

**A BUSINESS FRAMEWORK FOR THE EFFECTIVE START-UP AND OPERATION OF
AFRICAN IMMIGRANT-OWNED BUSINESSES IN THE CAPE TOWN METROPOLITAN
AREA, SOUTH AFRICA**

By

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DECLARATION

I, **ROBERTSON KHAN TENGEH**, declare that the contents of this thesis represent my own unaided work, and that the 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.

Signed

Date

ABSTRACT

The purpose of this study is to develop a business framework for the effective start-up and operation of African immigrant businesses in the Cape Town Metropolitan Area of South Africa. The question that guides this research is: how do African immigrants use their entrepreneurial attributes to acquire the resources necessary to start-up and operate successful businesses in the Cape Town Metropolitan Area?

The study was conducted within the context of the economic development mandate as prescribed by the constitution of the Republic of South Africa Act, 1996. The development agenda also includes community, social and welfare promotion premised on the Keynesian principles that the government introduces interventions where there is an economic failure. In the South African context, this relates to unemployment and due to the prevailing economic down turns a greater reliance by the populace for social and welfare support. In recent years, immigrants especially from African countries have found themselves in a similar situation (That is in need of economic, social and welfare support). However, the government, particularly local government does not have the resources, especially financial resources to assist all local entrepreneurs, including immigrant entrepreneurs.

Although there is a wide coverage of immigrant entrepreneurship in developed countries, much still has to be done as far as developing countries are concerned. From a South African perspective, there is so far no study entirely devoted to African immigrant entrepreneurship. This notwithstanding, there seems to be a growing consensus on the fact that SMMEs in South Africa are disproportionately constrained by start-up and operational factors such as finance, insufficient demand, lack of business skills and lack of information, although one cannot generalise especially as immigrant entrepreneurs face a slightly different dynamic. No studies focusing on immigrant-owned businesses in general and particularly how they tap into their entrepreneurial traits to start-up and grow successful businesses has been conducted in South Africa. At one level, the finding of this study provides vital information for new immigrants venturing into self employment. At another level, the study may provide vital insight into immigrant entrepreneurship in South Africa.

Limited job opportunities force African immigrants into self-employment. However, due to the numerous challenges that they face, only a few of the immigrant-owned businesses get off the ground, let alone grow. It may be argued that most of these African immigrant-owned

businesses fail to reach their full potential because they (the owners) are unable to exploit the entrepreneurial attributes that they bring or have at their disposal upon arrival.

Three interrelated concepts: entrepreneurial attributes, business start-up and operation resources, and business success, are linked in this study to develop a framework for the effective start-up and operation of immigrant-owned businesses. The proposed framework seeks to encourage African immigrants to match the entrepreneurial attributes that they come with to the business opportunities and challenges that they may face in establishing and growing their businesses in South Africa.

The study was designed within the quantitative and qualitative research paradigms, in which a triangulation of three methods was utilised to collect and analyse the data. From a quantitative perspective, the survey questionnaire was used. To complement the quantitative approach, personal interviews and focus groups were utilised as the methods within the qualitative approach paradigm.

The research revealed that an African immigrant entrepreneur is most likely to be a male within the age range of 19 and 41 who has been forced to immigrate because of political circumstances back home. The decision to immigrate as well as the choice of South Africa as a host country was entirely dependent on the immigrant. Once in South Africa, limited job opportunities forced these immigrants into setting up their own businesses within the informal sector as their starting point. In order of importance, financial, physical, human, and informational resources were identified as being critical for the start-up and operation of a business in South Africa.

In terms of acquiring the resources to start-up and operate a business, and from a financial perspective point, African immigrant entrepreneurs unwillingly made use of personal savings to finance their businesses during the start-up phase of the business. Financial resources played a double role in that they determined the main sources of physical resources used. From a human resource standpoint, African immigrant entrepreneurs preferred employing South Africans during the start-up phase of the business, and the reverse was true during the growth or operational phase. To a limited extent, family labour was involved at both the start-up as well as the operational phases of the business; with formal education and prior experience playing a significant role as far as the human resource mix was concerned. In terms of information, African immigrant entrepreneurs made use of two primary sources of information namely, their ethnic networks and friends from somewhere else.

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DEDICATION

This thesis is dedicated to my late father

Martin Penn Tengeh

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ACRONYMS/ABBREVIATIONS

Terms	Explanation
ANC	African National Congress
BDS	Business Development Services
CDE	Centre for Development and Enterprise
CTMA	Cape Town Metropolitan Area
DHA	Department of Home Affairs
DTI	Department of Trade and Industry
EU	European Union
GDP	Gross Domestic Product
GGP	Gross Geographic Product
GEM	General Enterprise Monitor
GEAR	Growth, Employment and Redistribution
MDGs	Millennium Development Goals
UNHCR	United Nations High Commissioner for Refugees
NGOs	Non-Governmental Organisations
ICLs	International Conference for Labour Statistics
IDC	Industrial Development Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
LDCs	Less Developed Countries
SA	Savings Association
SACOB	South African chamber of commerce
SBP	Small Business Project
SEDA	Small Enterprise Development Agency
SMMEs	Small Micro and Medium Size Enterprises
USA	United States of America

UK	United Kingdom
UNHCR	United Nations High Commissioner for Refugees
ROSCAs	Rotating Savings and credit Associations
RSAs	Rotating Savings Association
WB/GJMA	World Bank/Greater Johannesburg Metropolitan Area
OECD	Organization for Economic Cooperation and Development

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

The small business sector has been acknowledged to be the backbone of every economy (Agupusi, 2007:2), so too has the fact that a healthy economy thrives on new business ventures or start-ups has been emphasised in numerous studies (Sinha, 2003:3; Lee, Florida & Acs, 2004:1; Markova & Petkovska-Mircevska, 2009:598). The belief in the favourable outcome for the economy associated with a significant small micro and medium-size enterprises (SMME) sector, has promoted both developed and less-developed countries to consciously put in place policies aimed at promoting the start-up, growth and development of the SMME sector (Gries & Naude, 2008:1). According to Chandra, Moorty, Nganou, Rajaratnam, and Schaefer (2001:12), having a huge small, micro and medium-size enterprise sector (SMME) has been argued to form the basis for job creation and poverty eradication, which happens to be one of the fundamental indicators of development.

The foregoing is supported by the provisions contained in the constitution of South Africa Act, 1996 which prescribes a development agenda which is the focus of all public managers and leaders in all the spheres of government. In terms of South Africa's macro-economic goals and strategies, it is planned that the government must reflect a positive economic growth of between 3 to 6% (Lewis, 2001:5; Heintz, 2002:16). As indicated elsewhere, a positive stimulus to this growth is private business and entrepreneurial development and growth; which reduces the social and welfare responsibility on public management due to this entrepreneurial environment.

In the United States of America (USA), in the last decade, SMMEs created 60 to 80% of the net new jobs (Markova & Petkovska-Mircevska, 2009:598). In this light, it has also been acknowledged that understanding the factors that promote or mitigate new firm birth is crucial for regional economic development (Lee et al, 2004:1) and the role of enterprising individuals or groups in particular cannot be overemphasised in this process (Shook, Priem & McGee, 2003:279). Many would argue that the entrepreneur is instrumental in combining the factors of production, and how well these are resources combined determines the vibrancy of the

small business sector. It is from this angle that emerging research suggests what type of role immigrant-owned businesses can play in this process.

When a business idea is conceived, it is the entrepreneur who forges ahead with organising and combining the resources necessary for the business to be started. Studies have found certain owner characteristics to be instrumental in fostering the start-up and operation of immigrant-owned businesses. Some argue that these bundles of entrepreneurial attributes, also known as characteristics, differ from those of the indigenous population (Kloosterman & Rath, 2001:191). According to Kloosterman and Rath (2001:191), the composition of immigrants, particularly from less-developed countries, is different from that of the indigenous population in that the newcomers tend to differ in the bundle of resources (human, social, financial and cultural capital) at their disposal when compared to their counterparts.

Studies on migrant entrepreneurship in both the USA and Europe have recognised the significant share of immigrants in SMME activities (Sahin, Nijikamp & Baycan-Levent (2006:1). Halkias, Abadir, Akrivos, Harkiolakis, Thurman and Caracatsanis (2007:2), in a recent study, have shown that migrant entrepreneurship has a direct impact on the host economy. According to the Bank of England (1999:11), ethnic minorities represent 5% of the population of the United Kingdom (UK), and around 9% of new business start-ups in 1997 involved entrepreneurs from ethnic minority backgrounds. Concurring with Halkias et al (2007), another recent study conducted in the USA by Wadhwa, Saxenian, Rissing, and Gereffi (2007:35) revealed that, nationwide, immigrant-founded companies produced \$52 billion in sales and employed 450 000 workers in 2005. Most of the aforementioned studies put immigrants in a favourable light.

Unlike native entrepreneurs, immigrant entrepreneurs are innovative and, most importantly, creative when it comes to financing new business start-ups. In the USA for instance, immigrants have been noted to be the driving force for economic growth (Borjas, 1994:1713; Halkias et al, 2007:2). In a related study, Wadhwa et al (2007:35) found that there was at least one immigrant key founder in 25.3% of all engineering and technology companies established in the USA between 1995 and 2005. The same study found that certain racial groups or immigrants from a given origin (in this case Indians, British, Chinese and Taiwanese) were more likely to start businesses in engineering and technology sectors. Despite the prevalence of such literature at the international level, little is known about the contribution of immigrant-owned businesses in South Africa.

By acknowledging the role that immigrants can play in the economic development of their host nations, it may be argued that, in recent years some countries have initiated

programmes to promote entrepreneurship (Cassia, 2006:14), and in so doing have come to encourage immigration. Today, entrepreneurship is even taught at universities, although the content and the success of such initiatives are debatable. Many governments have, in the past and even recently, introduced policies designed to attract immigrant entrepreneurs in an attempt to stimulate domestic entrepreneurial activities (Clydesdale, 2008:123). In an attempt to increase their stock of entrepreneurs, countries such as Britain and USA have initiated programmes, for example the green card given to skilled and enterprising immigrants to reside and work in the USA. Specifically, over twenty-five million legal immigrants have migrated to the USA since the passage of the landmark Immigration Act of 1965 and, according to the 2000 decennial census; they now constitute nearly 10% of the American population (Nee & Sanders, 2001:386). On the other hand, Halkias et al (2007:3) notes that the boom in immigrant entrepreneurs is also a European Union (EU) phenomenon, in that the number of immigrant entrepreneurs in EU countries has increased by close to 20% over the past nine years, and has tripled in the Netherlands since 1986.

According to Cobweb Information (2007:2), development partners such as non-governmental organisations (NGOs), the International Monetary Fund (IMF) and the International Labour Organisation (ILO) see small businesses as a vital part of their work, and these organisations believe that assisting more firms to start and grow has an impact on economic growth and poverty reduction. Supporting this view, Huck et al (1999:46) note that owning a successful business builds personal wealth, and self-employment has historically been a vital means for raising the economic status of some ethnic groups. Promoting the success of small business is seen by Huck et al (1999:46) as an important part of community economic development strategies, particularly for minority neighbourhoods, which have suffered from a lack of investment in the past. Liedholm (2001:2) adds that the various types as well as members of SMMEs groups have different contributions to make to the dual objective of economic growth and poverty alleviation. Achieving economic growth and poverty reduction happens to be the foundation stone of the Millennium Development Goals (MDGs) recently adopted by many countries.

Starting a business involves combining the factors of production, which include land, labour, capital, and a function carried out by an entrepreneur (Jacobs; 2004:3). How well these factors of production are combined depends in part on an entrepreneur's abilities or character. Gries and Naude (2008:2) point out that entrepreneurial characteristics have been found to differ within and across societies and even over time. Although profound disagreement seems to exist on whether differences exist among individuals that influence how they combine the other factors of production, and even explain the inherent differences, there is the suggestion that these characteristics account for the difference in the approaches

used to overcome business development hurdles (Basu & Altinay, 2002:394) or to identify and acquire the resources required to effectively start-up and operate a business. On this basis, Markova and Perkovska-Mircevska (2009:598) suggest that some entrepreneurs may therefore see opportunities where others see obstacles.

Despite the perceived and acknowledged role that small businesses and particularly entrepreneurs can play in the economy, one finds that several attempts by African states to strengthen the position of the small business sector have failed (Hallberg, 2000:1; Cobweb Information, 2007:1). Among the reasons acknowledged for constraining the development of this sector, the lack of finance has come up in numerous South African studies (Gumede, 2000:21; Luiz, 2001:65; Beyene 2002:143; Von Broembsen, Wood & Herrington, 2005:11; SBP, 2005: 75; Rogerson, 2007:15; Rogerson, 2008:62). Even in countries where attempts have been made to address the issue of lack of finance, more often than not, the marginalised informal sector and immigrant entrepreneurs have not benefited significantly (Tesfom, 2006). At regional level, Gries and Naude (2008:15) suggest that financial systems are skewed and inefficient. Claessens (2006:208) adds that banking systems and capital markets, especially in developing countries, are often skewed towards those who are already better-off, catering mainly to the large enterprises and wealthier individuals. The importance of a conducive regulatory environment has been highlighted in a number of studies (Rankin 2006:72; Rogerson, 2008:62). The list of obstacles to SMMEs tends to vary over time as a result of changes in the external and internal factors that influence business start-ups as well as their growth.

Against the backdrop of the Millennium Development Goals which, among other things, emphasise reducing world poverty by the year 2014, new business start-ups may become a necessity regardless of whether these start-ups are initiated by nationals or immigrants. This is particularly so because, regardless of the source, these new business start-ups benefit the economy as a whole in the short run, and even more in the long run as they mature. In sum, entrepreneurship and business start-up in particular provide a means of survival for immigrants, and the growth of such entities creates job opportunities for others.

1.2 BACKGROUND TO THE RESEARCH QUESTION

Everywhere in the world the importance of a thriving small business economy has been highlighted, and entrepreneurship has been identified as the driving force behind such an economy. A vigorous small enterprise sector has been perceived to hold the key to most of the socio-economic problems that plague the developed economies, and most importantly, the developing economies. When compared with big businesses, the entire SMME cohort,

and small enterprises in particular, are believed to contribute most to the process of economic and social development through job creation, poverty reduction, and equity distribution (Molapo, Mears & Viljoen, 2008:27). It goes without saying that expanding the stock of entrepreneurs in a country may provide a stimulus for the initiation of more viable small businesses, which in turn provide the basis for job creation and poverty reduction (Pinkowski, 2009: 41).

In recent years, immigrants have increasingly received extensive scholarly and policy attention, with researchers noting the growth and changing composition of the migrant population; this has led to the intensification of the debate of the effects of migration on the economy (Saxenian, 1999:1). According to Borjas (1994:1667), the popular immigration destinations in the past were the United States of America, the United Kingdom, Australia, France, Switzerland, Canada and Japan. Although these countries remain the first choice for would-be immigrants, South Africa joined their ranks at the end of the apartheid era. The post-1994 influx came as no surprise given that South Africa's position on the African continent is comparable to that of the USA in terms of having the strongest, largest and most developed economy (Lewis, 2001:6; Mubangizi & Mubangizi, 2005:277). Therefore, from a migration standpoint, South Africa compares favourably with countries like the USA and UK in that it is primarily a receiving, and to a lesser extent a transit and sending, country.

Since the 1994 democratically-held elections, South Africa has witnessed an influx of immigrants, with a majority of them from African countries (Simalane, 1999:3; Landau & Jacobsen, 2004:44). So many reasons may explain this sudden influx. Firstly, with sanctions removed after many years of apartheid, South Africa became a logical destination to be explored. Secondly, increasing poverty and conflict in Africa has made South Africa a haven for fleeing refugees. Thirdly, joining the global economy brought with it investment opportunities that foreigners are eager to exploit (Crush, Williams & Peberdy, 2005:1).

With the recent changes in immigration patterns and 'immigration markets,' comes a heated debate about the impact of immigration on host countries (Borjas, 1994:1667). Shying away from the traditional country of origin debate, Borjas (1994:1667) notes that the focus of this debate now centres around three issues, namely:

- How immigrants perform in a host country
- The impact that immigrants have on the employment of natives
- The policies that would benefit the host country most.

From a South African perspective, Landau and Jacobsen (2004:44) note that the influx of tens of thousands of migrants and refugees from across the African continent is not only changing the country's demography, but it is also having a visible effect on public attitudes and political rhetoric. The 2008 and 2010 xenophobic attacks on African immigrants in South Africa are an attestation to this. Although the 1998 Refugees' Act demonstrates a strong and progress commitment to refugee protection in line with international standards, refugees continue to be subjected to all sorts of discriminations. These immigrants face police harassments, anti-foreigner violence and invisible discriminations in the labour markets on a daily basis (Landau & Jacobsen, 2004:44). Commenting on the shortfall in the available skill levels as indicated by various studies (including the World Bank-Greater Johannesburg Metropolitan Area (WB/GJMA) and ICA), Rankin (2006:25) notes that onerous immigration requirements prevent firms from hiring foreigners with the requisite skills. One may therefore suggest that these discriminations negatively impact on immigrants' ability to contribute meaningfully to the national economy.

In the absence of sufficient paid jobs and in some case discrimination in the labour market (Bates, 1996:24; Simalane, 1999:3), immigrants equipped only with an abundance of human capital, which in most cases is not recognised in the host nations (Sanders & Nee, 1996:232; Clark & Drinkwater, 2000:2), and perhaps limited financial capital (Tesfom, 2006), turn to business, notably self employment, as the major economic activity in their host countries. In recent years and contrary to popular belief, most immigrants of African origin, particularly from countries such as Cameroon, Ghana, Ethiopia, Somalia, and Senegal, are cognisant of the limited paid employment opportunities available in South Africa but they are, lured by lucrative self-employment opportunities. This view is supported by the Centre for Development and Enterprise's (CDE) study of immigrants in the Witbank area of Johannesburg (CDE, 2006:5).

Profiling South Africa's stock of entrepreneurs, the 2006 Global Enterprise Monitor (GEM) Report, which compares entrepreneurial activity across 42 countries, re-enforces the increasing need for new firm start-ups (Berry et al, 2002:72; Bosma & Harding, 2007:7). According to the same study, the early-stage entrepreneurial activity indicates that the percentage of the population that is willing and able to undertake an entrepreneurial venture in South Africa is only 5.3%, as compared to 22.5%, 20.3%, 19%, and 16% for Columbia, Jamaica, Indonesia, and China respectively (Bosma & Harding, 2007:7). Based on these statistics, one may conclude that South Africa lags behind with regard to new venture creation.

The recent upsurge of entrepreneurial activities and most importantly of new venture creation, brings to the fore their immense importance, although doubts are increasingly cast as to how these new business start-ups can be promoted. While many governments and aid agencies acknowledge the important role that the small business sector can play, especially from an economic and social development standpoint, small businesses need to overcome many obstacles (Jeppesen, 2005:465). Numerous studies conducted in both developed and developing countries have identified limited access to formal business resources, such as finance, as a major obstacle to the development of this sector, and it is even more acute (Bank of England, 1999:14) when it comes to ethnic minorities and foreign nationals who quite often not only lack collaterals but also may not have the necessary documentations. Under these circumstances, these foreign nationals, in their dire need to earn a living, take the most available opportunities (including starting a small business) and avail finance for business start-up from any unconventional means. In contrast to the assumptions underpinning current South African government policy (notably that SMMEs development is dependent on formal financial support initiatives), enterprise among ethnic minorities in developed countries is based on informal finance, rather than credit from formal sources (CDE, 2004:25).

At the level of the immigrant, on the one front, one may suggest that with access to formal resources such as bank finance, immigrants could curb the growing tension between locals and immigrants as they compete for scarce resources and business opportunities. Such a competition has in the recent past (2008) pushed immigrants into South African townships, resulting in outbursts of xenophobic attacks against these foreign nationals. The basis of these attacks is the perception by locals that immigrants lure away jobs and business opportunities. Borjas (1994:1713) however, posits that there is little evidence to suggest that immigrants have an adverse impact on native employment. On the other front, access to formal financing by immigrants may facilitate the creation of thriving jobs that would, in turn, lessen the competition between immigrants and natives for scarce resources; this may go a long way to intensify the fight against poverty thereby fortifying the overall objectives of the South African government in respect of the Millennium Development Goals.

In countries such as the USA, Canada and the UK, studies have pointed to the important contribution that immigrant-owned businesses make to the overall economic and social development of the host countries, most especially in terms of job creation, contribution to GDP and poverty reduction (Bates, 1996; Saxenian, 1999). As indicated previously, the same scenario is applicable to the South African context. It has been argued that these immigrants are enterprising and would stop at nothing (not even lack of finance) to make a success of their businesses (Pinkoski, 2009:5). Against this backdrop, immigrant

entrepreneurship has been vigorously promoted in these countries. Although SMMEs have been generally promoted in South Africa since 1994, immigrant-owned businesses have not been singled out for this purpose even though they are faced with different dynamics from the mainstream SMMEs cluster or native-owned businesses.

In order to assess the role of immigrant businesses there needs to be accurate data. Unfortunately, data about the extent and role of immigrant entrepreneurship in the national economy in South African, like in most African countries, is limited. Except for Rogerson (1997) and Rogerson (2004a), immigrant entrepreneurship in South Africa with particular reference to African immigrants has so far been a grey area. Even these studies by Rogerson (1997 and 2004a) have not been entirely focused on immigrant-owned businesses. In as far as South Africa is concerned, there is no framework that promotes the effective start-up and operation of African immigrant-owned businesses.

Although immigrant entrepreneurs show a particular dynamism in creating enterprises, they also tend to experience more severe problems than other small and mainstream entrepreneurs. Access to finance, the correct residence permits, information and so forth, both for start-up and for growth, are typically perceived as major problems. Another well-known problem of new small businesses is the high dissolution rate. It has been suggested that for every 100 start-ups, only 50 firms survive the first three years (Van Praag, 2003:1). On this basis, authorities should not only stimulate business start-up, but should also strive to minimise the number of dissolutions.

Ironically, debates about SMME development and immigration policy have paid too little attention to the potential contribution of immigrant entrepreneurs to the economy (CDE, 2004:63). Such a resource should be formally recognised and encouraged. According to the CDE (2004:63), debates about immigration and entrepreneurship have continued in isolation from each other, ignoring the international and local experience which points to the important contribution that immigrants make to build a successful culture of entrepreneurship, and to supplement the pool of positive role-models for would-be South African entrepreneurs.

1.3 RESEARCH QUESTION

Starting and running a business is not 'an end in itself' but rather a 'means to an end'. Here the end may vary depending on the motivation. People are either 'pushed; or 'pulled' into self-employment (Rogerson, 2000:688; Clark & Drinkwater, 2000:2; Guzy, 2006:5, Pinkowski, 2009:40). However, Aldrich and Waldinger (1990:126) point out that founding

and running a business, no matter how small, is a demanding task and only a fraction of those who start are ultimately successful.

Regardless of the reason or mode of entry, business owners all strive to succeed. In order to ensure continuity (here referred to as success), the business has to be profitable or self-sufficient (Kloosterman & Rath, 2001:189) and this can only be achieved if the business is run in a particular manner. Understanding the process or approach that ensures the success of the businesses becomes important in achieving the overall goal of the business. In the quest to understand how to make a success of a business, land, labour, capital and entrepreneurship have been found to be vital (Federal Reserve Bank of Dallas, 2010).

A growing concern, however, is the inherent difference in the endowment of these factors (land, labour, capital and entrepreneurship) across regions and within the same geographical space: how well these factors are combined determines the success of a business. The unanswered question is whether there is a proven way of combining these resources to ensure a successful business start-up and operation? If there is a proven way of combining these resources that ensure success, when replicated, the objective of expanding the SMMEs sector would be simpler, at least at a regional level. However, this is not a straightforward task, as there is no universally accepted approach to the start-up and operation of a business.

In addition to the traditional factors of production associated with starting and operating a business, Tesfom (2006) notes the importance of other loosely related factors such as the business environment, having the entrepreneurial drive, the necessary skills, the regulatory environment, and finance among other things. Some of these resources are infinite whilst others are limited. For instance, finance, like other factors of production, is limited in supply and particularly so in developing countries, with South Africa being no exception. From the time that an enterprising individual conceives or spots a business opportunity to the time that he or she actually gains access to resources (say finance) for start-up, determines whether a new enterprise is established or not. Inductively, this may be particularly true given that business opportunities are not static (Shane, Locke & Collins, 2003:276). Having the right amount of capital for instance, at the right time, becomes crucial in an entrepreneur's drive to start a business. Once the business is started, its survival and growth depends on other closely related factors both internal and external. The internal factors include management skills, ability to raise future finance, and entrepreneurial drive. On the external front, the legislative forces, political forces and macro-economic dynamics are paramount in determining an enterprise's start-up and growth.

A look at the South Africa scenario with regards to business support, highlights the inability of the government and more importantly the local government to assist entrepreneurs especially from a financial perspective. Given the importance of business-related resources for business start-up and operation (Cassia, 2006:14) and the apparent lack thereof in South Africa (especially with regard to finances from formal financial institutions to immigrants), coupled with the growing need for more businesses to be started, it becomes obvious that every avenue should be explored to ensure that such an impediment become a thing of the past.

Many studies on small business development in South Africa have cited lack of finance to be a major contributor to limited start-ups (Luiz, 2001:65; Beyene, 2002:143; Rogerson, 2008:62; Von Broembsen et al, 2005:11). In the absence of enough employment opportunities, further compounded by the nature of the work permits (mostly short-term and inconsistent) issued to most immigrants and particular the immigrants under study, the most logical first step in pursuing an economic activity in their host country becomes starting a small business. Having been pushed into business for lack of an alternative (Bates, 1996:24; Clark & Drinkwater, 2000:2; Basu & Altinay, 2002:373) and coming from a background where small enterprises thrive despite a deplorable political, legislative and macro-economic environment, immigrants tend to tap into their experiences and are able to establish themselves in business quicker.

According to Rogerson (2000:688), a key issue for policy development surrounding SMMEs concerns the determinants of successful SMMEs. In South Africa, he further notes that the current 'state of the art' of research is relatively low with regards to work on the determinants of success in the small enterprise economy. With a close look at the immigrant community and at immigrant businesses, one would notice certain similarities as well as inter-group differences in the way they start-up and operate their businesses in South Africa. However, little is known about the strategies they use to make a success of their businesses. It is from this perspective that it becomes important to understand how these immigrant-owned businesses operate, given that they have limited or no access to formal business-related support institutions.

Considering the increasing number of immigrants (refugees and asylum seekers inclusive) in South Africa today and the high level of unemployment, one would expect that there would be extensive debate, analysis and attention on how immigrants can contribute meaningfully to the economy through self-employment. Such a debate may relate to immigrant self-employment patterns and businesses. On the contrary, the literature on immigrant-owned businesses in South Africa has been largely overlooked and neglected by academics and

researchers. Rarely have immigrant-owned businesses been singled out and treated in their own right. This is particularly discouraging given the fact that studies conducted on immigrant-owned businesses elsewhere all attest to the huge potential of immigrant entrepreneurs and the positive contribution that they can make with regards to reducing unemployment.

The literature on small business start-up and operation suggests that certain resources are required to run successful businesses, and immigrant entrepreneurs have been noted to have the unique ability to efficiently mobilise these resources. According to Jacobs (2003:111) the resources include: financial, physical, human and informational resources.

Limited job opportunities force African immigrants into self-employment. However, due to numerous start-up and operation challenges, only a few of these immigrant-owned businesses survive beyond three years or grow. Most of these African immigrant-owned businesses fail to reach their full potential because they (the owners) are unable to exploit the entrepreneurial attributes that they come with or have at their disposal upon arrival.

In view of the foregoing, the question that this study seeks to address is:

How do African immigrants use their entrepreneurial attributes to acquire the resources necessary to start-up and operate successful businesses in the Cape Town Metropolitan Area (CTMA)?

Recent research (Luiz, 2001:65; Beyene 2002:143; Jacob, 2003:111; SBP, 2005 : 75; Von Broembsen et al, 2005:11; Rogerson, 2007:15; Rogerson, 2008:62) suggests small businesses in general face hurdles to obtaining the much needed resources for start-up and operation. However, in the case of ethnic minority and immigrant-owned businesses, some studies have suggested that the issues are more acute (Pinkowski, 2009:45), although there appear to be significant differences in the experiences of the individual ethnic groups (Bank of England, 1999:14; Basu & Altinay, 2002:394). Based on the inherent differences in the experiences of individual ethnic groups and the entrepreneurial attributes, one would expect a slight difference in the strategies used to establish and run their businesses in the Cape Town Metropolitan Area.

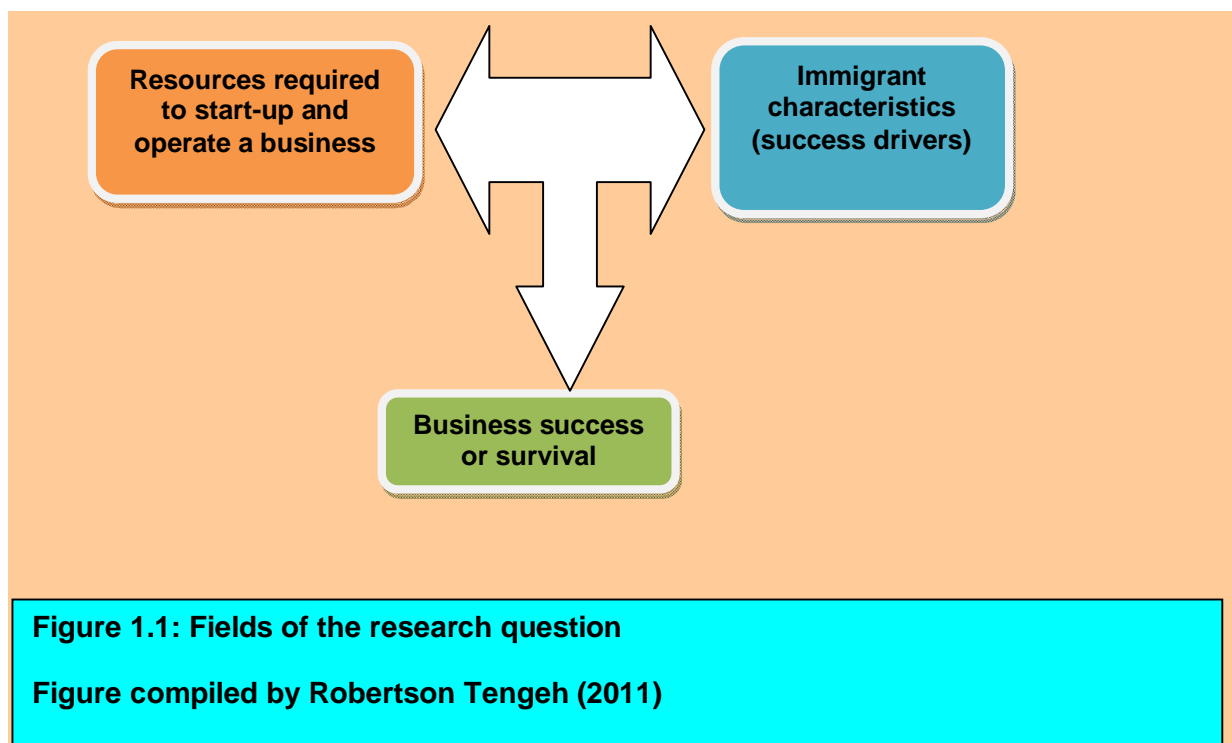
1.3.1 Research sub-questions

The sub-questions that follow have been formulated to assist in answering the main research question:

- Why do African immigrants of Cameroonian, Ghanaian, Ethiopian, Senegalese and Somalian origin immigrate to South Africa? The literature suggests that immigrants are either pulled or pushed into immigrating. And this leads to the next questions.
- Where do the African immigrants' motivation to emigrate and their choice of host country come from?
- What motivates African immigrants to turn to self-employment activities upon arrival in South Africa? The 'blocked opportunity' theory has been advanced to explain why immigrants, mostly in the advanced world, get into self-employment (Bates, 1996; Sanders & Nee, 1996; Clark & Drinkwater, 2000:2; Salaff, 2002:2; Halkias, 2007). Does this theory sufficiently explain why immigrants from Cameroon, Ghana, Ethiopia, Senegal and Somalia get into self-employment in South Africa? Firstly, the study presupposes that, among other factors, ease of entry, and minimal finance needed to start an informal business or closed corporation play a deciding role. Secondly, the study presumes that the absence of paid employment pushes the immigrants under study into self-employment, although a more feasible explanation may be that they have been historically self-employed, pointing to a strong culture of entrepreneurship as noted by Basu and Altinay, (2002:394) or have never been employed before in their countries of origin. Studies such as Jiangyong and Zhigang (2007:27), Gries and Naude (2008:3), and Robb and Fairlie (2009:835) have found that children whose parents were entrepreneurs are more likely to become entrepreneurs themselves. A third explanation may be that they follow the route charted by their predecessors (sponsor or invitee) until they can 'think' for themselves. The latter explanation may become a major contribution of this study if sufficient evidence is uncovered.
- Who motivates African immigrants to turn to self-employment activities upon arrival in South Africa?
- What resources do African immigrants perceive as being critical to the effective start-up and operation of a business in South Africa?

- How do African immigrants acquire the resources marked to be critical to the effective start-up and operation of a business in South Africa?
- What entrepreneurial characteristic(s) do African immigrants perceive as contributing the most to the successful start-up and operation of immigrant-owned businesses in South Africa?
- What problems do African immigrants face as they attempt to start-up and operate a business in South Africa?
- What strategies do African immigrants employ to prolong the operation of their businesses once started?

The main question to be addressed in this study relates to the simultaneous effect of immigrant entrepreneurial characteristics (success drivers) and resources required to start-up and operate a business for business success or survival as depicted in Figure 1.1 on the next page.



1.3.2 OBJECTIVE OF THE STUDY

The objective of the study is to develop a business framework for the effective start-up and operation of African immigrant-owned businesses in the Cape Town Metropolitan Area of South Africa. Applying such a framework, it is expected that a newly arrived immigrant in general and one from the study group in particular, would be able to set up and run a successful SMME in South Africa.

The focus of the study is on how immigrants combine their inherent characteristics with environmental factors to establish and run successful businesses in their host country. To understand how immigrant businesses in South Africa function, the study assumes that immigrant businesses, like any other business, have to maximise profit to ensure continuity.

1.3.2.1 Sub-objectives

Based on the main objectives of the study, the following sub-objectives have been formulated:

- A comparative analysis of the start-up patterns and operation of immigrant-owned businesses would be done. Based on the literature reviewed, the following core owner characteristics (key components) have been identified to play an important role in the formation and growth of immigrant-owned businesses: start-up finance, business skills, family involvement, social networks, religion, and language/cultural background. Based on the aforementioned key components, enterprising immigrants of African origin in South Africa would be compared.
- To provide immigrant entrepreneurs in general, and those of African origin in particular, with information that is vital for the start-up and operation of businesses in South Africa.

1.3.3 Main assumption

In an attempt to facilitate the answering of the research questions of this study, the following assumptions have been formulated:

- African immigrant entrepreneurs in South Africa strategically tap into their inherent entrepreneurial attributes as they identify, acquire and overcome business start-up and operation impediments. In other words, immigrants strategically match their resources

(supply side) with the opportunities (demand side) in the host country. The main proposition outlined here can be further simplified into the following:

1.3.3.1 Sub-assumptions

Based on the main assumption, the following sub-assumptions have been formulated:

- Political, economic, studies and family reunion are among the reasons why African immigrants relocate to South Africa.
- Besides self-motivation decisions, the family and friends both at home or in the country of destination play an important role in the decision to immigrate as well as selecting the host country.
- Limited job opportunities and the need to be independent are some of the factors that push or pull African immigrants into self-employment activities in South Africa.
- African immigrants place a certain degree of importance on physical, financial, human and informational resources when it comes to starting and operating a business in South Africa.
- African immigrants, to a varying degree, emphasise motivation, ability to raise finance, family support, ethnic support and previous experience as key entrepreneurial requisites to successfully starting and operating a business in South Africa.
- Immigrants with previous experience in a given business sector stand a better chance of succeeding in the same or a similar endeavour.
- Immigrants who implore a variety of funding sources stand a better chance of succeeding than those who rely on a single source.
- A typical immigrant-owned business faces obstacles when it comes to starting and operating a business in South Africa.
- Faced with multiple business obstacles, immigrants devise unconventional cost saving and revenue boosting strategies which are effective in ensuring their survival.

- The government and most importantly the local government does not have the ability and capacity, to assist all needy entrepreneurs (immigrant entrepreneurs included) especially from a financial perspective.

1.4 DELIMITATIONS OF THE STUDY

Generally, the concept of small business is diverse and depends on the level of each country's economic development. New venture creation or, simply put, entrepreneurship involves many interrelated factors and the choice of which depends on the researcher – making the definition of entrepreneurship itself contextual.

In respect of restricted resources and limited time-frame, this study focuses strictly on the Cape Town Metropolitan Area (CTMA) on one hand and African immigrant-owned businesses on the other. The study does not cover all immigrants or the whole of South Africa.

For the purpose of this study, and as clarified in section 1.7, new start-ups and new venture creation would be used interchangeably. Small business and SMME would be used interchangeably. Also on the basis of legality, only legal immigrants would be covered in the study. Migrant entrepreneurship and immigrant entrepreneurship would also be used interchangeably in this study.

Mindful of the main theme of study (immigrant entrepreneurship) it was necessary to include both formal and informal small businesses. More importantly, the whole SMME cohort would be included, as observation suggests that these immigrant businesses grow from informal to formal businesses or from 'no employee' to employing others.

The firms under survey must be first time start-ups, in that they do not arise from a split up of another firm, nor are they divisions of existing firms. However, they may be bought over or started from scratch.

The primary focus of the study would be first generation immigrants who are owners of SMMEs as opposed to second generation immigrants and big businesses. Drawing a distinction between first and second generation immigrants, Sahin, Nijikamp and Baycan-Levent (2006:7) noted that the former consists of immigrants in the traditional sense who were lured to the host country. Regarding the latter, the second generation immigrants consist of the offspring of the former. Drawing this distinction is important in that second generation immigrants tend to face lesser and lesser obstacles in the labour markets and

therefore, face different dynamics when it comes to establishing a business as well as financing the start-up (Sanders, 2001:402; Sahin et al, 2006:7; Tesfom, 2006 ; Halkias et al, 2007:7).

1.5 SIGNIFICANCE OF THE STUDY

It is becoming increasingly difficult to ignore the role that immigrant entrepreneurs play in their host countries. Studying how immigrants from Cameroon, Ethiopia, Ghana, Nigeria, Senegal, and Somalia use their entrepreneurial resources (with particular emphasis on finance, the role of the family, ethnic network, business skills) to start-up and operate successful businesses in South Africa may provide vital clues as to how immigrant businesses function. At a policy level, the findings of this study may also provide a background on which SMME support programmes in general, and immigrant-owned businesses in particular, can be based. It is widely accepted today, that poor immigrant groups, with the help of solidarity networks could enjoy economic success in their host countries by operating small businesses (Bates, 1996:2). If appropriate social networks do generate business ownership for foreign immigrants, one may suggest that their applicability to indigenous minorities becomes indispensable and worth being encouraged. Assuming that black South Africans are more likely to emulate or learn from African immigrants than their white or Asian counterparts, and considering the dire need to encourage business start-up and ownership among previously disadvantaged South Africans (Berry, Von Blottnitz, Cassim, Kesper, Rajaratnam & Van Seventer, 2002:3), it goes without saying that this study may throw considerable light in that direction.

As the war on poverty strengthens, proactive societies and countries have acknowledged three things (Selim, 2006:1):

- Firstly, it is quite clear that sustained economic growth is crucial for poverty reduction
- Secondly, economic growth has to be pro-poor if it is to make a dent in poverty
- Thirdly, productive employment is essential for pro-poor growth.

The objective of achieving all the above would be much simpler if more sustainable small businesses are established, and immigrant businesses may have an important role to play in this regard. At one level, one may suggest that given equal access to business related resources (for instance formal finance), immigrants may facilitate the creation of thriving jobs that would intensify the fight against poverty thereby fortifying the overall objectives of the South African government in respect of the Millennium Development Goals. As suggested by Klapper, Amit, Guillen and Quesada (2007:11) an increase in the state sponsored SMME

loans would foster entrepreneurship, which in turn would increase employment, thereby reducing poverty.

According to an analysis of migration and development prepared by the UN Department of Economic and Social Affairs (UN, 2006), in 2005 three percent of the world's population (191 million) lived in a country other than the one in which they were born, with one third having moved from a developing country to one that is developed, one third moving from one developing nation to another, and another third originating in the developed world. Considering that globalisation has enforced migration patterns (Crush, Williams & Peberdy; 2005:1), a phenomenon that may stay that way for a long time, it becomes important that how a country manages or takes advantage of what immigrants can offer becomes a significant determinant of success. One may suggest that the USA, through concerted efforts, has established a comparative advantage in this regard. For instance, as far back as 1965, the USA encouraged immigrants through the Hart-Cellar Act which allowed immigration into the USA based on possession of scarce skills or family ties to citizens of permanent residence (Saxenian, 1999:10; Nee & Sanders, 2001:386).

Considering that little has been documented as to how African immigrant-owned businesses in South Africa start-up and operate, this studying would contribute to the body of knowledge in this regard in that it seeks to provide information on the characteristics of immigrant-owned businesses: how they mobilise business resources as well as the strategies that they use to ensure their survival. At a time when the South African government is prioritising small business development and poverty reduction (Agupusi, 2007:2), understanding how immigrant businesses operate and the problems that they encounter may, from a policy perspective, contribute to a broader understanding of small businesses and the establishment SMMEs development policies that are not only small business friendly but also inclusive (can be equally accessed by immigrants). As pointed out by Merz and Paic (2006:1), if certain characteristics will indicate a business success, knowing such characteristics could generate more successful start-ups and more efficient start-up counselling.

Concerned with immigrant-owned businesses in general, most previous research has been involved with examining, investigating, and describing immigrant characteristics and success drivers. Although these studies provide much descriptive statistical data and empirical evidence on immigrant-owned business success and drivers, it appears that there are still some gaps in the literature, which need to be addressed. The literature gaps are detailed hereunder:

- A majority of the studies on immigrant-owned businesses have been confined to the developed economies such as the UK, USA, Canada, Germany, Australia and Portugal.
- Most previous studies on immigrant-owned businesses have been limited to a cross-section of the immigrant community. Although refugees and asylum seekers are a part of the immigrant community, this group has been largely ignored in most of the studies done in developed economies. This is partly due to the fact that they may not be legally allowed to conduct businesses while seeking asylum or on refugee status. However, in South Africa this cohort is 'legally allowed' to actively participate in business activities and is highly represented, therefore this study may provide new insights.
- Thirdly, there is no model or framework that explores how African immigrant-owned businesses operate in general, and specifically in South Africa.

From a business related obstacle and business success driver point of view, many studies have been conducted in South Africa, although none has been entirely directed at immigrant-owned businesses. Without evidence of the challenges that immigrant businesses face and the impact of immigrant entrepreneurial success drivers, policy makers may not have sufficient basis on which to promote SMMEs in general and immigrant-owned businesses in particular.

1.6 RESEARCH METHODOLOGY AND DESIGN

The nature and type of research questions that a research intends to answer influence the research design. The research is designed to describe how successful immigrant-owned businesses utilise their entrepreneurial attributes to acquire the resources necessary to start-up and operate a business in South Africa.

Limited information is available regarding immigrant entrepreneurs in South Africa in general and the Western Cape in particular. In order to achieve maximum understanding of how immigrant businesses in South Africa operate, one needs to reach below the surface to understand the mechanisms and processes that influence the start-up and operation of immigrant-owned businesses. Tesfom (2006) notes that this type of knowledge is likely to be achieved more easily using qualitative approaches.

A mixed research technique was adopted in this study to investigate and describe how immigrants employ their inherent entrepreneurial characteristics in order to establish and run a successful business in South Africa. Structured questionnaires were designed and directly

administered to immigrant-owned SMMEs to collect data related to business start-up resources, obstacles, and business success drivers. The argument for choosing a survey was twofold. Firstly, surveys provide quick, efficient and accurate means of assessing information about the population. Secondly, surveys are more appropriate in cases where there is a lack of secondary data. Following Mullens and Kasprzyk (1996:638-643), the questionnaire was validated using focus groups and personal interviews.

1.6.1 Research population

The sample population would be made up of all designated immigrant-owned businesses operating within the Cape Town Metropolitan Area. According to Stats SA (2005: xvi), 'documented immigrants' refers strictly to immigrants with permanent residence which can be obtained prior to, or upon, arrival in South Africa. Considering the supposed nature of the study, focusing solely on immigrants with permanent residence would be misleading as far as the aim and research objectives are concerned. To give a more convincing picture of how immigrant-owned businesses start-up and operate, the author deems it necessary to define immigrants beyond permanent residence holders.

According to Berry et al (2002:13), the most difficult aspect encountered by researchers in any statistical work on SMMEs in South Africa has to do with determining the sample population. Without a reliable estimate of the sample population, choosing a sample size to work with becomes difficult, suggesting that different approaches and methods are necessary.

South Africa undoubtedly has a huge SMMEs sector, although putting a number to it is a highly contested issue. Based on various estimates, it can be said that there are between 1.3 and 3 million SMMEs in South Africa (Berry et al, 2002:13). So far there is no official estimate of immigrant-owned businesses in South Africa.

1.6.2 Target population

The research population would all be African immigrants from Cameroon, Ethiopia, Ghana, Senegal and Somalia, who own and operate an SMME in the Cape Town Metropolitan Area (CTMA). The CTMA's main centres are Cape Town, Bellville, Khayelitsha, and Mitchell's Plain. According to Western Cape Business (2009:18), Cape Town currently has a population 3.3 million people living on 2 499 square kilometres of land. It is however not clear how many immigrants of African origin are in Cape Town.

1.6.3 Sampling frame

Owing to the fact that a greater proportion of African immigrants leave their host countries as refugees (Tesfom, 2006) despite entry on a variety of visas, the study would cover all legal immigrants from Cameroon, Ethiopia, Ghana, Senegal and Somalia resident in South Africa.

In line with Basu and Altinay (2002), the snowballing sampling technique would be used to draw the sample for the study. The sample population would constitute all SMMEs owned by African immigrants of Cameroonian, Ethiopian, Ghanaian, Senegalese, and Somalia origin operating within the CTMA. The sample frame would also include formal and informal businesses from the business side, and the four categories of immigrants in South Africa.

1.6.4 Sampling strategy

Aiming to employ both quantitative and qualitative research methods, the sampling strategy for this study would involve selecting candidates who would complete the quantitative survey questionnaire as well as those who would participate in the focus group debates and personal interviews.

According to a UN study (2006), South Africa is ranked 34th in the world in terms of the immigrant population. The same report notes that 2, 33% of the population consisted of immigrants as of 2003. For the study, through informants and observation, immigrant neighbourhoods would be identified, and immigrant-owned businesses would be identified and drawn from these neighbourhoods. Because truly random sampling of immigrants and immigrant-owned businesses in South Africa is virtually impossible at this point (McDonald, Mashike & Golden, 1999:6), the 'second best' strategy of snowball sampling would be used.

The study would begin by randomly establishing contacts to establish key informants in immigrant communities. Once these key informants had been established they would assist in identifying co-ethnic neighbourhoods and local co-ethnic entrepreneurs. Key informants would be identified within each group of the immigrant community under study. For instance, in the case of organised groups with established networks, such as the Association of Cameroonians in Cape Town, the president or secretary may be the key informant.

Through these key informants, co-ethnic entrepreneurs would be identified for the survey. Where key informants cannot be identified, the snowballing sampling technique would become useful. In line with snowballing sampling (Willemse, 2009:20), once a suitable respondent is identified, he or she nominates other respondents. McDonald et al (1999:7)

reckon that this method allows for an element of randomness and ensures that the confidence of the interviewee would be maintained by being referred to by a friend. To avoid some of the inherent bias associated with snowballing, once a suitable respondent is found, such a respondent helps identify other ethnic businesses (and most importantly their owners) within that suburb, thereby ensuring that only owners fill in the questionnaire. In line with Basu and Altinay (2002:380), a face to face interview would be conducted using a structured questionnaire. Ethnic businesses tend to cluster in distinct neighbourhoods (Toussaint-Comeau, 2008:30), and therefore such neighbourhoods would be logical places to look for immigrant-owned businesses.

In accordance with Tesfom (2006) and Halkias et al (2007:14), the criteria for interview would be that the immigrant is from one of the countries under study, owns/manages a business, and is willing to be interviewed. Such a definition is less restrictive than other definitions that involve multiple family members. All available categories of businesses operated by immigrants would be eligible for selection. Selected businesses must comply with the official definitions used in South Africa for categorisation of SMMEs, show evidence of growth since start-up in terms of numbers of employees or turnover, and must have existed for three or more years.

Once the candidates for the quantitative survey questionnaire have been chosen, participants for the focus group debate would be purposefully drawn from the same sample. The selection of banks, and business support organizations (including government support structures) for an interview would be purposefully drawn.

1.6.5 Sample size

The main sample size of 135 immigrant-owned businesses would be chosen for the quantitative survey questionnaire. From the same sample, two sets of six and seven participants respectively would be subsequently drawn for the focus group meetings. Four participants would be purposefully drawn from outside the original sample for interviews.

Owing to the inherent difficulties associated with studies of this kind, often compounded by the lack of reliable estimates of the population size, drawing a sample becomes difficult. Working on the average sample size of four studies, namely Basu and Altinay (2002), Rogerson (2004a), Tesfom (2006) and Kushnirovich and Heilbrunn (2008), a sample size of 118 was arrived at. To ensure that the same size is big enough to give satisfactory results, a 95% statistical power was deemed necessary. Using G*Power 3.1.2 software and striving to

achieve a statistical power of 95%, a sample size of 135 seemed ideal (Faul, Erdfelder, Buchner, & Lang, 2009:1149).

1.6.6 Data collection

According to Aldrich and Waldinger (1990:113), there are three main sources of information on ethnic enterprises and these include government censuses, survey research and field studies. In the USA and probably some other countries, Aldrich and Waldinger (1990:113) believe that using government census data is complicated because of political sensitivities over 'ethnic origin questions' in government sponsored information acquisition. In South Africa, the main source of immigrant information is from Statistics South Africa (Stats SA). Mindful of the various limitations imposed on government sponsored censuses, many researchers have turned to community surveys and intensive case studies for in-depth information on particular groups (Aldrich & Waldinger, 1990:114).

One of the most contentious issues in immigration debate in South Africa is determining the number of foreign nationals living in South Africa. Although Stats SA has that mandate and has been consistent in providing reliable data on legal border crossings, this cannot be said of illegal border crossings (McDonald, Mashike & Golden, 1999:4). Furthermore, McDonald et al (1999:4) are of the opinion that there is no reliable methodology for determining the actual number of immigrants in South Africa. This lack of demographic clarity makes it difficult to conduct research on immigrants in South Africa. Without a more reliable estimate of the total number of immigrants, their country of origin, gender, and other demographic variables, it is virtually impossible to sample reliably and to say anything conclusive about immigrants in general (McDonald, Mashike & Golden, 1999:4) and immigrant entrepreneurs in particular in South Africa. In South Africa, case studies have shed light on immigrant life and have proven to be a useful way of understanding the social and economic lives of immigrants in South Africa.

In South Africa, studying SMMEs in general is hampered by the absence of comprehensive and reliable data on SMMEs (Agupusi, 2007:4), and this is more compounded when it comes to immigrant-owned businesses in particular. The researcher would rely on secondary data, and supplement such data where necessary with primary data. Using structured questionnaires and key informant techniques, data would be collected for the study. In line with Nee and Sanders (2001:394), a face to face interview would be conducted.

1.6.7 Data analysis

The data to be gathered in this study, using both quantitative and qualitative instruments, would be analysed in different phases. Firstly, the data collected by use of the quantitative survey instrument (the survey questionnaire) would be processed using the Statistical Package for Social Science (SPSS). Furthermore along the same lines, both descriptive and inferential statistics would be employed. Secondly, data to be collected by means of qualitative survey instruments, such as focus groups and personal interviews, would be separately analysed as they each require different analysing tools and techniques. The emerging themes (results) from the qualitative analysis would be carefully integrated into the results of the quantitative survey instrument and on the basis of these methods combined, conclusions about the results of the study would be drawn.

Focusing on the quantitative survey questionnaire as the primary data collection tool, descriptive statistical techniques would be applied to describe the resources required by immigrant entrepreneurs to start-up and operate successful businesses, and the characteristics that facilitate the acquisition of these resources. In particular, techniques such as frequencies and cross tabulations would be employed to describe as well as measure the relationship between the variables of concern.

1.6.8 Construction of a framework for the effective start-up and operation of African immigrant-owned businesses

The framework proposed in this study is described in detail in Chapter seven. In constructing the framework, this study assumes that for a business to stay in operation, the total revenue generated by the business should be equal or greater than the cost of doing business. Furthermore, this study assumes that immigrants succeed in business because of their ability to maximise revenue while lowering cost. In this study, business success is indicated by survival/continuity up to three years and beyond. As would be investigated in the study, immigrants running successful businesses do so due to their unique ability to mobilise scarce business resources on one hand, and their ability to create opportunities on the other hand.

For analytical purposes, an analytical model is hereby proposed that would form the basis for the construction of the business framework for the effective start-up and operation of African immigrant-owned businesses in the Cape Town Metropolitan Area. The model hereby proposed is depicted in mathematical terms by the equation:

$$\text{IOBSO} = f(\text{Fr, Hr, Pr, Ir, Sn, Fi, Hc, F, M}) \dots \dots \dots (1)$$

The equation above in literal terms means that the success of immigrant-owned businesses depends on a number of factors including: **Fr, Hr, Pr, Ir, Sn, Fi, Hc, F, and M.**

On the above equation, the dependent variable is represented by IOBSO and the independent variables by **Fr, Hr, Pr, Ir, Sn, Fi, Hc, F, and M.**

Where:

IOBSO = Immigrant-owned business start-up and operation

Fr = Financial resource

Hr = Human resource

Pr = Physical resource

Ir = Informational resource

Sn = Social network;

Fi = Family involvement

Hc = Human capital

F = Finance

M = Motivation.

It is worth noting that, by the very nature of the research questions that this study seeks to address and the apparent lack of longitudinal data, the model stated above would not be statistically tested.

1.7 EXPECTED OUTCOMES, RESULTS AND CONTRIBUTION OF THE RESEARCH

Considering the positive role SMMEs have played in the economic and social development of countries such as the USA, the UK and Canada, one would expect that a proper boost of this sector in South Africa to have a similar outcome. Indiscriminate access to financial capital, for instance, would mean that foreign immigrants, notably refugees and asylum seekers, would, as a result of being able to adequately fend for themselves through self-employment, be contributing to poverty reduction through job creation. At a broader level the remittances sent home and experiences acquired become relevant to the sending country upon the return of the immigrant.

Against the backdrop of the push and pull factors that have placed South Africa at the receiving end of migration, mostly from African states; the fact that this pattern may continue for a while longer; and the inherent human, social, cultural, and financial resources that these

immigrants are able to mobilise for business start-up purposes, this study may provide valuable information that may be applicable to other ethnic minorities in South Africa.

This study would generally attempt to draw from some of the successful strategies used elsewhere, but at the same time pay attention to the unique features of South Africa. Against the backdrop and dire need for new venture creation and subsequent growth of these ventures in South Africa, coupled with apparent variance in the financial and human resources available to individuals, an understanding of how immigrant-owned businesses in South Africa operate may assist policy makers as far as formulating SMMEs support programs is concerned.

1.8 CLARIFICATION OF BASIC TERMS AND CONCEPTS USED IN THE STUDY

In this section of this study, clarification is given to some of the terms used.

1.8.1 Theory

Defining a theory from two fronts, Eriksson and Kovalainen (2008:309), refer to it as an explanation or an explanatory system that discusses how a phenomenon operates and why it operates as it does. They also see a theory as a generalisation or set of generalisations used to systematically explain some phenomenon.

1.8.2 Migration

According to Simelane (1999:3), migration is one of the three components of population growth besides fertility and mortality, and it may be defined as follows: A migrant is a person who moves a specified minimum distance or moves from a migration defining area (sending area) to another. Such a person should cross a boundary and stay in the destination (receiving area) for a minimum specified time. If the boundary crossed is internal or a district, then the movement is referred to as internal migration and the person involved is an internal migrant. On the other hand, if a national boundary is crossed, the resulting departure of the person is called emigration and the person an emigrant. Simply put, Pinkowski (2009:4) refers to an immigrant as one who resides in a country that is not the land of his or her birth.

1.8.3 Social capital

While social capital has been given a number of different definitions, many of them refer to manifestations of social capital rather to social capital. In sociology, where the term was

initially coined, social capital refers to the advantages and opportunities accruing to people through membership of certain communities. Social networks breed social capital. Simply put, social capital is an instantiated informal norm that promotes co-operation between two or more individuals (Fukuyama, 2001:7). Not just any set of instantiated norms constitutes social capital; such norms must lead to co-operation in groups and therefore are related to traditions. Drawing a distinction between economic, social, and human capital, Portes, (1998:7) suggests that whereas economic capital is in people's accounts, and human capital is inside their heads, social capital inheres in the structure of their relationships.

1.8.4 Business model

According to the online encyclopaedia Wikipedia (www.wikipedia.org, 2010), a business model describes the rational of how businesses create, deliver, and capture value, be it economic, social, or otherwise. The term business model is thus used for a broad range of informal and formal descriptions to represent core aspects of a business, including purpose, offerings, strategies, infrastructure, organisational structures, trading practices, and operational processes and policies.

1.8.5 A framework

According to Business Dictionary.com (2010), a framework is a broad overview, outline, or skeleton of interlinked items which supports a particular approach to a specific objective and serves as a guide that can be modified as required by adding or deleting items.

1.8.6 Triangulation

According to Yardleg (2009:239), as cited in Yin (2011:81), the principle of triangulation comes from navigation studies, where the interaction of three different reference points is used to calculate the precise location of an object. In research, Yin (2011:81) notes that the principle of triangulation refers to the goal of seeking at least three ways of verifying or corroborating a particular event, description or fact being reported by a study. Such corroboration serves as another way of strengthening the validity of the study.

1.9 OUTLINE AND PLAN OF THE STUDY

The study is divided into nine chapters:

Chapter one: Serves as an introduction and focuses on the formulation of the research problem. In this chapter, the research topic is introduced. And, this is followed by the

identification of the research problem and hence the need for research. The ensuing objectives provide a breakdown of the study. The method of study and expected outcome are also covered in this chapter. The method of study serves as a guide ensuring that the study is carried out according to scientific methods and is in line with the expected results.

Chapter two: The focus of Chapter two would be to highlight the research issues or questions that the study intended to address, either because they are controversial or because they have not been fully addressed by previous research.

Chapter three: The aim of this chapter would be to profile South Africa as a host country from an economic, social, and historical point of view while highlighting how these factors and policies impact on the start-up and operation of small businesses in general and immigrant-owned businesses in particular. In this chapter, it would be argued that the geographic position, political, economic, cultural and historical atmosphere in South Africa directly or indirectly influences the immigration dynamics facing South Africa as well as the economic contribution of African immigrants.

Chapter four: While drawing on the literature on SMMEs from an international perspective, this chapter would explore the overall environment confronting SMMEs in general and immigrant-owned businesses in South Africa in particular, in an attempt to identify how they contribute to the economy and how they deal with challenges that they encounter. Furthermore, this chapter would focus on the development of the SMME sector with particular emphasis on what has been done and still needs to be done to foster the overall development of the SMME sector. Drawing on a review of international literature on SMMEs, the need for intervention to promote the SMME sector in South Africa would be advanced and justified.

Chapter five: Focuses on the research methods to be used in this study by detailing the processes that would be followed. Specifically, justification for adopting a mixed research design for the study would be given.

Chapter six: This is the research findings and analysis chapter, and reports on the results of the data collected and processed.

Chapter seven: In this chapter, a business framework for the effective start-up and operation of African immigrant-owned businesses in the Cape Town Metropolitan Area of South Africa would be proposed.

Chapter eight: This chapter marks an end to the study by suggesting some recommendations.

1.10 CONCLUSION

This research looks at the interactive effect of immigrant entrepreneurial characteristics on entrepreneurial opportunities and challenges in South Africa. Entrepreneurship and business start-up in particular provide a means of survival for immigrants and the growth of such entities creates job opportunities for others.

Limited job opportunities force African immigrants into self employment. However, due to the numerous challenges that they face, only a few of the immigrant-owned businesses survive or grow. It can be argued that most of these African immigrant-owned businesses fail to reach their full potential because they (the owners) are unable to exploit the entrepreneurial attributes that they come with or have at their disposal upon arrival.

Some studies have indicated that small businesses in general and immigrant-owned businesses in particular face a wider range of problems. By contrast, other studies indicate that immigrants possess unique entrepreneurial characteristics that give them an edge when it comes to establishing and running successful businesses. Although there is a wide coverage of immigrant entrepreneurship, especially in developed countries, much still has to be done as far as developing countries are concerned. From a South African perspective, there is virtually no study that focuses on African immigrant entrepreneurship. There is equally no South African study or model that explores the start-up and operation of African-owned businesses.

By focusing on successful African immigrant-owned businesses, a business framework would be constructed that explores the start-up and operation of immigrant-owned businesses. It is believed that the application of this framework would improve business start-ups as well as business survival among African immigrants in South Africa. The framework proposed in this study seeks to encourage African immigrants to match the entrepreneurial attributes they come with to the business opportunities and challenges they may face in establishing and growing their businesses in South Africa.

This research is designed as a combination of descriptive and explanatory research in which a sample of immigrant-owned businesses in the Cape Town Metropolitan Area would be drawn using the snowballing technique of personal interviews. The data gathered in this study will be processed using the Statistical Package for Social Science (SPSS). In terms of

data analysis, this study applies both descriptive and inferential statistics. Descriptive statistical techniques will be applied to describe immigrant entrepreneurial business success drivers and obstacles faced by immigrant-owned businesses in the sample.

At one level, the findings of this study will provide vital information for new immigrants venturing into self-employment. At another level, the study may provide vital insight into immigrant entrepreneurship in South Africa. In Chapter two the relevant literature on immigrant entrepreneurship around the world will be covered whereas Chapter three will provide an in-depth picture of the business environment in which immigrant-owned businesses in South Africa operate.

This chapter laid the foundation for the study. It introduced the research problems, research questions and hypotheses. Then the research was justified, the methodology was briefly described and justified, definitions were presented, the study was outlined, and the limitations were given. On these foundations, the author can proceed with a detailed description of the research.

CHAPTER TWO

IMMIGRANT ENTREPRENEURSHIP, SMALL BUSINESS START-UP AND OPERATION

2.1 INTRODUCTION

The focus of this chapter is to highlight the research issues or questions that this study intends to address either because they are controversial, or because they have not been fully addressed by previous research. The literature on small business development in general and immigrant entrepreneurship in particular, is inconsistent as well as inconclusive. Although small business and entrepreneurship in general has been widely researched, this cannot be said of immigrant-owned businesses in South Africa.

