nationally, the main method of trading is over the counter (76.4 percent). The self-help option remains very small (6.2 percent nationally and 2.0 percent in Bojanala).

The method of trading could be largely determined by the type of product/service that is being traded, as well as the security preferences of the business owners. Even though large supermarkets allow for self-help, some small businesses in townships are often set up to allow customers to handpick their preferred products.

3.4 Financing of the business

3.4.1 Amount of capital invested at business start-up

According to Figure 11 below, a little less than half of businesses in Bojanala were started with less than R500 capital invested, compared to the national average of 14.3 percent of those.

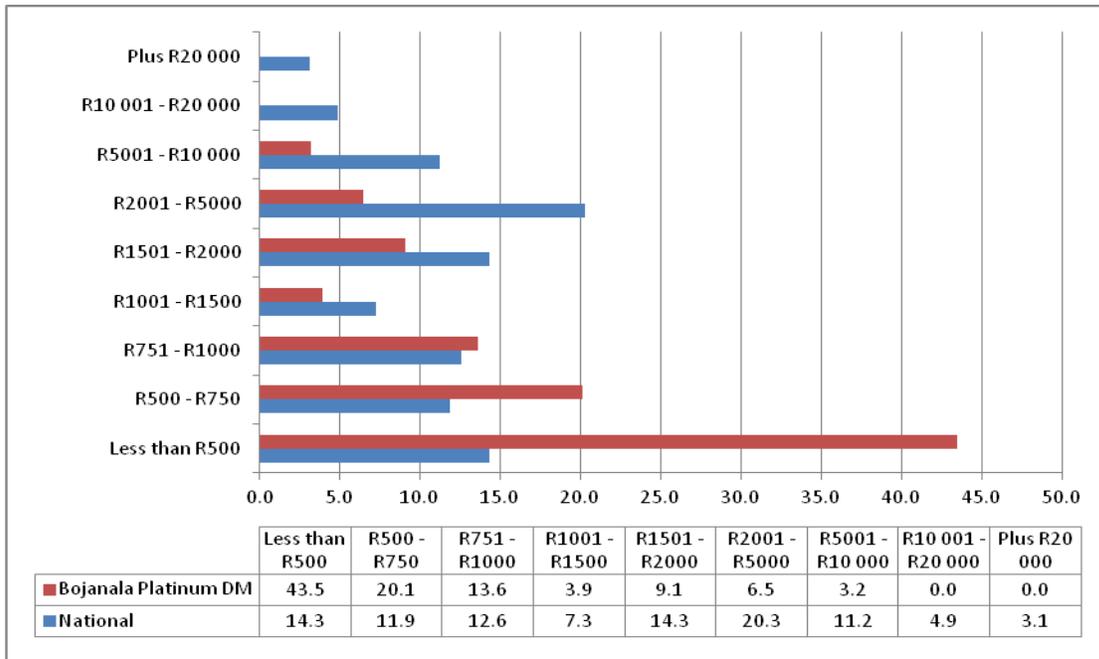


Figure 11 - Amount of capital invested at business start-up

Data Source: Bojanala Platinum District Municipality (2003)

No businesses in Bojanala were started with an amount above R10 000. Yet nationally, 4.9 percent of the businesses were commenced with a start-up capital of between R10 000 and R20 000, while only 3.1 percent used more than R20 000.

It is important to understand what the source of funding for most business start-ups is, whether it is capital from the owner’s savings or leveraged and even borrowed money. This may have an impact on the pace of growth for the business, especially at the early stages in the business life-cycle. Also, as the business begins operating, the business

owner may need to add to the capital that they plough into the business. Additionally, the way they gear their initial investment may determine the rate of assets-to-sales growth.

3.4.2 Use of banking facilities

Figure 12 below depicts the types of banking systems used by the various businesses. Both nationally and in Bojanala, about one-third of businesses use savings accounts.

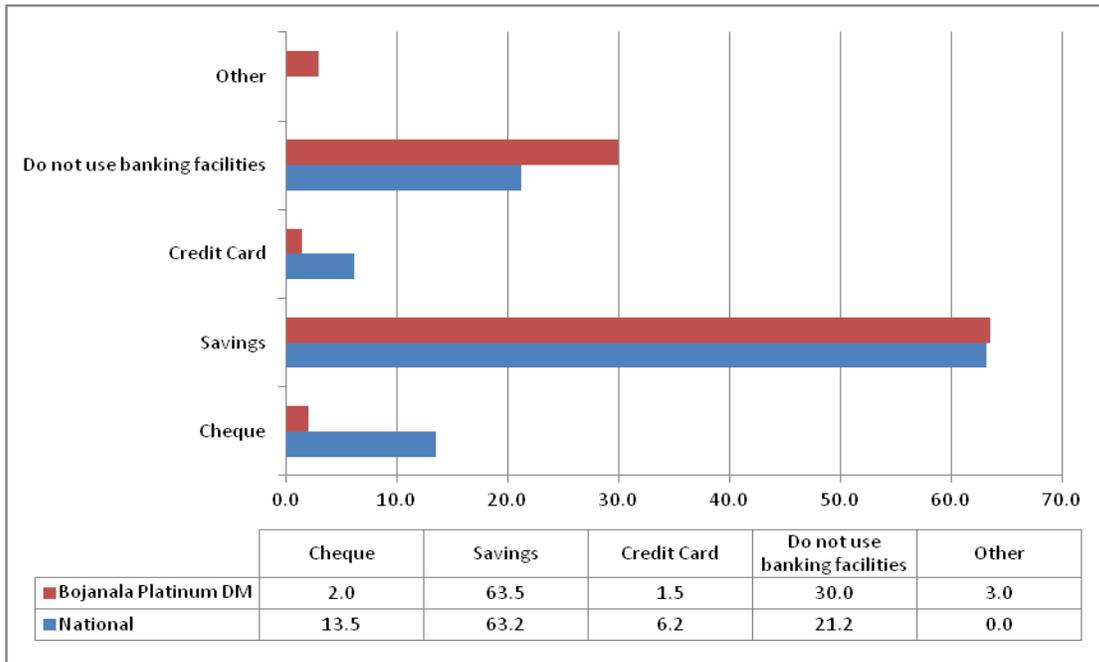


Figure 12 - Use of banking facilities

Data Source: Bojanala Platinum District Municipality (2003)

However, only 1.5 percent in Bojanala use credit cards, compared to the national average of 6.2 percent. Also, a little less than one-third from Bojanala do not use banking facilities at all, compared to only one-fifth of businesses nationally.

Which banks do the owners of the businesses predominantly use? Are they aware of the implications and limitations posed by the choice of a banking facility? Is the use of a

specific banking facility a deliberate choice that is geared towards the growth of the business, or is it a direct result of the business' growth?

3.5 Relationship with suppliers

From what types of suppliers do these businesses purchase most of their merchandise?

See Figure 13 below:

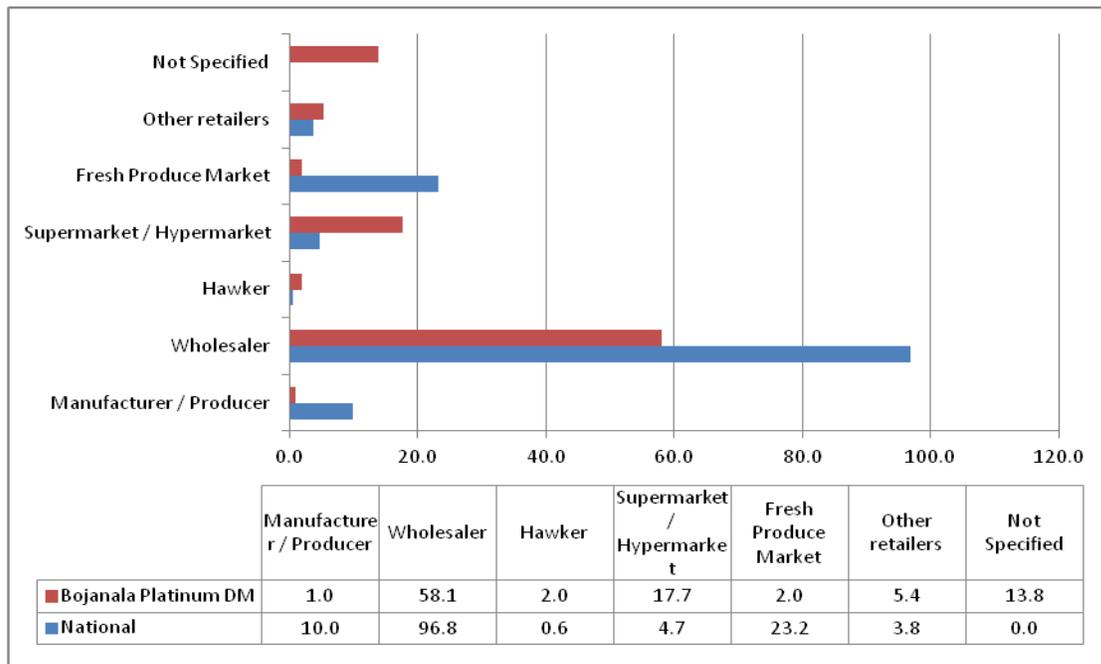


Figure 13 - Type of supplier

Data Source: Bojanala Platinum District Municipality (2003)

While an overwhelming 96.8 percent of businesses nationally purchase from wholesalers, only 58.1 percent of those in Bojanala purchase from the same. Instead 17.7 percent purchase in supermarket/hypermarkets, whereas only 4.7 percent nationally purchase from these. Also, 23.2 percent nationally purchase from fresh produce markets, yet in Bojanala, only two percent purchase from these.

It is important to notice that businesses normally do not confine themselves to only one type of supplier. Some also do not distinguish their main product from the other important products that they sell. Is there a mutually-beneficial relationship between the suppliers and the small businesses? Is there a niche for distributors that are actually not manufacturers?

3.6 Transport costs

Figure 14 below reflects the main modes of transport utilised by the business people when traveling to purchase merchandise that is not delivered.

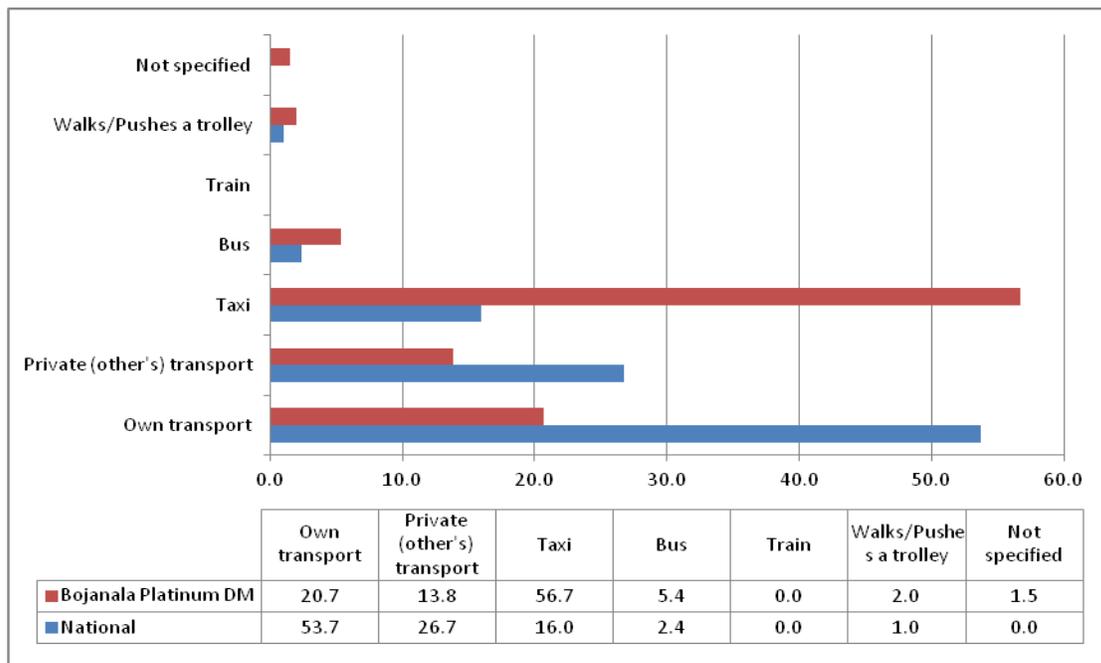


Figure 14 - Mode of transport

Data Source: Bojanala Platinum District Municipality (2003)

Whereas over half of business owners nationally have their own transport to collect merchandise, only one-fifth of those in Bojanala use their own transport to do so. Over half of those in Bojanala use taxis, while a quarter of business owners nationally hire private transport other than a taxi.

The amount of money that the businesses use to travel for purchasing their stock could be a key consideration used by the entity owner to determine how much stock to purchase. As a result, it is not clear if these businesses would have spent their transport money on merchandise, had they a choice.

3.7 Income/turnover

Figure 15 below demonstrates the monthly turnover of the businesses surveyed.

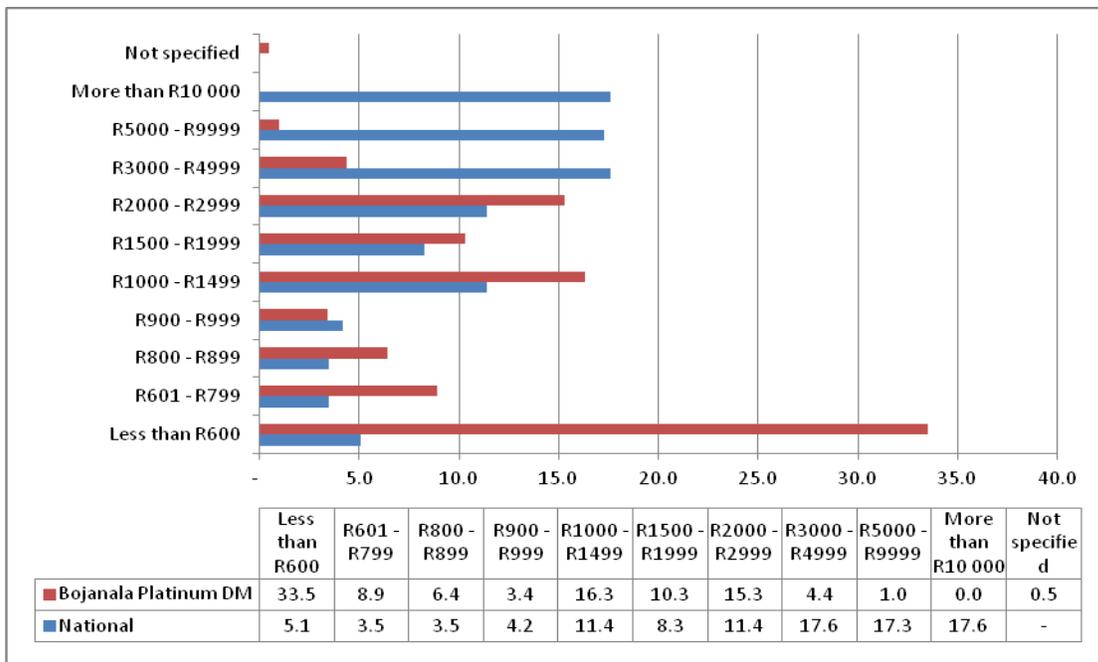


Figure 15 - Monthly turnover

Data Source: Bojanala Platinum District Municipality (2003)

Whereas only 5.1 percent of businesses nationally make less than R600 per month, one-third in Bojanala make less than R600. None in Bojanala make more than R10 000 yet close to one-fifth of businesses nationally make more than this. A majority of businesses in Bojanala (41.9 percent) make between R1 000 and R2 999 whereas the national average for those amounts is 31.1 percent.

Clearly many businesses in Bojanala are not making high revenues when compared to the national average. However, are the business owners pushing for higher revenues or have they remained satisfied with what they currently earn? What has been the effect of the 2008/2009 market crash on the revenues that the businesses have settled for nowadays? The revenue that a business makes is an important factor in any decision made by the business, including whether it would seek to expand or not.

3.8 Lessons from the case study

Apart from the necessary creativity of the entrepreneur, it is important for local government to consider various actions to maintain an enabling environment for business growth. For instance, it is important to ensure the availability of enabling infrastructure such as transportation, communications, as well as safety, advice and a pro-business local government.

In the context of South Africa's discriminative past, it is also important to ensure that the populace is capacitated through business education, mentorship relationships and appropriate government support. These measures would greatly help in ensuring the maintenance and growth of an entrepreneurial culture.

It is not clear if the bigger businesses, particularly the suppliers of Bojanala's informal businesses, are making significant use of the Broad Based Black Economic Empowerment (BBBEE) related advantages of making a contribution in enterprise development. Without understanding what they are poised to gain, it would be difficult for big businesses to create meaningful partnerships with small entrepreneurs.

Also, from the study it is difficult to ascertain if the owners of the businesses in Bojanala are aware (and have used) the government's systems and entities that have been set up to finance and support businesses. It is not clear whether these businesses have any

significant relationships with the local banks and if they get any advice on the effective use of banking systems as they endeavour to grow their businesses.

Since the Bojanala survey was published in 2003, one year after the Unisa research was published, there is no evidence of research that was done in other places along similar lines. The variations between the two surveys, even though they were not large at the time, demonstrate that by mapping a similar survey on the Unisa research, it is possible to gauge if there has been any progress since the first survey was done.

3.9 Summary of study by UNISA and Bojanala Platinum District Municipality

In summary, the Unisa Bureau of Market Research survey (Ligthelm, 2002:53) concluded that spazas would become a permanent feature of the economic scene and would become inextricably linked with the rest of the economy. Among other findings, the survey found that 41 percent of the owners would not accept job offers, and that many businesses do use formal banking facilities. Only 25 percent have been in operation for more than five years and many have running water and electricity. While 96 percent of them purchase directly from wholesalers, they also use catalogues to compare stock choices.

Table 10 below depicts a summary comparison of some of the key variables measured in a national study by Unisa (Ligthelm, 2002) and the local study done by Bojanala Municipality (2003):

Table 10: Bojanala Municipality compared with UNISA's national spaza baseline

<i>Variable</i>	<i>UNISA National</i>	<i>Bojanala Municipality</i>
Full-time employees (<i>on average</i>)	2.34	1.18
Started the business due to unemployment	52.1%	64%
Started the business to seize a business opportunity	6.2%	1.5%
Business has been in operation for less than one year	10.6%	28.6%
Business has been in operation for two to three years	16.5%	1.0%
Owens only one business	86.7%	88.7%
Business conducted from a brick building in the backyard	28.8%	27.1%
Business conducted from a shack	13.1%	20.2%
Trade conducted over the counter	76.4%	34.5%
Trade conducted at the window or door	17.4%	22.2%
Less than R500 in starting capital invested	14.3%	43.5%
Between R2 001 and R5 000 in starting capital invested	20.3%	6.5%
Business uses no bank facilities	21.2%	30.0%
Business uses a credit card	6.2%	1.5%
Stock purchased from wholesaler	96.8%	58.1%
Stock purchased from manufacturer/producer	10.0%	1.0%
Uses own transport for obtaining merchandise	53.7%	20.7%
Uses a taxi for obtaining merchandise	16.0%	56.7%
Average customer spends more than R25 per visit	17.2%	29.6%
Average customer spends less than R10 per visit	29.8%	24.6%
Female business owners	36.0%	33.5%
Business owner younger than 35 years old	33.9%	41.4%
Business owner between 35 and 49 years old	44.6%	41.4%
Business owner has less than Standard 4 (Grade 6) schooling	11.1%	3.9%
Business owner has post-school qualification	10.2%	8.9%
Business owner would accept a formal job, if offered	58.9%	70.0%

Source: Adapted from (Ligthelm, 2002) and (Bojanala Platinum District Municipality, 2003)

It has been more than nine years since the Unisa survey was published. Are there any major variations that can now be observed in businesses in the Strand townships? Similarly, based on the national baseline, as reflected in this chapter, the next three chapters are dedicated to a survey and a detailed analysis of the results elicited from the questionnaires administered among the businesses in the townships of the Strand.

CHAPTER 4 – RESEARCH METHODOLOGY

4.1 Introduction

This study seeks to ascertain three things:

- i. What are the characteristics of the businesses and of their owners in the townships that are in Strand?
- ii. What is the range of revenues that these businesses normally generate?
- iii. What are the common distinguishing factors among the businesses that eventually create higher daily revenues and monthly revenues, as opposed to the rest of the businesses?

The study will seek to isolate the external qualities and decisions that high revenue-making businesses possess, and make, which the entities that make less revenue do not possess or make.

4.2 Research hypothesis

A hypothesis, according to Bouma and Atkinson (1995:37, 106), is a statement which asserts a relationship between concepts, where for instance X is said to be related to Y. Research measures whether there is evidence to support this claim.

The study will propose two possible provisional conclusions, as follows:

Hypothesis one (null hypothesis): There is no relationship between the various characteristics of the business and the daily/monthly turnover of the business.

Hypothesis two (alternative hypothesis): The various specific characteristics of the business have a notable relationship with the daily/monthly turnover of the business.

Bouma and Atkinson (1995:42) further argue that a hypothesis requires the researcher to identify one concept or thing that causes, affects, or influences another. The null hypothesis is the default position – that there is no relationship between the two identified variables.

4.3 Research design and methodology

The research is of an exploratory nature. Exploratory research, according to McDaniel and Gates (2010:43) is preliminary research conducted to increase understanding of a concept, to clarify the exact nature of the problem to be solved or to identify important variables to be studied.

The study here seeks to explore the socio-economic characteristics of the small and medium enterprises, as well as to clarify some of the factors that could influence sales and revenues. According to Garbers (1996:287), the methods of exploratory research include reviews of existing relevant literature, surveys among people who have experienced the matter and an analysis of examples that promote understanding.

Further, for McDaniel and Gates (2010:43-44), exploratory research can take several forms: pilot studies, experience surveys, secondary data analysis, case analysis and focus groups, and may be conducted to obtain greater understanding of a concept or to help mature the definition of a problem. This is a preliminary research and not the definitive research used to determine a course of action.

4.3.1 Type of research

This study will focus on a survey of a chosen case. The case chosen in this instance relates to the small and medium enterprises in the Strand townships. Case studies, according to Hakim (1987:61), take as their subject one or more selected examples of a social entity, such as communities, social groups, organisations, families, relationships and use a variety of data collection techniques to study them.

The purpose of a case analysis, for McDaniel and Gates (2010:44), is to review information based on a few other situations that are similar to the present research problem. Therefore, by basing the pursuit of this study on those done by Unisa and Bojanala, this case of the Strand townships will seek to unearth new data and information that could be useful. Hakim (1987:62) further argues that case studies provide a more richly-detailed and precise account of the processes highlighted by surveys and can substantiate or refine causal processes that are thought to underlie observed patterns or correlations.

For Ipinge (2010:22) descriptive research portrays an accurate profile of persons, events and situations.

4.3.2 Design

This study is largely empirical in that it seeks new information about a largely untested area. Also it is a largely non-experimental quantitative survey, conducted through the use of questionnaires. According to Miller and Brewer (2003:192) the departure point in quantitative research is numerical measurement of specific phenomena.

4.3.3 Study population

A population, for Black (1999:111), refers to any group that shares a set of common traits. The population in this study reflects the owners of the businesses in the Strand townships (including the spaza or tuck shops, barber shops, motor mechanics, tailors, barbecued meat sellers, raw meat suppliers, liquor outlets, photocopy shops and cosmetics shops).

