



**CHALLENGES AND PROSPECTS OF YOUTH ENTREPRENEURSHIP IN KHAYELITSHA,  
WESTERN CAPE**

**By**

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## DECLARATION

I, Saphetha Appie Gwija, declare that the contents of this dissertation/thesis represent my own unaided work, and that the dissertation/thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

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**Signed**

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**Date**

## ABSTRACT

The world's population continues to grow, while job creation opportunities shrink, particularly among young people. Youth unemployment is among key global challenges that may continue to persist for many years. Recently, the unemployment rate among youth in South Africa was estimated at 70 percent. This could mean that thousands and thousands of young people are living under poverty conditions in this country, which may result in a generation of poverty if this position remains unobserved.

Interestingly, entrepreneurship has been adopted world over as a strategic approach to facilitate economic participation among youth. Their engagement in entrepreneurship helps them to achieve economic independence, increase their self-esteem, improve their standards of living, to reduce their dependence on state welfare and improve their emotional intelligence. At the same time, job creation opportunities and a decline in criminal activities as a result of unemployment, will ensure development of economic growth.

Despite the above mentioned entrepreneurship benefits, youth in Khayelitsha, where this study is based, may be reluctant in pursuing careers in entrepreneurship, owing to inadequate entrepreneurship development services among them, which appear to the case. The objectives of this study were to find out specific factors that discourage the youth from pursuing entrepreneurship careers, to investigate particular challenges that inhibit expansion of their entrepreneurial ventures, and to describe specific prospects of youth entrepreneurship development in Khayelitsha.

The current study adopted a descriptive research design. A quantitative empirical research approach was employed with the help of self-administered questionnaires. A sample of 132 subjects was randomly drawn from a population of 200 youth entrepreneurs who operate and are formally registered as SMMEs within various industries that are registered on the database of a local organisation known as Khayelitsha Youth In Business (KYIB), which promotes and develops entrepreneurship among youth in Khayelitsha.

The data that was collected from participants of the current study was captured and analysed with the help of a Statistical Package for the Social Sciences (SPSS) software, based on 77 questionnaires that were returned. The findings were illustrated in tables, bars and pie charts, and the objectives of the study were achieved. It was found that it was not the case that young people in Khayelitsha do not want to pursue careers in

entrepreneurship, but rather it was that youth entrepreneurship development is lacking in this community. The current study also revealed that a major factor that inhibits youth entrepreneurship development was the lack of awareness and inaccessibility of entrepreneurship support structures and initiatives in this community. Interestingly though, this hindrance does not appear to have a negative bearing on the identified growing enthusiasm of youth to engage in entrepreneurial activities. Overall, on the basis of the challenges and prospects revealed, recommendations to improve the current situation were made.

This study is an applied research effort and its relevance is linked to the fact that it provides a rare insight into the state of youth entrepreneurship in a large but under-researched township community in the Western Cape. The findings and recommendations therefore bear far-reaching ramifications for all stakeholders who are concerned about developing youth entrepreneurship in this society.

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## **DEDICATION**

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## ACRONYMS/ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
ASGISA	Accelerated and Shared Growth Initiative for South Africa
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
CIPRO	Company for Intellectual Registration Office
EPWP	Expanded Public Works Programme
GEM	Global Entrepreneurship Monitor
HIV	Human Immuno-Deficiency Virus
ILO	International Labour Organisation
JASA	Junior Achievement South Africa
JIPSA	Joint Initiative on Priority Skills Acquisition
KPA	Key Performance Area
KYIB	Khayelitsha Youth In Business
LED	Local Economic Development
NGP	New Growth Path
NYC	National Youth Commission
NYDA	National Youth Development Agency
NYEESIF	National Youth Economic Empowerment Strategy and Implementation Framework
NYP	National Youth Policy
NYS	National Youth Service
PGD	Provincial Growth and Development
SAB	South African Breweries
SAPSCS	South African Police Services Crime Statistics
SARS	South African Revenue Services
SAYCC	South African Youth Chamber of Commerce
SMMEs	Small, Micro and Medium Enterprises
SPSS	Statistical Package for the Social Science
DTI	Department of Trade and Industry
UYF	Umsobomvu Youth Fund
YBI	Youth Business International
YDF	Youth Development Forum
YDN	Youth Development Network
YLD	Youth Leadership Development

YED

Youth Entrepreneurship Development

# CHAPTER 1: INTRODUCTION

## 1.1 Introduction and background of the problem

The world's population continues to grow, while job creation opportunities shrink, particularly among young people (Youth Business International, 2013:2). The unemployment of young people is amongst key global challenges that will continue to persist for many years (Schoof, 2006:1). According to Youth Business International (2009:3), the World Bank predicts that by 2015 young people under the age of 25 will amount to three billion worldwide. Disappointingly, in spite of this generation being estimated to be the most educated ever, the International Labour Organisation's (ILO's) statistics foresee a massive decline in job opportunities (Youth Business International, 2009:3). Furthermore, these statistics indicate that 40 percent of young people globally are currently unemployed, and have little chance of being employed when they are adults.

In South Africa a youth is described as any young person between the ages of 14-35 (South Africa. National Youth Policy, 2009:11; 2013:2). Thus, in the context of this study, youth are regarded as young people. Young people in South Africa constitute the mainstream of the population in percentages (Mahadea, Ramroop, & Zewotir, 2011:76). Nevertheless, approximately 70 percent of them are unemployed (Mkoka, 2012:8). The unemployment of young people does not only result in widespread depression, but also contributes to economic and social costs (Schoof, 2006:1). Perhaps this could also pave a way for poverty conditions, in which these young people will be obliged to live in, for a very long time if there are no turnaround strategic approaches established.

Entrepreneurship has been adopted world over as a strategy to facilitate economic participation among young people (Musengi-Ajulu, 2010:1; Nafukho & Muyia, 2010:100). Linan, Rodriguez-Cohard and Rueda-Cantuche (2005:1), and Dempsey (2009:2) assert that entrepreneurship aids economic growth, economic competitiveness, job creation, as well as the improvement of social welfare in any country. The European Commission (2003:22) also argues that academics, practitioners and policy makers worldwide have heightened their commitment towards promoting an entrepreneurial mindset within society. In 1994, Nelson Mandela was quoted as having said "*the youth of our country are a valued possession of our nation*" (Gordon-Davis & Cumberlege, 2007:8). Mandela further emphasized that without young people, such initiatives as the reconstruction and development programme (RDP) would be worthless. According to Gordon-Davis and Cumberlege, this quote captures the need for South African businesses to acknowledge the crucial role, which youth entrepreneurs can play to improve, not only their well-being, but also that of their country's

economy. Prior to the democratic era in South Africa, young people were a vulnerable group in the society (Youth Development Network, 2004:1). Firstly, they sacrificed their educational needs and aspirations by prioritising liberation; secondly, they had limited skills; thirdly, unemployment, teenage pregnancy and Human Immuno-Deficiency Virus (HIV) were a growing trend; and, lastly, they had no policies that would facilitate their wellbeing (Youth Development Network, 2004:2).

These could be some of the reasons why after the fall of Apartheid in 1994, the South African government had to shape and add some new policies. A number of support structures aimed to develop entrepreneurship and the small, medium and micro enterprise (SMME) sector were introduced, and the youth also benefited in such interventions (Nieman, Hough, & Nieuwenhuizen, 2003:166; Nieman & Nieuwenhuizen, 2009:197). Youth entrepreneurship received a considerable focus after the establishment of the Umsobomvu Youth Fund (UYF) in 2001 (Nieman & Nieuwenhuizen, 2009:42). These writers also add that the objective of this structure was to encourage young people to partake in entrepreneurship, thereby assisting them with finance and market access. In 2009 the latter merged with the National Youth Commission (NYC) to form the National Youth Development Agency (NYDA) (Chabane, 2011). This establishment was formed to respond to a variety of challenges for young people in the country such as unemployment, drug and alcohol abuse and HIV and Aids (South Africa. National Youth Development Agency Annual Report, 2010:3).

Other independent support structures in the country that provide various initiatives to young people within the country include South African Breweries (SAB), which operates the Kick-start Programme to start-up and grow entrepreneurial ventures amongst young people, and has been doing so since May 1995 (Swanepoel, Streydom, & Nieuwenhuizen, 2010:58); the Junior Achievement South Africa (JASA), a Section 21 Company that has offered business and entrepreneurial programmes to learners in and out of school across the country for the past 30 years (JASA, 2009:3); the South African Youth Chamber of Commerce (SAYCC), known as the voice of youth entrepreneurs in South Africa, which pays attention to Youth Entrepreneurship Development (YED), Youth Leadership Development (YLD), Business Education, Skills Transfer and Economic Advocacy Programmes (SAYCC, 2010); and the Branson School of Entrepreneurship (Virgin Unite, 2009).

Several schools in South Africa have acknowledged the important role of youth entrepreneurship, as they have and are still introducing it in their curricula (Nieman & Nieuwenhuizen, 2009:42). These authors add that the motives for introducing entrepreneurship at school are to foster and celebrate successes achieved by youth entrepreneurs, and to creatively market entrepreneurship among younger persons who are

still at school level. Ndedi (2009:467) acknowledges that entrepreneurship education is also being provided at many educational institutions of higher learning. Mahadea *et al.* (2011:67-68) caution that young people should consider self-employment as a better option, instead of seeking for a paid job, because many of them will not find jobs after having completed their secondary education.

Nieman and Nieuwenhuizen (2009:35) assert that South Africa has an unacceptable and disappointing small and micro enterprises high failure rate, which usually occurs during their early years of operation. Similarly, Youth Business International (2014) reports that about 70 percent of these small businesses in South Africa fail within their first three years of operation, with some of them failing much earlier before they can even reach execution stage. This may not be an exception for youth entrepreneurial ventures in this country, and Khayelitsha in particular.

This is the background against which this research investigates challenges and prospects of youth entrepreneurship in Khayelitsha, one of the biggest townships in the Western Cape. This study was set out to investigate the obstacles that young people encounter when setting-up their businesses; the current barriers that prevent the emergence or expansion of their entrepreneurial ventures; as well as the prospects for youth entrepreneurship development in this community.

## **1.2 Statement of the research problem**

In this competitive modern society, relevant skills and experience that the industry demands remain a challenge for the youth, and these issues need thorough scrutiny, particularly in job-scarce environments, such as South Africa. Worryingly, youth unemployment in South Africa has recently climbed to its highest peak ever (estimated at 70 percent), and young people who reside in big townships that are dominated by Black South Africans, such as Khayelitsha, in the Western Cape Province are also affected by this distress. Entrepreneurship is acknowledged as one of the best strategic approaches to alleviate unemployment, which may result in poverty, criminal activities, dependence on government grants, and so on. Hence, South Africa's government has established a number of business development interventions aimed at to flourish the business environment, in particular among the youth, since the early 1990s.

Thus far, young people in Khayelitsha do not appear to be interested in entrepreneurship. As a result, they could be losing out on the many business opportunities that exist in this community, province or elsewhere in the country, as well as the benefits of entrepreneurship,

such as income generation, improvement of standards of living, and so on. If this is the case and it continues to persist, youth unemployment will keep increasing. In addition, this could also be a recipe for poverty legacy, which could be carried on to the next generation. Furthermore, this situation could encumber efforts, which are aimed at closing or considerably minimising existing levels of income in terms of inequality amongst them and young people from other well developed regions or groups in South Africa. Moreover, crime might escalate, as these young people may seek alternative means of survival, such as engaging in criminal activities e.g. theft, break-ins, robberies, and so on. Also, their social wellbeing may become increasingly dependent on government grants.

### **1.2.1 Research questions**

The study aimed to address the following research questions:

- What are the specific factors that discourage youth entrepreneurship in Khayelitsha?
- What particular challenges inhibit expansion in youth entrepreneurial ventures in Khayelitsha?
- Are there prospects for youth entrepreneurship development in Khayelitsha?

### **1.3 Objectives**

The above mentioned research questions aimed to achieve the following objectives for the research:

- To find out specific factors that discourage youth entrepreneurship in Khayelitsha;
- To investigate particular challenges that inhibit expansion in youth entrepreneurial ventures in Khayelitsha; and
- To describe the prospects of youth entrepreneurship development in Khayelitsha.

### **1.4 Delineation of the study**

This research focuses on the challenges and prospects of youth entrepreneurship in Khayelitsha. Thus, the respondents of this research shed some light on the following aspects: factors, which inhibit youth entrepreneurship in this community; obstacles that hinder the growth of youth entrepreneurial businesses; and prospects for youth entrepreneurship development in the Khayelitsha area. This research was based on Khayelitsha youth entrepreneurs who have formally registered enterprises, which operate in various industries of the SMME sector, and are specially registered on the database of an organisation called Khayelitsha Youth in Business (KYIB), which promotes and develops

entrepreneurship among youth in Khayelitsha. There were about 200 members (youth entrepreneurs) registered on this organisation's database during the course of this investigation. All of them came from various sections of Khayelitsha, and were between the ages of 18 and 35. Survivalist entrepreneurs were not part of this research, because they operate unregistered businesses, and are usually not registered with KYIB.

## **1.5 Significance of the study**

Entrepreneurship aids economic growth, economic competitiveness, job creation, as well as improvement of social welfare in any country (Linan *et al.*, 2005:1; Dempsey, 2009:2; Ndedi, 2009:464; Fatoki & Chindoga, 2011:162). Therefore, the importance of youth entrepreneurship development cannot be underestimated in the Khayelitsha community, particularly given its poor background. The findings of the study will shed light on the challenges and prospects of youth entrepreneurship in Khayelitsha for the following stakeholders: policy makers; researchers; private institutions; donors; entrepreneurship educators; and youth development practitioners who are enthusiastic about developing youth entrepreneurship in Khayelitsha. In addition, entrepreneurship does not only benefit entrepreneurs, but also their families, society at large, as well as the government (Fatoki & Chindoga, 2011:162). For instance, entrepreneurship results in the following: economic growth; income generation; improvement of standards of living; creation of investment opportunities; large tax base owing to a large number of new established firms; technological developments; creation of job opportunities; reducing criminal activities that occur owing to unemployment, as well as dependency on government incentives for social well-being (Nieman & Nieuwenhuizen, 2009:11). Furthermore, a study of this nature has not been conducted in this community before, and this underlines the need for the study

## **1.6 Research methodology**

The data was collected by way of questionnaires. These questionnaires were personally distributed by the researcher to respondents of the study. The population of the study consisted of youth entrepreneurs from Khayelitsha who were registered on the database of KYIB (see the delineation section) during the course of the investigation. The size of the population comprised of 200 subjects, from which a sample of 132 subjects was randomly drawn.

A simple random sampling method was employed (Bless Higson-Smith & Kagee, 2006:100; Fox & Bayat, 2007:55). The participation of respondents was completely voluntary in this survey, which was clearly stated on the questionnaire. The respondents were assured that

they and their input would be treated with honesty, confidentiality and anonymity. Additionally, since this was a purely academic research being undertaken by a university student, other research ethical codes of good conduct were also applied.

The data that was collected was analysed with the help of Statistical Package for the Social Sciences (SPSS) software and the findings were presented in charts and frequency tables.

## **1.7 Limitations of the study**

One of the inadequacies of this study is that it was only conducted among youth entrepreneurs who are registered with KYIB, in Khayelitsha, Western Cape. Therefore, it might not be a good idea to make generalisations about this study concerning challenges and prospects of youth entrepreneurship to other geographical areas of South Africa, as their context in terms of the state of youth entrepreneurship development may differ from that of Khayelitsha. Therefore, a future direction for this study should include examining the state of youth entrepreneurship development in designated areas in the other eight provinces of South Africa.

Secondly, this study concentrates on profit making youth entrepreneurial ventures that deal with products and services. Therefore, youth entrepreneurs such as corporate, social and adventure entrepreneurs were not part of this study. Nevertheless, this study acknowledges the role that these entrepreneurs play in their respective communities and in the country's economy.

Another limitation relates to subjects of the study who promise to participate in the research, but who fail to honour such promises. In most cases, the first thing that the subjects want to know from the researcher is what, when and how they will benefit from the particular study. More often, participants of the study want whatever the benefit is, prior to the investigation in order for them to sacrifice their time willingly and objectively whilst participating in the study.

## **1.8 Structure of the thesis**

This thesis is structured as follows:

Chapter One: This chapter deals with an introduction and background of the study, problem statement, research questions, research objectives, delineation of the study, significance of the study, and a brief research methodology.

- Chapter Two: This chapter addresses the concept of entrepreneurship; its factors and forces, its importance, youth entrepreneurship, managerial competencies of entrepreneurs, challenges and prospects of youth entrepreneurship.
- Chapter Three: This chapter deals with the research methodology that the study has employed to collect and analyse data from respondents in the study.
- Chapter Four: This chapter presents and discusses data that was collected from participants in the study.
- Chapter Five: This chapter presents conclusions and recommendations of the study, which are based on the research findings.

## **1.9 Summary**

This chapter described the key components of the study, namely the introduction and background of the problem, statement of the research problem, research questions, research objectives, delineation; research methodology, and the structure of the thesis. The next chapter deals with a review of the literature, which is relevant to the topic of this study.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Introduction**

The objectives of this study were to: find out specific factors that discourage young people from pursuing entrepreneurship careers in Khayelitsha; investigate particular challenges that inhibit expansion in youth entrepreneurial ventures in Khayelitsha; and describe specific prospects of youth entrepreneurship development in Khayelitsha. Polonsky and Waller (2011:106) contest that, mostly, in all cases, there is an earlier industry or academic written material, which directly relates to the researcher's particular topic. Collis and Hussey (2009:91) assert that a literature review relates to all sources of secondary data that are of relevance to a particular topic that is studied. Therefore, in the context of this study, multiple sources of information that were used included published and unpublished dissertations, books, journals, electronic articles, magazines, and government publications.

This literature review was set out to provide a clear picture to readers on the key concepts, theories, as well as the data (Bloomberg & Volpe, 2008:46) of relevance to the topic of the study. Therefore, the following key concepts and themes are addressed in this chapter: entrepreneurship and its theoretical background, including its factors and forces, as well as its importance; and youth entrepreneurship in South Africa, and its challenges and prospects.

### **2.2 Entrepreneurship defined**

Numerous researchers in the field of entrepreneurship have not managed to come up with single and commonly acceptable definitions for entrepreneurship (Kobia & Sikalieh, 2010:111; Davey, Plewa, & Struwig, 2011:336). Kobia and Sikalieh (2010:112) argue that the reason for not having a universal definition is because entrepreneurship has been studied in many disciplines, which has resulted in the rise of many opinions regarding its meaning. In 1997 Varnkaaraman argued that it would be a misunderstanding to define the field by means of defining an entrepreneur (Kobia & Sikalieh, 2010:118). He contests that when economists define economics, they do not define it by its resource allocator; neither do sociologists define their subject matter by defining their society. However, no further studies based on his argument can be found. In 2000, Timmons suggested that entrepreneurship is a process of creating or seizing and pursuing an opportunity, irrespective of the available controlled resources (Nieman *et al.*, 2003:9).

Historically, the term 'entrepreneur' initially was employed generally within the business world (Bolton & Thompson, 2003:3). It originates from the French word 'entreprendre' (Bolton &

Thompson, 2003:3), and German word 'unternehmen' (Oseifuah, 2010:164). These concepts refer to the undertaking of a venture, particularly starting-up and growing a business venture (Bolton & Thompson, 2003:3). According to Oseifuah (2010:164), in 1991 Sharma and Chrisman had already mentioned that the word 'entrepreneur' was invented by French economist, Richard Cantillon, early during the eighteenth century. Furthermore, this concept was made prominent by economists such as Jean Baptise Say, John Straurt Mill, and Alfred Marshal in the early nineteenth century, and has developed since then (Oseifuah, 2010:165).

Nieman *et al.* (2003:8-9), Nieman and Nieuwenhuizen (2009:9), Morrison (2006:192), as well as Nafukho and Muyia (2010:99) agree that there is no scientific definition for an entrepreneur either. These writers believe that defining an entrepreneur through providing some examples of entrepreneurs is the best way. For instance, Bill Gates of Microsoft Corporation is an example of an entrepreneur, as he developed a new product, Windows 1995, to ease recalling commands within MS-DOS; and Issac Newton the scientist, also makes a good example of an entrepreneur; he saw force of gravity in the fall of an apple.

For the purpose of this study, the selected definition is that of Nieman and Nieuwenhuizen, (2009:9), who define an entrepreneur as an individual who sees an opportunity in the market, and gathers the necessary resources, which create and expand a venture to meet society's needs or to solve problems within society. He/she solely bears all the risks of the business whilst he/she reaps all the rewards if the business succeeds. Entrepreneurs start or grow and manage their businesses with the intentions of making a profit, taking on challenges by initiating something new, or that is not quite easy to do (Jessely Co, Groenewald, Mitchell, Nayager, van Zyl, Visser, Meyer, Emanuel & Train, 2007:2). They bear all the risks of the business, and if the business succeeds, they reap the profits (Nieman *et al.*, 2003:9).

Some personal traits that differentiate entrepreneurs from business owner-managers include creativity and innovation, passion, willingness to take calculated risks, self-confidence, determination and perseverance, resourcefulness, need for independence, persuasiveness, tolerance for uncertainty and ambiguity, imagination, high need for achievement, and an internal locus of control (Nieman *et al.*, 2003:29-30; Burke, 2006:15; Nieman & Nieuwenhuizen, 2009:32).

Entrepreneurs are mainly associated with starting up or expanding existing business (Jessely Co *et al.*, 2007:2); nevertheless, Burke (2006:15) argues that entrepreneurs can be found in all walks of life. He exemplifies by pointing out the following entrepreneurial categories:

- Jack Welch is considered to be a corporate entrepreneur, as he managed to turn around General Electric (GE) from its equity of \$13 billion to a \$550 billion company within the period of 20 years;
- Entrepreneurs that can frequently be found in all societies, particularly in the Third World and informal market are regarded as street entrepreneurs;
- Andrew Carnegie who was quoted as saying ‘the man who dies rich, dies disgraced’ and who disposed 90 percent of his wealth before his death, is regarded as a social entrepreneur; and
- Edmund Hillary, the first mountaineer to climb Mount Everest and Neil Armstrong, who set man’s footprints on the moon, are known as adventure entrepreneurs.

### **2.3 Defining entrepreneurial ventures and small business ventures**

Entrepreneurial ventures are the types of businesses that have the primary purpose of profitability and growth (Nieman & Nieuwenhuizen, 2009:9). The characteristics that differentiate them from small businesses include innovation, potential for growth, and strategic objectives, which comprise market targets, market development, market share, and market position.

A small business can be defined as any business that has been established and managed primarily for the purpose of furthering owner’s personal goals and ensuring security (Nieman & Nieuwenhuizen, 2009:9). Small business ventures normally stabilise at some stage when they generate income, and only grow with the inflation. South Africa’s National Small Business Act Amendment Act 26 of 2003, defines it further based on five categories namely, standard industrial sector and subsector classification, size of class, equivalent of paid employees, turnover and asset value, in which fixed property is excluded.

However, for clarity purposes in this study it may be worth noting that, the concepts, small businesses/ventures and entrepreneurial ventures were used interchangeably throughout the entire chapters, especially on the basis that their differences are marginal. This is on the basis that, according to Nieman and Nieuwenhuizen (2009:3), entrepreneurs are the drivers of the SMME sector. Again, there is no Business Act as yet in South Africa, which prohibits an entrepreneur from becoming a small business owner, and the case is reversible. Both of these kinds of businesses equally contribute to the performance of the economy, and also take similar entrepreneurial action during the start-up phase of their businesses.

## 2.4 Importance of entrepreneurship

Nicolaides (2011:1043) claims that entrepreneurs create new technologies, products and services to meet society's needs. In addition, he describes entrepreneurs as savvy risk takers, implementers and innovators who can transform socio-economic landscape through creation and exploitation of new opportunities in the market.

Ndedi (2009:466) acknowledges the importance of promoting entrepreneurship and training entrepreneurs through centres and institutions. This is something that he attributes to the following scenario. According to him, research, which was conducted by David Birch in job creation through entrepreneurship in the United States of America (USA) over the past 20 years, found that new and growing smaller firms formed 81,5 percent of new jobs in America, from 1969 to 1976. He further stated that from 1993 to 1996, about eight million jobs were created in the USA, with 77 percent of those jobs being produced by small enterprises. Moreover, he asserts that the USA's entrepreneurs at the time were trained to take calculated risks by reinforcing the launch of their own businesses. He wonders though if the South African universities are addressing this issue. Van Rensburg (2010) holds that South Africa is a nation with quality education that is offered within the field of entrepreneurship at school level. He adds that children are exposed to the subject as early as primary to high school environment. He also argues that at tertiary level a number of institutions offer entrepreneurship degrees or integrate it within their courses. In support of this, he points out the following tertiary educational institutions: GIBS Full-time Entrepreneurship MBA; University of Pretoria; University of South Africa; UCT Centre for Innovation and Entrepreneurship (CIE) at the Graduate School of Business (GSB); University of Johannesburg; and WITS Business School (WBS).

Entrepreneurship is highly considered as an invaluable tool to address not only high unemployment, but also as a mechanism to respond to the uncertain national landscape (Ndedi, 2009:467). He contends that in the USA, proliferation of entrepreneurship was attributed to the emergence of centres and higher education institutions, which offer entrepreneurship courses. Numerous African countries have also acknowledged that entrepreneurship is an important mechanism to deal with the unemployment agenda (Nafukho & Muyia, 2010:100). These writers conclude that investing in entrepreneurship, education and training is one of the best strategies that any country can employ to capacitate and advance human resources in order to promote socio-economic development.