In the countries where entrepreneurship has been extensively studied, it has been approached from varying angles. With emphasis on what makes up a successful entrepreneur, some studies have looked in the direction of the personal characteristics of the owner, while others have turned to environmental conditions (Jiangyong & Zhigang, 2007:27). In view of the fact that personal characteristics turn to vary and are influenced by environmental conditions and vice versa, other studies have found regional variations in business start-ups to be associated with factors such as population, industrial structure (Gries & Naude, 2008:12), human capital (Jiangyong & Zhigang, 2007:27), the availability of finance (Luiz, 2001:65; Beyene 2002:143; SBP, 2005:75; Von Broembsen et al, 2005:11; Jiangyong & Zhigang, 2007:27; Rogerson, 2008:62) and entrepreneurial characteristics (Lee et al, 2004:3).

In the line of immigrant entrepreneurial activities, while the empirical studies (Bates, 1996; Saxenian, 1999; Fairlie & Meyer, 2003; Lee et al, 2004; Halkias et al, 2007) to date have commonly sought to explain variations in self-employment rates (new venture start-ups), the descriptive studies (Tesfom, 2006) often focus on owner traits as well as the operating environment of the immigrant firms. Despite the prevalence of these studies in developed countries, there is little coverage as far as developing countries are concerned.

Chapter two focuses on the theories that shed light on entrepreneurship in general and immigrant entrepreneurship in particular. Chapter two is structured around the following sub-

themes: the push-pull factors of migration; the push-pull factors of self-employment; definition of entrepreneurship; immigrant entrepreneurship; small business start-up and entrepreneurship; and business success.

2.2 PUSH-PULL FACTORS OF MIGRATION

The theories that attempt to explain why people move from one country to another have been many. One of such theories is the “push-pull” factor theory. Push factors force people to move while pull factors entice people. According to this theory, for people to leave their countries of origin (sending countries) to other countries (receiving countries) there have to be push factors or disadvantages, which influence them to move (Simelane, 1999:3). Such disadvantages, Simelane (1993:3) suggests, may include low wages compared to other countries, scarce employment opportunities, political unrest, and lack of social amenities like good roads, piped water, electricity and so forth. From this perspective, emigration is deemed ‘forced’ as may be the case where there is economic decline and environmental degradation (Maharaj, 2009:3). On the other hand, in the destination country there have to be pull factors or advantages that tend to attract potential movers.

Examples of pull factors are high prospects of getting a job, availability of job opportunities, higher wages, political stability, better social amenities and so forth. Simelane (1999:3) claims that although such advantages as well as disadvantages may exist in both sending and receiving countries, the potential migrant’s decision to move is arrived at after weighing these against each other. In support of Simelane’s claim, Light, Bhachu and Karageorgis (1989:1) advance that migration networks formed in countries of destination by earlier migrants have been noted to foster immigration by reducing the social, economic and emotional cost associated with migration. Sometimes the journey of an immigrant takes him or her across other countries. In between the sending and receiving countries, Simelane (1993:3) believes that there are always obstacles, which may influence the decision of the would-be immigrant. These obstacles may include distance, travel expenses, availability and speed of transport, and migration laws. Once an immigrant overcomes all the related obstacles related to the decision to emigrate, the newly arrived immigrant is sometimes faced with another dilemma of what form of economic activity to pursue in the host country.

2.3 PUSH-PULL FACTORS OF SELF-EMPLOYMENT

With growing unemployment in most traditional countries of destination such as the USA, UK and South Africa in recent years, immigrants with little options turned to self-employment activities. According to Bates (1998:4), the motives for getting into business ownership can

be grouped into two, notably the push versus pull factors. On the one hand, push factors force people into business ownership, while, on the other hand, the pull factors entice them into business ownership. The majority of entrepreneurs across the world claim that they are starting a business to capitalise on an opportunity (Halkias et al 2007:3). However, this may not be the whole story for immigrants. Since entrepreneurship is one of the frequently used ways to escape unemployment in a host country, it is expected that immigrants would attempt to choose self-employment (Sahin et al, 2006:2). With the exception of Van Tubergen (2005: 709), most recent studies (Sahin et al, 2006; Halkias et al, 2007) that have investigated immigrant entrepreneurship with reference as to why immigrants turn to self-employment have often limited their analysis to the push and pull conditions in the host countries. These studies tend to overlook the influence of an immigrant's home conditions on his or her decision to take up self-employment and on how he or she mobilises resources for new venture creation in the host country. In this regard, it may be argued that the decision to take up self-employment is, at times, influenced by the push and pull factors (as noted in section 2.2) experienced by the immigrant in their home ground.

According to Van Tubergen (2005:710), immigrant groups originate from a certain country and the characteristics of their home country could affect the probability of self-employment irrespective of their destination. Using the Koreans and Mexicans in the USA, Van Tubergen (2005: 710) notes that while the former show a high self-employment rate (not only in the USA, but in other countries as well), the latter exhibit relatively low self-employment rates in these destinations, and this can be attributed to characteristics of their countries of origin. From this domain, one may draw a distinction between politically and economically motivated migration. While commonly associated with those fleeing political persecutions, in terms of the 1951 United Nations convention relating to the status of refugees, in recent years, there has been increasing realisation that those escaping from poverty and destitution could be called 'economic refugees' (Maharaj, 2009:2). In keeping with this distinction, Maharaj (2009:2) concludes that most immigrants in Durban, South Africa are economic refugees. Similar studies need to be done for the other provinces or on a national basis.

2.3.1 Immigrants and self-employment

Various theories have been advanced as to why immigrants resort to self-employment as an economic activity in their host country. Three schools of thought have emerged to explain this phenomenon.

The first school, often referred to as the theory of 'blocked opportunities' or 'push factors' advocates that immigrants get into self-employment due to inherent bias and discrimination

in the host labour markets (Bates, 1996:24; Sanders & Nee, 1996:232; Bates, 1998:4; Clark & Drinkwater, 2000:2; Basu & Altinay, 2002:373; Salaff et al, 2002:2; Greve & Salaff, 2005:7; Van Tubergen, 2005:711; Sahin et al, 2006:6; Halkias, 2007:4; Levent et al, 2007:4; Heilbrunn & Kushnirovich 2008:693). In countries with high unemployment rates among natives, Van Tubergen (2005:711) notes that immigrants are pushed out of the labour market into self-employment.

The obstacles that stand in the way of immigrants tend to vary and are not limited to lack of educational credentials (Landau, 2010:72), inappropriate work experience, and limited facility of the English language (Aldrich and Waldinger, 1990:122). For instance, Greve and Salaff (2005:7) noted that the credentials of a doctor from China will not be accepted in Canada. In South Africa, Landau (2010:72) reports that even those immigrants with employment rights find that they are turned away by employers who do not recognise their papers or professional qualifications. Proponents of this theory argue that, on the one hand, immigrants take up self-employment due to the fact that they face limited employment opportunities, and on the other hand, business ownership allows them to use their human capital and class resources (Nee & Sanders 2001:393). Landau's (2010:72) report on South Africa supports this view when he states that when turned away because their credential are not recognised, immigrants who do not have the money to pay for their credentials to be evaluated by the South African Qualifications Authority (SAQA) are left with no other choice but to seek alternative ways to generate an income.

Although discrimination may work as a motivation for self-employment, Guzy (2006:5) warns that, by contrast, discrimination can cause problems at different levels particularly when starting the business and dealing with administration, owners of business premises, suppliers, clients, banks, and so forth.

Sanders and Nee (1996: 232) note that an immigrant who has middle class or elite origin has greater access to financial capital. It has been suggested by Levent et al, (2007:4) that the grip of the 'blocked opportunities' on the immigrant varies from one generation to another. Halkias et al (2007:7) posit that, although a particular generation of immigrants faces bias in the labour markets as explained by the blocked mobility theory, their offspring and future generations tend to face fewer biases as their human capital and particularly educational credentials are recognised. Supporting this view, Nee and Sanders (2001: 402) note that in the USA, immigrants whose education has been entirely foreign experience a higher rate of transition into self-employment than immigrants who obtained some, or all, of their education in the USA.

Facing limited employment opportunities, immigrants are drawn to certain types of business sectors in order to earn money quickly. Under the middleman minority theory, also known as the 'blocked opportunity' theory, it is assumed that the immigrant starts out as a temporary resident in a host country and that he plans to return to their home country (Halkias, 2007:4). Under such circumstances, it is assumed the immigrant's main goal in the country is to make money quickly to either send back home to his or her family or take back upon returning home (Halkias, 2007:4; Zhou, 2007:279). According to Zhou (2007:279), in the past the middleman-minority entrepreneurs established their businesses in poor minority neighbourhoods or in immigrant ghettos in urban areas which were deserted by mainstream retail and service industries or the business owners of a society's dominant group. Zhou (2007:279) maintains that in recent years some of these entrepreneurs have begun to start businesses in affluent urban neighbourhoods and middle class suburbs, and not only in the secondary sectors but even in the primary sectors of the host country's mainstream economy. The blocked mobility or opportunity school of thought has been criticised for ignoring the fact that some ethnic groups may have a cultural propensity towards entrepreneurship (Basu & Altinay, 2002:373). These cultural differences may be the result of national, regional, ethnic, social class, religious, gender, and language variations (Basu & Altinay, 2002:373). Levent et al (2007:4) note that while the first generation entrepreneurs generally encounter more push factors, the second generation may exhibit more pull factors.

The second school of thought often referred to as the 'ethnic market niche' or 'pull' factor theory, advocates that immigrants are drawn into self-employment in general and certain sectors by business opportunities. The ethnic market niche theory is formulated around the idea that immigrants find business start-up opportunities in market niches created by the interaction between opportunities in society and the characteristics of the immigrant group (Halkias, 2007:4). In line with the ethnic market niche theory, Halkias (2007:6) posits that immigrants become entrepreneurs in order to find alternatives to traditional immigrant employment options in unattractive industries. According to Clark and Drinkwater (2000:2), some of the specific factors that may pull immigrants into self-employment include such things as the existence of ethnic enclaves which may provide a self-sustaining economic environment, the influence of religion, and access to informal sources of finance and labour through familial ties or shared culture and language.

The third school of thought is based on what is also referred to as the 'ethnic enclave theory'. In contrast to middleman minority entrepreneurs, Zhou (2007:280) posits that the ethnic enclave entrepreneurs mainly include those who are bound by ethnicity, an ethnic community's social structures, and geographical location. The ethnic enclave economy theory is built on the fact that immigrant entrepreneurs typically find business start-up

opportunities within the immigrant communities and neglected business sectors of the broader economy (Clark & Drinkwater, 2000:2; Greve & Salaff, 2005:9; Halkias, 2007:5, Zhou, 2007:280). Under this assumption, immigrants who are sojourners are inclined to seek employment in industries where start-up cost is relatively low, where competition is minimal, where capital can be quickly raised, and where assets can be quickly or easily liquidated and turned into cash.

An important issue in the literature on self-employment in general and immigrants in particular is the predominance of immigrants in self-employment activities in their host country. Pinkowski (2009:30) concurs with Van Tubergen (2005:709) that the self-employment rates among foreign-born are generally higher than among natives. At the level of the immigrant groups themselves, significant differences in the rates of employment among immigrants have been noted. Van Tubergen (2005:710) advances two factors that influence an immigrant group's participation in self-employment activities. On the one front, he argues that an immigrant's country of origin contributes significantly to an immigrant group's self-employment rate. On the other front, he argues that the differences between immigrant groups could also indicate what he calls 'setting' or 'community' effects, which refer to properties of the combination of the country of origin and the country of destination.

Elaborating on the setting or community effects, Van Tubergen (2005:710) suggests that the fact that in the USA, Korean immigrants may show higher rates of self-employment than Mexicans, with the opposite being true in other societies, cannot be accounted for solely by either the characteristics of country of origin or destination but rather a combination of both. Several arguments proposed in the literature, such as variance in the ethnic capital available to an immigrant population in one destination and not in the other, may explain these setting effects, as could the relative size of the group (Van Tubergen, 2005:710).

2.4 DEFINITION OF ENTREPRENEURSHIP

Since the seminal work of Schumpeter in 1950, entrepreneurship according to Lee et al (2004:3) has gained momentum as a major topic in the theory and practice of economic growth and development. However, these authors acknowledge that there is no straightforward definition of entrepreneurship. Stearns and Hills (1996), as quoted in Stokes, Wilson and Mador (2010:6) note that there are at least eight different characteristics which regularly feature in definitions of entrepreneurship:

- The environment within which entrepreneurship occurs
- The people involved in entrepreneurship

- Entrepreneurial behaviours displayed by entrepreneurs
- The creation of organisations by entrepreneurs
- Opportunities identified and exploited
- Innovation, whether incremental, radical and/or transformative
- Assuming risk, at personal, organisational and even societal levels
- Adding value for the entrepreneur and society.

Taking the aforementioned different dimensions incorporated in the definition of entrepreneurship in recent years, Stearns and Hills (1996) as quoted in Stokes et al (2010:6) further note that the direction that a definition takes depends on who is defining and for whom. In this light, they note the imminent variance in definitions with respect to entrepreneurship educators, entrepreneurship policy makers, young entrepreneurs, corporate and venture capitalists.

Regardless of who is defining entrepreneurship and for whom, Stokes et al (2010:7) note three core dimensions involved in the pursuit. These dimensions include behaviours, processes, and outcomes as indicated in Figure 2.1 below.

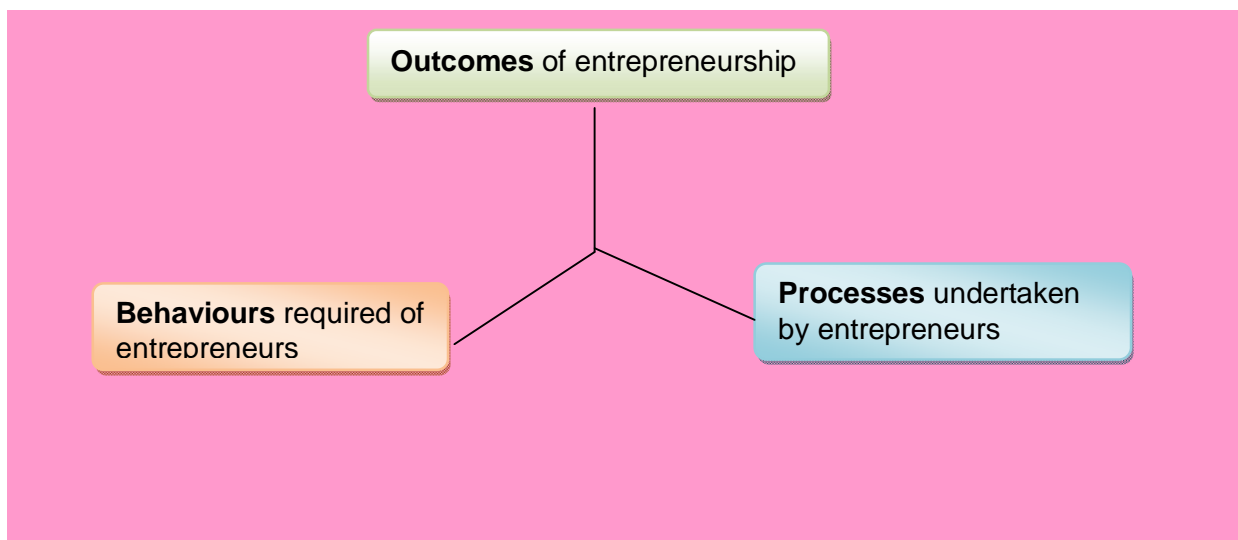


Figure 2.1: The three dimensions of entrepreneurship

Source: Wilson and Stokes (2006) in Wilson et al (2010:7)

According to Stokes et al (2010:7), the process dimension has often centred on development with particular emphasis on a new business or innovation strategy and the writing of business plans. The behavioural dimension highlights the role of individuals with specific

behaviours which set them apart from others. The outcome component concentrates on the results of entrepreneurship (as the process or set of behaviours). Combining these three dimensions would suggest that whatever is seen or noted as entrepreneurship is the product of certain behavioural patterns and processes.

From a historical perspective the word entrepreneur is loaned from the French word 'entreprendre', which means 'to undertake'. Looking at entrepreneurship from the process dimension as noted by Stoke et al (2007:7), the word entrepreneur, according to Pinkowski (2009:4), is simply someone who starts or operates their own businesses. Bringing in the behavioural and outcome dimensions, Markova and Perkovska-Mircevska (2009:598) state that entrepreneurs often have strong beliefs about a market opportunity and organise their resources (land, labour and capital) effectively to accomplish an outcome that changes existing interactions.

Examining entrepreneurship from an immigrant perspective, Basu and Altinay, (2002:371) and Sahin et al (2006:2) concur that entrepreneurship or self-employment normally involves setting up a new business or buying an existing business. And when the process of entrepreneurship is carried out by an immigrant, the phenomenon is referred to as immigrant entrepreneurship (Sahin et al 2006:1).

2.5 IMMIGRANT ENTREPRENEURSHIP

Immigrant entrepreneurship refers to entrepreneurial activities carried by immigrants just after arrival in their host country, either through personal initiatives or with assistance from acquaintances in the host or country of origin. The businesses owned by immigrants are referred to as immigrant-owned businesses. Other terminologies used to describe immigrants who carry out entrepreneurial activities include: ethnic entrepreneur, immigrant entrepreneur and minority entrepreneur.

While noting that in reality the difference between an entrepreneur and a non-entrepreneur does not clearly exist, Fertala (2006:7) suggests that an immigrant entrepreneur is one who has either:

- Established a business venture or acquired a (family) business alone or with a group of partners, or
- Indicates himself to be self-employed in an incorporated versus unincorporated business.

Considering that there is probably no significant difference between an entrepreneur and a non-entrepreneur as suggested by Fertala (2006:7), the question that comes to mind would be whether there is a difference between entrepreneurial activities carried out by foreign-born and native entrepreneurs. The answer to the preceding question may lie in the preponderance of business start-up between the two groups as well as the success of these establishments.

2.6 NEW SMALL BUSINESS START-UPS AND ENTREPRENEURSHIP

From a business perspective, the process of employment and economic development begins with the humble start-up and operation of successful small businesses. According to Basu and Parker (2001:2) and the Federal Reserve Bank of Dallas (2010), in recent years there has been a growing awareness of the importance of new business start-ups for long term economic growth and employment creation. With economic growth and employment as a central objective, many governments today are actively involved in promoting small business start-ups. According to Van Praag (2003:1), it is increasingly acknowledged that an effective policy to decrease unemployment is to stimulate the number of new businesses. It is widely recognised that a key element of successful start-ups is adequate financing (Basu & Parker, 2001:2).

Behind successful small business start-ups and operations is entrepreneurship. And, entrepreneurship has been recognised as one of the driving forces for market competition and economic growth (Jiangyong & Zhigang, 2007:3). Existing studies have uncovered a set of personal attributes of would-be-entrepreneurs, such as gender, marital status, age, education, financial conditions, and attitude for taking risks that may affect entrepreneurial activities (Jiangyong & Zhigang, 2007:3). According to a study by Jiangyong and Zhigang (2007:24), older people are less likely to be entrepreneurs. Although the impact of education on entrepreneurship is difficult to predict, Jiangyong and Zhigang (2007:25) argue that people with higher education have a stronger ability to start their own businesses, and hence the impact of education on entrepreneurship decisions should be positive (the ability argument). In a study of Asian-owned and white-owned businesses in the USA, Robb and Fairlie (2009:833) confirm the positive relationship between education and business outcome. In support of this argument, Gries and Naude (2008:12) suggest that entrepreneurial start-up rates will be higher in localities that have a relatively highly educated population and an economic environment favourable to the accumulation of knowledge.

In an unrelated direction, other studies have found no relationship between the level of education attained and start-up/survival. For instance, in a case study of African immigrants

in Finland, Habiyakere, Owusu, Mbare and Landy (2009:65) conclude that immigrants with university education were not more successful than those who had high school or vocational school diplomas. Advancing this argument, Jiangyong and Zhigang (2007:25) note that people with higher education have higher opportunity costs of leaving their current employment and therefore become more risk averse toward entrepreneurship (the opportunity cost argument). Regarding the impact of would-be entrepreneur's attitude for taking business risks, Jiangyong and Zhigang (2007:27) found that parents' entrepreneurial experiences have positive effects on respondents' decisions for becoming entrepreneurs.

According to Greve and Salaff (2005:8) enclave conditions allow new immigrants to create ethnic businesses in several ways:

- Firstly, the enclave spurs the desire to become an entrepreneur.
- Secondly, some immigrants ran a business in their country of origin and feel most comfortable establishing a firm in a culturally similar setting.
- Thirdly, co-ethnics often help newcomers start-up, as they themselves were once helped.

Under the conditions suggested by Greve and Salaff (2005:8) and listed above, if all factors remain constant, immigrants would stand a better chance of starting up and operating a successful business than their native counterparts. However, the foregoing statement would all depend on how success is defined and measured.

2.7 DEFINING AND MEASURING BUSINESS SUCCESS

Acquiring the necessary resources for business start-up and operation has been noted to be a challenging task (Jacobs, 2003:111). Success draws one's attention to a task satisfactorily completed according to specified standards. In order to measure success, a standard or benchmark must have initially been set, against which the result would be compared. In business, different dimensions have been used to indicate success. For instance, profit is commonly used to indicate success (Kloosterman & Rath, 2001:198). Other indicators of success include survival or numbers of years that the business has existed, which is ultimately indirectly linked to profit, in that a business that does not break even is doomed to close down.

In a study in Germany, Fertala (2006:7) defined a successful immigrant entrepreneur along the following lines:

- The longer an immigrant survives in business the more successful he or she is.

- The faster the process of incorporating new information than relying on past experience, the more successful the entrepreneur is.
- The greater the sales volume, the more successful the entrepreneur is.

In this study, the duration in business and sales volume are seen as the fundamental indicators of success. Knowing what success is and how to measure it provides the basis on which to screen participants for the study, in an attempt to investigate what drives success.

2.7.1 Entrepreneurial attributes or business success drivers

Having the right entrepreneurial attributes accounts for the difference between successful and unsuccessful businesses, as evident in the ability to acquire the resources necessary to start-up and operate a business. The preponderance of immigrants in self-employment and their perceived high success rate suggests that successful entrepreneurs possess certain characteristics which are undoubtedly also the characteristics of immigrant entrepreneurship.

Nieuwenhuizen (2004:40) maintains that the factors that usually contribute to successful entrepreneurship are also known as key success factors, and can be summarised as follows:

- Skill, expertise and aptitude
- Personal qualities
- Management skills
- External factors.

Nieuwenhuizen's summary of entrepreneurial success factors suggests that it would be possible to distinguish a successful entrepreneur from an unsuccessful one based on the listed traits.

2.7.1.1 General entrepreneurial attributes

Bygrave (1997:3) argues that there is not a given set of entrepreneurial attributes that allows one to separate an entrepreneur from a non-entrepreneur. However, Bygrave (1997:3) suggests that entrepreneurs are high achievers with a high desire to be in control of their own destiny. According to Bygrave (1997:6), successful entrepreneurs exhibit ten distinct qualities (10 Ds):

- **Dream:** Entrepreneurs have a vision for their businesses and have the ability to implement the dream.

- **Decisiveness:** They don't procrastinate, instead, they make decisions swiftly. Their swiftness is the key factor in their success.
- **Doers:** Once they decide on a course of action, they implement it as quickly as possible.
- **Determination:** They implement their ventures with total commitment. They seldom give up even when confronted by obstacles that seem insurmountable.
- **Dedication:** They are totally dedicated to their business, sometimes at considerable cost to their friends; they work tirelessly. Twelve hour days and seven day work weeks are not uncommon when an entrepreneur is striving to get a big venture off the ground.
- **Devotion:** Entrepreneurs love what they do. It is the love that sustains them when the going gets tough. And it is the love of their products and/or services that makes them so effective in selling.
- **Details:** It is said that the devil resides in the details, and that is never truer than in starting and growing a business. Therefore, the entrepreneur must be on top of the critical details.
- **Destiny:** They want to be in charge of their own destiny rather than depend on an employer.
- **Dollars:** Getting rich is not the prime motivator of entrepreneurs. Money is more a measure of their success. They assume that if they succeed they will be rewarded.
- **Distribute:** Entrepreneurs distribute the ownership of their business with key employees who are critical to the success of the business.

If the general entrepreneurial attributes, as suggested by Bygrave, hold true for every successful entrepreneur, one may expect immigrant entrepreneurs to exhibit most of these.

2.7.1.2 Immigrant entrepreneurial attributes

Masurel, Njikamp, Tastan and Vindigi, (2002:242) are sceptical about empirical research on the seedbed factors for successful ethnic entrepreneurship and believe that such research has certainly not reached a stage of solid statistical modelling. Masurel et al (2002:242) argue that despite its popularity, the concept of 'ethnic group' is still not clear and that most empirical results generally originate from in-depth interviews and survey questionnaires focussing in particular on barriers to start-up processes of business, internal versus external orientation, survival strategies, the impact of broader socio-cultural support networks, and the role of policy support measures.

Despite their scepticism with the level of empirical research on ethnic entrepreneurship, Masurel et al (2002:255) in a study of Indian, Pakistani and Bangladeshi in Britain, noted that

success factors generally vary from one ethnic group to another, as do the factors that contribute to business success.

For clarity, business success drivers may be classified into person orientated and non-person orientated drivers. On the one hand, person oriented drivers include those personal attributes of an individual that positively contribute to the success of the business. On the other hand, business success drivers that are non-person orientated and include the general macroeconomic environment, political environment, cultural environment, and so forth.

Business success factors refer to those core attributes or components that, when combined in the right portions, make business successful. Traditionally, creating any product or service has often involved combining what has since been referred to as factors of production (Jacobs, 2004:3). So far, the acknowledged factors of production have included: land, labour, capital and the entrepreneur. According to the Federal Reserve Bank of Dallas (2010), all the economies around the world possess land, labour, capital and entrepreneurship. Land represents natural resources – soil, food crops, trees, and lots that we build on. An example of labour includes the farmers, accountants, cab drivers, dry cleaners, assembly-line workers and computer programmers who provide skills and expertise to build products or offer services in exchange for wages and salaries. Capital represents the buildings, equipment, hardware, tools and finances needed for production. Entrepreneurship represents ideas, innovation, talent, organisational skills and risk. This notwithstanding, the availability of these resources has been noted to vary from one region to another, with some areas having abundance and others scarcity (Smith, 2007). The impact of which may be positively or negatively felt by individuals, depending on the geographical space that they occupy at any one time.

Although the advent of globalisation has minimised the shortage of some of these factors, such as labour, entrepreneurship and capital, in that they can be transferred from a region of abundance to a region of scarcity, the degree to which these factors can be moved is still limited by both man-made and natural factors. The natural factors include weather, natural disasters and so forth. The man-made factors include laws and regional policies that hinder mobility (Smith, 2007).

Capital as a factor of production can be classified into financial (savings and loans), physical (land, buildings and machinery), human (education and skill enhancement) and social (trust, reciprocity and mutuality), based on its source (Coleman, 1988:118; Smallbone, Evans, Ekanem & Butters 2001:21). Sanders and Nee (1996: 231) noted that, despite being an important factor of production, the foreign-earned human capital of most immigrants is not

highly valued by employers in their host countries who frequently rely on educational credentials and work experience as proxies for direct measures of skills and the potential productivity of employees. Being one of the factors of production itself, the entrepreneur is most valued in the role it plays in organising the other factors (Federal Reserve Bank of Dallas, 2010).

Acknowledging a variation in the quality and quantity of the factors of production available to individuals would logically suggest that business success drivers would vary from region to region, between sectors, and even over time. For example, in a study of exporting firms in the clothing industry, Gumede and Rasmussen (2002:162) identify networks, access to finance, access to information, and level of education to be fundamental in shaping success.

The following factors have been identified to be fundamental in shaping business success at the level of the individual (Van Praag, 2003:9):

- Relevant previous experience in (self-employment, or same industry or occupation) affects the success of a business founder.
- Age of the business founder. The younger the business founder, the better his performance will be given the level of relevant experience.
- Finance. The more own capital, the more successful the business owner would be. However some empirical studies have found no significant evidence to support this view. For instance Van Praag (2003:17) concludes that people starting with own capital are as successful as those who start with debt capital.
- Motivation. Small business owners who have been pulled rather than pushed into the job have a higher chance of success.
- Education. Higher educated business founders perform better.

According to Elfring and Hulsink (2003:12), entrepreneurs rarely possess all the resources required to start-up and operate a successful business.

2.7.2 Finance as a business success driver

Finance as a business resource refers to all those resources that take the form of, or can be readily converted into cash. Financial resources are valuable as far as business start-up and operation are concerned in that they do not have a single purpose but can be used to acquire other resources (Jacobs, 2003:112). From this angle, the acquisition and use of this type of resource may be important for the start-up and operation of any business (immigrant-owned businesses included). Finance can be obtained from different sources. The first source is the entrepreneur and the money he or she invests into the business is known as equity capital

(Jacobs, 2003:112). The second source of funds is money loaned to the business by outsiders, such as individuals, banks or other lending institutions.

Traditionally, would-be small business owners meet the challenge of obtaining capital to start and run their businesses by using informal sources, as well as personal assets and loans from formal sources (Huck et al, 1999: 47). It has been observed that while native entrepreneurs are more likely to finance new businesses using formal financial sources such as banks, this is unlikely to be the case for migrant entrepreneurs who are constrained to use informal sources. On this basis, informal financing via networks can be substituted for borrowing in the formal sector, either because formal credit is not offered or because informal financing is preferred (Huck et al, 1999:47). Credit offered by a supplier, or trade credit, is another alternative to borrowing from financial institutions. Trade credit in itself is highly dependent on trust, which happens to be a core component cultivated by social networks. Businesses form networks with their suppliers, and there may be an ethnic dimension to these networks, in that the ethnicity of the supplier may matter for some transactions.

2.7.2.1 Importance of finance in new business start-ups

At a more general level, and following the 2009 global financial crisis that has recently hit the world economy, the importance of finance for economic growth cannot be ignored. Although a plus for most African countries at this stage has been that the effects of the crisis have been minimal due to less exposure to global financial markets, such a characteristic of a poorly developed financial system is still lamentable (IDC, 2009:12). A financial market, according to Berry et al (2002:66), implies any mechanism that brings agents with money surpluses, such as banks, together with agents with a need for money (such as SMMEs) who are willing to pay a price for the capital they acquire.

At first sight, if the market functions well, it should be able at a particular interest rate, to allocate the entire supply (surpluses) of the economy and to accommodate the entire demand for money, and by so doing address the problem of accessibility (Berry et al, 2002:66). However, this is often not the case and financial systems have been noted to be skewed at a regional level (Gries & Naude, 2008:15) and within regions (Claessens, 2005:208). Logically therefore, under perfect market conditions, one would expect finance to be readily available for business start-up regardless of race or size of business.

Over the last decade, finance has been recognised as an important driver of economic growth. Although a large body of literature has established a positive association between financial sector depth and economic growth at the country, industry, and firm level, Beck,

Demirguc-Kunt and Peria (2005:2) believe that little is known about the breadth of financial systems across countries, the extent to which enterprises and households use financial services, and their relationship to desirable outcomes. Claessens (2006:208) posits that finance is a vital component of economic growth and that there is a causal relationship between the depth of the financial system on the one hand, and investment, growth, poverty and total factor productivity on the other hand.

Empirical research has shown that initial financial development is one of the few robust determinants of a country's subsequent growth (Beck, Demirguc-Kunt & Peria, 2005:2; Claessens, 2006:208). As development takes place, one question that often arises has to do with the extent to which credit can be offered to the poor (including immigrants) to facilitate their taking advantage of the developing entrepreneurial activities (Atieno, 2001:1). Agreeing with the foregoing author, Claessens (2006:208) suggests that although finance is crucial for economic growth and the general well-being of society, a universal access to financial services has not been a public policy objective in most countries and would likely be difficult to achieve. At a firm level, it has been argued that higher start-up costs reduce start-up rates through a capital market effect (Gries & Naude, 2008:15), making universal access to finance not only crucial for start-ups but also for economic growth (Claessens, 2006:208).

Finance can be particularly important for the poor, and indeed recent evidence has shown that a more developed financial system can help reduce poverty and income inequality. Much of this evidence has, notwithstanding, concentrated attention on the importance of overall financial development. Yet, and especially in many developing countries, the financial system at large does not cater to the needs of all customers. Banking systems and capital markets are often skewed towards those already better off, catering mainly for large enterprises and wealthier individuals (Claessens, 2005:2).

Owning a successful business builds personal wealth, and self-employment historically has been an important means for raising the economic status of some ethnic groups. According to Huck et al (1999:46), promoting the success of small business is an important part of community economic development strategies, particularly for minority neighborhoods that have suffered from a lack of investment in the past.

From a small business perspective, access to capital is an important policy issue because business owners may face funding limits, known to economists as liquidity constraints. According to Huck, Rhine, Bond and Townsend (1999:46), although many observers might take funding limits as self-evident, studies have revealed that liquidity constraints affect entrepreneurs both upon start-up and when the business is operationally underway. These

constraints deter entry into self-employment and force would-be owners to save for longer periods before launching a business. The effects of start-up constraints extend to ongoing businesses, because starting with more capital increases an owner's prospect of developing a viable, growing business (Huck et al, 1999:46; Colombo, Delmastro & Grilli, 2004:18; Claessens, 2006:209).

An entrepreneur, many would argue, requires information, capital, skills and labour to start a business (Nee & Sanders 2001:407; Tesfom, 2006). According to Atieno (2001:1), the generation of self-employment in non-farming activities requires investment in working capital, which is quite often difficult to accumulate at low levels of income. Berry et al (2002: 69) argue that a firm's need for capital, quantity and quality tends to depend on factors like the firm's size, sector, age, as well as growth opportunities. For example, a manufacturing firm on average will need substantial long-term capital, while a retail business will mostly need short-term revolving funds to finance its inventory. Young, fast-growing enterprises can generate a considerable need for working capital, while established slow-growth businesses tend to generate a sufficient cash-flow to face their needs.

Drawing a distinction between the financial needs of established firms and those of new start-ups, Berry et al (2002: 69) observe that while the latter cannot afford too much debt and will rather require equity, the former can be better-off using debt. On the contrary, Gries and Naunde (2008:15) argue that where start-up is high, access to external finance becomes important.

Atieno (2001:1) and (2006:208) note that banking systems and capital markets, especially in developing countries, are often skewed towards those who are already better-off, catering mainly to the large enterprises and wealthier individuals. Atieno (2001:2) posits that the failure of specialised financial institutions to meet the needs of the underprivileged (in which case one may include immigrants) has underlined the importance of a needs-orientated financial system. The popular belief that there is a lack of capital to fund business start-up has been the subject of many recent investigations (Astebro & Bernhardt, 2005:1). Sub-optimal capital levels in new firms due to credit constraints may have been a burden on the economy, although it has not been fully established how large the problem is, if it exists (Astebro & Bernhardt, 2005:1).

As modelled by Evans and Jovanovic in 1989, there is a gap in the level of capital used in the start-up because lenders are assumed to lend only up to a fixed proportion of the entrepreneur's wealth, thus constraining those who have a greater optimal capital (Astebro & Bernhardt, 2005:1). A positive correlation between the level of the capital in the firm or the

survival of the firm and the entrepreneur's wealth is therefore said to indicate credit constraints (Colombo et al; 2004: 8; Astebro & Bernhardt, 2005:1).

Building on earlier studies (for instance, Astebro and Bernhardt, 2005:1) and taking these studies beyond the relationship between predisposed financial wealth and human capital of the owner, Colombo et al (2004: 8) note that the very choice of SMMEs class size is a function of the wealth and human capital of the owner. In other words, the initial size of firms also increases with the level of education and the generic working experience of founders, two variables that generally indicate availability of a greater personal wealth to finance the new firm.

The literature on this topic highlights that small and young enterprises are subject to 'credit rationing' and thus have major difficulty in attracting capital in their initial phase, mainly due to information asymmetries. According to Markova and Petkovska-Mircevska (2009:598) and the Bank of England (1999:17), small firms secure funds for a start-up in their early stages from internal sources, with the founder providing the initial capital, alongside funds from family and friends (3Fs). Cassia (2006:14), on the other hand, believes that small firms in their start-up phase need substantial external funding.

2.7.2.2 Access to finance

The importance of finance can only be measured in terms of its availability to the greater proportion of the population and most importantly the needy. Empirical studies have shown that access to finance tends to vary from one country to another, within countries, and between businesses with size, owner, formality, and locality being key determinants.

Claessens (2005:3) advances three reasons why access to financial services has received more attention lately and has become an important part of the overall development agenda:

- Firstly, the evidence that 'finance', as in financial development matters for growth, has been accumulating over the last decade.
- Secondly, based on changes in economies and economic production, finance may have moved up in the ranking of barriers to growth.
- Thirdly, there is an increasing perception that access to finance has been skewed for households and enterprises (Atieno, 2001:1).

According to Claessens (2006:208), many segments of SMMEs and households lack access to finance, which probably impedes their growth and decreases their welfare. In this regard, the provision of credit has increasingly been regarded as an important tool for raising the

incomes of rural households, mainly by mobilising resources for more productive uses (Atieno, 2001:1).

Access to financial services for small businesses is normally seen as one of the constraints limiting their benefits from credit facilities (Atieno, 2001:7). Against the backdrop of the three reasons put forward for the recent hype about access to finance, the following questions beg: firstly, what does access to finance mean? Secondly, how does access to finance differ from the use of financial services? According to Beck et al (2005:4), access to financial services is not synonymous with the use of financial services. Drawing a line between the two, Claessens (2006:209) notes that access refers to the availability of a supply of reasonable quality financial services at reasonable costs, where reasonable quality and cost have to be defined relative to some objective standard with cost reflecting all pecuniary and non-pecuniary costs. On the other hand, the use of financial service refers to the actual consumption of financial services. Atieno (2001:7) posits that the problem of access to financial services as far as formal financial institutions are concerned can be traced back to the institutions' lending policies which more than often emphasise minimum loan amounts, complicated application procedures, and restrictions on credit for specific purposes. Concurring with Atieno (2001:7), Claessens (2006:210) further notes that access to financial service refers to its supply, whereas use of financial service refers to the intersection of the supply and demand schedules (see Table 2.1).

Table 2.1 Difference between access to financial service and use of it

A Current consumers of financial services	B Voluntary exclusion		C Involuntary exclusion		
	No need No awareness B1	Assumed rejection Inability to use due to price/income B2	Rejected: high risk/ bad credit = no access C1	Rejected : discrimination = no access C2	Excluded due to price, product, income or respondent features = no access C3

Source: Claessens (2006:211)

For small businesses, reliable access to short term and small amounts of credits is more valuable, and emphasising it may be more appropriate in credit programmes aimed at such

enterprises (Atieno, 2001:7). It can be argued that the type of financial institution and its policies will often determine the degree to which it can be accessed (Atieno, 2001:7). Where credit duration, terms of payment, and supplementary services do not fit the needs of the target group, potential borrowers will not apply for credit even where it exists (Beck et al, 2005:4), and when they do so they would be denied it (Atieno, 2001:7).

Although weak and often not comparable, available data show that access of households to banking services varies greatly. In developing countries, many households do not have a bank account (Beck et al, 2005:14; Claessens, 2006:35). Noting cross-country variations in the access and use of financial services, Beck et al (2005:26) established that firms in countries with higher branch and Automatic Teller Machine (ATM) penetration, and more use of loans reported lower financing obstacles. In a related study, Claessens (2005:35) found that although South Africa compares favourably in terms of access to financial services, the use of these services is not encouraging. For instance, while the share of households that used formal financial institutions to borrow stood at 4.94%, those that borrowed from an informal institution were 42.58%.

In South Africa, the importance of finance for small business development has been implicitly emphasised in the 1995 White Paper (DTI, 1995:29). A common thread running through the findings of micro-enterprise surveys in South Africa is that inaccessibility to finance is the major external constraint (Berry et al, 2002:30; SBP, 2005:72; Rogerson, 2006:77; Rogerson, 2008:61). Although measures have since been undertaken to address the apparent lack of finance, it still remains a major challenge for small business start-ups in general (Luiz, 2001:65; Beyene 2002:143; Von Bloembsen et al, 2005:11; SBP, 2005:75; Rogerson, 2007:15; Rogerson, 2008:62) and immigrant entrepreneurs in particular. Berry et al (2002:68) blame the limited supply of finance for business start-ups on the fact that South Africa has a thin savings base and is also not attracting significant foreign investment. On the other hand, Berry et al (2002:68) posit that there is some evidence of unallocated funds. In other words, not all 'needs for finance' are met, because of mismatched situations caused by:

- Lack of knowledge on the side of SMME entrepreneurs (for example ignorance of application procedures or inability to write a business plan)
- Lack of information and inability to determine credit risk on the side of the lenders (more exactly, determining the credit risk accurately would generate disproportional transaction costs)
- Communication issues in general.

In order to be able to determine the right dosage of various policy interventions to ease the access to finance problem, Berry et al (2002: 68) believe that the precise types of market failure confronting SMMEs needs to be determined and this in itself may require a different approach to the one currently employed.

Other surveys, though, often conducted among established enterprises, reveal that entrepreneurs do not suffer from a lack of finance (Berry et al, 2002:74). Concurring with Berry et al and drawing from international experience, the Centre for Enterprise Development Research (CDE, 2004:6) concludes that there is a misplaced priority on lack of finance as a major obstacle faced by SMMEs in South Africa.

From the foregoing, there is increasing consensus that finance in the general sense is important for economic development, and specifically it is the missing link when it comes to stimulating small business start-ups (Rogerson, 2007:15), although finance is just one of the components.

2.7.2.3 Forms and sources of start-up capital

In many countries, finance for business start-up takes the form of bank loans. The next largest source of funds is family members. In contrast, equity finance tends to be of relatively minor importance (Basu & Parker, 2001:2).

Earlier studies documented that start-up firms in traditional industries are mainly financed with equity capital, invested by the entrepreneur and friends or relatives, with bank loans and with trade credit (Huyghebaert & Vande Gucht, 2002:4). For these firms, Huyghebaert and Vande Gucht (2002:4) add that venture capital is not typically available at start-up stage. While acknowledging that start-up capital comes from both equity and debt sources, Bates (1996:2) notes that greater equity investments tend to make debt capital more accessible. Given the lack of prior history and reputation, the high failure risk, and the key role played by the entrepreneur, creditors will typically be concerned about adverse selection and moral hazard problems when lending funds at start-up (Huyghebaert & Vande Gucht, 2002:5).

In a South African survey of SMMEs, Chandra (2001:33) notes that sources of capital include private savings, family savings, individual savings, and retained earnings from a previous business. Other sources of start-up capital, including church and community groups, retrenchment packages, and government agencies, play a minor role and finance less than five percent of all firms.

Considering the available choices that entrepreneurs face with regards to the form and source of finance, the logical question one may ask is: which form of finance facilitates small business start-ups the most? Although there is no clear answer to the question, empirical studies have pointed in different directions arguably due to the inherent variations in the financial needs of a business, as well as the personal traits of the entrepreneur (Berry et al, 2002:69). Bates (1996:42) suggests that the high level business start-up typical of Koreans and Chinese immigrants in the USA can be explained by their heavy reliance on equity capital to finance small business creation. According to Nee and Sanders (2001:407), human and financial capital are the forms of capital preferred by elite and middle class immigrants, which is an indication of the class advantages that they enjoyed in their home country. However, Nee and Sanders (2001:407) warn that financial capital may not be as liquid or as movable an asset as human capital when constraints are imposed by the home country on the portability of financial assets.

Financial capital is required for immigrants who enter entrepreneurial careers. In the USA, Nee and Sanders (2001:407) note that immigrants who bring with them substantial amounts of this form of capital enjoy a head start in establishing family businesses. Notwithstanding this, many immigrants accumulate needed start-up capital after their arrival in the USA (Nee & Sanders, 2001:407).

The importance of informal sources of funding suggests that it is worth exploring ways to combine the presumed flexibility and informational advantages of informal networks with the formal sector's ability to mobilise capital (Huck et al, 1999:59). Community development financial institutions and micro-lending pools are examples of institutions that, in some ways, combine the strengths of formal and informal sources of capital. The ethnic differences in the amount of capital used and the sources of capital illustrate the importance of learning more about how formal and informal capital and credit markets work with regard to ethnic networks and neighbourhoods. These results have important implications for ethnic differences in business survival and growth, the decision to become self-employed, and income and wealth accumulation (Huck et al, 1999:59).

Extending Evans and Jovanovic's (1989) model to explain when a business start-up is credit constrained, Astebro and Bendardt (2005:17) argue that greater entrepreneurial ability increases the optimal capital level in the start-up, thus lightening the capital constraint for fixed levels of wealth. However, Astebro and Bendardt (2005:17) show that greater human capital may relax the capital constraint because it increases financial wealth, thus pointing to the endogenous nature of potential liquidity constraints. Astebro and Bendardt (2005:17) established that while a large fraction (40%) of the relationship between an owner's financial

wealth and their business capital at start-up is jointly determined by human capital, there is a significant correlation between the owner's wealth and the firm's capital.

Regarding the relationship between human capital and entrepreneurial ability on the extent of capital constraint, Astebro and Bendarth (2005:18) found that those with human capital have fewer binding capital constraints when starting a new business, which is consistent with Evans and Jovanovic's 1989 model, which found that a small group of individuals with a high entrepreneurial ability had a binding capital constraint.

2.7.2.4 Size of start-up funds

There seems to be a pronounced ethnic difference in the start-up funding used by different ethnic groups (Basu & Altinay, 2002:394; Robb & Fairlie, 2009:852). Huck et al (1999:47) found that black Americans in particular, start their businesses with significantly less capital than their Hispanic counterparts, even after controlling for differences in industry type and various measures of human capital (such as skills, abilities, training, and so on). In a more recent study, Robb and Fairlie (2009:852) also noted that Asian immigrants in the USA started their businesses with substantially greater capital than their white native counterparts. The inherent gap in the total amount of start-up funding may be attributed to the differences in the levels of non-personal resources put up by the owner.

Evidence from other studies indicates that the amount of financial capital available at start-up is important because more capital increases an enterprise's chances of survival (Huck et al, 1999:55; Colombo et al, 2004:18). At the level of the immigrant, Huck et al (1999:55) argue that differences in experience, cultural attitudes toward risk, skills level and willingness to start small businesses account for the differences between groups as far as choosing the start-up funding level.

Nevertheless, mounting evidence suggests that some owners are constrained in the amount of start-up funding that they are able to obtain and are forced to begin their businesses with less capital than the optimal amount of capital (Huck et al, 1999:55).

2.7.3 Family support as business success driver

According to the online dictionary Wikipedia, a family is a group of people affiliated by consanguinity, affinity or co-residence. In line with this definition, a typical African family goes beyond immediate 'blood' relatives and may include second generation cousins, and people

from the same geographical location. From a business perspective, one would suggest that a family adds value to a business based on trust and family values.

2.7.3.1 Family involvement in immigrant entrepreneurial activities

At the centre of immigrant activities has always been the family. The family is often involved in the planning and financing of an immigrant's relocation. In particular, households typically make the decision about emigrating on a collective basis, determining whom to send and where to send them in ways that they calculate will maximise the household's earnings and minimise its risks (Research Perspective on Migration, 1997:1). Once relocated, this support does not stop, as the family plays an important role as far as entrepreneurial activities of the immigrant is concerned. Most important is the role of the family as a source of financial and moral support and as a source of cheap labour.

2.7.3.2 The family as a source of start-up capital

While most recent studies of immigrant adaptation stress the importance of ethnic resources, Nee and Sanders (2001:388) and Basu and Parker (2001:2) argue that only a few of these studies have considered the role of the immigrant's family. According to Basu and Parker (2001:2) one possible reason for the literature's neglect of family finance is the sparseness of reliable data on the issue. Entrepreneurs who succeed in obtaining external funding from banks, and entrepreneurs who invested a greater proportion of their personal savings are less likely to make use of family funding (Basu & Parker, 2001:19).

The family is an important source of capital. According to Nee and Sanders (2001:388), its social capital is embodied in relationships both within the family and external to it, in social relations that include kinship, and ethnic and non-ethnic ties. Social capital is accumulated through social exchange over time, and is reflected in the sentiments of obligation and solidarity. Nee and Sanders (2001: 389) maintain that social capital, like financial capital is an asset that yields profit, whether in business, education or in securing non-economic rewards like social approval and status. As such, especially for immigrants who do not possess substantial financial capital, the family constitutes the most important capital asset (Nee & Sanders, 2001: 388).

The family assists as far as small business start-up finance is concerned by providing debt-free capital as well as debt finance. Through family savings and handouts from family members and sometimes family friends, immigrants can easily start-up small businesses in their country of destination. Finance from this perspective may come from other established

family members in the host country or from other members in diasporas, as well as from family members back at home (Saxenian, 1999:56). As Nee and Sanders (2001: 390) explain, the amount of financial or liquid capital brought to the host country indicates the class of resources that immigrants have at their disposal at the time of entry, and some immigrants periodically receive capital earnings from investments which they continue to hold in their home country, or they have the option of turning non-liquid assets into liquid assets and transferring them to their new country. The family at times provides the security needed to borrow debt finance from formal financial institutions. In the absence of readily available cash at home, the family may resort to mortgaging a house or a piece of land, but only after attempts to secure debt free finance from other family members and RCAs at home have failed. Nee and Sanders (2001:390) conclude that the extent to which such assets can be transferred into liquid cash on demand represents another source of financial capital at the disposal of their holder. Social background affects the availability of investment capital from relatives and the ability to qualify for loans from ethnic lending institutions (Sanders & Nee, 1996:232).

Contrary to other studies, Basu and Parker (2001:20) found no evidence or consistent explanation for variation in the use of family funding as well as loan amounts received in a UK study. However, they noted that having a spouse involved in the new venture increases the family loan share notably, as an entrepreneur has access to two families; on the contrary these authors noted that having children employed in the venture decreases it. Furthermore, Basu and Parker (2001:21) found that none of the required start-up capital, geographical location, training, education, business experience, possession of self-employed relatives in the UK, or an Asian customer-base appears to play any role in explaining participation in family finance or the family loan fraction.

2.7.3.3 The family as a source of labour

Just as the family is an important dynamic in the decision to emigrate, so too is the family a critical source of labour for the immigrant-owned business. It has been noted that immigrants start businesses in sectors where start-up costs are minimal and entry is less restrictive (Kloosterman & Rath, 2001:191; Guzy, 2006:5). Labour has long been recognised as a factor of production, and the cost and quality of labour to a large extent influence not only the quality of the final product or service rendered but also the quality of the outcome. In order to stay competitive from a price perspective (that is by cutting costs), immigrants have tended to use cheap or unpaid family labour. As far as labour is concerned both the quantity and quality, and the cost are crucial for the success of a business. Aldrich and Waldinger

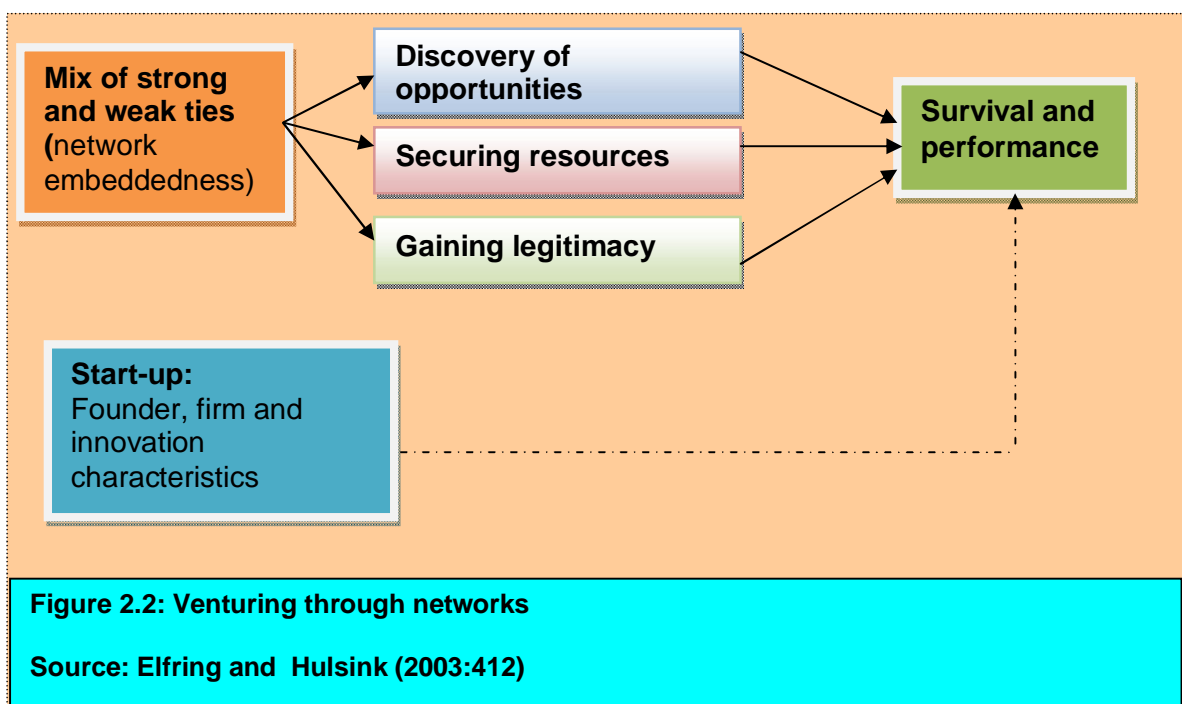
(1990:130) conclude that family and co-ethnic labour are critical to most small ethnic businesses.

2.7.4 The role of social networks, business start-ups and operation

Social networks and most importantly ethnic networks become critical when it comes to setting up a business in a foreign country. The literature on social networks, with regards to business start-up and growth, points to the important role that these networks play in providing the necessary resources for the success of a business. According to Elfring and Hulsink (2003:409) a network is one of the most powerful assets any person may possess, in that it provides access to a wide range of valuable resources. These resources may include information, a niche market, financial capital, human capital and so forth (Elfring & Hulsink, 2003:409). As noted by Portes and Zhou (1996:228), successful entrepreneurs are not isolated individuals and most often assume varying roles, including mentoring and being role models in their communities – roles that may be of critical importance to upcoming entrepreneurs.

In an explorative study of three cases of high technology firms in the Netherlands, Elfring and Hulsink (2003:409) conclude that network ties play a role as far as the entrepreneurial process is concerned, through the following (see Figure 2.2):

- The ability to discover opportunities
- The ability to secure resources
- The ability to gain legitimacy.



From the preceding discussion of social networks and Figure 2.2 above, one may draw that social networking is an important dynamic in the entrepreneurial process in that it assumes varied roles as far as business start-up and operation are concerned. Such roles would include the acquisition of financial capital, human capital, information and so forth.

2.7.4.1 Social networks and social capital

From a general perspective the migration theory addresses the cumulative causation of migration as a result of reduced social, economic and emotional cost of migration associated with the migration network formations (Light et al, 1989:1). In the same vein, Elfring and Hulsink (2003:409) posit that the value of networks as an integral part of the explanation of entrepreneurial success is widely recognised. However, the role that networks or specific components of networks (say ROSCAs for instance) play in explaining start-up rate is still limited. According to Light et al (1989:1), the existing treatment of migration networks often overlooks the role of these networks in expanding the migrant economy at locations of destination – a role that migrant networks perform when they support immigrant entrepreneurship

By developing social or migration networks, Bates (1996:3) and Salaff et al (2002:3) believe that immigrants create social capital which becomes a useful source of start-up finance. According to Fukuyama (2001:7), social capital in the general sense of the word has been given a number of different definitions, many of which refer to manifestations of social capital rather to social capital. In sociology, where the term was initially coined, social capital refers to the advantages and opportunities accruing to people through membership of certain communities. According to Fukuyama (2001:7), social networks breed social capital. Simply put, social capital is an instantiated informal norm that promotes co-operation between two or more individuals. Not just any set of instantiated norms constitutes social capital; such norms must lead to co-operation in groups and therefore are related to traditional virtues like honesty, the keeping of commitments, the reliable performance of duties, reciprocity, and the like.

Although it is sometimes argued that social capital differs from other forms of capital because it leads to bad results like hate groups or inbred bureaucracies, Fukuyama, (2001:8) argues that this does not disqualify it as a form of capital, in that other forms of capital also have their downsides. For instance, physical capital can take the form of assault rifles or tasteless entertainment, while human capital can be used to devise new ways of torturing people.

Fukuyama (2001:8) further argues that since societies have laws to prevent the production of many social evils, one can presume that most legal uses of social capital are no less good than the other forms of capital insofar as they help people achieve their aims. Virtually all forms of traditional culture-social groups like tribes, clans, village associations, religious sects and so forth are based on shared norms and use these norms to achieve co-operative ends (Fukuyama, 2001:8).

According to Fukuyama (2001:9) and Elfring and Hulsink (2003:411), a plausible downside of social networks (and the cultivation of social capital) is that strong in-group moral bonding and solidarity reduces the ability of a group's members to co-operate with outsiders, and often imposes negative externalities on the latter. In a free-market liberal democracy, Fukuyama (2001:9) notes that the economic function of social capital is to reduce the transaction costs associated with formal co-ordination mechanisms like contracts, hierarchies, bureaucratic rules, and the like.

How does one measure social capital? According to Fukuyama (2001:12), one of the greatest weaknesses of the social capital concept is the absence of consensus on how to measure it. It has been suggested that the membership and the degree of trust within a group is a close measure of the group's social capital (Fukuyama, 2001:12). While a social network group may be united around some common interest or passion, Fukuyama (2001:14) cautions that the degree to which individual members are capable of collective action on the basis of mutual trust depends on their relative position within the organisation.

Newly arrived immigrants rely on social capital to reduce the costs involved in settling in a new country (Nee & Sanders, 2001:390). The social networks are in themselves not capital or finance per se, but they facilitate the accumulation of finance for small business start-up as well as growth. The question one may ask is: how then do they fill in the financial gap as far as small business start-ups are concerned?

- Firstly, the trust embodied in social capital is important in business start-ups (Kloosterman, Van der Leeun & Rath 1999:259; Salaff et al, 2002:3).
- Secondly, it is believed that these networks are a source of new ideas and lucrative opportunities (Elfring & Hulsink, 2003:411).
- Thirdly, it is assumed that the trust, solidarity, cohesiveness and the zeal to help each other is translated to social capital and particularly start-up finance (Salaff et al, 2002:3).

It has long been established that social networks influence entrepreneurship drive in that they give access to resources, which are hard to get through formal channels (Bates, 1996:3; Tesfom, 2006). Sander and Nee (2001:391) posit that the opportunity to utilise ethnic-based social capital depends on immigrants' connections within the ethnic community, the size and growth-rate of that community, and the diversity and scale of its institutions.

Members of a social network pull together individual resources such as human capital, physical capital, and financial capital, which are then tapped into by deserving members. Kalnins and Chung (2006:234) have suggested that the creation of a greater stock of social capital is facilitated by certain social structures of which family relations and a common background are the most instrumental. In the same direction Tesfom, (2006) adds that more resources facilitate more start-ups and high performance, which in turn encourages the formation of more networks. According to Salaff, Greve, Wong and Li Ping (2002:4), through these networks individuals generate business linkages that help turn people into entrepreneurs.

It is widely accepted today that poor immigrant groups, with the help of solidarity networks, can enjoy economic success in their host countries by operating small businesses. If appropriate social networks do generate business ownership for foreign immigrants, their applicability to indigenous minorities becomes an issue (Bates, 1996:2).

Salaff et al (2002:5) note that although belonging to a social network can facilitate business start-ups, in most cases ethnic entrepreneurs activate their networks so that they become a social capital. Noting that social network may produce social capital in varying forms and degrees, Nee and Sanders (2001:390) suggest that immigrants also draw on their social capital when they:

- Ask a relative for an affidavit of support
- Initially live with relatives who immigrated earlier
- Use unpaid family labour in a family business
- Use information provided by relatives, friends, or ethnic networks to find work and housing
- Draw on the experiences of others in learning how to deal with public institutions in the host country so that they can obtain a driver's license, receive a telephone service, establish a bank account and begin establishing credit, and pursue any number of other social actions.

The popular stance in the literature on the effect of social networks suggests that the economic upliftment of Asian immigrants residing in the USA is undeniably linked to the structure of their communities (Bates, 1996:5). According to Lee et al (2004), new firm formation is strongly associated with diversity and cultural creativity in general, and share of foreign-born, in particular.

Despite the importance of social networks in harnessing resources for entrepreneurial purposes, recent studies such as that of Tesfom (2006) have found the role of social networks to be limited. To avoid competition among co-ethnic members, entrepreneurs do not share business information especially on how they identified the business opportunity and how they draw resources (Tesfom, 2006). Tesfom (2006) found no evidence to either support the fact that first-generation East African entrepreneurs possess ethnic self-help institutions or have individual ties that provide access to training, credit, capital and information. On the contrary, Tesfom (2006) argues that it is the strong cultural value of a savings tradition, persistency and the desire for income continuity that fuels their entrepreneurial drive.

Sanders and Nee (1996:235) argue that when new immigrants from a particular country have diverse class and regional backgrounds, ethnic institutions established by earlier waves of their compatriots do not have the same capacity to maintain solidarity and enforce trust. It can therefore, be logically induced that the degree to which social networks can help in mobilising social and class resources varies over time and is greatly influenced by the regional backgrounds of the immigrant community.

A relationship that has two or more types of ties is called a multiplex network. These are particularly useful in starting a business, because they bring more people into the cooperative relationship. Those ties that do not help in one context may help in another, for example friends of friends may cooperate in starting a business (Salaff et al, 2002:4). Obligation, expectation and trustworthiness are the key elements that turn social networks into social and financial capital. Using Coleman's (1994:103) analogy, if Mary does something for John and trusts John to reciprocate in the future, this establishes an expectation in Mary and an obligation in John. This obligation can be conceived as a credit slip held by Mary for performance by John. If Mary holds a large number of these credit slips, from a number of persons with whom Mary has relations, then the analogy to financial capital is direct. These credit slips constitute a large pool of credit that Mary can call in if necessary, unless, of course the placement of trust has been unwise and these bad debts will not be repaid.

In most cases, immigrants arrive in their host country with varying amounts of social, financial, and human-cultural capital (Nee & Sanders, 2001:393). Related to human capital, but less easy to quantify or measure, is the effect of cultural factors and the entrepreneurs' background (Gries & Naude, 2008). The mix of these forms of capital forms in part the resource base of ethnic networks. Emphasising the importance of these forms of capital and their influence on social networks and vice versa, Nee and Sanders (2001:393) explain that the route to establishing an ethnic business typically involves family savings and unpaid labour, prior employment in several different types of ethnic shops that serves as an informal apprenticeship (Light et al, 1989:7) and conversation with acquaintances, friends and relatives with respect to raising capital, deciding on a line of business, negotiating the purchase of an existing business, finding a location where a new business can be established, and numerous other aspects of entrepreneurship.

