



**FACTORS INFLUENCING THE GROWTH OF AFRICAN IMMIGRANT-OWNED  
BUSINESS IN SELECTED CRAFT MARKETS IN THE CAPE METROPOLITAN  
AREA OF SOUTH AFRICA.**

**by**

**SAMSON NAMBEI ASOBA**

**Thesis submitted in partial fulfilment of the requirements for the degree**

**Master of Technology: Business Administration**

**in the Faculty of Business**

**at the Cape Peninsula University of Technology**

**Supervisor: Dr. Robertson K. Tengeh**

**Cape Town Campus**

**April 2014**

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## ABSTRACT

The majority of craft retail outlets in Cape Town are owned by immigrants mostly from the SADC and elsewhere on the continent. However, a notable proportion of African immigrant-owned survivalist and micro businesses that do not grow and develop into small and medium size enterprises (SMEs). Despite many studies conducted on craft businesses generally, little information exists on factors affecting the growth of African immigrant-owned craft businesses. The main objective of this study is to determine these factors. This study focused on four craft markets in the Cape Town area: Greenmarket Square, Stellenbosch, Franschhoek and Hout Bay. The population of the study comprised all African immigrants at the selected craft markets and the municipal managers responsible for managing these selected markets. The sample frame of this study constitutes African immigrant entrepreneur-owned businesses that are three or more years old, registered and located in one of the selected markets. The study utilised a mixed method approach to collect and analyse data. Questionnaires (Quantitative) were administered to 122 African immigrant entrepreneurs and in-depth interviews (Qualitative) were conducted with the three municipal managers responsible for the four selected craft markets. Quantitative data was analysed separately using Statistical Packages for Social Sciences (SPSS) software, and face-to-face interviews were analysed by means of content analysis. The results of both methods were presented in tabulated format.

Pushed by the need to survive and pulled by the many tourists in South Africa, African immigrant entrepreneurs turned to the craft business. In terms of the challenges faced, it was noted that limited access to finance and difficulty in acquiring a business location were start-up challenges, whereas the growth challenges were the seasonal and irregular nature of trade and xenophobia. Emanating from the findings of this study, recommendations were made to municipality managers to persuade the financial agencies to extend their funding assistance to deserving African immigrant entrepreneurs. Local government should grant immigrants trading permits and relax some of the restrictions to allow them to have a stall and do business. The municipalities should organise workshops to educate African immigrant entrepreneurs on the benefits of selling unique products and anti-xenophobic sentiment.

**Key words:** African immigrant entrepreneur, business growth, survivalist businesses, craft markets, SMEs.

## ACKNOWLEDGEMENTS

I wish to thank the following:

- My Supervisor, Dr. Tengeh who showed genuine interest in both my academic and personal life;
- Mr Mark Kudzai Dzoro, Mr Khosa Risimati and Mrs Tengeh, my mentors, for their support and to keep me awake;
- Mr Thobekani Lose, Mr Zandisile Mkubukile, Nji Emmanuel, Mrs Vuyiswa Ndlelele and Miss Roseline for their financial assistance;
- Prof. Chux Gervase Iwu and Dr Dakora Edward for teaching me the principle of research;
- Dr. Michael Twum-Darko and Prof. C.O.K Allen-Ile for their invaluable input and assistance;
- Ms. Corrie Uys and Mateus Vicente Justino for statistical assistance;
- My Family: Wife, Mom, Asoba Inganam Nyah, Asoba Billy, Mr Asoba Adolf, Mr Asoba Edward, Mr Asoba Felix, Mr Asoba Vilard, Mr Asoba Anslem, Mr Asoba Ernest, Mr Asoba Cadi, Mr Edward Kassongo, Dr Nchinda Aloy, Mrs Asoba Mary, Mrs Nchinda Theresia, Mr Ferdinald-Tanga Tajo, Mr Wilson Njita, Mr Elad Sylvester and, Mr Manassa Cibangwa, for providing me with unmentioned support and comfort;
- Mr Dignity Shingie Paradza, Mr Frank, Mr Solo, Mr Wanda Dyonni, and Yann Axel Mpaga for their input in Data collection;
- I want to express my sincere thanks to the following staff at CPU: Mr Chris Cupido, Mr Kalitanyi, Mr Demian Ohajunwa, Mrs Raja , Mr Rangongo, Mr Sera, Nathan Kalam, Siphokasi Bakani, Dr Darlington Onejaefe, and Candice Walters, Dr Nenna Ukandu, Prof Michael McPherson, and sis Phaphama;
- I would also like to acknowledge the support from students: Moses Nyathi, Lloyd, Busy Tichaona Musikavanhu, Mphumzi Biyanam, Pepukayi Chitondo, Emma Udekwe Shumba, Yamkela, Terror, Masito, Tawanda Mukanhairi, Frank Kassongo, Akssana Tito, Killa-Clifford Mupumha, Magdalena, Motom Tina, Sivuyille Jafta, Todd Dugmore, Zianda Senta Mdzanga, Rylyne Nchu, Thobeka Nikani, Toini Hetwali, Ncumisa Nabi, Ayanda, Calvin, Edson, Fanta, Farrei, Aimable, Jaydin-Jayden, Joyce, Lucky Sibanda, Sihle Majola, Malala Nhlala, Mbatha Mbongiseni, Mayema, Nomonde, Nzemasa, Parfait Lord, Paulidor, Sandile, Shepard, Vikash, Galada, Gift, Jerry, Maglada, Meintjies, Yaya, Zikhona, Zimasa, Zimela and Zinci; and
- I also greatly appreciate the financial assistance from Mauerberger Foundation Scholarship

## **DEDICATION**

This thesis is dedicated to my late father, Pa Paul Asoba Nyah and late sister, Asoba Emilia Ngunyi.

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## **CLARIFICATION OF CONCEPTS AND TERMS**

### **African immigrant entrepreneurs**

Refers to entrepreneurs from other African countries that carry out entrepreneurial activities in South Africa.

### **Craft art**

Product produced entirely by hand by skilled producers (CIGS, 1998:9).

### **Craft**

The Art and Cultural Task Group (ACTAG), cited by CIGS (1998:8), define craft as:

Craft refers specifically to the production of a broad range of utilitarian and decorative items manufactured on a small scale with hand processes being part of the value-added content. The production of goods utilises a range of synthetic and natural materials.

### **Craft market**

Refers to markets where handmade African craft is sold. The selected craft markets for this study were Greenmarket Square, Stellenbosch, Franschhoek and Hout Bay.

### **Designer goods**

It is the adaptation of traditional art to satisfy international market (CIGS, 1998:9).

### **Ethics**

Behaviour set by individuals for themselves (Fouché, 2007:4).

### **GDP**

Gross Domestic Product is the total value of all goods and services produced in a specific time, usually a year (Groenewald, Mitchell, Musengi, Naicker, van Zyl & Visser, 2006).

### **Growth**

In this study, growth is defined in terms of total annual turnover. The study utilised a threshold for Small Medium Enterprises (SMEs) classification to define total annual turnover.

According to the National Small Business Act of 1996 (South Africa, 1996), survivalist enterprises are conducted by people unable to find employment or participate in activities of their choice. The income generated by this activity is below minimal standard. Micro enterprises are businesses which involve family member(s) and less than five paid employees with a total annual turnover of less than R150 000. Small enterprises constitute businesses employing between 5 and 50 people, with a total annual sales turnover of less than R5million. Medium enterprises are owner/manager-controlled businesses, employing 100 employees with a total annual turnover of less than R10 million (South Africa, 1996).

Growth is defined as African-owned startup survivalist or micro craft businesses which have been in existence for more than 42 months and have successfully grown from the survivalist stage or micro stage to small or medium enterprises (Altinay & Altinay, 2008:24).

### **Handicraft**

Handicraft is the particular skill of making decorative objects by hand (South African Concise Oxford Dictionary, 2002:525).

### **Medium enterprises**

According to the National Small Business Act, (South Africa, 1996), a medium enterprise is an owner/manager-controlled business, constituting or employing total full-time employees of less than 100 and have a total annual turnover of less than R10 million.

### **Micro enterprises**

According to the National Small Business Act, (South Africa, 1996), micro enterprises are businesses which involve family member(s) and less than five paid employees and a total annual turnover of less R150,000. The majority lack the formalities of Value Added Tax (VAT) registration, formal premises, operating permits and accounting procedures. Most of them have limited capital and use basic business skills.

### **Migration**

According to Simelane (1999, cited by Tengeh, 2011:26), migration is the movement of a person over a specified minimum distance or moves from a migration defining area (sending area) to another. Such a person should cross a boundary and stay in the destination (receiving area) for a minimum specified time.

### **Small enterprises**

Small enterprises are businesses employing between 5 and 50 full-time paid employees, and a total annual sale turnover is less than R5 million. They are usually owner-managed or controlled by the owner-community. Most of these businesses operate in business or industrial areas, are tax-registered and meet formal regulations (South Africa, 1996).

### **Souvenir**

Often an inexpensive simplified craft, which can encapsulate memories of a particular location (Morris, 1996:7).

### **Survivalist enterprises**

Survivalist enterprises are activities conducted by people unable to find employment or participate in activities of their choice. The income generated by this activity is below minimal standard, with little capital invested and no skills training and limited opportunities for growth in viable business (South Africa. DTI, 1995:6; Tengeh, 2011:118).

**Traditional art craft**

This constitutes cultural goods often produced for domestic markets, whose meanings are significantly shared by members of a specific community, for example, clay pots in KwaZulu-Natal (CIGS, 1998:9).

## GLOSSARY

<b>Terms/Acronyms/Abbreviations</b>	<b>Definition/Explanation</b>
ACTAG	Art and Culture Task Group
CBD	Central Business District
CCDI	Cape Craft and Design Institute
CIGS	Culture Industries Growth Strategy
CPUT	Cape Peninsula University of Technology
DACST	Department of Arts, Culture, Science and Technology
DAST	Department of Arts, Science and Technology
DTI	Department of Trade and Industry
GBP	Pounds Sterling
HDC	Higher Degrees Committee
NYDT	National Youth Development Trust
OECD	Organisation of Economic Co-operation and Development
SACIR	South African Craft Industry Report
SADC	Southern African Development Community
SAQA	South African Qualifications Authority
SEFA	Small Enterprise Finance Agencies
SME	Small Medium Enterprise
SMME	Small Medium Micro Enterprise
SPSS	Statistical Package for Social Science
SSA	Statistics South Africa



# CHAPTER ONE

## INTRODUCTION AND BACKGROUND TO THE STUDY

### 1.1 Introduction

The past 20 years have seen an unprecedented influx of African immigrant entrepreneurs into many cities in South Africa. A significant proportion of African immigrant communities settled in Cape Town because it is relatively peaceful (van Eeden, 2011:36). The area surrounding Cape Town provides a variety of destinations for visitors, for example, Table Mountain, Robben Island, Cape Point, the South African Museum, Camps Bay and further afield, the Garden Route. According to O'Hagan (2001), the City of Cape Town offers numerous informal flea markets, for example, Greenmarket Square, Stellenbosch craft market, Franschhoek craft market and Hout Bay craft market.

Due to a number of push and pull factors, the African immigrants found themselves dominating the craft markets in Cape Town. In fact, the majority of craft retail outlets are owned by African immigrant entrepreneurs who are forced into self-employment because they are largely unable to secure formal employment. It is believed that they are discriminated against in the labour market and if they do manage to find employment, often they are under-paid (Bogan & Darity, 2008:2010; Clark & Drinkwater, 2000; Inal, 2002:3; Fatoki, 2014b:184; Tengeh, 2011:202; Tengeh, Ballard & Slabbert, 2011:375). South Africans are given first preference when filling any job vacancy, rather than immigrants (Peberdy & Crush 1998:17). Native entrepreneurs lack interest in conducting business in an industry which yields insufficient economic rewards. Immigrant entrepreneurs possess skills that native entrepreneurs do not have (Chrysostome & Arcand, 2009:7). According to Volery (2007, cited by Chrysostome & Arcand, 2009:6), immigrant entrepreneurs easily develop social networks with immigrant consumers because they can communicate with them in their own language.

The majority of craft retail outlets in Cape Town are owned by non-South Africans, entrepreneurs from the Southern African Development Community (SADC) region and the rest of Africa (Kaiser & Associates, 2005:22). According to Khosa and Kalitanyi (2014:205), a significant number of immigrants' businesses (craft businesses) are survivalist and micro enterprises; they seldom grow nor progress into formal Small and Medium enterprises (Cultural Strategy Group, 1998:31; Peberdy & Crush, 1998:1; Elk, 2004:4; Hay, 2008:13; Fatoki & Garve; 2010:730; Rogerson & Rogerson, 2011:11741).

The present political, economic and social system in South Africa impacts negatively in a number of ways on the African immigrant entrepreneur who wants to start and grow a business:

The cost of obtaining a visa adds significantly to the running costs of immigrant-owned businesses in these craft markets (Peberdy & Crush, 1998:36);

The issuing of permits by the Department of Home Affairs is very uncertain—sometimes African immigrants are given 30 days or less to stay in South Africa, thus hampering their ability to trade and plan (Peberdy & Crush, 1998:36);

A study conducted by Khosa and Kalitanyi (2014:213-214) found that the DTI agencies do not assist African immigrant-owned businesses;

African immigrants spend a proportion of their money to rent business premises from South Africans (Khosa & Kalitanyi, 2014:214); and

Atieno (2009:1) and Young Upstarts (2011:30) argue that despite the fact that SMMEs create jobs and reduce poverty, the start-up capital is a major obstacle to starting a business in South Africa.

## **1.2 Background to the research**

The handicraft industry has the potential to reduce unemployment by creating jobs, alleviate poverty and generate income throughout South Africa (CIGS, 1998:3). The South African government has established initiatives, including research, policies and projects in the craft industry (Gaylard, 2004:26). Among these initiatives is the establishment of the Craft Council in South Africa. The objective of this council is to facilitate training and promote opportunities, gather information and disseminate information to craft people (Gaylard, 2004:28). Furthermore, in 1995, the government adopted the White Paper for Art, Culture and Heritage (South Africa. DTI, 1995). The document emphasised the need for the government to play a co-ordinating role and support the creation of jobs (Gaylard, 2004:26). In 2002, the government established the Cape Craft and Design Institute (CCDI) at the Cape Peninsula University of Technology (CPUT), the Gauteng Craft and Design and North West Craft (Makhitha, 2013:1). During the course of 2001-2003, the Department of Arts and Culture received R64 million from the National Treasury's Poverty Alleviation Programme to support traditional craft practices (Gaylard, 2004:27). In the Western Cape, tertiary institutions were established by the government (Kaiser & Associates, 2005:25). According to Makhitha (2013:1), the craft sector has recently been viewed as:

...a strategic sector because it is one of the entry points into the economy to earn an income and it has the ability to contribute to economic growth.

Rogerson (2010a:115) conducted a further study on constraints and policy challenges in South African craft enterprises. The study states the following:

The first set of constraints pertaining to craft businesses in South Africa relate to markets and marketing. The second constraint concerns international experience related to raw material cost and shortages. The third set of constraints is the critical issue of access to finance. The fourth

constraint is lack of access to technology. The fifth constraint relates to the question of managerial weakness.

Furthermore, Rogerson (2010b:18) notes that bottlenecks which need to be addressed are:

...finance for start-up, knowledge on how to access external markets, access to business skills for running SMMEs with the issue of business plan, financial management and marketing.

Makhitha and Bresler (2011:232) conducted a study on the perceived marketing benefits of the 2010 FIFA World Cup for craft businesses. The findings suggest that:

Craft retailers should examine the product selection, design and product offering in order to survive in a saturated market.

However, Peberdy and Crush (1998:11) say that the informal trade should be an integral component of a broader movement of goods and be included in regional trade agreements. According to Fatoki (2014a:5), despite the fact that there has been an increase in research on immigrant entrepreneurship since 2010, the research on immigrant entrepreneurship is qualitatively weaker than the research on small businesses in general. However, this is to be expected, given that the number of immigrant small businesses is significantly less than small businesses in general. Previous studies conducted focused on 'crafts' but none focused on 'craft markets' and specifically immigrant-owned craft businesses. See Table 1.1 for list of such studies and the areas of focus.

**Table 1.1: Studies conducted on the craft industry (Researcher construct)**

Year	Title of the study	Area	Author
1998	Trading places: cross-border traders and the South Africa informal economy sector	focus on cross-border traders in and out of South Africa	Peberdy & Crush
2010	Marobot neMawaya – Traffic lights and Wire: Crafting Zimbabwe migrant masculinities	focus on immigrant trading at traffic lights in South Africa	Matshaka
2010	One of a kind - South African craft: The developmental challenges	focus on challenges of craft in South Africa, not specifically African immigrant and craft markets	Rogerson & Rogerson
2013	An investigation into buyers' behaviour of craft retailers in South Africa	focus on buyers' perceptions	Makhitha

An analysis of the studies noted in Table 1.1 above provides impetus to a study that explores craft markets in general and particularly African immigrant-owned craft businesses. In this context it is necessary to conduct this research and gain an understanding of the factors limiting the growth of African immigrant-owned businesses. By understanding these factors, measures can be implemented to facilitate the growth of these businesses. Growth of these businesses would mean increased employment opportunities for African immigrants as well

as South Africans living below the poverty line. The study is also significant because very little research has been done on the factors affecting the growth of African immigrant-owned businesses in craft markets and the findings of this study would contribute to the body of knowledge in this area.

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

According to Kaiser and Associates (2005:22) and Mikolo (2007:34), African immigrants from the SADC countries and the rest of Africa own the majority of craft retail outlets in Cape Town. A significant proportion of the African immigrant-owned businesses in Cape Town tend to be survivalist and micro businesses (Khosa & Kalitanyi, 2014:205). In fact, it has been noted that a significant proportion of these African immigrant-owned businesses (craft businesses) do not grow to small and medium size businesses (CIGS, 1998:31; Peberdy & Crush, 1998:1; Elk, 2004:4; Hay, 2008:13; Rogerson & Rogerson, 2011:11741; Fatoki & Garwe, 2010:730). As Hay (2008:13) puts it, many craft businesses do not grow beyond the survivalist and micro level. In fact, the Organisation of Economic Cooperation and Development (OECD, 2010:1) notes that immigrant' businesses have less chance of survival than local businesses.

The fact that these businesses do not grow is a cause of concern. This is particularly so because the growth of African immigrant-owned businesses in craft markets would not only offer employment opportunities to African immigrants and the local population, but would also contribute to the Gross Domestic Product (GDP) of South Africa (Kalitanyi, 2007:106; Makhitha, 2013:1).

Although there is immense contribution made by African immigrant-owned businesses, Fatoki and Odeyemi (2010:130) argue that most of these new businesses do not move from the first (survivalist and micro) to the next stage (small and medium). Fatoki (2014a:4) recommends that new research should investigate the barriers to access of a formal source of finance by immigrant entrepreneurs from the demand and supply side. Despite the prevalence of these studies, there is little said on the factors that affect the growth of African immigrant-owned craft businesses, resulting in these businesses not moving from survivalist and micro phase to the formal SMME sector.

### **1.4 Research question**

The research questions investigated in this study were grouped into two sections: main research question and sub-research questions.

#### **1.4.1 Main research question**

What are the factors that affect the growth of African immigrant-owned craft businesses in Cape Town?

#### 1.4.2 Research sub-questions

- Why do African immigrants choose the craft business?
- What are the challenges faced by African immigrants when starting craft businesses?
- What are the factors inhibiting the growth of African immigrant-owned craft businesses?

### 1.5 Research objective

The research objectives of this study were grouped into two sections: main research objective and sub-research objectives.

#### 1.5.1 Main objective

To determine the factors that affect the growth of African immigrant-owned craft businesses in Cape Town.

#### 1.5.2 Sub-objectives

- To explore reasons why African immigrants choose the craft business;
- To determine the factors affecting African immigrants when starting their craft businesses; and
- To determine the factors inhibiting the growth of African immigrant-owned craft businesses.

### 1.6 Significance of the research

To date, there has been relatively little research on craft markets in South Africa. This study will increase the body of knowledge on factors affecting immigrant-owned craft businesses. This study will be of benefit to future researchers who wish to continue research on craft markets.

The handicraft market in the developed world, such as in the USA, UK, Canada and Australia, has helped to boost the economy of these countries. According to Chrysostome and Lin (2010:78) these countries are a main destination for immigrants. Immigrant entrepreneurs have been acknowledged as vehicles for economic growth and regeneration of the economies (Chand & Ghorbani, 2011:593). A study conducted by Kalitanyi and Visser (2010, cited by Khosa & Kalitanyi, 2014:213) proved that African immigrant entrepreneurs provide employment to locals. Furthermore, a study conducted in the city of Durban revealed that 59% of African immigrants in non-service trade agreed they had suppliers in Durban. Therefore, the researcher suggests that this study would facilitate the growth of African immigrant-owned businesses in the selected craft markets, and also boost the South Africa economy.

## **1.7 Delineation of the research**

The boundaries of this research are:

- The research focused mainly on factors affecting the growth of immigrant entrepreneur-owned businesses in the selected craft markets in Cape Town.
- This study was limited to only hand-made crafts sold in the following four selected craft markets: Greenmarket Square, Stellenbosch craft market, Franschhoek and Hout Bay craft market.
- The study did not include South African entrepreneurs at the craft markets.

## **1.8 Research design and methodology**

### **1.8.1 Population under study**

A population is a group of inhabitants who share common characteristics (Zikmund, Babin, Carr & Griffin, 2010:287). Brynard and Hanekom (2006:55) define population as a group of people chosen to participate in a study. The population of this study comprised African immigrants at the selected craft markets and the municipality managers responsible for managing the selected markets.

This study focused on four craft markets in the Cape Town area: Greenmarket Square in the central business district of Cape Town, Stellenbosch craft market, Franschhoek craft market and Hout Bay craft market. Franschhoek is a small farming town within the jurisdiction of Stellenbosch Municipality. Hout Bay is a small fishing town within the jurisdiction of the City of Cape Town.

The researcher selected these markets because they are very popular tourist markets. Time and financial constraints precluded the researcher from targeting all the craft markets in Cape Town.

### **1.8.2 Sample frame**

Sampling is a technique to select the representatives of a group with a view to obtain information for the whole group (Khan, 2008). A firm usually attains growth phase when it is three or more years old (Altinay & Altinay, 2008:24). The sample frame of this study constitutes of African immigrant owned businesses that are three or more years old, and located in one of the selected markets. The municipality managers of the selected markets were eligible for selection.

### **1.8.3 Sampling methods**

According to Oppong (2013:203), purposive sampling is a method of sampling in which the researcher selects participants based on their knowledge or experience of the topic being researched. The purposive non-probability and snowball sampling technique was deemed

the best method to use in this study because the researcher had the data on numbers of stalls in each craft market but could not identify the African immigrant entrepreneurs by name. In snowball sampling, a few potential respondents are identified to begin with and then asked to recommend others they may know who also meet the required criteria for inclusion in the study (Tengeh, 2011:169). In fact, Tengeh (2011:169) asserts that snowball sampling is useful when it is very difficult to approach the participant directly.

#### 1.8.4 Sample size

The study utilised Raosoft (2009) software to calculate the sample size and 122 was used in the study.

- The sampling frame consisted of 117 stalls at Greenmarket Square craft market, 25 stalls at Stellenbosch craft market, 15 stalls at Franschoek craft market and 21 stalls at Hout Bay craft market. The total number of stalls was therefore 178. Aiming to uphold 95% confidence level (i.e. 5% error margin) the ideal sample size as recommended by the calculator was 122;
- The response distribution is 50%;
- The recommended sample size is 122.

#### 1.8.5 Research Instrument

Data gathering is the process of collecting data. Interviews and questionnaires may be used to collect data (Dorsten & Hotchkiss, 2005:30). The study utilised the mixed method approach. A mixed methods research approach is a procedure for collecting data using both quantitative and qualitative research methods in a single study, to understand a research problem (Johnson, Onwuegbuzie & Turner, 2007:119).

According to Green, Caracelli, and Graham (1989, cited by Creswell & Clark, 2011) the reasons for choosing a mixed method approach includes the following:

- The result of one method can be used to develop or inform the other methods.
- It enhances correspondence and corroboration of the results of different methods.

The researcher believed that the mixed method approach was the best method for the study because of the following reasons:

- Data collected from a sample through the use of a mixed method approach would be representative of the population;
- Similar studies also utilised mixed methods (Tengeh *et al.*, 2011: 375; Khosa & Kalitanyi, 2014:210);
- The choice of both quantitative and qualitative approaches was also because of the researcher's philosophical orientation.

### 1.8.6 Data analysis

Both quantitative and qualitative data was analysed in different phases. Firstly, quantitative (closed- and open-ended questions) data were analysed separately by using SPSS. Secondly, qualitative data collected from interviews were sorted into themes and specific categories. The categories were placed in line with the research question. The data was objectively analysed and interpreted by the researcher. The results of both qualitative and quantitative data analysis were presented in tabulated format.

### 1.9 Ethical considerations

Ethics reflect the norms and rules of acceptable behaviour when conducting research (Rule & John, 2011:111). According to Rule and John (2011:112), some common principles and practises in ethical considerations should aim to contribute to public good and should not cause any harm. In addition, personal autonomy should not be compromised by the researcher. The researcher should respect and protect participant rights, and participants should be informed and allowed to decide whether to participate in the study, and choose to withdraw at any time from the study.

The ethical considerations of this study were guided by Rule and John (2011:112) and are outlined as follows:

- Firstly, the researcher obtained approval from CPUT's Ethics Committee before the research commenced (see Appendix A).
- The researcher was granted permission by the City of Cape Town and Stellenbosch Municipality to conduct the research at the four selected craft markets (see Appendices B and C).
- The researcher read the covering letter to all participating African immigrant entrepreneurs before administering the questionnaire (see Appendix D).
- The researcher read the covering letter to each of the three relevant municipal managers before interviewing them (see Appendix F). The researcher explained to all the participants that the study was voluntary.
- Participants were free to ask questions at any time on anything which they did not understand.
- Participants were free to omit questions they could not answer.
- Participants were free to withdraw from the study at any time.
- All participants were assured that the data would be treated with full confidentiality.
- To ensure that every person had access to the findings of the study, the researcher uploaded the findings of the study onto the Cape Peninsula University of Technology website.



- The researcher submitted the findings of the study to all relevant municipality managers.
- The researcher submitted the findings of the study to the Cape Peninsula University of Technology library.

### **1.10 Reliability and validity**

According to the South Africa Concise Oxford Dictionary (2002:987), reliability means to rely on, to depend or trust the validity of data of a study. The Oxford Advanced Learners' Dictionary (2010:1648) defines validity as "legal and official acceptance of the data". LoBiondo-Wood and Haber (1998: 558), cited by Long and Johnson (2000:30), describe reliability as "the consistency or constancy of a measuring instrument". Welman and Kruger (2001:139), refer to reliability as the extent to which obtained scores maybe generalised to different measurement occasions or measurement tests.

#### **1.10.1 Reliability**

Reliability relates to the correctness and consistency of the measure. The same instrument must be able to produce the same data under similar conditions (Kruger, 2001:139). According to Zikmund *et al.* (2010:65), it is necessary to conduct a pilot study to make sure the study is not flawed and that the study must be reliable.

To test the reliability of measurement of the study, two pilot studies were conducted by the researcher. The first pilot study was conducted with the assistance of the Stellenbosch assistant municipality manager in the last week of January 2015, to test the interview guide. The assistant manager gave insight into areas that needed attention and hence the questions were modified. The second pilot study comprised eighteen questionnaires (10% of the 178 questionnaires). Ten sets of questionnaires were distributed to the participating African immigrants at a craft market in Hermanus, a fishing and touristic town in the Overberg region of the Cape. The first set of 10 questionnaires was distributed in the first week of February 2015. The second set of eight questionnaires, identical to the previous questionnaires, was again distributed to the same subjects in the second week of February 2015. Both questionnaires were assessed for consistency, and five questions were modified or corrected. This increased the reliability of the study.

#### **1.10.2 Validity**

The data instrument should only be legally and officially accepted when it measures its aims. Judges must check whether the research instrument measures the aims (Hair, Underson, Tatham & Black, 1998, cited by Mwangi, 2011:88).

A valid study should demonstrate what actually exists and a valid instrument or measure should actually measure what it is supposed to measure.

In order to ensure this study was valid, a supervisor was assigned to supervise the novice researcher. The supervisor assessed the content and the objectives of the study; verified whether the research questions and the data collection instrument were derived from the subject of the literature. In addition, the research committee members checked to ensure the study is valid.

### **1.11 Outline of the Study**

The study is divided into five chapters, as outlined below.

**Chapter One:** This chapter introduces the study and gives the background. The research problem and the key questions pertaining to the research are described. The selected concepts are defined and the objectives of the study are delineated. The significance of the study is discussed. Additionally, the chapter explains the research design and methodology employed.

**Chapter Two:** Chapter Two focuses on the literature review. The literature review highlighted the research question because this was addressed by previous research. Furthermore, the preliminary literature survey was drawn from international experience to support the research question.

**Chapter Three:** Chapter Three discusses the research methodology that was used to conduct the survey and provides clarity on how these methodologies were applied. The process is explained in detail and reasons are given why a mixed method approach was adopted for data collection.

**Chapter Four:** This chapter focuses on the process and reporting on data collection. Data was collected through self-administered questionnaires and personal interviews. Data was presented and analysis in accordance to the research questions. The findings were presented in tables, followed by interpretation and analysis. The findings were discussed and compared with the literature.

**Chapter Five:** Chapter Five provides the summary of findings. The research problem is revisited, as well as the research question and objectives of the study. In this chapter recommendations are suggested to African immigrant entrepreneurs and municipal authorities. The recommendations give guidance on how to evolve from survivalist or micro businesses, to larger, more financially viable SMEs. This was followed by a conclusion to the study.

## **1.12 Conclusion**

The majority of craft retail outlets in Cape Town are owned by African immigrants from the SADC and elsewhere on the continent. However, a notable proportion of African immigrant-owned survivalist and micro businesses do not grow and develop into small and medium size enterprises (SMEs). Despite many studies conducted on craft businesses, little information exists on factors affecting the growth of African immigrant-owned craft businesses. The main objective of this study was to determine these factors. The study utilised the mixed method approach to collect data. Questionnaires were administered and direct face-to-face interviews were conducted with selected respondents. Quantitative data obtained from the questionnaires were analysed using Statistical Packages for Social Sciences (SPSS) software, whereas data gathered from the face-to-face interviews were analysed by means of content analysis. The results from both methods were presented in tabulated format. From the findings obtained in this study, recommendations were made for African immigrant entrepreneurs and municipal authorities. These recommendations give guidance on how to evolve from survivalist or micro businesses, to larger, more financially viable SMEs.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

The previous chapter introduced the study and provided a background to the research problem, problem statement, research questions and objectives of the study. This chapter reviews existing literature and seeks to discover the reasons why African immigrants choose to enter the craft industry and to determine the factors which affect them when starting their own craft businesses. Also investigated are the factors which affect the growth of immigrant-owned craft businesses in the selected markets in the Cape Town area.

