



Cape Peninsula  
University of Technology

**CHALLENGES OF ENTREPRENEURSHIP IN NORTHERN KWAZULU-NATAL: A  
CASE STUDY OF EDUMBE MUNICIPALITY**

by

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## ABSTRACT

Most of the world economies view entrepreneurship as an integral aspect of economic development and the fight against the scourge of unemployment. Faced with a high unemployment rate, a highly unequal society and a largely youthful population, South Africa is no exception in its approach to entrepreneurship. The study looked into the challenges faced by entrepreneurs in a largely rural setting, as most studies concentrate on the more urban areas. The aim of the study was to determine the challenges of entrepreneurs in eDumbe municipality that affect the growth and sustainability of their enterprises.

For this study, a quantitative approach was adopted. A questionnaire and purposive sampling was used for data collection from small, micro and medium enterprises in both the formal and informal sectors. The SPSS software package was employed for the analysis and presentation of the data.

The results show that the bulk of small businesses started with entrepreneurs having little or no education, struggling to make it past the start-up phase. It has been found that male entrepreneurs seem to be more formally educated compared to their female counterparts. Yet, female entrepreneurs are more likely to receive external funding when compared to male entrepreneurs. The results also reveal that the majority of SMEs perceive access to external finance to be a challenge. Only a small percentage of SME owners/managers knew of existing business funding institutions in the area.

It furthermore emerged that the ability of an enterprise to receive external finance is influenced by whether it operates in the formal or informal sector of the economy. The majority of entrepreneurs are 'necessity entrepreneurs' due to a lack of opportunities and skills. Entrepreneurs tend to concentrate on the retail and services sectors, while most of them run their own businesses. For enterprises to be sustainable the majority of entrepreneurs highlighted the need for reliable suppliers and better infrastructure as being the most critical, while for business growth, cheaper cost of communication and access to external financial assistance were their most pressing needs.

The study concluded that for interventions to be more effective, they should be tailored to the education levels and requirements of the intended beneficiaries. Gender plays a role in the levels of formal education of entrepreneurs. Formal education also influences the economic sector in which entrepreneurs operate. Financial institutions should ensure that they market their products effectively and be visible to their clientele, as most are unaware of their

existence.

Furthermore, for SMMEs to be sustainable the focus needs to be on the entire value chain, as the unreliability of supplies is deemed as the utmost challenge, followed by the need for improved infrastructure.

**Keywords:** Rural entrepreneurship, SMMEs, access to finance, external funding, management skills, infrastructure.

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## **DEDICATION**

This dissertation is dedicated to my late parents, Enoch and Busisiwe Mthethwa, who have always supported, advised and encouraged me to be the best I can be. You are missed but never forgotten as you are always in our hearts.

# TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>ABSTRACT</b> .....	<b>iii</b>
<b>ACKNOWLEDGEMENTS</b> .....	<b>v</b>
<b>DEDICATION</b> .....	<b>vi</b>
<b>TABLE OF CONTENTS</b> .....	<b>vii</b>
<b>LIST OF FIGURES</b> .....	<b>xiii</b>
<b>LIST OF TABLES</b> .....	<b>xiv</b>
<b>ABBREVIATIONS AND ACRONYMS</b> .....	<b>xviii</b>
<b>CHAPTER 1: INTRODUCTION</b> .....	<b>1</b>
1.1 Introduction .....	1
1.2 Background to the research problem.....	1
1.3 Problem statement .....	4
1.4 Research questions .....	4
1.4.1 Main research question .....	4
1.4.2 Sub-research questions .....	5
1.5 Research aim and objectives .....	5
1.5.1 Research.....	5
1.5.2 Objectives .....	5
1.6 Reliability and validity .....	5
1.6.1 Reliability.....	5
1.6.2 Validity .....	6
1.7 Ethical considerations .....	6
1.8 Delineation of research .....	6
1.9 Significance of research .....	7
1.10 Research outcomes .....	8
1.11 Outline of the study .....	8
1.12 Conclusion .....	8
<b>CHAPTER 2: LITERATURE REVIEW</b> .....	<b>10</b>
2.1 Overview of entrepreneurship .....	10
2.2 Entrepreneur .....	11
2.2.1 Types of entrepreneurship .....	11
2.2.1.1 Corporate entrepreneurship .....	12

2.2.1.2	Educational entrepreneurship.....	12
2.2.1.3	Entrepreneurship education .....	12
2.2.1.4	Family entrepreneurship.....	12
2.2.1.5	Green entrepreneurship .....	13
2.2.1.6	Inclusive entrepreneurship. ....	13
2.2.1.7	Rural entrepreneurship.....	13
2.2.1.8	Social entrepreneurship .....	13
2.2.1.9	Sustainable entrepreneurship.....	14
2.2.1.10	Women entrepreneurship.....	14
2.2.2	Types of entrepreneurs .....	16
2.2.2.1	Corporate entrepreneurship .....	16
2.2.2.2	Gazelle entrepreneurs.....	16
2.2.2.3	Nascent entrepreneurs.....	16
2.2.2.4	Necessity entrepreneurs .....	17
2.2.2.5	Novice entrepreneurs.....	17
2.2.2.6	Opportunity entrepreneurs .....	17
2.2.2.7	Portfolio entrepreneurs.....	17
2.2.2.8	Serial entrepreneurs.....	17
2.3	Distinction between entrepreneurship or small business .....	18
2.3.1	Innovation .....	18
2.3.2	Strategic objectives .....	18
2.3.3	Potential for growth .....	19
2.4	The formal sector .....	19
2.4.1	Entrepreneurship in America.....	20
2.4.2	Entrepreneurship in Asia.....	20
2.4.3	Entrepreneurship in Africa.....	21
2.4.4	Entrepreneurship in South Africa.....	23
2.5	The informal sector .....	24
2.5.1	The informal sector of America.....	25
2.5.2	The informal sector of Asia.....	26
2.5.3	The informal sector of Africa .....	27
2.5.4	The informal sector of South Africa .....	28
2.6	Challenges of entrepreneurship .....	29
2.6.1	Access to finance .....	29
2.6.2	Infrastructure.....	30
2.6.3	Education and managerial skills .....	30
2.7	Probable factors causing low entrepreneurship in eDumbe.....	31



2.7.1	Competition.....	32
2.7.2	Crime and corruption.....	33
2.7.3	Culture and gender .....	33
2.7.4	Electricity.....	34
2.7.5	Access to finance.....	34
2.7.6	Infrastructure.....	35
2.7.7	Taxes and government regulations .....	35
2.8	Conclusion .....	35
<b>CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY .....</b>		<b>37</b>
3.1	Introduction .....	37
3.2	Research philosophy.....	37
3.3	Research design .....	38
3.4	Research methodology .....	39
3.4.1	Study area and justification .....	40
3.4.2	Population study.....	41
3.4.3	Eligibility criteria .....	41
3.4.4	Sampling frame.....	41
3.4.5	Sampling methods .....	42
3.4.6	Sample size .....	42
3.4.7	Data collection .....	43
3.4.8	Data collection instrument.....	43
3.4.9	Questionnaire.....	43
3.4.10	Pre-testing of instrument .....	44
3.4.11	Administering the questionnaire .....	44
3.4.12	Actual data collection .....	45
3.4.13	Data coding.....	45
3.4.14	Data analysis .....	45
3.4.14.1	Frequency distribution.....	45
3.4.14.2	Descriptive statistics.....	46
3.4.14.3	Inferential statistics.....	46
3.4.14.4	Chi-square test.....	46
3.4.15	Secondary data collection .....	46
3.5	Reliability and validity .....	47
3.5.1	Reliability.....	47
3.5.2	Validity .....	47
3.6	Ethical considerations .....	47

3.6.1	Informed consent and voluntary participation .....	48
3.6.2	Protection of respondents from deception and harm .....	48
3.6.3	Privacy, confidentiality and anonymity .....	49
3.6.4	Copy right and plagiarism.....	49
3.7	Delineation of research .....	49
3.7.1	The boundaries of the research.....	49
3.7.2	Limitations and challenges .....	50
3.7.3	Data collection .....	50
3.7.4	Hiding information .....	50
3.8	Conclusion .....	50

**CHAPTER 4: DATA PRESENTATION AND DISCUSSION OF RESULTS ..... 51**

4.1	Introduction .....	51
4.2	Frequency analysis .....	51
4.2.1	Demographic information of entrepreneurs .....	51
4.2.2	Respondents gender.....	51
4.2.3	Respondent age.....	52
4.2.4	Owner-manager education.....	53
4.2.5	Marital status of owner-managers .....	55
4.2.6	Owner-manager previous employment.....	56
4.2.7	Alternative employment of owner-managers .....	56
4.2.8	Reason of owner-manager employment.....	57
4.2.9	Owner-manager family status.....	58
4.2.10	Owner-manager dependents.....	58
4.2.11	Owner-manager dependent qualifications .....	59
4.3	Basic business status.....	60
4.3.1	Industries in which entrepreneurs operate.....	60
4.3.2	Role in the business.....	61
4.3.3	Years of entrepreneurial experience.....	61
4.3.4	Businesses started by respondent .....	62
4.3.5	Businesses owned by respondent.....	63
4.3.6	Years running current business.....	64
4.3.7	Business registration status .....	64
4.3.8	Reason for owning current business .....	65
4.3.9	Number of people employed .....	66
4.3.10	Business accounting system .....	67
4.3.11	Business plan.....	67

4.3.12	Business location .....	68
4.3.13	Business turnover .....	68
4.4	Access to finance and other financial services .....	69
4.4.1	Access to finance .....	69
4.4.2	Funding institutions .....	71
4.4.3	External funding .....	71
4.4.4	External funder.....	72
4.4.5	No external funding .....	73
4.4.6	Interest rates .....	73
4.4.7	Lack of collateral .....	75
4.5	Cost of doing business .....	76
4.5.1	Rates and taxes .....	76
4.5.2	Cost of transport.....	77
4.5.3	Communication costs .....	78
4.5.4	Transport costs .....	79
4.5.5	Telephone or cell phone costs.....	80
4.5.6	Internet and data costs.....	81
4.5.7	Electricity billing.....	82
4.5.8	Water billing .....	83
4.5.9	Rental and business premises .....	84
4.6	Accessibility to services.....	85
4.6.1	Mode of transport.....	85
4.6.2	Relationship with suppliers.....	86
4.6.3	Years with suppliers .....	87
4.6.4	Requirements for business growth .....	89
4.6.5	Requirements for business sustainability .....	90
4.7	Challenges to entrepreneurial support and infrastructure .....	92
4.7.1	Government assistance.....	92
4.7.2	Private sector assistance .....	93
4.7.3	Municipal assistance .....	95
4.7.4	Transport efficiency and infrastructure .....	96
4.7.5	Electricity supply .....	97
4.7.6	Water supply .....	98
4.8	Education levels and managerial skills .....	99
4.8.1	Education and Training .....	99
4.8.2	Entrepreneurial skills .....	101
4.8.3	Management skills .....	102

4.8.4	Business experience .....	103
4.8.5	Market opportunities.....	104
4.9	Formal and informal economic sector access to services.....	105
4.10	Formal and informal economic sector challenges.....	111
4.11	Conclusion .....	120
<b>CHAPTER 5: RESULTS IN RELATION TO RESEARCH OBJECTIVES .....</b>		<b>121</b>
5.1	Introduction .....	121
5.1.1	Objective 1 Accessibility to financial services.....	121
5.2	Objective 2 Infrastructure challenges and entrepreneurial support .....	124
5.3	Objective 3 Managerial skills and educational levels .....	127
5.3.1	Education level and managerial competencies.....	128
5.9	Conclusion .....	131
<b>CHAPTER 6: CONCLUSION AND RECOMMENDATIONS .....</b>		<b>133</b>
6.1	Introduction .....	133
6.2	Summary of preceding chapters.....	133
6.2.1	Chapter 1 .....	133
6.2.2	Chapter 2 .....	133
6.2.3	Chapter 3 .....	133
6.2.4	Chapter 4 .....	134
6.2.5	Chapter 5 .....	134
6.3	Objectives and findings .....	134
6.3.1	Objective 1 .....	134
6.3.2	Objective 2.....	134
6.3.3	Objective 3.....	135
6.4	Recommendations .....	135
6.5	Limitations of the study.....	136
6.6	Suggestions for future studies.....	136
6.7	Conclusion .....	137
<b>REFERENCES .....</b>		<b>138</b>
<b>APPENDIX A: QUESTIONNAIRE .....</b>		<b>161</b>
<b>APPENDIX B: LETTER OF CONSENT.....</b>		<b>169</b>

## LIST OF FIGURES

Figure 3.1: Research Onion .....	39
Figure 3.2: Questionnaire planning stages (adapted from Roopa & Rani, 2012:273) .....	44

## LIST OF TABLES

Table 1.1: Chapter layout.....	8
Table 2.1: Definitions of entrepreneurship.....	15
Table 2.2: Classification of firms .....	19
Table 2.3: Distribution of SMMEs in the formal and informal sectors by Province .....	24
Table 2.4: Employment by KZN district municipalities .....	32
Table 3.1: Positivist and interpretivist paradigms .....	38
Table 3.2: Difference between qualitative and quantitative methods.....	40
Table 4.1: Gender of respondent .....	51
Table 4.2: Age of respondent.....	52
Table 4.3: Education status of respondent .....	53
Table 4.4: Cross tabulation education level and gender.....	54
Table 4.5: Cross tabulation education level and age group.....	55
Table 4.6: Marital status of respondent.....	55
Table 4.7: Previous employment of respondent .....	56
Table 4.8: Employment search by respondent .....	57
Table 4.9: Reason for respondent unemployment.....	58
Table 4.10: Breadwinner status .....	58
Table 4.11: Dependents of respondent .....	59
Table 4.12: Highest qualification of respondent dependent.....	59
Table 4.13: Focus area of business .....	60
Table 4.14: Respondent role in business .....	61
Table 4.15: Respondent years of being entrepreneur .....	62
Table 4.16: Number of businesses started by respondent .....	62
Table 4.17: Current businesses owned by respondent.....	63
Table 4.18: Number of years running current business .....	64
Table 4.19: Current business registration.....	65
Table 4.20: Gender and business legal status of owner-managers.....	65
Table 4.21: Respondent reason for running current business .....	66
Table 4.22: Number of people employed in business.....	66
Table 4.23: Business has accounting system .....	67
Table 4.24: Business plan for current business.....	67
Table 4.25: Satisfaction with business location .....	68
Table 4.26: Annual turnover of the business .....	68

Table 4.27: Cross tabulation of annual business turnover and gender .....	69
Table 4.28: Lack or inadequate access to finance .....	70
Table 4.29: Cross tabulation lack of access to finance and gender .....	70
Table 4.30: Funding institutions respondent is aware of in the area .....	71
Table 4.31: Cross tabulation of funding institution and gender .....	71
Table 4.32: Cross tabulation of external business funding received and gender .....	72
Table 4.33: Cross tabulation of external funder of business and gender .....	72
Table 4.34: Cross tabulation of reason for no external funding and gender.....	73
Table 4.35: High interest rates charged by institutions .....	74
Table 4.36: Cross tabulation gender and high interest rates .....	74
Table 4.37: Lack of collateral to obtain loan .....	75
Table 4.38: Cross tabulation lack of collateral and gender .....	75
Table 4.39: High rates and taxes associated with business operation.....	76
Table 4.40: Cross tabulation of business rates and taxes and gender .....	77
Table 4.41: Cost of transport per month.....	77
Table 4.42: Cross tabulation of cost of transport and gender .....	78
Table 4.43: Amount spent monthly on landline, cell, internet, fax.....	78
Table 4.44: Cross tabulation of cost of communication and gender .....	79
Table 4.45: High transport costs .....	79
Table 4.46: Cross tabulation of high transport cost and gender .....	80
Table 4.47: High telephone or cell phone costs.....	80
Table 4.48: Cross tabulation of high telephone and cell phone costs and gender .....	81
Table 4.49: High internet and data costs.....	81
Table 4.50: Cross tabulation of high internet and data costs and gender .....	82
Table 4.51: High electricity costs/billing .....	82
Table 4.52: Cross tabulation of high electricity/billing costs and gender .....	83
Table 4.53: High water costs/billing.....	83
Table 4.54: Cross tabulation of high water billing/cost and gender.....	84
Table 4.55: High rental cost or lack of adequate business premises .....	84
Table 4.56: Cross tabulation of rental and business premises and gender.....	85
Table 4.57: Respondent preferred mode of transport.....	86
Table 4.58: Cross tabulation of preferred mode of transport and gender .....	86
Table 4.59: Respondent relationship with suppliers .....	87
Table 4.60: Cross tabulation of relationship with supplier and gender.....	87
Table 4.61: Relationship in years with suppliers.....	88
Table 4.62: Cross tabulation of years with supplier and gender .....	88
Table 4.63: Requirements to grow the business .....	89

Table 4.64: Cross tabulation of business growth requirement and gender .....	90
Table 4.65: Requirements to make business sustainable .....	91
Table 4.66: Cross tabulation of business sustainability requirement and gender.....	92
Table 4.67: Lack of assistance from government agencies and departments .....	93
Table 4.68: Cross tabulation lack of access to government assistance and gender .....	93
Table 4.69: Lack of assistance from private agencies/institutions .....	94
Table 4.70: Cross tabulation lack of private sector assistance and gender .....	94
Table 4.71: Lack or inadequate assistance from local municipality .....	95
Table 4.72: Cross tabulation lack of access to municipal services and gender.....	95
Table 4.73: Poor transport efficiency and infrastructure .....	96
Table 4.74: Cross tabulation of transport efficiency and infrastructure and gender .....	97
Table 4.75: Unreliable or none existent electricity supply .....	97
Table 4.76: Cross tabulation of unreliable electricity supply and gender .....	98
Table 4.77: Unreliable or none existent water supply .....	99
Table 4.78: Cross tabulation of unreliable water supply and gender .....	99
Table 4.79: Lack of education and training.....	100
Table 4.80: Cross tabulation of a lack of education and training and gender.....	100
Table 4.81: Lack of entrepreneurial skills .....	101
Table 4.82: Cross tabulation of a lack of entrepreneurial skills and gender .....	101
Table 4.83: Lack of management skills .....	102
Table 4.84: Cross tabulation of a lack of management skills and gender .....	102
Table 4.85: Lack of business experience .....	103
Table 4.86: Cross tabulation of a lack of business experience and gender .....	103
Table 4.87: Lack of market opportunities .....	104
Table 4.88: Cross tabulation of a lack of market opportunities and gender .....	105
Table 4.89: Cross tabulation of funding institution and business .....	105
Table 4.90: Cross tabulation of external funding received and business .....	106
Table 4.91: Cross tabulation of external funder and business type .....	106
Table 4.92: Cross tabulation of reason for no external funding and business.....	106
Table 4.93: Cross tabulation of preferred mode of transport and business.....	107
Table 4.94: Cross tabulation of cost of transport and business .....	107
Table 4.95: Cross tabulation of cost of communication and business .....	108
Table 4.96: Cross tabulation of annual business turnover and business .....	108
Table 4.97: Cross tabulation of relationship with supplier and business .....	109
Table 4.98: Cross tabulation of years with supplier and business .....	109
Table 4.99: Cross tabulation of business growth requirement and business .....	110
Table 4.100: Cross tabulation of business sustainability requirement and business.....	110



Table 4.101: Cross tabulation lack of access to government assistance and business .....	111
Table 4.102: Cross tabulation lack of private sector assistance and business .....	111
Table 4.103: Cross tabulation lack of municipal assistance and business .....	112
Table 4.104: Cross tabulation lack of access to finance and business .....	112
Table 4.105: Cross tabulation high interest rates and business .....	113
Table 4.106: Cross tabulation lack of collateral and business .....	113
Table 4.107: Cross tabulation lack of education and training and business.....	114
Table 4.108: Cross tabulation of lack of entrepreneurial skills and business .....	114
Table 4.109: Cross tabulation of lack of management skills and business .....	115
Table 4.110: Cross tabulation of lack of business experience and business .....	115
Table 4.111: Cross tabulation of lack of market opportunities and business .....	116
Table 4.112: Cross tabulation of high transport cost and business.....	116
Table 4.113: Cross tabulation of transport efficiency and infrastructure and business.....	117
Table 4.114: Cross tabulation of high telephone and cell phone costs and business .....	117
Table 4.115: Cross tabulation of high electricity/billing costs and business .....	117
Table 4.116: Cross tabulation of unreliable electricity supply and business .....	118
Table 4.117: Cross tabulation of unreliable water supply and business .....	118
Table 4.118: Cross tabulation of high water costs/billing and business .....	119
Table 4.119: Cross tabulation of high rental cost or lack of premises and business .....	119
Table 4.120: Cross tabulation of high business rates and taxes and business .....	119
Table 4.121: Cross tabulation of high data and internet cost and taxes and business.....	120
Table 5.1: Formal and informal sector accessibility to financial services .....	121
Table 5.2: Infrastructure challenges .....	124
Table 5.3: Educational level and business sector.....	127
Table 5.4: Educational and managerial challenges .....	128
Table 5.5: Education level and managerial competencies.....	130

## **ABBREVIATIONS AND ACRONYMS**

GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
KZN	KwaZulu-Natal
LED	Local Economic Development
MSME	Micro, Small And Medium Enterprises
NSBS	National Small Business Strategy
SA	South Africa
SBDA	Small business development agency
SME	Small medium enterprise
SMME	Small medium and micro enterprises
SSA	Statistics South Africa
UN	United Nations
USA/US	United States of America
ZDM	Zululand District Municipality

# CHAPTER 1: INTRODUCTION

## 1.1 Introduction

The world is rapidly urbanising with a possibility that urban poverty is being underestimated due to outdated data collection methods and poverty measures (Lucci et al., 2018:297). Consequently the UN definition of poverty set at US\$1.25/day, makes urban poverty disappear in many parts of the world (Tacoli et al., 2015:19). Yet the urban poor face a number of challenges which include access to health characterised by poor sanitation and hygiene (Panori et al., 2019:9; Shepherd et al., 2020:2), education (low qualification levels) often illiterate or semi-literate (Shepherd et al., 2020:2; Lee & Rodríguez-Pose, 2021:34). To survive, the urban poor often engage in informal forms of entrepreneurship and face a number of challenges such as biased government regulations, insufficient capital and lack of infrastructure (Gunhidzirai & Tanga, 2017:132).

Rural communities face numerous challenges when venturing into entrepreneurship such as the markets being insufficient to warrant potential entrepreneurs taking advantage of the sparse business openings available in rustic areas (Ngorora & Mago, 2013:1). Others include access to markets, low education levels, deficiency of financial support from institutions, deficiency of infrastructure such as roads, running water and electricity (Herrington et al., 2010:104; Ngorora & Mago, 2013:1; Patel & Chavda, 2013:28; Boohene & Agyapong, 2017:43). While rural enterprises are themselves bedevilled by poor delegation of responsibility, absence of records, learning at the cost of the enterprise and inadequate strategic planning (Chamane et al., 2018:2).

With challenges of poverty persistent in most rural areas of South Africa, northern KwaZulu-Natal included, entrepreneurship is seen as one of the vehicles which can take people out of the quagmire of “a jobs dearth” (Ngorora & Mago, 2013:2). While widely acknowledging the challenge of a nuanced understanding of entrepreneurship’s link to poverty reduction and the encouragement of productive entrepreneurship (Si et al., 2020:2). Income levels in eDumbe Municipal area are low with 69% of the population earning less than R800 per month, (eDumbe Municipality, 2017:75), essentially rendering the municipality a predominantly poverty-stricken area. Such a low economic base limits economic growth and activity within the municipal area. In the poorer rural areas, trading activity is quite limited and most probably leaning more on the informal side of business (eDumbe Municipality, 2017:134).

## 1.2 Background to the research problem

The magnitude of entrepreneurship cannot be overly emphasised in the development of any economy (Boohene & Agyapong, 2017:43) especially in the African context with the largest

global youth population and the largest youth unemployment rate in the world (Nagler & Naude, 2014b:1). South Africa like a number of developing economies is grappling with rising unemployment figures which are even higher among the youth, with unemployed individuals mostly reverting to survival entrepreneurship in the informal sector (Meyer et al., 2016:122). Thieme, (2018:2), having observed the struggles of the poor urban youth of Nairobi involved in survival entrepreneurship termed it as “hustling”. While Mashau & Houghton (2015:598), caution against concluding that high unemployment leads to high entrepreneurial activities. As high unemployment rates reflect, low rates of self employment, low levels of personal wealth and stagnant economic growth which lead to less entrepreneurial opportunities.

The South African government has emphasised the significance of entrepreneurship in enabling the country to resolve its economic, political and social challenges, and the role that entrepreneurship can play in curbing the unemployment crisis (Herrington et al., 2010:12). This is a mammoth task considering that 21.7 million or 39% of South Africans have remained consistently poor during 2008 to 2015, while a further 39% moved in and out of poverty during the same period (World Bank, 2018:34). The majority of those living in poverty live in rural areas (Neves & Du Toit, 2013:94-95; World Bank, 2018:32), with the ten poorest municipalities in South Africa situated in the former homelands (World Bank, 2018:32). Yet government still lacks a nuanced understanding of what it takes to be an entrepreneur, setting up under-educated people for failure (Herrington & Kew, 2015:54).

Nagler and Naude (2014a:1) state that an increasing number of rural households in Africa do not limit their labour to agriculture, yet why and how rural households diversify into non-farm entrepreneurship remains relatively unexplored from a comparative and empirical perspective. A significant number of rural households in Africa engage in one form or another of entrepreneurship to circumvent the risks of crop failure and therefore boost their meagre household income. In order to survive they have to constantly discover, evaluate and exploit opportunities to generate future wares and amenities (Malebana & Swanepoel, 2015:90). However, having better ingress to certain assets such as finance and more schooling appears to foster entrepreneurship in the capital and skills intensive sectors (Sarkar et al., 2018:279).

Education plays a key role in determining self employment (Kumalo & Kaseeram, 2019:2) and poor education is considered a contributor to SMME failure rates (Ayandibu et al., 2019:1403; Bowmaker-falconer & Herrington, 2020:17). While education and training programs must be provided for long term survival of low skilled SMMEs (Ntshangase & Ezeuduji, 2020:3). Education level however is not the sole determinant of perceived capabilities of successful early stage entrepreneurship (Bowmaker-falconer & Herrington,

2020:29). Still people with education levels from matric to tertiary qualifications have been found to have better opportunities of starting and owning a business compared to those without (Herrington et al., 2010:43; Herrington & Kew, 2017:43). Significantly, those with tertiary education are most likely to manage their opportunity-motivated business past the start-up stage. According to Ngcobo & Sukdeo, (2015:508), entrepreneurs with higher levels of education are not only capable of interpreting and understanding relevant legislation and statutory requirements required for business management but are capacitated to grow their enterprises and create meaningful employment opportunities. Chamane et al., (2018:10), posit that in Africa, education and training beyond primary school level contributes to SME success. While Kumalo & Kaseeram, (2019:2), state that educated people are unlikely to be self employed as the market remunerates skilled people well, enticing them with high earnings, stable jobs and retirement benefits. Therefore, it stands to be seen what role education plays in the success of rural SMMEs in eDumbe Local Municipality.