In summary, entrepreneurship is mostly regarded as important for the following reasons:

- Income generation;

- Creation of job opportunities;
- Improvement of social well-being;
- Improvement of standards of living;
- Economic growth;
- Entrepreneurial intelligence (creativity and innovation);
- Economic competitiveness;
- Creation of investment opportunities; and
- Export opportunities (Linan *et al.*, 2005:1; Dempsey, 2009:2; Herrington, Kew & Kew, 2009:12; Nafukho & Muyia, 2010:100; Ndedi, 2009:466; Nieman & Nieuwenhuizen, 2009:9; Fatoki & Chindoga, 2011:162).

## **2.5 Factors responsible for the emergence of entrepreneurship**

The research shows that there is a variety of factors that can motivate an individual to pursue a career in entrepreneurship, and these are outlined below.

### **2.5.1 Background factors**

- Education, training and experience: Entrepreneurship education, training and experience that a person receives from his environment can play a big role in influencing his attitude to set up an entrepreneurial venture (Lall & Sahai, 2008:24). Bolton and Thompson (2003:41) argue that successful entrepreneurs in high technology and biotechnology fields are often well educated individuals who have used the work of their research to spot business opportunities in the market. Similarly, Nieman and Nieuwenhuizen (2009:31) also suggest that there is a connection between higher levels of education and training, and the emergence of entrepreneurship.
- Family, role models and association with similar types of individuals: Where an environment is entrepreneurially orientated, supportive and beneficiary to the individuals that reside within, those people are likely to follow the same foot-steps (Lall & Sahai, 2008:24). Similarly, personal networks, as well as family members who own their business ventures may influence entrepreneurial attitudes for young people who live with them in the same environment (Nieman & Nieuwenhuizen, 2009:31).
- Financial conditions: The financial conditions of a person, whether favourable or adverse, can pull or push him/her to start-up a new entrepreneurial venture for a variety of reasons (Lall & Sahai, 2008:24). Wickham (1998), in Nieman and

Nieuwenhuizen (2009:35) asserts that the emergence of entrepreneurship will depend on the strengths of both necessity and opportunity factors. He states that if someone is retrenched after some years of experience in a big company, and has been thinking of starting his/her own business and starts it when the window of opportunity opens, then he/she has been pushed and pulled to do business. As a result, this individual was financially insecure and decided to use his/her own money to start a business to become his/her own boss. Bolton and Thompson (2003:42) argue that successful entrepreneurs may come from both rich and poor backgrounds. Conversely, a favourable environment where financial products are accessible to aspirants and entrepreneurs, the level of new venture creation, as well as entrepreneurship development, will grow (Nieman & Nieuwenhuizen, 2009:197).

### **2.5.2 Motivational factors**

- Need for achievement: The best-known researchers in the field of entrepreneurship such as McClelland (1961), Hornaday, Bunker and Aboundis (1970) agree that a high need for achievement is one of the main motivating factors, which can drive an entrepreneur to succeed in his entrepreneurial venture (Nieuwenhuizen *et al.*, 2008:2). With this need at the back of their minds, entrepreneurs strive to reach their personal goals and, most importantly, use available resources, their creativity and innovativeness to develop better and efficient products and services for the markets (Lall & Sahai, 2008:24).
- Locus of control: This motive is also regarded as a crucial factor that can encourage the emergence of entrepreneurship. Individuals that have this characteristic usually believe in taking charge of their own lives (Nieuwenhuizen *et al.*, 2008:7; Nieman & Nieuwenhuizen, 2009:32). They usually know what they want and work tirelessly to ensure that they fulfil this personal motive (Lall & Sahai, 2008:24). Hence, these individuals typically enjoy giving orders rather than following them from someone else, so being in control of their business ventures should not come as a surprise.
- Need for independence: Even though this characteristic relates to a locus of control, an individual with this need usually has or had it while working for someone else. This type of a person enjoys doing things his or her own way, and does not fit in a working environment where he or she is tied down and obligated to follow someone else's rules (Nieman & Nieuwenhuizen, 2009:32). The persistence of this need may influence him or her to establish an own business venture and make his her own rules.

### **2.5.3 Economic factors**

- Supportive government policies: The importance of entrepreneurship development in any country is undeniable. Hence, many governments in the world, including South Africa's government, are formulating policies and programmes that promote entrepreneurship within its different sectors (Lall & Sahai, 2008:24; Nieman & Nieuwenhuizen, 2009:42; South Africa. National Youth Policy, 2009:14).
- Business environment: A supportive business environment where legal business regulations are relaxed, infrastructure is good, business advice, counselling, mentoring, finance, training, and incubators are abundantly available for entrepreneurs, the emergence of entrepreneurship is likely to occur (Lall & Sahai, 2008:24; Nieman & Nieuwenhuizen, 2009:32).
- Availability of financial assistance from various funding structures: Start-up capital is one of the critical resources, which is required to set-up a new business venture. However, in South Africa, access to business funding for SMMEs remains a challenge, as most entrepreneurs use their own money or borrow from family members who can help at the start-up of their businesses (Western Cape Youth Report, 2008:12; Nieman & Nieuwenhuizen, 2009:197). Nevertheless, the country's government may assist in this situation by allocating enough funds to its business structures that support SMMEs so that deserving entrepreneurs may be able to access funding for their business venture (Nieman & Nieuwenhuizen, 2009:197).
- Ancillary or additional support: Where there is good infrastructure, enough suppliers and distribution channels in a business environment, potential entrepreneurs may take advantage of such opportunities and establish their own business ventures (Lall & Sahai, 2008:24).

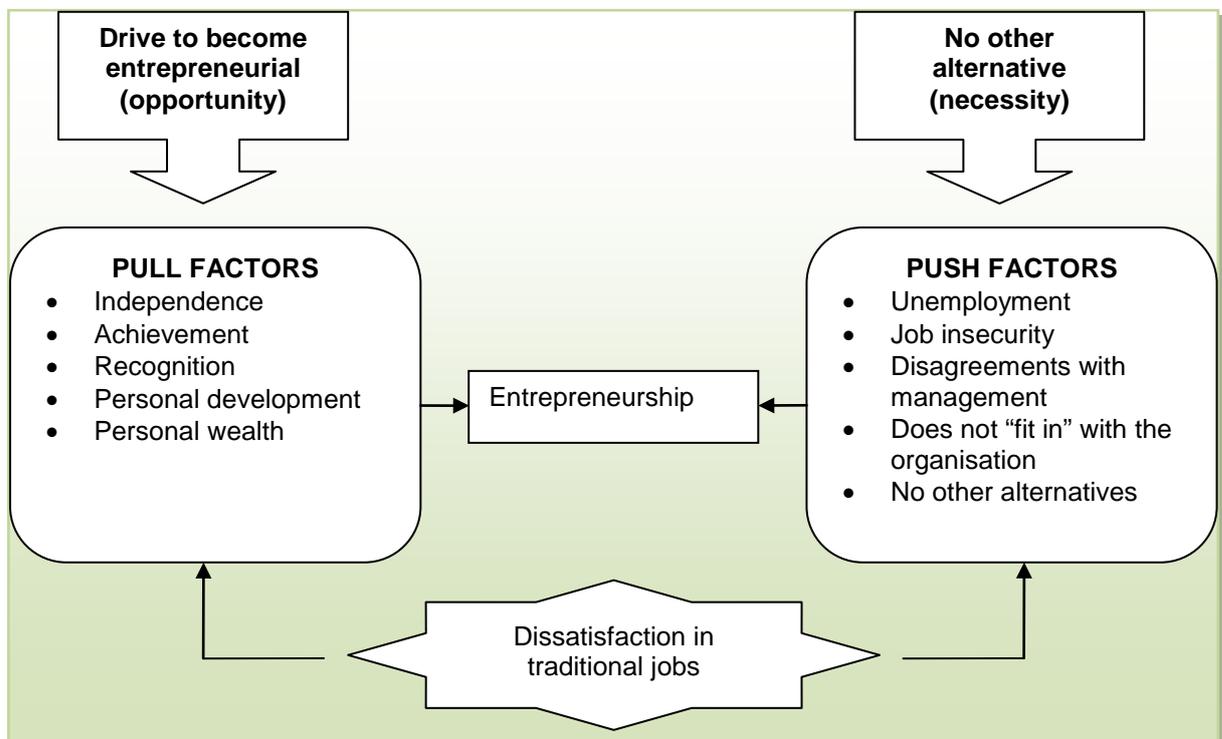
### **2.5.4 Rewards**

- Recognition: The success of an entrepreneurial venture always reflects back to the owner's efforts of establishing, managing and expanding it successfully. Recognition is one of the factors that may encourage an individual to set-up and successfully manage his or her business venture as a result of the desire to attain a social standing in society (Nieman & Nieuwenhuizen, 2009:35), which could help stimulate to his/her self-esteem (Lall & Sahai, 2008:24).
- Social status: When an entrepreneurial venture is successful, the owner reaps large profit margins, which an ordinary individual who works for a paid job cannot imagine

laying his/her hands on. Therefore, with a business that is successful and lucrative, an entrepreneur's social status and lifestyle changes (Lall & Sahai, 2008:24), and some of those who live with him in the community begin to see him as a role model.

## 2.6 Main forces that cause an individual to become an entrepreneur

There are a number of forces that can drive an individual to become an entrepreneur (Nieman & Nieuwenhuizen, 2009:34). These authors categorise these as push (necessity) and pull (opportunity) factors. The figure below outlines influences that result in entrepreneurship.



**Figure: 2.1. Push and pull factors of entrepreneurship (Adapted and modified from Nieman & Nieuwenhuizen, 2009:35).**

### 2.6.1 Necessity (Push) factors

Individuals who started their businesses as a result of lack of employment are known as necessity entrepreneurs (Botha, 2006:9; Bygrave & Zachariks, 2008:20). Encouraging reasons for necessity entrepreneurship, according to Nieman and Nieuwenhuizen (2009:34), include the following:

- Unemployment of an individual within the established economy;
- Job insecurity as a result of short-term employment contracts in an organisation;

- Being at loggerheads with management, career limitations and other unfavourable conditions in the current job;
- Inability to fit or to pursue personal innovation within the organisation;
- Underemployment or limited financial rewards from the present job; and
- Having limited or no other option to make a living.

### **2.6.2 Opportunity (Pull) factors**

Entrepreneurs who start their business venture because they saw and seized an opportunity in the market are referred to as opportunity entrepreneurs (Botha, 2006:9; Bygrave & Zachariks, 2008:20). The influences that can pull an individual towards entrepreneurship, according to Nieman and Nieuwenhuizen (2009:35), include the following:

- Independence for decision making and taking calculated risks for oneself;
- Achievement through acknowledgment for creating and managing a successful business venture;
- Recognition by society and customers for serving them with loyalty for a number of years at the same time creating jobs and adding value to economic growth;
- Personal development through freedom to create and reach one's full potential; and
- Personal wealth through financial rewards become more than they would for a paid job.

Wickham (1998), in Nieman and Nieuwenhuizen (2009:35), opines that the emergence of entrepreneurial ventures depends more on the strengths of the push and pull forces. He asserts that if these forces are strong enough, a number of entrepreneurial ventures would escalate in any country.

## **2.7 Managerial competencies of an entrepreneur**

The research indicates that entrepreneurship is formulated by a number of knowledge areas that can aid in the management of an entrepreneurial venture (Burke, 2006:16). This suggests that an entrepreneur needs more than just entrepreneurial skills to manage the business successfully. Nieuwenhuizen, Beer, Zeelie, Groenewald, Watson, Rossouw and Jacobs (2008:2) assert that the development of managerial skills, business knowledge, and the nurturing of entrepreneurial skills help entrepreneurs to achieve optimal results in their businesses. Burke (2006:16) argues that entrepreneurs need project management skills and techniques, to plan and control the establishment of an entrepreneurial venture under limitations such as budget, space of time, and other necessary resources. Hughes,

Patterson and Terrell (2005:1) suggest that emotional intelligence competency plays a positive role in the personal capacity of an entrepreneur, as well in the success of an entrepreneurial venture, particularly in areas such as managing teams at work and where responsibility and accountability are critical to the success of the business venture. These competencies are outlined below.

### 2.7.1 Managerial skills

Even though the business ventures differ in sizes, types and structures, generally a business venture usually has the following functions within:

- General management – this function deals with planning, organising, leading and controlling business resources;
- Operations – this function deals with activities that help to create goods and services by transforming inputs into outputs;
- Finance – this function is concerned with the planning and management of financial affairs of the business regarding acquisition of capital, as well as acquisition of assets in the business;
- Marketing – it is concerned with aspects such as planning and executing pricing, promotion, and distribution of goods and services to customers, with the aim of satisfying their needs and making a profit;
- Administration – it deals with the general management of the administrative function with the main focus on information systems and components; and
- External relations – this involves keeping the company abreast with what is happening in the business industry (Nieuwenhuizen *et al.*, 2008:2).

### 2.7.2 Entrepreneurial skills

Research, which was conducted by McClelland and McBer and Company in 1986 acknowledged three groups of entrepreneurial skills relating to the characteristics of successful entrepreneurs (Nieuwenhuizen *et al.*, 2008:2). These are tabulated below.

**Table 2.1 Characteristics of successful entrepreneurs**

Proactiveness		
1.	Initiative	Does things before being asked or forced to by events.
2.	Assertiveness	Confronts problems with others directly. Tells others

		what they have to do.
<b>Achievement orientation</b>		
3.	Sees and acts on opportunities	Seizes unusual opportunities to start- anew business and obtain financing, land, work, space, or assistance.
4.	Efficiency orientated	Looks for or finds ways of doing things faster or at a lower cost.
5.	Concern for high-quality work	States a desire to produce or sell top quality or better quality products or services.
6.	Systematic planning	Breaks a large task into subtasks, or subgoals, anticipates obstacles, and evaluates alternatives.
<b>Commitment to others</b>		
7.	Commitment to work contract	Makes a personal sacrifice or expends extra-ordinary effort to complete a job, pitches in with workers or works in their place to get a job done.
8.	Recognises the importance of business relations	Acts to build rapport or friendly relationships with customers; sees interpersonal relationships as a fundamental business resource; and places long-term goodwill over short-term gain.

Adopted from: Nieuwenhuizen *et al.* (2008:3-4)

### 2.7.3 Project managerial skills

In setting-up a new business venture, an entrepreneur might decide to subdivide large tasks into smaller manageable projects, which will require project management skills and techniques to plan and control entrepreneurial processes (Burke, 2006:20). The execution of a new business venture encumbers entrepreneurs with a lot of challenges. Hence, entrepreneurial competencies that include creative and innovative ideas should be put to good use to ensure success and successful implementation of an entrepreneurial venture.

Burke (2006:20) suggests that entrepreneurs should use project management techniques to plan and control their projects from beginning to end. These techniques include the following: Work Breakdown Structures, Critical Path Method, Gantt Charts, Procurement Schedule, Resource Histograms, Earned Value. Quality Control Plan; Organisation Breakdown Structure, Configuration Management, and Document Control (Burke, 2006:20).

#### **2.7.4 Emotional intelligence competency**

Emotional intelligence can play an important role in the personal capacity of an entrepreneur and the success of his/her entrepreneurial venture (Hughes *et al.*, 2005:1). Exploration and development of personal intelligence may benefit an entrepreneur in the following ways:

- It creates happiness;
- It augments self-motivation;
- It helps with stress-management;
- It helps to resolve conflicts with other people;
- It gives the ability to encourage, comfort, discipline, and deal with different personal characters accordingly in different circumstances;
- It determines how effective people explore their emotions in their current environment; and
- It determines how well people listen to their leaders and how they are heard (Hughes *et al.*, 2005:9).

Collectively, the application of managerial skills, business knowledge, project managerial skills, as well as emotional intelligence in the business, cannot be overemphasised in respect of the success of entrepreneurs, including Khayelitsha youth entrepreneurs. Perhaps youth entrepreneurs should familiarise themselves with such competencies through continual learning and practice.

### **2.8 Youth entrepreneurship in South Africa**

There is no generally agreed upon definition for the term “youth entrepreneurship” (Schoof, 2006:7). Therefore, in the context of this research, a youth entrepreneur is described as any young person between the ages of 16-35 (South Africa. National Youth Policy, 2009:11), who has the ability to recognize an opportunity when it shows, and to use it to create value and wealth by starting a new, or by growing an existing venture in any sector (Oseifuah, 2010:166). Since the 1990s youth entrepreneurship has received consideration in South Africa (Nieman & Nieuwenhuizen, 2009: xvii), and gained even more focus after the establishment of UYF in 2001 (Nieman & Nieuwenhuizen, 2009:42). The latter merged with the NYC in 2009 to give birth to the NYDA (Chabane, 2011). Similarly, Musengi-Agulu (2010:1) asserts that the development of youth entrepreneurship has drastically heightened worldwide.

This could be because of high unemployment facing young people all over the world, which also appears to be a threat that can persist for decades if there are no effective measures to address it (Schoof, 2006:1). For instance, the World Bank predicts that by 2015 young people under the age of 25 will total 25 billion worldwide in spite of the prospects that this generation could be the most educated ever, while the ILO's statistics foresee a massive decline in job opportunities (Youth Business International, 2009:3). Similarly, in South Africa, young people represent a majority of the population in numbers (Mahadea *et al.*, 2011: 76), however, the unemployment among them is estimated to be around 70 percent (Fatoki & Chandoga, 2011:162; Mkoka, 2012:10).

This could imply that a majority of young people in South Africa live under poverty conditions, which could negatively affect them and their families' standards of living (Fatoki & Chindoga, 2011:162). Criminal activities may occur (Mahadea *et al.*, 2011:67; Mkoka, 2012:10), as well as low self-esteem, which could result in a negative outlook on life (Fatoki & Chindoga, 2011:162). For the poor, if these circumstances continue to persist, the next generation may have no choice but to bear the poverty legacy. Morrow *et al.* (2005:10) caution that poverty normally reproduces itself among children and young people who come from already disadvantaged homes. Hence, James (2012) maintains that during this era of high unemployment in the country, and also, where a number of traditional industries are reluctant to employ young graduates, fostering youth entrepreneurship could be a better strategy.

Entrepreneurship aids the economic growth, economic competitiveness, economic independence, self-esteem, job creation, social welfare of any country, as well as political stability and national security of a country (European Commission, 2003:22; Linan *et al.*, 2005:1; Dempsey, 2009:2; Fatoki & Chindoga, 2011:162). Therefore, entrepreneurship is undisputedly imperative for young people themselves; their families, society at large, and the country's economy (Fatoki & Chindoga, 2011:162). Nevertheless, South African young people lag behind in setting up own business ventures compared to their counterparts from other countries (Von Broembsen, Wood & Herrington, 2005 in Fatoki & Chindoga, 2011:162). The persistence of this occurrence may not be good for the youth's economic participation, especially owing to high unemployment in the country (Fatoki & Chindoga, 2011:162). Herrington *et al.* (2009:10) add that this weak participation in entrepreneurship by young people places more burden on the state's limited budget, as it usually invests most of its resources on young people through education, health and social grants (Mkoka, 2012:9).

Sandrock (2011) suggests that graduates from universities, as well as matriculants, should be equipped with entrepreneurial skills in order to create more jobs, rather than seek for a paid job. She stresses that a generation of employers would be much more advantageous

than that of employees. Similarly, Mahadea *et al.* (2011: 67-68) believe that exploring young people's talent by promoting a culture of entrepreneurship amongst school leavers will play a big role in their well-being. These writers further point out that the schooling system should be able to develop entrepreneurial attitudes, knowledge and skills within a student.

Pittaway and Cope (2007), in Davey *et al.* (2011:337), agree that university education can influence young people's attitudes towards entrepreneurship. In support of this, the European Commission study on the motivation of young people in entrepreneurship reported that 44 percent of 15-24 years of age participants who were investigated accepted that education plays a tremendous role in fostering entrepreneurial interest (Gallup Organization, 2007:4). Ndedi (2009:467) acknowledges that entrepreneurship education is being provided in several educational institutions of higher learning in South Africa. However, he believes that there are certain aspects that require some improvements, especially on the training of prospective entrepreneurs, if unemployment amongst young graduates should be effectively dealt with. He suggests that the texts and programmes that are offered should be structured in such a way that it introduces the concept of entrepreneurship, and also provides hands-on experience and working modes to develop entrepreneurial skills. Moreover, he advises that at a university setting, entrepreneurship must be introduced in all fields, and implemented at all levels.

Similarly, Lowergren (2006), in Ndedi (2009:467), is cited as arguing that social sciences, engineering, information and design, and health and wellness students also require the same skills as those of business students. Opportunity recognition may not only occur for a business student, but also for students from other disciplines who may be willing and able to commit themselves to a particular entrepreneurial activity (Ndedi, 2009:468). This could also be related to Burke (2006:15) as he asserts that entrepreneurs can be found in all walks of life.

Ndedi (2009:468) also suggests that another aspect, which is required from universities in order to be able to effectively deal with the issue of unemployment, is the development of business incubators within the universities. He argues that incubators could assist students in linking theoretical training to practical exposure. He also adds that incubators should provide management guidance and technical assistance to young people and potential youth entrepreneurs in any business related issue.

Mahadea *et al.* (2011:67-68) argue that on the basis of the dynamic labour market in South Africa, many young people will not find jobs after completing their secondary education. Thus, they caution that young people should consider self-employment as a better option

instead of looking for wage employment. Furthermore, they suggest that schooling systems should be able to prepare a learner with entrepreneurial knowledge, skills, and also influence his/her attitude towards entrepreneurship. Von Broembsen *et al.* (2005), Bosma, Acs, Autio, Couduras and Leavie (2008), and Herrington, Kew and Kew (2010), in Mahadea *et al.* (2011:69) concur that as much as there are many elements that can encourage an individual to start a business, including exposure to entrepreneurship from immediate family, role models, and so on, the education system is the primary factor to change one's attitude towards entrepreneurship (Isaacs, Visser, Friedrich & Brijal, 2007:613).

## **2.9 Challenges of youth entrepreneurship in South Africa**

The Apartheid era's exclusion of Black South Africans from freely partaking in the country's economy has left behind a context filled with a variety of unbearable discrepancies and adversities (Human, 2006:2). After 1994 South Africa constituted a few new policies and established certain transformation measures (Mkoka, 2011:11). The South African government also established a number of programmes such as the Youth Development Forum (YDF), Expanded Public Works Programme (EPWP), Accelerated and Shared Growth Initiative for South Africa (ASGISA), and Joint Initiative on Priority Skills Acquisition (JIPSA) in an attempt to address young people's challenges (South Africa. National Youth Policy, 2009:14). Nevertheless, poverty alleviation, unemployment reduction, and creation of a favourable business environment for young people to participate fully and meaningfully in the country's economy remain a challenge in the country (South Africa. Department of Trade and Industry, 2009:6; South Africa. NYDA, 2011:9). Musengi-Ajulu (2010:1) also agrees that even though these initiatives have resulted in the creation of more economic opportunities for young people, it appears that they have no significant impact in reducing the high unemployment rate (70 percent) among young people in the country (Fatoki & Chandoga, 2011:162; Mkoka, 2012:10).

With this current magnitude of youth unemployment in South Africa, as well as the reluctance of several traditional industries to employ young graduates, fostering youth entrepreneurship could be a better strategy to address the issue of unemployment in the country (James, 2012). Herrington *et al.* (2010:11) agree that all over the world entrepreneurship has been acknowledged for the role that it plays in the wellbeing of any economy, as well as in job creation and poverty alleviation. South Africa's National Treasury (2011:18) states that youth employment in this country cannot effectively be addressed with the use of a single employment policy. South Africa's NYDA Annual Report (2010:3) adds that youth development in the country is everyone's responsibility, the including government, private sector, civil society, and youth themselves.

Research reveals that South African youth lag behind in setting up own business ventures compared to their counterparts from other countries (Von Broembsen *et al.*, 2005 in Fatoki & Chindoga, 2011:162). Herrington *et al.* (2009:12) assert that the challenges that young people face presently are owed to the legacy of Apartheid policies, as well as gaps that still exist in the country's current policies. While conversely, Zunia (2011) argues that youth entrepreneurial challenges are relatively the same as those, which face other small business owners in South Africa. Therefore, the general factors that are likely to inhibit youth entrepreneurship in South Africa are outlined below. It is important to note that these factors may or may not represent the true picture in Khayelitsha, as there is no study as yet that has explored the specific conditions of youth entrepreneurship in this community.

### **2.9.1 Start-up and expansion capital**

Access to start-up capital is a major stumbling block when trying to start-up a business (Pretorius & Shaw, 2004:226; Atieno, 2009:1; Herrington *et al.*, 2009:47; Young Upstarts, 2011:30), and can force aspirant entrepreneurs to use their own money or to borrow from their family to start a business (Nieman & Nieuwenhuizen, 2009:35). This might be even worse for young people from disadvantaged environments, where they have no collateral to secure the business funding and if ultimately they do not obtain the start-up capital, their creative ideas may go to waste (Nieman & Nieuwenhuizen, 2009:35). In addition, a poorly constructed business plan can also reduce the chances of obtaining financial support from investors or financial institutions (Western Cape Youth Report, 2008:61-63; Nieman & Nieuwenhuizen, 2009:35).

After the execution phase of an entrepreneurial venture, certain measures to foster its nurturing should be taken. In most cases, the necessary resources to facilitate business development revolve around funding. When the business does not generate much profit and entrepreneurs do not have enough funds to contribute to their business, but needs to expand it, sourcing expansion capital from government's support structures, supportive friends and family members may become an alternative route. Access to finance is among the key constraints to entrepreneurship in South Africa (Turton & Herrington, 2012:45). Nevertheless, the fact about this position is yet to be established in the case of youth entrepreneurship in Khayelitsha. Young Upstarts (2011:55) see business funding for young people as the responsibility of the country's state. Perhaps this is because the government stands to benefit more in terms of taxes, economic growth, job creation opportunities, and so on, when new venture creations occur and existing ones sustain their developments (Nieman & Nieuwenhuizen, 2009:11).