Polonsky and Waller (2011:106) contend that mostly there is earlier industry or academic written material, which directly relates to a researcher's particular topic. Welman, Kruger and Mitchell (2006:34) state that a review of literature enables the researcher to identify a gap into which the study will fit. Collis and Hussey (2009:91) share a similar view to that of Welman *et al.* above and opine that books, published and unpublished theses, journal articles, electronic articles and magazines are information sources from which to gather data on a particular topic chosen for a study. Therefore, to achieve these objectives, the researcher extensively utilised existing relevant literature pertaining to this study.

This chapter is divided into three sections. The first section comprises the following sub-themes:

- entrepreneur overview
- immigrant venture and non-immigrant venture

This is followed by the importance of immigrant entrepreneurship; characteristics of necessity and opportunity immigrant entrepreneurs.

The second section comprises the following sub-themes:

- Why does South Africa need businesses that grow?
- Different categories of businesses in South Africa;
- Start-up challenges of immigrant-owned businesses; and
- Growth challenges of immigrant-owned businesses.

The third section comprises theories on immigrant entrepreneurship, the Chrysostome and Arcand theoretical model and an overview of the craft industry

## 2.2 Entrepreneur: an overview

An entrepreneur is a person who is able to convert opportunity into profitable business where others fail to spot opportunities. The word 'entrepreneur' comes from the French words *entre* meaning between and *prendre* meaning to take (Barringer & Ireland, 2010:30). An entrepreneur, according to the South African Concise Oxford Dictionary (2002:386), is a person who sets up a business or businesses, taking greater than normal financial risks in order to do so. Nieman and Nieuwenhuizen (2009:9), define an entrepreneur as:

“...a person who identifies a gap in the market, combines resources and grows a venture to meet those needs. He or she bears the risk of the venture and he or she is rewarded with the profit if the business succeeds.”

An entrepreneur is a person who habitually creates and innovates to build something of recognised value around perceived opportunities (Rwigema, Venter & Urban, 2008:5).

Nieman & Nieuwenhuizen (2009:9), Wickham, (2001:24) and Bolton and Thompson (2004:16) all concur that the concept 'entrepreneur' refers to a person who habitually takes risks, creates, innovates and combines resources and grows a business venture in order to meet those needs. He or she bears the risk of the venture and he or she is rewarded with the profit if the business succeeds. Therefore, immigrant entrepreneurs should practise entrepreneurship. The practice of entrepreneurship can enable survivalist and micro businesses to grow into small and medium businesses. The researcher believes that a risk factor is common to all entrepreneurial activities

Wickham (2001:24) states that entrepreneurs usually aim for three factors: innovation, growth potential and strategic objectives. However, these are internal factors. The researcher points out that Wickham (2001:24) failed to look at external factors which are beyond an entrepreneur's control. These factors are political, economic, social, technological, environment and the legal environment.

### 2.2.1 Entrepreneurship

The practice of an entrepreneur is known as entrepreneurship. Nieman and Nieuwenhuizen (2009:8) describe entrepreneurship as those activities, characteristics, and economic, social and support mechanisms used to facilitate the expression of entrepreneurial activity. However, this definition does not entail factors which influence the growth of African immigrant entrepreneurs. Hisrich and Peter (1998, cited by Rwigema *et al.*, 2008:5) note that:

Entrepreneurship is the process of creating something new with value by devoting time and effort, assuming accompanying financial, psychic and social risks, and receiving the resulting rewards of money and personal satisfaction and independence.

The pertinent question is whether entrepreneurship can be taught or not. How can the knowledge of entrepreneurship be taught to African immigrant entrepreneurs in order for their

business to progress from survivalist and micro to small and medium businesses? The objectives and challenges of immigrant businesses and other mainstream businesses are not necessarily the same. Previous research does not differentiate between the performance indicators of small businesses owned by immigrant entrepreneurs and mainstream small business (Chrysostome & Arcand, 2009:5). Furthermore, Nieman and Nieuwenhuizen (2009:12) express the opinion that entrepreneurship can be developed by education and can be learned. Entrepreneurship knowledge enables one to explore the factors affecting the growth of African immigrant-owned businesses.

### 2.2.2 Immigrant entrepreneurs

Immigrant entrepreneurs as a social phenomenon have interested many researchers over time. According to Dalhammar (2004, cited by Fatoki & Patswawairi, 2012:134), immigrant entrepreneurship is described as the process by which an immigrant establishes a business in a host country which is not the immigrant's country of origin. Dalhammar further mentions that immigrant entrepreneurial enterprises are those activities undertaken by immigrants immediately on arrival in the host countries. Thus, immigrant enterprises are enterprises owned and operated by foreigners in the host country.

Sahin, Nijkam & Baycan-Levent (2006:1) point out that when the process of entrepreneurship is carried out by an African immigrant in South Africa, the process is referred to as African immigrant entrepreneurship. This notion of Sahin *et al.* (2006:1) is supported by Tengeh *et al.* (2011:370) that the term African immigrant entrepreneur refers to an individual from another African country that carries out entrepreneurial activity in South Africa. Khosa and Kalitanyi (2014:207) describe entrepreneurial activities carried out by immigrants in host countries as immigrant entrepreneurship.

Khosa and Kalitanyi (2014:206) concur with Tengeh *et al.* (2011:370) that businesses owned and operated by immigrants are therefore referred to as immigrant-owned businesses. Chand and Ghorbani (2011:594) acknowledge that immigrant entrepreneurs associate with co-ethnic communities when they arrive in the new country of residence.

According to Volery (2007:31), although the terms immigrant entrepreneurship and ethnic entrepreneurship are used interchangeably, there are slight differences between the two terms. Volery maintains that immigrants include people who migrated over a decade ago, whereas 'ethnic' is a much broader concept that includes immigrant and minority groups who have been living in the country for centuries. Therefore, immigrant, ethnic or minority entrepreneurs are people who are not natives of the host country. In this study the researcher used the terms African foreign entrepreneurs, immigrant entrepreneurs, ethnic entrepreneurs and minority entrepreneurs, interchangeably.

### 2.2.3 Importance of immigrant entrepreneurship

Vinogradov and Isaksen (2007:21) point out that in recent years small businesses have benefited both immigrants and the host countries. Tengeh (2013:356) is of the opinion that immigrants are discriminated against in various domains because of the blocked mobility theory. This view is supported by Fatoki (2014b:184) who discovered that it is very difficult for immigrants to settle and integrate into the labour market of the host country and that self-employment is one of the solutions to unemployment

Kloosterman and van der Leun (1999:674) maintain that immigrant entrepreneurship also contributes to the host country's economic and social welfare through revitalisation of declining neighborhoods, introduction of new and cheap products and opening of trade links between countries. These authors argue that immigrant entrepreneurship may expand beyond the first generation and the children of self-employed immigrant parents are in a better position than children of unemployed immigrants.

Kloosterman and van der Leun (1999:673) also believe that immigrant entrepreneurs can be role models for fellow immigrants. This view is supported by Minghuan (2000) who states that immigrant entrepreneurs may act as self-appointed leaders in the community and thus contribute to integration of immigrants and local people.

Kloosterman and van der Leun (1999:673) further state that immigrant entrepreneurs may generate employment opportunities for both immigrants and natives, therefore contributing to less crime and the safety of the local neighbourhoods. Fairlie (2008) believes that immigrant-owned businesses can contribute to employment, poverty reduction and economic growth.

In their study, Kalitanyi and Visser (2010:387) found that immigrant entrepreneurs employed both non-immigrants and immigrants in their businesses, and this increases employment opportunities. Skills are transferred from immigrant to non-immigrant employees, thereby contributing to growth and development. Peberdy and Crush (1998:25) opine that African immigrant entrepreneurs do not support only the craft and curio industry, but invest their profits into the South African economy.

### 2.2.4 Business profile of immigrant entrepreneurs in South Africa

Fatoki and Patswawairi (2012:136) conducted a study in Guateng province and found that 97% of immigrant entrepreneurs in South Africa are between the ages of 24 and 44 years and they have been in business for more than three years. Of the immigrants interviewed, 56% can speak English, 69% have a Matric qualification, 8% are sole proprietors, 7% are in partnerships and 5% formed close corporations. The authors further found that 61% were in the service sector, 34% in the retail and wholesale sector, and only 5% in the manufacturing sector.

In their study Khosa and Kalitanyi (2014:211) found that 68.8% of respondents were male and 31.2% were female. A lack of knowledge of local language as a challenge to do business was acknowledged by 59.1%, while 40.9% did not feel that the lack of knowledge of local language was a challenge. However, Fatoki and Patswawairi (2012:136) found that 56% of immigrants can speak English.

Furthermore, in Khosa's study (2014:63) he found that the majority of respondents were African immigrant entrepreneurs from Nigeria (29%), followed by Zimbabweans (14%), Congolese (DRC) (14%), and Somalians (7%). Of the total respondents, 35% had lived in South Africa for less than five years, while 28% had lived in South Africa for more than five years.

The researcher suggests that the decreasing length of stay could be attributed to the living conditions in South Africa, while Peberdy and Crush (1998:28) found that foreign traders did not want their families to join them in South Africa.

#### 2.2.5 Business profile of immigrants from non-SADC versus SADC countries

According to Rogerson's (1997:2) study on immigrant entrepreneurship in South Africa, there are clear differences between businesses owned and operated by immigrant entrepreneurs from non-SADC countries, versus SADC countries. However, Rogerson did find that within both groups, 50% of respondents had some level of university education. Table 2.1 below illustrates these differences.

**Table 2.1: Differences between SMMEs run by immigrant entrepreneurs from non-SADC countries versus SADC countries (Rogerson, 1997:2)**

<b>Non-SADC immigrant entrepreneur</b>	<b>SADC immigrant entrepreneur</b>
Most non-SADC immigrant entrepreneurs are supported by wider international migrant network, including west Africa, Canada, USA and Europe.	Most SADC immigrant entrepreneurs lack the advantage of an international network; they are supported by the immigrant community.
Most non-SADC immigrant entrepreneurs have received finance for start-up from outside South Africa.	Most SADC immigrant entrepreneurs have received finance for start-up from previous jobs in South Africa.
Non-SADC immigrant entrepreneur-owned businesses are usually big and more capitalised.	SADC immigrant entrepreneur-owned businesses are usually smaller and less capitalised.
Immigrant entrepreneurs from non-SADC countries have a high level of education.	Immigrant entrepreneurs from SADC countries are less educated.

It can be deduced from Table 2.1 above that most SADC entrepreneurs are likely to be necessity immigrant entrepreneurs.



### 2.2.6 Necessity and opportunity immigrant entrepreneurs

One of the biggest challenges facing immigrants is discrimination and limited skills in the host country. In order to escape discrimination, entrepreneurship is one of the suitable career choices for many immigrants (Chrysostome & Arcand, 2009:3). There are two main categories of immigrant entrepreneurs: Necessity (Push) immigrant entrepreneurs and Opportunity (Pull) immigrant entrepreneurs.

### 2.2.7 Necessity immigrant entrepreneurs (Push)

Chrysostome and Arcand (2009:4) describe necessity immigrant entrepreneurship as business activities undertaken by immigrant entrepreneurs because of the various obstacles that prevent them from having access to the job market in the host country. Push reasons for necessity immigrant entrepreneurs include the following:

- Survival is the ultimate reason to start a business;
- Necessity immigrant entrepreneurs are mostly from developing countries;
- Not highly educated and limited professional experience;
- The majority do not have access to financial resources;
- Long hours spent on business;
- Many co-ethnic employees are family members of necessity immigrant entrepreneurs;
- Solidarity relationship between ethnic minority and necessity immigrant entrepreneur;
- Solidarity between ethnic community and immigrant entrepreneur; and
- Necessity immigrant entrepreneurs maintain strong ties with the ethnic community.

### 2.2.8 Opportunity immigrant entrepreneurs (Pull)

Nieman and Nieuwenhuizen (2009:36) point out that certain factors encourage individuals to leave conventional jobs and start entrepreneurship. Chrysostome and Arcand (2009:4) note that opportunity immigrant entrepreneurs undertake activities because of gaps that have been identified in the market. These authors also note that the following points apply to opportunity immigrant entrepreneurs:

- Opportunity is the main reason to start a business;
- Most opportunity immigrant entrepreneurs have access to financial resources;
- Opportunity immigrant entrepreneurs are mostly from developed countries;
- Opportunity immigrant entrepreneurs are highly educated;
- Opportunity immigrant entrepreneurs are proficient in English; and
- Opportunity immigrant entrepreneurs hire host country employees,

### 2.2.9 Immigrant venture and non-immigrant venture

According to Khosa and Kalitanyi (2014:206) a venture owned and operated by immigrant entrepreneurs is called immigrant venture, whereas a business owned and operated by a non-immigrant is referred to as non-immigrant venture. In order to find the difference between immigrant venture and non-immigrant venture, Radipere (2012:245) uses the following construct: motivation, culture, self-efficacy, entrepreneurial intention, entrepreneurial orientation, business performance and business support. The following findings were revealed:

- A test was conducted to determine the differences between motivation to start a venture and the origin of the owner. No significant differences were found between motivation to start a venture and the origin of the owner. This implies that the motivation to start a venture is not determined by whether the entrepreneur is an immigrant or a local person.
- A test was conducted to determine the performance of immigrant venture versus non-immigrant venture. No significance differences were found between the mean score of the origin of the owner and business performance. This implies that the performance of the venture is not determined by whether the entrepreneur is an immigrant or a local person.
- A test was conducted to determine the differences between the mean value of venture performance of immigrant venture and non-immigrant venture. No significant differences were found between the mean value of the business performance and the education of the owner.
- A test was conducted to determine the differences between the support given to immigrant venture and non-immigrant venture. A significant difference was found between the supports given to non-immigrant venture versus immigrant venture. The finding revealed that more support is given to non-immigrant venture than to immigrant venture. Tengeh and Lapah (2013:118) found that only 15.9% of street vendors in Cape Town had received some form of support from any native South African. Khosa and Kalitanyi (2014:213) share similar views, stating that the DTI does not coach or provide financial assistance to immigrant venture.
- A test was conducted to determine the difference in demographic influence motivation, culture, self-efficacy, entrepreneurial intention, entrepreneurial orientation and business performance of a venture. The finding revealed no statistical differences between entrepreneurial orientation and venture size. There are statistical differences between venture age and size. There are also statistical differences between the educational levels of the owners.

- A test was conducted to determine the differences between the mean rank of the gender and venture performance. No significant statistical differences were found between the mean rank of the gender and business performance.

### **2.3 Different categories of businesses in South Africa**

The various types of small businesses can be described as follows:

#### 2.3.1 Survivalist enterprises

Survivalist activities are undertaken by necessity entrepreneurs. The income generated is below minimum standard and little capital is invested. Most of these entrepreneurs do not possess business skills and there are limited opportunities for growth (South Africa. DTI, 1995:5). This study focused on African immigrant entrepreneur-owned survivalist and micro businesses.

#### 2.3.2 Micro enterprises

According to the National Small Business Act (South Africa, 1996), a micro enterprise is a business that involves family member(s) and less than five paid employees and has a total annual turnover of less than R150 000. The majority lack the formalities of Value Added Tax (VAT) registration, formal premises, operating permits and accounting procedures. Most of them have limited capital and use basic business skills.

#### 2.3.3 Small enterprises

Small enterprises constitute businesses employing between 5 and 50 people and the total annual turnover is less than R5 million. It is usually owner-managed or controlled by the owner-community. Most of these businesses operate in business or industrial areas, are tax-registered and meet formal regulations. They are very difficult to classify in terms of assets and turnover, given the difference in other business sectors such as retailing, manufacture, professional services and construction (South Africa. DTI, 1995:5).

#### 2.3.4 Medium size enterprises

According to the National Small Business Amendment Act of 26 of 2003 (South Africa, 2003), a medium enterprise constitutes a business employing 100 full-time employees and has a total annual turnover of less than R10 million (excluding fixed property). Despite the fact that a business which has a total annual turnover of less than R10 million and 100 employees is regarded as a medium enterprise, SMMEs differ in terms of industry and sectors. For example, in the Mining industry a medium enterprise is a business that has 200 employees, R30 million annual turnover and R18 million worth of assets (South Africa, 2003), whereas in Agriculture an enterprise which has 100 employees, R4 million turnover, and R4 million worth of assets is considered a medium enterprise.

**Table 2.2: Thresholds for SMME classification (South Africa, 1996)**

<b>Sector/sub-sector in accordance with standard industrial classification</b>	<b>Size or class</b>	<b>Total full-time equivalent of paid employees Less than:</b>	<b>Total amount turnover Less than:</b>	<b>Total gross asset value (fixed property excluded) Less than:</b>
Agriculture	Medium	100	R4.00m	R4.00m
	Small	50	R2.00m	R2.00m
	Very small	10	R0.40m	R0.40m
	Micro	5	R0.15m	R0.10m
Mining and Quarrying	Medium	200	R30.00m	R18.00m
	Small	50	R7.50m	R4.50m
	Very small	20	R3.00m	R1.80m
	Micro	5	R0.15m	R0.10m
Manufacturing	Medium	200	R40.00m	R15.00m
	Small	50	R10.00m	R3.75m
	Very small	20	R4.00m	R1.50m
	Micro	5	R0.15m	R0.10m
Electricity, Gas and Water	Medium	200	R40.00m	R15.00m
	Small	50	R10.00m	R3.75m
	Very small	20	R4.00m	R1.50m
	Micro	5	R0.15m	R0.10m
Construction	Medium	200	R20.00m	R40.00m
	Small	50	R5.00m	R1.00m
	Very small	20	R2.00m	R0.40m
	Micro	5	R0.15m	R0.10m
Retail and Motor Trade and Repair Service	Medium	100	R30.00m	R5.00m
	Small	50	R15.00m	R2.50m
	Very small	10	R3.00m	R0.50m
	Micro	5	R0.15m	R0.10m
Wholesale Trade, Commercial Agents and Allied Service	Medium	100	R50.00m	R8.00m
	Small	50	R25.00m	R4.00m
	Very small	10	R5.00m	R0.50m
	Micro	5	R0.15m	R0.10m

Catering, Accommodation and other Trade	Medium	100	R10.00m	R2.00m
	Small	50	R5.00m	R1.00m
	Very small	10	R1.00m	R0.20m
	Micro	5	R0.15m	R0.10m
Transport, Storage and Communication	Medium	100	R20.00m	R5.00m
	Small	50	R10.00m	R2.50m
	Very small	10	R2.00m	R0.50m
	Micro	5	R0.15m	R0.10m
Finance and Business Service	Medium	100	R20.00m	R4.00m
	Small	50	R10.00m	R2.00m
	Very small	10	R2.00m	R0.40m
	Micro	5	R0.15m	R0.10m
Community, Social and Personnel Service	Medium	100	R10.00m	R5.00m
	Small	50	R5.00m	R2.50m
	Very small	10	R1.00m	R0.50m
	Micro	5	R0.15m	R0.10m

The first section comprises entrepreneurial overview; immigrant venture and non-immigrant; importance of immigrant entrepreneurship; and characteristics of necessity and opportunity immigrant entrepreneurs. However, in this section the researcher focused on the concept of growth, characteristics of growth, stages of growth and growth strategies, and key factors during the growth stages. Furthermore, this section discusses factors which affect the growth of African immigrant-owned craft businesses during the start-up and growth phase.

## 2.4 Why does South Africa need businesses that grow?

According to SSA (2014), the unemployment rate in South Africa is 25.2%. SMMEs are acknowledged by most governments in both developed and developing countries as the backbone of every economy, jobs are created and the problem of unemployment is reduced (Agupusi, 2007:2; Fatoki & Garwe, 2010:729; Fatoki & Odeyemi, 2010:128). The handicraft industry has been identified by the South Africa government as having the potential to alleviate unemployment by creating jobs, generate income and promote economic growth throughout South Africa (CIGS, 1998:3). Nieman and Nieuwenhuizen (2009:275) maintain that economic growth rate needs to keep pace with labour force growth.

### 2.4.1 Growth

In this study growth is defined as African-owned craft businesses that have been in existence for more than 42 months and have successfully progressed from the survivalist and micro-

phase to the small business phase. According to Naman and Slevin (1993, cited by Altinay & Altinay, 2008:24), the measurement of growth varies and it is complex, there is no generally acceptable criterion.

One of the definitions for growth is using absolute or relative changes in sales, assets, employment, productivity and profit margins (Fatoki & Garwe, 2010:730). Crijins and Ooghe (1997:53) consider growth as businesses that are performing well. Basu and Goswami (1999:26) look at profit level. Birley and Westhead (1990:22) consider the number of employees, sales turnover, and profitability. Altinay and Altinay (2008:24) look at the differences between the start-up capital and the present sales turnover.

Von Broembsen, et al., (2005) mention that the creation of new business is a two-phase process, namely: start-up and new firm phase. The start-up phase is a three-month period, when the entrepreneur spots a product or services. The new firm phase is a period between three and four months when the new business begins to trade and compete for market share. Von Broembsen *et al.* (2005) further mention that an established business is a business that has paid salaries or wages for more than three months and the business is more than 24 months old.

Drawing from these definitions, one can say that growth is the increase in one, or more than one, element mentioned above. However, not all small firms are growth-oriented and only a small proportion achieves significant levels of growth in employment (Jones & Tilley, 2003:2). Looking at the views of Fatoki and Garwe (2010:730), Jones and Tilley (2003:2) and Von Broembsen *et al.* (2005), all of these studies mention growth but none of these studies identify factors influencing the growth of a business, particularly a craft business. This therefore indicates that there is a gap in the literature on business growth.

Churchill and Levis (1983, cited by Fatoki & Garwe, 2010:730) identify five stages of growth: existence, survival, success, take-off and resource maturity. However, Fatoki and Garwe (2010:730) state that:

“The idea of business survival will be equated with a firm that has fully completed the transition to stage-two organisation in the five stages of business growth because majority of new firms in South Africa do not move from the first stage to other stages.”

In analysing all of these studies (Churchill & Levis, 1983, cited by Fatoki & Garwe, 2010:730; Jones & Tilley, 2003:2), the researcher therefore poses the question: what factors affect the growth of African immigrant-owned businesses in the craft markets?

In answering this question, one can draw from the works of Hay (2008), Peberdy and Crush (1998), Rogerson and Rogerson(2011) and Khosa and Kalitanyi (2014), who all note that the majority of craft enterprises in South Africa function at a survivalist level and that few craft SMMEs show positive signs of enterprise growth and job creation. However, it is not the

intention of this research to investigate the survivalist and micro stages of craft business but rather to explore the factors affecting growth of African immigrant-owned survivalist businesses at the selected craft markets.

#### 2.4.2 Characteristics of businesses that grow

Crijins and Ooghe (1997:56) point out the following characteristic of successful business enterprises:

- Market domination in certain niche market;
- The uniqueness of differentiating with competitors;
- Product-oriented on quality, branding and value to customer;
- Ability to be flexible and gain opportunity or reduced threats;
- Ability to be very innovative more quickly than growing firms; and
- Orientation towards marketing, develop product, capacity-building and expansion of distribution channel.

#### 2.4.3 Process of growth

Wickham (1998:223) identifies four major types of growth: financial, strategic, structural and the organisation.

**Financial growth** is expressed in a number of ways:

- Increase in turnover (sales);
- Increase in total assets;
- Increase in profit; or
- Increase in return on investment.

**Strategic objectives** are the changes which occur as a result of organisation movement in the life cycle (Crijins & Ooghe, 1997:63). The strategy in the start-up and growth is survival, whereas the focus in the next stage is developing a customer base, profit and obtaining resources.

**Structural growth** are the changes that take place as a result of how a venture organises its internal system, managerial roles and responsibilities, reporting relationships, communication links and resources control system (Nieman & Nieuwenhuizen, 2009:281).

**Organisational growth** is changes that take place in an organisation's processes, culture and attitudes as a firm grows (Wickham, 1998:224).

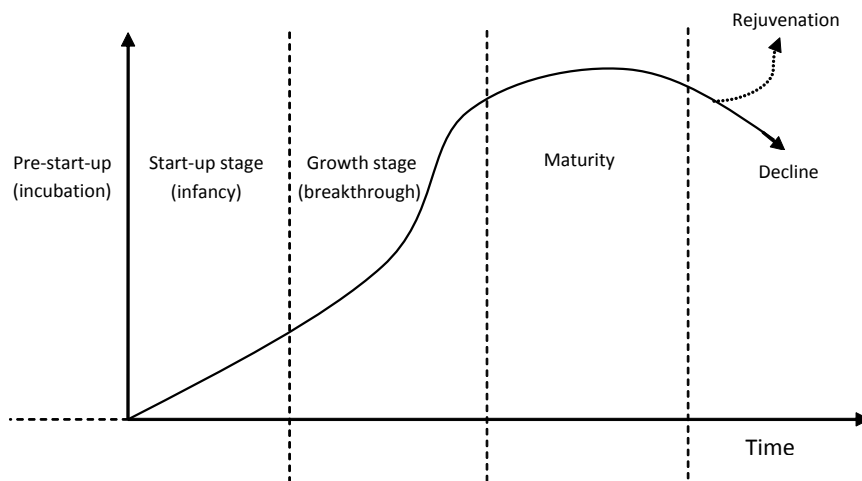


Figure 2.1: The stages of venture growth (Nieman & Nieuwenhuizen, 2009:282)

#### 2.4.4 Stages of growth

Changes take place as a business grows. The venture life cycle stages comprise pre-start-up; start-up, growth, maturity and decline or rejuvenation (Timmons, 2000:577).

##### **Stage 1: Pre-start-up**

- The starting resources of the entrepreneur, the firm and the strategy are important factors that contribute to the growth in small firm (Storey, 1994:123).

##### **Start 2: Start-up**

In this stage, the entrepreneurs may struggle to break even, hence the key factors to consider, include:

- Timing: exact timing is crucial for financing the operation;
- Flow of funds: there should be a flow in and out of the venture to create infrastructure or to make the first sales; and
- Start of business: the operation starts when the first transaction is done.

##### **Stage 3: Growth stage**

- At this stage, the rate of growth accelerates and resources are under major pressure. These include: appointment of staff, cash flow, delivery and production.

##### **Stage 4: Maturity stage**

- At this stage, the entrepreneur must learn to manage time and delegate people to perform major functions.



## **Stage 5: Decline stage**

- This stage usually occurs when the entrepreneurs have failed to develop new and innovative ideas.

### 2.4.5 Key factors during growth stages

The entrepreneur must understand the managerial action during the growth stage. These factors are: control, responsibility, tolerance of failure and change (Kuratko & Hodgetts, 2001:506).

- Growth can easily create problems in command and control. Therefore there is a need to blend control and trust in the venture.
- As the venture grows, authority and responsibilities become a challenge. Therefore, a sense of responsibility needs to be created.
- There should be continued innovation in planning, operation and implementation as the venture moves through the growth stages and beyond.

### 2.4.6 Growth strategies and option

Growth is the expansion of trade, resources or structure of the business venture. There are two basic growth strategies: internal and external or a combination of these (Nieman & Nieuwenhuizen, 2009:292).

**Internal growth:** The entrepreneur grows the business through the following: increase market share; expansion and growth of turnover; achieving economies of scale; commanding the means of gaining and maintaining customers; expansion into niche market; and expansion into new location (Nieman & Nieuwenhuizen, 2009:292).

**External growth:** the entrepreneur grows the business through the following: vertical, horizontal and lateral integration. Vertical integration occurs when the business acquires a firm that is positioned either above or below its value chain. Horizontal integration occurs when a business integrates with the same level of additional value chain. Lateral integration occurs when a business integrates either with suppliers, customers or competitors (Nieman & Nieuwenhuizen, 2009:293).

## **2.5 Start-up challenges of immigrant-owned businesses**

### 2.5.1 Registration and taxation

Kristiansen (2008, cited by Chikamhi, 2011:32) describes South African business as very complex. The system has nine procedural requirements to follow before registering a business and is very expensive, especially for foreigners who want to start a business.

According to Hudson (2004, cited by Chikamhi, 2011:33), it takes approximately 38 days to register a business in South Africa, whereas in developed countries such as Germany and The Netherlands there are only two procedural requirements. In addition, it is very difficult to comply with taxation regulations in South Africa because the cost is very high. Chikamhi (2011:55) found that a significant proportion of African immigrants had no knowledge of how to process and register a business. He also mentioned that some African immigrants agree they cannot afford to pay tax. Those African immigrants who are aware of the registration process are not motivated to start businesses, especially in the craft sectors because of the strict municipality regulatory system. Kristiansen (2008, cited by Chikamhi, 2011:32), agrees that only a handful of immigrants are aware of the regulatory system but do not understand how to apply it.

#### 2.5.2 Lack of access to bank loans

NCR (2012: 55) points out that the most important reason people borrow money is to start or buy a business in South Africa. FinMarkTrust (2006, cited by Fatoki & Garwe, 2010:731), mentions that only 2% of SMMEs have access to bank loans in South Africa because of limited credit history and lack of collateral security. The reasons commercial banks do not grant loans is because of irregular income streams, limited credit history, lack of collateral security, no fixed physical address and low level of record-keeping. According to Tengeh (2011:7) finance is a major obstacle to the development of businesses in both developed and developing countries, and more so when it comes to foreigners who do not have collateral security and the necessary documentation. Fatoki (2014b:184) states that it is critical to understand the financial preference of immigrant entrepreneurs. Fatoki further asserts that the absence of financial resources is a stumbling block to a significant proportion of immigrant-owned businesses. Khosa and Kalitanyi (2014:213-214) confirm this view. Khosa and Kalitanyi (2014:213) found that the DTI agencies do not coach or provide financial assistance to African immigrant-owned businesses. Rath (2011) points out that because of lack of capital, a significant proportion of immigrant-owned business often fail. Rogerson (2010b:22) suggests that the core challenge to SMMEs is how to secure finance for either start-up or cash flow. Cash flow is critical to obtain material, equipment, skilled labour and premises. Banks' funds are available to entrepreneurs on asset-based assessment and appropriateness of the idea. It is suggested that new funding methods should be introduced, possibly by government, to make seed capital available to the entrepreneur without the stringent requirements of commercial banks (GEM, 2013:38).

#### 2.5.3 Cost of obtaining a visa

Peberdy and Crush (1998:36) opine that the cost of obtaining visas adds significantly to the running costs of African immigrant-owned businesses in the craft markets. The cost of issuing of permits varies, depending on the period that immigrants wish to stay in South

Africa. The issuing of visas by the Department of Home Affairs is very uncertain. Sometimes African immigrants are given 30 days or less to stay in South Africa, which hampers their ability to trade and plan.

#### 2.5.4 Social capital

Aaltonen and Akola (2012) note that social capital is a resource which immigrant entrepreneurs need, especially during the business start-up phase. However, a significant proportion of immigrants do not have social capital, when compared to local entrepreneurs. Local entrepreneurs have built networks with customers, suppliers and financial institutions for many years, whereas African immigrant entrepreneurs do not have such connections (Aaltonen & Akola, 2012:5). On the contrary, Charman, Peterson and Piper (2012:47) found that groups of African immigrant entrepreneurs in the 'Spaza' or grocery market business collaborate to secure discount from suppliers and enjoy economy of scale. Khosa and Kalitanyi (2014:214) suggest that African immigrants should create a networking platform where they can share their challenges and seek possible solutions.