According to Bless and Higson-Smith (1995:64), the unit of analysis is the person or object from which the researcher collects the data and such data, when combined with data from a group of similar units, provides an accurate picture of the group to which that

unit belongs. In this case, the study probes the individual owners of the businesses in the area as its units of analysis. Welman, Kruger and Mitchell (2005:125) define population validity as the degree to which the findings obtained for a sample may be generalised to the total population to which the research hypothesis applies.

4.3.4 Sample frame

For Macneillie (1998:45) a sampling frame is a set of all cases from which the sample will be selected. The sampling frame in this instance was established by requesting detailed information about local business owners that is held by the only business association in the area, Sinobulumko Business Association. Sinobulumko's members are the business people who reside in the Strand townships. This association was launched in 2009 and has the backing of both local councilors. Its members meet on a weekly basis and are involved in various community projects, according to their chairperson, Victor Mbande (2011).

This information has been further corroborated by the updated database of local businesses that was gathered in June/July 2011 by Khanyolwethu High School (2011). As part of their lessons, the learners collected raw data about the exact addresses where each of the townships' businesses is located. This exercise by Khanyolwethu High School (2011) yielded 49 names and addresses. The school seeks to benefit from this information in its fundraising campaigns.

The total number of enterprises in the list received from Sinobulumko Business Association (2011) was 97. Between the two databases, there was duplication in the case of 17 names and addresses leaving a total of 129. On the third of August 2011, the researcher was invited to address a general meeting of the members of the business association where the members were allowed to ask questions of the researcher about this survey.

Their questions were mostly based on concerns for members' safety, if they were to divulge their physical addresses. Also some explained their skepticism at this exercise, comparing it with many 'false promises' previously made to members of the community. The researcher explicitly stated that this exercise was purely for university research purposes and that there are serious consequences for any researcher who acts in an unethical manner. The researcher also assured the members that this research is not related to government nor is it making any promises or claims of any kind.

Sampling, according to Bless and Higson-Smith (1995:86-87), is advantageous because it is less time-consuming, less costly, very practicable and practical. However, in this case an attempt was made to reach all the owners.

4.3.5 Sampling strategy

According to McDaniel and Gates (2010:52), a probability sample is one for which every element in the population has a known probability of being selected, while non-probability samples are those in which the chances of selection for the various elements in the population are unknown. In this case, a probability sample was used as any business owner had an equal chance of being approached.

For Allan and Skinner (1991:192), generalisability refers to the ability to extrapolate with statistical confidence from a sample to the population from which it is drawn. Representativeness (Allan and Skinner, 1991:192), in a quantitative research method, refers to typicality in the sense of a statistically reliable random sample from the population.

4.4 Data collection

4.4.1 Data collection instrument

The study makes primary use of a coded questionnaire. In survey research, according to McDaniel and Gates (2010:51), a questionnaire is often used to ensure an orderly and structured approach to data gathering. The advantages of questionnaires, according to Miller and Brewer (2003:254), are that they are relatively cheap, can readily elicit answers on embarrassing matters, help eliminate potential problems associated with interviewers, and (when mailed) provide the respondent with an opportunity to look up the information.

This questionnaire is coded so that each answer on the menu would have a statistical code. This would then ensure that the number of similar codes received would be compared and the interpretation of the questionnaire would be based on the codes. This greatly eliminates possible bias on the side of any individuals who would enter the data into the statistical analysis system.

4.4.2 Variables

This study focuses on a manageable range of variables. Gliner and Morgan (2000:48) define a variable as a characteristic of the participants or a situation in a given study, which has different values in that study. These include the business owners' age, gender and education. Also included are various characteristics of the businesses like its accommodation, banking facilities, and funding mechanisms among other variables. Bouma and Atkinson (1995:56) identify categorical variables as those which are divided into two or more exclusive categories, like male vs. female, single vs. married vs. divorced.

This study seeks to relate a small business owner's characteristics to the business' revenue figures. For Gliner and Morgan (2000:49-51) independent variables include any predictors, antecedents or presumed causes or influences under investigation in the study.

Therefore, various characteristics of the business and of its owner were the independent variables and the business' revenue figures were the dependent variable, as the study seeks to find out if the revenues are influenced by the characteristics (independent variables). To this end, the seven (7) key independent variables would be examined in this study as follows:

- a. The socio-economic and demographic profile of the business owners,
- b. the physical characteristics of the business,
- c. the financing of the business,
- d. the business' relationship with suppliers,
- e. transport issues affecting the business,
- f. the business' income/turnover, and
- g. the key traits of the businesses that show higher revenues.

4.4.3 Construction of questionnaire

A questionnaire was constructed very similarly to the one used in the Unisa survey (Ligthelm, 2002:59-75). Additional questions relate to the business owner's awareness and use of government support systems. In instances where the Unisa survey had open-ended questions, for purposes of this study the answers provided by the respondents (in both the Unisa and Bojanala reports) have been presented as a list of selections. The purpose is to create simplicity, while maintaining the authenticity of the comparisons.

Questions are coded, similar to the Unisa survey. Researchable questions, according to Bouma and Atkinson (1995:15) are limited in scope and narrowed in focus and can gather some observable, tangible, countable evidence or data. The study makes extensive use of closed-ended, coded questions. According to Miller and Brewer (2003:250), closed-ended questions present the respondent with a pre-determined selection of responses, which elicit more straight-forward answers and are easier to code.

4.4.4 Pilot study

Early in the month of August 2011, the pilot questionnaire was administered to six adult participants, three males and three females, for the purpose of testing it. One of these was a young unemployed person, three are business owners and the other two are employed. Pilot studies, for McDaniel and Gates (2010:44), are surveys using a limited number of respondents and often employing less rigorous sampling techniques than are employed in large, quantitative studies. This exercise was very crucial in correcting some minor language complexities, spelling errors and improving the sequencing of the questions. As a result of the success of this pilot test, the questionnaire was deemed ready to be administered in a real-life situation.

4.4.5 Data collection technique

The primary data collection method used was a hand-delivered questionnaire. For this purpose, Gliner and Morgan (2000:339) suggest that a sample is drawn from names and addresses from the population and the questionnaires be sent to those. In this research, the questionnaires were sent to all individuals in the database. To ensure higher response rates, designated learners from Khanyolwethu High School hand-delivered the questionnaires during August 2011. Each learner was sent to only one specific listed business address, to introduce themselves to the business owner.

The questionnaires were placed in unsealed brown envelopes, each containing the name and address of the business owner. For purposes of ensuring privacy, the same envelope was then sealed by the business owner after filling in the questionnaire. These envelopes were then collected by the same learners who had delivered them and brought in for processing.

Forty-one of these questionnaires were returned to the designated address, Khanyolwethu High School in Lwandle, by 15 August 2011. On 15 and 16 August, the researcher ascertained the list of addresses from where the questionnaires had not been returned, comparing the database with the unique numbering and addresses placed on each

envelope that was returned. Between 17 and 23 August, the researcher visited each of the addresses that had not returned their questionnaires. Thus, more than 35 of the remaining questionnaires were collected directly by the researcher. During this time, each business owner whose envelope was returned was sent a 'thank you' note via mobile phone text message.

Ultimately, 77 respondents completed and returned the questionnaire, as follows: 23 from Asanda Village, 17 from Nomzamo, 18 from Lwandle, 17 from Greenfields and two from Pholile. All in all, there were 25 female and 49 male respondents, along with one who didn't specify their gender.

4.4.6 Validity

Mouton (2001:102) believes that it is important to ensure that the instrument utilised is available, valid, reliable and relevant. To ascertain the internal validity of the research process, Bouma and Atkinson (1995:60) ask if the variables, as measured adequately, reflect that which initially the researcher's interest in the concept was. External validity, for Bless and Higson-Smith (1995:82), refers to whether the results obtained from a particular sample can be applied to all subjects in the population being studied. Lastly, for Goldenberg (1992:105), content validity refers to whether the items in the scale are representative enough to make up a scale.

4.4.7 Reliability

Bless and Higson-Smith (1995:130) state that reliability refers to the repeatability or consistency of the measures, where an instrument is expected to produce similar scores every time it is used to measure an unchanging value. Therefore, a study either has a high or low score of reliability.

4.5 Data analysis

As the responses in the questionnaire were coded, the data was fed directly into a spreadsheet. A statistical analysis of the data was then conducted through the assistance of the University of Stellenbosch's Centre for Statistical Consultation (CSC). According to Miller and Brewer (2003:194), the use of sophisticated statistical techniques in the analysis of quantitative information is increasing. This analysis was based on a variety of variables as described in the specific objectives and the resulting frequency distributions, for Bouma and Atkinson (1995:180), can be represented and summarised as categories, tables, graphs, as well as means and averages and also as histograms, charts and frequency polygons.

For analysis purposes based on the codes developed, a simple code sheet was put together for the researcher's own recollection when interpreting. Some of the items in the code-sheet were further fed into and linked to the spreadsheet for automatic reflection on the histograms, if that could be achieved. For Welman et al. (2005:328) a code sheet provides a summary of: the questions or items in the data collection instrument (questionnaire), the names of the variables in the data set, the coding or meaning of values, the range and the measurement levels.

Bernard (2000:529) recommends the testing of the research questions and correlations through the use of a null hypothesis (represented as H_0) and research/alternative hypothesis (represented as H_1). The null hypothesis, for Bernard (2000:529), simply states that there is no difference created by the independent variable, except for chance, while the alternative hypothesis is that there is indeed a difference created by the independent variable, not due to chance.

This study used four tests in particular, the Mann-Whitney U test, the Spearman's rank correlation coefficient, the chi-square and the Kruskal-Wallis test. These and other similar statistical tests are normally based on the assumption that there is no relationship between two specified variables in the total population (null hypothesis). Here, the

greater the significance of the p-value in each test, the less likely that the distribution being tested is simply a result of chance.

The Mann-Whitney U test, according to Nachar (2008:14), is used on diverse responses from two small groups within a homogeneous population and tests if the mean ranks for the two groups differ significantly from each other. If the mean of a response set of one of the groups is larger (alternative hypothesis) than that of the other group, then the null hypothesis (that there is no relationship) is rejected. Further, McBean and Rovers (1998:1) recommend the use of the Kruskal-Wallis test, which is a generalisation of the Mann-Whitney U test, in the case where the response streams being compared within a population may be larger than two. Here the null hypothesis being tested is normally still the same.

For Babbie (2007:466), the chi-square is a frequently used test of significance which is based on the assumption that there is no relationship between two variables in the total population. In using the chi-square, Bernard (2000:536) argues that the greater the significance of the χ^2 value, the less likely that the distribution being tested is simply a result of chance.

The Spearman's rank correlation coefficient test, according to DeFloor (1999:763) also tests the strength of relationship between two variables where data is ordinal, and the test itself assigns a value and a ranking to the data. These do not necessarily test causation, but only a correlation.

4.6 Limitations of the study

The 2008/2009 recession had a profound effect, not only in foreign markets but also in South Africa's small businesses. Therefore, in comparison to the results of the Bojanala and Unisa studies conducted early last decade, the results may differ significantly.

Also, the unassisted use of a standard questionnaire written in English among people who might be illiterate could elicit some erroneous responses. Short of constructing a questionnaire in various languages (for instance, in isiXhosa, seSotho, Shona, Portuguese and French, which would be prone to errors, cumbersome, expensive and difficult to administer), the English language is considered the most widely understood language for such a diverse group of people.

As expected, there are often cases of non-response by some of the population. Some of the reasons for non-response, according to Welman et al. (2005:73), are a simple refusal to respond, ineligibility to respond, inability to locate the respondent, as well as a respondent being located but being unable to make contact.

4.7 Elimination of bias

One of the common sources of bias is the non-response error, where a considerable share of the chosen sample simply does not respond to the instrument, resulting in them being excluded from the sample. This, to some extent, changes the representativeness of the sample. In this case, the researcher made an effort to visit those who had not responded after the due date, gave these owners a few more hours or days and collected the filled questionnaires. Unfortunately, some could not be located and only one was too busy to respond.

4.8 Conclusion

Administering this questionnaire was both a challenging and a fulfilling adventure. Involving young learners served a very important educational value to both the learners and the school. As foot-soldiers, the learners were very efficient and able to ensure that a significant number of the questionnaires was filled and returned. However, keeping the learners disciplined and motivated to visit the same house more than once proved very challenging.

The business owners were decent and willing to help, particularly when they understood what the research was about. It is the researcher's opinion that individuals and organisations that, over the years, have been peddling promises of providing help to previously disadvantaged people in the townships have done them a serious disservice. With cynicism so rife, a researcher has to exude confidence, assertiveness, as well as a great deal of empathy and respect to receive the cooperation of research subjects in the townships.

CHAPTER 5 – PROFILE OF THE BUSINESSES IN STRAND TOWNSHIPS: STATEMENT OF FINDINGS AND INTERPRETATION

5.1 Introduction

As mentioned in previous chapters, this study seeks to explain the socio-economic characteristics of the small and medium enterprises in the townships of the Strand and the external traits which are common among those businesses and owners that exhibit notable increased revenues.

Out of a total of 129 business owners that were identified through the database of Sinobulumko Business Association (2011), and confirmed through a business database developed by Khanyolwethu High School (2011), 77 business owners responded to the questionnaire.

This means that 60.6 percent of the target population of business owners did respond to this survey.

The questionnaire consisted of 35 coded questions, broken down into seven sections, according to the following order: a) socio-economic profile of the business owner (*four questions*), b) physical characteristics of the business (*three questions*), c) financing the business (*eight questions*), d) relationship with suppliers (*four questions*), e) transport (*two questions*), f) income/turnover (*two questions*) and g) the personal profile of the business-owner (*12 questions*). The central question being the dependent variable related to the total daily and monthly revenues of each business.

The following is a presentation of the answers that were provided to the various questions as well as the linkage between some of the questions. This is presented using graphs, histograms, tables and charts which were elicited from the statistical analysis of the

spreadsheets containing the answers. This analysis was done by the University of Stellenbosch's Centre for Statistical Consultation (CSC).

Because the hypothesis hinges on the income generated by the businesses, the presentation of this analysis begins with the section of the questionnaire relating to income.

5.2 Income/turnover

Part of the reason the questionnaire asked about both the daily 'take-home' and the monthly profits was to ensure that the businesses would supply an amount that could be a basis for analysis, whichever of the questions they would choose to answer. Of these two, the most important figure is that of monthly revenues. In practice, the local business owners normally 'take home' an amount of cash every time that the business hours close. Yet when calculating the monthly profits, the business owner takes into account all the costs of sales, so the daily 'take home' is not an automatic indicator of the monthly profits.

5.2.1 Monthly turnover

Figure 16 below reflects the monthly turnover of the businesses surveyed.

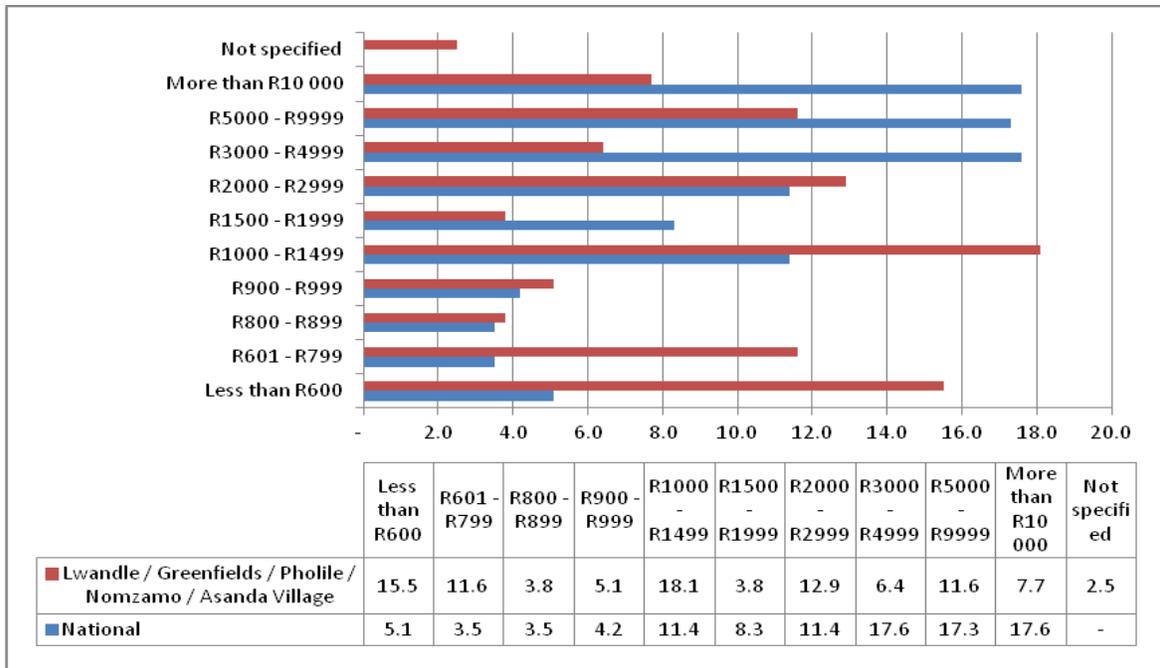


Figure 16 - Monthly turnover

Compared to only 5.1 percent nationally, 15.5 percent of the businesses in the Strand townships make less than R600 per month. Only 16.3 percent of businesses nationally make less than R1 000, whereas 36 percent of businesses in the Strand townships make this amount. Also, against the national average of 17.6 percent of businesses that make more than R10 000, only 7.7 percent of businesses in Strand townships make more than R10 000. On the positive side, 18.1 percent of businesses in the Strand townships make between R1 000 and R1 499, whereas the national average for those is only 11.4 percent.

Yet, although the national average for businesses making more than R5 000 is 34.9 percent, in the Strand townships the average is a mere 19.3 percent. Evidently, more businesses in the Strand townships are making smaller revenues than the national average and fewer businesses in the Strand townships make higher revenues than the national average. The businesses that volunteered their information make a combined minimum of R162 109 per month.

5.2.2 Daily revenues

Figure 17 below shows the amount that the businesses surveyed ‘take-home’ each night of every working day.

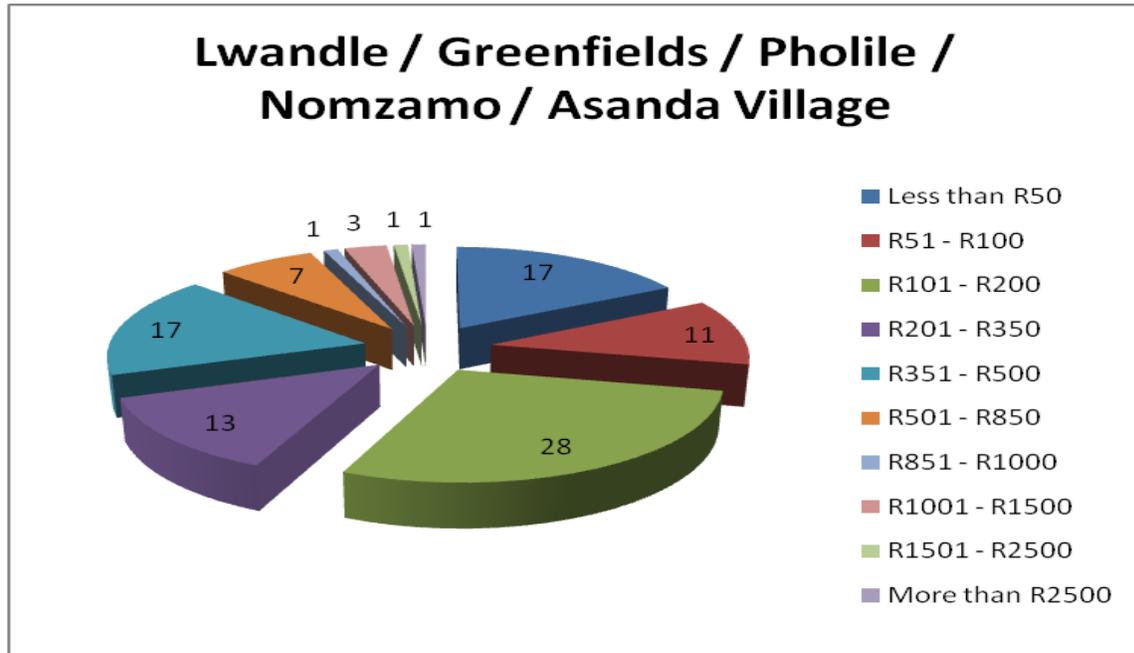


Figure 17 - Daily revenues - ‘take-home’

Of the businesses in the Strand townships, 28 percent make between R851 and R1 000 in revenues per day. Those that make less than R50 are tied at 17 percent with those that make between R351 and R500 daily. After these come those businesses that make from R201 to R350 (13 percent) and those that make R51 to R100 at 11 percent. Lastly, seven percent of the local businesses make between R501 and R850, followed by those that make R1 001 to R1 500 at only three percent. The rest are tied at one percent. From only the businesses that volunteered their information, the businesses make a combined minimum of R16 853 per day.

Obviously, the daily amounts that these businesses make do not often tally with the monthly turnover that the businesses supplied. The individuals surveyed here are expected to have indicated the full amount that they brought home. However, it is

possible that some have not provided the most reliable figure, partly because some of the businesses do not keep records.

It would be important to do further research on how much of this daily ‘take-home’ the business-owner’s household uses to purchase groceries and other incidentals for daily consumption. It would also be important to further research whether or not most of these businesses do keep detailed record of the business’ invoices and spending.

5.3 Socio-economic and demographic profile of the business owner

5.3.1 Gender of business owner

According to Figure 18 below, of the sample that completed the questionnaires in the Strand townships, there were 66.2 percent male business owners and only 32.4 percent female.

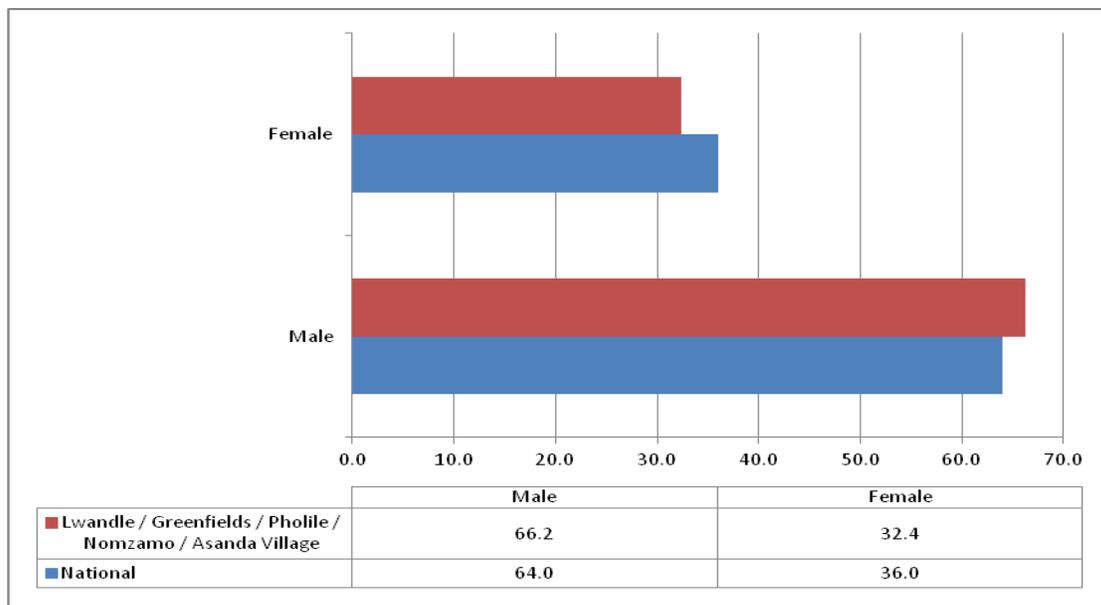


Figure 18 - Gender of business owner

This is comparably similar to the national baseline of 64 percent male and 36 percent female business owners. However, it is notable that there are slightly more male and less female business owners in the Strand townships than are found on a national scale.

