



Cape Peninsula  
University of Technology

**Constraints facing Small Medium and Micro Enterprises in Khayelitsha,  
Western Cape**

**by**

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**in the Faculty of Business and Management Sciences**

**at the Cape Peninsula University of Technology**

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## DECLARATION

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**Signed**

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**Date**

## **ABSTRACT**

The aim of this study was to determine the extent of constraints to entrepreneurial development in the townships supporting the Cape Town economy, specifically that of Khayelitsha, and to establish whether any government incentives were available to develop this township economy. These small, medium and micro sized businesses face numerous constraints. The vital role of small businesses in stimulating economic activity, in poverty alleviation, and in the raising of living standards, has been widely recognised in most countries. In fact, in several countries, small businesses are used as catalysts to generate economic activities within relatively poor communities. The City of Cape Town has developed economic initiatives to provide assistance to entrepreneurs with recommendations on how innovations should be encouraged to help entrepreneurs in such poor communities as Khayelitsha to start new businesses, and to create jobs. In order to obtain information on the Khayelitsha business community both qualitative and quantitative approaches were used. Questionnaires were employed to answer open and closed ended questions dealing with economic activities in the area, as well as interviews with formal and informal business persons. Generally, the findings reveal numerous constraints of trade facing businesses in Khayelitsha including governmental restrictions, lack of a skilled workforce, poor infrastructure, and services delivery. The recommendations made could lead to an improvement in operating conditions as this study argues that the existence of positive business conditions, in terms of social, economic, and personal factors, are necessary for business ventures and entrepreneurs to succeed. However, innovation is essential for small businesses to be able to respond effectively to the changing environment that has been triggered by globalisation forces.

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## **DEDICATION**

This dissertation is dedicated to the memory of my late grandmother, Tina Eleanor Mbinda (Mambanjwa, Gebane, Thikazi, Mpetwana), for planting a seed of education in me, and for being a champion of education to my family at large. You have shown me and the rest of the family, the significance of receiving an education, and, for that, I will cherish your input forever. My mother, Nomfundo Mbinda, deserves my undying devotion, in this regard, for believing in me throughout my studies.

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## GLOSSARY

<b>Terms/Acronyms/Abbreviations</b>	<b>Definition/Explanation</b>
ANC	African National Congress
BBBE	Broad-based Black Economic Empowerment
BCBD	Bellville Central Business District
BDSC	Business Development Service Centre
BMR	Bureau Market Report
CBD	central business district
CCTV	closed-circuit television
CPPP	Community Public Private Partnership
CSBP	Centre for Small Business Promotion
CoCT	City of Cape Town
CRSCI	Crime Research and Statistics Crime Intelligence
DTI	Department of Trade and Industry
GDP	gross domestic product
GF	Golden Future
KfW	Kreditanstalt für Wiederaufbau
ICT	information and communications technology
IDC	Industrial Development Corporation
ISBDS	Integrated Small Business Development Strategy
KBD	Khayelitsha Business District
KCB	Khayelitsha Central Business
KBSC	Khayelitsha Business Support Centre
KCT	Khayelitsha Community Trust
LBCs	library business corners
LBSCs	local business service centres
LED	local economic development
NAMAC	National Co-ordinating Office for Manufacturing Advisory Centres
NBSA	National Small Business Act
NBI	National Business Initiatives
NCR	National Credit Regulator
NCA	National Credit Act
NGO	non-governmental organisation
NYDA	National Youth Development Agency
SAB Miller	South African Breweries-Miller

SAPS	South African Police Services
SEDA	Small Enterprise Development Agency
SBP	Small Business Project
SMMEs	small, medium and micro enterprises
Stats SA	Statistics South Africa
URP	Urban Renewal Programme
VPUU	Violence Prevention through Urban Upgrading
WCPERO	Western Cape Provincial Economic Review and Outlook

# CHAPTER ONE

## INTRODUCTION TO THE STUDY

### 1.1 Introduction

Small, medium and micro enterprises (SMME's) are found in most townships and informal settlements in South Africa. SMMEs are vehicles for creating employment and sustaining a livelihood for many underprivileged communities. This study investigated SMMEs in Khayelitsha, a multi-racial community outside Cape Town. In this chapter the background to the study is developed, and the research problem presented. The study aim and objectives are explained, and the study questions are presented in order to establish the business situation in Khayelitsha. A brief overview of relevant literature and the research methodology is also given.

### 1.2 Background to the study

Khayelitsha is one of the largest, as well as one of the most populated and poorest communities in the Western Cape Province of South Africa. A large proportion of the residents originally came from the Eastern Cape region, which is one of the poorest provinces in the country. The community, which was originally established in 1985, comprises approximately 98.6% Black African, 0.6% Coloured, 0.1% Asian, 0.1% White, and 0.6% and Other residents (City of Cape Town, 2013:3).

The vital role of small businesses is to stimulate economic activity and poverty alleviation, and to promote, or improve, the prevailing living standards, as has been widely recognised in countries as diverse as the United States of America, the United Kingdom, Italy, Germany, and France. In fact, in several countries, small businesses are used as catalysts to generate economic activities within the relatively poor communities (Van Vuuren & Groenewald, 2007:269).

A City of Cape Town report (CoCT, 2005:34) revealed that the majority of households in Khayelitsha are underprivileged, with 57.4% living in shacks in informal settlements; 30.0% living in houses on separate stands; 7.3% living in backyard shacks; 0.3% living in rooms in flats, or on shared property; 1.6% living in informal housing; 0.6% living in town cluster housing; and 2.8% living in unspecified forms of accommodation. The majority of the residents lack access to electricity, and to other basic amenities. The CoCT Census 2011 report (2012:5) revealed that people, in general, are underprivileged and that 54% still live in informal settlements, with the majority of people still lacking access to electricity. The government's goal evidently is to alleviate poverty, and to improve people's lives, which, however, has yet to be realised. Little improvement has occurred in terms of social and economic development in Khayelitsha. As far as job creation is concerned, in terms of poverty alleviation over the past eight years, some people's lives have improved, while others have become worse off. Overall, however, there has been some slight improvement. Figure 1.1 below shows a geographical map of Khayelitsha.



**Figure 1.1: Map of Khayelitsha**

**Source: Adapted from Google map, 2014**

This study was intended to identify the constraints facing small, medium and micro enterprises (SMMEs) in Khayelitsha, with the intention of recommending an appropriate approach to be taken in an attempt to improve the status quo. This statement is further examined under point 1.3, the aim of the study. Since South Africa is facing an unemployment crisis, the SMME sector could serve as a



catalyst for economic growth, and for the stimulation of job creation. Similarly, SMMEs have a role to play in creating job opportunities, and in fighting poverty. They have a responsibility to create jobs, and to assist in the fight against poverty. They are challenged to address such issues as lack of skills, capital, and the knowledge to run a business.

Small businesses have a role to play in curbing unemployment and poverty within South Africa, including within the community of Khayelitsha. They can help to overcome the challenge of unemployment, and therefore assist in job creation (Richards, 2006:5). Some of the SMME businesses in Khayelitsha lack appropriate business skills, education, and knowledge in terms of running a business, and also require capital to operate, and to expand, their businesses. As a result, the small business entities concerned are neither viable, nor sustainable, and have benefitted little from other developments taking place in Khayelitsha. It is essential, therefore, that the government should provide an adequate environment, and resources, for the small businesses to develop, and to grow. The appropriate environment and resources would assist small businesses to have the necessary infrastructure, business skills, finances, and safety and security that would enable them to function, and expand in the economy of 2014/15.

Identifying tools that are essential for the businesses, and recognising skills shortages, is of critical importance to the future development of the area. To ensure that there are remedies in place that could facilitate the stimulation of growth, the added sustainability, and the competitiveness of such businesses in the fast-growing global environment, growth limitations must be identified. Once the limitations to small business development have been identified, it will become vital for the relevant government policies to be tailored to meet the needs of the businesses concerned and to have a mechanism in place that will assist the businesses, and development programmes, concerned (National Credit Regulator, 2011:76).

While the CoCT (2009:5) has developed economic initiatives to provide assistance to entrepreneurs, it also suggested that innovations should be encouraged to help entrepreneurs in such poor communities as Khayelitsha to start new businesses,

and to create jobs. Kuratko and Hodgetts (2007:729) describe entrepreneurs as innovators, or developers, who recognise and take opportunities, converting them into workable ideas and solutions. Innovation is essential for small businesses to respond effectively to environmental change that has been triggered by the pressure of globalisation, and by the liberation of markets worldwide. The businesses concerned need to rethink their modes of operandi, and they also need to develop new business models, so as to enable them to survive and thrive in the ever-changing and dynamic global economy (Kuratko & Hodgetts, 2007:5).

According to Van Vuuren and Groenewald (2007:270), positive business conditions, in terms of social, economic, and personal factors, are necessary for business ventures and entrepreneurs to succeed. Important economic factors include access to capital, new technology, and government support. Non-economic factors include opportunities to accumulate personal wealth, research and development, a desire for personal development, and an effective educational system. An example of social factors is the encouragement that is received from other family members, and the support of friends, which might influence the desire to become an entrepreneur. Pickernell, Packham, Jones, Miller and Thomas (2011:186) note that, for small businesses to grow, they are required to be resourceful, and to develop abilities, competencies, organisational processes and business knowledge to enable the business to improve their efficiency and effectiveness. These factors are explored in Chapter Four of this study.

In South Africa, small business entrepreneurs in the rural communities tend to face more obstacles, like financial and environmental issues, than do their counterparts in the well-developed suburbs and cities (Van Vuuren & Groenewald, 2007:269). Halkias, Nwajiuba, Harkiolakis and Caracatsanis (2011:225) postulate that small entrepreneurs in Africa face many obstacles in trying to generate revenue; furthermore, entrepreneurs in poor urban areas still face challenges in growing their businesses. Therefore, entrepreneurs should undertake proper research, in the form of environmental scanning, that will enable them to understand such forces as market demand (Kuratko & Hodgetts, 2007:159).

### **1.3 Statement of the research problem**

Small businesses in Khayelitsha have, as yet, benefitted little from government initiatives and development in the area. Business entrepreneurs in the area tend to lack adequate business skills and capital to be able to operate and expand their businesses. Such problems are further exacerbated by the insufficiency of the information that is available, and sometimes, the complete ignorance of government development initiatives to promote small business entrepreneurial ventures. Several businesses, as they are in their current form, are unsustainable, due to the number of existing constraints, which mainly take the form of lack of resources, funds, and adequate information to grow. Compounding these problems is the high crime rate within the Khayelitsha community, with small businesses being plagued by robberies that are perpetrated on a daily basis by criminal elements, with little regard for the value of human life. This aspect has also adversely affected business development in Khayelitsha. Constraints such as lack of business knowledge, lack of finance, poor infrastructural development, and lack of operational skills, in addition to the presence of crime, are hindering small businesses in Khayelitsha.

Businesses in Khayelitsha face numerous problems in maximising their operations and these problems or constraints need to be identified and solutions found before the community is able to operate on an equal footing with businesses in traditional areas.

### **1.4 Aim of the study**

The aim of the study is to determine the extent of constraints to entrepreneurship development and to determine government incentives available for small businesses, so that the Khayelitsha economy can progress and the challenge of unemployment can be addressed.

## **1.5 Research objectives**

The specific primary research objectives for the study are:

1. To recognise the constraints facing small business entrepreneurs;
2. To determine the role that the government can play to effectively assist, and promote, SMMEs;
3. To examine the impact of skills shortages on entrepreneurship in Khayelitsha;
4. To identify empowerment tools that could assist black women in being successful in business, and in being sustainable; and
5. To recommend the adoption of a workable approach towards improving and addressing of the constraints facing SMMEs.

## **1.6 Research questions**

The formulation of the above-mentioned objectives led to the development of the following broad research questions which need to be answered to establish the constraints facing business persons in Khayelitsha, and solutions which could lead to an improved business climate.

1. What are the constraints facing SMMEs in Khayelitsha?
2. What are the existing government initiatives that are being undertaken to support SMMEs in Khayelitsha?
3. What specific skills are critical to making Khayelitsha's entrepreneurs competitive within the global context?
4. How can black women entrepreneurs be empowered, and become sustainable, in their own businesses?
5. What must be included in the development programme proposals for entrepreneurs?

## 1.7 Background to the problem

In apartheid South Africa, the majority of the black population lacked access to entrepreneurship, because of their exclusion from appropriate education and training, and from the right of access to financial, and other, resources. Consequently, it is essential to recognise to what degree, and in what manner, previously disadvantaged individuals are able to engage in business enterprises. The need to develop appropriate SMMEs served as a challenge to the new government after the dissolution of the apartheid laws. The South African government lacked adequate resources to sustain small businesses (Mboyane & Ladzani, 2011:550).

However, Mago and Toro (2013:19) proclaim that the South African government has now put in place a number of institutions, including financial and non-financial support for services, in order to assist SMMEs. The Small Enterprise Development Agency (SEDA) was formed in 2004, through the merger of two institutions, namely the National Manufacturing and Advisory Centre (NAMAC) and the Community Public Private Partnership Programme (CPPP). Furthermore, the government has, through the Department of Trade and Industry (DTI), established the Centre for Small Business Promotion (CSBP), at a national level, to promote the development of small businesses in the country. The Centre created the now no longer functioning Ntsika Enterprise Promotion Agency, and Khula Enterprise Finance Limited, to transform the government's objectives into action.

Chiloane-Tsoka (2013:349) proclaims that in the past South African laws deprived Black women in the economic stream as laws were gender biased. The new ANC government has a mandate to transform all sectors. Black business women face many challenges such as a lack of access to credit which inhibits them from operating in the small, medium and micro enterprise sector. Finance poses a challenge to black women-owned businesses due to a lack of guarantee required by external financing institutions, and other socio-economic factors such as illiteracy, poverty, and teenage pregnancy. Black women-owned businesses trade in the small and micro arena purely for survival rather than for independence and satisfaction. They play a major role in the communities as they support their families and are pillars in society, however they are still oppressed.

Ngxiza (2011:11) suggests that, in Khayelitsha, the most dominant economic sector is still the survivalist informal sector. The informal businesses are well-defined as not registered, unregulated economic activities that contribute to the gross domestic product (Von Broembsen, 2010:4). A large proportion of these businesses operate mainly in the informal sector, including sewing, fruit and vegetable street vendors, catering, spaza shops, running shebeen and taverns (Chiloane-Tsoka 2013:349). Evidently, still more needs to be done in this respect, with more resources being harnessed to enhance the development of the businesses concerned, so as to break down the poverty barriers that currently still exist in the area. Golden Future (2011:6) reveals that small informal businesses are a key to survival. In Khayelitsha, broadly speaking, the informal sector has increased in size, as the number of such businesses in the area has substantially increased over the past decade.

The capacity to deliver sustainable business development, specifically in the area of small business support, has been proven to be insufficient (Ngxiza, 2011:11). The shortage of skills relating to the completion of forms for funding applications for micro enterprises poses a challenge, and still inhibits the on-going needs of SMMEs. The function of the Business Support Centre is to provide business support, and advice, for emerging small businesses, and to serve primarily as an agent. However, in Khayelitsha, the Centre is manned by only one person, who is not properly resourced to provide adequate assistance (Ngxiza, 2010:96).

Furthermore, the costly burden of crime in South Africa affects all its inhabitants negatively, ranging from the rich to the poor. While crime may affect people in different ways, it has an adverse impact, both on individuals, and on businesses. Theft of property is of particular concern for every household; however, business owners are anxious about other kinds of crime, ranging from petty theft and shoplifting, to hijacking. There is a link between crime, poverty, and the existing levels of inequality (Ikejiaku, 2009:455). Developing entrepreneurship could be part of the solution to lower crime levels through job creation (Van Vuuren & Groenewald, 2007:269).

## **1.8 Research methodology**

The study adopted a mixed research methodology, using both quantitative and qualitative investigation. The data collection technique utilised in this study was a questionnaire and also interviews with formal and informal business persons. Details of the questionnaire and interview schedule are given in Chapter Three.

## **1.9 Ethics**

The participants in the study were informed in advance about the nature of the study. They were also informed that their participation in the study was voluntary, and of the fact that they might withdraw from the research at any time. The participants were guaranteed confidentiality and anonymity, as regards their input to the study. The researcher obtained permission from the Khayelitsha Business Forum to carry out the research (Annexure D). The questionnaire (Annexure A) accompanied by a covering letter explaining the aim of the study (Annexure C), and highlighting its importance, and the interview schedule (Annexure B) was introduced to interviewees by the researcher. The letter also contained an explanation that the data would be used for the benefit of the small business entrepreneurs in Khayelitsha.

## **1.10 Delineation of the research**

The research was limited to a previously disadvantaged area, namely Khayelitsha in the Western Cape. The study involved the small business entrepreneurs who sell goods and services in the area, including both South Africans and non-South Africans. It specifically focused on the challenges facing SMMEs in Khayelitsha, and not the SMMEs in the other surrounding areas, such as Mitchell's Plain.

### **1.11 Significance of the study**

In the study the researcher sought to understand how small businesses could remain competitive, and even excel, in the harsh operating environment of Khayelitsha. By identifying the critical success factors relating to the local enterprises, the study provides insights into, and an improved understanding of, why some small business operators are successful, and why others fail. It is also likely to help change the mindset of business entrepreneurs in Khayelitsha. The study, accordingly, is not only likely to empower Black SMME business entrepreneurs, but may also contribute to the enhancement of the academic body of knowledge on SMMEs.

### **1.12 Outline of the proposed study**

Chapter One: Introduction and background

The introduction and background to the problem of the research study is discussed in chapter one. The problem statement, the aim and objectives of the study, as well as limitations and delineation of the study are also presented.

Chapter Two: Literature review

This chapter offers a comprehensive literature review of the constraints facing SMMEs and also the business opportunities in support of these businesses. The secondary data information was collected using different sources, such as journal articles, textbook, internet sources and completed thesis.

Chapter Three: Research methodology

This chapter provides a brief explanation of the research methodology used and the design applied in this study, where a mixed research methodology was followed using questionnaires and interviews as the data collection tools. The



population and sample utilised had been advised about the objectives in support of the research, and a pilot study was done in order to test the reliability and validity of the instrument in gathering the data. The chapter gives an overview of the software employed to analyse the data.

#### Chapter Four: Research findings

An analysis of the research findings is offered in this chapter, including the interpretations and discussions of the study.

#### Chapter Five: Conclusions and recommendations

This is the final chapter of the research study. The objectives allow for conclusions and to make recommendations on SMMEs in Khayelitsha.

### **1.13 Summary**

In Chapter One an introduction and background to the problem has been explained, in relation to small business entrepreneurs in Khayelitsha. The purpose statement is highlighted, and the objectives of the study, together with the research questions, are clearly stated. An introduction to the literature available on constraints facing small businesses is given, and the research methods are briefly explained, along with the consideration that is given to the Cape Peninsula University of Technology's ethical requirement. The next chapter reviews multiple relevant sources in which different authors give their views on small business entrepreneurs, and their different opinions on the constraints that are faced by small business entrepreneurs.

## **CHAPTER TWO**

### **LITERATURE REVIEW OF SMME ACTIVITIES IN SOUTH AFRICA**

#### **2.1 Introduction**

This chapter will introduce a number of concepts of SMME activities in South Africa. Especially Black entrepreneurs in urban townships and rural areas face a number of constraints and problems in operating their businesses successfully. The chapter highlights a number of important considerations relevant to the SMME movement, discussed under Sections 2.2 to 2.10 in the following pages.

In apartheid South Africa, the majority black population lacked access to entrepreneurial opportunities, because of their exclusion from appropriate teaching systems, and from the right of access to financial and other resources. Consequently, it is essential to recognise to what degree, and in what manner, previously disadvantaged individuals are now able to engage in business enterprises. The development of SMMEs has been a challenge that the new government has been required to face after the dissolution of the apartheid laws. However, the South African government lacks adequate resources to sustain small businesses (Mboyane & Ladzani, 2011:550). The previous government discriminated against non-white ethnic groups, in terms of the allocation of the sparse number of resources made available to the general public. The government in question also created a hostile education environment (in terms of which there were unsteady life relations, inadequate livelihood circumstances, and no jobs forecast), and failed to supply the expertise required by the South African economy. It is evident that this discriminatory system presented an unstructured small business sector with slight, or negative, investment opportunities in relation to human resources (Hess & Rust, 2010:3691).

After the 1994 democratic election, the government of national unity recognised that widespread unemployment, and underemployment, would strongly affect the

country's capacity to boost the economy (Oseifuah, 2010:50). The African National Congress (ANC) government faced several challenges, including the pressing need to repeal the apartheid inheritance of deficiency and disproportion. In the new administration, the objectives concerned proved to be very daunting to attain for the new government. The government in question considered altering the direction of the economy in favour of supporting the previously disadvantaged groups. Extreme pressure was exerted by the neo-liberals on the government to integrate the South African economy with the global economy, in order to boost the amount of leverage available, in terms of the most pressing, and convincing forces that are at work in South Africa today (Hart, 2008:690).

The South African government adopted the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (South Africa. Department of Trade and Industry, 1995). The Integrated Small Business Development Strategy was set to embrace an approach that was aimed at enhancing the environment for small business development in South Africa. This was done following an exhaustive process of reassessment, consultation, research, and modification. The purpose of the National Strategy is to certify that small businesses are progressive, and that they largely focus on their own involvement in the expansion, and in the accomplishment, of the overall aims of the South African financial system, in terms of such crucial areas as job formation, fairness, and entrance to marketplaces.

The key intentions of the National Small Business Strategy are to:

- Create, and permit, an environment for small enterprises;
- Enable improved access to learning about finance and the growth of prosperity, as well as about gross opportunities;
- Tackle the inheritance of apartheid in relation to the empowerment of black businesses;
- Sustain the improvement of women in all trade areas;
- Generate extensive period employment;
- Encourage the sector, pursuant on fiscal expansion;

- Reinforce the consistent linking of small enterprises;
- Ensure that there is equal balance on the playing field among small and big businesses, as well as between rural and urban businesses; and
- Organise small business, so that it is able to overcome the barriers with which it meets in the international competitive environment (South Africa. DTI, 1995:13).

## **2.2 Socio-economic profile of Khayelitsha in Cape Town**

According to Statistics South Africa midyear in 2011, the South African population was 50.59 million (Stats SA, 2011:6), with the estimated population of the Western Cape being 5 287 863, while the population in Cape Town was 3 740 026 strong in number (Stats SA, 2011:3). The population of Cape Town has since increased by 29%, with the composition of the Cape Town population, in terms of ethnic groups, coming to be 38.6% black, 42.4% coloured, 1.4% Asian, and 17.6% white. The CoCT (2012:1) defines a household as a person living alone, or, collectively, as a group of persons who live together, and who provide for themselves jointly regarding food and other essential services. Household income is that income which is required to cover the acquisition, or the accessing, of such basic necessities as food, clothing, fuel, light, and washing.

The CoCT report for 2013 indicates that Census 2011 revealed that the population of the suburb of Khayelitsha was 391 749, and that the number of households was 118 809, with an average household size being 3.30. Khayelitsha's population grew by 79 000 from 1996 to 2001, owing to urbanisation, and to the immigration of people from the other provinces. Over the period in question, the Khayelitsha population growth rate rose in comparison with the rest of the Western Cape; there has been an increase, during the period mentioned, in terms of Cape Town's population growth rate (CoCT, 2012:4). The expansion of the community resulted in many opportunities and gaps that could be exploited by SMMEs in the area, due to there being a substantial market to cater for.

The literature suggests that, in terms of population, there has been an increase, both nationally and provincially, owing to immigration to the Western Cape. Ngxiza (2011:185) indicates that urbanisation and immigration into the area is especially due to people from the Eastern Cape coming to seek greener pastures in this province than were available in their home province. Although, in terms of personal income, the Western Province is indicated as being the wealthiest province in South Africa, in Khayelitsha the state of affairs is still shocking. An increasing number of economically active youth in Khayelitsha are employable but unemployed.

The Western Cape is one of the leading provinces in South Africa, as the province has a number of wealthy inhabitants who earn more income than the national average (Bureau of Market Research, 2008:4). The Western Cape province unemployment rate also tends to be below the national rate, with it being recorded as being 20.3% in the first quarter of 2010, but escalating to 21.9% in the fourth quarter of 2010, and to 22.2% in the first quarter of 2011 (Stats SA, 2011:6). The 2011 mid-year figures indicate that the Western Cape unemployment rate decreased by 1.7% (Stats SA, 2012a:3). This unemployment level has remained unchanged for 2013 for the Western Cape (Stats SA, 2014: xvi). These statistics reveal that, of the 25% living on a monthly income of R3 200, 50% were residents of Khayelitsha (CoCT, 2013:4).

In terms of employment, Census 2011 revealed that, in Cape Town, 49.7% of the population between the ages of 15 and 64 years old were employed, with the unemployment percentage being 15.6%, discouraged work seekers being 3.1% and other not economically active being 31.6% (CoCT, 2012:8). In Khayelitsha the 2011 Census labour force indicates that the unemployment rate was 38.32%, with the employed making up 40.15%, and with the labour force participation rate standing at 65.10% (CoCT, 2013:4). Clearly, the dual negative forces of unemployment and poverty are very much present in Khayelitsha, resulting in levels of household income being very low in the suburb. According to the South African census of 2001 data, 50.8% of the Khayelitsha population were unemployed at the time.

With the unemployment rate being so high in South Africa, the Western Cape is, nevertheless, better off overall, as compared to the other provinces. Khayelitsha, in contrast, was the worst off area in this province at the time of the above-mentioned census, with it posing a challenge, in terms of job creation, in relation to the curbing of poverty by the SMMEs. Clearly, there is a need for job creation in the suburb, as it is evident that the unemployment rate is still high, and the entrepreneurs need to identify the gap, especially in relation to the youth. The high unemployment rate in Khayelitsha indicates that the poverty levels in the suburb are high. The City of Cape Town 2013 Report indicates that the age group 15 to 64, which forms 40.40% of the population, were found to be economically active (CoCT, 2013:4). In terms of education, women were found to have a higher level of schooling at all levels than did the men, 80% of the women had received a secondary-level education, as compared to 71.8% of the men.

The issue of poverty is discussed next, and in the following sections specific aspects of SMME activities and constraints to effective and profitable operations are discussed in some detail.

### **2.3 Poverty in South Africa**

Poverty is a concept that has various meanings, depending on the perspective from which it is seen. According to Ndingaye (2005:16), people can be regarded as being poor if their income level is intolerably low. The versatility of poverty means that it can be interrelated to issues of hunger, unemployment, exploitation, and lack of access to clean water, sanitation, health care, and schooling (Woolard, 2002:2).

Armstrong, Lekezwa and Siebrits (2008:12) declare that South Africa's apartheid system resulted in the formation of a huge gap of a racial nature, in terms of both poverty levels, and of the distribution of income and wealth. Furthermore, after a system of democratic governance was instituted, the incidence of poverty among black and coloured individuals remained dramatically higher than it was among white people. In South Africa, poverty rates in the nine provinces vary extensively, and, simultaneously, differ between the urban and the rural areas of the country

(Armstrong et al., 2008:9). South Africa is regarded as being one of the most complex and heterogeneous countries in the world. Several wide-ranging socio-economic challenges exist, in the form of severe poverty, and inadequate health services, which are widespread throughout the black townships, such as Soweto in Johannesburg, Mdantsane in East London, and Khayelitsha in Cape Town. The vast majority of people in South Africa live in devastating conditions resulting from poverty. The incidence of poverty, however, tends to be higher in the rural areas of South Africa. The transition of the democratically elected, non-racial government has stirred a debate on such socio-economic issues as poverty, inequalities, unemployment, and political corruption (Ikejiaku, 2009:452).

The poverty gap, which was estimated to stand at R28 billion in 1995, and the levels of unemployment pose a challenge, as being one of the most significant contributors to, and important indicators of, poverty (Ndingaye, 2005:26). Furthermore, elaborating on the phenomenon in the South African context, poverty levels, and the monetary value of consumption, are factors that distinguish between the poor and rich. The households concerned number 19 million in South Africa, which is slightly less than half of the South African population. It is essential to note that the level of income inequality in South Africa is high in racially diverse areas, as well as among the different race groups. The median income earned by African and Coloured people in the rural areas is almost half the median income that is earned by African and Coloured people in the urban areas.

According to Stats SA (2011), the unemployment rate in South Africa is very high, and has increased since 2008, with 3.9 million people being unemployed. Owing to the financial crisis of the time, the level of unemployment escalated from R318 000 to 4.2 million between 2008 to 2009 (Stats SA, 2012b:10). Unemployment, which is a common dominator of poverty, hit its highest point among black people in the rural areas, especially among women, youth, and those with no work experience. A relationship exists between unemployment and poverty as the two forces are intertwined (Ndingaye, 2005:29).

Yu and Nieftagodien (2008:2) declare that there are inequalities in the South African economy. In comparison with the Eastern Cape, which is overwhelmed by

poverty, the Western Cape Province is seen to have the lowest incidence of poverty among all the provinces. Khayelitsha forms part of the south-east region of the CoCT Metro, which is commonly known as being poverty-stricken. Ngxiza (2011:186) and the CoCT (2006:2) expand on why Khayelitsha and Mitchell's Plain are faced with social ills and development challenges, due to the economic injustices perpetrated by the previous government, and have come to be regarded as a poverty trap. Furthermore, in terms of business, there are high security risks involved, with the areas in question being isolated from the economic opportunities that are available in such places as Bellville and Somerset West. The communities concerned are not identical, as the majority are classified as being poor.

In spite of the attempts that have been made to change the prevailing circumstances, the Khayelitsha community's source of revenue is under pressure, and engulfed by plentiful social ills. The area was originally planned to accommodate 250 000 residents, but currently houses approximately 600 000 people (Golden Future, 2011:13). According to Yu and Nieftagodien (2008:12), Khayelitsha and Mitchell's Plain, in the Tygerberg substructure, are the largest townships in the Western Cape, and experience multidimensional poverty. The areas are characterised by inadequate services, and by the lack of affordable housing, as well as by poor education, poor health, unemployment, poverty, and malnutrition. Despite such difficulties, it is evidence that, in Khayelitsha, those who are economically successful tend to move to areas that are well off, and which are middle class in nature (Golden Future, 2011:13).

Many of those who seek to escape poverty in the Eastern Cape come to settle in Khayelitsha. The Eastern Cape and the Western Cape are completely different in terms of services and employment opportunities, accounting for why many from the Eastern Cape Province tend to move to urban areas in the latter province, in search of improved living standards. The two provinces are both in coastal areas, with the Western Cape being wealthier than the Eastern Cape, and the statistics indicating that the former province falls in the top three provinces in the country with relatively high incomes. The poverty-stricken nature of Khayelitsha means that it is a challenge to the province, especially in the light of it being regarded as the biggest township in the Western Cape. The literature suggests that much can



be done in order to eliminate the poverty syndrome. Interventions are required, as well as policies that attempt to assist the communities in making their lives better.

Ngxiza (2011:82) posits that the municipality is obliged by the South African Constitution, as well as by the White Paper on Local Government, to improve the quality of life of community members who are currently living in an unsustainable way, as well as to promote the satisfaction of their socio-economic and material needs. Golden Future (2011:13) confirms that the current trend will continue, unless interventions are undertaken to solve:

- The deterioration of the physical living conditions that are linked to the high levels of HIV/Aids/TB;
- The high levels of crime; and
- The physical separation from the metro, which is also linked to the issue of economic integration.

Despite twenty years of democratic rule in South Africa, there are still inequalities, in terms of income among the different races, and poverty is still prevalent among black South Africans. Some still cannot access basic services, and some are still poor, with the rich becoming richer, and the poor becoming worse off. SMME development and support is one strategy that can assist with poverty alleviation, in responding to the general social and economic needs that are faced by the poorest of the poor within the society, as such development and support should focus on enhancing the improvement of small businesses. In South Africa, SMMEs are categorised according to their size, as discussed below.

## **2.4 SMMEs in South Africa**

The study focused on very small, medium and micro, enterprises, and on both formal, and informal, businesses. According to the National Small Business Act of 1996, No. 102 (South Africa, 1996) as amended by Act 26 of 2003 (SA. NSB, 2004) the 14 categories of small business in South Africa form distinctive groups, namely “survivalist, micro, very small, small and medium, hence the use of the term ‘SMME’ for the small, medium and micro enterprises” (South Africa. DTI,

1996:15). The above-mentioned Act defines a small business as “a separate and distinct business entity, including cooperative enterprises and non-governmental organizations, managed by one owner or more, including its branches or subsidiaries if any, [which] is predominantly carried on in any sector or subsector of the economy mentioned ... [in] ... Schedule 14”. (South Africa. DTI, 2004:2).

The broad structure of SMME in South Africa is categorised according to the size and also the sector is a very dynamic. Table 2.1 below provides a broad structure of SMMEs.

**Table 2.1 Broad structure of Small, Medium and Micro Enterprises (SMMEs)**

<b>Enterprise size</b>	<b>Number of employees</b>	<b>Annual Turnover (SA Rands)</b>	<b>Gross Assets, excluding Fixed Property</b>
Medium	Between 100 up to 200, depending on the industry	From under R4m, up to R50m, depending upon the industry	From under R2m, up to R18m, depending upon the industry
Small	Fewer than 50	From under R2m, up to R25m, depending upon the industry	From under R2m, up to R4.5m, depending upon the industry
Very small	Between 21 and 49 employees	Between R500 000 and R2m	Approximately R500 000 to R2m
Ultra small	From under 10, up to 20, depending on the industry	From under R200 000, up to R500 000, depending on the industry	From under R150 000, up to R500 000, depending on the industry
Micro	Fewer than 5	Under R150 000	Under R100 000

**Source: Adapted from Falkena, Abedian, Von Blottnitz, Coovadia, Davel, Madungadaba, Masilela & Ress (2001).**

The majority of the enterprises covered in the study fall into the very small and micro definition, while a few fall into the small and medium categories.

## 2.5 Micro enterprise

The Western Cape Provincial Economic Review and Outlook (WCPERO, 2007:160) states that a micro enterprise can be classified as a survivalist or a non-survivalist enterprise, in terms of the following criteria:

- Survivalists do not employ anyone, with examples of such entrepreneurs including hawkers, vendors, and spaza shop owners.
- Non-survivalist enterprises, which employ no more than four regular workers, form part of the informal economy.

The informal sector includes those business activities that are economical, but which, however, are not recorded in the national accounts, and which are not licensed. The role-players in the sector are likely to be surrounded by children, men, and older relatives. Commonly, the woman, who is the head of the family, is the driving force behind the business, providing the skills, the hard labour, and the strength required, as well as being steadfast, and longing to maintain their family survival (Morris, Jones & Nel, 2010: 3).

Formal and informal SMMEs are enormously important, in terms of job creation in the form of local jobs, and in relation to increasing the amount of local earnings accrued. The reason to be self-employed in the informal sector might be driven by economic factors, among others (Du Toit & Nerve, 2007:9). Moreover, in South Africa, it has been appraised that the informal sector comprises 51% of non-agricultural engagement (WCPERO, 2007:172). The informal sector in South Africa, in providing employment for South Africans, employs 12% of the labour force (Stats SA, 2011). The informal economy supplies a means of survival, rather than opportunities for entrepreneurs. The involvement in the business concerned creates a means of fighting poverty in order to survive (Charman, Petersen, Duda, Davids & Simons, 2012:2).

In South Africa, informal economy actors are entrepreneurs not by choice, but rather by opportunity, and are likely to take up formal employment where such opportunities arise. Due to the lack of formal sector opportunities and the limited

state of welfare, a large number of individuals, operating in terms of a small-scale, cash-based business, are defined as survivalist enterprises (Charman et al., 2012:2).

It is crucial, in understanding the needs of the businesses concerned, to maximise the effectiveness of resources in terms of the development of township businesses. Black residents, under the previous apartheid government, responded to gaps in the market in which they lived by identifying the existing needs, and by establishing their own system of commerce and services to cater to such needs (Racionzer, 2008:131). Currently, the informal sector does not seem to be growing; it appears to be inactive, neither creating as many jobs as in the formal sector, nor making as great a contribution to the provincial economy. On a national scale, it is the sector which, at the provincial level, reveals that the Western Cape's informal sector is much smaller than that of the other provinces (WCPERO, 2007:154).

The Western Cape, therefore, is seen as having the smallest informal sector, and a large formal sector, comparative to the rest of the country. It is of concern that the informal sector does not contribute to employment and growth in the province. Notably, the shrinking in the size of the Western Cape's informal sector is not imitated nationally. The informal sector in the Western Cape, among all the provinces, makes the lowest contribution to the GDP. Thus, there is more that can be done to encourage, and to support, the informal sector. Those who are in the sector tend to be job creators, and they are likely to be able to transform their businesses into becoming both formal and sustainable (WCPERO, 2007:154).

Ngxiza (2011:11) suggests that, in Khayelitsha, the most dominant economic sector is still the survivalist, or informal sector. Still more needs to be done in this sector, however, as the amount of resources that are available are insufficient, so, therefore, more needs to be done for the development of the businesses concerned. Golden Future (2011:6) reveals that small informal businesses are a key to survivalist policies. In Khayelitsha, broadly speaking, there has been an increase in the size of the informal sector over the past decade. The literature suggests that, given the state of micro enterprises, the informal sector can act as a catalyst for innovation and job creation. In spite of the fact that informal traders

tend not to be in business out of choice, there is neither sufficient experience, nor skill, to run such businesses, which necessitates human resource training and development.

The national government hopes that small business will form part of the plan to remedy the problem of unemployment in South Africa. The government recognises that micro entrepreneurs play a major role in the economy. Tihomola (2010:xxx) concludes that SMMEs have even more of a contribution to make in terms of providing employment opportunities than they do at present, and that they will be able to play an important role as an economic engine. Entrepreneurs break the cycle of poverty by creating jobs, so it is essential that the government should nurture and encourage the development of small business entrepreneurs, as is described below.

### **2.5.1 Business entrepreneurs as catalysts**

The characteristics of small business are job creation, economic empowerment, and poverty reduction (NCR, 2011:7). SMMEs perform a vital role in any economy. In terms of lucrative growth policies in both developing, and developed, countries, SMMEs are given prominence, due to their labour absorptive capability, their involvement in the alleviation of destitution improvement and in providing work opportunities (Ndabeni, 2008:259).