#### 2.5.5 High rental

Carman, Peterson and Piper (2012, cited by Khosa & Kalitanyi, 2014:214), state that African immigrant entrepreneurs rent their business premises from locals. Khosa and Kalitanyi (2014:213) point out that high rentals are a challenge to immigrants trying to set up a business. They suggest that partnerships should be formed between local and immigrant entrepreneurs.

#### 2.5.6 Limited business space

Mugobo and Ukpere (2012, cited by Khosa & Kalitanyi, 2014:210) in a study on rural entrepreneurship, report that 46% of respondents agreed that limited business space is a challenge to launching a business. Fatoki and Garwe (2010:731) point out that limited business space impacts on the growth potential of new businesses. Landau and Jacobsen (2004:44) believe that this challenge is acute, especially to immigrants who constantly face discrimination on a daily basis. South Africans get first preference over immigrants (Peberdy & Crush 1998:17). Khosa and Kalitanyi (2014:213) in their study found that 78.5% of respondents reported that business location is a challenge, especially to African immigrants. Chikamhi (2011:54) also found that it is difficult to find a good location at the craft markets.

#### 2.5.7 Lack of knowledge of local languages

There are three languages spoken in Cape Town: English, Afrikaans and Xhosa. Khosa and Kalitanyi (2014:212) state that a significant proportion of African immigrants are unable to converse in the local languages and this hinders the smooth running of their businesses. A

similar study conducted by Habiyakare *et al.* (2009:61) in Finland lamented the Finnish language as an obstacle to immigrant entrepreneurs.

#### 2.5.8 Documentation

Hunter and Skinner (2001:22) suggest that local government should grant immigrants permits and relax some of the restrictions, which will allow them to do business. According to Kalitanyi and Visser (2010:214), the majority of African immigrants do not have business licenses. Chikamhi (2011:46) conducted a study on Greenmarket Square and Hout Bay craft markets and found the following: all the participants agreed that they have experienced delays in the issuing of permits by the South African Department of Home Affairs; 10 participants failed to get bank loans because they did not have a South African identity document; 10 participants were unable to open bank accounts and unable to access valuable services.

## 2.6 Growth challenges of immigrant-owned businesses

### 2.6.1 Access to finance

According to Fatoki and Garwe (2010:731), financial resources are needed to fund business growth. Lack of access to financial resources is a major factor affecting the survival and growth of immigrant-owned businesses. Immigrants face discrimination when trying to raise funds from commercial banks (Altinay & Altinay, 2008:27). Ishaq *et al.* (2010:373) point out that immigrants were more likely to be victims of discrimination than their British-born counterparts. Basu (2011:2) and Khosa and Kalitanyi (2014:213) state that immigrant entrepreneurs face more difficulties in accessing finance than non-immigrant entrepreneurs. Fatoki and Garwe (2010:731) believe that without finance, new immigrant businesses may not grow. Khosa and Kalitanyi (2014:213) point out that it is not easy for African immigrants to obtain funding from banks or financial institutions because of lack of identity documents and collateral security. According to Elk (2004:10), it is unfair not to assist businesses because most businesses take a couple of years to grow and show profit. Tengeh (2013) states that immigrants need support from the government. Khosa and Kalitanyi (2014: 213) note that the DTI provides financial assistance to native entrepreneurs. According to Elk (2004), the Cape Craft and Design Institute identified product design as one factor to assist craft businesses in succeeding. However, most of these agencies do not assist immigrant entrepreneurs.

Rogerson (2010a:127) also believes that crafters face the critical issue of lack of access to finance. Rogerson (2010b:38) mentions that there is a lack of support from local government to assist crafters to achieve economic development. Kaiser and Associates (2003:15) point out that many crafters perceive the DTI as inaccessible, inefficient and un-strategic. Heathcock (2000:33) maintains that the key to growth is to tailor finances to meet the needs

of micro-entrepreneurs. Kaiser and Associates (2003:24) suggest that the government should assist crafters in becoming more formalised and creditworthy.

### 2.6.2 Competition

All businesses or organisations that satisfy the same needs are competitors (Hodgetts & Kuratko, 2008:10). According to Khosa and Kalitanyi (2014:209), competition affects the growth of a business (especially immigrant businesses). Khosa and Kalitanyi (2014:212) observe that the majority of African immigrant entrepreneurs felt that competition is very tough in Cape Town. Many African immigrant businesses are servicing the same niche markets, making it difficult for growth. According to Giron, Hernandez and Costanade (2007, cited by Rogerson & Rogerson, 2011:11742), low entry barriers increase the level of competition and it becomes difficult to increase productivity and growth. According to DEDKZN & SEDA (2007:21), competition occurs not only within South African businesses (African immigrant businesses and non-African immigrant businesses) but also from international trade with China and India. One may argue that it is relatively cheap to produce South African products in China. These goods are imported into South Africa and sold back to tourists. Rogerson (2010b:37) suggests that crafters should constantly produce new, innovative craft products to meet the challenge in both domestic and foreign markets.

### 2.6.3 Sales fluctuation

Survivalist and micro entrepreneurs face more severe sales and income fluctuation than persons employed in traditional jobs. Khosa and Kalitanyi (2014:209) found that sales are very high in summer months and drop drastically during winter. According to V&A Waterfront (2013), African immigrants selling crafts experience the greatest sales volume during the festive season because it is the peak season for tourists in South Africa. Khosa and Kalitanyi (2014:214) recommend that African immigrants form partnerships with locals to minimise cost and to gain access to government grants. Furthermore, Chikamhi (2011:59) points out that the craft markets were poorly designed and the weather pattern in Cape Town disrupts trading during the winter season, thus limiting the possibility of growth.

### 2.6.4 Entrepreneurial skills

Entrepreneurial skills are critical for the survival and growth of a business. According to Wickham (2001, cited by Nieman & Nieuwenhuizen, 2009:10), entrepreneurial skills are venture innovation, potential for growth, and strategic objectives. The element of strategic objectives includes market target, market development, market share and market position. Van Rensburg (2010) states that entrepreneurial skills include creativity and innovation, calculated risk and determination.

### 2.6.5 Xenophobia

The South African Concise Oxford Dictionary (2002:1358) defines xenophobia as intense dislike or fear of foreigners. The word xenophobia is derived from the Greek *xenos* meaning stranger or foreigner and *phobos* meaning fear. Peberdy and Crush (1998:1) believe South Africans are xenophobic because African immigrants are described in the South African media as illegal, uneducated and they take job opportunities, money and women from South Africans. Hunter and Skinner (2001:31) quote some immigrants as stating:

“We are not treated with dignity ... the problem is with the attitude from black South Africans who call us names. They say we are taking their wives and jobs.”

### 2.6.6 Language

The South African Concise Oxford Dictionary (2002:650) defines language as a method of communication between humans, either spoken or written. Khosa and Kalitanyi (2014:208), point out that non-verbal actions such as body language and eye contact are other methods of communication. Levent *et al.* (2003) believe that language is a hindrance to immigrant entrepreneurship. The ability to communicate in the host country language allows immigrants the benefits of integration into a community, access to business advice and access to bank loans.

A study conducted in Finland found that language is a barrier to a significant proportion of immigrant entrepreneurs and hence, it took longer to conduct business transactions (Habiyakare *et al.*, 2009:61). Hunter and Skinner (2001:26) in their study, report a respondents as stating: "People shout at me because I cannot speak Zulu." This language barrier affects customer relationships. Therefore, African immigrant entrepreneurs must be able to communicate effectively in the host country in which they conduct their business. Hisrich (2010:46) believes that communication is critical for information-gathering, evaluation and advertising.

### 2.6.7 Co-ethnic funding

The fact that African immigrant entrepreneurs face discrimination when trying to raise funds from commercial banks causes them to use their personal savings to finance the business or borrow money from friends or family members (Altinay & Altinay, 2008:27). According to Tengeh *et al.* (2011:375), the three most common sources of start-up finance are personal savings (62.2%), business credit (16.9%) and credit from family member and friends (18.8%).

### 2.6.8 Co-ethnic employee

Tengeh *et al.* (2011:376) point out that in line with the blocked mobility theory, African immigrants for various reasons, including lack of credentials, find it difficult to find employment in the host country. The alternative is to seek employment from other African

immigrants or start their own businesses. Tengeh *et al.* (2011:203) mention that 60.7% of African immigrants ranked human resources as a critical factor required to operate a business. One of the comparative advantages immigrant entrepreneurs have is cheap labour from other immigrants (Basu & Goswami, 1999:252). According to Basu and Goswami (1999:254) an inverse relationship exists between business growth and immigrant employee and family employee. For instance, Nieman and Nieuwenhuizen (2009:222) conclude that favouritism can result in nepotism if family members, with no skills or expertise, are appointed. The researcher thus suggests that favouritism can negatively affect the growth of immigrant-owned businesses.

#### 2.6.9 Co-ethnic information

Tengeh *et al.* (2011:376) state that not many African immigrants made use of formal business support organisations. They tend to get support from ethnic networks and friends. Co-ethnic information is crucial for the success of the business. Basu and Goswami (1999:254) opine that information about markets is very important to identify opportunities. Immigrant businesses maintain strong ties and extensive informal networks and hence have a better chance to grow when compared to native businesses.

#### 2.6.10 Co-ethnic market

Waldinger, Aldrich and Ward (1990:21) assert that one of the comparative advantages of immigrant businesses is to sell immigrant products to immigrant markets, especially at the initial stage of the business. Werbner (1990, cited by Altinay & Altinay, 2008:26) states that:

“...co-ethnic markets, since dealing with co-ethnic customers, influences business growth because it may be easier to transact business in a language with which the small business owner is familiar.”

However, Basu (1998:319) mentions that some scholars advocate that reliance on immigrant markets and failure to attract other markets is one of the restraints to business growth.

#### 2.6.11 Crime and corruption

In 2007, South Africa was listed as one of the five most murderous nations (UNODC, 2007). Fatoki and Garwe (2010:732), point out that the effect of crime on business is growing in South Africa. Between 2010 and 2011, business robberies increased by 0.9% (South Africa. SAPS, 2011:16).

According to crime research statistics, April 2010 to March 2011, 13277 robberies were recorded in Cape Town Central (South Africa. SAPS, 2011).

Because of the high crime rate, business owners are focusing more on operational matters rather than staying ahead of competitors. The increasing expenditure on crime prevention deterred growth of most businesses. Hunter and Skinner (2001:23) on African immigrants in

Durban, quote a respondent as saying: "Criminals come and take our money since they know that we do not have access to a bank."

#### 2.6.12 Police harassment

Hunter and Skinner (2001:49) found that Metro Police are instructed to remove traders who are not in possession of permits and to confiscate their goods. Traders must pay fines in order for their goods to be returned to them otherwise these goods are auctioned or destroyed. These authors also report that on several occasions there have been cases of foreigners accusing the police of demanding bribes before returning their goods. In his study, Chikamhin (2011:60) shares this view, reporting that members of the South African Police Service (SAPS) took bribes from six participants, and two participants confirmed police harassment.

#### 2.6.13 Summary of growth challenges

- African immigrants face challenges in raising funds from commercial banks.
- Many African immigrant businesses are servicing the same niche markets, making it difficult for growth.
- Sales are high in summer months and drop drastically during winter.
- Entrepreneurial skills are critical challenges for the survival and growth of business.
- Immigrants are not treated with dignity in South Africa.
- Language is a barrier to immigrant entrepreneurship.
- Favouritism can result in nepotism if family members without the necessary expertise are appointed.
- Immigrant markets fail to attract customers from other markets, therefore limiting business growth.
- A negligible number of African immigrants made use of formal business support organisations.
- Foreigners allege that the police demand bribes before returning their confiscated goods.
- Because of the high crime rate, immigrant businesses are focusing more on operational matters rather than trying to stay ahead of competitors.

The above section focused on the concept of growth, characteristics of growth, stages of growth and growth strategies and key factors during the growth stages. In the above section factors which affect the growth of African immigrant-owned craft businesses during the start-up and growth phase were also discussed. The following section addresses theories on immigrant entrepreneurship: Push/pull factors: migration; Push/pull factors: immigrant self-employment; Ethnic market niche or pull factor theory; and, Ethnic enclave theory



## 2.7 Theories on immigrant entrepreneurship

### 2.7.1 Push/pull factors: migration

The meaning of migration depends on the context within which it is used. Migration can be used in both human and animal terms (Kalitanyi, 2007:14). According to Wikipedia (2014) migration is the movement of people from one region to another over long distances. Hagen-Zanker (2008:4) concludes that: "Migration is the temporary or permanent movement of people from one region to another." The reasons include persecution and employment opportunities. In this study the focus of migration is in Africa (the movement of people from other African countries to South Africa). There are many theories that attempt to explain the reasons why people migrate. One of these theories is the push-pull theory. Lee (1966:50) was the first person to formulate the pull-push theory. The theory explains that there have to be disadvantages which push people to leave their country of origin (other African countries) to move into other countries (South Africa) (Simelane, 1999:3). There also have to be advantages which pull people from other African countries (country of origin) into South Africa (host country).

On the one hand, Simelane (1999:3) suggests that African immigrants are pushed out of their country of origin because of wars, poverty, political instability, unemployment, lack of social amenities such as schools, hospitals, roads, electricity and low wages, compared to South Africa. Fatoki and Patswawairi (2012) suggest globalisation, wars and political instability in other African countries as reasons for African immigrants coming to South Africa. Hunter and Skinner (2003:302) suggest war and conflict in the Democratic Republic of Congo, Sierra Leone, Burundi, Somalia, and Rwanda have pushed people to move into South Africa.

Tengeh *et al.* (2011:375) found unfavorable political circumstances (68.2%) as the main reason people emigrate to South Africa. Peberdy and Crush (1998:21) confirm this, stating that African immigrants come to South Africa because of opportunities in the tourist market (27%) and the strength of South African currency (Rand). Comparing the views of Simelane (1999:3), Tengeh *et al.* (2011:375) and Peberdy and Crush (1998:21), it is clear that political instability and unemployment push many African immigrants into leaving their countries of origin to immigrate into South Africa.

On the other hand, according to Fatoki and Patswawairi (2012), South Africa is a rainbow nation comprising diverse groups from other countries in the world. There are many opportunities in South Africa (Rogerson 1997:35). Simelane (1999:3) also points out that African immigrants are pulled to South Africa because of higher salaries, political stability since the first democratic election held in 1994, better prospects of getting a job and better social amenities. Tengeh (2011:188) supports the views of Simelane (1999:3) that political

stability and a stable economy reasons that immigrants are pulled to South Africa. Comparing the views of Simelane (1999:3), Tengeh (2011:188) and Peberdy and Crush (1998:21), it is clear that employment opportunities, better social amenities and political stability pull many African immigrants into South Africa. However, once an immigrant arrives in South Africa, the next challenge is how to find employment in South Africa.

#### 2.7.2 Push/pull factors: immigrant self-employment

Nieman and Nieuwenhuizen (2009:36) claim that there are basically two reasons or forces to cause a person to become an entrepreneur: opportunity (pull factor) or necessity (push factor). However, this may not be true for all immigrant entrepreneurs. Sahin, Nijkam and Baycan-Levent (2006:2) conclude that the majority of African immigrants use entrepreneurship to escape unemployment in the host country. This view is supported by Tengeh (2011:33) who expresses the opinion that many theories have been advanced to support reasons immigrants resort to entrepreneurship. Among these theories are the block opportunity or push factor theory, ethnic market niche or pull factor theory, and ethnic enclave theory. In addition, the researcher suggests the Chrysostome and Arcand theoretical model (2009:7).

##### a) *Block opportunity or push factor theory*

The block opportunity or push factor theory posits that discrimination is one of the reasons immigrants establish businesses in the host labour market (Clark & Drinkwater, 2000:2; Basu & Altinay, 2002:373; Sahin *et al.*, 2006:6; Volery, 2007:31). Basu and Goswami (1999:265) found the inability to find salaried employment, underpaid salaries, discrimination in the labour market and redundancy are reasons why 118 immigrant entrepreneurs in Great Britain were pushed to establish businesses. According to Van Tubergen (2005:711), in countries with a high unemployment rate (such as South Africa), immigrants are pushed out of the labour market and one of the alternatives is self-employment. Tengeh *et al.* (2011:375) conclude in their study that 67.4% of African immigrants interviewed agreed that limited job opportunities pushed them to self-employment. Phizacklea and Ram (1995:52) did a comparative study of 10 ethnic small businesses in France and Britain and found that unemployment was the main reason for starting a business. Comparing the views of Clark and Drinkwater (2000:2), Basu and Altinay (2002:373), Van Tubergen (2005:711), and Phizacklea and Ram (1995:52), it is clear they all agree with the opinion of Peberdy and Crush (1998:17) that natives are given first preference for employment, over immigrants.

Several studies support the notion that natives get first preference over immigrants when job opportunities arise. Salaff, Greve and Wong (2006:7) mention that the Canadian authorities do not recognise Chinese credentials. Statistics Finland (2008) found that the labour market is segmented and that regardless of the level of education of immigrants, locals are

preferably employed. Aaltonen and Akola (2012:5) found that in Finland immigrants are disadvantaged when compared to native entrepreneurs because they do not have the same networks of friends, school mates or relatives, which is an important aspect when seeking employment. Landau (2010:72) shares this view, stating that in South Africa a significant proportion of immigrants do not have money to pay for their educational qualifications to be verified by the South Africa Qualifications Authority (SAQA). These immigrants are rejected by potential employers and the only alternative is self-employment. In Durban, a significant number of Ethiopian immigrants agreed that their inability to communicate in English and local languages was a disadvantage when seeking employment (Gebre, Maharaj & Pillay, 2011:31). Khosa and Kalitanyi (2014:212), in their study found that 59.1% of African immigrants agreed that their inability to speak local languages (Afrikaans and Xhosa) is a hindrance to finding employment in Cape Town. A study conducted by Ishaq, Hussain and Whittam (2010:373), revealed that in British society, racism is faced by the majority of an ethnic minority. MacPherson (1999) believes that the British police are incompetent and racist. He goes on to state that racism is a real problem and a challenge to harmonious race relations in an increasingly multi-cultural British society. Stress, depression, heart problems, fear for their safety and security and discrimination in job opportunities are impacts of racism faced by the ethnic minority. Therefore, self-employment is the main option open to a significant proportion of the ethnic minority population.

*b) Ethnic market niche or pull factor theory*

Garg and Phayane (2014:59) state that the ethnic market theory is formulated on the fact that immigrants are pulled to establish businesses in market niches created by opportunities in society and characteristics of the immigrant group. Garg and Phayane (2014:79) further maintain that immigrants quickly find niche markets which have not been satisfied by local entrepreneurs. Halkias, Abadir, Akrivos, Harkiolakis, Thurman and Caracatsanis (2007:6) conclude that: "Immigrants enter abandoned markets." The researcher suggests that an example of an abandoned market is the craft and curio market in Cape Town. Kaiser and Associates (2003:22) state that traditional craft skills base is lacking in the Western Cape. The majority of craft traders in the Western Cape are non-South African citizens from the SADC and the rest of Africa and these immigrants serve the tourist market. Peberdy (1997:6) and Peberdy and Crush (1998:21) support the view of Kaiser and Associates, that immigrants were pulled to crafts and curio businesses because South Africa does not have a strong indigenous curio-producing presence. Peberdy (1997:6) found that when traders were asked why they chose the handcraft or curio trade, 27% responded that it was because of a strong tourist industry market, 19% enter this market because of the strength of the South African economy and 5% due to the strength of the Rand.

Another study conducted in Finland by Aaltonen and Akola (2012:8) points out that the motivations for foreign PhD and Master's students to launch businesses were pull factors: independence, to gain profit and be creative. In Britain, a similar study conducted by Basu and Altinay (2002:382) on Turkish and Cypriot entrepreneurs, points out similar reasons: money, to be one's own boss and gain experience were the motivational factors for self-employment. Bonacich (1973:585) concludes that sojourners are pulled to make money, not spend it and that they select an occupation which does not tie them down for long periods.

c) *Ethnic enclave theory*

Halkias et al., (2009:145-146), opine that the ethnic enclave theory is premised on the fact that immigrant entrepreneurs typically find business start-up opportunities within two sectors, namely immigrant communities and neglected business sectors in the broader economy. Based on this theory, Tengeh (2011:36), expresses a similar opinion, that African immigrant entrepreneurs launch ventures mostly in industries where the start-up cost is low, competition is low, capital is easy to raise and easy to convert assets into cash.

This approach is rejected by Zhou (2004:1056) when he looks at the ethnic enclave theory from a different angle. According to Zhou, the ethnic enclave theory emanates from a labour market perspective. Immigrants and natives encounter two types of markets, namely primary and secondary markets. Primary markets consist of highly paid jobs and the jobs require worker education, sound credentials and experience. These markets are characterised by career advancement and unlimited economic opportunities. Mostly natives are active in the primary market.

On the contrary, secondary markets are characterised by low-income jobs with few opportunities and limited career advancement. The majority of immigrants are willing to work in secondary markets because of lack of proficiency in the language of the host country. Therefore, because primary markets are not accessible to immigrants and there is limited economic opportunity for immigrants in secondary markets, immigrants establish ethnic enclaves as an alternative (Zhou, 2004:1056).

### 2.7.3 Push/pull factors: immigrant business

a) *High unemployment*

According to SSA (2014), the unemployment rate in South Africa is 25.2%. Van Tubergen (2005:711) asserts that in countries with a high unemployment rate (such as South Africa), immigrants are pushed out of the labour market and the alternative is self-employment. The inabilities to find employment, underpaid salaries and discrimination in the labour market are reasons why immigrants are pushed into self-employment (Clark & Drinkwater, 1998:383; Bogan & Darity, 2008:2010; Tengeh *et al.* 2011:375; Tengeh, 2011:202; Fatoki 2014b:184).

Tengeh *et al.* (2011:375) suggests that 67.4% of African immigrants are pushed to self-employment because of the high unemployment rate in South Africa.

This situation is confirmed by Phizacklea and Ram who conducted a comparative study of 10 ethnic small businesses in France and Britain and found that unemployment is the main reason to start a business (Phizacklea & Ram, 1995:52). Peberdy (1997:6) noted that 42% of African immigrants interviewed agree unemployment is the main reason to trade. Furthermore, Rogerson (2010b:22) points out that craft enterprises were founded for the purposes of assisting the unemployed, job creation and empowering marginalised groups in rural and peri-urban areas in South Africa. Chikamhi (2011:57) also mentions that a significant proportion of African immigrants trading at Greenmarket Square suggest lack of employment as the main reason to start a craft business.

*b) Discrimination*

The block opportunity or push factor theory advocates that immigrants suffer discrimination in the host labour market (Clark & Drinkwater, 2000:2; Basu & Altinay, 2002:373; Sahin *et al.*, 2006:6; Bogan & Darity, 2008:2010; Fatoki, 2014b:184). Landau and Jacobsen (2004:44) point out that immigrants face discrimination on a daily basis. Rankin (2006:25) notes that numerous requirements prevent firms from hiring immigrants with the requisite skills. South Africans get first preference when job opportunities arise, rather than immigrants (Peberdy & Crush, 1998:17). Basu and Goswami (1999:254), who share similar views to Peberdy and Crush, found that 188 immigrants established businesses in Britain because of underpaid jobs, redundancy and discrimination in the labour market.

*c) Abandoned markets*

Halkias *et al.* (2007:6) point out that immigrants enter abandoned markets. This view is confirmed by Kaiser and Associates (2003:12) who suggest that craft traders from the SADC and the rest of Africa dominate the Western Cape craft markets in the absence of a strong indigenous curio and craft-producing sector.

*d) Alien status*

According to Steiner (1994:2) "A trader status is a precondition for participation in African art trade. African art traders are members of an alien community..." and this status dismisses them from many social obligations or constraints, which could hinder successful economic exchange. The alien status brings together African immigrants and they form communities. These communities exchange information and share a broad spectrum of craft knowledge. The alien status enables them to sell curios and craftware from their country of origin or from other African countries.

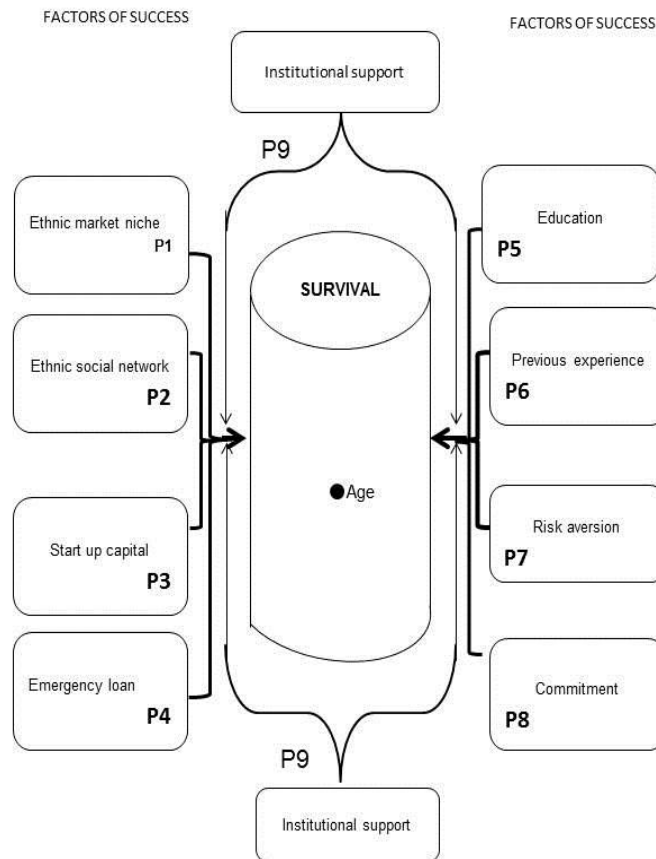
e) *Experience with prior knowledge*

Shinnar and Young (2008:14) maintain that experience gained by immigrants in certain sectors is critical to starting their own new venture. Werbner (1990, cited by Altinay & Altinay, 2008:26) asserts that knowledge acquired by immigrant entrepreneurs helps them to detect business opportunity gaps in the market. This view is confirmed by Levent *et al.* (2003) who state that a good example of prior knowledge is an immigrant who worked in a restaurant owned by other members of their ethnic group, and then started his own restaurant. Kalitanyi and Visser (2010:379) state that in South Africa African immigrant entrepreneurs are visible mostly in retail and services sectors such as curios and craft, clothes, food, motor cars, restaurants, music and the import business.

In summary, the block opportunity or push factor theory advocates that discrimination is one of the reasons immigrants establish businesses in the host labour market. The ethnic market theory is based on the fact that immigrants are pulled to establish businesses in niche markets created by interaction of opportunities in society and characteristics of the immigrant group. The ethnic enclave theory is that immigrants typically find start-up opportunities within immigrant communities and neglected business sectors in the broader economy. However, the Chrysostome and Arcand theoretical model has a different perspective.

## **2.8 The Chrysostome and Arcand theoretical model**

According to Chrysostome and Arcand (2009:7) there are five categories of factors for the survival of immigrant entrepreneurs: an ethno-cultural factor, financial factors, managerial factors, psycho-behavioural factors and institutional factors. Figure 2.2 illustrates this model.



**Figure 2.2: Model of survival factors of necessity immigrant entrepreneurship (Chrysostome & Arcand, 2009:19)**

### 2.8.1 Ethno-cultural factors

#### a) *Ethnic market niche*

The term ethnic market niche refers to markets in which native entrepreneurs are not doing business because of the opportunity structure of the host market. Siqueira (2007, cited by Chrysostome & Arcand, 2009:7) suggests that natives are not doing business because of lack of interest and insufficient economic rewards. Another reason is that immigrant entrepreneurs possess critical skills that native entrepreneurs do not have and cannot imitate. Chrysostome and Arcand (2009:7) argue that the critical skill of immigrants is their competitive advantage. These critical factors can determine the survival of the business.

Chrysostome and Arcand (2009:9) point out that the size of the immigrant market is the most important determinant for the survival of the business. The critical skill is not important if the size of the immigrant market is not large enough to generate profits. According to the researcher there is a correlation between the size of the immigrant markets and immigrant communities. The survival of the immigrant business depends on the size of the immigrant population.

*b) Ethnic social network*

The social networks of immigrant entrepreneurs comprise both formal entities, for example banks, lawyers, local government and organisations, and informal links, such as family members, friends and acquaintances (Sequeira & Rasheed, 2006:361). Informal connections include family members in the host countries and other countries. The degree of connectivity is very important for the success of immigrant business. Multiple ties would give immigrant entrepreneurs better access to resources and opportunities such as social networking with immigrant consumers because they can communicate with them in their own language (Chrysostome & Arcand, 2009:9).

These social networks influence the resources immigrant entrepreneurs can mobilise (Salaff, Greve & Wong, 2006:17). On the other hand, a porous social network would be detrimental for immigrants to access opportunities and resources (Chrysostome & Arcand, 2009:9). In addition to social networks, the social environment of the host country can have an impact on the survival of the business. According to Chrysostome and Arcand (2009:9) when immigrants perceive the host country as hostile, the survival of the business would depend on social ties within the immigrant community.

*c) Ethnic labour*

One of the best competitive advantages which immigrant entrepreneurs have is labour. Immigrants can obtain labour through their social networks. The size of the labour force can have a great impact on the survival of the business. The larger the labour pool, the better the chances for immigrant entrepreneurs to find workers who are loyal and willing to accept low wages, and accept demanding work schedules. Another advantage of using ethnic workers is that it creates and maintains loyal business relationships with immigrant clients (Chrysostome & Arcand, 2009:9).

*d) Ethnic emotional support*

Ethnic emotional support is critical for the survival of immigrant business, especially in an environment which is culturally challenging and hostile. To manage a business in a hostile environment is very risky, stressful and uncertain. For example, moral emotional support plays a critical role in the survival of Brazilian entrepreneurs in the hose-cleaning industry in Massachusetts (Martes, 2000, cited by Chrysostome & Arcand, 2009:11).

## 2.8.2 Financial factors

Immigrant entrepreneurs need financial resources to startup businesses and cash flow for expenses. However, it is very difficult for a significant proportion of immigrant entrepreneurs to gain access to financial resources (Chrysostome & Arcand, 2009:11, Zolin & Schlosser, 2011:1189; Fatoki & Garwe, 2010:731; Aaltonen & Akola, 2012:5). Other vital expenses for



survival of immigrant entrepreneurs include lawyers and accountant costs, leases and taxes. There are two types of working capital: start-up capital and informal emergency loans.

a) *Start-up capital*

Chrysostome and Arcand (2009:12) state that start-up capital is a critical factor for survival of a business. Bates (1994, cited by Chrysostome & Arcand, 2009:12) argues that there is a relationship between start-up capital and the success of a business. In his study, Bates (1997:121) found that Vietnamese immigrant entrepreneurs rely on friends and families to start businesses. Therefore, their businesses are often small and the rate of failure is high. Adversely, Bates also found (1997:121) in his study, that Indians rely heavily on formal sources of financial institution for start-up, and the survival rate is high.

b) *Emergency loans*

Emergency loans are a back-up strategy immigrant entrepreneurs can use when there are unexpected liquidity crises. An example of an emergency loan source is the Rotating Credit Association co-ordinated by their ethnic community (Light & Bonacich, 1996: 197; Yoon, 1997, cited by Chrysostome & Arcand, 2009:4).