## 2.9.2 Regulatory red tape

The regulatory business environment of the country can play a negative role in the emergence and nurturing of entrepreneurial ventures, if unfavourably, and this occurrence is more common in less developed than in developed countries (Western Cape Youth Report, 2008:13). In addition, this report stated that a study, which was conducted by SBP in South Africa revealed that the compliance costs for small businesses that made an annual turnover of less than R1 million, amounted to 8.3 percent, while of those business ventures with annual sales of R1 billion or more amounted to 0.2 percent.

A 2010 survey reported that more than 50 percent of the experts agree that government policies are the key constraining factors for entrepreneurial development in South Africa (Herrington *et al.*, 2010:32). The regulations and bureaucracy attached to starting-up a business are among factors that may discourage prospective entrepreneurs as they can take some time to complete, and cost money (Nieman & Nieuwenhuizen, 2009:128). Hence, Herrington *et al.* (2010:32) mention that the unproductive government bureaucracy and red-tape related to setting-up and managing a business, as well as the restrictive labour regulations, require urgent attention.

In South Africa an entrepreneur has to adhere to the following legalities in order to consider their business formally registered, which costs time and money. Nieman and Nieuwenhuizen (2009:128) suggest that entrepreneurs must register with the following organisations/entities:

- Companies and Intellectual Property Registration Office (CIPRO), recently amalgamated with the Office of Companies and Intellectual Property Enforcement (OCIPE) to form Companies and Intellectual Property Commission (CIPC) (Cipc, 2012), for its intellectual property;
- South African Reserve Revenue Services (SARS) for Value Added Tax (VAT) and Skills Development Levies if the business meets the tax threshold, and for income tax for oneself and the business's employees;
- The Department of Labour for Unemployment Insurance and Compensation for Occupational Injuries and Diseases Funds; and
- Regional Services for a monthly fee of the services rendered, and for special trading licences, where necessary.

Conversely, in countries such as Australia, New Zealand and Canada, the business registration process has been reshuffled and simplified to take only two days to complete (Western Cape Youth Report, 2008:13), whereas in South Africa the business registration process appears to be time-consuming, and is a slow process.

### **2.9.3 Lack of interest in entrepreneurship as an option**

It appears that in South Africa entrepreneurship is not being regarded as a better career option. Sandrock (2011) suggests that graduates from universities, as well as matriculants should be equipped and encouraged to pursue careers in entrepreneurship, instead of seeking for a paid job. In Kroon, de Klerk and Dippenaar (2003:319), Kao (1992) argues that the main aim of entrepreneurial learning should revolve around developing a generation of more creative, innovative, and calculated risk-taking individuals. He adds that even those who would opt for a wage job with entrepreneurial learning can easily cope with the dynamic work context attributed to shorter, multiple careers and contracts, as well as flexible job responsibilities. Hence, Ndedi (2009:467) advises that at the university setting, entrepreneurship must be introduced in all fields, and be implemented at all levels.

### **2.9.4 Awareness of entrepreneurial support initiatives**

Quite a large number of the target market is not knowledgeable of the entrepreneurial support that is available and accessible for the development of their businesses (Fatoki & Chidoga, 2011:163; South Africa. NYDA, 2011:21). This could also be attributed to a lack of access to information by these young people (South Africa. NYDA, 2011:18). There are a number of support structures, which are aimed at dealing with this issue (Western Cape Youth Report, 2008:61-63), however, it seems as if they are failing to market their services to the right people at the right time.

The Western Cape Province was among four provinces that received the least number of entrepreneurship support services during the 2009-2010 financial year period (NYDA Report, 2010:34). This could suggest that there was a lack of youth entrepreneurship structures in the Western Cape region, including areas such as Khayelitsha. Since support services are delivered to young aspirant and existing entrepreneurs through support structures, if these support structures are not available to young people, no one will be aware of such support services. At the same time, when such support services are available for youth entrepreneurs who are generally eligible young people support structures do not appear to employ effective methods, which are marketed to young people.

### **2.9.5 Inadequate entrepreneurial skills**

There is a great deal of entrepreneurial skills shortage within the SMME sector, particularly among young people in South Africa, and this could deteriorate creativity and innovation for products and services (Western Cape Youth Report, 2008:61-63). Similarly, Higgins (2006:39) argues that the suffering of entrepreneurship in South Africa can be linked to a

lack of business skills and inadequate access to appropriate business information. These entrepreneurial skills include opportunity recognition, creativity and innovation, calculated risk-taking, determination, and so on, (Van Rensburg, 2011). Herrington *et al.* (2009:49) argue that a lack of education and training is also amongst major barriers to entrepreneurship. Furthermore, they state that the quality of basic education has declined in South Africa and that student drop-outs before matriculation aid to a lack of entrepreneurial and business skills. This situation is a bit disappointing, particularly since the South African government spends large amounts of money on education, with an allocation of R189.5bn during the 2011 budget period (Herrington *et al.*, 2010:31). Mahadea *et al.* (2011:68) suggest that the schooling environment should not only equip learners with knowledge and skills, but should also develop an entrepreneurial mindset so that they can be able to start and manage their businesses successfully.

#### **2.9.6 Access to markets**

The lack of sustainable markets for entrepreneurs' products and services are among factors that could lead to business failure (Nieman & Nieuwenhuizen, 2009:36). These writers add that a lot of entrepreneurial ventures do not pay much attention to marketing the overall business approach. Hence, this negatively affects the key primary goal of marketing, which is customer satisfaction, without which the survival of a business may not exist for much long (Mcdaniel & Terblenche, 2004:4). Entrepreneurs are responsible for delivering products and services to the marketplace and to sell them at a profit (Burke, 2006:16). Nevertheless, prior to this, a thorough market research should be conducted to help entrepreneurs to get know their target market, as well as their market segment (Nieman & Nieuwenhuizen, 2009:36). Even though the Western Cape Youth Report (2008:61-63) suggests that Broad Based Black Economic Empowerment (BBBEE) does provide opportunities for market access to a number of small businesses, including youth entrepreneurial ventures, access to markets remains a challenge.

#### **2.9.7 Access to human resources**

Attracting and retaining appropriate talent is seen as a major obstacle for a number of organisations' success (Ohlhoff, 2008:28). Without the appropriate human resources a company would not have products or services to deliver to the marketplace (Van Dijk, 2008:385). Hence, human resources are regarded as the most precious asset to the success of a business (Bosma, Van Praag, Thurnik & De Wit, 2002:227; Nieman & Nieuwenhuizen, 2009:37), as they can make or break it. Therefore, it is advisable for entrepreneurs to have managerial and leadership skills in order to deal with daily human

relations of the business (Nieman & Nieuwenhuizen, 2009:37), including finding the right employees, retaining them and rewarding them.

### **2.9.8 Access to appropriate technology**

Presently, advanced technologies play a tremendous role in the success and competitive edge of any business or entrepreneurial venture (Nieman & Nieuwenhuizen, 2009:36). The benefits of accessing technologies include better and competitive products or services, production efficiency, reduction for operational costs, and improved quality of products and services, therefore, technology is imperative to the success of the business (Nieman & Nieuwenhuizen, 2009:36). At the same time Internet connection has drastically changed archaic ways of conducting business in a number of ways, as digitalisation and connectivity have become the order-of-the-day (Succeed, 2011:18). Through the Internet, a number of services can be conducted over the internet. Therefore, access to modern technologies by youth entrepreneurs may be crucial in the operations of the business, as it may help to keep the business competitive in the market.

### **2.9.9 Crime**

Feelings of frustration and desperation of amongst the unemployed may motivate young people to engage themselves in criminal activities (Mahadea *et al.*, 2011:67). The Western Cape Youth Report (2008:105) states that the office of the Inspecting Judge revealed that at the beginning of 2005 young people between the ages 18-30 represented 50 percent of the population amongst offenders in jails. Additionally, the Western Cape Province had the highest level of arrests in South Africa, and the ages of the perpetrators were below 18 years of age. Furthermore, in April 2007, there were about 3328 young people who were incarcerated within 42 correctional service institutions in the Western Cape region (Western Cape Youth Report, 2008:108). This could mean that most of these young people will not really be part of the country, as they will spend most of their lives committing crime and being imprisoned. Some of their economic crimes committed, including theft, breaking-in, and robberies happen at the business premises. According to the South African Crime Report (2011:16), business robberies increased by 0.9 percent during the 2010-2011. Therefore, this could imply that the fear factor on crime may negatively impact entrepreneurial ventures, as well as the entrepreneurial intentions of young people in the country.

### **2.9.10 Social-cultural constraints**

A richly diversified society such as South Africa, with four racial groups, namely Africans, Whites, Coloureds, and Indians; 11 official languages; and where inequality among its citizens appears to persist, can be somewhat challenging. According to Herrington *et al.* (2009:46), in early 2001 entrepreneurship was not sufficiently reported on and celebrated within the media. This resulted in a few role models for aspirant entrepreneurs, particularly in the Black African community (Herrington *et al.*, 2009:46). Similarly, Nieman and Nieuwenhuizen (2009:31) assert that entrepreneurs usually have or have had a parent who had an own business before setting-up their own. Nevertheless, these authors contest that this is contrary in South Africa, as a result of a lack of entrepreneurial exposure and experience by the majority of the country's population (Africans).

The 2006 GEM report discovered that the upbringing environment of a child in South Africa influenced their career of choice, mostly believing that seeking for a paid job was a better option (Herrington *et al.*, 2009:47). Conversely, Fatoki and Chindoga (2010:163) believe that these findings suggest that the existence of social-cultural constraints that are likely to negatively affect the participation of young women in entrepreneurship. In South Africa, especially among African groups, tradition has been regarded as one of the key determinants to slow entrepreneurship engagement among women (Nieman & Nieuwenhuizen, 2009:37). Although women's involvement in entrepreneurship has increased since 2006, it only increased by a smaller percentage than that of males (Herrington, Kew & Kew, 2010:5). Nieman and Nieuwenhuizen (2009:39) assert that apart from general constraints, which affect other entrepreneurs in the country, women face the following: balancing business and family responsibilities; negative prevailing socio-cultural attitudes; gender discrimination and bias; and personal difficulties. In the modern society, young women tend to give birth before even getting married or having completed their education. Such additional responsibilities in their lives may negatively affect their intentions of pursuing entrepreneurship careers and opt for a paid job to support their child/children and families.

### **2.10 Prospects of youth entrepreneurship in South Africa**

Prospects in the context of this study are characterized by any developments, positive gestures, attitudes, perceptions and intentions towards youth entrepreneurship development in Khayelitsha. Even though entrepreneurship in South Africa faces a number of challenges (Herrington *et al.*, 2010:31-35), young people are increasingly becoming more and more enthusiastic about becoming involved in it (Maas & Herrington, 2008:4). Mpafa (2008:11) argues that there is a growing number of youth entrepreneurs setting-up their own businesses in response to abandoned opportunities in the market, rather than setting-up a

business out of necessity circumstances. Hopefully these gestures apply in the Khayelitsha area as well. It was found that individuals with a tertiary education are mostly opportunity entrepreneurs (Herrington *et al.*, 2009:111). These authors assert that this growing trend of opportunity based entrepreneurs has a positive impact on the financial resources of the owners, and ultimately on unemployment reduction in South Africa.

As a custodian of youth development, the NYDA has a responsibility to facilitate youth entrepreneurship, among other things, in South Africa (Chabane, 2011). He further argues that this structure has stepped on a number of areas such as strategies to fight poverty through broadening young people's economic participation, and youth skills development programmes in all the country's provinces since its establishment in 2009. He identifies the following as tangible outcomes on young people who have interacted and received support from NYDA across the county's nine provinces during the 2009-2010 financial year periods:

- The NYDA has paved the way for young people to access business funding, which amounted to R64, 4 million. This funding has been issued to youth entrepreneurial ventures, and has supported approximately 31 000 youth entrepreneurs with loans;
- About 5277 entrepreneurial ventures were afforded Consultancy Service Vouchers, in order to access services such as business plans, company registrations and marketing plans; and
- Almost 60 000 jobs were created through NYDA's variety of programmes, namely Enterprise Finance and Business Development Services Programmes (Chabane, 2011).

According to Chabane (2011), the South African government, through NYDA, government departments, and some of its partners, will continually prioritize youth development in the country. He points out that the focus of this structure will be on Key Performance Areas (KPA's) such as economic participation, and education, training and skills development.

- Economic participation
  - 3500 young people will be issued with business consultancy vouchers, business opportunity support services, and mentorship;
  - 2500 companies will be registered in partnership CIPC; and
  - R40m will specifically be utilized to support young people's entrepreneurial ventures.
- Education, training and skills development
  - More than 18000 young people will be supported through a wide range of skills, including business management skills.

Act Number 54 of 2008, has instructed the NYDA as the custodian for youth development to develop an Integrated Youth Development Strategy (IYDS) and Plan for South Africa. The IYDS and Plan is South Africa's integrated strategy, which is determined to improve youth development in the country (South Africa. NYDA, 2011:9). To advance economic participation among young people, this integrated plan proposes some of the strategic interventions that are outlined below (South Africa. NYDA, 2011:41-42).

- The individual: Ease access to information, job preparedness skills and training to foster entrepreneurial mindsets through non-financial and financial support for young people;
- The organisation: By advancing and incubating profitable business and organisations that support young people;
- Markets: By creating value-chains and easy access to new markets and to stimulate such markets continually;
- To create an enabling environment for young people to benefit from Local Economic Development (LED), Provincial Growth and Development (PGDs) and New Growth Path (NGP) business opportunities that are created through aggressive preparation, training and mentorship, as well as policy reform, which will actively direct opportunities created for young people;
- To support and enforce a practice that requires 50 percent of all jobs and entrepreneurial opportunities that are created by the NGP's 2010, Jobs Fund and other related initiatives at all spheres of government to directly benefit young people;
- To implement a long term curriculum programme in all schools, which will equip learners with entrepreneurial knowledge and skills from an early age, to increase employability chances before leaving the school environment; and
- To develop business linkages and participation between youth-owned businesses and the public sector procurement chain through youth based preferential procurement practice, and to keep 30 percent of government investment to provide 3-5 year contracts for youth entrepreneurial ventures.

Conversely, South Africa's Department of Trade and Industry (DTI) through its endeavours to facilitate the country's economic growth, wealth and job creation, has made various strides such as the establishment of an institutional framework to support SMMEs (Nieman & Nieuwenhuizen, 2009:201). In the past few years, the latter has developed a draft, the National Youth Economic Empowerment Strategy and Implementation Framework (NYEESIF) for 2009-2019 (South Africa. DTI, 2009:11). The main objectives of NYEESIF are to improve the quantity and quality of youth entrepreneurship and technical knowledge, and reduce poverty and unemployment among young people (South Africa. DTI, 2009: 8).

Although since 1994 in South Africa, a number of strategies and programmes have been introduced and implemented to enhance youth development, optimum success has not yet been realised (South Africa. NYDA, 2011:9). Perhaps these recent governmental initiatives mentioned above will be able to improve youth entrepreneurship development in Khayelitsha, and elsewhere in the country.

## **2.11 Summary**

Entrepreneurship has been adopted all over the world as a better strategy to facilitate economic participation among young people (Musengi-Ajulu, 2010:1; Nafukho & Muyia, 2010:100). Similarly, the South African government appears to have noted this utterance already, as it introduced UYF in 2001 to aid youth entrepreneurship development in the country (Nieman & Nieuwenhuizen, 2009:42). The latter later in 2009 merged with the NYC to give birth to NYDA (Chabane, 2011). This establishment was formed to respond to a variety of challenges for young people in the country such as unemployment, drug and alcohol abuse and HIV and Aids (South Africa. NYDA Annual Report, 2010:3). Other governmental programmes that preceded the latter in attempting to address youth challenges in the country include the YDF, EPWP, ASGISA, and JIPSA (South Africa. National Youth Policy, 2009:14).

However, in spite of the introduction of these initiatives, poverty alleviation, reduction of unemployment, and creation of a favourable business environment for young people to participate fully and meaningfully in the country's economy remain a challenge (South Africa. the DTI, 2009:6). Von Broembsen *et al.* (2005) in Fatoki & Chindoga (2011:162) found that South African young people lag behind in setting-up own businesses compared to their counterparts from other countries. Herrington *et al.* (2009:12) assert that the challenges faced by young people to date are owed to the legacy of Apartheid policies, as well as the gaps that still exist in the country's current policies.

Generally, factors that are likely to inhibit youth entrepreneurship in South Africa include some of the following: start-up or expansion capital (Pretorius & Shaw, 2004:226; Western Cape Youth Report, 2008:61-63; Atieno, 2009:1; Herrington *et al.*, 2009:47; Nieman & Nieuwenhuizen, 2009:35; Young Upstarts, 2011:30); regulatory red-tape (Nieman & Nieuwenhuizen, 2009:128; Hence, Herrington *et al.*, 2010:32); lack of awareness of entrepreneurial support initiatives (Western Cape Youth Report, 2008:61-63; Fatoki & Chidoga, 2011:163; South Africa. NYDA, 2011:21); and inadequate entrepreneurial skills (Western Cape Youth Report, 2008:61-63; Herrington *et al.*, 2009:49; Herrington *et al.*, 2010:31). Nevertheless, this may not all be applicable in the case of Khayelitsha.

Despite these numerous entrepreneurial challenges, which face young people in the country (Herrington, *et al.*, 2009:12), Maas and Herrington (2008:4) point out that there are some prospects as well, as young people are increasingly becoming more and more enthusiastic about becoming involved in entrepreneurship. Similarly, Mpafa (2008:11) argues that more and more young people are increasingly setting up their businesses in response to opportunities, which are available in the market. It does not appear that this is exactly so in Khayelitsha though.

Overall, entrepreneurship and its manifestation as well as its critical role in positively shaping the socio-economic context of the society were brought to light in the study. Encouragingly, South Africa's government appears to have established good and promising policies, which resulted in the establishment of a number of interventions tailored to tackle young people's demanding socio-economic issues. Nonetheless, in most cases, such government-pioneered interventions do not accomplish their targeted goals. The key issues, which existed in the early 1990s, still continue to persist. Among these are the criticised education system; unemployment and poverty alleviation, especially among the youth; HIV and Aids epidemic; creation of favourable business environment for young people, and so on. Several writers have argued in connection with the matter under investigation. Start-up and expansion capital, lack of awareness of entrepreneurial support initiatives, inadequate entrepreneurial and business skills, and so on, were among highlighted obstacles that are likely to hinder businesses in South Africa. Whether this is the case in Khayelitsha as well, the findings of the study will enlighten. The next chapter deals with the research methodology of this study.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 Introduction**

A research methodology is the scientific and systematic way of collecting and analyzing data in order to reach a satisfactory solution (Babbie & Mouton, 2001 in Henning, 2004:36; Flick, 2011:252). The objectives of this study were to find out specific factors that discourage young people from pursuing entrepreneurship careers in Khayelitsha; investigate particular challenges that inhibit expansion in youth entrepreneurial ventures in Khayelitsha; and describe the specific prospects of youth entrepreneurship development in Khayelitsha. This chapter describes the research methodology that was utilised to realise the above objectives, including the research population, data collection instrument and instrument validity process.

### **3.2 Research design**

This study made use of a descriptive research design. A research design is a blueprint, which details the manner in which the data of the study should be collected and analysed in an effort to find relevant answers for questions that are posed by the investigator (Flick, 2011:65). In the context of this research, a quantitative empirical research approach was employed, making use of self-administered questionnaires. Bloomberg and Volpe (2008:8) state that a quantitative research approach is “applied to describe conditions, investigate relationships, and study cause-effect phenomena”. In addition, this approach can be carried out through personal interviews, administering of questionnaires, and personal surveys (Babbie & Mouton, 2001 in Naris, 2009:13), and is more concerned with analysis of the numerical data (Brynard & Hanekom, 2006:37; Fox & Bayat, 2007:7). Musengu-Agulu (2010) and Fatoki and Chindoga (2011) have successfully used this method in their respective studies, which were relatively similar to this research.

#### **3.2.1 Population**

The research population for this study was limited to Khayelitsha’s youth entrepreneurs who had formally registered enterprises that operate operating within various industries of the SMME sector, which were registered on KYIB’s database during the course of the investigation. However, the survivalist entrepreneurs were not part of this research, as they operate unregistered businesses, and are usually not registered with KYIB. Therefore, the population for this study comprised 200 subjects, and all of them are likely to share a common set of characteristic, as a result of their background. In the research context, Fox

and Bayat (2007:51) describe population as a full set of elements that may include individuals, groups, organisations, human products and events from which a sample can be drawn to generalize results for the entire population (Welman & Kruger, 2001:47; Collis & Hussey, 2009:209).

Selection of the population for the study was driven by the researcher's belief that these subjects would bring about worthwhile information to the subject matter for the following reasons: they come from a variety of sections that make up Khayelitsha; and are registered with KYIB, an organisation with a reputation of youth entrepreneurs in the area of Khayelitsha, which also promotes and develops entrepreneurship among young people in this area. Due to aspects such as costs of collecting the data and limited time to complete the study, the entire population of the study could not be studied, therefore, a sample was drawn.

### **3.2.2 Sample size**

In research, a sample is described as any subset of elements of the population that can scientifically and systematically be selected for the purpose of being studied (Bless *et al.*, 2006:98; Flick, 2011:253). On the basis of sampling in the study, owing to issues such as time constraints, the whole of the population of the study could not be studied. A random sample of 132 subjects was therefore drawn from the sampling frame (Collis & Hussey, 2009:209) of the study, which comprised 200 subjects. Researchers such as Krejcie and Morgan (1970) in Collis and Hussey (2009:211) and Saunders, Lewis and Thornhill (2009:219) agree that this sample size is reasonable enough to generalize for the entire population of the study.

The researcher also believed that this sample size was large enough to represent the entire population of the study, just as Wellman and Kruger (2001:48) suggest. Conversely, Collis and Hussey (2009:211) assert that the larger the sample, the more the population of the study is represented. This assertion might be supported by Saunders *et al.* (2009:218) when they state that a larger sample is likely to lower the error of generalising to the population of the study. In the research context, an error refers to "*the difference between mean and the data value (observation)*" (Collis & Hussey, 2009:334).

The main advantage for making use of simply random sampling technique is that the subjects had equal opportunity of being selected, thus reducing bias. The disadvantages of this method of sampling include cost of calls and travelling cost to meet with the participants. In some cases the researcher repeated visits, only to collect a single or a few questionnaires.

The other disadvantage is that of the subjects that do not want to complete the questionnaire, while they initially agreed to participate in the investigation.

### **3.2.3 Unit of analysis**

In a research project, unit of analysis is the major entity, which the researcher analyzes in the study, from which different summary descriptions and explanations can be created (William, 2006). Additionally, in the context of social science research, unit may include individuals, groups, organisations, social artifacts, and social interactions. In the current study unit of analysis comprise a group of individuals. These individuals included youth entrepreneurs from Khayelitsha township in the Western Cape Province, who were registered on the database of KYIB during the course of the investigation. Individual characteristics such as gender, age, attitudes, etc, in the study help to provide a composite picture of the group of individuals being studied. Therefore, conclusions drawn in the study are based on the analysis of a group of Khayelitsha youth entrepreneurs.

### **3.2.4 Data collection approach**

Questionnaires were personally distributed by the researcher to respondents. Fox and Bayat (2007:89) describe a questionnaire as a list of questions, which is compiled by a researcher on a particular investigation, either written or orally, to obtain the relevant information or answers from respondents (Fox & Bayat, 2007:89). Flick (2011:252) states that with this instrument participants are mostly given limited options to answer questions that are asked. This instrument was chosen because of its ability to gather objective and unbiased information (Cupido, 2003:58). Additionally, the fact that the respondents did not have to disclose their names in this investigation reduced the chances of false information being supplied.

A standardised and identical questionnaire was used for every respondent. This questionnaire began with a brief letter explaining the research to respondents. It introduced the topic and outlined the importance of the investigation to youth entrepreneurship, especially in the Khayelitsha area. It clearly informed respondents that even though their inputs were invaluable in the study, their participation was completely voluntarily. In addition, it informed respondents that general research ethical conduct would be observed. The instructions in the questionnaire were quite simple, clear and concisely written understandable English. Following the brief letter were closed-ended questions that would be easy to answer, which would place the respondents at ease. Dichotomous (yes/no), filter and follow-up questions were included. Five-point Likert Scale questions were asked to find

out the extent to which respondents agreed with statements that formed part of the questionnaire. Lastly, open-ended questions were also asked in an attempt to obtain honest answers and details from respondents.

Questionnaires from several studies within and outside the field of entrepreneurship were consulted to help to design the final version of this study's questionnaire. These included work from authors such as Cupido (2003), Naqvi (2006), and Richards (2006). Furthermore, the structured questionnaire was adopted as a result of its simplicity and its potential to obtain relevant data from respondents within a short space of time. Out of a total of 132 questionnaires that were distributed to respondents of the study, 84 questionnaires were returned, resulting in a response rate of 64 percent. Out of the returned 84 questionnaires, four of them were incomplete, with a further three of the questionnaires being unusable owing to the fact that they were answered inconsistently. This left the researcher with a total of 77 questionnaires to be analysed.

### **3.2.5 Reliability and validity**

Research indicates that within the social science field, there is no measurement technique that is perfect. Hence, the researcher should often evaluate the instrument they wish to use to collect the data, for validity and reliability (Bless *et al.*, 2006:150).