Kerimova (2008:9) suggests that entrepreneurial innovation places an emphasis on the role of information and recognition, in terms of the process of market equilibration. The approach, which arises mostly from the work of Ludwig von Mises and Friedrich von Hayek, views the market as an entrepreneurially ambitious and equilibrating practice. Kerimova (2008:10) further asserts that competition is important, in terms of both idea and execution, and that it serves to emphasise the dynamic, and competitive, nature of the market's entrepreneurial discovery process.

The evidence suggests that, in terms of being innovative, unique and creative, SMMEs should assist in the marketing of their business, especially in the light of the efforts that are made in this respect by their competitors. Tihomola (2010:

xxviii) specifies that SMMEs need to be creative and innovative, in order for their business to succeed, and to survive. Job creation and poverty alleviation are two pressing challenges facing the South African government. According to Richards (2006:9), addressing the high unemployment rate and poverty levels has been hampered by the poorly developed entrepreneurial culture of job creation. The South African government recognises the major role that micro entrepreneurship plays in the economy. Entrepreneurs, through their business enterprise, can help to break the cycle of poverty, and to create jobs. Consequently, it is essential that government support should nurture and encourage the business entrepreneur's efforts. Richards (2006:5) argues that there has been limited coordinated government support for micro entrepreneurship initiatives, other than the provision of general SMME assistance.

According to Kerimova (2008:1), to improve the poor entrepreneurship culture that currently exists, policy design should emphasise supporting and developing an entrepreneurial mind-set that will promote innovation, and sustainability. Isaacs, Visser, Friedrich and Brijal (2007:13) point out that economic growth remains a central issue in both developed, and developing, countries. They argue that particular interest should be focused on the role of entrepreneurship in opening and modernising economies. Kuratko and Hodgetts (2007:2) perceive entrepreneurs to be individuals who are capable of distinguishing opportunities from misperceptions, with the creation of entrepreneurs going beyond the mere formation of a business. The distinctiveness of pursuing prospects, of taking risks beyond preventative measures, and of having sufficient perseverance to push conceptions through to reality, are all hallmarks of entrepreneurial endeavour. Mahadea and Pillay (2008:11) have shown in their studies that the transition from poverty to wealth in most nations was achieved through the private sector, as well as through farmers, investors, and small and large business.

According to Orford and Wood (2006:3), small businesses make an important contribution to the South African economy, including that of the Western Cape. However, comparative literature from the international business community suggests that the rate of entrepreneurial activity in South Africa, including in the Western Cape, is significantly below that which is undertaken in other developing countries. In order to assist the informal sector, it is crucial to have an empowering

tool that caters for the unique sectoral needs. The obstacles, and challenges, of such businesses differ from one township area to another and from one informal settlement to another. Emphasis needs to be placed on the economic empowerment opportunities that are created through SMMEs, as it is critical to include more women in the sector. Women have been neglected in the past, but play a major role in their communities. The economic empowerment of women is discussed in detail below.

## 2.5.2 Economic empowerment of women

The economic empowerment of South African women is a fundamental issue in the South African government's broader economic agenda; women have been disadvantaged, or disempowered, in the past. However, since women tend largely to dominate micro enterprises, their empowerment is crucial in any efforts that are aimed at growing the country's small businesses (Ndabeni, nd.:11).

In South Africa, growing unemployment is a daunting economic problem. The issue of the marginalisation of women in particular has both political, and socio-economic, implications. There is still gender discrimination in labour, as there has been in the past; men are mostly involved in manufacturing and mining, whereas women are largely concentrated in the spheres of domestic work and child care. In business, some women are still locked into performing such traditional female activities as hawking, street trading, beer brewing, knitting, and other home-based trade tasks (Ndabeni, n.d.:11).

Von Broembsen (2008:13) asserts that women are more likely to operate their business in backyard shacks that are made from old corrugated iron and wooden planks. A slight improvement has occurred, in terms of the small amount of investment that has been made in human capital, in relation to survivalist endeavours. However, the chance to tackle other markets, in respect of SMMEs, is, as yet, slim. The informal trades tend to generate minimal returns, as they largely operate on the fringes of major economic sectors, and they tend only to serve the local, and, in most cases, very small markets (Ndabeni, n.d.:11).

It is, therefore, crucial that the enterprises that are operated by women, especially black women, should effectively contribute to growth in the South African economy. It is essential to infuse such enterprises with enthusiastic innovations and inventiveness. Furthermore, South African black people, and women in particular, tend to be under-represented among small business owners. The business involvement of both these groups is more likely to be limited by the scarcity of resources than other groups in the society. Hence, members of the two groups generally experience more negative returns than do their white male counterparts. With the fall of apartheid, young black South Africans, and mainly youthful black women have ventured into entrepreneurship and have become job creators, rather than job seekers. Women often play significant roles as family providers and as breadwinners in their households. (Ndabeni, n.d.:11).

According to the South African Constitution, and to local government laws, the CoCT municipality has a responsibility to develop the socio-economic profile of Khayelitsha, as well as to create jobs, to develop skills, and to fight poverty (Ngxiza, 2011:2). Government support should be gained by means of implementing tailor-made programmes to assist the enterprises concerned. Such support is dealt with in the following section.

## **2.6 Government support of SMMEs**

The South African government has some measures in place to develop, and to nurture SMMEs. The government has a mandate to promote such business, specifically in disadvantaged communities. Hence, there are policies and regulations in place that support SMMEs through establishments that offer both financial and non-financial support. The government plays an important role in providing support to small businesses. However, although there are already programmes in place to assist small businesses, more still needs to be done in this regard. The success of these businesses relies on the support that they receive from the government, which is described in more detail in sections 2.6.1 to 2.6.5 below.



## 2.6.1 Government policy in support of SMMEs

In this section government policy is considered, as well as a number of institutions and actions available to assist SMME functioning.

The South African government has developed a development policy for SMMEs. The policy currently forms the basis for a comprehensive national strategy. Implementers of the policy recognise the need to create a nurturing environment that aims at removing all obstacles that will impede the development and growth of SMMEs.

The aim of the National Small Business Strategy is to pursue the following common problems that are faced by SMMEs in South Africa:

- A hostile legal environment;
- A lack of access to markets and procurement;
- A lack of access to finance and credit;
- A shortage of skill levels;
- An insufficiency of access to information; and
- A lack of effective supportive institutions (South Africa. DTI, 1995:8).

The objectives of the South African government's SMME policy are to:

- Enhance the range of information and advisory services that is currently available at each phase of growth of the SMMEs and the local economy;
- Provide a better quality of services to SMMEs; and
- Satisfy the needs of people in diverse phases of development, and of the target group, both locally and nationally.

According to Gumede (2008:17), there is awareness by the South African government of the importance of SMMEs. Such awareness can be seen as being

supported by various studies on the performance of the economy that have been commissioned by the government in the recent past.

There are various legislations in support of SMMEs in South Africa and include the following:

- The Constitution of South Africa 1996;
- The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (South Africa. DTI, 1995);
- Integrated Small Business Development Strategy in South Africa 2004-2014; and
- The National Small Business Act no102, 1996 (Malefane, 2013:673)

#### 2.6.2 Department of Trade and Industry (DTI)

The SMME sector is recognised globally as being the driving force in economic growth and job creation. The South African DTI estimates that small businesses employ almost half of all formally employed individuals, and that it contributes between 52% and 57% to the country's gross domestic product and provide about 61% job creation (NCR, 2011:7). The role of the government in business development is crucial, as it shapes the present and future of this sector. The Broad-Based Black Economic Empowerment Act (BBBEE), No. 53 of 2003 is a tool by the ANC government to redress the past exclusion of the majority of the South Africans (South Africa. DTI, 2003:4). This was enacted in furtherance of section 9(2) of the Constitution, which posits that, in order to promote the achievement of racial equality, legislative and other measures designed to protect, or to advance, the persons, or the categories of persons, who were previously disadvantaged by unfair discrimination may be taken (South African Constitution: 1996:5).

The DTI strategy document classifies direct empowerment as moves that must result in an increase in ownership and control of the economy by black persons and their participation in decision-making in boards, at executive management and operational levels. The indirect empowerment of black people through preferential

treatment by the government, as well as by the private sector promotes new enterprises. Such empowerment measures provide SMMEs with opportunities to expand their businesses. Enterprise development is an additional component of BBBEE. Such development may be achieved through investing in black-owned and black-empowered enterprises, and through participating in joint ventures with black-owned, and black-empowered, enterprises that is likely to result in skills transmission (South Africa. DTI, n.d.:13)

Mago and Toro (2013:19) declare that a number of SMME-supported institutions have been established by the South African government that provide for micro entrepreneurship initiatives. Furthermore, the government has, through the DTI, established the Centre for Small Business Protection (CSBP) at a national level to assist small businesses in the country. The Centre had created the Ntsika Enterprise Promotion Agency (now SEDA) and Khula Enterprise Finance Limited to transform the government's objectives into action through the provision of a financial institution and non-financial services.

Even though there are such policies in place, and there are institutions that nurture and create platforms to assist small businesses, still not enough is being done to assist SMMEs. The long-established institutions are relatively unknown to the operators of small businesses in Khayelitsha. The researcher is of the opinion that there is no active cooperation between government and small business operators; in addition, there is a general lack of information, and awareness, of the functions of these institutions in the community. It is the opinion of this researcher that there is a need to close the gap between small businesses and the government, so as to make such programmes effective and efficient, in order to enhance the sustainability of these businesses.

### **2.6.3 National Credit Act (NCA), No. 34 of 2005**

The NCA came into effect in 2006, with the aim of endorsing the advancement of the credit market, which is reachable by all South Africans, and specifically by those who have been historically incapable of accessing credit under sustainable market conditions. The facilitation of access to credit eases the way forward for

small enterprise and comparable operators, for SMMEs, or juristic persons, as defined by the NCA, in terms of the number of existing barriers. The strengthening of the government's role in this respect is targeted at dealing with the support, and funding, issues that are faced by small enterprises (NCR, 2011:78).

Richards (2006:5) argues that, although SMMEs are key elements in the government's strategy of employment creation, the sector has been underdeveloped, owing to the number of existing obstacles. Impediments to the growth of small businesses include a lack of productive human inputs, and the development of products that meet customer needs.

It can be argued that the institution of the NCR should be present where the community resides, so that the services that they render can reach the needy for whom they are intended to cater. Satellite offices should be situated in the relevant communities, so as to be able to provide support where it is most needed. Although the South African government has tried to assist small businesses, there is still more that should be done.

Malefane (2013:681) suggests that the relevant institutions are not easily accessible in the areas in which they are most needed. The institutions are allocated either at a national, or at a provincial, level, and not in the local municipalities, making them, therefore, inaccessible to the black townships, where the SMMEs need government support. This makes it difficult for entrepreneurs who reside in Khayelitsha and it leads to a lack of cooperation between the government and small business. There is a lack of information on, and awareness of, the programmes that are offered by the government, leading to the institutions concerned being invisible and inaccessible. It is, therefore, essential to narrow the gap between small businesses and the institutions concerned, so that they can become more accessible to ordinary people.

There are avenues in place in order to assist the businesses with financial, and non-financial, services. Therefore, financial service centres for SMMEs are next discussed.

#### 2.6.4 Financial service centres for SMMEs

The following are some of the initiatives that are currently undertaken by the South African government to assist the SMMEs in South Africa:

##### *2.6.4.1 The Small Enterprise Development Agency (SEDA)*

The SEDA was established in December 2004, in terms of the National Small Business Amendment Act, No. 26 of 2003 (South Africa, 2004:9). This law merged the previous small enterprise development agencies, namely the Ntsika Promotion Agency, the National Co-ordinating Office for Manufacturing Advisory Centres Trust (NAMAC), and the Community Public Private Partnership (CPPP), into a single small enterprise support agency. The mandate of this agency is to design, and to implement, a standard national delivery network that should promote uniformity throughout the country. Its role includes the support, and the promotion, of cooperative enterprises, particularly those that are located in the rural areas. The work that they do is in line with the DTI's Integrated Small Enterprise Development Strategy, which is aimed at strengthening support of SMMEs' access to finance. The service they offer include business registration, business plan, export development, access to domestic and international markets, cooperative support, access to technology and training (SEDA, 2010).

##### *2.6.4.2 Industrial Development Corporation (IDC)*

The IDC of South Africa is a self-financing, state-owned national development finance institution that provides financing to entrepreneurs and businesses that are engaged in competitive industries. This institution was established in 1940 to promote economic growth and industrial development in the country. It is well recognised as it plays a major role in funding and supporting the existing and the emerging enterprises to enable the South African economy to benefit and also assist in sustainable economic growth, job creation and poverty alleviation. Its mandate includes the rest of the African continent, and it is active throughout the entire region. It operates in a broad spectrum of industries, and is equipped with specialised knowledge and experience. The IDC is, therefore, able to offer valid

and suitable financial support to a wide variety of individuals and companies (IDC, 2010).

#### **2.6.4.3 Khula**

Khula Enterprise Finance Limited is dedicated to the development, and to the sustainability, of small business enterprises in South Africa. A leader in its field, it has a proud history of more than 13 years' involvement in the rapidly growing, and economically vital, small and medium enterprise (SME) sector. The services they offer are finance, mentorship and credit (Khula, 2009).

#### **2.6.4.4 National Youth Development Agency (NYDA)**

The NYDA, which was previously known as the Umsobomvu Youth Fund, was formed by the government in 2001. It was assigned the task of promoting entrepreneurship, job creation, and skills development and transfer, among South Africans between the ages of 18 and 35 years old, and women-owned enterprises irrespective of age. They offer funding and micro loan services (NYDA, 2010).

The above-mentioned institutions have failed, in part or fully, for the following reasons:

- Lack of awareness of the public in relation to the programmes that are in place;
- Uneven distribution, since there is a concentration of the institutions in metropolitan areas;
- High costs searching for support services, which has been mitigated by the obtaining of effective information on how, and where, to access support;
- Troublesome administration requirements related to government programmes, resulting in user fatigue, and in high levels of disappointment; and

- Inadequate capacity leading to the failure of the local business service centres (LSBCs) on the programme, since the institutions overestimated their capacity, as well as the capacity, of local business centres (Orford & Wood, 2006:8).

The evidence above highlights the fact that government institutions are not sufficiently efficient and effective. This has served as a barrier to the development of small businesses by keeping a large, energetic, and entrepreneurial group of black South Africans out of the formal economy, resulting in them becoming discouraged. Rogerson (2008:75) concludes that the regulations create significant efficiency costs for the South African economy, including for SMME development, with strong evidence showing that the existing regulatory environment discourages business growth in the formal economy. Thus, the current environment hampers business, as there is no endorsement finance that entrepreneurs will obtain to sustain their business. Since regulations discourage the success of black small business entrepreneurs, especially those who are starting new ventures, the institutions in question should drive, and assist, entrepreneurs, particularly in the areas of previously disadvantaged communities; however, they are not showcasing themselves to ordinary small businesses.

#### **2.6.5 Non-financial service centres for SMMEs**

The following are the development service centres that are in place that could assist SMMEs in terms of national, local, and Khayelitsha-based business development.

##### ***2.6.5.1 Business development service centres (BDSCs)***

According to Burgess (2000:53) and Gibb (1997:17), the BDSCs are defined as "...public and privately funded organisations that provide advice and support for small and medium sized enterprise". BDSCs, or 'one-stop shops' are the focal point of government intervention in small business sponsorships. BDSCs might be classified into three structures, namely the private sector suppliers, the business associations, and the public service providers that are created, or sponsored, by the government (Mazwayi, 2009:77).

The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa called for the development of a decentralised network of local services centres countrywide to give support to the systematic spread of business-related information, advice, and services for SMMEs (South Africa. DTI, 1995).

The South African government, in recognising the importance of SMMEs, has established provincial help desks to ensure the representation, as well as the implementation, of the national strategy. The mission of the help desks is to create a national linkage sector programme with local, or regional, functioning bodies, and to establish a comprehensive SMME database covering national policy changes. The capacity of the help desks varies in each area, with, for example, Mpumalanga's SMME help desk having established a comprehensive SMME database, and a synergistic network of SMME service providers, whereas the North West SMME help desk has not yet undertaken any such activity (Berry, Von Blottnitz, Cassim, Kesper, Rajaratnam, & Van Seventer, 2002:38).

Local business services centres (LBSCs) have been given the task of facilitating the delivery of efficient, and high-quality, non-financial support services to SMMEs throughout South Africa. They are trusted with such services as the drafting of business plans, and the designing of business brochures, among others. Their training network service has provided counselling and business planning services for small businesses. In 2000, as South Africa entered a new municipal era, very few of the centres were active. Many of the operations concerned were already not operational, due to them having indefensible practices, limited programme directives from Khula and Ntsika, and a lack of understanding of the nature of small businesses at the local level (Xuza, 2007:122).

The many different LBSCs form an accredited organisation nationwide that delivers non-financial business support and services to small business, and to small enterprises, as well as to micro enterprises. Furthermore, LBSCs are community-based partnerships, whose target markets are potentially viable micro and small enterprises. Officially, the national LBSC framework is described as a



vehicle for SMME support in the future. LBSCs seek to lend assistance to all types of enterprises, including to survivalist hawkers and spaza shops. They have been instrumental in transferring skills, and in enhancing community abilities to decide about their socio-economic destiny, as well as, more importantly, in realising democratic principles. The challenge with community projects is to empower, and to assist, SMMEs in becoming sustainable economic enterprises (Xuza, 2007:121).

The literature suggests that 'one-stop shops' are required, where entrepreneurs can either conclude all the necessary transactions that are required for setting up a business, or complete the official requirements for the registration of a new business with the government. In a Botswana-based study, Bayalin and Bayalin (2013:210) clarify that the local enterprise authorities, in providing development and support services to satisfy the local industry needs of SMMEs, also provide training, and encourage the development of the spirit of entrepreneurship. The researcher agrees that, with all the necessary resources in place effectively and efficiently, the local government should be able to facilitate, and to tackle, certain specialities, according to the needs of SMMEs.

The idea of establishing library business corners (LBCs) was to assist small business by making information easily accessible to entrepreneurs and local businesses. Business corners are available at most of the public libraries in the Western Cape. They provide a wide range of books, pamphlets, and other information resources, as well as places to leave, or display, business cards. LBCs are at many small town libraries, including the Masakhane Library in Khayelitsha. The LBCs assist communities by raising public awareness of self-employment and training opportunities (Western Cape Government, 2012). In order to create a sustainable developmental environment for local communities, there are bodies in place, at the local and municipal level, that facilitate the overcoming of the poverty trap that is present at community level. Such bodies are discussed next.

### *2.6.5.2 Local economic development (LED) in South Africa*

The development policy in South Africa focuses on ‘developmental’ local governance, with a ‘pro-poor emphasis’. The local government, which has been proactive in terms of addressing socio-economic challenges through LED, as stipulated in the Constitution (South Africa, 1996), has a role to play in curbing poverty, creating jobs, and alleviating poverty (Meyer, 2014:624). The responsibility for developing a national framework for LED has been assumed by the former Department of Constitutional Development, which has made a series of policy statements, in this regard, since 1995. The reason for emphasising the ‘local’ in economic development is the fact that the political jurisdiction, at the local level, is often the most appropriate place for economic intervention, since it is legislatively bound to be both accountable and legitimate (Rogerson, 2011:150).

According to the World Bank (Mazwayi, 2009:81), LED programmes embody the economic capacity of local areas, and advance the quality of life, with the focus on the financial future. The partners in such programmes tend to work collectively to improve the state of affairs, with an eye on stimulating economic growth, and on increasing employment opportunities. The government has identified local authorities as agents of change, and it has tasked them to respond to the development needs of the economies concerned.

Furthermore, LED is supported in two ways, through:

- Entrepreneurship education, including management and skills training; and
- Entrepreneurship facilitation, which involves seeing that the local communities participate fully in the local economic activity (Mazwayi, 2009:81).

### *2.6.5.3 Khayelitsha Central Businesses (KCB)*

The main purpose of this initiative was to develop commercial and light industries in Khayelitsha, and to assist with investment and development in the areas concerned. Ngxiza (2011:10) states that “...(t)he completed special framework proposes a commercial core adjacent to the Khayelitsha station of two three-

storey buildings of mixed land use embracing clean industries, public open space, retail, offices and high density residential units". Moreover, the development of an open market and shopping centre, to form a Khayelitsha central business district (CBD), has been proposed. The main body behind this is the Khayelitsha Community Trust (KCT), which is in partnership with local community organisations, and with the private sector. Changes, in terms of the landscape, have been undertaken by the Khayelitsha Business District (KBD), as well as in terms of opportunities to develop the retail economic sector. The development initiatives involve employment creation, the improvement of market access, and integration into the city, by means of a viable transport infrastructure, which is a key investment that will support the improvement of the quality of life of those living in Khayelitsha (Ngxiza, 2011:11).

#### **2.6.5.4 Khayelitsha Business Support Centre (KBSC)**

Ngxiza (2010:95) notes that a lack of adequate institutional capacity has been one of the challenges in the implementation of business development processes in Khayelitsha. Although there is human capital available in the area, there is, as yet, insufficient training and development, which is a vital factor in terms of job creation, and in terms of skilled labour. The function of the KBSC is to provide business support, and advice, to emerging small businesses, with the Centre also acting as an agent. However, in Khayelitsha the Centre is manned by only one person, who lacks the proper resources (Ngxiza, 2010:96).

Ngxiza (2011:11) claims that there are few large centres with the local, and the district, municipalities assisting formal, and informal, businesses in Khayelitsha. The introduction of RED Door business support and training was a key initiative, in particular as a link was created between entrepreneurs and government service, through the DTI, Intsika, and Youth Development Agencies, which have challenges of capacity constraints.

#### 2.6.5.5 Various role players in economic development in Khayelitsha

Some of the role players in Khayelitsha in terms of economic development are the following:

- ✓ LED is a policy response that serves as a mechanism for enhancing growth and development, so as to address underlying socio-economic challenges in the municipality. LED consists of local people from all sectors who are focused on stimulating economic activities towards the development of a sustainable economy. A partnership exists between the local government, the community groups, the state institutions, and the private sector, with the intention of managing the existing resources, so as to create jobs, and to advance, as well as to build, capacity for sustainable development in the future.
- ✓ The Urban Renewal Programme (URP) has been responsible for the implementation of the bulk of projects for the provision of an infrastructure and public services.
- ✓ CoCT developed a strategy for Violence Prevention through Urban Upgrading (VPUU), in partnership with the German Development Bank Kreditanstalt für Wiederaufbau (KfW), which focuses on Khayelitsha. VPUU is aimed at crime prevention, but not, necessarily, at LED. The strategy is focused on helping manufacturing, construction, and certain service businesses.
- ✓ Although the Khayelitsha Community Trust entity has the broad focus of upgrading Khayelitsha to become a wealthy suburb, it is not an engine that is geared towards economic development. The mission and the objective of the Trust is to transform Khayelitsha from being a township to being one of Cape Town's thriving suburb by the year 2020
- ✓ Private business is another role player in terms of economic development. (Ngxiza, 2011:3).

There are several potential local economic projects in Khayelitsha that are in the pipeline, while some, such as the Monwabisi Resort, Swartklip, and Look Out Hill,

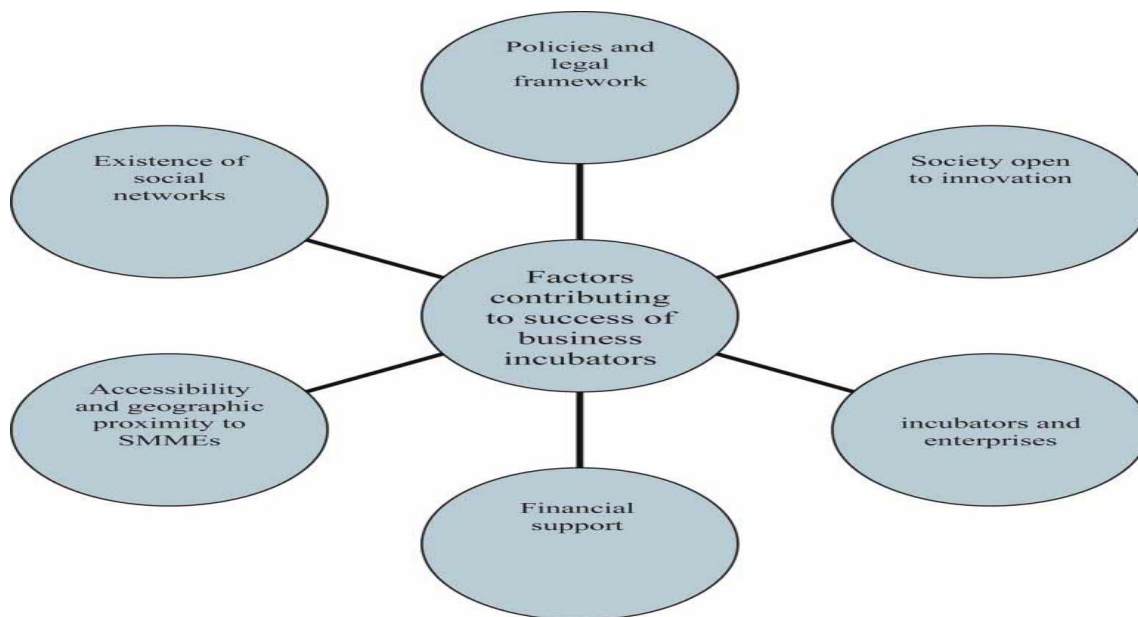
provide ongoing support for SMMEs (Ngxiza, 2011:8). In spite of the fact that there are stakeholders in place in Khayelitsha, the researcher is of the opinion, and perception, that there is a lack of human resources capacity, as the centres operate for all the people, and yet look to the government for service delivery in the area. Institutions and bodies are in place to support the SMMEs nationally. It should be noted, however, that little has been done in terms of growth to address socio-economic challenges.

In Khayelitsha, it is evident that there are stakeholders who are attempting to enhance the the infrastructure of the area by working together to develop, and to invest, in the suburb. In endeavouring to overcome the inadequate situation, these bodies are there to improve the quality of life of those living in Khayelitsha. Human resources have, so far, been neglected in terms of catering for the SMMEs, while the lack of capacity to cater for Khayelitsha is an undermining factor. Thus, supplementary human capital is urgently required to assist the SMMEs.

## **2.7 Business Incubators as a development tool for SMMEs in South Africa**

Business incubators provide start-up and fledging companies with hands-on business and management assistance, affordable space, and shared support services. These incubators are generally run by businesses, private sector economic development agencies, and local governments (Ndabeni, 2008:262). The concept of support programmes to nurture start-up and early-stage SMMEs to deal with workspaces appears to be a clear-cut process. However, the process is complex in both composition and implementation. In South Africa, the business incubation process is a recent phenomenon, which is still evolving. The escalation of business incubators in the country is a positive indication of the utility of the concept. Business incubation has been developed in response to the need for the implementation of effective support strategies. Workspace financing, shared equipment and a network of contact details of government suppliers and delivery agents provide the basis for proactive, decentralised programmes. Incubation is being directed at servicing the needs of light manufacturing and service firms, and those who are developing new products, or who are engaged in research and development (ILO, n.d.; United National Economic Commission for Europe (UNECE), 1999, as cited in Ndabeni, 2008:262).

The increase in the number of incubators is a testimony to the efficacy of the process, and a manifestation of the concept's acceptance by private businesses as being critical to the success of SMMEs, and to the expansion of the local economy (Ndabeni, 2008:263). Figure 2.1 below illustrates the contribution that is made by incubators to business success.



**Figure 2.1 Factors contributing to the success of business incubators**

**Source: Adapted from Ndabeni (2008:263)**

The Figure 2.1 identifies the factors contributing to the success of business incubators, as the business incubator is one of the aspects which plays an important role to small and medium enterprises in order for the business to succeed. There are number of elements involved for the business incubator to be sustainable, and the government as a provider plays an important role in the incubation programmes and also involvement of small businesses.

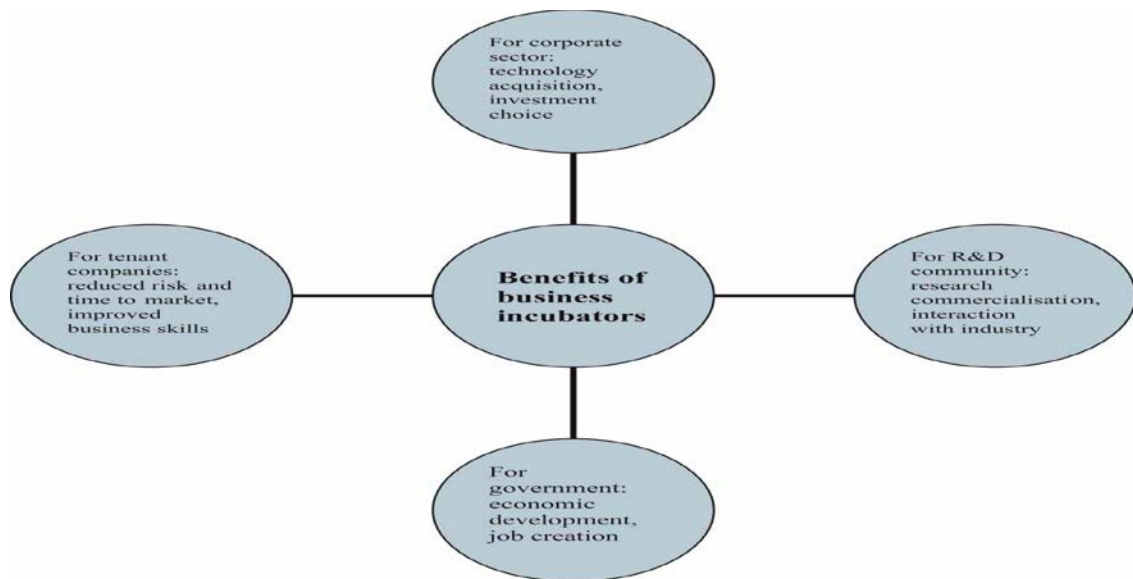
Two kinds of business incubation movements exist in South Africa, namely the technology station, and business incubators. The two have been established to stimulate economic growth, particularly in the technologically advanced SMME sector. The technology station was developed by the Department of Science and Technology to reinforce, and to speed up, the interaction between technikons and

SMMEs. The stations include, inter alia, research, the development and application of new technologies, technology transfer, troubleshooting quality advice services, product development, simulated production units, testing services, and the secondment of staff and students (BRAIN, 2004).

Ndabeni (2008:265) states that the services of business incubators should usually include the following:

- Networks of relationships with other businesses that are aimed at sustaining one another;
- Funding assistance, such as the securing of state funds, and the obtaining of bank loans;
- Support, in terms of business and technical assistance, with internal expertise and network support;
- Communal business services, like telephone usage, bookkeeping, secretarial and reception services, and access to fax and photocopy machines, computers, and business libraries; and BEE
- Flexible space and leases, which are affordable, and which are often below the market rates.

Business incubators are generally operated by universities, private sector business, economic development agencies, and the local government. Under normal circumstances, the objective of the service is to meet the needs of light manufacturing and service sectors and product inventors, or of those who are engaged in research and development. These aspects play a crucial role in the business incubator programme. The costs of the business incubator are shared among its members, so as to minimise the costs for the SMMEs (Ndabeni, 2008:264). Technological incubators focus on the physical facilities and incubation, with the aim of enhancing economic growth and sustainable employment, technological innovation, and technology transfer (Ndabeni, 2008:262).



**Figure 2.2: Benefits of incubators**

**Source: Adapted from Ndabeni (2008:264)**

The Figure 2.2 illustrates the stakeholders involved to have a business incubation structure that is effective as it involves partnerships between the government sector, small business owners, corporate sectors and community research and development.

In terms of the above-mentioned initiative, small businesses tend to benefit from business incubation, as they are receiving support from all the expertise being under one roof, In addition, they receive exposure to their markets, and there is an improvement of business skills. Mazwayi (2009:60) states that the collaborators in the development of small business are numerous, including households, the private sector, educational institutions, Chambers of Commerce, the government and non-governmental organisations (NGOs). Each of these pillars plays a distinctive role at different levels of an SMME. For instance, the private sector creates the linkages that assist small businesses to grow, and the government plays a significant role by providing a conducive environment for all to survive in the market for products and services.



### 2.7.1 The non-governmental organisations' (NGOs) business incubator in Khayelitsha

Zenzele, which was established in 1988, is a Khayelitsha-based NGO. It has developed a business incubator to support an increasing number of graduates in the community to get their start-up businesses off the ground. Zenzele's Business Development Department offers support, and provides space and material onsite to start up a business at subsidised costs for a few successful trainees (Zenzele, 2009). It is the opinion of the current researcher that the organisation is responding very well to the call for the empowerment, and for the development, of the community. Its key focus is on vocational skills training, and on small business development for unemployed people, especially the youth. To date, the organisation has trained more than 9 000 people in woodwork, sewing, pottery, and welding skills. The organisation has assisted people either to become formally employed, or to become self-employed (Zenzele, 2009).

An additional NGO that uses training as a development tool for micro enterprise is Uthango. The organisation, which is particularly active in the Western Cape, collaborates with the wholesale and retail sectors to assist small businesses develop skills through training. The NGO has assisted over 150 SMMEs in Khayelitsha and Guguletu (Uthango, 2010). The present researcher believes that it is a good initiative, with a sound track record for developing small businesses to operate in a space where they are able to network, and where they can, simultaneously, access advice under one roof. The NGO, thus, is easing the burden of having to pay rent, as sundries are shared among those using the space, with the cost consequently being low.

The next section discusses the SMME opportunities that are available in South Africa.

## **2.8 SMME opportunities in South Africa**

The promotion of subcontracting has been among the opportunities that are available to small business entrepreneurs, and to SMMEs (Berry et al., 2002:5). For these small businesses to continue thriving there is a need for innovation and creativity. Moreover, small businesses must reassess their marketing strategies, especially during difficult global economic times. Those SMMEs that utilise smart business practices and cost-effective methods are those that are likely to reap better returns on their investments (Kirsten & Rogerson, 2002:38). The needs of the SMMEs have to be addressed in order to enhance the achievement pace, and the regularity of business linkage between the stakeholders, in terms of the role of various support agencies in the linkage sphere.

The evidence highlights that a few of the big businesses have programmes in place to assist small businesses, and that they act as a powerful stimulus. Such companies need to work collaboratively with the small businesses to ensure high-quality services and products, and that the delivery targets are met. As the two business relationships flourish, a sense of loyalty and trust is built up, and the small businesses are able to secure more contracts through referrals than they might otherwise have. The DTI concludes that linkages between big corporates and small businesses are fundamental to development, as they serve to enhance the high-growth sectors (South Africa. DTI, 2003:30).

### **2.8.1 Local business opportunities for SMMEs in Khayelitsha**

Thomas (2009b:13) notes that Khayelitsha has a large population, with a steady income and buying power. The community is characterised by immeasurable local business opportunities in wholesale and general retail, as well as in specialised trades and related franchises. These characteristics indicate that local business entrepreneurs have opportunities to thrive with, or without, any assistance from outsiders, or from external partnerships. In Khayelitsha, Mitchell's Plain, and Philippi there is little development and actively operated land or space for businesses, compared to other areas in the Cape Town Metropol. Hence, the locals use their backyards, and other makeshift facilities, for business purposes

(Thomas, 2009a:12). The present researcher is of the opinion that small business should try to tap into the gaps that are available in terms of business opportunities. Business services and finance are other areas that local SMMEs can access. These include informal savings schemes, moneylenders, cooperative banks, and insurance companies. Due to the availability of local financial consultation firms in these service areas, development forecasts suggest significant growth in the number, and size, of local businesses and partners (Thomas, 2009b:12).

In relation to the above-mentioned business linkage initiatives that are in place, there is some success, as discussed below.

## **2.9 Business linkages in South Africa**

Business linkages are among the broad range of mechanisms that are available to support the growth and development of entrepreneurial enterprise into competitive businesses. It is important for this study to elaborate on, and to include, the initiative towards empowering SMMEs. The successes that have been achieved by the business linkages are crucial for the current study, with the government also recognising the importance of procurement for big business subcontracting to especially those SMMEs that are present in previously disadvantaged communities.

Some of the effective initiatives are led by private sector initiatives that widen the big companies' value chain to incorporate small business. Vertical business linkages can absorb backward linkages, in terms of which a large company sells goods and services from small enterprises working together, such as in the form of franchising or retail arrangements. Horizontal linkages occur where small enterprises work collectively to boost capacity to access markets, for example through shared production of large orders, or of collective, or group leasing, equipment (Jenkins, Akhalkatsi, Roberts & Gardiner, 2007).

The National Business Initiative (NBI) supports key national initiatives, in so far as making positive contributions towards sustainable socio-economic development.

One of the highlights that has been identified is the need to include the growing pool of black suppliers in the mainstream. In so doing, they will serve as the suppliers to corporates, and they will forge sustainable relationships with the companies in South Africa. Supplier diversity is the active business process that assists companies in sourcing products and services from previously underused suppliers in the business. Transformation in corporate supply is a reflection of the demographics of the society in which it takes place (NBI, 2011).

Successful market economies are illustrated by the far-reaching display of linkages within businesses of all sizes and types. Business linkages are the positive indicators that oblige businesses to consider the most competent ways of sourcing the components and services that make up the goods and services they offer. In terms of such linkages, both small and big businesses benefit, with the relationship concerned resulting in specialisation, diversity, and an increase in profits. As such, the tourism sector is used to elaborate on the benefits of business linkages between large established tourism enterprises and local small businesses. Business linkages enable indigenous entrepreneurs to participate in the dynamic segments of a growing tourism market economy that includes a host of such activities as food supply, handicrafts, laundry services, and furniture manufacture (Kirsten & Rogerson, 2002).

According to Kirsten and Rogerson (2002:5), the different business types are linked by way of outsourcing, subcontracts, or other arrangements. The evidence highlights that business linkages are not only an empowering tool that can assist, but also facilitate, skills development. Marina, Altman & Altman (2005:51) claim that, through developments initiated by the South African government, the private sector has made significant progress in establishing such domestic linkages, through the adoption of the concept by means of a number of industries. These industries have cooperated and supported small businesses contracts. The linkage programmes have focused on such low-skill services as gardening and catering.