This study takes place in eDumbe Local Municipality, in the northern-western part of KwaZulu-Natal covering a geographical area of 1,947km<sup>2</sup>. eDumbe municipality is situated within the Zululand district which also comprises Abaqulusi, Nongoma, uLundi and uPhongolo local municipalities. The district has an unemployment of 61%, while that of eDumbe stands at 57% both much higher than that of the KwaZulu-Natal province of 39% (eDumbe Local Municipality, 2018:82). The municipality has a total population of 101 607 comprising 48 dispersed rural areas, three urban areas and one major town (eDumbe Municipality, 2017:8). There is a large rural population of 65%, largely dependent on the town of Paulpietersburg for commercial and public services. The likely correlation of migration in search for jobs versus search for better services and the temporal or permanent rural-urban migration (Atkinson, 2014:40), places undue pressure on Paulpietersburg due to its inability to cater for the influx. The lack of commercial and public services in the rural areas such as police, public health and social services, places a lot of strain on the mostly women headed households as the men are mostly away looking for economic opportunities elsewhere (eDumbe Municipality, 2017:9).

The majority of the population still relies on public transport, whose quality and efficiency needs attention (eDumbe Municipality, 2017:9). The population of the municipality is mostly women at 53% and who are greatly disadvantaged when it comes to acquiring resources. Women are generally disadvantaged due to prevalent discrimination in the financial and labour markets underlined by rigid belief systems, culture and religion which restrict efficient use of time and resources (Nagler & Naudé, 2017:176). The largest employer in the municipality is the agricultural sector, which employs approximately 10% of the total population; this translates to 20% of the total formal working population (eDumbe

Municipality, 2017:127). By volume these are the top employers in the municipality: (i) agriculture, forestry and fishing; (ii) community, social and personal services;(iii) general government services; (iv) manufacturing; (v) wholesale and retail trade, catering and accommodation; (vi) finance, insurance and real estate; (vii) construction; (viii) mining and quarrying; (ix) transport, storage and communication; and (x) electricity and water (eDumbe Municipality, 2017:127).

### **1.3 Problem statement**

The dilemma explored in this research focuses on the challenges confronting entrepreneurs in eDumbe Municipality. Whilst several studies have looked at the factors affecting entrepreneurial development in South Africa, very few have been carried out with a focus on rural areas (Lekhanya, 2015:410). Entrepreneurs living in poverty are not only faced by a serious absence of institutions but also lack any appreciable resources as a result suffer severe consequences for failure including the inability to sufficiently provide basic needs such as nourishment and an adequate roof over the head for their families (Bruton et al., 2013:685).

In eDumbe Municipality, 17% of citizens above the age of 20 have no formal schooling at all while 5% and 1.5% have matric and tertiary education respectively (eDumbe Municipality, 2017:109). In neighbouring uPhongolo Municipality, 15% of citizens above the age of 15 have no formal schooling while 39.7% and 0.7% have obtained a matric and tertiary education respectively (uPhongolo Municipality, 2018:21). While in Abaqulusi Municipality, 4.3% of the population has no formal schooling and 8.3% have obtained matric or higher education (Abaqulusi Municipality, 2017:112). With the scourge of poverty and low education levels prevalent in the municipality, entrepreneurs have a challenge on how to support and expand their enterprises. Magigaba & Jili (2019:101), state that those with low levels of education are more likely to turn to entrepreneurship due to their lack of skills required for formal employment. Yet their enterprises have a high failure as education often limits their ability to grow their firms due to a lack of necessary skills, discipline, motivation, knowledge and self confidence. This may negatively affect the ability of the municipality to shift from being a largely informal economy to a predominantly formal economy.

### **1.4 Research questions**

The research questions comprise one main question and three research sub-questions.

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

What challenges do entrepreneurs in eDumbe Municipality face?

#### **1.4.2 Sub-research questions**

1. What role can/do key stakeholders play in increasing the number of entrepreneurs in eDumbe Municipality?
2. What are the main factors contributing to the low number of entrepreneurs in eDumbe Municipality?
3. What are the specific barriers faced by entrepreneurs in eDumbe Municipality?

#### **1.5 Research aim and objectives**

The aim and objectives of this research as stated as follows:

##### **1.5.1 Research**

The aim of the research is to determine the internal factors (SMEs perception) that hinder how effectively rural entrepreneurs of eDumbe Municipality are able to access the locally available support, including availability of finance and infrastructure such as roads, telecommunication, water and electricity.

##### **1.5.2 Objectives**

Three objectives have been identified as follows:

- i) To determine the main challenges hindering the accessibility of finance and other financial services meant to assist business growth and sustainability from the entrepreneur's perspective
- ii) To determine the main challenges hindering the effective usage or lack thereof of available infrastructure designed to support entrepreneurship from an institutional perspective
- iii) To determine the dearth of managerial skills and prevalent levels of education among entrepreneurs in and around the municipal area.

#### **1.6 Reliability and validity**

The only way to ensure that data and information is reliable and trust worthy is to take it through a validity and reliability test. Singh (2007:77) opines that for a research study to be accurate, it is important that its findings are both reliable and valid.

##### **1.6.1 Reliability**

The degree to which a measure of a construct is reliable or congruous is reliability; thus reliability implies constancy or repeatability over time, not accuracy (Greener, 2008:37; Bhattacharjee, 2012:56). To ensure reliability the researcher must be sure to be aware of or

understand concepts of participant bias and error, observer error and bias (Greener, 2008:37).

### **1.6.2 Validity**

The scope within which a measure sufficiently constitutes the primary construct that it supposes to quantify is validity (Bhattacharjee, 2012:58). According to Maree (2013:137), there is both internal and external validity in research. Bhattacharjee (2012:58) states that validity can be assessed using theoretical and empirical methods and should be measured ideally by using both approaches. However, care is taken to ensure that apples are compared with apples and not with oranges. The scope within which a concept quantifies the 'thing' that was designed to assess is the bases of validity (Singh, 2007:77).

### **1.7 Ethical considerations**

This is the moral dimension which consists of principles by which the researcher is guided (Burton & Steane, 2004:63), relating to the choices that affect decisions, standards and behaviour (Greener, 2008:40). The researcher undertook to ethically conduct the research by taking into consideration the rights and considerations of willing participants, their confidentiality, anonymity, right of privacy, trust and protection from harm (Burton & Steane, 2004:63; Bhattacharjee, 2012:137-139; Maree, 2013:37). To meet these requirements, the researcher put into cognisance the need for stakeholder analysis, informed consent, practitioner or internal researcher and objectivity requirements (Greener, 2008:43-45). It is important if one is doing research in any subject matter to try and offset any bias from the study being conducted, as bias is an estimate that is more or less than the true value (Bradburn et al., 2005:29).

### **1.8 Delineation of research**

The study was carried out in eDumbe municipal area, drawing mostly from experiences (availability of literature) of studies on SMMEs, KwaZulu-Natal, other provinces in the country and studies carried outside of South Africa, although the findings make inferences on institutions based within the country. The study only focuses on the challenges and accessibility to services of SMMEs and entrepreneurs.

Entrepreneurs not based within the municipal boundaries of eDumbe Municipality may not face similar challenges as those presented in this study, even though similarities may appear in certain instances. The reason being the municipality has its own by laws and policies which they use to regulate and stimulate economic development within the municipal boundaries. For instance in eDumbe the informal traders have an association which is recognised by the municipality. Yet not all informal traders are members of the association



and therefore do not possess municipal permits to operate, which causes tension among the informal entrepreneurs. It also results in registered informal SMMEs through their association putting pressure on the municipality to regulate the space of informal traders. This is motivated by factors such as them feeling confined to the shelters provided by the municipality while the unregistered traders are free to trade where ever they see fit (viewed as more lucrative spaces).

The organisations and individuals that participated in this study were limited to the eDumbe Municipality in KwaZulu-Natal, and as such, all the variables may not cover nor be applicable to those organisations outside of the study area. Thus, entrepreneurs and organisations active in the SMME sector in areas outside of the study area should take caution when implementing any models presented in this study, even though aspects of it could provide some guidance. The sample criteria used in this study were limited to those organisations and entrepreneurs willing to take part and that were deemed eligible to the criteria of what constitutes an entrepreneur. For this reason, not all businesses were sampled as part of this research, as they might not have been faced with challenges similar to those targeted for this research.

### **1.9 Significance of research**

There is general lack of data and studies on the types of non-farm rural enterprises in KwaZulu-Natal making difficult to give targeted assistance. Earlier studies have found that a third of the rural population of KwaZulu-Natal does not have a matric qualification. The little or no education of rural SMME owners has been attributed to their high failure rate. Despite the high failure rate, individuals who cannot find jobs due to lack of skills often engage in the SMME sector in the country. While other studies argue that high unemployment may be associated with low self employment and correlates with moribund economic growth leading to fewer entrepreneurial opportunities. Part of the study seeks to understand the role that little or no education plays in the success or failure of rural entrepreneurship. The municipal area has low education levels, high poverty rates and very little jobs on offer, making it critical for people to be creative if they are to survive. With such conditions, it then becomes imperative to fully understand the SMME sector in the area and the challenges it faces if the jobs dearth is to be successfully tackled.

Most funding models meant to help entrepreneurs have a genesis at a national or regional level, therefore having no regard for unique local conditions. This research aims to bring to the forefront the unique local challenges, which confront entrepreneurs, presumably not catered for by institutions meant to provide them with assistance. However, the focus of this study is on the perception of such institutional shortcomings and challenges of service

delivery from the perspective of the SMMEs. In so doing, the findings may assist in understanding why services are currently not accessible to the local entrepreneurs. Some earlier studies point to the fact that funding institutions only market their products and services in the towns and cities in which they are based. Subsequent to this findings by some studies that in KwaZulu-Natal show that entrepreneurs do not seem to be aware of the existence of institutions and services available to help them grow and sustain their businesses.

Infrastructure plays a crucial role not only in the running of an enterprise but also in the type of businesses that maybe operated in an area. The study thus aims to bring to the fore the effect of infrastructure and other challenges on the SMME sector in the municipal area. Such information maybe useful to policy makers to help them make targeted interventions when addressing challenges faced by entrepreneurs within their area of jurisdiction.

### 1.10 Research outcomes

The study identifies the day-to-day challenges of entrepreneurs running businesses in eDumbe Municipality, as well as their access to services such as finance, and the availability of infrastructure such as roads, electricity and telecommunications.

### 1.11 Outline of the study

The study is organised as depicted Table 1.1.

**Table 1.1: Chapter layout**

Chapter	Brief layout
Chapter 1	The chapter comprises the introduction, background, research problem, research purpose and importance of the study.
Chapter 2	The chapter concentrates on the literature of the study.
Chapter 3	The chapter details the methodology of the study and why the quantitative method utilised for the study. Also deals with data analysis and collection.
Chapter 4	The chapter concentrates on data presentation and discussion.
Chapter 5	The chapter concentrates on the study conclusion and recommendations.

### 1.12 Conclusion

The chapter outlined the background to the research problem focussed on the study area outlining the socio-economic status of its population. The purpose was to outline the study area and the type of challenges faced by rural entrepreneurs. It also stated the research question and objectives together with the tools used for data collection and presentation. The claim by literature that entrepreneurship is a critical pillar of poverty reduction and

development was highlighted. It also illuminated the link between levels of formal education and the challenges it poses to entrepreneurship success. The next chapter is based on the literature review of entrepreneurship with the aim of looking into both formal and informal entrepreneurship. The different types of entrepreneur and entrepreneurship are also reviewed. The challenges and development of entrepreneurship in different regions is juxtaposed with that of the region and country.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Overview of entrepreneurship

Simply put, entrepreneurship can be described as what the entrepreneur does (Wickham, 2006:3). The control and distribution of resources to generate a disruptive economic firm with the intention of profit or expansion under circumstances of chance and unpredictability can be described as entrepreneurship (Dollinger, 2008:9). Wickham (2006:569) defines entrepreneurship as “all functions, activities and actions associated with the perception of opportunities and creation of organisations to pursue them”.

Furthermore, as stated by Herrington et al. (2010:12), entrepreneurship is an activity which consists acts of organisational design, revival or ingenuity that prevail internally or externally of an establishment. There are a number of determinants on becoming an entrepreneur such as financial constraints, taxes, family background and race, immigration status, macroeconomic conditions, risk attitude and entry regulations (Beland & Unel, 2019:36). However, Adusei (2016:201) states that there are three elements to entrepreneurship, namely, resource co-ordination, new enterprise creation, and innovation. Naude (2011:33-34) argues that the measures of entrepreneurship are found in ratios of new firm start-up, self-employment, firm proprietorship and transformation.

Although entrepreneurship is a critical catalyst to the economy, not everyone can become a successful innovative entrepreneur and some of the qualities consistent with a prosperous entrepreneur include robust leadership traits, self-motivation and good networking ability (Meyer et al., 2016:122). Fatoki and Asah (2011:170-171) state that enterprise characteristics (venture age, size, availability of business particulars and collateral) and entrepreneurial characteristics (owner’s business competency, networking ability and gender) are specific to each individual firm affecting it positively or negatively; it has an impact on its ability to obtain external finance, be it debt or equity.

Some dimensions of culture are often associated with a tendency for entrepreneurial behaviour such as individualism rather than collectivism, low uncertainty avoidance and internal locus of control (Glinka & Thatchenkery, 2013:121). As some cultural institutions may hinder or promote entrepreneurship, the degree to which entrepreneurship is initiated is linked to the culture of societies and the characteristics of those living in these societies, impacted by certain innate personality traits (Morrison, 2000:62). While institutions have the capacity to define socially acceptable opportunities, entrepreneurs have the capacity to alter institutional boundaries by responding in a variety of ways such as acquiescing to, avoiding,

defying, manipulating, or compromising with the institutions (Sutter et al., 2013:745). Glinka and Thatchenkery (2013:120) put forward the argument that ultimately the context of culture influences every process of entrepreneurial activity from the decision to start a business, nature of opportunity recognition, and type of business to open and even how to manage it.

## **2.2 Entrepreneur**

The French first coined the word entrepreneur, and the earliest writer Cantillon characterised an entrepreneur as an individual who practices commercial enterprise judgement in the advent of uncertainty. The word 'entrepreneur', when translated from French, literally means one who undertakes, hence an entrepreneur is a doer or one who does things (Dollinger, 2008:7). The term 'entrepreneurship' stems from the French term '*entreprendre*', and the German term '*unternehmen*' meaning undertaking (Vakili et al., 2016:79), to endeavour, to track prospects, to realise obligations and desires through creativity; may include starting a business within or outside an existing enterprise. An entrepreneur can therefore be considered as a proprietor engaging an activity, a representative of economic transformation and as an individual in terms of their psychology, personality and personal characteristics (Dollinger, 2008:5).

### **2.2.1 Types of entrepreneurship**

There is much diversity in the types of entrepreneurship and the types of economic circumstances in which economic development can take place (Stam & Van Stel, 2009:5). Henrekson (2007:3) identifies two types of entrepreneurship which contribute to change and renewal of the economy that is Schumpeterian entrepreneurship which disrupts an existing equilibrium and Kirznerian entrepreneurship which moves the economy towards equilibrium.

However, entrepreneurial research has unfortunately over the years not been able to propose one clear description of the concept of entrepreneurship (Henrekson, 2007:3). The definition of the term entrepreneurship as a concept has been elastic (Eisenmann, 2013:1), with a number of economic and social dimensions influencing it (Dollinger, 2008:5), hence leading to many definitions being formulated over the years (see table 2.1).

The dogging of business prospects beyond the resources controlled can be defined as entrepreneurship (Eisenmann, 2013:1). Shepherd and Patzelt (2011:142) argue that entrepreneurship as a concept seeks to comprehend how future commodities and amenities are unearthed, moulded and utilised, by whom and with what outcomes to the environment and way of doing business.

### **2.2.1.1 Corporate entrepreneurship**

Corporate entrepreneurship is a process through which both formal and informal initiatives are encouraged, aimed at the creation of new products, services, processes and businesses to improve and sustain a company's competitive position and performance (Okeke & Asekhame, 2021:37; Asekhame & Mgbemena, 2021:53). Zulfandi & Sakir, (2021:82), state that it refers to the intention of behaviour and organisational behaviour to be more active, innovative, aggressive and proactive in carrying out work to create better company performance. It is also referred to as intrapreneurship, or in-house entrepreneurship or internal entrepreneurship (Asekhame & Mgbemena, 2021:53; Okeke & Asekhame, 2021:37). Corporate entrepreneurship has a number of dimensions namely, management support, work discretion, time availability, rewards reinforcement and organisational boundaries (Ahmed et al., 2020:2).

### **2.2.1.2 Educational entrepreneurship**

Educational entrepreneurship is the innovative application of smart strategies to the management of educational institutions in a way that can result in the reorganisation of an entire education system to meet society's needs in a sustainable manner (Genza & Musisi, 2018:11). Educational entrepreneurship is mostly driven by dwindling public and private donor financing, coupled by the failure of most educational institutions to generate funds from within (Musoke & Badru, 2018:126).

### **2.2.1.3 Entrepreneurship education**

Entrepreneurship education developed into a field of study following institutions teaching entrepreneurship over a number of years (Loi et al., 2021:2). It has evolved from a business centred perspective to a more comprehensive approach that delves into entrepreneurship in society (Forcher-Mayr & Mahlknecht, 2020:119). Institutions, now consider entrepreneurship education a strategic step to foster economic and societal impact due to pressure for them to become more entrepreneurial (Loi et al., 2021:2). However, entrepreneurship education has been criticised for its neoliberalism that utilises education to bring the idea of citizenship and young people lives into the realm of the market (Forcher-Mayr & Mahlknecht, 2020:120).

### **2.2.1.4 Family entrepreneurship**

There is still no universally agreed upon definition of the family business (Harms, 2014:281; Kiwia et al., 2020:215) and studies to define what a family really entails and is defined are needed to tackle this issue (Ratten & Jones, 2021:257).

A family business is one where the social roles of the business entrepreneur and the family member coexist with each other (Ejupi- Ibrahimi et al., 2021:288). Family

entrepreneurship is whereby every decision in the business is made by family members (Ejupi-Ibrahimi et al., 2021:288) and where the founders, family members or their descendants continue to hold positions in top management, serve on the board or are block holders (Kohli & Gill, 2020:190). While Kiwia et al., (2020:215) define it as a business whose ownership and control is within the founder's family, where family members are involved in its daily operations and the business is to subsequently be transferred to future generations.

#### **2.2.1.5 Green entrepreneurship**

Green entrepreneurship is broadly defined as seeing market failures as a source of opportunities and for profit enterprises combining economic and environmental value creation (Van der Graaf et al., 2015:56). Business has generally been viewed as the main cause of numerous environmental problems currently in existence, however more recently business and particularly entrepreneurship has been seen as a part of the solution; hence green entrepreneurship (Van der Graaf et al., 2015:53).

#### **2.2.1.6 Inclusive entrepreneurship**

Inclusive entrepreneurship has no clear existing definition as yet, often elements of good general working conditions and social entrepreneurship are included in its description (Van der Graaf et al., 2015:99). It is however broadly defined as entrepreneurship for individuals with many different disabilities, social and economic disadvantages (Van der Graaf et al., 2015:99).

#### **2.2.1.7 Rural entrepreneurship**

Rural entrepreneurship is synonymous with rural industrialisation, focussing on providing for the needs of rural inhabitants through job creation and rural development (Adewumi & Keyser, 2020:545). It represents the informal sector dominated by small scale businesses, comprised of small traders, artisans (Lekhanya, 2018:39; Adewumi & Keyser, 2020:545) and farmers (Adewumi & Keyser, 2020:545). It is considered critical for reducing poverty, rural-urban migration, addressing economic inequalities and denting unemployment in developing rural and underdeveloped areas (Lekhanya, 2018:39).

#### **2.2.1.8 Social entrepreneurship**

Social entrepreneurship is a conceptualisation which constitutes a diversity of processes and activities to generate and support social values by utilising additional entrepreneurial and novel strategies and restricted by the extrinsic environment (Brouard & Larivet, 2010:50). While Littlewood & Holt, (2018:532), define it as "involving the innovative use and combination of resources to pursue opportunities to catalyze change and/or address social needs".

### **2.2.1.9 Sustainable entrepreneurship**

Sustainable entrepreneurship as a concept is defined as being focussed on “the preservation of nature, life support and community in the pursuit of perceived opportunities to bring into existence future products, processes, and services for gain, where gain is broadly construed to include economic and non-economic gains to individuals, the economy and society” (Shepherd & Patzelt, 2011:142). While Greco & de Jong, (2017:14), state it refers to the discovery, creation and exploitation of entrepreneurial opportunities that contribute to sustainability by generating social and environmental gains for others in society.

### **2.2.1.10 Women entrepreneurship**

Women entrepreneurship is when a woman has a business idea, gathers resources and creates an enterprise by providing leadership to make it a commercial success (Kiran, 2021:89). Globally women entrepreneurship is up by 10%, thus closing the gender gap by 5% even though men are still more likely to start a business compared to women (Lange et al., 2019:47). Entrepreneurial intentions by women are higher in low income countries in comparison to middle and high income economies, and globally entrepreneurial activities by women are highest in the sub-Saharan region (Ingalagi et al., 2021:1). Importantly, women entrepreneurship has now become a key cog of economic and social growth and sustainability across all economies (Lange et al., 2019:47).



Table 2.1: Definitions of entrepreneurship  
 (Source: Dollinger, 2008:9; Herrington et al., 2010:10-11)

Source	Definition
Knight (1921)	Financial gain from bearing uncertainty and risk
Schumpeter (1934)	Carrying out of new combinations of firm organisation – new products, new services, new sources of raw material, new methods of production, new markets, new forms of organisation
Hoselitz (1952)	Uncertainty bearing...coordination of productive resources...introduction of innovations and introduction of capital
Cole (1959)	Purposeful activity to initiate and develop a profit-oriented business
McClelland (1961)	Moderate risk taking
Kirzner (1973)	The ability to perceive new opportunities. This recognition and seizing of the opportunity will tend to “correct” the market and bring it to equilibrium
Casson (1982)	Decisions and judgements about the coordination of scarce resources
Drucker (1985)	The act of innovation that involves endowing existing resources with new wealth capacity
Gartner (1985)	The creation of new organisations
Rumelt (1987)	The creation of new business, meaning they do not exactly duplicate existing business but have some element of novelty
Low and Macmillan (1988)	The creation of new enterprise
Gartner (1988)	The creation of organisations: the process by which new organisations come into existence
Stevenson, Roberts and Grousbeck (1989); Barringer and Ireland (2006)	The pursuit of opportunity without regard of resources currently controlled
Hart, Stevenson and Dial (1995)	The pursuit of opportunity without regard to resources currently controlled but constrained by founder’s previous choices and industry related experience
Timmons (1997)	A way of thinking, reasoning and acting that is opportunity based, holistic in approach and leadership balanced
Venkataraman (1997)	Entrepreneurship research seeks to understand how opportunities to bring into existence future goods and services are discovered, created, and exploited by whom and with what consequences
Shane and Venkataraman (2000)	A field of business seeks to understand how opportunities create something new...
Kuratko and Hodgeys (2004)	A dynamic process of vision, change and creation...
Allen (2006)	A mind-set or way of thinking that is opportunity focussed, innovative and growth-oriented; can be found in large corporations and responsible not-for-profits...

## **2.2.2 Types of entrepreneurs**

There are divergent types of entrepreneurs as influenced by a number of environmental factors and individual personal circumstances. For instance entrepreneurial willingness and intention tends to decrease with age, while entrepreneurial opportunities on the other hand tend to increase with age (Zhang & Acs, 2018:773). However, Henderson (2002:49) identifies two types of entrepreneurs on the main namely lifestyle entrepreneurs who generally hire few people and start their business to support a desired lifestyle and for family income. The other is high growth entrepreneurs who are prompted to establish larger, highly visible and extra valuable enterprises they will take public after obtaining a certain degree of success.

### **2.2.2.1 Corporate entrepreneurs**

In 1985, Pincholt coined the phrase corporate entrepreneurship for people inside organisations to bring forth and develop new ideas into actual business ventures (Okeke & Asekhome, 2021:37; Asekhome & Mgbemena, 2021:53). Corporate entrepreneurs are not entrepreneurs in the true sense but are specialists with exceptional training and ability to use the knowledge of innovation and transform the organisation into success (Divakara, 2021:1).

### **2.2.2.2 Gazelle entrepreneurs**

Gazelle entrepreneurs at times display characteristics of serial entrepreneurs as they move from one business start-up to another usually with a well-defined growth plan and exit strategy (Akinyemi & Adejumo, 2017:626). They establish the economies most productive enterprises and are thrust into entrepreneurship by gloomy extrinsic forces such as work disenchantment, inflexible work schedule and insufficient income (Akinyemi & Adejumo, 2017:626).

### **2.2.2.3 Nascent entrepreneurs**

Those making preparations to establish an initial venture are referred to as nascent entrepreneurs (Wickham, 2006:34). These are individuals who have taken steps towards establishing a business but do not as yet own a business (Nikolova & Simroth, 2013:2). According to Wagner (2004:2), a nascent entrepreneur is someone who has been attempting to open a new venture in the last twelve months as the owner or part-owner and whose business lacks a positive cash flow to cover expenses of the owner-manager wages for more than three months. There has been a lot of debate among scholars on how much influence financial resources play on the decision for one to become a nascent entrepreneur (Keister, 2005:9). While financial resources are critical towards the successfulness of a newly-formed enterprise, its role to determine whether someone becomes a nascent entrepreneur remains

unclear (Keister, 2005:9).

#### **2.2.2.4 Necessity entrepreneurs**

Necessity entrepreneurs are driven by a survivalist motivation to start a business the result of not having better options for work (Herrington et al., 2015:25). They are sometimes referred to as lifestyle entrepreneurs (Akinyemi & Adejumo, 2017:625). They in essence are driven by push factors such as unemployment and low wages as opposed to opportunity (Zhang & Acs, 2018:775).

#### **2.2.2.5 Novice entrepreneurs**

Novice or singular entrepreneurs (Wickham, 2006:34-35) are first time entrepreneurs, often with limited information and networks, who tend to be located in urban centres (Zhang & Acs, 2018:774) and are still actively learning (Wickham, 2006:35). They are persons with no beforehand firm ownership exposure such as someone who founded, inherited or purchased a self-sustaining enterprise, but they presently possess a non-controlling or controlling stake in an self-sustaining firm that has been recently established, inherited, or bought (Westhead et al., 2005:73).

#### **2.2.2.6 Opportunity entrepreneurs**

Opportunity entrepreneurs, establish a new enterprise to exploit a business opportunity (Herrington et al., 2010:25; Zhang & Acs, 2018:774) such as financial success or self-realisation (Zhang & Acs, 2018:774). Therefore, they are driven partially or fully by chance and not due to having no job prospects (Herrington et al., 2015:25).

#### **2.2.2.7 Portfolio entrepreneurs**

Portfolio entrepreneurs are thought to account for between 10% and 20% of entrepreneurs (Parker, 2014:888) and tend to run several businesses simultaneously (Wickham, 2006:38). Westhead et al. (2005:73) describe them as persons presently in possession of non-controlling or controlling shares in more than one self-sustaining businesses that are newly established, bought and or an inheritance.

#### **2.2.2.8 Serial entrepreneurs**

Serial or habitual entrepreneurs gain their reward from establishing and building businesses and not through their long term management (Wickham, 2006:38). Westhead et al. (2005:73) state that serial entrepreneurs are persons who have shut-down or sold an enterprise in which they have a non-controlling or controlling shareholding and are presently having a non-controlling or controlling shareholding in a single self-sustaining enterprise which is newly established, bought and or an inheritance.

Serial entrepreneurs are not a homogenous group and divided into defensive serial entrepreneurs who take up new ventures due to a forced exit from an earlier one. Opportunist serial entrepreneurs who take up a new venture due to a perceived opening for profit and group establishing serial entrepreneurs whose fundamental strategy maybe pursuing the creation a number of businesses (Wickham, 2006:39). They are thus a significant sub-class of entrepreneurs as they can potentially have a vital role in the creation of wealth in society (Ucbasaran et al., 2008:3).