### 2.8.3 Managerial factors

According to Chrysostome and Arcand (2009:13) managerial factors play an important role in the survival of immigrant entrepreneurs. These factors are professional education and experience.

a) *Education level*

Education level is very important for the survival of immigrants. Education helps entrepreneurs to understand challenges and the best approach to solve these challenges (Chrysostome & Arcand, 2009:13). Min and Bozorghmer (2000, cited by Chrysostome & Arcand, 2009:13) agree that one of the reasons Indian, Iranian and Taiwanese immigrant entrepreneurs survive in the USA is because the majority of them are highly educated. Werbner (1990) avers that an educated background enables immigrant entrepreneurs to exploit cultural heritage and contribute to the social economic development of the community, which is good for business. Nieman and Nieuwenhuizen (2009:31) agree that there is a correlation between higher levels of education and higher levels of entrepreneurial activity. However, the survival rate of businesses owned by immigrants who are not highly educated is low.

b) *Previous experience*

Taylor (1999:151) maintains previous business experience such as market analysis, good customer relationships, product innovation, communication skills within an organisation and establishing relationships with key stakeholders are vital for the survival of immigrant

entrepreneurs. Chrysostome and Arcand (2009:14) believe that a significant number of immigrants learned managerial skills in their home countries before emigrating to the host country.

#### 2.8.4 Psycho-behavioural factors

##### a) *Risk aversion*

Risk aversion is directly proportional to the survival of an entrepreneur. Entrepreneurs who have high risk aversion tend to overestimate the probability of loss in their businesses. On the other hand, entrepreneurs who have low risk aversion tend to underestimate the probability of business failure and stand a high chance of succeeding (Schneider & Lopez, 1986).

##### b) *Commitment*

Chan (2006:262) points out that commitment by the employee, employer and other stakeholders is critical for the survival of immigrant business. Allen and Mayer (1990) found a positive relationship between effective commitment and behaviour of an employee in an organisation. Chan (2006:262) suggests that entrepreneurial activity is one of the last resorts for immigrant entrepreneurs in the host country. Basu and Goswami (1999:271) conclude that one of the reason Asian businesses succeed in Britain is due to long working hours. Therefore, the researcher suggests that immigrant entrepreneurs must make many sacrifices in order to survive. Examples of such sacrifices include long working hours, less time spent with family, being prepared to do demanding work for a low salary, being co-operative with others, commitment to one another and working as a team member.

#### 2.8.5 Institutional factors

Chrysostome and Arcand (2009:16) suggest that institutional factors are vital for development of entrepreneurial activities, especially immigrant entrepreneurs. This view is supported by Gohmann, Hobbs and McCrickard (2008:870). Baumol (1990:918) and Gohmann *et al.* (2008:870) point out that the institutional environment determines the rule of the game that affects entrepreneurial decisions. The degree of freedom is indirectly affected by the changes in policies and thus precipitates entrepreneurship. Baumol (1990) states that Western countries such as the United Kingdom, the United State of America, Canada and Austria have a wide variety of programmes to support immigrant entrepreneurship. This includes counselling programmes, tax incentives and credit assistance programmes. Counselling programmes prepare the immigrant to face challenges in planning, organising design and operating problems in business. Chrisman (1989:413) suggests that strategic assistance is more valuable than administrative assistance.

Based on the Chrysostome and Arcand theoretical model, the researcher suggests the following reasons why immigrants enter into business:

- Natives are not doing business because of lack of interest and insufficient economic rewards.
- Immigrant entrepreneurs possess critical skills that native entrepreneurs do not have and cannot imitate.
- Immigrant entrepreneurs can easily develop social networks with immigrant consumers because they can communicate with them in their language.
- Social environment of the host country can have an impact on the survival of the business.
- Labour is a competitive advantage which immigrants have; immigrants can source labour through their social networks.
- Immigrants receive ethnic emotional support, which is critical for the success of their businesses in an environment which is culturally challenging and hostile.
- Immigrants rely heavily on informal sources to raise start-up capital.
- Immigrant entrepreneurs possess a high level of education.
- Western countries have a wide variety of programs to support immigrant entrepreneurship.

The previous section discussed the Chrysostome and Arcand theoretical model. The next section presents an overview of the craft industry; craft product; and the importance of the craft industry.

## **2.9 Overview of the craft Industry**

People become confused about the definition of craft, as a result of a very diverse range of products commonly referred to as craft. Many South Africans would not even attempt a definition and they might answer by saying 'craft is craft'. Hay (2008:6) states that the consensus is that the items should be handmade. CIGS (1998:9) defines craft as the use of hands for the production of useful and decorative items on a small scale. There are six categories of craft:

- Traditional art craft;
- Designer goods;
- Craft art;
- Functional wares;
- Souvenirs; and
- Musical instruments.

Globally, craft is big business (Holder, 1989:1). China has been a global competitor for the past decade because it specialises in mass production, cheap labour force and large export (Kaiser & Associates, 2003:29; South Africa. DTI, 2005:12). In India, the craft industry is the

second largest employer with an estimated 23 million craft people, and this industry earned 1.65 billion US Dollars in 1999/2000 (Kaiser & Associates, 2005:29; Dash, 2011:50). According to Home Industries Association (HIA), cited by CIGS (1998:14), in the USA the craft industry generated \$10.85 billion in 1995. In the United Kingdom, the craft industry generated GBP 122 million in 1981 (CIGS, 1998:14). The craft industry also contributes 1 billion US Dollars per annum to the economy of Mexico (CIGS, 1998:17).

In the global craft market, Africa is viewed as a single source (despite the fact that there are 53 countries in the African continent). The craft industry contributes 15% to the GDP of Morocco (CIGS, 1998:17). In 2002, Ghana craft exports contributed 11.3 million US Dollars (Kaiser & Associates, 2005:30). In central Africa, the Democratic Republic of Congo has a very strong wood carving sector and many of these carvings find their way into South African craft markets. In eastern Africa, Zambia, Malawi, Mozambique, Kenya, Tanzania and Uganda are acknowledged as sources of basketware and wood carvings to South African tourist shops, craft markets and curio outlets (Joffe & Newton, 2007:79).

In South Africa, craft is one of the entry points into the economy (CIGS, 1998:3). The craft industry generates about R3.5 billion in revenue every year and employs about 1.2 million people (Hay, 2008:5). Hay (2008:8) discovered that several craft developments have taken place in South Africa. In 1997 the government launched the Cultural Industry Growth Strategy with the objective of creating the South African Craft Industry Report. A study was conducted in the craft sectors in four provinces – Western Cape, Eastern Cape, Northern Cape and KwaZulu Natal. The findings of the study suggest that craft production is particularly high in Kwazulu Natal, Mpumalanga, Northern Province and Eastern Cape Province because these regions still have traditional lifestyles. Gauteng and the Western Cape Province also have a high craft production because of complex cultural influences.

In the Western Cape, a study conducted by Heathcock (2000:4) found that craft production occurred mostly in the Cape Metropolitan area, the Winelands and Garden Route, Hermanus area in the Overberg, southern West Coast region and Knysna and Plettenberg Bay. The craft sector allegedly contributes a turnover of R100 million to R200 million per annum and employs about 15 000 – 30 000 people (Heathcock, 2000:21).

In addition, Kaiser and Associates (2003:19) discovered that there are 45 craft markets, 250 retail outlets and 53 galleries in the Western Cape. The Western Cape has the highest number of craft markets in South Africa. These craft markets are dominated by African immigrant entrepreneurs from the SADC and the rest of Africa (Kaiser & Associates, 2003:22). The African immigrant entrepreneurs from the SADC contribute about 78% of wooden craft in the Western Cape Province, while the rest of African countries contributed 22% (Mikolo, 2007:34).

### 2.9.1 Craft products

According to Adu-Gyamfi and Boahinn (2013), there are several types of craft products, such as carved figurines and sculpture, painted calabashes, leather products, beads and fabrics. Other items include costumes used in initiation rites, basket devices and African clothes such as a *bou-bou* (a wide-sleeved robe similar to a caftan). Ndlovu (2011:48) states that some examples of craft objects include beaded eggs, wooden drums carved from tree trunks, wire baobab trees, windmills made of wire and metal, clay pots, woven grass baskets and wooden vessels.

### 2.9.2 The importance of the craft industry

According to Holder (1989:1) craft is an integral part of our life and is big business worldwide. In India, the handicraft industry is the second largest employer, only surpassed by agriculture (Dash, 2011:50). In the western part of North Carolina in the USA, the total contribution of the craft industry to the state economy is approximately \$122 million (Dave & Evans, 1998, cited by Paige & Littrel, 2002:315). Craft is an important source of income in southern Africa (Rogerson & Rogerson, 2010).

In South Africa, craft is one of the entry points into the economy (CIGS, 1998:3). According to Makhitha (2013:45) there are many retailers selling craft products in South Africa. These include curio shops, craft markets, departmental stores, supermarkets, hypermarkets, furniture stores, galleries and museums (Liebl & Roy, 2003:5375). The majority of craft businesses in South Africa fall into the DTI definition of Small, Micro and Survivalist, and Medium Enterprises (South Africa. DTI, 1995:5).

## 2.10 Limitations of existing literature

- Literature on African craft in general and African immigrant craft in South Africa is limited.
- Literature on the reasons why African immigrants start craft businesses is limited. Owing to this limitation, the study borrowed literature from theory and international experience.

## 2.11 Summary

Existing literature was reviewed in this chapter. The reasons why African immigrants chose to enter the craft industry was investigated, as well as the factors which affect them when starting their own craft businesses. Furthermore, the factors which affect the growth of immigrant-owned craft businesses in the selected markets in the Cape Town area were explored.

This chapter was divided into three sections. The first section gave an overview of entrepreneurship and the differences between immigrant venture and non-immigrant venture were scrutinised. This was followed by the importance of immigrant entrepreneurship, characteristics of necessity and opportunity immigrant entrepreneurs, and the profile of immigrant entrepreneurs

In the second section, the reasons why South Africa needs businesses that grow and different categories of businesses in South Africa were discussed. Further, the challenges affecting African immigrant-owned craft businesses during the start-up phase were examined. These included registration and taxation, lack of access to bank loans/finance, social capital, high rentals, limited business space and lack of knowledge of local languages. Further challenges which were addressed were legal documentation, lack of entrepreneurial skills, xenophobia, crime, police harassment and corruption.

The third section investigated the push/pull factors of migration, theories on immigrant entrepreneurship, the Chrysostome and Arcand theoretical model, and lastly gave an overview of the craft industry

Chapter Three presents the research design and methodology employed in this study.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

Research methodology is a scientific plan on how to collect and analyse data so that the researcher can answer the research question. This statement is supported by Ragin (1994, cited by Flick, 2007:36) who states that a research design is: "...a plan for collecting and analysing evidence that will make it possible for the investigator to answer whatever questions he or she has posed."

Research as a process facilitates a better understanding of the intricacies of the researcher's chosen topic. The theoretical framework and literature review was offered in Chapter Two. This chapter discusses the research design and methodology used in the study, including sampling, population, data collection techniques, ethical considerations, and data analysis. This study followed the mixed methods approach, a blend of qualitative and quantitative research.

#### **3.2 The research objective revisited**

As previously stated in Chapter One and Two, the main objective of the study was to determine the factors that affect the growth of African immigrant-owned craft businesses in Cape Town.

The sub-objectives were:

- To explore reasons why African immigrants chose the craft business;
- To determine the factors affecting African immigrants when starting their craft businesses; and
- To determine the factors inhibiting the growth of African immigrant-owned craft businesses.

#### **3.3 The research paradigm**

According to Blanche, Durrheim and Painter (2006:7) there are two approaches to a paradigm. The first approach is interpretive. The researcher believes that the reality to be studied consists of people's subjective experiences of the external world. Here the researcher uses the research question and tries to make sense of the phenomenon. The second approach is positivism. In this case, the positivism is the quantitative and the interpretive is the qualitative paradigm. The positivism approach was achieved through the administering of questionnaires to African immigrant entrepreneurs in the selected craft markets. The interpretive approach was achieved through conducting interviews with the

three municipality managers responsible for the areas in which the selected craft markets were located.

### 3.3.1 Research method

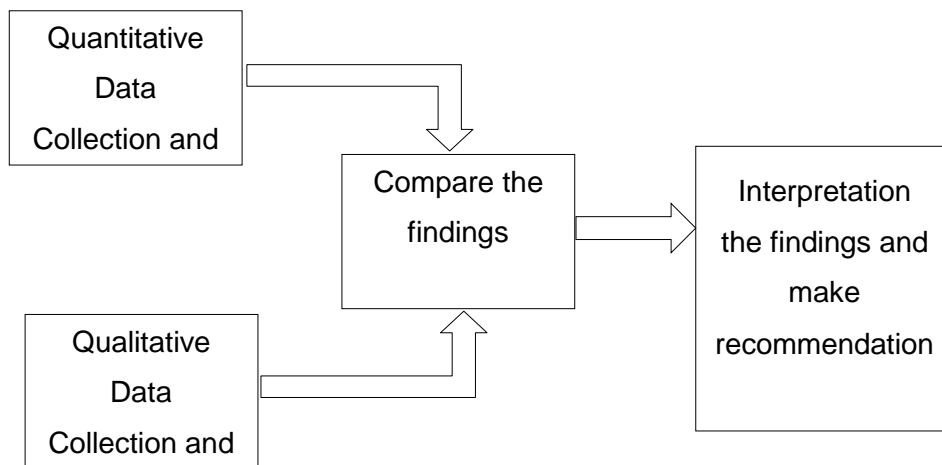
Qualitative research was utilised on this study because the literature on factors affecting the growth of Africa immigrant-owned craft business in Cape Town is sparse. The researcher utilised qualitative research because, as explained by Brynard and Hanekom (2006:37) and Blaxter, Hughes and Tight (2010:66), qualitative research intends to seek and understand people personally, and experience their daily struggles when confronted with real-life situations. It also provides a richer and more in-depth understanding of the population. Despite the fact that qualitative research seeks to understand people personally, there are several drawbacks.

One of the drawbacks as explained by Vanderstoep and Johnston (2009:8) is that the qualitative sample size is usually small and findings cannot be generalised. In addition, the participants may not be representative of the larger population. Therefore, the researcher also utilised the quantitative method because quantitative research transforms social reality into numbers by the assignment of objects, events or people. For this reason the study used a mixed method approach rather than a single method. Gorard (2004:17) points out that the mixed method is: "...key element in the improvement of social science, including education." According to Green, Caracelli and Graham (1989, cited by Creswell & Clark, 2011) the reasons for choosing a mixed method approach are:

- Use the result of one method to develop or inform the other method;
- Clarify the result of one method to another method;
- Seek correspondence and corroboration between the results of the different methods;
- Recast the questions or results of one method with the results of the other;
- Seek a range of inquiry with the use of different methods.

The researcher deemed the mixed method approach to be the best method for the study, not only because both methods complement each other, but similar studies also utilised mixed methods research (Tengeh *et al.*, 2011:375; Khosa & Kalitanyi, 2014:210). The mixed approach is discussed below using the convergent parallel design.





**Figure 3.1: The convergent parallel design (Creswell & Clark, 2011:69)**

Figure 3.1: show the convergent parallel design. Convergent parallel design occurs when the researcher keeps the quantitative and qualitative data collection and analysis independent and mixes the results during interpretation (Creswell & Clark, 2011:69). The researcher utilised the convergent parallel design for both quantitative and qualitative data collection. Quantitative designed was attained through the distribution of questionnaires to African immigrant-owned craft businesses in Cape Town, and qualitative designed was achieved by conducting interviews with the relevant municipality managers on the topic. Both quantitative and qualitative findings were analysed, compared and mixed during interpreted.

### 3.3.2 Study areas and justification

This study focused on four craft markets in the Cape Town area: Greenmarket Square in the central business district of Cape Town, Stellenbosch craft market, Franschhoek craft market and Hout Bay craft market. These markets were selected for the following reasons:

**Greenmarket Square** is in the heart of Cape Town and is where artists and traders from all corners of the African continent meet to sell their wide range of fabrics, sculpture, art and beadwork. During the apartheid era, Greenmarket Square was sometimes the focus of political protests.

**Stellenbosch** is the oldest town in South Africa apart from Cape Town itself (Barker, 1992; Skinner & Fraser, 2006). Stellenbosch is 45 kilometres from the Cape Town CBD. Almost a year ago, a group of informal traders at the Stellenbosch craft market were illegally evicted from their trading location after 15 years of trading. In January 2014 the craft market was reinstated in Stellenbosch. Stellenbosch is world-renowned as a tourist destination because of wine production, leisure and centre for excellence in research space technology (Stellenbosch Municipality, 2008:39).

**Franschhoek** is a scenic little town located north of Stellenbosch and is well known for its wine and farming activities. Franschhoek is also well known for its variety of African shops and craft stalls (Skinner &Fraser, 2006).

**Hout Bay** is widely rated as one of the best markets in Cape Town (O'Hagan, 2001). Hout Bay market has been running for more than a decade. It represents an important tourist hub and it has stimulated the informal craft market. Hout Bay is 15 kilometres from Cape Town.

Figure 3.2 is a map of Cape Town showing the location of the selected craft markets - Greenmarket Square in Cape Town CBD, Stellenbosch, Franschhoek and Hout Bay (the selected craft markets are indicated red boxes on map).



Figure 3.2: Map of Cape Town (www.routes.co.za)

### 3.4 Population under study

Population, in a research context, refers to a group of people chosen to participate in a study (Brynard & Hanekom, 2006:55; Flick, 2007:85). This view is supported by Watkins (2012:63) in maintaining that population is a body of people under consideration for the purpose of the study.

The population of this study comprises African immigrants at the four selected craft markets and the municipal managers responsible for managing the selected markets. The participants were identified through a database, with permission from the municipal managers.

### **3.5 Sample frame**

According to Hair, Bush and Ortinau (2000:330), it is very difficult, time-consuming and expensive to target the whole population. Therefore, the researcher used a sample frame of the population. Blanche *et al.* (2006:133) state that a sample frame is a list of population members. Blaikie (2003:161) also states that a sample frame is a selection of members from a population. The sample frame of this study comprises African immigrant entrepreneur-owned businesses that are three or more years old, located in one of the selected markets. The total number of African immigrant entrepreneur-owned businesses was 178, and the municipality managers' eligible for selection was 3.

### **3.6 Sampling method**

Sampling method is a process to select a group based on certain characteristic of a large group. The researcher utilised two sampling methods: purposive and snowball. Purposive sampling is a method of sampling in which the researcher selects a participant on the basis of his/her knowledge or experience on the subject being address in the research (Oppong, 2013:203). The municipality managers were selected because of their knowledge of managing the selected markets. The snowball sampling method was utilised to select African immigrant entrepreneurs. The snowball technique is defined by Blanche *et al.* (2006:139) as: "...a process of gradually accumulating a sufficiently large sample through contacts and references". Tengeh (2011:169) asserts that snowball sampling is useful when it is very difficult to approach participants directly. To avoid some of the inherent bias associated with snowball sampling, once a suitable respondent is found such respondent helps to identify at least two or more ethnic businesses, and the researcher hands out the questionnaire to these respondents. Snowball sampling was deemed best for this study because the researcher had the data of African immigrant entrepreneurs but could not identify participants by name. Khosa & Kalitanyi (2014:210) in their study on African immigrant entrepreneurs also used the snowball sampling technique.

### **3.7 Sample size**

There were 117 stalls at Greenmarket Square, 25 stalls at Stellenbosch craft market, 21 stalls at Hout Bay craft market and 15 stalls at the Franschhoek craft market. The total number of stalls were 178. The study used Raosoft (2009) software to calculate the sample size. The sample size recommended by Raosoft was 122. In addition, interviews with all of the municipalities within which the craft markets were located were recommended for the study.

**Table 3.1: Sample size data**

Location	Number of stalls in the craft market	Sample size
Greenmarket Square	117	73
Stellenbosch	25	21
Franschhoek	15	12
Hout Bay	21	16
Total	178	122

- The projected sample size comprised 117 stalls at Greenmarket Square craft market, 25 stalls at Stellenbosch craft market, 21 stalls at Franschhoek craft market and 21 stalls at Hout Bay craft market. The total number of stalls was therefore 178. Aiming to uphold a 95% confidence level (i.e. 5% error margin), the ideal sample size as recommended by the Raosoft was 122.
- The response distribution is 50%.
- The recommended sample size is 122.

A total of 147 questionnaires were collected for the study, 122 questionnaires were usable and 25 questionnaires were unusable. The researcher distributed 90 questionnaires to participants at Greenmarket Square and collected 73 usable and 17 unusable questionnaires. Some questionnaires were unusable because the participants did not answer all the questions, did not follow the instructions or the business was less than 3 and half years old. At Stellenbosch craft market 25 questionnaires were distributed to participants, 21 usable questionnaires and 4 unusable questionnaires were collected. The researcher proceeded to Franschhoek craft market where 13 questionnaires were distributed to participants and 12 usable questionnaires and 1 unusable questionnaire were collected. The last of the four selected craft markets was Hout Bay, where 19 questionnaires were distributed to participants and 16 usable questionnaires and 3 unusable questionnaires were collected. Some questionnaires were unusable because the participants did not answer all the questions, did not follow the instructions or the business was less than 3 and half years old. The researcher conducted only three interviews with municipality managers because the Stellenbosch craft market and Franschhoek craft market are managed by the same municipality manager.

### 3.8 Design, composition and pilot-testing of the questionnaire

#### 3.8.1 Designing of questionnaire

A questionnaire is a document that contains a list of question designed to elicit specific information about a representative sample (Hussey& Hussey, 1997:161; Fox & Bayat, 2007:89). The design of a questionnaire forms the backbone of the research. Questionnaires were adopted with permission from Khosa (2014). Mugobo (2013:200) states that the development of questionnaires should be able to answer the research problem, questions and objective of the study. Therefore to achieve these objectives, the researcher implemented four steps:

- Composition of questionnaires;
- Submitted the questionnaire to the supervisor;
- Pilot testing of the questionnaires; and
- Submission of the questionnaires to the Higher Degrees Committee (HDC) of CPUT.

#### 3.8.2 Composition of questionnaires

According to Zikmund *et al.* (2010:336), a researcher should be cautious in phrasing a questionnaire. He also postulates that information collected from a questionnaire is only as good and valid as the question asked. The study utilised a 10-page questionnaire (see Appendix E) that consisted of closed and open-ended questions. The researcher utilised the funnel technique to design the questionnaire. The questionnaire begins with the respondents' demographic information and business profile. It intensifies to specific questions, and lastly, his or her opinion. The questionnaire for this study was divided into the following sections:

- **Section A:** This section collected demographic information of African immigrant entrepreneurs such as gender, age group, marital status, country of birth, highest level education, being the owner or major partner in the business, number of years the business existed. The objective of Section A was to identify participants who qualify as a population, sample frame and sample size. The questionnaire was designed using a 5-point Likert scale where 1 = no importance, 2 = some importance, 3 = moderate importance, 4 = very important and 5 = extremely important.
- **Section B:** This section collected business profile data: what year the business started, types of craft business involved, number of employees during the start-up phase, current number of employees, business turnover per year during the start-up stage, current sales turnover per year and branches or subsidiaries.
- The objective of Section B was to answer the research problems. The questionnaire was designed to identify the difference between the start-up and current turnover. The

difference between the current and start-up turnover scientifically proves whether the business is growing or not. The total annual sales turnover was rated using a 5-point Likert scale were 1 is less than R50,000, (survivalist businesses), 2 is between R50,001-R200,000 (micro businesses), 3 is between R200,001-R5,000,000 (small businesses), 4 is between R5,000,001- R6,000,000 (medium businesses) and lastly, 5 is between R6,000,001- R15,000,000 (medium businesses).

- **Section C:** This section solicited data about the reasons influencing the African immigrant entrepreneurs' decisions to start a craft business. The objective of Section C was to answer the sub-research question.
- **Section D:** This section solicited data about the challenges African immigrant entrepreneurs faced during the start-up phase of the craft business. The objective of Section D was to answer the sub-research question.
- **Section E:** This section solicited data about the factors best describing the problems immigrants faced in growing their craft businesses. The objective of this section was to answer the sub-research question that sought to explore reasons why African immigrants choose the craft businesses in Cape Town.

### 3.8.3 Submission of the questionnaires to the supervisor of the project

After compiling the questionnaires, the initial draft of the questionnaires was submitted to the researcher's supervisor for suggestions and recommendations. The questionnaires were returned, and the feedback was implemented.

### 3.8.4 Pilot testing of the questionnaires

After the feedback of the supervisor, amendments and suggestions were implemented, the revised questionnaires were pre-tested on a small scale. Eighteen questionnaires (10% of the 178 questionnaires) were distributed to African immigrant entrepreneurs at a craft market in Hermanus, a popular tourist town in the Overberg region of the Cape. The first set of 10 questionnaires was distributed in the first week of February 2015. The second set of eight questionnaires, identical to the previous questionnaires, was also distributed to the same subjects in the second week of February 2015. Both sets of questionnaires were assessed for consistency, and five inconsistent questions were modified or corrected.

### 3.8.5 Submission of the questionnaires to the Higher Degrees Committee of CPUT

Finally the questionnaires were submitted to the HDC for recommendation and suggestions. The questionnaires were returned, amendments and adjustments were made. The majority

of the suggestions and recommendations were minor issues such choice of words and language rephrasing.

#### 3.8.6 Ethical clearance certificate granted to the researcher

The ethical clearance committee at Cape Peninsula University granted an ethical clearance certificate to the researcher before commencing on data collection (see Appendix A).

### 3.9 Quantitative research process

#### 3.9.1 Quantitative data collection

Data collection is a process of collecting information by human or machines (Dorsten & Hotchkiss, 2005:30). Zikmund *et al.* (2010:186) assert that a study should utilise a survey to collect quantitative (questionnaire) data because it is a quick, cheap, efficient and accurate means of accessing information about a population.

Prior to the commencement of quantitative data collection, the researcher attended a one-day training course organised by his supervisor. Two days after the training session, the researcher went to Greenmarket Square craft market and delivered the first set of questionnaires to African immigrant entrepreneurs. The researcher experienced many challenges with the 'drop-off and pick-up' method. Participants often misplaced or forgot the questionnaire at home. This method was substituted with the 'wait-and-collect' method. The reason why the researcher adopted the wait-and-collect method was to assist participants interpret questions which the respondent/participant found difficult to comprehend. At Greenmarket Square, 90 questionnaires were dropped with participants, 73 questionnaires picked up were usable and 17 questionnaires were unusable because the participant did not answer all the questions; or did not follow the instructions or the business was less than 3 and half years old.

The next craft market from which quantitative data was collected was Stellenbosch. The researcher took two weeks to wait-and-collect 25 questionnaires from participants. After collection, 21 questionnaires were usable and 4 questionnaires were deemed unusable because most sections were incomplete and the businesses were less than 3.5 years old. The supervisor checked to ensure that the correct respondents were being selected.

The researcher proceeded to Franschhoek craft market for quantitative data collection and distributed 13 self-administered questionnaires to African immigrant entrepreneurs. Of the 13 self-administered questionnaires, 12 questionnaires were usable and 1 questionnaire was deemed unusable. The questionnaire was rejected because the business was less than 3 years old. The researcher's supervisor checked the work of the researcher to ensure it was correct.

The last craft market from which quantitative data was collected was Hout Bay where the researcher distributed 19 questionnaires to African immigrant entrepreneurs. Of the 19 questionnaires collected, 16 questionnaires were usable and 3 questionnaires deemed unusable because of incomplete sections.

In total, the researcher spent eight weeks distributing 147 wait-and-collect self-administered questionnaires to African immigrant entrepreneurs at the selected craft markets. The questionnaires were in simple English and comprised mostly closed-ended questions but had some open-ended questions. Of the 147 self-administered questionnaires which were distributed, 122 questionnaires collected were usable and 25 questionnaires were deemed unusable.

### 3.9.2 Quantitative data capturing process

- The researcher utilised the SPSS to convert information obtained from the questionnaires to a format that can be interpreted by a computer.
- Each question from the questionnaire was coded as a single variable.
- The variables were placed in nominal and ordinal levels of measurement, (i.e. the questions 1,2,3,5,6,7,8 and 9 were coded as nominal, and questions 4, 10-29 were under nominal level).
- A SPSS coded file was sent to the CPUT statistician to check the codes errors in the variable view.
- Data were entered into the programme once for each question for all the questionnaires.
- The processed results for each variable were reported into descriptive statistics (frequency and percentage) and presented in table format.

### 3.9.3 Quantitative data analysis and interpretation

Cooper and Schindler (2003:87, cited by Mugobo, 2013:203) postulate that data analysis is a process of reducing data to a manageable size, developing smaller units and looking for a pattern. Miles and Huberman (1994:10, cited by Mugobo, 2013:203), share a similar view, that data analysis consists of data reduction, data display and conclusion drawing and verification. Blumberg *et al.* (2008:297) suggest that Statistical Package for Social Science (SPSS) should be used to analyse in-depth investigations. The researcher utilised SPSS software to analyse and interpret quantitative data collected from respondents into word counts and useful categories and then presented in table format. The data analysis is presented in Chapter Four.



### **3.10 Qualitative (interview) research process**

According to King (2004:11), interviews are the most common form of gathering qualitative research data. Yin (2006, cited by Wauters & Lambrecht, 2008:900), adds that a qualitative interview enables the researcher to answer the 'why and how' questions.

The researcher used an interview guide to conduct in-depth face-to face interviews to solicit information from each of the three municipal managers. The objectives of the interviews included:

- To understand the services provided by the municipality at the craft markets;
- To understand whether the services provided by the municipality to the local entrepreneurs differ with services provided to immigrant entrepreneurs;
- To understand what craft business involves;
- To understand why African immigrant entrepreneurs choose craft business;
- To understand the requirements to obtain a trading space;
- To understand whether the requirements differ between local entrepreneurs and immigrant entrepreneurs;
- To understand how long it takes for immigrant entrepreneurs to obtain trading space in the craft market;
- To understand the challenges immigrant entrepreneurs face during start-up and growth phase; and
- To understand the challenges the municipality faces in delivering these services.

The interviews were conducted in the respondents' offices during lunch time. The questions were posed in a systematic and consistent manner. This afforded the municipality managers and the freedom to ask questions and share their experiences about the challenges of growth in the selected craft markets and the services offered to entrepreneurs in general and more specifically African immigrant entrepreneurs. The face-to-face interviews with the respondents were crucial because it enabled the researcher to collect data that would be difficult to obtain from quantitative survey questionnaires.

- The researcher utilised an audio recorder during the interviews.
- All the managers gave permission for the researcher to use the audio recorder.

#### **3.10.1 Process of conducting the interview**

The process of conducting the interview was as follows:

- the researcher defined the questions;
- the interview guide was created;
- the participants were recruited; and

- interviews were conducted.