#### **3.2.5.1 Reliability**

Bless *et al.* (2006:150) assert that reliability measures consistency in the use of an instrument towards all the subjects of the research (Flick, 2011:252). Thus, the reliability of a measurement is associated with the instrument's ability to produce similar results in more than one trial. A test re-test reliability was conducted on the data collection instrument for this study. Burns and Burns (2008:414) describe test-retest reliability as "an index of a measure's temporal reliability (stability over time) obtained by correlating the results of assessment." Thus, a set of questionnaires was distributed to ten subjects of the study in the first week of May 2012. Another set of questions identical to the previous ones, was distributed to the same subjects at the beginning of June 2012. The responses that were obtained on those two occasions were assessed for consistency, and seven of them were correlated. Then the researcher had to slightly modify the instrument, where correlation appeared to be lacking so that the chances of reliability would be increased.

### **3.2.5.2 Validity**

According to Bless *et al.* (2006:156), an instrument with very high reliability but poor validity is ineffective, and the reverse is also true (Flick, 2011:254). Hair, Underson, Tatham and Black (1998) in Mwangi (2011:88) argue that to ensure content validity of an instrument, a panel of judges or experts on a particular topic or field should be consulted to verify whether the questions or statements of an instrument measure what they claim to measure.

Since this study was undertaken by a university student, two supervisors, who have been in the field of business management and entrepreneurship for quite some time, assisted the researcher to validate the research instrument. Therefore, the content of an instrument against the intended objectives of the research was assessed. The research questions and statements in the data collection instrument were verified to determine whether they were directly derived from what the literature of the study states about the subject matter under investigation. Consequently, the instrument was considered to be valid for conducting the survey.

### **3.2.6 Questionnaire administration**

The respondents for this study were randomly selected through a simple sampling process. The researcher began by obtaining contact details (cell phone numbers and residential and business premises) of the subjects; writing each on a small piece of paper of the same size. Thereafter, each piece of paper was folded and placed inside a hat, and 132 of them were taken out. Hair Jr, Celsi, Money, Samouel and Page (2011:169) argue that this simple sampling method presents an equal non-zero opportunity for every member of the population that is selected.

The respondents were presented with questionnaires in their most convenient locations, namely the place where they operate their businesses at the Khayelitsha Training Centre, and where they usually hold their weekly meetings. Where necessary, the researcher made appointments to meet with the subjects. Additionally, where the respondents were not willing to write, the researcher would complete the questionnaires while they orally answered the questions. Since a majority of the research subjects comprised Xhosa speakers, the researcher would ask each respondent to do a skim-reading of the instrument before answering or taking it home to complete. This reading technique was introduced to help the respondents receive clarification from the researcher, on any unfamiliar words or phrases that they might have come across within the instrument. Furthermore, as soon as the data collection was completed, the data capturing process preceded the data analysis.

### **3.2.7 Data analysis**

The purpose of conducting the data analysis is to help the researcher identify whether any consistent patterns will emerge so that a reasonable conclusion or a generalization on the findings can be made. Therefore, the process of data analysis took place as soon as the data from the participants were collected and captured on a computer programme called Statistical Package for the Social Sciences (SPSS). This computer programme was also used to descriptively present the data. Bless *et al.* (2006:161) state that quantitative data can often be analysed with the help of a range of descriptive and inferential statistical tools.

### **3.2.8 Ethical considerations**

In the past, in social and psychological research, several unethical studies had been conducted from different countries (Bless *et al.*, 2006:139-140), and people were harmed either physically or psychologically (Dunn, 2010:299). Hence, to prevent such research abuses from happening, researchers are expected to have a thorough understanding of their responsibilities towards participants of the research, especially human beings (Bless *et al.*, 2006:139-140). This researcher made it a point that the study was ethically conducted, just as much as these authors suggest. The rights and interests of the participants were considered as a priority. For instance, written consent to conduct this research was requested and obtained from KYIB in 2011.

The instrument of this research openly indicated that the participation was completely voluntary. Respondents were also assured that they and their inputs would be treated with honesty, and confidentiality. Furthermore, because this was pure academic research that was undertaken by a university student, research ethical conduct, as delineated by the Cape Peninsula University of Technology (CPUT), was observed. This included age restriction of 16-35 years, and anonymity. After having assessed the research instrument, the CPUT Research Ethics Committee granted approval to the researcher to carry out the investigation.

## **3.3 Summary**

This chapter described the research methodology, which was followed in this study to investigate challenges and prospects of youth entrepreneurship in Khayelitsha. The research population for this study was limited to Khayelitsha youth entrepreneurs who had formally registered enterprises that operate within various industries of the SMME sector, and were specifically registered on the database of KYIB during the period of the investigation. The sample size for this research comprised 132 subjects, which were

randomly drawn from the sampling frame of 200 subjects. Questionnaires were personally distributed by the researcher to respondents who participated in the research. Out of a total of 132 questionnaires that were distributed to the respondents of the study, 84 questionnaires were returned, and 77 of the returned questionnaires, were however, qualified for data analysis. The data analysis took place as soon as the data was collected from participants and captured on the SPSS computer software. The results are descriptively analysed and presented in charts and frequency tables in the next chapter.

## CHAPTER 4: PRESENTATION AND DISCUSSION OF FINDINGS

### 4.1 Introduction

The objectives of this study were to find out specific factors that discourage young people from pursuing entrepreneurship careers in Khayelitsha; investigate particular challenges that inhibit expansion in youth entrepreneurial ventures in Khayelitsha; and describe specific prospects of youth entrepreneurship development in Khayelitsha. The objective of this chapter is to logically analyse and discuss the study's research findings. The motivation is that this would help the researcher to draw reasonable conclusions, and to make useful recommendations in the next and final chapter.

### 4.2 Analysis of research results

After having collected data from the participants of this, study, the SPSS computer software was used to help to capture and analyse the data descriptively. The results were based on 77 responses from youth entrepreneurs from Khayelitsha who participated in this study, and are illustrated in frequency tables, bar and pie charts. The responses of the open-ended questions of the instrument of this study were grouped together according to their scientific meaning, summarised and tabulated without SPSS software (see tables: 4.5; 4.13 & 4.14).

#### 4.2.1 Age group for Khayelitsha youth entrepreneurs

Table 4.1 below presents a variety of age groups for Khayelitsha youth entrepreneurs who participated in this research (the participants).

**Table 4.1: Age group of youth entrepreneurs**

	Age group	Frequency	Percent	Valid percent	Cumulated percent
Valid	21-25	10	13.0	13.0	13
	26-30	36	46.8	46.8	59.7
	31-35	31	40.3	40.3	100.0
	<b>Total</b>	<b>77</b>	<b>100.0</b>	<b>100.0</b>	

The results for respondents' age groups indicate that a majority of Khayelitsha youth entrepreneurs (46.8 percent) comprised those who were between the ages of 26 and 30

years, followed by 40.3 percent who were between the ages of 31 and 35. Only 13 percent of the respondents were between the ages of 21 and 25 years.

Even though in the context of this study the targeted subjects were between the ages of 16 and 35, based on the results of the current study, the age group of 16-20 was not represented. In most cases young people in this age group are still studying at high schools. However, their young age should not hold them back from starting their own businesses, as some world-known successful entrepreneurs such as Bill Gates of Micro Soft (Inventors, 2013), Richard Branson of the Virgin Group (Branson, 2006:3) started their small businesses at early ages in their life. This underlines the need for aggressive measures in promoting entrepreneurship as early as in high schools. For instance, trade fairs showcasing well-known youth entrepreneurs and even burgeoning ones in the Western Cape Province. The aim will be to showcase and motivate learners to engage in entrepreneurial activities. Another example is the donation of business/entrepreneurship-oriented magazines to schools.

#### 4.2.2 Gender of youth entrepreneurs

The chart below illustrates the gender of respondents involved in the research.



Figure 4.1: Gender of youth entrepreneurs

Figure 4.1 indicates that a large percentage (72.7 percent) of the respondents are males, while females represented only 27.3 percent. The study revealed that a majority of the respondents are males. These results could be related to Fatoki and Chindoga's (2011:163) views that social-cultural constraints are likely to negatively affect the engagement of young women in entrepreneurship. Apart from entrepreneurship constraints mentioned in the study, these could be related to Nieman and Nieuwenhuizen's (2009:31) identified women entrepreneurship obstacles, namely personal difficulties; gender discrimination and bias; negative prevailing socio-cultural attitudes; and balancing business and family responsibilities. In addition, the fact that a lot of young women nowadays become mothers early in life before completing their studies, might also be the case in the Khayelitsha area, which deteriorates their chances of being entrepreneurs, as their personal responsibilities increase. The skewed gender-representation calls for measures that could aid to reduce such gaps between male and female youth entrepreneurs.

#### 4.2.3 Highest level of education

The table that follows below illustrates respondents' highest level of education.

**Table 4.2: Level of education**

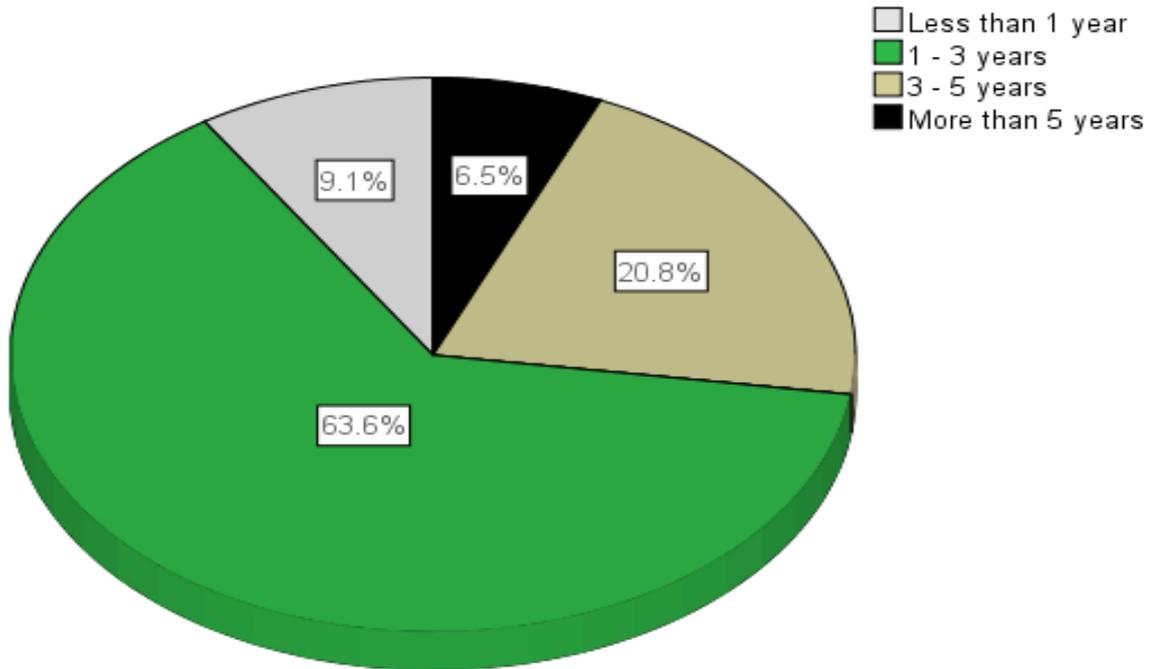
	Level of education	Frequency	Percent	Valid percent	Cumulated percent
Valid	Tertiary level	62	80.5	80.5	80.5
	Matriculated	13	16.9	16.9	97.4
	High school level	2	2.6	2.6	100.0
<b>Total</b>		<b>77</b>	<b>100.0</b>	<b>100.0</b>	

The results regarding the highest level of education for respondents indicate that most of the respondents (80.5 percent) achieved tertiary level, followed by 16.9 percent who matriculated. A small percentage (2.6 percent) of the respondents had only managed to study up to high school level.

Results from this study indicated that a majority of respondents studied up to tertiary school level even though some of them did not do entrepreneurship or business related-courses. Perhaps this highlights the need for entrepreneurial and management skills, as they missed out on them at a school level. Ndedi (2009:467) suggested that at a tertiary level, entrepreneurship should be introduced in all fields of the study, as all students may require such entrepreneurial competencies (Lowergren, 2006, in Ndedi, 2009:467).

#### 4.2.4 Duration of the business operation

The chart below presents the business's duration of operation.



**Figure 4.2: Duration of business operation**

The above results indicate that as far as the duration of the business respondents of this study is concerned, a majority (63.6 percent) of youth-owned businesses were between the ages of 1-3 years, followed by 20.8 percent of those who were between the ages of 3-5 years. A few respondents (9.1 percent) represented businesses that were less than one year old. Only 6.5 percent represented those that had been in existence for more than 5 years.

The study found that a majority of the businesses were new, as they were between the ages of 1-3 years. According to Youth Business International (2014), research shows that about 70 percent of small businesses in South Africa fail within their first three years of operation, while others may be failing much earlier than this period. This could be an indication that this primary business stage is crucial to overcome, as many entrepreneurs fail to pass it. Nevertheless, even entrepreneurial ventures that have made it through this stage are likely to experience similar challenges as their counterparts (those businesses that are between 1 and 3 years). These may include, access business funding and other non-financial services, such as mentoring, business advice, access to new markets, and so on.

#### 4.2.5 Age of respondents at businesses start-up

The table below shows the age that respondents were in when they began their businesses.

**Table 4.3: Age of entrepreneurs at business start-up**

Age of entrepreneurs at business start-up	Frequency	Percent	Valid percent	Cumulated percent
21	1	1.3	1.3	13
22	7	9.1	9.1	10.4
23	7	9.1	9.1	19.5
24	7	9.1	9.1	28.6
25	5	6.5	6.5	35.1
26	6	7.8	7.8	42.9
Valid 27	10	13.0	13.0	55.8
28	7	9.1	9.1	64.9
29	7	9.1	9.1	74.0
30	7	9.1	9.1	83.1
31	3	3.9	3.9	87.0
32	8	10.4	10.4	97.4
33	2	2.6	2.6	100.0
<b>Total</b>	<b>77</b>	<b>100.0</b>	<b>100.0</b>	

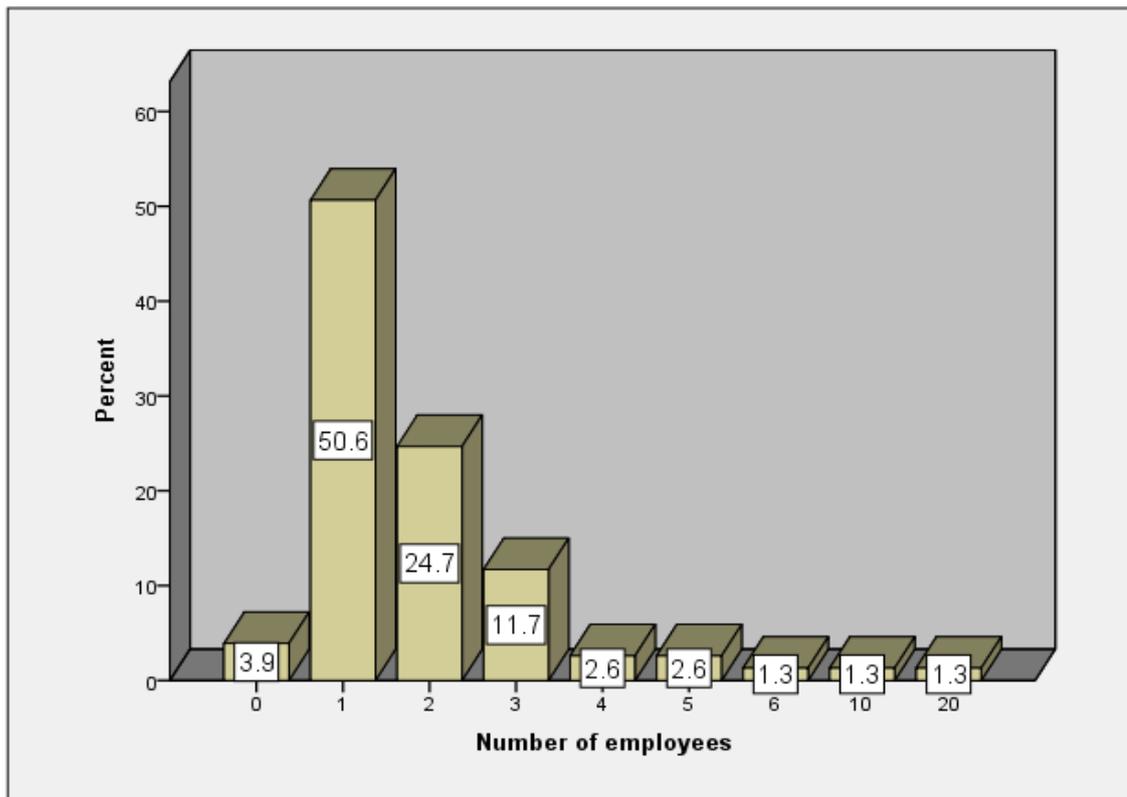
The results indicate that a majority of Khayelitsha youth entrepreneurs who participated in this research (13 percent) started their businesses at the age of 27 years, followed by 10.4 percent of those who started at the age of 32 years. Interestingly, the respondents who started their businesses at ages 22, 23, 24, 28, 29 and 30 years each made up 9.1 percent of the participants. A total of 7.8 percent represented those who started their businesses at the age of 26 years; about 6.5 percent of the respondents started their businesses at the age of 25 years; and 3.9 percent started at the age of 31 years. A total of 2.6 percent of the respondents started their businesses at the age of 33; and the remainder (1.3 percent) started their businesses at the age of 21 years.

The study illustrates that a majority of participants started their businesses at ages 21-30 years. A majority of young people of these ages are likely to be at tertiary institutions. The World Bank predicts that by 2015, young people under the age of 25 will total 25 billion worldwide (Youth Business International, 2009:3). Despite the fact that this generation is estimated to be the most educated ever, the ILO's statistics foresee a massive decline in job opportunities (Youth Business International, 2009:3). Sandrock (2011) suggests that graduates from universities, as well as matriculants, should be equipped with entrepreneurial

skills in order to create more jobs, rather than to seek for a paid job. Pittaway and Cope (2007) in Davey *et al.* (2011:337) agree that university education can influence young people's attitudes towards entrepreneurship. Conversely, Mahadea *et al.* (2011: 67-68) believe that exploring young people's talent by promoting a culture of entrepreneurship amongst school leavers will also play a big role in their well-being.

#### 4.2.6 Number of employees at business start-up

The following chart shows the number of employees that the respondents for this research employed when they started their businesses.



**Figure 4.3: Number of employees at business start-up**

The results illustrate that a majority of the respondents in this research (50.6 percent) started their businesses with only one employee, followed by 24.7 percent who started their businesses with two employees. The respondents who started their businesses with three employees represented 11.7 percent, and those who started their businesses with no employees represented 3.9 percent of the respondents. The respondents who started their businesses with four or five employees were each represented by 2.6 percent of the respondents. Those who started their businesses with 6, 10, and 20 employees represented only 1.3 percent, respectively.

The results of this study indicate that most participants started their businesses with only one employee. This could mean that youth entrepreneurial ventures within the first few years do not create many job opportunities, as would be expected. Perhaps factors faced by organisations within the competitive and globalised business environment such as that of attracting talented employees (Ohlhoff, 2008:28), often become a challenge for youth entrepreneurs. This could be because these employees may be demanding high salaries, while conversely, the business venture might still be trying to stabilise and require more funding.

#### 4.2.7 Current number of employees

The following table shows the current number of employees that respondents have in their respective businesses.

**Table 4.4: Current number of employees**

	<b>Current number of employees</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid percent</b>	<b>Cumulated percent</b>
Valid	1-10	72	93.5	93.5	93.5
	11-50	3	3.9	3.9	97.4
	51-100	2	2.6	2.6	100.0
	<b>Total</b>	<b>77</b>	<b>100.0</b>	<b>100.0</b>	

Table 4.4 above shows that most of the respondents (93.5 percent) currently had about 1-10 employees in their businesses. Those who had about 11-50 employees represented 3.9 percent, while those that had about 51-100 followed and represented a mere 2.6 percent. These results indicate that the overwhelming majority of youth-businesses had a number of employees between 1-10 employees, while a few youth-businesses had employees ranging between 11-50 and 51-100. The preponderance of youth businesses employing 1-10 people could be as a result of a lack of access to business funding to acquire the necessary resources, and/or a lack of access to large markets, which could negatively affect profitability and growth opportunities for the business. Fatoki and Odeyemi (2010:128) caution that lack of access to business funding may result to business failure.

#### 4.2.8 Inspiration to start a business

The following table highlights various factors that inspired participants of this study to start their own businesses.

**Table: 4.5      Inspiration to start a business**

Factor	Respondents number	Respondents percent
Unemployment	26	33.8
Drive and passion for business	18	23.4
Business role models	11	14.3
The need to become a boss	7	9.1
Entrepreneurship/business education and training	6	7.8
Experience of poverty conditions	4	5.2
Previous work experience	3	3.9
Business background	2	2.6
<b>Total</b>	<b>77</b>	<b>100.0</b>

Factors that inspired participants of the study to start their own businesses are highlighted in a chronological order, starting from the factor with highest to lowest score achieved.

#### **4.2.8.1 Unemployment**

Results of the current study show that 26 of the 77 (33.8 percent) participants indicated that unemployment was the main motivating factor for their business start-up. There are a variety of factors behind unemployment that pushed them to set-up their own businesses. Even though some of these youth entrepreneurs had completed their studies and some had dropped-out of school before starting their businesses, the main influences behind this factor included the following: the responsibility to financially take care of themselves and their families; use skills that they gained from their previous employment before their retrenchment; and setting-up a business as a trial for self-employment; and so on.

#### **4.2.8.2 Drive and passion for business**

A total of 18 of the 77 (22.4 percent) participants started their businesses as a result of a drive and passion for business. Some of these youth entrepreneurs were attracted by the fact that they had entrepreneurship exposure early in life from a family business. Some did it to effect a positive change in their communities at a profit. Others saw lucrative business opportunities and elected to explore them, while some were motivated by education and training, as well as technical skills (such as creativity and innovation, furnishing, welding, mechanical, sewing skills, and so on) that were gained from a schooling environment.

#### **4.2.8.3 Business role models**

A total of 11 of the 77 (14.3 percent) participants expressed that successful entrepreneurs, both globally and locally, inspired them in the setting-up of their own businesses. Most of these participants cited Richard Branson as their main role model. Perhaps this is primarily because of his love for business, as he entered the business world at his teenage while he was still studying. He started with a student magazine that led to a formation of Virgin Group, which comprise about 200 companies that operate within a number of countries including South Africa, and also within different industries (Branson, 2006:29). Also, in South Africa he established a school of business known as Branson School of Entrepreneurship (Virgin Unite, 2009). Some mentioned their own parents, Bill Gates, Mozoli Ngcawuzele from Gugulethu, Luvuvuyo Rhani of Silulo Ulutholwethu Technologies, and some KYIB members as individuals who inspired the setting-up of their business ventures. Based on the results of the current study, it would seem that these business role models have played an influential role for some youth entrepreneurs to set up their businesses. Perhaps these youth entrepreneurs were fascinated by the experiences and successes of these role models within the business world.

#### **4.2.8.4 The need to become an own boss**

Seven of the 77 participants (9.1 percent) indicated that the need to become an own boss encouraged them to set up their new businesses. Some of the participants were tired of taking orders from their previous bosses. Some were influenced by fear of unemployment, as youth unemployment is high in the country, and hence decided to take the initiative of becoming an entrepreneur.

#### **4.2.8.5 Entrepreneurship/business education and training**

Six of the 77 (7.8 percent) participants indicated that entrepreneurship/business education and training inspired them to start-up their own business, as they wanted to use the knowledge and skills of what they had learnt at school and put it into practice. Perhaps the view that entrepreneurship education and training plays a positive role in the success of a business venture (Sandrock, 2011) has played an influential role among these youth entrepreneurs in the setting-up of their own business ventures.

#### **4.2.8.6 Experience of poverty conditions**

Four of the 77 (5.2 percent) participants indicated that living under poverty conditions and the need to change those conditions for the better influenced them to start businesses of their own. Among these young people, some of them grew up living under poverty conditions, and did not wish for the legacy of poverty to carry on in their families. Hence engagement in entrepreneurship was seen as the first step to bringing them closer to realising this goal. Bolton and Thompson (2003:41) argue that entrepreneurs do not only come from rich contexts, but also emerge from poor backgrounds, and entrepreneurs who emerged from a poor background are likely to be hungrier for success and willing to do almost anything to see to it that their businesses succeed. This may be the beginning of creating rich generations for their families.

#### **4.2.8.7 Previous work experience**

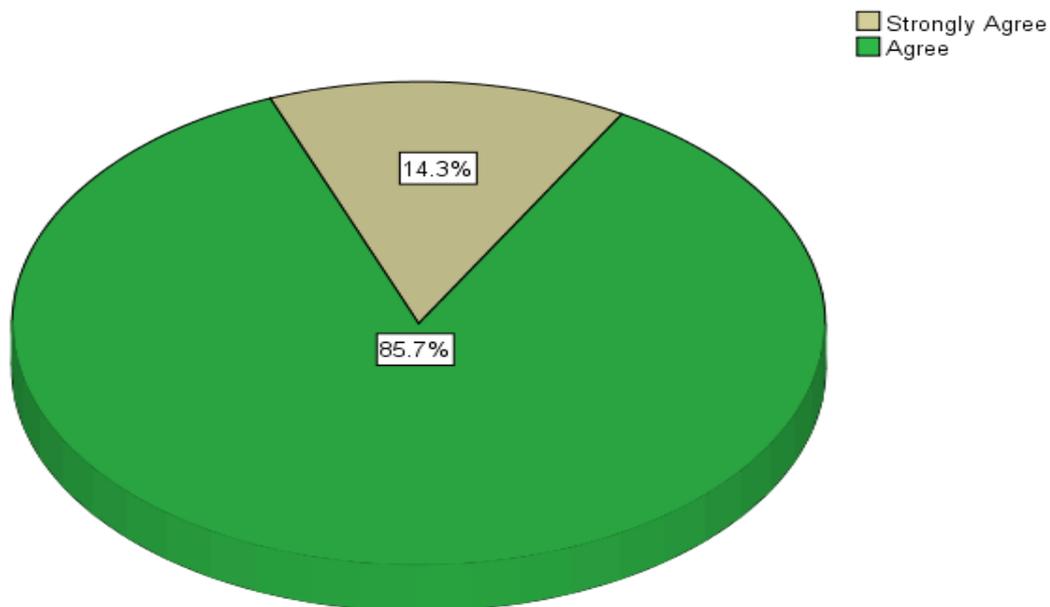
Three of the 77 (3.9 percent) participants indicated that experience, knowledge and skills gained from previous employment encouraged them to start their own business. Knowledge and experience received from previous employment, as well as unsatisfactory working conditions had influenced a few of these youth entrepreneurs to set-up their businesses. Through their work experience they should have knowledge and access to invaluable business networks such as good suppliers and customers.