Nee and Sanders (2001:407) make an important observation that, unlike financial and human-cultural capital, social capital is available to all classes of immigrants in that it is a form of capital that is spontaneously produced and reproduced within a family or social network level within the immigrant community.

Light et al (1989:7) conclude that immigrant networks are qualitatively different from one another, a point overlooked by existing network theories. From the point of view of entrepreneurship, Light et al (1989:7) concede that some networks are more productive than others. This qualitative dimension of the immigrant network may affect the network's capacity to reconstruct the economic environment in destination localities, and thus affect the capacity of the network to produce the economic conditions for its own persistence (Light et al, 1989:7).

It has been acknowledged in a number of studies that the basis of the social networks in mobilising resources for the immigrants, lies in the solidarity and trust enforced through such networks (Salaff et al, 2002:3). In some cases, the trust has been substituted for collaterals when borrowing funds for start-up. There are cases where members of an ethnic group who have the bank requisite collaterals have borrowed funds on behalf of other members of the group.

Most religions operate along the lines of a social network. Even within religious congregations, smaller units of social networks are enforced with the main objective of 'being there for each other'. Like the social networks, trust and solidarity are built which may later turn into social capital suitable for small business start-up. From a religious perspective, religious groups within a society are divided in their beliefs and even on how they conduct

business. For instance, a Christian may trust and sympathise more with another Christian than with a Moslem, and vice versa, despite the fact that they both live or do business in the same community. A prominent and strong feature of the Islamic faith is the solidarity that members show to other members regardless of colour, gender, or national origin. As noted earlier, the extent of solidarity and cohesiveness may make it easier for foreign immigrants of the Islamic faith to be able to convert such networks in their host country into social capital than would their Christian counterparts. According to Basu and Altinay (2002:373), religion has an influence on culture in that it determines a person's basic values and beliefs.

An immigrant entrepreneur's ability to contribute to social capital of a group is determined in part by the resources he or she possesses. According to Kaknins and Chung (2006:235), a combination of resource abundance and geographical proximity to those who lack resources will enhance the amount of social capital that a group member can contribute. Kaknins and Chung (2006:235) further emphasise that both opportunity and ability enhance a group member's contribution to, and benefits from, the group's social capital. As such, members of the group that possess more resources are less likely to be helped by others in the group because the others are less likely to possess resources that the higher resourced group members would find valuable. Nonetheless, Kaknins and Chung (2006:244) posit that these highly resourced members are proud and usually willing to assist with the resources needed by their group. Portes (1998:7) argues that the motivation to make resources available to group members is not uniform or consistent.

Kaknins and Chung (2006:246) arrived at the following conclusions:

- Group membership provides critical resources for struggling members, thereby improving the likelihood of the survival of their businesses.
- Some immigrant-owned businesses may contribute to, and benefit differently from, the group's social capital due to differences in their ability and opportunity.
- Greater stock of social capital enables firms to initiate social exchange.
- Firms with fewer resources are unlikely to be able to help their fellow group members even if they have the motivation and opportunity.
- Geographical proximity is important for the opportunity to conduct social exchanges.

Drawing a distinction between financial or economic capital, human capital and social capital, Portes (1998:7) notes that whereas economic capital is in people's accounts and human capital is inside their heads, social capital is inherent in the structure of their relationships. At the individual level, Portes (1998:21) concludes that while social ties or networks can bring about greater control over wayward behavior and provide privileged access to resources; they can also restrict individual freedoms and bar outsiders from gaining access to the same

resources through particularistic preferences. For this reason he adds, it seems preferable to approach these manifold processes as social facts to be studied in all their complexity, rather than as examples of a value.

2.7.4.2 Self-help financial associations and business start-up and operation

According to Bates (1996:1), self-employment is feasible in most lines of small business only if the potential entrepreneur assembles sufficient financial capital to purchase the requisite equipment and supplies to begin operation. The most widespread financial self-help organisations are savings and credit associations. According to Gugerty (2005:2), rotating savings and credit associations (ROSCAs) are among the oldest and most prevalent savings institutions, and as such they play an active role in mobilising savings in many developing economies. ROSCAs are found worldwide and in countries with vastly different levels of economic development.

Economic theories suggest that individuals join ROSCAs to finance the purchase of a durable good, to provide insurance, and to finance a business or a long term project. These core functions of ROSCAs suggest that people join either to enjoy the safety and credit facilities provided by ROSCAs or merely to be forced to save. Gugerty (2005:2) notes that saving requires self-discipline, and ROSCAs instill, encourage and enforce this self-discipline in members which otherwise would be absent. While ROSCAs are often found in economies where formal credit markets are thin or nonexistent, Gugerty (2005:4) concedes that they are also found in more developed areas where individuals have access to formal banking institutions.

Seibel (1985:390) notes that there are four main types of self-help financial associations. Firstly, there is the Rotating Savings Association (RSAs) where each member pays a fixed amount on a fixed day on each contribution day, and one member receives the total amount. A cycle is ended when each member has received the total. For instance, eleven acquaintances might agree to contribute R100 to a fund once each month for eleven months. During that period each member would take the monthly R1 000 pot of contributions. Such an arrangement allows people who find it difficult to raise money to periodically have access to relatively substantial amounts of capital, which is useful for business purposes, consumption, or income smoothing (Biggart, 2001:132; Gugerty, 2005:2).

The second type, known as a Rotating Savings and Credit Association (ROSCAs), functions just as the former, but in addition there is a fund for emergency or insurance allocations and/or for loans to members. Thirdly, there is the Savings Association (SA). Here, members

make regular contributions which are kept by a collector or treasurer or paid into a bank account, and at the end of a specified period each contributor receives his money back. The fourth type of self-help association is the Credit Association (CA) where members make regular contributions to an insurance and loan fund. Seibel (1985:390) points out that interest is usually charged for loans, with differing rates for members and non-members. There is no rotating element in types three and four.

These self-help associations are usually referred to as informal financial institutions because they are part of informal financial markets. According to Siebel (1985:94), financial markets are defined as formal on the one hand if they fall under the control of state credit laws, and on the other hand informal when they operate outside of such control. This notwithstanding, Siebel (1985:94) argues that savings and credit associations are usually formal organisations as defined by most organisational theorists in that they are permanent organisations with a specified structure; they are headed by an elected committee, consisting of a chairperson, secretary, treasurer, and other committee members, they have by-laws and keep books and records. Thus, they are formal organisations within an informal financial market.

In addition to self-help organisations with primary savings and credit functions, there are numerous voluntary associations with secondary savings and credit functions, such as unions of craftsmen, traders, market women, friendly societies, ethnic unions, school associations, improvement associations and so forth. Most of these associations practice saving and crediting along the lines of one of the four types described above (Siebel, 1985:94).

Biggart (2001:134) identifies five common characteristics with self-help associations. At the very onset, Biggart (2001:134) notes that ROSCAs are informal and unregulated financial institutions cannot rely on legal and state control to assure enforcement of payment agreements made by participants. These characteristics include a communally based social order, obligations held are presumed to be collective in nature, social and economic stability, social and economic isolation, and similarity among ROSCA members in social status.

Although ROSCAs are found in many different organised societies, they only exist where the social structure is built on strong communal ties (Biggart, 2001:134). ROSCAs are found in societies organised by kinship networks, clan membership, common identification with a native place, or cohabitation. In communal societies, the group is both a social and financial, and, a powerful socialising and coercive agent. When an actor perceives that that social or economic advancement is defined and controlled by the group, subordination to group practices makes sense as an independent action cannot lead to success (Biggart, 2001:134).

Conversely, ROSCAs are not found in societies where individualism is strong, where people are only weakly tied to each other and where actors believe that financial and occupational mobility can be achieved by personal efforts (Biggart, 2001:140). With regards to the presumed collective obligation that characterises the ROSCA, Biggart (2001:142) notes that this collective obligation is taken so seriously that in many communally-based social orders, families feel an obligation to pay off a family member's failed debt rather than defame the family name. Reputation is an important source of social collateral and all members of a dishonoured family are damaged by the default of any member (Biggart, 2001:140). In communal settings, obligations therefore tend to diffuse and are not limited by contract, either real or implied.

According to Bates (1996:5), RCAs assist members with regards to financing business start-ups. How do the RCAs work? First of all, it is worth noting that the RCA is a form of social network dedicated to raising funds to support each other. Accordingly, it fulfils all the other characteristics of a social network which include solidarity, cohesiveness, and most importantly trustworthiness. Like with any social network, members tend to know each other well prior to its formation and may share a common characteristic such as religion, cultural origin, and so forth. According to Bates, (1996:3), a distinction that should be made between rotating credit associations (RCAs) and equity capital is that while the former provide debt financing, the latter comes almost entirely from family wealth holding. It should be noted that some RCAs may also offer debt finance strictly to members through short term loans, although the loan terms as well as the interest rates are more favourable to members.

Social and economic stability is one of the core characteristic of ROSCAs. Even in settings where ROSCAs are common, not all members are allowed to participate. According to Biggart (2001:143) ROSCA members, often through the agency of an organiser, exclude people who do not demonstrate social and economic stability. Biggart (2001:143) notes that in the close communities in which ROSCAs typically form, participants have rich, direct information both on the economic condition of the actors and on their moral standing. For instance, people who are unemployed, who are careless with money, or who have made questionable choices in the past are often excluded.

Social and geographic isolation is also a noticeable characteristic of ROSCAs. ROSCAs are commonly found in settings of social or geographical isolation. Biggart (2001:144) notes that in some instances, geographic segregation for ethnic and racial reasons serves to coerce responsible financial behaviour. Even in areas where low-income men have access to some form of formal banking, women are often excluded. For instance, in Ghana, women are rarely able to participate in formal banking institutions both because of gender discrimination and

because women are less likely to engage in formal economic activity or cash crop farming (Biggart, 2001:145).

Another characteristic of ROSCAs is the similarity of social status. According to Biggart (2001:143), ROSCAs are seldom formed amongst people of unequal social status because a markedly more powerful member would be difficult to control through the informal means available to other ROSCA members. The presumption, Biggart (2001:143) further elaborates, is that a powerful person would be able to extract funds from other members on promises to 'social lesser' with impunity. However, sometimes a person of high status who is connected to the group (for instance a relatively well-off family member) acts as an informal guarantor in case someone has difficulty making payments. This well-off person would arrange repayment for the cash-short individual so that the ROSCA would proceed uninterrupted.

As informal financial institutions servicing mostly under-privileged communities, Seibel (1985: 94) notes that ROSCAs face financial obstacles especially as they are apparently barred from access to banks, outside credit sources, consultancy services and most other systematic modern inputs, therefore they tend to keep a near stationary economy going rather than rapidly modernising it.

ROSCAs are widely present in Africa and go by various names, including 'tortines' in francophone West Africa, 'esusu' in anglophone West Africa, and 'stokvels' in South Africa. Among Cameroonian women, where access to formal credit institutions is limited, interest rates are high, and economic confidence weak, the 'njangi' is used to pool funds for savings and lending to group members (Biggart, 2001:140). Among the Bamelike men of South-western Cameroon, Biggart, (2001:140) contends that the ROCSA default rate is rare; not only it is frowned upon socially, but normative sanctions are accompanied by fines imposed on delinquent members.

It has been suggested that immigrants entering business have benefited from their participation in RCAs. These associations were usually set up by groups that shared some important common traits, such as former residence in the same village in their homeland. The members of a RCA were likely to be well acquainted, irrespective of their association membership. Capital access constraints on small business formation were overcome by these associations, which were operated by groups of close associates. Each member of a RCA made regular cash contributions, thereby creating a pool of savings that members could borrow for purposes such as small business formation.

2.7.5. Human capital, business start-up and operation

Human resources comprise all the people and the efforts, skills, knowledge and insights that they contribute to the success of a business (Jacobs; 2003:1120). The most frequently mentioned aspects of human resource (capital) that have an impact on entrepreneurship in general and more specifically on the start-up and growth of small businesses include education and prior work experience.

The literature on human capital and how it influences business start-up and operation is inconclusive. On the one hand, successful businesses have been associated with a certain level of formal education attained by the owner. On the other hand, other studies have found no association. In a related study, Merz, and Paic (2006:11) found that prior experience positively influenced the start-up survival of a business. It has been suggested that the level of education of the business owner plays a crucial role in its chances of survival. Joachim and Peter (2006:11) found this position to be true but noted that it varied from one type of business to another.

2.7.5.1 Formal education and business start-up and operation success

Successful entrepreneurship has also been directly linked to education, suggesting that entrepreneurship can be learned. Tertiary education, for instance, can provide valuable additional entrepreneurial capacity (Nieuwenhuizen, 2003:12).

2.7.5.2 Prior work experience

It has been acknowledged that the type of work and the skills gained in the workplace contribute to an individual's entrepreneurial orientation (Nieuwenhuizen, 2003:12). Entrepreneurs often gain experience as employees and then apply the knowledge gained in employment in their own business.

2.8 ENTREPRENEURIAL OPPORTUNITIES, CHALLENGES AND EMERGING STRATEGIES

Entrepreneurs are constantly looking for business opportunities and in the course of which, they encounter and overcome numerous challenges. In order to capitalise on the business opportunities that have been identified, entrepreneurs have to devise strategies that would counter the challenges that accompany the business opportunities.

2.8.1 Entrepreneurial opportunities

Kirzner (1973), as cited in Clydesdale (2008:128), suggests that the existence of opportunity can be linked to either one of the two errors that people make. The first error resulting to failure occurs when people make errors of over-optimism, as in the case in the market where one expects to achieve something that cannot be achieved. The second error, namely that of over-pessimism unlike the first provides opportunities. The latter occurs when people believe something cannot be done when in reality it can be done. In this case, people do not recognise that opportunities exist and are just waiting to be seized. Under this scenario, one would imagine what an immigrant, who arrives in a new market, equipped with different bundles of social and human resources that helps him or her recognise opportunities that others overlooked, would do (Clydesdale, 2008:138).

The popular stance in the literature on ethnic entrepreneurial opportunities emphasises the fact that immigrants capitalise on niches within ethnic enclaves and only incorporate other markets when the business is well established and has fully adapted to the conditions at the host country. In so doing, they mostly provide products and services for the ethnic consumers and, more often than not, most of their goods originate from their countries of origin. However, one may argue that immigrant entrepreneurs do not focus on the ethnic market at start-up but rather 'fish' beyond their ethnic community. In a related study, Oliveira (2003:13) notes that Chinese immigrants in Portugal searched for the host society's opportunities, combining local, regional, European and transnational connections, while drawing on the inner-group's resources.

From a resource mobilisation point of view, Elfring and Hulsink (2003:412) note that the network is an important source of new ideas and lucrative opportunities in that it is a source of information, thus helping the entrepreneur to locate and evaluate opportunities. Clydesdale (2008:138) argues that although immigrant entrepreneurial attributes – developed through individual life experiences elsewhere (in another environment) – are critical for the start-up and operation of businesses, they (attributes) may sometimes not match the conditions in the host environment.

2.8.2 Entrepreneurial challenges

In a study of immigrant groups in Britain, France, the United States, Germany, and the Netherlands, Roger Waldinger identified seven common challenges that immigrant groups face regarding ethnic entrepreneurship (Waldinger et al 1990, in Pinkowski, 2009:45).

These are:

- How to acquire information that they need to establish a business and survive
- How to acquire capital necessary to fund the business
- Where to get the training and acquire the skills necessary to run a small business enterprise
- How to recruit and manage an honest, competent and affordable workforce
- How to manage customer and supplier relationships, especially with different languages or business practice models
- How to survive serious competition in the new environment
- How to protect themselves and co-ethnics from political attacks.

2.8.3 The emerging strategies

When faced with challenges, the 'survival instinct' inherent in almost all immigrants sets to work. The word 'strategy' is derived from the Greek word 'strategos' which means generalship, and when it is used in a military sense it refers to the art or plan that the general used to overpower the enemy, while taking into consideration his power and the situation at hand (Nutt & Backoff, 1992:3-21).

In a business sense, one may logically suggest that a strategy would be a deliberate attempt by an entrepreneur to extend survival as long as possible by staying ahead of his competition while ensuring that the total revenue generated equals or exceeds the total cost. Strategies emerge from the interaction of opportunity structures and group characteristics, as ethnic entrepreneurs adapt to the resources available to them, building on the characteristics of their group (Aldrich & Waldinger, 1990:130). In an ideal situation, Kloosterman and Rath (2001:189) note that the focus of these strategies is on matching the supply side and the demand side. On the demand side, there have to be opportunities and these opportunities should be accessible.

The composition of immigrants, particularly from less developed countries, is different from that of the indigenous population in that the newcomers tend to differ in the bundle of resources (human, social, financial and cultural capital) at their disposal when compared with their indigenous counterparts (Kloosterman & Rath, 2001:191). Agreeing with Kloosterman and Rath (2001:191), Guzy, (2006:5) states that it is the combination of strong dynamics with strong limiting factors for enterprising migrants that makes immigrants concentrate in sectors with low entry barriers in terms of qualifications and capital, such as trade, personal services, construction, catering and the clothing industry. According to Levent et al (2007:3), these immigrants usually set up their businesses where informal production would give them a

competitive advantage and where the networks of ethnic people provide them with an informal way of doing business and exchanging of information. Guzy (2006:5) notes that these less competitive sectors are work intensive, and being able to rely on family and community members is an asset. The enterprise survival rate in these sectors is lower than average, and relying on informal labour can make a difference for business survival. Also, if the barriers to official self-employment are too high, the activity may not be registered at all (Guzy, 2006:5).

From a strategy perspective, the orientation of ethnic enterprises is internal from the beginning, in that they start with a focus on clients from their own ethnic groups, with traditional products, services and communication channels (Levent et al, 2007:3). This internal orientation and mutual trust within the ethnic network provides, on the one hand rotating credit, a protected market and a proper labour force; on the other hand it creates a more-than-average loyalty between the ethnic firm and its clients (Levent et al, 2007:3). Using a business premise as a dwelling place is a common cost saving strategy used by immigrants during the start-up phase of their business. For instance, Kaknins and Chung (2006:235) note the case of the Gujaranti hotel owners in the USA.

In a South African context, Maharaj (2009: 9) notes that in the absence of support from the South African government, migrants – and refugees in particular – depend on support from religious organisations, NGOs and informal networks in times of need.

2.9 CONCLUSION

Empirical studies indicate that small businesses in general and immigrant-owned businesses in particular face a wide range of problems, not limited to finance, limited demand, and so forth. On the contrary, as case studies have also indicated, immigrants possess unique entrepreneurial characteristics that assist them in establishing and running successful businesses in their host countries. For instance, it is argued that they possess a unique ability to mobilise start-up finance, stronger social ties, strong family support and so forth. Although there is a wide coverage of immigrant entrepreneurship, especially in developed countries, much still has to be done as far as developing countries are concerned. From a South African perspective, there is no study so far that focuses on African immigrant-entrepreneurship. There is equally no South African study or model that explores the operation of African immigrant-owned businesses.

In the following chapter, South Africa will be profiled from a host country perspective while highlighting economic, social, and historical factors and how they impact on the start-up and

operation of small businesses in general and immigrant-owned businesses in particular. In this chapter, it will be argued that the geographic position, political, economic, cultural and historical atmosphere in South Africa directly or indirectly influences the immigration dynamics facing South Africa as well as the economic contribution of African immigrants.

CHAPTER THREE

AN OVERVIEW OF THE SOUTH AFRICAN ECONOMY

3.1 INTRODUCTION

South Africa became a major migration destination following the 1994 democratic elections. Since then, there has been an influx of immigrants from all over the world with African immigrants showing a particular interest. In the previous chapter, it was argued that certain factors influence the start-up and operation of successful businesses and more importantly that these factors may originate from an immigrant's country of origin or from the host country. The aim of this chapter is to profile South Africa as a host country from an economic, social, and historical point of view while highlighting how these factors and policies impact on the start-up and operation of small businesses in general and immigrant-owned businesses in particular. In this chapter, it is argued that the geographic position and the political, economic, cultural and historical atmosphere in South Africa directly or indirectly influence the immigration dynamics facing South Africa as well as the economic contribution of African immigrants.

On one hand, particular interest will be directed at highlighting those factors that have an impact on the quantity and quality of the resources required to start and operate a business and on an immigrant's ability to mobilise those resources. On the other hand, those factors that may impact on an immigrant's entrepreneurial characteristics will be examined. In order to achieve these, the following themes will be explored: physical features of South Africa; outlook and contribution of the provinces; language; religion; education; political atmosphere; legislation; unemployment and the economic strength of South Africa; capital and financial markets; an overview of international migration patterns; accounting for the number of immigrants in South Africa; South African immigration laws; small business start-up and operation; business failure rate in South Africa; entrepreneurial activity and; contribution of immigrants to the national economy.

3.2 PHYSICAL FEATURES OF SOUTH AFRICA

The Republic of South Africa forms the southern-most part of the African continent, stretching latitudinally from 22°S to 35°S and longitudinally from 17°E to 33°E. With a total land surface area of 1 221 000 million hectares (Lewis, 2001:6), South Africa is divided into nine provinces and has a population of 48,5 million people (Stats SA, 2007:5). It has common boundaries with Namibia, Botswana and Zimbabwe, while Mozambique and Swaziland lie to its north-east (AfriForum, 2007:2). From a migration point and notwithstanding its porous borders, one may suggest that South Africa is easily accessible from land, air and sea.

For the immigration process to be set in motion, there has to be accessibility which, on the one front, is put under control by legislation and secured borders. On the other front, sheer proximity to a variety of means of entry facilitates the immigration process. Sheer proximity without appropriate pull factors in South African would not put the migration process into motion. So how attractive is South African as a migration destination?

3.3 OUTLOOK AND CONTRIBUTION OF THE PROVINCES

The Western Cape is one of the nine provinces that make up South Africa, and the City of Cape Town, which is the study area, is its capital. According to Statistics South Africa, between 2001 and 2007, South Africa registered a population growth of 8%, indicating an annual increment of 1,5%. During this same period, the Western Cape, which harbours the City of Cape Town, registered an annual increase of 2.9%.

As seen in Table 3.1 below, South Africa has a fairly low urbanisation rate, with only Gauteng Province showing a 100% urbanised population, followed by the Western Cape, the Free State and the Northern Cape provinces, each with an urbanisation rate of 89%, 72%, and 70% respectively. In terms of contributing to the overall GDP (2007) of the nation, the Western Cape, with a population of only 4,2 million, performed significantly well by contributing 14,2%.

If the GDP of an area is all that is required to express the well-being its economy, the Western Cape would be attractive to immigrants.

Table 3.1 Basic statistics of the nine provinces of South Africa

Province	Capital	Main languages	Population in millions	Area (km ²)	% of total GDP
Eastern Cape	Bisho	IsiXhosa 83,8% Afrikaans 9,6% English 3,7%	6,7	169 580	7,59%
Free State	Bloemfontein	Sesotho 62,1% Afrikaans 14,5% IsiXhosa 9,4%	2,715	129 480	6,19%
Gauteng	Johannesburg	IsiZulu 21,5% Afrikaans 16,7% English 13%	7,807	17 010	37,73%
Kwazulu-Natal	Pietermaritzburg and Ulundi	IsiZulu 79,8% English 15,8% Afrikaans 1,6%	8,9	92 100	14,09%
Mpumalanga	Nelspruit	SiSwati 30% IsiZulu 25,4% IsiNdebele 12,5%	3	79 490	8,15%
Northern Cape	Kimberley	Afrikaans 69,3% Setswana 19,9% IsiXhosa 6,3%	0,875	361 830	2,09%
Limpopo	Polokwane	Sepede 52,7% Xitsonga 22,6% Tshivenda 15,5%	5,557	123 910	3,70%
North-West	Mafikeng	Setswana 67,2% Afrikaans 7,5% IsiXhosa 5,4%	3,62	116 320	5,56%
Western Cape	Cape Town	Afrikaans 59,2% English 20,3% IsiXhosa 19,1%	4,2	129 370	14,21%

Source: AfriForum (2007:2)

3.3.1 The City of Cape Town

Mindful of the fact that the City of Cape Town is the study area, it would be important to examine how it relates to the Western Cape in particular and the country as a whole. A detailed discussion of the City of Cape Town may provide sufficient reasons not generalise the findings of this study.

As part of the post-1994 reforms, the Cape Town municipal government experienced a complete overhaul which resulted, in 1996, of the restructuring of Cape Town into six municipalities: Cape Town/central, Tygerberg, South Peninsula, Blaauwberg, Oostenberg and Helderberg (www.wikipedia.org, 2010). In 2000, these municipalities were again merged to form the City of Cape Town as a single metropolitan municipality governing the whole metropolitan area. It is for this reason that the City of Cape Town is sometimes called 'Unicity' (www.wikipedia.org, 2010).

The City of Cape Town Municipality's main centres are Cape Town, Bellville, Khayelitsha, and Mitchell's Plain. Cape Town currently has a population 3.3 million people living on 2 499 square kilometres of land (Western Cape Business, 2009:18). Economically, the city has seen the gross geographic product (GGP) increase by 4% annually in the past decade. Regional gross domestic product (GDP) growth peaked in 2004 and 2005 at 6%, and came down to 5% in 2006 (Western Cape Business, 2009:19). Cape Town provides around 82% of the GGP of the province and approximately 12% of the GDP of South Africa (Western Cape Business, 2009:19). It is worth noting that although more than 90% of the city's businesses are small, they nonetheless contribute half of total economic output and provide 40% of formal employment (Western Cape Business, 2009:19).

Table 3.2 South African provinces and their GRP

Province	Capital	Population	Area	GRP	Per capita
Eastern Cape	Bhisho	6,9 million	169 580 km ²	R122 billion	R17 699
Free State	Bloemfontein	2,9 million	129 480 km ²	R84 billion	R28 413
Gauteng	Johannesburg	10,5 million	17 010 km ²	R519 billion	R54 486
Kwazulu-Natal	Pietermaritzburg	10,2 million	92 100 km ²	R251,9 billion	R24 696
Limpopo	Polokwane	5,4 million	123 910 km ²	R103,6 billion	R19 327
Mpumalanga	Nelspruit	3,5 million	79 490 km ²	R102,3 billion	R29 184
North West	Mafikeng	3,3 million	116 320 km ²	R97,6 billion	R28 933
Northern Cape	Kimberley	1,1 million	361 830 km ²	R33,3 billion	R30 498
Western Cape	Cape Town	4,8 million	129 386 km²	R253,8 million	R47 577

Source: Western Cape Business (2009:21)

In terms of the capita income of the provinces and their major towns, as indicated in Table 3.2 above, Cape Town ranks second only to Johannesburg with a per capital income of R47 577.

3.3.2 Population

Migration patterns influence and affect population dynamics in several ways. Immigration can help address some demographic challenges, including a declining or aging population, low birth rate, and emigration. Table 3.3 ranks the major municipalities in South Africa in

terms of population and ethnic composition. From the table, in terms of population, it can be seen that the City of Cape Town ranks third with a population of 2 893 251, following the Johannesburg and Durban municipalities with 3 225 812 and 3 090 117 respectively. In terms of population growth, the City of Cape Town registered a growth rate of 12,3% between 1996 and 2001, making it the third fastest growing municipality in the country.

Table 3.3 The ten most populous cities /municipalities in the country

Rank	Municipality	Population 2001	Population 1996	% change from 1996- to 2001	Largest ethnic group (including neighbouring townships)	Largest ethnic minorities
1	Johannesburg, Gauteng	3 225 812	2 639 110	22%	Black	White
2	Durban, Kwazulu-Natal	3 090 117	2 751 193	12,3%	Black	Asian, Indian, White
3	Cape Town, Western Cape	2 893 251	2 563 612	12.9%	Coloured	Black, White
4	East Rand, Gauteng	2 480 282	2 02 807	22,4%	Black	White
5	Pretoria, Gauteng	1 985 984	1 682 701	18,0%	Black	White
6	Port Elizabeth, Eastern Cape	1 005 984	969 771	3,7%	Black	Coloured, White
7	East London, Eastern Cape	701 881	682 287	Black	White	Coloured
8	Vereeniging, Gauteng	658 422	597 948	10%	Black	White
9	Bloemfontein, Free State	645 441	603 704	6,9%	Black	White
10	Thohoyandou, Limpopo	584 469	537 454	8,7%	Black	White

Source: Wikipedia (2005)

It is evident from Table 3.3 above that the actual cities have white majorities, however their neighbouring townships (designated places for non-whites during apartheid) have non-white majorities, but are still included inside city municipalities even although some might be as far

as 50 km from the city. From an immigrant perspective, Table 3.4 below highlights the citizenship of the population of the various municipalities that make up the Western Cape Province.

Table 3.4 Citizenship of the population of the district municipalities, Western Cape and South Africa (percentage)

District municipality	Outside SA (N)	SADC Countries (%)	Rest of Africa (%)	Europe (%)	Asia (%)	North America (%)	Central and South America (%)	Australia and New Zealand (%)
City of Cape Town	33 930	22,9	11,0	52,1	6,3	3,4	2,8	1,4
West Coast	760	40,1	8,6	40,8	3,2	2,2	4,2	0,9
Boland	2 934	33,9	8,6	46,1	4,0	3,7	2,9	0,8
Overberg	1 214	16,8	7,7	65,3	2,1	3,1	3,1	1,7
Eden	2 872	16,0	5,0	63,7	2,6	7,2	4,1	2,3
Central Karoo	172	45,3	11,0	34,3	1,7	2,3	1,7	3,5
Western Cape	41 886	23,4	10,3	52,5	5,6	3,7	3,0	1,5
South Africa	463 003	69,2	5,4	19,2	3,5	1,3	1,0	0,5

Source: Statistics South Africa (2006:17)

From Table 3.4 above, showing the citizenship of the populations of the district municipalities of the Western Cape and South African, it can be drawn that:

- In October 2001, 463 003 people had citizenship of countries other than South Africa. Of these people, 69% were citizens of SADC countries, 5,4% were from the rest of Africa, 19,2% were from Europe and 6, 3% were from other countries.
- In the Western Cape, the majority of foreigners were European citizens.

3.3.3 Internal migration

The extent of internal migration within national and provincial jurisdiction may attest to the push-pull factors of migration as emphasised in the literature. Of the 130 902 people who migrated within the Western Cape, more than seven out of ten moved to the City of Cape Town (91 885), followed by more than one in 10 (14 988) to the Boland and less than one in thirteen (9 593) to Eden (Statistics South Africa, 2006:27).

Table 3.5 Migration within the Western Cape by district municipality and year moved, 1996-2001

District Municipality	1996	1997	1998	1999	2000	2001	Total
<i>City of Cape Town</i>	<i>11 162</i>	<i>39 474</i>	<i>54 837</i>	<i>76 889</i>	<i>83 828</i>	<i>91 885</i>	<i>358 076</i>
West Coast	1 112	3 477	6 754	5 949	5 655	8 174	3 1121
Boland	1 949	6 358	9 050	14 156	12 286	14 988	58 787
Overberg	663	2 454	3 628	4 075	3 991	4 455	19 266
Eden	1 177	4 241	5 787	8 353	8 142	9 593	37 293
Central Karoo	172	957	1 350	1 013	1 128	1 807	6 426
Western Cape	16 235	56 961	81 405	110 436	115 031	130 902	510 969

Source: Statistics South Africa (2006:27)

Table 3.5 above indicates that whilst the migration pattern in general has been characterised by consistent growth in numbers over the years, it can be noticed that the City of Cape Town has attracted more people than the other municipalities over the same period.

3.4 LANGUAGE

Even though one may argue that the language spoken in the country of destination does not play a direct role in the decision to migrate, it nonetheless influences the migration process in that it facilitates the adaptation process. From a language perspective, the process of adaptation is much simpler in cases where the major language spoken in the country of destination is a close match to that spoken in the country of origin. According to the national census of October 1996, the five most commonly spoken home languages in South Africa are IsiZulu (22,9%), IsiXhosa (17,9%), Afrikaans (14,4%), Sepedi (9,2%) and English (8,6%). The Constitution recognises eleven languages as official languages at the national level,

namely the five above, as well as IsiNdebele, Sesotho, SiSwati, Xitsonga, Tshivenda and Setswana (AfriForum, 2007:2). English and Afrikaans are the most commonly used languages in official circles and the business world. Immigrants should have a good knowledge of at least one of the two in order to cope with life in South Africa (AfriForum, 2007:2).

At the level of cities, and from a language point of view, one may suggest that those cities – where one of the core languages spoken is also widely spoken internationally (as in the case English noted in the foregoing paragraph) – are more likely to be the logical destination for immigrants, holding the economic strength of the city and other things constant. In the case of South Africa, these cities would include Cape Town, Pietermaritzburg and Johannesburg. Within the Western Cape and particularly the City of Cape Town, the most widely spoken language is Afrikaans, followed by English, Isixhosa and others respectively (see Table 3.6 below).

Table 3.6 Home language of the population in district municipalities, Western Cape and South Africa (percentage)

District municipality	Afrikaans	English	IsiXhosa	Other Languages	Total
City of Cape Town	41,4	27,9	28,7	1,9	100,0
West Coast	89,1	2,3	7,4	1,1	100,0
Boland	78,8	3,2	16,7	1,4	100,0
Overberg	76,5	5,3	16,0	2,2	100,0
Eden	75,6	6,2	17,3	0,9	100,0
Central Karoo	89,3	1,1	9,1	0,5	100,0
Western Cape	56,3	19,3	23,7	1,7	100,0
South Africa	13,3	8,2	17,6	60,8	100,0

Source: Statistics South Africa (2006:14)

3.5 RELIGION

Religious tolerance or intolerance may be an important incentive for migration in that while the former may encourage immigration, the latter may deter immigration. Religion influences migration in that while religious intolerance breeds hatred, religious tolerance encourages coexistence. One may suggest that the core aspect of religious tolerance that promotes immigration is the very principle on which religious beliefs are founded.

From a religious standpoint, South Africa tolerates every religion. As a matter of fact, more than 75% of South African's population belongs to Christian churches (Statistics South Africa, 2006:16; AfriForum, 2007:3). Some of the other significant religious groups are the Hindus, Muslims and Jews. A sizable minority of South Africa's population has no religious affiliation. It can be cautiously said that most South Africans are religiously oriented, and that religious beliefs play an important role in public affairs. According to AfriForum (2007:3), the official policy is one of non-interference in religious practices and freedom of worship is guaranteed by the Constitution. Most church denominations have direct or indirect representation in South Africa, which is a plus for immigrants. As noted in the literature review in Chapter two, religious groups are noted for not only assisting immigrants to settle 'new lands', but they also assist immigrants in establishing business concerns as well. As noted in Table 3.7, the religious statistics for the Western Cape and its municipalities are on par with the national level.

Table 3.7 Religious affiliations of the population of the district municipalities, Western Cape and South Africa, 2001 (percentage)

District municipality	Christian	Hinduism	Islam	Other beliefs	No religion	Un-determined	Total
City of Cape Town	76,5	0,2	9,7	1,1	10,7	1,7	100,0
DC1: West Coast	92,4	0,0	0,5	0,3	5,4	1,3	100,0
DC2: Boland	91,4	0,0	1,3	0,4	5,7	1,1	100,0
DC3: Overberg	88,8	0,0	0,3	0,4	8,4	2,1	100,0
DC4: Eden	91,4	0,0	0,2	0,6	6,4	1,3	100,0
DC5: Central	95,4	0,0	0,1	0,3	3,2	0,9	100,0
Western Cape	81,9	0,2	6,5	0,9	9,0	1,6	100,0
South Africa	79,8	1,7	1,5	0,6	15,1	1,4	100,0

Source: Statistics South Africa (2006:16)

Table 3.7 above examines the religious affiliations in the different groups in the Western Cape. The table illustrates the following points:

- In the Western Cape; 81,9 % of the population profess to be Christian. The next largest religious group is the Muslims, with 6,5% of the population.
- Christianity is the largest religious group amongst all district councils and in South Africa. Generally, less than 11,0% of the population in the district municipalities of the Western Cape had no religion, in contrast to 15,1% nationally.

3.6 EDUCATION

Using the GEM 2003 data, Wood and Von Broembsen (2005:37) analysed the effect of education attainment on entrepreneurship as they compared South Africa to Argentina, Brazil, Chile, China and Uganda. Specifically, they looked at they examined the role of education in opportunity and necessity driven entrepreneurial activities in the aforementioned countries.

Table 3.8 Necessity and opportunity motivated entrepreneurial activity among young adults by education attainment for all developing countries

	Not completed secondary school	Completed secondary school	Tertiary
Probability of opportunity entrepreneurship (%)	5,8	7,5	12,6
Probability of necessity entrepreneurship (%)	6,1	3,8	3,5
Sum of opportunity and necessity entrepreneurship (%)	11,9	11,3	16,1
Ratio of opportunity to necessity entrepreneurship	0,95	1,97	3,60

Source: Wood and Von Broembsen (2005:37)

From Table 3.8 above, it is apparent that the level of educational attainment plays an important role in the probability of both necessity and opportunity driven entrepreneurship. However, Wood and Von Broembsen (2005:38) contend that the effect of the level of educational attainment works in the opposite direction in each of the categories. Notably, the probability of an individual being involved in opportunity entrepreneurship rises significantly with increasing educational attainment and the contrary is true for necessity entrepreneurship.

Comparing South Africa to other developing countries, Wood and Von Broembsen (2005:37), found that among the young adults who have completed secondary schooling, the proportion involved in new firm activity is only 1%, whereas in other developing countries it is at least three times higher.

Table 3.9 Opportunity motivated new firm activity rates among adults by highest educational attainment

	Not completed secondary school (%)	Completed secondary school (%)	Tertiary education (%)
South Africa	0,1	1,0	4,3
Argentina	2,3	6,6*	7,9
Brazil	4,0*	5,2*	6,3
Chile	4,0*	3,4	6,5
China	2,5*	4,7*	5,1
Uganda	7,4*	12*	12,0

*Indicates that the figure is significantly larger by comparison with that for South Africa at the 5% level of significance.

Source: Wood and Von Broembsen (2005:38)

Elaborating on Table 3.9 above, Wood and Von Broembsen (2005:38) assert that young South Africans with tertiary education are less likely to own and manage a new firm than their peers in other developing countries. However, those differences are relatively small compared to the differences in other educational categories. As noted from the table, Wood and Von Broembsen (2005:38) further claim that the proportion of young adults with tertiary education who own and manage a new firm is slightly less – by 19% – in South Africa than in China. The proportions for Chile and Brazil are about 50% higher than for South Africa.

From Wood and Von Broembsen's (2005:38) foregoing results, it can be drawn that, by the standards of other developing countries, the tertiary education system in South Africa prepares young adults relatively well with the knowledge and skills required to start a business. On the contrary, the same results claim that the schooling system in South Africa does not prepare students adequately to be able to sustain an opportunity driven new venture. For other developing countries, Wood and Von Broembsen (2005:38) conclude that the probability of secondary school leavers owning and managing a new firm is almost as high as those with post-secondary education.

Notwithstanding the low educational attainment characterising the entrepreneurial community in South African, the country boasts of the best universities and technical institutes in Africa. For some immigrants, because of the cost and the high standards of these institutions – which compare with some of the best outside the African continent – South Africa becomes the logical destination for those interested in pursuing their education.

3.7 THE POLITICAL ENVIRONMENT

The political atmosphere prevailing in a given area directly or indirectly influences migration in general, as well as influencing the external environment confronting businesses. Political unrest foils emigration and provides an unstable environment for business. South Africa is an example of an African country that enjoys political stability. Economic prosperity is assumed to accompany political stability. The political stability that South Africa enjoys is founded on a solid constitution, which has been acknowledged as one of the most progressive constitutions in the world (Frye, 2006:3; Seekings, 2007:2). Compared to the rest of the African countries and some other developed as well as developing countries, South Africa commands respect when it comes to upholding human right laws. Maharaj (2009:3) contends that in keeping with progressive international trends, the new post-apartheid South Africa is a rights-based democracy. The political stability in South Africa, one may argue, has positively influenced the influx of immigrants in general and African immigrants in particular, specifically those fleeing from political unrest.

3.8 THE LEGISLATIVE ENVIRONMENT

When transformed into law and regulation, legislation becomes an important tool that can promote or retard businesses in general and immigrant-owned businesses in particular. As noted by Kloosterman and Rath (2001: 189), national institutions, laws, rules, and regulations are important in determining what is marketable and what is not or provided in many ways than market allocation. The legislative process is one that is closely tied to politics, and one would suggest that the effect of the laws enacted would vary from time to time, depending on the policy being pursued or the desired outcome.

Generally, South African is presumed to have one of the best constitutions in the world. Against the background and objectives of this study, only those aspects of the South Africa legal framework that impact on start-up and operation of SMMEs in general and immigrant-owned businesses in particular will be reviewed in this section. According to Rankin (2006:74), government regulations, although well intended, sometimes can and do have unintended consequences and costs for firms.

Government regulation can impact on the start-up and growth of SMMEs in general and immigrant-owned businesses in particular through labour, investment, and employment regulations. In South Africa, the most commonly mentioned regulatory-related constraints to investment are labour regulations. Examining the relationship between government regulation and investment, Rankin (2006:69) found no relationship between labour and

investment. However, he noted that labour regulations are the most common reason given for the decline in unskilled employment among firms with less than fifty employees.

Labour regulations affect firms differently, with the firm's size and sector being key determinants. Rankin (2006:70) observes that firms which find the labour regulations onerous are typical smaller firms (and most probably immigrant-owned businesses) which experience lower growth in employment. According to Rankin (2006:72), exporting firms and those with a higher proportion of unskilled workers are more likely to mention labour regulations as a constraint than other types of firms. The parts of the regulations that firms find most onerous are those that relate to firing procedures. The next most onerous parts are those related to hiring. This suggests that part of the reason why firms dislike the regulations is the time and administrative burden that they impose and the high cost associated with hiring and firing. Only nine percent of firms felt that the labour regulations lead to an improvement in labour productivity (Rankin; 2006:70).

Examining government regulations associated with the licences and permits required to start, expand or continue business operations in South Africa, Rankin (2006:70) found that it takes a typical firm a shorter time to obtain a construction, import or operating licence than to get a telephone, electricity, or water connection. Generally, firms felt that the time costs were more onerous than the monetary costs, suggesting that simplification of licencing procedures would be beneficial to firms (Rankin; 2006:70). The results of this study suggest that where the firms cannot comply with the regulations, either because they are costly or the benefits are small, an incentive exit for avoidance may be reflected in the following behaviours (Rankin; 2006:72):

- The disincentive effect on firm growth, in general, and the use of the factor affected by the regulation in particular.
- The substitution of the factor made more costly by regulation.
- The avoidance of the regulation, through, for example, the under-reporting of revenue or size, payment of bribes to regulators or inspectors, or failure to register the company.
- The reduction in efficiency if regulation imposes costs and fewer benefits. If these costs fall disproportionately on certain firms, such as smaller firms or exporting firms then these firms will be disadvantaged when competing against firms which bear a smaller regulatory burden.

3.9 EMPLOYMENT, UNEMPLOYMENT AND THE LABOUR MARKET

Employment, unemployment and the labour market influence immigration patterns in that, when combined, they determine the push-pull factors associated with migration. While on the

one hand, the lure of employment opportunities encourages immigration, on the other hand unemployment promotes emigration and self-employment. The labour market conditions influence the overall extent to which an individual or firm can economically participate in an economy.

3.9.1 Employment, unemployment

According to Lloyd (2002:3,) South Africa is a country with a relatively young population; 47,4% of the population is younger than nineteen years of age and if nothing is done in years to come, the South African economy will not be able to provide employment in the formal sector for its citizens. Many would agree that Lloyd's views, as expressed a couple of years ago, are fast becoming a reality today. Notwithstanding economic growth, the South African labour market is characterised by high unemployment as a result of negligible job creation (Lewis, 2001:11). In South Africa, unemployment continues to rise unabated. As of March 2003, the South African economy provided only 11.56 million jobs for the 16.81 million economically active people, resulting in 5.25 million being unemployed, or an official unemployment rate of 31,2%, which is substantially higher than the 19,3% unemployment rate in 1996 (UNDP, 2003:10).

By international standards, South Africa has one of the highest unemployment levels in the world (see Table 3.10 below). The unemployment rate in South Africa, when compared to that of the USA, UK and Japan, is approximately five-fold.

Table 3.10 International comparison of unemployment rates (%) 2000–2002

Country	2000	2001	2002
USA	4,0%	4,7%	5,8%
UK	5,4%	5,0%	5,1%
Japan	4,7%	5,0%	5,4%
South Africa (official)	25,8%	29,5%	30,5%
South Africa (expanded)	35,9%	41,5%	41,8%

Source: BER (2003:16) and UNDP (2003:10)

The overall unemployment level stands at about 36%, varying from near zero for highly skilled groups to over 50% for unskilled and semi-skilled workers (Lewis, 2001:11; see Table 3.11 below). From the table, it can be noted that the employment crisis in South Africa has been steadily increasing, from 25,8% in 2000 to 30,5% in 2002.

The growing unemployment in South Africa as shown in Table 3.11 seems to vary among the various skill levels. It can be noted that the unemployment rate varies from 0,0% for highly skilled labour, 16,2% for skilled labour, to 50,1% for semi-skilled and unskilled labour.

Table 3.11 Employment and unemployment by labour skills category, 2000

Category	Labour supply (thousands)	Employment (thousands)	Unemployment (thousands)	Unemployment rate (%)
Highly skilled labour	1 350	1 350	0	0.0%
Skilled labour	3 495	2 928	567	16.2%
Semi-skilled and unskilled labour	7 359	3 669	3 690	50.1%
Informal labour	2 547	1 494	1 053	41.3%
Total	14 751	9 441	5 310	36.0%

Source: Lewis (2001:12)

Formal sector employment declined steadily throughout the 1990s, and the growth in formal employment has been insufficient to absorb the rapidly growing labour supply. Table 3.12 below draws the distinction between informal employment, formal employment and the workforce. It further confirms the rate at which formal sector employment decreased from 1996 to 2000 at both national and provincial levels.

The effects of the South African labour market's rigidity can be clearly seen when one looks at it along racial lines. According to Mubangizi and Mubangizi (2005:278), labour market policies were tailored to protect the whites and ensure little or no competition from the other race groups. As a result of the restrictive policies of the past, Mubangizi and Mubangizi (2005:278) suggest that many black South Africans were prevented from moving upward within the labour market, leading to a highly skewed income distribution, which was in turn reinforced by an unequal distribution of skills and training.

From the viewpoint of an immigrant, the high unemployment rate mentioned above means three things:

- There are far fewer jobs available for citizens, let alone foreign nationals.
- Only highly skilled immigrants can get a job.
- The most feasible option for an immigrant is self-employment.

Considering the high unemployment and discriminatory market conditions as mentioned in the foregoing paragraphs, the unanswered question relates to the continuous influx of immigrants into South Africa.

3.10 THE ECONOMIC POSITION OF SOUTH AFRICA ON THE AFRICAN CONTINENT

Despite the high unemployment noted in the preceding section, South Africa continues to attract immigrants, particularly from the African continent. In accordance with the push-pull factor theory that explains why people migrate from one country to another, immigrants to South Africa are believed to be enticed by South Africa's economic strength. According to Crush and Williams (2001:1), Africa is in chaos and South Africa represents a haven of freedom, peace and prosperity for the continent's destitute masses.

Despite the numerous problems that the majority of black South Africans face, Maharaj, (2004:1) contends that the country is perceived as the land of increased economic opportunities and hope, especially since the 1994 elections. In fact, it is generally acknowledged that South Africa is one of the richest and most important countries on the African continent (Lewis, 2001:6; Mubangizi & Mubangizi, 2005:277). In addition to these perceptions, Maharaj (2004:1) observes that the structure, character and state of the South African economy, in comparison to other African countries, has been the driving force behind most illegal migrations. Hence, as long as widespread poverty and high levels of inequality prevail on the continent, South Africa will continue to attract migrants (Maharaj, 2004:2).

3.11 CAPITAL, INVESTMENT AND FINANCIAL MARKETS

As noted in the literature review, capital and the financial markets are vital dynamics associated with the establishment and operation of any business. Capital in all its dimensions is vital for any business and an economy that provides these in vast quantities facilitates the establishment and growth of businesses in general and small ones in particular. People who do not possess capital in sufficient quantities tend to borrow from the financial markets.

On the downside, low labour utilisation in South Africa is not the only distinctive factor for market failure – saving levels are generally low. According to Lewis (2001:15), domestic savings in particular are low by international standards and have declined fairly steadily over the last two decades, ranging from an average of 22% of GDP during the 1980s to only 14% in 1998. In 2006, the country's gross domestic savings rate declined to 13 per cent, from 26.7 per cent in the early 1980s (Dovi, 2008:12). Much of the decline was due to falling government savings.

On the upside, the South African financial system is highly developed and well managed, even by first world standards. Most financial institutions are privately owned and run. South African regulatory authorities are comprehensive and widely respected, the national payment system is modern, the court system is conducive to timely and unbiased settlements of disputes, and foreign banks are permitted to enter and operate with relative ease (Lewis, 2001:17). The financial products and services are in line with other emerging markets. The stock market is the thirteenth largest in the world, and the bond market offers first world size and liquidity (Lewis, 2001:23).

Despite its strengths, and having been overhauled since the 1990s to meet the challenges of globalisation as well as to address some of the problems inherited from the apartheid regime, efforts to enhance the contribution of the financial sector to growth and poverty reduction have been only partially successful (Lewis, 2001:18). Furthermore, Lewis, (2001:18) notes that although the banking system has been quite sophisticated in dealing with the requirements of large businesses, it has been ineffective in providing financial services to micro, small and medium enterprises and poor households (see Table 4.13 below). There has been a limited expansion of deposit facilities to low income groups, but efforts to develop wholesale retail networks to provide loans to small businesses have been ineffective (Lewis, 2001:18; Claessens, 2005:35).

Table 3.13 Share of households with access to a bank account or using financial services

Country	Date of survey	% of households that saved in the last 12 months	% of households that used formal financial institutions to save	% of households that used informal financial institutions to save	% of household that borrowed money in the past 12 months	% of household that used formal financial institutions to borrow	% of household that used informal finance to borrow
China	1995-97	82,47	41,93	13,34	28,08	5,21	24,85
Jamaica	1997	68,12	59,41	17,82	10,54	1,88	5,89
Cote d'Ivoire	1998	88,13	24,81	n/a	23,8	3,19	21,06
Namibia	2003	n/a	28,40	0,86	n/a	5,31	15,19
South Africa	1993	n/a	n/a	n/a	44,78	4,94	42,58

Source: Adapted from Claessens (2005:35)

According to Table 3.13 above, when compared to countries such as China, Jamaica, Cote D'Ivoire, the percentage of households in South Africa that used informal finance to borrow is 42.58%. This figure is high when compared with 24.85%, 5.89%, 21.06% and 15.19% for China, Jamaica, Cote D' Ivore and Namibia respectively.

Judging from the above statistics (Table 3.14) one may suggest that it would be much harder for immigrants to obtain formal finance. However, the literature review suggests that immigrants have traditionally used informal financial sources to establish and grow their businesses. Under these circumstances, these immigrants may be indifferent to the financial situation although access to formal sources may foster the growth of their businesses. With people constantly on the move, a review of migration patterns from an international perspective would shed further light on how the world's population has moved in the past years.

3.12 AN OVERVIEW OF IMMIGRATION PATTERNS: AN INTERNATIONAL EXPERIENCE AND PERSPECTIVE

A review of migration patterns suggests that migration is an international phenomenon, with some regions sending more than they are receiving. Over twenty-five million legal immigrants have migrated to the USA since the passage of the landmark Immigration Act of 1965, and immigrants now constitute nearly ten percent of the American population, according to the 2000 decennial census (Nee & Sanders, 2001:386).

A 2006 UN report (www.wikipedia.org, 2010) notes that three percent of the world's population (191 million) lived in a country other than the one in which they were born in 2005, with one third having moved from a developing country to one that is developed, one third moving from one developing nation to another, and another third originating in the developed world.

A greater share of the workers moving to developed countries are college educated, and without migration the size of the labour force in the developed world will begin to shrink drastically as from 2010, according to the UN Department of Economic and Social Affairs (UNDESA). The same UN compilation of migration statistics from 228 countries indicates that the United States leads the world as a host country, with 38 million migrants in 2005, constituting almost thirteen percent of its population (www.wikipedia.org, 2010). However, the share of the population who are migrants is larger still in Australia (19.6 percent in 2005) and Canada (18.9 percent in 2005).

Stratifying the world's population into regions, Wikipedia (2010) maintains that Europe's migrant population of 64 million in 2005 is almost fifty percent greater than the 45 million in Northern America. Western Asia, with its oil producing nations, also hosts a considerable share of the world's migrants, totaling 22 million in 2005. In Western Europe, many countries from which migrants departed in large numbers in the past century are now major destinations, especially Italy, Ireland, Portugal and Spain. A similar pattern, where countries start by being the origin of large numbers of emigrants and then the transition to a lower emigration of citizens and increasing inflows of foreigners has also occurred in some countries of Eastern and South-Eastern Asia (Wikipedia, 2010).

Wikipedia (2010) further notes that Asian nations that are following the Japanese lead as important countries of destination in recent years include China, Hong Kong SAR, Malaysia, the Republic of Korea, and Thailand. In the meantime, Bangladesh, India, Indonesia, the Philippines, Pakistan, Sri Lanka and Vietnam remain important origins for international migrants, both moving within Asia and overseas. According to wikipedia.org (2010), China is both a major source of migrants and a destination for students and persons with skills. On a smaller scale, Thailand is important both as a host country and as of the origin of migrant workers.

The Organisation for Economic Cooperation and Development (OECD) notes that Eastern European countries have replaced countries in North Africa as major sources of migrants to Western Europe. They also indicate that towards the end of the twentieth century, China

replaced Mexico as the major source of migrants to the thirty economically advanced OECD countries, primarily those outside of Europe (www.wikipedia.org, 2010). Despite tensions in many receiving countries, it has been noted (www.wikipedia.org, 2010) that more than fifty percent of governments surveyed by the UN in 2005 expressed an intention to maintain incoming migrant flows at roughly the same level. Just about twenty percent had as objective the reduction of incoming flows, but that share was down from forty percent in 1996. Six percent of governments favoured higher levels of immigration in 2005.

Table 3.14 Immigration statistics for selected countries

Rank	State	Number of immigrants	% of total number of immigrants in the world	Immigrants as % of national population	Notes
1	USA	38 355 000	20,56	12,81	
3	Germany	10 144 000	5,437	12,31	
5	France	6 471 000	3,468	10,18	
7	Canada	6 200 000	3,272	18,76	
9	UK	5 408 000	2,898	8,982	
11	Australia	4 097 000	2,196	19,93	
18	Cote d'Ivoire	2 371 000	1,271	13,06	
23	Ghana	1 669 000	0,8945	7,548	
34	South Africa	1 106 000	0,5928	2,332	The real figure may be much higher

Source: www.wikipedia.org. (2010)

Table 3.14 above ranks South Africa 34th in the world as a favoured country of destination, as reflected by the number of immigrants. The table suggests that as of 2005, there were 1 106 000 immigrants in South Africa, constituting 2.3% of the population. In recent years there have been varying reports of the number of immigrants in South Africa, and it is not clear how many immigrants are of African origin (from other African states).

3.13 TAKING STOCK OF SOUTH AFRICA'S IMMIGRANT POPULATION

Moving from an overview of the world's migratory patterns, the following section will shed some light on how many of these immigrants end up in South Africa. According to Crush and Williams (2001:1), it is widely believed, in many circles in South Africa, that the number of

non-citizens in the country has escalated since 1990. Although it is generally acknowledged that the number of immigrants has grown considerably, statistics seem to be unreliable. According to Maharaj, (2004:3), the inconsistency in the estimation of the number of immigrants in South Africa is due to the fact the majority entered the country covertly and therefore it is not possible for the government or researchers to give a reasonable estimate of the number of migrants in the country. In 1990, the South African Yearbook indicated that there were about 1,2 million illegal immigrants in the country, in 1991 the estimate was 2 million, in 1992 it was 2,5 million, 3 million in 1993, and 5 million in 1994 (Minnaar et al, 1995:33, as quoted in Maharaj, 2004:3). The accuracy of these figures, however, has been questioned, suggesting that the national estimates of the number of foreign-born in South Africa are inconsistent.

Some conservative estimates, according to Crush et al (as cited in CDE, 2006:5) suggest that immigrants make up four to five percent of the total population of South Africa. At a regional level, a CDE 2005 study suggested that immigrants made up 4,7% of the population of Witbank (CDE, 2006:5). Using the CDE study as a yard stick suggests that the Cape Town municipal area, with a population of 3.3 million (Western Cape Business, 2009:18), would be host to an estimated 1 551 000 immigrants.

As noted by Lorgat (1998, cited in Crush and Williams, 2001:1), there are three categories of undocumented migrants. Those immigrants who enter the country without valid documents fall into the first category. The second category refers to migrants who enter the country legally but stay on after the expiry of their visas. The third category refers to refugees and asylum seekers who generally have documents or their documents are being processed and they have a legal right to be in South Africa.

Alongside those who come into the country illegally, are immigrants who enter the country legitimately with visas or work permits, but join the ranks of illegal foreigners once their permits lapse. In an attempt to hide from authorities, these illegal aliens as they are then called, prefer to live in the informal settlements. Since the 1990s, immigration to post-apartheid South Africa has become a potentially explosive issue. The reasons for this are steeped in a variety of social, political and economic situations not only in countries of origin but also in South Africa (destination country). The patterns, nature, and socio-cultural and economic implications are extremely complicated. Immigration policies and controls have become very restrictive as immigration has increased. Legal immigration numbers are low and there has also been a decline in temporary work permits.

With an alien population estimated at between 2,5 million and 5 million, it is obvious that the socio-economic resources of the country which are under severe strain as it is being further burdened by the pressure of illegal aliens (Crush & Williams, 2001:1).

3.14 AN OVERVIEW OF THE SOUTH AFRICAN IMMIGRATION REGIME

While acknowledging the inconsistent account of the number of immigrants in South Africa noted in the foregoing section, this section explores the immigration regime in South Africa. Prior to 1998, all immigration to South Africa (including refugees) was centralised and accommodated by the Aliens Control Act 96 of 1991, which was only slightly amended in 1995 by the Aliens Control Amendment Act 76 of 1995 (Minnaar, 2000:4).

According to Minnaar (2000:4), the Aliens Control Act 96 of 1991 was an example of a poorly crafted piece of legislation with gross human rights violations. For instance, Minnaar (2000:4) noted that the 1991 Act, among a number of things, provided for:

- Anyone suspected of being an undocumented migrant to be stopped in the streets by the police or by immigration officers of the Department of Home Affairs (DHA) Internal Tracing Units who could then demand to see their ID or passport.
- If no passport or South African identification document was produced on demand or a suspected forged South African identity document was in their possession, the police were allowed to search their place of accommodation without a search warrant.
- In addition, such arrested 'illegals' were detained immediately at a detention facility or in police cells without being allowed to gather any personal possessions or dispose of property and goods that they might have accumulated in South Africa.
- If it was definitely established that the arrested suspect was an undocumented immigrant, the arresting officer could sign the removal warrant (Section 44) without the illegal/undocumented migrant ever having a court appearance or access to legal representation.
- The South African Aliens Control Act made no provision for an appeal through the courts against a removal warrant although other legal arguments for a stay were used to delay or reverse a removal warrant once such was issued.

- In addition, the South African Act made no provision for access to legal counsel or for the provision thereof to a person deemed to be an undocumented migrant, especially after a removal warrant had been issued to such a person.
- In the 1991 Aliens Control Act, there was no provision for immigration tribunals and no specific appeal to the courts on questions of law or a right to legal counsel/representation. The Act allowed for the detention of a suspected undocumented migrant for 48 hours, after which a removal warrant had to be issued but the detainee could then be detained for 30 days while awaiting removal/deportation from the country.
- The 1995 Aliens Control Act also set out certain visa conditions with six different categories: tourist, business, work, study, medical (coming in for treatment), and permanent resident. However, if a traveller wanted to change the status of a visa while in the country, the Act required them to exit the country and make such application from outside of the country. For instance one could not come into the country on a tourist visa, find a job and then apply for a change of visa status. Furthermore, those seeking to immigrate to South Africa came in under very strict skills-based conditions, only if one had a scarce skill and a job offer, could they come in as an immigrant, or they would need to invest substantial amounts in South Africa (R750 000, approximately US\$100 000).
- There was virtually no provision for the entry of unskilled immigrants. There was also a provision for family reunions, but in 1995 the DHA imposed a condition on South Africans marrying foreigners by making them pay a sum of R7 000 (US\$1 000) in order to try to stop the abuse of the practice of temporary or sham marriages by foreigners trying to get into the country.
- The 1995 Amendment to the Act increased sanctions and fines (up to R40 000 – US\$6 000) on employers employing illegal or undocumented migrants.
- Nowhere in either the 1991 Act or the 1995 Amended Act, is the word 'refugee' or 'asylum seeker' mentioned. Accordingly, such categories of migrants were treated the same as immigrants seeking to come to South Africa and had to apply (from outside of the country) for permits to enter the country.
- No cognisance was taken of their political status in granting temporary residence permits. More often than not they were treated as illegal and undocumented migrants.

In 1996, the Department of Home Affairs initiated a process to re-examine all migration legislation for the purpose of formulating new policies for future migration and the handling of asylum seekers, refugee status and undocumented migrants, which resulted in the so-called Green Paper (a draft policy report of a government department).

3.14.1 Asylum seekers and refugees

According to Minnaar (2000:5), South Africa only began to formally abide to international refugee law after signing the Basic Agreement with the United Nations High Commissioner for Refugees (UNHCR) in 1993. Following that agreement, specific legislation to deal with the granting of refugee status to asylum seekers was only passed in November 1998. The new Refugee Act, Minnaar (2000:5) believes, was the result of a long period of policy debate and pressure applied by a number of relief organisations. Furthermore, Minnaar (2000:5) explains that the regularisation of the legal position of refugees in South Africa was largely prompted by the violent scope and extent of xenophobia against foreigners wherein genuine refugees were indiscriminately lumped together with allegedly undocumented migrants, and even those legitimately working on refugee work permits were often attacked and had their hawker stalls destroyed during a number of the anti-foreigner campaigns by locals. In accordance with the Refugee Act, asylum seekers are allowed, once granted refugee status, to become economically active, something natives greatly resent.

Minnaar (2000:6) further states that for the first time in South African legislation, the Refugee Act sets clear guidelines, in keeping with UNHCR guidelines, for determining the status of asylum seekers and under what conditions they may not be refused entry into the country or be expelled. It also spells out when an applicant will not qualify, and when his or her status can be revoked. The Act also sets a clear procedure for asylum seekers to follow.

Maharaj (2009:8) concludes that the problems facing immigrants and refugees in Durban (a city in South Africa) can be divided into three categories:

- Legal (asylum determination, security of person, documentation)
- Socio-economic/social assistance (health, education, employment and shelter)
- Cultural and economic integration and xenophobia (Tlou, 2004:44, cited in Maharaj, 2009:8).