How related is the gender of the business owner to the revenues that the business makes? Are the businesses owned by males, or females, more likely make higher revenues than those of their counterparts?

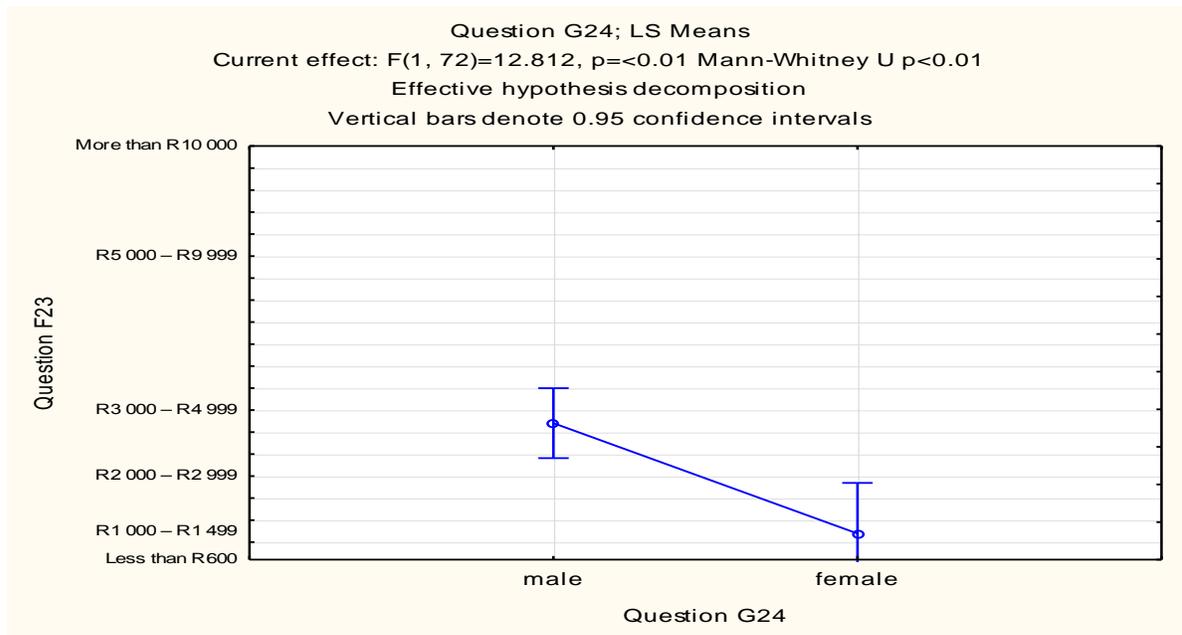


Figure 19 - Gender of business owner vs. monthly revenues

Figure 19 above indicates the results of a Mann-Whitney U test to explain the relationship between the gender of the business owner and the monthly revenue of their business. Here it becomes clear that male business owners make significantly higher monthly revenues than their female counterparts. Many of the males are clearly within the R3 000 to R4 999 range, while many females are nearer to the range of R1 000 to R1 499. At .01, the p-value is far less than .05. Therefore, the gender of the business owner is related to the monthly revenues that these businesses make. The relationship is clearly very strong.

However, regarding daily revenues (p-value of .17), there is no relationship between the revenues and the owner’s gender.

5.3.2 Age of business owner

According to Table 11 below, 65 percent of the business owners in the Strand townships are 35 to 49 years old, while 25 percent are 20 to 34 and nine percent are 50 to 64 years old.

Table 11: Age grouping of the business owner

<i>Age Grouping</i>	<i>Percentage</i>
20 – 34	25%
35 – 49	65%
50 – 64	9%

Does the age grouping of the business owner relate in any way to the revenue that their business makes?

Table 12: Age grouping of the business owner vs. revenues

<i>Category of Revenues</i>	<i>Spearman: p-value</i>
Daily Revenues	.39
Monthly Revenues	.28

Table 12 above shows the result of a Spearman's rank correlation coefficient test of the relationship between the age grouping of the business owner and its revenues. At .39 and .28 respectively, the p-value for both the daily revenues and the monthly revenues is above .05. Therefore, the relationship is not strong, even though there is a slight trend where those who are aged between 35 and 49 are actually making lower revenues than the other age groups.

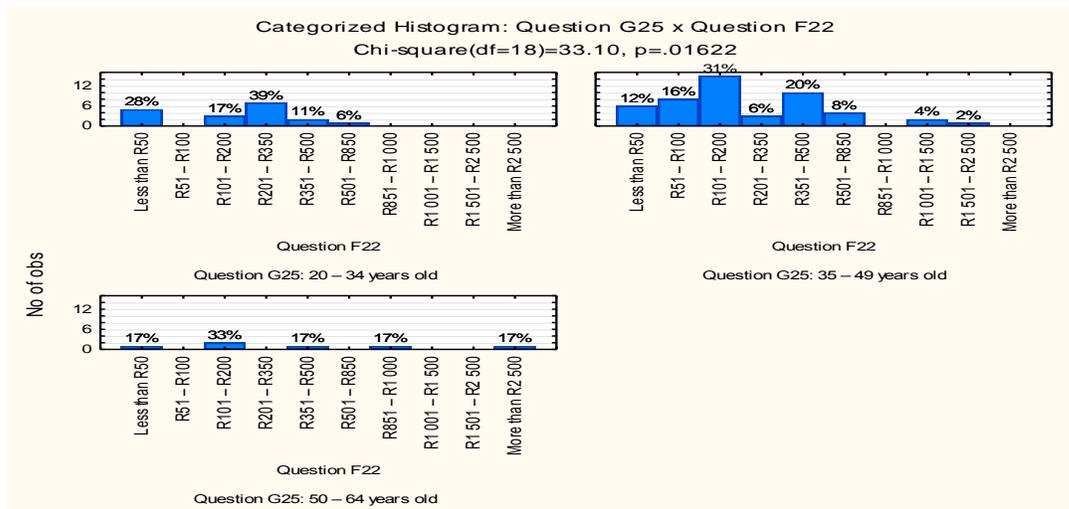


Figure 20 - Age grouping of the business owner vs. daily revenues

Interestingly, Figure 20 above shows the results of a chi-square test of the relationship between the age grouping of the business owner and its daily revenues. Here, the p-value for the daily revenues is at .01 which is below .05. Therefore the relationship is strong, showing that those who are aged between 35 and 49 are making *lower* daily revenues (mostly less than R350 per day) when compared to the other age groups. There is a slight trend indicating some pockets of those who are between 50 and 64 years old who each make over R850 (17 percent) and over R2 500 (17 percent also) per day. But the relationship is not significant.

5.3.3 Level of education of business owner

Figure 21 below shows that only 3.8 percent of business owners in the Strand townships have a university degree, while 5.1 percent have a post-matric diploma (these two categories were not specified in the national survey). Again, 22.0 percent of business owners in the Strand townships have completed their national senior certificate/matric and 26.7 percent nationally have completed theirs.

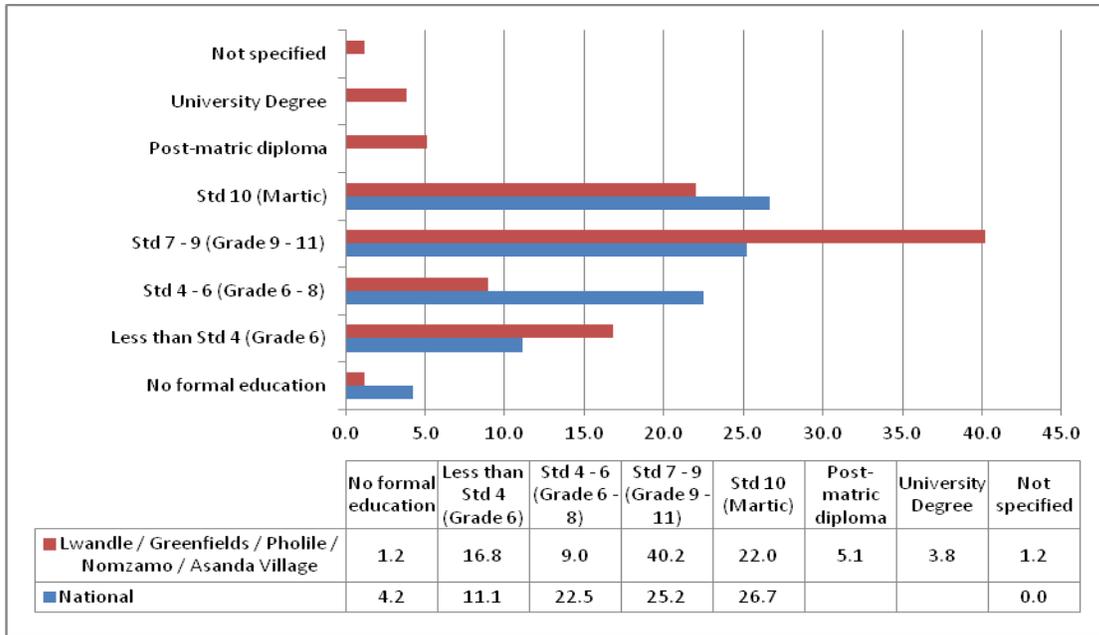


Figure 21 - Level of education of business owner

Interestingly, the Strand townships’ 40.2 percent of business owners who have Grade 7 to 9 education is significantly higher than the national average of 25.2 percent. Only 9.0 percent in Strand townships have Grade 6 to 8 education, compared to 22.2 percent nationally. Yet a comparatively close 16.8 percent in Strand and 11.1 percent nationally have less than Grade 4. Additionally, 1.2 percent in Strand townships do not have formal education at all, with 4.2 percent nationally. Evidently, more than 70 percent of the business owners in the Strand townships have had seven years of schooling or more, as against only half of the owners nationally.

Does the owner’s level of education relate in any way to the revenues that the business makes?

Table 13: Educational level of the business owner vs. revenues

<i>Category of Revenues</i>	<i>Spearman: p-value</i>
Daily Revenues	.03
Monthly Revenues	.43

Table 13 above shows a Spearman's rank correlation coefficient test of the relationship between the educational level of the business owner and its revenues. At .03 the p-value for the daily revenues is below .05. Therefore, there is a clear relationship. Specifically, the businesses of those who have Grade 7 to 9 and above (including those with university degrees and post-matric diplomas) make higher daily revenues than the others. These have had seven years of formal education or more. However, at .43 the p-value for the monthly revenues is higher than .05. This means that one's educational level is not related to one's monthly revenues, yet it is related to one's daily revenues.

5.3.4 Did the owner grow up in a family that had an active business?

From Figure 22 below, only 35.0 percent of business owners in the Strand townships grew up in a home that had an active business and 58.4 percent did not have such exposure.

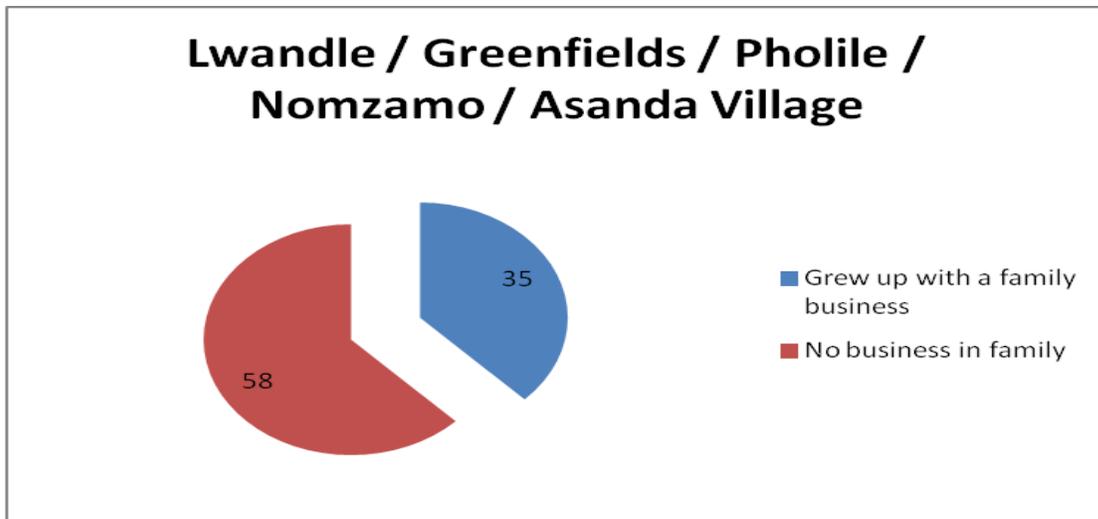


Figure 22 - A business at home

Does this exposure have any relationship with increased revenues for the business owner? In Figure 23 below are the results of a Mann-Whitney U test for ascertaining the relationship between business owners who grew up in a family that had an active business, and the monthly revenues of their business.

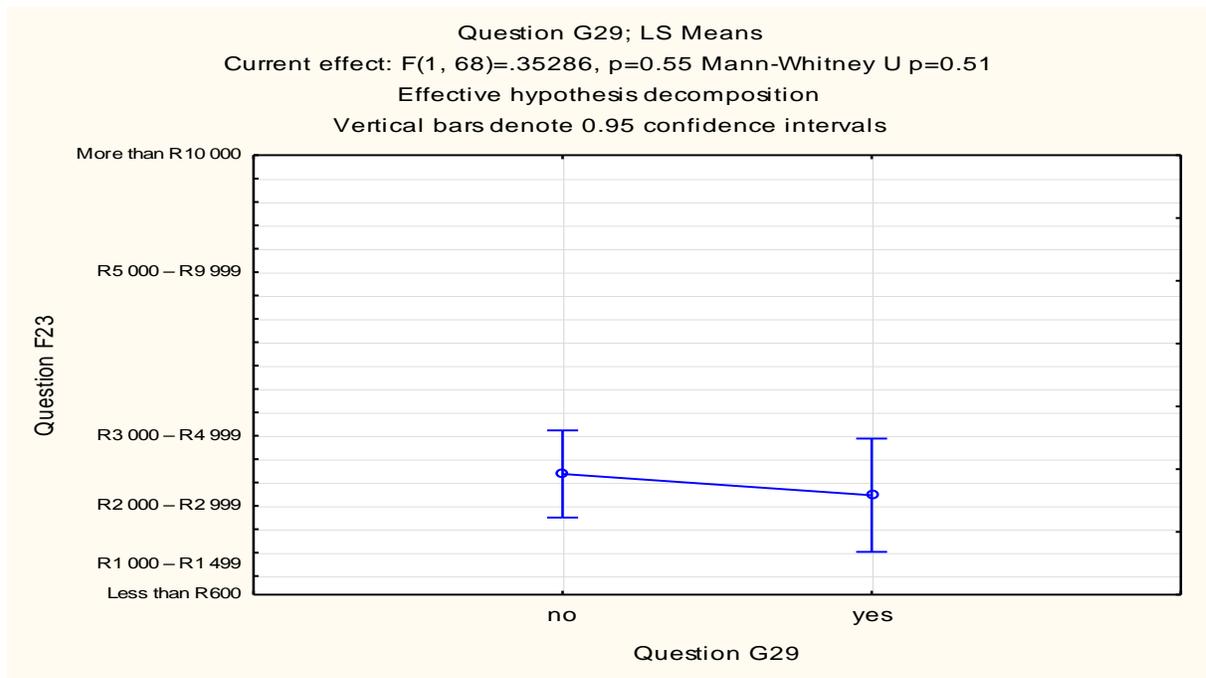


Figure 23 - Grew up with a business at home vs. monthly revenues

At .51 the p-value is far greater than .05. This means that there is no relationship between the presence or absence of a business at the home where a business owner grew up and the monthly revenue that their business makes. Thus, whether or not a business owner grew up in a family that had a business does not determine their business' monthly revenues. The p-value in the case of the business' daily revenues is at .94, indicating again that there is no relationship with the business' daily revenues.

5.3.5 Business owner's country of origin

According to Table 14 below, other than those from South Africa (87 percent), there are business owners from Zimbabwe (four percent), Somalia (four percent), Mozambique (three percent) and those from other countries (three percent).

Table 14: Business owner's country of origin

Country	Percentage
South Africa	87%
Zimbabwe	4%
Somalia	4%
Mozambique	3%
Other	3%

Interestingly, the percentages above are not significant enough to draw specific conclusions from. As a result no statistical tests could make a valid finding on whether the revenues made by the foreigner-owned businesses are any different statistically from those made by South Africans.

5.3.6 Business owner's province of origin

Also, Table 15 below depicts that the business owners who originate from the Eastern Cape constitute 61 percent of those in the Strand townships, those from the Western Cape constitute 37 percent and there is only one percent from KwaZulu-Natal.

Table 15: Business owner's province of origin

Province	Percentage
Eastern Cape	61%
Western Cape	37%
KwaZulu-Natal	1%

Does the business owner's province of origin have any relationship with the revenues that the business makes?

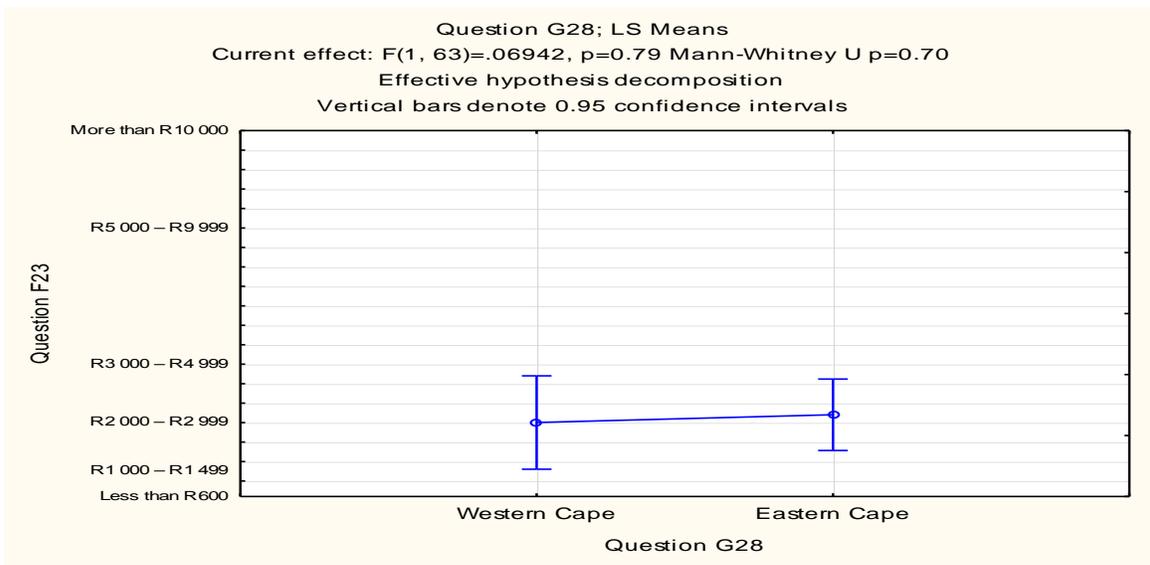


Figure 24 - Business owner's province of origin vs. monthly revenues

Figure 24 above shows a Mann-Whitney U test of the relationship between the business owner's province of origin and the monthly revenues that the business makes. Again, at .70, the p-value is much higher than .05, indicating that there is no relationship between the two variables.

5.3.7 Accepting a job in the formal sector

In Figure 25 below, 54.4 percent of the business owners in the Strand townships would accept a formal job if offered, comparatively close to the national average of 58.9 percent who also would. Again, marginally equal to the 41.1 percent national baseline, 41.4 percent of business owners in the Strand townships would not accept a formal job. The difference of 3.8 percent is made up of those who did not specify their choice.

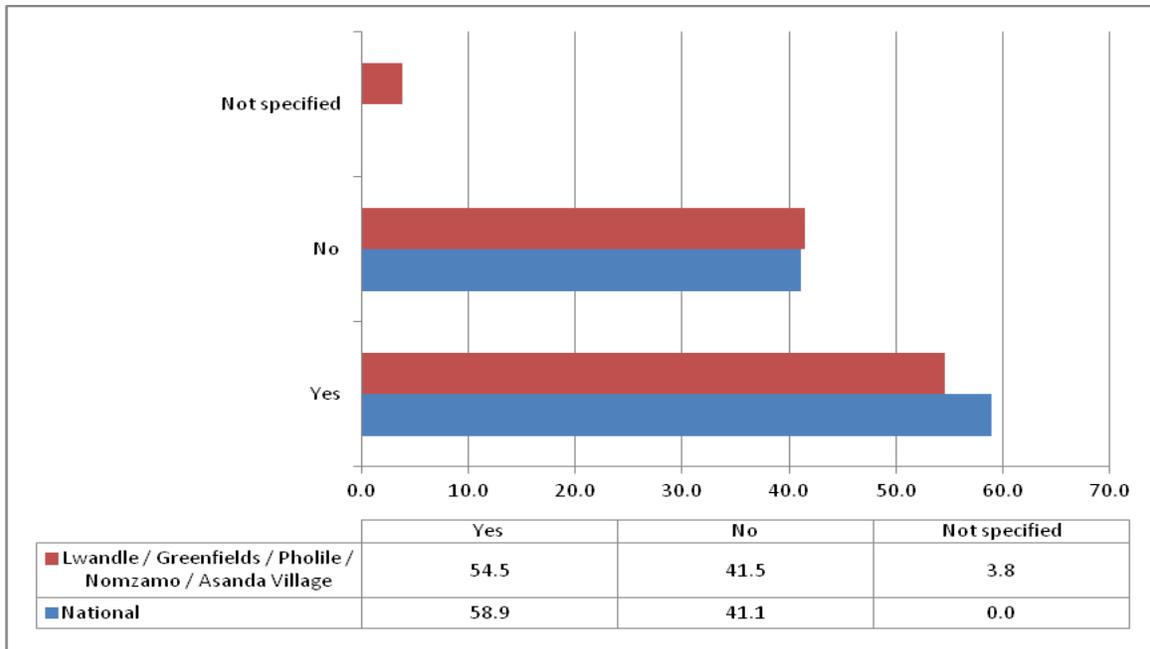


Figure 25 - Accepting a job in the formal sector

Noteworthy, among the female business owners in the Strand, 61.5 percent indicated that they would not accept a formal job whereas only 31.3 percent of the males indicated that they would not accept it. There could be some sociological explanations to this difference, however this study did not delve into this.