#### **4.2.8.8 Business background**

Two of the 77 (2.6 percent) participants cited their upbringing under a family business environment as an influence, which resulted in the setting-up of their own business. These results suggest that most of these youth entrepreneurs do not come from families of entrepreneurs. Bolton and Thompson (2003:40) find another source argue that in a family business, a baton is always passed on to the children of the founder to carry on the legacy at some point in life. However, some children who establish entrepreneurial ventures on a good foundation previously paved by their parents tend to lack hunger for success (Bolton & Thompson, 2003:41).

#### 4.2.9 Involvement in a family business early in life

The following chart indicates the extent to which respondents agreed or disagreed that involvement in a family business early in life provides a good entrepreneurial foundation for those who want to set up a business.



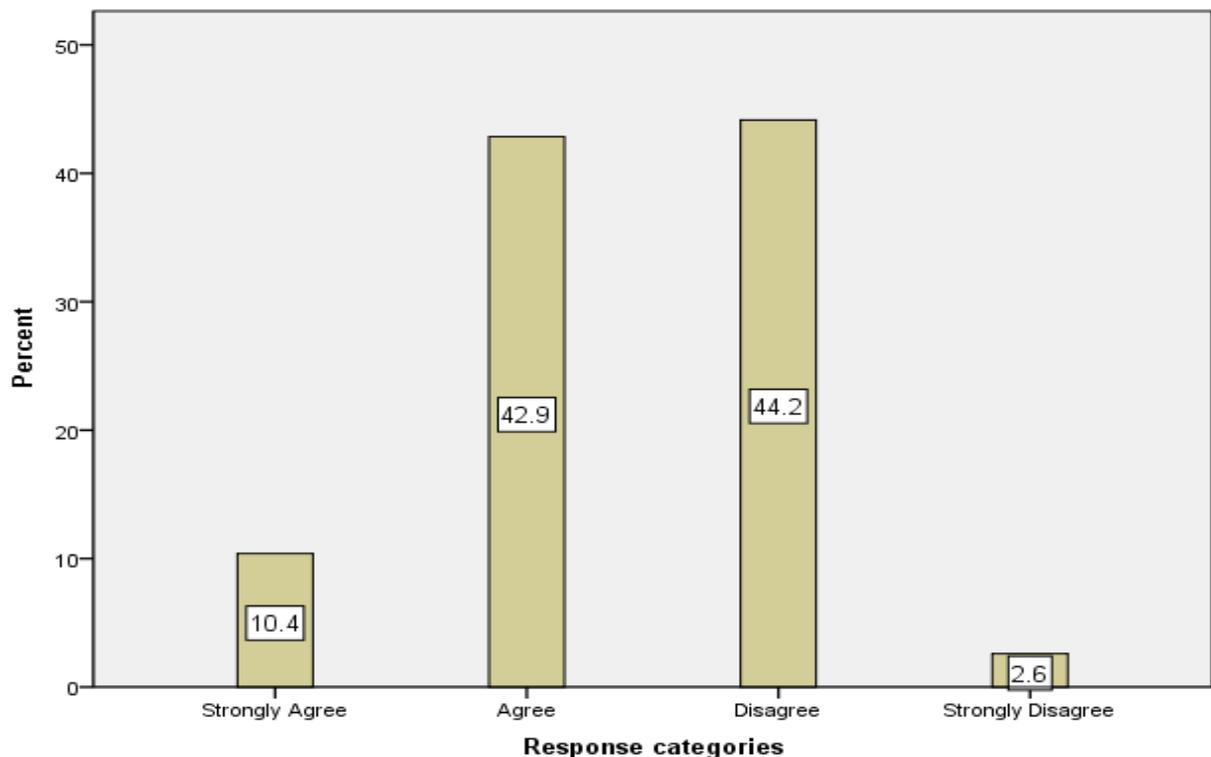
**Figure 4.4: Previous involvement in a family business, as a good entrepreneurial foundation**

Indicatively, a majority of the respondents in this research (85.7 percent) indicated that they agree that involvement in a family business, early in life, would provide a good entrepreneurial foundation for those who want to set up a business, while the remainder (14.3 percent) strongly agreed with the statement.

The results of this study indicate that there is overwhelming agreement that involvement in a family business early in life would provide a good entrepreneurial foundation for those who want to set up a business. These results could be related to previous suggestions made in the literature that the foot-steps of family members and role models that are entrepreneurially orientated and supportive, are likely to be followed by individuals who reside within the same environment (Lall & Sahai, 2008:24). Therefore, the important role, which these individuals can play in instilling and influencing an entrepreneurial spirit among those who are within their environment (especially parents to their children), should not be underestimated.

#### 4.2.10 Entrepreneurship education and training

The chart below shows the extent to which the respondents agreed or disagreed, that entrepreneurship education and training enabled the setting up of their businesses.



**Figure 4.5: Influence of entrepreneurship education and training**

Most respondents for this study (44.2 percent) disagreed that entrepreneurship education and training enabled the setting up of their businesses, followed by 42.9 percent who agreed. Conversely, 10.4 percent strongly agreed, while only 2.6 percent of the respondents strongly disagreed with this statement.

The results illustrated that for some participants, entrepreneurship education and training did not enable the setting up of their businesses, while others felt that it did. This happened because not all of these youth entrepreneurs were exposed to an entrepreneurship/business management course in a schooling environment while still studying. These results might relate to the previous argument made in the literature that opportunity recognition may not only occur for a business student, but also for students from other disciplines (Ndedi, 2009:468). Thus, Lowergren (2006) in Ndedi (2009:467) argues that social sciences, engineering, information and design, and health and wellness students also require the same skills as business students. Therefore, the results of this study corroborate Ndedi's (2009:467) position that entrepreneurship must be introduced in all fields at the university level and be implemented at all levels. While for those young people that are school leavers,

Mahadea *et al.* (2011: 67-68) believe that a culture of entrepreneurship among them should be explored, so as to play an extensive role in their well-being as well.

#### 4.2.11 Entrepreneurship education and training in the success of a business

The table below illustrates the extent to which respondents in this research study agreed or disagreed that entrepreneurship education and training can play a big role in the success of any business.

**Table 4.6: Role of entrepreneurship education and training in the business success**

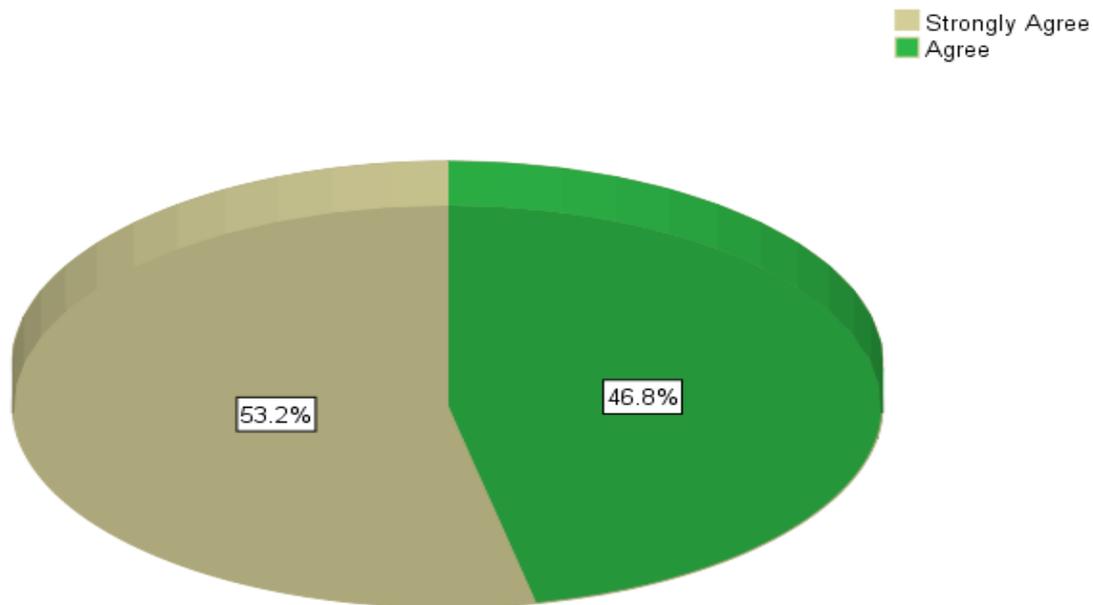
Response categories		Frequency	Percent	Valid percent	Cumulated percent
Valid	Strongly agree	56	72.7	72.7	72.7
	Agree	21	27.3	27.3	100.0
<b>Total</b>		<b>77</b>	<b>100.0</b>	<b>100.0</b>	

The results show that a majority of respondents (72.7 percent) who participated in this survey indicated that they strongly agreed that entrepreneurship education and training can play a big role in the success of any business while 27.3 percent agreed.

The results from this study indicate that all the participants felt that entrepreneurship education and training can play a big role in the success of any business. This aligns with Ndedi's (2009:466) view that the importance of promoting entrepreneurship and training to entrepreneurs, through centres and institutions, should not be taken lightly. He mentions that over the past 20 years in the USA, new and growing smaller firms formed 81,5 percent of new jobs (from the period of 1969 to 1976), and were trained to take calculated risks by reinforcing the launch of own businesses. After 1990 in South Africa entrepreneurship education has gained popularity, especially since Higher Education Institutions (HEIs) introduced its programmes and courses (Jesselyn Co & Mitchell, 2006:357). Nonetheless, the level of education in South Africa was among identified factors, which negatively affect the level of early-stage entrepreneurial activity (Turton & Herrington, 2012:9). This however does not change the fact that entrepreneurship education and training are crucial to the success of a business venture. Sandrock (2011) suggests that university graduates and matriculants should be equipped with proper entrepreneurial skills, which will help them to create more jobs, as opposed to the seeking of paid employment.

#### 4.2.12 Entrepreneurial skills as success factors of a business

The figure below presents the extent to which respondents agreed or disagreed that entrepreneurial skills would boost chances of success in their businesses.



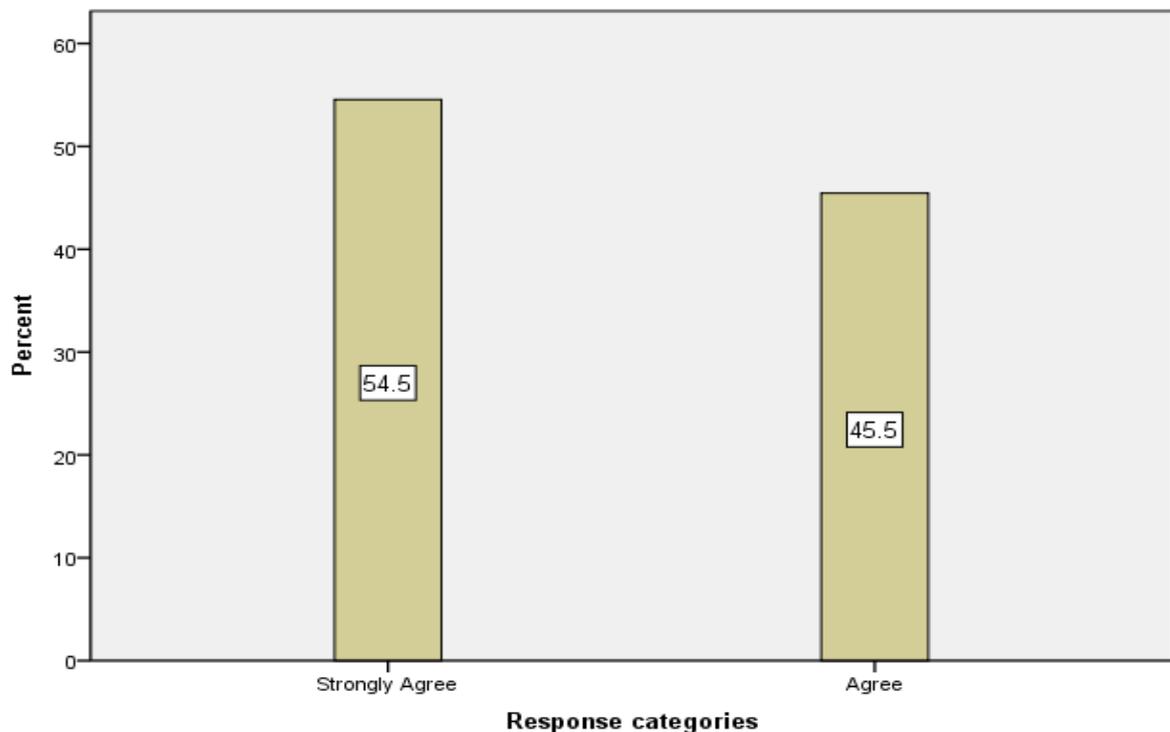
**Figure 4.6: Entrepreneurial skills as a catalyst for success in business**

The results show that a large proportion of the respondents (53.2 percent) strongly agreed that entrepreneurial skills would boost chances of success in their businesses, while 46.8 percent agreed.

The results indicate that all the participants felt that entrepreneurial skills (such as proactiveness, achievement orientation and commitment to others, and so on) would boost chances of success in their businesses. This could be related to the argument made by Van Rensburg (2010) that in order to achieve entrepreneurial performance, entrepreneurs should focus on developing their business and entrepreneurial skills. Literature in this study highlighted that entrepreneurship can be taught. In addition to this, Van Rensburg (2010) claims that in South Africa children get exposed to the subject of entrepreneurship as early as in primary and high school level, while at a tertiary level a number of institutions are offering it in degrees or integrating it within their courses. Furthermore, he asserts that in order for one to truly master being an entrepreneur, they should start the business and get it going.

#### 4.2.13 Business managerial skills and the success of a business

The chart below shows the extent to which respondents agreed that a business owner with managerial skills can operate his/her business better than someone who does not have such skills.



**Figure 4.7: Importance of managerial skills in business**

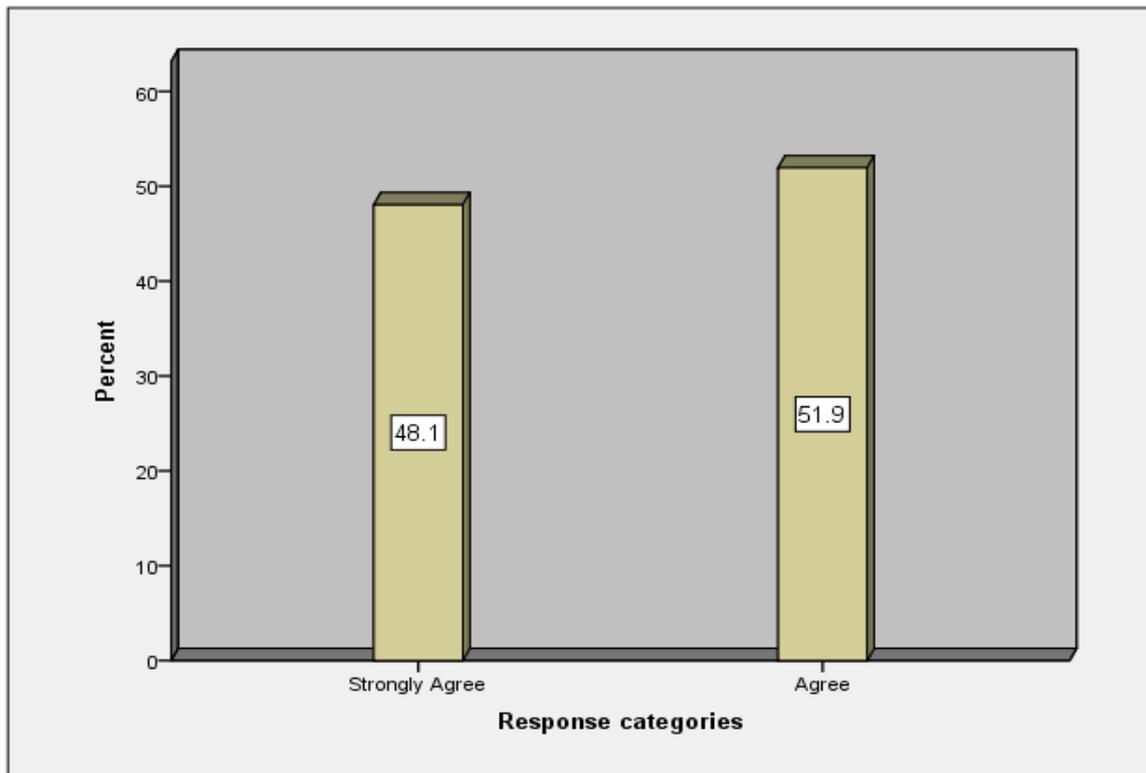
A total of 54.5 percent of respondents in this research strongly agreed that managerial skills would boost the chances of success in their businesses, while 45.5 percent of the respondents for the research agreed.

According to the results, all the participants felt that managerial skills (such as general management, administration, operations/production, marketing and most importantly financial management skills, and so on) would boost the chances of success in their businesses. These results could also relate to the argument made by Van Rensburg (2010) that in order to achieve good entrepreneurial performance, entrepreneurs should focus on developing their business and entrepreneurial skills. This could be in line with the claim made by Burke (2006:19) that an entrepreneur should consider a number of management techniques in his/her portfolio of management skills in order to effectively manage a new business venture, namely project management, small business management, financial management, team building and leadership, and risk management skills. Therefore, without

formal entrepreneurship/business management and training it could be difficult for some of these youth entrepreneurs to manage their businesses to success.

#### 4.2.14 Funding for youth-owned business during the start-up phase

The chart below shows the extent to which respondents agreed or disagreed that businesses like theirs usually start up with funds that are largely provided by owners.



**Figure 4.8: Funding at business start-up**

A majority of the respondents (51.9 percent) who participated in the survey agreed that businesses like theirs usually start up with funds that are largely provided by owners, while 48.1 percent strongly agreed.

The results of this study showed that all the participants felt that businesses like theirs usually start up with funds that are largely provided by business owners. Such aspects as the need to start-up after schooling, lack of financial support from their families and friends, lack of savings and collateral, and difficulties in finding start-up capital, were common obstacles that could be identified as reasons why business ventures like theirs started with funds that are largely provided by owners. Consequently, youth entrepreneurs may start small, as a result of a lack of access to business funding, which could be used to buy the

required resources in the business. Therefore, the results of this study indicate that there was a need for easy access to business funding.

#### 4.2.15 Youth entrepreneurs' access to business funding

The table below indicates the extent to which respondents agreed or disagreed that it is easy for a business like theirs to obtain funding from financial institutions that support youth entrepreneurship.

**Table 4.7: Easy access to funding from financial institutions that support youth entrepreneurship**

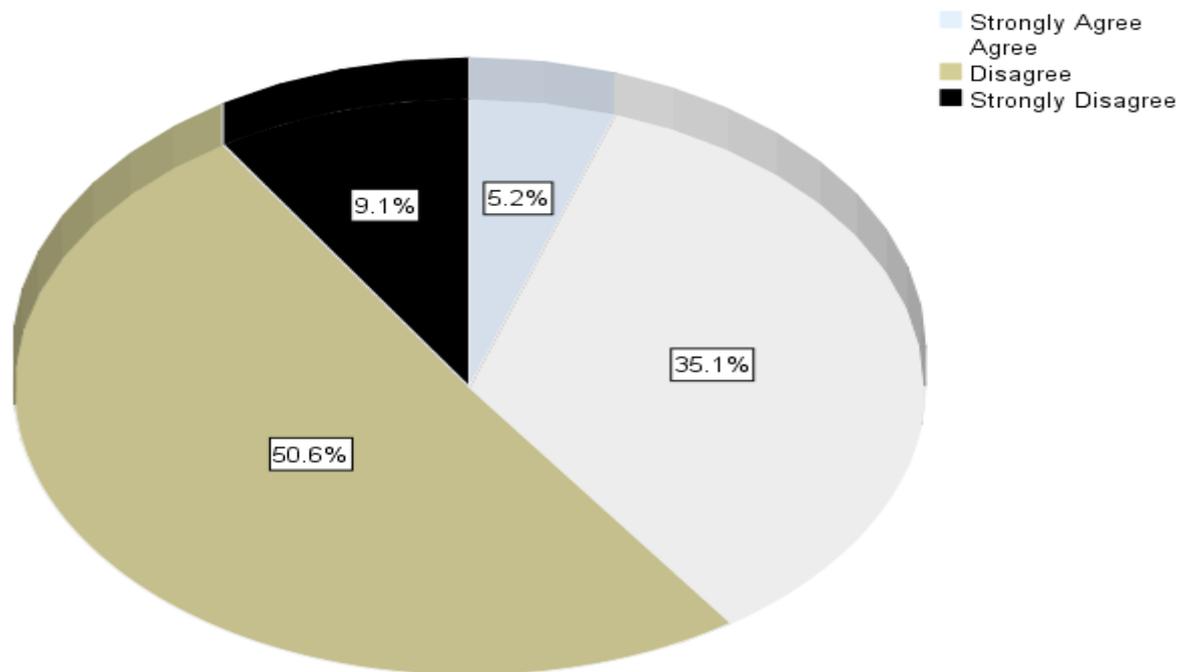
Response categories		Frequency	Percent	Valid percent	Cumulated percent
Valid	Disagree	55	71.4	71.4	71.4
	Strongly disagree	22	28.6	28.6	100.0
<b>Total</b>		<b>77</b>	<b>100.0</b>	<b>100.0</b>	

A majority (71.4 percent) of the respondents for this study disagreed that it is easy for businesses like theirs, to obtain funding from financial institutions that support youth entrepreneurship, while a small percentage (28.6 percent) strongly disagreed.

The results show that all the participants felt that it is was not easy for businesses like theirs, to obtain funding from financial institutions that support youth entrepreneurship. Aspects such as a lack of savings and collateral, lack of access to business funding information, and lack of access to business mentorships to help them draw up good business plans, were among the identified common obstacles that result in their inability to obtain business funding. These results are in line with the previous argument made in the literature (Pretorius & Shaw, 2004:226; Atieno, 2009:1; Herrington *et al.*, 2009:47; and Young Upstarts, 2011:30) that access to start-up capital is a major stumbling block to start a new business.

#### 4.2.16 Business registration process

The chart below shows the extent to which respondents agreed or disagreed that the process to register a business in South Africa is quick.



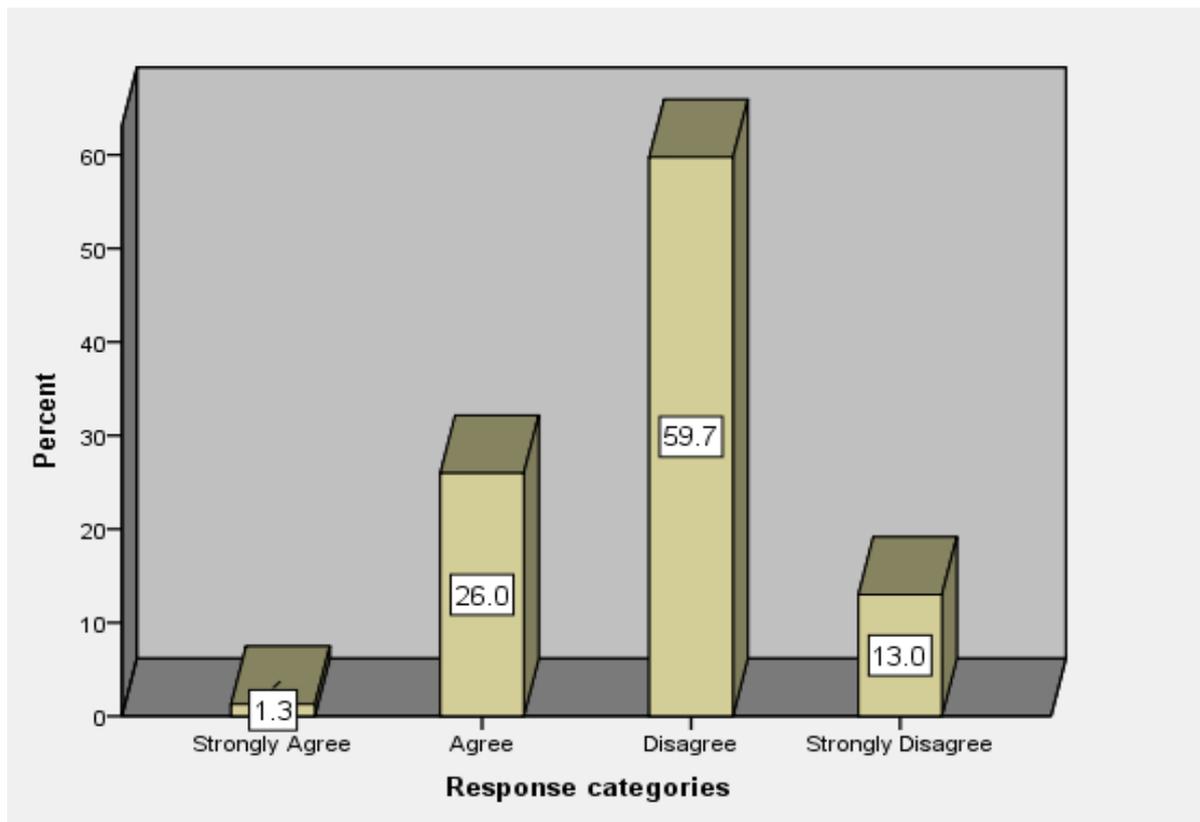
**Figure 4.9: Speed of process to register a business in South Africa**

A large proportion of respondents (50.6 percent) disagreed that the process to register a business in South Africa is quick, followed by 35.1 percent that agreed with the statement. Merely 9.1 percent strongly disagreed with the statement, while 5.2 percent of the respondents strongly agreed.