Landau (2010:71) emphasises the importance of official identity papers for immigrants, and states that although these documents cannot prevent discrimination or ensure social inclusion, they are nonetheless important for finding work, accessing social services, and preventing arbitrary arrest, detention and deportation. According to Landau (2010:71), two

key factors prevent non-nationals from obtaining the documents needed to regularise their stay in South Africa, namely:

- The fact that job seekers cannot apply for employment rights, once in the country. For instance, those coming to the country without an employment offer or study permit cannot claim short term tourist or study visas. Alternatively they can enter through irregular border crossings or apply for asylum. As a matter of survival, thousands of people, mostly from peaceful countries, have used this latter strategy to at least partially regularise their stay.
- The Department of Home Affairs is still one of the most corrupt departments in South Africa despite some improvements in recent years.

Landau (2010:72) maintains that even those fortunate enough to be granted refugee status still face difficulties in obtaining suitable identity documents. The physical form of the asylum seekers' document itself contributes to delays and irregular practices. Asylum seekers, for instance, are issued with a single piece of paper ('section 22' permit) often with hand-written amendments and conditions. Few employers or government agents, including the police and many healthcare workers, recognise these documents as legitimate and moreover the documents become worn out, illegible or even lost because they are carried in the person's pocket (Landau, 2010:72).

3.15 SOUTH AFRICAN LAWS AND IMMIGRANT-OWNED BUSINESSES

In keeping with progressive international trends, Maharaj (2009:3) notes that the new post-apartheid South Africa is a rights-based constitutional democracy. According to Olivier (2002) as quoted in Maharaj (2009:3), the South African Constitution recognises first, second and third generation rights: civic and political; social and economic; and environmental rights, respectively. As the rights-based discourse gains momentum, Maharaj (2009:3) argues that groups that have been previously excluded from participating in the social, economic and political life in South Africa (for example migrants) are becoming more assertive and demand inclusion.

Since the advent of democracy in 1994, the South African parliament has passed numerous new bills hoping to positively influence the socio-economic landscape inherited from the previous government. New labour and employment legislation has been on top of the ANC-led government's policy agenda. However, Crush and Williams (2001:2) argue that apartheid-era migration legislation and policy have been slow to come under this new

political dispensation. According to Crush and Williams (2001:2), the South African government is yet to come up with an effective policy to address its migration concerns, and in the interim it continues to grapple with how best to deal with what is commonly believed to be a massive increase in clandestine migration and irregular employment.

3.15.1 Work permits in South Africa

The cumbersome requirements and procedures that employers must make it difficult for immigrants, especially from African countries, to get employment before relocating to South Africa. Under these circumstances immigrants turn to other unconventional entry choices, including illegal entry, visit, and so forth.

The South African Department of Home Affairs' website (www.home-affairs.gov.za, 2010) stipulates that any employer wishing to obtain a work permit for a foreign national should meet the following criteria:

- Date when the position became available.
- Whether the vacancies were advertised, and if so, in which national papers or other suitable media; and the number of insertions. The internet is not acceptable.
- Reasons why applicants from the South African labour market, who may have responded to the advertisements, could not be appointed;
- Whether the Department of Labour, private employment agencies, or relevant trade unions were approached with regard to filling the position.
- Whether a local can be trained to fill the position, even if a foreign specialist has to undertake the task of training for a limited time.
- Whether the applicant appointed or to be appointed is in possession of any exceptional qualifications, training and experience not available in South Africa.
- In the case of senior positions, whether the proper filling of the vacancy or position by the promotion of existing personnel has received due consideration.
- The immigrant must be in possession of a firm offer of employment which is of a temporary nature, and the maximum duration for which the temporary employment is required must be clearly defined.
- The position must be commensurate with the applicant's qualifications.
- Professionally qualified persons must register with the appropriate South African bodies. They must also pay a tariff equal to \$132.

It is worth noting that African immigrants fleeing from wars and destitution find it difficult financially, time-wise, and otherwise to these conditions.

3.15.2 Business permit

The process of obtaining a business permit prior to entry into South Africa is a cumbersome and complex one that is almost unattainable for African immigrants. As of July 2005, anyone applying for a business permit needs to provide certification endorsed by a chartered accountant that the following minimum investment (originating from abroad-overseas) conditions have been met:

- Cash to the value of R 2.5 million
- A capital contribution to the value of R2.5 million; or
- Cash to the value of R 2 million as well as capital contribution to the value of R0.5 million.

The above-mentioned conditions can however be reduced or waived if so requested by the Department of Trade and Industry (DTI), or when the business is within an industry which has been declared to be in the national interest. Currently these industries are:

- Information and communication technology
- Clothing and textile manufacturing
- Chemicals and bio-technology
- Agro-processing
- Metals and minerals refinement
- Automotive manufacturing
- Tourism
- Crafts.

In addition to the investment criteria mentioned above, an applicant needs to provide a comprehensive plan that clearly notes the short and long term viability of the business.

Furthermore, an applicant is to undertake to permanently employ at least five South Africans or permanent residents.

3.16 THE CONTRIBUTION OF IMMIGRANTS TO THE NATIONAL ECONOMY

In a study of twelve OECD countries, Bauer et al (2001:1) note that the choice of immigration policy affects the growth and performance of an economy, the characteristics of the immigrants that a country receives, as well as the perceptions of immigrants by the native-born population. If a policy which stresses labour market demands is implemented, it is also

quite likely that the immigrants will perform relatively well in the labour market and hence assimilate rather rapidly and contribute to the growth and the performance of the economy. If humanitarian criteria are used in determining entry into the country, in other words concentrating on refugees, success in the labour market may be harder to come by for these immigrants, since their skills may be less transferable. Here, the difference in human capital between immigrants and natives is likely to be greater. Hence, assimilation may be less likely to take place and the costs of integrating these migrants into the society and the labour market might be high.

It can therefore be drawn from the foregoing that the immigration policy indirectly determines who gains and who loses from immigration. Assuming that factor quantities are determined exogenously, economic theory tells us that groups of natives who are gross substitutes to immigrants will suffer and groups of natives who are gross complements will benefit from immigration (Bauer et al, 2001:1). For example, it may be argued that low-skilled immigration is likely to benefit native high-skilled workers, while high-skilled migration may benefit native low-skilled workers. As long as migrants bring no capital with them, native capital owners will gain from migration. It should then be no surprise that sentiments towards immigrants are likely to depend on education or skill levels.

Economic theory predicts that immigrants from countries that are similar to the host country, with respect to economic development, the schooling system, language and culture, assimilate well into the labour market (Bauer et al, 2001:23). This is likely due to a rapid transferability of the human capital that they accumulated in their home country. In addition, the migration motive is important for the labour market success of immigrants (Bauer et al, 2001:23).

According to Maharaj (2009:8), some studies in South Africa have indicated that immigrants contribute actively to the economy of the country as workers, consumers and entrepreneurs. Emphasising the need for inclusion, Vawda, (2004:259-60) as cited in Maharaj (2009:8), argues that restricting the benefits of the country from immigrants would be short-sighted as they are unlikely to vanish, given the political and socio-economic conditions that prevail on the African continent

Although the important role that immigrant-owned businesses play in the economy has long been established and promoted in countries such as the USA, Canada, Finland, Britain and so forth, this cannot be said of South Africa. In other words, to assess the role of immigrant businesses there needs to be accurate data. Unfortunately, data about the extent and role of immigrant entrepreneurship in the national economy of South Africa, like most African

countries, is limited. The Research Perspective on Migration (1997:1) maintains that while social scientists have devoted considerable attention to studying the immigrant firm, focusing on the group characteristics and opportunity structures that favor business creation, statistics that might provide an overview of the aggregate contributions made by immigrant entrepreneurs are not available.

The Research Perspective on Migration (1997:1) further notes that data is needed on:

- The number of jobs that immigrant entrepreneurs create
- The approximate economic value of the 'forward and backward' linkages generated by their activities (for instance, through leasing and upgrading space and buying equipment and raw materials, but also in terms of economic downstream effects such as product distribution)
- The import and export trade that they foster with their home countries and regions.

Furthermore, given the complex nature of firm ownership in an increasingly interlinked global economy, the Research Perspective on Migration (1997:1) argues that categorising businesses as either immigrant or native can be an arbitrary exercise: does a business whose parent corporation is based in Korea, that was itself established and expanded by Korean immigrants to the USA, that employs some USA executives and immigrant labour, and that is owned in part by Japanese and USA stockholders, count as a USA, foreign, or immigrant business? Considering that many immigrant businesses tend toward the informal or even the underground economy, data and their analysis become even more elusive (Research Perspectives Migration, 1997:1). Ethnographic surveys of neighborhoods provide richer and more complete data, but their generalisation is limited.

Drawing from the European Union experience, Oliveira (2008a) concludes that immigrant-owned businesses make the following contributions to the economy of their host nation:

- They contribute to economic growth
- They change the urban landscape (Pinkowski, 2009:42)
- They revitalise abandoned city districts and local markets
- They supply new products and services at competitive prices and in some cases even create new markets (for instance, ethnic tourism)
- They create jobs (for both ethnics and natives)
- Immigrant businesses also contribute to combating social exclusion and improving living standards of disadvantaged groups in host societies
- For immigrants, entrepreneurship may provide an indirect way of avoiding the increasing difficulties encountered in entering labour markets (for instance, unemployment, discrimination, language difficulties, and problems with the recognition of qualifications).

3.16.1 Enterprising immigrants in South Africa

According to the CDE (2004:58) many South Africans regard entrepreneurs from other countries as potentially, or actually, 'dangerous'. Such a perception is sometimes reinforced by the activities of unscrupulous con artists from abroad (overseas). However, it is clearly unwarranted to assume that entrepreneurial competition from immigrants generally damages an economy. Current research (CDE, 2004:58) indicates that immigrant-owned SMMEs in South Africa employ previously unemployed South Africans, although in the establishment or start-up phase of these new businesses, family or friends from the home country are typically the beneficiaries of the new employment opportunities. However, once the business is established and growing, the major beneficiaries of job creation by these immigrant-owned SMMEs are South Africans.

The CDE (2004:58) maintains that, as a starting point in policy formulation, immigrant entrepreneurs should be viewed as a developmental resource which can be harnessed to develop a vibrant SMME economy. Immigrants generally represent enterprise moving towards opportunity. Rather than listening to those in South Africa who would like to drive immigrant entrepreneurs out, the CDE (2004:59) believes that policy-makers should celebrate immigrant entrepreneurs since they generally have the necessary drive to work hard and to succeed. South Africa, like many immigrant nations, has many examples of small business successes by ethnic minorities over many decades. These have included Chinese, Portuguese, Italians, Greeks, Jews, Lebanese, and Indians. Today, west and central African traders are coming to South Africa to follow the same paths of immigrant success (CDE, 2004:59). Initially, such ethnic communities rely upon ethnic networks to enhance business success. Later, the same individuals or their children elect to use business associations to enhance their efficacy.

3.17 THE PERCEIVED IMPACT OF ILLEGAL IMMIGRANTS ON THE SOUTH AFRICA ECONOMY

Although the literature on immigrant entrepreneurship tends to acknowledge the important contribution that immigrants make to the economies of their host countries, it nonetheless notes the negative sentiments held in certain quarters about immigrants in general. In South Africa, immigrants are often seen as a liability rather than a resource. According to Crush and Williams (2001:1), in certain circles, it is perceived that illegal immigrants cost South African billions of rand per annum in terms of infrastructure.

In popular, and also some official misperceptions about immigrants, little distinction is made between the various categories of migrants. Very often, different types of migrants tend to get lumped together and labelled under various names including 'illegal aliens', 'illegal immigrants' or simply "Illegals'." Under these unpleasant names, all immigrants are seen as people wanting to stay rather than migrants with a specific and limited purpose. According to Crush and Williams (2001:1), the dominant discourse frames immigration and migration as problems and threats that should be resisted rather than opportunities that should be managed.

From a policy perspective, the misperceptions and stereotypes noted in the foregoing paragraph do not provide an enabling political environment for progressive or pragmatic policy initiatives in the immigration area. Crush and Williams (2001:1) note the following negative perceptions held about illegal immigrants by ordinary citizens as well as some politicians in South Africa:

- They cause crime, and smuggle arms and drugs
- They overstretch social, medical and health services, thus depriving South African citizens
- They take jobs, thus they are responsible for unemployment
- Their numbers are already overwhelming, with floods more immigrants on the way.

3.18 IMMIGRATION POLICY – AN INTERNATIONAL PERSPECTIVE

Immigration policies vary greatly across countries, both historically and currently, and are often at the centre of public debate (Bauer, Lofstrom & Zimmermann, 2001:i).

According to Bauer et al (2001:i), an immigration policy is generally designed to give preference to certain groups; these authors illustrate this with the following examples for selected OECD countries:

- US immigration laws give priority to individuals whose family members already reside there.
- Canada has implemented a point system that favours individuals with certain characteristics which reflect labour market demands.
- Although there is free movement of people within the European Union, laws differ across member countries with regard to entry requirements for citizens of non-member countries.
- In Germany, preference is given to ethnic Germans, say from the former USSR in Germany.

- Sweden places no restriction on migration from the Nordic countries, including the non-EU member Norway; Sweden allocates entry visas generously to asylum seekers and refugees
- .In the UK, preference is given to Commonwealth states.

One may conclude that labour market requirements and other political considerations are the basis on which a country may formulate its immigration policy.

3.19 SMALL BUSINESS START-UP AND GROWTH

According to Von Broembsen et al (2005:13), the creation of a new business is a two-phase process. The first phase is the start-up, usually a three month period when (one or more) individuals identify the products or services that the business will trade in, access resources such as finance, and put in place the necessary infrastructure which includes staff. When the business is in this phase, it is referred to as the start-up phase (Von Broembsen et al, 2005:13).

The next phase, a period of three to forty two months, is when this new business begins to trade and compete in the market place. When a business is in this phase of development, it is referred to as a new firm. The definition of a new firm is a business that has paid salaries or wages for longer than three months (Von Broembsen et al, 2005:13). It is therefore possible to classify a business as a start-up indefinitely if it fails to pay salaries and wages. Once a business has established itself and is more than 42 months old, it is referred to as an established business (Von Broembsen et al, 2005:13).

The Total Entrepreneurial Activity (TEA) index, the primary measure used to compare the rate of entrepreneurship both amongst countries and annual variations within a country, measures how many new businesses are started in a given year. South Africa's TEA is estimated at 5.15% (Von Broembsen, 2005:17). In other words, between 4.32% and 5,95% of South African adults between the ages of 18 and 64 have started a business in the last 3½ years with others or on their own. While a slightly higher figure of 5.4% for South Africa's TEA was recorded in 2004, the difference is not significant and falls within the range of the last four years (Von Broembsen, 2005:17). South Africa's ranking has dropped from 20th position out of 34 countries in 2004, to 25th out of 35 countries in 2005.

3.20 SMALL BUSINESS FAILURE RATES

A burning issue that justifies the concern with the establishment and growth of SMMEs is the fact that small businesses tend to have a high failure rate. It has been suggested by Bygrave (1997:10), and Timmons (1999:32) as quoted in Swanepoel (2008:7), that the majority of small business failures occur within the first two to ten years. Turning to international experience, evidence from several countries suggest that although immigrants are more likely to start-up a business than natives, their businesses are also more likely to fail. In France for instance, longitudinal data indicates that only 40% of immigrant-owned businesses (non-EU) created in 2002 were still in existence after five years, compared with 54% of corresponding native businesses (OECD, 2010:15). The rates as observed by the OECD (2010: 15) turn to vary according to the economic conditions prevailing in the host country. For instance, when the French economy is doing well, there is little difference in the survival rates between native and immigrant-owned businesses. Generally, the reasons advanced for small business failure can be grouped as exogenous and endogenous. The former refers to those factors outside the entrepreneur's immediate control and the latter refers to those factors relatively within the control of the entrepreneur.

Table 3.15 Small business failure rate

Percentage of small businesses dissolved within:		
Two years	23,7%	Four years
		51,7%
		Six years
		62,7%
Reasons for failure		
Economic factors		Exogenous factors
Financial		
Inexperience		Endogenous factors
Owner neglect		
Other		

Source: Swanepoel (2008:7) adapted from Timmons (1999:32)

According to Table 3.15 above, while economic factors, such as limited demand, economic crises, inflation and so forth, and financial factors such as limited access to bank loans, can be classified as exogenous, the inexperience and neglect of the owner can be seen as endogenous and can be overcome with little effort.

While emphasising how some of the above factors are likely to impact on small business start-up and growth, Bygrave (1997:10) notes that:

- Businesses started on a part-time basis are less likely to survive than those started on a full-time basis.
- Businesses funded by venture capitalists stand a better chance of survival because of the strict funding criteria applied, but unfortunately very few starting businesses are likely to meet the criteria.

3.21 ENTREPRENEURIAL ACTIVITY IN SOUTH AFRICA

In an attempt to measure the prevalence of entrepreneurial activity, the Global Enterprise Monitor (GEM) conducts country-to-country assessments. In order to measure Early-stage Entrepreneurial Activity, GEM combines the prevalence of nascent entrepreneurs (people in the process of starting a new business) and new business owners. In other words, Early-stage Entrepreneurial Activity measures that percentage of the population that is willing and able to undertake entrepreneurial activity. Profiling South Africa's stock of entrepreneurs, the 2006 Global Enterprise Monitor (GEM) report which compares entrepreneurial activity across 42 countries, re-enforces the increasing need for new firm start-ups (Berry et al, 2002:72; Bosma & Harding, 2007:7). According to the study, the early-stage entrepreneurial activity which indicates that percentage of the population willing and able to undertake entrepreneurial ventures in South Africa is only 5,3% compared to 40,2%, 22,5%, 20,3%, 19,3%, 16,2% and 10% for Peru, Columbia, Jamaica, Indonesia, China and USA respectively (Bosma & Harding, 2007:7).

Table 3.16 Prevalence of Early-stage Entrepreneurial Activity for selected countries

Country	Nascent Entrepreneurial Activity (%)	New business Owners (%)	Early-stage Entrepreneurial Activity (%)
China	6,7	10,5	16,2
Colombia	10,9	12,6	22,5
Indonesia	9,6	11,5	19,3
Jamaica	11,6	9,2	20,3
Peru	30,0	15,1	40,2
South Africa	3,6	1,7	5,3
USA	7,7	3,3	10

Source: Adapted from Bosma and Harding (2007:7)

Based on the above statistics (Table 3.16), one may conclude that South Africa lags behind many other countries with regard to new venture creation.

3.22 LACK OF ENTREPRENEURIAL ORIENTATION IN SOUTH AFRICA

Entrepreneurial orientation is critical to the survival and growth of firms, as well as the economic prosperity of nations. In societies with an entrepreneurial culture, entrepreneurs are recognised and celebrated, there is no stigma attached to failure of businesses, and role models are visible and are not only distant celebrities (Nieuwenhuizen; 2003:11). According to the CDE (2004:63), South Africa has done far too little to recognise, celebrate, and analyse the achievements of its successful emergent entrepreneurs; on the contrary, too much has been invested in concentrating on the structural obstacles that aspirant black entrepreneurs have faced, instead of drawing on the lessons of those who have overcome them. CDE's review of the available evidence suggests that, irrespective of race, South Africa's successful entrepreneurs are generally – though not always – well-educated, have entrepreneurial 'can do' attitudes, are innovative, and often have partners or relationships which reflect a global economic context.

As is the case elsewhere in the world, immigrants and ethnic minorities are over-represented among South Africa's entrepreneurs. However, there are also rapidly growing numbers of South African black entrepreneurs who tend to 'select themselves' on the basis of their attitudes, education, hard work, customer orientation, and globalised perspectives.

3.23 OTHER PERCEIVED SOCIO-ECONOMIC CONCERNS IN SOUTH AFRICA

Although the strong economic growth in South Africa, is believed to be a sign of prosperity, this is not the case for many ordinary South Africans. It is believed that economic growth has not trickled down to the 'poorest of the poor'.

As a result of decades of apartheid, South Africa has not been able to maximise its potentials. Apartheid's legacy is reflected in widespread inequality and poverty among the African population, with highly unequal socio-economic outcomes in the midst of plenty (Lewis, 2001:6; Mubangizi & Mubangizi, 2005:277). According to UNDP (2003:5), approximately 48,5% of South Africans live below the national poverty line. Income distribution remains highly skewed and has deteriorated in recent years. This is reflected in the high Gini coefficient, which rose from 0.596 in 1995 to 0.635 in 2001. Similarly the human development index (HDI) for South Africa moved from 0.72 in 1990, to 0.73 in 1995, and to 0.67 in 2003 (UNDP, 2003:5).

South Africa, like most countries, has a dual economy, in which there are two patterns of living as widely separated from each other as two different worlds (Lewis, 2001:2). At one extreme, there is a modern first world society where life is a feast of comfortable homes, first-class educational opportunities, an abundance of food and clothing, and poverty is at a minimum. At the other extreme, there is another society where life consists of hunger, poverty, disease, illiteracy, daily assaults to human dignity, and endless drudgery at unrewarding tasks (Lewis, 2001:6). Hence, in spite of abundant resources and a seemingly vibrant economy, South Africa is fundamentally not different from other countries in terms of poverty (Mubangizi & Mubangizi, 2005:277). As in many African countries, this problem of poverty is further worsened by the impact of HIV/AIDs, high levels of unemployment, low levels of education, and a host of other factors (Mubangizi & Mubangizi, 2005:277).

The most pressing problem facing South Africa today is the absence of sustained economic growth and job creation, which are essential for economic and social development (Lewis, 2001:1). The transition to multi-racial democracy in 1994 posed difficult political, social and economic challenges. Fourteen years into the post-apartheid era, the huge task that lies ahead is to ensure that South Africa's rich natural and human resources are employed for the benefit of all. Promoting sustainable livelihoods, improving social conditions, and alleviating poverty has become a priority.

Sustain (2001:13) contends that a government might attempt to meet people's needs by creating incentives to ensure that people will help themselves, rather than looking to the government for assistance. This suggests that the promotion of SMMEs would lead to economic and social development.

On the one hand, the negative socio-economic conditions in which some South African citizens find themselves breeds a climate of hatred, which makes life unbearable for immigrants. On the other hand, despite the above-mentioned conditions, African immigrants still see South Africa as a haven when compared to their countries of origin (Maharaj, 2004:2). African immigrant entrepreneurs equipped with entrepreneurial qualities and the dire need to survive see South Africa as a land of opportunity, specifically for self-employment.

3.24 APPRAISAL OF SOCIO-ECONOMIC REFORMS IN SOUTH AFRICA SINCE 1994

It is the responsibility of the government to look after the well-being of its people. Since 1994, South Africa has confronted the dual challenges of reintegration into the global economy, as well as positioning itself to realise the high expectations associated with the new democratic order (Rogerson, 2004b:765). For the government to meet its objectives of economic growth through competitiveness on the one hand, and economic and social development on the other hand, policy attention has increasingly focussed on the country's SMMEs. Even before the 1994 elections and subsequent transition, the ANC led efforts to develop a medium-term vision for the new South Africa. The resulting Reconstruction and Development Programme (RDP) outlined a comprehensive plan to reduce poverty and inequality, emphasising both economic growth as well as efforts to improve service delivery and human resource development for previously disadvantaged groups. In May 1994, the RDP was adopted by the new government as the centrepiece of its economic policy (Lewis, 2001:3).

Acknowledging that SMMEs represent an important vehicle to address the challenges of job creation, economic growth, and equity, a white paper was introduced that represents the government's thinking about how it can contribute to the process of stimulating the SMME sector. The white paper, as introduced in 1995, had the following objectives (DTI, 1995:15):

- Create an enabling environment for SMMEs
- Facilitate greater equalisation of income, wealth and earning opportunities
- Address the legacy of apartheid-based disempowerment of black businesses
- Support the advancement of women in all business sectors
- Create long-term jobs
- Stimulate sector focussed economic growth
- Strengthen cohesion between small enterprises
- Level the playing fields between bigger and small businesses as well as between rural and urban businesses
- Prepare small businesses to comply with the challenges of an internationally competitive economy.

To enforce the white paper, the macroeconomic framework for growth, employment and redistribution (GEAR) was introduced in 1996 (DTI, 1996). In accordance with the Small Business Act of 1997 and the GEAR agenda, Ntsika Enterprise and Khula Finance agencies were born (Dockle, 2005:59). The former was to cater for non-financial needs of SMMEs, while the latter was mandated to provide financial assistance to SMMEs (Chandra et al, 2001).

Since the announcement by the government of the growth, employment and redistribution (GEAR) strategy in June 1996, debate about the South African economy and economic development policy has taken on a new dimension. The argument behind the GEAR strategy was that these policies would stabilise the economic environment in South Africa and create a favourable climate for investment. The framework adopted a profit-led growth argument, stressing that productivity increases must exceed real wage gains in order to promote investment (Heintz, 2002:16).

Although the GEAR policy came out at the right time and addressed the right problems, the economic performance of the country under GEAR has been mixed (Lewis, 2001:5; Heintz, 2002:17; Dockle, 2005:59). For instance, positive policy measures such as favourable treatment in tendering for government contracts in order to target small firms in the previously disadvantaged category have been implemented (Dockle, 2005:59). In terms of the GEAR strategy (covering the period 1996 to 2001), an economic growth (GDP) rate of 6% per annum and the creation of 400 000 employment opportunities by the year 2000 was envisaged (Lewis, 2001:5; Heintz, 2002:16).

On the positive front, Fine and Padayachee (2001:270) and Lewis (2001:5) agree that there have been minor improvements in the growth rate, inflation rate, and the racial income gap among other things (in terms of its objectives, see box 3.1). However, on the negative front, there has been a growing problem of unemployment and a poor record of delivery in respect of social and physical infrastructure. In 2000 for instance, instead of 6% GDP growth and 400 000 new jobs as forecast in the GEAR, GDP growth was only 3% and employment in the formal sector continued to decline (Lewis, 2001:11). The programmes generally have a low visibility level in the SMME sector, as found in a number of surveys. The percentage of firms that are aware of the programmes in the Johannesburg Metropolitan Area was below 14% with regard to all programmes (Dockle, 2005:59). Although the National Economic Development and Labour Council (Nedlac) was there to represent the concerns of business, the fact that GEAR was referred to as non-negotiable at the time of announcement effectively eliminated any input from Nedlac (Heintz, 2002:16). The low visibility of the programmes can be partly attributed to the lack of capacity on the part of the agencies implementing the programmes (Dockle, 2005:59).

Because the GEAR strategy encouraged increases in wages and government spending only in the context of sustained economic growth and productivity, Heintz (2002:16) argues that this constrained many efforts at raising living standards and pursuing public investments outside of budget prioritisation until such a time that growth was finally established. Dockle

(2005:58) does not see the slack in employment generation to be an indication that the strategy (GEAR) failed, but rather an indication that the challenge is more complex than originally envisaged. Fine and Padayachee (2001:268), by contrast, conclude that the strategy failed to achieve the required goals because it was never tailored to suit South African problems and conditions. Furthermore, they believe that what South Africa needs is a policy formulated to directly address development, growth, redistribution, job creation, human resource development, and poverty eradication.

In a survey in Eastern Europe, Kanbur (2001:1085) established that the increased poverty and worsening of social indicators experienced in the 1990s could not be attributed solely to the decline in per capita income, but also to the policy packages that the transition economies were forced to adopt. He concludes that it is the policy content that determines the per capita income and hence the state of poverty and social indicators.

Rogerson (2004b:781), with regard to the South African government's pro SMMEs initiatives between 1994 and 2004, arrives at the following conclusions:

- Official data concerning the total number of SMMEs and the performance and impact of government's SMME programmes are scarce and generally weak.
- Reliable indicators on the success of SMMEs in terms of the growth of enterprises as regards employment or output are absent.
- Data on growth in enterprise numbers as an index of successful government SMME programmes are unreliable.
- There is no useful spatial data on SMME economies.
- The SMMEs economy exhibits only a weak contribution as regards employment creation because most SMMEs do not grow.
- The existing government SMME programmes have largely been biased towards the group of medium and small sized enterprises and, to a large extent have by-passed micro enterprises and the informal economy.
- Some positive signs for the future impact can be gained from the individual assessments of Local Business Service centres (LBSCs), the restructured Khula operations and the National Manufacturing Advisory Centres (NAMAC) programmes.

Box 3.1 Growth, Employment and Redistribution (GEAR) Strategy

The key objectives of GEAR include:

- An expansionary infrastructure programme to accelerate delivery on the backlog of social infrastructure
- Speeding up the restructuring of state-owned assets
- An exchange rate policy to keep the real effective rate stable at a competitive level
- A consistent monetary policy to prevent a resurgence of inflation
- A faster fiscal deficit reduction programme to contain public debt and debt service obligations, counter inflation and free resources for investment
- A renewed focus on budget reform to strengthen the redistribution thrust of expenditure.
- A reduction in tariffs to contain input prices and facilitate industrial restructuring, compensating partly for the exchange rate depreciation
- A commitment to moderate wage demands, supported by an appropriately structured flexibility within the collective bargaining system
- Continued gradual relaxation of exchange controls
- Tax incentives to stimulate new investments in competitive and labour-absorbing projects
- A strengthened tax and incentive system to finance training programmes on a scale commensurate with needs.

Source: Department of Finance (1996) in Lewis (2001:4)

3. 24.1 Policy and performance

As noted in section 2.23 above, South Africa's poor comparative performance does not mean that South Africans lack entrepreneurial potential. CDE's research has produced far too many examples of successful entrepreneurship by South Africans and immigrants. In the past, CDE (2004:5) argued that this success was often achieved despite a political dispensation that was hostile to business for the majority of South Africans. In democratic South Africa, however, there are many more cases of people who are meeting opportunity with ingenuity, and converting political freedom into economic independence.

Neither is South Africa's poor performance the result of neglect on the part of the new democratic government. On the contrary, CDE (2004:5) argues that the white paper of 1995, and the 1996 legislation that laid the foundation for government support to SMMEs, came early in the first decade of democratic rule, and gave small and medium businesses a central

place in the country's development strategies. The strategy placed enterprise-supporting bureaucracies in the position to enhance skills, facilitate access to finance, and conduct the kind of research that would guide policy independence. Fifteen years later, the CDE (2004:5) maintains that, despite numerous admissions by the government that it needs to overhaul policy in this area, a promised new overarching strategy for enterprise support has still not materialised. Although the government has since championed numerous research on how best to support SMMEs, the CDE (2004:5) concludes that nothing usable has emerged; in one instance (the Ntsika Regulatory Review of 1997–9) the government was even reluctant to accept the sensible recommendations of its own task team. CDE (2004:5) has identified the following reasons for the widely recognised under-performance of government programmes in this area:

- Confusion of purpose, which makes entrepreneurship a vehicle for poverty relief and racially defined empowerment, as well as for adding value to the economy.
- Misplaced emphasis on access to finance as the biggest obstacle to small business growth, despite evidence to the contrary in South Africa and elsewhere.
- Failure to adopt a holistic approach to enterprise support, for instance, by not encouraging the immigration of entrepreneurs from Africa and elsewhere.
- Concentration on the state-driven delivery of services rather than a more demand-driven strategy exploiting partnership possibilities with the private sector.
- Neglect of the fundamental premise of entrepreneurship support, namely that encouraging an enabling environment will be more successful than any attempt by state bureaucracies to deliver the right things to the right businesses.

3.25 CONCLUSION

In this chapter, South Africa was examined from a host country perspective, and those factors that promoted or discouraged entrepreneurship in general and immigrant entrepreneurship in particular were considered. In particular, those factors that have a direct or indirect impact on the availability and quality of the resources required to start and operate a business were examined. The factors that impacted on an immigrant's entrepreneurial characteristics were also examined. In the next chapter, the over-all environment confronting all SMMEs will be examined in an attempt to identify how SMMEs generally contribute to the economy, and the challenges they face.

CHAPTER FOUR

SMALL, MEDIUM AND MICRO SIZE ENTERPRISE (SMME) DEVELOPMENT AND SUPPORT

4.1 INTRODUCTION

In Chapter three, the South African economy was overviewed in an attempt to identify those factors that have impacted on the country's ability to effectively host immigrants in general and immigrant entrepreneurship in particular. This chapter seeks to explore the overall environment confronting all SMMEs in an attempt to identify how they contribute to the economy and the challenges that they face. Furthermore, the focus of this chapter will be on exploring what has been done and what still needs to be done in order to foster the overall development of the SMME sector. In order to achieve this, the following themes will be explored: a brief historical evolution of the small business sector will be undertaken, the SMME environment; definition and classification of SMMEs; determining the size of South Africa's SMME sector; growth constraints within the South African SMME sector; barriers to SMME start-up and operation; constraints to micro enterprise development; and the informal sector of the South African economy. Other themes pursued in this chapter include the rationale for the promotion of immigrant-owned businesses, the pillars of SMMEs development, role-players in the development of the SMME sector, and international experiences in SMME promotion.

4.2 THE EVOLUTION OF SMALL BUSINESSES: A HISTORICAL PERSPECTIVE

The history of small business, according to Gebremariam, Gebremedhin and Jackson (2004:3), has been one of the most controversial stories in economic development in the world. The SMMEs sector and the position that it holds today, in both the developed and developing countries, has evolved over time. This evolution has been greatly influenced by the economic conditions and political ideologies held at any given time. Just as large business was conceived to be the conduit of industrialisation and economic growth in the early 1970s, so too today is small business seen as the medium through which economic and social development can be achieved (Sinha, 2003:1; Gebremariam, Gebremedhin & Jackson, 2004:3).

Prior to the 1970s, and particularly between 1935 and 1968, small businesses dominated the economies of most developed countries, including the UK and the USA (Bannock, 1981:1). To foster world dominance, the government of the USA and that of the UK got more involved in the activities of their economies (Bannock, 1981:2) with the resultant reorganisation through mergers and conglomerates of small enterprises into larger ones. It is likely that this move was also prompted by the need to curb unemployment and to generate favourable media attention.

At that time, the shift of strategy in favour of big enterprises led to a reduction in the number as well as the importance of small enterprises. To counter the American domination, Bannock (1981:2) suggested that most European countries followed suit with the reorganisation into larger units of their small enterprises. The sudden change in economic strategy that spread like wildfire was not limited to developed nations. In Africa, like in Britain and America, most countries at independence in the early 1960s saw industrialisation as the central way to move away from the colonial pattern of dependence on imported manufactured and primary exports (Hansohm, 1992:2). According to Osmani (2003:13), the inward-looking import substitution strategy of industrialisation followed by most Less Developed Countries (LDCs) created an incentive structure that fostered capital intensive production at the expense of reducing employment potential. As such when the opportunity came, the LDCs quickly copied or were forced to replace small enterprises with large ones. In South Africa, and particularly during the apartheid era, the government through biased policies and programmes tilted the shift in balance in favour large firms (UNDP, 2003:10).

The growing pattern of making the large enterprises be the driving force of economies was put to test after the 1973 oil crises, which saw the collapse of the world economy. According to Bannock (1981:3), the increase in oil prices gave an upward twist to the inflationary spiral and although there was unemployment among men and machines, governments could not stimulate demand for fear of pushing inflation still higher. He adds that when finally inflation was abated in 1974, all kinds of firms and activities that had been sustained primarily by the continuous inflation were suddenly exposed to the “chill wind” of contraction – resulting in vast resources of men and capital being tied up in large industries while small firms experienced shortages. In recent times, the economics of scale that was believed to be a distinct advantage held by big business has gradually been eroded by the emergence of computer-based technology in production, administration, and information (Gebremariam, Gebremedhin & Jackson, 2004:3).

From an African perspective, Hansohm (1992:2) adds that the decline in growth and capacity utilisation of large firms that accompanied the post-world war period is an indication that the

industrialisation process resorted to at independence was neither sustainable nor representative of a real transformation of the African economy.

More recently, many studies (Bannock, 1981; Audretsch & Thurik, 2003; Dallago, 2003; Baker, 2005; Dockel, 2005; Harvie, 2005; Agupusi, 2007) have noted a shift in industry structure away from greater concentration and centralisation towards less concentration and decentralisation – a shift towards an increased role for small firms. According to Gebremariam et al (2004:3) this is mainly due to changes in production technology, consumer demand, labour supply, the pursuit of flexibility, and efficiency. These factors, in turn, have led to the restructuring and downsizing of large enterprises and the entry of new firms. Gebremariam et al (2004:3) further suggest that the alternative view today is that small business is the key element and driving force in generating employment and realising economic development. This paradigm shift has, in turn, brought a revival in the promotion of small businesses and entrepreneurial initiative at local, national and international levels. Accompanying the revival, small businesses have been the infusion of new ethnic owners into the ranks of petty proprietorship (Waldinger, Aldrich & Ward, 1990:19).

4.3 THE SMME SECTOR

According to the DTI (1995:10) and Dockel (2005:58), it has been recognised all over the world that the small business sector plays an important role in the socio-economic development of a country and hence there is a need to support its development. Like other countries, South Africa has also felt the urge to promote the SMME sector. The DTI (1995:10) claims that the SMME sector in South Africa was grossly neglected during much of the previous two centuries following the discovery of diamonds and gold, and then the establishment of a modern, capitalist economy with almost exclusive white control. SACOB (1999:3) posits that the growth and development of the SMME sector is of critical importance to South Africa's ability to address the serious problems of unemployment, income inequality, economic concentration, lack of international competitiveness, and low economic growth, which confront it. Concurring with SACOB, Lloyd (2002:3) maintains that it is from this angle that the South African government sees SMMEs as the logical 'kick start' mechanism for job creation and the future prosperity of the country, and is therefore committed to their development.

4.3.1 Definition and classification of SMMEs

According to the Standard Oxford Dictionary, size brings to mind the relative bigness or extend of a thing and, based on this definition, one may suggest that small, micro and medium are relative terms. According to Yu and Bell (2007:20) there is no universally accepted

definition of small enterprises. The definition as well as the classification of SMMEs, therefore, seems to differ from one country to another (OECD, 2004:37) and also between institutions within the same country (Brand, Du Preez & Schutte, 2007:189). Based on their priorities, countries have used different definitions for SMMEs at different stages in their development, suggesting that the role played by SMMEs in an economy evolves. SMMEs have been differentiated using qualitative as well as quantitative measures.

Despite the inherent discrepancies in defining SMMEs, Yu and Bell (2007:20) note the use of employment, sales or investment or all three. The term 'SMME' is mostly used in the South African context, and includes 'micro' enterprise as opposed to the more generally accepted term 'SME' (Brand et al, 2007: 189). Due to its ease of collection, the most commonly used variable is the number of people employed by the business (OECD, 2004:38; Agupusi, 2007:3). In the EU and also in a large number of OECD, transition and developing countries, the upper limit of the number of employees is set between 200 and 250, with a few exceptions such as Japan (300 employees) and the USA (500 employees) (OECD, 2004:38). In developing countries such as South Africa, Agupusi (2007:4) believes the number may be considerably smaller. According to Yu and Bell (2007:20), China presents the most complicated classification where SMEs firms have less than 2 000 employees, presenting a turnover lower than 300 million RMB (300 million Renminbi is approximately 28,2 million EUR).

The absence of a unified definition has led to a lack of coordinated efforts between countries and even between researchers within the same country. However, this tendency seems to be changing especially as more and more countries tend to be settling for a common definition. Since 2005, the EU member countries have agreed on a common definition for the SME (EU, 2005:1-50). The new definition of SMEs, which took effect from 1 January 2005, sets the upper limit for SMEs to 250 employees. Another important aspect of this unified approach to defining SMEs in the EU countries highlights the following: number of employees, annual turnover, and annual balance sheets. Annual turnover is set at 50 million EUR while an annual balance sheet total upper limit is set at 43 million EUR.

The SMME sector in South Africa, as defined in the Small Business White Paper (DTI, 1995:9; Chalera, 2006:86; Agupusi, 2007:4) consists of the following:

- **Small enterprises** which constitute the bulk of the established businesses in this sector refer to businesses with between 5 and 50 employees. Small enterprises are usually owner-managed or directly controlled by the owner-community. They are tax registered and meet formal registration requirements.

- **Medium enterprises** which are still viewed as basically owner-managed/controlled, although the shareholding or community control base could be more complex. Employment can reach a maximum of 200 people, and capital assets (excluding property) of about R5 million are often seen as the upper limit.
- **Micro enterprises** refer to very small businesses, often involving only the owner, family members and at most, one or two paid employees. These enterprises usually lack formality in terms of licence, tax registration, formal business premises, operating permits, and accounting procedures.
- **Survivalist enterprises** refer to activities conducted by people unable to find a paid job or get into an economic sector of their choice. Income generating from these activities usually falls far short of even a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. The bulk of micro enterprises are also survivalist. Poverty and the attempt to survive are the main characteristics of this category of enterprises.

While acknowledging the inherent variability in the definition of SMMEs, as noted in the foregoing paragraphs, reference is made to the South African definition throughout the study.

Table 4.1 Threshold for the classification as micro, small, very small and medium enterprise

Sectors or sub-sectors in accordance with industrial classification	Size or class	Total fulltime, equivalent of paid employees	Total turnover (Rm)	Total gross asset value (fixed property excluded)
		Less than:	Less than:	Less than:
Agriculture	Medium	100	5,0	5,0
	Small	50	3,0	3,0
	Very small	10	0,50	0,50
	Micro	5	0,20	0,0
Mining and quarrying	Medium	200	3900	23,00
	Small	50	10,00	6,00
	Very small	20	4,00	2,00
	Micro	5	0,20	0,10
Manufacturing	Medium	200	51,00	19,00
	Small	50	13,00	5,00
	Very small	20	5,00	2,00
	Micro	5	0,20	0,10
Electricity, gas, and water	Medium	200	51,00	19,00
	Small	50	13,00	5,00
	Very small	20	5,10	1,90
	Micro	5	0,20	0,10
Construction	Medium	200	26,00	5,00
	Small	50	6,00	1,00
	Very small	20	3,00	0,50
	Micro	5	0,20	0,10
Retail, motor trade and repair services	Medium	200	39,00	6,00
	Small	50	19,00	3,00
	Very small	20	4,00	0,60
	Micro	5	0,20	0,10
Wholesale trade, commercial agents and allied services	Medium	200	64,00	10,00
	Small	50	32,00	5,00
	Very small	20	6,00	0,60
	Micro	5	0,20	0,10
Catering, accommodation and other trades	Medium	200	13,00	3,00
	Small	50	6,00	1,00
	Very small	20	5,10	1,90
	Micro	5	0,20	0,10
Transport, storage and communications	Medium	200	26,00	6,00
	Small	50	13,00	3,00
	Very small	20	3,00	0,60
	Micro	5	0,20	0,10
Finance and business services	Medium	200	2,00	5,00
	Small	50	1,00	3,00
	Very small	20	3,00	0,50
	Micro	5	0,20	0,10
Community, social and personal services	Medium	200	13,00	6,00
	Small	50	,00	3,00
	Very small	20	1,00	0,60
	Micro	5	0,20	0,10

Source: National Small Business Act of 1996, as revised by the National Small Business Amendment Bill of March 2003 (DTI, 2004:30).

4.3.2 Estimating the size of South Africa's SMME sector

South Africa undoubtedly has a huge SMMEs sector, although putting a number to it is a highly contested issue. Based on various estimates, it can be said that there are between 1,3 and 3 million SMMEs in South Africa (Berry et al, 2002:13). Even though institutions charged

with providing official statistics, such as Stats SA and Ntiska, have made laudable efforts to quantify this sector, their statistics are inconsistent and increasingly challenged (see table 4.2 below). According to Berry et al (2002:13), the apparent lack of accurate and reliable statistics on the number of SMMEs in South Africa has made research difficult at all levels. To illustrate the inconsistencies in SMME data, Berry et al (2002:13) note that even Ntsika has drastically revised its estimate of SMMEs from 0,9 million to 1,6 million between 1999 and 2000.

Table 4.2 Conflicting estimates of the number of SMMEs in South Africa

Source	Survivalist	Micro	Very small	Small	Medium	Large	Total
Ntsika, 1999	184 400	466 100	180 000	58, 00	11 322	6 017	906 739
Statistics 2000/Ntiska, 2000	Informal: 1 138 854		330 271	94 804	52 620	12 249	1 628 797
Business Partners	2,3 million		600 000		35 000	N/A	2 9 million
Management Group Survey, 1999	Micro: 960 740 Informal : 862 580		formal: 445 880 (of which 357 780 are private)				2,3 million
Eskom, 1999	900 000+ 'in-home businesses'; total 3 million, if farmers are included					N/A	3 million
GEM SA ,2001	between 0.73 and 1.15 million	1 709 142				between 2,44 and 2,86 million	

Source: Berry et al (2002:13)

In terms of geographical location, the distribution of SMMEs between rural and urban areas may indicate discrepancies in their development (Berry et al, 2002:23). In terms of this study, knowing where to find these SMMEs becomes important especially when it comes to sampling and surveying these businesses. According to Berry et al (2002:23), Ntsika's estimate of SMMEs in terms of rural and urban suggests that there are between 57,9% and 66,6%, and 42,1% and 33,4%, of SMMEs in urban and rural areas of South Africa respectively.

The economic structure of the formal sector in South Africa resembles that of many industrialised nations, with the primary sector, agriculture and mining contributing relatively

little to the GDP. For instance, the tertiary sector contributes 69% of the GDP (Ntsika, 2000:24). Despite the fact that the statistical base of SMMEs in South Africa is still poor (Chalera, 2006:37), there is little doubt about their relative significance. According to the DTI (1995:9), there are more than 800 000 SMMEs in South Africa, absorbing about a quarter of the labour force of 15 million people. This is in addition to about 3,5 million people involved in some or other types of survivalist enterprise activities. Ntsika (2000:24) adds that, in addition to being accountable for 54,5% of all formal private sector employment, SMMEs account for 34,8% of the GDP (Table 4.4). SMMEs also make significant contributions to the number of establishments as well as to salaries and wages. Ntsika (2000:24) notes a drop as SMMEs now contribute 42,7% (as against 57,3% for large firms) of the total value of salaries and wages paid (table 4.3).

Table 4.3 Percentage contribution of SMMEs to employment in the main industrial sectors in 2000

Sectors	Micro	Small	Medium	Large	Total
Agriculture	4,17	13,81	52,31	27,91	100
Mining	0,92	2,51	2,59	93,97	100
Manufacturing	8,39	10,57	24,58	57,46	100
Electricity	0,00	0,00	0,00	0,00	100
Construction	2,93	37,28	13,45	46,34	100
Trade	35,77	23,73	13,00	27,49	100
Transport	11,38	23,50	20,84	44,27	100
Business services	25,14	19,18	5,20	50,48	100
Other services	52,68	18,22	8,23	20,86	100
Average, all sectors	17,38	16,34	20,76	45,52	100

Source: Ntsika (2000:24)

Table 4.3 indicates that the SME sector contributes 37,1 % of all employment while the SMME sector contributes 54,5% compared to large business, which contributes 45,5%. It is also clear from the table that the SMEs sector makes a significant contribution to employment in agriculture, manufacturing, construction, trade and transportation sectors. Turning to the contribution of all firms to economic growth (as noted by GDP), table 4.4 paints the picture with regards to SMMEs.

Table 4.4 Contribution of SMMEs to GDP in the main industrial sectors in 2000

Sector	Micro	Small	Medium	Large	Total
Agriculture	4,13	8,67	43,71	43,49	100
Mining	1,01	1,74	2,55	94,70	100
Manufacturing	5,27	7,37	21,02	66,34	100
Electricity	0,00	0,00	0,00	100,00	100
Construction	4,14	35,60	12,20	49,06	100
Trade	2,27	23,41	17,12	57,21	100
Transportation	7,07	18,50	20,30	54,13	100
Business and other services	14,90	12,90	2,90	69,30	100
Average, all sectors	5,82	13,90	15,05	65,23	100

Source: Ntsika (2000:24)

Table 4.4 provides a synopsis of each sector's contribution to GDP in terms of size-class. From the table it becomes clear that the SME component contributes 28,95% of the GDP, while the full SMME tier contributes 34,8% compared to large businesses which contribute 65,23%.

The DTI (1995:10) is of the opinion that, while the importance of large industrial, mining, and other enterprises for the growth of the economy cannot be denied, there is enough evidence that the labour absorptive capacity of small businesses is high, the average capital cost per job created is usually lower than in big business, and its role in technical and other innovations is vital for many of the challenges facing South Africa's economy. Luiz (2001:3) believes that the small business sector in South Africa has the potential to contribute to job creation and economic growth, whilst at the same time redressing historical imbalances and increasing black economic participation. The current state of economic participation of black South Africans is of great concern. According to SACOB (1999:3), it is clear from official employment figures that the SMME sector has not been able to absorb all of the jobs shed by large scale enterprises or to assist in reducing the overall level of unemployment in South Africa. This may be attributed to the obstacles inhibiting the growth of this sector.

Economic participation across racial lines is noted to be skewed. According to Ntsika (1997), only about 1,4% of the African population are entrepreneurs compared with 7,5% of the white

population. The highest percentage of involvement by the black population is in the survivalist class where returns are low and limited value is added to the economy. As the size of the enterprise increases, the percentage of black entrepreneurship decreases significantly. Blacks make up 86% of survivalist enterprises, 64% of micro-enterprises (no employees), 40% of micro-enterprises (one to four employees), and only 29% of very small enterprises. The skewness captured at the national level is equally noticeable at provincial levels and municipalities.

Table 4.5 Average annual growth in employment per sector according enterprise-size class over the past 20 years in 2000

Sector	Micro	Small	Medium	Large	Average
Agriculture	-3,42	92,28	5,25	5,32	2,97
Mining	0,14	2,70	1,02	-1,04	-0,91
Manufacturing	3,83	2,35	1,05	0,47	0,99
Construction	1,47	-2,35	-0,78	-3,88	-2,38
Trade	4,28	1,65	0,56	6,00	3,40
Transport	-4,62	-1,19	-1,51	3,11	-0,19
Business services	4,46	11,24	22,97	5,70	6,75
Other services	12,91	19,97	-21,82	N/A	2,33
Average growth	3,42	1,22	0,92	0,93	1,33

Source: Ntsika (2000:26)

Table 4.5 indicates that the average annual growth in employment per sector, according to enterprise size over this period, was only 1,3% per annum. Being less than the average growth rate, it implies that the unemployment rate grew rapidly over this period of time, resulting in a faster growth in the formal sector.

4.3.3 Growth constraints in the South African SMME sector

There can be no doubt that, compared to big businesses in South Africa and other countries, small businesses face a wider range of constraints and problems and are less likely to address these problems on their own, even in effectively functioning market economies (DTI, 1995:11). The constraints, amongst others, relate to the legal and regulatory environments confronting SMMEs, access to markets, providing finance and business premises (at affordable rentals), the acquisition of skills and managerial expertise, access to appropriate technology, the quality of business infrastructure in poverty areas, and the tax burden in

some case. In the South African context, the constraints have been particularly hard on entrepreneurs in rural areas and women entrepreneurs.

In a World Bank study of 155 countries on the factors that enhance or inhibit business activities (World Bank, 2006 cited in Swanepoel, 2008:49), South Africa ranked 28th overall on the ten indicators used in the study (see Table 4.6 below).

Table 4.6 World Bank ranking of doing business in South Africa

Starting a business		Getting credit	
Procedures (number)	9	Strength of legal rights index (0-10)	5
Time (days)	38	Depth of credit information index (0-6)	5
Cost (% of income per capital)	8,6	Public registry coverage (% of adults)	0.0
Minimum capital (% of income per capital)	0,0	Private bureau coverage (% of adults)	63,4
Dealing with licences		Paying taxes	
Procedures (number)	18	Payment numbers	32
Time (days)	176	Time (hours per year)	350
Cost (% of income per capital)	38.0	Total tax payable (% of gross profit)	43.8
Hiring and firing workers		Trading across borders	
Difficult of hiring index (0-100)	56	Documents for export (number)	5
Rigidity of hours index (0-100)	40	Signatures for export (number)	7
Difficulty in firing index (0-100)	60	Time for export (days)	31
Rigidity of employment index (0-100)	52	Documents for import (number)	9
Hiring cost (% of salary)	3	Signatures for import (number)	9
Firing cost (week's salary)	38	Time for import (days)	34
Protecting investors		Enforcing contracts	
Extent of disclosure index (0-10)	9	Procedures (number)	2
Extent of director liability index (0-10)	9	Time (days)	18
Ease of shareholders' suits index (0-10)	8	Cost (% of debts)	33,9
Strength of investor protection index (0-10)	8,0		
Registering of property		Closing a business	
Procedures	6	Time (days)	2
Time (days)	23	Cost (% of estate)	18
Cost (% of property)	11,0	Recovery rate (cents on dollar)	33,9

Source: The World Bank (2006:152) in Swanepoel (2008:49)

Based on of the rankings of the World Bank, a high ranking on the ease of doing business means that a government has created a regulatory environment conducive to conducting business.

A comparison of South Africa and the USA (Table 4.7 below) in terms of the factors that foster or hinder entrepreneurial activities suggests that it is far more time consuming and costly to establish a business in South Africa.

Table 4.7 Comparison of South Africa and USA conditions for setting up a business

Factors	South Africa	USA
Average number of days required to start a business	38 days	4 days
Cost of registration of business as a percentage of per capital income	9%	1%
Number of procedures required to enforce a contract	26	17
Employment laws index	36	22

Source: Ncube and Ahwireng-Obeng (2006:35) in Swanepoel (2008:51)

Turning back to within-country constraints, it is worth noting that the problems and constraints encountered differ widely between the various segments of SMMEs and also between the sectors as well as the owner categories. According to the DTI (1995:11), although it is generally acknowledged that micro and survivalist enterprises are far less able to face constraints linked to financing, market access and the acquisition of skills, some sectors like agriculture, construction, and manufacturing confront small enterprises with a wider range of problems thus preventing easy entrance into these sectors by new enterprises. Even among medium sized enterprises, problems like international competition, technology transfer and skills training constitute major growth obstacles (DTI, 1995:11).

In addition to sector specific differences of constraints, the legacy of apartheid constitutes an important factor in the ability of black-owned/controlled small enterprises to face business development constraints. The DTI (1995:11) outlines the various ways in which the majority of South Africans, for decades, were denied access to viable business opportunities:

- Bantu education constricted opportunities for the acquisition of technical and professional skills by black people.
- There was a total absence of entrepreneurial education or sensitising for young people in a way that could encourage them to enter business and acquire a culture of entrepreneurship.

- Apartheid confined the majority of the African people to homeland areas which were not only the poorest in terms of living standards and business opportunities, but also lacked a dynamic business environment.
- Even outside the homelands, the system of apartheid made it impossible for black would-be-entrepreneurs to participate in business apprenticeships and partnerships with more established (non-black-owned/controlled) enterprises.
- Racially segregated residential areas, enforced through the Group Areas Act, not only uprooted millions of people from their places of residence and business, but also led to large capital losses and virtually destroyed the fabric of black small enterprises.
- The drastic curtailment of property ownership rights of blacks made it impossible for them to acquire assets that could serve as collateral for loan financing; it also excluded blacks from the long term processes of capital accrual and growth through rising property values and share prices.
- Apartheid left no real space for the involvement of black women; marriage laws reduced women to unions with no contractual capacity at all. Even though laws have changed, customary law remains intact and there are cultural, behavioural and attitudinal constraints which affect women's participation in business, particularly in the rural areas. There are also restrictions in terms of access to land.

From a regulatory standpoint, SACOB (1999:5) cites three major problems with the present labour legislation:

- It imposes significant additional direct costs on businesses
- There is a high 'hassle factor' associated with compliance.
- The legislation robs owners and managers of some of the control and flexibility which they perceive as being both desirable and necessary to effective running of their businesses.

Box 4.1 The principal laws that affect business activities in South Africa

Cross-cutting regulatory requirements in South Africa

The most important regulations that affect most businesses

General start-up : Nine procedures, five offices

Reserve a company name

Register name and article of association

Register for value added tax (VAT); pay as you earn (PAYE); income tax; skills levy; including the relevant Sector Education and Training Authority (SETA)

Register with Unemployment Insurance Fund (UIF) ; Regional Service Council (RSC)

Register as an employer for Workman's Compensation

People and workplace

Labour Relations Act 66 of 1995

Occupational Health and Safety Act 85 of 1993

Compensation for Occupational Injuries and Diseases Act 130 of 1993

Basic Conditions of Employment Act 75 of 1997

Employment Equity Act 75 of 1997

Skills Development Act 97 of 1998

Skills Development Levies Act of 1999

Unemployment Insurance Act 63 of 2001

Broad Based Black Economic Empowerment Act

HIV/Aids and the employer

Taxation

Standard income tax on employees (SITE)

Income tax

Pay as you earn (PAYE)

Secondary tax on companies

Capital gains tax (CGT)

Provincial tax

Value added tax (VAT)

Regional Services Council (RSC) levy

Miscellaneous

Licence fees

Stamp duties

Price control

Competition Act

Consumer Affairs Act

Customs and Excise

Promotion of access to information

Trade marks, registered design, patents, merchandise marks, copyright

National Environment Management Act

Tourism levies and requirements

Source: Darroll (2004:8) in Swanepoel (2008:50)

Relating to finance as a constraint confronting SMMEs, South Africa is not much different to some developed and less developed countries. Here in South Africa, at first glance the issue of finance is a general one that affects most small businesses (Rogerson, 2007:15), although more acute for foreign nationals despite the African National Congress's (ANC) popular

slogan that “South Africa belongs to all who live in it”. Notwithstanding the laudable efforts made by the ANC-led government in promoting small business development, inadequate access to finance especially for business start-up remains a major issue, not only for native entrepreneurs but also for immigrants (Landau, 2010:72). Molapo et al (2008:27) posit that although the government has established a number of institutions and programmes to provide financial and non-financial assistance to small businesses, the impact of these programmes and institutions has not been strongly felt by those who need it most. The question one may ask is: who needs financial assistance most? The logical but debatable answer to this question would be the entire SMME tier, and entrepreneurs, in particular. Even the ANC government in its assessment of its SMMEs development programmes fifteen years after democracy states categorically that “Micro-credit for productive purposes and access to finance is still a major impediment” (SA Presidency, 2008:17).

4.4 BARRIERS TO SMME START-UP AND OPERATION

It has been argued with increasing evidence in the foregoing paragraphs that a well-managed and healthy SMME sector is a viable source of economic and social development in any economy. Since it was internationally proclaimed that SMMEs produce the bulk of employment and make huge contributions to GDP in the USA, debate around the world has been about acknowledging this role, as well devising a policy package that will effectively strengthen SMMEs. Strengthening the position of SMMEs can be seen from two fronts namely:

- Increasing the opportunities available to entrepreneurs
- Limiting the threats to growth and survival that they face.

Identifying those opportunities that need to be strengthened and those threats that need to be limited becomes a highly contested issue. This contestation comes against the backdrop of inherent differences in a country’s historical and economic background and differences in researcher perspectives over time.

As there is variation inherent in the definition and classification of SMMEs, so too are researchers and authorities divided as to what constraints this sector faces and the severity on individual members of the pack. At the theoretical level, studies have identified some of the barriers to SMMEs growth (for example see Luiz, 2001:65). These obstacles to SMMEs development have been seen to vary at country, national and even provincial levels. The barriers have been equally observed to vary from one sector to the other (Rogerson, 2006:76) in line with the gender of the owner, location of the business, and growth phase of the firm. For instance, Rogerson (2006:76) found that access to a better premise (manufacturing firm),

improved markets (service and construction firm), and improved cultivation space (cultivation firm) played decisive roles in determining whether they could take on additional workers (Rogerson; 2006:76). Although SMMEs in general fall into the same category, their contribution to growth and the intensity of their problems may vary during their life cycle.

Numerous studies have been conducted to ascertain the obstacles that SMMEs face. These studies can be grouped into two categories with those that focus only on SMEs, and those that look at the SMME cluster. A common convergence in these studies is the fact that SMMEs as a sector face far more obstacles to growth than larger and more established firms. It may also be observed that the nature as well as the severity of the obstacles varies across countries, within a country, along racial lines, across sectors and even over time.

Since the advent of democracy, South Africa has increasingly seen the need for measures to strengthen the socio-economic performance of SMMEs. Various studies have, in the process, highlighted numerous issues that need to be tackled if the South African government's ambitious goals are to be met.

- Firstly, there has been huge debate as to whether or not intervention is necessary. Most studies in this category believe that measures should be taken to improve the overall business environment for all firms, regardless of the size of the firm, gender of the owner, location of the firm, and so forth.
- Secondly, even the studies which have acknowledged the rationale for government's intervention, nonetheless increasingly disagree on the methodology (see GEM, 2004). GEM (2004:4) notes that SMMEs are not impressed with the direct support offered by the government on the one hand. There are those who believe that the government should not distort market forces as they would, in the long run, re-dress those government concerns. Here it is increasingly argued that, in line with international best practice, the government should reduce direct support in favour of facilitating commercially driven private sector provision of business services (GEM, 2004:4). Logically, this line of argument may hold true in near perfect market conditions as may be the case in most developed countries. However, in less developed countries, and particularly South Africa where historical factors such as apartheid resulted in huge imbalances in the distribution and ownership of productive resources, market mechanisms alone may not do the honours of meeting the aforementioned government ambitions. On the other hand, researchers believe market forces have failed to address such concerns in the past and therefore there is an overwhelming need for government's direct involvement.

- Thirdly, a fairly balanced position, increasingly held by most authors on the subject, is that governments should strike a balance between intervention and the free functioning of market forces (Biggs, 2001:30).

According to Brinders, Memela and Mlosy (2003:19), the major prerequisite for a thriving small-scale enterprise sector is an enabling environment, which includes political and economic stability, relative security, market-based incentives, and access to the resources needed to survive and grow. According to Bannock (1981:39) and Biggs (2001:30), finance has arguably been accepted to be a major obstacle to SMME growth and survival. Bannock (1981:39) suggests that finance is the key problem in starting a business. Although many SMMEs have limited access to capital, Nichter and Goldmark, (2009:14) argue that it is often unclear whether credit represents a binding constraint on firm growth. Rogerson (2006:77) notes that shortage of finance and/or access funds impacts upon the quality of equipment and machinery of manufacturing firms and of the services that are offered by service-based SMMEs, which in turn impact negatively on their overall productivity. The severity of finance as an obstacle, however, varies across the SMME sector.

In South Africa, a study by Chandra et al (2001:57) found that SMMEs are not severely constrained by lack of access to bank loans; where access is an issue it is related to the firm's size, and the age and racial group of the owner. Such differences have been found to be more acute in the rural areas than the urban areas. It has been found that although the lack of capital may inhibit the start-up process of a micro entrepreneur who has taken up the self-employment route after failing to gain paid employment (Dalago; 2003:18), this may not pose a major challenge to an entrepreneur who abandons paid employment to pursue self-employment as an opportunity arises. In line with Dalago's study, Rogerson (2006:76) found that the issue of finance was prevalent during the start-up phase regardless of the business sector. It is worth noting that the issue of finance is more acute in developing economies, where financial systems are not well developed.