The three underlying pillars that are responsible for the above-mentioned effort are:

- An industry level that is characterised by the promotion of the principle of BBBEE;
- The Proudly South African strategy; and
- Government procurement through public works programmes.

Kirsten and Rogerson (2002:39) argue that, in tourism enterprise, there is reciprocated benefit in terms of business linkage within companies, as cost-cutting and the drive for efficiency are at the heart of developing a tourism enterprise. Even though cost-cutting takes place, the quality of the product and service is not compromised within the operational chain of the company. Cost-cutting, through hiving off, business linkages, and the outsourcing of non-core business, undoubtedly results in opportunities for emerging SMME entrepreneurs. The leading tourism players have developed programmes that are focused on enhancing their supply chain. The capacity for delivering products and services to the customer at low labour costs is crucial for business growth.

Access to markets might be a challenge if the appropriate intermediary and private institutions do not interface with emerging SMMEs to link the buyers and the suppliers of inputs. Subcontracting linkages between large and emerging SMMEs are an important element in facilitating SMME sector growth (Gumede, 2008:30). Globalisation has enormous impacts on businesses, both big and small. Hence, to survive it is necessary for business to be technology-oriented and adaptive to the ever-changing global business environment. South African Breweries Miller (SAB Miller) is the first big South African company to transcend borders by moving to developing markets, and also by excelling in developed markets. SAB Miller, by 2008, was earning the bulk of its income from outside South Africa (Verhoef, 2008:13).

The role players in the linkages sphere address the different needs of SMMEs. There are support and development programmes to empower the small businesses, and there is mentorship that is run by the companies to support the SMMEs. The evidence highlights that collaborations between small business and big companies take the form of key initiatives that assist in growth and

development, with such collaborations being regarded as an excellent development.

The next topic discussed is the numerous constraints facing small business entrepreneurs.

## **2.10 Constraints facing small business entrepreneurs**

Some of the constraints that are faced by SMMEs are discussed below. The current study highlights a few of the aspects that seem to be critical and pressing, including a lack of finance, the absence of infrastructure, a lack of education and training as well as of business skills, and high crime levels. For any business to succeed, finance is among the most important requirements. Some of the constraints to accessing funding are now discussed.

### **2.10.1 Finance**

Finance is one of several challenges that are encountered by small business entrepreneurs. Bureaucracy, and other impediments, surface when it comes to extending financial help to the small business sector. The current study attempts to highlight factors that have been identified as constraints by researchers, and seeks to understand how the challenges adversely impact on the growth of small businesses in Khayelitsha. Finance appears to be the most critical of constraints confronting small business start-up, success, and development in South Africa, as well as in other developing, and developed, countries. The access to funds, and the costs of financing, are among the obstacles to the growth and success of business ventures in sub-Saharan Africa (Mahadea & Pillay, 2008:433).

Rogerson (2008:62) examines the relationship between finance and SMME development in South Africa, by reviewing the large volume of literature that has been generated over the past decade. A series on demand-side research focuses mainly on financing as a constraint on SMME development. All of the studies point to a lack of access to finance as a limitation on SMME advance.

Furthermore, the above-mentioned studies report accessing finance as still being a key challenge that is faced by micro enterprises, with any improvement in the investment climate for micro entrepreneurs requiring enhanced access to finance by entrepreneurs. A study of Johannesburg and Durban, which was prepared by the World Bank (Chandra & Rajaratnam, 2001; Skinner, 2005), reveals an absence of credit as a common business constraint that is experienced by emerging SMME entrepreneurs.

The World Bank (2006) noted that the most common finding in the South African context, is that black people tend to rely on personal savings and loans from contacts and relations for the funding of trade establishments. According to the World Bank (2006), the subjects of impoverished admittance to finance, and high interest rates, were emphasised, leading to the less accepted tradition of formal bank loans, which are negatively impacted on by the complicated inquiry application processes involved, as well as by lack of guarantee, and poor credit history (Rogerson, 2008:63). Owing to a lack of necessary skills, there is a great need for capacity and collateral to qualify for conventional loans from commercial banks. In order to obtain funding for micro enterprises, complicated forms have to be completed, which serves as a challenge to those involved. It is evident that there is insufficient capacity to deliver, and to maintain, sustainability in terms of business development, specifically in the area of small business support (Ngxiza, 2011:11).

The literature highlights that finance plays a critical role in business development; with a lack of funds for a business venture making businesses cash-strapped. Ramunkumba (2014:25) agrees that many businesses have financial barriers, and cash flow improbability. Opening up financial channels would assist business, especially start-ups, to succeed, and would help to remove red tape. South Africa DTI (2003:41) reveals that there are challenges in terms of accessing finance from commercial banks, especially in the case of black-owned businesses, which pose a barrier in terms of micro enterprise development.

### 2.10.2 Education and training

Education entails empowering entrepreneurs with knowledge, education, and training, and is a crucial factor for success. Isaacs, Visser, Friedrich and Brijal (2007:614) define entrepreneurial training "...as the determined intrusion of an educator in the life of a person, so as to convey entrepreneurial qualities, and education to cultivate entrepreneurial individuality and skills". In a study by Rogerson (2008:71), due to the history and background of the education system in South Africa, the majority of small business operators are illiterate, and lack the necessary business skills. Information is power, and business operators require an education to understand the intricacies of business operations. Skinner in 2000 and Moilola in 2001 highlighted the fact that training for development is of considerable value to youth entrepreneurs, as well as for female informal entrepreneurs (Rogerson, 2008:71).

Educational institutions, including schools and universities, play a major role at various levels of business entrepreneurship (Mazwayi, 2009:60). Private business has a big role to play in terms of addressing SMMEs' inadequate harmonising relationships between small and large firms.

### 2.10.3 Business skills

Training in business skills is essential to prepare entrepreneurs for meeting daily challenges in the business. Entrepreneurs need to mastermind new technology, in order to compete effectively in the global market. A lack of education and business acumen hampers the development of business development skills, which are required with regard to products, supplier price negotiations, and payroll management (Van Vuuren & Groenewald, 2007: 270).

Kerimova (2008:3) states that education should be extended beyond skills training, and that it should prepare individuals for change. Education in small business should be introduced at grassroots level, meaning that it should be introduced at primary school level to facilitate the nurturing, and the grooming, of



young people in business entrepreneurial ventures. In contrast, this author recommends both business, and entrepreneurship, education.

According to Isaacs et al. (2007:614), there appears to be no positive correlation between education and business creation in South Africa. The researcher agrees that business education should be introduced at a primary level as a means of equipping learners with an understanding of the nature of business. In addition, entrepreneurship education should be aligned with the demands of the industry. Isaacs et al. (2007:613) established that the key to instituting a custom of entrepreneurship in South Africa is learning that is based, in its entirety, on all stakeholders concerned, inclusive of the Ministry of Education, learners, and teachers.

The significance of entrepreneurial education as the driving strength behind the success of the businesses cannot be ignored as management skills play a major role in entrepreneurial success (Damiani & Ricci, 2013:2). In South Africa, business education includes entrepreneurship education and guidance, which incorporates such supplementary themes as newness and risk-taking (Isaacs et al., 2007:615).

Kerimova (2008:10) states that the main focus of training in business should be on skills training, including technical and entrepreneur skills. Business skills training refers to formal training, which covers all aspects of predictable management. Technical skills training deals with the capability to apply knowledge, or the technique of a particular discipline, to attain positive results in a business. According to Richards (2006:41), education plays a major role in any country, in terms of it boosting its gross domestic product (GDP). The lack of higher education has been shown to result in a lack of networking, and an inability to access resources, which are vital to sustain small business. An inadequate education is exacerbated by geographic, cultural, or social inadequacies, by lack of access to free information through personal networking, and by the presence of relatively few resources.

The inability to complete forms for funding applications satisfactorily poses a challenge, and inhibits the development of SMMEs. Tlhomola (2010:xvii) states that the level of education of the entrepreneur significantly affects the growth of an enterprise, and it can enhance the ability of entrepreneurs to solve problems related to the business. Isaacs et al. (2007:617) elaborate on education in business, by stating that entrepreneurial skills are essential.

To enable the learner to survive, and thrive, in the world of business, researchers generally agree that added emphasis should be placed on entrepreneurship education and training, as opposed to business education. Business and entrepreneurship education should form part of the school curriculum, as it would be advantageous to empower children at grassroots level, and to enable them to reflect like business owners at an early stage, while they are still at school. Moreover, business skills, technical, and entrepreneurial training needs to form part of the curriculum, so as to empower young and upcoming entrepreneurs. Tlhomola (2010:xix) states that entrepreneurship training should be compulsory at all levels in universities. Entrepreneurs should be educated, and given the necessary training, as such education and training would help their business to succeed. With the high percentage of unemployment in South Africa, achieving growth requires entrepreneurs who are creative and innovative, and who can develop.

#### **2.10.4 Lack of infrastructure**

The Integrated Small Business Development Strategy in South Africa, 2004-2014 (South Africa. DTI, 2003:13) declares that, since 1994, significant restructuring of public assets and the private sector has occurred. The result has been an increase in the size and extent of private sector activities, with more prospects for innovative types of businesses, and a greater sense of cooperation between large and small businesses. The role of information and communications (ICT) technology has also burgeoned.

Sibiya, Jembere, Xulu and Adigun (2008:1) state that, for SMMEs to endure in global competition, they need to have the right gear, and mindset, that go beyond

traditional boundaries. The inability of SMMEs in South Africa to go beyond mere survival makes it difficult for them to deal with global competition. They are not competitive enough and are therefore left behind in terms of development and cannot respond adequately to business demands. SMMEs need to recognise the ICT infrastructures that are required. Owing to a lack of capacity to own ICT infrastructure, and due to widespread conservatism, there is a reluctance to adopt ICT infrastructure without surety of return on such investment. It is, therefore, of vital importance to secure an affordable solution, which will be easy to use, and which will bring about fast returns on investment, to this problem.

Bowen, Morara and Mureith (2009:16), Mboyane and Ladzani (2011:553) elaborate on the above shortcomings of the sector, and identify difficulties with the procurement of land, faulty telecommunications, inadequate water supplies, erratic electric supply, insufficient office space and structure, as persistent problems that are experienced by small businesses. These are among the factors that hamper small business growth, while several barriers restrain rural entrepreneurs from entering into mainstream, or global, supply chains and markets.

The geographic location of Khayelitsha makes it difficult for entrepreneurs to trade in goods, in terms of the logistics involved. The community is far from the Cape Town's CBD, (approximately 30km south-east and it is also 17 km south of the Bellville CBD. The poor state of the infrastructure adds to the operational costs of small businesses. In particular, the inadequate infrastructure results in isolated small businesses having to travel long distances, which is costly, to their potential markets. A lack of access to such resources as space for trading, materials to sell, storage, transport by means of which to reach suppliers, and minimal support mechanisms for trade, are major hindrances to the self-empowerment of isolated small business to travel (Ewing, 2005:28). Despite the fact that Khayelitsha is far from the CBD, the bulk of the infrastructure, in terms of transport, water, and electricity supply, portrays that there is capacity to support industrial expansion, which is a positive indication (Golden Future, 2011:15; Ngxiza, 2011:12).

Schaffers, Merz and Guzman (2009:4) state that the scantiness of an infrastructure for the delivery of a sound telecommunication system in rural communities acts as a barrier to communication. The problems that are associated

with these barriers worsen if the roads are poor, and if the telecommunication, and bandwidth, is limited, or expensive. In rural communities, there is a low level of penetration of basic telephone services. A lack of basic facilities for small businesses impedes the accessing of opportunities that e-commerce offers to such entrepreneurs. In South Africa, problems with the telecommunication industry are characterised by relatively high prices, and by the failure of competition. Within the telecommunication industry, Telkom has a monopoly in South Africa, so that it is able to charge relatively high prices, which makes it difficult for small businesses to conduct e-commerce. Rural entrepreneurs in most developing countries, including South Africa's "deep rural areas", such as Sekhukhune, experience the above-mentioned problems (Schaffers et al., 2009:6).

As there is insufficient infrastructure for business, some entrepreneurs operate from their home backyards, because they cannot afford to pay the lease rent for properties. These small businesses, which are generally isolated from economic, and social, opportunities, tend to have to rely on their suppliers who are situated a long distance away. With an adequate infrastructure, it would be easy to operate a business. At the moment, the South African (SA. DTI, 2003:10) infrastructure is neither trustworthy, nor up to requirements.

A crucial common factor for all who live in South Africa is the presence of a high level of crime, which is discussed next.

#### **2.10.5 Crime**

According to Ikejiaku (2009:452), the rate of crime in South Africa rose after the new Constitution was implemented in 1994. The previous dispensation limited parliamentary representation to coloureds and Asian people, with black people outside the homelands not having access to such representation. In the post-apartheid era, the prevailing levels of crime increased, coupled with instability and violence, especially during the period of political transition.

Crime is a costly burden in South Africa for both individuals and businesses. It affects the rich and the poor, but in different ways, and it has a seriously adverse impact on individuals and business. Theft of property is of particular concern for every household; however, business owners are anxious about other kinds of crime, which range from petty theft and shoplifting to hijacking. There is a link between crime, poverty, and inequality (Ikejiaku, 2009:455).

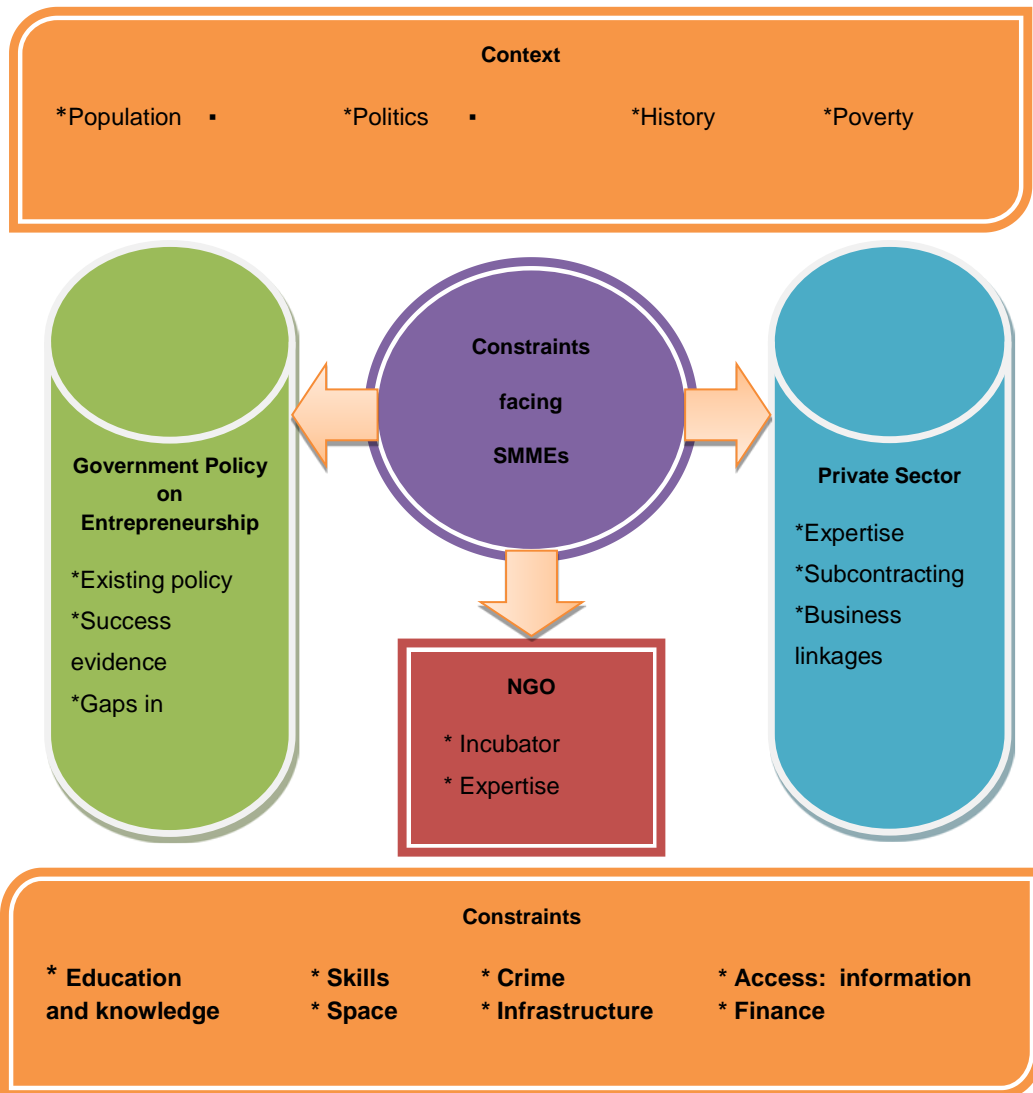
According to the Small Business Project (SBP, 2008:20), small business owners are concerned about crime, and also about its effects on their businesses, and on their personal safety. They are not optimistic that the problem will soon be solved. For instance, two-thirds of business owners do not anticipate any decrease in crime levels (SPB, 2008:5). Business owners are concerned about the instances of their property being taken unlawfully by thieves, and by the use of violence, or intimidation, against them. A firm relationship exists between development and crime, with it affecting both growth and economic development negatively. This poses a threat, as the businesses have to create an environment that is conducive to productive activity, so as to boost growth and economic development (Ikejiaku, 2009:455).

Businesses that are located in the area are constantly being targeted by criminals, causing them to lose many customers, which leads to a decline in sales. This also results in staff absenteeism, and in the need for additional temporary staff. It also leads to extra costs that detract from productivity, and from the cash flow of the business (SBP, 2008:5). Any informed discussion about crime in South Africa should recognise the current lively political debate about the relationship between public perceptions and reality. The South African Police Services (SAPS) and senior government officials tend to argue that fear of crime, and perceptions of crime levels, are exaggerated, and are not justified by the actual levels of crime, as captured by police statistics. The researcher disagrees with this opinion, since there are reports on the high level of crime in society, and in the business sector, and the police do not respond proactively to crime, while the statistics indicate that the rate of crime is escalating (SBP, 2008:6). More needs to be done, as crime, including alcohol abuse, is currently crippling the communities concerned.

Khayelitsha and Mitchell's Plain were affirmed presidential stations in the Western Cape throughout the late nineties of the previous century. The escalating levels of crime in these precincts was due to an extremely complex web of historical, social, economic, and environmental matters that could only be addressed by an enormous, fully incorporated effort that connected both the government (i.e. not only the SAP) and the community. This fact resulted in Khayelitsha being ranked second, fourth, and eighth as far as its contributions to national murder, attempted murder, and provoked robbery statistics were concerned. If Khayelitsha, Harare, and Lingeletu West were considered together as part of the old presidential stations, as far as the national murder, attempted murder, and aggravated robbery figures are concerned, they would be number one (CRSCI, 2012:1).

Khayelitsha, as a township, is not graded as high on the property-related crime scale; as such crime tends to occur in the suburbs, and in the CBD. In the province, it is ranked fourth in terms of social contact crime, and fourth in terms of robbery. In terms of trio crime (car hijacking, business robbery and house robbery) it is second, and in terms of property-related crime it is ranked fifty-eighth. The only station that beats Khayelitsha on the trio crime list, and on the robbery and social crime list, is Nyanga. In as far as violent crime is concerned Nyanga is a much more problematic station than is Khayelitsha (CRSCI, 2012:4). There has been no change in terms of crime over the past 12 to 13 years in Khayelitsha. In fact, it still remains a dominantly social contact crime.

In conclusion, Figure 2.3 below is a diagrammatic summary of this chapter highlighting all the challenges that are facing the SMME business in Khayelitsha. It goes as far as providing underlying factors that contribute to these constraints, it also show the stakeholders that play an important role in the success of these businesses, namely government, private sector and NGO's.



**Figure 2.3: Summary of the chapter**  
**Source: Researcher's own construct**

## 2.11 Summary

Entrepreneurs break the cycle of poverty, and create jobs in every country. It is, therefore, essential that the government should support, nurture and encourage small business entrepreneurs. As small business holds the key to job creation and to relieving the government of part of its responsibility in terms of job creation in the country, small business development should be supported. The government recognises that micro entrepreneurship plays a major role in the economy, as small businesses are catalysts to poverty alleviation; hence, there is a strong need for the government, and for the private sector, to encourage development in this area. Entrepreneurs should be empowered with education and knowledge, in order to understand business dynamics. Government policies should empower, and nurture, small businesses, not only to reach their potential, but also to help to alleviate the increase in unemployment and human misery, especially among the majority black population in the country.

It is imperative to have tools to address the issue of empowerment; the creation of such tools should be a priority, in terms of being able to address the challenges effectively. It is essential to invest more money in human capital, leading to growth and sustainability, and to more returns than in the past. Moreover, skills development could assist business and empowerment initiatives for women. Small business entrepreneurs should rethink their ways of operating, and they should develop new business models, so as to survive, and thrive, in the ever-changing, and dynamic, global economy. Furthermore, there is potential in these businesses, if only they are given the chance to compete fairly in the area. The lack of basic facilities for small businesses could impede opportunities that e-commerce offers such entrepreneurs. The young black entrepreneurs, particularly women, should be used effectively, and they should be empowered to be business owners, while enabling them to become job creators, instead of job seekers.

The fear of crime is escalating, as it influences ordinary people and businesses, due to the lack of safety and security. In order to address the high unemployment rates and poverty levels, the government should address, and eliminate, obstructions to the development of an entrepreneurial culture among the poor.



There is a strong need for the government to join with stakeholders to support small businesses, so that they can become sustainable entities.

The South African government has policies and strategies for developing SMMEs, hence the recognition, and the acceptance of the need to create, and to permit, an environment that removes impediments that stand in the way of SMMEs. The private sector, the government, NGOs, and all relevant stakeholders are taking part in the relevant initiatives. Even though the efforts are impressive, there is still more that needs to be done by all stakeholders to ensure the success of the efforts. More can be done, given that there are centres that can assist the small business entrepreneur. It is necessary for the offices to be located in previously disadvantaged areas, like Khayelitsha, where assistance is mostly crucially needed, rather than in the CBDs, where the centres are mostly based at present. The priority objective of tackling the issues of previously disadvantaged entrepreneurs in addressing the past imbalances, and in achieving efficiency and effectiveness, can only be realised by means of the empowerment of these previously disadvantaged group.

The next chapter focuses on the research design for this study.

## **CHAPTER THREE**

### **RESEARCH DESIGN**

#### **3.1 Introduction**

In this chapter the research methodology and tools are discussed, also explaining why specific methods and data collection techniques were adopted. The chapter briefly refers to the problem statement of this study and objectives that were identified and followed to identify the constraints facing SMMEs in Khayelitsha. The population of this study area is explained as well as the sample used.

#### **3.2 Background of the research exercise**

This Chapter provides a summary of the research design; and methodology techniques that were applied in the study. A mixed research methodology was used to be able to address the core of the problem. A pilot study was prepared as a pre-test for the main study. The data were collected during the first-phase pilot study, as well as during the second phase of the main study, through interviews and questionnaires.

The research design indicates the methodology followed, and the instruments utilised. It also refers to the performance of specific tasks, and to the data collection, or sampling, at hand. The research methodology covers the collection of the sample data, and how solutions are found to the research problem at hand. Another significance of the research methodology is to assist in achieving each objective set (Babbie & Mouton, 2001:73).

Research techniques involve processes that anticipate exploring the specified problem scientifically, and in a well-founded way, which is illustrated by Welman and Kruger (2001:253). Specifically, the scientific research request for details built

on collected evidences, and on in-depth reflection, rather than on rationality alone. A research methodology accepts those clarifications that can be confirmed by means of trial (Rajasekar, Philominathan & Chinnathambi, 2013:5).

A mixed research design was employed in this study to investigate the constraints facing SMMEs in Khayelitsha. The research design was carefully selected to meet the research aims, objectives, and research questions of the study, as explained in Sections 3.3, 3.4 and 3.5. The research applied mixed research methods, which consisted of qualitative and quantitative approaches. Quantitative research is based on the measurement of quantity, and the qualitative phenomenon is concerned with quality (Rajasekar et al., 2013:9). Qualitative research specifically focuses on the behaviour, or on the natural settings, of social actions (Babbie & Mouton, 2001:270).

The mixed method builds on both qualitative and quantitative approaches. The category of study that employs this approach uses analysis to establish individual perceptions of the study subject prior to following up on it with observed in-depth interviews. The reason for using the mixed methodology was that the two methods used complement each other, thus allowing for a more complete analysis of the research situation, which sought to establish both numbers of businesses and different constraints (quantitative method) as well as interpretative responses of the research participants (qualitative method). In addition, another intention was to develop an understanding from one method to another, and also to ratify the results from dissimilar data sources (Creswell & Clark, 2011:73). A mixed methodology assists in gaining in-depth development patterns, and also offers a more elegant approach to the research problem, together with generating a deeper understanding of the problem at hand than might otherwise have been possible (Maree, 2007:15).

A research design is defined as a strategy regarding how one intends to conduct research (Babbie & Mouton, 2001:55). Six types of qualitative research design are available according to Maree (2011:70) and two are used in this study in combination: conceptual and historical studies. Conceptual research refers to in-depth reference to the literature to establish SMME activities, especially in South Africa, and problems (constraints) facing this type of business organisation.

Historical data was required to set the basis for the study in Khayelitsha. The specific research design also depends on ‘... (T)he researcher’s assumptions, research skills and ....practices...and the way the data is collected’ (Maree, 2011:70). This strategy should assist the researcher to gain a better understanding of what is being investigated, and viewed from different positions. Bless, Higson-Smith and Kagee (2006:72) state that a significant goal of the research design approach is to be gained by testing the hypothesis, or the study aim in this particular research, in terms of the specified form. In order to achieve the aim set, there is a prerequisite of constructing a good research design that the researcher uses to answer the research questions, which relates to the focus, the unit, and the time dimension of the problem, which was to identify constraints to effective business organisations and operation of SMMEs in Khayelitsha.

### **3.3 Problem statement**

Small businesses in Khayelitsha have benefitted little from government initiatives and development in the area. Business entrepreneurs in the area lack adequate knowledge and capital to be able to operate, and to expand, their businesses. These problems are further exacerbated by insufficient information, and sometimes complete ignorance, of government development initiatives to promote small business entrepreneurial ventures. The small business owners ranged from informal business hawkers on the street, to formal businesses on their own premises, inclusive of both women and men, and of South Africans and non-South Africans.

Several businesses, in their current form, are not sustainable, due to a number of constraints, including lack of resources, funds, and adequate information, as well as management skills, to grow. Compounding the problems of insufficient information and inadequate resources is the high crime rate within the Khayelitsha community. Small businesses are plagued by robberies on a daily basis that are perpetrated by criminal elements, with little value for human life. This factor has also adversely affected business development in Khayelitsha.

### **3.4 Objectives**

The specific primary research objectives for the study, and which are addressed in this chapter, were:

1. To recognise the constraints facing small business entrepreneurs;
2. To determine the role that the government can play in effectively assisting, and promoting, SMMEs;
3. To examine the impact of skills shortages on entrepreneurship in Khayelitsha;
4. To identify empowerment tools that could assist black women in being successful in business, and in being sustainable; and
5. To recommend the adoption of a workable approach towards improving and addressing the constraints facing SMMEs.

### **3.5 Research questions**

The formulation of the above-mentioned objectives led to the development of the following broad research questions:

1. What are the constraints facing SMMEs in Khayelitsha?
2. What are the existing government initiatives that are being undertaken to support SMMEs in Khayelitsha?
3. What specific skills are critical to making Khayelitsha's entrepreneurs competitive within the global context?
4. How can black women be empowered, and become sustainable, in their own businesses?
5. What must be included in the development programme proposals for entrepreneurs?

The research questions were structured to establish the major challenges that are experienced in business in Khayelitsha. Likert scale questions were posed to the respondents as a means of obtaining their opinions, which were indicated in

bipolar adjective pairs (using a 5-point rating scale). Interviews were conducted to obtain more information, post the survey questionnaire exercise

### **3.6 Research data collection techniques**

This section outlines the research techniques employed to collect data for the study.

#### **3.6.1 Data collection**

The primary data collection techniques utilised in this study were questionnaires and interviews. A purposive sample was drawn from a population of small businesses owners, who were formal and informal, and small business entrepreneurs in Khayelitsha. Maree (2011:178) defines purposive sampling as the technique to use when a specific purpose has been identified within a specific situation; to establish the constraints faced by SMMEs businesses in Khayelitsha. According to Bless et al. (2006:111), the data collected during a study comprise the measurements collected as an outcome of scientific reflection. Data can be categorised according to the way in which they are collected.

The techniques used in the data collection are described in the following subsections.

#### **3.6.2 Pilot study**

A pilot study was conducted on seven SMMEs that were conveniently selected. Five of the entrepreneurs were interviewed using a structured schedule (Annexure B); the other two participated in in-depth interviews using the questionnaire (Annexure A). A pilot study is regarded as an essential step in survey research (Singh, 2007:72). The questions were examined for bias, sequence, clarity, and face validity, as it was important to see how they appeared to the participants

(Bless et al., 2006:160). All research instruments developed were tested in order to ensure suitability under the actual field conditions.

A pilot study consists of examining a certain schedule, in terms of the small representative sample that is taken from the population for whom a programme is planned (Bless et al., 2006:60). This allows the researcher to identify possible problems with the interview schedule and questionnaire, as well as assisting with addressing of any possible ambiguities, and with any other sources of bias or error.

### 3.6.3 Survey questionnaires

The survey questionnaires consisted of 26 main questions, many with sub questions, with the study initially being targeted at obtaining n=50 completed survey questionnaires, and managing to secure n=39 fully completed survey questionnaires. Copies of the survey questionnaire were distributed among the SMMEs that conveniently participated in the study. The study utilised questionnaires as instruments that were purposely designed to extract information that would be useful for analysis, especially from those participants who were not eager to be interviewed. Babbie and Mouton (2001:244) denote surveys as being a well-established tool that is used for descriptive, explanatory, and exploratory purposes. The survey is a good vehicle for assessing the attitude, and the orientation, of a large population, according to Babbie and Mouton (2001:280), who state that survey questionnaires are particularly effective in narrating the distinctiveness of a vast population. Survey questionnaires were utilised in the study to obtain invaluable data from the key stakeholders. The well-designed questionnaire acquires mainly absolute, and exact, information pertaining to the literature review that was undertaken in this study.

The questionnaire was designed in such a manner that the respondents could easily understand the questions, and the language used. The questionnaire was designed to obtain the following information:

- Demographic data about respondents (questions 1-4 on Annexure A)

- Information about the operations of the respondent's businesses (question 5-9 and 25 and 26 on Annexure A).
- Specific responses to constraints which the researcher had identified from the literature study, and verified during the pilot survey stage (question 10-15 on Annexure A).
- Respondent's views on specific constraint criteria using a Likert scale test (question 16-24 on Annexure A). The Likert-scale used provided six alternatives for respondents allowing for a fine distinction of motivation

Researchers can, relatively easily, administer questionnaires to a sample of a population, so as to learn about distinctive behaviour, ideology, characteristics, and beliefs. In using a questionnaire, the researcher can obtain accurate and reliable information from the participants concerned (Marshall & Rossman, 2006:125). The types of questions asked were predominantly closed-ended questions, which, according to Maree (2007:161), give a set of answers in the case of a closed questionnaire, from which the respondents have to choose. A closed questionnaire offers a set of reactions from which the respondents are required to select one, or occasionally more than one, response. In this research, the researcher used different forms of closed questions, including biographical lists, rankings, and a Likert scale, in order to quantify how the respondents feel or contemplate about the issues at stake.

The data that are collected in response to a closed questionnaire tends to be easier to analyse than is the data that are obtained in response to open questions. The questionnaire that was used in this study consisted of 26 main questions with sub questions, was self-administered, and given face-to-face to the respondents.

The questionnaire distribution and collection was managed by the researcher herself and two students to the respondents concerned, with the researcher asking questions, and writing down the answers where respondents had difficulties in interpreting the questions.

In some cases interviewee's preferred to complete the questionnaire themselves, so that the interviewer had to wait for them to do so. Where the respondent was



unable to complete the questionnaire timeously, the researcher was requested to come back to collect the completed questionnaire on the following day. Such an occurrence was due to different reasons, as some of the respondents were busy when that researcher called, so that they could not attend to the questionnaire at that precise time.

The carefully structured questionnaire that was used in the study was aimed at obtaining the required data that could be analysed at a later stage. Such variables as gender, age, education level, and years of experience were considered in the questionnaire (Marshall & Rossman, 2006:126).

#### **3.6.4 Interviews**

In terms of the interview schedule 21 questions were asked of 18 respondents, consisting of seven formal business organisations and eleven informal businesses. The researcher conducted personal interviews during the first phase of the pilot study, and again during the second phase of the main study, to establish the constraints facing entrepreneurs in Khayelitsha. Interviews with seven entrepreneurs in Khayelitsha were conducted during the pilot study-phase to test whether the questions identified for both questionnaires and the interview schedule were logical, understandable and answerable, so as to eliminate any ambiguity and avoid any “I do not understand/ know” responses.

The advantages of conducting personal interviews were that doing so allowed for clarity to be gained by the interviewer in follow-up questions where the interviewees' responses may be difficult to understand, and the interviews were able to be confined within the parameters of the schedule. Interviewing allowed for the rephrasing and elimination of ‘don't know’ responses, which expedited the successful completion of the study (Singh, 2007:70). An interview is a two-way discussion, in which the researcher is able to question the participant, so as to be able to gather data, and to learn of the opinions, ideologies, notions, and behaviour of the respondent concerned (Maree, 2007:86). The researcher was at pains not to influence the thoughts of the respondents for any specific response.

Babbie and Mouton (2001:264) state that the interview is an alternative method of collecting data. Interviews tend to take the form of face-to-face encounters, or telephone interviewing. The aim of the interview was to obtain rich descriptive facts that would help in apprehending the respondents' interpretation and community authenticity. The collection of data followed on the conducting of in-depth surveys that enabled the obtaining of insightful evidence from a relatively small number of participants, by means of interviews that were undertaken with the entrepreneurs involved.

Bless et al. (2006:118) note that a semi-structured interview is a very supportive investigative research tool by means of which to do a pilot survey, prior to the development of the final questionnaire. Maree (2007:86) states that the semi-structured examination is commonly used in research projects to support the data emerging from other data sources. The advantage of using semi-structured interviews in the present instance was that it enabled the interviewer to be more precise and to the point in addressing the questions to be answered and they allowed for flexibility in terms of the order of questions asked. A semi-structured interview is a discretionary-making provision that enables the investigating of the subject matter, in line with the respondents' feedback.

The number of questions on the interview schedule was 21. The advantage of the interview was that it allowed the respondents to express themselves freely. Accordingly, the interviewees were given an opportunity to expand on the issues that were covered by the research inquiry (Denscombe, 2007:176). A semi-structured interview, while tending to restrict certain kinds of communication, also allows for the manipulation of freedom, and it is relatively easy to organise the discussion of certain topics (Singh, 2007:69). Exploratory interviews are highly valid, as they tend to allow researchers to discuss issues that arise with the respondents in greater depth than might otherwise be possible. Alternatively, they allow an opportunity for writing the answers down, which can be done in a meticulous manner. However, doing so can be time-consuming, and might become distracting (Maree, 2007:89). The researcher made recordings of the interviews, during the pilot and second phases of the study, and compiled a transcript of the discussions for record purposes. Before the interview, the respondents were informed about the recording that was to be made during the interview and their consent to recording the interview was obtained.

The surveys were conducted in sequence; questionnaires were distributed and collected; where-after the researcher used the interview schedule to conduct interviews. Because the two instruments had been compiled and pre-tested, there was no overlapping in obtaining data, and the two instruments had no influence on each other.

### **3.7 Research population and sampling**

In the context of this research, the population were all the owners of SMME businesses in Khayelitsha, who were marked by specific characteristics. The research population comprised all businesses operating in the community in question, formal and informal small businesses in Khayelitsha.

Because of the unknown population size, the target sample size for this study was set at  $n=50$ , and ultimately the sample consisted of  $n=39$  business owners, as  $n=11$  of the identified participants were unwilling to take part in the research. The sample size was decided in consultation with original supervisors, and was determined by, but not limited to, a number of factors including time and financial constraints, the accurate data collection technique, the unknown population size and the correlation nature of the research. Maree (2011:179) suggests that 30 participants should be the minimum obtained for this type of research.

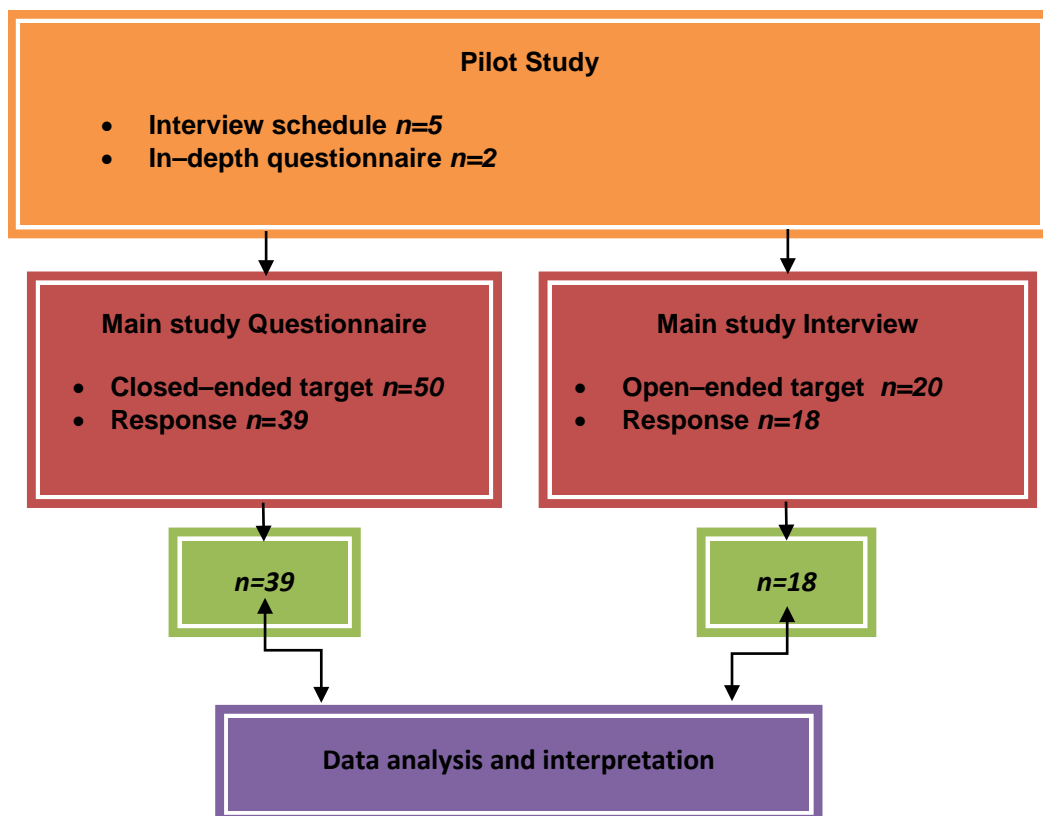
Purposive sampling, a kind of non-probability sampling, was utilised in the current study, which meant that those who participated in the study were selected in terms of a specific defining characteristic, including the smallness of the number involved. The aim of using purposive sampling in this study was that the SMMEs were key informants, as they had some knowledge, and experience, in terms of what the researcher sought to achieve. The reason for using purposive sampling is that it is a very useful method, especially when using a small sample. Fox and Bayat (2007:61) established that, when sampling, the researcher relies on the knowledge, and the originality, of the subject matter, and on previous research practices and achievements, to intentionally attain a satisfactory response to an enquiry regarding the units of analysis concerned.