The results show that more participants felt that the process to register a business in South Africa was not quick, whilst some were against this position. This was probably caused by the fact that not all of these youth entrepreneurs went to register their businesses with Companies and Intellectual Property Commission (CIPC) through the Department of Trade and Industry (DTI). Some of them made use of agents who claimed that they would speed up the registration process of their businesses. Consequently, for some, the registration time was long and for some it did not take long.

#### **4.2.17 Clarity of the business registration process**

The following chart indicates the extent to which respondents agreed or disagreed, that the process for the registration of a business like theirs is easy to understand.



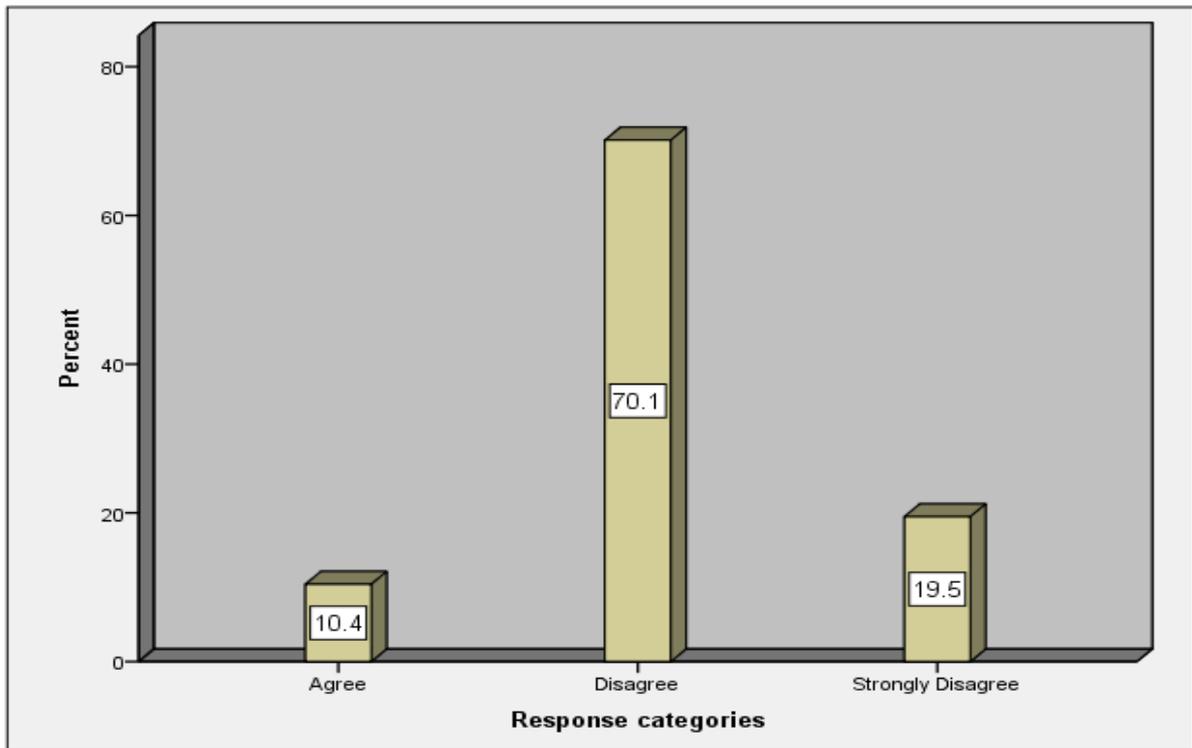
**Figure 4.10: Simplicity of the process to register a business**

The results show that most of the respondents (59.7 percent) disagreed that the process to register a business like their own was easy to understand, while 26 percent agreed. Thirteen (13) percent of the respondents strongly disagreed, while it was only 1.3 percent of the respondents that strongly agreed with the statement.

The study revealed that more participants felt that the process to register of a business like their own was not easy to understand. Perhaps a lack of access to business-related information prior to the registration of their business was a factor. Sources such as existing local youth entrepreneurs, and the Internet could be the aspiring youth entrepreneurs' first stop in their quest to find business registration information. After all, as indicated in Table 2.1, entrepreneurs take proactive measures to counter any possible obstacles that may happen (Nieuwenhuizen *et al.*, 2008:3-4).

#### **4.2.18 Cost of business registration**

The figure below indicates the extent to which the respondents agreed or disagreed that the registration of a business like theirs is not expensive.



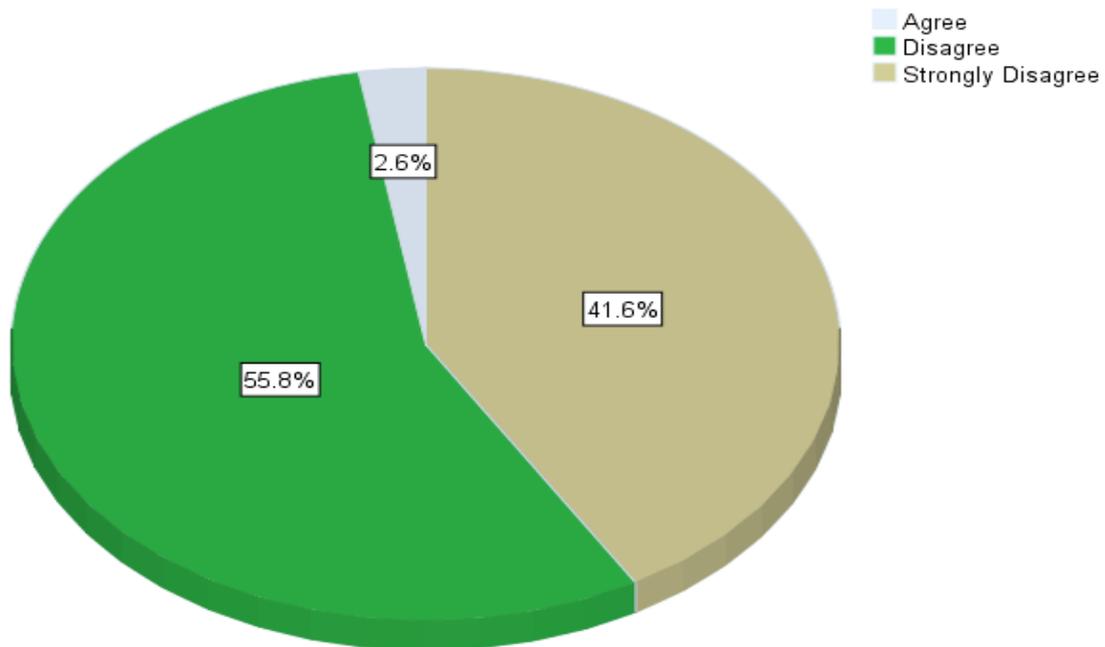
**Figure 4.11: Cost of business registration**

The results show that a majority (70.1 percent) of the respondents disagreed that the process to register a business like theirs is not expensive. Some respondents (19.5 percent) strongly disagreed, while some (10.4 percent) agreed with this statement.

The study illustrates that a majority of the participants felt that the process to register a business like theirs was expensive. Factors such as a lack of start-up capital, as well as possible additional costs charged by agents assisting with business registration of aspirant entrepreneurs, might have influenced the views for some of these youth entrepreneurs in this regard. Herrington *et al.* (2010:32) mention that unproductive government bureaucracy, the red-tape related to setting up and managing a business, as well as restrictive labour regulations, require urgent attention.

#### **4.2.19 Clarity on regulations that govern youth-owned businesses**

The figure below indicates the extent to which respondents agreed or disagreed that business regulations (such as tax rules) that govern a business like theirs are easy to understand.



**Figure 4.12: Degree of understanding of business regulations (such as tax rules) that govern small businesses**

A majority (55.8 percent) of the respondents for this study agreed that business regulations (such as tax rules), which govern businesses like theirs are easy to understand, while 41.6 percent strongly disagreed, followed by the remainder 2.6 percent that strongly disagreed with this utterance.

The results of this study indicate that more than half of the participants felt that business regulations (such as tax rules), which govern businesses like theirs are easy to understand. This finding is important in this study. Nonetheless, those who do not have adequate information about Corporate Income Tax/Business Tax, as well as payment rules, should consult their nearest SARS office for more information. This will also enable them to avoid any penalties and/or interest charges, which may be charged from them as a result of not making payments, while they are registered under the Income Tax Act, 1962, as a taxpayer (South Africa. SARS, 2014). Alternatively, the External Guide of the SARS payment rules is available online, and it clearly details the payment rules that an individual must follow when he/she makes payment to SARS.

#### **4.2.20 Demand for products and services of youth-owned businesses**

The table below indicates the extent to which Khayelitsha youth entrepreneurs who participated in this study agreed or disagreed that a demand for their respective products and services in the market is likely to continue in future.

**Table 4.8: Continued demand for products and services of small businesses**

Response categories		Frequency	Percent	Valid percent	Cumulated percent
Valid	Strongly agree	21	27.3	27.3	27.3
	Agree	56	72.7	72.7	100.0
	<b>Total</b>	<b>77</b>	<b>100.0</b>	<b>100.0</b>	

As far as the results are concerned, most of the respondents (72.7 percent) indicated that they agreed that the demand for their products and services in the market is likely to continue in future, while it was only 27.3 percent of the respondents strongly agreed with the position.

Interestingly, a large number of the participants were positive that demand for their products and services in the market was likely to continue in future. Perhaps this is an indication of the level of optimism, which is a defining feature of entrepreneurs. This could also mean that their products and services are in demand in the market, in the sense that they meet the daily needs of end-users/customers.

#### 4.2.21 Finding good employees for the business

The table that follows indicates the extent to which respondents for this research agreed or disagreed that it is easy for businesses like theirs to find good employees.

**Table 4.9: Sourcing good employees**

Response categories		Frequency	Percent	Valid percent	Cumulated percent
Valid	Strongly agree	3	3.9	3.9	3.9
	Agree	29	37.7	37.7	41.6
	Disagree	45	58.4	58.4	100.0
<b>Total</b>		<b>77</b>	<b>100.0</b>	<b>100.0</b>	

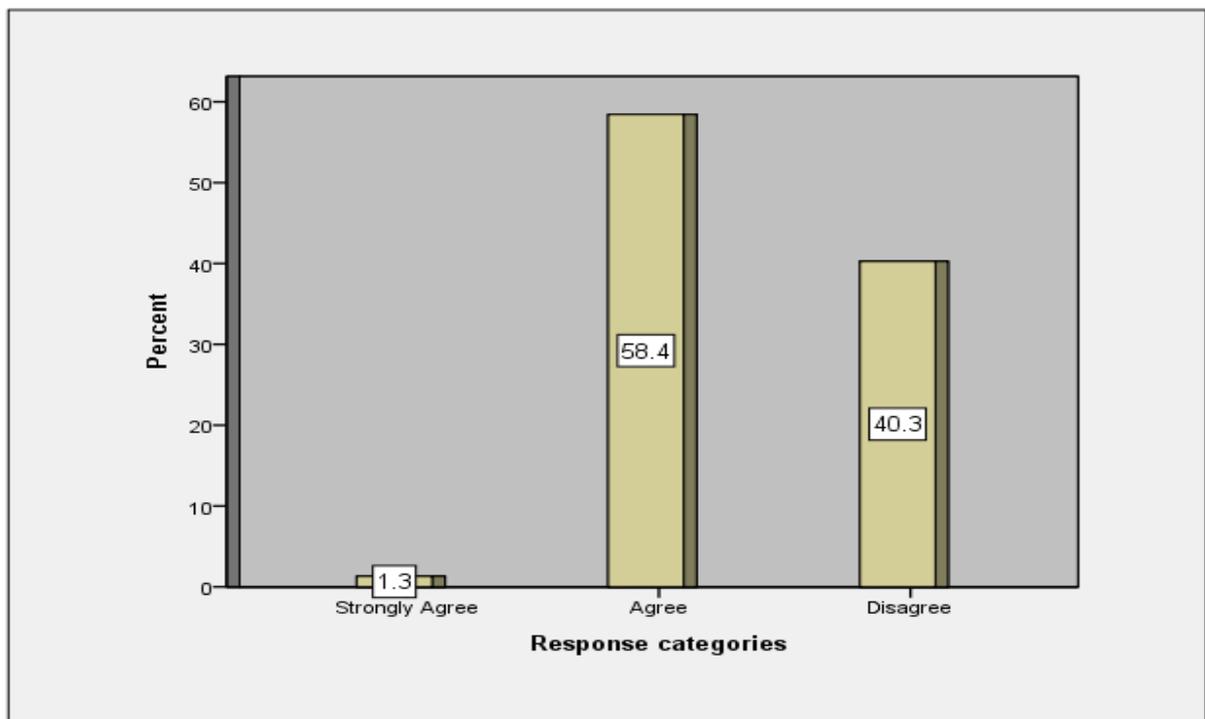
A majority of the respondents (58.4 percent) who participated in this survey disagreed that it is easy for businesses like theirs to find good employees, followed by 37.7 percent that agreed, while 3.9 percent strongly agreed with the statement. In the context of this study, good employees refer to experienced, educated, skilled and competent individuals who

specialise in the particular field of study in the industry. For instance an accountant, a technician, an electrician, a plumber, and so on.

Based on the results of this study, more than half of the participants felt that it was not easy for businesses like theirs to find good employees. This relates to the argument made by Ohlhoff (2008:28) that one of the key obstacles, which face organisations in this competitive and globalised business environment is attracting and retaining a talented workforce. This could be linked to the high costs that are associated with employing highly skilled individuals in a period when the business might still be hunting for financial resources to enable it to stabilise.

#### 4.2.22 Retaining good employees in the business

The chart below displays the extent to which respondents agreed or disagreed that it is easy for a business like theirs to retain good employees.



**Figure 4.13: Retention of good employees**

Most of the respondents (58.4 percent) indicated that they agree that it is easy to retain good employees in their businesses, while 40.3 percent disagreed with the statement, and 1.3 percent strongly agreed.

According to the results of this study, it was interesting to note that more than half of the participants felt that it was easy for businesses like theirs to retain good employees. This contradicts the position, which was advanced by Ohlhoff (2008:28) that one of the key obstacles that face organisations in this competitive and globalised business environment is attracting and retaining a talented workforce. This does not, however, appear to be the case in Khayelitsha. A reason could be that Khayelitsha's youth business ventures are reluctant to source highly skilled and experienced individuals who may demand high salaries and good working conditions in their working environment.

#### 4.2.23 Use of technology in the daily operations of the business

The table below indicates the extent to which respondents agreed or disagreed that businesses like the ones that they own make use of modern technologies in their daily operations.

**Table 4.10: Use of modern technologies in the daily operations of small businesses**

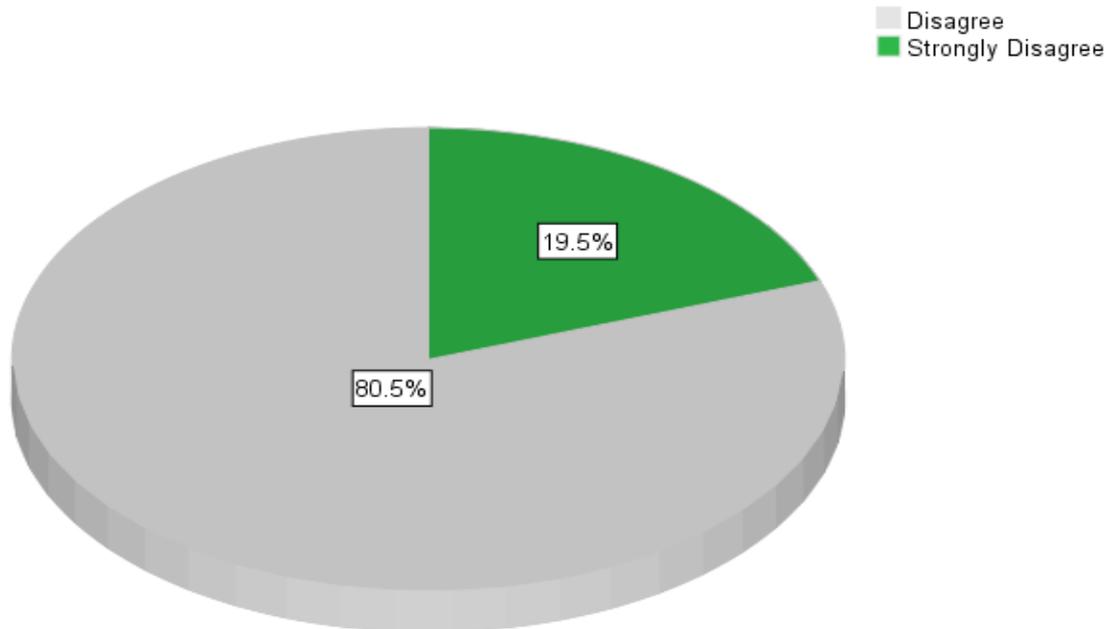
Response categories		Frequency	Percent	Valid percent	Cumulated percent
	Strongly agree	15	19.5	19.5	19.5
Valid	Agree	62	80.5	80.5	100.0
<b>Total</b>		<b>77</b>	<b>100.0</b>	<b>100.0</b>	

The above results indicate that most of the respondents (80.5 percent) for this research agreed that businesses like theirs make use of modern technology in their daily operations, while 19.5 percent, however, strongly agreed with this position.

The results showed that all the participants felt that businesses like theirs make use of modern technology in their daily operations. Perhaps this is because these youth entrepreneurs know and understand the importance of using superior business resources and capabilities such as modern technologies in order to gain and sustain a competitive advantage in the market. These modern technologies referred to in this study include, computers, printers, fax machines, telephone; building equipment; electric lawn mowers; electric stoves and microwaves; sewing machines, and so on, depending on the type of industry in which the business operates.

#### 4.2.24 Awareness about existing support structures for youth entrepreneurs

The chart below illustrates the extent to which the respondents agreed or disagreed that business owners like themselves in Khayelitsha are aware of existing support structures for youth entrepreneurs, other than KYIB.



**Figure 4.14: Awareness about existing support structures for youth entrepreneurs other than KYIB**

A majority (80.5 percent) of the respondents indicated that they disagreed that business owners like themselves in Khayelitsha are aware of existing support structures for youth entrepreneurs, other than KYIB, while 19.5 percent agreed.

The results of this study indicate that all the participants admitted to having no knowledge about any existing support structures for youth entrepreneurs, other than a local organisation, namely KYIB, which is in Khayelitsha. This could be associated with ineffective measures that are used by youth entrepreneurship support structures to create awareness about their offerings, which are aimed at setting-up and nurturing of youth-owned businesses in Khayelitsha. If this is the case in Khayelitsha, better marketing strategies are required for such youth entrepreneurship support structures to communicate across their presence, as well as for the services that they offer. Alternatively, if this lack of knowledge is a result of the absence of such youth entrepreneurship support structures in Khayelitsha, it would underline the need for such support structures to be established in order to bring about a positive change in the development of youth entrepreneurship in the Khayelitsha area.

#### 4.2.25 Support structures (like NYDA) and their role in developing youth entrepreneurship in Khayelitsha

The table below indicates the extent to which the respondents agreed or disagreed that support structures for youth entrepreneurs (like the NYDA) play a big role in developing youth entrepreneurship in Khayelitsha.

**Table 4.11: Role of support structures for youth entrepreneurs in developing youth entrepreneurship in Khayelitsha**

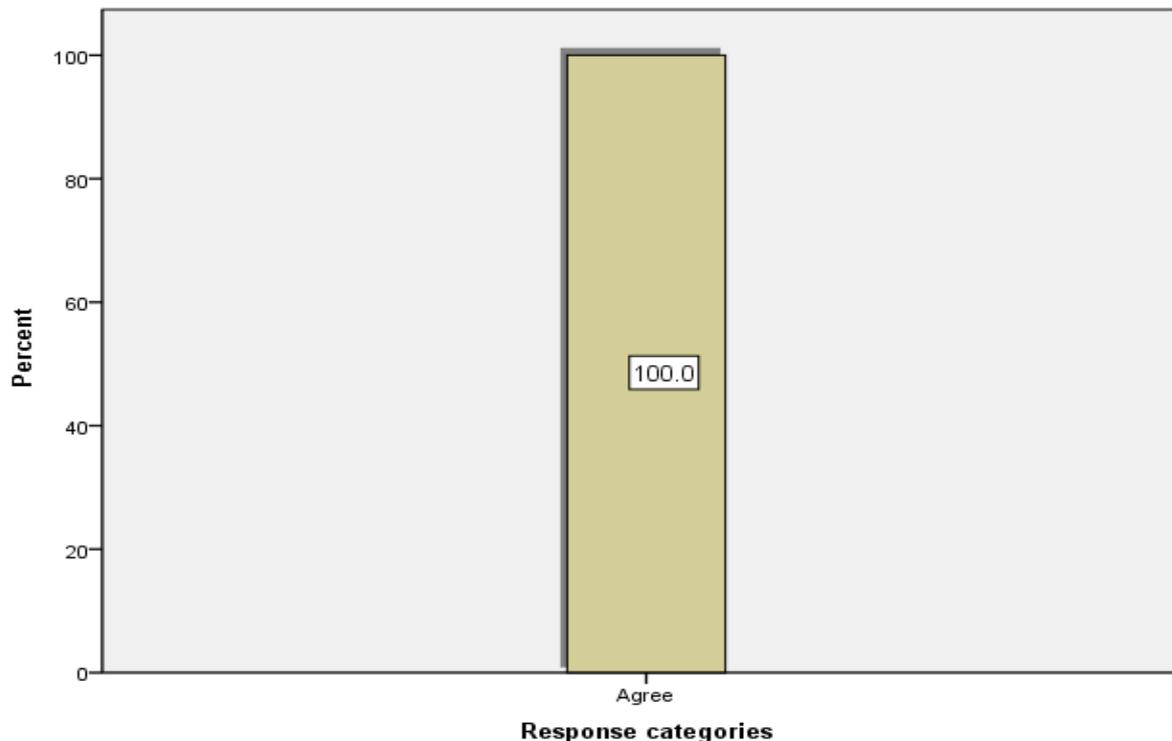
Response categories		Frequency	Percent	Valid percent	Cumulated percent
Valid	Disagree	30	39.0	39.0	39.0
	Strongly disagree	47	61.0	61.0	100.0
<b>Total</b>		<b>77</b>	<b>100.0</b>	<b>100.0</b>	

A majority (61 percent) of the respondents strongly disagreed that support structures for youth entrepreneurs (like the NYDA) play a big role in developing youth entrepreneurship in Khayelitsha, while 39 percent disagreed with this statement.

According to the results of the study all the participants felt that support structures for youth entrepreneurs such as the NYDA did not play much of a role in developing youth entrepreneurship in Khayelitsha. Chabane (2011) claims that the NYDA, as a custodian of youth development in the country, has a responsibility to facilitate youth entrepreneurship, among other things. In Khayelitsha's situation, this responsibility is not being discharged. The unavailability of NYDA Youth Advisory Centres in the Khayelitsha area bears ample testimony to this claim. To foster youth entrepreneurial development, organisations such as the NYDA and DTI' NYEESIF whose objectives are related to the improvement of youth entrepreneurship, should have more presence in townships such as Khayelitsha where many South African youths are found (South Africa. DTI, 2009:8). This however does not exclude the establishment of other business development services in this community. For instance these may include Small Enterprise Finance Agency (SEFA), Industrial Development Corporation (IDC), Business Partners, and so on (Nieman & Nieuwenhuizen, 2009:201-206), particularly since they may also be helpful to these youth entrepreneurs when they are no longer qualify as youth.

#### 4.2.26 Increase in youth entrepreneurs in Khayelitsha

The chart below displays the extent to which the respondents agreed or disagreed that the number of youth entrepreneurs in Khayelitsha is growing.