### **2.3 Distinction between Entrepreneurship and small business**

An entrepreneurial venture is the entrepreneurial process undertaken by the entrepreneur as an avenue for creating new value as a result of the project (Wickham, 2006:4). To make the distinction between entrepreneurship and small business, it is fundamental to distinguish what they manage, that is, between a small enterprise and an entrepreneurial firm as opposed to differentiating between managers (Wickham, 2006:41). To do this there are three important characteristics which differentiate between the entrepreneurial venture and the small business, namely innovation (Carland et al., 1984:357; Wickham, 2006:41; Bansal, 2015:176; Amolo & Migiro, 2017:273), potential for growth and strategic objectives (Wickham, 2006:41; Bansal, 2015:176; Amolo & Migiro, 2017:273-274).

#### **2.3.1 Innovation**

Significant innovation is the cornerstone of a successful entrepreneurial venture, this maybe innovation on the way relationships are maintained between organisations, how the organisation is managed or structured, technological innovations on a new product or how it is produced, marketed or distributed (Wickham, 2006:41; Bansal, 2015:176; Amolo & Migiro, 2017:273). Carland et al. (1984:357) further state that the preference for establishing creativity exhibited by the novel combination of resources for financial gain is what characterises the entrepreneur. As opposed to a small enterprise which is often involved in supplying an entrenched product or amenity; not to mean it is not doing something new such as making available an already established innovation to previously inaccessible populations or with lower cost and improved level of service (Wickham, 2006:41; Bansal, 2015:176; Amolo & Migiro, 2017:273). However, it is important not to erroneously term innovation as new product development only (Bansal, 2015:176; Amolo & Migiro, 2017:273).

#### **2.3.2 Strategic objectives**

Entrepreneurial ventures end up creating employment due to setting up strategic objectives regarding market share, market position (Wickham, 2006:42; Bansal, 2015:176; Amolo & Migiro, 2017:273), target markets, market development (Bansal, 2015:176; Amolo & Migiro, 2017:273) and growth targets (Wickham, 2006:42). Small business on the other hand is

usually limited to profit target, business sales and survival (Bansal, 2015:176; Amolo & Migiro, 2017:273). It is the main reason why entrepreneurial end up creating employment (Bansal, 2015:176; Amolo & Migiro, 2017:273). However, strategic objectives may be quantified in a number of ways and entrepreneurial ventures will go further than small business to include some the following growth targets, market development, market share and market position (Wickham, 2006:42).

### 2.3.3 Potential for growth

By virtue of being based on a significant innovation, entrepreneurial ventures have far more potential for growth and ability to create their own market in comparison to small businesses (Wickham, 2006:41). The small business usually operates within a given market and an established industry, unique only through its locality (Wickham, 2006:41). Hence its growth potential is limited by its competitors in adjacent localities. Therefore, a small business operates in a determined market (Wickham, 2006:41), while an entrepreneurial venture not only creates a niche in the market but has potential to create its own market (Amolo & Migiro, 2017:274).

## 2.4 The formal sector

Poverty still affects a large percentage of the world's population, unfortunately the size of the population trapped in poverty has remained stable over the past two decades or more (Bruton et al., 2013:684). The root cause of poverty has been attributed to government's inability to initiate and administer property rights through a judicial system rooted in the rule of law (McMullen, 2011:192). With the manifestation of poverty being the inability of the borrower to ensure the lender their ability to repay the loan and opportunities which make debt unnecessary, such as employment giving rise to savings and wages (McMullen, 2011:92). Entrepreneurship, it has been argued, is one of the mechanisms which can be used to help break people out of the pattern of poverty (Bruton et al., 2013:684), hence the vigorous promotion of entrepreneurship by governments of developing and developed countries alike. The world bank classification of SMMEs (Table 2.2), is one often used for uniformity and comparison of firms between countries (Akinyemi & Adejumo, 2017:625).

**Table 2.2: Classification of firms**

(Source: Akinyemi & Adejumo, 2017:625)

Firms	Number of employees
Micro	1-9
Small	10-50
Medium	50-200

### **2.4.1 Entrepreneurship in America**

The majority of entrepreneurship concepts have originated from the United States of America (USA) and United States (US) culture is perceived as one which promotes entrepreneurship (Glinka & Thatchenkery, 2013:121). The USA is also considered as a leader in switching from a management financial system into an entrepreneurial financial system and in entrepreneurship research (Jing et al., 2015:863). However as the debate of what constitutes real entrepreneurship rages on, the rates of business starts and self-employment have remained relatively flat in developed economies compared to those of post-world war II and the 19<sup>th</sup> century (Aldrich & Ruef, 2018:460).

During the 1990s the majority of new jobs in the US were attributed to small and medium entrepreneurs operating high growth businesses (Henderson, 2002:45). Aldrich and Ruef (2018:458) further state that while in 1996 the number of public traded companies in the United States of America peaked at around 8 025, two decades later that number has dropped by 46% from this peak. Adusei (2016:201) mentions that in the United States, 7.6% of the population comprises entrepreneurs who are representative of approximately one third of the total net worth. By ethnicity, of all entrepreneurs in the United States White/Caucasians make up 69%, African/African Americans constitute 10% and Hispanic/Latino are 8% (Lange et al., 2019:30). Between 1995 and 2000 it is estimated that a third of all real GDP growth in the USA resulted from entrepreneurial companies from the technology section of the economy, even though the sector accounts for only 8% of the US economy (Bygrave et al., 2003). SMMEs are responsible for 52% of the private work force and about 51% of GDP in the USA (Muriithi, 2017:36).

Small business owners in the USA have significant political influence (Bogan & Darity, 2008:1999), while 50% of self-employed individuals are most likely to be Republicans (Beland & Unel, 2019:33). In a survey conducted in the USA about 46% of representatives opted for the Republican party as the preferred representative for their small enterprises while only 22% opted the Democratic party (Beland & Unel, 2019:33). African-American men are found to be consistently 1/3 the rate of whites with regard to self-employment, the consequence of past experiences including centuries of subjugation and serfdom leading to a resource disadvantage in comparison to other groups (Bogan & Darity, 2008:2000-2001).

### **2.4.2 Entrepreneurship in Asia**

Despite Asian economies being recognised as the future driver of the global economy (Boulton & Turner, 2008:199), two-thirds of the world's 1.3 billion population that live in extreme poverty, is found in Asia and the Pacific region (Boulton & Turner, 2008:199; Autio & Fu, 2014:3). Bruton et al. (2015:2), argue that despite decades of impressive economic

growth, Asia has 1.7 billion people still living in poverty, representing two-thirds of the world's poor. This is attributed to the uneven distribution of the fruits of progress often leaving poor people behind (Autio & Fu, 2014:3), despite government initiatives and charity solutions to poverty spending substantial resources and effort to try solve the problem (Bruton et al., 2015:2). At 58% employment opportunities, the Asian informal non-agricultural sector accounts for the largest number of informal employment in comparison to Africa south of the Sahara, the Caribbean and Latin America regions (Autio & Fu, 2014:3). All the while, it remains largely unexplored by business scholars how such grinding poverty in Asia impacts and is in turn impacted upon by business (Bruton et al., 2015:2).

There are low entrepreneurial possibilities in most Asian economies because of tapered commercial zones, a developing export division, fragile private sector and tight internal markets within and between countries (Rasool et al., 2012:588). There is however great heterogeneity in the institutional structures of Asian economies (Terjesen & Hessels, 2009:539), in the environment of firms across economies due to differences in cultures, industrial structures and political systems (Mathews & Tan, 2014:30). Asia's institutional structures remain closely intertwined and mutually reinforcing yet rapidly changing, this plays a major role in shaping the region's business structure and economic systems (Terjesen & Hessels, 2009:539).

### **2.4.3 Entrepreneurship in Africa**

Some development economists believe that in developing countries the vast majority of entrepreneurs are involved in small and micro enterprises, often informal with little indigence alleviation and economic growth contributions (Naudé, 2010:1). This does not however warrant writing replicative entrepreneurship completely off as it is a means out of indigence in many economies (Adusei, 2016:203). Yet African countries often share a similar history of civil unrest, economic depression and structural adjustment programmes, environments not entirely conducive to entrepreneurs (Madzikanda et al., 2021:250). Despite the shared history, Sub-Saharan Africa remains a diverse region such that no two countries present the same entrepreneurial scene (Madzikanda et al., 2021:250). Moreover, African economies are contradictory as they tend to exhibit two extremes namely, impoverished areas predominated by cash-based economic transfers on one side and global settings of financial capitalism on the other (Hull & James, 2012:1).

The biggest challenge to commerce in Africa emanates from persistence of organisational vacuums, understood as the unavailability of market-supporting establishments, specialised intermediaries, contract administering mechanisms and streamlined communication and transport systems (George et al., 2016:377). Entrepreneurial performance in Africa has been

described as abysmal due to elements such as lack of sensitivity of raw farming produce to global prices, poor infrastructure, lack of human and economic resource, attribute levels, inappropriate commercial policies, substandard human resources management and government strategies that are hostile to entrepreneurship (Adusei, 2016:203). So despite entrepreneurship being prescribed as a significant driver of industrial development, a number of developing African countries still face numerous challenges such as high rural-urban migration, under developed infrastructure in rural areas, low income level and poverty due to low agricultural productivity and price paid by intermediaries (Boohene & Agyapong, 2017:43).

Weak and often equivocal statistical proof on whether entrepreneurship causes industrial development, renders the enthusiasm of promoting entrepreneurship ever more perplexing (Naudé, 2010:1). Brixiova (2010:440) argue that entrepreneurship has not been restricted in Africa but it is the lack of productive (opportunity) entrepreneurship, which has been largely absent. This is critical as it has been found that the increase in novel start-up undertaking is more successful in speeding up industrial development rather than the increase in general entrepreneurial activity (Adusei, 2016:202).

In Africa, SMMEs account for over 90 percent of all businesses providing more than 60 percent total employment in urban and rural areas (Babajide et al., 2020). Yet for the past decade a number of middle income, developing countries in Southern Africa have been experiencing slow economic growth characterised by high unemployment and youth unemployment rates resulting in inclusive growth being elusive (Brixiova et al., 2015:11). To achieve meaningful and deliberate growth of the formal sector at par with other developing countries, African countries need to implement strategic structural reforms. Economic reforms are essential because those who cannot gain access to rents (protection of formal firms), nor afford the (electricity, finance, wages) high input costs (Benjamin & Mbaye, 2020:3), onerous demands (taxes, licences, registrations) by the formal sector voluntarily exit the formal economy (Kamete, 2018:6). However, the majority of people in the informal economy are not the result of a voluntary exit from the formal economy, but are driven by necessity to survive (Babajide et al., 2020:2). While informality may be the result of last ditch livelihood efforts to survive or alternatively forms part of the modernisation processes (Kamete, 2018:6). The latter being the difference between a survivalist informal sector and a productive informal sector. Babajide et al., (2020:5), state that access to finance and corruption are amongst the most significant threats to entrepreneurship in some African countries, while the human development dimension of entrepreneurship still needs to be improved. Similarities exist between Asian and African economies, the difference being the implementation of structural reforms and approach. Deliberate action such as



undervaluing and protecting export industries has benefited Asian economies. While impetuous reforms, overvalued products and services coupled with a reliance on resource exports has not given necessary relief to African economies.

#### **2.4.4 Entrepreneurship in South Africa**

Despite the acknowledgement that entrepreneurship is fundamental to economic development, SA has not adequately developed policies to support and promote entrepreneurship, but instead focussed on policies to promote micro, small and medium enterprises (Madzikanda et al., 2021:250). The SME sector is generally seen as the engine of the economy. Having recognised small business as an overriding factor for economic development in South Africa, the National Small Business Strategy (NSBS) tried to address challenges such as lack of ingress to markets and procurement, inadequate access to finance and credit, low skills and education levels, inadequate access to information and a scarcity of support institutions (Peters & Brijlal, 2011:1). The significance of the SME sector in South Africa is highlighted by its contribution of about 36% (Olawale & Garwe, 2010:279) or 45-50% (Agupusi, 2015:5) to the GDP and approximately 50-60% of private sector employment (Olawale & Garwe, 2010:279; eThekwini, 2013:4; Agupusi, 2015:5) increasing to 75% with the inclusion of the informal sector (Agupusi, 2015:5). However, Vuba (2019:2) states that there are 250 000 SMMEs in South Africa, accounting for just 28% of formal employment, despite the fact that SMMEs form 98,5% of formal firms in the economy with the bulk of employment (56%) in the country coming from only 1000 employers being mostly large corporate and government (Vuba, 2019:2).

In 2014, 7% of the adult population of South Africa was reportedly engaged in entrepreneurship, a decline of 34% from the 10.6% recorded in 2013 (Herrington et al., 2015:18). About 2.7% of the adult population already own or manage an established business (Herrington et al., 2015:4). While South Africa possess one of the lowest recognised business rates worldwide at 2.3%, the same was also reported as the second lowest by the 2012 GEM report (Lekhanya, 2016:175). There tends to be a high failure rate of small business in South Africa, with less than half of new enterprises making it past five years (Brink et al., 2003:2), and a failure rate of between 70-80% (Olawale & Garwe, 2010:730; eThekwini, 2013:4). All the while, 35% of adults in South Africa recognise viable opportunities to establish a new enterprise and still 25.4% would be put off from doing so by the horror of not making it a success (Herrington et al., 2015:4).

The challenge South Africa faces is that even though provincial data exists on SMMEs (Table 2.3), no breakdown on their spread and sectors in which they operate exists

(Herrington et al., 2010:14). Another challenge as observed in the table is that only the Gauteng and Western Cape provinces have a formal sector, which is larger than the informal sector. This would imply that mostly rural provinces like KwaZulu-Natal and Eastern Cape have their rural economy being almost exclusively informal. While Chamane et al., (2018:2), state that there is both a lack of data and studies on rural non-farm enterprises in KwaZulu-Natal, making it difficult for the province to implement agricultural and developmental policies. This lack of data and studies on rural non-farm livelihoods in the province of KwaZulu-Natal means this study will attempt to fill this gap by benchmarking from studies conducted in other provinces and countries.

**Table 2.3: Distribution of SMMEs in the formal and informal sectors by Province**  
(Source: Herrington et al., 2010:14)

Province	Formal sector	Informal sector
Eastern Cape	5.3%	13.4%
Free State	3.2%	6.6%
Gauteng	48.3%	24.6%
KwaZulu-Natal	13.0%	18.8%
Limpopo	2.9%	14.3%
Mpumalanga	4.1%	7.7%
North-West Province	3.2%	8.0%
Northern Cape	1.2%	0.7%
Western Cape	19.0%	5.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## 2.5 The informal sector

Hart in 1973 coined the phrase informal sector (Potts, 2008:154) or informal income opportunities (Siegmann & Schiphorst, 2016:113), with reference to towns in Ghana and the situation unfolding there at the time. Hart was highlighting that informality not only refers to self employment (Siegmann & Schiphorst, 2016:113), but to the range of livelihood activities of the indigent urbanite (Devey et al., 2006:4). The informal sector, mostly occurs in countries with high taxes and weak institutional arrangements, and to effectively reduce its size government should employ a mix of enforcement and tax policies (Tumen, 2017:240). Informal sector classification highlights those involved in the buying and selling of merchandise and services with the primary objective being job creation and earnings for the one partaking in such undertaking (Meyer et al., 2016:123). Entrepreneurs in the informal sector tend to deal in licit goods and services, and do not file any company registration or incorporation of legal papers with government departments (Autio & Fu, 2014:2). The International Conference for Labour Statistics defines the informal economy using

a number of criteria, such as an enterprise not being registered in accordance with national legislation, such as tax or other trading legislation. It also uses other criteria such as firm employees not being registered in accordance to existing labour laws and tiny size of the firm with regard to quantity of employed personnel (Devey et al., 2006:5).

The informal sector is often insulated from economic crisis, hence functions as a safety net for households especially in countries that experience frequent crisis (Babbitt et al., 2015:164). The sector is a perpetual and important characteristic in many African countries as the main source of job creation providing between 20% and 75% of total employment (Crush et al., 2015:10). Informal entrepreneurship is seen as having significant potential as a driver for industrial development and job prospects, especially in less developed countries (Autio & Fu, 2014:2). Potts (2008:154) states that being typified as including unregistered, unrecorded jobs and production not appearing in official state statistics, exposed the informal sector to shifting government policies and attitudes as it was deemed “illegal”. However, the tag of being defined as unregistered characterises the lack of adequate data on the informal sector, coupled with underemployment being labelled wrongly as unemployment (Crush et al., 2015:11). It is also argued that informal jobs often do not offer an alternative path to success for those who are unable to do well in the formal economy, but instead follow formal economy stratification (McKeever, 1998:1211).

The shadow economy is known by different names such as the hidden economy, gray economy, black economy or lack economy, cash economy or informal economy (Medina & Schneider, 2019:4). While they define the shadow economy as all economic activities hidden from official authorities for monetary, regulatory and institutional reasons. According to Luong et al., (2020:146), the shadow economy comprises illegal activities such as illicit work and the criminal sector. Bilan et al., (2019:29), posit that the shadow economy is influenced by the confidence level in government and good governance, and where fiscal regulation of the economy is carried out on a democratic base the shadow economy was lower.

### **2.5.1 The informal sector of America**

Informality in the global north is often referred to as non-standard work (Chen & Carre, 2020:53) or as precarious work (Siegmann & Schiphorst, 2016:115). Developed economies typically show low levels of necessity entrepreneurship and the USA is no exception with necessity approximately 8.4% of all entrepreneurship (Lange et al., 2019:29). However, the informal sector in the USA has been on the rise for decades, partly due to accelerated international migration and economic restructuring (Rosales, 2013:697). Migration often produces minorities who struggle within the wider socio-economic climate, thus immigrants turn to enclave (necessity driven) entrepreneurship as a means of household survival (Pisani

et al., 2017:297). For migrants necessity (informal) entrepreneurship overcomes challenges with language, access to formal credit, and requisite educational qualifications (Carré, 2016:10).

Communities across the United States rely on small businesses for sustenance as they are responsible for the majority of jobs (Merrick & Howard, 2020:1). In Los Angeles the informal sector is largely represented by street vending even though strict anti-vending ordinances and county-initiated crackdowns continuously pose a threat to their livelihoods (Rosales, 2013:698). Crackdown on the informal sector also targets domestic workers, day labourers and gardeners (Rosales, 2013:699). While in the south Texas borderlands, the informal economy is largely an ethnic economy, mostly undetected and unsupervised by government and a result of doubly disadvantaged ethnic employment (Pisani et al., 2017:300). In California, over a 40 year period informal employment in the construction sector has grown by 40% representing ten percent of all employees (Liu et al., 2014:7).

### **2.5.2 The informal sector of Asia**

The growth of the informal sector in developing economies share similar characteristics (Phuong & Dong-Geun, 2017:441) or follow a similar pattern (Mau-Quei & Cameron, 2019:4). However, many developing countries want to limit its growth as it cannot be easily controlled or taxed and at times results in a lack of acceptance by either the government or the public (Mau-Quei & Cameron, 2019:3). Informal entrepreneurship is found to be significantly higher when there is economic under-development, a lack of modernization of governance, inadequate state intervention to protect workers from poverty and greater asymmetry between formal and informal institutions (Williams & Kedir, 2018:1). While Shahid et al., (2020:191) are of the view that the greater the incongruence between the formal and informal institutions the more entrepreneurs operate in the informal sector. Mau-Quei & Cameron, (2019:3), state that the informal sector will continue to grow as long as economic growth is not aligned with an improvement to job levels and income.

The majority of Asian countries have a large informal sector which is important to their economies (Komin et al., 2020:80). With Fehlings & Karrar (2016:5), stating that the large Asian informal economy is connected horizontally or vertically in some regions and responsible for billions of dollars exchanging hands yearly without them being formally accounted for. According to Phuong & Dong-Geun (2017:441), South Asia has a high share of informal work providing informal employment of up to 80%. Thus, the level of informality can be extensive, such as in India where informal firms account for 90% of economic activity and employ 90% of the working population (Bruton et al., 2015:10). While in Vietnam, the

informal sector at some point contributed approximately 20% of the GDP thus playing a significant role in the diversification of non-farm income streams (Phuong & Dong-Geun, 2017:441).

### **2.5.3 The informal sector in Africa**

The second economy is important in developing countries because it firstly serves as a response to poverty and unemployment; secondly, it is considered a nursery for firm potential and a stepping stone for reachability and stepping stone into the first economy and thirdly, because it absorbs a majority of the workforce (Nguimkeu, 2014:175). In Africa, informal economies are no longer considered a last resort and have grown to represent up to half of the total production (Benjamin & Mbaye, 2020:2), absorbing about 60% of the labour in the urban setting, having usurped the formal economy in some countries (Minnis, 2006:120). Allen (1998:360) argues that it would be counter-productive to try and eradicate the informal sector as it provides of goods and services, plus employment to impoverished groups for which there is no alternative means of supply. However, in Sub-Saharan Africa a sizeable population of those in the informal economy are forced to exit due to regular harassment, fines, arrests and imprisonment from government authorities (Young, 2020:3).

The informal sector entrepreneurs are however heterogeneous (Lay et al., 2012:1352; Nguimkeu, 2014:175). Three groups have been identified, namely: (i) top performers; (ii) those not yet successful who share the same characteristics as the top performers, including education, language skills, sector skills and some basic management abilities; and (iii) survival entrepreneurs with fundamentally different characteristics (Lay et al., 2012:1352). Understanding the sector's heterogeneity is therefore imperative for any significant policy interventions and strategy aimed at poverty alleviation and improved economic welfare (Nguimkeu, 2014:175). Mbaku (2013:72) is of the view that at present, African economies do not have the necessary resources to effectively carry out any meaningful income support programs.

The informal sector in Nairobi, as well as in other areas, has generally been operating under debilitating conditions particularly due to the pejorative view of its nature (Bangasser, 2000:9). Despite this, the informal sector of Kenya has grown rapidly over the past decades and is estimated to account for two-thirds of employment in the urban environments (Bigsten et al., 2004:701). Adams et al. (2013:147) mention that the second economy in Kenya accounts for 7 out of 10 jobs in the non-farming sector and one in three of total people in employment. The informal sector is large and growing (Adams et al., 2013), and considered as heterogeneous (Fields, 1990:50; Bigsten et al., 2004:702), since firms can either be productive and dynamic or stagnant and traditional important factors for understanding and

analysing the sector (Bigsten et al., 2004:702). Growth of the second economy in Africa is seen by many economists as a direct consequence of the continent's own economic downturn (Bocquier, 2005:5). Meagher (2016:483) states that Africa's swift population growth and substantial informal economies, once viewed as signs of economic disaster are now regarded as assets for development.

According to Kinyanjui (2010:4), the education system, employment policy and practice, inheritance, legal structures and lack of social protection generate vulnerabilities in people, who then make their way into the informal sector. The sector is therefore seen as a representation of a segment of the population attempting to create an institutional framework for addressing society and market concerns and welfare (Kinyanjui, 2010:14). Hence, new trends are shying away from the long held perceptions of the informal sector as a problem to one containing entrepreneurial talent with the ability to foster job creation if adequately enabled by government policy (Meagher, 2016:485).

#### **2.5.4 The informal sector of South Africa**

Statistics South Africa defines the informal sector as:

“...consisting those businesses not registered in anyway, generally small in nature and rarely run from a business premises. They instead tend to be run from homes, pavements or other informal arrangements” (Skinner, 2006:127).

In South Africa, the government policy towards the informal economy is dualistic referring to it as the secondary economy therefore not taking into cognisance the underlying structural forces affecting both the formal and informal sectors and their interconnectedness (Potts, 2008:164).

The history of regulations (apartheid legacy) on the labour market, property rights, the sale of certain goods and informal work have been conducive to the development of a particular kind of informal economy in South Africa. This in contrast to many other developing countries is non-agricultural, but skewed towards urban consumer demand (McKeever, 1998:1217); dominated disproportionately by retail and large-scale trade (McKeever, 1998:1217; Valodia et al., 2006:112,114). However, according to Kingdon and Knight (2001:6), South Africa is an international outlier in terms of informal sector non-agricultural employment estimated at 16.6% which is remarkably low compared to other developing countries.

The informal economy has remained relatively small in South Africa despite the extremely high unemployment rates being experienced, thrusting forward the issue of existing barriers of entry into the informal sector notably labour market legislation and access to credit

(Valodia et al., 2006:114). Agupusi (2015:1) states that the semi-formal and informal sectors are currently not fulfilling their anticipated roles due to a myriad of constraints, among them the notable supposed lack of adequate policy specific to them and issues around them.

The relevance and importance of the informal economy in South Africa is emphasised by the country's constitution which commits local government to the improvement of local economic development (Skinner, 2006:126). Municipalities, must therefore adopt policies and strategies which encourage rural entrepreneurial development to improve on local wealth creation, work opportunities, poverty alleviation and food security (Bomani & Derera, 2018:154). South Africa in 2015 had an estimated 2.6 million people involved in this sector, with a guesstimate contribution of 28% to GDP, various sources giving varying figures, testament to difficulty of obtaining accurate figures on the sector (Meyer et al., 2016:124). Although the South African government would like to formalise the informal economy, to enable tax collection and enforcement of labour laws, informal traders are resisting the move citing restrictions on business flexibility and financial costs (Crush et al., 2015:2).

## **2.6 Challenges of entrepreneurship**

A number of factors might be causing the eDumbe Municipal area not to reach its full entrepreneurial potential. Businesses operating within the Paulpietersburg CBD, the most urban area within the municipality, have raised a number of concerns in this regard; among them are electricity supply and cuts, road conditions, water cuts and daytime sewage operations (eDumbe Municipality, 2018:145). Several other challenges are present in the area.

### **2.6.1 Access to finance**

Despite ingress to credit being a challenge the world over (Atiase et al., 2018:654; Muriithi, 2017:40), the scale of the challenge in Africa is much bigger hindering development of entrepreneurial opportunities (Atiase et al., 2018:654). Africa as the region with the lowest financial penetration globally (Atiase et al., 2018:654), ensures that the economic cost of borrowing is excessive for entrepreneurs (Legas, 2015:30).

Accessibility to external funding is essential to ease the money flow problems of SMMEs, as internal finance is often not enough for SMEs to expand and endure (Fatoki & Asah, 2011:170). Financial resources are the cement that holds together all the different aspects involved in small enterprise development and start-up. Financial institutions appear to be ineffective in communicating with entrepreneurs, while government interventions in the main are poorly implemented and marketed with only a few targeted programmes being effective (Herrington et al., 2010:47).

Yet, where access to finance has been effective SMMEs have thrived and new ones encouraged to emerge due to availability of finance, this is proven by Gauteng Province having 48% of entrepreneurs nationally (Bureau of Economic Research, 2016:7). Affordable credit is not only limited to basic capital but SMMEs also require corporate debt, renting, merchant financing and proprietorship financing all necessary for competitiveness and performance (Atiase et al., 2018:646). Mboniyane and Ladzani (2011:553) state that in the township small enterprise owners have poor credit history which leads to financial flow problems all due to difficulty of obtaining capital and a guaranteed income.

### **2.6.2 Infrastructure**

Availability of infrastructure such as roads, including communication, professional and commercial infrastructure such as marketing, legal services and accounting encourage and support SMME growth and sustainability (Bureau of Economic Research, 2016:8). While the presence of external factors such as the scarcity of finance, management skills, apparatus and technology, access to international trade and regulatory issues, ethics, prevalence of crime and corruption hinder the development of SMEs (Fatoki & Garwe, 2010:731-732). Ngorora and Mago (2013:2) further state that the availability and efficiency of transport tends to dictate the type of business to operate successfully in an area.