In some cases, even in some well developed financial systems, the lack of collateral (especially fixed assets) has been found to prevent SMMEs, especially micro enterprises, from getting financial assistance. In situations where financial assistance is readily available, micro enterprises may be unaware that this is the case, or the requirements for finance are too complicated, and sometimes even the threshold is too small for any profitable venture. Lack of finance as an issue becomes less felt as the SMMEs 'graduate' from a low level to a higher level. Liedholm (2001:16) notes that efforts to assist entrepreneurs seeking to graduate must thus address a more complex set of requirements than the simple provision of working capital.

Lack of support has also been identified as a major constraint faced by SMMEs. One may ask: Why do SMMEs need support, and what kind of support do they need? To answer these questions it has been suggested that, historically, SMMEs have been discriminated against through past economic policies that distorted the markets in favour of large enterprises (Liedholm, 2001:15), and even across race and gender lines. Under these distorted market conditions SMMEs and most especially micro enterprises have been found to need support if they are to efficiently contribute to economic and social development. Support may be in the form of financial assistance, skills training, and so on. In cases where these support services are available, it has been noted that low levels of awareness, especially among those who need the services most, make these services less effective. Numerous studies in South Africa have confirmed this (see GEM, 2004:46; Chalera, 2006:88). In some cases, even the organisations providing the support have been noted to be less equipped and at times lack the necessary resources to be of effective service to SMMEs.

Taking into consideration the heterogeneity inherent in the SMME cluster, Dockel (2005:58) proposes that for policy purposes, the sector should be split into two camps, namely micro and SME, with each having its own focus, for the following reasons:

- Micro enterprises employ low skilled labour whose skills are not adequate to qualify for work in large firms (Harvie, 2005:78). Their productivity is relatively low. The majority of these businesses are in the service and specifically the trade sector.
- A large number of enterprises in this segment are survivalist and their numbers vary inversely with the business cycle. The size of this component tends to increase when the economy goes through slumps and decreases as the economy picks up. To some extent this component serves as a reservoir that provides a means of survival in bad times, therefore sustained employment growth and output are not likely to originate in this sector. However this does not mean that this sub-sector is not important, since it represents between 10% and 80% of all SMMEs (Dockel, 2005:58).

SMMEs broadly face two types of constraints. There are the internal constraints, being those retarding forces from within the sphere of influence of the enterprises itself, and the external constraints, which are from outside of the enterprise. Many obstacles to SMMEs enterprise development exist. A comprehensive summary of these obstacles is given in Hansohm (1992:131); the DTI (1995:11); Luiz (2001:2); Dallago (2003:18); Baker (2005:19) and Harvie (2005:74). These include:

- Lack of relevant laws and administrative procedures that undermine their legal standing and the ability to receive assistance from state agencies
- A policy bias toward large firms
- Lack of, or limited access to institutional credit
- Exclusion from participatory processes
- Imperfect market information
- Deficiencies in technical skills
- Lack of entrepreneurship
- Managerial deficiencies.

4.4.1 Constraints to Micro Enterprise Development

Although most of the constraints faced by SMMEs (as mentioned above) equally apply to micro enterprises, there are certain ones that are peculiar or weigh more on micro enterprises than their non-micro counterparts. For instance, enterprises that are starting up face different problems and constraints than those of existing firms seeking to expand (Liedholm, 2001:15). Harvie (2005:74) notes that, of these obstacles, the most formidable ones are lack of access to credit. Inadequate collateral, insufficient legal status, high transaction costs and inability of micro enterprises to cope with formal financial institutions are further reasons why such enterprises have difficulties in growing.

Most formal financial institutions do not serve the poor because of perceived high risks of default, the high costs involved in small transactions, perceived low relative profitability and an inability of the poor to provide the physical collateral that is usually required by such institutions (Harvie, 2005:74). Furthermore, Harvie (2005:74) believes that the business culture in most economies is not geared to serve the poor and low income households. Due to a lack of access to institutional sources of finance, most poor and low income households continue to rely on meagre self-finance or informal sources of finance (Harvie, 2005:74).

4.5 THE INFORMAL ECONOMY

Faced with numerous regulations, prospective entrepreneurs turn to the informal sector of the economy which is less restrictive. According to Schneider (2002:3), a commonly used definition of the informal economy refers to all currently unregistered economic activities which contribute to the official (or observed) GNP. However, Devey, Skinner and Valodia (2006:4) suggest that the most commonly quoted definition of the informal economy is that contained in the International Labour Organisation's Kenya report which includes seven criteria, namely:

- Ease of entry
- Reliance of indigenous resources
- Family ownership of the enterprise
- Small scale operations
- Labour intensive and adapted technology
- Skills acquired outside the formal school system
- Unregulated and competitive markets.

Devey et al (2006:5) maintain that for statistical purposes, the accepted international standard for defining the 'informal sector' was agreed in a resolution at the 15th International Conference for Labour Statistics (ICLS). Devey et al (2006:5) point out that an important criterion of the ICLS definition is that employment in the informal sector is based on the characteristics of the enterprise in which the person is employed, instead of the characteristics of the worker employed. The ICLS definition recommends that the informal sector be defined in terms of one or more of the following criteria (Devey et al, 2006:5):

- Non-registration of the enterprise in terms of national legislation such as taxation or other commercial legislation
- Non-registration of employees of the enterprise in terms of labour legislation
- Small size of the enterprise in terms of the numbers of people employed.

Statistics South Africa (Stats SA) uses the above mentioned enterprise-based definition in order to derive estimates of informal employment in South Africa (Devey et al, 2006:5).

Research suggests that, on the one hand, an unfriendly business climate pushes entrepreneurs away from the mainstream economy. On the other hand, ease of entry and fewer restrictions make informal economic activities rampant. For immigrants, the informal sector becomes the only route into entrepreneurial venture if the business climate in a host country is not accommodating to immigrant entrepreneurship.

Measuring the size of the informal sector is difficult in that the activities here are performed precisely in order to avoid official registration. One way of measuring the size of the informal sector is when one looks at its contribution to the GNP of a country. The other way is in terms of the number of people employed in this sector. Using the former, Schneider (2002:6) measured the size of the informal economies of 110 countries. On average, the size of the informal sector in Africa (in % of GDP) was 42% for the years 1999 to 2000.

Table 4.8 Size of the Informal economy of selected countries

	Cameroon	Ethiopia	Ghana	Senegal	South Africa	Canada	USA
GNP at market prices (current US\$ billion) 2000	82,8	63,3	48,3	42,9	1 226,4	6 713,5	98 253,0
Informal economy in % of GNP 1999/2000	32,8	40,3	38,4	43,2	28,4	16,4	8,8

Source: Adapted from Schneider (2002:6)

Statistics for selected African countries indicate the following: Cameroon is 32,8%, Ghana is 38.4%, Ethiopia is 40,3%, Senegal is 43,2%, and South Africa is 28,4% (Schneider; 2002:5). In comparative terms, the study indicates that South Africa has the smallest informal economy on the African continent, which is a characteristic of developed countries such as the USA and Canada. What does a huge informal economy mean for a country? On the positive front it means that the informal sector is lively and contributing significantly to growth. On the negative front, a huge informal sector may be an indication of regulatory and market failures that make it difficult for SMMEs, women and immigrants to actively participate in mainstream economic activities.

Using the number of persons employed as a measure of the size of the informal sector, the ILO noted a growth in the number of people working in the informal economy, either self-employed in unregistered enterprises, or as wage workers in unprotected jobs around the world. A recent collation of international statistics on the informal economy states: 'Informal employment comprises one half to three quarters of non-agricultural employment in developing countries' (ILO, 2002:7, in Devey et al, 2006:7). Table 4.9 lists the percentages in regions.

Table 4.9 Informal employment as a proportion of non-agricultural employment

Region	Percentage
North Africa	48%
Sub Saharan Africa	72%
Latin America	51%
Asia	65%

Source: ILO (2002:7), cited in Devey et al (2006:7)

It is clear from Table 4.9 that the growing importance of the informal sector's contribution to employment is the norm everywhere in the world.

In South Africa, while there was sluggish growth in employment in the formal sector (Table 4.10) between 1998 and 2003, the informal sector on the contrary witnessed sustained growth in employment within the same period (Devey et al, 2003:7).

Table 4.10 Labour market status of workers in South Africa, 1998–2003

	1998	1999	2000	2001	2002	2003
Formal	6 527 120	6 812 647	6 841 877	6 872 924	7 033 940	7 460 398
Commercial agriculture	726 249	804 034	666 940	665 941	810 998	831 893
Subsistence agriculture.	202 290	286 856	964 837	358 983	520 259	350 384
Informal	1 077 017	1 573 986	1 933 675	1 873 136	1 702 415	1 899 114
Domestic	749 303	798 524	999 438	915 831	875 255	1 022 921
Unspecified	107 966	92 905	305 797	146 000	85 841	57 534
Unemployed	3 162 662	3 157 605	4 082 248	4 525 309	4 837 493	4 570 566
Not economically active	13 156 940	12 752 967	11 100 135	12 006 413	12 118 060	13 724 114
Total 15–65	25 709 548	26 279 523	26 894 948	27 364 538	27 984 260	29 916 924

Source: Adapted from Devey et al (2006:8)

From Table 4.10, it can be noticed that employment in the informal sector of the economy grew from 1 077 017 in 1998 to 1,9 million in 2003, almost doubling in a period of six years.

The allocation of workers within the informal sector of the South African economy is disproportionately in favour of trading, and to a lesser extent, business services. In 2004, as reported by Devey et al (2006:10), the breakdown within the informal sector was: trade at 47%, construction at 13,1%, manufacturing at 10,4%, community services at 9,0 %, private services at 9,5%, transport at 7,1%, and business services at 4,3%. This data indicates that the informal sector in South Africa is more inclined towards trading activities, a phenomenon which may agree with the ease of entry argument suggested by the literature on immigrant entrepreneurship as presented in the preceding chapters.

4.6 SMME SUPPORT

In the foregoing section (4.2), the environment under which all SMMEs (including immigrant-owned firms) was explored. It was evident that SMMEs have a role to play in the South African economy, notwithstanding the fact they face a wider range of problems than their non-SMME counterparts. The factors that discouraged or encouraged entrepreneurship were highlighted. The focus of this section will be on exploring what has been done and what still needs to be done in order to foster the overall development of the SMME sector. In order to ascertain the need for the development of the SMME sector

4.6.1 Rationale for SMME support

According to Agupusi (2007:6), the promotion of SMMEs for poverty reduction in developing countries has been gathering momentum among governments and international development agencies. The small business development literature argues that SMMEs make unique contributions to the economy, with a contribution to GDP, employment and poverty reduction being the most stated (Biggs, 2001:2). According to Cobweb Information (2007:2), development partners now see SMMEs as an important part of their work and believe that assisting more firms to start and grow has an impact on economic growth and poverty reduction. Liedholm (2001:2) adds that the different types as well as the different members of the SMMEs group have different contributions to make to the dual objective of economic growth and poverty alleviation.

The literature on the support SMMEs can be further re-grouped into two: those in favour of SMMEs support (pro-SMMEs) and those against SMMEs support (anti-SMMEs).

4.6.1.1 Pro-SMME debate

Researchers on this 'side of the fence' believe that SMMEs should be supported on the basis that they are victims of market and institutional failures that bias the size distribution of firms, and therefore intervention would level the playing fields (Hallberg, 2001:23; CDE, 2004:5; Beck & Demirguc-Kunt, 2004:1). On this same side of the fence, others push the support agenda based on the fact that SMMEs possess certain characteristics that give them a competitive advantage when it comes to promoting economic and social development (Joubert et al, 1999; Ntsika, 2000; Dockel 2005; Agupusi 2007). These characteristics include job creation, innovation, income distribution and so forth. On the basis of these inherent characteristics, the job generating ability of SMMEs is seen as the single most important reason why governments and policy makers should discriminate in favour of small businesses (Joubert et al, 1999:21; Ntsika, 2000:24; 2003:2; Luetkenhorst, 2004:2; Dockel, 2005:58; Jeppesen, 2005:463; Agupusi, 2007:12).

The aforementioned line of thinking emerged when empirical research by David Birch in the USA revealed that small businesses create most of the jobs (Biggs, 2001:4; Audretsch & Thurik, 2003:16; Gebremariam et al, 2004:5; Baker, 2005:11). According to the US Business Administration, small enterprises created 76% of net new jobs from 1990 to 1995 and 75.8% from 1996 to 1997 (Acs, 2001:40). It is worth noting that most research on the role SMMEs as far as job creation is concerned has always excluded micro size enterprises. Would the results of these studies change if micro enterprises were partly distinguished as a separate component of the SMME group with unique characteristics? Of course the answer may be a resounding 'no'. Assuming that SMMEs contribute to employment, Von Broembsen and Wood (2005:29) note that they do not contribute proportionally. Recent studies that have addressed the concerns of micro and small enterprises include those of Ntsika (2000), Liedholm (2001) and Harvie (2003). According to Harvie (2003:2), in Asia micro enterprises account for more than 60% of all regional enterprises and up to 50% of paid employment.

Focussing on Latin America and Africa, Liedholm (2001:2) notes that, small and micro size enterprises are a major source of livelihood for a significant proportion of the population. In South Africa, where micro enterprises form part of the SMME group, Ntsika (2000:24) observes that they play an important role in job retention rather than job creation. Nonetheless, Agupusi (2007:10) is optimistic that given the chance, some of these micro enterprises would grow and even graduate to small enterprises.

Besides employment, the contribution of SMMEs to economic growth (Ntsika, 2000:24; Sinhna, 2003:5; OECD, 2004:33) as well as the income distributional role (Luetkenhorst,

2004:3; Jeppesen, 2005:463) of SMMEs is highlighted by some pro-SMME support researchers. According to Gebremariam, et al (2004:3), SMMEs and most importantly micro enterprises are credited most for providing employment opportunities and income to people at grassroots levels especially women, while also encouraging indigenous investment. Consequently, there is an increasing policy focus on the need to strength entrepreneurship and the contribution of micro enterprises to attain economic growth with equity, as well as to address gender and poverty reduction issues (Harvie, 2003:8). Pressure to attain such outcomes has been further increased in the wake of the 2009 global financial and economic crises.

While acknowledging that, micro enterprise and survivalist activities have absorbed large numbers of unemployed people in the South African, the DTI (1995:37) argues that they are in themselves not always able to generate reasonably remunerated long-term jobs. In this respect, the DTI (1995) suggests that support for SMMEs has to include steps to upgrade the skill levels of operators and strengthen the use of appropriate technologies in order to boost their capacities to create long-term jobs.

4.6.1.2 Anti- SMME support debate

Sitting on the other 'side of the fence', some researchers have increasingly argued against SMME support. Synthesising their arguments with respect to SMMEs and their contribution to economic and social development, the following conclusions may come to the fore. Although well founded economic reasoning supports the case for employment creation by SMMEs (Joubert et al, 1991:26; Agupusi, 2007:12), researchers sitting on this 'side of the fence' have argued that SMMEs do not produce the bulk of employment opportunities (Biggs, 2001:5), do not contribute significantly to economic growth, neither do they foster income distribution or reduce poverty (Ayyagari, Beck & Demirgue-Kunt, 2003, Beck & Demirgue-Kunt, 2004).

Furthermore, and from an employment standpoint, this school of thought maintains that SMMEs do not produce most of the jobs in the economy since they also have a considerably high dissolution rate as compared to large enterprises (World Bank 2000:13; Acs, 2001:41; Biggs, 2001:4; Chandra et al, 2001:18). They argue that it is not the size of the firm that matters but rather, how long the firm has existed (Acs, 2001:41). The size dimension used as indicated by the number of employees is static and gives a short term scenario. On the other hand, age suggests a longer term scenario and gives a better indication of growth and/ or survival. In terms of the quality of jobs created, empirical evidence from both developed countries and developing countries suggests that large firms offer much higher wages than

small firms, even when differences in worker education and experience and the nature of the industry has been considered (Biggs, 2001:5).

Biggs (2001:6) maintains that even in the case where both large firms and small firms generate a proportionate number of jobs, it appears that the social benefits and job security in the former often exceed those of the latter. Audretsch and Thurik (2003:18) concur with Biggs but argue further that while SMEs generate employment at a lower wage in the managed economy, in the entrepreneurial economy SMEs create both more jobs and higher wages. As far as the claim that SMEs are more labour intensive than large firms, on a closer look this claim does not hold true as empirical evidence suggests that firm size is not a pre-determinant of labour intensity (Biggs,2001:6). From an African standpoint and more importantly South Africa, Dockel (2005:60) argues that although the SMEs death rate is high, the more new entrants (new firms), the greater the chance that some will survive and grow, hence contributing to employment. According to Acs (2001:41), most of the new jobs come not only from new firms but also from new branches of existing large firms SMMES. Likewise, it is universally accepted that there is a link between small business growth and economic growth. From an economic growth point of view, the question often asked is whether the creation and growth of SMEs (or SMMES) leads to economic growth or whether it is economic growth that spawns more SMEs. In an attempt to answer this question, Ayyagari, Beck and Demirguc-Kunt (2003) reviewed the contribution made by SMEs to economies in 76 countries. The study is said to have rekindled a lively debate as well as controversy around the contribution of SMEs to growth, employment and poverty reduction (Luetkenhorst, 2004:1). According to the Ayyagari, Beck and Demirguc-Kunt study, in low-income countries just 18% of the population was employed by SMEs (Cobweb Information, 2007:2). The results of this study suggest that the positive association between SME development and economic growth is not statistically robust and moreover the evidence does not support a significant relationship between SMEs and poverty reduction (Luetkenhorst, 2004:1). The study furthermore warns against discriminating policies in support of SMEs, but rather for policies that make the business environment conducive for both SMEs and large firms (Beck & Demirguc-Kunt, 2004:1). At the level of the methodology, the design of the study has been questioned on grounds of SME variability chosen (Luetkenhorst, 2004:1). In other words, different SMEs are lumped together with little indifference shown with regards to their nature, sector or characteristics. At one level, this study has been criticised for restricting the sample to people whose records existed and therefore it only covered those employed by businesses in the formal sector (Cobweb Information, 2007:2). As far as this study is concerned, one may logically argue that the results may tell a different story if micro enterprises were included in the sample.

Drawing from the first two schools of thought, the author may suggest a third. The hypothesis behind this line of reasoning is the fact that self-employment in the formal, as well as the informal, sectors of the economy is the best way to go in poverty eradication. The logic here is that, what matters most to an entrepreneur (would-be business owner) is the fact that he or she wants to improve or create an income for himself or herself, and generating jobs for others is secondary. Under this circumstance, the goal of creating jobs would be much simpler if everyone was an entrepreneur and support was readily available. Besides, Baker (2005:19) argues that although micro enterprises may sometimes not create permanent jobs or provide decent wages, they nonetheless provide jobs. This is the case when a micro enterprise hires another micro size enterprise (Nichter & Goldmark, 2009:18) thereby providing work for their self-employed peers.

Regardless of the arguments put forward for and against the support of SMMEs, there is however a consensus on some basic points. Firstly, it is universally acknowledged that SMMEs as well as large businesses can only prosper within a healthy economy and a conducive overall policy framework (Luetkenhorst, 2004:5). Secondly, it is equally agreeable that the ability of any businesses to generate new jobs seems to be greatly dependent on certain macroeconomic variables, including the business cycle (Liedholm, 2001:24). In this regard, Bannock (1981:37) accredits SMMEs for being more resilient to depression and therefore able to offer a steadier level of employment than large ones. Liedholm (2001:2) adds that this results from net firm creation rather than from net firm expansion. In the USA for instance, Acs (2001:41) notes that small businesses create most of the jobs in America during a downswing, whilst the converse is true for big enterprises during an upswing. It is furthermore suggested that the job-creation capacity of SMMEs declines as countries become richer, as a result of an increase in economic capacity, which allows more significant roles for large enterprises (Amini, 2004).

Jeppesen (2005:463) warns that regardless of the reasons behind the promotion of SMMEs (including economic, social or political), the SMME tier should be scrutinised to see if it delivers in line with the specific objectives. It may be concluded that SMMEs contribute to economic and social development through the following (Harvie, 2003:8): employment; income distribution (Chalera, 2006:46); power distribution; investment distribution; innovation; entrepreneurship (Ntsika, 2000:24); and maximisation of scarce resources.

4.6.2 Why Support Immigrant- Owned Businesses?

There are many reasons why immigrant-owned businesses may need support. Such reasons become convincing when one looks at immigrant-owned businesses on two fronts, namely the business itself and the owner of the business.

4.6.2.1 Immigrant-owned businesses as victims

As mentioned in the previous chapter two (section 2.3.1), the 'blocked mobility theory' enforces the view that immigrants are discriminated against in various domains. Under these circumstances, immigrant entrepreneurs usually start on a small scale, and most likely in industries where entry is easy and the capital outlay is minimal. It comes as no surprise that immigrant-owned businesses usually fall within the SMME cluster.

Pertaining to the start-up and operation of immigrant-owned businesses, assuming that the argument forwarded by pro-SMMEs lobbyists is true, there should be a strong motivation for the support of immigrant-owned businesses. However, more immigrant specific arguments in favour of support may be based on the following factors:

- On the 'heroic front' some authors have argued that immigrants are more entrepreneurial than natives. This is based on the premise that immigrants bring with them certain entrepreneurial characteristics, and have a unique ability to mobilise resources.
- On the 'victim front', studies increasingly argue that immigrant businesses in certain countries are under-performing and, given proper support, they could assume their positions as engines of growth and employment.

Acknowledging that most immigrant businesses generally fall under the umbrella of SMMEs, Pinkowski (2009:45) argues that treating ethnic businesses the same as mainstream businesses is not equal treatment, because they have different issues and challenges that should be addressed by public policy in order to truly address equal opportunities.

In a study of immigrants and refugees in Durban (South Africa), Maharaj (2009:8) concluded that the problems facing immigrants and refugees can be divided into three categories:

- Legal (asylum determination, security of person, documentation)
- Socio-economic/social assistance (health, education, employment and shelter)
- Cultural and economic integration and xenophobia (Tlou, 2004:44 cited in Maharaj, 2009:8).

4.6.2.2 Immigrants as consumers or producers

Another way to look at why immigrant-owned businesses need support is when one looks at an immigrant as an either a consumer or producer. Assuming a hypothetical economy where an immigrant is either a consumer or a producer, the following choices would be imminent. In an efficient scenario, option one would be feasible if the producers (the working class) can shoulder the entire burden of the non-producers (consumers). That may be the case in countries where refugees and asylum seekers are given stipends and are not allowed to participate in any economic activities. Here the rationale lies in the fact that taxpayers (producers) can bear the burden. However, the ability to maintain such a situation would depend on the productive capacity of the country concerned and the number of immigrants (asylum seekers and refugees, inclusive).

Option two is the second scenario that may be applicable to South Africa, where immigrants, the bulk of which are refugees and asylum seekers, are permitted to actively participate (although technically constrained by other factors mentioned earlier) in the economy. This scenario is important where unemployment thrives and therefore taxpayers are not able to support the numbers of immigrants. One may therefore argue that promoting and supporting immigrant businesses would be the best route to take, as this would increase employment as well as broaden the tax base.

4.7 SMME DEVELOPMENT

Biggs (2001:29), concurring with Hallberg (2000:8) states that a good SMME strategy is in reality a good private sector development strategy. Creating an enabling environment for entrepreneurship and removing obstacles to establishing and operating small enterprises will do more than any other set of policies to help small businesses (Nieuwenhuizen, 2003:11; CDE, 2004:63). Although this view has been expressed many times and has been acknowledged by those elements of government most closely involved with entrepreneurship, it has nonetheless not been prioritised by the whole government. According to the CDE (2004:63), it is time to make such an openly acknowledged choice, with the backing of the highest levels of government.

Promoting SMMEs is the duty of national governments and in most countries a ministry (for instance the Department of Trade and Industry for South Africa is mandated to carry out this function. According Hallberg (2000:8-8), a market-orientated approach to the development of the SMME sector rests on three pillars, namely:

- Access to capital
- Business enabling environment
- Business services.

The International Finance Corporation's (IFC) experience, as may be drawn from Hallberg (2000:8-17), suggests that smaller companies in the developing world have three basic needs, and helping them grow requires a broad range of interrelated initiatives addressing each of these key areas – action in any one in isolation from the others will seldom be enough.

4.7.1 Access to capital

SMMEs often complain that their growth and competitiveness are constrained by a lack of access to financing, and by the high cost of credit (Hallberg, 2000:11). In the 1980s, the World Bank put poverty as a development promotion agenda. This has prompted most of the credit schemes that emerged to focus more on solving poverty issues. According to the schemes, people might improve their living standards by becoming micro-entrepreneurs. This school of thought believes that credit targeted to the poor, women, and youth has a greater impact on poverty than financing large firms (Chijoriga & Cassimon, 1996:286). Advocates of these schemes believe that if entrepreneurs are offered credit, more businesses will be set up and developed, and this will result in business development and growth. They believe in the trickle-down effect, whereby if you concentrate on a few, there will be a positive externality on the others in terms of increasing GDP, and hence improved living standards. People in this camp believe in selecting a few entrepreneurs who can do the job right for the benefit of all. They look at lack of capital in the form of credit as a barrier to growth (Chijoriga & Cassimon, 1996:283).

From an immigrant entrepreneurship standpoint, Guzy (2006:6) concludes that access to finance is the first priority in terms of entrepreneurs' needs, and studies show that immigrant entrepreneurs have even less access to mainstream banking and public financial support schemes than natives. In support of this view, Landau (2010:72) highlights the case of South Africa, where poor non-nationals are typically unable to access even the most rudimentary services.

4.7.2 Business enabling environment

According to Hallberg (2000:9), the performance of all firms, small or large, is affected by the business environment in which they operate. Expanding on this view from one angle,

Hallberg (2000:9) argues that a stable macro economy, an open trade and investment regime, and a competitive financial sector, are all essential conditions for a vibrant private sector. Furthermore, a well developed physical infrastructure, transportation, warehousing, port facilities and communications networks all expand markets and facilitate transactions throughout the productive sector. Social infrastructure investments in education and health care build the capabilities of the productive sector workforce.

From another angle, Hallberg (2000:9) acknowledges that there are certain aspects of the business environment that are of particular relevance to SMME competitiveness: those that affect market access, cost of acquiring information, transactional efficiency and risk, and the fixed cost of doing business. Hallberg (2000:9) notes that SMMEs-specific aspects of the business environment in most countries include some or all of the following:

- Barriers to entry and non-competitive behaviour in markets where SMMEs are potentially competitive
- Expensive and time-consuming regulatory requirements such as licensing and registration
- Official and unofficial levies that discourage small enterprise from growing and becoming formal
- Laws governing the protection of business and intellectual property , and the use of property as collateral
- The legal framework for commercial transactions and the resolution of disputes that affect transactions with unknown firms
- Tax structures that distort incentives and discriminate against small firms
- Government procurement procedures that discourage successful bidding by SMMEs
- Zoning regulations that restrict SMME operations and entry into high-income markets
- Labour market rigidities that make hiring and firing workers difficult and expensive, and limit the flexibility and mobility of the labour force
- Infrastructure that opens access to information and markets, particularly transportation, market facilities and communications infrastructure.

Commenting on the impact of the business environment, (Hallberg, 2000:10) concludes that removing some of the difficult constraints that are proportionally much harder for small and mid-sized firms to overcome than for big firms, may improve the business environment.

4.7.3 Business development services (BDS)

Business development services include a wide range of non-financial services such as labour and management training, extension, consultancy, information services and

increasing access to information including help with marketing, management, technology, strategic planning, linkages with large companies (tapping into the vast potential business and community development opportunities posed by major investment projects) and other critical business needs. Hallberg (2000:13) believes that these services form an important part of the 'market support structure; that helps build SME competitiveness. Netswera (2001: 36), in a study of small businesses in Johannesburg, found that access to information was placed high on their priority list, with finance coming second.

Traditionally, governments and donors have provided BDS through public institutions or non-governmental organisations, often on a free or subsidised basis. Hallberg (2000:14) argues that this strategy is increasingly becoming unpopular as it is too general, supply-driven, of poor quality, and it is insensitive to cost control. Furthermore, this author argues that the emerging trend is to facilitate the provision of services by private providers; stimulating the demand for them by small enterprise clients is an effective way to raise the coverage, quality and sustainability of services and to increase their impact on small enterprise performance.

4.7.4 SMME Development and the Role-players

Through collaboration between government, big businesses, and SMMEs themselves, the aforementioned conditions necessary for the efficient functioning of the SMME sector can be achieved. Netswera (2001: 36) believes that big businesses should be encouraged and, where necessary, rewarded for joint projects and sub-contracts with small businesses. The following sections will discuss how such collaboration could be achieved.

4.7.4.1 The government

- Through direct and indirect intervention mechanisms, the national government or local government may influence the SMME sector negatively or positively. For instance, macro-economic policies with regard to inflation, investment, taxation, and so on. With respect to migration and particularly international migration, the situation is more complicated for local governments because they do not have the authority over international borders and immigration, which is limited to the sphere of the national level of government. This notwithstanding, Pinkowski (2009:1) believes that local governments can do some things that are within their control to promote entrepreneurship among immigrants who are already in their jurisdiction.
- Through legislation, the government establishes the ground rules that bind all role-players in this sector, for instance employment and public procurement laws.

- Through political (global) strategies, the government not only influences the country's trading partners, but it also indirectly rallies support for the SMME sector, for instance NGO (humanitarian) support.
- The government, through its subsidiaries, provides direct capital as well as influences the financial markets.

4.7.4.2 The big businesses

It is a widely held view that the private sector, especially big business, has a responsibility to use its combined influence and resources to promote the development and growth of small businesses. The reasons why big businesses should get involved in the development of the SMME sector, as advanced by Sigma International (2004:15), include the following:

- Small businesses are more niche-focussed and can provide larger businesses with more specialised advice on a needs basis. This provides bigger businesses with the ability to outsource certain functions.
- Greater participation by smaller businesses provides the big businesses with opportunities to grow and develop.
- Bigger business can benefit significantly through the competitive prices or diversified services offered by nimble, flexible smaller businesses, as opposed to negotiating with a traditional large supplier.
- Overhead and running costs of SMMEs are traditionally lower than bigger businesses, allowing a greater competitive advantage for smaller business.
- Bigger business could benefit significantly from the value provided by smaller businesses as the quantum of work (while it may be smaller from a big firm perspective) could be the lifeblood of the SMME.
- In instances where bigger businesses may be faced with downsizing for operational reasons, opportunities could be created for existing staff to develop their own SMMEs and continue to receive an income by supplying (on a needs basis) services or products to the bigger businesses.
- A greater reliance on smaller suppliers will gradually eliminate the need for big business to carry excess stock, resulting in more freeing of working capital.
- By successfully concluding work for bigger organisations, an SMME could use this experience as a reference point and thus gain the confidence of other businesses and consequently grow its own customer base.

Despite the above synergy that could be harnessed, Sigma International (2004:15) notes that the private sector approach to SMME development in South Africa is often poorly coordinated; it is not seen in the context that can be harnessed through private sector involvement in the development of the SMMEs playing a meaningful role in the development of the local or national economy. Furthermore the private sector approach is characterised by the following:

- While funding is made available to SMMEs, this is seen more as a 'corporate relations' exercise and is not driven by a true commitment to their future development.
- Bigger businesses often do not use their core competence when evaluating where their biggest contribution to SMME is. For example, Standard Bank's 'innovative partnership programme for SMMEs' provides funding for training and accreditation, but their efforts should rather be focussed 'from within' including looking at preferential banking or lending rates for SMMEs.
- SMMEs suppliers are often bombarded with a series of requirements to comply with supplier status requirements. Very often, little support is however provided to help them develop their competence.
- Purchasing patterns still include a series of preferred suppliers who have established relationships with the bigger businesses. Few entry opportunities are provided to emerging black firms or SMMEs that have not demonstrated a trading history.
- Where SMMEs are utilised as part of the supply chain, the activities that they are engaged in are restricted (primarily for black run SMMEs), and often do not add true value as they are restricted to basic support roles or supply of non-critical elements.

4.7.4.3 The SMME itself

A business is initiated by an entrepreneur who makes him or herself responsible for the start-up, growth and survival of the entity. The entrepreneur can therefore play the leading role in the development of this sector by taking the necessary (first) step. Supporting this view, the DTI (1995:15) states that given an enabling environment for small enterprises, it is expected that the hundreds of thousands of SMMEs will themselves accept responsibility for the operation, growth and progress of their enterprise. For instance, through information gathering and market research by SMMEs operators, one will expect them to know where to get assistance.

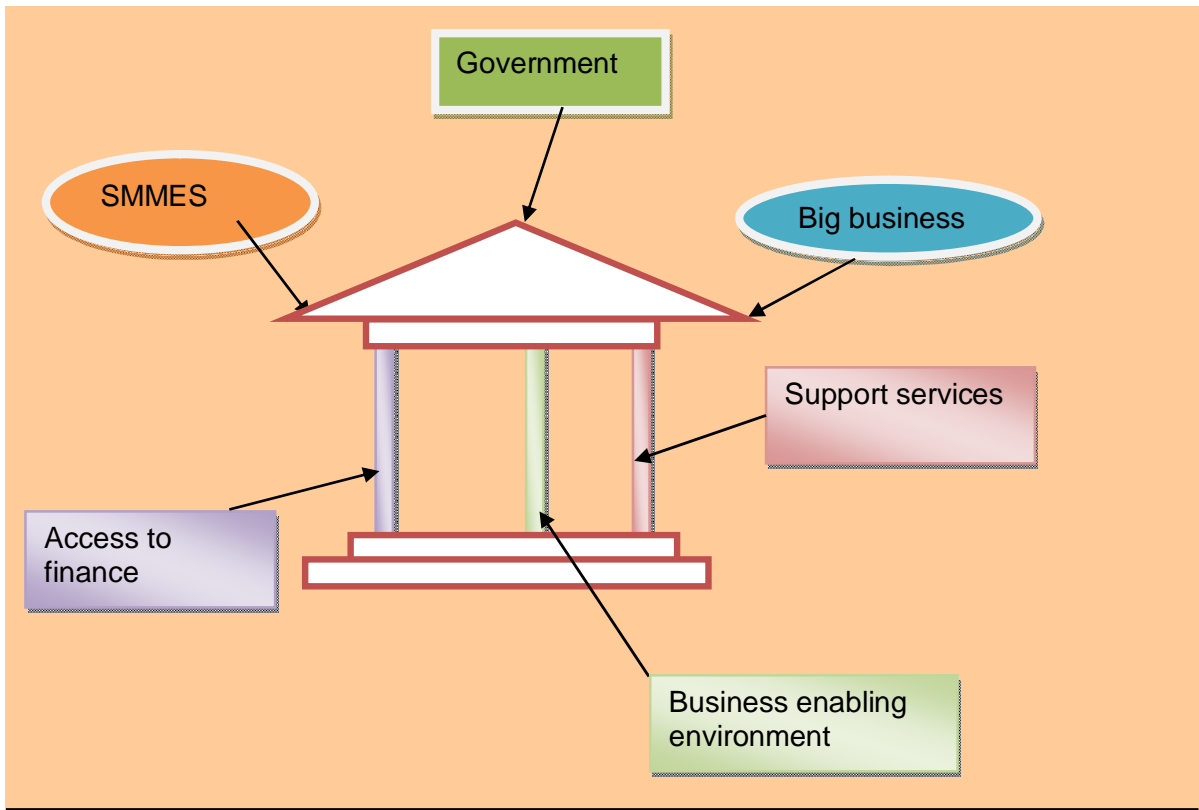


Figure 4.1: The three pillars of SMME development and support structures
Source: Adapted from Hallberg (2000:17)

4.8 IMMIGRANT- OWNED BUSINESS DEVELOPMENT IN SOUTH AFRICA

In the previous sections it was noted that most immigrant-owned businesses generally fall with the SMMEs cohort, thus suggesting that policies that promote SMME development would generally apply to immigrant-owned businesses. However, research shows that more often than not, immigrant-owned businesses are discriminated against, either directly or indirectly.

4.8.1 Immigrants as a valuable resource

In view of the recent meltdown of major financial markets and the slowing of practically all developed economies, Pinkowski (2009:1) highlights the need for a reassessment of traditional sources of opportunities in terms of economic development. Pinkowski, (2009:1) suggests that in geographical areas which are fortunate in that they are attractive to citizens of other jurisdictions, cross-border movement of talent may be an untapped resource for growth through simulating entrepreneurship. The search for new engines of growth should include the potential contribution that immigrant entrepreneurs can make to their new locations (Pinkowski, 2009:1).

Although opportunities are open to all, Pinkowskis (2009:5) argues that it is the immigrants who are likely to produce a greater number of new business start-ups with their associated outcomes. According to Pinkowski (2009:5), this is particularly so because immigrants are not just fundamentally risk-averse, they believe in their ability to succeed and put their personal savings and even their homes or other personal assets on the line to grow their own businesses, at the same time creating employment opportunities for others. Pinkowski (2009:5) concludes that understanding the comparative acceptance of risk between the domestic and immigrant populations is crucial to appreciating the opportunities to be gained from promoting entrepreneurship.

In South Africa, debates about SMME development and policy have paid too little attention to the potential contribution of immigrant entrepreneurs to the economy (CDE, 2004:63). Even though the South African government's SMMEs development policy acknowledges the important contribution that SMMEs make to economic development, nowhere are immigrants singled out as part of this process. In its 'state of small business publication' the Department of Trade and Industry (DTI) categorically states that SMMEs play a vital role as far as economic development is concerned in that, while on the one hand they enable people to meet their basic needs and survive, on the other hand through the growth of the SMME sector, survivalist firms become micro and small enterprises, thus creating jobs and raising the standard of living for hundreds of thousands and even millions of South Africans in the urban and rural areas (Ntsika, 2001:38, cited in Von Broembsen & Wood, 2005:24).

Immigrant entrepreneurs should be seen as a resource that should be formally recognised, encouraged and even nurtured. Debates about immigration and entrepreneurship in South Africa have continued in isolation from each other, ignoring international and local experience which points to the important contribution that immigrants make to building a successful culture of entrepreneurship, and supplementing the pool of positive role-models for would-be South African entrepreneurs (CDE, 2004:63).

4.9 INTERNATIONAL EXPERIENCE IN DEALING WITH IMMIGRANT-OWNED BUSINESSES

In a study in Ireland, focus groups indicated that low corporate tax, minimal bureaucracy and regulations as compared to their previous home countries, plus a transparent legal system and a strong consumer culture gave the immigrant entrepreneurs a favourable impression of Ireland as a good place to start a business (Cooney & Flynn, 2008 in Pinkowski, 2009:27).

4.9.1 Immigrant entrepreneurs' needs

In today's complicated environment for business creation, a large part of the needs of immigrant micro-entrepreneurs are those encountered by all micro-entrepreneurs. While many entrepreneurs, and particularly immigrant entrepreneurs, start-up their businesses without the formal use of business support services, both advisors and immigrant entrepreneurs confirm the need for this support. However, sometimes their views diverge on the nature of the support needed. Proper support should increase the chances of the business being a positive experience for the person as well as contributing value to the economy and society.

4.9.1.1 Entrepreneurial needs in terms of business support

In terms of entrepreneurial needs, and from a business support standpoint, Guzy (2006:5) suggests that immigrant entrepreneurs typically face the following common problems usually addressed in BDS, although perhaps more severely:

- Difficulties in accessing start-up finance and/or development finance on reasonable terms
- Problems in dealing with a range of administrative and regulatory requirements
- Insufficient management skills and access to business support
- Limited knowledge of markets and marketing.

Acknowledging other entrepreneurial support needs, Guzy (2006:5) emphasises the following as important:

- **Access to information:** immigrants are often unaware of existing support and may be hesitant towards institutional actors because of mistrust. They are often discouraged by the complexity of information given and the cautiousness of advisors who doubt their capacities to succeed.
- **Content of the support:** formal business planning and administrative requirements are less prioritised by the entrepreneurs than by the business advisors. Finding clients however seems to be a particular area of interest for the entrepreneurs.
- **Quality of the support:** focus groups with entrepreneurs highlight the importance of an atmosphere of confidence, and the need to trust the advisor. Entrepreneurs also expect

complete, comprehensive information, based on experience, and concrete recommendations of actions to be taken.

4.9.1.2 Some cultural differences

According to Guzy (2006:5), cultural issues may affect the perception and prioritising of needs, as well as influencing the relationship between the advisor and entrepreneur, which is crucial for the whole process. Some of the important cultural issues identified by business advisors are:

- Reluctance to deal with institutions
- Relation to rules
- Gender relations
- Relation to time and time management
- The importance of spoken agreements in contrast to written and official documents.

4.9.2 Supportive measures for immigrant entrepreneurship

According to Guzy (2006:6), any supportive measures that take into consideration the needs of both the entrepreneur and the host society without compromising its values and norms would stand as good practice. As such, good practice should be inclusive and avoid passive discrimination. Guzy (2006:7) concludes that good practice should incorporate all of the three main aspects discussed below.

Outreach and access to information

The general observation is that immigrants have less access to information for linguistic, cultural, and social reasons:

- They are not pro-active in their research, due to different cultural perceptions of business creation, as well as mistrust in institutions.
- They are less likely to go to traditional places of referral.

Business support organisations therefore need to adopt pro-active strategies themselves and these may include:

- Creating information brochures and dedicated websites for immigrants and organisations working with them.
- Being present in areas with high concentrations of immigrant populations.
- Using community and local networks and word-of mouth.
- Using immigrants' own language.

Inclusive financial services

According to Guzy (2006:7) a good financial practice should be one that is inclusive, and this can be conveniently achieved via micro credit in that it aims to close a market gap by providing access to loans for people who are excluded from getting bank loans. Guzy (2006:6) concludes that in order to improve access to micro finance the following are necessary:

- The micro finance network needs to be strengthened.
- Awareness needs to be raised to micro lenders about immigrants as target groups.
- A lending methodology needs to be adapted.
- Dialogue should be facilitated between credit institutions and immigrant entrepreneurs.
- Immigrants should be integrated into mainstream public funding measures for micro entrepreneurs.

Good practice in business support services

According to Guzy (2006:6), a good business support service dealing with immigrants can be characterised by one of the following four approaches:

- **General approach:** some are target-specific, others prefer generic, but inclusive, services. Some provide a limited range of specific services with the aim of mainstreaming immigrants to network partner organisations, while others provide a full range of services.
- **Special awareness:** on establishing good communication and building trust, by having staff with immigrant backgrounds, introducing cultural mediators, using immigrants' native languages and having a positive outlook.
- **Delivery methods:** such as making advice simple and practical, building motivation for the making of a business plan and combining upfront and follow-up support according to the entrepreneur's profile.
- **Efforts for bridging to the mainstream:** preparation and practical assistance in dealing with administration, banks and authorities, or awareness rising within these institutions.

4.10 LESSONS LEARNED FROM CASE STUDIES

The lessons that can be gleamed from the international experiences of countries in dealing immigrants in general and immigrant entrepreneurship will be discussed with the following themes in mind:

- Measures that encourage immigration
- Measures to stimulate the integration of immigrants into the host labour markets
- Measures to promote access to entrepreneurial resources.

4.10.1 The case of Portugal

As noted by Oliveira (2008b:2-4), Portugal has in the past years implemented several measures aimed at increasing the integration of immigrants into the labour market, as listed below:

- In relation to security of employment and workers' rights for immigrants, Portugal fully meets international best practice, as set out in the Migrant Integration Policy Index (MIPEX Index).
- Immigrants in Portugal are eligible to accept most jobs and may start a business, contributing to Portugal's achievement of 83% in the MIPEX Index in the area of eligibility. Similarly, 83% was achieved in relation to labour market integration measures, which are a priority in terms of Portuguese integration policy.
- Immigrants' working rights are enshrined in article 59 of the Portuguese Constitution which establishes that workers enjoy economic rights, without distinction as to "age, sex, race, citizenship, country of origin, religion, and political or ideological convictions." Undocumented migrants have specific rights in terms of access to health, education and redress for victims of trafficking.

Recognising that more still needs to be done in terms of labour market integration, the Portuguese government included eight measures related to employment and professional training (but several other measures under other areas are also related to this aim) in its Plan for Immigrant Integration, namely:

- Specific vocational training for immigrants
- Awareness-raising campaigns on health and safety at work;
- Increased inspections of illegal employment
- Incentivising the payment of taxes and social security
- Promoting social responsibility for immigrant integration among employers and co-workers
- Pro-integration training measures
- Promoting trade union membership among immigrants

- Promoting immigrant entrepreneurship.

Since the implementation of the above plan, Portugal has seen an increase in the numbers of international students studying at its universities and graduating with valuable skills. Providing the mechanisms for these graduates to remain in Portugal to work in high-skilled jobs is a priority for labour market integration policy (Oliveira; 2008b:2-8).

Furthermore in the Portuguese government's Plan for Immigrant Integration, agreed on in May 2007, the Ministry for Employment and Social Security committed to providing intercultural and anti-discrimination training for the staff of the Institute of Employment and Professional Training, as well as to raise awareness among the business community of the need to welcome and integrate immigrant workers.

The Ministry also established training and job creation schemes to facilitate immigrant integration into the labour market. Noted under these schemes are:

- The National Immigrant Support Centre runs an Employment Support Office for immigrants.
- Many of the immigrant job centres are located in districts with high numbers of immigrants.
- The National Immigrant Support Centre also supports immigrant entrepreneurship through a partnership with the National Association for the Right to Credit.

4.10.2 The case of New York, USA

At the level of local government, a study of New York City (Bowles & Colton, 2007 quoted in Pinkoski, 2009:57) arrived at the following recommendations:

- Integrate immigrant entrepreneurs into the overall economic development strategy.
- Create a new framework to provide business support services to immigrant communities because existing pathways are not adequately reaching immigrant entrepreneurs.
- Accept the fact that many immigrants, due to their cultural background or previous homeland experience, will not seek the assistance from government-run centres, and the trust of the organisations will have a lot to do with taking the first step. This can be overcome by increased partnering with local organisations that have already established their credibility within the immigrant communities.

- Add resources to help immigrants think outside of their own communities for export and growth by creating agencies focused on immigrant business in the mainstream.
- Create an additional support on the micro-financing level as immigrant entrepreneurs may start out smaller than typical businesses and access to seed capital is particularly hard because of a lack of a local documented track record, possible lender distrust, unfamiliarity of rules and business customs and language barriers.
- Create ethnic concentrated business neighbourhoods and citywide ethnic cultural events, with dedicated marketing campaigns to spread the appreciation for differences in a multicultural milieu.

4.10.2.1 Recent initiatives

In the USA, in a bid to tap into the creative side of immigrants as far as entrepreneurship is concerned, Senator John Kerry introduced legislation to grow jobs and help immigrant entrepreneurs secure visas in February, 2010 (Yunits, 2010).

According to the Start-up Visa Act of 2010, an immigrant entrepreneur will receive a two year visa if he or she can show that a qualified US investor is willing to dedicate a significant sum (a minimum of \$250 000) to the immigrant's start-up venture (Connor, 2010).

In line with this act, the USA strives to attract the most talented and highly skilled entrepreneurs. The Start-up Visa Act of 2010 amended immigration law to create a new EB-6 category for immigrant entrepreneurs, drawing from existing visas under the EB-5 category, which permits foreign nationals who invest at least \$1 million into the US, and thereby create ten jobs, to obtain a green card. After proving that he or she has secured initial investment capital and if, after two years, the immigrant entrepreneur can show that he or she has generated at least five full-time jobs in the United States, attracted \$1 million in additional investment capital or achieved \$1 million in revenue, then he or she will receive a permanent legal resident status (Connor, 2010).

4.11 CONCLUSION

While drawing on the literature on SMMEs from an international standpoint, Chapter four explored the overall environment confronting SMMEs in general and immigrant-owned businesses in particular in South Africa, in an attempt to identify how they contribute to the economy and what challenges they encounter. It was evident that SMMEs have a role to play in the South African economy, notwithstanding the fact they face a wider range of

problems than their non-SMME counterparts. On this basis, a case for promoting SMME development is advanced. The next chapter further explores the need for SMME development from a historical perspective, and culminates with the current state of the debate – one that fortifies the need for SMME promotion. The emphasis will be on immigrant-owned businesses and how they fit in the SMME promotion mix. Finally, the pillars of SMME development, role-players, and international experiences in SMME promotion will be noted. Further along, this chapter explored the development of the SMME sector in South Africa with specific emphasis on what has been done and what still needs to be done to foster the overall development of the SMME sector. Drawing on a review of international literature on SMMEs, the need for intervention to promote the SMME sector in South Africa was advanced and justified. The pillars on which such a development can rest were identified, with the role of stakeholders clearly marked. In the next chapter, the methodology that was employed to collect and analyse the data for this study will be discussed.

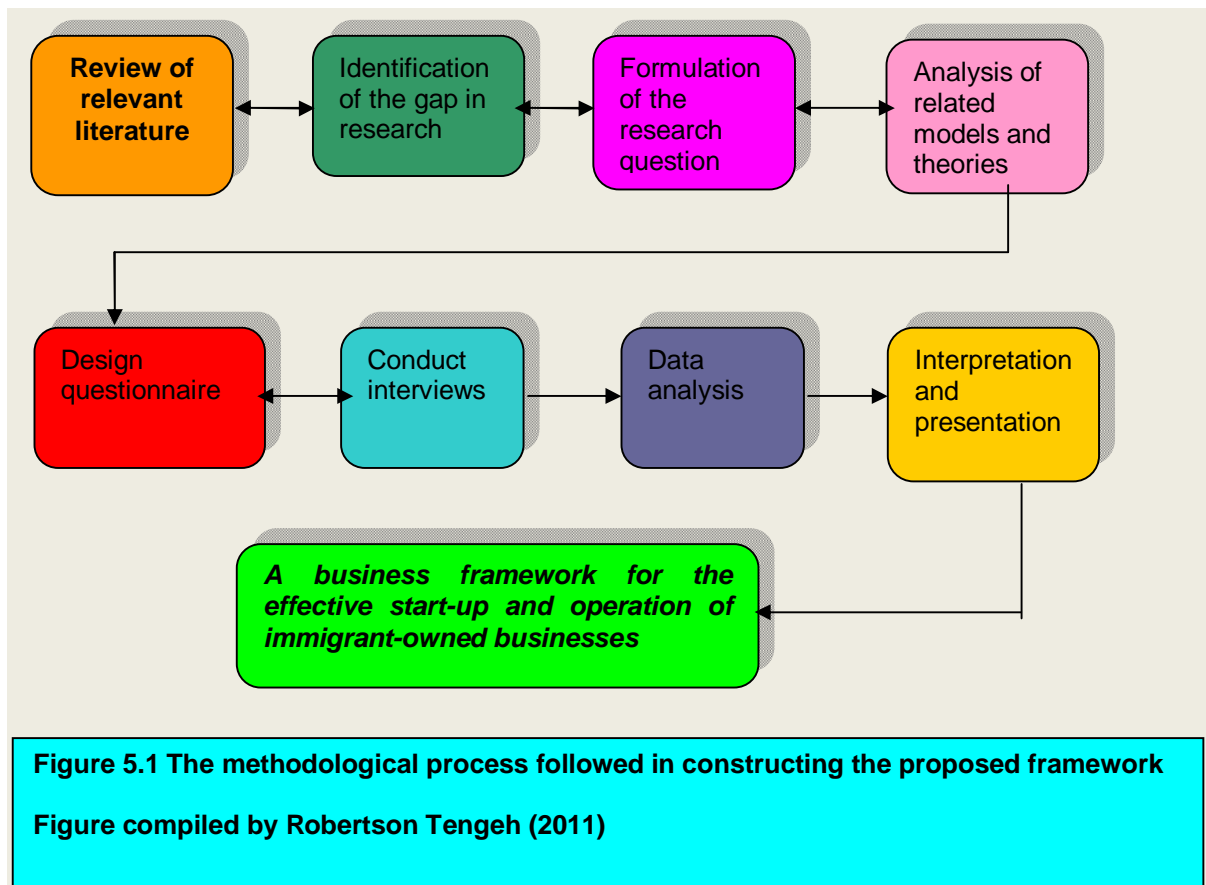
CHAPTER FIVE

RESEARCH METHODOLOGY AND DESIGN

5.1 INTRODUCTION

In Chapter one, a synopsis of the proposed business framework for the effective start-up and operation of African immigrant-owned businesses in the Cape Town Metropolitan Area was presented. This chapter will build on that introduction by detailing the processes that were followed (Table 5.1).

Owing to the fact that there are numerous research designs, none of them without inherent weaknesses (Marczyk, Dematteo & Festinger; 2005:123), a mixed research design was adopted for this study. Specifically, a triangulation of three methods was used to collect and analyse the data in this study. From a quantitative standpoint, a survey questionnaire was utilised. From a qualitative angle, personal interviews and focus group meetings were conducted. By adopting a mixed research design it was believed that the quantitative and qualitative approaches would complement each other, thus strengthening the results of the study. In other words, qualitative survey instruments were used to validate the quantitative survey instrument. Chapter five is structured around the following themes: classification of the research design; clarification of the research problem; the research questions; objectives of the research; justification of the research design; literature search; construction of the proposed framework; empirical survey; data collection methods and instruments; the qualitative research design; and summary.



5.2 CLASIFFICATION OF RESEARCH DESIGNS

There are numerous research designs with each having its strengths as well as its weaknesses. A broad categorisation of research designs as suggested by Marczyk et al (2005:123) includes the following:

5.2.1 Experimental research designs

A truly experimental research design is one in which participants are randomly assigned to experimental and control groups. Despite seemingly the most ideal research design, Marczyk et al (2005:136) report that it nonetheless faces threats to validity in the following ways:

- The first threat occurs when a study's control group is unintentionally exposed to the intervention or when key aspects of the intervention exist in the control group. This can diminish the unique aspects of an experimental intervention and reduce any potential between - group differences.
- Another threat may occur when one group is perceived by participants as better and more desirable than the other, resulting in a deliberate change in attitude and behaviour.

- Still another threat occurs if there are substantial differences in the implementation of the experimental and control conditions.
- Finally, experimental designs are also not immune to the effects of differential participant drop-out.

Although efforts have been made to extend randomised designs to more real world settings, Marczyk et al (2005:137) believe that it is often not feasible and in such cases researchers turn to quasi experimental designs.

5.2.2 Quasi experimental research designs

While noting that there are endless numbers of quasi experimental research designs, Marczyk et al (2005:147) conclude that like quasi research designs, quasi experimental research designs cannot automatically rule out threats of internal validity with the same degree of certainty that true experimental designs can. Regardless of this shortcoming, quasi experimental research designs can enable one to draw causal inferences with the same certainty as do randomised designs; they facilitate the examination of real world phenomena and allow for causal inferences when true experimental designs are not possible.

5.2.3 Non-experimental or qualitative research designs

Unlike the experimental and quasi experimental research designs, Marczyk et al (2005:147) suggest that, regardless of how convincing the data from descriptive studies (non-experimental design) may appear, the interference of extraneous variables cannot be ruled out as being the cause of what is being observed because they do not have control over the variables and the environments that they study. Even though there are many types of non-experimental research designs, the following are the most commonly used (Marczyk et al, 2005:147):

- **Case study:** involves the examination of a single person or a few people
- **Naturalistic observation:** involves observing organisms in their natural setting
- **Survey study:** asks a large number of people questions about their behaviours, attitudes, and opinions. Some surveys merely describe what people say they think and do, while other survey studies attempt to find out relationships between the characteristics of respondents and their reported behaviours and opinions.

- **Focus groups:** formally organised, structured groups of individuals brought together to discuss a topic or series of topics during a specific time. Like surveys, focus groups can be an extremely useful technique for obtaining individuals' impressions and concerns about certain issues, services or products.

Following the above description and categorisation of the various research designs, one may draw – and as will be subsequently shown in the sections to follow – that the approach adopted by this study is mixed, as indicated by the triangulation of three methods, namely survey questionnaire, personal interviews and focus groups.

5.3 CLARIFICATION OF THE RESEARCH PROBLEM

Limited job opportunities force African immigrants into self-employment. However, due to numerous start-up and operation challenges that they face, only a few of the immigrant-owned businesses survive beyond three years or grow. Most of these African immigrant-owned businesses fail to reach their full potentials because they (the owners) are unable to exploit the entrepreneurial attributes that they come with or have at their disposal upon arrival.

According to Marczyk et al (2005:34), the research problem typically translates into a concise question regarding the relationship between two or more variables.

5.4 THE RESEARCH QUESTIONS

Marczyk et al (2005:35) emphasise that a research problem should be composed of a precisely stated research question that clearly identifies the variables being studied. According to Morgan, Leach, Gloeckner and Barrett (2004:5), research questions are similar to hypothesis, except for the fact that they do not entail any specific predictions and are phrased in a question format.

According to Morgan et al (2004:5), research questions can be broadly divided into three main types, with each necessitating a different statistical approach to resolving it, as shown in Figure 6.2 on the next page.

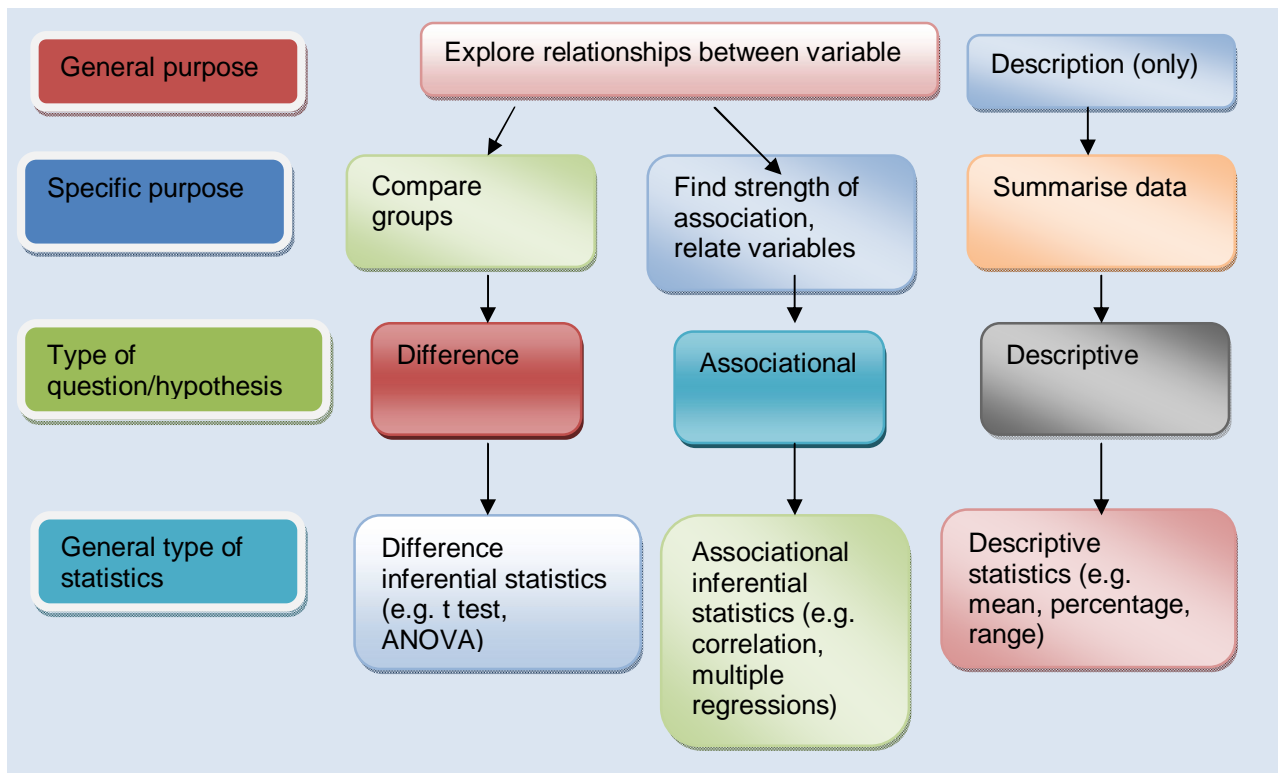


Figure 5.2: How the purpose and type of research question corresponds to the general type of statistics used in a study

Source: Adapted from Morgan et al (2004:5)

From figure 5.2 it can be drawn that:

- Difference research questions attempt to demonstrate that groups are not the same on the dependent variable.
- Associational research questions attempt to investigate how two or more variables co-vary.
- Descriptive research questions merely describe or summarise data, without trying to generalise to a larger population.

The types of research questions adopted in this study are descriptive to a large extent, and to a lesser degree associational and differential.

5.4.1 Main research question

The main research question that this study attempts to answer is:

How do African immigrants use their entrepreneurial attributes to acquire the resources necessary to start and operate successful businesses in the Cape Town Metropolitan Area of South Africa?

5.4.2 Research sub-questions

In order to facilitate the data gathering process in the attempt to answer the core research question, sub-questions have been formulated. The sub-questions that follow have been formulated to assist in answering the main research question:

- Why do African immigrants of Cameroonian, Ghanaian, Ethiopian, Senegalese and Somali origin immigrate to South Africa? The literature suggests that immigrants are either pulled or pushed into emigrating. And this leads to the next questions.
- Where does the African immigrant's motivation to emigrate and choice of host country come from?
- What motivates African immigrants to turn to self-employment activities upon arrival in South Africa?
- Who motivates African immigrants to turn to self-employment activities upon arrival in South Africa?
- What resources do African immigrants perceive as being critical to the effective start-up and operation of a business in South Africa?
- How do African immigrants acquire the resources marked to be critical to the effective start-up and operation of a business in South Africa?
- What entrepreneurial characteristic(s) do African immigrants perceive as contributing most to the successful start-up and operation of immigrant-owned businesses in South Africa?
- What problems do African immigrants face as they attempt to start-up and operate a business in South Africa?
- What strategies do African immigrants implore to prolong the operation of their businesses once started?

The main question to be addressed in this study relates to the simultaneous effect of immigrant entrepreneurial characteristics (success drivers) and resources required to start-up and operate a business on business success or survival.

5.5 OBJECTIVE OF THE RESEARCH

The main purpose of this study has been to develop a business framework for the effective start-up and operation of African immigrant-owned businesses in the Cape Town Metropolitan Area of South Africa. Applying such a framework, it is expected that a newly arrived immigrant in general and one from the study group in particular, would be able to start-up and operate a successful business in South Africa.

The focus of the study was on how immigrants combine their inherent characteristics with the environmental factors to start-up and operate successful businesses in their host country. To understand how African immigrants start-up and operate their businesses in South Africa, the study assumed that immigrant businesses, like any other businesses, strive to maximise profit to ensure continuity.

5.5.1 Sub-objectives

- In order to achieve the main objective of the study, a comparative analysis of immigrant-owned businesses was done, with particular emphasis on how they acquire the resources needed to start a business.
- To provide immigrant entrepreneurs in general, and those of African origin in particular, with information that is vital for the effective start-up and operation of businesses in South Africa.