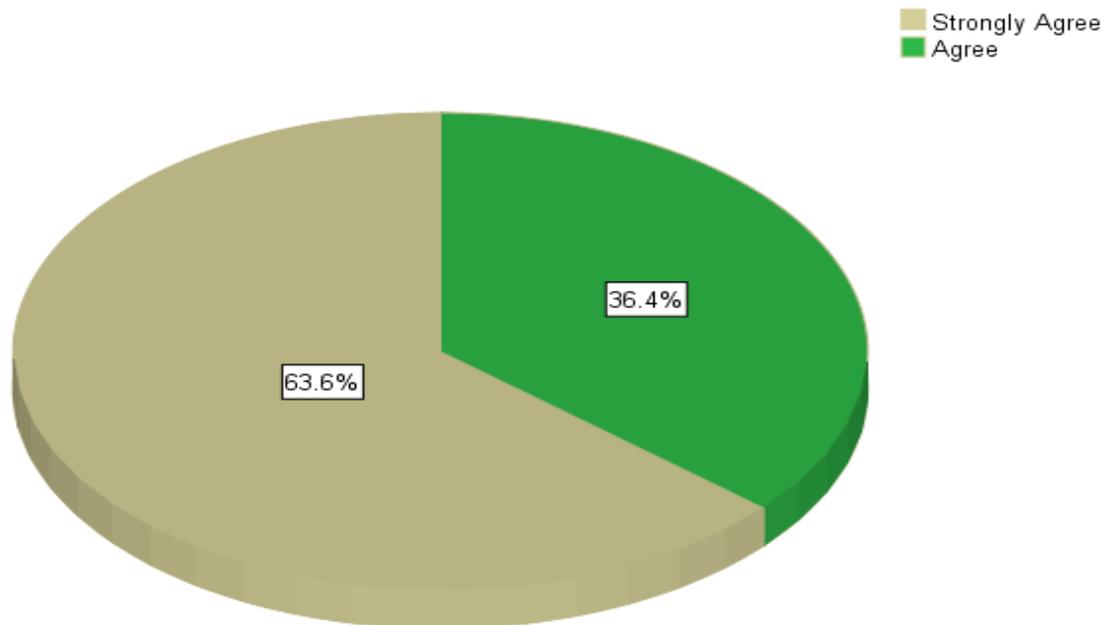
**Figure 4.15: Growth in the population of youth entrepreneurs in Khayelitsha**

The results indicate that all the respondents (100 percent) agreed that the number of youth entrepreneurs in Khayelitsha is growing.

The results illustrate that all the respondents felt that the number of youth entrepreneurs in Khayelitsha is growing daily. Nevertheless, the extent of growth in numbers for these youth entrepreneurs cannot easily be measured. It appears that not all young people in this community are registered members of KYIB, and even those that are members of KYIB may not come back to deregister with the latter should their businesses close down. Overall, this growth in numbers could be seen as a good gesture for youth entrepreneurship in Khayelitsha. While this indicates a growing interest of youth in entrepreneurship, the issue of sustaining their interest seems to be what should capture the attention of all stakeholders.

#### 4.2.27 Entrepreneurship as the best option for economic participation

The chart below illustrates the extent to which the respondents agreed or disagreed that entrepreneurship is the best option for economic participation rather than seek paid employment.



**Figure 4.16: The entrepreneurship option for economic participation**

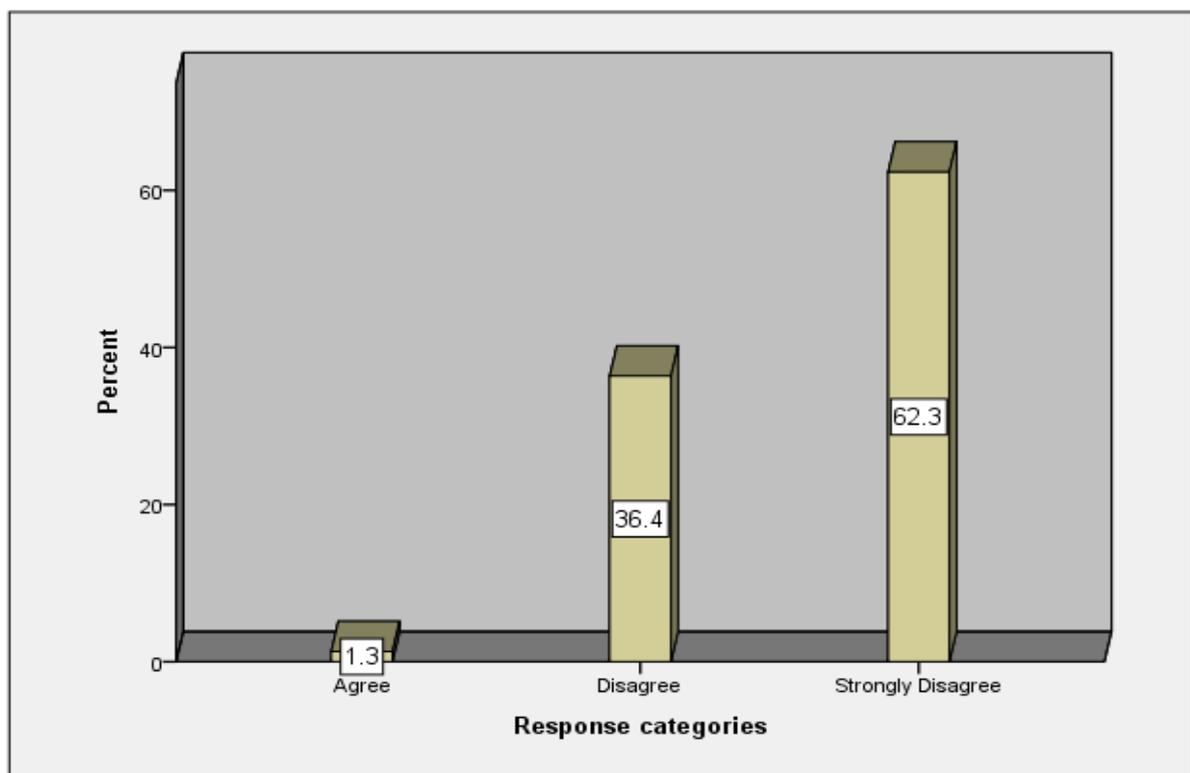
A large percentage (63.6 percent) of the respondents indicated that they strongly agreed that entrepreneurship is the best option for economic participation rather than seek paid employment, while 36.4 percent agreed.

Based on the results of the study, all the participants felt that entrepreneurship is the best option for economic participation rather than seek paid employment. These results are in accord with Mahadea *et al.* (2011:72) findings, as they reported that 78.5 percent of the learners were interested in starting their own businesses the future. Musegu-Ajulu (2010:5) also found that 50 percent of the respondents illustrated that they were interested in becoming entrepreneurs. Perhaps some of entrepreneurship benefits that were highlighted in the literature such as economic competitiveness, economic independence and self-esteem could be the major motivating factors (European Commission, 2003:22; Herrington *et al.*, 2009:12; Linan *et al.*, 2005:1; Dempsey, 2009:2; Ndedi, 2009:466; Nafukho & Muyia, 2010:100; Nieman & Nieuwenhuizen, 2009:9; Fatoki & Chindoga, 2011:162). Also, favourable attitudes towards entrepreneurship might be owing to high unemployment among

youth in the country. These results are important for this study, since they could be relating to Sandrock's (2011) ideal that a generation of employers would be much more advantageous than that of employees. To this end, she suggests that graduates from universities, as well as matriculants, should be equipped with entrepreneurial skills in order to create more jobs rather than to seek a paid job.

#### 4.2.28 Government programmes and their support for youth entrepreneurship in Khayelitsha

The following chart illustrates the extent to which the respondents in this research agreed or disagreed that the programmes of the South African government are supportive of youth entrepreneurship in Khayelitsha.



**Figure 4.17: Government programmes and support for youth entrepreneurship in Khayelitsha**

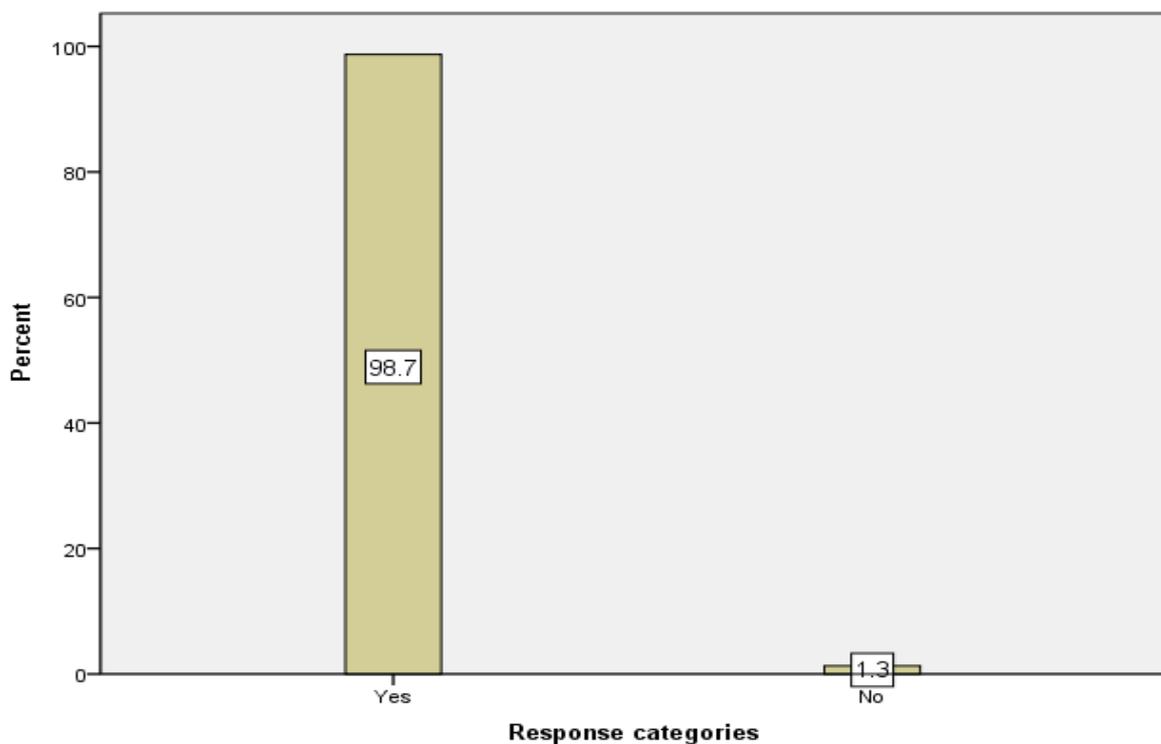
Most respondents (62.3 percent) that participated in this study strongly disagreed that the programmes of the South African government are supportive of youth entrepreneurship in Khayelitsha, while 36.4 percent disagreed with this statement, and only 1.3 percent agreed.

The results showed that there was overwhelming disagreement that programmes of the South African government were supportive of youth entrepreneurship in Khayelitsha. This

could be linked to the previous results that support structures for youth entrepreneurs like the NYDA, as well as South Africa's DTI's NYEESIF do not play their role in developing youth entrepreneurship in Khayelitsha. This observation is supported by the NYDA's Annual Report (2010:34), which showed that the Western Cape Province was among four provinces that received the least number of entrepreneurship support services during the 2009-2010 financial year period.

#### 4.2.29 Obstacles to Khayelitsha youth entrepreneurs in the setting up of a business

The chart below shows the extent to which the respondents agreed or disagreed that they encountered obstacles in the setting up of their businesses.



**Figure 4.18: Obstacles at business start-up**

Indicatively, almost all the respondents (98.7 percent) replied affirmatively to a question of having encountered certain obstacles when setting up their business ventures, while only 1.3 percent disagreed.

The results from this study indicate that almost all the participants admitted to having encountered some obstacles when setting up of their businesses. This could be related to the argument that creation of a favourable business environment for young people to participate fully and meaningfully in the country's economy, remains a challenge in the

country (South Africa. DTI, 2009:6; South Africa. NYDA, 2011:9). This may be one of the reasons why South African youth lag behind in setting up own business ventures compared to their counterparts from other countries, such as Argentina, Chile, Brazil and Peru (Von Broembsen *et al.*, 2005 in Fatoki & Chindoga, 2011:162).

#### 4.2.30 Obstacles when setting-up a business

This study found that there were some key obstacles that stood in the way of Khayelitsha youth entrepreneurs when setting up their businesses. The table below illustrates such obstacles.

**Table: 4.12 Obstacles at setting up of a business**

Factor	Respondents number	Respondents percent
Lack of start-up capital	63	83
Lack of savings and collateral	14	18.2
Cost of business resources	7	9.1
Lack of business management experience	42	55
Lack of business skills	11	14.3
Lack of government support services	19	24.7
Lack of networks	6	7.8
Lack of information	12	15.6
Regulatory red tape	16	20.8

##### 4.2.30.1 Lack of start-up capital

The results of this study illustrate that 83 percent of participants (63 of 77) expressed that a lack of start-up capital was a key obstacle when setting up their business ventures. This corresponds with the findings shown in Figure 4.8 and Table 4.7, which suggest that access to business funding for these young people was a major stumbling block.

##### 4.2.30.2 Lack of savings and collateral

A total of 14 of the 77 participants (18.2 percent) cited that they were not in possession of any form of savings or collateral to secure business funding when they started their businesses. Aspects such as a lack of savings and a lack of collateral to secure business funding, as well as inability to compile a proper business plan, also limited their chances of obtaining business funding from financial institutions, which offer financial products to small

business owners in the country. Perhaps business support structures, including private financial institutions, can assist youth entrepreneurs who have acquired knowledge and skills from tertiary institutions, especially those who have attained entrepreneurial and managerial qualifications, and want to start-up their small business ventures.

#### **4.2.30.3 Cost of business resources**

Four of the 77 (5.2 percent) participants expressed their concern about the high cost of business resources such as technological machinery, equipment, raw materials, and human resources. A few participants perceived factors such as the global recession, which has a likelihood of negatively affecting inflation, might have been influential on such high costs.

#### **4.2.30.4 Lack of business management experience**

A total of 55 percent of the participants (42 of 77) indicated that a lack of business management experience was an obstacle to the development of their businesses. Lack of business management experience by youth entrepreneurs during their first few months of operation can have dire consequences. Van Rensburg (2010) exemplifies entrepreneurship with golf. He says that *“you can read the books, speak to the pros ... the only way you can truly master the game is by getting on the course and playing. Over and over again.”*

#### **4.2.30.5 Lack of business management skills**

A total of 11 of the 77 (14.3 percent) respondents indicated that they lacked business management skills. These included administration, financial management, marketing, human resource management and leadership skills. The literature of this study highlighted that entrepreneurs do come from all walks of life, and there are a variety of influences, which has impacted their emergence. This result seems to suggest that only a few of these entrepreneurs did not acquire business education at school, but nevertheless decided to start-up their own businesses. This result could be related to the fact that entrepreneurship is a field that is open to all willing participants, regardless of their specific academic backgrounds (Hughes *et al.*, 2005:1; Burke, 2006:16; Nieuwenhuizen *et al.*, 2008:2). Indeed, management skills can be acquired through continual learning, either from school, coaching from business experts and other secondary sources such as the Internet, books, or business magazines.

#### **4.2.30.6 Lack of government support services**

A total of 19 of the 77 of the respondents (24.7 percent) participants expressed their concern over the lack of youth entrepreneurship development initiatives provided by government in the Khayelitsha area. This result aligns with the study findings shown in Figure 4.17 and Table 4.11, which suggest that there are no signs of existence of any government support structure (like NYDA) to help to pave the way for youth entrepreneurship development. This is problematic, as government support programmes that should assist youth entrepreneurs to grow their businesses are inaccessible to most youth entrepreneurs in Khayelitsha.

#### **4.2.30.7 Lack of networks**

Six of the 77 (7.8 percent) stated that a lack of good business networks for business advice purposes for these youth entrepreneurs was one of the obstacles when setting up their businesses. This may not auger well for these youth entrepreneurs, because in the modern days the *know-who* seems to work better than the *know-how*. Therefore, if these youth entrepreneurs do not have the right business contacts who can add value to the existence and development of their businesses, then their chances of success for their businesses may be limited (Nieman & Nieuwenhuizen, 2009:192).

#### **4.2.30.8 Lack of information**

The results indicated that 12 of the 77 participants (15.6 percent) expressed their concern over a lack of information about available business support structures, and the services and initiatives that they offer youth entrepreneurs. These results suggest that youth entrepreneurs were not quite sure about such structures that the South African government has created to assist with start-up and nurturing of their businesses. This is owing to a lack of access to business-related information.

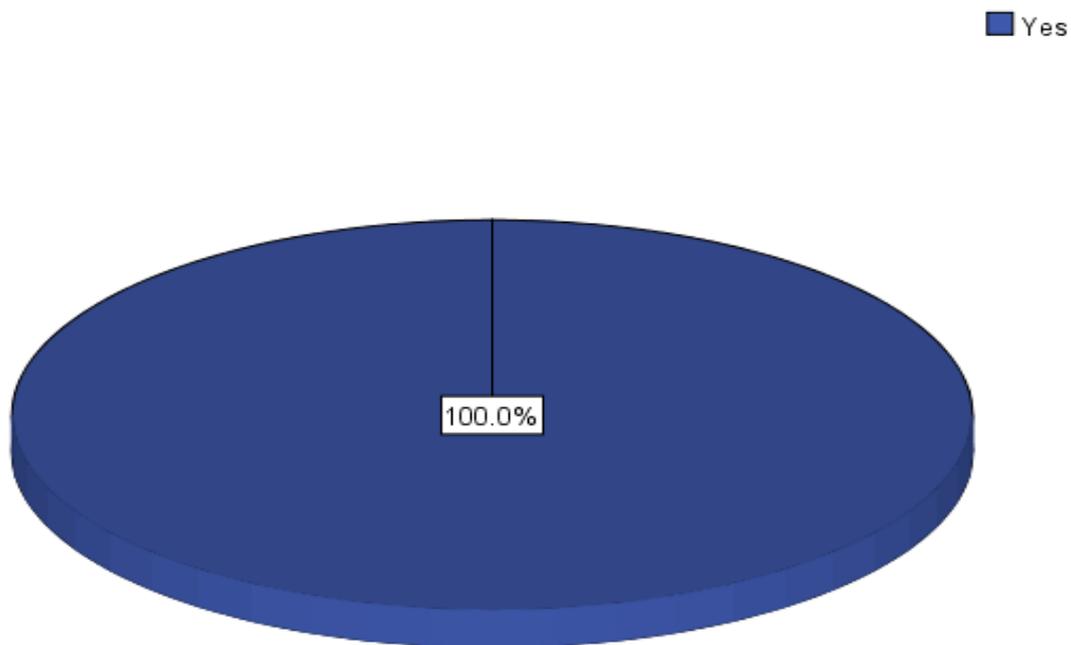
#### **4.2.30.9 Regulatory red tape**

About 16 of the 77 (20.8 percent) participants indicated that red tape attached to the setting up of a new business was another discouraging factor. Youth entrepreneurs claim to encounter challenging business registration processes and costs, business regulations such as taxes, and compliance with labour laws in the operation of their business. These results synchronise with the findings shown in Figures 4.9; 4.10; and 4.12 in which more respondents indicated their concern for the slow business registration process, difficulties in understanding the registration process, and high registration costs. Some of them also

indicated that aspects such as business regulations (like taxes), which govern small businesses were not easily understandable.

#### 4.2.31 Business operation obstacles for Khayelitsha youth entrepreneurs

The following chart indicates the extent to which Khayelitsha youth entrepreneurs who participated in this study agreed or disagreed with the question of currently encountering obstacles in the operation of their businesses.



**Figure 4.19: Present obstacles in business operations**

The results illustrate that all the respondents (100%) who participated in this research replied positively to a question regarding current obstacles in the operation of their businesses. Some of the problems that these youth entrepreneurs have, were inherited since the setting up of their business.

#### 4.2.32 Current obstacles for youth entrepreneurship in Khayelitsha

The table that follows shows the main obstacles that are encountered by Khayelitsha youth entrepreneurs in their business operation.

**Table 4.13: Current obstacles for youth entrepreneurship in Khayelitsha**

<b>Factor</b>	<b>Respondents number</b>	<b>Respondents percent</b>
Lack of expansion capital	40	52
Lack of business resources	29	37.7
Lack of business managerial skills	18	23.4
Lack of access to markets	18	23.4
Lack of business support services	17	22.1
Strict business regulations and labour laws	5	6.5
Difficulties in sourcing the right employees	4	5.2
Lack of access to business information	2	2.3

#### **4.2.32.1 Lack of expansion capital**

A total of 40 of the 77 (52 percent) participants stated that obtaining expansion capital was their main concern, as this reduces their business venture's growth. The results of this study indicate that expansion capital is one of the inhibiting factors to business expansion for these youth entrepreneurs. These results could be associated to what the literature of this study suggests (Young Upstarts, 2011:55; Turton & Herrington, 2012:45), namely that access to business funding remains a hindering factor to entrepreneurship.

#### **4.2.32.2 Lack of business resources**

A total of 29 of the 77 (37.7 percent) participants expressed their concern over a lack of business resources. Resources such as land and buildings, vehicles, modern technological machinery, equipment, security systems on the business premises, high quality and low cost raw materials to aid growth of their businesses, were mentioned by some of these youth entrepreneurs. Access to some of these resources would be of assistance in endeavours to grow their businesses. Conversely, without the necessary funds, good business resources will be difficult to obtain.

#### **4.2.32.3 Business management skills**

A total of 18 of the 77 (23.4 percent) participants felt that a lack of business management skills such as finance, human resources and marketing was an obstacle to the success of their businesses. These results indicate that even though this business factor was cited as an obstacle by some in the setting-up of their businesses, it still remains a challenge in the current operations of their businesses as well. Some youth entrepreneurs even admitted that

they had no formal business education or training to prepare them for the business environment.

#### **4.2.32.4 Lack of access to markets**

A total of 18 of the 77 (23.4 percent) respondents cited a lack of access to markets as one of their major concerns. This adversity affects the development of their businesses. A lack of sustainable markets for entrepreneurs' products and services may lead to business failure; hence small business ventures should pay considerable attention to marketing the overall business approach (Nieman & Nieuwenhuizen, 2009:36).

#### **4.2.32.5 Lack of business support**

A total of 17 of the 77 participants (22.1 percent) indicated that lack of business support in services such as business advice, mentoring and financial assistance for youth entrepreneurs in Khayelitsha is lacking from government. These results relate to the findings shown in section 4.2.30.3, Figure 4.14 and Table 4.11, which indicate that government support programmes to assist youth entrepreneurs to grow their businesses, were not accessible to most youth in Khayelitsha. These results underline the need for strategies to enable easy access to youth small business and entrepreneurship development services from government in the Khayelitsha area.

#### **4.2.32.6 Rigid business regulations and labour laws**

Five of the 77 (6.5 percent) participants felt that strict business regulations and labour laws, taxation and the high costs of tendering were also among obstacles against the growth and success of their businesses. These results synchronise with the findings on regulatory red tape (4.2.30.4; Figure 4.9; 4.10; and 4.11), which was also established as another discouraging factor regarding entrepreneurship. These results suggest that problematic business regulations persist as the business grows as well. Youth entrepreneurs should comply with the Labour Relations and Law, which include the Labour Relations Act 66 of 1995; the Basic Conditions of Employment Act 75 of 1997; the Employment Equity Act 55 of 1998, among others (Du Toit, Bosch, Woolfrey, Godfrey, Rossouw, Christie, Cooper, Giles & Bosch, 2003:1).

#### 4.2.32.7 Sourcing the right employees

A total of 4 of the 77 (5.2 percent) respondents suggested that sourcing the right employees was another obstacle that they encountered. A few of these youth entrepreneurs admitted that finding talented and experienced employees was a challenge. This result relates to what was argued in the literature, namely that attracting appropriate talent is one of the obstacles encountered by a number of entrepreneurial ventures (Ohlhoff, 2008:28). Van Dijk (2008:385) asserts that without appropriate human resources, a business venture will not have products or services to deliver in the marketplace.

#### 4.2.32.8 Lack of access to business information

Two of the 77 (2.6 percent) participants expressed concern over a lack of access to information about youth entrepreneurship support initiatives, which are offered by government structures (like the NYDA). This result relates to findings in Figure 4.14 and section 4.2.30.6, which show that a lack of information about available support structures was discouraging for the development of youth entrepreneurship in Khayelitsha.

#### 4.2.33 Entrepreneurship enthusiasm among young people in Khayelitsha

The table below illustrates the extent to which youth entrepreneurs in Khayelitsha who participated in this study agreed or disagreed with the statement that young people in Khayelitsha are becoming more enthusiastic about entrepreneurship.

**Table 4.14: Entrepreneurship enthusiasm among young people in Khayelitsha**

Response categories		Frequency	Percent	Valid percent	Cumulated percent
Valid	Yes	77	100.0	100.0	100.0

Interestingly, all the research respondents (77 of 77) felt that young people in Khayelitsha are becoming more and more enthusiastic about entrepreneurship. A few of these youth entrepreneurs cited that young people continue to register with the local business organisations, namely KBF and KYIB. Some also indicated that these youth entrepreneurs attended meetings regularly. It was mentioned that Khayelitsha youth entrepreneurs are also committed to participating in development projects that usually occur in this community such as urban renewal, building shopping centres, and so on. Despite this, some youth entrepreneurs insisted that there was an urgent need for youth entrepreneurship nurturing in the Khayelitsha area.

### **4.3 Summary**

This chapter presented results, which are based on the research study's findings. The results were mainly organised according to the questions on the research instrument, which were presented and analysed with the help of SPSS software, where applicable. The results were presented in frequency tables, and bar and pie charts. Discussion followed each presentation. The results indicated that youth entrepreneurs in Khayelitsha face a number of obstacles in their business, some of which are relatively similar to the ones that they encountered while setting up their businesses. These included a lack of finance and non-financial support, lack of business management skills, lack of entrepreneurial skills, lack of business resources, lack of business management experience, and so on. At the same time, the prospects for youth entrepreneurship development in Khayelitsha are buoyed by the growth of entrepreneurship enthusiasm by young people in this community. These results suggest that the country's government should do more to ensure the sustainability of youth entrepreneurship initiatives in the Khayelitsha community. Therefore, this underlines the need for aggressive measures to be established to enhance the unfavourable business environment for youth entrepreneurs in this community. To conclude this study, these results as well as recommendations are dealt with in the next and final chapter.