### **2.6.3 Education and managerial skills**

Education and deficiency of management skills have been mentioned as some of the top stumbling blocks to entrepreneurial growth and sustainability in South Africa (Herrington et al., 2010:45; Ngorora & Mago, 2013:2; Lekhanya, 2015:41; Lekhanya & Visser, 2016:73). The scarcity of management talent has negatively influenced the SME sector on the continent, despite the ability to attract motivated managers, while Asah et al. (2015:309), state that the unacceptable failure rate of SMEs in South Africa can be attributed to managerial susceptibility stemming from a lack of entrepreneurial inspiration and administrative skills.

Little or no education leads to a situation of necessity or survival rather than opportunity entrepreneurship (Brixiova, 2010:440; Herrington et al., 2010:43; Lekhanya & Visser, 2016:73; Meyer et al., 2016:123), the latter being mostly individuals with some form of tertiary education (Herrington et al., 2010:43). The importance of education as a limiting factor in South Africa however is not compatible with findings from similar developing countries or increasingly competitive economies where education does not play as much a profound role as it does in South Africa (Herrington et al., 2010:15). Most SMME owners/managers have an education level of grades 0-12 hence poorly trained (Lekhanya, 2015:411), 60% of all necessity entrepreneurs in South Africa have no matric, 39% have matric and 14% have tertiary qualifications (Herrington et al., 2010:43). This has led to a situation where



opportunity entrepreneurship is deemed as having a considerable positive outcome on development, while necessity entrepreneurship has approximately none (Brixiova, 2010:440).

In South Africa, local municipalities including eDumbe provide support to SMMEs, which fails to meet expectations, resulting in gaps in the current entrepreneurial support system (Bomani & Derera, 2018:152). eDumbe local municipality however, suffers from a lack of resources, including funding, time and capacity hence inability to implement programmes to support LED and cover existing gaps adequately (eDumbe Local Municipality, 2017:125). Lack of support by municipalities includes inadequate training for entrepreneurs in business, management and marketing skills supported by a post training monitoring and mentoring programme (Bomani & Derera, 2018:150). This is vital as a lack of skills hinders rural entrepreneur ability to meet local and international market produce and service standards demanded by these markets (Bomani & Derera, 2018:154).

## **2.7 Probable factors causing low entrepreneurship in eDumbe**

Informal entrepreneurs often face many barriers in the sector, key among them include limited client base, high levels of competition, crime, recruitment and ingress to personnel, insufficient access to raw material, inadequate infrastructure and inadequate funding, lack of adequate locality, machines and equipment, difficulties with regard to taxes and regulation (Meyer et al., 2016:124). Where formal institutional voids exist, the tapestry of culture, local tradition and social ties composing the informal institutional environment tend to swap for the inadequacy of formal organisational governance within such an environment, therefore influence economic transaction (Sutter et al., 2013:744). The harsh attitude towards failure in South Africa inhibits many potential entrepreneurs (Fatoki, 2014b:925). Business failure can result from internal controllable factors (dearth of management experience, dearth of functional skills, inadequate staff training and development, substandard attitude in dealing with customers). It can also be from external uncontrollable factors (competition, unavailability of reliable logistics chain and soaring distribution cost, rising costs of doing business, dearth of finance and crime), while owners require skills such as business management through training (Fatoki, 2014b:926). Table 2.4 shows employment in both formal and informal stratum in KZN of which the Zululand district where the study was conducted has a small but meaningful economic contribution. The Zululand District Municipality (ZDM), informal employment by sector in 2019 was estimated to be manufacturing 1762, construction 4362, trade 11448, transport 3028, finance 1024 and community services 3837 people (Cooperative & Zululand, 2020:26). These figures are conservative as there are numerous unregistered rural enterprises within the boundaries of ZDM (Chamane et al., 2018:7). While ZDM, has the third highest poverty rate (69.6%) in

the country, and eDumbe has the highest poverty rate (74.8%) among the local municipalities comprising ZDM (Cooperative & Zululand, 2020:16). The largely rural population of ZDM is characterised by a high unemployment rate and poverty, therefore has been identified as a nodal point (Chamane et al., 2018:6).

**Table 2.4: Employment by KZN district municipalities**  
(Source: Herrington et al., 2010:14)

KZN District Municipalities	Formal employment			Informal employment			Total employment		
	1996	2007	2017	1996	2007	2017	1996	2007	2017
eThekwini	801985	1034242	1105448	76897	181847	211503	878882	1216089	1316952
Ugu	69766	102103	114721	13099	26606	29959	82865	120709	144680
uMgungundlovu	187001	227526	258017	25565	44835	52307	212566	272361	310324
uThukela	63162	93442	95003	11573	25125	23050	74734	118567	118053
uMzinyathi	26973	38869	41899	6377	10809	11804	33351	49678	53702
Amajuba	66191	77402	78100	11632	20963	18974	77823	98365	97073
Zululand	49406	73238	74848	10958	20728	21049	60364	93967	95896
uMkhanyakude	28186	53042	56494	6775	16461	16239	34962	69503	72733
King Cetshwayo	91257	150311	156641	13612	30905	33594	104870	181216	190235
iLembe	64315	89984	104770	13267	23007	27658	77582	112991	132428
Harry Gwala	30222	55856	60583	9015	16732	16544	39237	72589	77126

### 2.7.1 Competition

Not only do SMMEs compete among themselves; but they also compete against large enterprises leading to quality products and services in the economy, the result of an improved competitive environment (Chimucheka, 2013:786). However businesses not only have to make determinations which deal with firm viability, but also with venture advancement under fluid competitive circumstances where every rival tries to do unattainable things to survive (Sitharam & Hoque, 2016:279).

### 2.7.2 Crime and corruption

A third of enterprises in South Africa are adversely affected by crime and violence, as a result are less likely to increase their investment to grow their business (Jili et al., 2017:8). In a 10 year period from 2009-2019 property crime increased by 0.78% in Zululand District Municipality (Cooperative & Zululand, 2020:18). The effects of transgressions on businesses are distressingly on the increase and alarming, mostly robberies occurring in small business premises (Olawale & Garwe, 2010:732). Approximately 60% of SMME employees are at one stage or another exposed to crime (burglaries, robbery and destruction) where they are left with injuries or trauma (Mbonyane & Ladzani, 2011:553). Crime increases expenditure on security measures therefore forcing SMEs to focus resources on operational matters

instead of growing their market share and staying ahead of competitors (Olawale & Garwe, 2010:732). Ahwireng-obeng and Piaray (1999:82) found that SMEs in South Africa had very little confidence in government's ability to protect them from crime and security, protect their person and property and generally provide a helping hand.

### **2.7.3 Culture and gender**

Culture can be considered as a double-edged sword, as it can act as a force enabling economic development and relatively enhanced well-being or as a factor impeding the economic development of places hence pushing down levels of relative well-being (Huggins & Thompson, 2014:730). In Africa entrepreneurship is well and alive but the various local cultures especially with regard to gender premised on a characteristic multi-ethnic (cultural) African nation may hinder entrepreneurial development (Mungai, 2012:175). This is critical as the social context in which men and women live has significance on their ability to become entrepreneurs (Chitsike, 2000:72). Cultural barriers to women entrepreneurs align with the way women and men visualize the notion of entrepreneurship, as in some cultures women are brought up to relate making money with wickedness (Chitsike, 2000:72).

There still remains much to be done in order to fully understand entrepreneurship and gender, as entrepreneurship analysis does not pay much attention to gender facets (Hamilton, 2014:703). It is argued that gender equality in entrepreneurial research will only be possible once the broader entrepreneurship field recognises the dynamic role gender plays to inform all entrepreneurial activities and environments (Muntean & Ozkazanc-Pan, 2015:27). Some of the barriers to entrepreneurship women face in developing countries include incommensurate recognition by governments of the part women contribute in the economies, limited education and vocational training. They also include none existent collateral, none existent or poor credit history, none existent business track record, dearth of legal status, family commitment of married women and female entrepreneurs shunning the male dominated sectors (O'Neill & Viljoen, 2001:39). Mandipaka (2014:1190) posits that the economic situation in which women attempt their endeavours is much more critical than the skills set they poses.

In South Africa, only an estimated 4.83% of women are thought to be involved in entrepreneurship, below that of other countries at 7.72%, and are focussed mainly on survivalist activities such as seaming co-operatives, poultry farming, gardening, candle production, arts and crafts, hawking and personal services (Chinomona & Maziriri, 2015:835). According to GEM 2014, a consistent theme reflecting differences in culture and customs in female entrepreneurial participation, found a common theme of men more likely to be involved in entrepreneurship than females (Herrington et al., 2015:29). In 2019 the ratio

of male to female entrepreneurial activity in SA was 1.14, a slight improvement from previous years (Bowmaker-falconer & Herrington, 2020:16), a ratio still considerably lower compared to the African region and other efficiency driven economies (Herrington & Kew, 2015). By entrepreneurial motivation, black Africans are 2.7, coloureds are 1.4 times, whites are 4.2 times and Indians are 7.7 times more likely to be motivated by opportunity than necessity (Herrington et al., 2017:33).

#### **2.7.4 Electricity**

Approximately two thirds of the population or 620 million people in Sub-Saharan Africa still do not have access to electricity (Legas, 2015:28; Atiase et al., 2018:647). Africa remains the only continent where electricity supply remains a hindrance to business growth (Muriithi, 2017:41), with Sub-Saharan Africa said to have the lowest electrification rates in the world (Legas, 2015:28). The effect of inadequate or lack of sufficient electricity supply to enterprises (SMEs), is the inability to operate at full capacity (Legas, 2015:29; Muriithi, 2017:41) or it is very expensive to operate (Muriithi, 2017:41). Sub-Saharan Africa has more firms owning generators than the rest of the regions, with bigger losses (4.9%) due to erratic electricity supply in comparison and spending \$5 billion in fuel cost for back up generation in 2012 (Legas, 2015:29). Africa south of the Sahara also boasts the highest electricity connection rates at 6,099% of income per capita in comparison to other regions (Geginat & Ramalho, 2015:12).

In South Africa, the rural extremely poor share of the population with access to tap water and electricity is below five percent (Banerjee & Duflo, 2007:159). The provinces of the Eastern Cape, KwaZulu-Natal and Limpopo have since 2001 been consistently ranked as the poorest provinces in South Africa, although KwaZulu-Natal was ranked position 5 in 2016, a jump from position 8 in 2011 (Kavese, 2017:6). Paulpietersburg has been classified as one of many quaternary nodes in the province, responsible for servicing local community and economic needs (eDumbe Municipality, 2018:26). KwaZulu-Natal continues to lag behind other provinces with regards to electrification of households despite the power crisis as posed by the problems with Eskom (KZN Treasury, 2019:41). Moreover, the use of technologies such as internet by SMMEs is hampered by the dearth of electricity in mainly undeveloped areas and planned power cuts in developed areas (Chimucheka & Mandipaka, 2015:310).

#### **2.7.5 Access to finance**

Areas in South Africa where the population activity is too small to warrant large enterprise, SMMEs provide the only source of economic activity (Chimucheka & Rungani, 2011:5509). Finance has been described as the most critical of barriers and is regarded as the engine

room of any enterprise be it big or small (Chinomona & Maziriri, 2015:840). In South Africa, the lack or inaccessibility of finance is a serious constraint to the setting up of new business and the growing and expansion of existing firms as they require additional capital inflows (Chimucheka & Rungani, 2011:5509-5510). Although numerous financial institutions were created to give financial assistance to entrepreneurs (O'Neill & Viljoen, 2001:40; Herrington et al., 2010:47; Lekhanya, 2015:413), awareness of them in rural KwaZulu-Natal (KZN) is still questionable (Lekhanya, 2015:413). This is can be attributed to a failure by municipalities to fulfil their responsibility of providing requisite information to SMMEs necessary for improving their access to finance from existing financial institutions which offer credit finance (Bomani & Derera, 2018:155).

### **2.7.6 Infrastructure**

Most developing countries labour under an inexplicably shabby state of fundamental infrastructure, such as transportation, telecommunication and electricity (Olawale & Garwe, 2010:732). Substandard or insufficient infrastructure inhibits small enterprise development, while terrible roads, insufficient water supply and irregular electricity supply can be referred to as examples of poor infrastructure (Mbonyane & Ladzani, 2011:553; Fiseha & Oyelana, 2019:241). The superiority of infrastructure has a bearing on the development of new SMEs especially for emerging countries such as South Africa (Olawale & Garwe, 2010:732).

### **2.7.7 Taxes and government regulations**

In Africa the quality of democratic governance influences entrepreneurship growth, entrepreneurial opportunity exploitation and nature of the entrepreneurial supporting ecosystem (Atiase et al., 2018). New SMEs must pay taxes and obtain registration licences, therefore increasing regulation costs and impacting on their growth (Olawale & Garwe, 2010:732). Mlatsheni and Leibbrandt (2011:122) mention that South African government policies are a further hindrance to SMME development trajectory and operations through increased transaction costs. Not only do new SMEs feel they are not getting enough government support but in South Africa most of them are ignorant of any government attempts to help them such as SEDA and Khula (Olawale & Garwe, 2010:732).

## **2.8 Conclusion**

This chapter made progress in outlining the understanding of an entrepreneur and entrepreneurship: the fundamental concepts of this study. It has looked at how the concept of entrepreneurship has evolved through the passage of time with a focus on what is required to be an entrepreneur. The role of society, institutions and culture were explored to show how they influence or limit entrepreneurship. It was revealed that despite the undisputed importance of entrepreneurship in driving economic growth and job creation, challenges of a

universally accepted definition still exist. The chapter was made emphasis on rural entrepreneurship. The study focus was on rural entrepreneurship in northern KwaZulu-Natal, in particular their challenge with access to finance, infrastructure and education relevant to SMME success. The importance of SME success in relation to job creation and poverty alleviation was highlighted. The development of entrepreneurship in the continent and elsewhere was discussed and juxtaposed to entrepreneurship in South Africa. The intention was to magnify SME development and challenges in the country and specifically rural KwaZulu-Natal. Access to finance, infrastructure and education levels impact upon rural entrepreneurship in KwaZulu-Natal and the lack of research and data on rural enterprises hinders policy and development of the sector. The informal economy of developed countries like America is small but thriving nonetheless with similar drivers to those of developing nations in Africa and Asia. The only difference is that the informal economy in some developing countries tends to be larger than the formal economy. Importantly it revealed that informality was more a factor of government policy as it decides what is formal and what is informal.

The next chapter outlines the research design and methodology. It does this by discussing the research philosophy and methodology, sampling method and sample size and the statistics used in the analysis of the results.

## **CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY**

### **3.1 Introduction**

The chapter describes how research and methodology are utilised in this study by the field researcher to help draw up findings and conclusions to the research study and questions. The research study is based mainly on the quantitative method as a questionnaire was the primary data collection instrument used. This chapter will deal in depth with research philosophy, design, methodology, data collection, sampling, reliability and validity.

### **3.2 Research philosophy**

The system of assumptions and beliefs utilised in the advancement of knowledge is the basis of research philosophy (Saunders et al., 2009:124). Once a study paradigm has been chosen it is desirable for the researcher to remain within it and to clearly define the basis for claiming their knowledge base (Gorman & Macintosh, 2015:52). No single, unified and universally accepted term of entrepreneurship exists, it is one element of strategic posture, which takes into cognisance the risk propensity of businesses, initiatives and innovations to indicate enterprises are being entrepreneurial (Lekhanya, 2018:39). It is however important to recognise that philosophical disagreements are an integral part of business and management research, having drawn its theoretical base from a mixture of disciplines in the social sciences (Saunders et al., 2015:126).

The science dimension however, involves either a non-objective or an unbiased approach to research; these two considerable philosophical approaches are defined by several fundamental principles concerning philosophy, epistemology, human frailty and approach (Holden & Lynch, 2004). With the objective approach considered as viewing reality as solid substances to be tested and measured, while the subjective approach views reality as composed of conceptualisations and synergies of organic subjects (Gorman & Macintosh, 2015:56). While a researchers adoption of a philosophy is mainly influenced by their view on the association between knowledge and the process by which it is developed (Saunders et al., 2009:108).

The interpretivism approach on the other hand represents a non-positivist approach to research, which introduces multiple paradigms that address multiple realities such as the feminist paradigm, disability paradigm and indigenous paradigm among others (Sefotho, 2015:27). It therefore stands that the purpose of interpretivist research is not to approve or disapprove prior theories but to develop bottom up theories that are grounded in the lived world (Leitch et al., 2010:73).

This study adopted the positivist approach which purports methodological monism and claims that the right way to provide certain knowledge is through objectivity and quantification (Sefotho, 2015:26). The differences between positivist and interpretivist approaches are as depicted in table 3.1. Among the methods used in the positivist approach are quantitative tests and questionnaires (Elshafie, 2013:6). A questionnaire was administered to capture information of entrepreneurs in and around eDumbe Municipality regarding the challenges they face in running their businesses. Therefore, a quantitative method was used to collect and analyse the data using SPSS, to measure the challenges faced by entrepreneurs.

**Table 3.1: Positivist and interpretivist paradigms**  
(Source: Gorman & Macintosh, 2015:60)

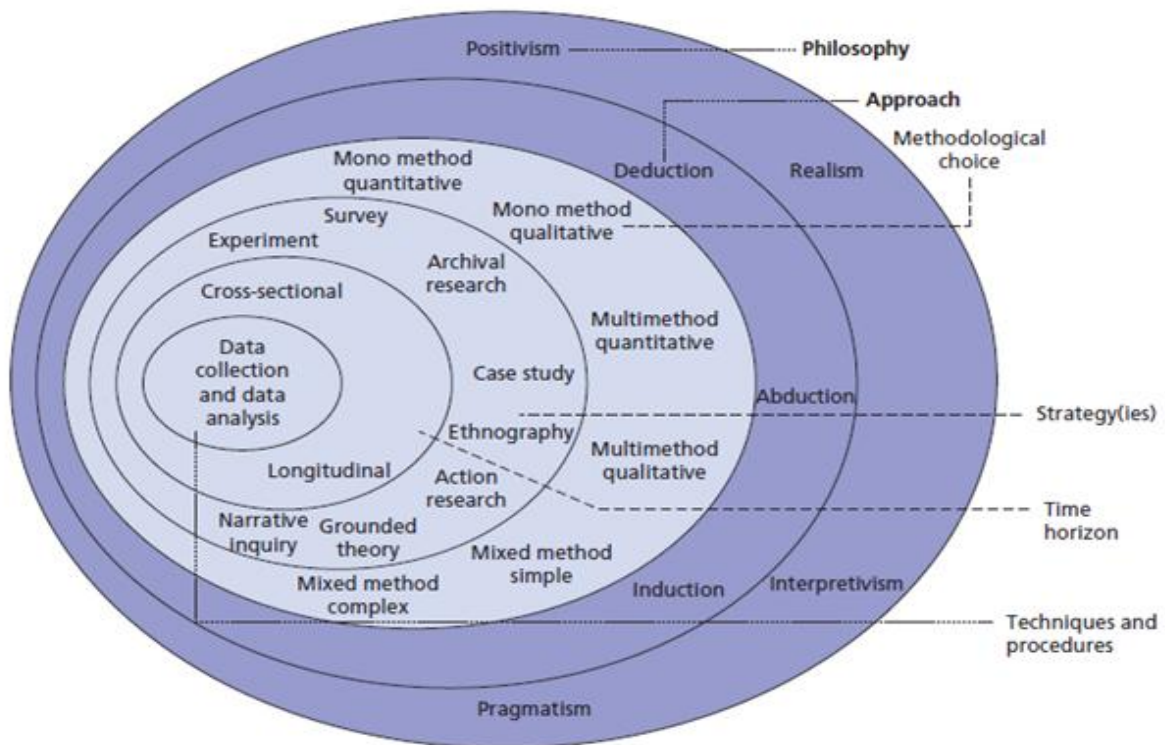
Positivist Paradigm	Interpretivist Paradigm
Focus on facts	Focus on meaning
Look for causality and fundamental laws	Try to understand what is happening
Reduce phenomena to simplest elements	Look at totality of each situation
Formulate hypothesis and test them	Develop ideas through induction from the data
Operationalise concepts so that they can be measured	Use multiple methods to establish different views of phenomena
Take large samples	Small samples investigated in depth over time

### 3.3 Research design

Research design is regarded as the process of turning research questions into a research project (Saunders et al., 2009:136), the aim of the research design is to fulfil a particular purpose within the constraints of time and money (Saunders et al., 2009:137). While each research design can be used for realising more than one research function, in a research project usually more than one research design needs to be applied (Van den Akker et al., 2013:14,15). The Research Onion (figure 3.1) presents the possible full range of research designs and methodologies. According to Akhtar (2016:69), research design should be made after the topic and research problem have been formulated and selected, research objectives duly outlined, concepts appropriately defined and hypothesis appositely framed.

For this study, a quantitative approach grounded in the positivist philosophy was used to gather and analyse a sample of the population of entrepreneurs situated in eDumbe Municipality and surrounding areas.





**Figure 3.1: Research Onion**  
 (Source: Saunders, et al., 2015:124)

### 3.4 Research methodology

A research method comprises of procedures, tools and techniques used to gather and analyse data and is independent of methodologies and paradigms (Wahyumi, 2012:72). Methodology is the strategy or plan of action which lies behind the choice or use of particular methods (Sefotho, 2015:31). Therefore, a method is a practical way of doing research while a methodology represents the ideological and theoretical foundation of a method (Wahyumi, 2012:72). Hence, methodology deals with *why*, *what*, *from where*, *when* and *how* data is collected and analysed (Sefotho, 2015:31).

Methodology entails a system of methods and principles for doing something, implying there are choices within a specific methodology (Jonker & Pennink, 2010:31) (see table 3.2). Krauss (2005:759) states that, ultimately, philosophy and not methodology is the primary difference between qualitative and quantitative methods. The fundamental difference between qualitative and quantitative methods is their flexibility, with quantitative research viewed as the more inflexible of the two (Mack et al., 2005:3). The distinction between qualitative and quantitative research is often not clear with a variety of aspects used to differentiate them, the type of data collected is used to differentiate them (Bacon-Shone, 2015:40), data collection technique or data analysis procedure (Saunders et al., 2009:151),

and quantitative research often viewed as purely scientific (Jonker & Pennink, 2010:38).

The principles of the quantitative research method were primarily utilised to conduct the study. Often regarded as being entirely scientific, quantitative research is also justifiable, meticulous and based on facts often reflected in accurate figures (Jonker & Pennink, 2010:38). Qualitative research is worried about qualitative phenomena and requires looking in depth at non-numerical data (Mishra & Alok, 2017:3). Qualitative methods are generally more flexible, open ended questions allowing respondents to answer in their own words hence relationship between the research and respondent less formal (Mack et al., 2005:4).

**Table 3.2: Difference between qualitative and quantitative methods**

(Source: Mack et al., 2005:3)

	Quantitative	Qualitative
General framework	Seek to confirm hypotheses about phenomena	Seek to explore phenomena
	Instruments use more rigid style of eliciting and categorising responses to questions	Instruments use more flexible, iterative style of eliciting and categorising responses to questions
	Use highly structured methods such as questionnaires, surveys, and structured observation	Use semi-structured methods such as in depth interviews, focus groups and participant observation
Analytical objectives	To quantify variation	To describe variation
	To predict causal relationships	To describe and explain relationships
	To describe characteristics of a population	To describe individual experiences To describe group norms
Question format	Closed-ended	Open-ended
Data format	Numerical	Textual
Flexibility in study design	Study design is stable from beginning to end	Some aspects of the study are flexible
	Participant responses do not influence determine how and which questions researchers ask next	Participant responses influence how and which questions researchers ask next
	Study design is subject to statistical assumptions and conditions	Study design is iterative, that is, data collection and research questions are adjusted according to what is learned

### 3.4.1 Study area and justification

The study was undertaken in eDumbe Municipality, which is situated in the north-west corner of KwaZulu-Natal, covering an area of 1,947km<sup>2</sup> (eDumbe Municipality, 2018:13). The total population residing within the municipality is about 101 607 of which 53.10% are female and 46.90% are male (eDumbe Municipality, 2018:13,79). The town of Paulpietersburg is the only major town within the municipal boundaries, with the rest comprising 48 dispersed rural

settlements and two urban areas (eDumbe Municipality, 2018:13). The two key economic drivers in the municipality are agriculture and farming, from which other businesses have developed. The study focussed on eDumbe local municipality with the majority of those interviewed based in the town of Paulpietersburg as an area with an aggregate number of businesses.

#### **3.4.2 Population study**

The target population refers to all members who fit a particular criterion specified for a research investigation and may by nature be homogeneous or heterogeneous (Alvi, 2016:10). The study population mainly consisted of entrepreneurs classified appropriately as small, micro or medium based on the World Bank classification of 1 to 200 employees (Akinyemi & Adejumo, 2017:625). These were either formal or informal entrepreneurs servicing various sectors such as agriculture, retail, manufacturing and services, found in different working conditions and locations such as offices, shops containers and along the street. Most of them were struggling to make ends meet.

As entrepreneurs play a significant role of creating employment in their respective communities, the aim was to find out the challenges they faced in doing so. The area being predominantly rural with one major town also presented a challenge of finding out how rural entrepreneurs were transcending from agriculture-based entrepreneurship to other forms of entrepreneurship.

#### **3.4.3 Eligibility criteria**

To be eligible to partake in the study, respondents had to be 18 years and older, be involved in formal or informal business enterprise. The business had to be within the scope of an SMME as set by the World Bank and not be involved in illicit business enterprises. The business should be operational and must be within the legally recognised boundary of the eDumbe Municipality.

#### **3.4.4 Sampling frame**

The actual cases from which the sample will be drawn from are referred to as the sampling frame (Taherdoost, 2017:20). Greener (2008:49) states that a sampling frame is a list of all people or units in a population from which a sample may be drawn. Turner (2003:3) is of the view that the unit of selection determines the sampling frame, while Neuman (2014:252) states that a lack of congruence between the abstract population and the sampling frame enfeebles our sampling validity. The rural and widely dispersed nature of the population in eDumbe Municipality presents an accessibility challenge when it comes to covering all areas for sampling. The result is such, due to time and resource constraints, that the sample was

limited to eDumbe Local Municipality and surrounding areas.

### **3.4.5 Sampling methods**

Taking a subset from the chosen sampling frame or the entire population is called sampling (Taherdoost, 2017:20). The purposive method was used to collect data as the participants were those chosen on the basis of a criterion deemed to be fitting those of a small or medium enterprise (Pandey & Pandey, 2015:53) or because it was believed it warranted inclusion in the case of informal enterprises (Taherdoost, 2017:23).

Part of the reason the researcher resorted to purposive sampling was due to the unavailability of representative data from which to choose a sample. There is no reliable database for informal enterprises in existence. By talking to known informal trader association leadership it was apparent they had no control over who could or could not trade in the area. It was also evident, that the number of informal traders increased exponentially during month ends, probably to take advantage of social grants and remittances received from government and relatives.

### **3.4.6 Sample size**

The sample size should be appropriate for achieving efficiency, reliability, representativeness and flexibility (Kothari, 2004:56). Bartlett et al. (2001:43), state that sample size is one of four inter-related features of a study design that can influence the discernment of important relationships, differences or interactions. The sample size for non-probability sampling methods remains largely ambiguous as there are no rules governing their use (Saunders et al., 2009:233).