### 3.10.2 Qualitative data analysis

Data collection and analysis are simultaneous processes in qualitative studies (Bryman & Burges (1999:4, cited by Mugobo, 2013:206). According to Miles and Huberman (1994:9, cited by Mugobo, 2013:207) the qualitative data analysis process follows this sequence:

- Allocating codes to data capture from interviews;
- Identifying themes, patterns, similar phrases; sub-group and sequences;
- Identifying commonalities and differences; and
- Elaborate a small set of generalization.

To enable the researcher to comprehensively analyse data collected from interviews, data was sorted into themes and specific categories. The categories were aligned with the research question. The data was objectively analysed and interpreted by the researcher

### 3.11 Collection of secondary data

The researcher collected secondary data from the following sources:

- Journal articles;
- Unpublished Masters and PhD theses;
- Electronic database;
- Books;
- Internet;
- Government publications; and
- Conference papers

### 3.12 Reliability and validity

#### 3.12.1 Reliability

Reliability relates to the correctness and consistency of the measure. The same instrument must be able to produce the same data under similar conditions. The South African Concise Oxford Dictionary (2002:987) states that: "Reliability means to rely on, to depend or trust the validity of data of a study." LoBiondo-Wood and Haber (1998:558, cited by Long & Johnson, 2000:30) describe reliability as: "...the consistency or constancy of a measuring instrument". Welman and Kruger (2001:139) refer to reliability as the extent to which obtained scores maybe generalised to different measurement occasions, or measurement tests.

In addition, Hamersley (1992:67, cited by Long & Johnson, 2000:30), asserts that reliability is the degree of consistency in which data is collected by different researchers on different

occasions. Seltiz, Wrightsman and Cook (1976:182) mention that reliability is the repetition of information. Golafshani (2003:599) agrees that validity determines whether the study measures its objectives and how truthful the research results are. He further states that validity determines whether a study is replicable.

### 3.12.2 Validity

According to the Oxford Advanced Learners' Dictionary (2010:1648) validity is defined as "legal and official acceptance of the data". Davies and Dodd (2002) add that the other appropriate terms for validity include quality, rigor and trustworthiness. Brink (1993:176) points out that there are three criteria to test the reliability of a qualitative study. These include: stability, consistence and equivalence. Stability is achieved when a researcher asked identical questions to informants at different times in order to achieve consistent answers. Consistency is the integrity of a single interview so that the respondent's answers remain concordant. Equivalence is when alternative questions with the same meaning are tested in an interview by the current researcher or by two researchers.

For a finding to be truthful there should be multiple ways of establishing the truth (Hair, Underson, Tatham & Black, 1998, cited by Mwangi, 2011:88). A valid study should demonstrate what actually exists and a valid instrument or measure should actually measure what it is supposed to measure. According to Hair *et al.* (1998, cited by Mwangi, 2011:88), a data instrument should only be legally and officially accepted when it measures its aims. Judges should be consulted to check whether the research instrument measures its aims.

To ensure this study was valid, a supervisor was assigned to supervise the novice researcher. The supervisor assessed the content and the objectives of the study and verified whether the research questions and the data collection instrument were derived from the subject of the literature. In addition, the research committee members checked to ensure the study is valid.

### 3.13 Ethical considerations

Ethics reflect the norms and rules of acceptable behaviour when conducting research (Rule & John, 2011:111). According to Rule and John (2011:112), some common principles and practices should aim to contribute to public good and should not cause any harm. In addition, personal autonomy should not be compromised by the researcher. The researcher should respect and protect participant rights, participants should be informed that participation is voluntary and be able to withdraw at any time from the study. Ethical considerations in this study were guided by Rule and John (2011:112) and are outlined as follows:

### 3.13.1 Confidentiality and anonymity of the respondents

The researcher obtained authorisation from the CPUT Ethics Committee prior to starting the research. The researcher read the covering letter to each of the three municipality managers before interviewing them. The researcher followed the same process before distributing the questionnaires to the African immigrant entrepreneurs who participated. Participants were assured their names cannot be identified by their answers and they would remain anonymous. They were assured that all data would be treated with full confidentiality.

### 3.13.2 Voluntary participation and informed consent

The researcher explained to all the participants that their participation in the study was entirely voluntary. Participants who agreed to participate in the study were free to withdraw at any time. Participants were free not to answer any questions they did not wish to answer for any reason. Participants were free to ask questions if they did not understand something.

### 3.13.3 No provision of incentives to participants

There was no provision of incentives to participants to participate in the study. The researcher explained the objectives of the study to all participants.

### 3.13.4 Provision of feed back

All the participants were informed that the findings of the study would be available on the CPUT website and also at the CPUT library.

### 3.13.5 Plagiarism check

According to Brynard and Hanekom (2006:86), plagiarism is the copying of someone's work without providing references. In line with this, all information that does not belong to the researcher was acknowledged and properly referenced throughout the research.

## 3.14 Delineation of the study

The boundaries of this study:

- The study focused on factors affecting the growth of entrepreneur immigrant-owned businesses in the selected craft markets in the Cape Town area.
- This study was limited to only handmade crafts sold in the four selected craft markets.
- The study included South African entrepreneurs at the craft markets.

### 3.14.1 Limitation and challenges

#### a) *Resources constraint*

As a teaching assistant at CPUT, the researcher did not have sufficient time and financial resources to wait-and-collect the questionnaires (wait for the participant to complete the question), which may have affected the responses to some of the questions.

*b) Research methodology*

The snowball method may have compromised the representativity of the sample and validity of the study. To mitigate the limitation, the researcher was assisted by one of the committee members to identify the participants in the craft markets.

*c) Data collection*

At the beginning of the study, the researcher used the drop off-and-pick up method to distribute questionnaires. The researcher experienced challenges because a proportion of the participants misplaced or forget the questionnaires at home. The researcher changed the method from drop off-and-pick up, to the wait-and-collect method, until the respondent has completed the questionnaire.

### **3.15 Summary**

Chapter Three discussed the research methodology used in the study. A mixed method approach was used. Interviews were conducted with the three relevant municipality managers (qualitative) and 122 usable questionnaires were collected from African immigrant entrepreneurs in the selected craft markets (quantitative). Chapter Four presents and discusses the findings of the study.

## **CHAPTER FOUR**

### **DATA PRESENTATION AND DISCUSSION OF FINDINGS**

#### **4.1 Introduction**

The previous chapter discussed the research design and methodology used in the study. This chapter focuses on the data presentation and discussion of findings. According to Zikmund *et al.* (2001:70), data discussion is the process of making meaning out of mass data. The process involves filtering, shaping and summarizing relevant data. Data presentation and discussion of findings is presented in two sections—firstly, the quantitative data which was obtained from self-administered questionnaires to African immigrant entrepreneurs at the four selected craft markets and secondly, the qualitative data which was obtained from interviews with the three municipality managers. Both phases were presented, analysed and interpreted in relation to the research questions and research objectives.

#### **4.2 Revisiting the objectives of the study**

As previously stated, the main objective of the study was to determine the factors affecting the growth of African immigrant-owned craft businesses in Cape Town. The sub-research objectives were:

- To explore reasons why African immigrants choose the craft business;
- To determine the factors affecting African immigrants when starting their craft businesses; and
- To determine the factors inhibiting the growth of African immigrant-owned craft businesses.

#### **4.3 Quantitative data presentation and analysis**

Quantitative data is presented and discussed under the following sub-sections:

- SECTION A: Demographic information of African immigrant entrepreneurs;
- SECTION B: Business profile of African immigrant entrepreneurs
- SECTION C: Reasons why African immigrant entrepreneurs started craft businesses at the selected craft markets;
- SECTION D: Challenges African immigrant entrepreneurs faced during the start-up phase in craft businesses;
- SECTION E: Challenges African immigrant entrepreneurs faced during the growth phase in craft businesses

#### 4.3.1 Section A: Demographic information of African immigrant entrepreneurs

##### A) *Business ownership and years of business existing*

The findings in Table 4.1 below show cross tabulation for the number of years of business existence and the owner or major partners of the business. According to Table 4.1 all (100%) of the respondents agreed they were the owner or major partners of the business and the business had been in existence for more than 3.5 years.

These findings align with the study of Fatoki and Patswawairi (2012:136) who found that the overwhelming majority (97%) of immigrant entrepreneurs in South Africa have been in business for more than three years.

**Table 4.1: Ownership of the business/business existing for more than 3.5 years**

	Owner or Major partners of the business		Total
	Yes		
Business existing for more than 3.5 years	Yes	122	122
Total		122	122

##### B) *Gender of respondents*

Table 4.2 below shows the gender of the respondents. The majority are male, 85 (70.8%), while only 35 (29.2%) are females. Interestingly, this finding concurs with similar studies by Rogerson (1997), Kalitanyi (2007), Tengeh (2010) and Khosa (2014). Nieman and Nieuwenhuizen (2009:31) suggest gender discrimination, bias and family responsibilities as some of the negative socio-cultural factors as obstacles for female entrepreneurship

**Table 4.2: Gender of respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	85	69.7	70.8	70.8
	Female	35	28.7	29.2	100.0
	Total	120	98.4	100.0	
Missing	No response	2	1.6		
Total		122	100.0		

##### C) *Age group of respondents*

The results in Table 4.3 below show the age group of the respondents. Of the 122 respondents who took part in the survey, 43 (35.5%) were between 20 to 40 years of age and a slight majority of 44 (36.4%) were between 41 to 60 years. There were 34(28.1%) of respondents who were over 60 years of age. These findings differ from of the study of Fatoki and Patswawairi (2012:136) who found that 97% of immigrant entrepreneurs in South Africa were between the ages of 24 and 44 years. Peperdy and Crush (1998:15) in their study found that the majority of African immigrants were aged between 20 and 29 years. Other

studies concur that the majority of immigrant entrepreneurs fall within the middle age group (Rogerson, 1997; Kalitanyi, 2007; Tengeh, 2010; Chrysostome, 2010; Khosa, 2014).

**Table 0.1: Age group of respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 to 40	43	35.2	35.5	35.5
	41 to 60	44	36.1	36.4	71.9
	Over 60 years	34	27.9	28.1	100.0
	Total	121	99.2	100.0	
Missing	No response	1	.8		
Total		122	100.0		

*D) Marital status of respondents*

Table 4.4 below depicts the marital status of the respondents. Of the 122 respondents who participated in the survey, 16.5 % were single, 69.4% were married, while 6.6% were divorced and 6.6% were widowed. The results indicate that the majority of African immigrant entrepreneurs at the selected craft markets are married. These findings are similar to those of Tengeh (2010) and Khosa (2014) and suggest that African immigrant-owned businesses are mostly started by married males.

**Table 4.4: Marital status of respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	20	16.4	16.5	16.5
	Married	84	68.9	69.4	86.0
	Divorced	8	6.6	6.6	92.6
	Widowed	9	7.4	7.4	100.0
	Total	121	99.2	100.0	
Missing	No response	1	.8		
Total		122	100.0		

*E) Country of birth of respondents*

The findings in Table 4.5 below show the country of birth of the 122 respondents. There were 22 (18.0%) African immigrant entrepreneurs each from Cameroon and Zimbabwe, followed by Democratic Republic of Congo with 20 (16.4%). Only 1 (0.8%) respondent came from Egypt.

These findings differ from Khosa's study (2014:63) which found that the majority of respondents were from Nigeria (29%), followed by Zimbabweans (14%), Congolese (DRC) (14%), and Somalians (7%). Peberdy and Crush (1998:28) found that a significant proportion of foreign traders did not want their families to join them in South Africa. The researcher believes that a reason for this could be because of the living conditions in South Africa.



**Table 4.5: Country of birth of respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Angola	2	1.6	1.6	1.6
	Cameroon	22	18.0	18.0	19.7
	Democratic Republic of Congo	20	16.4	16.4	36.1
	Republic of Congo	2	1.6	1.6	37.7
	Ethiopia	3	2.5	2.5	40.2
	Egypt	1	.8	.8	41.0
	Gabon	2	1.6	1.6	42.6
	Kenya	9	7.4	7.4	50.0
	Malawi	9	7.4	7.4	57.4
	Nigeria	2	1.6	1.6	59.0
	Senegal	6	4.9	4.9	63.9
	Sudan	2	1.6	1.6	65.6
	South Sudan	6	4.9	4.9	70.5
	Tanzania	10	8.2	8.2	78.7
	Uganda	2	1.6	1.6	80.3
	Zimbabwe	22	18.0	18.0	98.4
	Others	2	1.6	1.6	100.0
	Total	122	100.0	100.0	

*F) Craft markets*

As indicated in Table 4.6 below, of the total of 122 respondents who participated in the survey, the majority of 73 (59.8 %) respondents operate at Greenmarket Square, followed by 21 (17.2%) respondents at Stellenbosch craft market, 16 (13.1%) at Hout Bay and only 12 (9.8%) respondents operated at the Franschhoek craft market. Fatoki and Garwe (2010:731) point out that limited business space impacts on the growth potential of new businesses.

**Table 0.2: Number of respondents per craft market**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cape Town (Greenmarket Square)	73	59.8	59.8	59.8
	Stellenbosch	21	17.2	17.2	77.0
	Franschhoek	12	9.8	9.8	86.9
	Hout Bay	16	13.1	13.1	100.0
	Total	122	100.0	100.0	

*G) Highest level of education*

As indicated in Table 4.7 below, the overwhelming majority 73 (60.3%) of respondents had a secondary or high school education. This was followed by 23(19.0%) who had been to university, 9 (7.4%) who had Bachelor's degrees, 2 (1.7%) had Master's degrees, and 1 (0.8%) had a PhD. Only 3 (2.5%) of respondents had no formal education. This finding differs from Khosa's (2014) study where it was reported that 72 (77.6%) of respondents had completed secondary school education. Khosa (2014) believes that education enables an entrepreneur to manage his/her business. In line with Khosa's view, the researcher observed during field work that businesses operated by respondents with Master's degrees had daily

record transactions and their businesses were better managed than those with no formal education.

**Table 4.7: Highest level of education**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No formal education	3	2.5	2.5	2.5
	Primary school	6	4.9	5.0	7.4
	Secondary/ High school	73	59.8	60.3	67.8
	University	23	18.9	19.0	86.8
	Bachelor's degree	9	7.4	7.4	94.2
	Master's degree	2	1.6	1.7	95.9
	PhD degree	1	.8	.8	96.7
	Other	4	3.3	3.3	100.0
	Total	121	99.2	100.0	
Missing	No response	1	0.8		
Total		122	100.0		

#### 4.3.2 Summary of demographic information

- All respondents (100%) were either owner or major partners of the business and the business has been in existence for more than 3.5 years.
- The majority of African immigrant entrepreneurs in the selected craft markets were males.
- A slight majority of respondents 44 (36.4%) were between the age of 41 to 60 years.
- The majority of respondents were married.
- The majority of respondents came from Cameroon and Zimbabwe, followed by Democratic Republic of Congo, while only one came from Egypt.
- The majority of respondents operated at Greenmarket Square craft market, followed by Stellenbosch and Hout Bay, while the least respondents operated at the Franschoek craft market.
- The majority of respondents had secondary, high school or a university education.

#### 4.3.3 Section B: Business profile

##### A) *Number of years business in existence*

As indicated in Table 4.8 below, an overwhelming majority of 84 (77.8%) respondents stated that their business had been operating for more than 7 years. This was followed by 14 (13.0%) respondents whose businesses had been operating for 7 years. Only 10 (9.3%) of respondents agreed that their businesses had been operating for 3.5 years. A similar study by Fatoki and Patswawairi (2012:136) found that 97% of immigrant entrepreneurs in South Africa have been in business for more than three years.

**Table 4.8: Number of years business has been in existence**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3,5 years	10	8.2	9.3	9.3
	7 years	14	11.5	13.0	22.2
	Above 7 years	84	68.9	77.8	100.0
	Total	108	88.5	100.0	
Missing	No response	14	11.5		
Total		122	100.0		

**B) Frequency of craft products**

The findings in Table 4.9 below show the frequency of craft products sold by African immigrant entrepreneurs. Out of 122 respondents, a slight majority of 47 (38.5%) respondents sold wooden animals and 44 (36.1%) of respondents sold jewellery. This was followed by 29 (23.8%) respondents who sold batik. Only 4 (3.3%) respondents sold animal skins. During the field work the researcher observed that the majority of entrepreneurs who sold masks come from Cameroon, batik are mostly sold by Zimbabweans, wooden animals are mostly sold by Malawians, and painting are mostly sold by artists from Tanzania.

**Table 4.9: Frequency of craft products**

	Frequency	Percent
Mask	22	18,0
Carved stone	19	15,6
Dolls	13	10,7
Wooden Animals	47	38,5
Jewellery	44	36,1
Frames	7	5,7
Wire craft	18	14,8
Baskets	15	12,3
Batik	29	23,8
Animal skin	4	3,3
Clothing/ shoes	13	10,7
Bags/ Wallets	18	14,8
T-shirts / caps	8	6,6
Postcards	4	3,3
Paintings	30	24,6
Drums	18	14,8
Others	3	2,5

**C) Number of employees on business start-up**

Table 4.10 below shows that 55 (45.8%) respondents started their business alone and 55 (45.8%) respondents had 2 to 4 employees when starting their business. This was followed by 8 (6.7%) respondents who started their business with 5 to 19 employees. Only 2 (1.7%) respondents started their business having 50 to 199 employees. The results indicate that the majority of African immigrant businesses were started alone or with 2 to 4 employees.

**Table 4.10: Number of employees on business start-up**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Alone	55	45.1	45.8	45.8
	2 to 4	55	45.1	45.8	91.7
	5 to 19	8	6.6	6.7	98.3
	50 to 199	2	1.6	1.7	100.0
	Total	120	98.4	100.0	
Missing	No response	2	1.6		
Total		122	100.0		

*C1) Number of employees on business start-up \* country of birth -cross tabulation*

Table 4.11 is a cross tabulation of the number of employees on business start-up and the country of birth. Of the 118 respondents who took part in the survey, 54 respondents agreed that they work alone, 14 (25.9%) respondents' country of birth is Zimbabwe, 9 (16.6%) respondents originate from Cameroon and Democratic Republic of Congo (DRC). This was followed by 7 (12.9%) from Kenya and only 1 (1.85%) from Republic of Congo. Furthermore, 54 respondents agreed they employ 2 to 4 people, 11 (20.3%) employees' country of birth is DRC, 9 (16.6%) employees' country of birth is Cameroon, and 7 (12.9%) are from Zimbabwe. Only 2 respondents agreed they employed 50 to 199 people, 1 (50%) is from Angola, and 1 (50%) is from Cameroon.

**Table 4.11: Number of employees on business start-up \* country of birth -cross tabulation**

	Country of birth																
	Angola	Cameroon	DRC	Republic of Congo	Ethiopia	Egypt	Gabon	Kenya	Malawi	Nigeria	Senegal	Sudan	South Sudan	Tanzania	Uganda	Zimbabwe	Total
Alone	0	9	9	1	2	0	0	7	5	0	1	0	1	5	0	14	54
2 to 4	0	9	11	1	1	1	1	1	3	1	5	2	5	4	2	7	54
5 to 19	0	3	0	0	0	0	1	1	0	1	0	0	0	1	0	1	8
50 to 199	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
Total	1	22	20	2	3	1	2	9	8	2	6	2	6	10	2	22	118

*D) Number of current employees*

The findings in Table 4.12 below show the number of current employees. Of 122 respondents who participated in the survey, an overwhelming majority of 80 (65.6%) stated they had 2 to 4 employees, 32 (26.2%) are alone in the business and only 10 (8.2%) respondents had 5 to 19 employees.

In comparing the number of employees during the start-up phase (Table 4.10) and the current phase of business (Table 4.12), in the start-up phase 55 (45.8%) respondents stated

they started the business alone and 55 (45.8%) respondents agreed they had 2 to 4 employees. This was followed by 8 (6.7%) respondents who agreed they started their business with 5 to 19 employees, while only 2 (1.7%) of respondents agreed to larger numbers of employees. However, the current phase of the business shows that 80 (65.6%) respondents had 2 to 4 employees, 32 (26.2%) respondents were alone in the business and only 10 (8.2%) respondents had 5 to 19 employees. The researcher suggests that there is little or no growth revealed when comparing these figures (Table 4.10 and Table 4.12). The reason is because significant proportions of the business are still in the survivalist and micro phase. According to the National Small Business Act (South Africa, 1996), a business which is in survivalist phase or micro is a business that involves family member(s) and less than five paid employees.

**Table 4.12: Number of current employees**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Alone	32	26.2	26.2	26.2
2 to 4	80	65.6	65.6	91.8
5 to 19	10	8.2	8.2	100.0
Total	122	100.0	100.0	

*D1) Number of current employees \* country of birth -cross tabulation*

Table 4.13 below is a cross tabulation of the number of current employees and the country of birth. Findings show that 32 respondents work alone, of which 8 (25%) respondents' country of origin is Zimbabwe, 5 (15.6%) country of origin is Malawi and 5 (15.6%) from DRC and 1 (3.1%) respondent each from the Republic of Congo, Senegal and South Sudan. An overwhelming majority of 78 respondents had 2 to 4 employees of which 16 (20.5%) come from Cameroon, 13 (16.6%) each from DRC and Zimbabwe, and 8 (10.2%) were from Tanzania. Only 10 respondents have 5 to 19 employees, 2 (20%) each from Cameroon, DRC and Senegal. This finding indicates that the businesses of the 10 (10%) respondents who have 5 to 19 employees, have grown but the overwhelming majority of 78 (65%) respondents, still have only 2 to 4 employees.

**Table 4.13: Number of current employees \* country of birth -cross tabulation**

	Country of birth																
	Angola	Cameroon	DRC	Republic of Congo	Ethiopia	Egypt	Gabon	Kenya	Malawi	Nigeria	Senegal	Sudan	South Sudan	Tanzania	Uganda	Zimbabwe	Total
Alone	2	4	5	1	0	0	0	3	5	0	1	0	1	2	0	8	32
2 to 4	0	16	13	1	2	1	2	6	4	1	3	2	4	8	2	13	78
5 to 19	0	2	2	0	1	0	0	0	0	1	2	0	1	0	0	1	10
Total	2	22	20	2	3	1	2	9	9	2	6	2	6	10	2	22	120

**E) Start-up sales turnover per year**

The findings in Table 4.14 below show the start-up sales turnover per year. Of the 122 respondents the majority of 62 (51.2%) respondents had a start-up sales turnover of less than R50, 000 and 34 (28.1%) had a start-up sales turnover between R50, 001 to R200,000. This was followed by 24 (19.8%) who had a start-up sales turnover per year between R200, 001 to R5, 000,000. Only 1 (0.8) respondent stated that he had a start-up sales turnover between R6, 000,001 to R15, 000,000.

**Table 4.14: Start-up sales turnover per year**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than R50,000	62	50.8	51.2	51.2
	R50,001 to R200,000	34	27.9	28.1	79.3
	R200,001 to R5,000,000	24	19.7	19.8	99.2
	R6,000,001 to R15,000,000	1	.8	.8	100.0
	Total	121	99.2	100.0	
Missing	No response	1	.8		
Total		122	100.0		

**E1) Start-up sales turnover per year \* country of birth -cross tabulation**

The findings in Table 4.15 below show the cross tabulation of start-up sales turnover per year and country of birth. Of the 119 respondents who took part in the survey, the majority of 60 (50.4) respondents indicated that the start-up turnover per year was less than R50,000. Most respondents, 12 (20%), country of birth was Zimbabwe, 11 (18.3%) each came from Cameroon and DRC, 7 (11.6%) are from Malawi and only 1 (1.6%) each from Angola, Republic of Congo, Ethiopia, Sudan, and Uganda. 34 (28.5%) of respondents stated they had a start-up sales turnover per year of between R50,001 to R200,000. Of this group, 7 (20.5%) came from Zimbabwe, 6 (17.6%) were from Cameroon and 5 (14.7%) each from DRC and Tanzania. There were 24 respondents who had a start-up sales turnover per year of between R200,001 to R15,000,000. Of these, 5(20.8%) were from Cameroon, 3 (12.5%)

each from DRC and Zimbabwe. Only 1 respondent, from Gabon, had a start-up turnover per year of between R6, 000,001 to R15,000,000.

**Table 4.15: Start-up sales turnover per year \* country of birth - cross tabulation**

	Country of birth																
	Angola	Cameroon	DRC	Republic of Congo	Ethiopia	Egypt	Gabon	Kenya	Malawi	Nigeria	Senegal	Sudan	South Sudan	Tanzania	Uganda	Zimbabwe	Total
Less than R50,000	1	11	11	1	1	0	0	6	7	0	2	1	2	4	1	12	60
R50,001 to R200,000	1	6	5	1	0	1	0	2	2	0	2	0	2	5	0	7	34
R200,001 to R5,000,000	0	5	3	0	2	0	1	1	0	2	2	1	2	1	1	3	24
R6,000,001 to R15,000,000	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Total	2	22	19	2	3	1	2	9	9	2	6	2	6	10	2	22	119

*F) Current sales turnover per year*

The findings in Table 4.16 below show the current sales turnover per year. Of the 122 respondents the majority of 50 (42.0%) respondents had a current sales turnover of less than R50,000 and 41 (34.5%) respondents had a current sales turn over between R50,001 to R200,000.

This was followed by 23 (19.3%) respondents who had a current sales turnover per year between R200,001 to R5,000,000.

**Table 4.16: Current sales turnover per year**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Less than R50,000	50	41.0	42.0	42.0
R50,001 to R200,000	41	33.6	34.5	76.5
R200,001 to R5,000,000	23	18.9	19.3	95.8
R5,000,001 to R6,000,000	4	3.3	3.4	99.2
R6,000,001 to R15,000,000	1	.8	.8	100.0
Total	119	97.5	100.0	
Missing				
No response	3	2.5		
Total	122	100.0		

*F1) Number of employees on business start-up \* Number of current employees cross tabulation*

Table 4.17 below is a cross tabulation of the number of employees on business start-up and number of current employees. Results indicate that of the 120 respondents who participated in the survey, 55 (45.8%) respondents work alone, 55 (45.8%) respondents employed between 2 to 4 employees, 8 (6.6%) respondents employed between 5 to 19 employees and 2(1.6%) respondents employed between 50 to 199 employees.

**Table 4.17: Number of employees on business start-up \* number of current employees - cross tabulation**

		Number of current employees			Total
		Alone	2 to 4	5 to 19	
Number of employees on business start-up	Alone	25	30	0	55
	2 to 4	4	45	6	55
	5 to 19	0	4	4	8
	50 to 199	1	1	0	2
Total		30	80	10	120

*F2) Current sales turnover per year \* country of birth -cross tabulation*

The results in Table 4.18 below show the cross tabulation of current sales turnover per year and country of birth. As indicated in Table 4.18, of the 117 respondents, who took part in the survey, 49 (41.8%) indicate their current turnover per year is less than R50,000. The majority of 13 (26.5%) respondents are from Zimbabwe, 9 (18.3%) are from Cameroon, 8 (16.3%) from Congo and 7 (14.2%) each from Kenya and Malawi. There were 40 (34.1%) respondents who had a current sales turnover per year between R50,001 to R200,000. Of this group of respondents 9 (22.5%) were from Cameroon, 8 (20%) from DRC and 7 (17.5%) each from Kenya and Malawi. A group of 23 (19.6%) respondents had a sales turnover per year of between R200,001 to R5,000,000 and of these respondents, 6 (26%) were from Cameroon, 4 (17.3%) from Senegal and 3 (13%) from Ethiopia.

Of the 117 respondents, 4 (3.4%) had a current sales turnover per year between R5,000,001 to R6,000,000. From this group, 1 (25%) respondent came from each Cameroon, Nigeria, Gabon and Zimbabwe. Only 1 (0.85%) of the 117 respondents indicated a current annual turnover of between R6,000,001 to R15,000,00.

In this study, growth is defined in terms of total annual turnover. The study utilised a threshold for Small Medium Enterprises (SMEs) classification to define total annual turnover. According to the National Small Business Act of 1996 (South Africa, 1996), survivalist enterprises are conducted by people unable to find employment or participate in activities of their choice. The income generated by this activity is below minimal standard. Micro enterprises are businesses which involve family member(s) and less than five paid employees with a total annual turnover of less than R0.15 million. Small enterprises constitute businesses employing between 5 and 50 people, with a total annual sales turnover of less than R5 million. Medium enterprises are owner/manager-controlled businesses, employing 100 employees with a total annual turnover of less than R10 million.

Furthermore, growth is defined as African-owned startup survivalist or micro craft businesses that have been in existence for more than 42 months and have successfully transited from survivalist stage or micro stage to small or medium enterprises.

The findings in Table 4.16 (current sales turnover) show the following:



- 49 (41.8%) respondents indicated the current turnover per year is less than R50,000 **(Survivalist phase)**
- 40 (34.1%) respondents had a current sales turnover per year of R50,001 to R200,000 **(Micro phase)**
- 23(19.6%) respondents had a sales turnover per year of R200,001 to R5,000,000 **(Small business phase)**
- 4 (3.4%) respondents had a current sales turnover per year of R5,000,001 to R6,000,000 **(Medium phase)**
- 1 (0.85%) respondent made a turnover of R6,000,001 to R15,000,000

This indicates that only 25% of African immigrant businesses have been able to transit from survivalist and micro phase to small and medium phase.

**Table 4.18: Current sales turnover per year \* country of birth - cross tabulation**

	Country of birth																
	Angola	Cameroon	DRC	Republic of Congo	Ethiopia	Egypt	Gabon	Kenya	Malawi	Nigeria	Senegal	Sudan	South Sudan	Tanzania	Uganda	Zimbabwe	Total
Less than R50,000	1	9	8	0	0	0	0	7	7	0	1	1	0	2	0	13	49
R50,001 to R200,000	1	5	9	1	0	1	0	1	2	0	1	1	4	7	2	5	40
R200,001 to R5,000,000	0	6	2	0	3	0	1	1	0	1	4	0	2	1	0	2	23
R5,000,001 to R6,000,000	0	1	0	0	0	0	1	0	0	1	0	0	0	0	0	1	4
R6,000,001 to R15,000,000	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Total	2	22	19	1	3	1	2	9	9	2	6	2	6	10	2	21	117

**F3) Start-up sales turnover per year \* Current sales turnover per year -cross tabulation**

The findings in Table 4.19 show the cross tabulation of the start-up sales turnover per year and current sales turnover per year. As indicated in Table 4.19, out of the 122 respondents who took part in the survey, 60 respondents previously had a start-up sales turnover of less than R50,000 while 38 respondents still have a sales turnover of less than R50,000 per year; 20 respondents have increased their turnover to between R50,001 and R200,000, 1 respondent's sales turnover has increased to between R200,001 and R5,000,000 and 1 respondent's sales turnover has increased to between R5,000,001 and R6,000,000. Out of the 33 respondents who initially had a sales turnover of R50,001 to R200,000, 10 respondents now have a sales turnover of less than R50,000, 14 respondents' sales turnover

remained at between R50,001 and R200,000, 7 respondents' sales turnover has increased to between R200,001 and R5,000,000, and 1 respondent's sales turnover is R5,000,001 to R6,000,000. Lastly, out of the 24 respondents who stated that they had a start-up sales turnover of R200,001 to R5,000,000, 1 respondent's sales turnover is reduced to less than R50,000, while 7 respondents' sales turnover has reduced to between R50,001 and R200,000. Start-up sales turnover of 15 respondents stays the same and only 1 respondent's sales turnover has increased to between R5,000,001 and R6,000,000.