## **CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The objectives of this study were to find out specific factors that discourage young people from pursuing entrepreneurship careers in Khayelitsha; investigate particular challenges that inhibit expansion of youth entrepreneurial ventures in Khayelitsha; and describe specific prospects of youth entrepreneurship development in Khayelitsha. This chapter addresses answers to the research questions through conclusions that were drawn from the results of this study, which are based on the research findings. The section is followed by recommendations for this study.

### **5.2 Conclusions**

This research found that indeed, youth entrepreneurship development services were lacking in the Khayelitsha township. Therefore, youth entrepreneurs in this township are likely to miss out on a range of business development services, such as business advice, counselling, mentoring, finance, training and incubators (Nieman & Nieuwenhuizen, 2009:13), as a result of the absence of youth support structures. This may not auger well for youth entrepreneurship development in this community, particularly since Nieman and Nieuwenhuizen contend that the creation of a climax favourable to youth entrepreneurship development would encourage more young people to exploit business opportunities in the market. Therefore, it is safe to say that the inadequate youth entrepreneurship development in Khayelitsha is attributable to the lack of awareness and inaccessibility of entrepreneurship support structures and initiatives.

Evidently, the current study found that there was no knowledge of existing support structures for youth entrepreneurs (Figure 4.14) other than their local organisation, namely KYIB in Khayelitsha. The absence of youth entrepreneurship support structures in the Khayelitsha area plays a negative role on the development of youth entrepreneurship in this community. This in fact may limit chances of expansion in an entrepreneurial venture. The South African government's business-support programmes were not perceived to be supportive of the ventures in Khayelitsha (Figure 4.17). Similarly, support structures for youth entrepreneurs (like NYDA) were not perceived to be playing meaningful roles in developing youth entrepreneurship in Khayelitsha (Table 4.11). Again, it appears that these factors may pave the way for other obstacles in businesses. These obstacles are discussed below.

A lack of start-up capital was perceived as the key obstacle at business start-up (Table 4.12). It was found that it is not easy for participants of this study to obtain funding from financial institutions that support youth entrepreneurship (Table 4.7). As a result, most of their businesses start with funds that are largely provided by themselves (Figure 4.8). Therefore, the conclusion that is drawn from these results is that start-capital is the primary obstacle to set up of a new business venture. Also, a lack of expansion capital (Table 4.13) was seen as one of the primary obstacles, which hinders the exploration of growth opportunities amongst Khayelitsha youth entrepreneurs. Therefore, it is apparent that expansion capital is crucial for any business venture that needs to expand, and Khayelitsha youth entrepreneurs should try to find sources of finance in order to be able to realise their business goals.

The process for registration of a business (Figure 4.11) was perceived as expensive by many respondents. This result suggests that measures to reduce the costs of the business registration for young people should be established. If this situation continues to persist, youth entrepreneurs may be discouraged from pursuing entrepreneurship careers in areas such as Khayelitsha. At the same time, a lack of business management experience (Table 4.12) was also seen as one of the major obstacles in the development of youth entrepreneurial ventures. In this regard, it is a well established fact that youth entrepreneurs are likely to stumble on this block when setting up their own businesses. This is because they are still new in the business world, particularly if they have had no previous experience in their business industry of choice. Hence, they should find ways to overcome this challenge.

This study also found that most youth entrepreneurs in Khayelitsha had a number of employees, which ranged between 1-10 employees (Table 4.4). Perhaps the ongoing slow youth entrepreneurship development in Khayelitsha is among key factors against growth and sustainability of small business ventures, as it may shrink profit-making and job creation opportunities. Another finding of the study was that it was not easy for Khayelitsha youth business ventures to source good employees (Table 4.9). Similarly, Ohlhoff (2008:28) suggests that attracting talented employees is one of the concerns, which bothers many business ventures in their daily operations. A conclusion that is drawn from this result is that talented employees might be lacking in some of these youth entrepreneurial ventures because they are costly.

Interestingly, in spite of the youth entrepreneurship challenges found by this study, some good prospects emerged. A continued growth in the population of youth entrepreneurs in the Khayelitsha area (Figure 4.15), was established. Similarly, Table 4.14 illustrates that young people in Khayelitsha are becoming more and more enthusiastic about entrepreneurship. While these findings indicate a growing interest amongst youth in entrepreneurship, the issue

of sustaining their interest should be what captures the attention of all stakeholders. Through the convergence of stakeholders, well-established interventions in this regard could play a huge role in sustaining the entrepreneurship spirit among young people in Khayelitsha.

The degree of understanding business regulations, that govern small businesses (Figure 4.12), was quite substantial for Khayelitsha youth entrepreneurs. It is interesting to note that these business regulations are understandable to these youth entrepreneurs, particularly since they form part of the regulatory red-tape.

Another established positive finding is that it was not difficult for Khayelitsha youth entrepreneurs to retain good employees in their businesses (Figure 4.13). This, however, contradicts the position advanced by Ohlhoff (2008:28) that one of the key obstacles, which face businesses in the world is attracting and retaining a talented workforce. This does not appear to be the case in Khayelitsha. Another finding of this study is that entrepreneurship was seen as the best option for economic participation (Figure 4.16) rather than seeking a paid job. Awareness of the benefits of entrepreneurship could be associated with this position. Conversely, it is a well-established fact that both push and pull factors (Table 4.5) may enhance an individual's attitude towards becoming entrepreneurs. Also, it was found that entrepreneurial skills could boost their business's chances of success (Figure 4.6). Similarly, managerial skills aid chances of success in the business (Figure 4.7).

Hughes *et al.* (2005:1) further add that emotional intelligence may also play a positive role in the personal capacity of an entrepreneur, as well as the success of a small business venture. Therefore, it can be concluded that these skills would play a positive role in the success of any business venture (Nieuwenhuizen, *et al.*, 2008:2). In addition, Van Rensburg (2010) argues that in order to achieve entrepreneurial performance, entrepreneurs should focus on developing themselves with these skills. Previous involvement in a family business provides a good entrepreneurial foundation for youth entrepreneurs (Figure 4.4). This position indicates the important role, which parents and other family members who run their businesses can play in educating and influencing entrepreneurial attitudes amongst young people in their families.

In summary, the current objectives of this study were met, as the research questions were answered. The current study discovered that it was not that young people in Khayelitsha did not want to pursue careers in entrepreneurship, but rather it was that youth entrepreneurship development was lacking in this community. Evident to this, is the fact that there are no government support structures available to assist youth entrepreneurs with the hindering factors that they encounter while setting up and managing their businesses. Despite this

though, youth entrepreneurs show enthusiasm and determination in the operation of their business ventures. A growing interest amongst youth in entrepreneurship was also found. Perhaps the rest lies with other stakeholders. Therefore, South Africa's government should pay more attention to the establishment of youth support structures (such as NYDA and DTI) in this township, as this would help to squeeze and ultimately seal the existing gaps in youth entrepreneurship development. The visibility of such youth entrepreneurship structures would help to sustain the interest of entrepreneurship among youth, and also assist to establish and develop their entrepreneurial ventures. Overall, the importance of youth entrepreneurship development into positively shaping the socio-economic landscape in the modern society should be taken seriously, by all the stakeholders in Khayelitsha, and the whole of South Africa.

### **5.3 Recommendations**

- The South African government should prioritise investment in youth entrepreneurship development initiatives, particularly in less advantaged communities such as Khayelitsha. Such development initiatives should offer business development services that are tailored to nurture the business venture. These may include business advice, counselling, mentoring, finance, training and incubators. Nonetheless, extra attention should be paid to creating easy access to business funding for youth entrepreneurs, especially for those who have good business ideas, but lack start-up capital to execute their business ventures. Also, lack of start-up capital was among major obstacles into the development of youth entrepreneurial ventures. This could easily be possible if government support structures such as NYDA and the DTI can be more visible in this less advantaged township of Khayelitsha, where they are also needed the most. South Africa's NYDA Annual Report (2010:34) also acknowledges that the Western Cape Province was among four provinces that received the least number of entrepreneurship support services during the 2009-2010 financial year period. In addition, such support structures should be located at the heart of Khayelitsha, where there is access to public transportation.
- The country's government should provide continued support for youth entrepreneurship development at all stages of the business, including helping with expansion capital. This form of business funding may assist in acquiring more resources to help to expand their businesses and eventually create more job opportunities. The study found that a substantial number of youth entrepreneurs had employees ranging between 1-10 (Table 4.4). Perhaps the ongoing slow youth entrepreneurship development in Khayelitsha is among key factors against growth and sustainability of youth entrepreneurial ventures, as it may shrink profit-making and job creation opportunities.

- South Africa's government should take action to reduce costs that are associated with business registration for young people, as most of them lack requisite finances, particularly those who are fresh from a schooling environment and those from less advantaged backgrounds such as Khayelitsha. This could encourage more and young aspiring entrepreneurs to come on board and execute their entrepreneurial ventures and hence contribute meaningfully to the economy of this country. Regarding business regulations, which govern youth business ventures, those that are less than one year old should receive tax amnesty, and only start paying tax after one year. Those funds could play a big role in the nurturing of the business venture.
- Stakeholders such as government youth entrepreneurship support structures should partner with local youth entrepreneurship organisations (like KYIB) in a campaign targeting tertiary and high school learners, with the theme 'entrepreneurship, the best option for economic participation. These youth entrepreneurs could also share their past business experiences with school learners, with the aim of instilling an entrepreneurship mindset, regardless of any discipline that they may have chosen at school. Conversely, tertiary students who pursue entrepreneurship may also voluntarily participate, particularly when those campaigns are heading to high schools. This could also create network opportunities among learners, support structures, as well as local entrepreneurs.
- Perhaps Ndedi's (2009) view that universities should include business incubators and mentors to assist aspiring and other entrepreneurs within the schooling environment with aspects such as management guidance and technical assistance, should be observed. The South African government, through its entrepreneurship support structures could work hand in hand, with tertiary institutions offering entrepreneurship courses in their curriculum, whilst allocating some of its well trained staff to help in this regard.
- To maintain enthusiasm amongst youth entrepreneurship, strategies to encourage youth in engaging themselves in entrepreneurial activities should emerge and be correctly implemented. This could also be achieved through the creation of favourable business environment, where the business's support services are accessible to young people. This would also strengthen young aspiring and other youth entrepreneurs' self-esteem over their business, knowing that the business support that they need is merely a few miles away from their residential areas, or where they operate their business ventures.
- Youth entrepreneurship support structures should create an awareness campaign about their existence. This could be achieved with the help of relevant communication channels. Free local newspapers such as Vukani (Wake Up) and City Vision, even

Khayelitsha's own local radio station, Radio Zibonele, should be utilised to spread the word in the target market.

- Conversely, private institutions such as banks and other microfinance institutions should introduce youth entrepreneurship funding as part of their services, and not take advantage of the vulnerability of the youth entrepreneurs when seeking for business funding by imposing high costs of capital in their offerings.
- Schooling environment should serve as a primary contributor to equip learners with entrepreneurial and managerial skills, and also to influence their attitudes towards pursuing careers in entrepreneurship, particularly if Sandrock's (2011) ideal of creating a generation of employers should be realised in future. At the same time, private organisations should also open doors for learners who require exposure and experience in their businesses. This could possibly be through in-service training, internships, and learnership offerings, even voluntarily service opportunities.
- Parents/grandparents who have operating businesses should expose their children to their businesses. This will ensure that business legacies will have the potential to carry on to the next generation. Nevertheless, education should be a priority for young people, as it develops intelligence that is useful in life and indeed for the business.
- Despite the fact that most of these youth entrepreneurs admitted that the process to register a business in South Africa is quick, some denied this. Hence, aspiring youth entrepreneurs should not use agents who claim that they will speed up their business registration process, but should rather register their businesses themselves with CIPC via the DTI. This could also give a clear indication of whether it is indeed quick to register a business in South Africa, as the views appear to be somewhat contradictory.
- Even though most of these youth entrepreneurs admitted to having no problems in retaining employees in their businesses, there is a chance that most of them were only able to do this as a result of the few employees that they had. Hence, these youth entrepreneurs should also try to be good leaders who can create a satisfactory work environment. Such aspects as the benefits for staff are highly advisable in the business, as they may not only help to retain employees, but to attract new talents as well (Grobler, 2011:7). This could also aid in taking the business to greater heights.
- Although these youth entrepreneurs felt that a continued demand for their products and services in the market is likely to continue in future, changes in the business environment are somewhat inevitable. Therefore, they need to use entrepreneurship skills such as

innovation and creativity, as well as networking to remain competitive in the market. This can be achieved by accessing new markets or by creating new products and services.

- Youth entrepreneurs themselves should focus on mastering their entrepreneurial and managerial skills, and be hands-on in the daily operation of their businesses before deciding to source new talents for their businesses. This could buy them some time to teach the business know-how to the teams that they have in their businesses. In return, this could reduce the costs of employing new highly skilled individuals in the business whilst it is still in the nascent phase.
- Interacting with more experienced entrepreneurs within the same industry and other youth entrepreneurship support structures for business know-how is advisable. Again, making use of secondary sources such as books and the Internet should be helpful to those youth entrepreneurs who lack business management experience.

### **Benefits of this research to academia**

This study is relevant, particularly since youth unemployment in South Africa and Khayelitsha in particular is high. The study highlights the challenges and prospects of youth entrepreneurship in the research setting. This study provides a rare insight into the state of youth entrepreneurship in a large but under-researched township community in the Western Cape. Again, its findings can be extrapolated to other areas that have similar characteristics in South Africa. An-up-to date and relevant literature was carefully compiled and analysed. Views of other writers were evaluated and refuted, and where necessary the researcher's own opinions were provided.

This study was structured and scientifically completed in accordance with the traditional master's thesis requisites in Cape Peninsula University of Technology (CPUT), South Africa. Harvard referencing style was employed, as it is recommended by CPUT, where the researcher studied. Apart from the fact that this thesis is solely a property of CPUT and shall only be used for academic purposes, a few journal articles from it were constructed for publishing. That way, even those who will not be able to access this thesis at the CPUT's library after its acceptance, will be able to access those journal articles online. Furthermore, other academics might need to pursue its recommended future direction. Therefore, its contribution to research and scholarship is indisputable.

### **Limitations of the research and area of recommendations for future researchers**

As mentioned earlier in Chapter one of the study, one of the limitations in the study is that it was only conducted among youth entrepreneurs who were registered on the database of a local organisation called KYIB, which fosters youth entrepreneurship in Khayelitsha, in the Western Cape Province. Therefore, it might not be a good idea to make generalisations about this study concerning challenges and prospects of youth entrepreneurship to other geographical areas of South Africa, as their context in terms of the state of youth entrepreneurship development may differ from that of Khayelitsha.

The study recommends that further research on other designated townships, which have similar characteristics as the Khayelitsha township in South Africa should be conducted, to gain better understanding of their unique needs. This is on the basis that should an intervention be proposed, each township should then be awarded a much more customised youth entrepreneurial development strategy.

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## Appendix A: Letter of permission from Khayelitsha Youth In Business



Zenzele Training Center

Corner of Lwandle and Spine RD

Khayelitsha

7784

Chairperson: L.Mayedwa, 0795711037, [lubabalo.mayedwa@gmail.com](mailto:lubabalo.mayedwa@gmail.com)

Secretary PT. Lugogwana, 0710332462, [sgantsi.patrick@yahoo.com](mailto:sgantsi.patrick@yahoo.com)

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08<sup>th</sup> September 2011

Khayelitsha youth in business is the mouthpiece of the youth in business in promoting and developing entrepreneurship amongst the youth particularly the 18 to 35 year old. We have been in existence since 2009 and have a database of 200 members to date and counting. The stages of the businesses of our members vary from idea stage; start up, operational stage and few in the growth.

Mr. Saphetha Gwija, an Mtech: business administration student at the Cape Peninsula University of Technology is undertaking a research project, with a topic (Challenges and Prospects of Youth Entrepreneurship in Khayelitsha. As the Khayelitsha youth in we endorse and support such an initiative. We are aware the research will be taking place and wish after the conclusion of the, if possible to be supplied with the final report of the research. We wish to do similar report in future and to use the report as a secondary data for the study to be conducted soon

Should Mr. Gwija wish to include some of our members in the sample to be surveyed, we would be glad to assist. Once again we reiterate the support for this initiative and will communicate with our members about the study.

We wish you a successful study as you roll out the project and will be looking forward to hearing from you.

Sincerely yours

*PT Lugogwana (Secretary: Khayelitsha Youth in Business)*

*Managing Director (Zwilethu Research Survey)*

*Tel/Fax: (021) 361-1141*

*Cell: 0710332462*

*Email: [sgantsi.patrick@yahoo.com](mailto:sgantsi.patrick@yahoo.com)*



8. What inspired you to start your business?

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9. Kindly indicate the extent to which you agree or disagree with the following statements related to the challenges and prospects of youth entrepreneurship by placing an X in the appropriate box.

Statements	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
9.1 Involvement in a family business early in life provides a good entrepreneurial foundation for those who want to set up a business.					
9.2 Entrepreneurship education and training enabled me to set up my business.					
9.3 Businesses like mine usually start up with funds, which are largely provided by the owners.					
9.4 It is easy for a business like mine to obtain funding from financial institutions that support youth entrepreneurship.					
9.5 The process of registering a business in South Africa is quick.					
9.6 The process for the registration of a business like my own is easy to understand.					
9.7 Registration of a business like mine is not expensive.					
9.8 Business regulations (such as tax rules) that govern a business like mine are easy to understand.					
9.9 Entrepreneurial skills would boost the chances of success in my business.					
9.10 A business owner with managerial skills could run his/her business better than one without such skills.					
9.11 Demand for my products and services in the market is likely to continue in the future.					
9.12 It is easy for a business like mine to find good employees.					
9.13 It is easy for a business like mine to keep and retain					

good employees.					
9.14 Business like the one I own make use of modern technologies in their daily operations.					
9.15 Business owners like mine in Khayelitsha are aware of existing support structures for youth entrepreneurs other than KYIB in this community.					
9.16 Support structures for youth entrepreneurs like the NYDA play a big role in developing youth entrepreneurship in Khayelitsha.					
9.17 The number of youth entrepreneurs in Khayelitsha is growing.					
9.18 Entrepreneurship is the best option for economic participation rather than seeking for paid employment.					
9.19 The programmes of the South African government are supportive of youth entrepreneurship in Khayelitsha.					
9.20 Entrepreneurship education and training play a big role in the success of any business.					

10. Did you encounter any obstacles, while setting up your business?

Yes

No

10.1 If the answer to question 10 is yes, briefly describe the main obstacles that you encountered.

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11. Do you encounter any obstacles currently in operating your business?

Yes

No

11.1 If the answer to question 11 is yes, briefly describe the main obstacles that you encounter.

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12. Are young people in Khayelitsha becoming more enthusiastic about entrepreneurship?

Yes

No

Briefly provide reasons for your answer

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## Appendix C: Statistical Analysis (Frequency Tables)

**Age group**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 21 - 25	10	13.0	13.0	13.0
26 - 30	36	46.8	46.8	59.7
31 - 35	31	40.3	40.3	100.0
Total	77	100.0	100.0	

**Gender**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	56	72.7	72.7	72.7
Female	21	27.3	27.3	100.0
Total	77	100.0	100.0	

**Highest level of Education**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Tertiary level	62	80.5	80.5	80.5
Matriculated	13	16.9	16.9	97.4
High School level	2	2.6	2.6	100.0
Total	77	100.0	100.0	

**How long have you been operating your business?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 year	7	9.1	9.1	9.1
1 - 3 years	49	63.6	63.6	72.7
3 - 5 years	16	20.8	20.8	93.5
More than 5 years	5	6.5	6.5	100.0
Total	77	100.0	100.0	

**How old were you when you started this business?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 21	1	1.3	1.3	1.3
22	7	9.1	9.1	10.4
23	7	9.1	9.1	19.5
24	7	9.1	9.1	28.6
25	5	6.5	6.5	35.1
26	6	7.8	7.8	42.9
27	10	13.0	13.0	55.8
28	7	9.1	9.1	64.9
29	7	9.1	9.1	74.0
30	7	9.1	9.1	83.1
31	3	3.9	3.9	87.0
32	8	10.4	10.4	97.4
33	2	2.6	2.6	100.0
Total	77	100.0	100.0	

**How many employees did you have at the time you started the business?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0	3	3.9	3.9	3.9
1	39	50.6	50.6	54.5
2	19	24.7	24.7	79.2
3	9	11.7	11.7	90.9
4	2	2.6	2.6	93.5
5	2	2.6	2.6	96.1
6	1	1.3	1.3	97.4
10	1	1.3	1.3	98.7
20	1	1.3	1.3	100.0
Total	77	100.0	100.0	

**How many employees do you have, currently?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 - 10	72	93.5	93.5	93.5
11 - 50	3	3.9	3.9	97.4
51 - 100	2	2.6	2.6	100.0
Total	77	100.0	100.0	

**Involvement in a family business, early in life, provides a good entrepreneurial foundation for those who want to set up a business.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	11	14.3	14.3	14.3
Valid Agree	66	85.7	85.7	100.0
Total	77	100.0	100.0	

**Entrepreneurship education and training enabled the setting up of my business.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	8	10.4	10.4	10.4
Valid Agree	33	42.9	42.9	53.2
Valid Disagree	34	44.2	44.2	97.4
Valid Strongly Disagree	2	2.6	2.6	100.0
Total	77	100.0	100.0	

**Businesses like mine usually start up with funds largely provided by owners.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	37	48.1	48.1	48.1
Valid Agree	40	51.9	51.9	100.0
Total	77	100.0	100.0	

**It is easy for a business like mine, to obtain funding from financial institutions that support youth entrepreneurship.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	55	71.4	71.4	71.4
Valid Strongly Disagree	22	28.6	28.6	100.0
Total	77	100.0	100.0	

**The process for registering a business in South Africa is quick.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	4	5.2	5.2	5.2
Valid Agree	27	35.1	35.1	40.3
Valid Disagree	39	50.6	50.6	90.9
Valid Strongly Disagree	7	9.1	9.1	100.0
Total	77	100.0	100.0	

**Registration of a business like mine is not expensive.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	8	10.4	10.4	10.4
Valid Disagree	54	70.1	70.1	80.5
Valid Strongly Disagree	15	19.5	19.5	100.0
Valid Total	77	100.0	100.0	

**Business regulations (such as tax rules) governing a business like mine, are easy to understand.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	2	2.6	2.6	2.6
Valid Disagree	43	55.8	55.8	58.4
Valid Strongly Disagree	32	41.6	41.6	100.0
Valid Total	77	100.0	100.0	

**Entrepreneurial skills would boost the chances of success in my business.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	41	53.2	53.2	53.2
Valid Agree	36	46.8	46.8	100.0
Valid Total	77	100.0	100.0	

**A business owner with managerial skills could run his/her business better than one without such skills.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	42	54.5	54.5	54.5
Valid Agree	35	45.5	45.5	100.0
Valid Total	77	100.0	100.0	

**Demand for my products and services in the market is likely to continue in the future.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	21	27.3	27.3	27.3
Valid Agree	56	72.7	72.7	100.0
Total	77	100.0	100.0	

**It is easy for a business like mine, to find good employees.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	3	3.9	3.9	3.9
Valid Agree	29	37.7	37.7	41.6
Valid Disagree	45	58.4	58.4	100.0
Total	77	100.0	100.0	

**It is easy for a business like mine, to keep and retain good employees.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	1	1.3	1.3	1.3
Valid Agree	45	58.4	58.4	59.7
Valid Disagree	31	40.3	40.3	100.0
Total	77	100.0	100.0	

**Business like the one I own, make use of modern technologies in their daily operations.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	15	19.5	19.5	19.5
Valid Agree	62	80.5	80.5	100.0
Total	77	100.0	100.0	

**Business owners like me in Khayelitsha are aware of existing support structures for youth entrepreneurs other than KYIB in this community.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	62	80.5	80.5	80.5
Valid Strongly Disagree	15	19.5	19.5	100.0
Total	77	100.0	100.0	

**Support structures for youth entrepreneurs like the NYDA are playing a big role in developing youth entrepreneurship in Khayelitsha.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	30	39.0	39.0	39.0
Valid Strongly Disagree	47	61.0	61.0	100.0
Total	77	100.0	100.0	

**The numbers of youth entrepreneurs in Khayelitsha are growing daily.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	77	100.0	100.0	100.0

**Entrepreneurship is the best option for economic participation rather than seeking for a paid employment.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	49	63.6	63.6	63.6
Valid Agree	28	36.4	36.4	100.0
Total	77	100.0	100.0	

**The programmes of the South African government are supportive of youth entrepreneurship in Khayelitsha.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Agree	1	1.3	1.3	1.3
Valid Disagree	28	36.4	36.4	37.7
Valid Strongly Disagree	48	62.3	62.3	100.0
Total	77	100.0	100.0	

**Entrepreneurship education and training play a big role in the success of any business.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	56	72.7	72.7	72.7
Valid Agree	21	27.3	27.3	100.0
Total	77	100.0	100.0	

**Did you encounter any obstacles, while setting up your business?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	76	98.7	98.7	98.7
No	1	1.3	1.3	100.0
Total	77	100.0	100.0	

**Do you encounter any obstacles currently, in operating your business?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	77	100.0	100.0	100.0

**Are young people in Khayelitsha becoming more enthusiastic about entrepreneurship?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	77	100.0	100.0	100.0

## Appendix D: Grammarian Certificate

### GRAMMARIAN CERTIFICATE

16 September 2013

Dear Sir/Madam

This serves to confirm that I have proofread and edited the research study entitled, "*Challenges and prospects of youth entrepreneurship in Khayelitsha, Western Cape*", and that the candidate has been advised to make the necessary changes.

Thank you.

Yours faithfully

Shamila Sulayman

(Ms) Shamila Sulayman

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