Yet constraints such as time, personnel and budget may also render it necessary to collect and analyse sample sizes deemed as inadequate due to practical versus statistical reasons (Bartlett et al., 2001:49). Greener (2008:51) states that the central limit theorem allows for statistical analysis on a sample size of 30 minimum, as it would most likely offer a reasonable normal distribution. The importance of the theorem is that in practice many distributions are not normal, thus its application allows for statistical inference based on approximate normality of the sample mean despite the non-normality of the distribution of individual observations (Rosner, 2016:171). Therefore, ensuring that parametric techniques can be used to analyse data from the sample size.

Since there is no reliable number of registered SMEs in the municipality compounded by the sparse nature of villages and settlement patterns within them, the population size was not possible to calculate accurately. The researcher then opted for a minimum sample size of 30

respondents from which he would be able to make generalisations and conduct statistical analysis of the data.

#### **3.4.7 Data collection**

Data gathering is the process of gathering or collecting data (Zikmund & Carr, 2009:69). Kabir (2016:202) states that data gathering is the process of gathering and measuring information on variables of interest in an established systematic fashion that enables a researcher to answer research questions, test hypothesis and evaluate outcomes.

#### **3.4.8 Data collection instrument**

A data collection instrument is the means by which information for the research project is gathered, these may include interview guides, questionnaires and interview schedules (Kumar, 2011:41). Singh (2007:68-69) posits that the survey method, although preferred for quantitative data collection, has some weaknesses such as the inability to make inferences, reactivity, mismatched sampling frame, measurement error and non-response rate.

Questionnaires were distributed to entrepreneurs located within the municipal boundaries and collected later by the researcher. The researcher did not make use of a research assistant due to limited resources. A questionnaire comprised mainly of closed questions formulated and identified from the literature review in Chapter 2, which was used as the main data-collecting instrument. The list of questions was designed to obtain the most relevant facts regarding the survival and growth of entrepreneurs in eDumbe Municipality.

#### **3.4.9 Questionnaire**

A questionnaire is the main means of collecting primary quantitative data (Roopa & Rani, 2012:273). Acharya (2010) indicates that a questionnaire is a document containing questions and other items necessary for the analysis. Abawi (2013:7) is of the view that a well-designed questionnaire achieves the research goals and objectives while minimising the probability of having many unanswered questions (figure 3.1). In a bid to obtain a better response rate the researcher administered the questionnaire on a face to face basis even though it has the disadvantage of being more time consuming for the researcher (Blaxter et al., 2010:310).

The questionnaire was divided into four sub-sections, with a part dealing with personal biographical data. Part B focused on information of the status of the business, while part C focused on the accessibility of services to the business and part D focussed to the challenges faced by the business and the entrepreneur as a going concern.

### 3.4.10 Pre-testing of instrument

The pre-testing of a research instrument entails understanding the meaning of each question and its meaning, as it is understood by the respondent (Kumar, 2011:150). The primary purpose of pre-testing a research instrument is to improve the reliability and validity of research questions and questionnaires (Czaja, 1998:52). Hilton (2015:1) states that even though there is no consensus on best practices, pre-testing has the capacity to reduce sampling errors and increase questionnaire response rates. Pre-testing also reduces the number of problems experienced during the recording of data (Saunders et al., 2009:394). The procedure followed in pre-testing and development of the research tool is as presented in figure 3.2.

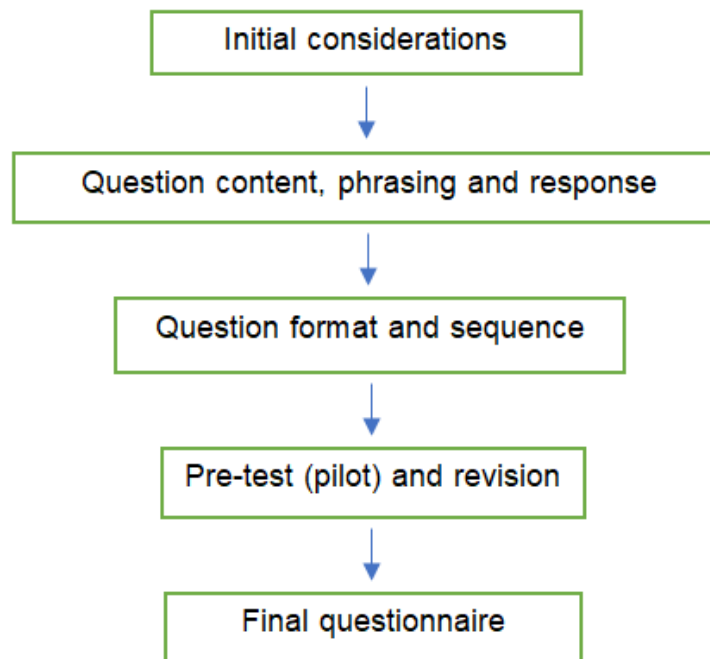


Figure 3.2: Questionnaire planning stages (adapted from Roopa & Rani, 2012:273)

The research instrument was pretested by face-face interviewing of at least ten respondents who were themselves entrepreneurs (Saunders et al., 2009:394). Through pre-testing, the questionnaire was refined to minimise ambiguity posed by certain questions. The result was a four-part questionnaire, used to collect data from respondents.

### 3.4.11 Administering the questionnaire

A questionnaire can only be administered once it has been designed, pretested, amended and the sampled selected (Saunders et al., 2009:395). When administering the questionnaire, a number of respondents were not willing to share information on

company income while some simply under represented their annual income.

#### **3.4.12 Actual data collection**

The questionnaire was administered by the researcher to respondents starting with the areas defined as urban by the municipal spatial documents. Luneburg, Bilanyoni and Paulpietersburg are all urban areas under eDumbe Local Municipality. The first stop was Luneburg a settlement comprising only three formal businesses, namely, a butchery, shop, and petrol station. The shop and petrol station are on the same premises and have one owner. The area is mostly farms with both businesses adjacent to the local clinic and no informal traders were visible nearby at time of data collection. The second area was Bilanyoni taxi rank where businesses in and around the taxi ranked were interviewed. Data was also collected from enterprises situated in the Paulpietersburg industrial park and those in the Paulpietersburg CBD. The researcher introduced himself to owner-managers and explained the purpose of his visit and the fact that participation was purely on a voluntary basis. As a result, data was only collected from those owner-managers that wanted to be part of the research study.

#### **3.4.13 Data coding**

The first step of data preparation is data coding (Sekaran & Bougie, 2016:273). With the exception of a few data types, all data must be recorded using numerical codes, this allows for quick recording of data with fewer errors and the ability to use software for analysis (Saunders et al., 2009:422). Greener (2008:57) states that coding is a means of using computer aided analytical techniques and stresses the need to keep a codebook with accurate, clear and retrievable recordings as a link between the respondent and data.

#### **3.4.14 Data analysis**

To complete the data analysis, the use of statistics came into play however, the type of statistics applied is dependent on the kind of data gathered. Descriptive statistics summarize or describe data while inferential statistics utilise methods to construe outcomes about a population from a sample (Byrne, 2007:32).

##### **3.4.14.1 Frequency distribution**

Frequency distribution is a method of organising data so that its data pattern is easier to see, often a table in which all scores are recorded concurrently with the constancy of each occurrence (Jackson, 2009:105). Thompson (2009:58) states that frequency distribution not only adequately describes ordinal and nominal level data but also makes it easy to detect data entry errors.

#### **3.4.14.2 Descriptive statistics**

Descriptive statistics are arithmetic measures that characterize a rationing out by providing information on the central tendency of the spread, the width of the spread and the shape of the spread (Jackson, 2009:109). Thompson (2009:57) posits that descriptive statistics are figures that encapsulate the data with the intention of analysing what happened with the sample. Not only are descriptive statistics utilised to juxtapose samples from different studies but to assist researchers unearth sample attributes that may impact their findings (Thompson, 2009:57).

#### **3.4.14.3 Inferential statistics**

Inferential statistics encompass all the techniques which permit us to discover in-depth associations between attributes (Barnes & Lewin, 2005:226). Thompson (2009:57) postulates that inferential statistics are figures which permit the researcher to ascertain if there is heterogeneity amongst two or more samples and if such heterogeneity is likely to be existent in the populace under consideration. Inferential statistics are divided into parametric statistics which are based on the principle of the normal curve and non-parametric statistics for variables (nominal or ordinal) as the mean and the standard deviation cannot be calculated (Barnes & Lewin, 2005:226).

#### **3.4.14.4 Chi-square test**

The chi-square is a non-parametric statistic also alluded to as a distribution free test (Mchugh, 2013:143). Chi-square tests are also to a considerably large extent the much more widely used of the non-parametric or distribution free tests and are the obvious choice for researchers analysing categorical data (Sharpe, 2015:7). Chi-square tests only show the probability of independence of distribution data and test whether two variables are associated with each other or not (Rana & Singhal, 2015:71). Kumar and Sharma (2016:25) posit that the chi-square test can be utilised as a goodness of fit, a test for interdependence or a test of homogeneity. Alpha is often set at 5% (0.05) or 1% (0.01) for most research studies (Kumar & Sharma, 2016:24). For this study, the conventionally accepted significance level of ( $p=0.05$ ) or 95% selected for analysing the data.

#### **3.4.15 Secondary data collection**

Secondary data is data which is collected from already published material of any form and is critical as it is impossible to conduct new research that can adequately capture past developments (Kabir, 2016:205). Another importance of using secondary data is that it already has a great degree of reliability and validity which the researcher need not re-examine (Kabir, 2016:206). Secondary data has a number of advantages such as having fewer resource requirements, being unobtrusive, permanence of data and unforeseen



discoveries as well as disadvantages such as being collected for purposes that do not match current research needs, being difficult to access or costly and no real control over quality requirements (Greener, 2008:74-77; Saunders et al., 2009:268-272).

### **3.5 Reliability and validity**

#### **3.5.1 Reliability**

Reliability refers to the extent to which data collection techniques and analysis procedures will yield consistent results (Saunders et al., 2009:156). Pallant (2007:6), states that reliability is the extent to which a scale is free from random error. There are four threats to reliability namely, subject or participant error, subject or participant bias, observer error and observer bias (Saunders et al., 2009:156,157). Bacon-Shone (2015:53-54), posits that different types of reliability are in existence, namely test-retest, split-half and inter-rater. The aim of reliability in research is to instil confidence that the results were not in any way manipulated to achieve a particular result (Greener, 2008:37).

#### **3.5.2 Validity**

Validity is concerned with the findings being about what they really appear to be (Saunders et al., 2009:157). Bacon-Shone (2015:54) opines that validity revolves around the meaningfulness of the measurement tool in measuring the concept. There are however a number of threats to research validity such as history, testing, instrumentation, mortality, maturity and ambiguity about causal direction (Saunders et al., 2009:157-158). A well-balanced questionnaire must cater for both internal and external validity on the main. Internal validity ensures that the questionnaire has the ability to actually measure what it is intended to (Saunders et al., 2009:372). To deal with issues of external validity the research did not seek to have its findings applicable in other parts of the country, but sought to deal with issues within eDumbe Municipality. In this study, content validity ensured that the questionnaire focused on concepts and constructs that emerged from the review of literature.

### **3.6 Ethical considerations**

Ethics are important in research to guard against organisations and individuals pursuing their personal interests in contradiction to scientific conduct and benefit (Bhattacharjee, 2012:137). When research is considered as being ethically appropriate, it forms a significant part of sound research that is approved by institutions and individuals alike. In most instances ethical issues in research arise mostly from research designs steeped in qualitative data collection methods due to nature of the relationship between the researcher and the researched (Blaxter et al., 2010:161). Ethical issues affect all forms of research, therefore all researchers are to be aware of issues such as informed consent, privacy, anonymity, being

truthful, secrecy and desirability of the research (Blaxter et al., 2010:161). Tracy (2013:32) states that in ethical research participants must be free from coercion, have a comprehension of potential risks and benefits of the research.

The data collection did not commence until after receiving ethics approval from the CPUT Research Ethics Committee. The questionnaire was then pre-tested by having it answered by different entrepreneurs (both formal and informal) to ensure that questions were understandable and not ambiguous in terms of meaning. The research followed the prescripts of ethical principles such as obtaining informed consent, avoiding deception, careful data management, not causing harm to respondents, and respect for copy right.

### **3.6.1 Informed consent and voluntary participation**

Before starting with the collection of data the researcher first sort permission from the local municipality, where he explained his research study and produced his ethics clearance certificate provided by the university. During actual data collection, the researcher showed respondents the letter from the local municipality authorising him to conduct research in the area, together with the consent letter, which they signed if they were willing to partake in the research survey.

The researcher also sought the approval of the informal trader association in the area to conduct the study. The association agreed to the research and promised to inform members and be of assistance as and when assistance was required. The formal business association, were also contacted and asked for approval to conduct research among its members. The association also committed to informing members about the research study and to provide assistance as and when the need to arises.

### **3.6.2 Protection of respondents from deception and harm**

There is a need for researchers to always ensure that at all times they not only act ethically but protect respondents from harm and deception through their participation in the study. This was achieved using a number of techniques, which included but not limited to explaining the purpose of the research and re-contacting a respondent at another more convenient time if they are unwilling or unable to participate at initial contact. It may at times be easy to see how a lie can protect the privacy of individuals, though there is difficulty in understanding how a lie might redress a wrong or right an injustice (Lincoln & Guba, 1989:222). There was also a conscious decision and realisation to follow the prescripts as laid down by Cape Peninsula University of Technology rules and principles of conducting a research study. This was necessary, as it was the institution's research ethics committee, which gave the go ahead for

the survey to proceed having approved the use of the questionnaire as a data collection tool.

### **3.6.3 Privacy, confidentiality and anonymity**

The law generally provides for the protection of right of persons to privacy and the confidentiality of any information about themselves (Lincoln & Guba, 1989:222). The principle of confidentiality refers to the agreements between the researcher and respondents on what may be done with the data (Elsner et al., 2001:40; Kaiser, 2009:1633). While privacy informs respondent participation and truthfulness of their responses in a survey, it is individuals controlling the access of others to themselves and their data (Elsner et al., 2001:40). However deductible disclosure which is of concern to qualitative researchers, sometimes makes traits of individuals and groups identifiable through research reports (Kaiser, 2009:1632). Deductible disclosure is eliminated by taking into cognisance factors that inadvertently reveal identities of individuals or groups to people familiar with the study area. All respondent data is to be kept in a safe place and only used for the purposes intended for by this study.

### **3.6.4 Copy-right and plagiarism**

The importance of academic integrity cannot be over emphasised as it has a bearing on individuals, institutions, research and general perceptions about education. Scholarly work earns its integrity from its ability to make an honest and original contribution to the existing body of knowledge, which is undermined by plagiarism (Bretag, 2013:1). Plagiarism can be defined as the act of taking someone else's work and presenting it as your own without giving them a befitting credit for their work (Helgesson & Eriksson, 2015:92). Plagiarism and copyright are among a number of components, which play a pivotal role in diminishing and strengthening the integrity of research and education. The author ensured that he referenced all material used in this study.

## **3.7 Delineation of research**

### **3.7.1 The boundaries of the research**

- The research focused on challenges to entrepreneurs in eDumbe Local Municipality, KwaZulu-Natal
- The study was limited to formal and informal entrepreneurship in eDumbe Local Municipality
- The study was open to all entrepreneurs present at the time of data collection willing to take part in the study, located in and around eDumbe Local Municipality
- English and isiZulu were languages used for purposes of data collection, as these are the languages used by most residents of the area; residents also speak Afrikaans, but the researcher is not conversant in the language

- The study was limited to English as an academic language.

### **3.7.2 Limitations and challenges**

Financial resources were very limited and this presented difficulties in the gathering of data – travelling, photocopying etc. There were also no funds to pay for a research assistant.

### **3.7.3 Data collection**

The drop off and pick up and the wait and collect methods were used to collect questionnaire data. Entrepreneurs who were busy preferred to fill up questionnaires in their spare time, although the wait and collect method was more productive. Most of the questionnaires where the drop off and pick up method was used were often returned without being filled in. This is evident as from the 60 questionnaires distributed, 23 were returned not answered mostly from the drop and pick up method.

### **3.7.4 Hiding information**

Some respondents did not provide any information to the question regarding their business annual turnover; some respondents even asked that the question be removed, as many entrepreneurs were very likely not to answer it. As many as 24.3% of respondents did not answer the question on annual business turnover. The question on the requirements for business growth was also not well answered by respondents as 16.2% did not answer. This may affect the research findings.

## **3.8 Conclusion**

The chapter discussed the research methodology adopted for the study. Some of key issues discussed are the research philosophy, research design, research methodology, eligibility criteria, sampling size, data collection methods and how empirical data was analysed. It also discussed the reliability and validity together with ethical considerations taken into account during the study. Primary data was collected through a questionnaire which assisted the researcher obtain the views of rural entrepreneurs. Chapter 4 analyses and presents the empirical findings of the study.

## CHAPTER 4: DATA PRESENTATION AND DISCUSION OF RESULTS

### 4.1 Introduction

Quantitative methods include surveys (questionnaire or formal interview) and asking questions, which produce mostly numerical data which can be measured using various scales such as nominal scale, ordinal scale, interval scale and ratio scale (Neuman, 2014:49; Kabir, 2016:203). A number of factors influence the decision making with regard to data analysis, these include but not limited to the appropriateness of the techniques for making sense of the data, the research questions being asked and the theoretical fundamentals of the study (Kawulich, 2004:96). In order to effectively evaluate a research project it is imperative to analyse data, summarise it and look for patterns within it (Peersman, 2014:9).

This chapter focuses on the factors that influence the growth of small, medium and micro enterprises in and around eDumbe Local Municipality. Such factors include demographic information as gender, age and educational status of the respondents.

### 4.2 Frequency analysis

#### 4.2.1 Demographic information of entrepreneurs

The demographic data of the entrepreneurs comprises of gender, marital status, educational status of respondents factors, which may influence entrepreneurship, and the running of the business. The significance of demographic data is not only about providing background information on entrepreneurs but also clarifying some of the pull and push factors within which entrepreneurs operate under.

#### 4.2.2 Respondents gender

The gender of entrepreneurial respondents is depicted in table 4.1. The gender of entrepreneurs is important because different push and pull factors affect the decisions of the different genders to venture into entrepreneurship.

**Table 4.1: Gender of respondent**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Male	17	45.9	45.9	45.9
	Female	20	54.1	54.1	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The majority of entrepreneurs are female representing 54.1% of the total number of respondents. Male entrepreneurs represent only 45.9 % of the total number of entrepreneurs

found in and around eDumbe municipality. The results are similar to those obtained from entrepreneurs in Ladysmith, KwaZulu-Natal where there are more female than male entrepreneurs suggesting that mothers looked more into self employment as a way of balancing work life and family life (Kumalo & Kaseeram, 2019:7). In eDumbe municipality, most adult males leave for urban areas in search of better job opportunities leaving women as custodians of the rural home and family. This may be the reason why there are more female entrepreneurs similar to findings by Ngorora & Mago, (2018:6), who suggest that female entrepreneurs are better placed to identify and manipulate entrepreneurship opportunities in rural areas. The result is a majority of women involved in businesses with the emphasis being the acquisition of extra income rather than growing the business (Herrington et al., 2010:41-42).

### 4.2.3 Respondent age

The ages of entrepreneur respondents are depicted in table 4.2.

**Table 4.2: Age of respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-23	1	2.7	2.7	2.7
	24-29	2	5.4	5.4	8.1
	30-34	10	27.0	27.0	35.1
	40-44	4	10.8	10.8	45.9
	45-49	2	5.4	5.4	51.4
	50-54	6	16.2	16.2	67.6
	55-59	6	16.2	16.2	83.8
	60-64	3	8.1	8.1	91.9
	65-69	2	5.4	5.4	97.3
	75+	1	2.7	2.7	100.0
<b>Total</b>		<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The highest number of entrepreneurs is young, in the 30-34 age bracket, representing 27% of the total and therefore considered as youth. The findings are similar to those of Herrington et al. (2015:29), stating that early stage entrepreneurial activity in South Africa peaks between the ages 25 to 34 year olds. While Zhou & Gumbo, (2021:23), state that in KwaZulu-Natal younger SMMEs in terms of age tend to outperform older enterprises in terms of sales. This bodes well for eDumbe as it means that there are a number of entrepreneurs, which are learning the ropes and will in the future act as mentors to the younger generation.

The least number of entrepreneurs is those represented in the age category 18-23 and 75 and above, which represent 2.7% respectively. The majority of entrepreneurs are within the 18 to 49 years' age category (51.4%), which usually represents the most active and productive work life of individuals. The cumulative 16.2% of individuals in the 60 to 75 year age category poses some questions as to whether they are still working due to opportunity or out of necessity. On the main the data mirrors findings by Herrington et al. (2015:29) in that South Africans at ages 18-24 are the least active entrepreneurs, those 25-44 years are the most active early stage entrepreneurs with a sharp decrease after the age of 54 years old.

#### 4.2.4 Owner-manager education

The education status of the owner-managers is shown in table 4.3.

**Table 4.3: Education status of respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No formal schooling	1	2.7	2.7	2.7
	Primary school	1	2.7	2.7	5.4
	Secondary school	12	32.4	32.4	37.8
	Vocational courses/certificates	2	5.4	5.4	43.2
	Matric	10	27.0	27.0	70.3
	Diploma	9	24.3	24.3	94.6
	Bachelor's degree	1	2.7	2.7	97.3
	Master's degree and above	1	2.7	2.7	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

Human capital is the most important factor in the development or underdevelopment of any enterprise or society and thus an investment in both the quality and quantity of an educational system is imperative for any significant and sustainable economic development (Vakili et al., 2016:78). Therefore, to achieve sustainable and inclusive economic growth South Africa needs to improve education at all levels, as it has been a consistent poor performer in primary and secondary education as shown in the Global Competitive Index (Herrington et al., 2015:31).

An economy's attractiveness, productiveness and expansion is largely dependent on an educated and adequately skilled workforce with the capacity to be inventive (Herrington et al., 2015:32). According to Peters and Brijlal (2011:3), growth in successful SMMEs and

highly skilled labour is very unlikely to emerge in significant numbers now or in the near future, more so in previously disadvantaged segments of the population due to the history of dualism and segregation in SA's development.

The majority of respondents have a highest qualification of secondary school (32.4%), while the lowest number is one (2.7%), representing those with no formal schooling, primary school, bachelor's degree and a master's degree respectively. A number of entrepreneurs went to school but dropped out for a number of reasons before they could matriculate, cumulatively representing 40.5% of respondents; meaning consideration to cater for them must be made when coming up with interventions to assist entrepreneurs in the area.

**Table 4.4: Cross tabulation education level and gender**

	Gender	
	Female %	Male %
No formal schooling	5%	0%
Primary school	5%	0%
Secondary school	40%	23.5%
Matric	20%	35.3%
Vocational courses/certificates	10%	0%
Diploma	20%	29.4%
Bachelor's degree	0%	5.9%
Masters and above	0%	5.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the male and female level of education shows that there is no significant difference (Chi square=7.652; p=0.364) between the two genders with regards their education status. The females are the only gender with entrepreneurs having no formal schooling, primary education and vocational courses or certificates, while the males are the only gender with entrepreneurs possessing a bachelor's degree and a master's degree and above.



**Table 4.5: Cross tabulation education level and age group**

Age	No school	Primary school	Secondary school	Vocational courses	Matric	Diploma	Bachelor's	Master's
18-23			8.3%					
24-29			8.3%			11.1%		
30-34			41.7%		40%	11.1%		
35-39								
40-44		100%	16.7%		10%			
45-49					10%	11.1%		
50-54			25%		20%	11.1%		
55-59	100%			50%	10%	22.2%		100%
60-64				50%	10%	11.1%		
65-69						11.1%	100%	
70+						11.1%		
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the age groups and levels of education show no significant difference (Chi square=60.872; p=0.553) between the genders regarding their education levels. The table shows that entrepreneurs in the 18-23 year age group have been to school but dropped out before matriculating. The 55-59 year age group has individuals who have never been to school, while the 40-44 year age group has individuals whose level of education is up to primary school. The diploma qualification is representative of all age groups except the 18-23, 35-39 and 40-44 years age group. The 55-59 year age group has the least educated (no formal schooling) and most educated individuals (master's and above) of all the age groups.

#### 4.2.5 Marital status of owner-managers

The marital status of owner-managers is shown in table 4.6.

**Table 4.6: Marital status of respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	19	51.4	51.4	51.4
	Married	16	43.2	43.2	94.6
	Widowed	2	5.4	5.4	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The highest number of respondents is single (51.4%). These results contradict findings in Ladysmith by Kumalo & Kaseeram, (2019:7), which postulate that single individuals are more inclined to gainful employment as opposed to self employment compared to married individuals. This may be the direct result of the majority of entrepreneurs being mostly youth. It may also be an indication of respondents not being comfortable sharing certain personal information with a stranger and therefore not stating their relationship status as separated or widowed. Married entrepreneurs show a 43.2% representation of the total respondents; this is significant because it represents a percentage of a “typical” family whose livelihood is entrepreneurship. Only 5.4% of entrepreneurs indicated that they were widowed, it is not clear however if for them entrepreneurship is out of necessity or opportunity.

#### 4.2.6 Owner-manager previous employment

The history of previous employment by owner-managers is shown in table 4.7.

**Table 4.7: Previous employment of respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	17	45.9	45.9	45.9
	No	20	54.1	54.1	100.0
<b>Total</b>		<b>37</b>	<b>100.0</b>	<b>100.0</b>	

When the skills obtained from a previous work experience can be directly transferred to the new business micro enterprise owners tend to run more successful businesses (Yanta, 2001:47). Chilya and Roberts-Lombard (2012:467) opine that redundancy is one of the most important factors why many South Africans operate small businesses. The majority of entrepreneurs with 54.1% representation have never had prior employment before their decision of self-employment, while 45.9% were in employment before they opened their own businesses. It is not clear however if those who were in employment previously opened businesses, in relation to what they did in their previous employment or not.

#### 4.2.7 Alternative employment of owner-managers

The intent to find alternative employment rather than focus on their business by owner-managers is depicted in table 4.8.

**Table 4.8: Employment search by respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	13	35.1	35.1	35.1
	No	24	64.9	64.9	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The vast majority of 64.9% is not seeking for employment elsewhere which bodes well for entrepreneurship in and around eDumbe Municipality. This may also signify that the majority of SMMEs have no other source of income and not involved in entrepreneurship to supplement their income in line with findings by Chamane et al., (2018:11). The importance of entrepreneurship can never be fully emphasised concerning its role on economic growth and the provision of employment opportunities to countless numbers of people. It would be also equally important to investigate why the 35.1% of entrepreneurs is still looking for employment and which measures to put in place to improve their plight and encourage them to soldier on.

**4.2.8 Reason of owner-manager employment**

The reason why owner-mangers could not find employment previously is shown in table 4.9. A significant number (35.1%) of entrepreneurs decided not to engage with this question for reasons, which are not quite clear. Lack of opportunities was the leading cause of people deciding to be entrepreneurs, which points towards necessity entrepreneurship as the main form of entrepreneurship.

Another significant finding was the 16.2% of respondents who stated that they do not have skills to trade for employment, which raises a number of questions. Among the questions is what they regard as a skill and if they really possess no skill how effectively are they running their own businesses. Worryingly only 8.1% of entrepreneurs stated that they want to run their own businesses, which may mean that business is good or they saw opportunity and not forced by circumstances to run their business.