To summarise the findings, 49 (41.5%) respondents' businesses are still in the survivalist phase, 41 (34.7%) respondents' businesses are in the micro phase, 23 (19.4%) respondents' businesses are in the small business phase, 4 (3.3%) businesses are in the medium phase, and only 1 (0.84%) business is in the large phase. Therefore out of the 118 respondents, only 28 (23.7%) businesses have moved from the survivalist and micro phase to small, medium and large business phase.

**Table 4.19: Start-up sales turnover per year \* Current sales turnover per year -cross tabulation**

		Current sales turnover per year					Total
		Less than R50,000	R50,001 to R200,000	R200,001 to R5,000,000	R5,000,001 to R6,000,000	R6,000,001 to R15,000,000	
Start-up sales turnover per year	Less than R50,000	38	20	1	1	0	60
	R50,001 to R200,000	10	14	7	1	1	33
	R200,001 to R5,000,000	1	7	15	1	0	24
	R6,000,001 to R15,000,000	0	0	0	1	0	1
Total		49	41	23	4	1	118

**G) Branches or subsidiaries**

The findings in Table 4.20 below indicate the branches or subsidiaries owned by African immigrant entrepreneurs. As indicated, out of the 122 respondents who took part in the survey, 30 (24.6%) of the respondents agreed they have branches or subsidiaries and 92 (75.4%) disagreed.

**Table 4.20: Branches or subsidiaries**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	30	24.6	24.6	24.6
	No	92	75.4	75.4	100.0
	Total	122	100.0	100.0	

**H) Branch or subsidiaries sales turnover per year**

The findings in Table 4.21 below show the branches or subsidiaries sales turnover per year and indicate that of the 122 respondents who took part in the survey, 10 (34.5%) had a

turnover of less than R50,000 and 9 (31.0%) had between R50,000 and R200,000. This was followed by 8 (27.6) respondents who have branch or subsidiary sales turnover per year of between R200,001 and R5,000,000.

**Table 4.21: Branch or Subsidiaries sales turnover per year**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than R50,000	10	8.2	34.5	34.5
	R50,001 to R200,000	9	7.4	31.0	65.5
	R200,001 to R5,000,000	8	6.6	27.6	93.1
	R6,000,001 to R15,000,000	2	1.6	6.9	100.0
	Total	29	23.8	100.0	
Missing	No response	1	.8		
	System	92	75.4		
	Total	93	76.2		
Total		122	100.0		

#### 4.3.4 Summary of business profile

- An overwhelming majority of respondents reported the business to have been operating for more than 7 years;
- Slight majority of respondents sold wooden animals;
- 45.8% of respondents agreed they started the business alone and 45.8% agreed they started with 2 to 4 employees;
- Majority of respondents who started the business alone are from Zimbabwe;
- Majority of Zimbabweans work alone;
- Majority of start-up turnover is less than R50,000; and
- Majority of current turnover is less than R50,000;
- 49 (41.5%) of respondents' businesses are still in the survivalist phase, 41(34.7%) of respondents' businesses are in the micro phase and 23 (19.4%) respondent's businesses are in the small business phase. Only 4 (3.3%) businesses are in the medium phase and only 1 (0.84%) business is in the large phase. Therefore out of the 118 respondents, only 28 (23.7%) businesses have moved from the survivalist and micro phase to small, medium and large business phase.

#### 4.3.5 Section C: Reasons why African immigrant entrepreneurs start craft businesses

##### A) *Discrimination in the labour market*

The results in Table 4.22 below reveal that the majority, 80 (58.8%), of respondents indicated that discrimination in the labour market was not a motivational factor to start a business, while 28 (23.6%) respondents agreed discrimination in the labour market did influence their decision to start a craft business. These findings are contrary to those of Clark and Drinkwater (2002:2) and Basu and Altinay (2002:373), who found that immigrants are pushed

into self-employment because they suffer discrimination in the host labour market. Basu and Goswami (1999:254) point out that 188 (70%) of immigrants established businesses in Britain because of underpaid jobs, redundancy and discrimination in the labour market

**Table 4.22: Discrimination in the labour market**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	63	51.6	52.9	52.9
	Some importance	7	5.7	5.9	58.8
	Moderate importance	21	17.2	17.6	76.5
	Very important	14	11.5	11.8	88.2
	Extremely important	14	11.5	11.8	100.0
	Total	119	97.5	100.0	
Missing	No response	3	2.5		
Total		122	100.0		

*B) Lack of employment opportunities as reason to start craft business*

The results in Table 4.23 below show that the majority, 55 (46.6%), of respondents indicated that lack of employment was not a motivating factor in starting a craft business, while 54 (46.6%) respondents stated that lack of employment opportunities pushed them to launch a craft business. These findings do not corroborate with the findings of Perberdy (1997:6) and Gwija (2014). Tengeh *et al.* (2011:375) suggest that 67.4% of African immigrants are pushed into self-employment because of the high unemployment rate in South Africa. This opinion is confirmed by Phizacklea and Ram who conducted a comparative study of 10 ethnic small businesses in France and Britain and found that unemployment is the main motive to start a business (Phizacklea & Ram, 1995:52). Chikamhi (2011:57) also reports that a significant proportion of African immigrants trading at Greenmarket Square suggest lack of employment as the main reason to start a craft business.

**Table 4.23: Lack of employment**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	43	35.2	36.4	36.4
	Some importance	12	9.8	10.2	46.6
	Moderate importance	14	11.5	11.9	58.5
	Very important	25	20.5	21.2	79.7
	Extremely important	24	19.7	20.3	100.0
	Total	118	96.7	100.0	
Missing	No response	4	3.3		
Total		122	100.0		

*C) Had a job but was underpaid as reason to start craft business*

The findings in Table 4.24 below indicated that having an underpaid job was not a reason why African immigrants started craft businesses. An overwhelming majority of 71 (60.6%)

respondents indicated that an underpaid job was not a motivational factor to start a craft business. This is contrary to the findings of Bogan and Darity (2008:2010) and Fatoki (2014b:184). Fatoki (2014b:184) asserts that immigrants are discriminated against in the labour market and if they do manage to find employment, often they are under-paid.

**Table 4.24: I had a job but was underpaid**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	63	51.6	53.8	53.8
	Some importance	8	6.6	6.8	60.7
	Moderate importance	16	13.1	13.7	74.4
	Very important	15	12.3	12.8	87.2
	Extremely important	15	12.3	12.8	100.0
	Total	117	95.9	100.0	
Missing	No response	5	4.1		
Total		122	100.0		

*D) African immigrant entrepreneurs start craft businesses to survive*

Table 4.25 below reveals that the overwhelming majority of 99 (81.8%) respondents started a craft business to survive and this was the only option to earn a living. These findings concur with Chrysostome and Arcand (2009:4). Chrysostome (2009) and Masonganye (2010) describe necessity immigrant entrepreneurship as business activities undertaken by immigrants because they need to survive.

**Table 4.25: Started craft business because of survival reasons**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	12	9.8	9.9	9.9
	Some importance	3	2.5	2.5	12.4
	Moderate importance	7	5.7	5.8	18.2
	Very important	32	26.2	26.4	44.6
	Extremely important	67	54.9	55.4	100.0
	Total	121	99.2	100.0	
Missing	No response	1	.8		
Total		122	100.0		

*E) Started craft business because I am artist*

The majority of respondents, 54 (45.0%), disagreed that they started a craft business because they were artists. During the field study some respondents complained to the researcher that they are tired of selling their craft to retailers who make vast profits but give them 'peanuts'. This finding is corroborated by Perberdy and Crush (1998:15) who found that only 42% of African immigrants entered the craft business because of artistic reasons.

**Table 4.26: Started craft because I am an artist**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	43	35.2	35.8	35.8
	Some importance	11	9.0	9.2	45.0
	Moderate importance	20	16.4	16.7	61.7
	Very important	17	13.9	14.2	75.8
	Extremely important	29	23.8	24.2	100.0
	Total	120	98.4	100.0	
Missing	No response	2	1.6		
Total		122	100.0		

*F) Encouraged by a member of the ethnic community*

The findings in Table 4.27 below indicate that a significant majority of 56 (47.8%) respondents were encouraged by a member of their community to start a craft business. This finding concurs with Bates (1997:121) who found that Vietnamese immigrant entrepreneurs rely on the ethnic community to start a business. Steiner (1994:2) shares a similar view, stating that:

A trader status is a precondition for participation in African art trade. The alien status enables them to sell curios and craft ware from their country of origin or from other African countries.

**Table 4.27: Encouraged by a member of the ethnic community**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	37	30.3	31.6	31.6
	Some importance	9	7.4	7.7	39.3
	Moderate importance	15	12.3	12.8	52.1
	Very important	30	24.6	25.6	77.8
	Extremely important	26	21.3	22.2	100.0
	Total	117	95.9	100.0	
Missing	No response	5	4.1		
Total		122	100.0		

*G) I was not encouraged by anyone to start a craft business*

Table 4.28 below indicates that the majority of respondents, 73 (65.9%), stated they were not encouraged by anyone to start a craft business. This implies that they were self-motivated to start their business. Some of the participants were born entrepreneurs, hence decided to take the risk and start a craft business.

The researcher believes some of these entrepreneurs imitate famous entrepreneurs such as Bill Gates, the late Steve Job and Richard Branson. Richard Branson is an example of an entrepreneur who was self-motivated. He started Virgin Group, which has approximately 200 companies in many countries in the world, including South Africa (Branson, 2006:29).

**Table 0.28: I was not encouraged by anyone to start a craft business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	69	56.6	62.2	62.2
	Some importance	4	3.3	3.6	65.8
	Moderate importance	9	7.4	8.1	73.9
	Very important	16	13.1	14.4	88.3
	Extremely important	13	10.7	11.7	100.0
	Total	111	91.0	100.0	
Missing	No response	11	9.0		
	Total	122	100.0		

*H) Previous experience in other industries*

Table 4.29 below reveals that 45 respondents, (49.1%), were inspired to start a craft business because of previous experience in other industries. This experience could be knowledge, skills or unsatisfactory working conditions that motivated African immigrant entrepreneurs to start a craft business.

Taylor (1999:151) maintains that previous experience such as marketing, good customer relations, product innovation and good communication with important stakeholders are vital for the survival of a business. Werber (1990, cited by Altinay & Altinay, 2008:26) asserts that knowledge acquired by immigrant entrepreneurs from a previous industry helps them to detect business opportunity gaps in the market. Shinnar and Young (2008:14) share similar views, that experience gained by immigrants in certain sectors is critical to starting their own venture.

**Table 0.23: Previous experience in other industries**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	35	28.7	30.4	30.4
	Some importance	6	4.9	5.2	35.7
	Moderate importance	29	23.8	25.2	60.9
	Very important	28	23.0	24.3	85.2
	Extremely important	17	13.9	14.8	100.0
	Total	115	94.3	100.0	
Missing	No response	7	5.7		
	Total	122	100.0		

*I) Previous experience in craft industry*

The findings in Table 4.30 below indicate that the majority of respondents, 57 (50.0%), agreed that previous experience in the craft industry was a motivational factor to start a craft business. These findings does concur with Chrysostome and Arcand (2009:4), that significant numbers of immigrants have learned managerial skills in previous industries before starting their business.

**Table 4.30: Previous experience in the craft industry**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	35	28.7	30.7	30.7
	Some importance	5	4.1	4.4	35.1
	Moderate importance	17	13.9	14.9	50.0
	Very important	31	25.4	27.2	77.2
	Extremely important	26	21.3	22.8	100.0
	Total	114	93.4	100.0	
Missing	No response	8	6.6		
Total		122	100.0		

*J) Education was a great assistance to identify resources*

Results in Table 4.31 below show that a majority of 61 respondents, (53.4%), believed that having an education was of great assistance in identifying resources to start a craft business, while 22 (27.6%) did not agree with the statement.

According to the researcher, education helps an entrepreneur to understand challenges and how best to solve these challenges. An entrepreneur with an educational background would be most likely to conduct a feasibility study, spot resources and launch a viable business. This finding is supported by Ndedi (2009:467) who believes that education is crucial to entrepreneurs and the rest of the society. The author emphasises that entrepreneurs and all levels of society should have some level of education. In their study, Nieman and Nieuwenhuizen (2009:2) also express the opinion that entrepreneurship can be developed by education.

**Table4.31: Level of education was of great assistance to identify resources**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	22	18.0	19.0	19.0
	Some importance	10	8.2	8.6	27.6
	Moderate importance	22	18.0	19.0	46.6
	Very important	23	18.9	19.8	66.4
	Extremely important	39	32.0	33.6	100.0
	Total	116	95.1	100.0	
Missing	No response	6	4.9		
Total		122	100.0		

*K) Not many South Africans are involved in the craft business*

Table 4.32 below shows that 54 respondents, (46.1%), agree that not many South Africans are involved in the craft business. This finding is corroborated by Sequeira (2007, cited by Chrysostome & Arcand, 2009:7). Sequeira opines that immigrants are doing business because of the opportunity structure in the host market. He suggested that natives are not doing business because of lack of interest and insufficient economic rewards. This finding is



corroborated by Kaiser and Associates (2003:22) who found that traditional craft skill is lacking in the Western Cape. Immigrants were pulled to craft and curio businesses because South Africa does not have a strong indigenous curio-producing sector.

**Table 4.32: Not many South Africans are involved in the craft business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	41	33.6	35.0	35.0
	Some importance	7	5.7	6.0	41.0
	Moderate importance	15	12.3	12.8	53.8
	Very important	21	17.2	17.9	71.8
	Extremely important	33	27.0	28.2	100.0
	Total	117	95.9	100.0	
Missing	No response	5	4.1		
Total		122	100.0		

*L) There are many tourists in South Africa*

Table 4.33 below reveals that the overwhelming majority 86 (72.2%) of respondents stated that the many tourists in South Africa was a motivational factor for them to launch a craft business. This result aligns with the findings of Peberdy and Crush (1998:21) which confirms that significant numbers of immigrants come to South Africa because of opportunities in the tourist market and the strength of the South African Rand.

**Table 4.33: There are many tourists in South Africa**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	11	9.0	9.2	9.2
	Some Importance	6	4.9	5.0	14.3
	Moderate importance	16	13.1	13.4	27.7
	Very important	33	27.0	27.7	55.5
	Extremely important	53	43.4	44.5	100.0
	Total	119	97.5	100.0	
Missing	No response	3	2.5		
Total		122	100.0		

*M) To provide employment for other people from my home country*

Table 4.34 below indicates that a significant majority of 64 respondents, (54.7%), disagreed with the statement that they entered the craft business to provide employment for other people from their home country.

However, this finding is different from Kalitanyi and Visser (2010) and Rogerson (2000). Rogerson's study confirms immigrants employed local and foreign nationals. Kalitanyi and Visser (2010:387) found that immigrant entrepreneurs employed both non-immigrants and immigrants in their businesses and skills are transferred from immigrant to non-immigrant employees.

**Table 4.34: To provide employment for other people from my home country**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	52	42.6	44.4	44.4
	Some importance	12	9.8	10.3	54.7
	Moderate importance	25	20.5	21.4	76.1
	Very important	16	13.1	13.7	89.7
	Extremely important	12	9.8	10.3	100.0
	Total	117	95.9	100.0	
Missing	No response	5	4.1		
Total		122	100.0		

*N) Provision of employment for South Africans*

The findings in Table 4.35 below indicate that a majority of 60 respondents, (51.3%), agreed that providing employment for South Africans was indeed a motivational factor to starting a business. This result aligns with the findings of studies by Kalitanyi and Visser (2010) and Peberdy and Rogerson (2010), which confirm that immigrants do create employment for South Africans.

**Table 4.35: Provision of employment for South Africans**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	23	18.9	19.7	19.7
	Some importance	13	10.7	11.1	30.8
	Moderate importance	21	17.2	17.9	48.7
	Very important	20	16.4	17.1	65.8
	Extremely important	40	32.8	34.2	100.0
	Total	117	95.9	100.0	
Missing	No response	5	4.1		
Total		122	100.0		

#### 4.3.6 Summary of reasons why African immigrant entrepreneurs start craft businesses

- A total of 99 (81.8%) respondents indicated that survival inspired them to start a craft business, as they had no other way of making a living.
- A total of 86 (72.2%) respondents stated that the many tourists in South Africa were the reason why they started a craft business.
- A significant number of respondents, 61 (53.4%), stated that education was of great assistance when identifying resources to start a craft business;
- A total of 60 (51.3%) respondents agreed that to provide employment for South Africans was a motivational factor when starting a craft business.
- From 100 respondents, 45 (49.1%) were inspired to start businesses because of previous experiences in other industries.
- From 100 respondents, 57 (50.0%) indicated that previous experience in the craft industry was a motivational factor to start a craft business.
- The majority, 71 (60.6%), of respondents indicated that an underpaid job was not a motivational factor to start a craft business.

- Out of 100 participants, 73 (65.9%) stated that they were not encouraged by anyone to start their business.
- A total of 54 (45.7%) respondents agreed they started a craft business because many South Africans are not doing craft.
- The majority, 80 (58.8%), of respondents indicated discrimination in the labour market was not a motivational factor to start a business.
- The majority, 55 (46.6%), of respondents indicated that lack of employment was not a motivating factor to start a craft business.
- The majority, 56 (47.8 %), of respondents were encouraged by members of their community to start a craft business.
- Most respondents, 73 (65.9%), were not encouraged by anyone to start a craft business;
- From 100 respondents 54 (45.0%) disagreed that the reason why they started a craft business is because they are artists.
- Most respondents, 64 (54.7%), stated that to provide employment for other people from their home country was not a motivational factor to start a craft business.

#### 4.3.7 Section D: Challenges faced during start-up phase.

A) *The cost of obtaining a visa adds significantly to cost of starting a business.*

Table 4.36 below indicates that 49 respondents, (41.5%), disagreed that the cost of obtaining a visa adds significantly to the cost of starting a craft business, while 49 (39.9%) respondents agreed with this statement. This finding does not aligns with Peberdy and Crush (1998:36) who found that visa costs do add significantly to the running costs of an immigrant business.

**Table 4.36: The cost of obtaining a visa adds significantly to cost of starting a business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	41	33.6	34.7	34.7
	Some importance	8	6.6	6.8	41.5
	Moderate importance	22	18.0	18.6	60.2
	Very important	16	13.1	13.6	73.7
	Extremely important	31	25.4	26.3	100.0
	Total	118	96.7	100.0	
Missing	No response	4	3.3		
Total		122	100.0		

B) *Department of Home Affairs gave me less than 30 days to stay*

Table 4.37 below indicates that the majority of respondents, 65 (50.6%),disagreed that the Department of Home Affairs gives them less than 30 days to stay in South Africa and this did not impedes them when starting a business. A group of 37 (38.5%) participants felt that they were affected by this 30-day limit. According to Peberdy and Crush (1998:36), the issuing of permits by the Department of Home Affairs is very uncertain, sometimes African immigrants are given 30 days or less to stay in South Africa, which hampers their ability to trade and plan.

**Table 4.37: Department of Home Affairs gave me less than 30 days to stay**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	58	47.5	50.0	50.0
	Some importance	7	5.7	6.0	56.0
	Moderate importance	14	11.5	12.1	68.1
	Very important	12	9.8	10.3	78.4
	Extremely important	25	20.5	21.6	100.0
	Total	116	95.1	100.0	
Missing	No response	6	4.9		
Total		122	100.0		

*C) Long time taken to process my application to obtain a stall*

Table 4.38 below shows a significant majority of 52 respondents, (45.2%), agreed it took a long time to process their application to obtain stalls, while 39 (33.9%) of participants disagreed with this statement. This finding is corroborated by that of Kristiansen (2008, cited by Chikamhi, 2011:32) who describes the South African business system as very complex. The system has nine procedural requirements to follow before registering a business and it takes a long time, especially for foreigners who want to start a business.

**Table 4.38: Long time taken to process my application to obtain a stall**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	26	21.3	22.6	22.6
	Some importance	13	10.7	11.3	33.9
	Moderate importance	24	19.7	20.9	54.8
	Very important	30	24.6	26.1	80.9
	Extremely important	22	18.0	19.1	100.0
	Total	115	94.3	100.0	
Missing	No response	7	5.7		
Total		122	100.0		

*D) Very difficult to comply with taxation regulations*

Table 4.39 below shows that 57 (46.7%) respondents felt that it was of no importance to comply with taxation regulations in South Africa. The balance of 38 (33.9%) respondents agreed with the statement. This result differs from Chikamhi (2011:55) who found that it is very difficult for foreigners to comply with taxation regulations in South Africa.

**Table 4.39: Very difficult to comply with taxation regulations**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	57	46.7	50.9	50.9
	Some importance	6	4.9	5.4	56.3
	Moderate importance	11	9.0	9.8	66.1
	Very important	22	18.0	19.6	85.7
	Extremely important	16	13.1	14.3	100.0
	Total	112	91.8	100.0	
Missing	No response	10	8.2		
Total		122	100.0		

E) *Taxes are extremely high*

Table 4.40 below reveals that the majority of 60 (49.2%) respondents disagreed that taxes are extremely high in South Africa, while 42 (36.2%) respondents agreed with the statement. This finding differs from Chikamhi (2011) who found that the majority of African immigrant entrepreneurs could not afford to pay tax.

**Table 4.40: Taxes are extremely high**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	49	40.2	42.2	42.2
	Some importance	11	9.0	9.5	51.7
	Moderate importance	14	11.5	12.1	63.8
	Very important	17	13.9	14.7	78.4
	Extremely important	25	20.5	21.6	100.0
	Total	116	95.1	100.0	
Missing	No response	6	4.9		
Total		122	100.0		

F) *Lack of knowledge to register a business*

The findings in Table 4.41 below show that the majority of 66 (55.5 %) respondents disagreed with the statement that a lack of knowledge how to register a business in South Africa affected them when they started their businesses. The balance of 38 (31.9%) respondents agreed that a lack of knowledge how to register their businesses was a hindering factor. However Chikamhi's (2011) study indicated that the majority of African immigrant entrepreneurs had no knowledge of the business registration process.

**Table 4.41: Lack of knowledge to register a business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	49	40.2	41.2	41.2
	Some importance	17	13.9	14.3	55.5
	Moderate importance	15	12.3	12.6	68.1
	Very important	18	14.8	15.1	83.2
	Extremely important	20	16.4	16.8	100.0
	Total	119	97.5	100.0	
Missing	No response	3	2.5		
Total		122	100.0		

G) *Lack of collateral security to apply for credit facilities*

As shown in Table 4.2 below, a majority of 49 (44.6%) respondents stated that the lack of collateral security was a negative factor when applying for credit facilities. Only 40 (36.4%) respondents disagreed and felt that that lack of collateral was not a hindering factor when applying for credit facilities.

This finding is supported by FinMark Trust (2006, cited by Fatoki & Garwe, 2010:731), who found that only 2% of SMMEs have access to bank loans in South Africa because of limited credit history and lack of collateral security.

**Table 4.42: Lack of collateral security to apply for credit facilities**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	33	27.0	30.0	30.0
	Some importance	7	5.7	6.4	36.4
	Moderate importance	21	17.2	19.1	55.5
	Very important	18	14.8	16.4	71.8
	Extremely important	31	25.4	28.2	100.0
	Total	110	90.2	100.0	
Missing	No response	12	9.8		
Total		122	100.0		

*H) Finance is a major obstacle to starting a business*

The findings in Table 4.43 below indicate that an overwhelming majority of 89 (74.8%) respondents agreed that finance is a major obstacle to starting a craft business. Only 17 (14.3%) respondents disagreed with this statement.

These findings align with the findings of Khosa (2014:79) and Tengeh (2011:7), that finance is a major obstacle to starting a business both in the developed and less developed world, and more so when it comes to foreigners who do not have collateral security and documentation.

**Table 4.43: Finance is a major obstacle to starting a business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	13	10.7	10.9	10.9
	Some importance	4	3.3	3.4	14.3
	Moderate importance	13	10.7	10.9	25.2
	Very important	25	20.5	21.0	46.2
	Extremely important	64	52.5	53.8	100.0
	Total	119	97.5	100.0	
Missing	No response	3	2.5		
Total		• 122	• 100.0		

*I) High rental costs of craft business space*

As indicated in Table 4.44 below majority of 54 (46.6%) respondents agreed that a high rental cost of craft space is a challenge to starting a craft business. Only 34 (29.3) respondents disagreed and felt that high rental costs of craft space is not a challenge to starting a craft business. This finding is supported by Khosa and Kalitanyi (2014:213) who found that high rental costs are a challenge to immigrants trying to set up a business.

**Table 4.44: High rental costs of craft business space**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	28	23.0	24.1	24.1
	Some importance	6	4.9	5.2	29.3
	Moderate important	28	23.0	24.1	53.4
	Very important	27	22.1	23.3	76.7
	Extremely important	27	22.1	23.3	100.0
	Total	116	95.1	100.0	
Missing	No response	6	4.9		
Total		122	100.0		

*J) It was difficult to communicate in Afrikaans and Xhosa*

Table 4.45 below reveals that a majority of 56 (46.7%) respondents agreed that it was difficult to communicate in Afrikaans and Xhosa and this was a challenge to starting a business. However, 49 (40%) respondents disagreed with this statement.

This finding is similar to the findings of Khosa and Kalitanyi (2014:212) who found that significant numbers of African immigrants are unable to converse in the local languages and this hinders the smooth running of their businesses. A similar study conducted by Habiyakare *et al.* (2009:61) in Finland mentioned the Finnish language as an obstacle to immigrant entrepreneurs.

**Table 4.45: It was difficult to communicate in Afrikaans and Xhosa**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	38	31.1	31.7	31.7
	Some importance	10	8.2	8.3	40.0
	Moderate importance	16	13.1	13.3	53.3
	Very important	21	17.2	17.5	70.8
	Extremely important	35	28.7	29.2	100.0
	Total	120	98.4	100.0	
Missing	No response	2	1.6		
Total		122	100.0		

*K) Lack of building a network with customers, suppliers and financial institutions*

Table 4.46 below shows that a significant majority of 50 (43.9%) respondents agreed that lack of building a network with customers, suppliers and financial institutions was a challenge during the start-up phase of their business, whereas 39 (34.2%) disagreed with this statement.

This finding is corroborated by Aaltonen and Akola (2012:5) who point out that local entrepreneurs have built networks with customers, suppliers and financial institutions over many years, whereas African entrepreneurs do not have such connections.

**Table 4.46: Lack of building a network with customers, suppliers and financial institutions**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	29	23.8	25.4	25.4
	Some importance	10	8.2	8.8	34.2
	Moderate importance	25	20.5	21.9	56.1
	Very important	26	21.3	22.8	78.9
	Extremely important	24	19.7	21.1	100.0
	Total	114	93.4	100.0	
Missing	No response	8	6.6		
Total		122	100.0		

*L) Limited business space*

Table 4.47 below reveals that an overwhelming majority of 71 (61.2%) respondents indicated that limited business space was a challenge to starting a business in the selected craft markets, whereas 23 (19.8%) disagreed and felt that limited business space was not a challenge.

A study conducted by Mugobo and Ukpere (2012, cited by Khosa & Kalitanyi, 2014:210), found that only 46% of respondents agreed that limited space is a challenge to launching a business.

**Table 4.47: Limited business space**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	15	12.3	12.9	12.9
	Some importance	8	6.6	6.9	19.8
	Moderate importance	22	18.0	19.0	38.8
	Very important	29	23.8	25.0	63.8
	Extremely important	42	34.4	36.2	100.0
	Total	116	95.1	100.0	
Missing	No response	6	4.9		
Total		122	100.0		

*M) Difficult to acquire business location*

Table 4.48 below shows that an overwhelming majority of 80 (67.2%) respondents agreed that it is difficult to acquire a business location in the selected craft market, while 18 (15.2%) respondents disagreed.

This finding is supported by Khosa (2014:83) who found that it took the majority of African immigrant entrepreneurs between 1 and 4 months to secure business premises in Cape Town.



**Table 4.48: Difficult to acquire business location**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	14	11.5	11.8	11.8
	Some importance	4	3.3	3.4	15.1
	Moderate importance	21	17.2	17.6	32.8
	Very important	33	27.0	27.7	60.5
	Extremely important	47	38.5	39.5	100.0
	Total	119	97.5	100.0	
Missing	No response	3	2.5		
Total		122	100.0		

*N) Challenge to market and marketing*

According to Table 4.49 below, the vast majority of 72 (59.0%) respondents agreed that market and marketing is a challenge to starting a craft business, whereas 32 (26.2%) participants disagreed. This finding is supported by Rogerson (2010a:115) who states that market and marketing is a constraint to craft business in South Africa.

**Table 4.49: Challenge to market and marketing**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	22	18.0	18.0	18.0
	Some important	10	8.2	8.2	26.2
	Moderate importance	18	14.8	14.8	41.0
	Very important	29	23.8	23.8	64.8
	Extremely important	43	35.2	35.2	100.0
	Total	122	100.0	100.0	

*O) International challenges relating to raw material cost and shortage*

The results in Table 4.50 below indicate that the majority of 53 (44.1%) respondents disagreed that the shortage of raw material and the cost of importing international raw material, was a challenge. However, 50 (44.7%) of the participants agreed with this statement. This finding does not corroborated by Rogerson and Rogerson (2010a:115) who found that: "... constraint concerns international experience related to raw material cost and shortages".

**Table 4.50: International challenges relating to raw material cost and shortage**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	37	30.3	30.8	30.8
	Some importance	16	13.1	13.3	44.2
	Moderate importance	17	13.9	14.2	58.3
	Very important	20	16.4	16.7	75.0
	Extremely important	30	24.6	25.0	100.0
	Total	120	98.4	100.0	
Missing	No response	2	1.6		
Total		122	100.0		

P) *Additional challenges during the start-up phase*

The results in Table 4.51 below show that 18 (60%) respondents stated looting was a challenge and 12 (40%) respondents stated red tape was an additional challenge during the start-up phase. Respondents stated red tape because it took them long time to secure a business location from the municipality. The respondents complained that looting during strikes was a big problem.