5.3.8 Main reason for starting the business

Figure 26 below demonstrates some of the main reasons for starting a business among the business owners. In the Strand townships, 49.3 percent of the businesses were started because the owner was unemployed, compared to the national average of 52.1 percent of businesses that were started for a similar reason. Interestingly, 22 percent of businesses in Strand townships were established for the purpose of seizing an opportunity (demand-pull), compared to 6.2 percent nationally. Thus, there were more ‘alert entrepreneurs’ (Gunning, 2000:2) identified in the Strand townships than nationally.

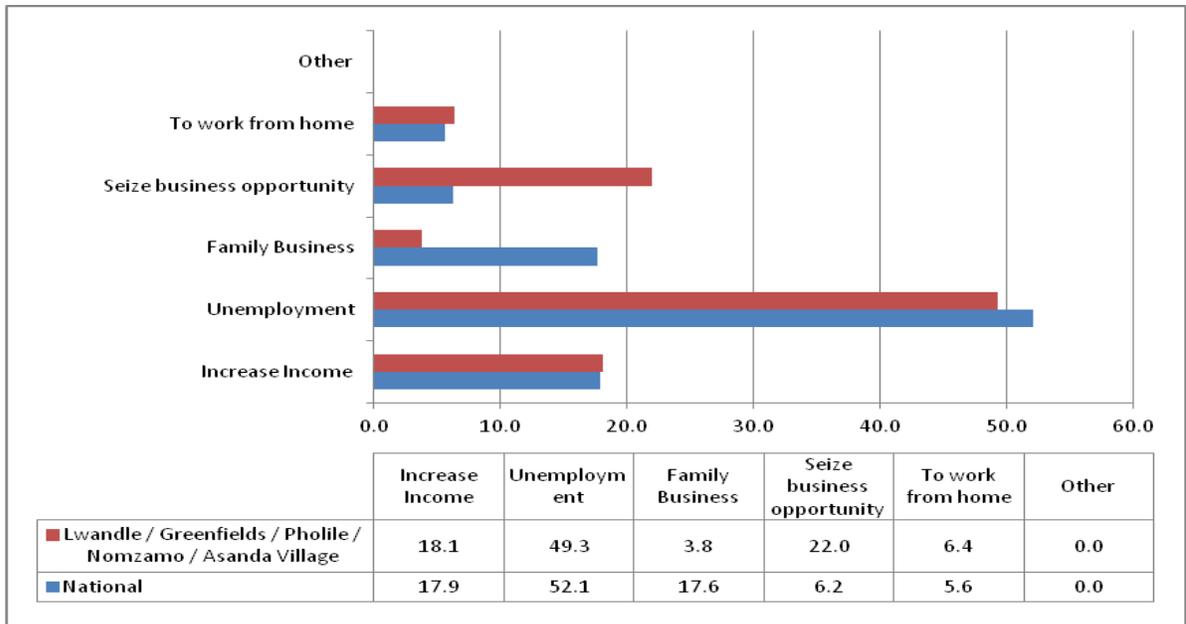


Figure 26 - Main reason for starting the business

Only 3.8 percent of businesses in the Strand townships were started by the owner’s family, compared to the national baseline of 17.6 percent. This means that there is relatively little tradition of family businesses in the Strand townships. Does an owner’s reason for starting a business relate to the difference in revenue that a business would make when compared to others?

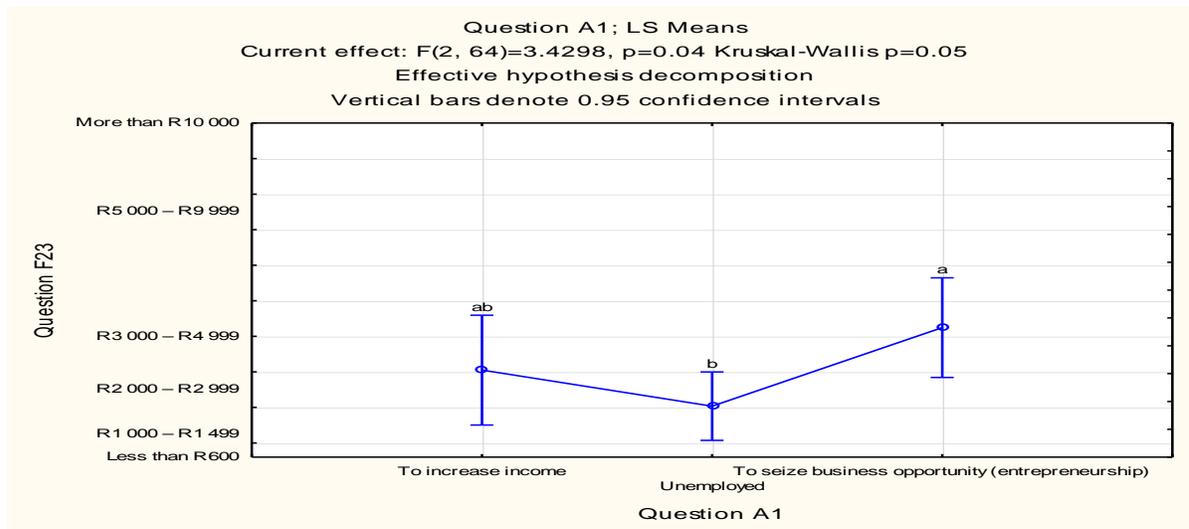


Figure 27 - Reason for starting the business vs. monthly revenues

Figure 27 above shows a Kruskal-Wallis test of the relationship between the business owner's main reason for starting the business and the business' monthly revenues. The p-value is exactly on .05. Therefore there are no variations observed. Though a clear trend exists in that the businesses that have been started to increase income have slightly higher revenues than those who started because they were unemployed, this trend is not significant. Therefore, the owner's main reason for starting a business is not related to their achievement of higher revenues than others.

For the business' daily revenues, the p-value is on .33, meaning that there is no relationship either.

5.3.9 Period that the business has been in operation

Figure 28 below reflects the length of time that the various businesses have been in operation. With 20.5 percent of businesses in the Strand townships having been in operation for two years or less, this does not differ much from the national baseline of 23 percent of the same lifespan. Interestingly, while the national average for businesses that have been operating for more than seven years is 25 percent, the Strand townships have this at 36.3 percent.

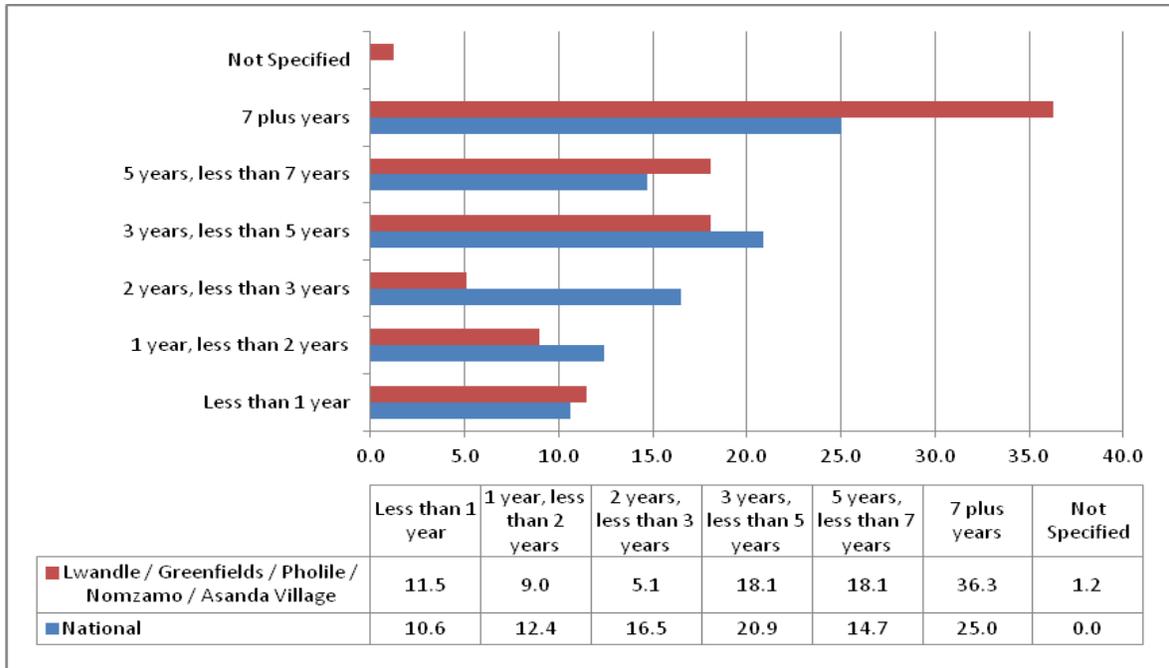


Figure 28 - Period that the business has been in operation

This means that more businesses in the Strand townships have been running for a longer period than the national average that was identified. However, it is important to remember that the national average was established in the early 2000s.

Table 16: Period of existence of the business vs. revenues

Category of Revenues	Spearman: p-value
Daily Revenues	.29
Monthly Revenues	.15

Table 16 above shows a Spearman's rank correlation coefficient test of the relationship between the period of existence of the business and its revenues. Again, at .29 and .15 for the daily revenues and the monthly revenues respectively, the p-value is higher than .05. This indicates that there is no relationship between the length of a business' existence and its revenues. However, there is a slight trend where some businesses over seven years in existence are making far less revenues both daily and monthly.

5.3.10 Involvement of owner in the business

Figure 29 below shows the percentage of owners who run their businesses full-time, compared to those who operate them on a part-time basis. The percentage of business owners who are full-time in their Strand townships' business is 79.2 percent, yet nationally the figure stands at 84.4 percent.

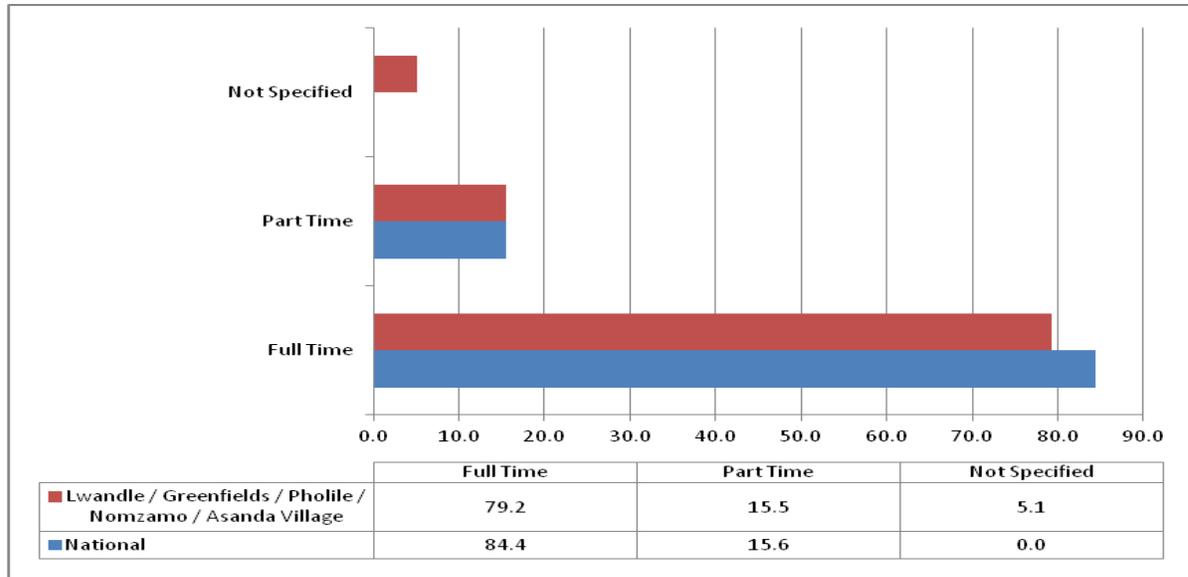


Figure 29 - Involvement of owner in the business

The owners who are part-time in their businesses make up 15.6 percent of the national picture and an equivalent of 15.5 percent in the Strand townships. The rest (5.1 percent in the Strand) did not specify. Of note, among males, 82.3 percent in the Strand townships run their businesses on a full-time basis as opposed to 13.7 percent of males who are part-time. Among females, 73 percent run their businesses on a full-time basis (19.2 percent part-time). Is the involvement of the owner related to increased revenues?

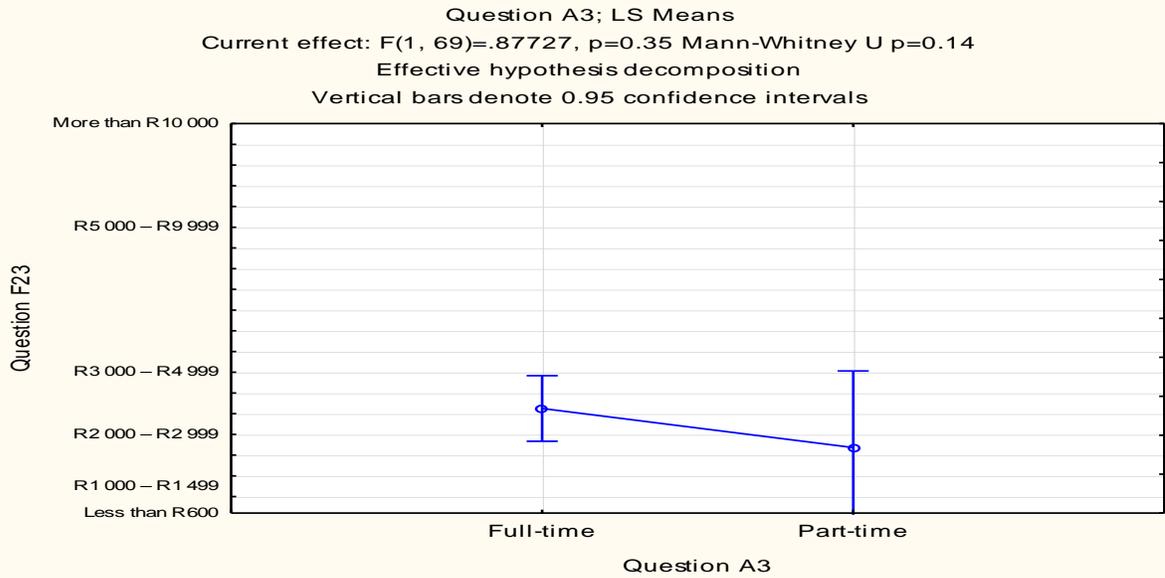


Figure 30 - Involvement of owner in the business vs. monthly revenues

Figure 30 above contains the findings of a Mann-Whitney U test on the link between the part-time or full-time involvement of the owner in the business and its monthly revenues. At .14 the p-value is higher than .05. However there is a slight trend towards full-time owners making higher revenues than those who are part-time but the link is not strong enough between the involvement of the owner and the revenue of the business.

5.3.11 Employment in the business

For comparative purposes, Table 17 and 18 below depict the average number of individuals employed in the businesses nationally as well as those in the Strand townships.

Table 17: Employment characteristics: National

<i>Type</i>	<i>Full-time</i>	<i>Part-time</i>	<i>Total</i>
Members of household	1.77	0.44	2.21
Non-members	0.57	0.14	0.71
Total	2.34	0.58	2.92

Data Source: Bojanala Platinum District Municipality (2003)

Whereas Table 17 above shows that the national averages, when it comes to the number of employees in a business, are 2.34 full-time and 0.58 part-time employees from the owner's own household, Table 18 below shows that for the Strand townships it is 1.31 full-time employees and 0.20 part-time. Table 18 further shows that, from people who are not related to the owner, the businesses employ only 0.48 on a full-time basis and 0.32 on part-time. Table 18 states that, on average, the businesses in the Strand townships provide employment to 2.31 individuals per business entity. This is less than the national average of 2.92 individuals as reflected in Table 17 above.

Table 18: Employment Characteristics: Strand Townships

<i>Type</i>	<i>Full-time</i>	<i>Part-time</i>	<i>Total</i>
Members of household	1.31	0.20	1.51
Non-members	0.48	0.32	0.80
Total	1.79	0.52	2.31

This further means that, whereas 100 businesses nationally would employ 292 individuals (234 full-time and 58 part-time), businesses in the Strand townships only employ 231 individuals (179 full-time and 52 part-time). This translates to 61 less employees in the Strand townships than the national average.

5.4 Physical characteristics of the business

5.4.1 Structure from which business is operated

A majority of these businesses are located in Asanda Village (30 percent), followed by Nomzamo and Lwandle (both 23 percent), then Greenfields (21 percent) and Pholile (three percent). From Figure 31 below, it is clear that most of these businesses (36.3 percent) operate from a room or garage that is attached to the main house, compared to the national baseline of 20.5 percent of those in such a structure. A notably low 1.2 percent of businesses in Strand townships operate from a brick building in the backyard when compared to the national figure of 28.8 percent for the same. There also is a notably higher percentage (10.3 percent) of businesses that operate from a metal container in Strand townships, than the national baseline of 2.4 percent. Only 6.4 percent of businesses in Strand townships operate from a shack, compared to 13.1 percent nationally.

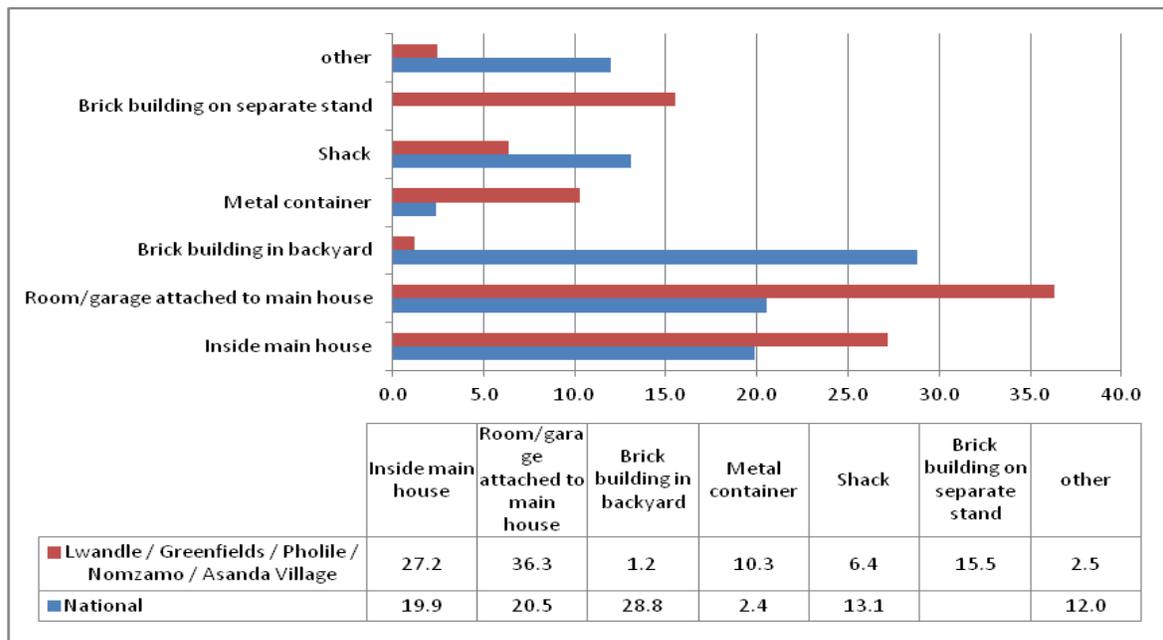


Figure 31 - Structure from which business is operated

However, the Strand townships exhibit 15.5 percent of businesses operating from a separate brick building in a separate stand, whereas nationally, there are no figures

provided. Here this includes businesses that operate from the Nomzamo Business Centre, an entity that is operated by a local community trust, anchored by a Shoprite U-Save store. Does the structure where the business is located have any relation to its revenue?

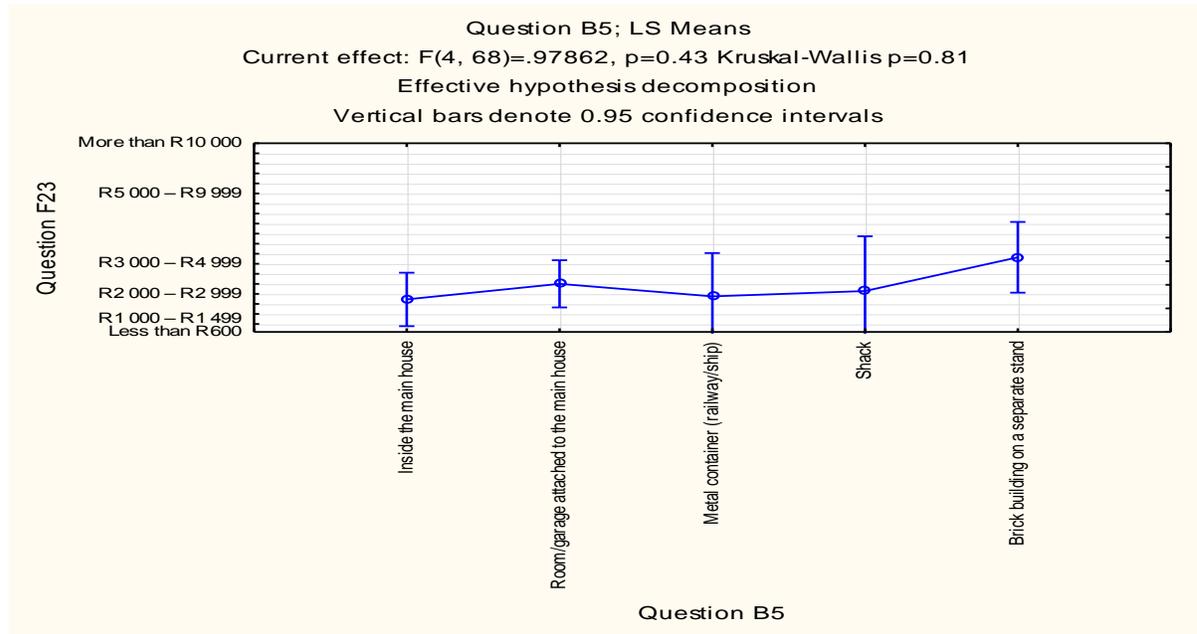


Figure 32 - Structure from which the business is operated vs. monthly revenues

Figure 32 above shows a Kruskal-Wallis test of the relationship between the structure from which business is operated and the business' monthly revenue. At .81, the p-value is much greater than .05. This means that there is absolutely no relationship between the structure from which the business is operated and its monthly revenue. The physical structure therefore, has no bearing on whether or not a business achieves higher revenues than others.

5.4.2 Availability of electricity

Figure 33 below demonstrates that an overwhelming 96.1 percent of businesses in the Strand townships do have electricity and only 3.8 percent do not, whereas 76.2 percent of businesses nationally have electricity access.