**Table 4.9: Reason for respondent unemployment**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	13	35.1	35.1	35.1
Lack of skills	6	16.2	16.2	51.4
Lack of opportunities	11	29.7	29.7	81.1
Retrenchment	1	2.7	2.7	83.8
Old age	2	5.4	5.4	89.2
Want to run own business	3	8.1	8.1	97.3
Furthering studies	1	2.7	2.7	100.0
<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

#### 4.2.9 Owner-manager family status

The family status of owner-manager showing whether they are breadwinners or not in their families is depicted in table 4.10.

**Table 4.10: Breadwinner status**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	2.7	2.7	2.7
Yes	27	73.0	73.0	75.7
No	9	24.3	24.3	100.0
<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

A vast majority of entrepreneurs with a 73% representation are breadwinners meaning that their ability to fend for their families is dependent on the success of their businesses inadvertently. This high number of breadwinners may also be an indication that the vast number of entrepreneurs is necessity entrepreneurs rather than being opportunity entrepreneurs. A high number of survivalist entrepreneurs would require a number of measures to improve the situation such as business training workshops and incubators where entrepreneurs can be equipped with the necessary business skills. While 2.7% of respondents decided not to state if they are breadwinners or not in their household and reasons for such are not clear.

#### 4.2.10 Owner-manager dependents

The number of dependents supported by the business of the owner-manager is shown in

table 4.11.

**Table 4.11: Dependents of respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-1	7	18.9	18.9	18.9
	2-3	7	18.9	18.9	37.8
	4-5	8	21.6	21.6	59.5
	6+	15	40.5	40.5	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

Ngorora & Mago, (2018:6), state that entrepreneurs who were unemployed before they started their businesses usually had more children than those who were employed before starting a business as they had more time to have and raise children. Most entrepreneurs have six or more dependents (40.5%) to take care of. This places much pressure on them and their businesses. What the data do not show, is the percentage of dependents forming part of the extended family members. A significant number of entrepreneurs have 4 to 5 dependents (21.6%), while only 18.9% have the least pressure, with 0 to 3 dependents to take care of respectively.

#### 4.2.11 Owner-manager dependent qualifications

The highest educational qualifications attained by the dependents of the owner-managers are shown in table 4.12.

**Table 4.12: Highest qualification of respondent dependent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3	8.1	8.1	8.1
	No formal schooling	1	2.7	2.7	10.8
	Primary school	1	2.7	2.7	13.5
	Secondary school	10	27.0	27.0	40.5
	Vocational courses/certificates	2	5.4	5.4	45.9
	Matric	9	24.3	24.3	70.3
	Diploma	4	10.8	10.8	81.1
	Bachelor's degree	5	13.5	13.5	94.6
	Master's degree and above	2	5.4	5.4	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The highest number of dependents has secondary education representing 27.0% of total dependants. This number may be an indication that most entrepreneurs are looking after their younger siblings or extended family members considering the fact that a majority of entrepreneurs' falls within the 30-34 years age category. A total 8.1% of entrepreneurs decided not to state the education level of their dependents; it is not clear as to whether this was deliberate or motivated by the fact that they have no dependents. It is very encouraging to note that cumulatively 29.7% of dependents have acquired tertiary education, a sign that income levels may soon improve at household level. This means that entrepreneurs are also adding to the number of skilled human resources required by the country to grow in the near future.

### 4.3 Basic business status

The aim of this section was to obtain some basic information on the businesses operated by entrepreneurs and importantly which sectors were entrepreneurs identifying opportunities from which they could to operate business.

#### 4.3.1 Industries in which entrepreneurs operate

The industries in which entrepreneurs are mainly operating in are shown in table 4.13. the significance of the sectors in which SMMEs operate is critical as according to Herrington et al., (2010:14), although provincial SMME data is collected it does not reflect sectors enterprises operate in.

**Table 4.13: Focus area of business**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Retail	18	48.6	48.6	48.6
	Agriculture	3	8.1	8.1	56.8
	Services	13	35.1	35.1	91.9
	Manufacturing	2	5.4	5.4	97.3
	Retail and services	1	2.7	2.7	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

Most businesses in eDumbe Municipality are either into the retail or services sectors, as they comprise 48.6% and 35.1% respectively of all businesses interviewed. Only 2.7% of businesses combined both retail and services sector under one banner, this may have been an attempt to maximise on both sectors, as they are the dominant ones.

It is of concern that only 5.4% of businesses operate in the manufacturing sector as this is a labour intensive sector, which would contribute greatly towards reducing unemployment. Lack of manufacturing also implies that the retail sector is largely supported by goods, which have been imported from outside the municipal boundaries, thus growing the economy of those source industries.

#### 4.3.2 Role in the business

The role of each respondent participating in the research study is shown in table 4.14.

**Table 4.14: Respondent role in business**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Owner	26	70.3	70.3	70.3
	Co-owner	4	10.8	10.8	81.1
	Manager	6	16.2	16.2	97.3
	Other	1	2.7	2.7	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

Most of those interviewed indicated that they were owners of their businesses represented by 70.3% of total respondents. The high number of owners bodes well for entrepreneurship within the municipality as it means that the decision making process happens a lot quicker (good and bad decisions). There is also a high number of managers running businesses (16.2%), this might be due to a number of reasons namely; the owners of the businesses cannot at all times be available to run their business, or for their businesses to grow entrepreneurs decided to procure skill sets they do not possess. About 10.8% of owners are co-owners of their businesses. This might present a challenge where swift decision making is required as owners are deliberating on whose ideas are best moving forward, competitors might be already occupying the space. Co-ownership might also be the result of two or more entrepreneurs combining their skills and resources in order to be more competitive.

#### 4.3.3 Years of entrepreneurial experience

The number of years the entrepreneurs have run their current business is shown in table 4.15.

**Table 4.15: Respondent years of being entrepreneur**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-1	4	10.8	11.4	11.4
	2-3	5	13.5	14.3	25.7
	4-5	4	10.8	11.4	37.1
	6+	22	59.5	62.9	100.0
	<b>Total</b>	<b>35</b>	<b>94.6</b>	<b>100.0</b>	
Missing	System	2	5.4		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

The vast majority of entrepreneurs have six or more years of experience in relation to running their own business (62.9%). The importance of entrepreneurs deemed to have made it in life and therefore act as role models is very important. A number of entrepreneurs acknowledge their business start-up ideas and development to the influence of other often successful entrepreneurs (Bosma et al., 2011:2). In South Africa, it is believed that less than half of newly formed SMEs survive beyond the first five years of existence (Brink et al., 2003:2). That said cumulatively entrepreneurs who have owned their businesses for a period of 0 to 5 years constitute 37.1% of total respondents.

#### **4.3.4 Businesses started by respondent**

The number of businesses started by each individual owner-manager is depicted in table 4.16.

**Table 4.16: Number of businesses started by respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-1	29	78.4	82.9	82.9
	2-3	4	10.8	11.4	94.3
	4-5	1	2.7	2.9	97.1
	6+	1	2.7	2.9	100.0
	<b>Total</b>	<b>35</b>	<b>94.6</b>	<b>100.0</b>	
Missing	System	2	5.4		
<b>Total</b>		<b>37</b>	<b>100.0</b>		



Novice entrepreneurs are those entrepreneurs who have ever started one business and have limited scope from which to draw their experiences (Ucbasaran et al., 2008:310). This effectively hinders their ability to move down the experience curve with regard to issues and opportunities associated with identifying and exploiting available entrepreneurial opportunities (Ucbasaran et al., 2008:310). The vast majority of entrepreneurs (82.9%) has only ever started one business in their lifetime and therefore considered as novice entrepreneurs.

Habitual entrepreneurs include both portfolio who run multiple businesses concurrently and serial entrepreneurs who launch businesses sequentially (Plehn-Dujowich, 2010:377). Of those fitting the description of serial or portfolio entrepreneurs having started two or more businesses in their lifetime, constitute the minority (17.2%). The data seems to indicate that habitual entrepreneurship is not prevalent in the area, for reasons, which are not immediately clear. A number of factors may be at play such as the size of the small size of the town, the inability of entrepreneurs to identify business opportunities or entrepreneurs being content with current positions.

#### 4.3.5 Businesses owned by respondent

The number of businesses owned by each individual respondent is depicted in table 4.17.

**Table 4.17: Current businesses owned by respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-1	29	78.4	80.6	80.6
	2-3	7	18.9	19.4	100.0
	<b>Total</b>	<b>36</b>	<b>97.3</b>	<b>100.0</b>	
Missing	System	1	2.7		
	<b>Total</b>	<b>37</b>	<b>100.0</b>		

Portfolio and serial entrepreneurs enjoy superior economic performance in comparison to novice entrepreneurs, as business experience is associated with economic returns in entrepreneurship (Parker, 2014:887). In the study area, the majority of entrepreneurs represented by 78.4% run only a single business. While portfolio entrepreneurs comprise 18.9% of the total interviewed entrepreneurs who manage two to three businesses. However to effectively target support measures for entrepreneurs, policy-makers and practitioners can potentially use information from habitual entrepreneurs as different types of entrepreneur

perform differently (Parker, 2014:887).

From the data, it is evident that more than half of the entrepreneurs are putting all their effort into making sure that their current business is successful. It can also mean that most entrepreneurs do not see other viable opportunities, do not have the resources to start another business or are not skilled or confident enough to move out of their comfort zones.

#### 4.3.6 Years running current business

The number of years in which the current enterprise has been in existence for is as shown in table 4.18. A business is only said to be an established enterprise only after it has managed to exist beyond the first forty-two months of being operational (Olawale & Garwe, 2010:730). According to Sitharam and Hoque (2016), SMEs have a high failure rate throughout the world and South Africa is no different. Newly established businesses are those within 0-3 years of age and constitute about 30.6% of total respondents cumulatively. This is crucial because the majority of small and medium enterprises in South Africa fail to make it through their first 42 months of existence (Olawale & Garwe, 2010:730).

**Table 4.18: Number of years running current business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-6 months	2	5.4	5.6	5.6
	1-2 years	4	10.8	11.1	16.7
	3-4 years	5	13.5	13.9	30.6
	5-6 years	3	8.1	8.3	38.9
	7+ years	22	59.5	61.1	100.0
	<b>Total</b>	<b>36</b>	<b>97.3</b>	<b>100.0</b>	
Missing	System	1	2.7		
	<b>Total</b>	<b>37</b>	<b>100.0</b>		

#### 4.3.7 Business registration status

Policymaking by government determines the nature of informality and resultant different types of informality, due to the role of the state in defining what is informal or not (Babbitt et al., 2015:164). The registration status of businesses in the study area is depicted in table 4.19.

**Table 4.19: Current business registration**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	21	56.8	56.8	56.8
	No	16	43.2	43.2	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The majority (56.8%) of entrepreneurs have their businesses registered either with the municipality or according to the companies Act of South Africa. Informal businesses recognised by the municipality (municipal approval to trade) are required to pay a levy to the municipality and are under the banner of the informal traders association. This means that a majority of the businesses are paying one form of tax or the other, through SARS or via the municipality to allow them to trade.

The business legal status by gender of the owner-manager are shown in table 4.20.

**Table 4.20: Gender and business legal status of owner-managers**

	Gender	
	Male	Female
	%	%
Formal business	66.7%	33.3%
Informal business	26.3%	73.7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Babbitt et al., (2015:164), postulate that women have affinity for the informal sector as it provides greater flexibility in terms of working hours, pace of work, proximity of the job to one's home and ease of entry and exit. The results as shown in table 4.20 correlate with this assertion as the formal sector is male dominated (66.7%), while the female sector is female dominated (73.7%).

#### **4.3.8 Reason for owning current business**

The ability to identify opportunities is linked to human capital variables such as education, work experience, entrepreneurial experience, prior knowledge, prior knowledge of customer problems, experiential problems and previous entrepreneurial experience (Urban, 2009:514). The reason, which prompted each individual entrepreneur to be self-employed, is shown in table 4.21.

**Table 4.21: Respondent reason for running current business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	4	10.8	10.8	10.8
Lack of employment opportunities	13	35.1	35.1	45.9
Gap in the market	17	45.9	45.9	91.9
Retrenchment	1	2.7	2.7	94.6
Promote the town	1	2.7	2.7	97.3
Extra income stream	1	2.7	2.7	100.0
<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

A number of entrepreneurs (45.9% majority) started their businesses having identified a gap they could exploit through their business venture. The net unemployment in South Africa has been stagnant or rising since the early 1980s and therefore not a new phenomenon (Altman, 2003:158). This may explain the 35.1% of respondents pushed into business due to their inability to find jobs and therefore necessity entrepreneurs.

#### **4.3.9 Number of people employed**

The number of people as employed by each individual business is shown in table 4.22.

**Table 4.22: Number of people employed in business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Self	17	45.9	45.9	45.9
1-5	13	35.1	35.1	81.1
6-14	2	5.4	5.4	86.5
15-24	4	10.8	10.8	97.3
25-50	1	2.7	2.7	100.0
<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

Approximately two out of three SMMEs in South Africa operate their own business and do not have any employees and about 300 000 SMMEs in the country have five or more employees (Cant et al., 2014:569). The majority of owner-managers only employ themselves in their businesses with a 45.9% representation as reflected in table 4.2.9. Poschke (2010:3) mentions that in all countries necessity entrepreneurship is substantially higher among those business people who self-employ. The second most significant group of entrepreneurs is those employing 1-5 individuals with a 35.1% representation. Those employing 15-24 individuals with 10.8% representation closely follow this. They in turn followed by those

employing 6-14 individuals with 5.4% representation and lastly those with 25-50 individuals in employment with 2.7% representation.

#### 4.3.10 Business accounting system

Those businesses with an accounting system used in management of the business are shown in table 4.23.

**Table 4.23: Business has accounting system**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	18	48.6	48.6	48.6
	No	19	51.4	51.4	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The majority of entrepreneurs have no accounting system for their businesses, which poses a number of questions as to why this is so. Businesses with no accounting system have a 51.4% total representation. Among the top questions is how they keep track of their finances to determine the amount of profitability of their businesses. Another worrying possibility is that they are not looking to grow their business for as long as it is able to allow them to put food on the table. The growth of a business should be the focus regardless of its status as an informal or formal business for it to contribute to economic growth. Businesses with an accounting system in place have a 48.6% total representation.

#### 4.3.11 Business plan

Businesses whose operations are guided by the use of a business plan are depicted in table 4.24.

**Table 4.24: Business plan for current business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	18	48.6	48.6	48.6
	No	19	51.4	51.4	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The importance of a business plan is signified by the annual number of ten million business plans produced global (Karlsson & Honig, 2009:28). That is because it is believed that well-planned business activities as stated in a business plan result in better business

performance (Jasra et al., 2011:277). However, in the study area the majority of businesses have no business plan to help guide their operations and have a 51.4% total respondent representation. Those businesses with a business plan have a total 48.6% representation.

#### 4.3.12 Business location

The location of a business is critical to its survival, as a business that is isolated from its customers will struggle to survive. Those businesses who are satisfied with where their businesses are located are shown in table 4.25.

**Table 4.25: Satisfaction with business location**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	5.4	5.4	5.4
Yes	20	54.1	54.1	59.5
No	15	40.5	40.5	100.0
<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The majority of businesses representing 54.1% are happy with the location of their businesses, while 40.5% of entrepreneurs are not happy with where their businesses are presently located. It is important for authorities to know the reasons behind this dissatisfaction so that where possible improvements can be made.

#### 4.3.13 Business turnover

The annual turnover of a business not only determines profitability, but also measure of how big a business is. The SMME legislation of South Africa categorises them according to their annual turnover. Table 4.26 shows the annual turnover of enterprises.

**Table 4.26: Annual turnover of the business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
R 0-10 000	19	51.4	67.9	67.9
R 10 001-50 000	3	8.1	10.7	78.6
R 50 001-250 000	1	2.7	3.6	82.1
R 500 001-1 500 000	2	5.4	7.1	89.3
R 1 500 001-5 000 000	3	8.1	10.7	100.0
Total	28	75.7	100.0	
Missing				
System	9	24.3		
<b>Total</b>	<b>37</b>	<b>100.0</b>		

The categorisation of businesses is often based on the number of employees and their annual turnover. A number of entrepreneurs were uncomfortable in answering this question with some even stating that no entrepreneur was going to give out such information. Of those entrepreneurs who answered the majority estimated their annual turnover to be between R 0-10 000 as shown by the 67.9% representation. The R 10 001- R 50 000 and R 1 500 001- R 5 000 000 annual turnover range respectively had a 10.7% representation of total respondents. The businesses with annual turnover of R 500 001 to R 5 000 000 play a huge role in curbing unemployment and having more businesses progress to their range would greatly improve the economic status of the study area.

**Table 4.27: Cross tabulation of annual business turnover and gender**

	Gender	
	Male	Female
	%	%
R 0 - 10 000	31.6%	68.4%
R 10 001 - 50 000	66.7%	33.3%
R 50 001 - 250 000	100%	0%
R 250 001 – 500 000	0%	0%
R 500 001 - 1 500 000	100%	0%
R 1 500 001 - 5 000 000	66.7%	33.3%

A cross tabulation of annual business turnover and gender shows no significant difference (Chi square=6.134; p=0.189) between gender and annual business turnover. However, there are no females occupying the R 50 001 – R1 500 000 annual turnover rates resulting in female representation only in the R 0 – 50 000 and the R 1 500 001 – R 5 000 000 ranges.

#### **4.4 Access to finance and other financial services**

The aim of this section is to look at how entrepreneurs fund their businesses internally or externally and the challenges and opportunities they experience or exploit to grow and sustain their enterprises.

##### **4.4.1 Access to Finance**

The financing gap is a critical problem for developing countries, while African countries are significantly disadvantaged in financial development (Fowowe, 2017:6). The result is a bigger firm financing gap problem for Africa when compared to other developing regions (Fowowe,

2017:6). The access to finance or the lack of access to finance available to entrepreneurs is shown in table 4.28.

**Table 4.28: Lack or inadequate access to finance**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	5.4	5.6	5.6
	Disagree	2	5.4	5.6	11.1
	Neutral	9	24.3	25.0	36.1
	Agree	3	8.1	8.3	44.4
	Strongly agree	20	54.1	55.6	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

The lack of access to finance is regarded as a problem by SMMEs, affirmed by the 63.9% entrepreneur response rate. Only 11.2% of entrepreneurs do not regard access to finance as a problem, while 25% of entrepreneurs are neutral on the issue of access to finance.

**Table 4.29: Cross tabulation lack of access to finance and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	0%	10%
Disagree	6.3%	5%
Neutral	37.5%	15%
Agree	12.5%	5%
Strongly agree	43.8%	65%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of lack of access to finance and gender shows that there is no significant difference (Chi square=4.748; p=0.314) between the genders with regards their lack or inadequate access to finance. However, there are 70% females who agree or strongly agree that they have no access to finance compared to 56.3% males in the same category. Among the males, 6.3% of them strongly disagree or disagree that the lack access to finance is a business challenge compared to 15% females who strongly disagree or disagree that the lack access to finance is a business challenge.



#### 4.4.2 Funding institutions

The lack of finance as a major obstacle to business development and growth is often misplaced thereby concealing the entrepreneur's shortcomings, business concept and management structure deficiencies of the concerned enterprise (Rajaram, 2008:66). Funding institutions play a pivotal role in not only easing cash flow difficulties of businesses but also in helping them grow. Table 4.30 depicts the number of SMMEs that are aware of the existence of funding institutions found in and around their area of operation.

**Table 4.30: Funding institutions respondent is aware of in the area**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	2.7	2.7	2.7
Yes	6	16.2	16.2	18.9
No	30	81.1	81.1	100.0
<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The overwhelming response from respondents with 81.1% representation was that they are not aware of any funding institutions in the area. This, however, is consistent with findings by (Lekhanya, 2015:413), that despite numerous funding institutions being set up, entrepreneurs in rural KZN are still not aware of their existence. Only 16.2% of the total respondents acknowledged awareness of existing funding institutions.

**Table 4.31: Cross tabulation of funding institution and gender**

	Gender	
	Male %	Female %
Yes	17.6%	15%
No	76.5%	85%
No response	5.9%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of funding institutions owner-managers are aware of in the area and gender shows that there is no significant difference (Chi square=1.299; p=0.522) between knowledge of an existing funding institution and the gender of the owner-manager.

#### 4.4.3 External funding

It is not always necessary for a business to receive external funding, yet it is crucial for it to

do so when a need arises be it for cash flow or expansion purposes. Brijlal et al. (2013:856), argue that access to external finance is not the main constraint to small business growth and development. Fatoki (2014a:1) indicates that access to finance is a major problem for South African entrepreneurs with lack of financial assistance reported as the second most important reason for small business failure. The extent to which entrepreneurial businesses receive external funding is shown in table 4.32.

**Table 4.32: Cross tabulation of external business funding received and gender**

	Gender	
	Male %	Female %
Yes	33.3%	47.1%
No	66.7%	52.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of external business funding and gender shows that there is no significant difference (Chi square=0.209; p=0.647) between male and female owner-managers receiving external funding. The table shows that of the enterprises currently receiving external funding the majority are females with 47.1%. It also shows that of those enterprises not receiving external funding to help grow and sustain their businesses the majority are males with 66.7%.

#### 4.4.4 External funder

It is important to know which funder SMMEs turn to in their hour of need and whether they are utilising the services at their disposal. The various types of external funders who are presently providing funding to SMMEs are as depicted in table 4.33. Fatoki (2014a:3), states that SMMEs require access to external finance if they are to minimise the impacts of cash flow problems. More often the growth and development of new SMMEs is constrained by their dependence on internal funding (Fatoki, 2014a:4).

**Table 4.33: Cross tabulation of external funder of business and gender**

	Gender	
	Male %	Female %
Bank	66.7%	33.3%
Government agency/department	0%	100%
Bank and loan shark	100%	0%
Private institution and government agency	0%	100%

A cross tabulation of the external funder of the business and gender of the owner-manager shows that there is no significant difference (Chi square=3.403; p=0.493) between the external funder and the gender of the owner-manager. However, no male receives any funding from a government agency or department and from a private institution. Females have a wider variety of external funding sources to draw from when compared to males.

#### 4.4.5 No external funding

It is important to know why entrepreneurs think they are unable to access funding from existing institutions so that measures to bring down the barriers can be put in place. The reasons as to why SMMEs are presently not receiving any external funding are as shown in table 4.34. Among the top reasons why SMMEs do not receive funding from banks include bad credit record, poor business plan, inadequate owner contributions and a lack of collateral (Fatoki, 2014a:4).

**Table 4.34: Cross tabulation of reason for no external funding and gender**

	Gender	
	Male %	Female %
Self-sustaining	50%	50%
Stringent requirements	0%	100%
Confusing process	0%	100%
No collateral	66.7%	33.3%
Confusing process, no collateral and stringent requirements	50%	50%

A cross tabulation as to the reason why external funding is not received by enterprises and gender shows that there is no significant difference (Chi square=6.578; p=0.254) between the reasons for not obtaining funding and the gender of the owner-manager.

#### 4.4.6 Interest rates

The perception of high interest rates charged by financial institutions on entrepreneurs is shown in table 4.35.

**Table 4.35: High interest rates charged by institutions**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.7	2.8	2.8
	Disagree	3	8.1	8.3	11.1
	Neutral	13	35.1	36.1	47.2
	Agree	6	16.2	16.7	63.9
	Strongly agree	13	35.1	36.1	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

The issue of high interest rates charged by institutions offering credit is seen as a challenge by 52.8% of SMMEs. Some entrepreneurs do not regard interest rates as a challenge as represented by 11.1% of SMMEs, while 36.1% of entrepreneurs are indifferent to the issue of interest rates charged by entrepreneurs.

In table 4.36 below, 18.8% of the males, strongly disagree or agree that high interest rates are a business challenge and 5% of females strongly disagree or disagree that high interest rates are a business challenge. While 55%, of females agree or strongly agree that high interest rates are a business challenge and 50.1% males view high interest rates as a business challenge.

**Table 4.36: Cross tabulation gender and high interest rates**

	Gender	
	Male	Female
	%	%
Strongly disagree	0%	5%
Disagree	18.8%	0%
Neutral	31.3%	40%
Agree	18.8%	15%
Strongly agree	31.3%	40%
Total	100%	100%

A cross tabulation of high interest rates and gender shows that there is no significant difference (Chi square=5.002; p=0.287) between the two genders concerning high interest rates charged by financial institutions.

#### 4.4.7 Lack of collateral

Most SMMEs lack the collateral and financial records such as financial statements required by banks and other financial institutions as mandatory for loan applications thereby negatively affecting their prospects (Cant et al., 2014:570). Yanta (2001:47) postulates that the demands for collateral are often not realistic and for the need to be flexible when dealing with some loan applications. The negative effect that a lack of collateral has on the daily running of a business as perceived by entrepreneurs is shown in table 4.37.

**Table 4.37: Lack of collateral to obtain loan**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	5.4	5.6	5.6
	Disagree	3	8.1	8.3	13.9
	Neutral	13	35.1	36.1	50.0
	Agree	3	8.1	8.3	58.3
	Strongly agree	15	40.5	41.7	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

As shown in the table most owner-managers with 50% representation view the requirement of collateral by institutions before they can receive finance as a hindrance to their ability to access capital. However, 36.1% of owner-managers are neutral or indifferent on the issue of collateral and 13.9% of owner-managers do not regard the lack of collateral as a problem.

**Table 4.38: Cross tabulation lack of collateral and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	6.3%	5%
Disagree	12.5%	5%
Neutral	31.3%	40%
Agree	12.5%	5%
Strongly agree	37.5%	45%
Total	100%	100%

A cross tabulation of gender and a lack of collateral shows that there is no significant difference (Chi square=1.533; p=0.821) between the owner-manager genders concerning their lack of collateral to obtain a business loan. There are 18.8% males who strongly disagree or disagree that they lack collateral to obtain a loan and 10% females who strongly disagree or disagree that they lack collateral to obtain a loan. However, 50% males agree or strongly agree that they lack collateral to obtain a loan and 50% females who agree or strongly agree that they lack collateral to obtain a loan.

## 4.5 Cost of doing business

### 4.5.1 Rates and taxes

The perception on the high business rates and taxes imposed on businesses is as shown in table 4.39.

**Table 4.39: High rates and taxes associated with business operation**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	5.4	5.6	5.6
	Disagree	4	10.8	11.1	16.7
	Neutral	13	35.1	36.1	52.8
	Agree	6	16.2	16.7	69.4
	Strongly agree	11	29.7	30.6	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

The costs of business compliance in South Africa were in the recent past approximately 6.5% of the gross domestic product, thus the costs act as a prohibitive constraint to business at both the provincial and local level (Herrington et al., 2010:48). More so studies have shown that compliance costs in South Africa represent 8.3% of annual turnover for SMMEs with annual gross of one million (Herrington et al., 2010:48). Yanta (2001:46), states that market traders complained about not being consulted by local government officials when implementing infrastructure projects supposedly to help them leading to complaints of rentals, fees and stand sizes. As depicted in table 4.39, 47.3% of owner-managers agree that the high rates and taxes with conducting business are a challenge to business growth and sustainability. While 36.1% of owner-managers are neutral on the matter, 16.7% of

owner-managers do not view the issue of business rates and taxes as a challenge to business growth and taxes.

**Table 4.40: Cross tabulation of business rates and taxes and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	6.3%	5%
Disagree	12.5%	10%
Neutral	31.3%	40%
Agree	25%	10%
Strongly agree	25%	35%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high rates and taxes associated with business and gender shows that there is no significant difference (Chi square=1.754; p=0.781) between gender of the owner-manager and the challenge of high rates and taxes associated with business.

#### 4.5.2 Cost of transport

The cost of transporting goods and services is not only integral to running a business but unavoidable and part of business daily expenses. As transport is an unavoidable business expense, the amount spent per month by SMMEs is depicted in table 4.41.