**Table 4.51: Additional problems during start-up stage**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Red tape	12	9.8	40.0	40.0
Looting	18	14.8	60.0	100.0
Total	30	24.6	100.0	

4.3.8 Summary of start-up challenges

- The majority of respondents, 89 (74.8%), agreed that finance is a major obstacle to starting a craft business.
- The majority of respondents, 80 (67.2%), agreed that it was difficult to acquire a location at the selected craft markets.
- Most respondents, 72 (59.0%), agreed that marketing is a hindering factor to starting a craft business.
- The majority of respondents, 54 (46.6%), agreed that high rental costs of craft space is a challenge to starting a craft business.
- The majority of respondents, 71 (61.2%), felt that limited business space was a challenge to starting a business in the selected craft market.
- A significant number of respondents, 76 (66.1%), agreed it took a long time to obtain a stall at the selected craft markets.
- Most respondents, 50 (43.9%), agreed that lack of building a network with customers, suppliers and financial institutions was a challenge during the start-up phase.
- Most respondents, 65 (50.6%), disagreed that the Department of Home Affairs gives them less than 30 days to stay in South Africa and this was a challenge when trying to start their businesses.
- A group of 63 (56.3%) of respondents disagreed that it is very difficult to comply with taxation regulations in South Africa.
- The majority of respondents, 49 (44.6%), agreed they lacked collateral security to apply for credit facility.
- Many respondents 56 (46.7%) agreed that it was difficult to communicate in Afrikaans and Xhosa and this language barrier was a challenge to starting a business.
- Most respondents, 18 (60%), identified looting as an additional start-up challenge.

- The majority of respondents, 49 (41.5%) disagreed the cost of obtaining visas adds significantly to the cost of starting a craft business.
- A small majority of respondents, 53 (44.1 %), agreed that international challenges relating to raw material cost and shortage was a challenge to start a craft business.
- A small majority of respondents, 54.1%, agreed the DTI did not give African immigrant entrepreneurs assistance.
- The majority of respondents, 66 (55.5%), disagreed that lack of knowledge how to register a business in South Africa affected them when they started their business.
- A small majority of respondents, 63 (56.3%), disagreed that it is very difficult to comply with taxation regulations in South Africa.
- A small majority of respondents, 60 (51.7%), disagreed that taxes are extremely high in South Africa.

#### 4.3.9 Section E: Challenges faced during growth phase

##### A) *Xenophobia is a challenge to growing my business*

According to Table 4.52 below, the overwhelming majority of 81 (66.9%) respondents agreed that xenophobia is a challenge to grow a business, whereas 31 (26.4%) respondents disagreed. This finding is supported by Khosa's (2014) study in which it was also found that xenophobia is a challenge to the growth of African immigrant-owned businesses in Cape Town. The researcher believes that one of the reasons for this significantly positive response is because in April 2015 when the researcher was collecting data, violent xenophobic attacks were occurring in Durban and Johannesburg.

**Table 4.52: Xenophobia is a challenge to grow my business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	23	18.9	19.0	19.0
	Some importance	9	7.4	7.4	26.4
	Moderate importance	8	6.6	6.6	33.1
	Very important	19	15.6	15.7	48.8
	Extremely important	62	50.8	51.2	100.0
Total		121	99.2	100.0	
Missing	No response	1	.8		
Total		122	100.0		

##### B) *Government administration is costly and time consuming*

Table 4.53 below shows that the majority of participants, 52 (44%), disagreed that government administration is costly and time consuming, whereas 39 (33%) agreed. This finding differs from Khosa (2014:86) who found that only 8 (73.1%) participants did not find government administration (red tape) as an obstacle to business growth.

**Table 4.53: Government administration is costly and time consuming**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	28	23.0	23.7	23.7
	Some importance	24	19.7	20.3	44.1
	Moderate importance	27	22.1	22.9	66.9
	Very important	22	18.0	18.6	85.6
	Very important	17	13.9	14.4	100.0
	Total	118	96.7	100.0	
Missing	No response	4	3.3		
Total		122	100.0		

C) *Lack of credit facilities is a challenge to growth*

The results in Table 4.54 below show that the majority of 64 (54.2%) respondents agreed that lack of credit facilities is a challenge to growth, whereas 23 (18.9%) of respondents disagreed. This result is similar to the findings of Rogerson (2010b:22) who suggests that the core challenge to SMMEs is how to secure finance for either start-up or cash flow. Cash flow is critical to obtain material, equipment, skilled labour and premises. Banks funds are available to entrepreneurs on asset-based assessments and appropriateness of ideas. It is suggested that new funding methods should be introduced, possible by government, to make seed capital available to entrepreneurs without the stringent requirement of commercial banks (GEM, 2013:38)

**Table 4.54: Lack of credit facilities is a challenge to growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	23	18.9	19.5	19.5
	Some importance	10	8.2	8.5	28.0
	Moderate importance	21	17.2	17.8	45.8
	Very important	30	24.6	25.4	71.2
	Extremely important	34	27.9	28.8	100.0
	Total	118	96.7	100.0	
Missing	No response	4	3.3		
Total		122	100.0		

D) *Inability to communicate effectively in local language*

Table 4.56 below reveals that the majority of 73 (61.3%) of participants disagreed that the inability to communicate effectively in local languages is a challenge to growth, whereas 30(25.2%) of respondents disagreed with this statement. This finding is corroborated by Levent *et al.* (2003) who found that language was a hindrance to immigrant entrepreneurship in Finland. Habiyakare *et al.* (2009:61) opine that immigrant entrepreneurs take a longer time to conduct business transactions because of language barriers. Hunter and Skinner (2001:26) also share the view that the local language is a problem to immigrants in South

Africa. Khosa (2014:89) states that there are some benefits to be derived from knowledge of local languages.

**Table 4.55: Inability to communicate effectively in local language**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	58	47.5	48.7	48.7
	Some importance	15	12.3	12.6	61.3
	Moderate importance	16	13.1	13.4	74.8
	Very important	18	14.8	15.1	89.9
	Extremely important	12	9.8	10.1	100.0
	Total	119	97.5	100.0	
Missing	No response	3	2.5		
Total		122	100.0		

*E) Lack of support from DTI and local government*

Table 4.56 below shows that a slight majority of 55 (49.1%) respondents disagreed that the lack of support from the DTI and local government is a challenge to business growth, while 47 (42%) respondents agreed with this statement and felt that the lack of support from the DTI and local government is not a challenge to growing a business. This finding is supported by Khosa and Kalitanyi (2014) who also found that the DTI does not assist immigrant entrepreneurs.

**Table 4.56: Lack of support from DTI and local government**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	47	38.5	42.0	42.0
	Some importance	8	6.6	7.1	49.1
	Moderate importance	10	8.2	8.9	58.0
	Very important	15	12.3	13.4	71.4
	Extremely important	32	26.2	28.6	100.0
	Total	112	91.8	100.0	
Missing	No response	10	8.2		
Total		122	100.0		

*F) Competition is a constraint to growth*

The findings in Table 4.57 below illustrate that an overwhelming majority of 56 (62.3%) respondents agreed that competition is a constraint to growth, whereas only 30 (24.6%) respondents disagreed. This finding is supported by Khosa and Kalitanyi (2014:212) who found that competition is very tough among immigrant entrepreneurs in Cape Town. Competition occurs not only within South African businesses but also from international trade with China and India. Hernandez and Costanade (2007, cited by Rogerson & Rogerson, 2011:11742), share a similar view and state that low entry barriers increase the level of competition and it become difficult to increase productivity and growth.

**Table 4.57: Competition is a constraint to growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	17	13.9	13.9	13.9
	Some importance	13	10.7	10.7	24.6
	Moderate importance	16	13.1	13.1	37.7
	Very important	27	22.1	22.1	59.8
	Extremely important	49	40.2	40.2	100.0
	Total	122	100.0	100.0	

G) *Crime is a challenge to growth*

Table 4.58 below illustrates an overwhelming majority of 70(59.9%) participants who agreed that crime is a challenge to business growth, whereas 33 (28.2%) of participants disagreed. This finding aligns with Fatoki and Garwe (2010:732) who found that effects of crime are growing in South Africa. Hunter and Skinner (2011:23) state that crime is a serious obstacle to growth. Crime statistics reveal that 13277 robberies were recorded in central Cape Town in 2010/2011 (South Africa. SAPS, 2011). Because of the high crime rate, business owners are focusing more on operational matters rather than staying ahead of competitors.

**Table 4.58: Crime is a challenge to growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	25	20.5	21.4	21.4
	Some importance	8	6.6	6.8	28.2
	Moderate importance	14	11.5	12.0	40.2
	Very important	32	26.2	27.4	67.5
	Extremely important	38	31.1	32.5	100.0
	Total	117	95.9	100.0	
Missing	No response	5	4.1		
Total		122	100.0		

H) *The seasonal and irregular nature of trade makes it difficult to forecast*

According to Table 4.59 below, the overwhelming majority of 78 (65%) respondents agreed seasonal and irregular nature of trade makes it difficult to forecast, whereas only 17 (14.1%) respondents disagreed. These findings are supported by Chikamhi (2011:59) who points out that the craft markets were poorly designed and the weather pattern in Cape Town disrupts trading during the winter season, thus limiting the possibility of growth.

**Table 4.59: The seasonal and irregular nature of trade makes it difficult to forecast**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	10	8.2	8.3	8.3
	Some importance	7	5.7	5.8	14.2
	Moderate importance	25	20.5	20.8	35.0
	Very important	35	28.7	29.2	64.2
	Extremely important	43	35.2	35.8	100.0
	Total	120	98.4	100.0	
Missing	No response	2	1.6		
Total		122	100.0		

I) *Lack of entrepreneurial skills is a challenge to growth*

Table 4.60 below shows that a slight majority of 51 (43.3%) respondents disagreed that lack of entrepreneurial skills is a challenge to growth, while 41 (34.7%) respondents agreed with this statement that lack of entrepreneurial skills is a challenge to growth. Wickham (2001) and Khosa (2014:69) share similar views and found that entrepreneurial skills are critical for the survival and growth of a business.

**Table 4.60: Lack of entrepreneurial skills is a challenge to growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	33	27.0	28.0	28.0
	Some importance	18	14.8	15.3	43.2
	Moderate importance	26	21.3	22.0	65.3
	Very important	24	19.7	20.3	85.6
	Extremely important	17	13.9	14.4	100.0
	Total	118	96.7	100.0	
Missing	No response	4	3.3		
Total		122	100.0		

J) *Lack of documentation is a challenge to growth*

Table 4.61 below reveals that 55 (45.1%) respondents agreed that lack of documentation is a challenge to growth, while 42 (36.2%) disagreed with the statement that lack of documentation is a challenge to growth. This finding is comparable with the findings of Hunter and Skinner (2011:22) and Tengeh (2013:347) who report that having no business permit is a challenge to growth.

**Table 4.61: Lack of documentation is a challenge to growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	33	27.0	28.4	28.4
	Some importance	9	7.4	7.8	36.2
	Moderate importance	19	15.6	16.4	52.6
	Very important	30	24.6	25.9	78.4
	Extremely important	25	20.5	21.6	100.0
	Total	116	95.1	100.0	
Missing	No response	6	4.9		
Total		122	100.0		

K) *Lack of access to technology is a challenge to growth*

The results reflected in Table 4.62 below show that a majority of 51 (43.6%) respondents agreed that lack of access to technology is a challenge to growth but 44 (37.6%) disagreed with this statement. During field work the researcher observed that business transactions were lost because many stall owners did not have credit card machines.

**Table 4.62: Lack of access to technology is a challenge to growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	35	28.7	29.9	29.9
	Some importance	9	7.4	7.7	37.6
	Moderate importance	22	18.0	18.8	56.4
	Very important	28	23.0	23.9	80.3
	Extremely important	23	18.9	19.7	100.0
	Total	117	95.9	100.0	
Missing	No response	5	4.1		
Total		122	100.0		

*L) Managerial weakness is a challenge to growth*

Results in Table 4.63 below indicate that 47 (40.9%) respondents stated managerial weakness is not a challenge to growth, while 46 (40.0%) of respondents agreed. The findings are not corroborated by Rogerson (2010a:115) and Gwija (2014:71) who found that lack of managerial skills is an obstacle to business growth.

**Table 4.63: Managerial weakness is a challenge to growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	33	27.0	28.7	28.7
	Some importance	14	11.5	12.2	40.9
	Moderate important	22	18.0	19.1	60.0
	Very important	27	22.1	23.5	83.5
	Extremely important	19	15.6	16.5	100.0
	Total	115	94.3	100.0	
Missing	No response	7	5.7		
Total		122	100.0		

*M) Lack of access to external market is a challenge to growth*

Table 4.64 below shows that the majority of 57 (48.3%) respondents agreed that lack of access to external markets is a challenge to growth, while 41 (34.7%) respondents disagreed with this statement. This finding is in line with Rogerson (2010b:18) who found that lack of access to foreign markets is an obstacle to growth.

**Table 4.64: Lack of access to external market is a challenge to growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	28	23.0	23.7	23.7
	Some importance	13	10.7	11.0	34.7
	Moderate importance	20	16.4	16.9	51.7
	Very important	29	23.8	24.6	76.3
	Extremely important	28	23.0	23.7	100.0
	Total	118	96.7	100.0	
Missing	No response	4	3.3		
Total		122	100.0		



N) *Lack of access to business skills is a challenge to growth*

The findings in Table 4.65 below indicate that the majority of 51 (44.0%) respondents agreed that lack of business skills was a challenge to growth but 46 (39.6%) disagreed. This finding is supported by Rogerson (2010b:18) who mentions that limited business skills is a challenge to innovate and grow a business.

**Table 4.65: Lack of access to business skills is a challenge to growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	31	25.4	26.7	26.7
	Some importance	15	12.3	12.9	39.7
	Moderate importance	19	15.6	16.4	56.0
	Very important	26	21.3	22.4	78.4
	Extremely important	25	20.5	21.6	100.0
	Total	116	95.1	100.0	
Missing	No response	6	4.9		
Total		122	100.0		

O) *Lack of product selection and design is a challenge to growth*

The findings in Table 4.66 below show that a majority of 64 (53.4%) respondents agreed that lack of product selection and design is a challenge to growth, whereas 13 (28.3%) disagreed with this statement. This finding is corroborated by Rogerson (2010b:37) who suggests that crafters should constantly produce new, innovative products to meet the challenges in both domestic and foreign markets.

**Table 4.66: Lack of product selection and design is a challenge to growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No importance	21	17.2	17.5	17.5
	Some importance	13	10.7	10.8	28.3
	Moderate importance	22	18.0	18.3	46.7
	Very important	29	23.8	24.2	70.8
	Extremely important	35	28.7	29.2	100.0
	Total	120	98.4	100.0	
Missing	No response	2	1.6		
Total		122	100.0		

P) *Additional problems to growth*

The findings in Table 4.67 below illustrate that 22 (44.9%) of the respondents agreed that transportation of products every day is a challenge to growth. This was followed by low barriers to entry, 11 (22.4%), and lack of storage facilities, 6 (12.2%). During the field study the researcher observed the respondents pack and unpack their products every day into a car and sometimes products got damaged. This finding is similar to Giron *et al.* (2007, cited

by Rogerson & Rogerson, 2011:11742), that low entry barriers increase the level of competition and it becomes very difficult to increase productivity and growth.

**Table 4.67: Additional problems to growth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lack of a permanent stall	7	5.7	14.3	14.3
	Transportation cost	22	18.0	44.9	59.2
	Lack of storage facility	6	4.9	12.2	71.4
	Corruption	3	2.5	6.1	77.6
	Low barrier to entry	11	9.0	22.4	100.0
Total		49	40.2	100.0	

#### 4.3.10 Summary of growth challenges

- The vast majority of respondents, 78 (65%), agreed that the seasonal and irregular nature of trade makes it difficult to forecast sales.
- Most respondents, 56 (62.3%), agreed that competition is a constraint to growth.
- Most respondents, 81 (66.9%), agreed that xenophobia is a challenge to growing a business.
- Most respondents, 64 (54.2%), agreed that lack of credit facilities is a challenge to growth.
- A significant number of respondents, 70 (59.9%), agreed that crime is a challenge to growth.
- A significant number of respondents, 64 (53.4%), agreed that lack of product selection and design is a challenge to growth.
- The majority of respondents, 57 (48.3%), agreed that lack of access to external markets is a challenge to growth.
- Most respondents, 51 (44.0%), agreed that lack of access to business skills is a challenge to growth.
- Most respondents, 73 (61.3%), disagreed that the inability to communicate effectively in local languages is a challenge to growth.
- Most respondents, 47 (40.9%), disagreed that managerial weakness is a challenge to growth.
- The majority of respondents, 51 (43.3%), agreed that lack of entrepreneurial skills is a challenge to growth.
- The majority of respondents, 52 (44%), disagreed government administration is costly and time consuming.
- The majority of respondents, 55 (49.1%), disagreed that lack of support from DTI and local government is a challenge to growth.

- A group of 22 (44.9%) respondents stated that transportation of products every day is a challenge to growth.
- The majority of respondent 55 (45.1%) agreed that lack of documentation is a challenge to growth
- The majority of respondent, 51 (43.6%), agreed that lack of access to Technology is a challenge to growth

#### **4.4 Qualitative data presentation and analysis**

This study utilised a mixed method to collect and analyse data (quantitative and qualitative methods). The previous section presented the discussion and findings of the quantitative data. This section presents data obtained from the interviews with the municipality managers. The interview guide is contained in Appendix G.

##### ***Question 1: How long have you been the Manager of the municipality?***

**Participant One:** I have been here for the past eight years as manager of Local Economic Development.

**Participant Two:** I am working 35 years with the municipality.

**Participant Three:** It is about 11 years.

From the above responses it is evident that the respondents have been working for the municipalities for long periods (Between 8 to 35 years). This made it possible for the respondents to provide the researcher with in-depth information about entrepreneurs in the craft markets.

##### ***Question2: Please describe the role of LED manager in the craft markets***

**Participant One:** The role of municipality firstly is to create an enabling environment for crafters. Our second role also is the development of crafters to run their business in business principles. Thirdly, the management of those sites not ourselves... and to ensure they comply with the by-laws of the municipality. So we link very closely with our law enforcement.

**Participant Two:** Our role is to provide an enabling environment for crafters. Secondly, to ensure that crafters comply with city by-laws.

**Participant Three:** The role of the manager is to see that everything in the market is packed right according to the law; they should not pack stuff over the boundaries. The manager is also responsible for collecting monthly fees of R511.00 from each of the stall owners.

The three Municipality managers unanimously agreed the role of the municipality is to create an enabling environment for entrepreneurs and also to ensure entrepreneurs in the craft market comply with the by-laws of the municipality. This finding is supported by the findings of those of Pahwa, Bester, Nieuwenhuyzen, Dawood, Pieterse, Kane, Schlemer, Bot, Hamilton, Madel & Eden (2006), Masonganye (2010) and Gudlhuza (2012). According to Pahwa *et al.* (2006), municipalities aim to be proactive in business support both in the provincial and national department.

**Question 3: In your opinion, what does the craft business involve?**

**Participant One:** Well I see in three parts. Firstly, the selling of craft. The other parts are the making of craft. Third level is the biggest guy who imports the craft and distribute to different crafters...and obviously the other people who are working for the crafters. It is some sort of job creation.

**Participant Two:** You could get someone selling craft on the pavement, someone selling on craft market in the shop, someone selling in craft market...some of this craft are made up of glass, wooden, beads, wire.

**Participant Three:** The craft market attract tourist to come to Hout Bay. The first spot tourist normally come to Hout Bay is the craft market and it is good business for the Hout Bay Harbour.

The above responses concur with the Art and Cultural Group (cited by CIGS, 1998:8) and Adu-Gyamfi and Boahinn (2013) who define craft as a broad range of synthetic and natural materials such as carved figures and sculpture, painted calabashes, leather products, beads and fabrics. Ndlovu (2011) states that some examples of craft objects include wire, wooden vessels, glass and beads, etc.

**Question 4: Why do African immigrants choose the craft industry?**

**Participant One:** Firstly, possibly because they come from areas where craft is quite a huge type of business, they have skills to make the craft and know where to source the craft ... and low barriers to enter. So, you don't need a lot. You get the product and you get the permit, then you can start the business. So it is possibly easier to get into the market.

**Participant Two:** I think immigrant source craft in reasonable competitive prices because they are connected to suppliers. Also, craft is manufacture in their country of origin.

**Participant Three:** There is no work where these African immigrants come from. I heard from one lady who comes from Congo, she was unemployed and the Congolese government does not give unemployment benefits, pension, or grants to her citizens. Hence, coming to South Africa was the only option. In South Africa, craft business is the only option she has to make money.

All the respondents agreed that the immigrants come from countries where crafting is a big type of business, they have the skill to source the craft with reasonable and competitive prices and unemployment is a reason why they started a craft business. The responses can be compared with those in the studies of Steiner (1994) and Shinnar and Young (2008), where trader status is a precondition for participation in African Art. Also, knowledge gain by African immigrants in certain sectors is critical to starting their new venture.

***Question 5: What are the requirements to obtain trading space in your municipality?***

**Participant One:** Firstly, you must be legally in the country...it is possible the most important document...however, if you have a permanent job we will not allocate a space...also if you have a formal business we would not give you a space.

**Participant Two:** Firstly, you must have a valid identity document. Secondly, you must also have an affidavit stating you are unemployed. Thirdly, there is a screening before the applicant is accepted.

**Participant Three:** The trader must have an ID document and proof of address before a stall is allocated to him/her.

All respondents agreed that entrepreneurs must be in possession of valid documents before applying for a space in the selected craft market. This finding is corroborated by Pahwa *et al.* (2006), Masonganye (2010) and Gudlhuza (2012:18). According to Pahwa *et al.* (2006) the City of Cape Town and the Ethekwini Municipality require a certified copy of an ID documents and VAT registration number where applicable for business applicant.

***Question 5.1: Do the requirements differ for local entrepreneurs and immigrant entrepreneurs?***

**Participant One:** No.

**Participant Two:** No, the requirements are the same for local and immigrant entrepreneurs.

**Participant Three:** No.

According to all three respondents, the requirements do not differ for local entrepreneurs and immigrant entrepreneurs when they apply for a space in the selected craft markets.

**Question 6: Are legal documents a prerequisite of conducting business in the craft market?**

**Participant One:** Yes.

**Participant Two:** Yes, a legal document is a prerequisite of conducting business in the craft market.

**Participant Three:** Yes, they must be legally in the country.

All the respondents agreed that legal documentation is a prerequisite for conducting business in the craft market.

**Question 6.1: If yes, what are the legal documents required for immigrant entrepreneurs to conduct business in the craft markets?**

**Participant One:** We just want to know you are legally in the country...whether is South African or not we want to see the document.

**Participant Two:** The applicant must have a legal ID document. The applicant must be in possession of an affidavit stating he/she is unemployed.

**Participant Three:** They must have proof of address, and also legal document.

All the participants agreed that a legal document is required for immigrant entrepreneurs to conduct business in the craft markets. This finding is corroborated by Pahwa *et al.* (2006) who state that the City of Cape Town requires a copy of the ID document of the immigrant entrepreneur before approving the business application.

**Question 7: How long does it take for immigrant entrepreneurs to obtain trading space in the craft market?**

**Participant One:** It takes as long as it takes him to get the legal documents from Home Affairs.

**Participant Two:** It depends on the availability of trading space.

**Participant Three:** We don't have space to give to people who want space in Hout Bay craft market. Usually, the trader must go and apply for space at Public Works in Cape Town. There are lots of waiting lists, it all depends on the waiting lists and every day people come. If they are lucky, perhaps 3months, 6months, and sometimes more than a year for the stall owners to have space.

All the respondents agreed it that depends on the legal documentation and availability of trading space for immigrant entrepreneurs to get a trading space at the selected craft market. However, the responses from all the participants differ from the findings of Chikamhi (2011) who found that the majority of immigrants experienced delays in the issuing of permits by the

South African Home Affairs Department and sometimes it delayed their application to obtain trading space.

**Question 8: Besides those mentioned above, in your opinion what other challenges does an immigrant entrepreneur face in conducting a business at a craft market?**

**Participant One:** We must not forget there is something like xenophobic behaviour, that can be one of the challenges, the fact that people can stereotype people. For example, if you are coming from Nigeria and if Nigerians are smuggling drugs, the people assume every Nigerian smuggles drugs. It happens all over the world.

Another challenge, especially our local authorities, would say we don't want them to bring foreign craft but what I tell them they don't understand, if it sells, there is demand for the product otherwise they wouldn't have brought the product into the country if it does not sell.

**Participant Two:** The majority of entrepreneurs sell the same commodities, hence there are too many competition.

**Participant Three:** We have 20 traders at Hout Bay craft market. Out of 20 traders, 15 of them sell the same product. As a result there is too much competition. I told the traders, if they can sell different product, they will make more money. They said it is very difficult to source different stuff because it is handmade.

Participant One's responses are similar to the findings of Peberdy and Crush (1998) and Hunter and Skinner (2001). Both studies found that South Africans are xenophobic because African immigrants are described in the South African media as illegal, uneducated and they take job opportunities, money and women away from South Africans. The other responses align with the findings of Giron *et al.* (2007), that low entry barriers increase the level of competition and it becomes difficult to increase productivity and growth. Furthermore, DEDKZN & SEDA (2007) state that competition of craft product occurs not only within South African businesses but also from international trade with China and India.

**Question 9: What services does the municipality provide to assist entrepreneurs in growing their businesses?**

**Participant One:** Our services that we provide depend on the demand outside. We trying to be demand driven and not supply driven. Usually we go outside and access and see what is needed and then we come and develop a program. Basically is marketing of products, basic business skilled, training and mentorship, access to finance, and how to cost your products.

**Participant Two:** We deliver cleaning services. We communicate with entrepreneurs through the committee members. We provide workshop for informal traders. Informal

traders learn business skilled during this workshop programmes. We also support non-profit organisations which cater for craft businesses in Cape Town.

**Participant Three:** We provide trading space to business people. We also negotiate with traders whenever they have difficulties in paying their monthly fees. We also make sure that they store their products in a safe room.

The respondents agreed that the municipality provides services such as marketing of products, basic business skills training, mentorship, access to finance, how to cost your products, cleaning services and also support non-profit organisations which cater for craft businesses in Cape Town.

**Question 9.1: Do the services provided to local entrepreneurs differ from services provided to immigrant entrepreneurs?**

**Participant One:** No.

**Participant Two:** No.

**Participant Three:** No.

All respondents agreed the service provided to local entrepreneurs does not differ from the services to immigrant entrepreneurs. The finding is contrary to that of Khosa and Kalitanyi (2014:213) who found that local government do not provide financial assistance to immigrant entrepreneurs-owned businesses.

**Question 9.2: If yes, what are the differences?**

**Participant One:** Although you find your immigrant entrepreneurs tend to be very independent, possibly because the country they come from there is no hand-out by the government whereas in South Africa, people have that tendency to ask what the government can do for me. If the immigrant entrepreneurs need something they go and look for it.

**Participant Two:** No differences.

**Participant Three:** No differences.

**Question 10: In your opinion what are the challenges the municipality faces in delivering these services to immigrant entrepreneurs?**

**Participant One:** Currently, we don't have hassles providing services to immigrant entrepreneurs because what immigrants want from us is trading opportunities. So once he got the space seldom he ask for anything.



**Participant Two:** We don't have any problem in delivering services to immigrant entrepreneurs; we have good co-operation with all stall owners in the market.

**Participant Three:** We face the challenge of allocating space to traders. We don't have the power to allocate space because applicants must apply to the Public Works Department in Cape Town and there are lots of waiting lists. If Delft Harbour is responsible for allocating space to applicants I believe it will be very easy for applicants.

Two of the respondents agreed they do not have challenges in delivering services to immigrant entrepreneurs. The above responses are in line with Khosa (2014) who states that the majority of respondents agreed it took only one to two months to get a business location.

#### 4.4.1 Summary of qualitative data

- From the above responses, it is evident that the three respondents have worked for the municipality for a long period.
- From the above responses, all three municipality managers agreed that the role of the municipality is to create an enabling environment for entrepreneurs. Also, to ensure entrepreneurs in the craft market comply with the by-laws of the municipality.
- All three respondents agreed that craft is seen as a broad range of synthetic and natural materials such as carved figures and sculpture, painted calabashes, leather products, beads, fabrics, wire, wooden animals, masks, eggs, skins, paintings etc.
- All the respondents agreed immigrants possibly come from areas where craft is big business and they have the skill to source the craft with reasonable and competitive prices, and lastly, African immigrants start craft businesses because they are unemployed in their countries of origin.
- All respondents agreed entrepreneurs must be in possession of valid documents before applying for a space in the selected craft market.
- All the respondents agreed that it depends on the legal documents and availability of trading space for immigrant entrepreneurs to get a trading space at the selected craft market.
- One of the respondents indicated South Africans are xenophobic and this is a challenge to growth. However, the other respondents pointed to competition.
- The respondents agreed that the municipality provides services and the services provided do not differ between immigrant and local entrepreneurs.
- Two of the respondents agreed they do not have challenges in delivering services to immigrant entrepreneurs. However, one of the participants said the allocation of space is done by a different department.

#### **4.5 Conclusion**

This chapter presented both quantitative and qualitative data.

The first section discussed quantitative data which was obtained from the self-administered questionnaires to African immigrant entrepreneurs at the four selected craft markets. The results which were analysed and interpreted, were presented in tabular form. The demographic variables of the respondents included age, gender, income, marital status and level of education. Other data included the business profile of the respondents, reasons why African immigrant entrepreneurs chose to enter the craft business, challenges faced during the start-up phase as well as challenges during the growth stage of the business.

Qualitative data were presented and interpreted in the second section. Data were gathered from personal interviews with the three municipality managers who were responsible for the selected craft markets. Interview questions probed the role of the municipalities in facilitation of African immigrant entrepreneurs to trade at the selected craft markets.

The quantitative questionnaire and qualitative interview guide were designed to answer the research questions and achieve the research objectives.

Chapter Five provides the conclusion and recommendations for this study.

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The previous chapter discussed data analysis, interpretation and findings. The objective of this study was to determine the factors affecting the growth of African immigrant-owned craft businesses in Cape Town.

This chapter draws conclusions and proposes recommendations to African immigrant entrepreneurs and the municipality managers who manage the selected craft markets.

The preceding chapters are summarised, followed by revisiting the research objectives. Proposed recommendations are made, as well as suggestions for further studies.

#### **5.2 Summary of preceding chapters**

##### *Chapter One*

This chapter introduced the study and gave the background. The research problem and the key questions pertaining to the research were described. The selected concepts were defined and the objectives of the study were delineated. The significance of the study was discussed. Additionally, the chapter explained the research design and methodology employed in the study.

##### *Chapter Two*

Chapter Two reviewed existing literature on the topic. The literature review highlighted the research question which was addressed in previous research. Literature on international experience was investigated to support the research question.

This study probed the reasons why African immigrants chose to enter the craft industry, as well as the factors which affected them when starting their own craft businesses. Also, factors which affect the growth of immigrant-owned craft businesses in the selected markets in the Cape Town area were examined.

Chapter Two was divided into two sections. The first section gave an overview of the craft industry. The push/pull factors of migration were discussed, as well as entrepreneurship and the immigrant entrepreneur. The differences between immigrant venture and non-immigrant venture were scrutinised. Further examined were the importance of immigrant entrepreneurship, the characteristics of necessity and opportunity immigrant entrepreneurs, the profile of immigrant entrepreneurs and theories on immigrant entrepreneurship. The Chrysostome and Arcand theoretical model on survival of necessity immigrant entrepreneurs was discussed in detail.