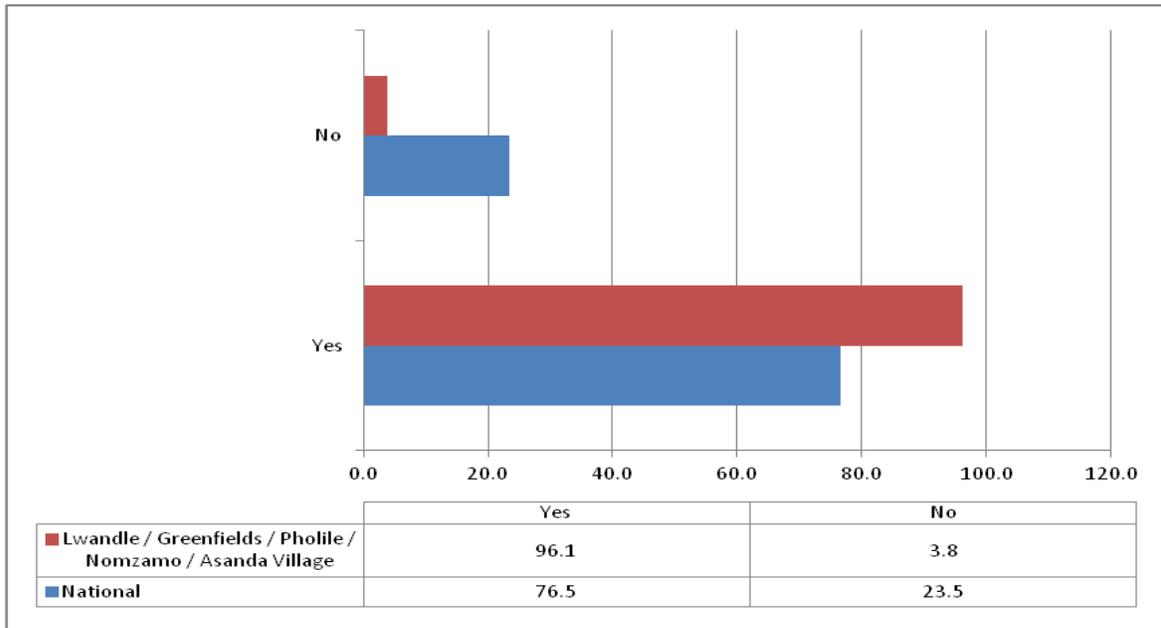


Figure 33 - Availability of electricity

5.4.3 Availability of water

From Figure 34 below it is clear that 87 percent of businesses in the Strand townships have running water available at their premises, compared to 62.5 percent nationally. Still, 12.9 percent of businesses in the Strand townships do not have water, compared to 37.5 percent nationally who also do not have water.

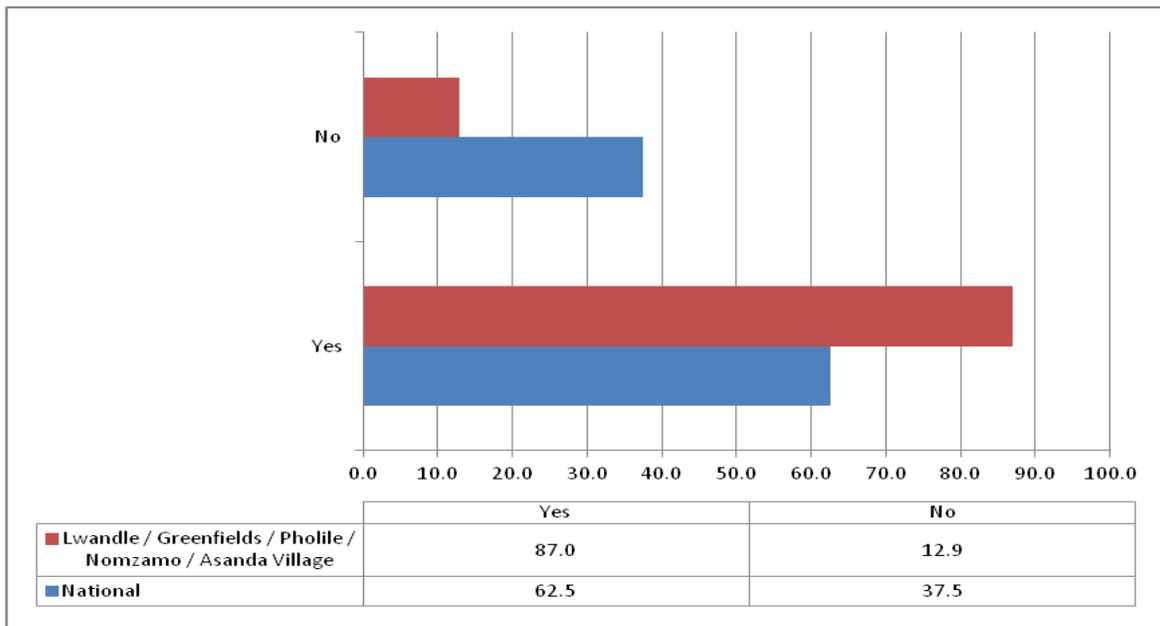


Figure 34 - Availability of water

5.4.4 Main method of trading

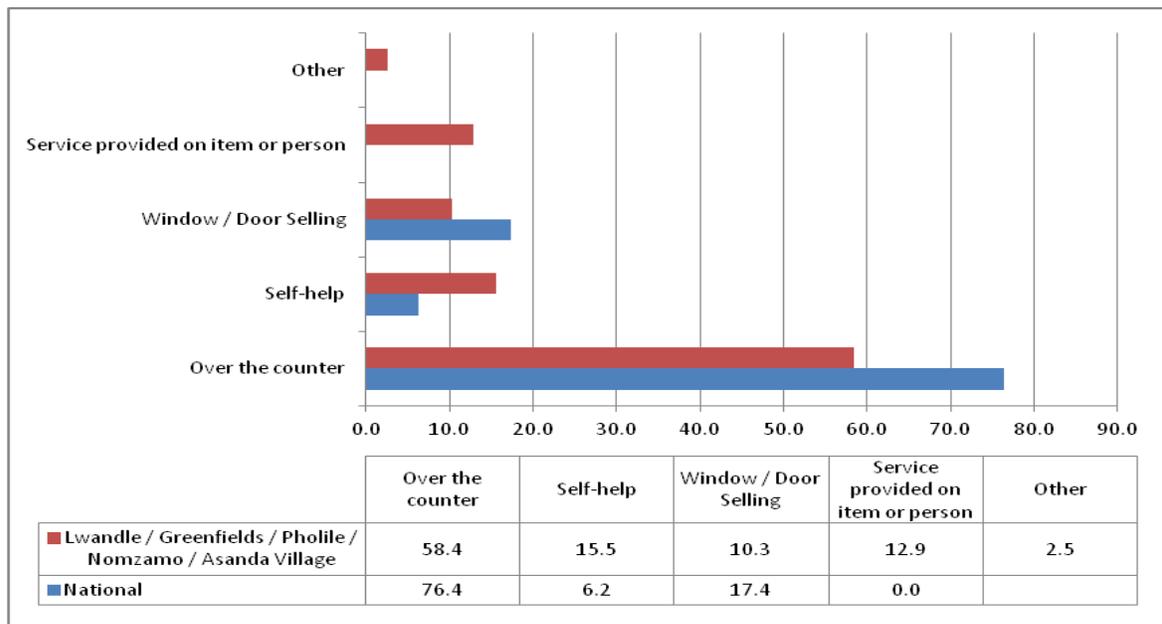


Figure 35 - Main method of trading

Figure 35 above shows that in most businesses (58.4 percent) in the Strand townships trade takes place over the counter, while the national average for such trade is at a significantly higher 76.4 percent. 12.9 percent of businesses in the Strand townships provide a service on the item or person (no figures specified in the national survey) and 15.5 percent of the Strand townships' businesses provide for self-help (with 6.2 percent in the national survey). In 10.3 percent of Strand township businesses, transactions take place over a window or at the door with 17.4 percent at national level. Does the method of trading relate to the business' revenues?

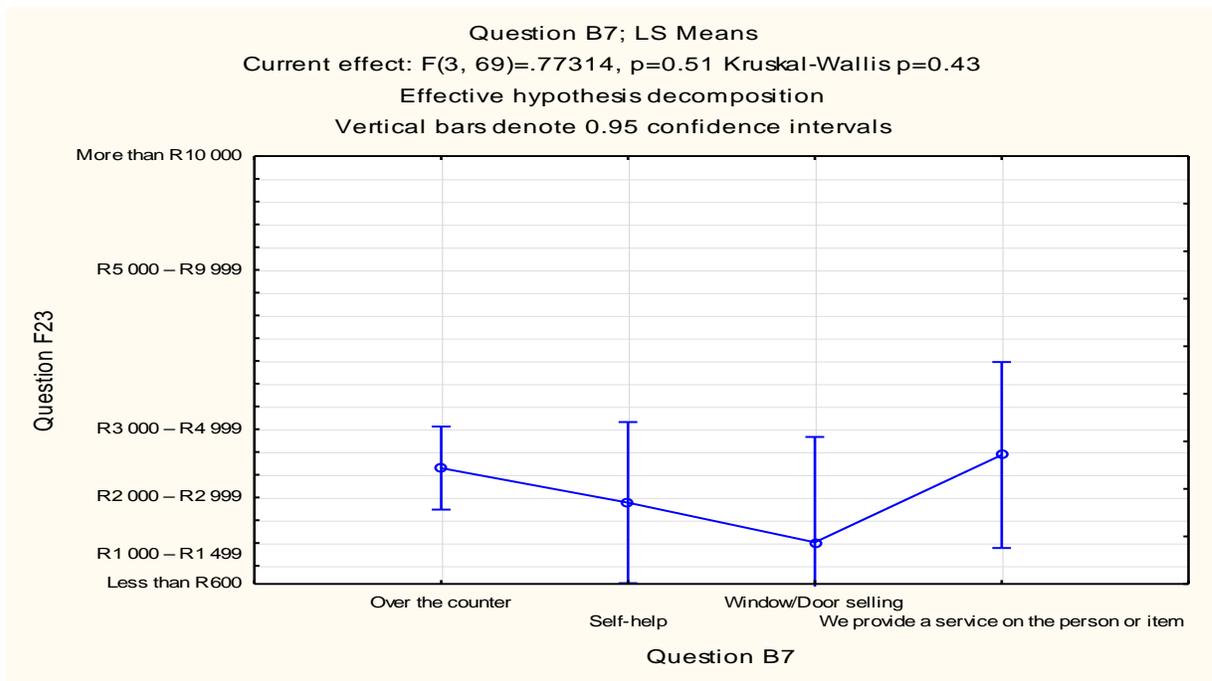


Figure 36 - Main method of trading vs. monthly revenues

Figure 36 above demonstrates the findings of a Kruskal-Wallis test of whether or not there is a link between the main method of trading in the business and the monthly revenues that the business makes. Even though there is a slight trend where those businesses that provide a service on an item or person make slightly higher revenues when compared to those that provide for door/window selling, the link is not significant. This is because the p-value is at .43 which is higher than .05. As a result, it is clear that the main method of trading has no relation to the monthly revenue that the business makes.

5.4.5 Registration with CIPRO/CIPC

Figure 37 below shows that only 22 percent of businesses in the Strand townships are registered with the Companies and Intellectual Property Registration Office (CIPRO), which has recently been overhauled to form the new Companies and Intellectual Property Commission (CIPC). Therefore 78 percent are not registered with CIPRO.

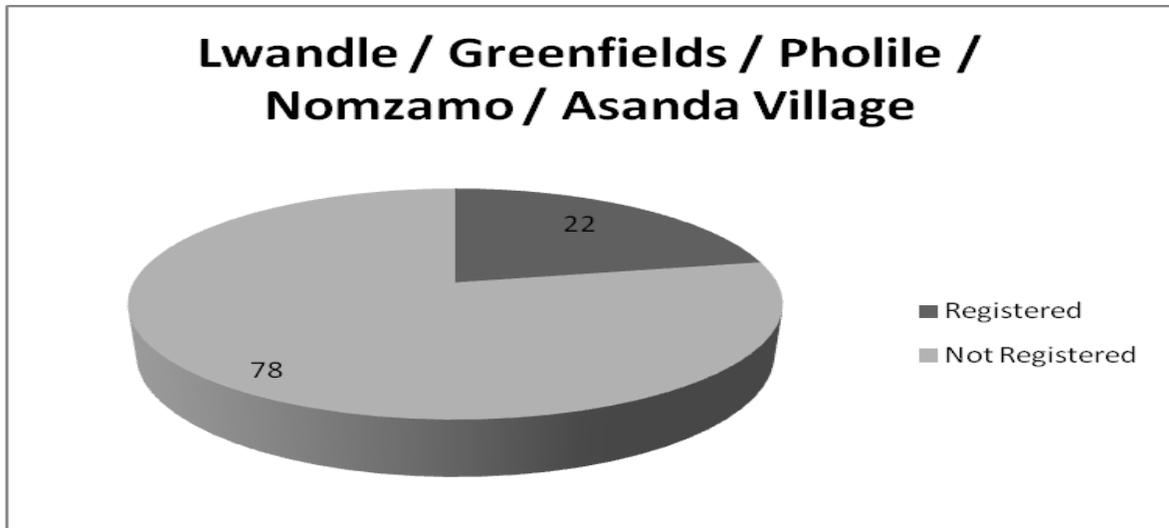


Figure 37 - Registration with CIPRO

Does a business' registration status with CIPRO have any bearing on the daily revenues of the business?

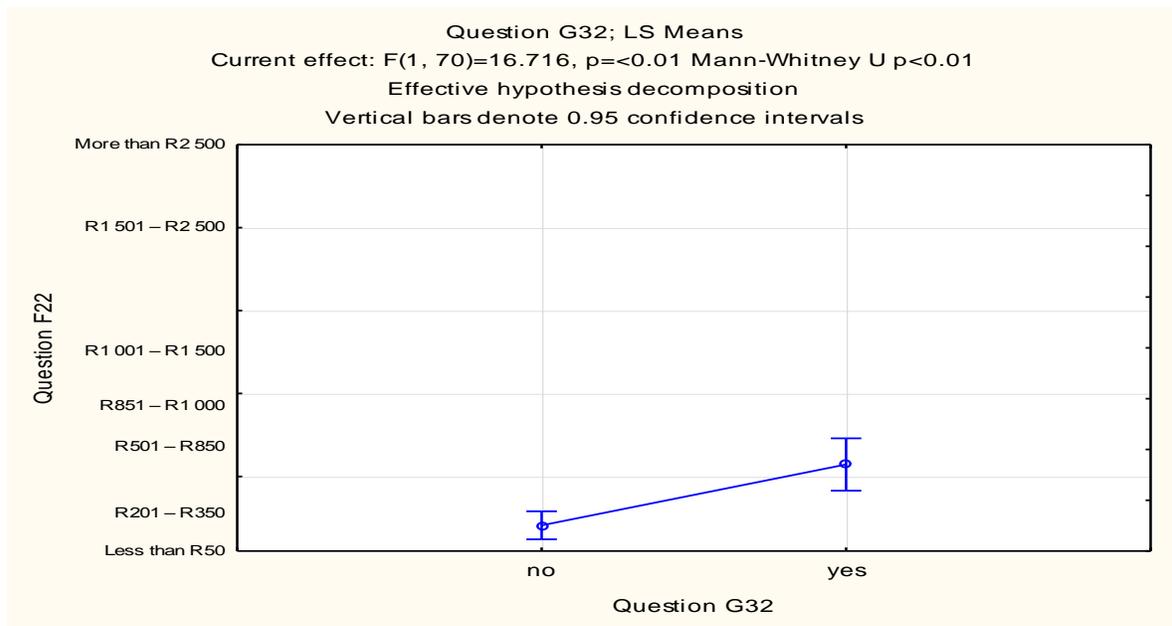


Figure 38 - Business' registration with CIPRO vs. daily revenues

Figure 38 above indicates the results of a Mann-Whitney U test conducted to explain the relationship between the status of the business' registration with CIPRO and the daily revenues that the business makes. At .01, the p-value is far less than .05. Here, it

becomes clear that the businesses that are registered with CIPRO have a greater chance of making significantly higher daily revenues than those that are not. The relationship is evidently very strong.

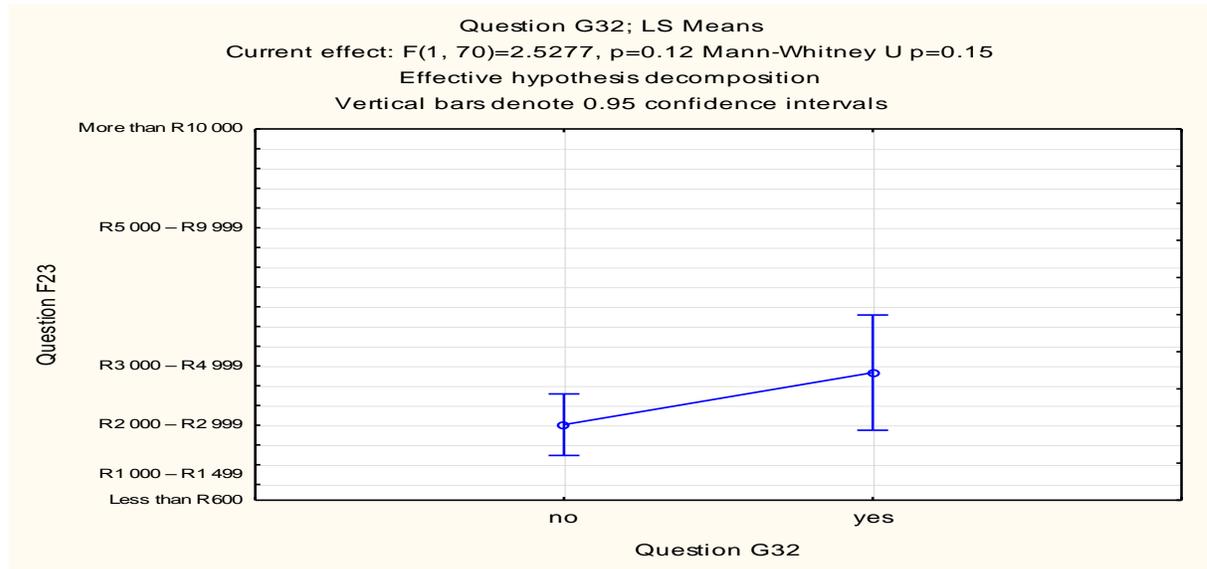


Figure 39 - Business' registration with CIPRO vs. monthly revenues

However, when it comes to the monthly revenues and their relationship with the business' registration with CIPRO, the results of a Mann-Whitney U test in Figure 39 above indicate that p-value is .15 which is slightly higher than .05. Thus, even though there is a trend where some of those businesses that are registered with CIPRO do make higher monthly revenues, the relationship is neither strong nor conclusive.

5.5 Financing of the business

5.5.1 Amount of capital invested at business start-up

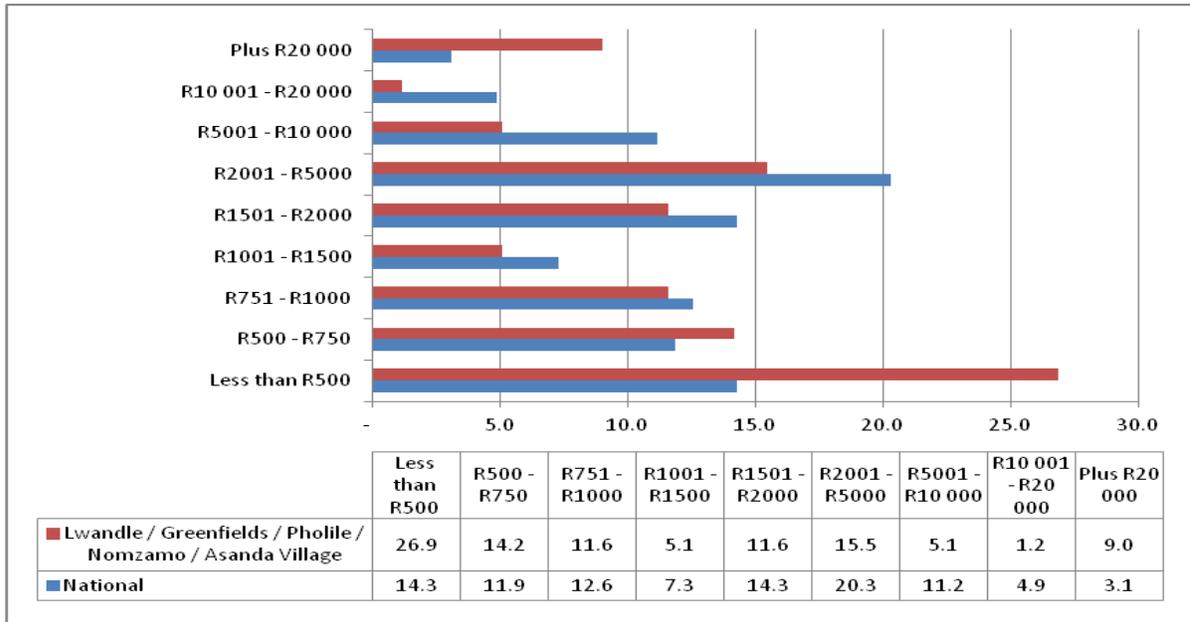


Figure 40 - Amount of capital invested at business start-up

Figure 40 above shows that 26.9 percent of businesses in the Strand townships were started with less than R500 capital invested whereas the national average of this is only 14.3 percent. This is followed by those businesses in the Strand that were started with between R2 001 and R5 000 (at 15.5 percent), compared to the national average of those at 20.3 percent. In the Strand townships, 10.2 percent of businesses were started with an amount above R20 000 (compared to eight percent in the national survey).

Interestingly, 78 percent started the businesses with their own savings, 14 percent from a retrenchment payout and ten percent with a loan from a friend or relative. Only four percent received funding from a bank. Whereas 49 percent never approached anyone for help in financing their business start-up, 27 percent had their request turned down by their own friends or acquaintances, nine percent by government financial institutions and 13 percent by banks (about two-thirds of these by more than one bank).

5.5.2 Use of banking facilities

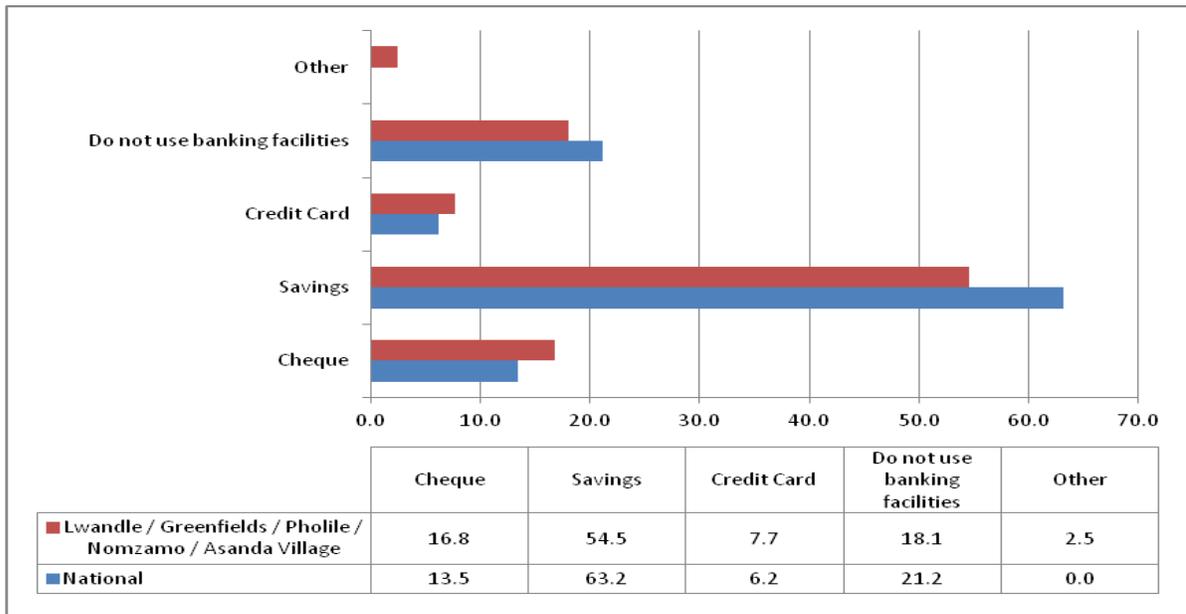


Figure 41 - Use of banking facilities

Figure 41 above shows that the majority of businesses in the Strand townships use savings accounts (54.5 percent), falling below the national average of 63.2 percent. However, 16.8 percent of businesses in the Strand townships use cheque accounts which is slightly above the national average of 13.5 percent. Even more interesting, 7.7 percent in Strand townships use credit cards, comparative to the national average of 6.2 percent. And 18.1 percent do not use banking facilities at all (within striking distance of the 21.2 percent national average).