5.5.2 Main assumption

In an attempt to facilitate the answering of the research questions posed in this study, a number of assumptions were formulated and tested using the data collected. The main assumption was that:

- African immigrant-owned businesses in South Africa strategically tap into their inherent entrepreneurial attributes as they identify, acquire and overcome business start-up and operations impediments. In other words, immigrants strategically match their resources

(supply side) with the opportunities (demand side) in the host country. The main assumption outlined here was further be simplified into the sub-assumptions.

5.5.3 Sub-assumptions

Based on the main assumption made in section 6.52 above, the following sub-assumptions were formulated:

- Political, economic, studies, and family reunion are among the reasons why African immigrants relocate to South Africa.
- Besides self-motivation decisions, the family and friends both at home or in the country of destination play an important role in the decision to travel as well as choosing the host country.
- Limited job opportunities and the need to be independent are some of the factors that push or pull African immigrants into self-employment activities in South Africa.
- African immigrants place a certain degree of importance on physical, financial, human, and informational resources when it comes to starting and operating a business in South Africa.
- African immigrant entrepreneurs depend on personal initiatives, family, co-ethnics, friends, the government of the host country, and sheer luck to be able to mobilise the resources necessary to effectively start and operate a business in South Africa.
- African immigrants to a varying degree place emphasis on motivation, ability to raise finance, family support, ethnic support, and previous experience as key entrepreneurial requisites to successfully starting and operating a business in South Africa.
- African immigrant entrepreneurs attempt to match their inherent entrepreneurial attributes to the entrepreneurial opportunities and challenges that they encounter to start-up and operate businesses in South Africa.
- A typical immigrant-owned business faces obstacles when it comes to starting and operating a business in South Africa.

- Faced with multiple business obstacles, immigrants devise unconventional cost saving and revenue boosting strategies which are effective in ensuring their survival.
- The government and most importantly the local government does not have the ability and capacity, to assist all needy entrepreneurs (immigrant entrepreneurs included) especially from a financial perspective.

5.6 JUSTIFICATION OF THE RESEARCH DESIGN

According to Eriksson and Kovalainen (2008:27), the method that a researcher chooses should be appropriately relevant for answering the research questions that were formulated earlier. Eriksson and Kovalainen (2008:6) believe that choosing the most suitable methodology for each research question requires an understanding of the major advantages and disadvantages associated with different methods.

Qualitative research is a rich field of inquiry, which provides a vast number of approaches that can be adapted to the interest and context of a business (Eriksson & Kovalainen, 2008:6). According to Eriksson and Kovalainen (2008:27), the type of question that a research seeks to answer is a function of the type of research to be conducted. For instance, descriptive types of questions are most suited for descriptive studies whereas explanatory questions usually explore causes and consequences. Emphasising the relationship between the type of question and the suitability of the approach most likely to answer such questions, Eriksson and Kovalainen (2008:27) note that:

- ‘What’, ‘how’ and ‘why’ questions are all typical of qualitative research
- ‘What’ questions are descriptive and focus on explaining and describing states, situations and processes
- ‘How’ and ‘why’ questions focus on causes and consequences. In other words they are aimed at answering or explaining something in qualitative terms.

Gauging from the types of questions asked in this study, one may conclude that this study is both descriptive and exploratory, an approach that is equally best suited for this study.

Being a descriptive study and coupled with the apparent lack of data for immigrant-owned businesses in South Africa, this study is in line with similar studies such as those of Basu and Altinay, 2002; Rogerson, 2004a; Tesfom, 2006; and Heilbrunn and Kushnirovich 2008; thus the choice of a qualitative approach marked by descriptive techniques and the use of survey and snowballing techniques for gathering the primary data was deemed justified.

5.7 LITERATURE SEARCH

The literature search involved a review of related books, journal articles, government gazettes, official publications, published and unpublished research, newspapers, and electronic literature sources. Internet searches were done using key search engines such as Google, Google scholar, Yahoo and so forth.

5.8 THE CONSTRUCTION OF THE PROPOSED FRAMEWORK

In line with the construction of a model, the framework that this study develops assumes that, for a business to stay in operation, the total revenue generated by the business should be equal or greater than the cost of doing business. The framework further assumes that immigrants succeed in business because of their ability to maximise revenue while lowering cost. In this study, business success is indicated by survival/continuity up to three years and beyond. As was investigated in the study, immigrants run successful businesses due, on the one hand, to their unique ability to mobilise scarce business resources, and their ability to create opportunities on the other hand.

In developing the framework for the effective start-up and operation of immigrant-owned businesses in South Africa, this study makes use of two important models of entrepreneurship. The first model of entrepreneurship considered in this study is that introduced by Waldinger et al (1990:22). The second model considered in this regard is one proposed by Nieuwenhuizen (2003:11). Both models are fully discussed in chapter seven, subsection 7.3. These models are chosen for this study due to their relevance to the aim and objectives of this study. Firstly, the Waldinger et al model gives an overall picture of immigrant entrepreneurship. It is an interactive model in that it discusses the challenges and all the dynamics that may impact on an immigrant's ability to operate a successful business. However, being an internationally developed model, the second model proposed by Nieuwenhuizen (2003:11) is chosen to provide a South African perspective, although the focus is on entrepreneurship development in general and not immigrant-owned businesses per se.

From these models, the following key components are identified as important cornerstones for the effective start-up and operation of immigrant-owned businesses:

- Home country conditions
- Host country conditions

- Resources required to start and operate a business
- Immigrant characteristics
- Host country business environment.

Based on the foregoing core components, for analytical purposes a model is hereby proposed that will form the basis for the construction of the business framework for the effective start-up and operation of African immigrant-owned businesses in the Cape Town Metropolitan Area. The model hereby proposed is depicted in mathematical terms by equation:

$$\text{IOBS} = f (\text{Fr, Hr, Pr, Ir, Sn, Fi, Hc, F, M}) \dots\dots\dots 1)$$

The equation above in literal terms means that the success of immigrant-owned businesses depends on a number of factors including: **Fr, Hr, Pr, Ir, Sn, Fi, Hc, F, and M.**

In the above equation, the dependent variable is represented by IOBSO and the independent variables by **Fr, Hr, Pr, Ir, Sn, Fi, Hc, F, and M.**

Where:

- IOBSO = Immigrant-owned business start-up and operation
- Fr = Financial resource
- Hr = Human resource
- Pr = Physical resource
- Ir = Informational resources
- Sn = Social network
- Fi = Family involvement
- Hc = Human capital
- F = Finance
- M = Motivation.

Being a study that focuses on descriptive and exploratory approaches to answer the research questions, the study therefore does not attempt to statistically test the presumed assumptions suggested by the model.

5.9 EMPIRICAL SURVEY

According to Marczyk, Dematteo and Festinger (2005:6), the scientific method is based on the empirical approach, which in itself is an evidence-based approach that relies on observations and experimentation in the acquisition of new knowledge. According to these authors, an observation refers to two distinct concepts:

- Being aware of the world around us and making careful measurements
- The process of making careful and accurate measurements.

5.9.1 Description of the research population

The description of the research population involves identifying and describing the total population, as well as sample characteristics, including size.

5.9.1.1 The research population

In choosing the research population for this study, some screening was done. Being an African immigrant himself, and having been actively involved in entrepreneurial activities since immigrating to South Africa, the researcher developed an interest in the topic. Out of curiosity, the researcher wanted to study all immigrants but after preliminary studies and observations, he found this to be practically not feasible given the time-frame and resources available. On this basis, the research population was then narrowed to African immigrants. However, due to communication difficulties and the fact that certain groups were more visible in business activities than others, five countries were chosen for the study. The population for this study, therefore, comprises of all immigrants of African origin that meet the following criteria:

- They are from one of the following countries: Cameroon, Ghana, Somalia, Ethiopia or Senegal.
- They must be operating a small, medium or micro size enterprise (SMMEs) at the time of interview.
- The business that they operate must fall within the Cape Town Metropolitan Area.
- The business they operate must be three or more years in existence.

The literature on immigrant entrepreneurship in South Africa is sparse, suggesting that the population (number) of immigrant entrepreneurs in South Africa, and Cape Town in particular, is uncertain. The same holds true for immigrants of African origin. Faced with an uncertain research population (in terms of actual numbers), the most likely method of drawing a sample is through the snowballing technique.

5.9.1.2 The sample design

According to Willemse (2009:19), the design of a sample describes the method used to select the sample from the population. Willemse (2009:19) further notes that sampling design can be divided into two categories, namely those where elements are selected by some random method, and those where the sample is non-randomly selected. On the one hand, the non-random method of selection includes convenience, snowball, voluntary, and judgemental. On the other hand, the random approaches to sample selection include simple random, cluster, stratified and systematic sampling.

Using the snowballing technique, a sample of 135 immigrant-owned businesses was drawn. According to the snowballing sampling technique, once a suitable respondent is identified, he or she nominates other respondents. McDonald et al (1999:7) reckon that this method allows for an element of randomness and ensures that the confidence of the interviewee will be maintained by being referred by a friend.

To avoid some of the inherent bias associated with snowballing, once a suitable respondent is found, such a respondent helps to identify at least two other ethnic businesses (and most importantly their owners) within that suburb, and the researcher randomly selects one for an interview. By tossing a coin, one of the two nominated candidates is chosen for the survey.

Two approaches were used to arrive at the sample size of 135 used in this study. Firstly, a review of the following recent related studies, Basu and Altinay (2002); Rogerson (2004a); Tesfom (2006) and Heilbrunn and Kushnirovich (2008) indicated that on the average a sample size of 118 was used for these studies. All of the aforementioned studies made use of the snowballing technique and the interviews were conducted on a face-to-face basis.

Secondly, in an attempt to justify and to ensure that the same size is big enough to give satisfactory results at a 95% statistical power, the G*Power software was used (see power analysis below). Using G*Power 3.1.2 software, and striving to achieve a statistical power of 95%, a sample size of 134 seemed ideal (Faul, Erdfelder, Buchner & Lang, 2009:1149).

Based on this calculation, the frequency table below outlines the sample size used, as well as the distribution of the participating ethnic groups.

Table 5.1 Sample selection and country/ethnic group

	Frequency	Percent	Valid percent	Cumulative percent
Cameroon	27	20,0	20,0	20,0
Ethiopia	27	20,0	20,0	40,0
Ghana	27	20,0	20,0	60,0
Senegal	27	20,0	20,0	80,0
Somalia	27	20,0	20,0	100,0
Total	135	100,0	100,0	

5.9.1.2.1 Doing power analysis

Emphasising the need for statistical power analysis Mayr, Erdfelder, Buchner and Faul (2007:58) state that statistical power considerations are indispensable for the evaluation of statistical decisions as well as for designing studies. In particular, Mayr et al (2007:51) note that it would be difficult to interpret non-significant results without the control of statistical power.

The aim of doing a statistical power calculation is to determine exactly how one's efforts are to be divided among obtaining a specified sample size and other areas relevant to data analysis which are also resource dependent. According to Mayr et al (2007:51), there are three types of power analysis, a priori, post hoc and compromise. As the names may imply, while an a priori analysis is done prior to data collection, the ad hoc analysis is done after the data has been collected. An a priori analysis is used to determine the necessary sample size N of a test given a desired β level, a desired power level $(1 - \beta)$ (Mayr et al (2007:51). Contrary to the a priori power analysis, the post-hoc analysis is typically performed after a study has been conducted. The third type is the compromised power analysis.

According to Mayr et al (2007:52), an a priori analysis is the ideal type of power analysis because it provides users with a method to control both type-1 error probability α (that is the probability of incorrectly rejecting the null hypothesis when it is in fact true) and type-2 error probability β (that is the probability of incorrectly retaining the null hypothesis when it is in fact false. In this study the former approach has been adopted.

Assuming a two tail distribution, an error margin (α) of 0.05, and striving to achieve a power of 95% ($1 - \beta$), the G*power 3.1.2 computed a sample size of 134. Based on this computation a sample size of 135 was adopted for the study. Working on this sample size of (135), 27 immigrant-owned businesses from each of the countries under study were included in the overall sample.

5.10 DATA COLLECTION METHODS AND INSTRUMENTS

Being a qualitative study and non-experimental study as noted in section 5.1 above, and adopting a mixed approach to data collection, a quantitative survey questionnaire, four personal interviews, and two focus group discussion meetings were used to collect the data.

5.10.1 THE SURVEY QUESTIONNAIRE DESIGN

As one of the data collection instruments, the survey questionnaire was designed, tested and administered in person.

In designing the questionnaire, open ended and closed questions were deemed necessary. The questions used in the questionnaire were adopted from other related studies. The questionnaire was made up of four sections and contained 44 questions. On average, it took 45 minutes to go through the questions.

5.10.1.1 Discussion of the questionnaire

At the very beginning of the survey, the qualifying conditions to be interviewed were defined as follows: To be considered for the survey, the business must:

- Be at least three years old
- Be an SMME
- Have been started from zero
- The major founder has to be an immigrant from Cameroon, Ethiopia, Ghana, Senegal or Somalia.

In setting the tone for the questionnaire's completion, question 1 was specifically designed to ensure that only the owners or major partners in the businesses responded to the survey. In line with one of the assumptions made for the study, specifically that a business was considered successful if it had gone through three or more years, or had registered growth in capital over the years of its existence, questions 16 and 17 were therefore tailored to investigate this assumption.

Being a descriptive study, the other questions were structured to provide direct or indirect answers to the main research question and sub-questions respectively. After transforming the research questions into assumptions (see section 5.4.1 above), the questionnaire (see Annexure B) was designed to respond to those assumptions as follows:

- Assumption one, which stated that political, economic, studies and family re-union are the major reasons why African immigrants relocate to South Africa, was investigated using questions 24, 25, 26, and 27.
- Assumption two, which assumed that besides self-motivated decisions, the family and friends both at home or in the country of destination play an important role in the decision to travel as well as in choosing the host country, was investigated using questions 28, 29, 30, 31 and 32.
- Assumption three, which suggested that limited job opportunities and the need to be independent are some of the factors that push or pull African immigrants into self-employment activities in South Africa, was probed using questions 39, 40, 41, 42, and 43 for the push factors. The pull factors were explored using questions 44, 45, 46, 47 and 48.
- Assumption four, which stated that African immigrants place a certain degree of importance on physical, financial, human and informational resources when it comes to starting and operating a business in South Africa, was investigated, Question 22 was designed to probe this assumption and required the respondents to rank the said resources in order of perceived importance.
- Assumption five stated that African immigrant entrepreneurs depend on personal initiatives, family, co-ethnics, friends, the government of the host country and sheer luck to be able to mobilise the resources necessary to effectively start-up and operate a business in South Africa. This assumption was probed using Likert scale type questions, and specifically questions 60, 61, 62, 63, 64 and 65.
- Assumption six stated that African immigrants to a varying degree place emphasis on motivation, ability to raise finance, family support, ethnic support and previous experience as key entrepreneurial requisites to successfully start and operate a business in South Africa.

- Assumption seven, which stated that African immigrants use their entrepreneurial attributes to identify and map opportunities/challenges as they acquire the resources necessary to effectively start-up and operate a business. Questions 19, 48, 49, 51, 52, 53, 54, 56, 57 and 58 were designed to place this assumption within context.
- Assumption eight stated that African immigrants place emphasis on the ability to raise finance, ethnic networks, family support, human capital, and motivation as a central to the effective start-up and operation of businesses in South Africa. This assumption was investigated using questions 5, 18, 19, 20, 21, 22, 23, 24, 25, 32, 33, 34, and 35.
- Assumption nine, which stated that immigrants face numerous problems as they identify and acquire the resources necessary to start-up and operate a successful business, was investigated using questions 37 and 38.
- Assumption ten stated that when faced with multiple business obstacles, African immigrants devise unconventional cost saving and revenue boosting strategies which are effective in ensuring their survival. Questions 91, 92, 93, 94, 95, 96, 97, 98, 99 and 100 were designed to probe this assumption.

A greater part of the questions used in this survey were adapted from Tesfom (2006). Specifically, questions 6, 7, 8, 9, 10, 11, 13, 14, 15, 18, 17, 18, 20, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88 and 89 were used.

The design of the questionnaire went through two phases namely pre-testing and administration

5.10.1.2 Pre-testing the questionnaire

The pre-testing phase involved testing the questionnaire on twenty African immigrant-owned businesses. The pilot participants were asked about the clarity of the items and whether they felt any items should be added or deleted. Based on the feedback from the pre-test and the statistician, some questions had to be reframed as they were grossly misunderstood by the respondents. It also became clear that having an African immigrant to administer the questionnaire would yield more satisfying results than otherwise, the reason being that they tend to trust one of their own more.

5.10.1.3 Administration of the questionnaire

Although there are a variety of methods to administer a survey, Marczyk et al (2005:153) believe that the face-to-face and telephone are the most popular. The principal advantage of survey studies is that they provide information on a large group of people, with a little effort and in a cost effective method. In line with related studies such as Basu and Altinay, 2002; Rogerson, 2004a; Tesfom, 2006; and Heilbrunn and Kushnirovich, 2008, the face-to-face approach of administering the survey was used for this study.

Lack of time on the part of the entrepreneur was an initial obstacle that was encountered during the data collection process. This obstacle was overcome by rescheduling to suit the entrepreneur and most often during less busy periods. Another problem encountered was that of mistrust which was partially overcome by the fact the interviewers were culturally related to the African immigrants, and also by the fact that the interviewee had to have been nominated by someone known to him.

5.10.1.4 Data processing

Respondents were requested to respond to the questions put to them either with structured answers or a response to a scaled question number on a Likert scale.

In the questions requiring a rating to be made such as in the case of questions testing the relevance or importance of an attribute, a five point Likert scale was used. A score of one enforced the relevance of that attribute while a score of five placed it at the extreme of irrelevance.

For each question, a mean was calculated as well as the standard deviation as a measure of dispersion.

Cross tabulation was separately done for the multiple response questions and for the Likert scale questions. During cross tabulation, a Pearson Chi-square test was performed for all the questions to determine their statistical relevance, which later formed the basis on which the decision on whether there is a significant difference between the various groups was made.

5.10.2 Focus groups

While using the survey questionnaire as the primary data collection instrument, focus group discussions were used to supplement as well as to test the results of the survey. Two focus group discussions were held, in which attempts were made to answer the research questions with particular emphasis placed on the outcome of the survey questionnaire.

The focus participants were drawn from the same sample from which the survey questionnaire participants were drawn. Two groups of six and seven participants were drawn. In group sessions that each lasted one and a half hours, participants shared their experiences as they attempted to provide answers to the research questions,

The two main methods used to collect the data during the focus group session were audio tape recording and noted taking. After the focus group and debriefing sessions were completed, the notes were developed and the tapes listened to carefully, from which an abridged transcript was prepared. The data was summarised and coded by identifying idea clusters and hence a list of key themes. Identifying themes helped to determine key data categories or commonalities amongst the respondents' comments.

5.10.3 Personal interviews

Personal interviews were conducted with key informants, banks, and SMME support organisations. The preliminary interviews conducted with key informants were informal and provided information that guided the planning as well as the identification of the sample population. Interviews with key informants, bank officials and SMMEs provided a means of validating the survey results. Specifically, a total of four formal interviews were conducted. The choice of whom to interview emerged from a preliminary analysis of the quantitative survey questionnaire, and served to corroborate, as well as to complement it. Of the four personal interviews conducted, which each lasted approximately 25 to 45 minutes, permission was granted to audio record one, while note taking was used for the other three interviews.

Two interviews were held with the officials of two prominent banks in South Africa. The selection of the two banks was deemed statistically satisfactory as they are the biggest in South Africa. Being banks that are actively involved in SMME development, it was imperative that their side of the story be heard as it could complement or contradict that told by immigrants in the quantitative survey questionnaire. Another two interviews were held with SMMEs support organisations. Of particular interest was the Small Enterprise Development

Agency (SEDA) which represented the position of the government in that it is an organisation mandated by the government to provide support to SMMEs. Attempts to interview the municipal manager failed but the interviewer was reliably informed by an official from that manager's office that they (meaning the municipality) do not have the resources and capacity to provide direct support especially financial support to SMMEs. Another agency reflecting the views of the civil society interviewed was the 'Business Place'. It was believed that having the views of the government and that of the civil society as represented by SEDA and the 'business place' would shed some light on the topic and, by so, doing strike a balance between the accounts of the immigrant entrepreneurs interviewed and those business support organisations. These organisations were purposefully chosen with SEDA representing the government and The Business Place representing the civil society.

5.10.3.1 Analysis of the personal interview data

The data collected through personal interviews, like those collected through focus group discussion sessions, were coded and analysed. By identifying the key themes emerging from the interviews, it was therefore possible to compare as well as to contrast them with those collected through the focus group, and more importantly the survey questionnaire,

Although analysing qualitative data does not follow any universally accepted procedure, (Yin, 2011:81) identified five phases that most qualitative researchers go through. The phases include:

- Compiling, which comprises sorting out field notes and other data collected
- Disassembling, which entails breaking down the compiled data into smaller fragments or pieces
- Re-organising, which involves arranging the data under particular themes
- Using the reassembled material to create a new narrative with accompanying tables and graphics where relevant, that will become the key analytical position of the draft manuscript
- Drawing conclusions from the entire study.

The data collected through the four interview sessions held with banks and business support organisations were individually developed and coded. The themes emerging from the individual interviews with bank officials were compared and contrasted, resulting in a common document expressing the views of the banks. Just like the bank interviews, the results of the personal interviews held with the two business support organisations were jointly analysed.

5.11 VALIDATING THE RESULTS OF THE STUDY

According to Marczyk et al (2005:95), even the most well designed study will prove useless if inappropriate measurement strategies are used in the data collection stages. Drawing from navigation studies, the principle of triangulation has been used to strengthen the validity of a study. According to Yardleg (2009:239) as cited in Yin (2011:81), the principle of triangulation comes from navigation where the interaction of three different reference points is used to calculate the precise location of an object. In research, Yin (2011:81) notes that the principle of triangulation refers to the goal of seeking at least three ways of verifying or corroborating a particular event, description or fact being reported by a study; such corroboration serves as another way of strengthening the validity of the study.

In line with a number of studies including Marczyk et al (2005:95), Yin (2011:81), and Mullens and Kasprzyk (1996:638-643), effort was made to ensure the reliability and validity of the study by pre-testing the primary data collection instrument (survey questionnaire) and subsequently validating the results of the questionnaire using other methods such as the focus group discussions and personal interviews.

Reliability, as used by Marczyk et al (2005:103), refers to the consistency or dependability of the measurement instrument or technique used in a study. Considering that a measurement strategy may be reliable but not necessarily accurate, Marczyk et al (2005:106) argue that a validity test which focuses on what the test or measurement strategy measures and how well it does it, become necessary,

In a classroom instructional process study, Mullens and Kasprzyk (1996:638-643) used qualitative methods to validate quantitative survey instruments. Specifically, the results of a survey questionnaire were validated using focus groups and case studies. Adopting a similar approach, the results of the survey questionnaire used in this study were validated using focus groups and personal interviews.

5.12 CONCLUSION

As a follow up to Chapter one, the research methodology and design used in this study has been fully described above. In this chapter, the research methodology and design employed was justified. Specifically, justification for a mixed approach to study was given. The research problem was further clarified, research questions re-stated, and the research objectives outlined. The approach adopted in developing the proposed business framework was detailed. The need to validate the results of the survey questionnaire was highlighted with the

use of the focus groups and personal interview chosen as the means of achieving that goal. In the following chapter, the results of the data collected and processed will be outlined and discussed.

CHAPTER SIX

RESULTS

6.1 INTRODUCTION

In the preceding chapter, the research methodology was outlined and discussed. In this chapter, the results of the data collected and processed will be presented and analysed for relevance to the research questions or assumptions. The results will be discussed in three phases beginning with personal interviews, focus groups, and then the survey questionnaire. Following the Pearson Chi-square tests, only the results that are statistically significant will be discussed. The chapter is thus structured around the following: the background information, measuring the success of African immigrant-owned businesses, pull-push factors of migration and self-employment, business start-up and operation resources, ethnic entrepreneurial attributes, cost saving and revenue boosting strategies, and conclusion.

6.2 THE RESULTS OR MAIN THEMES EMERGING FROM THE PERSONAL INTERVIEWS

As noted in **section 5.10.3** of the foregoing chapter, the themes emerging from the personal interviews were grouped into two sections, with one section representing the viewpoints of banks, and the other section representing those of business support organisations.

Based on the interviews conducted with the bank officials, it was revealed that:

- **Bank accounts:** Currently the banks interviewed open accounts only to foreign nationals with a valid South African document. A valid South African document in this case includes the South African 'green book', a valid passport with a valid visa, or a residence permit. The popular asylum seeker permit held by most African immigrants is unfortunately not a valid South African document as it had ceased to be recognised for the purpose of opening a bank account at the time of the interviews.
- **Access to bank loans:** Although the banks interviewed preached general accessibility to all SMMEs who expressed the ability to repay, it was nonetheless noted that only those with a valid South African document, as already emphasised above, were in fact eligible.

This means that the bulk of African immigrant entrepreneurs are unable to access bank loans. .

The interview conducted with business support agencies was analysed along the following themes: services offered; eligibility; cost of services; the resources required to start-up and operate a business; the skills required to start-up and operate a business; and the problems faced by SMMEs. Based on the views expressed by these business support groups, one may conclude that:

- **Services offered:** A wide range of services are offered by these business support agencies. These services include business advice, market research, skills training, referrals, networking, provision of information, and indirect financial support.
- **Cost:** The services offered by business support agencies are free although, in some cases, their clients may cover up to 10% of the intervention fees.
- **Eligibility:** Their services are open to all SMMEs and would-be entrepreneurs.
- **Utilisation by African immigrants:** In both interviews, it was noted that African immigrants did not extensively use banking services. The few that have visited them in the past were holders of South African identity documents or permanent residence holders. Those with asylum seeker permits have largely avoided these services or are not well informed about them.
- **The resources required to start-up and operate a business:** In order of importance it was reported that, skills, information (meaning marketing research and so forth), and capital are the critical resources needed to effectively start-up and operate a business in South Africa. The quantity may vary depending on the type and nature of the businesses.
- **Attributes or characteristics required to effectively start-up and operate a business:** In order of importance, skills, motivation, persistence, and resilience were identified to be among the top four.
- **Problems faced by SMMEs:** It was reported that lack of skills and information are the major obstacles confronting small businesses; most of whom fail to do proper market research prior to starting their business. One contributing factor to this phenomenon is ignorance and the fact that small businesses do not even know how or where to look for the required information.

6.3 RESULTS OF THE FOCUS GROUP DISCUSSION MEETINGS

As reported in section 5.10.2 of Chapter five, the two main methods used to collect the data during the focus group session were audio tape recording and note taking. After the focus group meetings and debriefing sessions were completed, the notes taken were developed and the tapes listened to carefully, from which an abridged transcript was prepared. The data was summarised and coded by identifying idea clusters and hence a list of key themes. Identifying themes helped in determining key data categories or commonalities amongst the respondents' comments. The following conclusions were drawn from the data:

- **Reason for leaving home country:** Although participants expressed varied reasons for leaving, political and economic reasons were the most often cited. Overall political reasons surpassed economic reasons.
- **Motivation for immigration:** Those who cited economic reasons for immigrating to South Africa noted the motivating hand of someone here. Those who indicated political reasons did not acknowledge having been motivated by someone here. Overall, a majority of the participants in the focus group meetings indicated that no-one encouraged them to immigrate to South Africa.
- **Motivation for self-employment:** A majority of the participants at the focus group meetings noted the undeniable role that an earlier generation of immigrants played in influencing a new immigrant's decision to take up employment based on their experiences and knowledge of the labour market in South Africa.
- **Motivator for choosing self-employment:** The results of focus group debates concluded that the mere need to survive in an economy where jobs are scarce and the fact that starting a business was the route taken by earlier generations of immigrants is motivation in itself.
- **Business start-up resources:** Two focus group debates to determine the importance of these resources concluded with a majority of the participants agreeing on the re-ordering of resources as follows: finance, information, human and physical resources.
- **Utilisation of start-up resources:** It can be deduced that the African immigrant entrepreneurs bought the physical resources needed to start their businesses from their personal savings.

- **Start-up finance and additional or growth finance:** The joint outcome of the focus group debates concluded that even though immigrants in certain instances are fortunate to have access to a varied source of business start-up capital as already noted, most of the time they depend on their personal savings. Once the business has been started, their source of additional funding expands and this may be explained by the degree of credibility and networks established.
- **Resources required to start-up and operate a business:** According to participants, accommodation, residence papers, start-up capital, and information are critical start-up and operation factors.
- **Attributes or characteristics required to start-up and operate a business:** According to participants, desperation, hard work, cooperation, networking, self-discipline, persistence, risk bearing and financial support are important ingredients that a successful entrepreneur should have.
- **Problems faced by SMMEs:** Participants noted finance, residence permits, communication, jealousy, discrimination and crime as some of the pressing problems encountered by African immigrant entrepreneurs.
- **Business survival strategies:** Participants concurred on resource sharing, cooperation, ethnic solidarity, market research and reliance on informal finance.

6.4 RESULTS OF THE QUANTITATIVE SURVEY QUESTIONNAIRE

As discussed in Chapter five, although other methods of data collection such as personal interviews and focus groups were utilised, the survey questionnaire remained the primary tool.

6.4.1 Background information on successful African immigrant-owned businesses

In this section, general background findings on immigrant-owned businesses are outlined and discussed.

6.4.1.1 Description of African immigrant-owned businesses

The results in Table 6.1 below indicate that African immigrant entrepreneurs in South Africa engage in a variety of entrepreneurial activities. According to the table, the overwhelming majority (65,9%) of those surveyed were engaged in what could be generally classified as trading. Besides trading, a significant proportion was engaged in cell phone repairs (12,6%), and the remaining proportion was distributed between, clothing, crafts, electricians, fridge repairs, manufacturing, mechanics, nightclub owners, panel-beating, restaurants, shoe repairs, trading and other services. A major noticeable characteristic of the noted businesses is the ease of entry and limited capital outlay required to start-up and operate them.

Table 6.1 Description of immigrant-owned businesses

	Frequency	Percent	Cumulative percent
Cell phone repairs	17	12,6	12,6
Clothing	2	1,5	14,1
Crafts	2	1,5	15,6
Electrician	2	1,5	17,0
Fridge repairs	1	,7	17,8
Manufacturing	1	,7	18,5
Mechanic	3	2,2	20,7
Night club owner	1	,7	21,5
Panel-beater	3	2,2	23,7
Restaurant	2	1,5	25,2
Shoe repairs	4	3,0	34,1
Trading	89	65,9	100,0
Other service	8	5,9	31,1
Total	135	100,0	

6.4.1.2 Formality of immigrant-owned businesses

The majority of the businesses surveyed fell within the informal sector of the economy. Formality as used here refers to whether the business is registered with the Registrar of Companies in South Africa, or not. A business considered to be informal is one that has not been registered with the said authority. Although none of the businesses surveyed could be considered as hawkers in that they all operated from a fixed location and particularly in a permanent enclosure or a shop, a majority of these businesses could be referred to as

informal. As indicated in the frequency table (Table 6.2) below, 92,6% of these businesses were informal and only 7,4 % were formal.

Table 6.2 Formality of immigrant-owned businesses

	Frequency	Percent	Cumulative percent
Formal	10	7,4	7,4
Informal	125	92,6	100,0
Total	135	100,0	

6.4.1.3 Age, gender and marital status

Business ownership in terms of age and gender indicated that while an African immigrant entrepreneur was more likely to be a man or a woman between the ages of 20 to 40 years, it was found that men dominated. As indicated in Table 6.3 below, men made up 87,4 %, while women were only 12,6 % of all those surveyed.

Table 6.3 Business ownership in terms of gender

	Frequency	Percent	Cumulative percent
Male	118	87,4	87,4
Female	17	12,6	100,0
Total	135	100,0	

In terms of age, and as indicated in Table 6.4 below, the predominant age group was the 20 to 40 year group, within which the overwhelming majority (90,4%) of the respondents fell. The second most visible group was the 41 to 60 year group, which made up 5,9% of the sample. The last and least visible group was the 20 years and below group which made up 4.0% of the sample. The age distribution of the sample suggests that immigration in general, and immigrant entrepreneurship in particular, may be associated with the active and working population.

Table 6.4 Age distribution of the sample

	Frequency	Percent	Cumulative percent
Below 20 years	5	3,7	3,7
20 to 40 years	122	90,4	94,1
41 to 60 years	8	5,9	100,0
Total	135	100,0	

Table 6.5 below looks at the marital status of the sample. As shown in this table, the majority (69,6%) of those surveyed were married as opposed to single (29,6%), or widowed (0,7%).

Table 6.5 Marital status of the sample

	Frequency	Percent	Cumulative percent
Single	40	29,6	29,6
Married	94	69,6	69,6
Widowed	1	0,7	0,7
Total	135	100,0	

All things being equal, the results as indicated in tables 6.3, 6.4 and 6.5 suggests that an African immigrant owned-business is more likely to be started by a male, who is married and between the ages of 19 and 41.

6.4.2 Measuring the success of African immigrant-owned businesses

At the very onset, and in line with other studies including Fertala (2006:7), it was assumed that the number of years that a business has existed and its sales volume (reflected in the growth in capital) are good indicators of success. Having met the first criteria by ensuring that only businesses that were three years or older were included in the survey, the study sets out to investigate if those businesses had experienced any growth at all. Table 6.6 shows the start-up capital of all the businesses surveyed.

Table 6.6 Best estimate start-up capital

	Frequency	Percent	Cumulative percent
R 1 000 – R 5 000	96	71,1	71,1
R 5 001 – R10 000	25	18,5	89,6
R 10 001 – R20 000	8	5,9	95,6
R 30 001 – R 50 000	6	4,4	100,0
Total	135	100,0	

According to Table 6.6 above, 71,1% of the businesses surveyed reported that they started their businesses with R5 000 or less. Another 18,5% started with capital ranging between R 5 001 and R 10 000 inclusively. Eight percent started with capital in the range R10 001 to R 20 000.

Based on the results noted in Table 6.6 above, a cross tabulation was conducted to ascertain how the start-up capital used by African immigrant entrepreneurs varied among the ethnic groups. As noted in Table 6.7 below, the ethnic groups contributed differently toward making R1 000 – R5 000 the dominant capital range. The Ethiopians were noted to have contributed the most (28.0%), while the Senegalese, Somalis, Cameroonians, and Ghanaians contributed 27%, 23%, 22% and 0.0% respectively.

Table 6.7 Cross tabulation between ethnic group and start-up capital

		Country / Ethnic group					Total
		Cameroon	Ethiopia	Ghana	Senegal	Somalia	
Best estimate	R 1 000 - R 5 000	21	27	0	26	22	96
start-up capital	R 5 001 - R10 000	5	0	20	0	0	25
	R 10 001 - R20 000	1	0	2	0	5	8
	R 30 001- R 50 000	0	0	5	1	0	6
Total		27	27	27	27	27	135

Table 6.8, which follows, reports on the size of the capital of the businesses surveyed, three or more years after start-up.

Table 6.8 Best estimate of capital now (ie 3 or more years after start-up)

	Frequency	Percent	Cumulative percent
R 10 001 – R20 000	28	20,7	20,7
R 20 001 – R 30 000	19	14,1	34,8
R 30 001– R 50 000	2	1,5	36,3
R 50 001 – R 100 000	53	39,3	75,6
R 100 001 – R 200 000	28	20,7	96,3
R 250 001 – R 500 000	5	3,7	100,0
Total	135	100,0	

From Table 6.8 above it is evident that a majority (39,3%) of the businesses surveyed now have capital of between R50 000 and R100 000 inclusive. Even though a reasonable

proportion still falls within the R10 000 to R20 000 bracket, it is worth noting that another 20.7% occupied the R100 001 - R200 000 bracket, and that none (0%) now occupy the R1 000 - R 5 000 bracket.

In an attempt to understand how the various ethnic groups fared in terms of growth in capital, a cross tabulation was done. The results noted in Table 6.8 above, which indicated that a majority of the respondents (39,3%) now fall within the R50 001 – R100 000 bracket, equally indicate a variation in the contribution of the different ethnic groups. This variation is indicated in the cross tabulated table below (Table 6.9). With regards to the noted results (Table 6.8), Ethiopians contributed the most (51%), followed by Senegalese (28%), Cameroonians (9%), Somalis (9%) and Ghanaians (2%).

Table 6.9 Cross tabulation between ethnic group and best estimate of capital now (ie 3 or more years after start-up)

		Country / Ethnic group					Total
		Cameroon	Ethiopia	Ghana	Senegal	Somalia	
Best estimate of your capital now	R 10 001 – R20 000	8	0	0	0	20	28
	R 20 001 – R 30 000	7	0	1	11	0	19
	R 30 001– R 50 000	2	0	0	0	0	2
	R 50 001 – R 100 000	5	27	1	15	5	53
	R 100 001 – R 200 000	2	0	25	1	0	28
	R 250 001 – R 500 000	3	0	0	0	2	5
Total		27	27	27	27	27	135

In comparative and general terms, these results may suggest that there has been a noticeable growth in capital. In so doing and considering that all the businesses surveyed were three or more years old, this result may therefore maintain that all the African immigrant businesses surveyed are successful.

6.4.3 Pull-push factors of migration and self-employment

This section explores those factors that motivated immigrants of African origin into immigrating and, more importantly, choosing self-employment as an economic activity in South Africa.

6.4.3.1 Immigration motivators

In investigating why African immigrants immigrate to South Africa, it was found that they relocated for various reasons including political, economic, studies, and family re-union. As noted in Table 6.10 below, a majority (68,2%) of African immigrants in South African were pushed by political circumstances to relocate. As reported, while 48,9% strongly agreed, 19,3% agreed, 0,7% were unsure and 3,1% strongly disagreed with the fact that political circumstances pushed them out of their home countries.

Table 6.10 I left my country for South Africa due to political reasons

	Frequency	Percent	Cumulative percent
Strongly agree	66	48,9	48,9
Agree	26	19,3	68,1
Unsure	1	,7	68,9
Strongly disagree	42	31,1	100 0
Total	135	100,0	

Table 6.11 below reflects the results of a cross tabulation done to ascertain how individual ethnic groups contributed to the results reported in Table 6.9 above. According to Table 6.11, the level of agreement to the statement varied with the different ethnic groups agreeing in the following proportions: Somalis (29%), Ethiopians (27%), Ghanaians (26%), Cameroonians (13%), and Senegalese (0%).

Table 6.11 Cross tabulation between ethnic group and politics as a reason for immigrating to South Africa

		Country / Ethnic group					Total
		Cameroon	Ethiopia	Ghana	Senegal	Somalia	
I left my country for South Africa due to political reasons	Agree	12	27	26	0	27	92
	Unsure	0	0	1	0	0	1
	Disagree	15	0	0	27	0	42
Total		27	27	27	27	27	135

Investigating unfavourable economic circumstances as the main reason why African immigrants emigrated, it was noted that a majority (68,9%) of the respondents disagreed, as noted in Table 6.12 below.

Table 6.12 I left my country for South Africa due to economic reasons

	Frequency	Percent	Cumulative Percent
Strongly agree	40	29,6	29,6
Agree	2	1,5	31,1
Disagree	56	41,5	72,6
Strongly disagree	37	27,4	100,0
Total	135	100,0	

The results of a cross tabulation are noted in Table 6.13 below, which confirms the already noted high level of **disagreement** on the question being probed, equally notes a variation in the level of disagreement among the ethnic groups.

Table 6.13 Cross-tabulation between ethnic group and economic reason as the primary cause for immigrating to South Africa

		Country / Ethnic group					Total
		Cameroon	Ethiopia	Ghana	Senegal	Somalia	
I left my country for South Africa due to economic reasons	Agree	15	0	1	26	0	42
	Disagree	12	27	26	1	27	93
Total		27	27	27	27	27	135

Making up the 69,9% level of disagreement shown in Tables 6.12 and 6.13 above, the different ethnic groups noted their levels of disagreement in the following proportions: Cameroon (13%), Ethiopia (29%), Ghana (28), Senegal (1%), and Somalia (29%). To find out if one can trust these results, and that they did not occur by chance, a Pearson Chi-Square test was conducted.

Table 6.14 Cross-tabulation between ethnic group and economic reason as the primary cause for immigrating to South Africa, Pearson Chi-Square Test

	Value	Degrees of freedom	P-value. (2-sided)
Pearson Chi-Square	94.908^a	4	.000
N of Valid Cases	135		

(a) 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.40.

The Pearson Chi-square test (Table 6.14 above) results in a significance level of 0,000 (denoted by “p” or alpha). When alpha takes on a value of 0,000, it is interpreted as having a P-value of 0,001. According to the Pearson Chi-square calculations, this means that the probability of this distribution of values occurring by chance is less than 0, 01 or 1 in 100. Since one minus the significance level equals the confidence level, one would have a confidence level of $1-0,001=0,999$ or 99,9%. This result suggests that one may say with 99,9% certainty that the noted level of disagreement to the statement did not occur by chance. In statistical terms, it may be concluded that there is a statistically significant difference in the disagreement to the particular statement among the different groups.

According to Coolican (1990:174) as quoted in Perry (1998), significance test results are reported in three ways based on “p” the probability level:

- ‘significant’: $0.05 > p < 0.001$
- **‘highly significant’: $0.01 > p < 0.001$**
- ‘very highly significant’: $0.00 > p$.

When investigating studies as the primary reason why African immigrants relocated to South Africa, an overpowering majority (99,3%) of the respondents disagreed as reported in Table 6.15 below.

Table 6.15 I left my country for South Africa in order to further my studies

	Frequency	Percent	Cumulative percent
Agree	1	,7	,7
Disagree	36	26,7	27,4
Strongly disagree	98	72,6	100,0
Total	135	100,0	

Turning to family reunion as the main motivating factor that promoted African immigrants to immigrate to South Africa, 80% of the respondents seem to disagree with the fact that the need to re-unite with their families in South African pushed them out of their home countries. Table 6.16 below gives the breakdown in response among the respondents. The missing value in the table indicates that one of the respondents that did not provide a usable data in response to the survey item.

Table 6.16 I left my country in order to re-unite with my family in South Africa

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agree	3	2,2	2,2	2,2
Unsure	23	17,0	17,2	19,4
Disagree	50	37,0	37,3	56,7
Strongly disagree	58	43,0	43,3	100,0
Total	134	99,3	100,0	
Missing system	1	0,7		
Total	135	100,0		

Summarising the reasons why African immigrants immigrate to South African, it can be noted in the order of majority response of those interviewed that:

- Political circumstances (68,2%)
- Economic (31,1%)
- Studies (0,7%)
- Family re-union (2,2%).

From a qualitative viewpoint, the results noted above are consistent with the sentiments shared by the majority of participants in focus group discussions.

Based on the above mentioned results, one may deduce that a greater proportion of African immigrants currently residing in South Africa were pushed by political conditions in their home countries. However, political instability is perceived in varying proportions in the participating countries.

An inter-group comparison via cross tabulation revealed that while there was a divide among the Cameroonians with respect to the fact that political circumstances prompted them to immigrate to South Africa, the Ethiopian, Ghanaian and Somali were absolutely sure. It was also noted that 100% of Senegalese disagreed with the fact that political circumstances back home pushed them to immigrate to South Africa.

Investigating what role friends and family, both in the country of origin and the host country, played in the decision to emigrate as well as the choice of the host country, it was found that family members back home did not play that much of a role in motivating most of the respondents. As noted in Table 6.17 below, an overwhelming majority (93,4 %) of the

respondents felt they were not encouraged to immigrate to South Africa by family members back home.

Table 6.17 I was encouraged to immigrate to South Africa by a family member back home

	Frequency	Percent	Cumulative percent
Unsure	9	6,7	6,7
Disagree	26	19,3	25,9
Strongly disagree	100	74,1	100,0
Total	135	100,0	

When asked whether they were encouraged to immigrate by family members here in South Africa, 33%, 3%, and 60,7% of the respondents disagreed or strongly disagreed with the statement as noted in Table 6.18 below. According to the table, an overwhelming majority (94,0%) of the respondents did not concur with the statement.

Table 6.18 I was encouraged to immigrate to South Africa by a family member here in South Africa

	Frequency	Percent	Cumulative Percent
Strongly agree	6	4,4	4,4
Agree	2	1,5	5,9
Disagree	45	33,3	39,3
Strongly disagree	82	60,7	100,0
Total	135	100,0	

When asked whether they were encouraged to relocate to South Africa by a friend back home, the results suggest that a greater proportion (97,1%) of the respondents surveyed denied this. While 2,2 % and 0,7% strongly agreed and agreed respectively, 35,6% disagreed alongside the 61,5% that strongly disagreed, as shown in Table 6.19 below.

Table 6.19 I was encouraged to immigrate to South Africa by a friend back home

	Frequency	Percent	Cumulative percent
Strongly agree	3	2,2	2,2
Agree	1	,7	3,0
Disagree	48	35,6	38,5
Strongly disagree	83	61,5	100,0
Total	135	100,0	

In response to the question as to whether respondents were motivated to immigrate to South Africa by a friend here, the results (Table 6.20) suggest that 64,4% of the respondents were not encouraged by a friend in South Africa.

Table 6.20 I was encouraged to immigrate to South Africa by a friend here in South Africa

	Frequency	Percent	Cumulative percent
Strongly agree	35	25,9	25,9
Agree	13	9,6	35,6
Disagree	64	47,4	83,0
Strongly disagree	23	17,0	100,0
Total	135	100,0	

In an attempt to understand how the different ethnic groups contributed to the results noted in Table 6.20 above, a cross tabulation was performed. The results of the cross tabulation noted in Table 6.21 below, indicate a high level of **disagreement** with the statement but also a high disparity between the different ethnic groups. For instance, while Somalis made the highest contribution (31,0%) towards this result (disagreement) Ghanaians, Cameroonians, Senegalese and Ethiopians contributed 29.9%, 25.3%, 13.8%, and 0,0% respectively.

Table 6.21 Cross-tabulation between ethnic group and a friend here as the reason for immigrating to South Africa

		Country / Ethnic group					Total
		Cameroon	Ethiopia	Ghana	Senegal	Somalia	
I was encouraged to immigrate to South Africa by a friend here in South Africa	Agree	5	27	1	15	0	48
	Disagree	22	0	26	12	27	87
	Total	27	27	27	27	27	135

To ensure that the results noted in Table 6.21 above did not occur by chance, a Pearson Chi-square test was conducted. The results of the Pearson Chi-square test (Table 6.22, below) indicated a significance level (alpha) of 0,000. An alpha level of 0,000 is approximated to 0,001. Since one minus the level of significance equals the confidence level, one would have a confidence level of $1-0,001= 0.999$ or 99.9% confident. This means that there is a statistically significant difference in the percentage of respondents who *disagreed* with the statement.

Table 6.22 Cross-tabulation between ethnic group and a friend here as the reason for immigrating to South Africa, Pearson Chi-Square Test

	Value	Degrees of freedom	Asymp. Sig. (2-sided)
Pearson Chi-Square	83.922 ^a	4	.000
Likelihood Ratio	104.196	4	.000
N of Valid Cases	135		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.60.

The last question in this category sought to investigate whether anyone encouraged the respondents to immigrate to South Africa. It was revealed that a majority (61,5%) of the respondents were self-motivated into immigrating, as noted in Table 6.23.

Table 6.23 No-one encouraged me to immigrate to South Africa

	Frequency	Percent	Cumulative percent
Strongly agree	44	32.6	32,6
Agree	39	28.9	61,5
Unsure	1	0,7	62,2
Disagree	16	11,9	74,1
Strongly disagree	35	25,9	100,0
Total	135	100,0	

A further breakdown of the results noted in Table 6.23 above was done via cross tabulation as noted in Table 6.24 below. Although a high level of **agreement (61,5%)** on the statement was confirmed, a high disparity between the different ethnic groups was also noted. Specifically, while Somalis contributed 32,5% towards the noted outcome, the Ghanaians, Cameroonians, Somalis, Senegalese and Ethiopians contributed 31,3%, 24,1%, 12,0% and 0,0% respectively.

Table 6.24 Cross tabulation between ethnic group and self-motivated decision to immigrate

		Country / Ethnic group					Total
		Cameroon	Ethiopia	Ghana	Senegal	Somalia	
No-one encouraged me to immigrate to South Africa	Agree	20	0	26	10	27	83
	Unsure	1	0	0	0	0	1
	Disagree	6	27	1	17	0	51
Total		27	27	27	27	27	135

Based on the results outlined in the foregoing tables, it can be deduced that no-one in particular encouraged or motivated the African immigrants surveyed to immigrate to South Africa, and the above further suggest that the immigrants were self-motivated. ***The results of a focus group discussion did not reveal any parallel or new data apart from the fact that the majority of the participants indicated that South Africa was only a secondary immigration destination.***

Paul, a participant from Ghana had this to say:

” ... even as we speak my intentions have not changed. To me South Africa was just a means to for me go to Europe.”

6.4.3.2 Self-employment motivators

In a review of the factors that were more likely to pull or push African immigrants into self-employment activities in South Africa, the following factors came to the fore:

- Upon the advice of an earlier generation, newly arrived African immigrants did not bother to look for employment.
- There is a scarcity of paid employment.
- Retrenchment.

- Changes in initial migration plans.
- Need to be independent.

In an attempt to understand why African immigrants take up self-employment activities upon arrival in South Africa, it emerged that on the advice of an older generation of immigrants, newly arrived immigrants did not bother to seek employment as indicated in Table 6.25 below. As noted in the table, 55,6 % of the immigrants surveyed reported engaging directly in self-employment activities based on the advice that they would not find work, even if they looked.

Table 6.25 I ended up starting my own business upon arrival in South Africa because I was advised not to waste my time looking for a job

	Frequency	Percent	Cumulative percent
Strongly agree	75	55,6	55,6
Disagree	6	4,4	60,0
Strongly disagree	54	40,0	100,0
Total	135	100,0	

In an attempt to understand what role the different ethnic groups played towards shaping the result (5,6% level of agreement) reported in Table 6.25 above, a cross tabulation was conducted. According to the results of the cross tabulation (Table 6.26), there was a notable difference in the level of variation in the way the ethnic groups agreed with the statement. In particular, 20% of the agreement came Cameroonians, 0% from Ethiopians, 29,3% from the Ghanaians, 16% from the Senegalese and 34,7% from the Somalis.

Table 6.26 Cross-tabulation between ethnic group and the need not to waste time as reason for starting my own business upon arrival in South Africa

		Country / Ethnic group					Total
		Cameroon	Ethiopia	Ghana	Senegal	Somalia	
I ended up starting my own business upon arrival in South Africa because I was advised not to waste my time looking for a job	Agree	15	0	22	12	26	75
	Disagree	12	27	5	15	1	60
Total		27	27	27	27	27	135

In an attempt to verify whether the results noted in Table 6.26 above occurred by chance or not, a Pearson Chi-Square test was done (Table 6.27). The P-value of 0,000 which usually approximates to 0,001 obtained in the table above, means that one can say with 99,9% certainty that the results did not occur by chance. In statistical terms, one may conclude that there is a statistically significant difference between the ethnic groups in the agreement to the statement. .

Table 6.27 Cross-tabulation between ethnic group and the need not to waste time as reason for starting own business upon arrival in South Africa, Pearson Chi-Square Test

	Value	Degrees of freedom	P-value. (2-sided)
Pearson Chi-Square	60.600 ^a	4	.000
N of Valid Cases	135		

(a). 0 cells (.0%) have expected count less than 5. The minimum expected count is 12.00.

While investigating the idea that those engaged in self-employment activities did so because they could not find paid work, it was found that a majority of the respondents agreed. A majority of **67,4%** acknowledged that scarcity of work pushed them into self-employment activities. On the contrary, 32,6 % of the respondents seemed to think otherwise (Table 6.28).

Table 6.28 I ended up starting my own business upon arrival in South Africa because I could not get a job

	Frequency	Percent	Cumulative percent
Strongly agree	82	60,7	60,7
Agree	9	6,7	67,4
Disagree	13	9,6	77,0
Strongly disagree	31	23,0	100,0
Total	135	100,0	

To further profile the results noted in Table 6.28 along the lines of the different ethnic groups, a cross tabulation was done. The results of the cross tabulation are noted in Table 6.29 below, which demonstrates a high degree of **agreement (67,4%)**, and equally notes a certain degree of variation among the different ethnic groups. As a matter of fact, the

agreement was in the following proportions: Cameroon (23%), Ethiopia (0%), Ghana (28.6%), Senegal (18,7%) and Somalia (29,7%).

Table 6.29 Cross tabulation between ethnic group and job scarcity as the reason for starting own business

	Country / Ethnic group					Total	
	Cameroon	Ethiopia	Ghana	Senegal	Somalia		
I ended up starting my own business upon arrival in South Africa because I could not get a job	Agree	21	0	26	17	27	91
	Disagree	6	27	1	10	0	44
Total	27	27	27	27	27	27	135

A Pearson Chi-Square test of the results noted in Table 6.28 and Table 6.29 above, as shown in Table 6.30 below, suggests that there is a statistically significant difference in the **agreement** to the specific statement among the different ethnic groups. This is based on the fact that a significance value (p) of 0,001 leads to a confidence level of 99,9%, as calculated in the previous sections.

Table 6.30 Cross tabulation between ethnic group and job scarcity as the reason for starting own business, Pearson Chi-Square Test

	Value	Degrees of freedom	Asymp. Sig. (2-sided)
Pearson Chi-Square	80.717^a	4	.000
Likelihood ratio	97.687	4	.000
Number of valid cases	135		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.80.

The results reflected in Table 6.31 below confirm that an absolute majority (94,8 %) of the respondents did not believe that they started their own business because they were fired from 'paid employment.

Table 6.31 I ended up starting my own business in South Africa because I got fired

	Frequency	Percent	Cumulative percent
Strongly agree	4	3,0	3,0
Agree	2	1,5	4,4
Unsure	1	,7	5,2
Disagree	3	2,2	7,4
Strongly disagree	125	92,6	100,0
Total	135	100,0	

Looking at Table 6.32 below, the results show that the majority (69,6%) of those surveyed deny starting their business because their initial travel plans changed. A small but significant proportion (14,1%) of the respondents were indifferent towards the question.

Table 6.32 I ended up starting my own business in South Africa because my initial travel plans changed

	Frequency	Percent	Cumulative percent
Agree	22	16,3	16,3
Unsure	19	14,1	30,4
Disagree	3	2,2	32,6
Strongly disagree	91	67,4	100,0
Total	135	100,0	

The suggestion that respondents started their own businesses in order to be independent seems to be inaccurate, as indicated by Table 6.33 below. According to this table, 68,9% of the respondents did not believe that they started their own businesses just because they wanted to be independent.

Table 6.33 I ended up starting my own business upon arrival in South Africa simply because I wanted to be independent

	Frequency	Percent	Cumulative percent
Strongly agree	27	20,0	20,0
Agree	8	5,9	25,9
Unsure	7	5,2	31,1
Disagree	32	23,7	54,8
Strongly disagree	61	45,2	100,0
Total	135	100,0	

Based on the foregoing results as noted in Tables 6.29, 6.30, 6.31, 6.32, and 6.33, two reasons seem to explain why African immigrants started their own businesses soon after arriving in South Africa. Firstly, it was suggested by 67.4% of the respondents that limited job opportunities push African immigrants into self-employment activities. Secondly, upon the advice of an older generation of immigrants, 55,6% of those surveyed reported not engaging in any job search. ***Participants at the focus group sessions shared the same sentiments, as a majority of them noted the undeniable role an earlier generation of immigrants played in influencing a new immigrant’s decision to take up employment based on their experiences and knowledge of the labour market in South Africa.***

“...I was told to keep my qualifications in a safe place as I would not need them any time soon. I did as was told and was initiated into the hawking business” said Mark, a participant from Cameroon.

In an attempt to understand who motivates African immigrants into starting their own businesses, a review of the literature pointed in the direction of friends, family, and co-ethnics. Looking at the friend(s) as the main motivating factor behind an immigrant business start-up in South Africa, Table 6.34 below acknowledges the role played by friends. According to the table, a slight majority of **50,3%** were in agreement with the statement while 49,7% disagreed.

Table 6.34 I was encouraged to start my own business by a friend

	Frequency	Percent	Cumulative percent
Strongly agree	35	25,9	25,9
Agree	33	24,4	50,4
Disagree	17	12,6	63,0
Strongly disagree	50	37,0	100,0
Total	135	100,0	

A cross tabulation of the ethnic groups against the response to the statement that they were encouraged to start their own businesses by a friend, as shown in Table 6.35 below, revealed that the respondents were divided with regards to their level of agreement. Of the 50,3% that agreed, 19,1% were from Cameroon, 39,7% from Ethiopia, 38,2% from Ghana, 2,9% from Senegal, and 0.0% from Somalia.

Table 6.35 Cross tabulation between ethnic group and a friend as the motivating factor for starting own business

	Country / Ethnic group					Total
	Cameroon	Ethiopia	Ghana	Senegal	Somalia	
I was encouraged into starting my own business by a friend						
Agree	13	27	26	2	0	68
Disagree	14	0	1	25	27	67
Total	27	27	27	27	27	135

The results of a Pearson Chi-Square test for statistical significance of the results reported in Tables 6.34 and 6.35 above, as noted in Table 6.36 below, conclude that there is a statistically significant difference in the agreement to the particular statement among the ethnic groups. This conclusion was arrived at based on the fact that the test resulted in a significance level of 00,000 which is often approximated to 0,001. Since one minus the significance level gives the confidence level, this resulted in a 99,9% which by statistical terms means the results are statistically significant. In plain terms, it means that the results did not occur by chance.

Table 6.36 Cross tabulation between ethnic group and a friend as the motivating factor for starting own business, Pearson Chi-Square Test

	Value	Degree of freedom	Asymp. Sig. (2-sided)
Pearson Chi-Square	96.776^a	4	.000
Likelihood Ratio	126.936	4	.000
N of Valid Cases	135		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 13.40.

According to Table 6.37 below, 59,3% of the respondents did not believe that they were encouraged to start their businesses by a family relative.

Table 6.37 I was encouraged to start-up my own business by a family relative

	Frequency	Percent	Cumulative Percent
Strongly agree	29	21,5	21,5
Agree	26	19,3	40,7
Disagree	4	3,0	43,7
Strongly disagree	76	56,3	100,0
Total	135	100,0	

In response to the statement as to whether the respondent was encouraged to start his or her own business by someone from his or her ethnic community, it was found that the majority (75,5%) of those surveyed disagreed, as indicated in Table 6.38 below.

Table 6.38 I was encouraged to start my own business by a member of my ethnic community

	Frequency	Percent	Cumulative percent
Strongly agree	10	7,4	7,4
Agree	23	17,0	24,4
Disagree	18	13,3	37,8
Strongly disagree	84	62,2	100,0
Total	135	100,0	

Table 6.39 below reflects the views of the respondents with regard to the fact that no-one in particular encouraged them to start their own business upon arrival in South Africa. The table acknowledges the fact that they strongly believed that no-one encouraged them to start their own business and this is enforced by the fact that 75,6% agreed with the statement.

Table 6.39 I was not encouraged by anyone in particular

	Frequency	Percent	Cumulative percent
Strongly agree	93	68.9	68.9
Agree	9	6.7	75.6
Unsure	7	5.2	80.7
Disagree	5	3.7	84.4
Strongly disagree	21	15.6	100.0
Total	135	100.0	

Concluding on the results as noted in Tables 6.36, 6.37, 6.38 and 6.39, it can be deductively conceded that no-one in particular encouraged African immigrants to start their own businesses upon arrival in South Africa. This is a view held by an overwhelming majority (75,6% as noted in Table 6.39) of the respondents. Another popular view held by those surveyed (50,3% as noted in Table 6.36) is that they were encouraged by friends. ***A probe of the foregoing results through focus group debates concluded that the mere need to survive in an economy where jobs are scarce and the fact that starting a business was the route taken by earlier generations of immigrants is motivation in itself. This qualitative validation of the result was consistent with the survey results.***

6.4.4 Business start-up and operation resources

In an attempt to understand what emphasis African immigrants accord to certain resources with regards to starting and operating a business in South Africa, they were asked to rank physical, financial, human and informational resources in order of importance. The results as indicated in Table 6.40 below show that the majority of the respondents (75,6%) ranked physical resources as their **second best** in terms of the resources they would require to start-up and operate a business in South Africa.

Table 6.40 Physical resources (e.g. land, machinery, equipment etc.)

	Frequency	Percent	Cumulative percent
First best	10	7,4	7,4
Second best	102	75,6	83,0
Third best	23	17,0	100,0
Total	135	100,0	

Table 6.41 below indicates that an overwhelming majority (92,6%) of those surveyed saw financial resources as the primary (first best) resources that they would require to start-up and operate a business in South Africa.

Table 6.41 Financial resources

	Frequency	Percent	Cumulative percent
First best	125	92,6	92,6
Second best	10	7,4	100,0
Total	135	100,0	

When it comes to the importance of human resources as one of the critical resources required to start-up and operate a business in South Africa, the results presented in Table 6.42 below indicate that 60,7% of the respondents ranked human resources third out of the five resources under consideration.

Table 6.42 Human resources

	Frequency	Percent	Cumulative percent
Second best	2	1,5	1,5
Third best	82	60,7	62,2
Fourth best	51	37,8	100,0
Total	135	100,0	

The results reflected in Table 6.43 below indicate that the majority (61,5%) of African immigrants ranked information resources fourth in terms of the resources required to start and operate a business in South Africa.

Table 6.43: Informational resources

	Frequency	Percent	Cumulative percent
Second best	21	15,6	15,6
Third best	31	23,0	38,5
Fourth best	83	61,5	100,0
Total	135	100,0	

From the results as displayed in Tables 6.39, 6.40, 6.41, 6.42, and 6.43 above, it can be drawn that African immigrants place emphasis on financial, physical, human and informational resources in order of importance. ***Two focus group debates to determine the importance of these resources concluded with a majority of the participants agreeing on the re-ordering of resources as follows: finance, information, human and physical resources. This reclassification of the resources seems to differ from that suggested by the business support organisations interviewed. According to these organisations, skills should come first, followed by information and then finance. No mention was made of physical resources.***

6.4.5 The use of business start-up resources

As identified in section 6.4.4 above, this section sets out to investigate the use of physical, financial, human and informational resources in starting up and operating a business by African immigrants in South Africa.

6.4.5.1 Physical resources

The results that follow reflect on the responses to Likert scale questions aimed at establishing how African immigrants acquired the physical resource(s) necessary to start-up and operate a successful business in South Africa.

The results reflected in Table 6.44 below indicate that the majority (76,3%) of those interviewed deny hiring the main physical resource that they needed to start and operate a business.

Table 6.44 I hired the main physical resources needed to start a business

	Frequency	Percent	Cumulative percent
Strongly agree	31	23,0	23,0
Agree	1	,7	23,7
Disagree	21	15,6	39,3
Strongly disagree	82	60,7	100,0
Total	135	100,0	

The results displayed in Table 6.45 below indicate that an overwhelming majority (69,6%) of the African immigrants surveyed bought the main physical resources needed to start and operate a business in South Africa, using their personal savings.