**Table 4.41: Cost of transport per month**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	R 0-500	13	35.1	40.6	40.6
	R 501-1000	4	10.8	12.5	53.1
	R 1001-5000	8	21.6	25.0	78.1
	R 5001-10 000	2	5.4	6.3	84.4
	R 10 001-50 000	3	8.1	9.4	93.8
	R 50 001 +	2	5.4	6.3	100.0
	Total	32	86.5	100.0	
Missing	System	5	13.5		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

The R 0-500 bracket with a 40.6% representation is what the majority of entrepreneurs pay for transport on a monthly basis to run their businesses. The second most used spent amount on transport by businesses is R 1001-5000 representing 25% of the total

respondents. The R 501-1000 category has a 12.5% representation, while the R 10 001-50 000 range has 9.4% representation. The R 5 001-10 000 and the R 50 000+ range respectively have a 6.3% representation.

**Table 4.42: Cross tabulation of cost of transport and gender**

	Gender	
	Male %	Female %
R 0-500	30.8%	47.4%
R501-1000	7.7%	15.8%
R1001-5000	30.8%	21.1%
R5001-10 000	7.7%	5.3%
R10 001-50 000	23.1%	0%
R50 000+	0%	10.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the cost of transport and gender shows that there is no significant difference (Chi square=7.046; p=0.217) between the amount spent on transportation to run the business and the gender of owner-manager.

### 4.5.3 Communication costs

Communication is the currency of business as only through communication can transactions be successful. However, communication is not free and is a service that must be paid for if service delivery is to be fulfilled. The amount spent on communication a month is depicted in table 4.43.

**Table 4.43: Amount spent monthly on landline, cell, internet, fax**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	R 0-500	18	48.6	54.5	54.5
	R 501-1000	6	16.2	18.2	72.7
	R 1001-5000	6	16.2	18.2	90.9
	R 5001-10 000	2	5.4	6.1	97.0
	R 10 001-50 000	1	2.7	3.0	100.0
	Total	33	89.2	100.0	
Missing	System	4	10.8		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

Businesses have to communicate with both suppliers and customers to survive. The communications budget for most businesses is R 0-500, which represents 54.5% of the



total respondents. This is followed by the R 501- 1000 and R 1001-5000 price which are represented by 18.2% respectively, the R 5001-10 000 price range has a 6.1% representation and the R 10 001-50 000 price range has a 3% representation.

**Table 4.44: Cross tabulation of cost of communication and gender**

	Gender	
	Male %	Female %
R 0-500	46.2%	60%
R501-1000	23.1%	15%
R1001-5000	30.8%	10%
R5001-10 000	0%	10%
R10 001-50 000	0%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the cost of communication services and gender shows that there is no significant difference (Chi square=4.379; p=0.357) between the amount spent on business communication to run the enterprise and the gender of owner-manager.

#### 4.5.4 Transport costs

The ever-escalating petrol prices and public transport prices charged to customers are bound not only to affected ordinary people but also small and medium enterprises are like. The views of entrepreneurs on the high transport costs are shown in table 4.45.

**Table 4.45: High transport costs**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	5.4	5.6	5.6
	Disagree	2	5.4	5.6	11.1
	Neutral	9	24.3	25.0	36.1
	Agree	6	16.2	16.7	52.8
	Strongly agree	17	45.9	47.2	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

As depicted in table 4.45, there are 63.9% SMME owner-managers who view high transport costs as a challenge to their businesses. However, 25% of owner-managers remained neutral on the issue of high transport costs, while 11.1% of owner-managers were not of the

opinion that transport costs pose a challenge to their businesses.

**Table 4.46: Cross tabulation of high transport cost and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	12.5%	0%
Disagree	0%	10%
Neutral	37.5%	15%
Agree	18.8%	15%
Strongly agree	31.3%	60%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the high cost of transportation and gender shows that there is no significant difference (Chi square=7.531; p=0.110) between gender of the owner-manager and the challenge of high transport cost in running a successful business.

#### 4.5.5 Telephone or cell phone costs

The entrepreneurs' perception on the high costs of using the telephone and cell phone to run a business is shown in table 4.47.

**Table 4.47: High telephone or cell phone costs**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	8.1	8.3	8.3
	Disagree	2	5.4	5.6	13.9
	Neutral	9	24.3	25.0	38.9
	Agree	7	18.9	19.4	58.3
	Strongly agree	15	40.5	41.7	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

Affordable communication is very important to the competitiveness of enterprises. As depicted in table 4.47, as many as 61.1% of owner-managers think the cost of using telephone or cell phone is a business challenge. Even though 25% of owner-managers are neutral on the matter high calling costs, while 13.9% of owner-managers are not of the opinion that phone or cell costs pose a business challenge.

**Table 4.48: Cross tabulation of high telephone and cell phone costs and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	12.5%	5%
Disagree	12.5%	0%
Neutral	25%	25%
Agree	12.5%	25%
Strongly agree	37.5%	45%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high telephone and cell phone costs and gender shows that there is no significant difference (Chi square=3.934; p=0.415) between gender of the owner-manager and the challenge of high telephone and cell phone costs in running a successful business.

#### 4.5.6 Internet and data costs

SMMEs need access to accurate information if they are to make the correct business decisions and their enterprises profitable. The reality however is that Africa has a poor information environment resulting from under developed communication and technological infrastructure and inadequate business support systems (Muriithi, 2017:42). The perception of entrepreneurs on the cost of using the internet and that of using data to run a business is as shown in table 4.49.

**Table 4.49: High internet and data costs**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	5.4	5.6	5.6
	Disagree	5	13.5	13.9	19.4
	Neutral	11	29.7	30.6	50.0
	Agree	3	8.1	8.3	58.3
	Strongly agree	15	40.5	41.7	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

Table 4.49 shows that 50% of owner-managers view data and internet costs as a challenge to their business operations, while 30.6% owner-managers are however neutral on the matter and 19.4% who do not share the opinion of data and internet costs being a challenge

to enterprise growth and sustainability.

**Table 4.50: Cross tabulation of high internet and data costs and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	6.3%	5%
Disagree	18.8%	10%
Neutral	31.3%	30%
Agree	6.3%	10%
Strongly agree	37.5%	45%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high internet and data costs and gender shows that there is no significant difference (Chi square=0.790; p=0.940) between gender of the owner-manager and the challenge of high internet and data costs in running a successful business.

#### 4.5.7 Electricity billing

As input to production processes, electricity is important for developing the quality and depth of the entrepreneurial ecosystem and the general economy in Africa (Atiase et al., 2018:647). The level and quality of any infrastructure can be a determinant of the failure or success of any business enterprise (Yanta, 2001:45). The perception of entrepreneurs on the cost and or billing of electricity is shown in table 4.51.

**Table 4.51: High electricity costs/billing**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.7	2.8	2.8
	Disagree	3	8.1	8.3	11.1
	Neutral	16	43.2	44.4	55.6
	Agree	4	10.8	11.1	66.7
	Strongly agree	12	32.4	33.3	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

As depicted in table 4.51, there are 44.4% SMME owner-managers who view high electricity costs as a challenge to their businesses. However, there is 44.4% enterprises, which are

neutral on the issue of electricity tariffs and 11.1% of enterprises, do not see electricity tariffs as a challenge to their businesses.

**Table 4.52: Cross tabulation of high electricity/billing costs and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	6.3%	0%
Disagree	12.5%	5%
Neutral	31.3%	55%
Agree	25%	0%
Strongly agree	25%	40%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high electricity/billing costs and gender shows that there is no significant difference (Chi square=8.578; p=0.073) between gender of the owner-manager and the challenge of high electricity/billing costs in running of a business.

#### 4.5.8 Water billing

Services supplied not only have to be sustained and maintained for future generations but those who receive them to keep the cycle going must pay for them. The perceptions of entrepreneurs regarding to the cost of water and or billing system are shown in table 4.53.

**Table 4.53: High water costs/billing**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	5.4	5.6	5.6
	Disagree	3	8.1	8.3	13.9
	Neutral	24	64.9	66.7	80.6
	Agree	6	16.2	16.7	97.2
	Strongly agree	1	2.7	2.8	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

**Table 4.54: Cross tabulation of high water billing/cost and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	6.3%	5%
Disagree	12.5%	5%
Neutral	50%	80%
Agree	25%	10%
Strongly agree	6.3%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

As is shown in table 4.53, only 19.5% of owner-managers view water tariffs as a challenge to their business growth and sustainability. While 66.7% of owner-managers remain neutral on the matter, 13.9% of owner-managers do not view the issue of water tariffs as a business challenge at all. As depicted in table 4.54, a cross tabulation of high water costs/billing and gender shows that there is no significant difference (Chi square=4.275; p=0.370) between gender of the owner-manager and the challenge of high water billing/cost in running of a business.

#### **4.5.9 Rental and business premises**

Every business has to operate from a business premises, be that under a tree, along a pavement or inside a building. To achieve this most businesses, have to rent a property with only a lucky few operating from their own properties with no rental due at the end of the month. The perception of rental cost and the adequacy of the business premises is shown in table 4.55.

**Table 4.55: High rental cost or lack of adequate business premises**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	8.1	8.3	8.3
	Neutral	15	40.5	41.7	50.0
	Agree	8	21.6	22.2	72.2
	Strongly Agree	10	27.0	27.8	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

As is shown in table 4.55, 50% of owner-managers viewed high rental or lack of adequate business premises as a challenge to their enterprises. While 41.7% of owner-managers

were neutral on the matter, the remaining 8.3% of owner-managers did not perceive high rental or the lack of adequate premises as a challenge to business growth and sustainability. The aesthetics of a business premises gives the customer the confidence to purchase a product and lack of a proper structure means that when it rains SMMEs without secure structures must stop trading (Jili et al., 2017:8).

**Table 4.56: Cross tabulation of rental and business premises and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	0%	0%
Disagree	12.5%	5%
Neutral	50%	35%
Agree	12.5%%	30%
Strongly agree	25%	30%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high rental costs or inadequate business premises and gender shows that there is no significant difference (Chi square=2.385; p=0.496 between gender of the owner-manager and the challenge of high rental cost or inadequate business premises.

#### **4.6 Accessibility to services**

This section will look into the ease with which businesses have access to services that are meant to help sustain or grow their enterprises. Businesses not only provide goods and services to their customers, but they are also customers in need of services vital to their existence and service delivery efficiency. As such, the quality of service delivery received by SMMEs is critical to having an enabling environment supportive of a thriving business economy.

##### **4.6.1 Mode of transport**

The mode of transport used by individuals and businesses often boils down to the economics of affordability. The mode of transport preferred by entrepreneurs to keep their businesses running for various reasons ranging from affordability to being the most practical is shown in table 4.57.

**Table 4.57: Respondent preferred mode of transport**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Walking	8	21.6	21.6	21.6
	Public transport	9	24.3	24.3	45.9
	Own vehicle	16	43.2	43.2	89.2
	Transport hire	2	5.4	5.4	94.6
	Walking & own transport	1	2.7	2.7	97.3
	Other	1	2.7	2.7	100.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The vast majority of entrepreneurs prefer using their own private transport (43.2%), however cumulatively those who use public transport and those who prefer walking to do business errands are the majority with 45.9% representation. Those who prefer walking back and forth to fulfil business obligations consist of 21.6%, while those who use public transport for business purposes comprise 24.3%. In total 5.4%, hire transport to carryout business errands, while 2.7% use both walking and own transport for business errands.

**Table 4.58: Cross tabulation of preferred mode of transport and gender**

	Gender	
	Male %	Female %
Walking	23.5%	20%
Public transport	11.8%	35%
Own vehicle	52.9%	35%
Transport hire	5.9%	5%
Walking and own transport	0%	5%
Other	5.9%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the preferred mode of transport and gender shows that there is no significant difference (Chi square=4.816; p=0.439) between the owner-manager's preferred mode of transportation to run the business and the gender of the owner-manager.

#### **4.6.2 Relationship with suppliers**

Supply chain management is very important to the growth of the economy. By having a relationship with suppliers, entrepreneurs are fuelling production through the orders they make to meet their customer demands. The number of SMMEs who have a relationship with their suppliers is depicted in table 4.59.



**Table 4.59: Respondent relationship with suppliers**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	5.4	5.4	5.4
Yes	26	70.3	70.3	75.7
No	9	24.3	24.3	100.0
<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The sustainable competitive advantage of enterprises the world over is inextricably linked to supply chain management (Chinomona & Sibanda, 2015:63). The majority of entrepreneurs with 70.3% representation mentioned that they have a relationship with their suppliers. While a minority with 24.3% indicated that, they do not have any relationship with their suppliers. When probed on why they do not have any relationship with any of their suppliers, most stated that they were on the hunt for fair and reasonable prices and so will procure from whoever provided them with such.

**Table 4.60: Cross tabulation of relationship with supplier and gender**

	Gender	
	Male	Female
	%	%
Yes	76.5%	65%
No	11.8%	35%
No response	11.8%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the relationship owner-managers have with their suppliers and gender shows that there is no significant difference (Chi square=4.565; p=0.102) between the enterprise-supplier relationship and the gender of the owner-manager. More female entrepreneurs have no relationship with their suppliers which might be an indication of them shopping around for the best prices. It may also be an indication that they buy from wholesalers to resell or are mostly new entrepreneurs who will establish relations over time. The importance of suppliers supplying on time is paramount as not doing so may lead to entrepreneurs losing the trust of their customers, affecting their profitability (Jili et al., 2017:8).

#### **4.6.3 Years with suppliers**

The relationship SMMEs have with suppliers is important as it means that both the supplier and consumer are able to meet each other's demands. It also means that they are both

flexible and able to mould their business to suit the end consumer therefore bringing a sense of economic stability. Table 4.61 shows the longevity of relationships SMMEs have with their preferred suppliers.

**Table 4.61: Relationship in years with suppliers**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-1 years	4	10.8	12.5	12.5
	2-5 years	6	16.2	18.8	31.3
	6-15 years	12	32.4	37.5	68.8
	16+ years	10	27.0	31.3	100.0
	Total	32	86.5	100.0	
Missing	System	5	13.5		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

The interdependence of supplying and buying firms for mutual benefits makes the buying enterprise depend on its suppliers for its new product success, and the suppliers on the buying enterprise for their own development (Chinomona & Sibanda, 2015:67). Of those with 0-1 year relationship there is a 12.5% representation, while those with 2-5 years' relations have an 18.8% representation. Those with 6-15 years' relations have a 37.5% representation, while those with 16+ year's relations with suppliers have a 31.3% representation.

**Table 4.62: Cross tabulation of years with supplier and gender**

	Gender	
	Male	Female
	%	%
0-1 year	0%	22.2%
2-5 years	28.6%	11.1%
6-15 years	42.9%	33.3%
16+ years	28.6%	33.3%
Total	100%	100%

A cross tabulation of enterprise-supplier relationship in years and gender shows that there is no significant difference (Chi square=4.639; p=0.200) between the gender of owner-manager and the relationship it has with its suppliers.

#### 4.6.4 Requirements for business growth

For the economy to grow enterprises, must grow and graduate to the next stage and in so doing reducing unemployment by employing more people. The requirements essential for the growth of SMMEs is shown in table 4.63.

The need for financial assistance ranked as the number one priority at 45.9% representation of responses. Cheaper rent and cheaper communication costs respectively had an 8.1% representation. The need for financial assistance combined with reliable transport had 5.4% representation. Economic growth in the area, reliable transport, cheaper transport, better customer parking, and financial assistance combined with reliable transport and shelter, and consistent work contracts all respectively had a 2.7% representation.

**Table 4.63: Requirements to grow the business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	6	16.2	16.2	16.2
Financial assistance	17	45.9	45.9	62.2
Economic growth in the area	1	2.7	2.7	64.9
Cheaper communication cost	3	8.1	8.1	73.0
Reliable transport	1	2.7	2.7	75.7
cheaper rent	3	8.1	8.1	83.8
Financial assistance & reliable transport	2	5.4	5.4	89.2
Financial assistance, reliable transport & reliable shelter	1	2.7	2.7	91.9
Cheaper transport	1	2.7	2.7	94.6
Better parking areas for customers	1	2.7	2.7	97.3
Consistent work contracts	1	2.7	2.7	100.0
<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

**Table 4.64: Cross tabulation of business growth requirement and gender**

	Gender	
	Male	Female
	%	%
Better customer parking	0%	5%
Cheaper communication cost	17.6%	0%
Cheaper rent	5.9%	10%
Cheaper transport	0%	5%
Consistent work contracts	0%	5%
Financial assistance	35.3%	55%
Financial assistance & reliable transport	5.9%	5%
Financial assist, reliable trans & shelter	0%	5%
Local economic growth	5.9%	0%
Reliable transport	5.9%	0%
Non-response	23.5%	10%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of requirement to grow business and gender shows that there is no significant difference (Chi square=11.302; p=0.335) between the priority requirements to grow the business and the gender of the owner-managers.

#### **4.6.5 Requirements for business sustainability**

It is important for businesses to be sustainable as a lack of sustainability contributes to the turbulence of the economy. The requirements for enterprise sustainability as envisaged by SMMEs are depicted in table 4.65.

**Table 4.65: Requirements to make business sustainable**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	4	10.8	10.8	10.8
Reliable suppliers	8	21.6	21.6	32.4
A financial system & better infrastructure	1	2.7	2.7	35.1
Expansion of work area covered	1	2.7	2.7	37.8
A business plan	4	10.8	10.8	48.6
A financial system	5	13.5	13.5	62.2
Better infrastructure	9	24.3	24.3	86.5
A business plan & a financial system	1	2.7	2.7	89.2
Reliable suppliers & a financial system	1	2.7	2.7	91.9
Reliable suppliers, a financial system, better infrastructure & water	1	2.7	2.7	94.6
Reliable suppliers & competitive prices between local & foreign suppliers	1	2.7	2.7	97.3
Reliable suppliers, a business plan, a financial system & better infrastructure	1	2.7	2.7	100.0
<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	

The entrepreneurs by order of importance mentioned better infrastructure with 24.3% representation, followed by having reliable suppliers with 21.6% representation, a financial system with 13.5% representation and a business plan with 10.5% as their top priorities for business sustainability. A better financial system combined with better infrastructure, and expansion of work area covered respectively had 2.7% representation. A business plan combined with a financial system; reliable suppliers combined with a financial system, reliable suppliers combined with a financial system, better infrastructure and water; reliable suppliers combined with competitive prices, and reliable suppliers combined with a business plan, a financial system and better infrastructure respectively had a 2.7% representation.

**Table 4.66: Cross tabulation of business sustainability requirement and gender**

	Gender	
	Male	Female
	%	%
Reliable suppliers	29.4%	15%
Better infrastructure & financial system	5.9%	0%
Expansion of covered work area	0%	5%
Business plan	11.8%	10%
Financial system	11.8%	15%
Better infrastructure	11.8%	35%
Business plan & financial system	5.9%	0%
Finance system & reliable suppliers	0%	5%
Reliable suppliers, financial system, better infrastructure & water	0%	5%
Reliable suppliers & competitive prices	0%	5%
Reliable suppliers, business plan, financial system & better infrastructure	5.9%	0%
Non response	17.6%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the business sustainability requirement and the gender shows that there is no significant difference (Chi square=11.309; p=0.418) between the sustainability requirements of the business and the gender of the owner-manager of the enterprise.

#### **4.7 Challenges to Entrepreneurial support and infrastructure**

The challenges faced by SMMEs in their daily struggles to run successful businesses and make them sustainable and profitable are an important factor in understanding the interventions required by the relevant authorities. The challenges of entrepreneurs are numerous and complex as the world over including in South Africa more than half of newly established enterprises fail to survive past the first five years (Brink et al., 2003:2).

##### **4.7.1 Government assistance**

Government creates the right or undesirable environment for SMMEs to operate in, and where little or no attention is paid to SMMEs the sector suffers and businesses struggle to survive (Muriithi, 2017:42). The assistance received from government agencies and departments or the lack of provided to entrepreneurs is shown in table 4.67.

**Table 4.67: Lack of assistance from government agencies and departments**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.7	2.9	2.9
	Disagree	2	5.4	5.9	8.8
	Neutral	7	18.9	20.6	29.4
	Agree	9	24.3	26.5	55.9
	Strongly agree	15	40.5	44.1	100.0
	Total	34	91.9	100.0	
Missing	System	3	8.1		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

In table 4.67, owner-managers see the lack of assistance from government agencies and departments as a challenge to the growth and survival of their enterprises with 70.6% of respondents affirming a lack of appropriate assistance. Only 8.8% of owner-managers strongly disagree or disagree with the notion that assistance received from government agencies and departments is not enough, while 20.6% of owner-managers are neutral on the matter of assistance from the state.

**Table 4.68: Cross tabulation lack of access to government assistance and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	0%	5.3%
Disagree	6.7%	5.3%
Neutral	26.7%	15.8%
Agree	26.7%	26.3%
Strongly agree	40%	47.4%
Total	100%	100%

A cross tabulation of lack of access to government assistance and gender shows that there is no significant difference as the significance value is not below the set level of significance 0.05 (Chi square=1.403; p=0.844) between the genders with regards their lack or inadequate access to government assistance.

#### **4.7.2 Private sector assistance**

There are enormous demands on local municipality budgets to the extent that they alone cannot give all the necessary support to SMMEs, hence the need for public-private partnerships (Yanta, 2001:44). According to Guliwe (2018), the lack of private sector

enforcement prohibits the growth potential of SMME. The assistance, which the private sector provides, or the lack of assistance from the private sector to entrepreneurs is shown in table 4.69.

**Table 4.69: Lack of assistance from private agencies/institutions**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.7	2.9	2.9
	Disagree	4	10.8	11.8	14.7
	Neutral	7	18.9	20.6	35.3
	Agree	8	21.6	23.5	58.8
	Strongly agree	14	37.8	41.2	100.0
	Total	34	91.9	100.0	
Missing	System	3	8.1		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

The lack of or inadequate assistance from the private sector is also seen as a challenge by entrepreneurs as indicated by the 64.7% response rate. Only 14.7% of entrepreneurs are not of the opinion that lack of assistance from the private sector is a challenge to their businesses, while 20.6% entrepreneurs are neutral or indifferent to the lack of support from the private sector.

**Table 4.70: Cross tabulation lack of private sector assistance and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	0%	5.3%
Disagree	6.7%	15.8%
Neutral	33.37	10.5%
Agree	20%	26.3%
Strongly agree	40%	42.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of lack of access to private sector assistance and gender shows that there is no significant difference (Chi square=3.651; p=0.455) between the gender of the owner-manager and their lack or inadequate access to private assistance.



### 4.7.3 Municipal assistance

Local economic development (LED) is a process where by local government or community based organisations engage to create or stimulate economic development or employment (Mokoena, 2017:468). If they are to survive and be sustainable local municipalities have to increase their tax base and encouraging the development and growth of SMMEs assists them in that regard (Yanta, 2001:44). The primary purpose of LED as a local government initiative is to stimulate business activity, create employment and alleviate poverty (Mokoena, 2017:468). The assistance received or lack thereof received from the municipality is shown in table 4.71.

**Table 4.71: Lack or inadequate assistance from local municipality**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	5.4	5.6	5.6
	Disagree	3	8.1	8.3	13.9
	Neutral	4	10.8	11.1	25.0
	Agree	3	8.1	8.3	33.3
	Strongly agree	24	64.9	66.7	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

Entrepreneurs are of the agreement that there is no support coming from the municipality as indicated by the 75% response to the affirmative. There is 13.9% of entrepreneurs are of the opinion that the municipality is giving enough assistance to SMMEs. While 11.1% of SMMEs are neutral or indifferent to the efforts or lack off by the municipality to support entrepreneurship.

**Table 4.72: Cross tabulation lack of access to municipal services and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	6.3%	5%
Disagree	6.3%	5%
Neutral	18.8%	10%
Agree	12.5%	5%
Strongly agree	56.3%	75%
Total	100%	100%

A cross tabulation of lack of access to municipal assistance and gender shows that there is no significant difference (Chi square=2.756; p=0.599) between the gender of the owner-manager and their lack or inadequate access to local municipality assistance.

#### 4.7.4 Transport efficiency and infrastructure

Transport infrastructure needs not only to be built but also to be maintained if it is to effectively add value to the economy. South Africa’s transport system is sub-optimal and impacts negatively on entrepreneurship culture as approximately 10 million citizens do not have access to transport therefore confined in their movements (Ngorora & Mago, 2013:2). The perception of entrepreneurs on the poor efficiency and infrastructure of the transport system is shown in table 4.73.

**Table 4.73: Poor transport efficiency and infrastructure**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	8.1	8.3	8.3
	Disagree	3	8.1	8.3	16.7
	Neutral	6	16.2	16.7	33.3
	Agree	13	35.1	36.1	69.4
	Strongly agree	11	29.7	30.6	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

As reflected in table 4.73, there are 66.7% of owner-managers who view the poor or inefficient transport infrastructure as a challenge to the growth and success of their enterprises. While 16.7% of SMME owner-managers are neutral on the subject matter, yet a further 16.7% of SMME owner-managers do not think that transport infrastructure is a challenge to their enterprises.

**Table 4.74: Cross tabulation of transport efficiency and infrastructure and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	0%	15%
Disagree	6.3%	10%
Neutral	18.8%	15%
Agree	50%	25%
Strongly agree	25%	35%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of poor transport efficiency and infrastructure and gender shows that there is no significant difference (Chi square=4.454; p=0.348) between gender of the owner-manager and the challenge of poor transport efficiency and infrastructure in running a successful business.

#### **4.7.5 Electricity supply**

Lack or inadequate electricity power supply effectively means SMMEs cannot operate their businesses at full capacity with implications of significantly raising operating costs (Muriithi, 2017:41). In more recent years South Africa has not been able to produce enough electricity to meet demand which has led to power cuts which negatively affect SMME production and turnover (Olawale & Garwe, 2010:732). Atiase et al. (2018:648) postulate that the majority of SMMEs in Africa are dependent on access to cheap and reliable energy for their success, while Yanta (2001:45) posits that for every ten electricity new connections there is one SMME created. The perception on reliability or the lack thereof, of electricity supply to entrepreneurs is shown in table 4.75.

**Table 4.75: Unreliable or none existent electricity supply**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.7	2.9	2.9
	Disagree	3	8.1	8.6	11.4
	Neutral	12	32.4	34.3	45.7
	Agree	9	24.3	25.7	71.4
	Strongly agree	10	27.0	28.6	100.0
	Total	35	94.6	100.0	
Missing	System	2	5.4		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

Table 4.75 depicts a total of 54.3% enterprise owner-managers who regard poor electricity supply as a challenge to their business survival and operations. However, 34.3% owner-managers are neutral or indifferent, while 11.4% do not see the supply of electricity as a challenge to their business growth or survival.

**Table 4.76: Cross tabulation of unreliable electricity supply and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	6.3%	0%
Disagree	12.5%	5.3%
Neutral	18.8%	47.4%
Agree	18.8%	31.6%
Strongly agree	43.8%	15.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of unreliable or none existent electricity supply and gender shows that there is no significant difference (Chi square=6.726; p=0.151) between gender of the owner-manager and the challenge of unreliable or none existent electricity supply in running of a business.

#### **4.7.8 Water supply**

South Africa faces a water crisis as the increase in emigration from rural to urban areas creates pressure for the urban centres to meet the ever increasing water demand (Cant et al., 2014:574). A water supply that is both reliable and sustainable cannot be over emphasised in the operation of any business enterprise. Even though SMMEs have no control over the supply of water it still proves to be a challenge to enterprise development (Cant et al., 2014:574). The consistence and/or lack of consistency regarding the supply of water to entrepreneurs is shown in table 4.77.