Most of those who do use banking facilities use First National Bank (26 percent), followed by ABSA (24 percent), then Standard Bank (14 percent) and Nedbank (11 percent). Does the type of banking facility that a business uses have any bearing on the monthly turnover of the business?

Figure 42 below indicates the results of a Kruskal-Wallis test that examines the relationship between the banking facilities used by the business and the monthly revenues of the business. Businesses that use cheque accounts make higher monthly revenues than

all others, especially those that do not use banking facilities at all. At .04, the p-value is less than .05. Therefore, the type of banking account that is used by a business has a relationship with the revenues that the business produces.

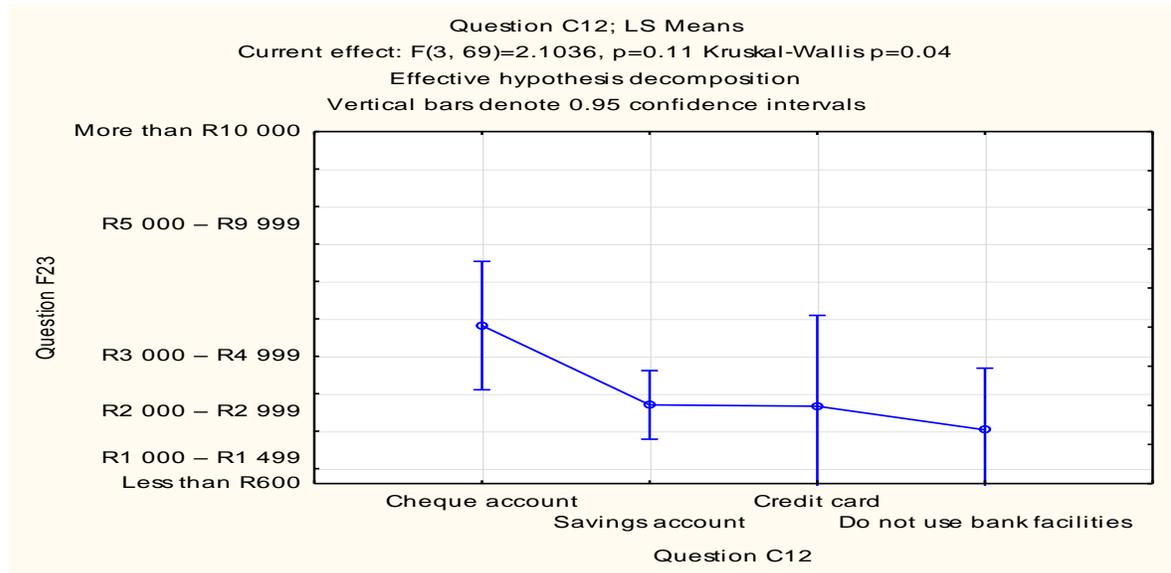


Figure 42 - Banking facilities that the business uses vs. monthly revenues

Does the type of banking facility that a business uses have any relationship with the daily revenues of the business? Figure 43 below indicates a much stronger relationship between the banking facilities used by the business and the daily revenues of the business. At .01, the p-value is far less than .05 meaning that the businesses that use cheque accounts make significantly higher daily revenues than all others.

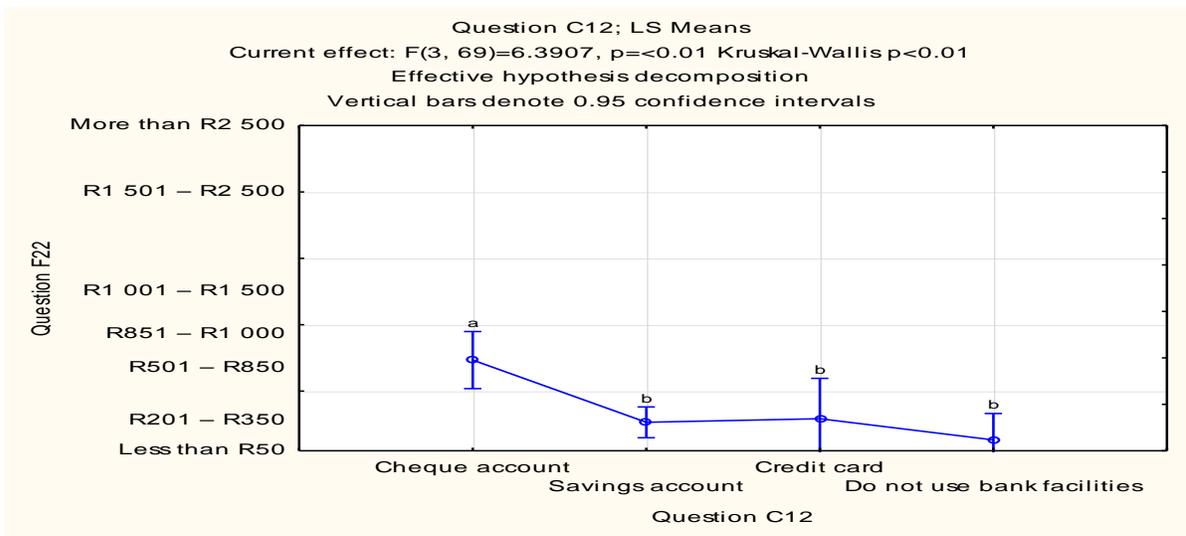


Figure 43 - Banking facilities that the business uses vs. daily revenues

5.6 Relationship with suppliers

5.6.1 Type of main supplier

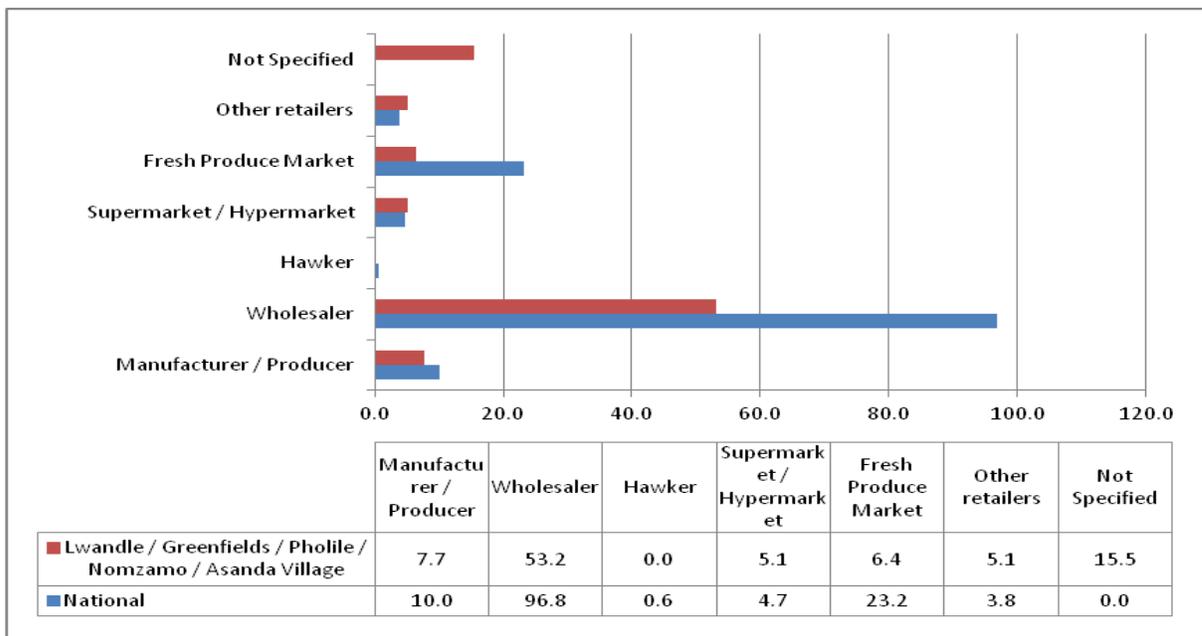


Figure 44 - Type of main supplier

According to Figure 44 above, 53.2 percent of businesses in the Strand townships mainly purchase their merchandise from wholesalers (96.8 percent nationally) and only 7.7 percent in Strand townships purchase directly from manufacturers or producers (ten percent nationally). However, only 6.4 percent in Strand townships purchase from a fresh fruit market, compared to 23.2 percent nationally who purchase from the same. Some of the 15.5 percent who indicated ‘other’ specified that they purchase their merchandise mainly from distributors, particularly for specialised items like cool drinks, alcoholic drinks, cosmetics and such items.

For 87 percent of these businesses all purchases from their main suppliers are in cash or debit card and only 13 percent have some credit facility with the supplier.

5.6.2 Delivery of merchandise by main supplier

Table 19: Delivery of merchandise by main supplier

<i>Delivery by the main supplier</i>	<i>Percentage</i>
Delivers at my business premises	29%
Does not deliver	71%

According to Table 19 above, for 71 percent of these the main suppliers do not deliver to the businesses’ premises, while for 29 percent the main suppliers do deliver. Moreover, 38 percent of these owners believe that it would make a positive difference to their expansion prospects if the suppliers would deliver and 36 percent are unsure (about one-third of those who do not know are those to whom suppliers deliver). However, the statistical tests reflect differently.

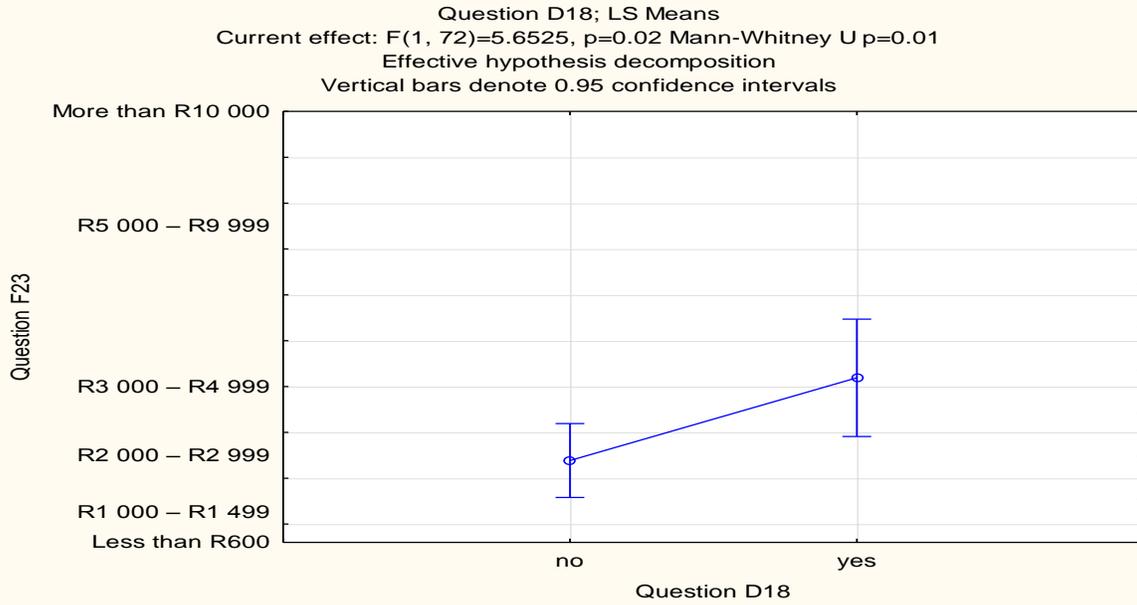


Figure 45 - Delivery by main supplier vs. monthly revenues

Figure 45 above shows a Mann-Whitney U test of the relationship between whether or not the main supplier delivers to the business premises and the business' monthly revenues. At .01, the p-value is far less than .05. This indicates that the relationship is indeed strong. Businesses where the main supplier delivers make significantly higher monthly revenues than those where the suppliers do not.

When measuring the relationship between whether or not the main supplier delivers to the business premises and the business' daily revenues, the p-value is .06, slightly above .05. However, the trend is clear that some of those businesses where the main supplier delivers make higher daily revenues.

5.7 Transport costs

5.7.1 Mode of transport for bringing merchandise



Figure 46 - Mode of transport

Figure 46 above shows that, in traveling to purchase the merchandise that is normally not delivered by suppliers, an overwhelming 64.9 percent of business people in the Strand townships use their own vehicles (compared to a 53.7 percent national average). And 19.4 percent in the Strand townships hire other individuals' private vehicles, as against a 26.7 percent national average. Only 6.4 percent in the Strand townships use taxis, compared to the national average of 16 percent. While none in the Strand townships use busses or trains for this purpose, 6.4 percent walk or push trolleys (compared to one percent of the national average that does the same).

Does the mode of transport used by the owner relate to the revenues that the business makes?

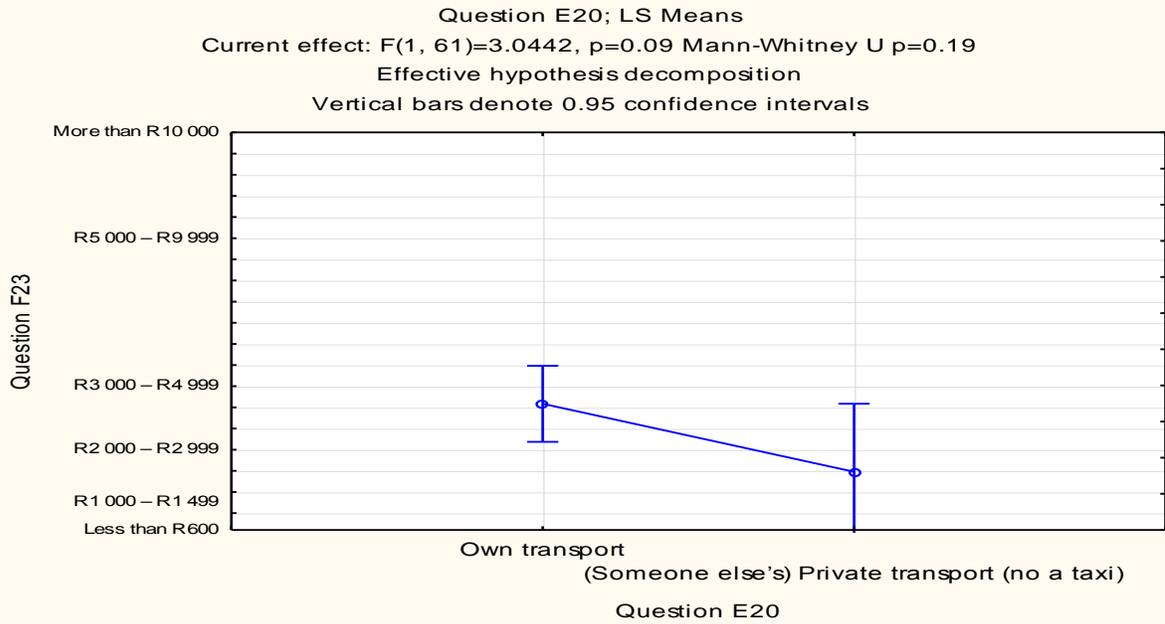


Figure 47 - Mode of transport vs. monthly revenues

Figure 47 above shows a Mann-Whitney U test for measuring the relationship between the mode of transport and the business' monthly revenues. At .19, the p-value is higher than .05, indicating that there is no relationship. However, there is a trend where those businesses whose owner uses his or her own transport tend to make slightly higher monthly revenues than those in which the owner hires somebody else's private vehicle. Still, the relationship is not strong enough to formulate a definite conclusion.

This same trend is further confirmed by the p-value of .21 when measuring the relationship between owners' use of own or hired transport against their daily revenues. There is no relationship found between the two.

5.7.2 Average weekly spending on transportation

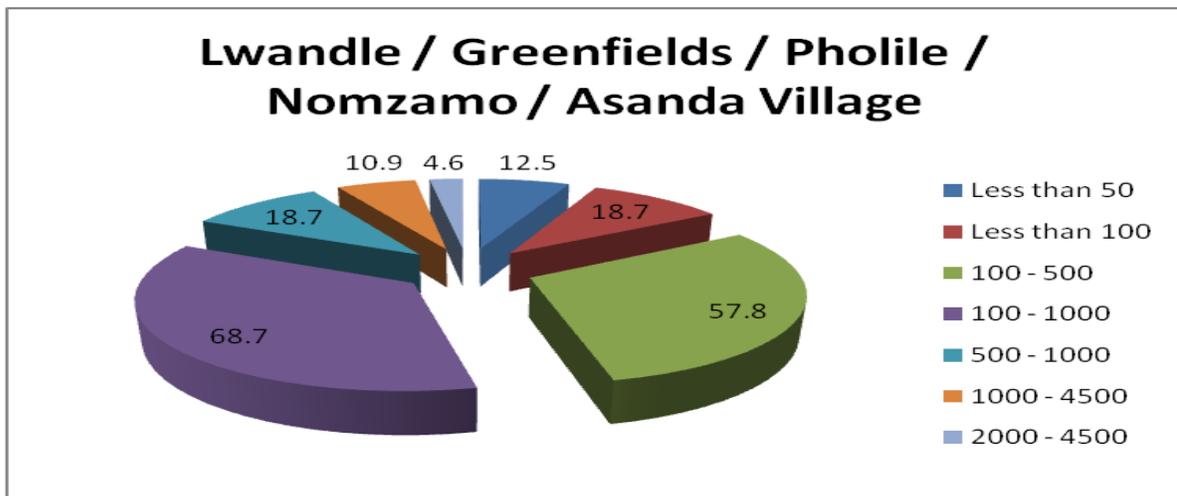


Figure 48 - Average Weekly Spending on Transportation

Figure 48 above shows the weekly spending on transportation by the businesses in the Strand townships. Each week these businesses spend, on average, R485.70 (*the median*) on traveling to purchase the merchandise that is not delivered. More specifically, 12.5 percent of these businesses spend less than R50, while 68.7 percent spends between R100 and R1 000. Moreover, 18.7 percent spend under R1 000 while another 18.7 percent of them spends between R500 and R1 000. 4.6 percent spend between R2000 and R4 500.

The amounts that these businesses spend on transportation are notably high. Spending a weekly sum of R485.70 (about R1 942.80 monthly per business) on transportation is a serious opportunity cost of purchasing valuable stock which might have otherwise benefited the small businesses.

5.8 Government financing

5.8.1 Awareness and use of government support

Table 20 below reflects the percentages of the businesses in the Strand townships surveyed who are aware of, and have used, specified government support systems that are set up for supporting small businesses.

Table 20: Business owners' awareness and use of government support systems

South African Government Business Support	Aware	Have used
Umsobomvu Youth Fund (UYF)	48.0%	2.5%
National Youth Development Agency (NYDA)	28.5%	1.2%
The Department of Trade and Industry (the dti)	22.0%	1.2%
Small Enterprise Development Agency (Seda)	19.4%	1.2%
Khula Enterprise Finance (<i>land reform empowerment facility, credit indemnity scheme, micro-credit outlets</i>)	18.8%	2.5%
Red Door	18.1%	0.0%
Cape Town Small Business Week	15.5%	5.1%
The Industrial Development Corporation (IDC)	14.2%	0.0%
South African Micro-Finance Apex Fund (SAMAF)	12.9%	3.8%
City of Cape Town Business Support Vouchers	11.6%	1.2%
The National Empowerment Fund (NEF) (<i>imbewu fund, corporate fund, strategic project fund</i>)	9.0%	0.0%
Innovation Fund (<i>patent support fund, seed fund, technology advancement programme</i>)	3.8%	0.0%
Investing in Culture (IIC) Programme	2.5%	0.0%
Isivande Women's Fund	0.0%	0.0%
Gauteng Enterprise Propeller (<i>start-up finance, franchise finance, contract finance</i>)	0.0%	0.0%

At 48 percent, Umsobomvu Youth Fund (UYF) holds by far the highest name-recognition, followed at 28.5 percent by the National Youth Development Agency (NYDA), which has now replaced the recently-disbanded UYF. Following in the list of recognisable names, in order, are the Department of Trade and Industry (22 percent), Small Enterprise Development Agency (19.4 percent), Khula Enterprise Finance (18.8 percent) and Red Door (18.1 percent).

Others that are not as well-known as the above-mentioned are: Cape Town Small Business Week (15.5 percent), the Industrial Development Corporation (14.2 percent), South African Micro-Finance Apex Fund (12.9 percent), City of Cape Town Business Support Vouchers (11.6 percent), the National Empowerment Fund (9.0 percent), Innovation Fund (3.8 percent) and the Investing in Culture Programme (2.5 percent).

However, in terms of entities that have actually provided some support to businesses in the Strand townships, the order is: Cape Town Small Business Week (5.1 percent), South African Micro-Finance Apex Fund (3.8 percent), Khula Enterprise Finance (2.5 percent) and Umsobomvu Youth Fund (2.5 percent). Of these, the Cape Town Small Business Week does not provide any financial support. Additionally, the following entities have provided support to 1.2 percent of the businesses apiece: Department of Trade and Industry, Small Enterprise Development Agency, Khula Enterprise Finance and City of Cape Town Business Support Vouchers.

Therefore, the entities that are specifically set up to provide financial support by government are generally not widely known among the owners of businesses in the Strand townships.

5.8.2 Amount of government financing received

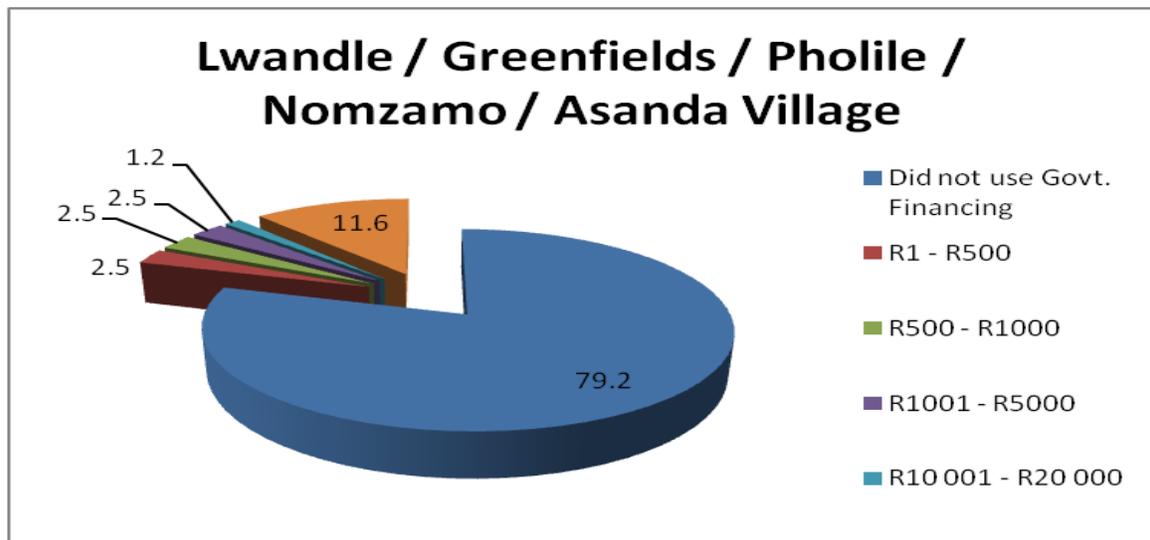


Figure 49 - Amount Received in Government Financing

From Figure 49 above, it becomes clear that government funding has either not been largely received or has not been utilised much by the businesses in the Strand townships. An overwhelming 79.2 percent of businesses in the Strand townships indicated that they have never received any financial support from these government entities. Of those that have received some support, only 1.2 percent have received R10 000 to R20 000. 2.5 percent have each received R1 to R500, and R501 to R1 000, as well as R1 001 to R5 000 respectively. Of the business owners that indicated they have received some of the above-mentioned amounts, 71.4 percent are male and 28.5 percent female.