Table 6.45 I bought the main physical resource needed to start a business using my personal savings

	Frequency	Percent	Cumulative percent
Strongly agree	93	68,9	68,9
Agree	1	,7	69,6
Disagree	26	19,3	88,9
Strongly disagree	15	11,1	100,0
Total	135	100,0	

The results reflected in Table 6.46 below indicate that the majority (90,4%) of those surveyed denied having borrowed from a bank to finance the main physical resources needed to start-up and operate the business.

Table 6.46 I bought the main physical resources needed to start a business using a bank loan

	Frequency	Percent	Cumulative percent
Agree	13	9,6	9,6
Disagree	5	3,7	13,3
Strongly disagree	117	86,7	100,0
Total	135	100,0	

When it comes to determining whether the respondents received the main physical resources with which they started their business, as a gift from a friend, the result as reflected in Table 6.47 suggest otherwise. According to the table, an overwhelming majority (85,2%) of the respondents did not concur with the statement.

Table 6.47 The main physical resources that I used to start a business were donated to me by a friend

	Frequency	Percent	Cumulative percent
Strongly agree	3	2,2	2,2
Agree	17	12,6	14,8
Disagree	31	23,0	37,8
Strongly disagree	84	62,2	100,0
Total	135	100,0	

The results, as reflected in Table 6.48, suggest that the majority (74,8%) of the respondents did not concur with the statement that the main physical resources with which they started their business belonged to a family member.

Table 6.48 The main physical resources that I used when starting my business belonged to my family

	Frequency	Percent	Cumulative percent
Strongly agree	7	5,2	5,2
Agree	27	20,0	25,2
Disagree	19	14,1	39,3
Strongly disagree	82	60,7	100,0
Total	135	100,0	

Exploring the results displayed in Table 6.49 below, it can be drawn that the respondents were absolutely sure that the main physical resource that they used in starting and operating their business was not public property. According to the table, an absolute majority (100%) did not agree with the statement.

Table 6.49 The main physical resource that I used when starting my business was public property

	Frequency	Percent	Cumulative percent
Disagree	21	15,6	15,6
Strongly disagree	114	84,4	100,0
Total	135	100,0	

Concluding on the results presented in Tables 6.44, 6.45, 6.46, 6.47, 6.48, and 6.49 above, it can be deduced that the African immigrant entrepreneurs surveyed bought, from personal savings, the physical resources need to start their businesses. ***In a related inquiry highlighting the aforementioned finding, an overwhelming majority of participants in the focus group debate conceded with this finding. Some representative quotes that emerged include:***

“With the money that I saved while working for my brother (a distant relation), I was able to buy a container from where I started my hair salon business. Because the money was not enough to cover for the cost of the container and all the accessories he lent me some money which I have since repaid” said Paul, a participant from Ghana.

“From my standpoint... I used the balance from my travel expenses, to buy a few items which I moved around selling” said Mark, a participant from Cameroon.

“Us from Somalia, served others for a while as we saved to start-up our own businesses” said Jamal, a participant from Somalia.

6.4.5.2 Financial resources

This section of the study explores the source of the start-up and operation capital used by African immigrant entrepreneurs in starting and operating their businesses.

6.4.5.2.1 Start-up finance

As noted in Table 6.50 below, African immigrant entrepreneurs made use of a varied source of capital when starting their businesses. According to the table, the following are the major sources of start-up finance as reported by African immigrant entrepreneurs:

- An overwhelming majority (61,2%) reported making use of personal savings
- Business credit (goods on terms) was used by 16 9% of the respondents
- Personal savings and credit from a family member was used by 14,8 % of the respondents
- Credit from family members was used by 3,8% of those surveyed
- Loans from informal financial institutions (e.g. stokvels) were used by 3,3% of the respondents.

Table 6. 50 Source of start-up capital^a

	Responses		Percent of cases
	N	Percent	
Personal savings only	112	61,2%	83.6%
Credit from family members	7	3,8%	5.2%
Personal savings and credit from a family member	27	14,8%	20.1%
Loan from informal financial institution (e.g. stokvel)	6	3,3%	4.5%
Business credit (goods on terms)	31	16,9%	23.1%
Total	183	100,0%	136,6%

a. Dichotomy group tabulated at value 1.

From an analysis of the results presented in Table 6.50 above, it can be drawn that an overwhelming majority (61,2%) of African immigrant entrepreneurs made use of personal savings as the major source of start-up capital. ***This finding is consistent with the findings of the personal interviews with banks which emphasised the fact that credit could only be extended to South Africans and immigrants with valid South Africa documentation. Sadly enough, an overwhelming majority of the respondents were in possession of asylum seeker permits which unfortunately are not recognised by banks.***

In narrative terms, this is what one of the bankers from ‘Bank One’ had to say:

“...the current status quo of our bank is that we do not render them services. We did that in the past.”

6.4.5.2.2 Additional funding

Once a business has been started, it still needs funding from time to time. The results that follow reflect the sources of additional funding that African immigrants tap into when in need.

The results, as reflected in Table 6.51 below, suggest that a majority (97,8%) of the African immigrants surveyed turned to friends when they needed additional funding.

Table 6.51 I turn to my friends when I need additional funding

	Frequency	Percent	Cumulative percent
Strongly agree	129	95,6	95,6
Agree	3	2,2	97,8
Unsure	1	,7	98,5
Disagree	1	,7	99,3
Strongly disagree	1	,7	100,0
Total	135	100,0	

The results displayed in Table 6.52 below indicate that the majority (78,5%) of those surveyed denied turning to family members here in South Africa when they need additional funding.

Table 6.52: I turn to my family here in South Africa when I need additional funding

	Frequency	Percent	Cumulative percent
Strongly agree	27	20.0	20.0
Agree	1	0,7	20.7
Unsure	1	0,7	21.5
Disagree	18	13.3	34.8
Strongly disagree	88	65.2	100.0
Total	135	100.0	

Table 6.53 below reports on the proportion of those surveyed that agreed (or disagreed) that they sought the assistance of their family (either here or abroad -Europe) when they needed

additional funding. According to the table, an overwhelming majority (80,0%) disagreed to resorting to their families here or abroad (Europe) when they need more funding.

Table 6.53 I turn to my family back home or abroad (Europe) when I need additional funding

	Frequency	Percent	Cumulative percent
Strongly agree	27	20.0	20.0
Disagree	17	12.6	32.6
Strongly disagree	91	67.4	100.0
Total	135	100.0	

The results, as reflected in Table 6.54 below, suggest that 83,7% of respondents concurred with the statement that they turned to their ethnic networks for additional funding.

Table 6.54 I turn to people from my country (ethnic network) when I need additional funding

	Frequency	Percent	Cumulative percent
Strongly agree	111	82,2	82,2
Agree	2	1,5	83,7
Unsure	1	0,7	84,4
Strongly disagree	21	15,6	100,0
Total	135	100,0	

The results displayed in Table 6.55 below indicate that an overwhelming majority (95,5%) of the respondents did not turn to the banks when they needed additional funding.

Table 6.55 I borrow from the bank when I need additional funding

	Frequency	Percent	Cumulative percent
Agree	6	4,4	4,4
Disagree	3	2,2	6,7
Strongly disagree	126	93,3	100,0
Total	135	100.0	

The results, as noted in Table 6.56 below, indicate that the majority (68,2%) of African immigrants surveyed reported having participated in a self-help financial association at some point since starting their business.

Table 6.56 I have participated in a self-help financial association since starting my business

	Frequency	Percent	Cumulative percent
Strongly agree	44	32,6	32,6
Agree	48	35,6	68,1
Disagree	31	23,0	91,1
Strongly disagree	12	8,9	100,0
Total	135	100.0	

Drawing from the results, as indicated in Table 6.51 through to Table 6.56 above, one may conclude that although the African immigrant entrepreneurs have a wide pool from which to draw during times of financial needs, the majority preferred the following sources:

- Borrowing from friends
- Borrowing from co-ethnics
- Self-help financial associations.

In accordance with the surveyed results, the outcome of the focus group debates concluded that although immigrants in certain instances are fortunate to have access to a varied source of business start-up capital as already noted, most of the time they depend on their personal savings. Once the business has been started, their source of additional funding expands and this may be explained by the degree of credibility and networking established. The personal interviews conducted with bank officials equally concur with these results.

6.4.5.3 Human resources

In this section, the focus of the results is on how the African immigrants surveyed and the human resource needs of their businesses.

6.4.5.3.1 Formal education

In terms of the level of formal education attained by the African immigrant entrepreneurs under study, Table 6.567 indicates that only 1,5% had a bachelor's degree. A significant proportion (**43,7%**) had a high school diploma.

Table 6.57 Highest level of formal education

	Frequency	Percent	Cumulative percent
Less than high school or no schooling	57	42,2	42,2
High school diploma	59	43,7	85,9
Vocational/technical degree	1	0,7	86,7
Uncompleted university	16	11,9	98,5
Bachelor's degree	2	1,5	100,0
Total	135	100,0	

In probing the perceived importance of formal education with respect to the entrepreneurial drive of those surveyed (Table 6.58), a significant proportion (67,4%) conceded that it assisted them in identifying and obtaining the resources needed to start-up a business.

Table 6.58 The level of formal education I have attained has been of great assistance to identify and acquire the resources needed to start-up my business

	Frequency	Percent	Cumulative percent
Strongly agree	63	46,7	46,7
Agree	28	20,7	67,4
Unsure	4	3,0	70,4
Disagree	23	17,0	87,4
Strongly disagree	17	12,6	100,0
Total	135	100,0	

The results, as indicated in Table 6.59 below, confirm the importance of fluency in English as far as starting and operating a business in South Africa is concerned. According to the table, the overwhelming majority (90,4%) of those surveyed concurred with the statement that fluency in the English language is essential for identifying and acquiring the resources needed to start and operate a business.

Table 6.59 My level of fluency in the English language has been of great assistance in the effort to identify and acquire the resources needed for starting my business

	Frequency	Percent	Cumulative percent
Strongly agree	81	60,0	60,0
Agree	41	30,4	90,4
Unsure	10	7,4	97,8
Disagree	2	1,5	99,3
Strongly disagree	1	0,7	100,0
Total	135	100,0	

6.4.5.3.2 Previous experience

In terms of prior experience, the results as indicated in Table 6.60 below, show that the majority (**63,7%**) of those surveyed were engaged in self-employment activities as their first occupation upon arrival in South Africa. This group is closely followed by those (34,8%) who reported they had not worked in South Africa prior to starting their own businesses.

Table 6.60 First occupation in South Africa

	Frequency	Percent	Cumulative percent
Never worked	47	34,8	34,8
Labourer	1	0,7	35,6
Technician	1	0,7	36,3
Self employed	86	63,7	100,0
Total	135	100,0	

Table 6.61 below lists the occupations of respondents prior to leaving for South Africa. According to the table, 98.5% of the respondents reported having been engaged in self-employment activities prior to leaving for South Africa. Another small proportion (1,5%) reported having been employed as technicians prior to leaving for South Africa.

Table 6.61: Last occupation in home country

	Frequency	Percent	Cumulative percent
Technician	2	1,5	1,5
Self-employed	133	98,5	100,0
Total	135	100,0	

In investigating whether having prior experience impacts on entrepreneurial endeavours of African immigrants, the results in Table 6.62 below indicate that 94,8% of the respondents were in agreement with the statement that their previous experience was of immense importance.

Table 6.62 My previous experience has been of great assistance in the effort to identify and acquire the resources needed to start my business

	Frequency	Percent	Cumulative percent
Strongly agree	91	67,4	67,4
Agree	37	27,4	94,8
Disagree	6	4,4	99,3
Strongly disagree	1	0,7	100,0
Total	135	100,0	

The results, as shown in Table 6.63 below, indicate that an overwhelming majority (94.8%) agreed that their previous employment was the main source of their entrepreneurial idea or opportunity.

Table 6.63 My previous employment is the main source of my current entrepreneurial opportunity or idea

	Frequency	Percent	Cumulative percent
Strongly agree	109	80,7	80,7
Agree	19	14,1	94,8
Unsure	1	0,7	95,6
Strongly disagree	6	4,4	100,0
Total	135	100,0	

6.4.5.3.3 Employees

The results as shown in Table 6.64 below indicate that, besides those businesses that did not employ anyone and those that employed South Africans (48,1%), the remaining 51,9% reported that they employed family members and co-ethnics in varied proportions. As noted

in the table, a greater proportion of those surveyed (45,7%) employed co-ethnics. Another prominent source of employees were the parents (28,6%) of the business owner.

Table 6.64 Paid employee^a

	Responses		Percent of cases
	N	Percent	
Father/mother	20	28,6%	28.6%
Wife/partner's relations	16	22,9%	22.9%
Children	1	1,4%	1.4%
Other family relative	1	1,4%	1.4%
Co-ethnics	32	45,7%	45.7%
Total	70	100.0%	100,0%

a. Dichotomy group tabulated at value 1.

The results as shown in Table 6.65 below indicate that the major source (60,0%) of unpaid labour utilised by African immigrant-owned businesses were children. Another small but significant proportion (33,3%) reported that their source of labour was a wife or partner.

Table 6.65 Unpaid employee^a

	Responses		Percent of cases
	N	Percent	
Wife/partner's relations are unpaid employees	10	33,3%	34.5%
Children are unpaid employees	18	60,0%	62.1%
Is your family relative employed as an unpaid employee?	1	3,3%	3.4%
Is anyone from your country of origin employed as an unpaid employee?	1	3,3%	3.4%
Total	30	100.0%	103,4%

a. Dichotomy group tabulated at value 1.

6.4.5.3.4 Support

In general, the support that an entrepreneur receives may be classified as a significant form of human resources. Such support may take various forms, is not limited to finance, and may come from varied sources including family and ethnic networks. The results as shown in Table 6.66 below indicate that the majority (79,3%) of those surveyed concurred with the statement that they received assistance from others when starting their own business.

Table 6.66 Starting my own business in South Africa was easy because I got assistance from others

	Frequency	Percent	Cumulative percent
Strongly agree	59	43,7	43,7
Agree	48	35,6	79,3
Disagree	3	2,2	81,5
Strongly disagree	25	18,5	100,0
Total	135	100,0	

6.4.5.3.4.1 Family support

The results as reflected by Table 6.67 below suggest that the majority (86,6%) of the respondents did not agree with the statement that most of the assistance that they received during business start-up came from members of their immediate and extended family here in South Africa.

Table: 6.67 Most of the assistance with regards to starting my own business came from members of my immediate and extended family here in South Africa

	Frequency	Percent	Cumulative percent
Strongly agree	11	8,1	8,5
Agree	2	1,5	10,0
Disagree	25	18,5	29,2
Strongly disagree	92	68,1	100,0
Total	130	96,3	
Missing system	5	3,7	
Total	135	100,0	

Turning to the people employed by African immigrants during business start-up, the results as reflected in Table 6.68 below suggest that a greater proportion of those surveyed did not agree with the statement that most of those who they employed were family members.

Table: 6.68 Most of the workers I employed when I just started my business were family members

	Frequency	Percent	Cumulative percent
Strongly agree	1	0,7	0,7
Agree	2	1,5	2,2
Disagree	56	41,5	43,7
Strongly disagree	76	56,3	100,0
Total	135	100,0	

The results as suggested by Table 6.69 below indicate that the overwhelming majority (68,2%) of the people employed in African owned business during start-up were neither family members nor ethnic labour (from their village or country of origin).

Table 6.69 Most of the workers I employed when I just started my business were not members of my family but came from my village or country of origin

	Frequency	Percent	Cumulative percent
Strongly agree	16	11,9	11,9
Agree	27	20,0	31,9
Disagree	44	32,6	64,4
Strongly disagree	48	35,6	100,0
Total	135	100,0	

According to the results displayed in Table 6.70 below, an overwhelming (**80,8%**) of the respondents did not concur with the statement that their families were the source of their entrepreneurial ideas.

Table 6.70 My family is the source of my current entrepreneurial opportunity or idea

	Frequency	Percent	Cumulative percent
Strongly agree	26	19,3	19,3
Disagree	16	11,9	31,1
Strongly disagree	93	68,9	100,0
Total	135	100,0	

6.4.5.3.4.2 Ethnic support

In terms of ethnic support, it was found that immigrants from a particular country of origin did not limit their assistance to would-be immigrants to information about the choice of the host country and how to get there. The results, as reflected in Table 6.71 below, suggest that a majority of the respondents (77.1%) tended to agree with the statement.

Table 6.71 Most of the assistance with regards to starting my own business came from my ethnic network

	Frequency	Percent	Cumulative percent
Strongly agree	100	74,1	74,1
Agree	4	3,0	77,0
Disagree	14	10,4	87,4
Strongly disagree	17	12,6	100,0
Total	135	100,0	

In probing what kind of assistance the respondents received from members of their ethnic community, it was found that an overwhelming majority received assistance from fellow ethnics in as far as choosing what line of business to operate is concerned. The results reflected in Table 6.72 below indicate that 91.9% of the respondents agreed with the statement.

Table 6.72 People from my village or country of origin assisted me in choosing my line of business when I just started my own business

	Frequency	Percent	Cumulative percent
Strongly agree	122	90,4	90,4
Agree	2	1,5	91,9
Disagree	4	3,0	94,8
Strongly disagree	7	5,2	100,0
Total	135	100,0	

The results as displayed in Table 6.73 note that an overwhelming majority (91,9%) agreed with the fact that they were guided in choosing where to conduct business by fellow members of their ethnic communities.

Table 6.73 People from my village or country of origin guided me in choosing where to trade when I just started business

	Frequency	Percent	Cumulative percent
Strongly agree	117	86,7	86,7
Agree	7	5,2	91,9
Strongly disagree	11	8,1	100,0
Total	135	100,0	

The results as displayed in Table 6.74 below pertain to the question as to whether the respondents received guidance regarding where to buy, or supplier contacts, from fellow ethnic members. This question was answered by only 134 respondents, thus creating a missing value of one. According to the table, 70,1% and 20,9% of the respondents respectively strongly agreed and agreed with the statement.

Table 6.74 People from my village or country of origin guided me in choosing where to buy or supplier contacts

	Frequency	Percent	Cumulative percent
Strongly agree	94	69,6	70.1
Agree	28	20,7	91.0
Strongly disagree	12	8,9	100.0
Total	134	99,3	
Missing system	1	0,7	
Total	135	100.0	

With respect to information regarding regulatory issues, the results as reflected in Table 6.75 below show that a greater proportion (**76,0%**) of the respondents did not concur with the statement that co-ethnics assisted them by providing regulatory related information.

Table 6.75 People from my village or country of origin assisted me by providing information regarding regulatory issues such as business registration, tax, etc.

	Frequency	Percent	Cumulative percent
Agree	29	21,5	21,5
Disagree	2	1,5	23,0
Strongly disagree	104	77,0	100,0
Total	135	100,0	

With regards to information regarding business support, respondents were quick to disagree with the statement that co-ethnics assisted in providing information in this regard. According to Table 6.76 below, an overwhelming majority of **97,8%** did not concur with the statement.

Table 6.76 People from my country of origin assisted me by providing information regarding sources of business support such as bank finance, etc.

	Frequency	Percent	Cumulative percent
Strongly agree	1	,7	,7
Agree	1	,7	1,5
Unsure	1	,7	2,2
Disagree	26	19,3	21,5
Strongly disagree	106	78,5	100,0
Total	135	100,0	

An interesting find is that an overwhelming majority of the respondents indicated that they employed mostly South Africans during the start-up phase of their business. This finding comes against the backdrop that most of the respondents denied having employed mostly members of their family or co-ethnics as reported in Tables 6.68 and 6.69. According to the results, as noted in Table 6.77 below, the majority (69,6%) of those surveyed agreed with the statement.

Table 6.77 Most of the workers I employed when I just started business were South Africans

	Frequency	Percent	Cumulative percent
Strongly agree	65	48,1	48,1
Agree	29	21,5	69,6
Disagree	29	21,5	91,1
Strongly disagree	12	8,9	100,0
Total	135	100,0	

Drawing from the above results as indicated in Table 6.75 to Table 6.77, it becomes apparent that:

- African immigrant entrepreneurs prefer employing South Africans during the start-up phase of the businesses. This may be due to the availability as well as the low wages involved.

- During the growth phase, they prefer ethnic labour (both co-ethnics as well as those from other countries). One may suggest honesty and hard work besides low wages to be the motivator.
- To a limited extent, family labour is involved at both the start-up as well as the operation phase of the business.
- Formal education and prior experience are noted important components of the human resource mix readily available to the African immigrant entrepreneurs.

From a qualitative standpoint, a representative response from the focus group debates that supports the aforesaid result is:

“When I just started, my stock was so small and employing someone was not an option. But as my stock grew, I employed a South African to sit in for me as I hawked around. Today, I have a South African, a distant relative and my wife assisting in the business.”

Said Mohammed, a participant from Somalia.

6.4.5.4 Informational resources

According to the results in Table 6.78 below, an overwhelming majority (99,3%) of those interviewed denied turning to small business support organisations when they were in need of information.

Table 6.78 If I need information about new business opportunities or ideas, I go to small business support organisations such as SEDA

	Frequency	Percent	Cumulative percent
Unsure	1	,7	,7
Disagree	2	1,5	2,2
Strongly disagree	132	97,8	100,0
Total	135	100,0	

The results as shown in Table 6.79 indicate that a greater proportion (82,2%) of those surveyed concurred with the statement that they turn to their ethnic networks when in need of business related information.

Table 6.79 If I need information about new business opportunities or ideas I turn my ethnic network

	Frequency	Percent	Cumulative percent
Strongly agree	108	80,0	80,0
Agree	3	2,2	82,2
Disagree	9	6,7	88,9
Strongly disagree	15	11,1	100,0
Total	135	100,0	

The results in Table 6.80 below indicates the proportion of those surveyed who reported turning to friends from somewhere else when in need of business related information. According to the table, 96.3% of the respondents concurred with the statement.

Table 6.80 I turn to friends from somewhere else when I need information about new business opportunities or ideas

	Frequency	Percent	Cumulative percent
Strongly agree	117	86,7	86,7
Agree	13	9,6	96,3
Disagree	4	3,0	99,3
Strongly disagree	1	,7	100,0
Total	135	100,0	

Table 6.81 below indicates the proportion of the respondents who agreed or disagreed with the statement that they go to their accountants when in need of information about new business opportunities. Accounting to the table, while 19,3% concurred with the statement, the overarching majority (80,7%) did not concur.

Table 6.81 I go to my accountant if I need information about new business opportunities or ideas

	Frequency	Percent	Cumulative percent
Agree	26	19,3	19,3
Disagree	1	,7	20,0
Strongly disagree	108	80,0	100,0
Total	135	100,0	

According to the results shown in Table 6.82 below, a greater proportion (80%) of those surveyed denied turning to the internet when in need of information about new business opportunities.

Table 6.82 I search on the internet if I need information about new business opportunities or ideas

	Frequency	Percent	Cumulative percent
Agree	27	20,0	20,0
Disagree	1	0,7	20,7
Strongly disagree	107	79,3	100,0
Total	135	100,0	

Drawing from the foregoing results as suggested in Table 6.78 through to Table 6.82, one may suggest that the African immigrant entrepreneurs in South Africa made use of two primary sources of information, namely their ethnic networks, and friends from somewhere else. *In the focus meeting, the majority of the participants concurred with this result but noted that the information shared was more accurate and easily available only in circumstances where a conflict of interest was not the norm. This would be the case where individuals are not in the same vicinity or the same line of business. The results of the personal interviews held with business support organisations further strengthens this finding, in that it was unanimously indicated by the interviewees that a negligible amount of African immigrants made used of their services.*

6.4.6 Ethnic entrepreneurial attributes

In order to understand what entrepreneurial attributes are needed to effectively start-up and operate a successful business, African immigrants were required to rank certain resources in order of importance. These resources included motivation, ability to raise finance, family support, ethnic support, and previous experience.

The results shown in Table 6.83 indicate that the majority (54,8%) of African immigrants ranked motivation number one (**first best**) in terms the attributes required to start-up and operate a business in South Africa.

Table 6.83 Motivation

	Frequency	Percent	Cumulative percent
<i>First best</i>	74	54,8	54,8
<i>Second best</i>	46	34,1	88,9
<i>Fourth best</i>	15	11,1	100,0
Total	135	100,0	

The results indicated in Table 6.84 below indicate that while 27,4% of the respondents ranked the ability to raise finance their first best, 26,7% ranked it their second best. The results as indicated here conflict with the results already noted in Table 7.83 where motivation was nominated first best. Comparing the percentages involved (that is 54,8% and 27,4% respectively) one may conclude that the ability to raise finance ranks second.

Table 6.84 Ability to raise finance

	Frequency	Percent	Cumulative percent
<i>First best</i>	37	27,4	27,4
<i>Second best</i>	36	26,7	54,1
<i>Third best</i>	36	26,7	80,7
<i>Fourth best</i>	2	1,5	82,2
<i>Fifth best</i>	24	17,8	100,0
Total	135	100,0	

The results indicated in Table 6.85 below show that the respondents (32,6%) ranked family support third in terms of the attributes needed to start-up and operate a business in South Africa.

Table 6.85 Family support

	Frequency	Percent	Cumulative percent
<i>Second best</i>	35	25,9	25,9
<i>Third best</i>	44	32,6	58,5
<i>Fourth best</i>	43	31,9	90,4
<i>Fifth best</i>	13	9,6	100,0
Total	135	100,0	

The results as shown in Table 6.86 below indicate that the majority (51,1%) of the respondents ranked ethnic support fourth best out of the five items.

Table 6.86 Ethnic support (i.e. support from people from your village or country)

	Frequency	Percent	Cumulative percent
Second best	1	,7	,7
Third best	50	37,0	37,8
Fourth best	69	51,1	88,9
Fifth best	15	11,1	100,0
Total	135	100,0	

The results displayed in Table 6.87 below indicate that the overwhelming majority of respondents ranked previous experience fifth on the list of the attributes needed to start and operate a business in South Africa.

Table 6. 87 Previous experience

	Frequency	Percent	Cumulative percent
First best	24	17,8	17,8
Second best	17	12,6	30,4
Third best	4	3,0	33,3
Fourth best	7	5,2	38,5
Fifth best	83	61,5	100,0
Total	135	100,0	

Based on the results of the survey questionnaire presented in Table 6.83 through to Table 6.87 above, one may draw that the respondents valued motivation, ability to raise finance, family support, ethnic support and previous experience in order of importance as being essential entrepreneurial attributes needed to effectively start-up and operate a business. ***The majority of the participants at the focus group sessions concurred with the foregoing results, as noted in some of the sentiments shared:***

- You must be motivated well enough to start a business, let alone grow it.
- Motivation may be triggered by desperation and hardship amongst others.
- You must have the right support and such support may come from a variety of sources.

- You cannot make it if you do not know what you are doing.
- Your family is always going to be there for you.

The results of the personal interviews conducted with business advisers at two business support organisations both support the foregoing view.

6.4.7 Business start-up and operation obstacles

In this section, the results of the findings of the obstacles encountered by African immigrant entrepreneurs during the start-up as well as the operational phase of the business are discussed.

6.4.7.1 Business start-up obstacles

Reporting on the obstacles that African owned businesses encountered during the business start-up phase, Table 6.88 indicates that:

- 77,0% indicated limited finance as an obstacle
- 54,8% reported lack of business space as an obstacle.
- 21,5% acknowledged lack of expertise in the concerned business area as an impediment
- 4,4% reported lack of skilled employees as an obstacle
- 29,6% placed emphasis on insufficient demand as a start-up obstacle
- 10,4% reported lack of information on business related matters as an apparent business start-up obstacle
- 39,3% reported lack of appropriate residence permits as a major business start-up obstacle.

Table 6.88 Start-up problems^a

	Responses		Percent of cases
	N	Percent	
Finance as business start-up obstacle	104	32,5%	77,0%
Expertise as business start-up obstacle	29	9,1%	21,5%
Skilled employees as business start-up obstacle	6	1,9%	4,4%
Business space as start-up obstacle	74	23,1%	54,8%
Customers as business start-up obstacle	40	12,5%	29,6%
Information as business start-up obstacle	14	4,4%	10,4%
Residence permit as business start-up obstacle	53	16,6%	39,3%
Total	320	100.0%	237,0%

a. Dichotomy group tabulated at value 1.

Based on the above results, it can be drawn that the three most cumbersome obstacles confronting African immigrant entrepreneurs are finance, business space, and residence permits. ***Lack of finance, business space and residence permits are some of the themes that were equally emphasised by participants at the focus group meetings. An interview with officials of two of the most prominent banks in South Africa suggested that lack of finance either for start-up or growth is a problem likely encountered by African immigrants. It was revealed from these interviews that an immigrant without a South African identification document (green book) cannot have access to most facilities, including owning a bank account. In the past, they were allowed to open accounts although access to overdrafts and loans was not an option***

6.4.7.2 Business operational obstacles

Once started, a business still encounters some obstacles as it grows. As noted in Table 7.89 below, the following operational obstacles were reported:

- Lack of finance was seen as an impediment during this phase of the business by 42,2% of the respondents.
- As regards business space, a significant proportion (36,3%) of the respondents believed that lack of business space was an obstacle to the operation of a business, even after start-up. This finding is consistent with the existing literature on 'blocked opportunities' and in the case of African immigrants in South Africa, this may be related to the non-acceptance of refugee permits by landlords as a form of identification.

- In terms of skilled employees, the results suggest that 7,4% of the respondents believed that lack of skilled employees was still a problem even after the start-up phase of the business.
- Only 6,7% of the respondents reported lack of expertise after the business start-up phase.
- The results indicated that only 0,7% of the respondents saw the lack of a licence as an obstacle during the operational phase of the business.
- With regard to customers. 20% of the respondents believed that lack of customers was an obstacle that continued to affect their businesses long after start-up.
- In terms of the flow of information, a significant proportion (40,0%) of those surveyed believed that lack of information was still an impediment to the operation of their business long after start-up.
- In terms of residence permits, the results indicated that 9,6% of those surveyed believed that not having the right residence permits was still a problem for their businesses long after start-up.

Table 6.89 Growth problems^a

	Responses		Percent of cases
	N	Percent	
Finance as an obstacle after business start-up phase	57	25,9%	50,0%
Education/licence as an obstacle after business start-up phase	1	,5%	,9%
Expertise as an obstacle after business start-up phase	9	4,1%	7,9%
Skilled employees as an obstacle after business start-up phase	10	4,5%	8,8%
Business space as an obstacle after business start-up phase	49	22,3%	43,0%
Customers as an obstacle after business start-up phase	27	12,3%	23,7%
Information as an obstacle after business start-up phase	54	24,5%	47,4%
Residence permit as an obstacle after business start-up phase	13	5,9%	11,4%
Total	220	100.0%	193,0%

a. Dichotomy group tabulated at value 1.

Based on the results noted in Table 6.89 above, the three most noted growth obstacles reported are insufficient finance, lack of information, and business space. ***In addition to the obstacles reported, participants at the focus group meetings unanimously added crime and jealousy.***

6.4.8 Cost saving and revenue boosting strategies

After starting a business, the entrepreneur strives to grow the business or, at best, maintain the business at a certain level unless closing down becomes a last resort. The focus of this section is to explore those strategies that African immigrant entrepreneurs use to ensure the survival of their businesses.

6.4.8.1 Cost saving strategies

The results, as shown in Table 6.90 below, indicate that an overwhelming majority (91,1%) of the respondents agreed to have shared business information with other members of their ethnic community.

Table 6.90 Since starting up my business, I have shared business information with other members of my ethnic group from time to time

	Frequency	Percent	Cumulative percent
Strongly agree	117	86,7	86,7
Agree	6	4,4	91,1
Unsure	1	0,7	91,9
Disagree	4	3,0	94,8
Strongly disagree	7	5,2	100,0
Total	135	100,0	

In terms of shop space, the results in Table 6.91 below suggest that the majority (81,5%) of those surveyed reported having shared shop space with others at some time during the existence of their business.

Table 6.91 Since starting my business, I have shared shop or business space with others

	Frequency	Percent	Cumulative percent
Strongly agree	110	81,5	81,5
Disagree	25	18,5	100,0
Total	135	100,0	

According to the results displayed in Table 6.92 below, 99,2 % of the respondents reported having used an informal source to finance their business.

Table 6.92 I have used informal sources to finance my business

	Frequency	Percent	Cumulative percent
Strongly agree	106	78,5	78,5
Agree	28	20,7	99,3
Disagree	1	0,7	100,0
Total	135	100,0	

As noted in Table 6.93 below, African immigrant entrepreneurs would stop at nothing to ensure the survival of their business. According to the table, 79,3 % of the respondents reported having operated their businesses informal or illegally within the past three or more years since starting.

Table 6.93 I have operated my business informally/illegally within the past three or more years since starting

	Frequency	Percent	Cumulative percent
Strongly agree	93	68,9	68,9
Agree	14	10,4	79,3
Disagree	27	20,0	99,3
Strongly disagree	1	0,7	100,0
Total	135	100,0	

The results reflected in Table 6.94 below indicate a strong agreement among the respondents with regards to the statement. According to the table, a majority of 87,4% of the respondents concurred with the statement that they had to work from home or a mobile shop at one point in the history of their business.

Table 6.94 I have worked from a home or a mobile shop like a container

	Frequency	Percent	Cumulative percent
Strongly agree	104	77,0	77,0
Agree	14	10,4	87,4
Unsure	1	0,7	88,1
Disagree	15	11,1	99,3
Strongly disagree	1	0,7	100,0
Total	135	100,0	

In terms of using, or not using, cheap labour, the results in Table 6.95 below note a split between the respondents. An unconvincing majority of 50,4% of the respondents reported making use of cheap or ethnic labour.

Table 6.95 I have used cheap labour /ethnic labour

	Frequency	Percent	Cumulative percent
Strongly agree	22	16,3	16,3
Agree	43	31,9	48,1
Unsure	2	1,5	49,6
Disagree	32	23,7	73,3
Strongly disagree	36	26,7	100,0
Total	135	100,0	

Combining the results as shown in Table 6.90 through to Table 6.95, one can infer that a majority of the respondents acknowledged having implemented one or all of the following at some period of their business existence in an attempt to save costs:

- Shared information with others
- Shared shop space
- Used informal sources of financing
- Operated illegally
- Worked from home, a container or a temporary location
- Made use of cheap labour.

From the qualitative point of view, participants at the focus group meetings unanimously confirmed the earlier findings as they indicated that the recession and the disadvantages that they faced in the South African market fortified their adaptive strategies.

6.4.8.2 Revenue boosting strategies

The results reflected in Table 6.96 below indicate that an overpowering majority (74,8%) of the respondents denied having to rely solely on the goods and services consumed by co-ethnics.

Table 6.96 Since setting up my business, I have increased sales revenue of my business by concentrating on goods and services consumed mostly by people from my country

	Frequency	Percent	Cumulative percent
Strongly agree	32	23,7	23,7
Agree	2	1,5	25,2
Disagree	59	43,7	68,9
Strongly disagree	42	31,1	100,0
Total	135	100,0	

If African immigrant-owned businesses did not rely on co-ethnics to boost demand for their goods and services, as suggested by Table 6.96 above, then they would have to look elsewhere. The outcome, as presented in Table 6.97 below, shows a strong agreement (99,3%) among respondents that they would rather focus on goods consumed by the general South African public in an attempt to raise sales revenue.

Table 6.97 Since setting up my business, I have increased sales revenue by concentrating on goods and services consumed by the general South African public and also people from my country

	Frequency	Percent	Cumulative percent
Strongly agree	134	99,3	99,3
Unsure	1	,7	100,0
Total	135	100,0	

In order to improve sales, and as noted by the results in Table 6.98 below, the majority (89,2%) of those surveyed reported having to concentrate on bulk buying and bulk breaking (buying huge quantities and selling in smaller units) activities as a strategy in their businesses. The missing system in the table indicates that five respondents did not answer this question.

Table 6.98 In order to increase sales I have concentrated on bulk buying and/or bulk breaking

	Frequency	Percent	Valid Percent	Cumulative percent
Strongly agree	90	66.7	69,2	69,2
Agree	26	19.3	20,0	89,2
Unsure	2	1.5	1,5	90,8
Strongly disagree	12	8.9	9,2	100,0
Total	130	96.3	100,0	
Missing system	5	3.7		
Total	135	100.0		

Taking the goods or service to the customers was also found to be one of the strategies used by African immigrant-owned businesses to generate more sales revenue. The results, as reflected in Table 6.99 below, indicate that 100% of the respondents were in agreement with the statement. The agreement is strong as noted by the 56,3% of the respondents who strongly agreed and 43, 7% that simply agreed with the statement.

Table 6.99 To increase sales revenue, I ensured that I took the goods/services to the customers by locating close to them

	Frequency	Percent	Cumulative percent
Strongly agree	76	56,3	56,3
Agree	59	43,7	100,0
Total	135	100,0	

Offering a variety of goods and services is also another important strategy used by African immigrants to boost sales revenue. The results as reflected in Table 6.100 below note that a majority (97,8%) of the respondents agreed with the opinion that they had to offer a variety of goods and services in an attempt to improve sales revenue.

Table 6.100 I have offered a variety of goods or services in order to increase sales revenue

	Frequency	Percent	Cumulative percent
Strongly agree	115	85,2	85,2
Agree	17	12,6	97,8
Unsure	1	,7	98,5
Disagree	2	1,5	100,0
Total	135	100,0	

Although being a sensitive question, the response rate to the question which has its results reflected in Table 6.101 below was impressive given that all the respondents provided usable data. The reason for this may have been the fact that the respondents were comfortable with the interviewers, since they were all 'one of their own'. According to the results a significant proportion (62,2%) of the respondents reported having engaged or traded in illegal goods or services in an attempt to improve sales revenue.

Table 6.101 I traded in illegal goods as a means of increasing sales revenue

	Frequency	Percent	Cumulative percent
Strongly agree	83	61,5	61,5
Agree	1	,7	62,2
Disagree	47	34,8	97,0
Strongly disagree	4	3,0	100,0
Total	135	100,0	

Part-time activities were not popular among African immigrants as a means of generating extra revenue to support their businesses. According to the results reflected in Table 6.102 below, the overwhelming majority (62,9%) of African immigrant entrepreneurs denied engaging in part-time income earning activities as a means of supporting their businesses.

Table 6.102 I carried out other part-time activities in order to support my business

	Frequency	Percent	Cumulative percent
Strongly agree	46	34,1	34,1
Agree	4	3,0	37,0
Disagree	1	,7	37,8
Strongly disagree	84	62,2	100,0
Total	135	100,0	

As a last measure to ensure a continuous stream of increased sales when things were static or bad, a majority of African immigrants resorted to business relocation, as noted in Table 6.103 below. According to the table, 89,5% of respondents concurred with the opinion that they had relocated their businesses at least once in an effort to improve sales revenue.

Table 6.103 I have relocated my business a number of times

	Frequency	Percent	Valid Percent	Cumulative percent
Strongly agree	93	68,9	69,4	69,4
Agree	27	20,0	20,1	89,6
Unsure	1	,7	,7	90,3
Disagree	5	3,7	3,7	94,0
Strongly disagree	8	5,9	6,0	100,0
Total	134	99,3	100,0	
Missing System	1	,7		
Total	135	100,0		

With the popularity of any strategy tied to the frequency of usage as reflected by the foregoing results (Table 6.96 through to Table 6.103), it can be drawn that the respondents implemented the following strategies in an attempt to improve the survival of their businesses:

- Offering good/services consumed by the wider South African public including people from my country of origin (99.3%)
- Engaging in bulk buying and bulk breaking activities- that is buying in huge quantities and selling in smaller units (89,2%)
- Locating near the customers (100%)
- Offering a variety of goods (97,8%)
- Even trading in illegal goods (62,2%).
- Relocating the businesses as necessary (89,5%)

At the focus group meetings, participants acknowledged the above-mentioned strategies as being fundamental to the success as well as survival of immigrant-owned businesses in the Cape Town Metropolitan Area of South Africa.

6.5 CONCLUSION

In this chapter, the results of the data analysed were presented and discussed. The results of the study were presented in three phases. Firstly, the results of the personal interviews were presented. Secondly, the results of the focus group discussions were presented. Lastly, the results of the quantitative survey questionnaire were presented. In presenting the results of the survey, reasonable effort was made to integrate the results of the personal interviews

and focus group meetings. By so doing, it was believed that the qualitative instruments would complement the quantitative instrument thus validating the study.

Based on the literature review and the results of this study as outlined in the foregoing paragraphs, a framework for the effective start-up and operation of African immigrant-owned businesses in the Cape Town Metropolitan Area of South Africa will be proposed in the next chapter.

CHAPTER SEVEN

PROPOSING A BUSINESS FRAMEWORK FOR THE EFFECTIVE START-UP AND OPERATION OF IMMIGRANT-OWNED BUSINESSES IN SOUTH AFRICA

7.1 INTRODUCTION

In the previous chapter, the results of the study were presented and discussed. Drawing on the results and the literature review, in this chapter a business framework for the effective start-up and operation of African immigrant-owned businesses in the Cape Town Metropolitan Area of South Africa will be proposed. The main framework proposed in this chapter is further split into two sub-frameworks. These sub-frameworks include one for the acquisition of resources for business start-up, and the other for the survival of the business. The chapter is structured around the following themes: a theoretical background on immigrant entrepreneurship; construction of the proposed framework; and presentation of the proposed framework.

7.2 A THEORETICAL BACKGROUND ON IMMIGRANT ENTREPRENEURSHIP

On the one hand, the literature on entrepreneurship in South Africa suggests that small businesses typically suffer from lack of capital, insufficient demand, lack of information, lack of management skills, and lack of entrepreneurial drive. On the other hand, recent literature on immigrant entrepreneurship suggests that immigrant entrepreneurs possess certain traits that enable them to conveniently overcome host country hurdles as they establish and grow successful businesses. These characteristics include the following:

- The ability to raise finance
- The ability to mobilise cheap labour (family labour)
- The ability to raise demand (niche market)
- The ability to create useful networks
- An unflinching entrepreneurial drive.

In an attempt to explain how immigrant businesses operate, the literature suggests that over the years, researchers have devised varied approaches. One of such approaches points to the Waldinger et al (1990:22) model which explains immigrant entrepreneurship based on

the principle of the interaction of an ethnic group's characteristics and the opportunity structure. The interactive model, as it is known, combines ethno-cultural and socio-cultural factors with politico-economic factors (structure).

7.3 CONSTRUCTION OF THE PROPOSED FRAMEWORK

In constructing the framework for the effective start-up and operation of immigrant-owned businesses in South Africa, this study made use of two important models of entrepreneurship. The first model of entrepreneurship considered in this study was introduced by Waldinger et al (1990:22) decades ago. The second model considered in this regard is one proposed by Nieuwenhuizen (2003:11).

These models were chosen for this study due to their relevance to the aim and objectives of this study. The Waldinger model (internationally developed model) gives an overall picture of immigrant entrepreneurship. It is an interactive model in that it discusses the challenges and most of the dynamics that may impact on an immigrant's ability to start-up and operate a successful business. To complement the first model (Waldinger model), a second model proposed by Nieuwenhuizen (2003:11) was chosen to provide a South African perspective, although the focus of the latter is on entrepreneurship development in general and not immigrant-owned businesses per se. From these models the following key components were identified as important cornerstones for the effective start-up and operation of immigrant-owned businesses:

- Home country conditions
- Host country conditions
- Resources required to start and operate a business
- Immigrant characteristics
- Host country business environment.

Having noted the key ingredients that contribute towards the construction of the framework, a detailed discussion of the Waldinger et al (1990) and Nieuwenhuizen (2003) models will follow.

7.3.1 The Waldinger et al's 1990 interactive model of immigrant entrepreneurship

The proposed framework for the effective start-up and operation of immigrant-owned businesses under construction in this study, draws largely from Waldinger et al's 1990 model

of immigrant entrepreneurship. Specifically, the model is built around three interactive components, namely: opportunity structure, group characteristics, and strategies.

As the first component of this model, opportunity structure describes the market conditions under which firms operate. According to Aldrich and Waldinger (1990:114), the opportunity structure refers to market conditions which may favour products or services orientated to co-ethnics or to the non-ethnic market. Opportunity structures include the ease with which access to business opportunities can be obtained although access is highly dependent on the level of inter-ethnic competition and also on state policies. Group characteristics, which comprise the second component of this model, describe predisposing factors such as selective migration, culture and aspiration levels. Furthermore, they include the possibility of resource mobilisation and ethnic social networks, general organising capacity, and government policy that constrains or facilitates resource acquisition. The third and final component of the model describes the ethnic strategies that emerge from the interaction of opportunities and group characteristics, as ethnic groups adapt to their environments.

7.3.1.1 Opportunity structures

According to Aldrich and Waldinger (1990:114), the opportunity structures open to potential immigrant business owners have been shaped by historical circumstances. Noting historical factors as given and therefore static, they argued that ethnic groups can only work with the resources made available to them by their environment, and the structure of opportunities is constantly changing in modern industrialised societies. In cases where market conditions only favour businesses serving an ethnic community's needs, business opportunities would be limited. If market conditions favour smaller enterprises serving non-ethnic populations, opportunities are more likely to be greater. Aldrich and Waldinger (1990:114) argue that even when market conditions are favourable, immigrant minorities must gain access to businesses, and non-ethnic group members often control such access. Political factors may impede or less frequently enhance the workings of the markets.

7.3.1.1.1 Market conditions

Along with changes in world economic systems are changes in opportunity structures, and these in turn affect immigrant ethnic groups in that they find themselves facing very different market conditions. According to Aldrich and Waldinger (1990:115), while markets in some business sectors have opened, others have closed. In almost all markets, small businesses have shown remarkable resilience and continue to attract new owners. Under these changing and challenging economic systems, many immigrants and their children have to

turn to small enterprises, some in new ethnic enclaves and others in businesses serving the wider public (Aldrich & Waldinger, 1990:115).

7.3.1.1.2 Ethnic consumer products

Ethnic consumer products refer to goods and services consumed by a mostly immigrant population within a given market. For a business to rise there must be some demand for the service it renders. Because immigrants understand the needs of other immigrants it may be argued that they may better serve the ethnic markets than natives. Aldrich and Waldinger (1990:115) suggest that in circumstances where ethnic communities have special sets of needs and preferences that are best served by those who share those and know them intimately, ethnic entrepreneurs are advantageous. Elaborating further, Aldrich and Waldinger (1990:115) note the fact that immigrants always have special problems – caused by strains of settlement and assimilation which are often aggravated by governmental mechanisms of service delivery – provides an avenue for businesses specialising in dealing with immigrant adjustment. Ethnic residential areas have provided a strong consumer core for many ethnic entrepreneurs, especially for immigrant groups in the early years of their settlement in their host country (Aldrich & Waldinger, 1990:115).

If ethnic businesses remain limited to the ethnic markets, their potential for growth is sharply circumscribed in that the very size of the markets can only support limited numbers of businesses.

7.3.1.1.3 Non-ethnic markets

Although ethnic markets are typically exploited by immigrants, non-ethnic markets are in some cases a viable niche for immigrants. Aldrich and Waldinger (1990:116) believe that the structure of the industry, number of businesses, and capital and technical requirements are powerful constraints for the creation of new businesses, and that new firms are unlikely to arise from industries where extensive economies of scale and high entry costs persist. However, given that western economies contain niches where the techniques of mass production or mass distribution do not prevail, Aldrich and Waldinger (1990:116) suggest that there is always an opportunity to be exploited via non-ethnic markets. Aldrich and Waldinger (1990:116) identified four circumstances under which small ethnic businesses can grow in the open markets, namely:

- Underserved or abandoned markets
- Markets characterised by low economies of scale

- Markets with unstable or uncertain demand
- Markets for exotic goods.

7.3.1.1.4 Access to ownership

Given the existence of markets, potential ethnic entrepreneurs would still need access to ownership positions. The two conditions affecting access to ownerships, as identified by Aldrich and Waldinger (1990:117), include:

- The level of inter-ethnic competition for jobs and businesses.
- State policies which have varied considerably among traditional, colonial, developing and modern national states.

7.3.1.1.5 Inter-ethnic competition for vacancies

According to Aldrich and Waldinger (1990:119), the likelihood of entering a supportive business niche is greatly affected by the level and nature of inter-ethnic competition for jobs and business opportunities. Competition may be direct, in which case immigrants or ethnic minorities are likely to lose access to desirable markets; or competition may be mediated through processes of residential and occupational successions, in which case vacancies open up in a predictable and patterned way (Aldrich & Waldinger, 1990:118). Research has found two outcomes of direct inter-ethnic competitions over business opportunities:

- When competition is high, ethnic groups concentrate in a limited range of industries.
- At high levels of competition, a group may be forced out of more lucrative activities and either squeezed into interstitial lines or pushed out of business altogether (Aldrich & Waldinger, 1990:118).

7.3.1.1.6 State policies

The government, be it at the national or provincial level, makes laws that regulate the start-up and operation of any business within a given jurisdiction., Aldrich and Waldinger (1990:122) maintain that such policies regulate business and labour markets through licensing, apprenticeship requirements, health standards, minimum wage laws and the like, thereby raising the cost of entry and operation for small firms, whether they are ethnic or not.

7.3.1.2 Group characteristics

Opportunity structures provide niches and routes of access for potential entrepreneurs, but Aldrich and Waldinger (1990:122) argue that this is not the whole picture. Relating to group characteristics, Aldrich and Waldinger (1990:122) identify predisposing factors and resource mobilisation as key dimensions of group characteristics.

7.3.1.2.1 Predisposing factors

Predisposing factors, as used by Aldrich and Waldinger (1990:122) in their model, refer to the skills and goals that individuals and groups bring with them to an opportunity. Based on the aforementioned, Aldrich and Waldinger (1990:122) conclude that predisposing factors may be influenced by any of the following:

- Selective migration.
- Settlement characteristics.
- Culture and aspiration levels.

The characteristics a group or individual within a group contributes significantly to the resources that it currently possesses, as well as to what it can further mobilise.

7.3.1.2.2 Resource mobilisation

According to Aldrich and Waldinger (1990:126) and Baycan-Levent and Kundak (2009: 286), starting and operating a business, no matter how small, is a demanding task and only a fraction of those who start are ultimately successful. Every business, no matter how big or small, needs certain resources to function. The resources needed for a business may include land, labour, capital, and the entrepreneur. The quantity and quality of these resources may vary from one business to another. Aldrich and Waldinger (1990:126) believe that the basic resources are labour and capital, which are no different for the ethnic entrepreneur than for other entrepreneurs. Assuming that all businesses face the same dynamics in terms of the pool of available resources, one would expect a variation in strategies to be the line that separates successful entrepreneurs from their non-successful counterparts.

7.3.1.3 Ethnic strategies

According to Aldrich and Waldinger (1990:130), ethnic strategies emerge from the interaction of opportunity structures and group characteristics as ethnic entrepreneurs adapt to the

resources available to them. The word 'strategy' as used here refers to the positioning of one's self to others in order to achieve one's goals. Some common strategies used by ethnic entrepreneurs include:

- They manipulate family and ethnic workers' perseverance and loyalty to their own advantage.
- They offset the high uncertainty facing ethnic businesses by building a loyal clientele.
- They provide special services, extend credits, and go out of their way to deliver individual services to customers.
- They are even willing to operate illegally, and pay bribes and penalties.

The Waldinger et al (1990:22) model, which attempts to explain immigrant entrepreneurship based on three interactive components: an ethnic group's access to opportunities, the characteristics of the group and emergent strategies has received positive as well as negative criticism.

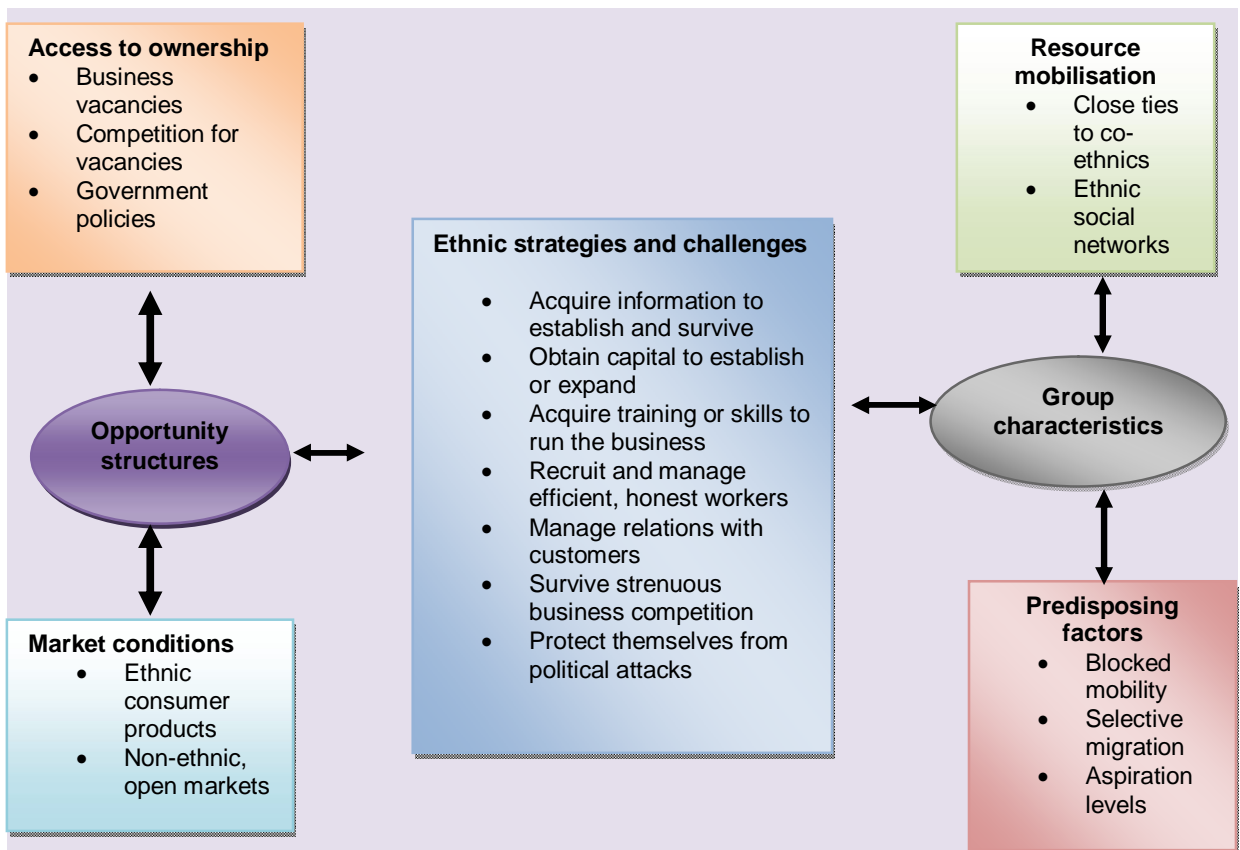


Figure 7.1 Waldinger et al's 1990 interactive model of immigrant entrepreneurship

Source: Waldinger et al (1990:22)

According to Rath (2006:4) and Oliveira (2007:61) the interactive model as presented by Waldinger, Aldrich and Ward in 1990 has been appreciated as an important step towards a more comprehensive theoretical approach, even though it is a mere classification rather than an explanatory model.

This notwithstanding, the theoretical development of immigrant entrepreneurship has continued and oddly enough, as Rath (2006:4) notes, this has led to a convergence of approaches to the issue of social embeddedness. According to Rath (2006:4), the underlying assumption behind the concept of social embeddedness is that individual entrepreneurs participate in an ethnically specific economic network that facilitates their business operations (especially in obtaining knowledge, distributing information, recruiting capital and labour, and establishing relationships with clients and suppliers). Accordingly, social embeddedness suggests that the proliferation of immigrant enterprises would be mainly the result of the mobilisation of immigrant entrepreneurs' ethno-social networks (Rath, 2006:4).

In recent years, this economic sociological approach to immigrant entrepreneurship has been criticised for only focusing on the supply side of entrepreneurship. Rath (2006:5) argues that this approach to immigrant entrepreneurship assumes an unregulated and undifferentiated economy, whereas in reality economies are never unregulated and undifferentiated. Little attention has subsequently been paid to the array of regulatory structures that promote certain economic activities while inhibiting others (Rath, 2006:5). For example, while virtually anyone can establish a private business in the United States, in Germany and even more so in Austria, individuals must apply for special licences even to sell flowers in restaurants and bars, and they need the approval of a particular organisation to engage in most forms of production or service (Rath, 2006:5). Although the concept of social embeddedness is useful for understanding the sociological shortcomings of standard neoclassical schemes, Uzzi (1996:674) argues that it does not concretely explain how social ties affect economic outcomes.

Acknowledging the relative importance of regulation as well as market dynamics, researchers have proposed a mixed embeddedness approach to immigrant entrepreneurship (Kloosterman, Van der Leeun & Rath, 1999:259; Kloosterman & Rath, 2001:198). According to the concept of mixed embeddedness, the socio-economic position of immigrant entrepreneurs and consequently their prospects with regards to upward social mobility can only properly be understood by considering not only their embeddedness in the social networks of immigrants but also their embeddedness in the socio-economic and political institutional environment of the country of settlement (Kloosterman et al, 1999:259).

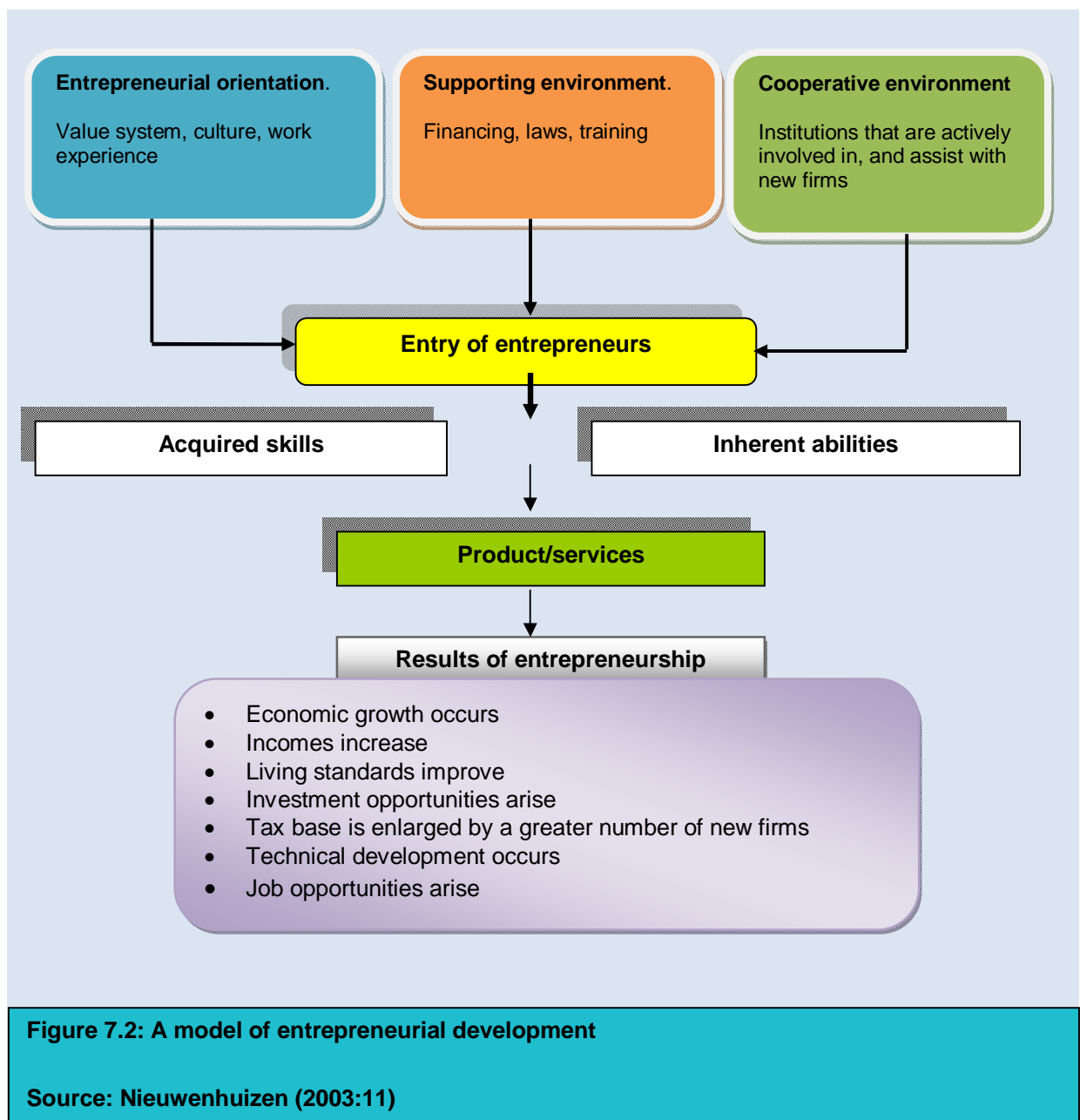
Filling the gap left by the concept of social embeddedness, the concept of mixed embeddedness looks at the supply side (the resources of immigrant entrepreneurs), the demand side (the opportunity structure), and the matching process between supply and demand. In line with this concept, Heilbrunn and Kushnirovich (2008:694) note that policy that contributes to immigrant entrepreneurship development should be directed at:

- Enhancing the chances for successfully starting a business (focus on the supply side), and increasing human and social capital.
- Increasing opportunities for moving a business to growth markets by creating new markets (for example by privatisation), or by reducing rules regulating business start-up and activity (deregulation).
- Matching of demand and supply and should lower the threshold for business start-up.

Rath (2006:5) concludes that the multi-scalar approach described above is considered to be more appropriate, since it relates social relations and transactions to wider political and economic structures.

7.3.2 The Nieuwenhuizen model

From an environmental perspective, Nieuwenhuizen (2003:11) argues that any model of entrepreneurial development must evaluate the impact of the business environment. According to Nieuwenhuizen (2003:11), there are important elements that play a role in the development of a model for entrepreneurship, as shown in Figure 8.2 below:



7.3.2.1 Entrepreneurial orientation

Entrepreneurial orientation is critical to the survival and growth of firms as well as the economic prosperity of nations. Entrepreneurial orientation is fostered by a unique blend of factors which are discussed below.

7.3.2.1.1 Culture

Aldrich and Waldinger (1990:125) suggest that some ethnic traditions contain economically useful practices. Elaborating on this viewpoint, Nieuwenhuizen (2003:12) notes that in societies with an entrepreneurial culture, entrepreneurs are recognised and celebrated, there is no stigma attached to the failure of a business, and role models are visible and not only distant celebrities

7.3.2.1.2 Family and role models

The extent to which individuals are exposed to entrepreneurial activities in their day-to-day circumstances, such as the activities of family members and other role models, also increases the propensity towards entrepreneurship. For instance, children who grow up in families where family members are entrepreneurs are more inclined to start their own business or become involved in the family business.

7.3.2.1.3 Education

Successful entrepreneurship has also been directly linked to education, suggesting that entrepreneurship can be learned. For instance, tertiary education can provide valuable additional entrepreneurial capacity (Nieuwenhuizen, 2003:12).