The rationale for using this method was due to the absence of a relevant database, and due to the lack of information on Khayelitsha. The informal traders operated mostly at taxi ranks, at stations, on street corners, in backyards,

alongside malls, and on busy main roads. In terms of the number of formal businesses, after consultation with the Khayelitsha Business Forum regarding a database for the SMMEs, which they did not provide, the size of the population remained uncertain. Despite the above, a local business entrepreneur, who organises business networks in Khayelitsha, provided a list of businesses that he had on his database.

According to Fox and Bayat (2007:31), a research problem is seen as relating to a particular population, with a population comprising all the components for analysis, keeping the conclusion of the research in mind. Bless et al. (2006:54) indicate that sampling is a process by which elements are drawn from a population for a particular study. Bless et al. (2006:97) also define a sampling philosophy as the scientific foundation of everyday practice. The sample for the current study included both formal and informal small businesses in Khayelitsha.

Figure 3.1 Illustrates how the data collection was done from the pilot study to the main study



**Figure 3.1 Data collection strategy used in the study**

**Source: Researcher's own construct**

The Figure 3.1 provides a flow chart of how the data collection was done in this study from the pilot study to the main study. During the pilot study five interviews were done and two in-depth questionnaires. In terms of the main study the anticipated target for the questionnaire study was 50 and the responses were 39. The main study for the interviews and target responses was 20 and the responses were 18.

### **3.8 Data analysis**

During the data collection the researcher recorded the responses that were received from the participants, with the responses further being transcribed qualitatively. After the quantitative data were gathered from the questionnaires and captured on the computer, the descriptive data statistics (qualitative data) were summarised, and these provided a first-level description of the study findings. The data, which were numerical, were analysed by means of statistical analysis. The qualitative data were explored using a technique providing theme identification of the details concerned, and the Statistical Package for the Social Sciences (SPSS), Version 20, programme. For the quantitative data, the study employed descriptive statistics to describe the information obtained (Bless et al., 2006:163).

The qualitative data were coded and transcribed for further analysis. The text subdivisions were then coded by assigning relevant classifications, followed by grouping similar codes and themes together (Maree, 2007:259). Frequently, the qualitative and quantitative methods of data analysis complement each other, in terms of data analysis progression. The data inquiry was conducted in such a way that the researcher could distinguish coherent patterns within the data. The method used also enabled the researcher to simplify the findings into themes that were made in relation to the sample utilised in the research to the larger community to which the research was of concern (Bless et al., 2006:163).

According to the South African SMME definition a formal business is said to earn in excess of R150 000.00 per annum, whereas an informal business will earn less than this amount (NCR, 2011:25)

### **3.9 Ethical issues**

The researcher obtained permission from the Khayelitsha Business Forum (Appendix D) to carry out the research. The questionnaire was accompanied by a covering letter (Appendix C) that explained the aim of the study, and which also highlighted its importance, stressing that the data would be used for the benefit of the small business entrepreneurs in Khayelitsha. The respondents were advised prior to participating in the study about the nature of the study, and that their involvement in it was voluntary. They were also informed during the introduction that they could withdraw from the research at any time. The participants were guaranteed confidentiality and anonymity.

### **3.10 Summary**

This Chapter presented the research design and the methodology applied to this study. The research methodology used contributed to the means of obtaining data for the research. The instruments that were used in the data collection were carefully selected to achieve the research aims of the study and objectives. The success of fieldwork implementation has been built on ethical considerations.

The next chapter presents and analyses the data that were collected from the various participants in the study.

## **CHAPTER FOUR**

### **DATA PRESENTATION, INTERPRETATION AND DISCUSSION**

#### **4.1 Introduction**

The previous Chapter gave an overview of the research methodology and data collection techniques; using the survey questionnaires, the data were collected and coded, using SPSS 20 descriptive analysis, and cross-tabulations were performed on the data. The interviews provided the content which was analysed coded, and grouped into themes. Surveys and interviews were used as an instrument for obtaining the data.

The mixed methodology and data collection techniques led to the results of the interviews, and of the survey questionnaires, and are presented in this chapter. The facts that will be analysed in detail in this study relate to the challenges facing SMMEs in Khayelitsha. The objective of the data collection and analysis was to provide rational findings, and detailed feedback so as to address the research questions.

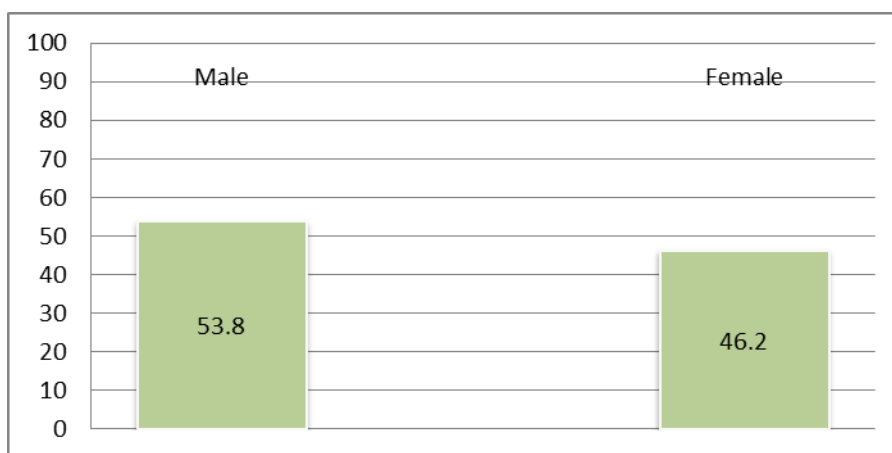
The survey questionnaires consisted of 20 questions that were distributed to 50 small business owners. Thirty-nine (78%) of the 50 respondents answered the questionnaires, while some respondents were reluctant to respond, indicating that they, possibly, did not have enough time to do so, while others were not interested in participating in the survey. In terms of the interviews, the target was 20 respondents and 18 (80%) responses were obtained.

#### **4.2 Analysing survey questionnaires coded using SPSS**

The survey questionnaire consisted of Sections A and B, with the analysed data being presented in themes, according to the objective of the study, with the themes being as follow:

- Theme 1: Demographics of participants
- Theme 2: Business details
- Theme 3: Government initiatives
- Theme 4: Private sector support
- Theme 5: Employment creation
- Theme 6: Barriers for SMMEs
- Theme 7: Technology
- Theme 8: Business opportunities
- Theme 9: Barriers
- Theme 10: Black women empowerment
- Theme 11: Addressing poverty
- Theme 12: Barriers to success
- Theme 13: Business opportunities

#### 4.2.1 THEME 1: PROFILE OF PARTICIPANTS



**Graph 4.1: Gender composition (n=39)**

Graph 4.1 represents the gender profile of the sample concerned, which comprised of 53.8% men and 46.2% women. It is clear from the statistical findings that the males dominated the sample. The findings presented in Graph 4.1 contradict the findings of Chiloane-Tsoka (2013:347), who is of the opinion that, in

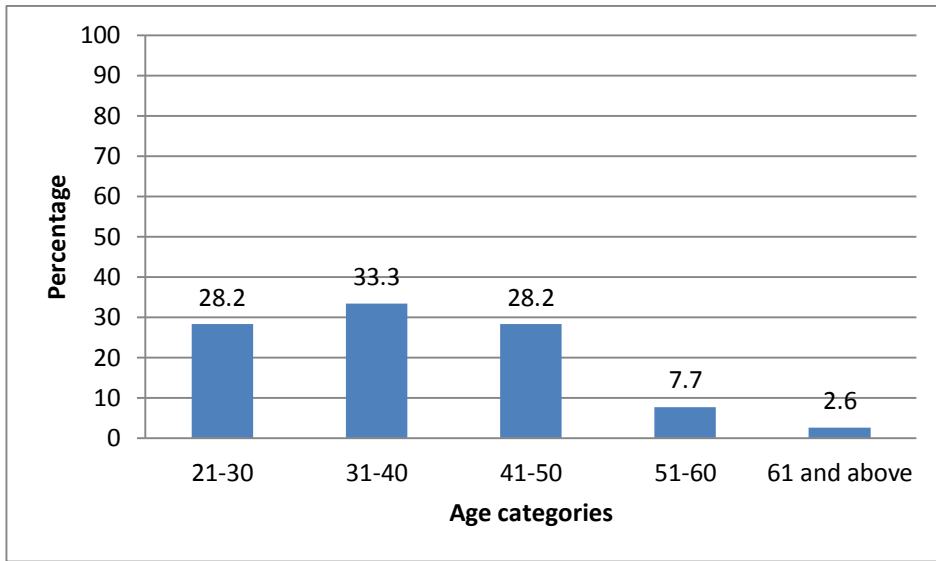


a Uganda-based study, more women participated in the business sector, accounting for 90% of the total, as compared to the 10% of men. As women comprised a broader portion of the population at the time of the study, it is important that their participation in the business sector should be fully represented.

**Table 4.1: Cross-tabulation between gender and education (n=38)**

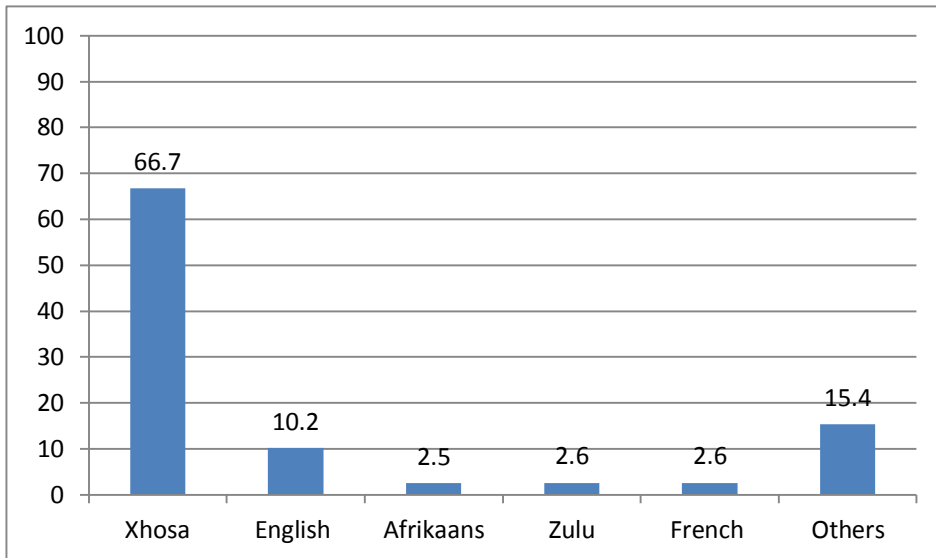
Gender	Education Background						Total
	No formal education	Grade1 - Grade11	Matric/Grade 12 completed	Undergraduate degree	Postgraduate degree	Degree in Economics	
Male	1	6	4	7	1	1	20
Female	1	11	1	4	1	0	18
Missing	1						38
<b>Total</b>	2	17	5	11	2	1	39

As part of the in-depth exploration of the gender and education profile, the distribution of men and women was examined by means of cross-tabulation on the variables. Table 4.1 indicates that, in terms of education qualifications, only one woman had completed matric in comparison with four men, seven men had undergraduate degrees, compared to four women; and two men had a postgraduate degree, compared to one woman. This suggests that the majority of the women who took part in the study had no matric, and that there was a high illiteracy level among the women, as compared with the men. The findings agree with those of Peters, Van Gensen, Issacs, Botha and Naicker (2014:1136), who affirm that, in comparison with female entrepreneurs, male entrepreneurs are more educated, and also tend to have business and managerial skills. This is, therefore, a concern, as the gender distribution implies that most female business owners have relatively low education levels. Qualifications play a role in business, as the better the qualifications that a person has, the more likely it is that they could be successful. Therefore there is, possibly, a strong correlation between education and business success.



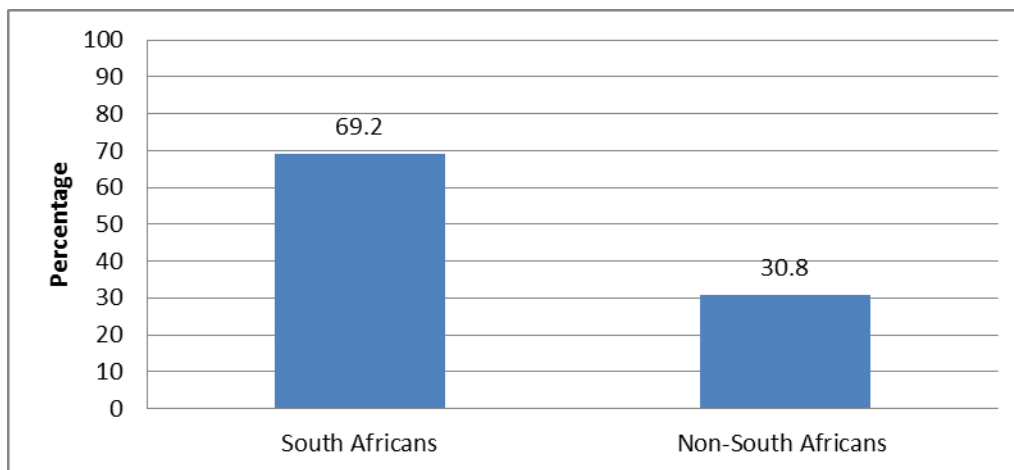
**Graph 4.2: Age group**

The data shown in Graph 4.2 represents the age groups of the survey participants, with, for example the 21 to 40 year olds representing 61.5% of the total, and those between the ages of 41 and 60 constituting 35.9% of the total and those between the ages of 61 and above constitute 2.6% . The reason for collecting the data was to determine the age range of the participants, so as to establish which age group was most active in business. The data suggest that those who were between the ages of 31 and 40 were the most active. The findings agree with those in a study by Sha (n.d.:90), who found that the most favourable age to be an entrepreneur was between 23 and 59 years old. This study found that those who were active in the entrepreneurial field after the age of 40 represented only 38.5% of those who were active in business.



**Graph 4.3: Home language (n=39)**

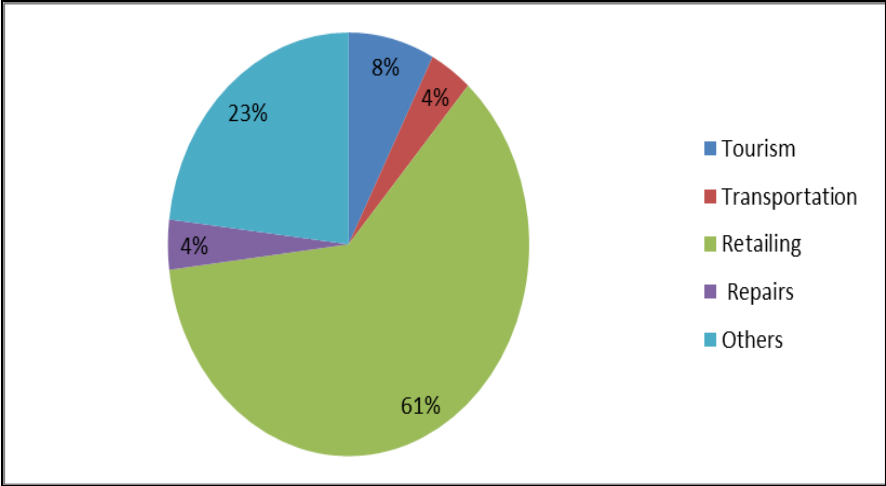
The data shown in Graph 4.3 indicates that isiXhosa is the dominant language in Khayelitsha, as it was spoken by 66.7% of the respondents, with those who were English-speaking being 10.2%, Afrikaans-speaking 2.5%, isiZulu-speaking 2.6%, French-speaking 2.6%, and other African language-speaking 15.4% of the participants. CoCT report reveal that demographic profile for Khayelitsha represent 98.6% Black African, Coloured 0,6% , Asian 0.1% , White 0.1% and Other 0.6% (CoCT, 2013:3).



**Graph 4.4: Nationality (n=39)**

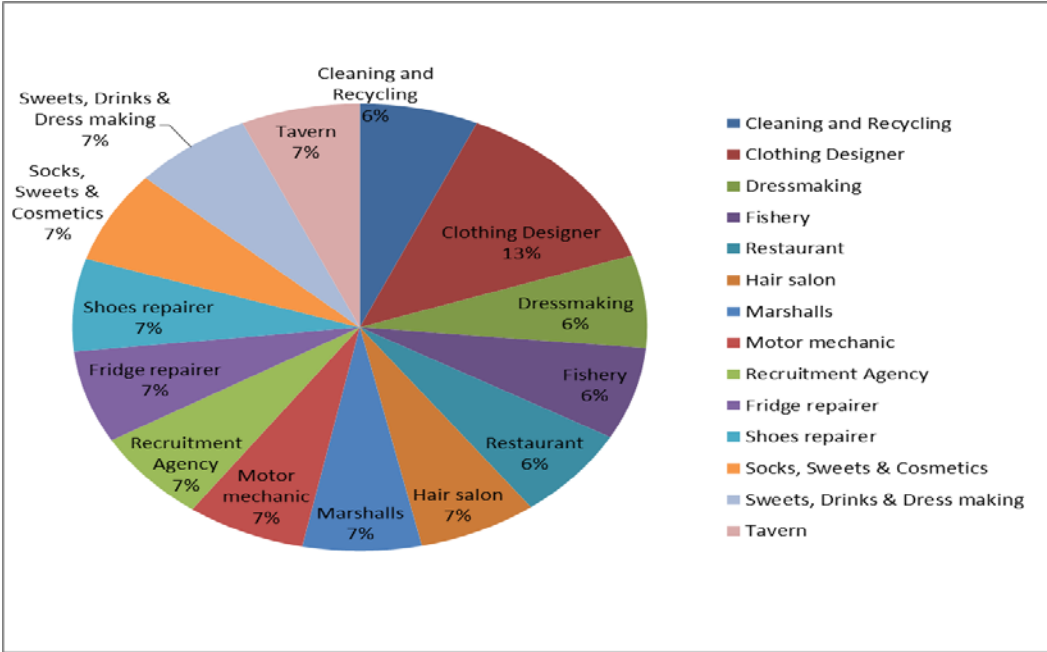
The data shown in Graph 4.4 illustrates the nationality of the participants concerned, with South Africans representing 69.2%, and non-South Africans 30.8%, of the total. Despite the higher percentage of other inhabitants, Khayelitsha

appears free of intercultural action including xenophobia, possibly because it is an established community with few squatters.



**Graph 4.5: Sectors of operation**

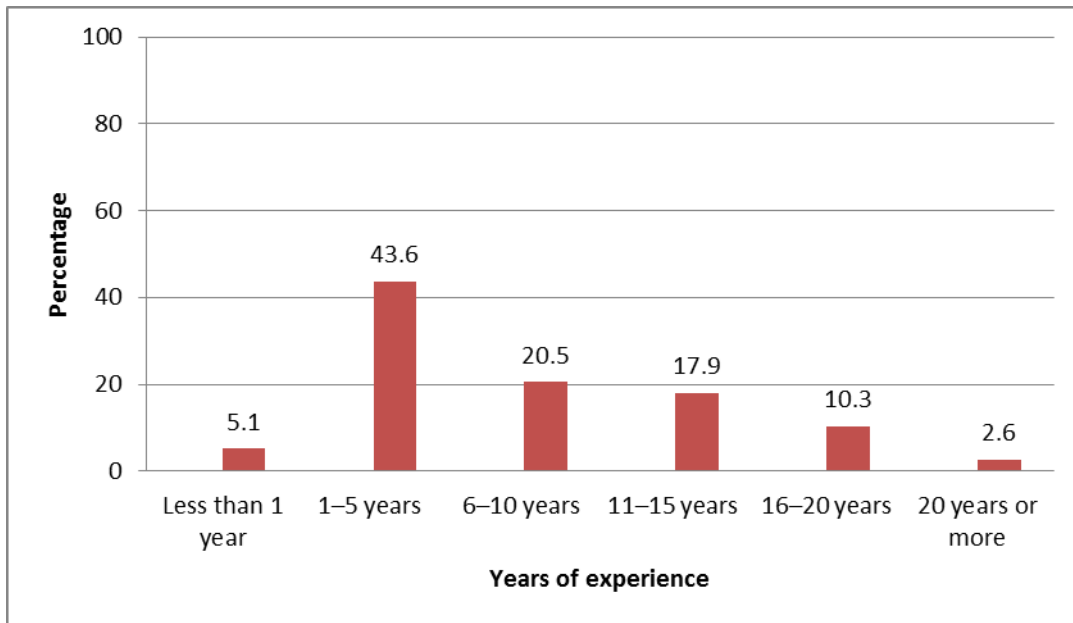
The data shown in Graph 4.5 illustrates the different business sectors in which the participants were involved, with 8% being in tourism, 4% in transport, 61% in the retail industry, 4% in repairs, and 23% in other businesses, including restaurants, repairs, and taverns. The findings reveal that the largest economic sector was the retail industry, which dominated the operations



**Graph 4.6: Categories of the operations sectors**

The data shown in Graph 4.6 indicate the other categories of businesses in this sample.

#### 4.2.2 THEME 2: BUSINESS PROFILE

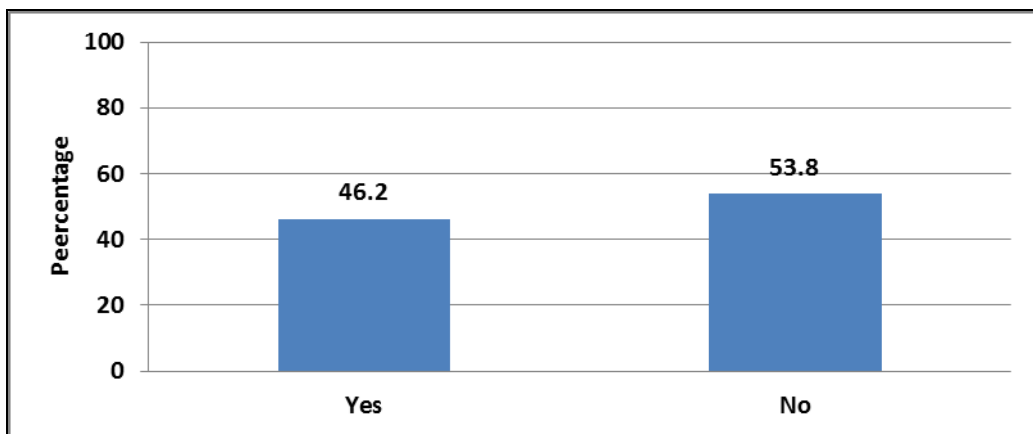


**Graph 4.7: Experience in operating a business**

The data shown in Graph 4.7 shows the experience possessed by the participants in operating a business, with 5.1% having less than one year's experience; 43.6% having between 1 and 5 years' experience, and 20.5% having between 6 and 10 years' experience. The respondents with 11 to 15 years' experience represented 17.9% of the total, and those from 16 to 20 years represented 10.3% and 20 years and more experience made up 10.3%, of more than 20 years' experience represented by 2.6%. A combined 69.2% had business experience of under 10 years, whereas 30.8% had over 10 years of such experience. In spite of the participants having had to face numerous challenges, they had survived, with some having managed to endure for five years, and others been in business for more than ten years.

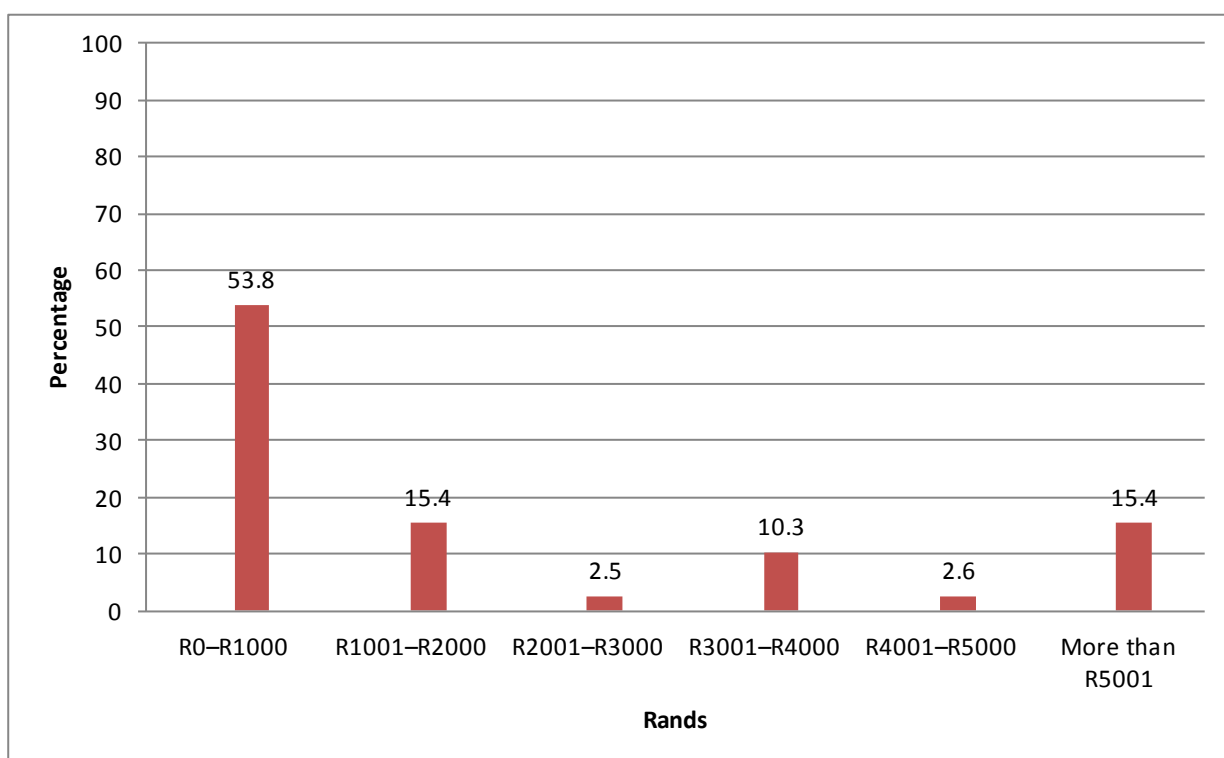
The data shown in Graph 4.7 reveals that approximately 52% of business in Khayelitsha have been operating for more than five years, with another 48% existing for between one and five years. It would suggest that SMMEs are a viable form of business operations in this township. The findings differ from those of Dunn and Liang (2011:94), who state that, due to a lack of management skills and start-up capital, many businesses tend to fail during the first year of operation.

Peters and Naicker (2013:15) suggest that, although some businesses have continued for a long time, their level of growth tends to remain constant, whereas others decline. Despite some of the respondents having said that they had been in business for a long time, there is no indication of change in the Khayelitsha study, as the level of growth appears to have been constant.



**Graph 4.8: Business registration**

The data shown in Graph 4.8 illustrates that 46.2% of the respondents were registered with CIPRO, while 53.8% were not. This implies that the small businesses in the study tended to fall within the informal economy. The findings of Gwija, Eke and Iwu (2014:15) highlight that, due to bureaucracy, aspects of legality of the registration processes take too long, and that other barriers, like costs, might lead to the businesses not registering. Peters and Naicker (2013:16) feel that compliance is another issue that is faced by businesses in South Africa, resulting in most of the businesses not being registered.

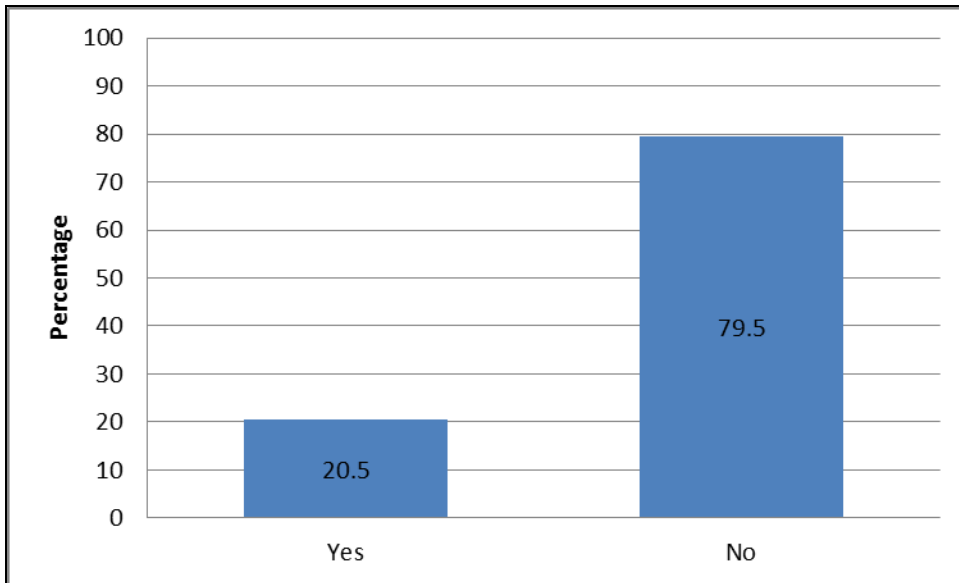


**Graph 4.9: Business turnover per week**

The data shown in Graph 4.9 illustrates that 82% of the SMMEs accumulated a combined turnover between R0 and R4000 per week, while 18.0% made more than R5 000 per week. The vast majority (97.5%) indicated that they made between R12 000 and R52 000 per annum. According to the South African classification of enterprises, they can be classified as micro enterprises as their turnover was under R150 000 per year (NCR, 2011:25).

The data suggest that the kinds of businesses that are micro businesses range from hawkers and spaza shops, to minibus taxis, and that they fall under the informal sector, given the South African categorisation of SMMEs. It is, therefore, essential that development and empowerment take place, so that they are able to move from being micro to being very small enterprises, which is the next level, according to the hierarchy of categories of SMMEs. The NCR (2011:25) notes that the turnover for micro enterprises is less than value-added tax (VAT) registration limits of R150 000, and that such businesses lack formality, and employ no more than five people each.

### 4.2.3 THEME 3: GOVERNMENT INITIATIVES



**Graph 4.10: Government initiatives**

The data shown Graph 4.10 reflects that 20.5% of the respondents agreed that they had received assistance, while 79.5% had not. This implies that the majority of the respondents received no support from the government. The findings coincide with those of Chimucheka (2013:788), who found that most SMME owners indicate that there is insufficient support from the government.



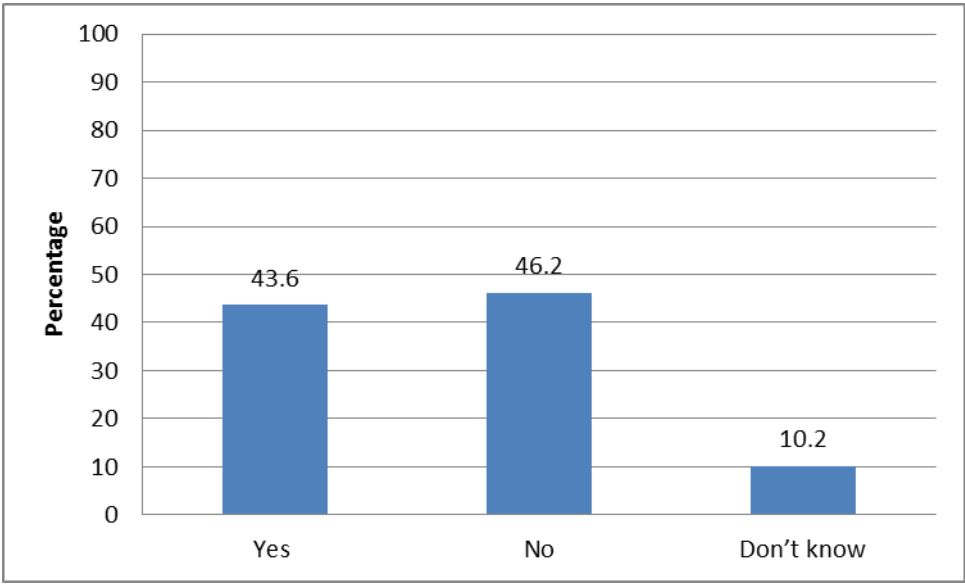
**Table 4.2: Frequency tabulation of government strategies to assist SMMEs**

<b>SMALL ENTERPRISE DEVELOPMENT AGENCY (SEDA)</b>		Frequency	Percentage
Valid	Yes	15	38.5
	No	15	38.5
	Don't know	5	12.8
	Total	35	89.7
Missing	System	4	10.3
Total		39	100
<b>INDUSTRIAL DEVELOPMENT CORPORATION (IDC)</b>		Frequency	Percentage
Valid	Yes	10	25.6
	No	21	53.8
	Don't know	4	10.3
	Total	35	89.7
Missing	System	4	10.3
Total		39	100
<b>NATIONAL YOUTH DEVELOPMENT AGENCY (NYDA)</b>		Frequency	Percentage
Valid	Yes	15	38.5
	No	18	46.2
	Don't know	2	5.1
	Total	35	89.7
Missing	System	4	10.3
Total		39	100
<b>REDDOOR</b>		Frequency	Percentage
Valid	Yes	13	33.3
	No	19	48.7
	Don't know	4	10.3
	Total	36	92.3
Missing	System	3	7.7
Total		39	100
<b>IKAPA FUND</b>		Frequency	Percentage
Valid	Yes	7	17.9
	No	24	61.5
	Don't know	4	10.3
	Total	35	89.7
Missing	System	4	10.3
Total		39	100

**Source: Researcher's own construct.**

Table 4.2 suggests that, even though initiatives are in place, under 50% of the respondents knew about each of the strategies adopted by funding programmes. Even though initiatives are undertaken by the government to financially assist small businesses, the help provided in this way is insignificant, with the recipients who are supposed to receive support not benefiting from such funding programmes.

The number of initiatives that have been put in place by the government to support the SMMEs, do not reach the grassroots level, where they are most needed. The funding programmes are available, but it is clear that there is lack of awareness, and marketing, of such initiatives. The NCR (2011:11) and Phillips, Moss and Nieman (2014:87) support the view that, even though initiatives are undertaken by the DTI in assisting SMMEs, the awareness of funding is very low, with the funds concerned being regarded as unreachable.

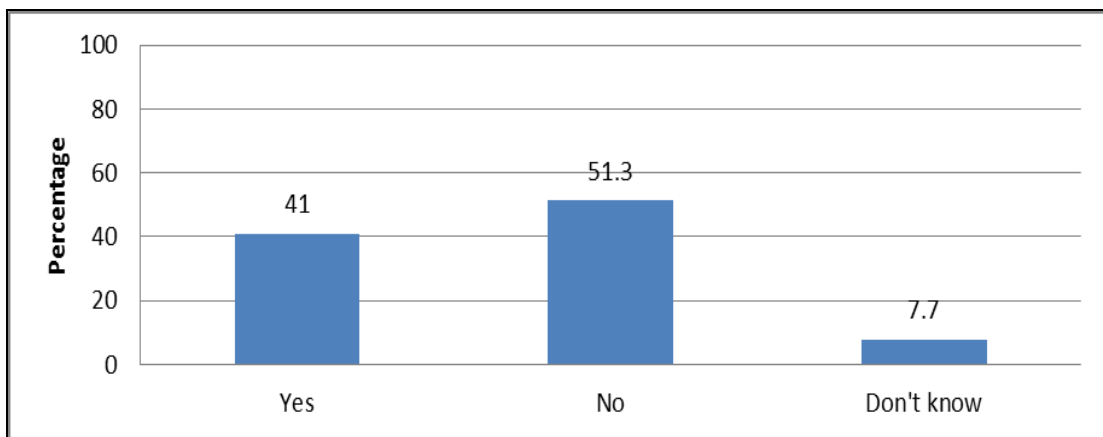


**Graph 4.11: Provincial help desk**

Graph 4.11 indicates that 43.6% of the respondents were aware of the provincial support that might be granted to them, but 46.2% were not aware of it, and 10.2% were unsure about it. This denotes that there is little affiliation between the Provincial Government and small business owners. The findings are in line with DTI data (SA. DTI, 2003:48), which highlights that some provincial governments have abandoned their support for small business, in favour of large business promotion. As a result, the national government is urging all Provincial

Government authorities to ensure that they have appropriate focal points for small businesses.