In the second section, the reasons why African immigrant entrepreneurs chose to enter the craft business were explored. These reasons included high unemployment rates in South Africa, discrimination, abandoned markets, alien status and knowledge with experience gained from previous jobs.

Challenges affecting African immigrant-owned craft businesses during the start-up phase were examined. These included registration and taxation, lack of access to bank loans/finance, social capital, high rentals, limited business space and lack of knowledge of local languages. Further challenges which were addressed were legal documentation, lack of entrepreneurial skills, xenophobia, crime, police harassment and corruption.

### *Chapter Three*

Research design and methodology was discussed in this chapter. The use and relevance of various instruments used for data collection was analysed. Data validity and reliability were discussed, as well as ethical considerations. The methods and procedures followed by the researcher are explained and why they were deemed suitable for the study.

### *Chapter Four*

This chapter contained a data analysis and discussion on the findings. Quantitative data were collected through self-administered questionnaires and qualitative data obtained from personal interviews. Data were presented and analysed in accordance with the research questions. Findings were presented in tabular format, followed by analysis and interpretation. The findings addressed the research question and research objectives of the study, and were compared with literature reviews and other studies.

The findings were presented in two sections. Firstly, the demographic variables of the respondents included owner or major partner in the business, gender; age, marital status, country of birth, operating markets and highest level education completed.

Secondly, the business profile of the respondents included number of years of business existence, frequency of people selling particular craft product, number of employees during the start-up phase, current number of employees, cross tabulation of current number of employees and business startup, turnover per year during the start-up stage, current sales turnover per year, cross tabulation of business startup and current sales turnover per year; and branches or subsidiaries sales turnover per year.

### *Chapter Five*

This chapter concludes the study. Recommendations are made to African immigrant entrepreneurs and municipal authorities. These recommendations give guidance on how to evolve from survivalist or micro businesses, to larger, more financially viable SMEs. The objectives of the research were achieved and the research questions were answered. The

researcher believes that there is a link between the results, the conclusions and recommendations.

### **5.3 Objectives and findings**

The main objective of this study was to determine the factors affecting the growth of African immigrant-owned craft businesses in Cape Town.

The following sub-objectives were formulated to achieve the main objective.

#### **5.3.1 Sub-objective 1:**

*To explore reasons African immigrant entrepreneurs choose to start a craft business.*

The findings were:

- Survival inspired them to start a craft business, as they had no other way of making a living.
- The many tourists in South Africa was the reason why they started a craft business.
- Education was of great assistance when identifying resources to start a craft business;
- To provide employment for South Africans was a motivational factor when starting a craft business.
- Inspired to start businesses because of previous experiences in other industries.
- Previous experience in the craft industry was a motivational factor to start a craft business.
- They started a craft business because many South Africans are not doing craft.
- They were encouraged by members of their community to start a craft business.

#### **5.3.2 Sub-objective 2:**

*To determine the factors affecting African immigrants when they start craft businesses.*

The findings were:

- Finance is a major obstacle to starting a craft business.
- Difficult to acquire a location at the selected craft markets.
- Marketing is a hindering factor to starting a craft business.
- High rental cost of craft space is a challenge to starting a craft business.
- Limited business space was a challenge to starting a business in the selected craft market.
- It took a long time to obtain a stall at the selected craft markets.
- Lack of building a network with customers, suppliers and financial institutions was a challenge during the start-up phase.

- The Department of Home Affairs gives them less than 30 days to stay in South Africa and this was not a challenge when trying to start their businesses.
- It is not difficult to comply with taxation regulations in South Africa.
- Lack of collateral security impedes them when applying for credit facilities and this is a challenge to starting a business.
- Difficult to communicate in Afrikaans and Xhosa and this language barrier was a challenge to starting a business.
- Looting is an additional start-up challenge.
- The cost of obtaining a visa did not add significantly to the cost of starting a craft business.
- The shortage of raw material and the cost of importing international raw material, was not a challenge
- The DTI does not give assistance to African immigrant entrepreneurs.
- The majority of respondents disagreed that taxes are extremely high in South Africa

### 5.3.3 Sub-objective 3:

*To determine the factors inhibiting the growth of African immigrant-owned craft businesses.*

The findings were:

- The seasonal and irregular nature of trade makes it difficult to forecast sales.
- Competition is a constraint to growth.
- Xenophobia is a challenge to growing a business.
- Lack of credit facilities is a challenge to growth.
- Crime is a challenge to growth.
- Lack of product selection and design is a challenge to growth.
- Lack of access to external markets is a challenge to growth.
- Lack of business skills is a challenge to growth.
- The inability to communicate effectively in local languages is not a challenge to growth.
- Managerial weakness is not a challenge to growth.
- Lack of entrepreneurial skills is not a challenge to growth.
- Government administration is not costly and time consuming.
- Lack of support from DTI and local government is not a challenge to growth.
- Transportation of products every day is a challenge to growth.
- Lack of documentation is a challenge to growth
- Lack of access to technology is a challenge to growth

## 5.4 Recommendations

The recommendations are made from the findings, analysis and the concluding remarks. These recommendations will assist African immigrant-owned survivalist and micro businesses to grow and transit to small, medium or formal businesses.

Based on the above findings, the following recommendations are made.

### 5.4.1 Recommendations for municipality managers

#### *Recommendation 1:*

Access to finance was identified as a crucial factor to enable the African immigrant entrepreneurs to start up and grow their craft businesses. Access to finance is vital, especially during the start-up phase, to secure a stall at a craft market, purchase stock, pay wages, advertising,

The majority of respondents stated lack of finance is a start-up challenge. Municipalities support government agencies such as the DTI, and Small Enterprise Finance Agencies (SEFA) and National Youth Development Trust (NYDT). These agencies provide financial assistance to SMMEs across various industrial sectors such as retail and wholesale trade, tourism and the craft industry. However, these agencies do not provide any financial assistance to African immigrant-owned businesses. The researcher recommends intervention by the municipality managers to persuade these financial agencies to extend their funding assistance to include deserving African immigrant entrepreneurs.

Besides financial assistance, the DTI could provide mentorship to African immigrant entrepreneurs.

#### *Recommendation 2:*

Another limiting factor which was identified was the lengthy period of time that it takes to obtain a stall at a craft market. The procedure is complex and applications for stalls take a long time to process.

The researcher recommends that municipality managers should investigate how to speed up the service delivery process. Local government should grant immigrants permits and relax some of the restrictions to allow them to have a stall and do business. The municipality should identify suitable land for SMMEs and informal traders.

#### *Recommendation 3:*

Delays in processing documentation was stated as a challenge. Municipality managers should work closely with the Department of Home Affairs and encourage a speedy process to ensure that African immigrants receive their documentation timeously.

Commercial banks should also not delay in processing loan applications of immigrant entrepreneurs.

*Recommendation 4:*

Lack of building networks with customers, suppliers and financial institutions was stated as a challenge, especially during the start-up phase. The researcher recommends that municipalities should regularly send emails or provide flyers, indicating the date, time and venue of the municipality workshop to all African immigrant entrepreneurs whose applications for stalls were successful. A representative of African immigrants should sit on the committee for designing and organising Informal Survivalist and Micro Summit Municipality Workshops. The municipality should advertise crafters in their newsletter and on their website. The municipality should support business networking with formal and informal, small and large businesses to identify the niche sector.

*Recommendation 5:*

The Department of Home Affairs gives African immigrant entrepreneurs only 30 days to do business in South Africa. The researcher recommends that the municipality managers should persuade the National government to provide business visas valid for longer than 30 days, to African immigrant entrepreneurs to enable them to start up and conduct their businesses.

*Recommendation 6:*

Compliance with taxation regulations was a challenge during the start-up phase. The researcher recommends that municipalities invite representatives of the South African Revenue Services (SARS) to attend the Informal Survivalist and Micro Summit Municipality Workshops and educate African immigrant entrepreneurs on how to complete tax registration forms and on the importance of paying taxes to the government.

*Recommendation 7:*

Difficulty in communicating in local languages (Xhosa and Afrikaans) was stated as a challenge during the start-up phase. The researcher recommends that municipalities employ translators to overcome this problem and encourage African immigrant entrepreneurs.

*Recommendation 8:*

Looting was identified as a major challenge to African immigrant entrepreneurs in the craft markets. Looting is especially prevalent when there are strikes. The researcher recommends that the municipalities should increase security and have police on standby whenever there is a strike to minimise the risk of looting.



*Recommendation 9:*

The seasonal nature of trade is a challenge to do business in open stalls at craft markets. The researcher recommends that the municipality management erect permanent, weather-proof stalls at the selected markets. Permanent structures will help African immigrants by minimising the cost of damages to products caused by wind and rain, especially during the Cape winter months.

*Recommendation 10:*

Competition was identified as a challenge during the growth phase of craft businesses. The researcher recommends that municipality managers accept new applicants only if they bring unique products which are different from the existing products at the craft market. The researcher also recommends that the municipality should organise workshops to educate African immigrant entrepreneurs on the benefits of selling unique products at the craft market.

*Recommendation 11:*

Xenophobia was stated as a challenge to the growth of African immigrant entrepreneur businesses. The researcher recommends that the municipality managers encourage anti-xenophobic sentiment through workshops and advertise the benefits of integrating African immigrant entrepreneurs into the local communities.

*Recommendation 12:*

The municipalities could provide bursaries to African immigrant entrepreneurs to study entrepreneurial skills in local colleges and universities. African immigrant entrepreneurs could benefit from the partnership between municipalities and academic institutions.

*Recommendation 13:*

The majority of African immigrant entrepreneurs at the selected craft markets are males. To address this gender imbalance, the researcher recommends that the municipality management accepts more applications from females than males.

*Recommendation 14:*

The municipalities should actively market the craft markets as prime tourist attractions. This could increase the number of tourists and has the potential to increase sales for the crafters.

*Recommendation 15:*

The municipalities could reduce the daily permit price and subsidise operating costs.

#### 5.4.2 Recommendations for African immigrant entrepreneurs

Finance was identified as the biggest challenge facing African immigrant entrepreneurs during the start-up and growth phase of their craft businesses. The researcher is of the opinion that lack of finance is the most significant challenge to survivalist and micro businesses in developing countries as well as in developed countries.

##### *Recommendation 1:*

African immigrant entrepreneurs should form partnerships with local entrepreneurs. Partnerships would benefit both local and immigrant entrepreneurs by sharing costs and immigrant entrepreneurs could possibly benefit from the grants given to local entrepreneurs by the South African government funding agencies.

Partnerships would also enable skills transfer from African immigrants to locals; reduce crime and xenophobic attacks.

Partnerships would also facilitate networking with customers, suppliers and financial institutions and afford access to collateral security.

##### *Recommendation 2:*

The researcher recommends that African immigrant entrepreneurs form Stokvel associations.

In South Africa, stokvels are clubs of people where members contribute fixed sums of money to a central fund on a weekly, fortnightly or monthly basis and they serve as rotating saving schemes. In West Africa this concept is called *Njangie*. Usually 12 people come together and form an association. Stokvels generally have a constitution which determines the size of the contributions, when the accumulated money is to be paid out and to whom. Each month a different member receives the money in the fund, which was collected during that period. Stokvel associations act as an alternative to Banks or government funding agencies. African immigrant entrepreneurs could also utilise stokvels to access loans.

##### *Recommendation 3:*

Business location has been identified as being of great importance. The respondents indicated that they faced challenges in acquiring strategic locations for their businesses which would ensure their future survival. Municipality managers should improve space creation in strategic areas within Cape Town, particularly areas with high levels of tourist pedestrian traffic.

*Recommendation 4:*

High rental cost of stalls was stated as a significant challenge to growth. The researcher recommends that a representative of the African immigrant entrepreneurs committee seek dialogue with municipality management regarding the rent. The committee member should propose that the rent should be charged according to monthly turnover, for example 5% of the turnover would be reasonable.

*Recommendation 5:*

Limited business space was also identified as a challenge to the growth of African immigrant businesses. The researcher recommends that African immigrant entrepreneurs should utilise the limited space to display samples of merchandise which make high profit and sell fast, rather than low profit, slow-selling items. The remaining merchandise should be stored in a warehouse and if customers are interested, they could be taken to the warehouse to view other items.

*Recommendation 6:*

A challenge was identified regarding shortage of raw material and the cost of importing international raw material. The researcher recommends that African immigrant entrepreneurs should form groups, combine cash and import raw material in bulk. Buying in bulk reduces costs.

*Recommendation 7:*

African immigrant entrepreneurs should attend workshops organised by the municipality. African immigrant entrepreneurs should also enrol for business programmes at the local colleges or universities to improve managerial skills.

*Recommendation 8:*

African immigrant entrepreneurs need to be innovative, design new products and diversify their product range.

## **5.5 Suggestions for future research**

The researcher believes that continuing research will assist in improving current circumstances of African immigrant entrepreneurs and create an environment which is conducive to them starting and growing their craft businesses in South Africa.

- This study focused mainly on factors affecting the growth of African immigrant-owned businesses. The study was limited to handmade craftware sold in four selected craft markets, being Greenmarket Square, Stellenbosch, Franschhoek and Hout Bay. Future studies should focus on other crafts and other craft markets in South Africa.

- This study did not include South African entrepreneurs at the craft markets. Future studies should include South Africans.
- This study found that only 25% of African immigrant-owned businesses have successfully grown from the survivalist and micro phase, to small businesses. Future studies should focus on African immigrant-owned craft businesses which have successfully transitioned from subsistence and micro business to formal economy. The study should identify the personal characteristics of the entrepreneurs.
- Comparative studies should be conducted on African immigrant-owned craft businesses in other countries. This will enable policy-makers to understand African immigrant-owned craft businesses in a more holistic manner.

## **5.6 Conclusion**

As mentioned in the problem statement, a notable proportion of African immigrant-owned survivalist and micro businesses do not grow and develop into small and medium size enterprises (SMEs) in the selected craft markets. Hence, the main objective of this study was to determine the associated factors. The study utilised a mixed method approach to collect and analyse data. The study found that survival and the fact that there are many tourists in South Africa was noted as the main reason why African immigrant entrepreneurs chose to enter the craft business. Finance, difficulty in acquiring a location at the selected craft markets and marketing are hindering factors to starting a craft business. The challenges they encountered during the growth phase of their businesses were: seasonal and irregular nature of trade makes it difficult to forecast sales; competition; and xenophobia. Despite the fact that 25% of African immigrant-owned businesses have been able to transit from survivalist and micro to small and medium enterprises, they are still considered as survivalist and micro businesses. Emanating from the findings of this study, a number of recommendations were made

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# APPENDIX A: CPUT ETHICS APPROVAL CERTIFICATE



P.O. Box 1906 • Bellville 7535 South Africa • Tel: +27 21 6801680 • Email: saliefa@cput.ac.za  
Symphony Road Bellville 7535


Office of the Chairperson Research Ethics Committee	Faculty: <b>BUSINESS</b>
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At a meeting of the Research Ethics Committee on 25 March 2015, Ethics Approval was granted to ASOBA, Samson Nambei (208019987) for research activities Related to the MTech/DTech: MTech: BUSINESS ADMINISTRATION at the Cape Peninsula University of Technology

Title of dissertation/thesis:	Factors affecting the growth of African immigrant-owned businesses in selected craft markets in the Cape Town Metropolitan area of South Africa  Supervisor: Dr R Tengeh & Prof COK Allen-Ile
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Comments:

Decision: **APPROVED**

	25 March 2015
Signed: Chairperson: Research Ethics Committee	Date

Signed: Chairperson: Faculty Research Committee	Date

Clearance Certificate No | 2015FBREC250



**APPENDIX B: CONSENT LETTER – CITY OF CAPE TOWN**

Business Areas Management
21 OCT 2014
Cape Town City Centre

**City Of Cape Town  
Economic Development**

I Emlyn Hammond in my capacity as **Professional Officer** at the **City Of Cape Town – Economic Development** give consent in principle to allow **Samson Asoba** a student at the Cape Peninsula University of Technology, to collect data **applicable to Informal Trading on Greenmarket Square only** as part of his/her M Tech (IT) research. The student has explained to me the nature of his/her research and the nature of the data to be collected.

This consent in no way commits any individual staff member to participate in the research, and it is expected that the student will get explicit consent from any participants. I reserve the right to withdraw this permission at some future time.

In addition, the company's name may or may not be used as indicated below. (Tick as appropriate.)

	Thesis	Conference paper	Journal article	Research poster
Yes	x			
No		x	x	x

Mr E. Hammond

20 October 2014

## APPENDIX C: CONSENT LETTER – STELLENBOSCH MUNICIPALITY



**STELLENBOSCH**  
STELLENBOSCH • PNIEL • FRANSCHHOEK  
MUNISIPALITEIT • UMASIPALA • MUNICIPALITY

Stellenbosch Municipality

Local Economic development & Tourism

Tell: 021 808 8173

Acting Manager

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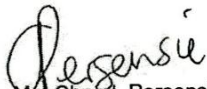
Cheryl. Persensie @ Stellenbosch. Gov.za

I Cheryl Persensie, in my capacity as acting led manager at Stellenbosch municipality give consent in principle to allow Asoba Samson Nambei, a student at the Cape Peninsula University of Technology, to collect data in this company as part of his/her M.Tech (IT) research. The student has explained to me the nature of his/her research and the nature of the data to be collected.

This consent in no way commits any individual staff member to participate in the research, and it is expected that the student will get explicit consent from any participants. I reserve the right to withdraw this permission at some future time.

In addition, the company's name may or may not be used as indicated below. (Tick as appropriate.)

	Thesis	Conference paper	Journal article	Research poster
Yes	√	√	√	√
No				

  
Ms. Cheryl Persensie

Acting LED Manager

Signature and Stamp

17 November, 2014/2015

## APPENDIX D: QUESTIONNAIRE COVERING LETTER



Dear Sir/ Madam

### Request for you to participate in a survey - questionnaire

I am a registered Masters student at the Cape Peninsula University of Technology, department of Graduate Centre for Management. I am conducting research. The title of the research is: Factors affecting the growth of African immigrant-owned craft businesses in selected craft markets in the Cape Metropolitan Area of South Africa.

The general objective of the study is to determine the factors affecting the growth of African immigrant-owned craft business in the Cape Metropolitan Area.

Please be accurate, honest and complete the whole questionnaire. This will take approximately 45 minutes of your time. Should you have any questions or require additional information, feel free to contact Dr R.K. Tengeh at 0825408558 (Supervisor), Prof Allen-Ile 0737447045 (Co-supervisor) or myself (the researcher) at 0735913125.

### Consent to participate in the study (Please place an X in the appropriate box only)

1) I understand that my participation in the study is entirely voluntary and that I am free to stop at any time.	Yes		No	
2) I understand that I cannot be identified by my answers and that my answers cannot be linked to me.	Yes		No	
3) I understand that I do not have to answer any question I do not wish to answer for any reason.	Yes		No	
4) I agree that the information I give may be used in research and that this research will not reveal my personal identity.	Yes		No	
5) I understand the information regarding my participation in the study and agree to participate.	Yes		No	

Thank you in advance for your co-operation in my research.

Yours sincerely

Dr. R.K. Tengeh (Supervisor researcher)      Mr. S.N. Asoba (Researcher)

Prof. Allen-Ile (Co-supervisor)

## APPENDIX E: QUESTIONNAIRE

### SECTION A: DEMOGRAPHIC INFORMATION

**(Please place an X in the appropriate box only)**

1. Are you the owner or major partner in the business?

Yes		No	
-----	--	----	--

**If your answer to question 1 is "no", kindly refer me to the owner or major partner.**

2. Has your business existed for more than 3.5 years?

Yes		No	
-----	--	----	--

**If your answer to question 2 is "no", please do not proceed.**

3. Gender:

Male		Female	
------	--	--------	--

4. Age group:

Below 20 years		20 to 40 years		41 to 60 years		Over 60 years	
----------------	--	----------------	--	----------------	--	---------------	--

5. Marital status:

Single		Married		Divorced		Widowed	
--------	--	---------	--	----------	--	---------	--

6. Country of birth:

Angola		Ghana		Sudan	
Burundi		Kenya		South Sudan	
Cameroon		Lesotho		Swaziland	
DRC (Kinshasa)		Malawi		Tanzania	
DRC (Brazzaville)		Mozambique		Uganda	
Ethiopia		Namibia		Zambia	
Egypt		Nigeria		Zimbabwe	
Equatorial Guinean		Rwanda		Other (specify)	

If you answered "Other" above, please specify:

.....

7. At which craft market is your business located?

Stellenbosch	
Greenmarket Square	
Franschhoek	
Hout Bay	

8. What is the highest level of education you have completed?

No formal education		Bachelor's degree	
Primary school		Master's degree	
Secondary/High school		PhD degree	
University		Other (Specify)	

If you answered "Other" above, please specify:

.....

**SECTION B: BUSINESS PROFILE**

8. In what year was the business started? .....

9. In what type of craft business are you involved? (**may be multiple answers**)

Marks		Wire craft		T-shirt/caps	
Carve stone		Baskets		Postcards	
Dolls		Batik		Painting	
Wooden animals		Animal skin		Drums	
Jewellery		Clothing /shoes		Other (specify)	
Frames		Bags/wallets			

If you answered "Other" above, please specify:

.....

10. How many employees did you have when you started your business?

Alone	
2-4	
5-19	
20-49	
50-199	

11. How many employees do you currently have?

Alone	
2-4	
5-19	
20-49	
50-199	

12. What was your sales turnover per year, when you started your business?

Less than R50,000	
R50,001 – R200,000	
R200,001 – R5,000,000	
R5,000,001 – R6,000,000	
R6,000,001 – R15,000,000	

13. What is your current sales turnover per year?

Less than R50,000	
R50,001 – R200,000	
R200,001 – R5,000,000	
R5,000,001 – R6,000,000	
R6,000,001 – R15,000,000	

14. Do you have any branches or subsidiaries?

Yes		No	
-----	--	----	--

If your answer to question 14 is "Yes", please complete Question 15

15. What is the branch or subsidiary sales turnover per year?

Less than R50,000	
R50,001 – R200,000	
R200,001 – R5,000,000	
R5,000,001 – R6,000,000	
R6,000,001 – R15,000,000	

**SECTION C: IMPORTANCE OF FACTORS INFLUENCING YOUR DECISION TO START A CRAFT BUSINESS?**

Please respond by marking the appropriate box with an X (only one answer per question)

	<b>STATEMENT</b>	<b>No importance</b>	<b>Some importance</b>	<b>Moderate importance</b>	<b>Very important</b>	<b>Extremely important</b>
16	I was discriminated against in the labour market	1	2	3	4	5
17	I started a craft business because of lack of employment in South Africa	1	2	3	4	5
18	I had a job but I was underpaid	1	2	3	4	5
19	I started my craft business because I want to survive	1	2	3	4	5
20	I started a craft business because I am an artist	1	2	3	4	5
21	I was encouraged to start a craft business by a member of my ethnic community	1	2	3	4	5
22	I was not encouraged by anyone	1	2	3	4	5
23	My previous experience in other industries was of great assistance to me in starting a craft business	1	2	3	4	5
24	My previous experience in the craft industry was of great assistance to me in starting a craft business	1	2	3	4	5
25	The level of education has been of great assistance to identify the resources to start a craft business	1	2	3	4	5
26	I started a craft business because many South Africans are not doing craft business	1	2	3	4	5
27	I started a craft business because there are many tourists in South Africa	1	2	3	4	5
28	I wanted to provide employment for other people from my home country	1	2	3	4	5
29	I wanted to provide employment for South Africans	1	2	3	4	5

30. Besides the factors mentioned above, did any other factors influence you to start a craft business? Please specify.

.....

.....



## SECTION D: CHALLENGES FACED DURING START-UP PHASE OF CRAFT BUSINESS

Please respond by marking the appropriate box with an X (only one answer per question)

	STATEMENT	No importance	Some importance	Moderate importance	Very important	Extremely important
31	The cost of obtaining a visa adds significantly to the cost of starting a business in South Africa	1	2	3	4	5
32	I was given less than 30 days by the Department Home Affairs to stay in South Africa	1	2	3	4	5
33	I did not receive assistance from the Department of Trade and Industry.	1	2	3	4	5
34	Long time taken to process my application to obtain a stall at the craft market	1	2	3	4	5
35	It is very difficult to comply with taxation regulations in South Africa	1	2	3	4	5
36	Taxes are extremely high	1	2	3	4	5
37	I had no knowledge of how to register a business	1	2	3	4	5
38	Lack of collateral security to apply for credit facility	1	2	3	4	5
39	Finance is a major obstacle to start a business	1	2	3	4	5
40	High rental of craft business space	1	2	3	4	5
41	It was difficult to communicate in Afrikaans and Xhosa	1	2	3	4	5
42	Lack of building a network with customers, suppliers and financial institutions	1	2	3	4	5
43	Limited business space is a challenge to start a business in the craft market.	1	2	3	4	5
44	It is very difficult to acquired business location in the craft market	1	2	3	4	5
45	Challenge to market and marketing	1	2	3	4	5
46	International challenge relating to raw material cost and shortage	1	2	3	4	5

47. Besides the problems mentioned above, what other problems did you face when starting your craft business?

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## SECTION E: CHALLENGES FACED DURING GROWTH PHASE OF CRAFT BUSINESS

Please respond by marking the appropriate box with an X (only one answer per question)

	STATEMENT	No importance	Some importance	Moderate importance	Very important	Extremely important
48	Xenophobia is a challenge to growing my business	1	2	3	4	5
49	Government administration is costly and time-consuming	1	2	3	4	5
50	Lack of credit facility is a challenge to the growth of my business	1	2	3	4	5
51	Inability to communicate effectively in local languages is a challenge to growth	1	2	3	4	5
52	I experience lack of support from the DTI and local government	1	2	3	4	5
53	Competition is a constraint to growth	1	2	3	4	5
54	Crime is a challenge to growth	1	2	3	4	5
55	The seasonal and irregular nature of trade make it difficult to forecast growth	1	2	3	4	5
56	Lack of entrepreneurial skills is a challenge to growth	1	2	3	4	5
57	Lack of documentation is a challenge to growth	1	2	3	4	5
58	Lack of access to technology is a challenge to growth	1	2	3	4	5
59	Managerial weakness is a challenge to growth	1	2	3	4	5
60	Lack of access to external market is a challenge to growth	1	2	3	4	5
61	Lack of access to business skills is a challenge to growth	1	2	3	4	5
62	Lack of product selection and design is a challenge to growth	1	2	3	4	5

63. Besides the challenges mentioned above, what other challenges do you face in growing your craft business?

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.....

.....

.....

**THANK YOU FOR YOUR TIME.**

## APPENDIX F: INTERVIEWCOVERING LETTER



**Dear Sir/ Madam**

### **Request for you to participate in an interview**

I am a registered Masters student at the Cape Peninsula University of Technology, department of Graduate Centre for Management. I am conducting research. The title of the research is: Factors affecting the growth of African immigrant-owned craft businesses in selected craft markets in the Cape Metropolitan Area of South Africa.

The general objective of the study is to determine the factors affecting the growth of African immigrant-owned craft business in the Cape Metropolitan Area.

### **Consent to participate in the study (Please place an X in the appropriate box only)**

1) I understand that my participation in the study is entirely voluntary and that I am free to stop at any time.	<b>Yes</b>		<b>No</b>	
2) I understand that I cannot be identified by my answers and that my answers cannot be linked to me.	<b>Yes</b>		<b>No</b>	
3) I understand that I do not have to answer any question I do not wish to answer for any reason.	<b>Yes</b>		<b>No</b>	
4) I agree that the information I give may be used in research and that this research will not reveal my personal identity.	<b>Yes</b>		<b>No</b>	
5) I have understood the information regarding my participation in the study and agree to participate.	<b>Yes</b>		<b>No</b>	

Thank you in advance for your co-operation in my research.

Yours sincerely

Dr. R.K. Tengeh (Supervisor of researcher)  
Email: [tengehr@cput.ac.za](mailto:tengehr@cput.ac.za)  
Tel: +27 21 460 3450  
Cell: 082 640 8558

Mr. S.N. Asoba (Researcher)  
Email: [asobasamson@gmail.com](mailto:asobasamson@gmail.com)

Prof. C Allen-Ile (Co-supervisor of researcher)  
Email: [callenile@uwc.ac.za](mailto:callenile@uwc.ac.za)

## APPENDIX G: INTERVIEW SCHEDULE

### Interview Guide

Research questions	Interview guide questions
<p><b><u>Main Research Question</u></b></p> <p>What are the factors affecting the growth of African immigrant-owned craft business in Cape Town</p>	
<p><b><u>Demographic Question</u></b></p>	<p>1) How long have you been the Local Economic Development (LED) manager of the municipality?</p> <p>2) Please describe the role of the LED municipality manager in craft markets.</p>
<p><b><u>Sub-research Question 1</u></b></p> <p>Why do African immigrants choose the craft industry?</p>	<p>3) In your opinion, what does the craft business involve?</p> <p>4) In your opinion, why do immigrant entrepreneurs choose craft business?</p>
<p><b><u>Sub-research Question 2</u></b></p> <p>What are the challenges faced by immigrant entrepreneurs when they start craft businesses?</p>	<p>5) What are the requirements to obtain trading space in your municipality?</p> <p>5.1) Do the requirements differ for local entrepreneurs and immigrant entrepreneurs?</p> <p>6) Are legal documents a prerequisite of conducting business in the craft market?</p> <p>6.1) If yes, what are the legal documents required for immigrant entrepreneurs to conduct business in the craft market?</p> <p>7) How long does it take for immigrant entrepreneurs to obtain trading space in the craft market?</p>

Research questions	Interview guide questions
	<p>8) Beside those mentioned above, in your opinion, what other challenges does an immigrant entrepreneur face in conducting a business at a craft market?</p>
<p><b><u>Sub-research Question 3</u></b></p> <p>What are the factors that inhibit the growth of immigrant-owned craft businesses?</p>	<p>9) In your opinion, what are the challenges immigrant entrepreneurs face in trying to grow their businesses?</p> <p>9.1) What services does the municipality provide to assist entrepreneurs in growing their businesses?</p> <p>9.2) Do the services provided to local entrepreneurs differ from services provided to immigrant entrepreneurs?</p> <p>9.3) If yes, what are the differences?</p> <p>10) In your opinion what are the challenges the municipality faces in delivering these services to immigrant entrepreneurs?</p>

**THANK YOU FOR YOUR TIME.**

## APPENDIX H: LETTER FROM GRAMMARIAN

22 Krag Street  
Napier  
7270  
Overberg  
Western Cape

November 2015

### EDITING & PROOFREADING

Cheryl M. Thomson

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### ***FACTORS AFFECTING THE GROWTH OF AFRICAN IMMIGRANT-OWNED BUSINESSES IN SELECTED CRAFT MARKETS IN CAPE TOWN***

This is to confirm that the above-titled Master's thesis of SAMSON NAMBEI ASOBA, student number 208019987, at the CAPE PENINSULA UNIVERSITY OF TECHNOLOGY, was edited (language and technical) by Cheryl Thomson in preparation for submission of thesis for assessment.

Yours faithfully

CHERYL M. THOMSON

e-mail: [cherylthomson2@gmail.com](mailto:cherylthomson2@gmail.com)

cell: 0826859545