Because of the underwhelming percentage of respondents who have indicated receipt of one Rand or more, none of the statistical tests found these numbers to be worth being compared to any others. They would not have produced any valid conclusions. All in all, the take-up of government financial support has been very poor among the businesses in the Strand townships.

5.9 Summary and conclusion

The findings above have a bearing on the research conducted by Bradford (2007:96) which concluded that the businesses that tend to make higher revenues are generally those that are owned by males, operating from a container or a formal building, whose owners have vehicles, and have credit cards, are registered and whose processes include the formal recording of receipts and disbursements.

However, this study concludes that the businesses that make larger monthly revenues are those that are owned by males, to whose premises the main suppliers do deliver merchandise, as well as those whose owners use cheque accounts for the business. In addition, the entities that make larger daily revenues are those that are owned by males, whose owners have Grade 7 to 9 and above, that are registered with CIPRO as well as those whose owners use cheque accounts for the business.

Lastly, in answering a question that was posed for purposes of understanding major brand-trends among the business owners in the Strand townships, only five percent of them use Cell-C on their mobile phones, whereas 28 percent use Vodacom, and at 67 percent, MTN dwarfs them both!

CHAPTER 6 – OVERVIEW OF FINDINGS FROM BUSINESSES IN STRAND TOWNSHIPS AND DISCUSSION OF RESULTS

6.1 Introduction

This chapter deals with a presentation of the findings and includes a fitting discussion thereof. It begins with a short discussion of the literature that is relevant to the study and the findings. It then presents the findings made from the data that was collected.

6.2 Background and objectives of the study

This study has sought to explore the characteristics of those small businesses that make higher revenues than others, along with the traits that their owners exhibit. The purpose is to ensure that government agencies and private sector institutions that provide various types of business support have more updated, credible criteria and characteristics to look for. This is also so that these institutions will have some current knowledge to operate from, as they are a key cog of the economic development of the country.

At the beginning of this research, these were the key research questions:

- i. What are the characteristics of the businesses and of their owners in the townships that are in Strand?
- ii. What is the range of revenues that these businesses normally generate?
- iii. What are the common distinguishing factors among the businesses that eventually create higher daily revenues and monthly revenues, as opposed to the rest of the businesses?

The key dependent variable throughout relates to the revenues that the business makes. The rest are the independent variables that are supposed to have been factors leading to

the business making higher revenues than its counterparts. Following is a summary and a discussion of the research conducted, as well as the findings that have been made.

6.3 Summary of the literature

Various writings have contributed to this study's attempt to characterise the small business environment, particularly in the South African context. In the midst of a considerable number of survival enterprises, Rogerson and Rogerson (1997:87) argue that most businesses in townships are micro enterprises, often involving only the owner, some family members and about four employees. Within these enterprises, Rogerson (2000:680) argues that women entrepreneurs generally occupy the bottom layers and generally earn less than men.

Most of South Africa's small businesses, according to Toomey (1998:90), are not registered mainly due to the lack of desire or capacity to keep detailed records and because of the erroneous desire to evade VAT. The ability to keep proper records usually sets apart the serious players, who are in business for the long haul, from the rest. Rogerson (2000:680) agrees that many of these businesses exhibit a potential to become viable, yet operate without licenses or registration and the owners are usually untrained.

Even though the government has set up a number of institutions and systems to support the development of small businesses, many small business owners are not aware of these. Scarce resources for supporting entrepreneurial development, according to Bradford (2007:95), must be targeted to those businesses that have the greatest potential to grow and increase employment. Hence a thorough understanding of these businesses and their owners is essential. On the other hand, Rose et al. (2006:13) argue that these government support programs are not significant to venture growth.

Mogale (2007:347) observes that South African financial institutions' ignorance about the informal market sector and the lack of collateral by small and micro enterprise owners necessary to obtain credit, along with high administrative costs associated with small

savings amounts are the often-cited rationalisations for their reluctance to be involved. With better knowledge about the small business sector in the townships, government institutions, banks and the private sector stand a good chance of awakening this high-stakes, high-potential market for their eventual collective benefit.

6.4 General characteristics and income of the businesses

6.4.1 Business income

The income of the businesses is presented as both daily-profits and monthly turnover. This is because the link between these two is often broken. As a result, daily-profits often are not an automatic indicator of the business' monthly revenues.

The majority of the businesses in the Strand townships make between R101 and R200 per day and R1 000 and R1 499 per month. The second-highest number of businesses is jointly those that make less than R50 and between R351 and R500 per day, as well as those that make less than R600 per month. Combined, the businesses that volunteered their information make a minimum of R16 853 per day and a minimum of R162 109 per month. Very few make high revenues when compared to the national average; most are actually making very little revenues daily and monthly.

It is evident that the figures for daily revenues do not tally with the monthly turnover. This makes it apparent that the profits made each day are not consistently ploughed back into the business for the rest of the month.

6.4.2 Gender, age, business heritage and education of business owner

Close to two-thirds of business owners in the area are male. This means that, similar to research conducted nationally, there are few female business owners. However, close to two-thirds of the females would not accept a formal job if offered whereas a third of the

males would accept one. Most of the business owners are 35 to 49 years of age. A majority of them have done Grade 7 to 9 or even a national senior certificate (matric). Most of the business owners originate from the Eastern Cape and only about a third of them grew up in a home that had an active business.

Statistical tests show that male business owners make significantly higher monthly revenues than their female counterparts. Therefore, whether one's business will make higher monthly revenues is actually related to one's gender. However, the owner's gender is not strongly related to the daily revenues that the business makes.

On the other hand, it is also clear that those who are aged between 35 and 49 are actually making lower daily revenues (mostly less than R350 per day) than the other age groups. Also, it is clear that the businesses of those who have Grade 7 to 9 and above make higher daily revenues than the others. Yet both the owner's educational level and age grouping do not have a relationship to higher monthly revenues. Also, whether or not one grew up in a home that had an active business does not have any relation with the revenues that the business would make.

Only a little over one-tenth of the businesses are owned by foreigners with no single foreign country holding a significantly high percentage among these business owners. As a result, there is no difference in revenues made by foreigner-owned businesses and those owned by South Africans or even between those South Africans who originate from the different provinces.

6.4.3 Motive, longevity and owner-involvement

About half of the businesses were set up because the owner was unemployed at that time, and very few were family businesses. The Strand townships have more 'alert entrepreneurs' (Gunning, 2000:2) who started their businesses to seize an opportunity than could be found in research done on a national scale. A majority of the businesses has been in operation for more than seven years, closely followed by those that have been

operating for two years or less. An overwhelming majority of the owners are involved in their businesses on a full-time basis.

Even though there is a slight trend where some of the businesses that are seven years or older, as well as those that were started to increase income, make slightly less, and slightly higher revenues than others respectively, both the longevity and the motive of the business are not related to their achievement of higher revenues compared to others. Furthermore, despite a few of those business owners who are full-time in their business making slightly higher revenues than others, there is no definite link between the part-time or full-time involvement of the owner in the business and its revenues.

A hundred businesses in the Strand townships employ about 231 individuals (179 full-time and 52 part-time), this is still about 61 less employees than the national average.

6.5 Services-availability, physical structure and trading method

The majority of the businesses in this study are located in Asanda Village. Most have water and electricity and most operate from a room or garage that is attached to the main house, followed by those that operate from a separate brick building. While trade mostly takes place at a counter, there are a significant number of those where customers help themselves. There is, however, no relationship between the structure from which business is operated and its revenues. Neither does the main method of trading relate to the revenues that the business makes.

6.6 Registration, banking and financing of the business

Only one-fifth of the businesses are registered with CIPRO. About four-fifths of the businesses have been started with the owner's savings, usually of less than R500 and very few (about one-tenth) used or received funding from government or from a bank, combined. Also, more than half of the businesses use savings accounts, most using First National Bank (FNB) or ABSA yet about one-fifth do not use banking facilities at all.

The businesses that use cheque accounts make significantly higher revenues, both in monthly and daily revenues, than all others. However, it is not clear whether these businesses started out on cheque accounts or switched to these when they started to make higher revenues and needs to be further researched. Interestingly, even though the businesses that are registered with CIPRO are making higher daily revenues than those that are not, these do not make higher monthly revenues than their counterparts.

6.7 Relationship with suppliers

More than half of the businesses in the Strand townships mainly purchase their merchandise from wholesalers, followed by those who purchase from a fresh fruit market. Less than one-fifth have some credit facility with the main supplier. The suppliers only deliver merchandise at the premises of less than a third of the businesses.

However, businesses at whose premises the main suppliers deliver make significantly higher monthly revenues than those where the suppliers do not deliver.

6.8 Transport costs

Close to two-thirds of business owners use their own vehicles to purchase merchandise that is not delivered, while one-fifth hire other individuals' private vehicles. On average, these businesses spend a weekly sum of R485.70 (about R1 942.80 monthly per business) on transportation. A majority of business owners believe that they would sell a bigger range of products and make higher revenues if the main suppliers would deliver to their premises.

Although the ownership and use of a vehicle by the business owner is not related to a business' ability to make higher revenues, there is a slight trend where some of those businesses whose owner uses his/her own vehicle tend to make slightly higher revenues than those where the owner hires somebody else's private vehicle.

6.9 Awareness and use of government financing

The entities that are specifically set up to provide financial support by government are generally not widely known among the owners of businesses in the Strand townships. The most widely known government vehicle for funding businesses is the now-defunct Umsobomvu Youth Fund (UYF), familiar to about half of the business owners. Its replacement, the National Youth Development Agency (NYDA), is further familiar to only about half of those who are aware of the UYF.

Also, it is clear that more than four-fifths of the businesses in the Strand townships have never received or utilised government funding. As a result, it is impossible to ascertain if a business' awareness and use of government financing would have any bearing on its revenues.

6.10 Conclusion

Previous research conducted by Bradford (2007:96) concludes that the businesses that tend to have higher revenues are generally those owned by males, operating from a container or a formal building, whose owners have vehicles, and have credit cards, are registered and whose processes include the formal recording of receipts and disbursements.

However, this study concludes that the businesses that tend to make larger *monthly* revenues are those that are:

- a) Owned by males,
- b) using cheque accounts for the business, as well as those
- c) at whose premises the main suppliers do deliver merchandise.

On the other hand, the businesses that tend to make larger *daily revenues* are those that are:

- a) Owned by males,
- b) whose owners have Grade 7 to 9 and above,
- c) are registered with CIPRO, and
- d) using cheque accounts for the business.

Thus, the alternative hypothesis has been proven: that the various specific characteristics of the business have a notable relationship with the daily/monthly turnover of the business.

These findings are significant, particularly in the context where resources for supporting small businesses are scarce. Also, in a changing economic environment like today's it is always important to re-evaluate and fine-tune the criteria that are used for lending. As well, this should bear some significance in deciding on both the content and the choice of recipients for business training programmes.

CHAPTER 7 – CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

Now that the study has reached its fitting crescendo, it is important to provide a proper use for the study and its findings. What are the implications of this study and its findings? How can these findings best be put to practical use? What were the areas where the study possibly fell short of its initial goal?

7.2 Implications of the study

The commercial implications of this study are enormous. Apart from the potential to position local business associations in a strategic partnership with the major banks and other private sector players, the university can also carve its own niche within such a partnership. With this knowledge in mind, these sectors and structures can begin to craft a common understanding and find areas of cooperation for mutual advantage.

The study finds that business owners who use cheque accounts make higher revenues than their counterparts. Obviously, a cheque account has more features and is more sophisticated than a savings facility. Among its advantages is the level of detailed information that most banks typically send to owners of cheque accounts: transaction history, offers for business loans and these days, accounting information. Interestingly, most of these business owners have accounts at First National Bank (FNB), followed by ABSA and, to some extent, at Standard Bank.

If the major banks would aggressively offer these small business owners more information and an opportunity to convert their business accounts to specifically-dedicated cheque accounts, this could result in a win-win situation. The banks could design a specific product offering with features that are tailored for businesses in

townships and rural areas, possibly even marketed as the '*Spaza Account*'. This way the banks could receive a heightened level of customer loyalty from these small businesses.

As mentioned, however, it is not clear if these businesses started out with cheque accounts or switched to them as a result of the revenues that they were making. Most conventional businesses often operate a current account, a cheque and/or a credit card facility. It is often wise for a business to plan for growth and to begin using instruments that would enable, rather than hinder, this growth. A bank account is one such instrument.

Secondly, in finding that the businesses whose main suppliers deliver at the premises tend to make higher revenues than others, this study can form a basis for stronger relationships between suppliers and small businesses. Apart from receiving higher marks for Enterprise Development in their Broad Based Black Economic Empowerment (BBBEE) scorecards, the suppliers could take great pride in spurring business growth in the townships. Due to the possibility for increased competition, most of the savings made by the businesses due to decreased transport expenditure could cascade down to the consumers.

Thirdly, the newly formed Companies and Intellectual Property Commission (CIPC), which has replaced CIPRO, has an opportunity to make use of the finding that businesses registration has some relationship with a business' revenues. This finding should come as a major strategic and marketing boost to the CIPC, particularly at this embryonic stage of its life.

The social implications of this study are just as stark. If businesses that are owned by males, as this study shows, are more likely to make higher revenues then the gender differences need to be studied. Is there a factor in the socialisation processes within the local culture that gives males an edge over females in the decisions that they make for ensuring that their businesses make higher monthly revenues? The statistical tests depict

that this difference is not up to chance. So, if this differentiating factor exists it needs to be isolated and understood.

As described earlier, the south-western boundary of these townships which borders the commercial-urban, predominantly white, landscape is a railway line with no facility for crossing either on foot or by car. This boundary is further reinforced with a concrete wall, parts of which have subsequently been torn down. This 'iron-divide' makes it difficult for free movement to take place for trade purposes. Now could be the best time, in the famous words of former US President Ronald Reagan, for local township business owners and their urban-based suppliers together to proclaim (socially, culturally and economically), 'Tear down this wall!'

7.3 Recommendations

This study makes some valuable recommendations which can be very useful for purposes of assisting small businesses to maximise their potential in townships. Some of these recommendations are meant to augment and bring quality to the body of knowledge on the subject of small business development:

- 1) This study recommends that the government and its business support agencies should reconsider and amend the criteria that they use for lending to would-be entrepreneurs. The amended criteria would have to take into account the various common features among the businesses that make higher and lower revenues, as specified in the findings of this study.
- 2) Further, there is a need for government, particularly at local level, to work actively with the local business associations to organise training for owners about how they can improve their businesses performance. These should include the importance of proper record-keeping for business expenditures, invoices, tax-receipts and other information.

- 3) Local government and various private sector partners would do well to design and offer business mentorship and training packages, particularly aimed at women entrepreneurs from the townships, in order to increase their skills level.
- 4) Government could consider actively encouraging the formalisation of businesses. Businesses that exhibit some of the characteristics of formalisation (such as registration with CIPRO and banking), including having a delivery arrangement with suppliers, are among those that also show higher revenues.
- 5) Seeing that a minimum of seven years of formal schooling does have a slightly positive impact on how an individual runs a business, it could be beneficial to infuse some elementary chapters on business skills within those years of basic education, with the level of complexity gradually increasing from grade to grade.
- 6) Government has to use more creative means to make potential and current business owners aware of the systems and entities that have been set up to finance and support businesses. These entities could pool their resources and provide informative posters in local government service centres as well as use local media when possible.
- 7) As part of the idea of the '*Spaza Account*' suggested above, the banks could design a dedicated bank account that enables smaller businesses, particularly those in townships, to manage their cash-flow better. Like the current Mzansi Account, which is dedicated for the lower end of the savings market, the Spaza Account could be designed with similar exclusions. However, it could provide manageable credit lines along with detailed transaction and accounting information suitable for small businesses.

- 8) A similar study to this, undertaken in various other townships, would be effective to ascertain if the results explained here could be generalised and applicable to other townships both in the City of Cape Town and in other parts of South Africa.
- 9) A study could be further undertaken to ascertain the sociological and psychological factors that cause males to be more willing to accept a formal job and quit running a business venture when compared to their female counterparts.
- 10) This study recommends that the South Africans who run businesses in the townships should consider pooling their resources to purchase some of the merchandise and thus offset most of the weekly R485.70 spent in travel costs. During interactions while administering questionnaires it became apparent that, while most South African-owned businesses often individually bear the burdens of purchasing their merchandise, most Somali-owned businesses often pool their resources with their compatriots in other parts of the Strand. This would also enable them to take advantage of the economic muscle and the economies of scale brought about through bulk purchasing.
- 11) A further study should be done on the factors that cause about half of the aspiring business owners to rarely or infrequently approach the banks or other institutions for funding, as this study has shown. This would delve into a practical discussion of the advantages and disadvantages of starting a business on borrowed capital. This could also shine a light on the opinions held by business owners in the townships, particularly about the service provided to them by banks. It could help distinguish between a prevailing lack of information and incorrect information.
- 12) Similarly, a study of the reasons for the low uptake of government funding by the businesses in townships such as these would also provide clarity on a possible misalignment between the requirements of the financing agencies and the abilities of the potential business owners. Such research could take a generous serving

from this study, particularly in its description of the current outlook of these businesses.

- 13) It could also be beneficial to conduct a further study of how business owners use the profits that they make and why there is no relationship between the daily revenues and the monthly profits. This could shed light on the value of the formal registration of businesses as well as of education and keeping proper information for accounting and taxation purposes.
- 14) It is also important for the academic and private sector to partner with local government to educate business owners in the townships about the importance of surveys. This would counter the pessimism that was observed where business owners seemed reluctant to participate, ostensibly because of 'unfulfilled promises' made by researchers, private sector players and government officials in the past.
- 15) Another study of importance would be about a 'space' for relationships of mutual-benefit which could be forged between the local business owners and their suppliers. Various models of such relationships could benefit the suppliers in their Broad Based Black Economic Empowerment (BBBEE) scorecards while helping the small business owners to grow their bottom line.

The importance of small businesses, according to Mayrhofer and Hendriks (2003:596), is that the income derived is crucial for the satisfaction of basic household needs and these businesses are a solid base for spawning dynamic indigenous entrepreneurs. Thus, to fully develop their economic potential, the initiative of individual entrepreneurs must be boosted. This study has provided some clarity on some of the characteristics and traits that need to be encouraged.

7.4 Lessons from the findings

In reading through this study it is important to notice that the findings mostly relate to manifest characteristics, not necessarily causes of increased revenues. Some of the characteristics may be a result of the business having increased its revenues. Some of the characteristics may be as a result of bold decisions that were made at the start of a business, for instance registering the business with the authorities.

Various lessons can be drawn from the stated findings. In this sub-section the lessons are presented along with each of the findings.

7.4.1 Businesses owned by males

According to the United Nations (2000:33), a woman is born into a world that does not expect her to succeed and perhaps one that does not even want her to succeed. This means that, in most societies, the deck is fundamentally stacked against the success of females. However, the fact that a business is owned by a male does not in itself guarantee that it would make higher revenues than those owned by females. Surely there are no pre-dispositions that are presented by one's gender in respect of running a business.

Yet Rogerson (2000:680) argues that women entrepreneurs generally occupy the bottom layers of South Africa's urban informal economy and generally earn less than men. Are there some aspects of the local cultures and the socialisation of boys and girls which enable males to, more often than not, make the decisions that lead to higher revenues when compared to their female counterparts? This is an area that would need to be studied closely by policymakers. Such analysis would have to present specific recommendations of various interventions.

7.4.2 Businesses whose owners have Grade 7 to 9 and above

This shows that some level of education, or at least the experience gained in the number of years spent in formal educational settings, can make a slight difference in an entrepreneur's decision-making. Rose et al. (2006:3-4) believe that an entrepreneur with a higher level of education, industrial and management experience, as well as business exposure has a greater chance of succeeding than those without a tertiary education, minimal industrial and managerial experience and with little or no business exposure.

An enhanced level of literacy and numeracy skills is helpful in the entrepreneur's handling of various aspects of running a business. These skills enable them to understand products and services better. It also assists in making cost-benefit analyses through broad systematic considerations, not simply through apples-and-pears comparisons. Future generations would be well-served if basic education authorities would consider isolating and augmenting those aspects of the curriculum that would enhance entrepreneurial skills among young people.

7.4.3 Businesses in whose premises the main suppliers do deliver merchandise

Again, it is not clear if there are any meaningful relationships between most suppliers and the small business owners that are in the Strand townships. Apart from transportation cost savings by the small businesses when suppliers deliver at the businesses' premises, the small entrepreneur can devote their time into areas that would enhance the business. This further enhances the relationship and ensures greater loyalty towards the supplier.

In such a context where suppliers get to reach into the businesses of the small entrepreneur it becomes easier to develop other mutually-beneficial business partnerships. Some of these partnerships include the creation of a township-based agency for newer lines of the supplier's products. This enables the supplier to test a new product-line in the coal-face of the township. For instance, newer maize-meal products like New Life have been giving well-established products like Ace and White Star a run

for their money by delivering their products to be sold directly from the townships before deploying them in the shelves of mega-stores.

Rogerson (2000:683) has identified a new trend where longer-term subcontracting arrangements exist between large firms and small enterprises, offering important market opportunities to informal enterprises. With so much unhealthy collusion among well-established businesses, it is often important to introduce new sources from which it is possible to subcontract, and some of these could be unearthed in the townships.

7.4.4 Businesses that are registered with CIPRO

Because of a lack of knowledge about processes and benefits, some businesses are not registered with the government. Toomey (1998:90) states that this is mainly due to the lack of desire or capacity to keep detailed records and the erroneous belief that lack of registration evades VAT. As mentioned, the literacy levels of the entrepreneur can enhance their confidence to embark on formalisation and registration processes. An unregistered business has a limit to how much it can grow. Most serious businesses would not subcontract with an unregistered entity.

It is thus important for the registration authorities to find effective platforms, like local business associations, from which to explain the importance and the advantages, as well as the process, of business registration. On the other hand, it is also important to streamline the processes by which businesses interact with the government. Why is it not possible to pay for the CIPRO business renewal processes through the South African Revenue Service (SARS), which businesses interact with more often? Also, why must they file their annual returns to these two government institutions separately? As a solution, the Obama administration has recently proposed to merge six government entities that handle various aspects of business life in the United States of America.