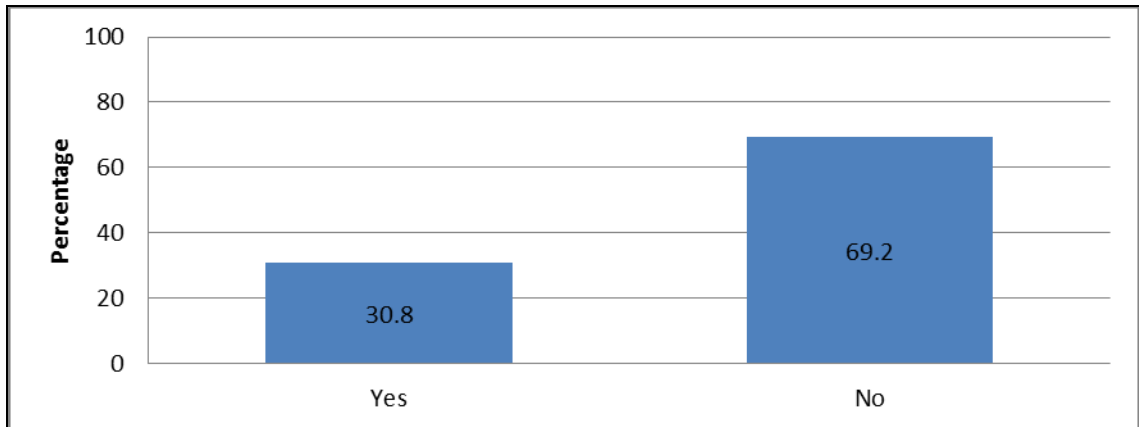
This is evidence that there is lack of support of small businesses in terms of government initiatives at the provincial level; as such businesses have been almost abandoned by the provincial authorities. However are also initiatives by the Western Cape Economic Development and Tourism Department, whose primary task is to develop the micro-economic development strategy, and to inform the SMMEs of other provincial strategies, as well as to intervene to achieve Ikapa elihlumayo goals.



**Graph 4.12: Knowledge of the CoCT programmes**

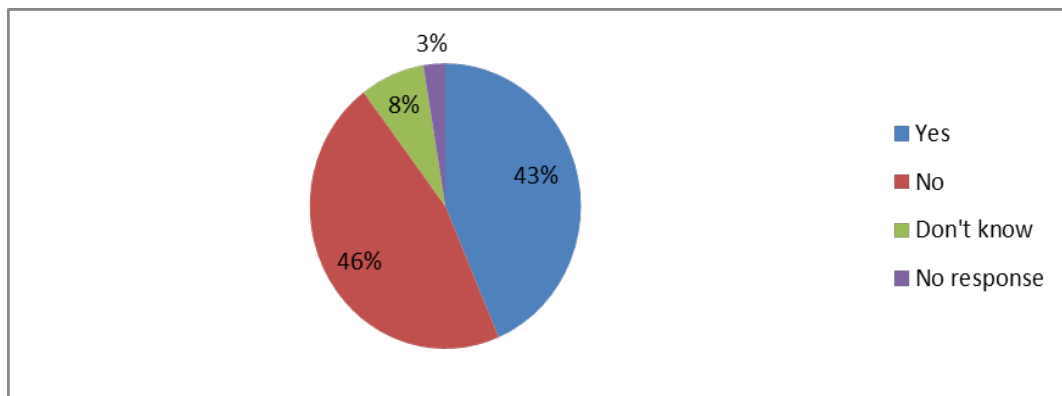
Graph 4.12 illustrates that 41% of the respondents were aware of CoCT's assistance, with 51.3% not being aware of it, and 7.7% being unsure about it. There is evidence that the CoCT is not accessible enough to the businesses concerned. The findings coincide with those of Peters and Naicker (2013:13), who agree that LED, through the municipal government is limited and therefore that those who require such services do not receive the support that they need.

#### 4.2.4 THEME 4: PRIVATE SECTOR SUPPORT



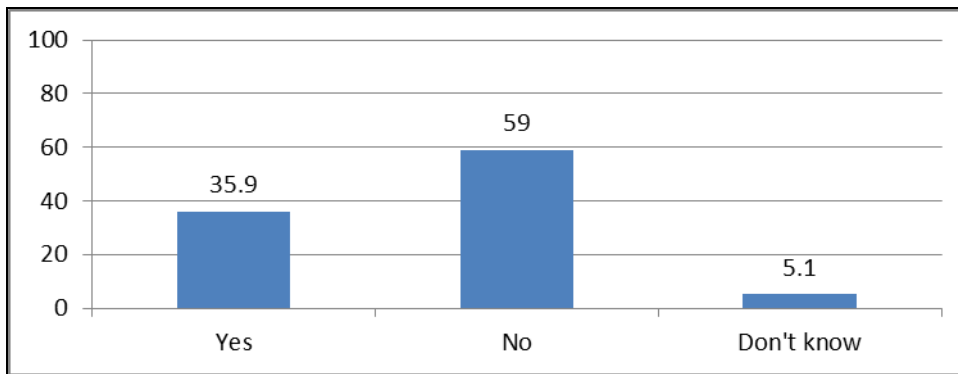
**Graph 4.13: Business listed in database**

The data shown in Graph 4.13 reflects that 30.8% of the business owners agreed that they were listed on a database, while 69.2% indicated that they were not. This testifies that the SMMEs were losing out on opportunities, as over 70.0% indicated that they were not on any private sector database.



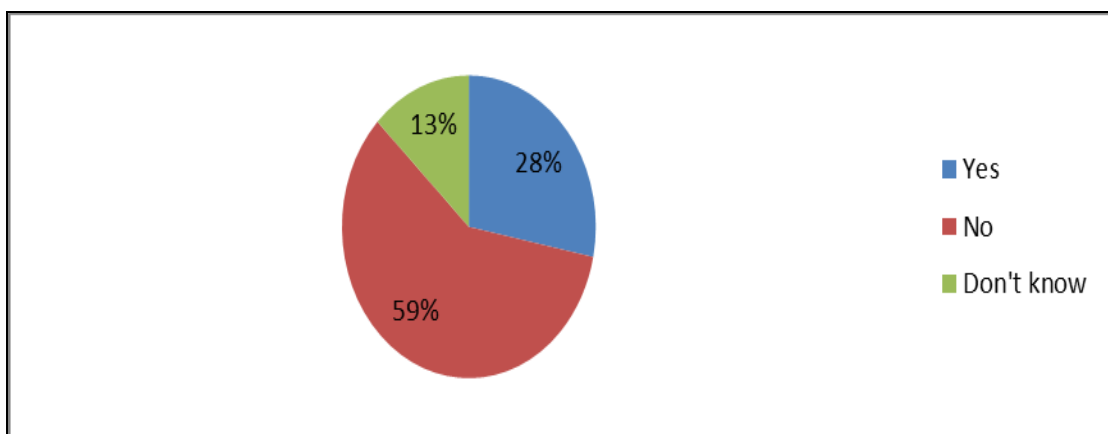
**Graph 4.14 Subcontracting awareness**

The data shown in Graph 4.14 illustrates that 43% of the respondents did not know of the private and public sector initiatives, 46% did not know, 8% are unsure, and 3% did not respond. The findings indicate that there is less knowledge in terms of subcontracting, and implies that there is a lack of awareness on initiatives that could assist entrepreneurs to be sustainable.



**Graph 4.15: Private business support SMMEs with subcontracting**

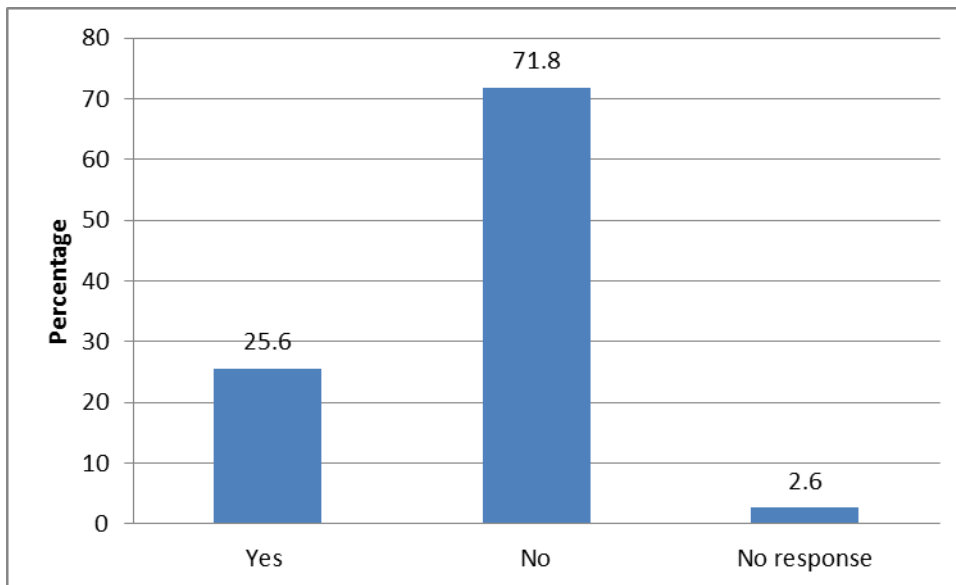
The data shown in Graph 4.15 reflects that 35.9% of the respondents were aware of private business assisting the SMMEs with subcontracting, 59% were not aware of it, and 5.1% were not sure of it. This evidence presents negative implications, in terms of development programmes by the private sector, in assisting the businesses, as the majority of the SMMEs were not aware of the initiatives, which meant that more awareness should be in place to empower the businesses concerned. The findings concur with those of Fararah, Muamalat and Muamalat (2014:67), who indicate little responsiveness of SMMEs, in terms of business development support programmes.



**Graph 4.16: Business incubation**

The data shown in Graph 4.16 indicates that 28% of the respondents were aware of business incubation, whereas 59% were not, and 13% were unsure. This illustrates a lack of awareness about programmes that would enable the businesses concerned to benefit from such initiatives. These findings agree with

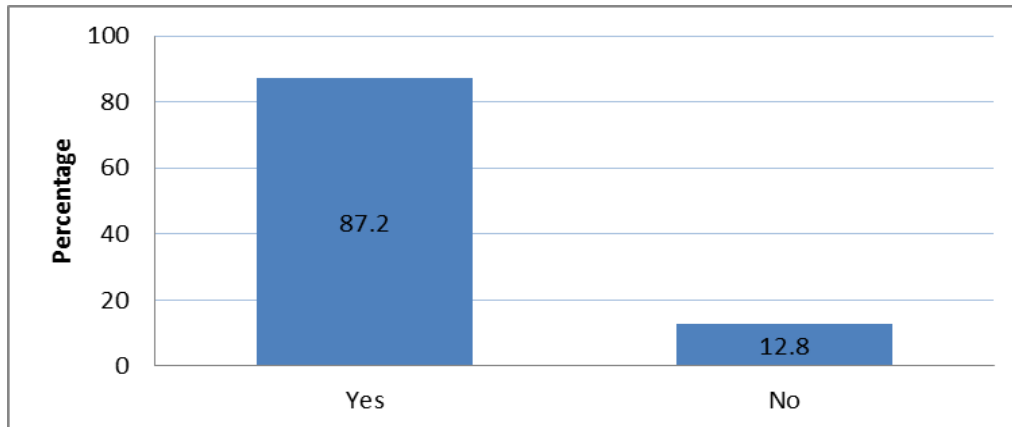
those of Ndabeni (2008:263), who states that business incubation is relatively new in South Africa, and that it is still developing.



**Graph 4.17: Knowledge that private businesses undertake skills transfer initiatives to assist the previously disadvantaged**

The data shown Graph 4.17 illustrates that 25.6% of the participants had skill transfers, whereas 71.8% had not, with 2.6% did not respond. This implies that, even though there are such initiatives to assist small business, little is known about skills transfer, and therefore this reflects a gap in knowledge, leading to the group concerned not benefiting therefrom. The findings agree with those of Bonté and Thévernard-Puthod (2013:120), who concur that skills transfer supports SMMEs, specifically in terms of subcontracting, and that skills transfer is facilitated through coaching and direct participation.

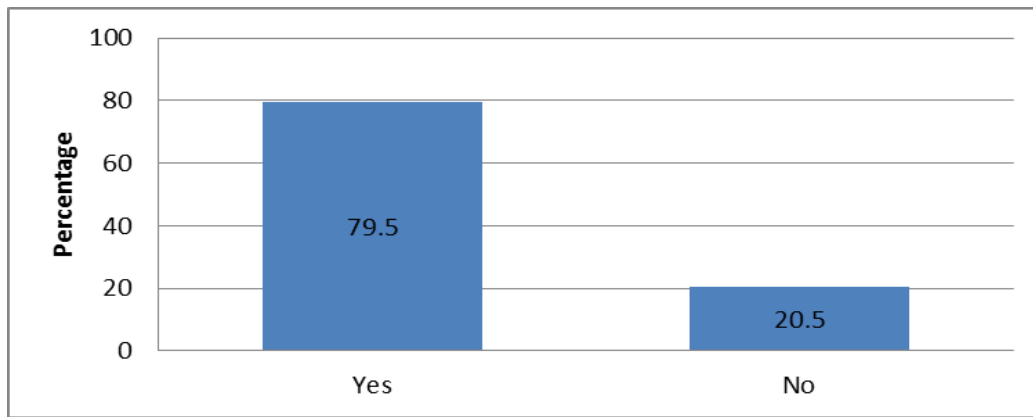
#### 4.2.5 THEME 5: EMPLOYMENT CREATION



**Graph 4.18: Think that their business will assist to address poverty**

This data shows. Graph 4.18 illustrates that 87.2 % of respondents agree that their business will help address poverty and 12.8% do not think so. This is a positive demonstration that these businesses are eager in creating employment. These findings coincide with the findings of Phillips et al. (2014:85) that SMME developments are recognised as a tool for socio-economic challenges. Furthermore the South African Government is of the view that success of SMMEs is through small businesses development, and that poverty alleviation is viable. It is so as they operate within the communities and they know the dynamics (NCR, 2011:21).

These businesses only need tools to be able to function, and be competitive and sustainable. The Government does recognise that these businesses need to be empowered and be sustainable, but never-the-less it still fails to address these challenges. This attitude is a positive as from a business perspective there is evidence that shows a willingness to overcome poverty and create employment, as these business are the drivers of the economy.



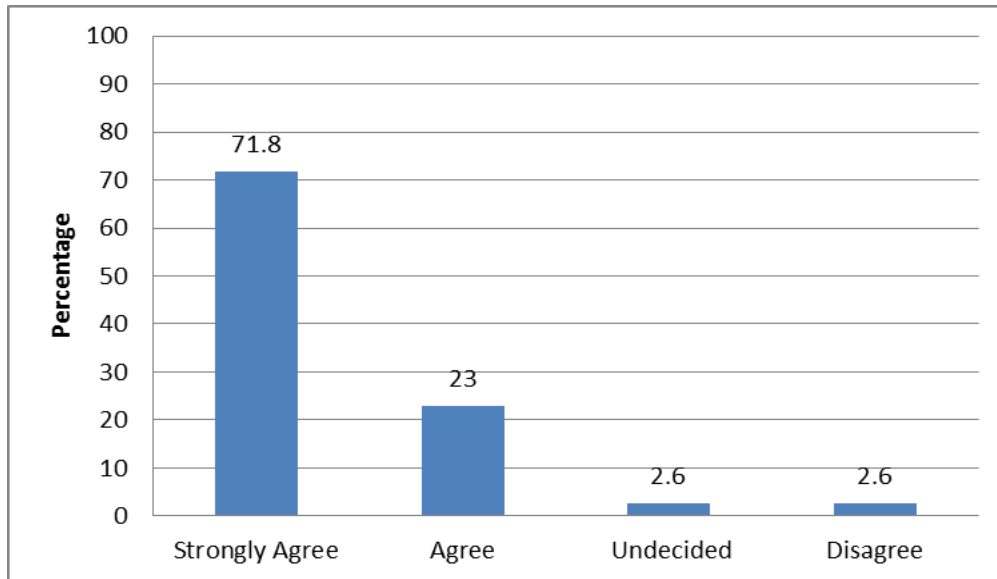
**Graph 4. 19: The ability of the business to assist in creating jobs in Khayelitsha**

The data show in Graph 4.19 reflects that 79.5% of the respondents agreed that their business would assist in creating jobs, whereas 20.5% did not think so, with the former suggesting positive results and a willingness to create jobs. The findings concur with those of Chimucheka (2013:785) that SMMEs address socio-economic problems in creating employment for the communities at large.

The findings also coincide with those of Peters et al. (2014:1128) that the development of SMMEs is crucial and therefore they play a vital role in economic welfare, job creation, and social stability within the communities concerned. Ngek and Van Aardt (2013:3045) elaborate on the above in saying that SMMEs are a vehicle for addressing poverty, as South Africa is faced with high unemployment rates, and they play a major role in job creation in most countries. The results show that these businesses are trying to assist the communities, and therefore require support.

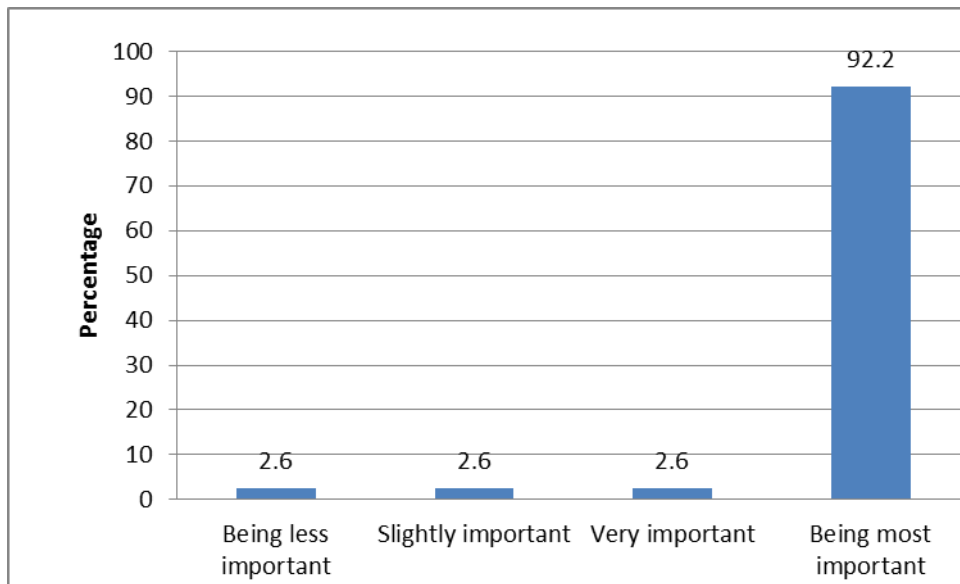


#### 4.2.6 THEME 6: BARRIERS FOR SMMES



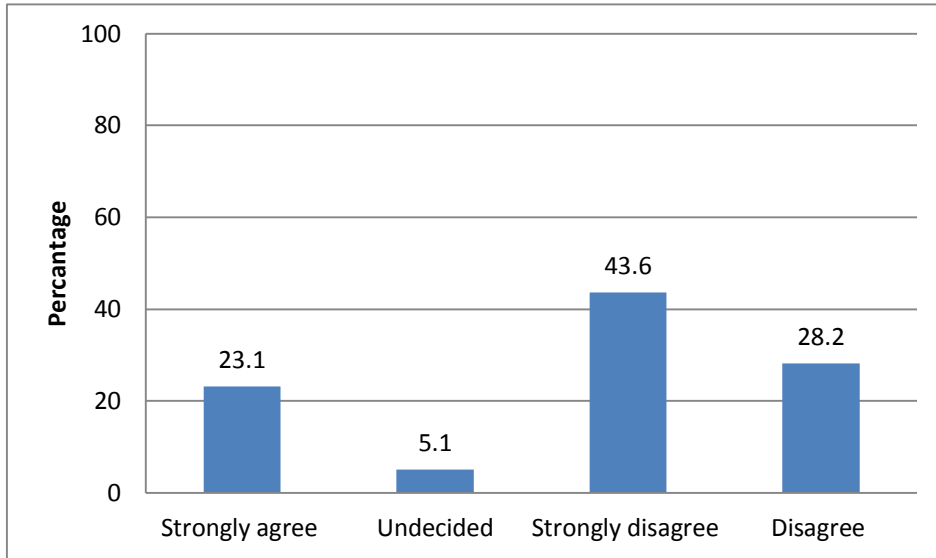
**Graph 4.20: Need for financial assistance for business**

Graph 4.20 illustrates that 71.8% of the respondents strongly agreed, 23% agreed and 2.6% disagreed that they needed financial assistance, with 2.6% being undecided as to whether they needed it. A combined 94.8% of the owners indicated the statement to be true. The evidence indicates that financial support is crucial, and that it is vital for businesses to survive. The findings coincide with those of Fatoki (2014:1), who agrees that a lack of financial support contributes to business failure, and that it is regarded as the second aspect on constraints of business owners after education and training in South Africa.



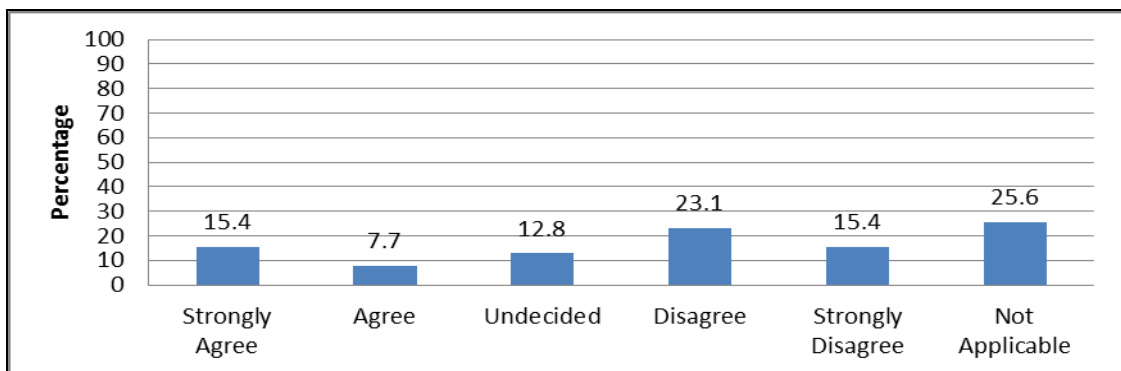
**Graph 4.21: Finance as a challenging aspect for small business entrepreneur**

Graph 4.21 above illustrates that 92.2% of the respondents agreed that obtaining and managing finance was a challenging aspect, with 2.6% saying that it was very important, and 2.6% saying that it was slightly important. In addition, 2.6% said that it was less important. This is evidence that finance plays an important role in the success of their businesses for these respondents. This is in line with the opinion of Sharpe (2013:459), who elaborates that an entrepreneur requires funding, and moreover, that the funding should be accompanied by training to encourage entrepreneurship. Furthermore, in developing countries the best microfinance occurs when combining funding concurrently with training in vital literacy education, in financial literacy, subject to location, and in the needs of the clientele.



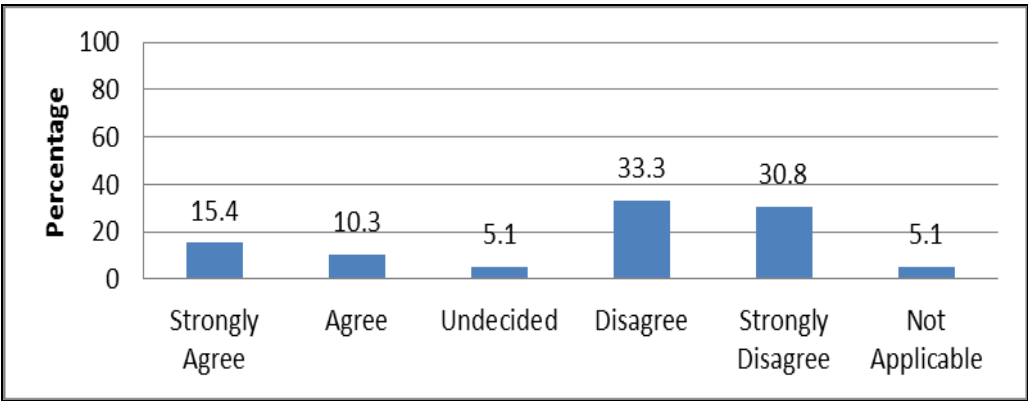
**Graph 4.22: Whether turned away by a bank when applying for financial assistance**

Graph 4.22 illustrates that 23.1% of the respondents strongly agreed that they had been turned away by a bank when they had applied for financial assistance, with 28.2% of respondents disagreeing, 43.6% strongly disagreeing, and 5.1% being undecided on the issue. A combined total of 23.1% of the owners indicated the statement to be true, while 71.8% said it was untrue. This is evidence showing that banks are assisting, and willing to support, small businesses. The above findings support Tihomola's (2010: xcvi) findings that the banks do not turn way SMMEs that require business loans. This indicates that the banking sector is willing to accommodate SMMEs in acquiring loans for their businesses.



**Graph 4.23: Whether turned away by a micro-finance organisation when applying for financial assistance**

Graph 4.23 illustrates that 15.4% of the respondents strongly agreed with the statement that micro financiers turn away SMMEs when applying for finance, 7.7% agreed with it, 15.4% strongly disagreed with the statement, 23.1% disagreed with the statement, and 25.6% said that it was not applicable. A combined total of 23.1% of the owners indicated the statement to be true, whereas 38.5% said it was untrue. This indicates that micro financiers do not chase small businesses away when they require financial assistance, nor do they actively seek their business.

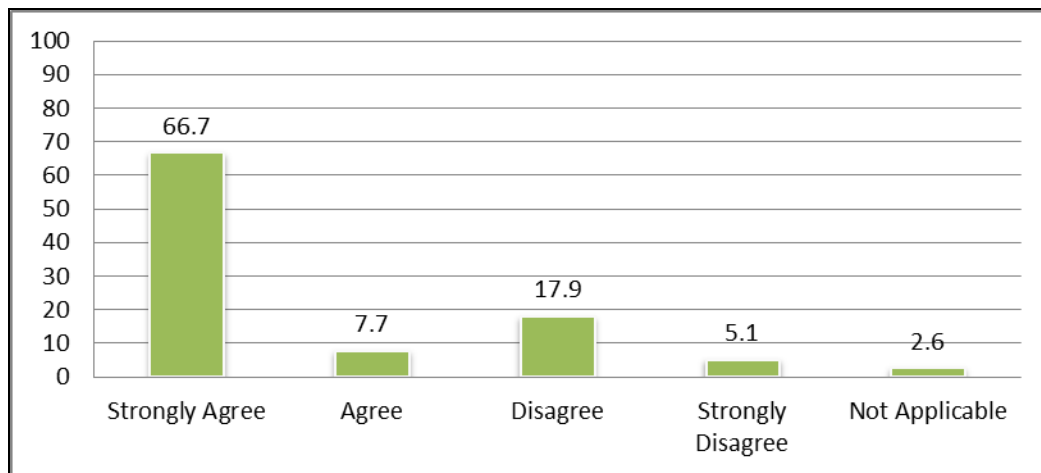


**Graph 4.24: Enough being done in terms of infrastructure for business**

The data shown in Graph 4.24 indicates that 15.4% of business owners strongly agreed with the statement that enough was done in terms of infrastructure for their business, whereas 10.3% agreed with it, 33.3% disagreed with it, 30.8% strongly disagreed with it, 5.1% were undecided, and 5.1% said that it was not applicable. A combined total of 25.7% of the respondents indicated the statement to be true, whereas 64.1% indicated that it was untrue. The overwhelming majority believed that not enough was done in terms of providing infrastructure. This is evidence that they did not think that the infrastructure was adequate, with the findings in line with those of Ramunkumba (2014:25), who is of the opinion that poor infrastructure is a barrier in relation to the aspect of high energy costs, including electricity costs, and the limited availability of transportation being important.

It is a prerequisite that a business should have proper infrastructure in place, so as to be able to operate a business across the informal and formal SMME sector. The South African Government recognises that physical infrastructure development has been backlogged and bottlenecked, in terms of improving the conditions for these

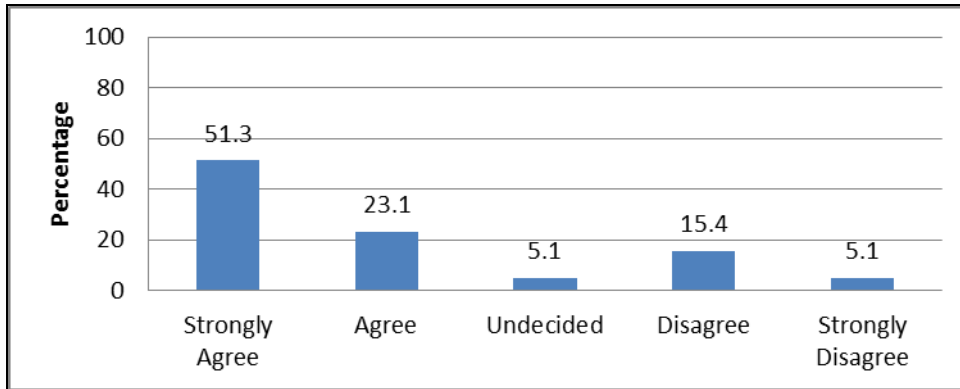
businesses in metropolitan areas, cities, towns, and rural villages (SA. DTI, 2003:40).



**Graph 4.25: Crime a concern for business**

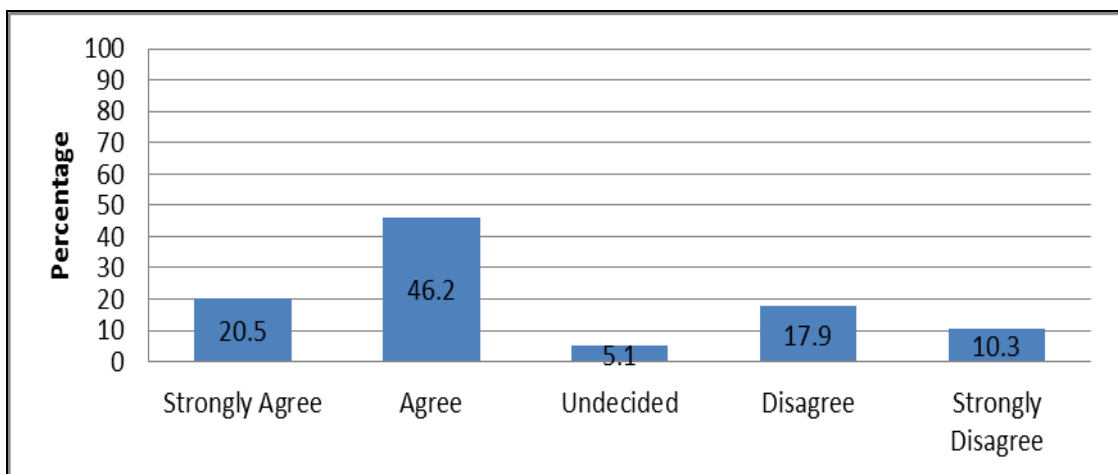
The data shown in Graph 4.25 illustrates that 66.7% of the respondents strongly agreed that crime was a problem, with 7.7% agreeing, 17.9% disagreeing, and 5.1% strongly disagreeing. A combined total of 74.4% of the respondent's found the statement to be true, while only 24% found it to be untrue. It is evident therefore, that crime is a very important aspect of SMME development.

The findings agree with those of Mboyane and Ladzani (2011:553), who elaborate that entrepreneurs are affected by crime, ranging from robberies, break-ins and vandalism, and that employees are being injured, or traumatised. It is proof that small business owners strongly agree that crime affects their business, and that they feel that not enough is done to prevent crime.



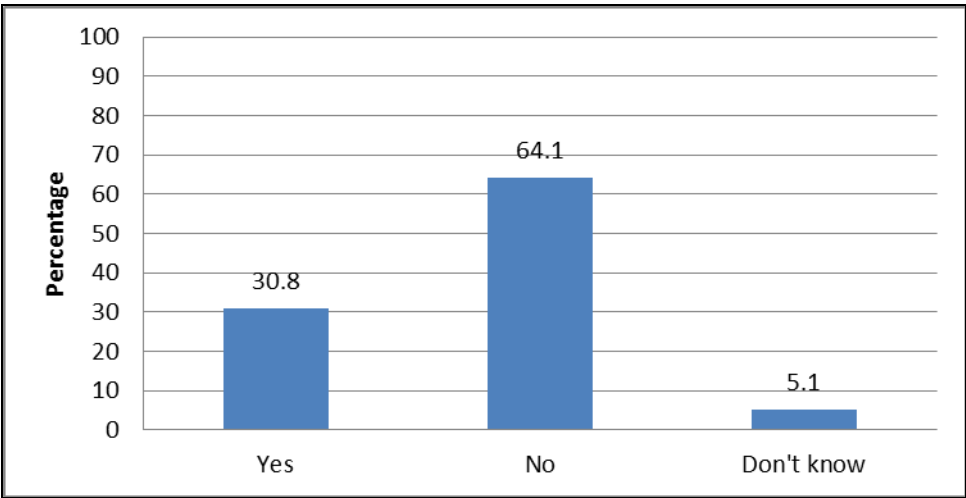
**Graph 4.26: Crime is hindering my business chances of growth in Khayelitsha**

The data shown in Graph 4.26 illustrates that 51.3% of the respondents strongly agreed with the statement that crime is hindering chances of business growth in Khayelitsha, with 23.1% agreeing with it, 5.1% being undecided on it, 15.4% disagreeing with it, and 5.1% strongly disagreeing with it. A combined total of 74.4% of the owners indicated the statement to be true, while 20.5% said it was untrue. This is evidence that the majority of businesses are affected by crime. These findings coincide with those of Ramunkumba (2014:25), who is of the opinion that crime, such as theft, is a challenge to business growth. The findings confirm that the types of crimes experienced were theft of property break-ins and robberies, which hampered their businesses. The findings strongly suggest that crime is among the factors that were experienced by business, and that business owners and employees require protection from the government in this respect.



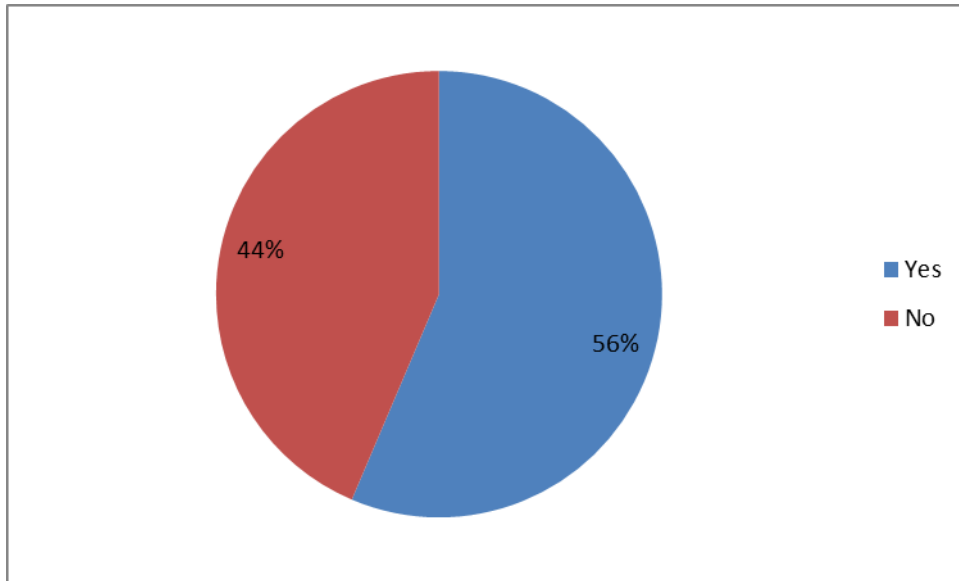
**Graph 4.27: Disadvantage in terms of price by suppliers, owing to the fact that businesses operate far from the central business district**

Graph 4.27 illustrates that 20.5% of the respondents strongly agreed with the statement that they thought that they were disadvantaged in terms of price by suppliers, owing to the fact that they operated far from the central business district, with 46.2% agreeing, 5.1% being undecided, 17.9% disagreeing, and 10.3% strongly disagreeing. A combined total of 66.7% of the respondents indicated the statement to be true, while 28.2% said that it was untrue. This reflects that the majority of the respondents indicated that they had challenging issues with suppliers. The findings agree with those of Siemens (2010:7), who agrees that it is time-consuming, and also costly, to transport products and to reach suppliers.



**Graph 4.28: Completing form/document seen as a problem**

Graph 4.28 illustrates that 30.8% of the respondents agreed with the statement that they thought that completing application forms/documents was a problem, while 64.1% did not, and 5.1% were unsure. This might be due to the fact that the level of education of respondents was low; hence there was a need for support. These findings confirm what the (SA. DTI, 2003:44) found, namely that training in business skills should assist businesses, in terms of business management. The majority of the respondents pointed out that they needed support. They required know-how in terms of completing application forms. In the light of such a finding, issues of mentoring and training should be addressed at all levels.



**Graph 4.29: Business education and training crucial to knowing how to operate the businesses**

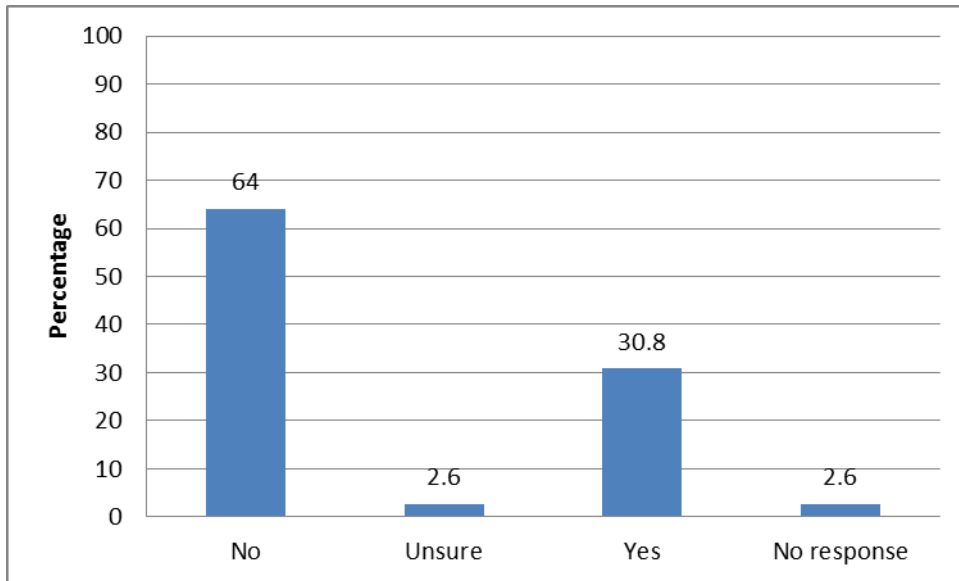
The data shown in Graph 4.29 illustrates that 56% of the respondents agreed with the statement that business education and training is crucial to knowing how to operate a business, while 44% said that it was untrue. The findings are in line with Siemens' (2010:10) findings that training and education programmes for business owners should include the evaluation of the available resources, so as to enhance the successful operation of the business. It was evident that there was a need to empower these entrepreneurs, as there was an indication of shortages in the area of management skills, which might be owing to the level of education that they had. In addition, business education is vital for these entrepreneurs, so that they can excel in their businesses. This is highlighted in a study by Sharpe (2013:459), who found that education, training, and mentorship are basic principles for business development.