7.3.2.1.4 Work experience

Nieuwenhuizen (2003:12) argues that the type of work and the skills gained in the workplace contribute to an individual's entrepreneurial orientation. Entrepreneurs often gain experience as employees and then apply the knowledge gained in employment in their own business.

7.3.2.1.5 Personal orientation

According to Nieuwenhuizen (2003:12), personal entrepreneurial orientation is based on a number of dimensions, including:

- Creativity and innovation (experimentation)
- Autonomy (independence)
- Risk taking
- Pro-activeness (taking initiative and pursuing and anticipating opportunities)
- Competitive aggressiveness (achievement orientated).

7.3.2.2 The supportive environment

In a well developed society, the business environment is conducive for the entry of entrepreneurs. Nieuwenhuizen (2003:12) points out that some of the decisive factors in a supportive environment include the following:

- The possibility of financing for small and micro businesses
- The training and development of entrepreneurs
- The availability of infrastructure
- The legal restrictions in the economic sphere
- The positive attitude of the entrepreneur's family.

7.3.2.3 The cooperative environment

Besides the support and approval of society in general, Nieuwenhuizen (2003:13) maintains that there should be institutions that are actively involved in promoting entrepreneurship. Institutions such as universities, big businesses, and non-governmental organisations can play a meaningful role in promoting entrepreneurship.

7.4 A proposed business framework for the effective start-up and operation of African immigrant-owned business in Cape Town Metropolitan Area

In line with the construction of a model, the framework that this study develops assumes that for a business to stay in operation, the total revenue generated by the business should be equal to, or greater than, the cost of doing business. The framework further assumes that immigrants succeed in business because of their ability to maximise revenue while lowering costs. In this study, business success is indicated by survival/continuity of up to three years and beyond. As investigated in the study, immigrants run successful businesses, due to their

unique abilities to mobilise scarce business resources on the one hand and their abilities to create opportunities on the other hand.

By adopting some of the salient features of these models and testing them against data collected on African immigrant-owned businesses in the Cape Town Metropolitan Area, the main framework (Figure 8.3 below) begins by examining those factors that push African immigrants into immigrating to South Africa in general and self-employment activities in particular. The framework outlines the main variables and processes involved in obtaining the resources necessary to start-up a business and to ensure its success or survival. For a better understanding, the proposed framework is split into two sub-frameworks namely:

- A framework for acquiring the resources necessary to start a business in South Africa
- A framework for the survival of African immigrant-owned businesses in South Africa

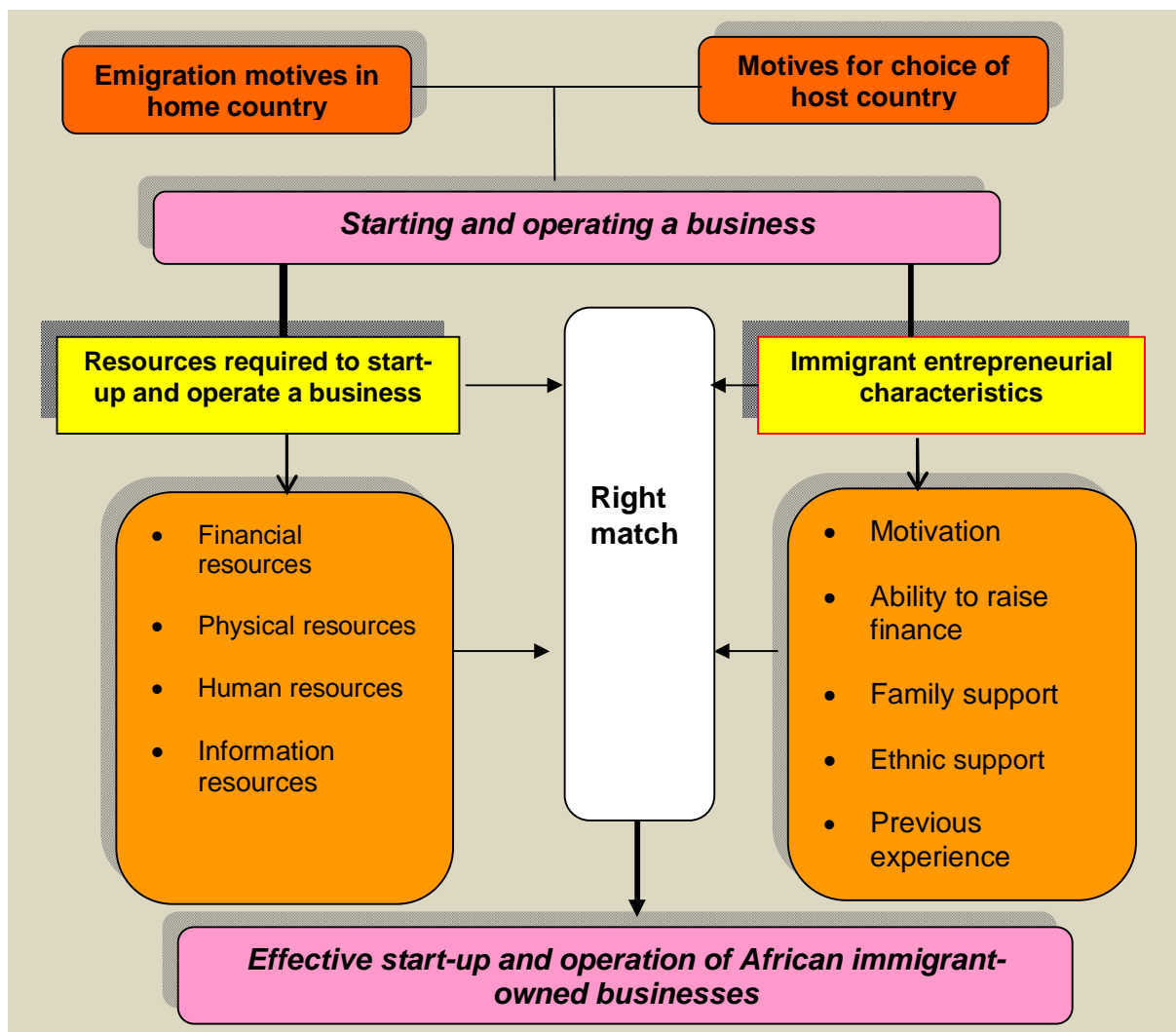


Figure 7.3 A proposed business framework for the effective start-up and operation of immigrant-owned businesses in the Cape Town Metropolitan Area
Figure compiled by Robertson Tengeh (2011)

7.4.1 Emigration and self-employment

In Africa today, there is an increasing need for people to emigrate. Among the reasons noted for fuelling the urge for emigration are political, economic and social instability, and even natural factors. Wars and conflict often follow conditions of political instability and favour mass emigration – an interesting characteristic of the African migration pattern. Closely related to political instability is mismanagement, which breeds an atmosphere of economic deprivation.

As long as there continues to be a disparity in prosperity across nations, there will be favourable incentives for people to move from one area to another. In as far as these immigrants cannot gain employment upon arrival in South Africa, they are left with no choice but to turn to self-employment activities.

7.4.2 Starting and operating a business in South Africa

In order to start-up and operate a business in South Africa, African immigrants have to identify what resources are vital for this process, how much of these resources they already have, and how much they will require. In order of importance, as revealed in this study, these resources include:

- Financial resources
- Physical resources
- Human resources
- Information resources.

In order to be able to access and acquire the resources necessary to effectively start-up and operate a business in South Africa, African immigrants need certain attributes. It has been noted that immigrants normally arrive in their host country with a varied bundle of these attributes. In order of importance, this study has noted the following attributes:

- Motivation
- Ability to raise finance
- Family support
- Ethnic support
- Previous experience.

According to the above proposed framework, it is believed that, by making a selective match of the entrepreneurial attributes that they arrive with to the resources identified as being

critical for starting a business, African immigrants would effectively start-up and operate businesses in South Africa.

As pointed out in section 7.4, the business framework for the effective start-up and operation of African immigrant businesses proposed above was further broken down into two sub-frameworks, namely:

- A proposed framework for the acquisition of the resources necessary to start-up a business.
- A proposed framework for the survival of African immigrant-owned businesses in South Africa.

The proposed sub-frameworks are discussed in sections 8.5 and 8.6 below.

7.5 A PROPOSED FRAMEWORK FOR ACQUIRING THE RESOURCES NECESSARY TO START-UP A BUSINESS IN THE CAPE TOWN METROPOLITAN AREA: AN AFRICAN IMMIGRANT'S PERSPECTIVE

As highlighted in the main framework, once the resources have been identified, the next logical step becomes obtaining these resources. Identifying and acquiring the resources is a process that involves an evaluation of what the would-be entrepreneur already has and what would be further required. The entrepreneurial attributes possessed by the entrepreneur and what is at his or her disposal upon arrival play a great role in this process.

Figure 7.4 below outlines the resources required to start-up and operate a business in South Africa, as well as the sources as identified by African immigrants in this study.

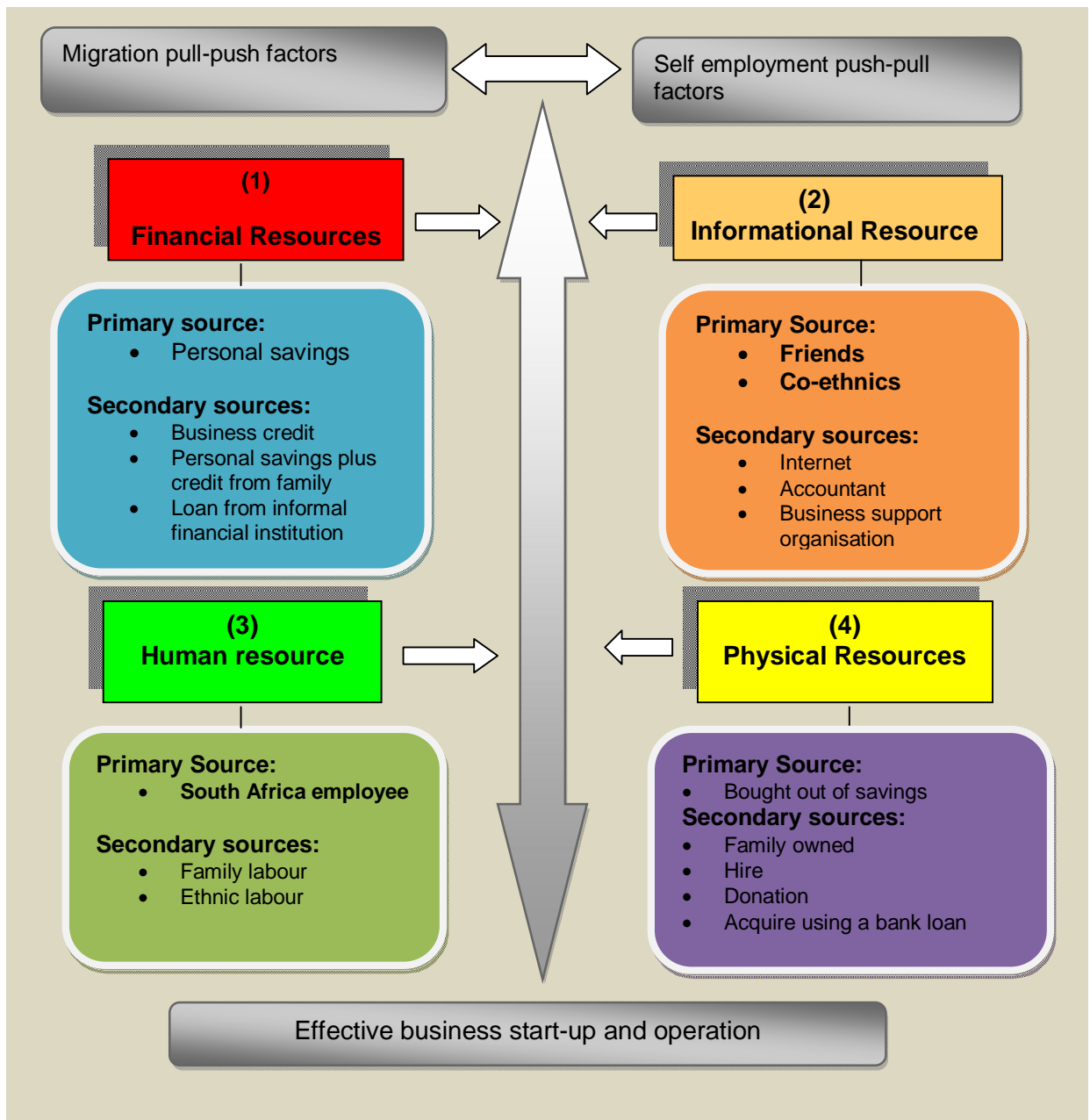


Figure 7.4: A framework for acquiring the resources necessary to start-up a business in the Cape Town Metropolitan Area

Figure compiled by Robertson Tengeh (2011)

7.5.1 Financial resources

Having finance in the right quantity and quality is crucial for the effective start-up and operation of any business. In a recent study comparing Asian-owned business to white-owned businesses in the USA, Robb and Fairlie (2009:827) attribute the success of the former to the substantial capital used during start-up. Entrepreneurs typically have two sources of finance for setting up and operating a business. They either use their own money (primary source) or other people's money (secondary source). The main primary source of

finance for African immigrants is personal saving. The secondary sources include business credit, personal savings plus credit from their family, and loans from an informal financial institution. Financial resources play a double role in that they can be used to acquire other resources, as may be the case with physical resources.

7.5.2 Physical resources

The resources required to start-up and operate a business vary from business to business. For some businesses, the need for physical resources may be crucial as is the case for huge machinery, buildings, vehicles, and so forth. For others, there may be little or no physical resources needed when starting a business. The physical resources needed for starting up a business, just like the financial resources, can be acquired from two main sources. One of the primary ways that the African immigrants in this study used to acquire the physical resources they needed was by buying from their personal savings. The other way of obtaining the physical resources was through one or a combination of the following:

- Using family owned resources
- Hiring resources
- Getting resources donated
- Using a bank loan to purchase resources

7.5.3 Human resources

Besides the entrepreneurial skills of the owner, businesses sometimes need the services of others. This happens especially when the business expands. Whether a business is built around the skills of the owner or not, there comes a time in its life-cycle when it may need to employ or request the services of others. The number of people employed is somehow dependent on the nature, size and resource base of the founder or owner. The African immigrant entrepreneurs in this study relied on South African employees during the start-up phase, and made use of family and co-ethnic members at a later stage. One possible explanation for this could be the fact that most of the African immigrants in this study constituted the first stream or generation with probably no established direct family or ethnic members. A second reason could be the relatively lower wages associated with native labour.

7.5.4 Informational resource

The importance of information for the purpose of starting up and operating a business cannot be ignored when it comes to African entrepreneurs. The amount of information an

entrepreneur has can determine, to a certain extend, how and where he or she starts or succeeds in operating a business. The importance of information cannot be limited to possible markets or sources of business resources but includes survival strategies as well. For African immigrants, reliance on friends and co-ethnics superseded other sources of information such as the internet and business support agencies.

7.6 A PROPOSED FRAMEWORK FOR THE SURVIVAL OF AFRICAN IMMIGRANT-OWNED BUSINESSES IN SOUTH AFRICA

Starting a business is not an end in itself but rather a means to an end. The ultimate purpose of a business is to provide an income for its owner. For the African immigrants, a majority of whom are pushed into business by limited job opportunities, the survival of their business becomes of critical importance once started.

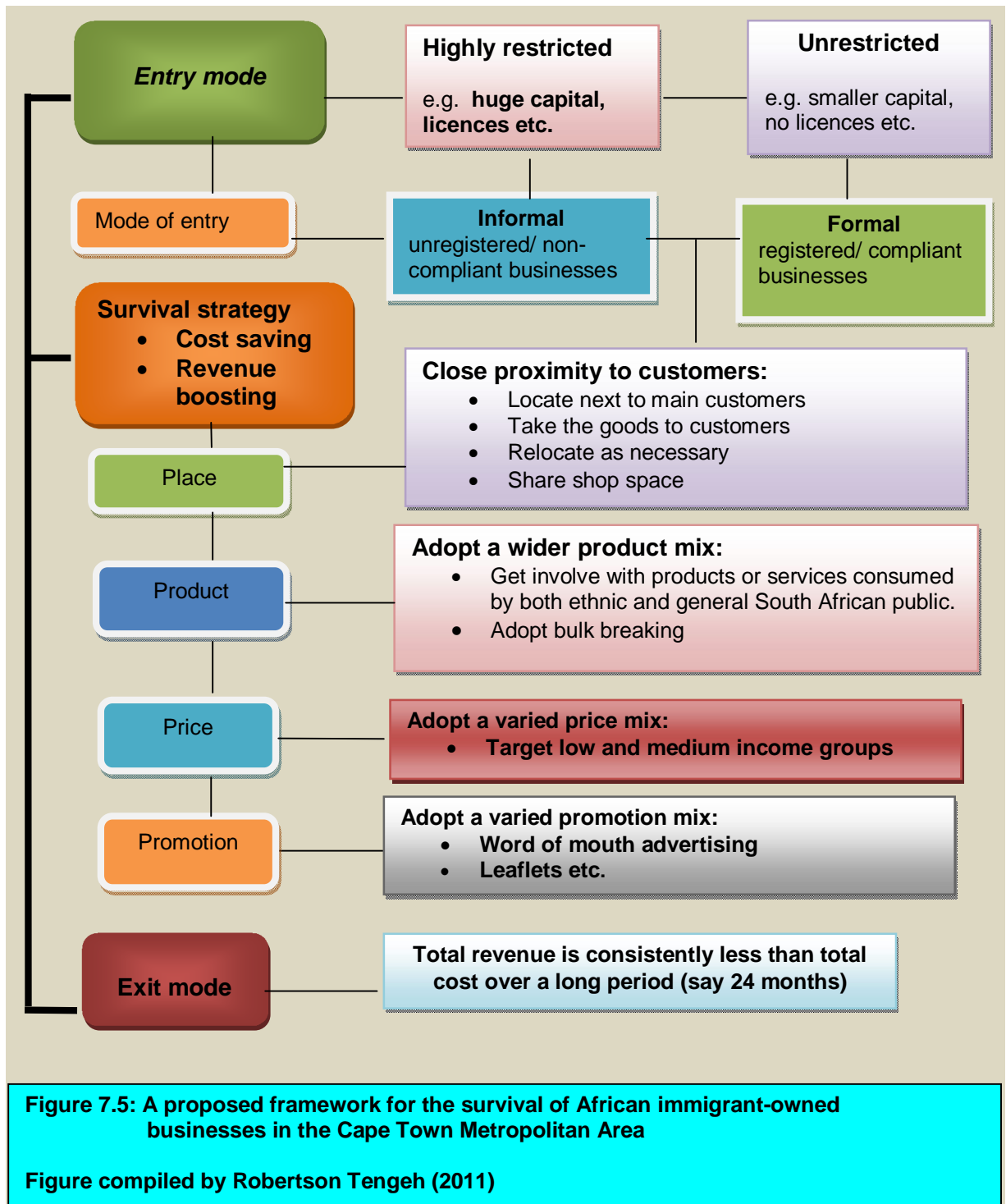
The framework suggested in this section is based on the following assumptions:

- According to Lloyd (2002:2), a business in general, whether micro, small, or medium, which produces goods and services that are in demand, will have the over-arching aim of generating income for its owners or operators.
- This study assumes that the primary goal of an entrepreneur is to improve or provide an income for him or herself and family. As suggested by the Reserve Bank of Dallas (2010), in a free market, the potential to make a profit provides a huge incentive for entrepreneurs to come up with new and better ideas. Profits are essential signals to entrepreneurs that they are on the right track.
- Profit equals total revenue minus total cost.
- All things being equal, an entrepreneur's business will close down only if total revenue is less than total cost within the first three years of its existence.
- Business expansion is sponsored using profits or external sources of finance.

As identified in the proposed framework for survival (Figure 7.5 below) the need to survive is an ongoing one which starts from the very beginning of the business. As noted in the case of African immigrants, due to regulations and sometimes the heavy capital needed to start-up a business in certain industries, they tend to focus on industries such as trading where the capital outlay is small. Within this industry, African immigrants operating in the informal sector have been noted to start with as little capital as R200.

Once the business has been started, African immigrants have been noted to adopt varied survival strategies. For instance they have been observed to adopt the most unlikely cost saving and revenue-boosting strategies such as:

- Operating informally
- Operating illegally
- Trading in illegal goods
- Locating in the most unlikely places
- Using aggressive marketing strategies.



7.6.1 Business entry mode

There are basically two ways of getting into business for African immigrants in South Africa. These are the formal entry and the informal entry. On the one hand, the formal mode entails buying a business or starting one from scratch within the formal strata of the economy; on the other hand the same holds true for informal entry except for the fact that it happens in the informal economy. Both modes of entry are somehow linked in that they complement each other. For instance, the survivalist entrepreneur with insufficient resources would find it much easier to start-up a business in the informal sector than in the formal sector. This may be explained by the fact that less resources, especially capital, are required and there are fewer or no regulations to be met. However, as the resource base of the entrepreneur expands, which is noticeable when the business grows and becomes more stable, he or she may want to regularise the business. By regularising the business, the entrepreneur stands a better chance of further expansion as it becomes possible to deal with big businesses, the government, and even the banks.

7.6.2 Business survival strategy

For most businesses, once started, the battle for survival is an ongoing one. The need to make a profit as well as to stay in business for as long as possible is one that drives entrepreneurs into devising winning survival strategies. Basic business logic suggests that a business that does not make enough revenue to cover its costs is bound to shut. As part of a business survival tactic, entrepreneurs must ensure that sales revenue exceeds or is equal to cost, and African immigrants seem to have found creative ways of achieving this.

In boasting sales revenue, African immigrants have been noted to fully apply the 'four Ps' of marketing. For instance, they:

- Place: Target the right customers and locate close to their customers.
- Product: offer a variety of goods/services.
- Price: offer low pricing.
- Promotion: Promote their good/services in different ways.

In an attempt to reduce the cost of conducting business, the African immigrants in this study have been noted to adopt the following resource sharing techniques, among other things:

- Capital sharing
- Shop sharing

- Information sharing
- Transport sharing
- Employee sharing.

By employing the revenue boosting and cost saving strategies listed above, the expected life span and success of an African business may be prolonged.

7.7 CONCLUSION

In this chapter, the primary objective of the study was achieved. To this effect, a business framework for the effective start-up of African immigrant-owned businesses in the Cape Town Metropolitan Area was developed and presented. The main framework proposed in this study is represented by Figure 7.1 above. The proposed framework is further broken down into two sub-frameworks as represented by Figures 7.2 and 7.3. In the next chapter, some recommendations will be suggested based on the findings of this study.

CHAPTER EIGHT

CONCLUSION AND RECOMMENDATIONS

8.1 INTRODUCTION

In Chapter seven, a business framework for the effective start-up and operation of African immigrant-owned businesses in the Cape Town Metropolitan Area was proposed. By drawing from the literature reviewed and the findings of this study, some recommendations will be proposed in this chapter. The chapter begins with a brief exposition of the preceding chapter. This is followed by the recommendations. The recommendations are structured around the stakeholders, with specific emphasis on African immigrant entrepreneurs, the government, business support organisations, and big businesses. The chapter ends with some concluding remarks.

8.2 A BRIEF EXPOSITION OF THE PRECEDING CHAPTERS

In this section, a summary of all that has been covered in the earlier chapters is highlighted.

8.2.1 Chapter one

Chapter one laid the foundation for this study. Specifically, the research problems and questions were highlighted. These were followed by a justification for carrying out this study. The methodology that was used to conduct the study was briefly described and justified. The limitations of the study were stated.

8.2.2 Chapter two

The focus of Chapter two was to highlight the research issues or questions that the study intended to address, either because they are controversial or because they have not been fully addressed by previous research.

The chapter objectives were met in that the literature reviewed indicated that, small businesses in general and immigrant-owned businesses in particular, face a wide range of problems, which are not limited to finance. Case studies also indicated that immigrants possess unique entrepreneurial characteristics that assist them in establishing and running successful businesses in their host countries. For instance it is argued that they possess

some of the following attributes: a unique ability to mobilise start-up finance, stronger social ties, strong family support, and so forth. Although there is wide coverage of immigrant entrepreneurs, especially in developed countries, much has still to be done as far as developing countries are concerned. From a South African perspective, there is no study so far that focuses on African immigrant entrepreneurship. The literature review also found that there is currently no framework for the effective start-up and operation of immigrant-owned businesses in South Africa.

8.2.3 Chapter three

The aim of Chapter three was to profile South Africa as a host country from an economic, social, and historical point of view, while highlighting how these factors and policies impact on the start-up and operation of small businesses in general and immigrant-owned businesses in particular. In this chapter, it was argued that South Africa's geographic position and its political, economic, cultural, and historical atmosphere directly or indirectly influence the immigration dynamics facing the country, as well as the economic contribution of African immigrants.

The chapter explored South Africa from a host country perspective, while elaborating on those factors that promote or discourage entrepreneurship in general and immigrant entrepreneurship in particular. The factors that have a direct or indirect impact on the availability and quality of the resources required to start-up and operate a business were examined. The factors that impact on an immigrant's entrepreneurial characteristics were also examined.

8.2.4 Chapter four

While drawing on the literature on SMMEs from an international perspective, Chapter four explored the overall environment confronting SMMEs in general and immigrant-owned businesses in particular in South Africa, in an attempt to identify how they contribute to the economy and the challenges that they encounter. Furthermore, emphasis was placed on what has been done and what still needs to be done in order to foster the overall development of the SMME sector. It was evident that SMMEs have a role to play in the South African economy, notwithstanding the fact that they face a wider range of problems than their non-SMME counterparts. Drawing on a review of international literature on SMMEs, the need for intervention to promote the SMME sector in South Africa was advanced and justified.

8.2.5 Chapter five

Following on from the introduction in Chapter one where the research methods to be used were introduced, this chapter detailed the processes that were followed. Specifically, the qualitative approach adopted for the study was justified.

8.2.6 Chapter six

In this chapter, the results of the data collected and processed was presented and discussed.

8.2.7 Chapter seven

In this chapter, the primary objective of the study was achieved. Drawing on the results and the literature reviewed, a business framework for the effective start-up and operation of African immigrant-owned businesses in the Cape Town Metropolitan Area of South Africa was proposed.

8.2.8 Chapter eight

Drawing a conclusion from the preceding chapters of the study, and more specifically from the results of Chapter seven, some recommendations are proposed in this chapter. The concluding comments mark an end to the study.

8.3 KEY FINDINGS OF THE STUDY AND THEIR IMPLICATIONS

Using a triangulation of three research methods namely survey questionnaires, focus groups, and personal interviews, to collect and analyse the data on how African immigrants acquire the resources necessary to start and operate a business in the Cape Town Metropolitan Area, the following findings came to the fore:

8.3.1 Finding one

The findings discussed here are not intended to directly address any of the research questions investigated by this study, but rather to provide background information to the research questions.

- ***African immigrant entrepreneurs are more likely to be males between the ages of 19 and 41 years.***

- ***The most likely pattern of entry into self-employment is in the informal economy, and notably through trading.***

8.3.2 Finding two

Although by screening the respondents in terms of ensuring that they met the qualifying conditions as noted in the survey instrument, this finding also aimed at confirming that the businesses surveyed were succeeding. Using an increase in capital as a measure of success, it was noted that:

- ***Most African-owned businesses were started with capital in the range of R1 000 – R5 000.***
- ***Some three or more years after start-up, a major proportion of the businesses had an estimated capital in the range of R50 000 to R100 000.***

All things remaining constant, this finding is an indication that these businesses have experienced some growth in capital, and hence there is a measure of success.

8.3.3 Finding three

The finding as noted here is in response to the research question that sought to understand why African immigrants of Cameroonian, Ghanaian, Ethiopian, Senegalese, and Somali origin immigrated to South Africa. As presented in section 6.4 and notably in Table 6.10, African immigrant entrepreneurs predominantly reported that:

- ***Political factors (68,2%) are the most often stated reason for immigrating to South Africa. This was followed by economic factors (31,1%), family re-union (2,2%) and studies (0,7%).***

Finding two is in line with the push-pull factor theory (Simelane, 1993:3; Maharaj, 2009:3) which advocates that immigrants are either pushed by conditions back home, or pulled by the host country of destination. In this case, political instability is the primary motivator.

8.3.4 Finding four

The finding reported here is in response to the research question that sought to understand where the African immigrants' motivation to immigrate and choice of host country came from. Based on the results outlined in Tables 6.11, 6.12, 6.13, 6.14 and 6.15, it was deduced that ***no-one in particular encouraged or motivated the African immigrants surveyed to immigrate to South Africa.*** These results therefore suggest that these immigrants were self-motivated.

This finding is in disagreement with earlier studies that suggested that the decision to immigrate and the choice of the host country is influenced by a 'second party' besides the one migrating.

8.3.5 Finding five

The finding reported here is in response to the research question which sought to investigate what motivates African immigrants to turn to self-employment activities upon arrival in South Africa. As suggested by the results presented in Tables 6.29, 6.30, 6.31, 6.32, and 6.33, two reasons seem to explain why African immigrants start their own businesses soon after arrival in South Africa:

- ***Limited job opportunities are the most reported reason why immigrants of African origin start their own businesses soon upon arrival in South Africa.***
- ***Accepting the advice from the older generation of immigrants to not waste time looking for work.***

The advice given by the earlier generation of immigrants is based on their experiences and simply re-enforces the difficulties involved in securing a job in South Africa. This result is in line with the blocked mobility theory which notes that immigrants, for various reasons including unacceptable credentials, find it difficult to get work in the host country.

8.3.6 Finding six

The finding reported here is in response to the research question which sought to find out who motivates African immigrants to turn to self-employment activities upon arrival in South Africa. As confirmed by the results in Tables 6.36, 6.37, 6.38, and 6.39 it was inductively

conceded that ***no-one in particular encourages African immigrants to start their own businesses upon arrival in South Africa.***

Interpreting this finding in conjunction with finding five would suggest that, the absence of paid employment and the dire need to survive more than anything else, motivates African immigrants to start their own businesses in South Africa.

8.3.7 Finding seven

The finding noted here is in response to the research question which sought to understand what resources African immigrants perceive as being critical to the effective start-up and operation of a business in South Africa.

By combining the results as presented in Tables 6.39, 6.40, 6.42, and 6.43, and validating with the results of the personal interviews and focus group discussions, it was deductively drawn that ***African immigrant entrepreneurs place emphasis on financial, informational, human, and physical resources, in order of importance, as being critical to the effective start-up and operation of a business. This finding is contrast to the emphasis placed on skills, information, and capital, by business support organisations.***

8.3.8 Finding eight

The finding noted here is in response to the research question which sought to understand how African immigrant entrepreneurs acquired the resources necessary to effectively start-up and operate a business in South Africa. The sections that follow highlight the conclusions drawn from the results as indicated in Table 6.44 through to Table 6.82.

8.3.8.1 Financial resources

African immigrant entrepreneurs unwillingly make use of personal savings to finance their businesses during the start-up phase of the business. The unwillingness stems from the fact that they have very limited information about other sources of start-up resources such as business support organisations.

8.3.8.2 Physical resources

Financial resource played a double role in that they determined the main sources of physical resources used. Concluding from the results presented in Tables 6.44, 6.45, 6.46, 6.47,

6.48, and 6.49 above, it can be deduced that the African immigrant entrepreneurs surveyed bought the physical resources needed to start their businesses from their personal savings.

8.3.8.3 Human resources

- ***African immigrant entrepreneurs prefer employing South Africans during the start-up phase of the businesses. This may be due to the availability as well as the low wages involved.*** This result is in contrast to a South African study by CDE (2004:58), which suggests that immigrant-owned SMMEs in South Africa employed previously unemployed South Africans only in the growth phase. In the establishment or start-up phase of these new businesses, the report claimed that family or friends from the home country are typically the beneficiaries of the new employment opportunities. In yet another related study of Turkish immigrant entrepreneurs in Switzerland, Baycan-Levent and Kundak (2009:296) noted that the ratio between the number of Turks employed and the Swiss was fifty-fifty.
- ***During the growth phase, African immigrant entrepreneurs prefer ethnic labour (both co-ethnics as well as those from other countries). One may suggest honesty and hard work, besides low wages, to be the motivator.***
- ***To a limited extend, family labour is involved in both the start-up as well as the operation phase of the business.***
- ***Formal education and prior experience are noted important components of the human resource mix readily available to the African immigrant entrepreneurs.***

8.3.8.4 Informational resource

Drawing from the foregoing results, as suggested in Table 6.78 through to Table 6.82, one may suggest that the African immigrant entrepreneurs in South Africa make use of two primary sources of information, namely their ethnic networks and friends from somewhere else. This result is in line with the outcome of the personal interviews held with business support organisations in Cape Town. This finding confirms that of Sahin et al (2006:17) who suggested that immigrant entrepreneurs do not seek informational support or otherwise from advice organisations such as the Chamber of Commerce either because of ignorance or simply because of communication breakdown.

8.3.9 Finding nine

The finding expressed here is in line with the research question that sought to investigate what entrepreneurial characteristic(s) African immigrants perceive as contributing the most to the successful start-up and operation of immigrant-owned businesses in South Africa. From the results indicated in Tables 6.83 through to table 6.87, it was drawn that:

- ***African immigrant entrepreneurs acknowledge, in order of importance, motivation, ability to raise finance, family support, ethnic support, and prior experience as the attributes needed to start-up and operate a business in South Africa.***

8.3.10 Finding ten

The finding noted here is in response to the research question which sought to investigate what **problem(s) African immigrants face as they attempt to start-up and operate a business in South Africa.** By combining the results of the findings reported in Tables 6.76 through to 6.89, and validating them qualitatively, it was drawn that:

- ***Lack of finance, expertise, skilled employees, space, customers, information, and proper residence permits are the obstacles encountered during the start-up as well as the growth phase (operation) of the business. The magnitude of these obstacles seems to have changed three or more years after start-up (operational phase).***

The findings noted above are consistent with the findings of Loftstrom and Wang (2007:5) who noted that financial and human resource constraints were significant business start-up constraints for Mexican-Hispanics.

8.3.11 Finding eleven

In line with the research question which sought to investigate **what strategies African immigrant entrepreneurs implement to ensure the survival of their businesses,** it was apparent that they devise varied survival strategies. Based on the results reflected in Table 6.90 through to Table 6.103, it can be drawn that the respondents adopt the following strategies in an attempt to improve the chances of survival of their businesses:

- Locating near the customers
- Offering a variety of goods
- Offering good/services consumed by the wider South African public

- Engaging in bulk buying and bulk breaking activities (Buying in bulk and selling in smaller in the smallest units)
- Relocating the businesses as necessary
- Trading in illegal goods.

8.4 RECOMMENDATIONS

The recommendations suggested here are based on the obstacles that inhibit the development of the SMME sector in general and immigrant-owned businesses in particular in South Africa, as found in the literature reviewed and reported by African immigrant-owned businesses. The recommendations are structured in line with stakeholders and they include African immigrant entrepreneurs, government, business support organisations, and big businesses.

8.4.1 National and local governments

The national government, through legislation, formulates laws that impact on immigration in general, and on the environment which faces all businesses, including African immigrant-owned businesses. As noted by Bauer et al (2001:1), the choice of immigration policies affects not only the growth and performance of an economy, but also the characteristics of the immigrants that a country receives, as well as the perception of immigrants by the native-born population. At the local level therefore, positive municipal legislations will positively impact on entry into certain industries and access to trading areas, especially for informal traders.

8.4.1.1 Recommendation one: promoting peace and good governance

Any timely interventions to resolve conflicts in Africa may prevent the huge exodus of Africans that one notices today. South Africa has been praised for moving from an oppressive system of governance into a democratic one without any political upheavals. By serving as a role-model, South Africa may increasingly intervene in conflict areas in Africa – a process which may reduce political instability and hence massive influxes.

8.4.1.2 Recommendation two: residence permits

Although great strides have been made in recent years to improve access to residence documents, corruption and delays still hinder this process. The current section 22 asylum seeker permit issued to immigrants is not universally accepted in the business world.

Landlords and some businesses, including the banks, seem to be reluctant to accept this permit as a form of identification. The introduction of a unified and durable identification document, renewable over a year and accompanied by sensitisation, may encourage business stakeholders to be more confident when dealing with African immigrants.

The South African government should simplify the processes involved in obtaining a business permit prior to arrival in South Africa. For those immigrant entrepreneurs already in the country and on section 22, the process of converting to a business permit should be simple and well communicated.

8.4.1.3 Recommendation three: data

The government should improve its data collection techniques while making provision for the collection of data on immigrant-owned businesses in South Africa.

8.4.1.4 Recommendation four: business support

As exercised elsewhere, the South African government should set up business support systems that are sensitive to immigrant entrepreneurs' needs. Such systems should prioritise information dissemination, and this can only be effectively achieved if immigrants themselves are actively involved.

In agreement with Tesfom's (2006) study, one may suggest policy initiatives which promote entrepreneurial training and provide assistance that could help to increase the start-up and success of African immigrant-owned businesses in South Africa. For instance, the Department of Home Affairs, in collaboration with universities, could offer short courses or workshops in entrepreneurship to help immigrants get started, learn about sources for resources, and explore different business ideas and models. Such an initiative would be most appropriate at the time when an immigrant enters the country and is in the process of regularising his or her permanent stay in the country.

8.4.2 Big businesses

Currently big businesses are reluctant to deal with small businesses in general and immigrant-owned businesses in particular. For some, their scepticism is justified and for others it is just ignorance and sometimes sheer bias.

8.4.2.1 Recommendation one

Co-operating with small businesses in general will result in a win-win situation for all parties. Such co-operation can be in the form of sub-contracting, mentoring of small businesses, and so forth. Big businesses should be encouraged, as well as rewarded, for adopting or doing business with small businesses in general and African owned businesses in particular.

For the above recommendation to be effective, an awareness campaign which aims to inform and educate businesses about the different residence permits issued to African immigrants, as well as the conditions attached to them, should be conducted by the government, but most importantly by the Department of Home Affairs. Such a campaign would boost their confidence, especially as they would know when they were breaking the law in any way.

8.4.3 Civil society

International experience emphasises the important role that civil society can play in promoting the development of immigrant-owned businesses. Although there are numerous organisations in South Africa dealing with small business development in general, there are not many organisations that are geared towards the development of immigrant-owned businesses in South Africa. Owing to the negative perceptions about African immigrants, NGOs that understand the needs and plights of immigrants would have a great role to play as far as starting up and operating a business is concerned. For instance, an NGO that facilitates or negotiates start-up capital for immigrants would be in order.

8.4.4 Immigrant entrepreneurs themselves

Although immigrant entrepreneurs sometimes get into self-employment activities out of desperation, they must take the initiative to ensure that they have the right resources, and in the right quantities, to start-up a business as well as guarantee its success.

8.4.4.1 Recommendation one

Newly arrived immigrants should network with the older generation of co-ethnics in order to take advantage of the group's resources and experiences.

8.4.4.2 Recommendation two

By acknowledging the high unemployment rate in South Africa, would-be African immigrants should see self-employment as the most likely route to go. Bearing this in mind and having a financial base upon arrival would give such an immigrant a head start.

8.5 CONCLUDING REMARKS

The main aim of the study was to develop a business framework for the effective start-up and operation of African immigrant-owned businesses in the Cape Town Metropolitan City of South Africa. This objective was met by proposing a framework that seeks to improve the start-up rate and survival of immigrant-owned businesses in South Africa.

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ANNEXURE A: Letter of confirmation from supervisor



To whom it may concern,

This serves as confirmation that Mr. Robertson Tengeh, Student number. 198067232 is currently a registered D-Tech student in the Public Management Programme in the Faculty of Business at the Cape Peninsula University of Technology. The title of his thesis is: **A business framework for the effective start-up and operation of an African immigrant-owned business in the Cape Metropolitan area.**

For any further information, please do not hesitate to contact me.

Kind Regards

A handwritten signature in black ink, appearing to read "A. Slabbert", with a horizontal flourish extending to the right.

Prof. A. Slabbert

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Annexure B: Survey questionnaire

**A BUSINESS FRAMEWORK FOR THE EFFECTIVE START-UP AND OPERATION OF
AFRICAN IMMIGRANT-OWNED BUSINESSES IN THE CAPE TOWN METROPOLITAN
AREA**

Your business is one of the immigrant-owned Small, Micro and Medium-size Enterprises (SMMEs) in the Cape Metropolitan Area that has been selected for an interview. This survey forms part of a D.Tech research programme at the Cape Peninsula University of Technology. The main aim of this study is to develop a framework for the effective start-up and operation of immigrant-owned businesses in the Cape Town Metropolitan Area. This will be achieved by comparing and contrasting the approaches used by immigrants to start-up and operate their businesses. From this study vital lessons can be learned from each group's approach to doing businesses. The results of this survey will be used to suggest a comprehensive framework for SMME development in general and immigrant-owned businesses in particular.

Researcher	Robertson Tengeh	Contact number	0826408558
Supervisors	Prof. H Ballard	Contact number	021 9596184
	Prof. A Slabbert		

For office use

Name or name of business	Contact number	
Ethnic group (country)		
Sector (description of business)		
Formality of business		
Address / suburb		

Qualification

For a business to be considered for this study, it must be an SMME, three years or older, must have been started from zero, owned (major founder) by an immigrant from one of the following countries Cameroon, Ghana, Ethiopia, Somalia, or Senegal.

Confidentiality is guaranteed

Please start here ↓

Please mark an “X” where appropriate

Section A: Owner information

1. Are you the owner or major partner in the business?

Yes		No	
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If your answer to Q1 above is “no”, kindly refer me (this document) to the owner/major partner, otherwise continue.

2. What is your sex?

Male		Female	
------	--	--------	--

3. How old are you?

Below 20 years old	20 to 40 years old	41 to 60 years old	Over 60 years old

4. What is your marital status?

Single	Married	Divorced	Widowed	Other (specify)

5. What is the highest level of **formal education** that you have attained?

Less than high school or no schooling		Bachelors degree	
High school diploma		Masters degree	
Vocational / technical degree		PhD or advanced professional degree such as MD	
Uncompleted university			

6. What form of ownership is your first or main business?

Individual	Family	Partnership

7. What best describes the type of industry of your business?

Manufacturing		Service	
Trading		Others (specify)	

8a. How many people do you employ full-time in your business?

None		6-50	
1-5		51-200	

8b. Of the people that you employ, how many are:

South Africans		Co-ethnics (i.e. People from your country of origin)	
Family members		Immigrants from other countries	

9. Referring to your business, can you please indicate if any of the following persons are involved in the day to day running of your business as a **paid employee**?

Father/mother		Family relative (other than above)	
Wife/partner's relations		Co-ethnics (someone from the your country of origin)	
Children			

10. Referring to your business, are any of the following persons involved in the day to day running of your business, either as an **unpaid employee**.

Father/mother		Family relative (other than above)	
Wife/partner		Co-ethnics (someone from the your country of origin)	
Children			

11. Do you have a bank account?

Yes		No	
-----	--	----	--

If you have answered “yes” to Q11 above continue, otherwise skip Q12.

12. What type of bank account do you have?

a) Business or cheque account	
b) Savings or personal	

If you marked anything other than “b” in Q12 above, skip Q13 below otherwise, continue.

13. Referring back to question “12”, why didn’t you open a business or cheque account?

I am not aware of that bank facility	
I cannot fulfil the bank requirements for a cheque account	
I don’t see the benefits of a cheque account	
I don’t know	

14. In general terms which of the following factors best describes the problem(s) you encountered when you started up the business in South Africa?

(Please note that one or more options may be applicable to this question.)

Lack of finance/ credit		Lack of customers	
Lack of education /licence		Lack of information	
Lack of expertise in business area		Lack of proper residence permit	
Lack of skilled employees		Others (specify)	
Lack of business space or outlet			

15. Once started, which of the following best describe the problem(s) you encounter in the day to day operation of your business?

(Please note that one or more options may be applicable to this question.)

Lack of finance/ credit		Lack of customers	
Lack of education /licence		Lack of information	
Lack of expertise in business area		Lack of proper residence permit	
Lack of skilled employees		Other (specify)	
Lack of business space or outlet			

16. Which of the following is the **best estimation** of the **capital** with which you **started your**

business some 3 years or more years ago?

a) R1, 000- R5, 000		f) R50, 001- R100, 000	
b) R5,001- R10,000		g) R100,001- R200,000	
c) R10,001- R20,000		h) R200,001- R250,000	
d) R20,001- R30,000		i) R 250,001- R500,000	
e) R30,001- R50,000		j) R500,001- 1,000,000	

17. Which of the following is the **best estimation** of your **capital now**?

a) R1,000- R5,000		f) R50,001- R100,000	
b) R5,001- R10,000		g) R100,001- R200,000	
c) R10,001- R20,000		h) R200,001- R250,000	
d) R20,001- R30,000		i) R 250,001- R500,000	
e) R30,001- R50,000		j) R500,001- 100,0000	

18. With reference to your **business capital**, which of the following **best describes** the main source of your start-up capital?

Personal savings only		Loan from informal financial institutions (e.g. stokvels)	
Personal savings and bank credit		Business credit (goods on terms)	
Credit from family members		Any other source (specify)	
Personal savings and credit from a family member			

19. Thinking about the skills or characteristics that an entrepreneur needs to be able to acquire the resources needed to start-up and operate a business, can you please rank the following in order of importance by giving the most important a “1” and the least important a “5” .

Motivation	
Ability to raise finance	
Family support	
Ethnic support (i.e. support from people from your village or country)	
Previous experience	

20. What was your first occupation in South Africa? **Please mark an “x” where applicable.**

Never worked		Salaried professional	
Labourer		Independent professional	
Sales or office workers		Owner of a business, firm or farm	
Foreman or supervisor		Self-employed	
Administrator of a business or farm		Other (specify)	
Technician			

21. What was your last occupation in your home country? **Please mark an “x” where applicable.**

Never worked		Salaried professional	
Labourer		Independent professional	
Sales or office workers		Owner of a business, firm or farm	
Foreman or supervisor		Self-employed	
Administrator of a business or farm		Other (specify)	
Technician			

22. Thinking about the resources needed to start and operate a business can you please rank the following in order of importance by giving the most important a “1” and the least important a “4”.

Physical resource (e.g. land, machinery, equipment etc.)	
Financial resource	
Human resource	
Informational resource	

Please indicate by marking an “X”, as to the extent to which you agree or disagree with the following statements:

STATEMENT		Strongly	Agree	Unsure	Disagree	Strongly
23	You knew exactly the kind of economic activity that you	1	2	3	4	5

STATEMENT		Strongly	Agree	Unsure	Disagree	Strongly
	would carry out in South Africa prior to leaving for South Africa.					
24	I left my country for South Africa due to political reasons.	1	2	3	4	5
25	I left my country for South Africa due to economic reasons.	1	2	3	4	5
26	I left my country in order to re-unite with my family in South Africa.	1	2	3	4	5
27	I left my country for South Africa in order to further my studies.	1	2	3	4	5
28	I was encouraged to immigrate to South Africa by a family member back home.	1	2	3	4	5
29	I was encouraged to immigrate to South Africa by a family member here in South Africa.	1	2	3	4	5
30	I was encouraged to immigrate to South Africa by a friend back home.	1	2	3	4	5
31	I was encouraged to immigrate to South Africa by a friend here in South Africa.	1	2	3	4	5
32	No-one encouraged me to immigrate to South Africa.	1	2	3	4	5
33	I had a job offer prior to leaving for South Africa.	1	2	3	4	5
34	I intended to look for a job upon arrival in South Africa.	1	2	3	4	5
35	I intended to join a family business upon arrival in South Africa.	1	2	3	4	5
36	I intended to start my own business upon arrival in South Africa.	1	2	3	4	5
37	I intended to further my studies upon arrival in South Africa	1	2	3	4	5
38	I intended to transit to another country upon arrival in South Africa.	1	2	3	4	5
39	I ended up starting my own business upon arrival in South Africa because I was advised not to waste my time by looking for a job.	1	2	3	4	5
40	I ended up starting my own business upon arrival in South Africa because I could not get a job.	1	2	3	4	5
41	I ended up starting my own business in South Africa because I got fired.	1	2	3	4	5
42	I ended up starting my own business in South Africa	1	2	3	4	5

STATEMENT		Strongly	Agree	Unsure	Disagree	Strongly
	because my initial travel plans changed.					
43	I ended up starting my own business upon arrival in South Africa simply because I wanted to be independent.	1	2	3	4	5
44	I was encouraged into starting my own business by a friend.	1	2	3	4	5
45	I was encouraged into starting my own business by a family relation.	1	2	3	4	5
46	I was encouraged into starting my own business by a member of my ethnic community (say someone from your village or county).	1	2	3	4	5
47	I was not encouraged by anyone in particular.	1	2	3	4	5
48	My previous experience has been of great assistance in the effort to identify and acquire the resources needed for starting my business.	1	2	3	4	5
49	The level of formal education I have attained has been of great assistance in the effort to identify and acquire the resources needed for starting my business.	1	2	3	4	5
50	My level of fluency in the English language has been of great assistance in the effort to identify and acquire the resources needed for starting my business.	1	2	3	4	5
51	Starting my own business in South Africa was easy because I got assistance from others.	1	2	3	4	5
52	Most of the assistance with regards to starting my own business came from members of my immediate and extended family here in South Africa.	1	2	3	4	5
53	Most of the assistance with regards to starting my own business came from my ethnic network (i.e. people from my village or country of origin).	1	2	3	4	5
54	Most of the assistance with regards to starting my own business came from others besides my family and ethnic network (people from my country my country).	1	2	3	4	5
55	People from my village or country of origin assisted me in choosing my line of business when I just started my own business.	1	2	3	4	5
56	People from my village or country of origin guided me in	1	2	3	4	5

STATEMENT		Strongly	Agree	Unsure	Disagree	Strongly
	choosing where to trade when I just started business.					
57	People from my village or country of origin guided me in choosing where to buy or supplier contacts.	1	2	3	4	5
58	People from my village or country of origin assisted me by providing information regarding regulatory issues such as business registration, tax, etc.	1	2	3	4	5
59	People from my country of origin assisted me by providing information regarding sources of business support such as bank finance, etc.	1	2	3	4	5
60	I hired the main physical resource (e.g. goods, land, car, equipment, container, etc.) needed to start a business.	1	2	3	4	5
61	I bought the main physical resource (e.g. goods, land, car, equipment, container, etc.) needed to start a business using my personal savings.	1	2	3	4	5
62	I bought the main physical resource (e.g. goods, land, car, equipment, container, etc.) needed to start a business using a bank loan.	1	2	3	4	5
63	The main physical resource (e.g. goods, land, car, equipment, container, etc.) I used to start a business was donated to me by a friend.	1	2	3	4	5
64	The main physical resource (e.g. goods, land, car, equipment, container, etc.) that I used when starting my business belonged to my family.	1	2	3	4	5
65	The main physical resource (e.g. goods, land, car, equipment, container, etc.) that I used when starting my business was public property.	1	2	3	4	5
66	Most of the workers I employed when I just started business were South Africans.	1	2	3	4	5
67	Most of the workers I employed when I just started business were family members.	1	2	3	4	5
68	Most of the workers I employed when I just started business were not members of my family but came from my village or country of origin.	1	2	3	4	5
69	My previous employment is the main source of my current	1	2	3	4	5

STATEMENT		Strongly	Agree	Unsure	Disagree	Strongly
	entrepreneurial opportunity or idea.					
70	The source of my current entrepreneurial opportunity or idea is no-one else but just me.	1	2	3	4	5
71	My friend(s) is the source of my current entrepreneurial opportunity.	1	2	3	4	5
72	My family is the source of my current entrepreneurial opportunity or idea.	1	2	3	4	5
73	Members of my ethnic network (i.e. people from the same village or country) are the source of my current entrepreneurial opportunity or idea.	1	2	3	4	5
74	The source of my current entrepreneurial opportunity or idea is accidental.	1	2	3	4	5
75	If I need information about new business opportunities or ideas, I go to small business support organisations such as SEDA.	1	2	3	4	5
76	If I need information about new business opportunities or ideas I turn my ethnic network(i.e. people from my village or country of origin).	1	2	3	4	5
77	I turn to friends from somewhere else when I need information about new business opportunities or ideas.	1	2	3	4	5
78	I go to my accountant if I need information about new business opportunities or ideas.	1	2	3	4	5
79	I search on the internet if I need information about new business opportunities or ideas.	1	2	3	4	5
80	I turn to my friends when I need additional funding.	1	2	3	4	5
81	I turn to my family here in South Africa when I need additional funding.	1	2	3	4	5
82	I turn to my family back home or abroad when I need additional funding.	1	2	3	4	5
83	I turn to people from my country (social network) when I need additional funding.	1	2	3	4	5
84	I borrowed from the bank when I need additional funding.	1	2	3	4	5
85	I have participated in a self help financial association since starting my business.	1	2	3	4	5

STATEMENT		Strongly	Agree	Unsure	Disagree	Strongly
86	My previous experience (here or in my home country) has contributed significantly to the success of my business.	1	2	3	4	5
87	Since starting up my business, I have shared business information with other members of my ethnic group from time to time.	1	2	3	4	5
88	Since starting my business, I have shared shop or business space with others.	1	2	3	4	5
89	I have used informal sources (i.e. not from the bank) to finance my business.	1	2	3	4	5
90	I have operated my business informally / illegally within the past 3 or more years since starting.	1	2	3	4	5
91	I have worked from a home, mobile shop e.g. containers.	1	2	3	4	5
92	I have used cheap labour /ethnic labour.	1	2	3	4	5
93	Since setting up my business, I have increased sales revenue by business concentrating on goods and services consumed mostly by people from my country.	1	2	3	4	5
94	Since setting up my business, I have increased sales revenue by concentrating on goods and services consumed by the general South Africa public and including people from my country.	1	2	3	4	5
95	In order to increase sales I have concentrated in bulk buying and / or bulk breaking.	1	2	3	4	5
96	To increase sales revenue, I ensured that I took the goods/ services to the customers by locating close to them.	1	2	3	4	5
97	I have offered a variety of goods or service in order to increase sales revenue	1	2	3	4	5
98	I traded in illegal goods as a means of increasing sales revenue.	1	2	3	4	5
99	I carried out other part time activities in order to support my business.	1	2	3	4	5
100	I have relocated my business a number of times.	1	2	3	4	5

Thank you for making time to participate in this survey.

One last question, can you please nominate one or two persons from the same country as you, who would like to participate in this survey? (Please turn over)

First person:

Name/business	
Address	
Line of business	
Contact number	

Second person:

Name/business	
Address	
Line of business	
Contact number	

ANNEXURE C: Personal interview with Michael Leroux (Bank official: Small loans department of Bank One, Somerset West)

Date 06/12/10

Time: 3:15

Question 1

Does your bank open accounts for foreign nationals?

Response to Question 1

Yes we do. However, they must be in possession of a valid visa.

Question 2

So you mean that refugees and asylum seekers cannot open a bank account let alone qualify for a bank loan?

Response to Question 2

Unfortunately, yes. The current status quo of our bank is that we do not render them services. We did that in the past.

Question 3

Do you generally offer business loans to SMMEs?

Response to Question 3

Yes we do, but they must demonstrate the ability to repay.

Question 4

By ability to repay, what do you mean?

Response to Question 4

The business must be viable as demonstrated in a steady cash flow or projected cash flow that accompanies the business plan.

Question 5

Now let me take you back. Suppose an African immigrant has a good business plan with good projected figures would you grant him a loan to start-up the business?

Response to Question 5

The answer is a no if the immigrant does not have the right residence permit. What if the immigrant takes off with the money? This practice is not confined to South Africa

ANNEXURE D: Interview with **Paul Frank**, the branch manager of Bank Two, Somerset West

Date 07/12/10

Time: 11:30

Question 1

Does your bank open new accounts for foreign nationals?

Response to Question 1

Yes we do, provided they are in possession of the right documentation.

Question 2

Can an asylum or refugee permit holder open an account at your branch?.

Response to Question 2

It is unfortunate that we stopped 2 months ago.

Question 3

Why did you stop?

Response to question 3

First of all, a recent law by the government does not allow us to. Secondly, in the past we were the only bank that extensively accepted the refugee and asylum papers. In so doing we opened a lot of accounts for these immigrants. Today we are busy closing most of them as per government regulation and also because we have found them difficult to manage. They are becoming difficult to manage because of the increasing fraudulent documentation presented by these immigrants (he pulled his drawer and showed me a pile of them).

Question 4

If I followed your response, it implies that an immigrant who is entrepreneurial but lacks the relevant papers cannot have access to a bank loan?

Response to Question 4

Sure. The immigrant would have to sort out his papers first. And having the right paper is no guarantee as there are other conditions to be met.

Question 5

What criteria would an SMME generally need to fulfil to qualify for a bank loan?

Response to Question 5

Besides having the right residence documentation, the owner should be credit worthy; business must be viable and demonstrate the ability to repay the loan.

Annexure E:

An audio recorded interview with Mr. Thobela B. Ndlebe, a business adviser at the SEDA office of Bellville

Date: 31/01/11

Time: 04:00 pm

Q: Question

A: Answer

Q: I presume you have worked here (meaning at SEDA Bellville) for a number of years?

A: yes, for about 4 years

Q: What sort of organisation is SEDA?

A: We are an organisation that was formed through the amalgamation of other bodies and mandated by the Department of Trade and industry to facilitate the development of small businesses. As our name imply, we are a developmental agency under the government.

Q: What services does your organisation offer?

A: We primarily offer advice to small micro and medium size enterprises. However, depending on the intervention required by the business which in itself tend to vary from business to business, we may implore the services of other firms in an attempt to effectively affect the required intervention.

Q: If I understood you well, it means that the services that you offer are free of charge?

A: Yes and No. As I said before, every business we service is unique and when the intervention required by our client is such that we can do it ourselves, there is no fee charged. However, there are times when we have to implore the services of a third party as

we attempt to resolve the problems of our client. In such a circumstance, although we still pay for the service fees upfront, our client contributes a 10% of this amount.

Q: Who are your clients and what criteria must one fulfil to become a client?

A: Our target market is the SMME cohort. To be our client therefore, you need to own an SMME or intend to start one.

Q: So you mean that anyone, including immigrants can access your services?

A: Yes everyone, any immigrant who is legally in the country, owns or intends to start-up an SMME can access our services.

Q: In your opinion would you say immigrants of African origin are using your services?

A: Yes, we have had a number of them, although I must say that the number is considerably low comparatively.

Q: Taking you back to a question you had partly answered. You said everyone is welcome, do you mean refugees and asylum seekers are welcome.

A: Yes we do not discriminate. However, our documentation requirements normally provide for a passport or a South African identity document. And I would frankly say that most of the clients I have serviced have been in possession of a valid passport with a temporary or permanent residence permit. In other cases some have process the green South African identity booklet.

Q: Statistics suggests that more than half of small business started in South Africa fail within the first three years. Do you think your organisation is doing its best to reverse this trend by increasing the number of start-ups and survival there after?

A: In my opinion, I think we are doing well and doing our best gauging from the success stories we have had in the past.

Q: In terms of numbers of successes you have achieved over the past, would you say that the numbers are steadily growing as you like them to?

A: Although we would like the numbers to improve, we do not want to compromise the quality of services that we render and the resulting outcome as measured in terms of the number new jobs created and maintained through our interventions. In terms of volume, I would say once more that we are not where we would like to be but we would continue to do our best to reach there.

Q: Considering your experience in dealing with small businesses, what would you say are the most common problems they face during the start-up and operation phases?

A: I think lack of skills and information of information is a major obstacle in that most of these businesses fail to do a proper market research prior to starting their business. One contributing factor to this phenomenon is the ignorance and the fact that they do not even know where to look and even where to look for the required information. All these happen despite the numerous support organisations such as ours.

Q: In your opinion what resources would you consider as being critical to the effective start-up and operation of a small business?

A: In short, I think skills, information (meaning marketing research as so forth) and capital are the critical resources needed. The quantity may vary depending on the type and nature of the businesses.

Q: In order of importance, what attributes or characteristics do you think a successful entrepreneur possess?

A: I think skills, motivation, persistence, resilience are among the top five.

Q: There is a myth that immigrants are more successful in starting and operating a business than their native counterparts. What is your view on this?

A: In my opinion this is just a myth as it is baseless. As far as South Africa is concerned there is no solid evidence that supports that proposition.

Annexure F: interview with Mr. Anumile Sibinda, a business adviser at “The Business Place” Cape Town.

Date: 31/01/11

Time: 2pm

Q = Question

A = Answer

Q: What sort of organisation is “The Business Place”?

A: We are a section 21 company. In other words we are a non-governmental or better still a not for profit organisation.

Q: How long has your organisation been in existence?

A: Although we have been existing in other countries (Botswana and Swaziland), Johannesburg and other cities for much longer, we are just over 3 years old in Cape Town.

Q: What sort of services or products do you offer?

A: We are purely an information centre. We assist clients with all sorts of information. We provide services that aim to inform or improve the skills of our clients. (Mr. Sibinda then referred me to their brochure in which their mission statement was clearly defined and a leaflet with a range of workshops scheduled for the month of February 2011. Marketing, customer service costing and so forth were among the skills to be learned as per the leaflet).

Furthermore, we provide our clients with marketing research tools such as an equipped library and free internet access at our offices.

Q: What is the cost involved in rendering your services?

A: We provide free walk business support to our customers from Monday to Friday. To answer your question, our walk-in-services are absolutely free. However, we charge a token for our workshops. In fact, the fee is a basically a commitment fees and ranges from R10 to R20 for a two hours long workshop.

Q: For only R10 a workshop, I would guess that the quality of the programmes offered at the workshops would not be up to standard?

A: *Not at all. As a matter of interest, our staffs are highly trained and competent to facilitate these workshops. For some programmes, we get in experts from other companies or organisation. This is the case when we invite people from the University of Cape Town's business school to facilitate certain workshops. By so doing, we maintain appropriate standards.*

Q: Who are your customers?

A: *We cater for anyone wishing to start a small business or already have one.*

Q: What criteria must one meet to be served at your organisation?

A: *None. You just need to walk in and be served. As a matter of fact we are the only business support organisation that works on this basis, where no appointments are made and clients are attended to on a 'first come first serve' basis.*

Q: It is interesting to note how unique your organisation is but why this strategy?

A: *Because we deal with small businesses, the bulk of which are the survivalist businesses or new start-ups, we understand that most of the time those involved have little or no financial resources (including time) at their disposal, and as such we ensure that anyone one who enter our doors receive a service.*

Q: Do you have the manpower to "man" these services?

A: *Yes, for the moment, it is working well and the staff is coping well.*

Q: Do you extend your services to immigrants?

A: *Yes, as a matter of fact, we are non-discriminatory. However, there are certain programmes sponsored by certain donors who stipulate certain criteria for us to adhere to. Only then do we discriminate appropriately to meet the said criteria. This is the case with government sponsored programmes that are only eligible to South Africans.*

Q: In your opinion what are the problems faced by most entrepreneurs in their attempt to start-up and operate a business.

A: *In my opinion, lack of information and skills is the biggest drawback back that most small entrepreneurs face. I think that is the gap we found and are actively trying to fill. Other factors may include finance.*