7.4.5 Businesses that are using cheque accounts

A business may use a cheque account as a basic decision deliberately geared towards the growth of the business, for instance for ensuring access to loan facilities. A business may also decide to switch from a savings to a cheque account because of an increase in revenues and the accompanying need for more comprehensive information. Often individuals stick to savings accounts to avoid monthly bank charges.

Are banks and similar financial institutions taking the time to explain the implications of banking decisions through the use of platforms that are closer to the businesses in the townships? Ndlovu and Thwala (2008:5) recommend closer relationships with banks demonstrating the greatest commitment to the SMME sector. Banks that would use platforms provided by local business associations to communicate would be better able to reach their intended target. In their interactions with the local entrepreneurs, these banks could be better suited to develop products that are tailored for such businesses.

7.5 Shortcomings

To ensure maximum participation in this study, the questionnaire was designed to only contain a maximum of 35 questions. However, this is not enough to elicit all the characteristics of small businesses and their owners. The choice and sequence of questions that were included helped ensure that the main characteristics identified in the Unisa survey, as depicted in Ligthelm (2002), were probed.

It would be fallacious to conclude that the whole area only has 129 business owners, as contained by the two databases utilised. Businesses mushroom throughout the area each month and the businesses are not required to register in the business association's database. However, by using two different databases, this study has been successful in proving that the population does exist. Also, this ensures that there is a high enough chance of generalisability for the findings.

Of the businesses that were presented with questionnaires, some did not fill theirs in until the researcher arrived on their doorstep and gently prodded them to do so. It is not clear if this persuasion may not have caused some to fill in the documents without seriously considering the answers, though an experienced researcher understands that respondents are not always excited about filling in a questionnaire. Each encounter, in the researcher's opinion, turned out to be a jolly, energising moment for the business owners that were approached.

Lastly, some of the key business characteristics were in such short supply that it was difficult or impossible to test how they relate to the business' revenues. In particular it would have been most worthwhile to test the relationship between increased revenues and the businesses that had been funded by government agencies but the scarcity of such businesses in this population could not have made for valid conclusions.

7.6 Conclusion

About nine years since the Unisa survey was completed, the small degree of variations between the characteristics observed through the Unisa and Strand surveys demonstrate that there has been very little progress since 2002, when the survey was published. Small businesses are essentially not growing and are still saddled with the same structural societal challenges that were observed early in the last decade.

However, this research has been worthwhile in unearthing new information, proving and reinforcing previously researched knowledge and in presenting updated recommendations. The least that the study could become would be a publication in a library. Yet the findings of this study could serve well if they would be put into immediate use by the academic sector, in partnership with the government and the private sector. The results of their implementation could be a positive influence on small businesses all around the country.

In the process of this study the researcher had the unique privilege of encountering some of the most hard-working people that reside in South Africa. By extending themselves to answer these questions and by seeking to understand the researcher's true motives, they each looked beyond their fears and opened-up. In the process, they shared information that they do not normally share with strangers.

Also, in sending young people from the local school to deliver the questionnaires, it is the researcher's hope that these young ones have been touched by the humanity (*ubuntu*) that the business owners they met hopefully displayed. It is further the researcher's hope that this adventure has sparked dreams of future entrepreneurship among many of these young minds.

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APPENDIX - QUESTIONNAIRE

Khanyolwethu Senior Secondary School

and

University of Stellenbosch

**Survey of Businesses in
Lwandle/Greenfields/Pholile/Nomzamo/Asanda Village,
Strand: 2011**

*All information will be kept **STRICTLY CONFIDENTIAL***

Dear Business Owner/Business Operator

*Kindly spare us a few minutes of your time and attention to answer the following easy questions. Please **answer ALL questions**. Then enclose the questionnaire in the provided envelope and hand it to the learner who brought it to you. The learner will then bring it back to Khanyolwethu High School.
Thank you for all your help.*

Phone Number of person filling in this document: _____

Today's Date: _____

What is the name of your business (e.g. Muntu Cash Stores, Yizo-Yizo Tavern, etc)?

(Optional: this question will simply help us to understand the difference between the various types of businesses)

SURVEY OF BUSINESSES IN STRAND, WESTERN CAPE: 2011

A. SOCIO-ECONOMIC PROFILE OF BUSINESS OWNER

1. **Main reason** for starting this business:

Mark with a cross here

- | | | | |
|----|--|---|--------------------------|
| a. | To increase income | 1 | <input type="checkbox"/> |
| b. | Unemployed | 2 | <input type="checkbox"/> |
| c. | This business was started by my parents | 3 | <input type="checkbox"/> |
| d. | To seize business opportunity (entrepreneurship) | 4 | <input type="checkbox"/> |
| e. | To work from home | 5 | <input type="checkbox"/> |
| f. | Other (specify) _____ | | |

2. Period that the business has been in operation:

Mark with a cross here

- | | | | |
|----|---------------------------------|---|--------------------------|
| a. | Less than 6 months | 1 | <input type="checkbox"/> |
| b. | Over 6 months, less than 1 year | 2 | <input type="checkbox"/> |
| c. | Over 1 year, less than 2 years | 3 | <input type="checkbox"/> |
| d. | Over 2 years, less than 3 years | 4 | <input type="checkbox"/> |
| e. | Over 3 years, less than 5 years | 5 | <input type="checkbox"/> |
| f. | Over 5 years, less than 7 years | 6 | <input type="checkbox"/> |
| g. | Over 7 years | 7 | <input type="checkbox"/> |

3. Is the owner(s) engaged full- or part-time in the running of this business?

Mark with a cross here

1	2
Full-time	Part-time

4. State the number of persons **employed** in, and **paid by** the business (excluding the owner):

Fill in the numbers here

	Number fulltime	Number part-time
a.	Members of the owner's household	<input type="text"/>
b.	Other employees (not members of the owner's household)	<input type="text"/>
c.	GRAND TOTAL (<i>combined total fulltime + part-time</i>)	<input type="text"/>

B. PHYSICAL CHARACTERISTICS OF BUSINESS

5. Type of business accommodation:

- | | | | |
|----|--|-------------------------------|--|
| | | Mark with a cross here | |
| a. | Inside the main house | 1 | |
| b. | Room/garage attached to the main house | 2 | |
| c. | Brick building in the backyard | 3 | |
| d. | Metal container (railway/ship) | 4 | |
| e. | Shack | 5 | |
| f. | Brick building on a separate stand | 6 | |
| g. | Other (specify) _____ | | |

6. On the stand occupied by the business, do you have available?

- | | | | |
|----|--------------------------|--|----|
| | | Mark with a cross on Yes OR on No | |
| | | 1 | 2 |
| a. | Electricity | Yes | No |
| b. | Tap water | Yes | No |
| c. | Refrigerator | Yes | No |
| d. | Deep-freezer | Yes | No |
| e. | Fixed Telephone (Telkom) | Yes | No |
| f. | Shelves | Yes | No |
| g. | Counter | Yes | No |
| h. | Cash Register | Yes | No |

7. Indicate the main method of trading:

- | | | | |
|----|--|-------------------------------|--|
| | | Mark with a cross here | |
| a. | Over the counter | 1 | |
| b. | Self-help | 2 | |
| c. | Window/Door selling | 3 | |
| d. | We provide a service on the person or item | 4 | |
| e. | Other (specify) _____ | | |

C. FINANCING THE BUSINESS

8. Which of these were sources of the funds **that you obtained** to start the business?

Mark with a cross on Yes OR on No

	1	2
a. Savings (owner and household member)	Yes	No
b. Loan from relative/friend	Yes	No
c. Retrenchment payment	Yes	No
d. Loan from bank	Yes	No
e. Manufacturer/supplier of merchandise traded in the business	Yes	No
f. Development institution	Yes	No
g. Government institution for financial support to micro-business	Yes	No
h. Other (specify) _____		

9. Indicate the amount of **capital invested** at start-up of the business:

Mark with a cross here

a. Less than R500	1	
b. R500 – R750	2	
c. R751 – R1000	3	
d. R1001 – R1500	4	
e. R1501 – R2000	5	
f. R2001 – R5000	6	
g. R5001 – R10 000	7	
h. R10 001 – R20 000	8	
i. R20 001 plus	9	

10. Which of these sources of the funds **turned you down** when you approached them for financial assistance to start the business?

Mark with a cross on Yes OR No

	1	2
a. Friend/somebody you know	Yes	No
b. One bank only	Yes	No
c. More than one bank	Yes	No
d. Development institution	Yes	No
e. Government funding institution	Yes	No
f. Loan shark(s)	Yes	No
g. I Never Approached Anyone	Yes	
h. Other (specify) _____		

11. Which of these were the **reasons given** for why your request or application for financial assistance for starting the business was turned down?

Mark with a cross on Yes OR on No

	1	2
a. Bad credit history	Yes	No
b. Insufficient information on my business plan	Yes	No
c. Insufficient collateral/surety	Yes	No
d. Insufficient cash-flow in the business	Yes	No
e. Insufficient direct business experience	Yes	No
f. Insufficient equity/capital	Yes	No
g. No explanation was provided to me	Yes	
h. Other (specify) _____		

12. Which of the following banking facilities do you use for business purposes?

	Mark with a cross here	
a. Cheque account	1	
b. Savings account	2	
c. Credit card	3	
d. Do not use bank facilities	4	
e. Other (specify) _____		

13. If you do use banks, which of the following do you primarily use for **business** purposes?

	Mark with a cross here	
a. ABSA	1	
b. First National Bank	2	
c. Standard Bank	3	
d. Nedbank	4	
e. Postbank	5	
f. Bidvest Bank	6	
g. Investec Bank	7	
h. Other (specify) _____		

14. From the following list of government business support systems, please indicate those that **you are aware of**. Then, indicate those that **you have used** for your businesses:

	Make ONE cross in each	Make ONE cross in each								
a. South African Micro-Finance Apex Fund (SAMAF)	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="padding: 5px;">I know about it</td> <td style="padding: 5px;">Never heard of it</td> </tr> <tr> <td style="padding: 5px;">1</td> <td style="padding: 5px;">2</td> </tr> </table>	I know about it	Never heard of it	1	2	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="padding: 5px;">I've used its support</td> <td style="padding: 5px;">Never used it</td> </tr> <tr> <td style="padding: 5px;">3</td> <td style="padding: 5px;">4</td> </tr> </table>	I've used its support	Never used it	3	4
I know about it	Never heard of it									
1	2									
I've used its support	Never used it									
3	4									
b. Khula Enterprise Finance <i>{land reform empowerment facility, credit indemnity scheme, micro-credit outlets}</i>	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="padding: 5px;">I know about it</td> <td style="padding: 5px;">Never heard of it</td> </tr> <tr> <td style="padding: 5px;">1</td> <td style="padding: 5px;">2</td> </tr> </table>	I know about it	Never heard of it	1	2	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="padding: 5px;">I've used its support</td> <td style="padding: 5px;">Never used it</td> </tr> <tr> <td style="padding: 5px;">3</td> <td style="padding: 5px;">4</td> </tr> </table>	I've used its support	Never used it	3	4
I know about it	Never heard of it									
1	2									
I've used its support	Never used it									
3	4									
c. National Youth Development Agency (NYDA)	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="padding: 5px;">I know about it</td> <td style="padding: 5px;">Never heard of it</td> </tr> <tr> <td style="padding: 5px;">1</td> <td style="padding: 5px;">2</td> </tr> </table>	I know about it	Never heard of it	1	2	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="padding: 5px;">I've used its support</td> <td style="padding: 5px;">Never used it</td> </tr> <tr> <td style="padding: 5px;">3</td> <td style="padding: 5px;">4</td> </tr> </table>	I've used its support	Never used it	3	4
I know about it	Never heard of it									
1	2									
I've used its support	Never used it									
3	4									
d. Umsobomvu Youth Fund (UYF)	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="padding: 5px;">I know about it</td> <td style="padding: 5px;">Never heard of it</td> </tr> <tr> <td style="padding: 5px;">1</td> <td style="padding: 5px;">2</td> </tr> </table>	I know about it	Never heard of it	1	2	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="padding: 5px;">I've used its support</td> <td style="padding: 5px;">Never used it</td> </tr> <tr> <td style="padding: 5px;">3</td> <td style="padding: 5px;">4</td> </tr> </table>	I've used its support	Never used it	3	4
I know about it	Never heard of it									
1	2									
I've used its support	Never used it									
3	4									
e. Small Enterprise Development Agency (Seda)	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="padding: 5px;">I know about it</td> <td style="padding: 5px;">Never heard of it</td> </tr> <tr> <td style="padding: 5px;">1</td> <td style="padding: 5px;">2</td> </tr> </table>	I know about it	Never heard of it	1	2	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="padding: 5px;">I've used its support</td> <td style="padding: 5px;">Never used it</td> </tr> <tr> <td style="padding: 5px;">3</td> <td style="padding: 5px;">4</td> </tr> </table>	I've used its support	Never used it	3	4
I know about it	Never heard of it									
1	2									
I've used its support	Never used it									
3	4									

- f. The Department of Trade and Industry (the dti)
- | | |
|-----------------|-------------------|
| I know about it | Never heard of it |
| 1 | 2 |
- | | |
|-----------------------|---------------|
| I've used its support | Never used it |
| 3 | 4 |
-
- g. The National Empowerment Fund (NEF) {imbewu fund, corporate fund, strategic project fund}
- | | |
|-----------------|-------------------|
| I know about it | Never heard of it |
| 1 | 2 |
- | | |
|-----------------------|---------------|
| I've used its support | Never used it |
| 3 | 4 |
-
- h. The Industrial Development Corporation (IDC)
- | | |
|-----------------|-------------------|
| I know about it | Never heard of it |
| 1 | 2 |
- | | |
|-----------------------|---------------|
| I've used its support | Never used it |
| 3 | 4 |
-
- i. Investing in Culture (IIC) Programme
- | | |
|-----------------|-------------------|
| I know about it | Never heard of it |
| 1 | 2 |
- | | |
|-----------------------|---------------|
| I've used its support | Never used it |
| 3 | 4 |
-
- j. Isivande Women's Fund
- | | |
|-----------------|-------------------|
| I know about it | Never heard of it |
| 1 | 2 |
- | | |
|-----------------------|---------------|
| I've used its support | Never used it |
| 3 | 4 |
-
- k. Cape Town Small Business Week
- | | |
|-----------------|-------------------|
| I know about it | Never heard of it |
| 1 | 2 |
- | | |
|-----------------------|---------------|
| I've used its support | Never used it |
| 3 | 4 |
-
- l. City of Cape Town Business Support Vouchers
- | | |
|-----------------|-------------------|
| I know about it | Never heard of it |
| 1 | 2 |
- | | |
|-----------------------|---------------|
| I've used its support | Never used it |
| 3 | 4 |
-
- m. Red Door
- | | |
|-----------------|-------------------|
| I know about it | Never heard of it |
| 1 | 2 |
- | | |
|-----------------------|---------------|
| I've used its support | Never used it |
| 3 | 4 |
-
- n. Innovation Fund {*patent support fund, seed fund, technology advancement programme*}
- | | |
|-----------------|-------------------|
| I know about it | Never heard of it |
| 1 | 2 |
- | | |
|-----------------------|---------------|
| I've used its support | Never used it |
| 3 | 4 |
-
- o. Gauteng Enterprise Propeller {*start-up finance, franchise finance, contract finance*}
- | | |
|-----------------|-------------------|
| I know about it | Never heard of it |
| 1 | 2 |
- | | |
|-----------------------|---------------|
| I've used its support | Never used it |
| 3 | 4 |

15 How much of the initial start-up capital **did you obtain** from one of the above-mentioned institutions (number 14 above)?

- | | | |
|--|-------------------------------|--|
| | Mark with a cross here | |
| a. Zero (I did not use any of their money) | 1 | |
| b. R1 - R500 | 2 | |
| c. R500 – R1000 | 3 | |
| d. R1001 – R5000 | 4 | |
| e. R5001 – R10 000 | 5 | |
| f. R10 001 – R20 000 | 6 | |
| g. More than R20 000 | 7 | |

D. RELATIONSHIP WITH SUPPLIERS

16. Indicate the **MAIN type of supplier** from which your merchandise is purchased:

- | | | |
|----------------------------|-------------------------------|--|
| | Mark with a cross here | |
| a. Manufacturer/producer | 1 | |
| b. Wholesaler | 2 | |
| c. Hawker | 3 | |
| d. Supermarket/hypermarket | 4 | |
| e. Fresh produce market | 5 | |
| f. Other retail traders | 6 | |
| g. Other (specify) _____ | | |

17. How do you mainly buy your merchandise?

- | | | |
|---|-------------------------------|--|
| | Mark with a cross here | |
| a. Most suppliers are paid in cash/debit card | 1 | |
| b. Wholesaler credit | 2 | |
| c. Independent credit facility | 3 | |

18. Does your **MAIN supplier** deliver the merchandise at your place of business?

Mark with a cross here

1	2
Yes	No

19. Would you sell a bigger range of products if the suppliers delivered to you?

Mark with a cross here

1	2	3
Yes	No	Don't know

E. TRANSPORT

20. Indicate the mode of transport that you mainly use to obtain merchandise not delivered by suppliers:

- | | | | |
|----|--|-------------------------------|--|
| | | Mark with a cross here | |
| a. | Own transport | 1 | |
| b. | (Someone else's) Private transport (no a taxi) | 2 | |
| c. | Taxi | 3 | |
| d. | Bus | 4 | |
| e. | Train | 5 | |
| f. | Walk/push a trolley | 6 | |
| g. | Other (specify) _____ | | |

21. State the **weekly cost of all return trips** taken to fetch merchandise for the business:
 Specify the estimated amount here
 (Specify) R _____

F. INCOME/TURNOVER

22. How much profit does your business normally make per day (your average “take-home” each day)?

- | | | | |
|----|------------------|-------------------------------|--|
| | | Mark with a cross here | |
| a. | Less than R50 | 1 | |
| b. | R51 – R100 | 2 | |
| c. | R101 – R200 | 3 | |
| d. | R201 – R350 | 4 | |
| e. | R351 – R500 | 5 | |
| f. | R501 – R850 | 6 | |
| g. | R851 – R1 000 | 7 | |
| h. | R1 001 – R1 500 | 8 | |
| i. | R1 501 – R2 500 | 9 | |
| j. | More than R2 500 | 10 | |

23. Indicate the monthly turnover of your business (how much profit does your business **make per month**)?

- | | | | |
|----|-------------------|-------------------------------|--|
| | | Mark with a cross here | |
| a. | Less than R600 | 1 | |
| b. | R601 – R799 | 2 | |
| c. | R800 – R899 | 3 | |
| d. | R900 – R999 | 4 | |
| e. | R1 000 – R1 499 | 5 | |
| f. | R1 500 – R1 999 | 6 | |
| g. | R2 000 – R2 999 | 7 | |
| h. | R3 000 – R4 999 | 8 | |
| i. | R5 000 – R9 999 | 9 | |
| j. | More than R10 000 | 10 | |

G. THE BUSINESS-OWNER

24. Gender of the business-owner:

	Mark with a cross here	
	1	2
Male		Female

25. Age category of the business-owner:

Mark with a cross here

- | | | | |
|----|-------------------|---|--------------------------|
| a. | 14 – 19 years old | 1 | <input type="checkbox"/> |
| b. | 20 – 34 years old | 2 | <input type="checkbox"/> |
| c. | 35 – 49 years old | 3 | <input type="checkbox"/> |
| d. | 50 – 64 years old | 4 | <input type="checkbox"/> |
| e. | 65 and above | 5 | <input type="checkbox"/> |

26. Education of the business-owner:

Mark with a cross here

- | | | | |
|----|--------------------------------|---|--------------------------|
| a. | No formal education | 1 | <input type="checkbox"/> |
| b. | Less than Standard 4 (Grade 6) | 2 | <input type="checkbox"/> |
| c. | Standard 4 - 6 (Grade 6 - 8) | 3 | <input type="checkbox"/> |
| d. | Standard 7 - 9 (Grade 9 - 11) | 4 | <input type="checkbox"/> |
| e. | Standard 10 (Matric) | 5 | <input type="checkbox"/> |
| f. | Post –matric diploma | 6 | <input type="checkbox"/> |
| g. | University degree | 7 | <input type="checkbox"/> |
| h. | Post-graduate degree | 8 | <input type="checkbox"/> |

27. Nationality of the business-owner:

Mark with a cross here

- | | | | |
|----|----------------------|----|--------------------------|
| a. | South Africa | 1 | <input type="checkbox"/> |
| b. | Zimbabwe | 2 | <input type="checkbox"/> |
| c. | Somalia | 3 | <input type="checkbox"/> |
| d. | Ethiopia | 4 | <input type="checkbox"/> |
| e. | Mozambique | 5 | <input type="checkbox"/> |
| f. | Ghana | 6 | <input type="checkbox"/> |
| g. | Swaziland | 7 | <input type="checkbox"/> |
| h. | Lesotho | 8 | <input type="checkbox"/> |
| i. | DRC | 9 | <input type="checkbox"/> |
| j. | Pakistan/India | 10 | <input type="checkbox"/> |
| k. | China/Taiwan | 11 | <input type="checkbox"/> |
| l. | Other(Specify) _____ | | <input type="checkbox"/> |

28. If SOUTH AFRICAN, please indicate what province the business-owner primarily grew up in:

Mark with a cross here

- | | | | |
|----|---------------|---|--------------------------|
| a. | Western Cape | 1 | <input type="checkbox"/> |
| b. | Eastern Cape | 2 | <input type="checkbox"/> |
| c. | Northern Cape | 3 | <input type="checkbox"/> |
| d. | KwaZulu-Natal | 4 | <input type="checkbox"/> |
| e. | Free State | 5 | <input type="checkbox"/> |
| f. | Northwest | 6 | <input type="checkbox"/> |
| g. | Gauteng | 7 | <input type="checkbox"/> |
| h. | Mpumalanga | 8 | <input type="checkbox"/> |
| i. | Limpopo | 9 | <input type="checkbox"/> |

29. Did the business-owner grow up in a household that had an active business?

Mark with a cross here

1	2
Yes	No

30. Did he/she actively assist in this or any other business while growing up?

Mark with a cross here

1	2
Yes	No

31. In which part of the Helderberg area is your business located?

Mark with a cross here

a. Lwandle	1	<input type="checkbox"/>
b. Greenfields	2	<input type="checkbox"/>
c. Pholile	3	<input type="checkbox"/>
d. Nomzamo	4	<input type="checkbox"/>
e. Asanda Village	5	<input type="checkbox"/>
f. Rusthof/Loswell	6	<input type="checkbox"/>
g. Sir Lowry's Pass	7	<input type="checkbox"/>
h. Other(Specify) _____		<input type="checkbox"/>

32. Is your business registered with CIPRO (Companies and Intellectual Property Registration Office)?

Mark with a cross here

1	2
Yes	No

33. Is your business registered with SARS (South African Revenue Services / The Taxman)?

Mark with a cross here

1	2
Yes	No

34. Which cellular phone operator does the owner primarily use for business?

Mark with a cross here

1	2	3	4
Vodacom	MTN	Cell C	Virgin Mobile

35. Would the owner accept a job in the formal sector if offered to him/her today?

Mark with a cross here

1	2
Yes	No

Thank you for your assistance in filling in this questionnaire. We hope it has also assisted you with some ideas that could make your business a greater success.