Peters et. al. (2014:1130) affirms that intervention in terms of training and business skills would empower these businesses. In spite of the fact that there were programmes to address such challenges in place, they were not known to these businesses at the time of the study. Training was identified as a need as there was a lack, in terms of the management skills that were necessary, to know how to operate a business. Such skills as business management and computer skills were identified as a need for the community surveyed.

The data collected and presented above answers the research objectives and question 1 as noted under Section 1.4 and 1.5 in Chapter 1.

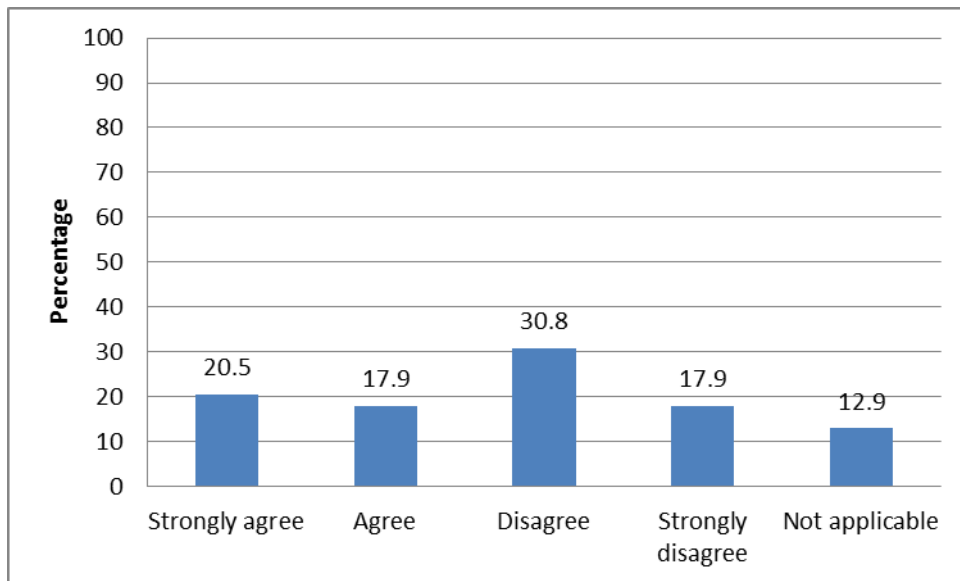


#### 4.2.7 THEME 7: TECHNOLOGY



**Graph 4. 30: Knowledge of e-commerce**

Graph 4.30 illustrates that 30.8% of the respondents agreed with the statement that SMEs need to access technology so as to keep abreast with a changing environment, whereas 64% did not, and 2.6% were unsure and 2.6% did not respond about the statement. It is evident that the majority of the businesses surveyed did not know about e-commerce. This means that they were not equipped with technology, in terms of conducting transactions online. The findings agree with those of Mboyane and Ladzani (2011:558), who posit that there is a lack of the use of the use of technology when it comes to micro enterprise. Such resources enable any business to function in a viable and enabling environment, and to operate in a competitive environment. The evidence is clear that there was inadequate infrastructure, which had a negative impact on a business. It has been acknowledged, and it is evident, that space is a challenging aspect, as the majority of the respondents indicated so. It is evident that, although most of these businesses agree that they had resources necessary for the business, they were not well-informed as to e-commerce.

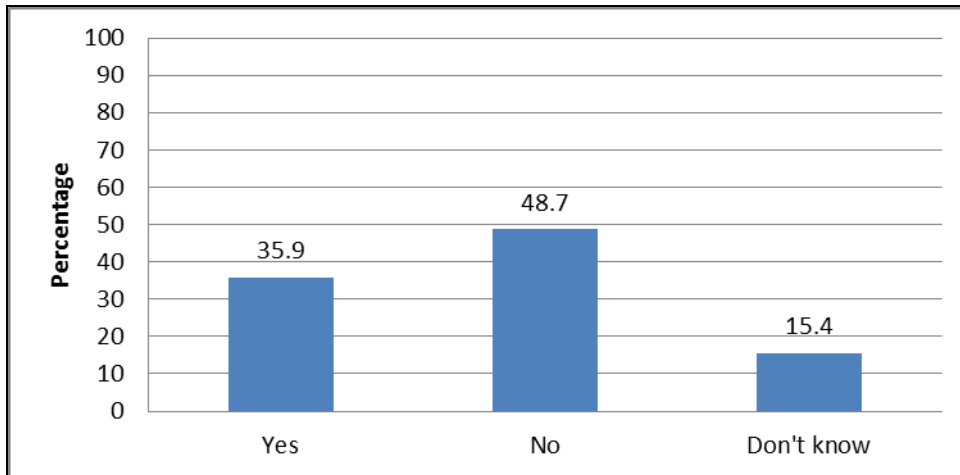


**Graph 4.31: Use of telecommunications for emailing**

The data shown in Graph 4.31 illustrates that 20.5% of the respondents strongly agreed with the statement that telecommunications was used for purposes of emailing, whereas 17.9% agreed, 30.8% disagreed with it, 17.9% strongly disagreed, and 12.9% said that it was not applicable. A combined total of 38.4% of the respondents indicated the statement to be true, whereas 48.7% said that it was untrue. It is evident that the respondents were computer illiterate when it came to using technology for online transactions.

The findings are in line with those of Siemens (2010:6), who agrees that, in identifying the infrastructure gaps posing a challenge to these businesses, the focus is on accessing local on-line banking services, broad internet access, and community service and support. The high cost of service of broadband internet causes these small businesses to be limited to slower dial-up services. Mboyane and Ladzani (2011:553) elaborate that poor infrastructure is derailing the chances of growth, with the poor infrastructure including inadequate electricity and water supply, and a lack of information regarding telecommunication services.

#### 4.2.8 THEME 8: BUSINESS OPPORTUNITIES



**Graph 4.32: Knowledge of other business opportunities in Khayelitsha**

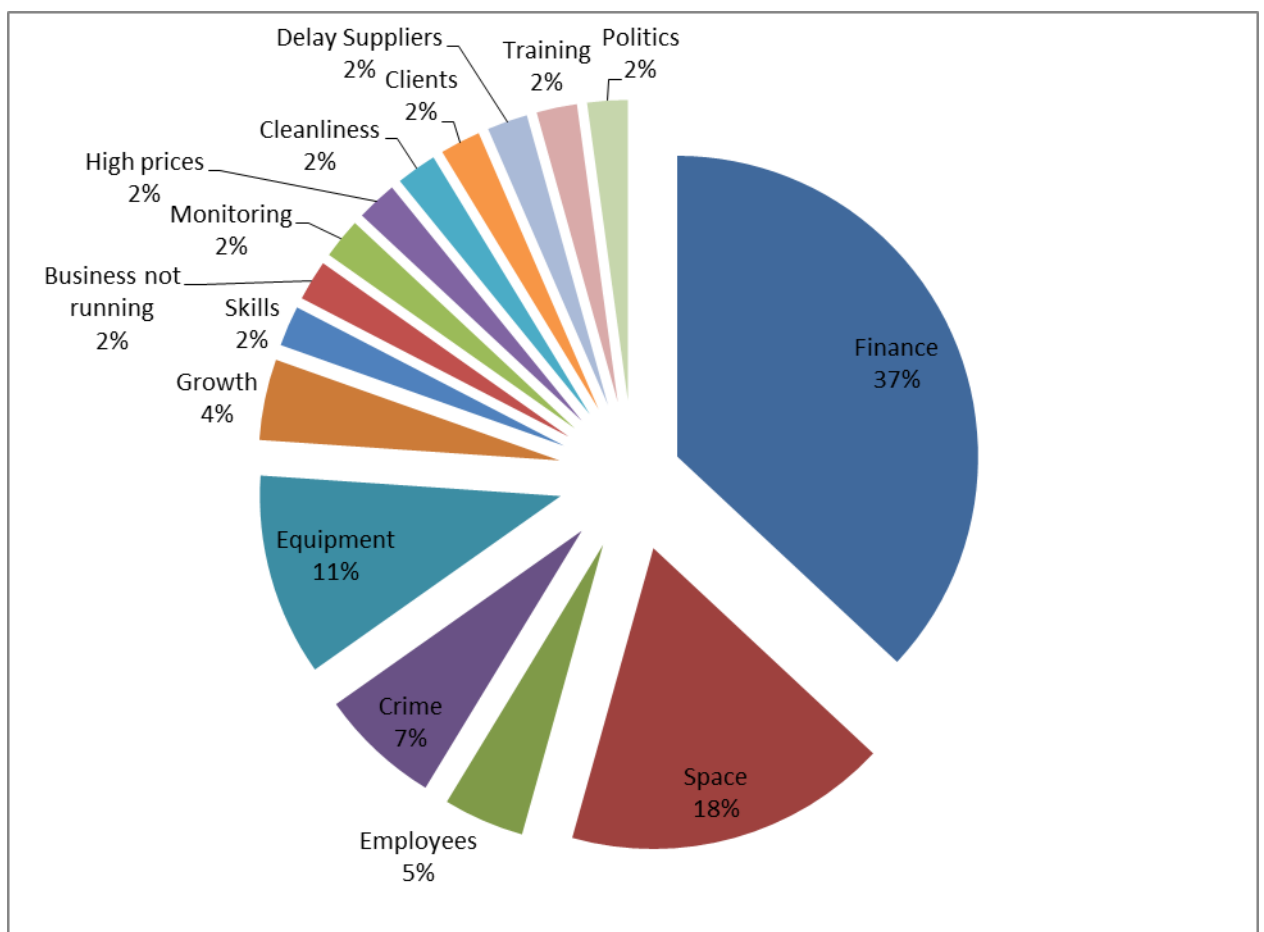
The data shown in Graph 4.32 indicates that 35.9% of the respondents indicated the statement concerning knowledge of other business opportunities in Khayelitsha to be true, while 48.7% said that it was untrue, and 15.4% were unsure about it. These findings indicate that the small businesses surveyed were not aware of other business opportunities in Khayelitsha, and that they, therefore, could not identify them. Chimucheka (2013:787) is of the view that to know the environment is to foresee the current competition, so as to be able to forecast the future, therefore entrepreneurs should be able to scan the environment to see any opportunities as they become available.

The findings contradict those of Webb, Bruton, Tihanyi, and Ireland (2013:601) who are of the view that entrepreneurs are able to assess business opportunities when they are prepared to do so. In this way, they can come to use them to the best of their abilities, by procuring control funds, so as to create new ventures that will deliver value to the community.

### 4.3 Analysing interviews using content analysis

This study employed a mix of quantitative and qualitative analysis, and themes were grouped in order to gain an improved understanding of the findings concerned. The text data were coded, and then transcribed for further analysis. This consisted of coding the text subdivisions, by ascribing relevant classifications to them, and by then grouping similar codes and themes together (Maree, 2007:259).

#### 4.3.1 THEME 9: BARRIERS



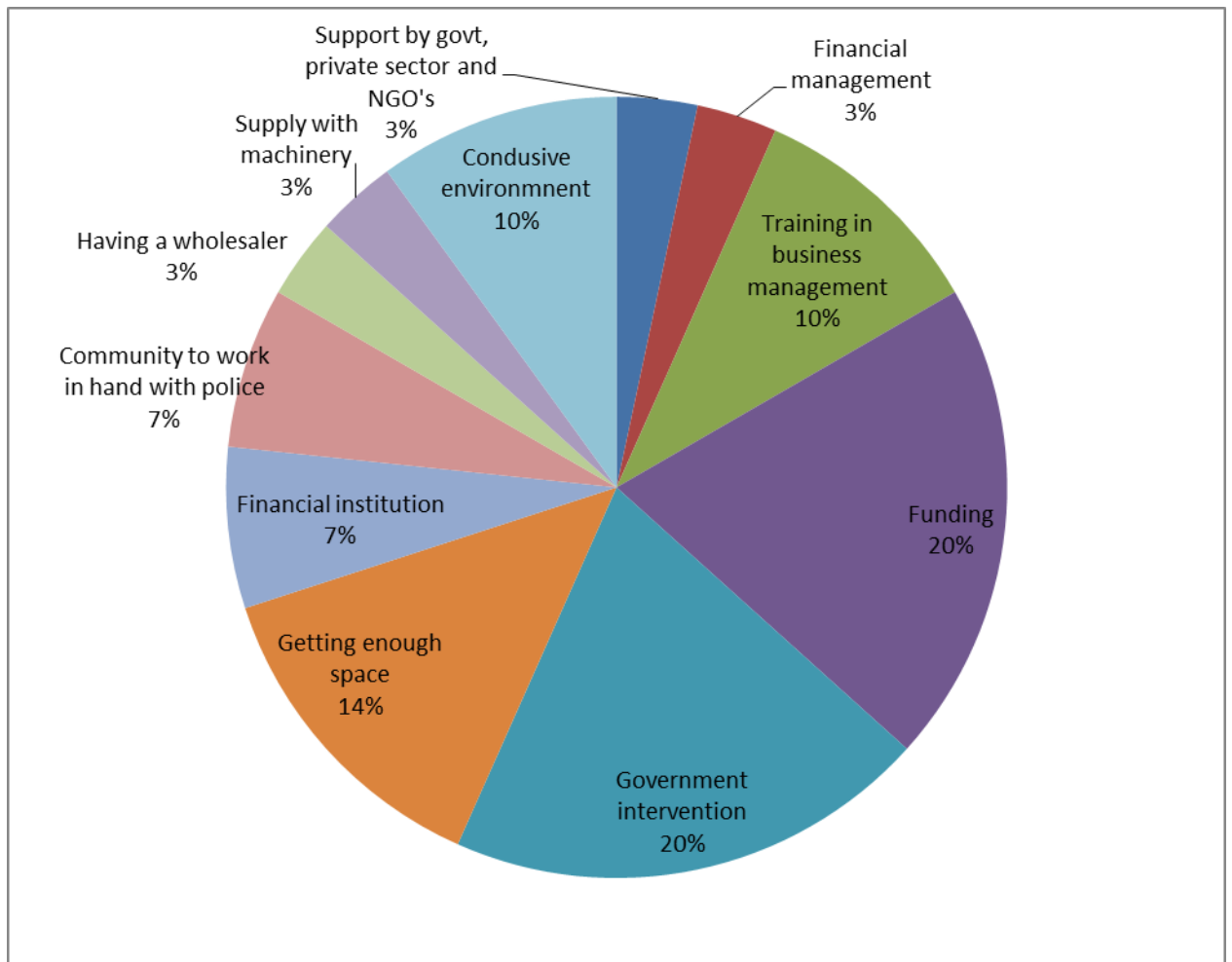
**Graph 4.33: Major challenges experienced in the business**

Graph 4.33 illustrates that 37% of the respondents regarded finance as a crucial factor in business, with 18% regarding space as a fundamental factor that could assist them to trade, and 11% indicating the lack of operating equipment, 7% crime, 5% employee turnover, another 5% growth problems, and combinations of 2% other

issues, including monitoring, politics, the business not running well, and a delay by the suppliers. There are clearly internal and external aspects that affect these businesses. The findings concur with those of Ramunkumba (2014:25), who declares that accessing funding, market access, skills and networking and an enabling environment, are among the barriers faced by small business.

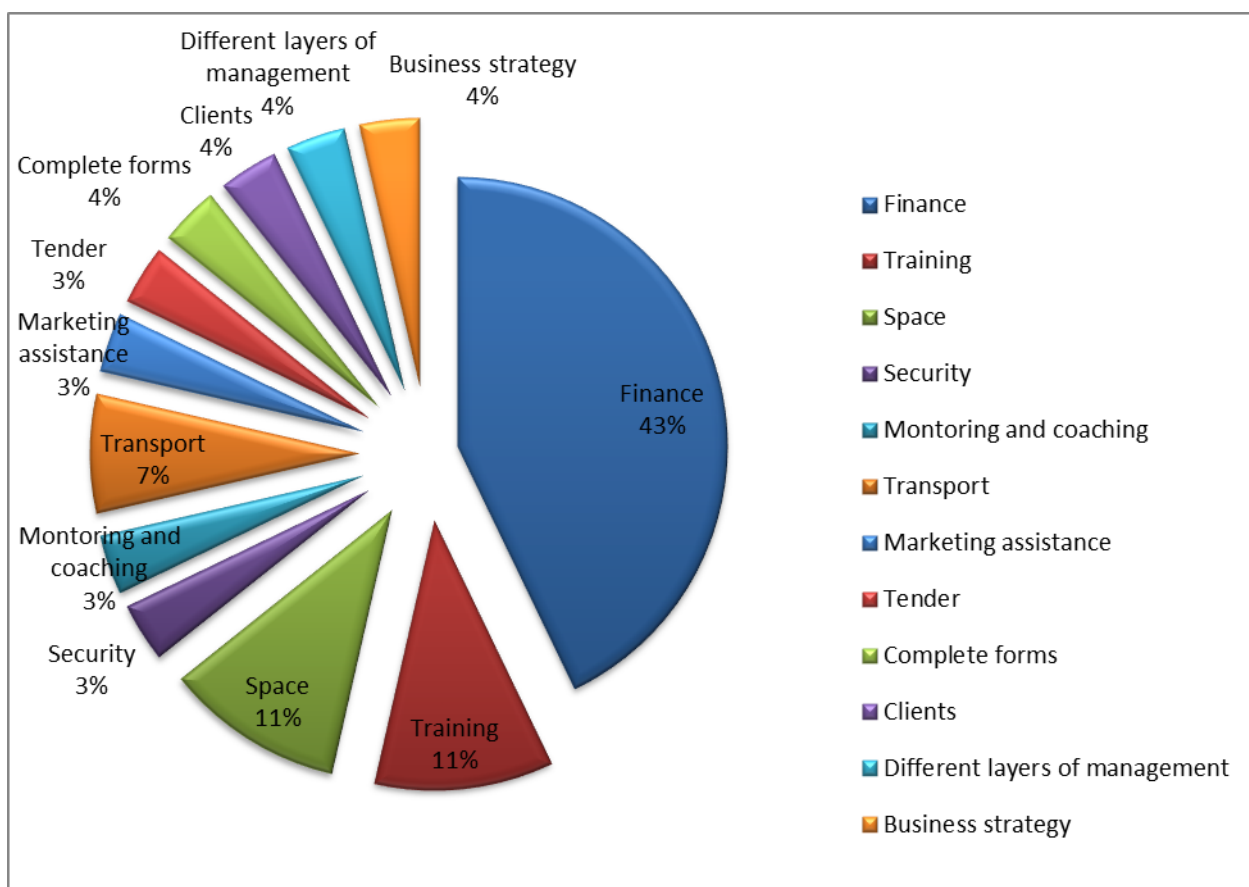
The majority of the SMMEs declared that they needed finance for their business, and that they regarded accessing finance as assisting them. They indicated that it would be an on-going challenge in their environment. Furthermore, Sharpe (2013:459) elaborates that entrepreneurs require funding, and the author indicates that the funding should be accompanied by training, if opportunity for entrepreneurship is to be encouraged. In developing countries, the best microfinance merges funding and training with vital literacy education, financial literacy subject to location, and the needs of the clientele. Moreover, these businesses strongly believe that finance is a critical factor in their business, in terms of sustaining the business.

The criteria that are used by financial institutions are perceived as being high, which makes it difficult for SMMEs to meet the set requirements. Phillips et al. (2014:88) agree with the findings that the funding cost is too high, and that the criteria used for support are also too high. Therefore, there is a need to revisit and to remodel the requirements, so as to accommodate the SMMEs. It is crucial that the funders should be visible in the area, so as to be able to recommend, where necessary, how to overcome financial problems.



**Graph 4.34: What can be done to address the challenges**

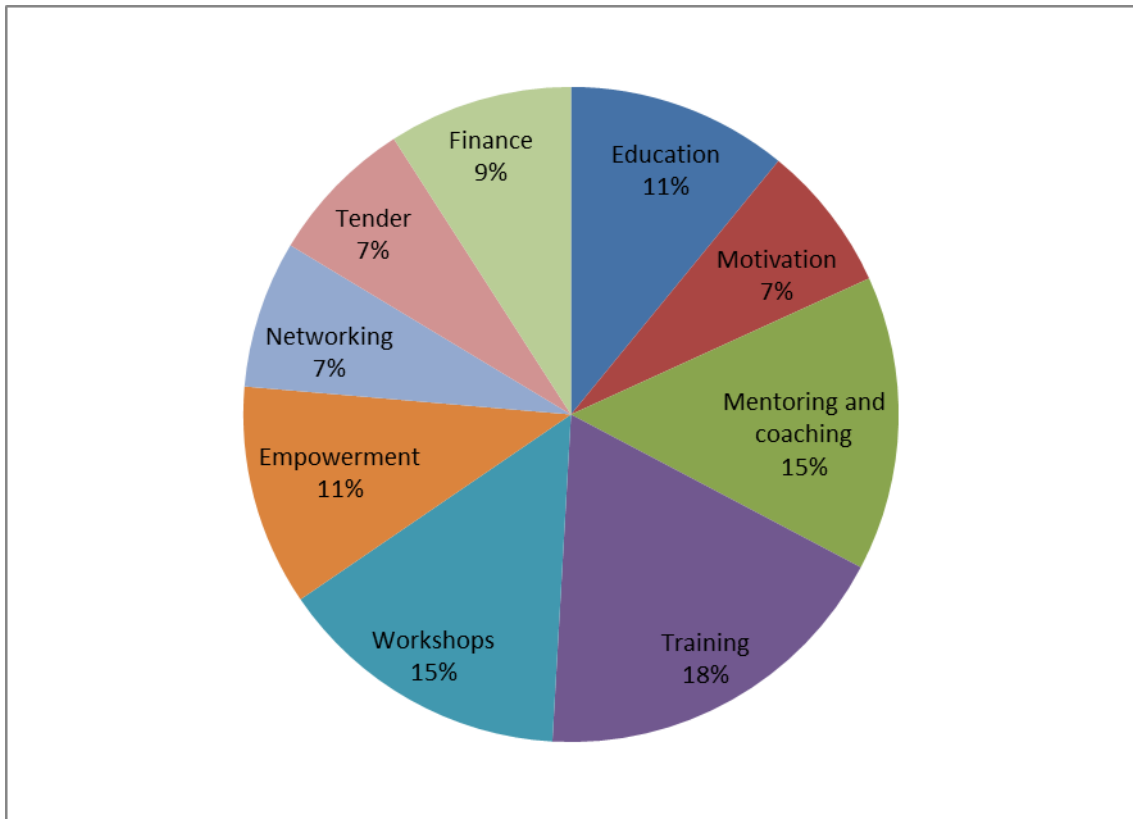
Graph 4.34 illustrates that 20% of the business respondents believed that government funding could assist to overcome problems, with 14% indicating the obtaining trading space, 10% a conducive environment, 10% support with training, 20% finance to assist them, 7% the community working in hand with the police services, 3% being supplied with machinery and another 7% with financial institutions, 3% support from the government, 3% the support with private sector and NGOs, 3% financial management, 3% a wholesale outlet. It was evident that there was a need for all stakeholders to give support, so as to be able to address these challenges. The findings indicate that the majority of the respondents felt that they needed funding; this coincides with the findings that the lack of financial capital, human resource capital, and networking seemed to be the major barriers concerned. Ramunkumba (2014:25) posits that, notwithstanding the fact that finance plays a major role in enabling a business to flourish, it is not the only way to success, and that entrepreneurs need to look at other non-financial issues as well.



**Graph 4.35: Kind of assistance required for business**

The data shown in Graph 4.35 illustrates that 43% of the respondents regarded finance as the most important form of assistance that they required for the business, with 11% indicating that training was among the essentials that were critical for the business, with 11% regarding space as crucial for the business, and 7% indicating that transport was necessary for the business to operate, with 4% completing forms, business strategy and clientele, 3% mentoring and coaching, and lastly 3% indicating marketing and tendering processes. The evidence suggests that the majority of the respondents indicated that finance was where assistance was most needed, followed by with human capital, development, marketing skills, and a conducive infrastructure. The evidence agrees with Fatoki's (2011) findings, as cited in Ngek and Van Aardt (2013:3046), suggesting that empowerment can be achieved through education and training. Booyens, Molatja and Phiri (2013:295) posit that facilitating and obtaining finance would enhance entrepreneurship, the development of networks, and skills development, therefore becoming vital aspects for SMME policy support in South Africa.

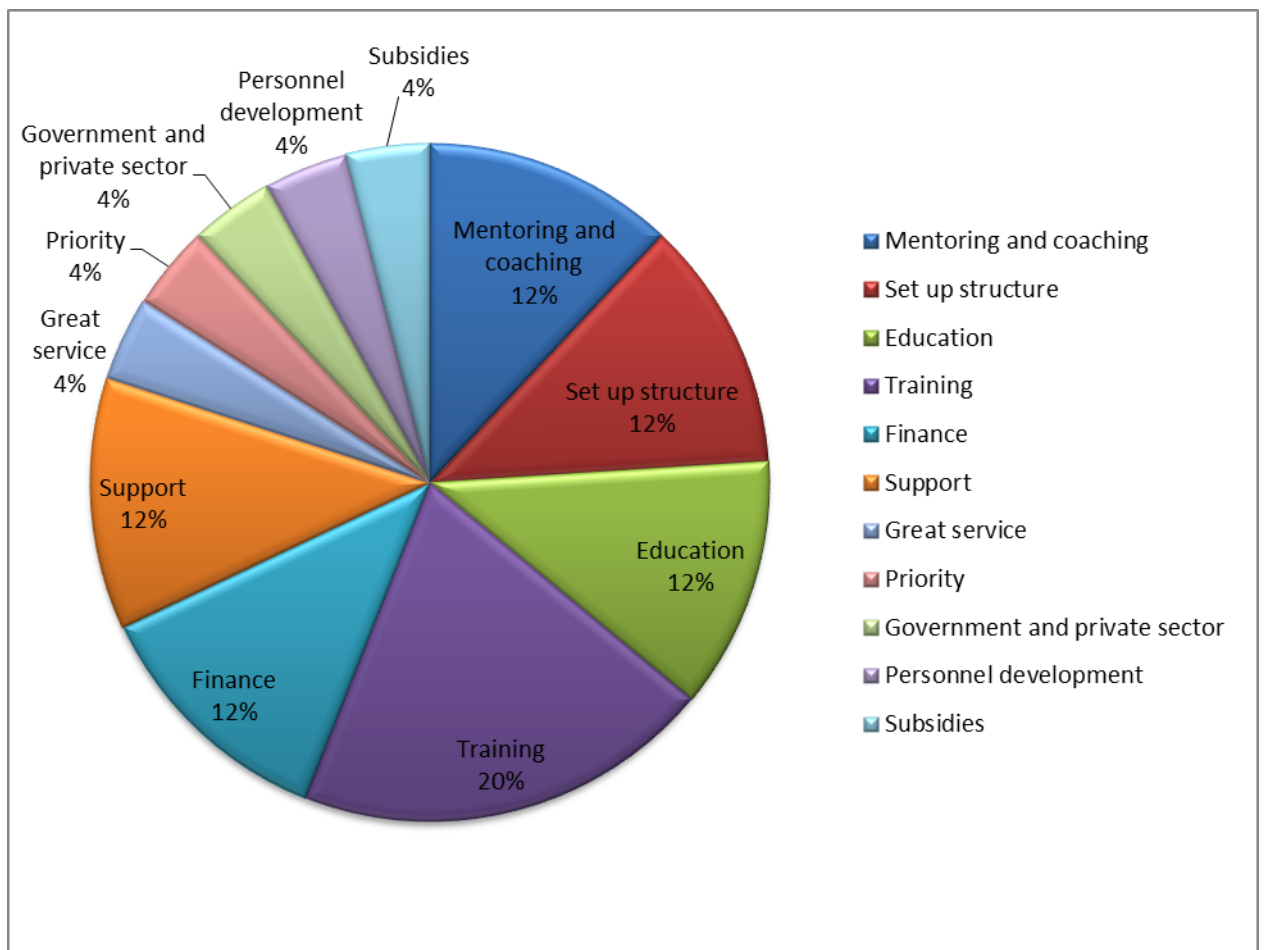
#### 4.3.2 THEME 10: BLACK WOMEN EMPOWERMENT



**Graph 4.36: Empowerment of black women in business for success and sustainability**

The data shown in Graph 4.36 illustrates that 18% of the respondents indicated that training as vital for women to succeed in business, 15% mentoring and coaching, 15% workshops, 11% education and another 11% empowerment, 9% finance, 7% motivation, 7% tender, and another 7% networking. The evidence also suggests that the lack of skills development is a barrier. The findings are in line with those of Booyens et al. (2012:295), who state that skilled human resources provide significant results for small enterprise innovation.

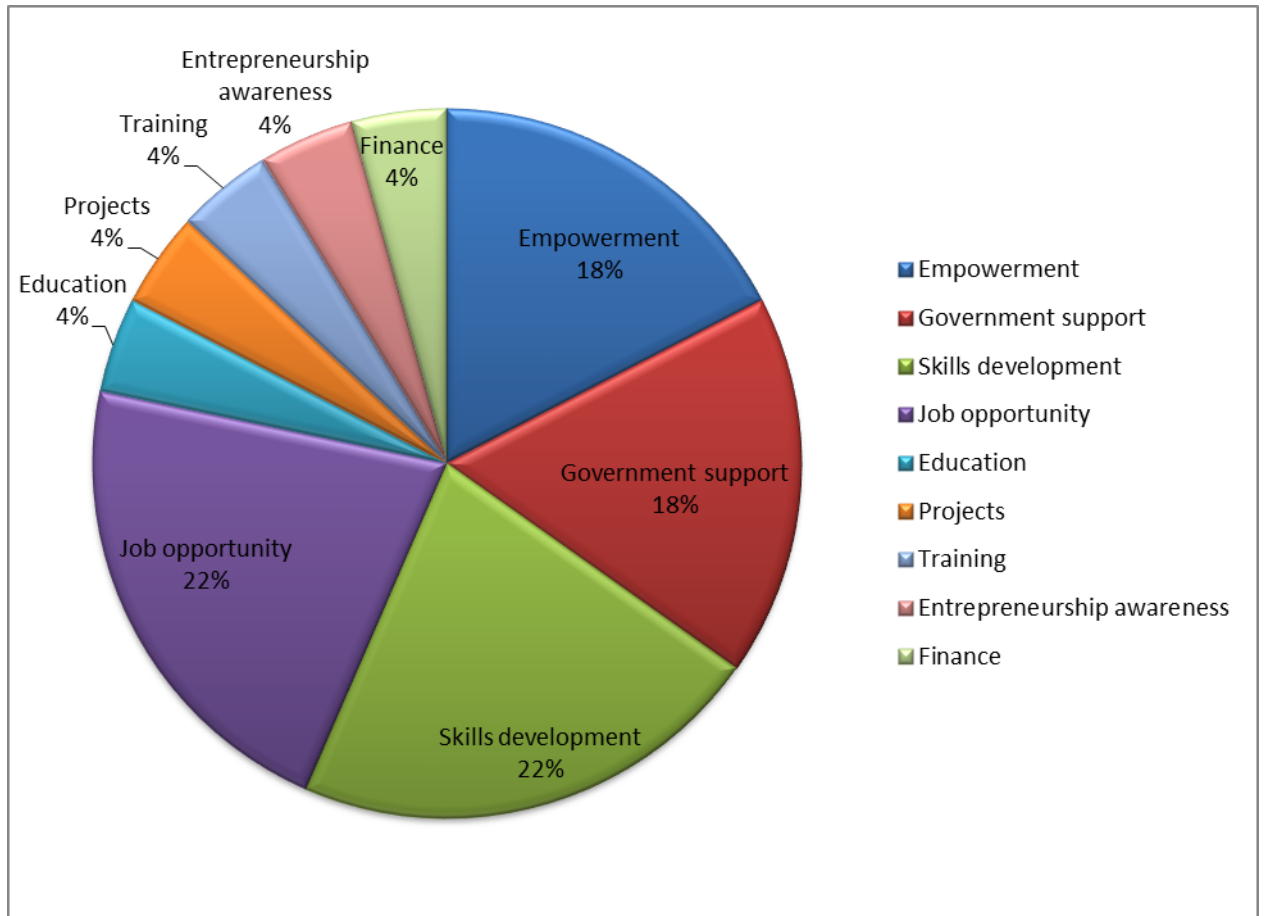




**Graph 4.37: Strategies for addressing the empowerment of black women**

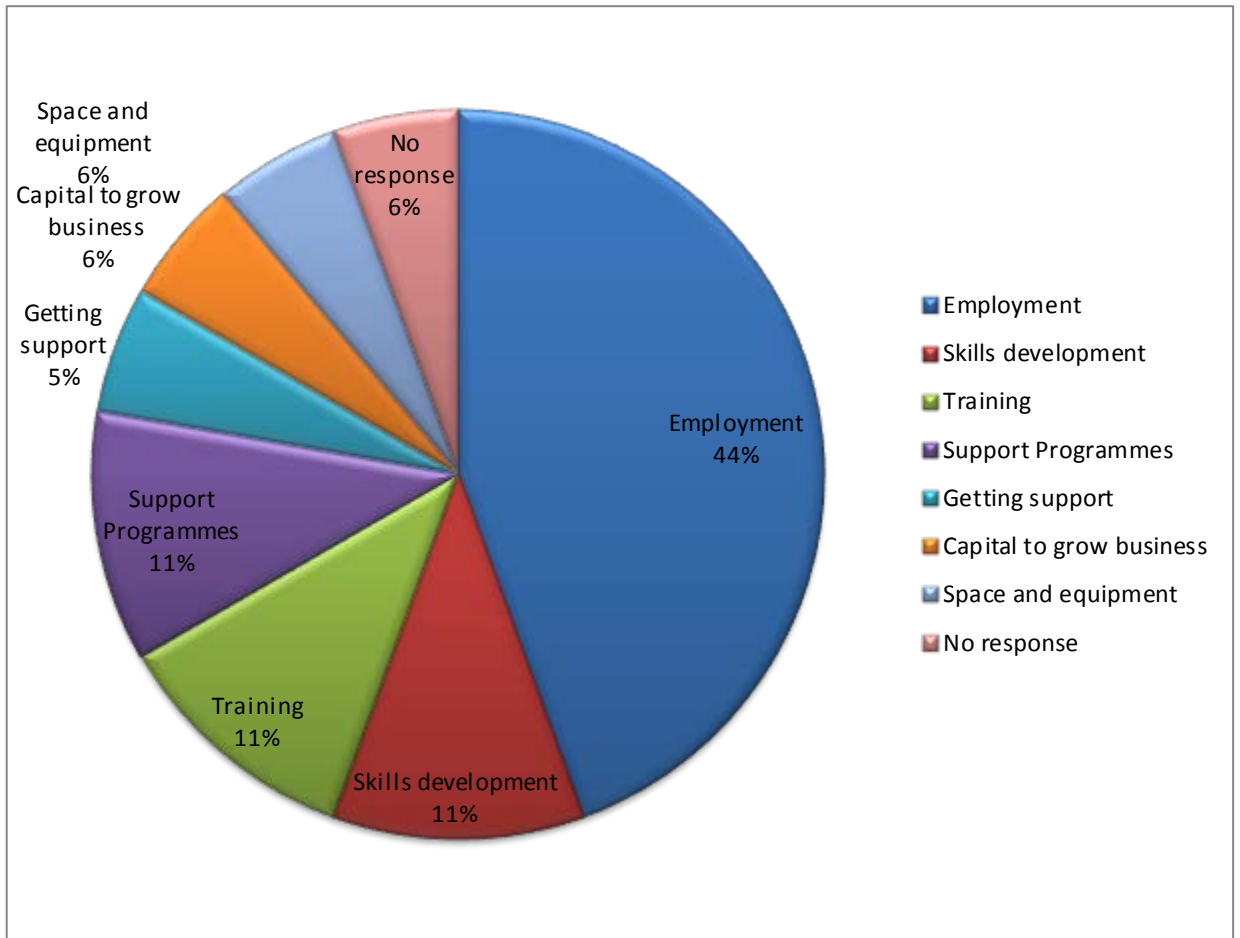
The data shown in Graph 4.37 reflects that 20% of the respondents identified training as being among the urgent measures needed to assist black women to succeed in business, 12% having a support structure in place, 12% education, and 12% finance, and 12% mentoring and coaching. The evidence suggests that these internal and external factors seem to be the major barriers. Providing training, where necessary, would assist with mentoring and coaching, and it would enhance the provision of education and training. The findings are in line with those of Chiloane-Tsoka (2013:355) that SEDA should provide intensive training, so as to overcome illiteracy among black women.

### 4.3.3 THEME 11: ADDRESSING POVERTY



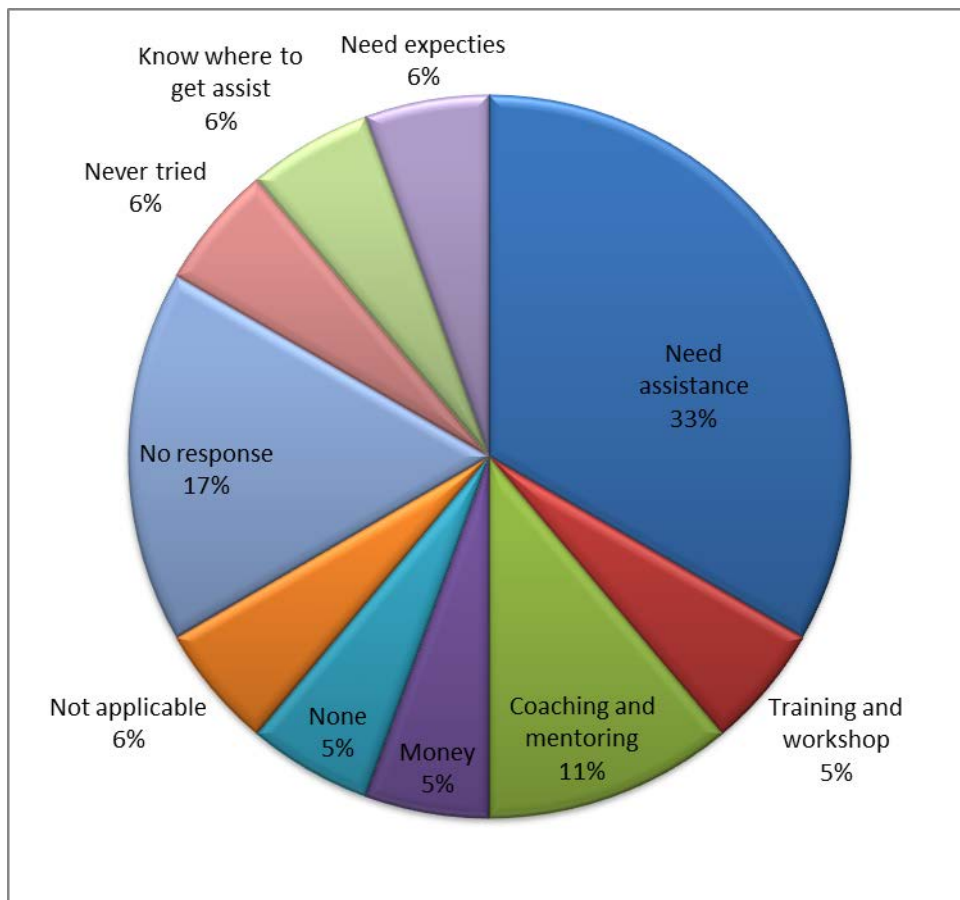
**Graph 4.38: Decrease the high rate of poverty in Khayelitsha**

Graph 4.38 illustrates that 22% of the respondents indicated that skills development could assist to empower people, 22% the creation of job opportunities, and 18% the need to receive government assistance. Another 18% of the respondents indicated that they lacked skills, and that people needed to be empowered. The evidence suggests that human capital, job creation, and government support are the most vital aspects towards poverty alleviation. The findings concur with those of Bauchet and Morduch (2012:2), who are of the view that SMMs can bring poverty relief and a reduction in unemployment, as well as the creation of additional jobs.



**Graph 4.39: The ability of the business to reduce existing poverty levels**

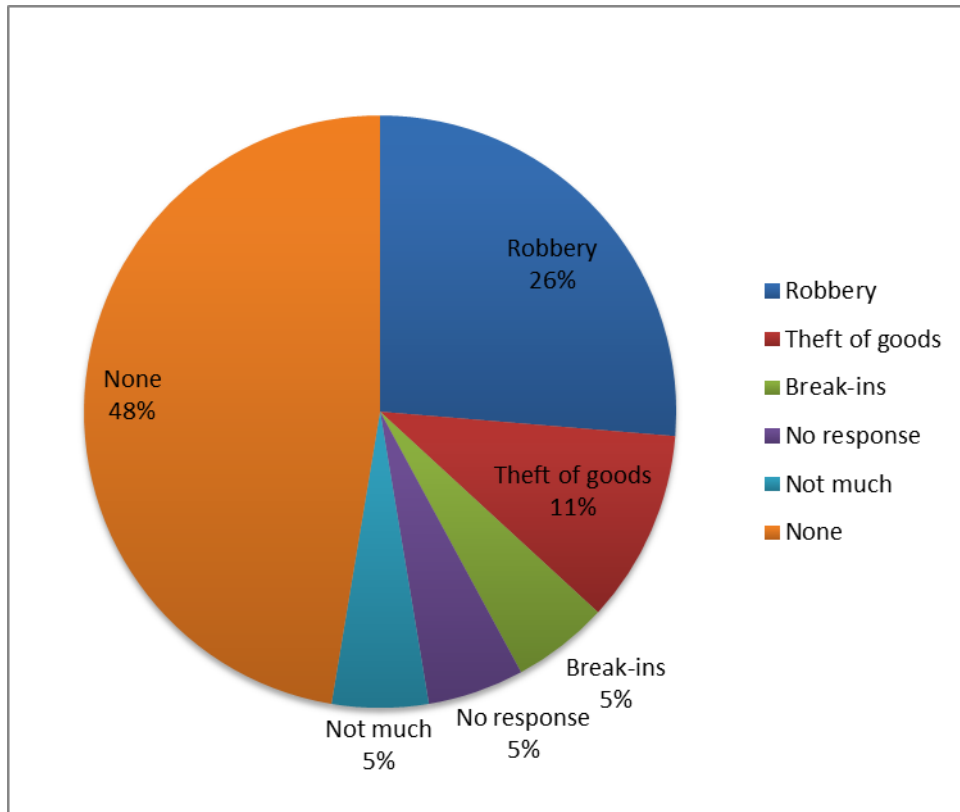
Graph 4.39 illustrates that 44% of the respondents said that in terms of reducing poverty their business could create job opportunities, with 11% indicating that participating in skills development would assist in creating jobs in the Khayelitsha community, and with another 11% indicating that they required training. Another 11% of the respondents indicated that having support programmes in place would assist the business, 6% required capital to grow the business, 6% required space and equipment, and 6% did not respond, and the remaining 5% stated that obtaining support would assist the business. This confirms that the majority of the businesses strongly believed that they could provide employment opportunities and reduce poverty levels. The findings agree with those of Bauchet and Morduch (2012:2), who state that, through SMMEs, job creation can reduce existing levels of poverty.



**Graph 4.40: Assistance required in successfully completing forms such as tender applications, and applications to join databases**

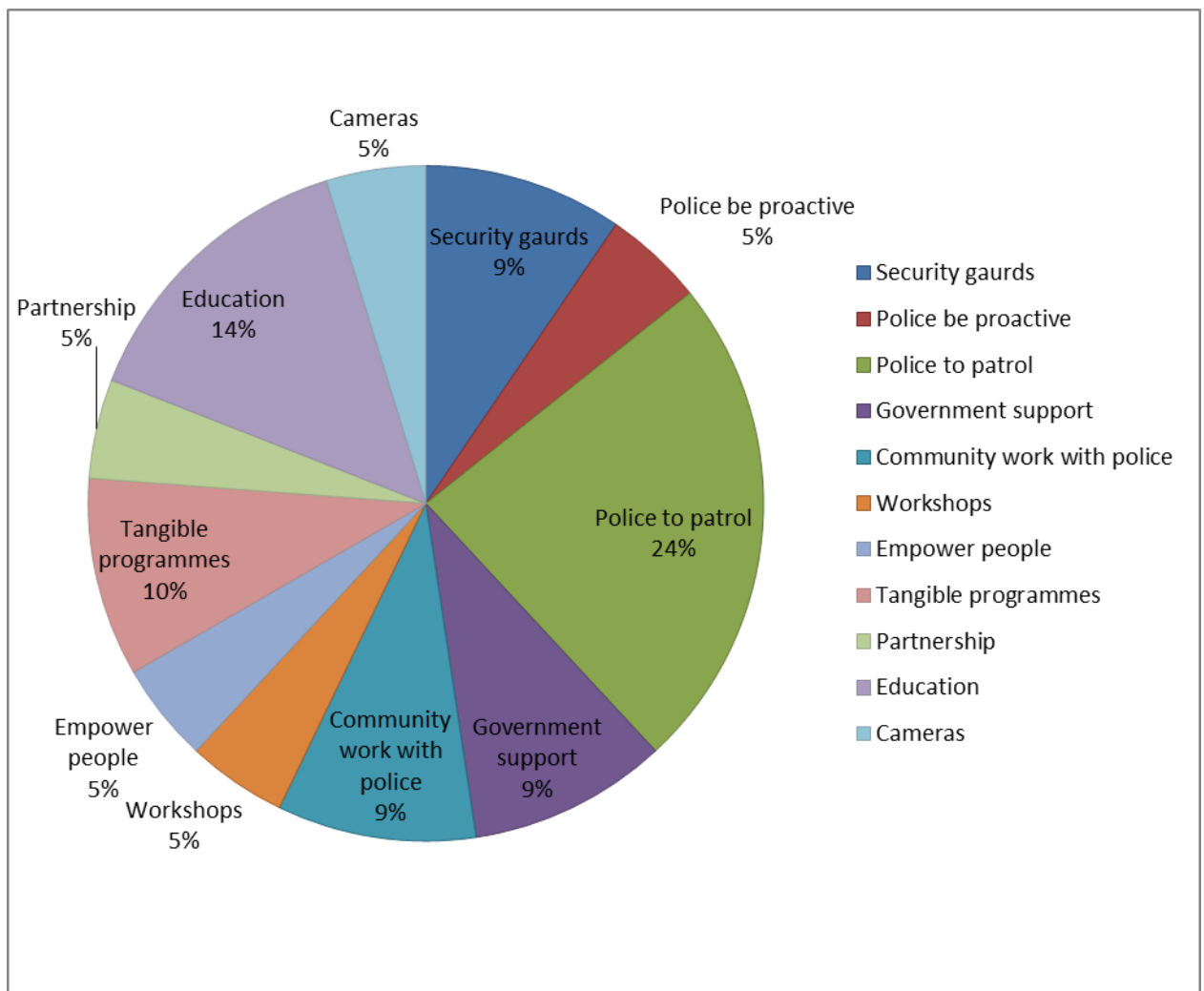
The data shown in Graph 4.40 indicates that 33% of the respondents specified that they needed assistance in completing forms, i.e. database or tender forms from other companies or government and also to be able to apply for a tender, 5% training and work-shopping, and 11% coaching and mentorship, whereas 17% did not respond to the statement that was made in this respect. This is evidence that the education levels attained by the respondents were low, with them having indicated that they needed support in terms of applying to join the tender process.

#### 4.3.4 THEME 12: BARRIERS TO SUCCESS



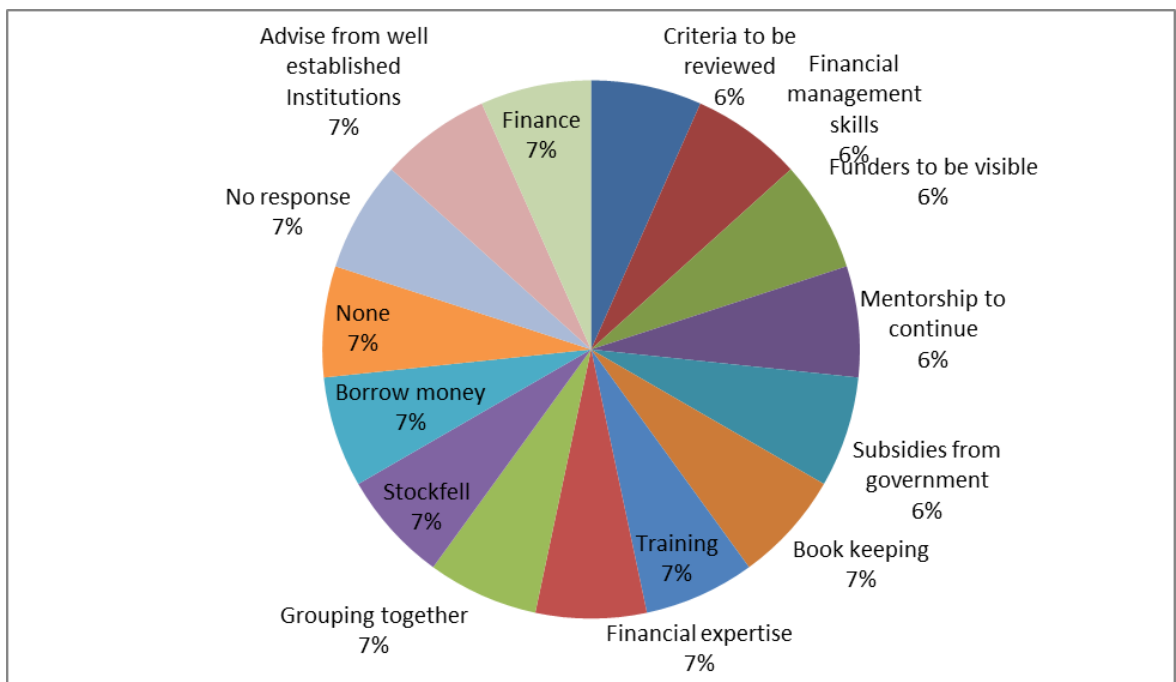
**Graph 4.41: Kind of crime experienced in the business**

Graph 4.41 illustrates that, although 48% of the respondents did not experience any kind of crime, 26% had experienced robbery in their business, 11% theft of goods, and 5% break-ins. The crimes include breaking into containers which SMMEs tend to use as their office owing to the lack of offices in the area. It is clear that these findings confirm that these businesses are affected by crime, and that they are willing to be part of the solution. These findings are in line with those of Cant and Wiid (2013:709), who agree that survivalists are affected by high levels of crime. The findings support those of Mboyane and Ladzani (2011:553) who posit that crimes like robbery, break-ins, and vandalism destroy enterprise development. The respondents did not note xenophobia as a crime or problem in Khayelitsha.



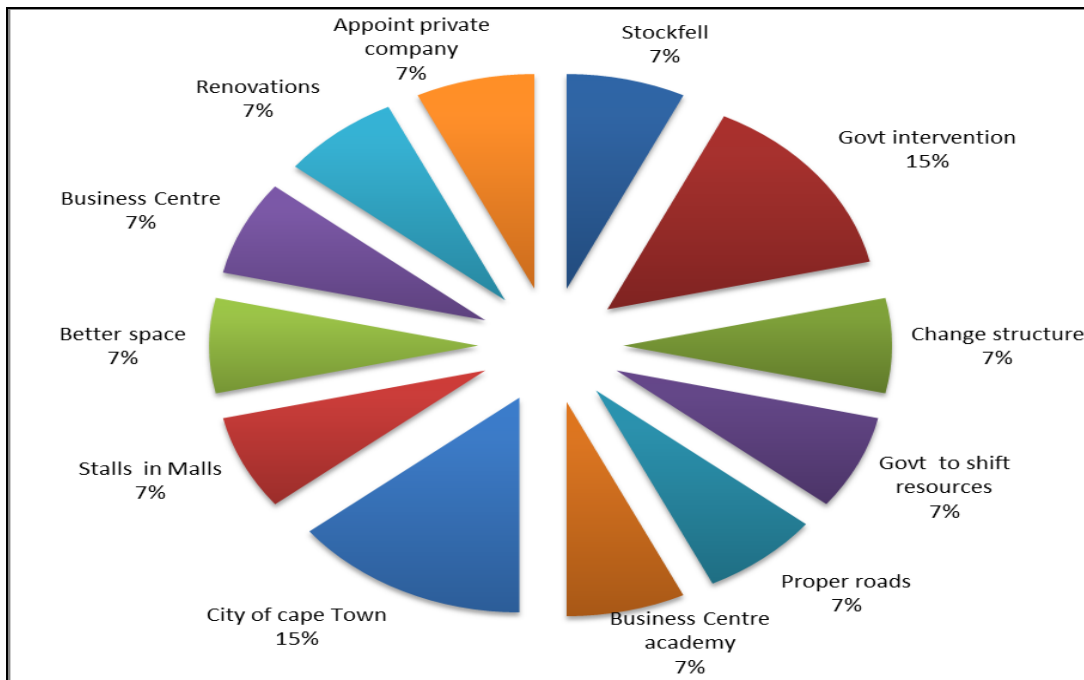
**Graph 4.42: Decreasing levels of crime in Khayelitsha**

The data shown in Graph 4.42 indicates that 24% of the respondents said that police patrols were essential to the community in their area, with 10% saying that having programmes in place would assist. Of the remaining respondents, 9% indicated that it was essential that the government and the police should both support community work with police, and have security guards in place, with 5% indicating that the police needed to be proactive. The findings indicate that these businesses are prepared to be part of the solution of the problem. The involvement of the SAPS is crucial to being able to resolve the problems, in the form of community involvement and community police forums. Having cameras and security guards in position around the area would assist the police to be proactive. The findings concur with those of Ruskov, Celdran, Ekblom and Sasse (2012:20), who are of the view that a proposed solution to fighting crime is through the use of police patrols, and the installation of CCTV.



**Graph 4.43: Assistance granted to small businesses to acquire funding, and to improve their financial situation**

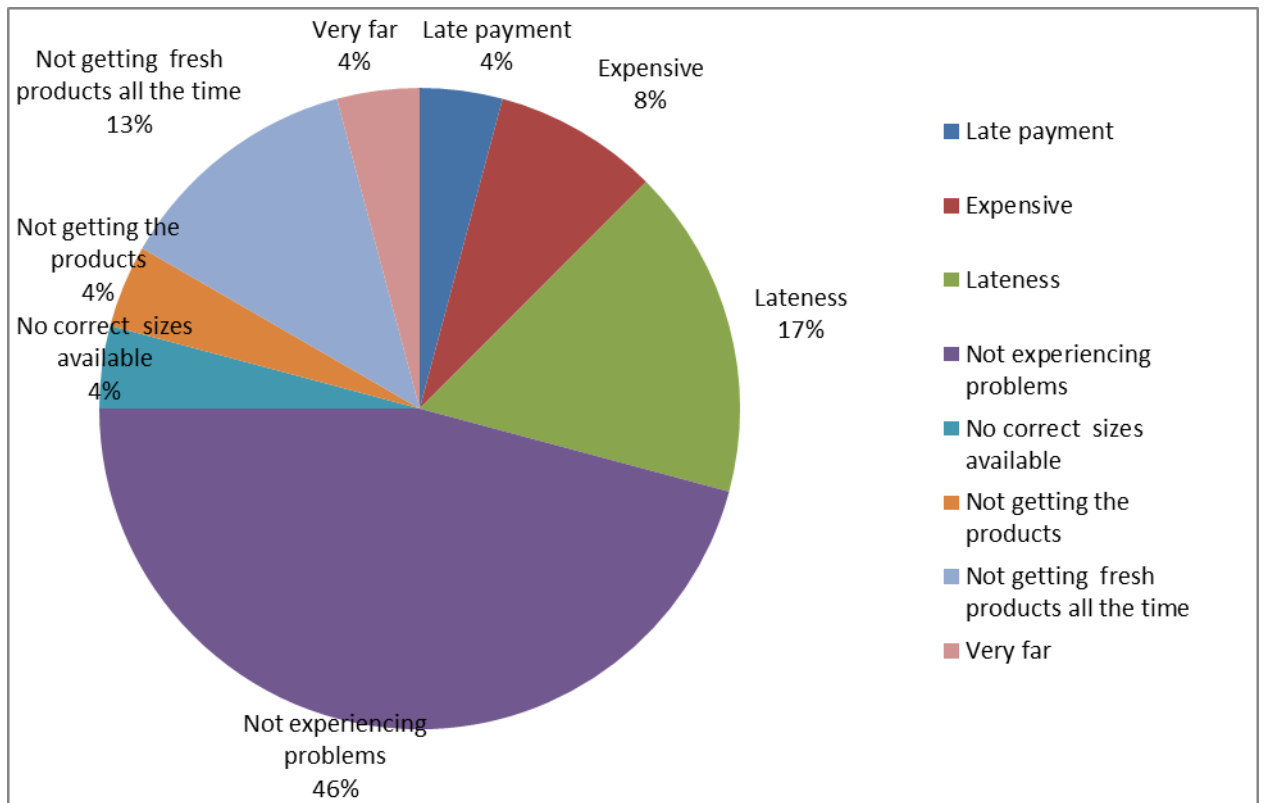
The data shown in Graph 4.43 indicates that 6% of the respondents equally indicated that the criteria used by financial institutions should be reviewed, as the requirements were high, which made it difficult for the SMMEs to meet them. They need to be revisited, and remodelled, so as to accommodate them. 7% respondents equally indicated they require financial skills, training, need finance and stock fell, and advise from established institutions. SMMEs. The funders needed to be visible to the area, so as to be able to advise the SMMEs regarding ways in which they could overcome their financial problems.



**Graph 4.44: Overcoming problems of infrastructure in Khayelitsha**

The data shown Graph 4.44 illustrates that 15% of the respondents said that government intervention was crucial to assisting in infrastructure development, whereas 15% said that the CoCT was to be involved, with other aspects being represented by equal 7%. The entrepreneurs would not then experience a loss owing to delays by suppliers, or in any aspect of the business. In terms of a lack of infrastructure, the CoCT was responsible for business infrastructure in Khayelitsha. The government and the CoCT should shift resources to the SMMEs, as well as providing proper roads, and opening a business centre academy. In addition, SMMEs should have stalls, so that they could utilise the space in the malls in Khayelitsha. It is fundamental that the issue of infrastructure facilities should be jointly addressed with the other stakeholders, at all levels.

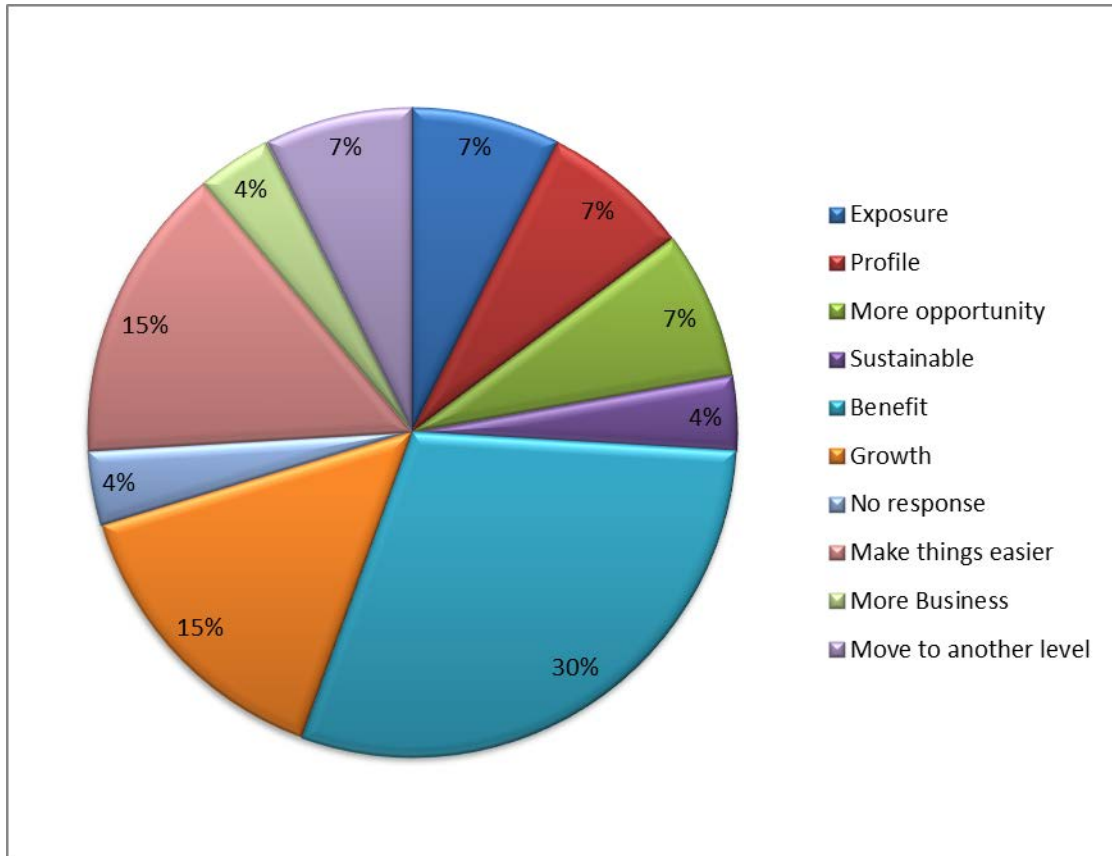




**Graph 4.45: Problems encountered with suppliers**

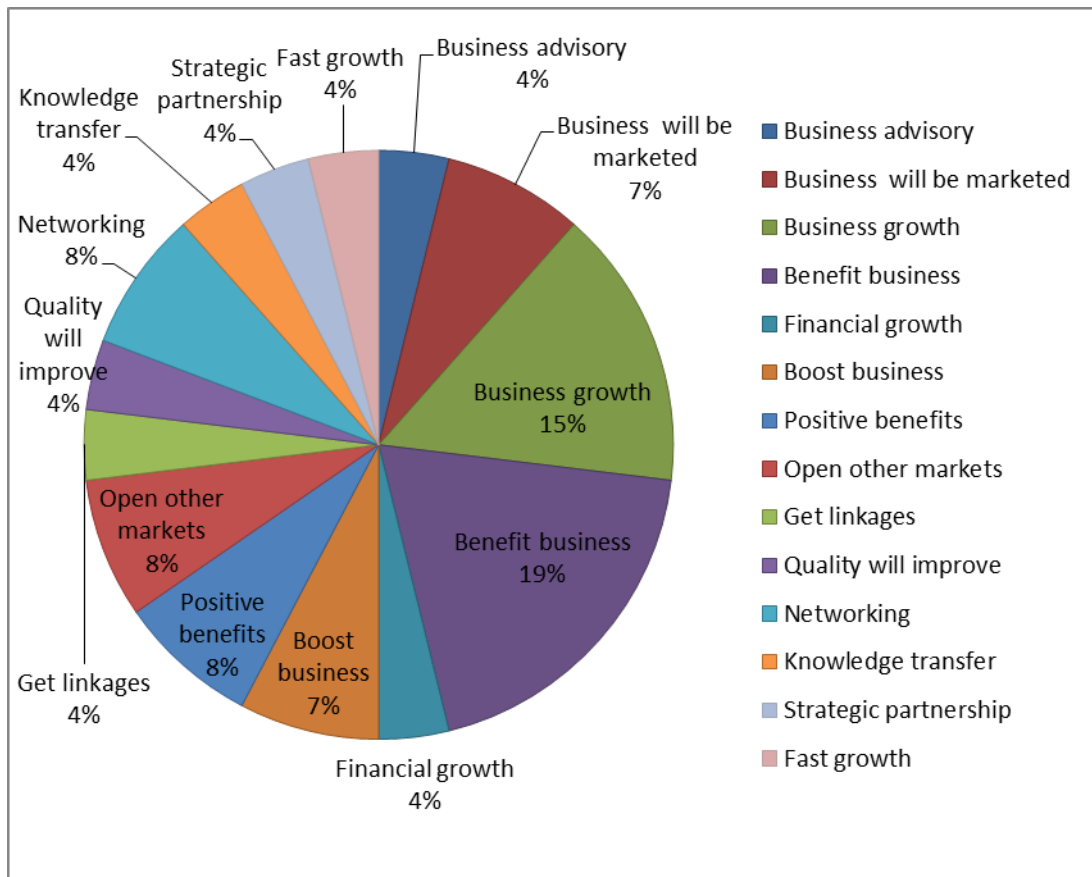
Graph 4.45 illustrates that SMME businesses were not at all happy with the supply of merchandise. Respondents noted that up to 54% experienced some difficulties with suppliers: complaints registered include too expensive (8%); late payments (4%); late deliveries (17%); lack of stock (4%); unavailability of certain sizes referring to products (4%); staleness of products (13%) and distance (4%); However, 46% of the respondents experience no problems with their suppliers.

4.3.5 *THEME 13: BUSINESS OPPORTUNITIES*



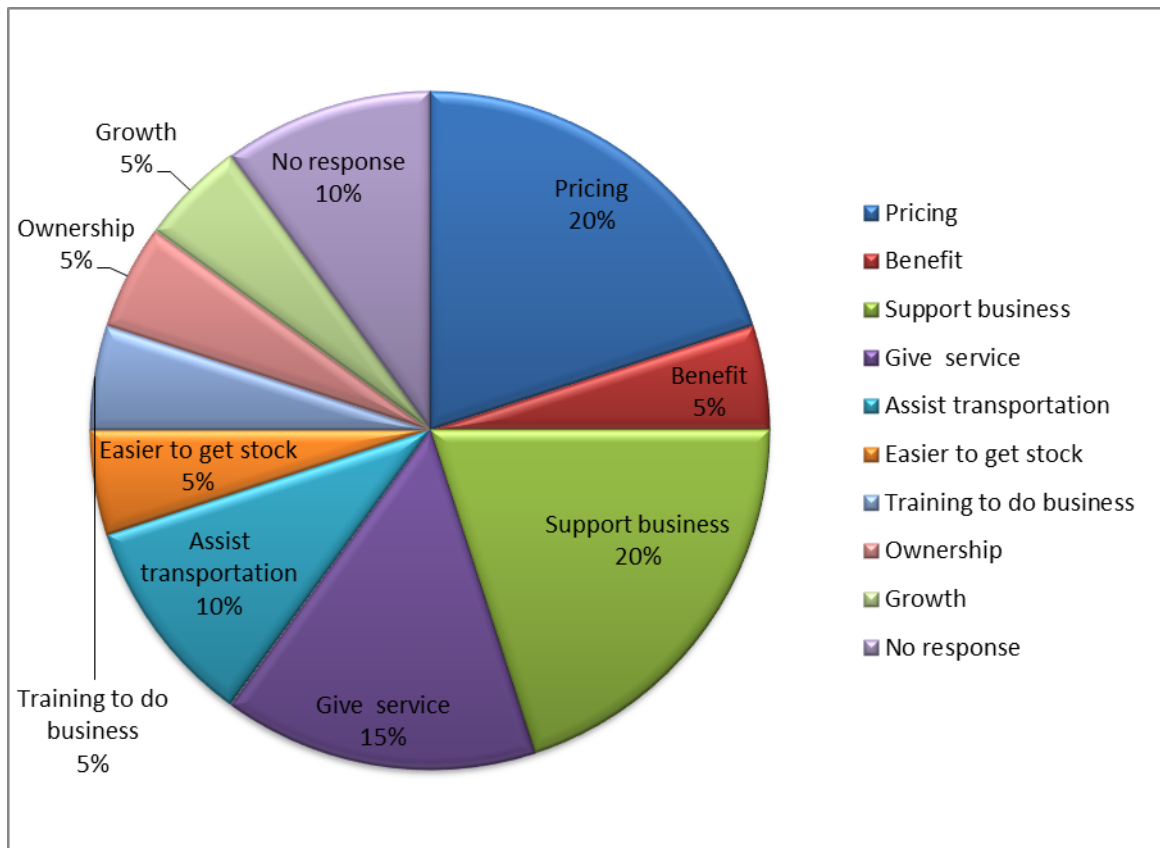
**Graph 4.46: Benefiting of the business through business linkages**

The data shown in Graph 4.46 illustrates that 30% of the respondents would benefit from this initiative, with 15% indicating that there would be growth in their business, and 7% indicating that it would open up more opportunities for the business. The findings indicate that more opportunities could become available through business linkages. The findings concur with those of Mwangi (2014:27), who agrees that linkages open up new opportunities for the development of enterprise growth.



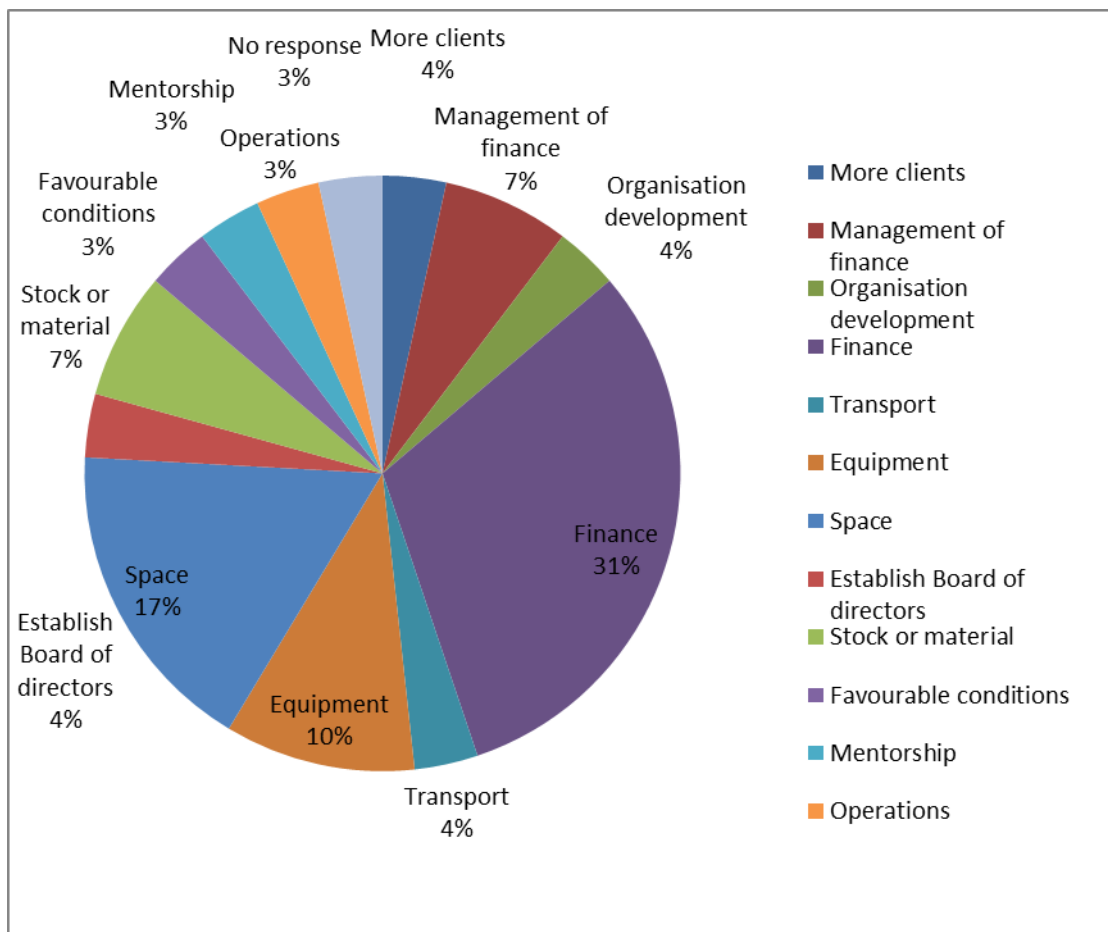
**Graph 4.47: Subcontracting as a benefit to a business**

The data shown in Graph 4.47 illustrates that subcontracting some aspects of the day-to-day operations would benefit 19% of the business owners, with 15% benefiting in terms of business growth; 8% in terms of networking; 8% in terms of positive growth; 7% in terms of a boost to business; 4% in terms of knowledge transfer; 4% in terms of linkages, improved quality, and strategic partnerships; 4% in terms of fast growth; 4% in terms of business advice; and 4% in terms of business marketing. This is evidence that these businesses perceived subcontracting as creating positive initiatives that would assist their business. Bonté and Thévernard-Puthod (2013:120) affirm that, in terms of subcontracting, the acquired firms would obtain more skills, which would be transferred through coaching, direct involvement, human resource management, finance, and marketing.



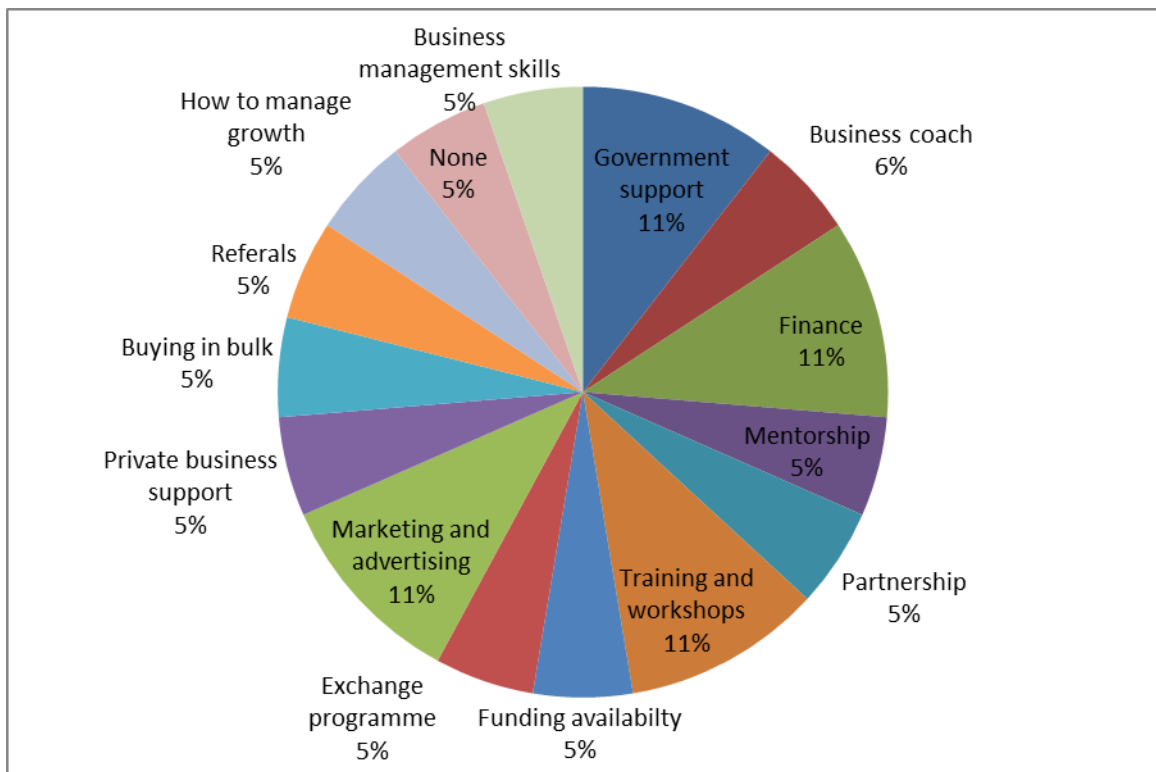
**Graph 4.48: Using business opportunities to advantage**

Graph 4.48 illustrates a fair distribution of opportunities available to strategise to the advantage of business, with 20% suggesting pricing opportunities, 20% feeling that it would help to support the business, 15% that it would be serviceable, 10% that it would assist in terms of transport, and 5% that it would benefit the business. This reflects that the SMMEs would use the opportunities to their advantages. Dahalan, Jaafar, Asma and Rosdi (2013:405) elaborate on the above by indicating that for one to be able to recognise opportunity, one need to understand the nature of opportunity.



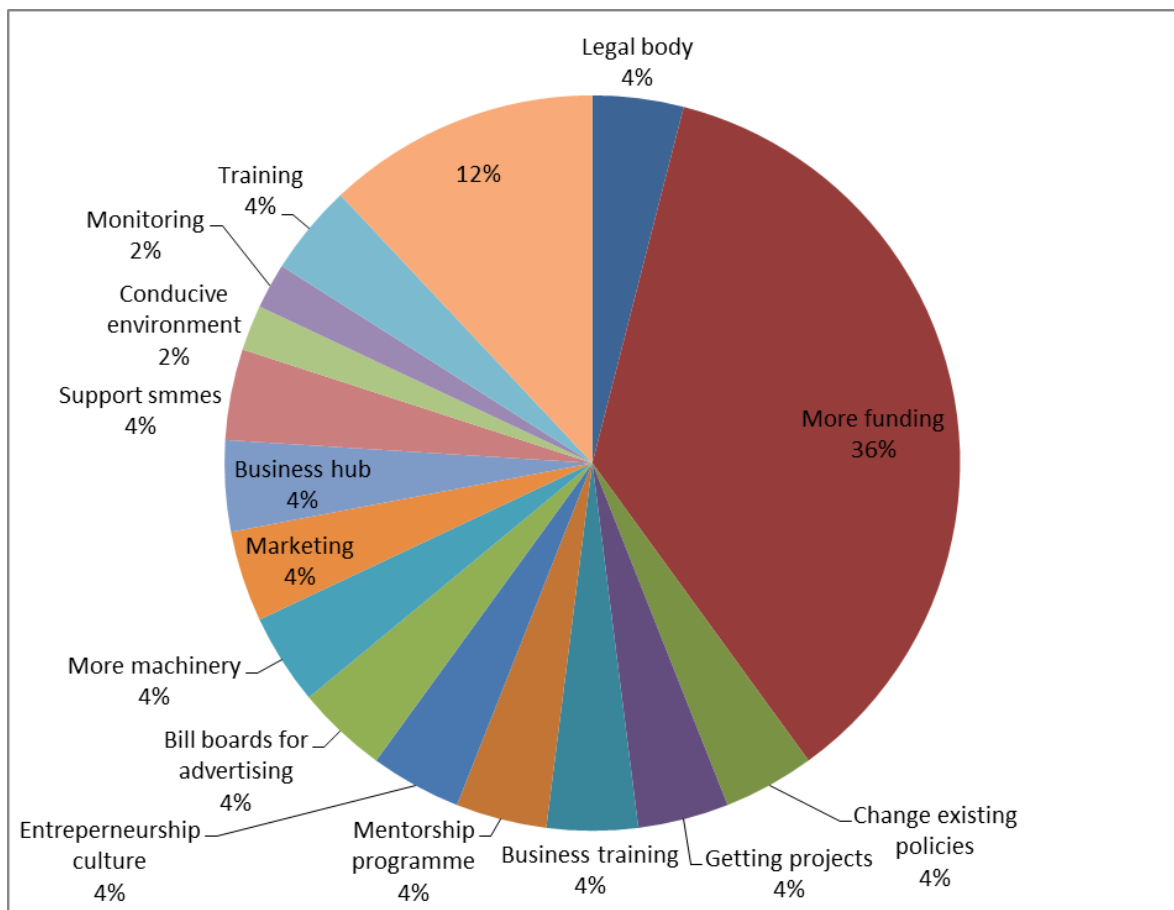
**Graph 4.49: Kind of assistance regarded as crucial to assisting the business succeed**

Graph 4.49 illustrates that a combined 31% of the respondents regarded finance as being crucial to assisting the business to succeed, 17% space, 10% equipment, 7% stock /material, and 7% management of finance. Other aspects of business support did not receive much support from respondents. The findings indicate the crucial nature of finance for business growth, and they concur with those of Ramunkumba (2014:25), who agrees that finance plays a major role in business, which needs to be nurtured; business can fail due to a lack of finance.



**Graph 4.50: Other factors thought to be crucial to assisting the business to develop and grow**

Graph 4.50 illustrates that 11% of the respondents indicated that government support was crucial to assisting the business to develop and grow, while 11% said finance, 11% require training, 11% workshops, 11% marketing and advertising, with 6% business coaching and very minor requests of 5% for a variety of other less important business functions. The remaining 5% of the respondents did not comment on this aspect. The findings indicate the areas where support is most needed (Cant & Wiid, 2013:709), being management skills, human resources, financial management, and marketing expertise in the area of marketing, as it is essential to master these areas, so as to be able to support small business.



**Graph 4.51: Government assistance for business**

The data shown in Graph 4.51 illustrates that 36% of the respondents indicated that the government could assist SMMEs by providing more funding and 12% by training. Various other aspects of business operations enjoyed only minor support. The findings indicate that these SMMEs would like the government to provide support, especially in terms of funding, and where skills shortages exist. The findings concur with those of Booyens et al. (2012:295), who posit that the South African government recognises that improved access to finance, the fostering of networks, the enhancing of entrepreneurship, and skills development might be just the tools required for addressing the barriers faced by these businesses.

The data displayed above for Themes seven to thirteen have in the main addressed the objectives and research questions two and three. Objective number four, empowering black women has also been considered.

#### **4.4 Summary**

This chapter presented a description of the data obtained in this study, followed by an interpretation, and discussion, thereof. The analysed data were collected by means of a questionnaire survey and interviews, which explored the opinions of a sample of small business owners in Khayelitsha. These enquiries were based on the research aim and objectives, and on the research questions developed.

From the stated findings, the evidence is clear that many constraints, both internal and external, are faced by small businesses. These constraints ranged from the lack of finance, through an inadequate infrastructure and supply of ICT, to socio-economic factors encountered by the businesses concerned. Some of the most important barriers to success in relation to these findings were finance, education, government support, skills shortage, and lack of infrastructure.

Various strategies were considered to empower SMMEs to be able to zoom in on, and to see individually, the areas of shortages, and what skills were necessary to support these businesses.

In the next chapter the conclusions of the study will be provided, and recommendations will be made on the grounds of the findings of this study.



## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The previous chapter presented an interpretation, and a discussion, of the data findings of this study; it described the nature, and the empirical evidence, of the barriers facing SMMEs development in Khayelitsha. This chapter presents a summary, and overview, of this study, as well as its conclusions and recommendations that have been arrived at based on the techniques applied in this research. The evidence from the findings of this study suggests that barriers to the successful conducting of SMME activities in Khayelitsha do exist, as with any barriers to SMEs in other countries. Furthermore, there are interventions that can support these SMMEs, in order to empower them, and to cultivate entrepreneurships that are more sustainable than at present, and that will serve to grow the economy of the country. The general perception of the participants was that they wanted to be a part of alleviating the poverty in the community of Khayelitsha. The number of aspects that hinder the growth, and success, of these businesses, as they are highlighted in the findings, need to be addressed. As a matter of urgency, these businesses need to be empowered in order to contribute to the South African economy (Ramunkumba, 2014:25).

#### **5.2 Overview of the research**

The introduction and background to the problem of the research study was discussed in Chapter One. The problem statement, along with the aim and objectives of the study, as well as the limitations, and the delineation, of the study were also presented.

Chapter Two offered a comprehensive literature review of the constraints facing SMMEs, and also of the business opportunities in support of the businesses concerned. The secondary data information was collected using different sources, such as journal articles, textbooks, internet sources, and completed theses.

A brief explanation of the research design used is provided and of the qualitative and quantitative research methodology followed is the topic of Chapter Three. The

population and sample utilised were advised in regard to the research, and also in relation to the reliability of the instrument that was used to gather the data. The chapter noted the software that was employed to analyse the data. This is followed by an analysis and discussion of the research findings in Chapter Four and the interpretations. Finally following the research objectives and supporting questions, conclusions are drawn about the study, and recommendations made regarding SMMEs in Khayelitsha.

### **5.3 Research objectives**

The major research objectives of this study were to achieve the following:

1. To recognise the constraints facing small business entrepreneurs;
2. To determine the role that the government can play in effectively assisting, and promoting, SMMEs;
3. To examine the impact of skills shortages on entrepreneurship in Khayelitsha;
4. To identify empowerment tools to assist black women in being successful in business; and
5. To make recommendations to manage the constraints evident in Khayelitsha so that small business entrepreneurs could work effectively and efficiently in the area.

The objectives of this study were met. The research briefly outlined the challenges faced by entrepreneurs that required addressing. The barriers were the constraints experienced primarily in accessing finance, the inadequate education infrastructure, and the lack of management and business skills.

#### **5.4 Contribution made by the study**

The study contributes to the body of knowledge on how the government and policymakers can influence SMMEs, as well as the governance of small business enterprises in townships. It adds value to the information that was previously available to the new Minister of Small and Medium Business, and it should enable policies to be developed that are viable, and that allow for informed decisions to be made, so as to have SMME business ownership grow, and become sustainable, so that it can contribute to the GDP of the country. This study is available in the CPUT library, open to NEXUS online search, and in an article published in a relevant academic journal; the *Journal of Small Business Management*.

#### **5.5 Limitations**

Various shortcomings were encountered during the data collection for the study. Obtaining the required number of responses was difficult as some businesses were not interested in being part of the research. Differentiating between the formal and informal sector was problematic, as some of the businesses concerned regarded themselves as formal, due to the fact that their businesses were registered, whereas, according to the South African definition of SMMEs, they were informal. There appears to be very few formal businesses in Khayelitsha and, therefore, the study is not a presentation of the business community in the area. The small sample used could be construed as not being fully representative of SMMEs in Khayelitsha, and could therefore represent bias in the data obtained.

#### **5.6 Summary of the research findings**

The research findings show that the aspects that were mostly indicated by the respondents to be contributing to the barriers facing the SMMEs at the time of the study are as follows:

### **5.6.1 Financial support**

The findings reveal that an overwhelming majority of the businesses agreed that they needed financial assistance for their businesses. Therefore, it is crucial to have a mechanism in place in support of this, as the study reveals that the business participants do require government support. The respondents in this study indicated that finance was the major aspect that required addressing, as they regarded this as an underlying barrier to their businesses. It is suggested that finance plays a major role in business; however, it is also crucial that the SMMEs be empowered with financial skills management, which should run concurrently with funding. Banks and microfinance organisations should support these businesses by means of providing them with loans. Since SMMEs play a key role in the township communities, it is a fundamental requirement that the appropriate mechanisms should be in place to empower them with efficient and effective tools that should help the SMMEs to be innovative, so that they can contribute more to the economy than they did at the time of the study. This addresses objective number 1.

### **5.6.2 Lack of government support**

The findings suggest that there is a general lack of government support. The national government strategies, which are financial institutions that are created to assist SMMEs, are ineffective for these businesses, as little is known about them by the businesses that are most in need of them. Both the provincial and the local governments have apparently done little to support the businesses concerned. This statement addresses the concerns that gave rise to objective number 2.

### **5.6.3 Unemployment challenge**

The results overwhelmingly suggest that there is a willingness to help in addressing the challenge of unemployment, and in creating jobs, so as to curb the existing socio-economic challenges within the communities; considering objective number 3. In regard to job creation, in the light of the alarmingly high levels of unemployment and poverty in Khayelitsha, these businesses have indicated their willingness to create jobs. These results address objective number 3.

#### **5.6.4 Inadequate infrastructure**

The findings reveal that the inadequate infrastructure is a challenging aspect that prevents businesses from being able to function effectively in the business world. The inadequate infrastructure has also been identified as a barrier that needs to be addressed in the arena of trading space. Objectives number 1 and 2 have been considered, as well as objective number 4 referring to black women entrepreneurs.

#### **5.6.5 Lack of access to technology**

The respondents noted that the lack of access to technology is a barrier to success, meaning that the businesses concerned are unable to keep abreast with the latest technological developments. It is evident that there is a need to empower these businesses, as there is an indication of shortages of computer skills, owing to the level of education that the entrepreneurs have. Also business education is vital for these business owners, so that they are able to excel. ICT infrastructure has been identified as lacking, and it is clear that the businesses surveyed were not technologically advanced, due to the lack of ICT infrastructure and a shortage of computer skills, which was preventing them from taking advantage of e-commerce. The environment does not allow them to progress with technology. This point considers objectives 1, 2 and 3 and does not neglect objective 4 referring to black women.

#### **5.6.6 Lack of awareness**

The findings indicate that there is a lack of awareness in terms of private sector initiatives in support of the SMMEs' ability to grow sustainability, and, hence, they were not benefiting from such programmes at the time of the study, implicit in objective number 2, but also addressing objective number 3.

#### **5.6.7 Crime**

An overwhelming majority of the respondents identified crime as being a barrier to the success of their business. It was evident that the small business owners were firm in their assertion that crime was affecting their business, and that they felt that not enough was being done to prevent crime. The findings indicate that the types of crime include robberies, break-ins, and vandalism, and that employees are being injured, or traumatised, and addresses specifically objective number 1, but generally also objective 2.

It should be noted that, based on the above findings, and in line with the barriers that have been identified in this study, it is crucial that a workable solution should be devised to empower small business. The findings reveal that all spheres of government play a crucial role in the success of businesses, especially in terms of information and training. The findings of the study reveal that all aspects need to be considered for the success of the businesses concerned. The respondents indicated that they require government support mainly where finance was involved, and in terms of the infrastructure, something which should be addressed in detail by Khayelitsha business forum activities.

## **5.7 Recommendations**

The following recommendations are made, based on the findings of the current study:

### **5.7.1 Entrepreneurship education:**

Education plays a key role in addressing any socio-economic problems in any country. In South Africa, entrepreneurship education should be introduced at primary school level, so that learners are exposed to business ideas at an early age. Different skills development programmes for different groups must be put in place for those with, or without, matric, and also for those who have a tertiary education. For those who do not have matric, an assessment should be conducted to establish what business education skills would be suitable for them to acquire for empowerment purposes. In terms of those without tertiary qualifications, studies should be undertaken to assess what business education skills would be suitable for them to acquire for empowerment purposes. Assessment should also be undertaken among those who have postgraduate qualifications, in respect of what strategic management skills are necessary for a business to grow, and for it to be sustainable. The government should introduce the further development of human capital through education and training at all levels. In this regard note should be taken to what Siemens (2010) proposes at both primary and secondary school levels, the merging of entrepreneurship and small business into the school curriculum, thus allowing for children to receive training that is essential for a business to be set up. This aspect is further consolidated by Sharpe (2013:458) who also agrees that education, training and mentorship are vital for the success of a business.

#### **5.7.2 Financial education:**

Finance is a challenge to most SMMEs. It is important to have financial needs addressed, based on the adoption of a strategic approach. Therefore, it is highly recommended that financial skills education and a management accounting skills programme be provided in support of the businesses, and through the appropriate SETA, so as to address cash flow problems. The adoption of a financially oriented business approach is necessary to address barriers to business development, and assessments should be undertaken to see where finance is most needed.

#### **5.7.3 Government support:**

Government support is crucial for community-based businesses to succeed. Financial and non-financial government institutions should have offices in areas where community entrepreneurs operate. In Khayelitsha, the offices should be where they can support, and empower, entrepreneurs in the area with information, and with networking possibilities in regard to other developmental programmes. The DTI should monitor the effectiveness of financial institutions in the townships, so as to ensure that they give credible service. The municipal offices should be situated in a DTI-based business hub and at information centres, where information is provided in the indigenous languages, and should form part of certain libraries. The government should have monitoring and evaluation specialists to monitor businesses in terms of their finance, labour, infrastructural, and technological needs, and who will then be able to make further recommendations in this regard.

#### **5.7.4 Effective infrastructure:**

A conducive infrastructure is required to play a facilitating role in the success of small businesses. It is, therefore, recommended that the CoCT should provide the necessary infrastructure for these businesses, which should include a business incubation area where entrepreneurs will have cost-effective space made available to them, and where they will be supported by specialists in their field.

#### **5.7.5 Addressing skills shortages:**

In relation to skill shortages, there should be tangible development support programmes in place that are able to support SMMEs in order to stimulate empowerment by means of skills development directed at the sustainability of the business, and for mentoring, and coaching, purposes. The South African

government has recognised that the training of trainers, and the improvement of business advisory and mentorship skills, is extremely important (SA, DTI 2003:43). It is evident, therefore, that in terms of accessing any educational opportunities it is vital that such opportunities be brought to the communities where they are easily reachable, and where they are delivered within the communities, so that the business owners do not have to travel far to access them. Siemens (2010:10) agrees that education and training programmes for business owners should include an evaluation of the available resources, so as to enhance the successful operations of the businesses concerned. The skills shortages in businesses need to be addressed. Specifically black women's skills shortages need to be identified, due to past discrimination. This matter can be addressed through the provision of skills development by the DTI, in the form of mentoring, coaching and skills development.

#### **5.7.6 Addressing Unemployment:**

Unemployment is a challenge for many South Africans, and, therefore, socio-economic ills need to be addressed through small businesses that are supported with an adequate infrastructure, finance, and skills that will have positive results for job creation. The findings reveal that addressing skills shortages are crucial for SMME businesses. It is necessary to identify which skills need to be addressed strengthened by the SETAs and the SEDA. Small businesses need to be empowered with skills, so that they can become competitive and sustainable.

#### **5.7.7 Provision of technology:**

In the global environment it is very important that small businesses be technologically advanced. It is, therefore, recommended that ICT infrastructure development should be made available (at libraries for example) that will enable the entrepreneurs concerned to compete globally.

#### **5.7.8 Trade constraints:**

The private sector approach to the development of the SMMEs should be proactive in assisting enterprises to overcome the constraints to trade operating in Khayelitsha, and identified in this study. Enterprises in both the private and public



sectors should be made effective through the DTI, and local Chambers of Commerce.

#### **5.7.9 Identify opportunities:**

One of the characteristics of entrepreneurs is that they tend to be able to identify opportunities. It is embedded in small businesses, therefore, to identify opportunities by revisiting their business plans through government agencies, so that businesses are able to flourish. There is a need to have general wholesalers in Khayelitsha, so that the businesses can cut the costs of their delivered goods and services, and transport. The study found that businesses tend to pay higher costs for their supplies, due to the fact that Khayelitsha is far from the Cape Town CBD. Chimucheka (2013:786) says that SMMEs can provide services as suppliers to, and subcontractors for, large businesses.

#### **5.7.10 Combating Crime**

Crime has been proven to hamper business ventures, and the solutions that have been identified by businesses are that the communities in the area should collaborate with the SAPS. Patrols and CCTV should be provided in Khayelisha so as to allow for the identification of any criminal activity in the township. In terms of crime, the involvement of the SAPS with the community will assist, as it will resolve the crime problem through the establishment of community involvement and community police forums. Having security guards patrolling the area will also assist, and police should be proactive on matters related to crime.

#### **5.7.11 Business operations:**

The SMMEs surveyed need to be empowered, as shortages in the area of management skills were indicated, perhaps owing to the level of education that the owners concerned had. Business education is vital for these entrepreneurs so that they are able to excel in their businesses. The findings reveal that the SMME business owners needed support as they require know-how in terms of how to complete the application forms that they were required to use. In the light of such a finding, it can be seen that mentoring and training should be addressed at all levels.

### 5.7.12 Women empowerment

The data reveals that there is a need to empower Black women by providing them with training, workshops, mentoring, and coaching, so as to support their growth in their own businesses. The data suggests that there are business opportunities available. However, entrepreneurs seem to fail to identify them, and it is crucial that they be investigated by these businesses through revised business plans. There is a need to change the mind-set of the business owners to make them more entrepreneurial as small businesses, so that they can identify, and take advantage of, the business opportunities that are available. An innovation entrepreneur is a key to the success, and to the growth, of an enterprise.

The recommendations that have been made above can be summarised in the following model (Figure 5.1), which could be used to examine (most) townships in South Africa which are in a similar position to that of Khayelitsha. The constraints could be grouped into the major problems encountered in the study, with the organisation(s) that could address the constraints noted. The model groups constraints into comparable units (General, Financial, Employment and Legislation) all of which when addressed, should lead to an improved economic environment, addressing skills development, creating and filling jobs, and an improved way of life in township. Figure 5.1 depicts the model that can be used in identifying the constraints facing SMMEs in Khayelitsha.

## ALL FORMS OF ENTREPRENEURSHIP

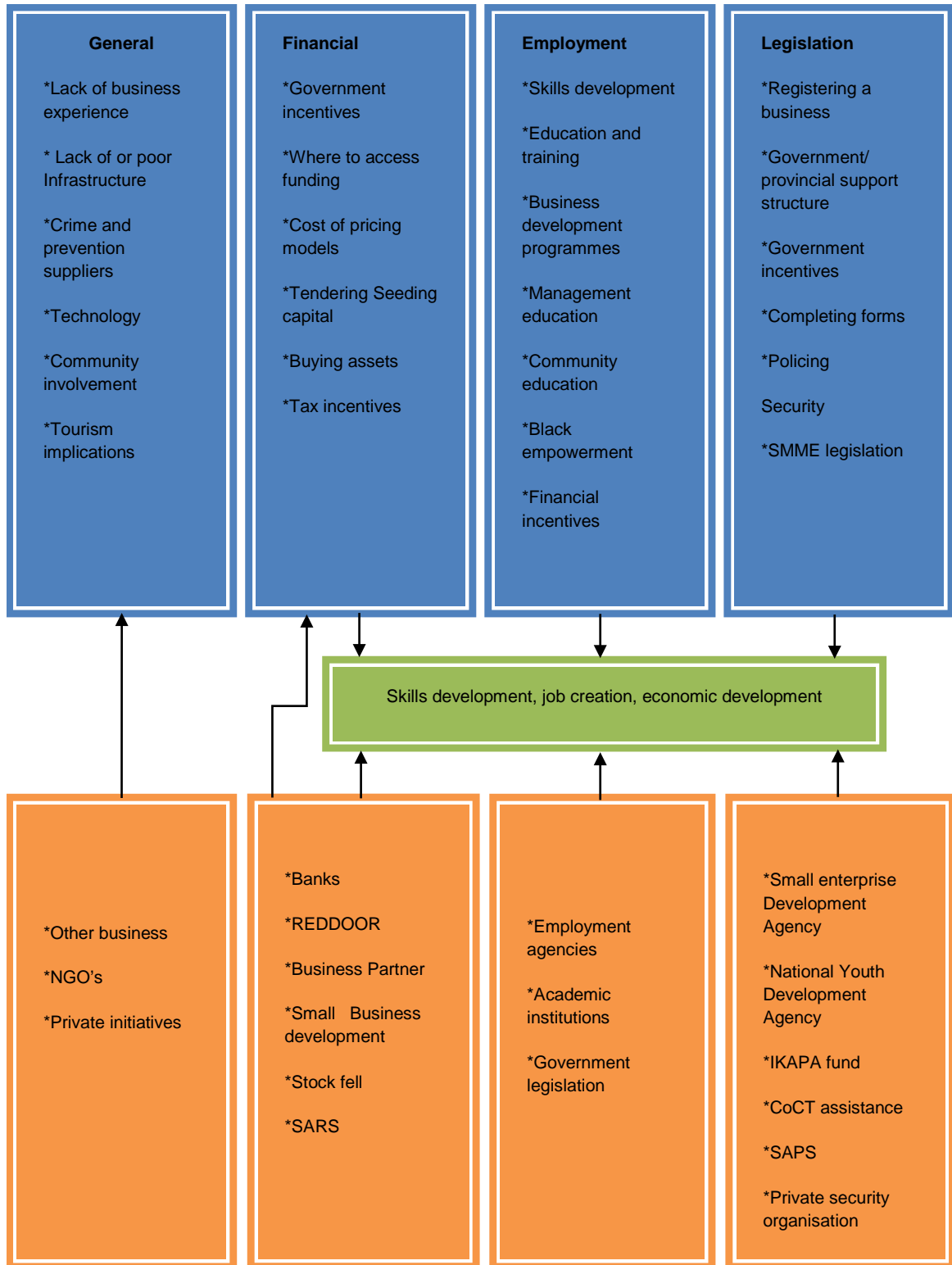


Figure 5.1 Model for identifying constraints to trade in townships

Sources: Researcher's own construct

## 5.8 Conclusions

The literature review focused on various factors, both positive and negative facing businesses in Khayelitsha. The aim and objectives were discussed, and the research findings, and discussions, were briefly summarised, allowing for a way forward to be achieved with the necessary tools. The findings of the study were summarised, and recommendations were made in regard to the empowerment of SMMEs. The study considered the constraints facing SMMEs, and made suggestions that should be able to assist businesses to be sustainable, and to flourish, so as to enable them to contribute to the GDP of the country. It is concluded that government support plays an important part in these businesses, and that education and training should be embedded in the use of human resources for empowerment purposes.

It can be concluded that having knowledge, of and access to private sector support is crucial, as such support should encourage the growth and development of the businesses concerned. As small businesses play a vital role in the communities where they operate, financial support is crucial for a business, in order for it to expand. There is a need to have a viable infrastructure in place that can support these businesses, and be conducive to their sound operation. Initiating, or revisiting, business plans can assist in identifying the opportunities within communities, but further interventions need to be undertaken in support of black women in business. This is because the existing skills shortages need to be addressed, and the appropriate empowerment tools should be implemented at all levels. A possible idea derived from the study is that there may be a need to develop a business hub in Khayelitsha, where SMMEs will have a secure environment in which to trade.

The aim of the research was to determine the extent of entrepreneurship development in Khayelitsha and examine whether government (central and provincial) incentives were available to boost the local economy. The study investigated what barriers existed in this specific township which placed constraints on business progress. In this respect the study was successful, but at the same time causes concern for the on-the-ground situation in Khayelitsha. One aspect that was not considered at all in this study was the influence or impact of politics on the functioning of enterprises; this is a delicate matter but could be considered in future research.

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## APPENDICES

### Appendix A: Survey Questionnaire

#### SECTION A

##### Demographics

1. Gender

Male	
Female	

2. Age group

Under 21	
21–30	
31–40	
41–50	
51–60	
60 and above	

3. Language group

English	
Afrikaans	
isiXhosa	
isiZulu	
Tswana	
Sotho	
Other (please specify)	

4. What is your educational background?

No formal education	
Grade 1–11	
Matric/ Grade 12 completed	
Certificate/Diploma	
Undergraduate degree	
Postgraduate degree	
Other (please specify)	

## SECTION B

5. In which of the following sectors do you operate?

Tourism	
Transport	
Retailing	
Service	
Others (please specify)	

6. How many years have you been operating the company?

Less than a year	
1–5 years	
5–10 years	
10–15 years	
15–20 years	
20 years or more	

7. Companies and Intellectual Property Registration Organisation (CIPRO)

		Yes	No
7.1	Are you aware of the Companies and Intellectual Property Registration Organisation (CIPRO)?  If yes, please respond to the questions below by indicating with an (x) in the appropriate column.		
7.2	Is the company registered with CIPRO?		
7.3	Have you ever tried to register the company?		

8. What is your business turnover per week?

R0–R1000	
R1001–R2000	
R2001–R3000	
R3001–R4000	

R4001–R5000	
More than R5000	

9. If you were to be given a space to rent in the Khayelitsha Malls, how much rental do you think that you could afford per month? Please specify.

R0–R500	
R501–R1000	
R1001–R1500	
R1501–R2000	
R2001–R2500	
More than R2500	

Please respond to the following questions by indicating with an (x) in the appropriate column.

10.	Do you know of any initiatives by the government to assist you with your business?	Yes	No	Don't know
10.1	KHULA Enterprise Finance			
10.2	Small Enterprise Development Agency (SEDA)			
10.3	Industrial Development Corporation (IDC)			
10.4	National Youth Development Agency (NYDA)			
10.5	Red Door			
10.6	iKapa Fund			
10.7	Others (please specify)			
<b>11. Development programmes</b>		Yes	No	Don't know
11.1	Are you aware of any development programmes in Khayelitsha?			
11.2	Do you know what subcontracting is?			
11.3	Do you know that private businesses can assist SMMEs with subcontracting?			
11.4	Do you know what business incubation is?			
11.5	Do you know that there are NGOs that can assist SMMEs with business incubation?			
11.6	Do you think that the business incubation programme can be used to your benefit?			
11.7	Do you know of any programmes that are provided by the City of Cape Town Municipality to assist small businesses?			
11.8	Do you know that there is a Provincial Help desk that assists entrepreneurs in the Western Cape?			
<b>12. Government support</b>		Yes	No	Don't know
12.1	Do you think that it is important that the government should assist you in your business?			
12.2	Do you know of initiatives that are operated by the government to assist SMMEs?			
12.3	Do you think that the government is doing enough in terms of assisting SMMEs?			



<b>13. Local service centres</b>	Yes	No	Don't know
13.1 Do you know of the Masakhane Library Business Centre in Khayelitsha?			
13.2 Do you know of the Nazeema Isaacs Library Business Centre in Khayelitsha?			
13.3 Have you ever received business support from LBC?			
13.4 Do you know that these libraries in Khayelitsha provide assistance in terms of business information for SMMEs?			
<b>14. Poverty and unemployment</b>	Yes	No	Don't know
14.1 In terms of the high poverty levels in Khayelitsha, do you think that your business will assist you to fight poverty?			
14.2 With the high unemployment rate in Khayelitsha, do you think that your business will assist in creating jobs?			
14.3 Do you think that you need assistance to help your business to grow and to be sustainable, so as to curb poverty and unemployment in Khayelitsha?			
<b>15. Informal and formal businesses</b>	Yes	No	Don't know
15.1 Have you made any effort to grow your business?			
15.2 Have you received any assistance for your business from government initiatives?			
15.3 Have you received any assistance for your business from private sector initiatives?			
15.4 Are your details at present on any government database?			
15.5 Are your details at present on any private business database?			
15.6 Do you know how to be admitted onto the government database?			
15.7 Do you know how to be admitted onto the database of any private business?			
15.8 Have you ever attempted to compete for any Government Tender?			
15.9 Do you think that completing the form/document is problematic?			
15.10 Do you know anything about E-commerce?			

Please indicate your responses with an (x) in the appropriate column.

<b>16. Statement constraints</b>	Strongly agree	Agree	Undecided	Disagree	Strongly disagree	Not applicable
16.1 I think that finance is most critical for the business.						
16.2 I think that enough is done in terms of infrastructure for my business.						
16.3 I think that enough is done in terms of operating space for my business.						
16.4 I have access to a computer for my business.						
16.5 I have access to electricity for my business.						
16.6 I have access to water for my business.						
16.7 I have transport for my business needs.						
<b>17. Crime</b>	Strongly agree	Agree	Undecided	Disagree	Strongly disagree	Not applicable
17.1 Crime is a worrying factor for my business.						
17.2 Not enough is being done to prevent crime in Khayelitsha.						
17.3 Crime is hindering my business' chances of growth in Khayelitsha.						
<b>18. Finance and microfinance</b>						
18.1 Finance is crucial for my business.						
18.2 I need financial assistance for my business.						
18.3 I have been turned away by a bank when I applied for financial assistance.						
18.4 I have been turned away by a microfinance organisation when I applied for financial assistance.						
18.5 I think that there are other sources, apart from the bank, from which to obtain finance.						

<b>19. Infrastructure</b>	Strongly agree	Agree	Undecided	Disagree	Strongly disagree	Not applicable
19.1 I have enough space in which to work, and operate, my business.						
19.2 I need office space / a place in which to sell my goods and services.						
19.3 I think that, if I were given a space to rent, from which I could sell in Khayelitsha Malls, I would be able to afford the rent, if charged at a reasonable rate.						
19.4 I use telecommunications for emailing.						
19.5 I use telecommunications for faxing.						
19.6 I use other telecommunications for my general business operations.						
19.7 I use a cell phone for my business.						
19.8 I have all the resources that are necessary for operating my business.						
<b>20. Suppliers</b>	Strongly agree	Agree	Undecided	Disagree	Strongly disagree	Not applicable
20.1 I experience challenges with my suppliers.						
20.2 I think that I am disadvantaged in terms of price by suppliers, owing to the fact that I operate far from the central business district (CBD).						
20.3 I think I pay more for transport than SMMEs in other areas, such as Athlone, do, since I am further away from the CBD.						
20.4 I think that having a wholesaler for my goods in the area would assist to cut costs, and it would allow me to become more competitive.						

Please indicate your responses with an (x) in the appropriate column.

<b>21. Skills shortage, business education and entrepreneurship training</b>	Yes	No	Don't know
21.1 Have you attended any computer-related courses?			
21.2 Do you think that having business education and training is crucial for you to know how to operate your business?			
<b>22. NGO assistance</b>			
22.1 Do you know that ZENZELE non-governmental organisation (NGO) assists trade-related SMMEs in the area?			
22.2 Do you know that SMMEs can benefit from assistance from NGOs?			
<b>23. Business linkage and incubation</b>			
23.1 Do you know what business linkage is?			
23.2 Do you know that private businesses have initiatives to assist with the growth of SMMEs for competitive businesses?			
23.3 Have you ever approached a private company to do business with them?			
23.4 Do you know that private businesses have skills transfer initiatives, to assist the previously disadvantaged SMMEs?			
23.5 Do you know that some private businesses want to have historically disadvantaged individual SMMEs in their supply chain, so as to be able to give them business?			
23.6 Do you know that some private businesses are working together with the government in order to assist SMMEs?			
<b>24. Business opportunities</b>	Yes	No	Don't know
24.1 Do you know of any other business opportunities in Khayelitsha?			
24.2 Do you know that there are business opportunities in the following areas?			
24.3 Wholesale			
24.4 General retail			
24.5 Trade			
24.6 Franchise			
24.7 Informal saving schemes			
24.8 Moneylending			
24.9 Cooperative banking			
24.10 Insurance			

**25. Please indicate the most challenging aspect that you face as a small business entrepreneur. Identify the challenges in order of priority, with 5 being most important, and 1 being least important.**

25.1 Finance	
25.2 Rental space	
25.3 Suppliers	
25.4 Crime	
25.5 Government support	
25.6 None	
25.7 Others (please specify)	

**26. Please indicate with an (x) in the appropriate column**

If there are any programmes that exist to empower your business in Khayelitsha, in your opinion, which would be the best way that they could communicate with you to provide information about the programmes?

Community newspapers	
Community radio station	
Khayelitsha Business Forum	
Others (please specify)	
None	

Thank you for completing the questionnaire.

## **Appendix B: Interview Schedule**

1. What are the major challenges that you experience in your business?
2. How do you think these can be overcome?
3. What kind of assistance do you require for your business?
4. How do you think black women can be empowered in business so that they can succeed, and become sustainable?
5. Explain what drastic intervention you think is required to assist black women in their businesses?
6. What do you think can be done to decrease the high rate of poverty in Khayelitsha?
7. Explain how you think your business can assist to reduce poverty in the area.
8. What assistance do you require to successfully complete such forms as tender applications, and applications to join databases, among others?
9. What kind of crime do you experience in your business, if any?
10. Explain what can be done to decrease the existing levels of crime in Khayelitsha.
11. How do you think small businesses can be assisted to acquire funding, and to improve their financial situation?
12. What do you think can be done to overcome problems of infrastructure in Khayelitsha?
13. Which problems, if any, have you encountered with suppliers, and what can be done to solve them?
14. How do you think business linkages can benefit your business?
15. Explain in which way you think your business could benefit from subcontracting.
16. The presence of certain business ventures, such as wholesalers, retailers, etc. have been identified as a need for SMMEs in Khayelitsha. How do you think that you could use such ventures to your advantage as a business opportunity?
17. Explain what kind of assistance you regard as being crucial to assist your business to succeed.
18. Explain what efforts you have made to grow your business.
19. What other factors do you think are crucial to assist your business to develop and grow?  
Explain how you think the government can assist your business.
20. Is there anything else, which has not been mentioned or discussed, other than what we have discussed here, that you think could assist your business?

**Thank you for participating in the research.**

**Appendix C: Letter requesting permission and consent letter**



6 Camelia Street  
Montclair  
7785  
20 September, 2010

The Chairman/Secretary  
Khayelitsha Business Forum (KBF)  
Cape Town  
8000

Dear Sir/Madam

**Request for permission to conduct research on small business entrepreneurs in Khayelitsha, Western Cape**

I would like to request your permission to conduct research on the small businesses in Khayelitsha.

I am a student at the Cape Peninsula University of Technology (CPUT), and I am currently doing research as part of my Masters in Technology: Business Administration. The aim of the research is to investigate the constraints that are facing small businesses entrepreneurs in Khayelitsha in the Western Cape province. In my research, I am planning to interview the owners of a number of small businesses

Information from the small businesses surveyed will be gathered by means of a questionnaire, and interviews. I do not foresee any risks regarding small businesses in this study. Participation in the study is voluntary, and the participants may withdraw at any time without experiencing consequences of any kind. The individual responses will be treated confidentially.

I look forward to your response.

Yours sincerely

Bukelwa Mbinda  
084 722 7520

**Appendix D: Letter of consent**

KHAYELITSHA BUSINESS FORUM

Container City

Blue Hall Site C Khayelitsha

7785



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Tel: 021 387 1256

Fax: 021 387 1420

Cell: 073 5306858

21 – 09 - 2010

Re: PERMISSION TO CONDUCT RESEARCH STUDY BY MS. BUKELWA MBINDA

The above organisation would like to inform you that permission has been granted for Ms Bukelwa Mbinda to conduct research regarding her studies on Constraints Facing Small Business Entrepreneurs in Khayelitsha, Western Cape.

For further information, or queries, contact the Secretary, whose details are given below.

Sincerely

A handwritten signature in black ink, appearing to read 'Epaph Mbesi', is located below the word 'Sincerely'.

Epaph Mbesi: KBF Secretary

0735306858



## Appendix E: Language editing

19<sup>th</sup> June 2015

### **Declaration in Respect of Bukelwa Mbinda's thesis titled *Constraints Facing Small and Medium Enterprises in Khayelitsha, Western Cape***

Please note that I, Lois Courtenay Henderson, edited titled Bukelwa Mbinda's thesis titled *Constraints Facing Small and Medium Enterprises in Khayelitsha, Western Cape*. My qualifications are as follows: BA (English) Honours (Unisa); MA in General Linguistics (SU); the Higher Education Diploma (Postgraduate) (Unisa); and the Higher Diploma in Library and Information Science (UCT). I am registered with the South African Translators' Institute as a freelance editor (Membership no.: 1002688).



Lois C. Henderson (Ms)