**Table 4.77: Unreliable or none existent water supply**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	5.4	5.6	5.6
	Disagree	4	10.8	11.1	16.7
	Neutral	10	27.0	27.8	44.4
	Agree	4	10.8	11.1	55.6
	Strongly agree	16	43.2	44.4	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

**Table 4.78: Cross tabulation of unreliable water supply and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	6.3%	5%
Disagree	18.8%	5%
Neutral	25%	30%
Agree	18.8%	5%
Strongly agree	31.3%	55%
<b>Total</b>	<b>100%</b>	<b>100%</b>

As is reflected in table 4.77, owner-managers who view the supply of water as a challenge to their business operations have a 55.5% representation. However, 27.8% remain neutral on the issue of water supply challenges, while 16.7% do not view water supply as a challenge to their business operations. As shown in table 4.78, a cross tabulation of unreliable or none existent water supply and gender shows that there is no significant difference (Chi square=4.258;  $p=0.372$ ) between gender of the owner-manager and the challenge of unreliable or none existent water supply in running of a business.

## 4.8 Education levels and managerial skills

### 4.8.1 Education and Training

There is an increase in the recognition of the importance of non-financial constraints such as lack of information, lack of management and business skills (Brijlal et al., 2013:856). Yanta (2001:47) argues that a direct correlation exists between poor business efficiency, low levels of education and low levels of skills. The perception of the effects of a lack of education and

training on the daily running of businesses by entrepreneurs is shown in table 4.79.

**Table 4.79: Lack of education and training**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	8.1	8.3	8.3
	Disagree	4	10.8	11.1	19.4
	Neutral	8	21.6	22.2	41.7
	Agree	9	24.3	25.0	66.7
	Strongly agree	12	32.4	33.3	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

Table 4.79 shows the perceptions of entrepreneurs with regard to the lack of management skills. 58.3% of them saw their lack of education and training as a challenge to the growth and sustainability of their businesses. Even though 22.2% were neutral, 19.4% of them were confident that their level of education and training was not in any way affecting their businesses.

**Table 4.80: Cross tabulation of a lack of education and training and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	12.5%	5%
Disagree	12.5%	10%
Neutral	25%	20%
Agree	25%	25%
Strongly agree	25%	40%
Total	100%	100%

A cross tabulation of the lack of education and training and gender shows that there is no significant difference (Chi square=1.350; p=0.853) between gender of the owner-manager and their lack of education and training to run a successful business.

#### 4.8.2 Entrepreneurial skills

The perception on the lack of entrepreneurial skills by entrepreneurs is shown in table 4.81.

**Table 4.81: Lack of entrepreneurial skills**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.7	2.8	2.8
	Disagree	5	13.5	13.9	16.7
	Neutral	10	27.0	27.8	44.4
	Agree	10	27.0	27.8	72.2
	Strongly agree	10	27.0	27.8	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

The table above shows the results of the lack of entrepreneurial skills as perceived by entrepreneurs. Those who viewed a lack of entrepreneurial skills as a challenge to their businesses were 55.6% of SMME owners and managers. Of those asked 27.8% of them were neutral and 16.7% of owner/managers did not think that they lacked any entrepreneurial skills.

**Table 4.82: Cross tabulation of a lack of entrepreneurial skills and gender**

	Gender	
	Male %	Female %
Strongly disagree	6,3%	0%
Disagree	12.5%	15%
Neutral	25%	30%
Agree	25%	30%
Strongly agree	31.3%	25%
Total	100%	100%

A cross tabulation of the lack of entrepreneurial skills and gender shows that there is no significant difference (Chi square=1.575; p=0.813) between gender of the owner-manager and their lack of entrepreneurial skills to run a successful business.

It is noted that most of the previously disadvantaged businesses struggle to break the ceiling not because they lack entrepreneurial cognition but due to a deficit in productive skills and technical expertise (Guliwe, 2018:21). Chimucheka (2014:408) postulates that acquiring and developing entrepreneurial competencies maybe more beneficial than acquiring direct

financial resources and personal consulting directly required by entrepreneurs.

#### 4.8.3 Management skills

Most of the problems affecting SMMEs can fairly be directly related to the lack of managerial capabilities of the owner-managers (Pansiri & Temtime, 2008:252). The perceived lack of management skills by entrepreneurs is shown in table 4.83.

**Table 4.83: Lack of management skills**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	5.4	5.6	5.6
	Disagree	6	16.2	16.7	22.2
	Neutral	9	24.3	25.0	47.2
	Agree	8	21.6	22.2	69.4
	Strongly agree	11	29.7	30.6	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

The views of entrepreneurs on their lack of management skills are shown in table 4.83. As much as 52.8% of owner-managers think a lack of management skills has a negative effect on their enterprises. Yet still 25% of SMME owner-managers were neutral on the matter, while 22.2% of them did not believe that they lacked any management skills.

**Table 4.84: Cross tabulation of a lack of management skills and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	6,3%	5%
Disagree	6.3%	25%
Neutral	18.8%	30%
Agree	31.7%	15%
Strongly agree	37.5%	25%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the lack of management skills and gender shows that there is no significant difference (Chi square=3.861; p=0.425) between gender of the owner-manager and their lack of management skills to run a successful business.



#### 4.8.4 Business experience

Cant et al. (2014:574) postulate that business skills could include management of an enterprise, knowledge of how to plan, monitor and execute activities to achieve operational and business objectives. The perceived lack of business experience by entrepreneurs is shown in table 4.85.

**Table 4.85: Lack of business experience**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	5.4	5.6	5.6
	Disagree	9	24.3	25.0	30.6
	Neutral	11	29.7	30.6	61.1
	Agree	6	16.2	16.7	77.8
	Strongly agree	8	21.6	22.2	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

As is shown in table 4.85, 38.9% of entrepreneurs agreed that their lack of business experience was a challenge, while 30.6% of entrepreneurs were neutral with regard to their lack of experience on the sustainable running of their enterprises. However, 30.6% of SMME owner-managers were confident of their experience and did not think it a challenge to their enterprises.

**Table 4.86: Cross tabulation of a lack of business experience and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	12.5%	0%
Disagree	18.8%	30%
Neutral	31.3%	30%
Agree	18.8%	15%
Strongly agree	18.8%	25%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the lack of business experience and gender shows that there is no significant difference (Chi square=3.186; p=0.527) between gender of the owner-manager and their lack of business experience to run a successful business.

#### 4.8.5 Market opportunities

The perceptions of entrepreneurs on the lack of market opportunities are depicted in table 4.87.

**Table 4.87: Lack of market opportunities**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	4	10.8	11.1	11.1
	Neutral	11	29.7	30.6	41.7
	Agree	8	21.6	22.2	63.9
	Strongly agree	13	35.1	36.1	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
<b>Total</b>		<b>37</b>	<b>100.0</b>		

Table 4.87 shows that 58.3% of SMME owner-managers saw the lack of market opportunities as a challenge to their enterprises. Some 30.6% of owner/managers were not too sure or were neutral on the issue of market opportunities, while 11.1% of owner-managers did not think there was lack of market opportunities.

The saturation of markets happens when suppliers outstrip demand in a given business at a given location and consequently suffer a critical decline in profits (Haugen & Carling, 2005:643). Inadequate access to markets is one of the major causes of the high turbulence and failure rate of SMMEs (Rogerson, 2013:135). The wide spread act of growth through the duplication of existing businesses often creates a rigid and isolated industry not ready for saturation (Haugen & Carling, 2005:643). Guliwe (2018:20) states that the major problem in South Africa is that 80% of SMMEs are in the retail sector only buying and selling goods without transforming them and 20% are in services sector.

**Table 4.88: Cross tabulation of a lack of market opportunities and gender**

	Gender	
	Male	Female
	%	%
Strongly disagree	0%	0%
Disagree	12.5%	10%
Neutral	31.3%	30%
Agree	37.5%	10%
Strongly agree	18.8%	50%
Total	100%	100%

A cross tabulation of the lack of market opportunities and gender shows that there is no significant difference (Chi square=5.483; p=0.140) between gender of the owner-manager and the lack of market opportunities to run a successful business.

#### **4.9 Formal and informal economic sector access to services**

It is economically desirable to not only have informal businesses grow in size but also to have them operate as fully-fledged formal businesses. It is for this reason there is a comparison between formal and informal businesses to see if they enjoy equal access to services vital to their business survival. The relationship between the two economic sectors scrutinised by using the chi-square test set at 5% significance level (p=0.05).

**Table 4.89: Cross tabulation of funding institution and business**

	Business type	
	Formal	Informal
	%	%
Yes	22.2%	10.5%
No	72.2%	89.5%
No response	5.6%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of funding institutions owner-managers are aware of in the area and enterprise economic sector shows that there is no significant difference (Chi square=2.175; p=0.337) between knowledge of an existing funding institution and the economic sector individual enterprises operate in.

**Table 4.90: Cross tabulation of external funding received and business**

	Business type	
	Formal	Informal
	%	%
Yes	16.7%	0%
No	83.3%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of external funding received by businesses and enterprise economic sector shows that there is no significant difference (Chi square=3,446; p=0.063) between external business funding received and the economic sector individual enterprises operate in.

**Table 4.91: Cross tabulation of external funder and business type**

	Business type	
	Formal	Informal
	%	%
Bank	66.7%	33.3%
Government agency/department	100%	0%
Bank and loan shark	100%	0%
Private institution & government agency	100%	0%

A cross tabulation of the external funder of the business and economic sector business operates in shows that there is no significant difference (Chi square=4.116; p=0.391) between the external funder and the economic sector the enterprise operates in.

**Table 4.92: Cross tabulation of reason for no external funding and business**

	Business type	
	Formal %	Informal %
Self-sustaining	50%%	50%
Stringent requirements	0%	100%
Confusing process	0%	100%
No collateral	33.3%	66.7%
Confusing process, no collateral and stringent requirements	0%	100%

A cross tabulation as to the reason why external funding is not received by enterprises and the type of enterprise shows that there is a significant difference (Chi square=17.653;

p=0.003) between the reasons for not obtaining funding and the sector of the economy an enterprise operates in (formal or informal). The table also shows that formal businesses are either self-funding or view lack of collateral as a barrier to obtaining equity or debt finance. While only informal enterprises view stringent requirements and confusing process as a challenge to obtaining external funding. Also only informal SMMEs view in combination a confusing process, no collateral and stringent requirements as a challenge to obtaining external funding.

**Table 4.93: Cross tabulation of preferred mode of transport and business**

	Business type	
	Formal %	Informal %
Walking	11.1%	31.6%
Public transport	0%	47.4%
Own vehicle	77.8%	10.5%
Transport hire	0%	10.5%
Walking and own transport	5.6%	0%
Other	5.6%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the owner-manager preferred mode of transport and the type of enterprise shows that there is a significant difference (Chi square=23.990; p=0.000) between the owner-manager preferred mode of transport to run business and the sector of the economy an enterprise operates in.

**Table 4.94: Cross tabulation of cost of transport and business**

	Business type	
	Formal	Informal
	%	%
R 0-500	21.4%	55.6%
R501-1000	14.3%	11.1%
R1001-5000	21.4%	27.8%
R5001-10 000	7.1%	5.6%
R10 001-50 000	21.4%	0%
R50 000+	14.3%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the cost of transport and the type of enterprise shows that there is no significant difference (Chi square=8.908; p=0.113) between the amount spent on transport

to run the business and the sector of the economy an enterprise operates in.

**Table 4.95: Cross tabulation of cost of communication and business**

	Business type	
	Formal	Informal
	%	%
R 0-500	20%	83.3%
R501-1000	26.7%	11.1%
R1001-5000	40%	0%
R5001-10 000	6.7%	5.6%
R10 001-50 000	6.7%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the cost of communication and the type of enterprise shows that there is a significant difference (Chi square=15.522; p=0.004) between the amount spent on communication to run the business and the sector of the economy an enterprise operates in.

**Table 4.96: Cross tabulation of annual business turnover and business**

	Business type	
	Formal	Informal
	%	%
R 0 - 10 000	22.2%%	89.5%
R 10 001 - 50 000	11.1%	10.5%
R 50 001 - 250 000	11.1%	0%
R 250 001 – 500 000	0%	0%
R 500 001 - 1 500 000	22.2%	0%
R 1 500 001 - 5 000 000	33.3%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of annual business turnover and economic sector of business shows that there is a significant difference (Chi square=16.739; p=0.002) between the economic sector operated by the business and annual business turnover.

**Table 4.97: Cross tabulation of relationship with supplier and business**

	<b>Business type</b>	
	<b>Formal</b>	<b>Informal</b>
	<b>%</b>	<b>%</b>
Yes	83.3%	57.9%
No	5.6%	42.1%
No response	11.1%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of existing enterprise-supplier relationship and economic sector of business shows that there is a significant difference (Chi square=8.039; p=0.018) between the economic sector operated by the business and the existence of a relationship it has with its suppliers.

**Table 4.98: Cross tabulation of years with supplier and business**

	<b>Business type</b>	
	<b>Formal</b>	<b>Informal</b>
	<b>%</b>	<b>%</b>
0-1 year	6.3%	18.8%
2-5 years	6.3%	31.3%
6-15 years	43.8%	31.3%
16+ years	43.8%	18.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of enterprise-supplier relationship in years and economic sector of business shows that there is no significant difference (Chi square=5.600; p=0.133) between the economic sector operated by the business and the relationship it has with its suppliers.

**Table 4.99: Cross tabulation of business growth requirement and business**

	Business type	
	Formal %	Informal %
Better customer parking	5.6%	0%
Cheaper communication cost	11.1%	5.3%
Cheaper rent	11.1%	5.3%
Cheaper transport	0%	5.3%
Consistent work contracts	5.6%	0%
Financial assistance	22.2%	68.4%
Financial assistance & reliable transport	0%	10.5%
Financial assist, reliable trans & shelter	0%	5.3%
Local economic growth	5.6%	0%
Reliable transport	5.6%	0%
Non-response	33.3%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the requirement to grow the business and the economic sector of the enterprise shows that there is a significant difference (Chi square=19.419; p=0.035) between the priority requirements to grow the business and the economic sector the business is involved in.

**Table 4.100: Cross tabulation of business sustainability requirement and business**

	Business type	
	Formal %	Informal %
Reliable suppliers	27.8%	15.8%
Better infrastructure & financial system	5.6%	0%
Expansion of covered work area	5.6%	0%
Business plan	16.7%	5.3%
Financial system	5.6%	21.1%
Better infrastructure	5.6%	42.1%
Business plan & financial system	5.6%	0%
Finance system & reliable suppliers	0%	5.3%
Reliable suppliers, financial system, better infrastructure & water	0%	5.3%
Reliable suppliers & competitive prices	0%	5.3%
Reliable suppliers, business plan, financial system & better infrastructure	5.6%	0%
Non response	22.2%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the business sustainability requirement and the business economic sector shows that there is a significant difference (Chi square=19.732; p=0.049)



between the sustainability requirements of the business and economic sector operated by the enterprise.

#### 4.10 Formal and informal economic sector challenges

**Table 4.101: Cross tabulation lack of access to government assistance and business**

	Business type	
	Formal	Informal
	%	%
Strongly disagree	0%	5.3%
Disagree	13.3%	0%
Neutral	46.7%	0%
Agree	26.7%	26.3%
Strongly agree	13.3%	68.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of lack of access to government assistance and enterprise economic sector shows that there is a significant difference (Chi square=17.956; p=0.001) between the economic sector an enterprise operates in and their lack or inadequate access to government assistance.

**Table 4.102: Cross tabulation lack of private sector assistance and business**

	Business type	
	Formal	Informal
	%	%
Strongly disagree	6.7%	0%
Disagree	13.3%	10.5%
Neutral	46.7%	0%
Agree	26.7%	21.1%
Strongly agree	6.7%	68.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of lack of access to private sector assistance and economic sector of an enterprise shows that there is a significant difference (Chi square=18.065; p=0.001) between the economic sector of an enterprise and their lack or inadequate access to assistance from private sector agencies or institutions.

**Table 4.103: Cross tabulation lack of municipal assistance and business**

	Business type	
	Formal	Informal
	%	%
Strongly disagree	11.8%	0%
Disagree	11.8%	5.3%
Neutral	23.5%	0%
Agree	11.8%	5.3%
Strongly agree	41.2%	89.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of lack of access to local municipality assistance and economic sector of an enterprise shows that there is a significant difference (Chi square=10.755; p=0.029) between the economic sector of an enterprise and their lack or inadequate access to assistance from the local municipality.

**Table 4.104: Cross tabulation lack of access to finance and business**

	Business type	
	Formal %	Informal %
Strongly disagree	5.9%	5.3%
Disagree	11.8%	0%
Neutral	52.9%	0%
Agree	5.9%	10.5%
Strongly agree	23.5%	84.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of lack of access to finance and gender shows that there is a significant difference (Chi square=18.479; p=0.001) between the sector of the economy an enterprise operates in and their lack or inadequate access to finance.

**Table 4.105: Cross tabulation high interest rates and business**

	<b>Business type</b>	
	<b>Formal %</b>	<b>Informal %</b>
Strongly disagree	5.9%	0%
Disagree	11.8%	5.3%
Neutral	35.3%	36.8%
Agree	23.5%	10.5%
Strongly agree	23.5%	47.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high interest rates charged by institutions and business economic sector shows that there is no significant difference (Chi square=3.901; p=0.420) between the sector of the economy an enterprise operates in and the challenge of high interest rates charged by financial institutions.

**Table 4.106: Cross tabulation lack of collateral and business**

	<b>Business type</b>	
	<b>Formal</b>	<b>Informal</b>
	<b>%</b>	<b>%</b>
Strongly disagree	11.8%	0%
Disagree	17.6%	0%
Neutral	47.1%	26.3%
Agree	11.8%	5.3%
Strongly agree	11.8%	68.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the lack of collateral to obtain a business loan and business economic sector shows that there is a significant difference (Chi square=14.024; p=0.007) between the sector of the economy an enterprise operates in and the lack of collateral to obtain a business loan.

**Table 4.107: Cross tabulation lack of education and training and business**

	<b>Business type</b>	
	<b>Formal</b>	<b>Informal</b>
	<b>%</b>	<b>%</b>
Strongly disagree	5.9%	10.5%
Disagree	17.6%	5.3%
Neutral	35.3%	10.5%
Agree	35.3%	15.8%
Strongly agree	5.9%	57.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the lack of education and training and the business economic sector shows that there is a significant difference (Chi square=12.594; p=0.013) between the sector of the economy an enterprise operates in and the lack of education and training.

**Table 4.108: Cross tabulation of lack of entrepreneurial skills and business**

	<b>Business type</b>	
	<b>Formal %</b>	<b>Informal %</b>
Strongly disagree	5.9%	0%
Disagree	17.6%	10.5%
Neutral	41.2%	15.8%
Agree	23.5%	31.6%
Strongly agree	11.8%	42.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the lack of entrepreneurial skills and the business economic sector shows that there is no significant difference (Chi square=6.710; p=0.152) between the sector of the economy an enterprise operates in and the lack of entrepreneurial skills by the owner-manager.

**Table 4.109: Cross tabulation of lack of management skills and business**

	Business type	
	Formal %	Informal %
Strongly disagree	5.9%	5.3%
Disagree	11.8%	21.1%
Neutral	35.3%	15.8%
Agree	23.5%	21.1%
Strongly agree	23.5%	36.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the lack of management skills and the business economic sector shows that there is no significant difference (Chi square=2.381; p=0.666) between the sector of the economy an enterprise operates in and the lack of management skills by the owner-manager.

**Table 4.110: Cross tabulation of lack of business experience and business**

	Business type	
	Formal %	Informal %
Strongly disagree	5.9%	5.3%
Disagree	23.5%	26.3%
Neutral	41.2%	21.1%
Agree	17.6%	15.8%
Strongly agree	11.8%	31.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the lack of business experience and the business economic sector shows that there is no significant difference (Chi square=2.827; p=0.587) between the sector of the economy an enterprise operates in and the lack of business experience by the owner-manager.

**Table 4.111: Cross tabulation of lack of market opportunities and business**

	<b>Business type</b>	
	<b>Formal</b>	<b>Informal</b>
	<b>%</b>	<b>%</b>
Strongly disagree	0%	0%
Disagree	17.6%	5.3%
Neutral	41.2%	21.1%
Agree	29.4%	15.8%
Strongly agree	11.8%	57.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of the lack of market opportunities and the business economic sector shows that there is a significant difference (Chi square=8.464; p=0.037) between the sector of the economy an enterprise operates in and the challenge presented by a lack of market opportunities.

**Table 4.112: Cross tabulation of high transport cost and business**

	<b>Business type</b>	
	<b>Formal</b>	<b>Informal</b>
	<b>%</b>	<b>%</b>
Strongly disagree	5.9%	5.3%
Disagree	5.9%	5.3%
Neutral	47.1%	5.3%
Agree	17.6%	15.8%
Strongly agree	23.1%	68.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high transport costs and the business economic sector shows that there is a significant difference (Chi square=10.129; p=0.038) between the sector of the economy an enterprise operates in and the challenge of high transport costs to running the business.

**Table 4.113: Cross tabulation of transport efficiency and infrastructure and business**

	Business type	
	Formal %	Informal %
Strongly disagree	5.9%	10.5%
Disagree	5.9%	10.5%
Neutral	29.4%	5.3%
Agree	47.1%	26.3%
Strongly agree	11.8%	47.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of poor transport efficiency and infrastructure and the business economic sector shows that there is no significant difference (Chi square=8.395; p=0.078) between the sector of the economy an enterprise operates in and the challenge of poor transport efficiency and infrastructure.

**Table 4.114: Cross tabulation of high telephone and cell phone costs and business**

	Business type	
	Formal %	Informal %
Strongly disagree	5.9%	10.5%
Disagree	11.8%	0%
Neutral	35.3%	15.8%
Agree	17.6%	21.1%
Strongly agree	29.4%	52.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high telephone and cell phone costs and the business economic sector shows that there is no significant difference (Chi square=5.047; p=0.282) between the sector of the economy an enterprise operates in and the challenge of high telephone and cell phone costs.

**Table 4.115: Cross tabulation of high electricity/billing costs and business**

	Business type	
	Formal %	Informal %
Strongly disagree	5.9%	0%
Disagree	5.9%	10.5%
Neutral	29.4%	57.9%
Agree	17.6%	5.3%
Strongly agree	41.2%	26.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high electricity/billing costs and the business economic sector shows that there is no significant difference (Chi square=4.820; p=0.306) between the sector of the economy an enterprise operates in and the challenge of high electricity/billing costs.

**Table 4.116: Cross tabulation of unreliable electricity supply and business**

	<b>Business type</b>	
	<b>Formal</b>	<b>Informal</b>
	<b>%</b>	<b>%</b>
Strongly disagree	6.3%	0%
Disagree	12.5%	5.3%
Neutral	25%	42%
Agree	31.3%	21.1%
Strongly agree	25%	31.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of unreliable or none existent electricity supply and the business economic sector shows that there is no significant difference (Chi square=2.942; p=0.568) between the sector of the economy an enterprise operates in and the challenge of unreliable or none existent electricity supply.

**Table 4.117: Cross tabulation of unreliable water supply and business**

	<b>Business type</b>	
	<b>Formal</b>	<b>Informal</b>
	<b>%</b>	<b>%</b>
Strongly disagree	5.9%	5.3%
Disagree	23.5%	0%
Neutral	29.4%	26.3%
Agree	23.5%	0%
Strongly agree	17.6%	68.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of unreliable or none existent water supply and the business economic sector shows that there is a significant difference (Chi square=14.183; p=0.007) between the sector of the economy an enterprise operates in and the challenge of unreliable or none existent water supply.



**Table 4.118: Cross tabulation of high water costs/billing and business**

	Business type	
	Formal %	Informal %
Strongly disagree	5.9%	5.3%
Disagree	17.6%	0%
Neutral	47.1%	84.2%
Agree	23.5%	10.5%
Strongly agree	5.9%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high water costs/billing and the business economic sector shows that there is no significant difference (Chi square=7.245; p=0.124) between the sector of the economy an enterprise operates in and the challenge of high water costs/billing.

**Table 4.119: Cross tabulation of high rental cost or lack of premises and business**

	Business type	
	Formal %	Informal %
Strongly disagree	0%	0%
Disagree	17.6%	0%
Neutral	58.8%	26.3%
Agree	11.8%	31.6%
Strongly agree	11.8%	42.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high rental cost or lack of adequate business premises and the business economic sector shows that there is a significant difference (Chi square=10.187; p=0.017) between the sector of the economy an enterprise operates in and the challenge of high rental costs or inadequate business premises.

**Table 4.120: Cross tabulation of high business rates and taxes and business**

	Business type	
	Formal %	Informal %
Strongly disagree	5.9%	5.3%
Disagree	5.9%	15.8%
Neutral	29.4%	42.1%
Agree	29.4%	5.3%
Strongly agree	29.4%	31.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high business rates and taxes and the business economic sector shows that there is no significant difference (Chi square=4.352; p=0.360) between the sector of the economy an enterprise operates in and the challenge of high rental costs or inadequate business premises.

**Table 4.121: Cross tabulation of high data and internet cost and taxes and business**

	<b>Business type</b>	
	<b>Formal %</b>	<b>Informal %</b>
Strongly disagree	5.6%	5.3%
Disagree	16.7%	10.5%
Neutral	38.9%	26.3%
Agree	11.1%	5.3%
Strongly agree	27.8%	52.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation of high data and internet costs and the business economic sector shows that there is no significant difference (Chi square=2.508; p=0.643) between the sector of the economy an enterprise operates in and the challenge of high data and internet costs.

### **Conclusion**

The chapter analysed data as presented from the questionnaire. The data analysed was categorised into demographic data, basic business information, access to finance, cost of doing business, access to services, challenges to entrepreneurial support and infrastructure, education levels and managerial skills. The following chapter discusses the results according to research objectives.

## CHAPTER 5 RESULTS IN RELATION TO OBJECTIVES

### 5.1 Introduction

The previous chapter analysed data as set out in the questionnaire and broken into smaller sections. To gain a better understanding, the data is analysed in conjunction with reviewed literature in line with research objectives. The focal point

#### 5.1.1 Objective 1: Accessibility to financial services

The first objective of the study was to determine the challenges hindering entrepreneurs from accessing finance and other finance related services which hinder enterprise sustainability and growth. The summary of the study findings are presented below.

**Table 5.1: Formal and informal sector accessibility to financial services**

	Formal		Informal		p-value
	Mean	Std deviation	Mean	Std deviation	
Access to finance	3.28	1.127	4.68	0.946	0.001
High interest rates	3.44	1.149	4.00	1.054	0.420
Lack of collateral	2.94	1.110	4.42	0.902	0.007
High rates & taxes	3.67	1.138	3.42	1.261	0.360
Transport costs	3.44	1.097	4.37	1.165	0.038
Phone costs	3.50	1.200	4.05	1.311	0.282
Internet and data cost	3.39	1.243	3.89	1.329	0.643
Electricity billing	3.78	1.215	3.47	1.020	0.306
Water billing	3.06	0.938	3.00	0.577	0.124

There is a significant relationship between the economic sector of the business and their challenge of access to finance (p-value=0.001). Table 4.103 shows that 94.7% (10.5%+84.2%) of informal SMMEs agree or strongly agree respectively that access to finance is a challenge. While 29.4% (5.9%+23.5%) of formal SMMEs agree or strongly agree respectively that access to finance is challenge. Access to finance is therefore more of a challenge to informal SMMEs in eDumbe Local Municipality. Access to finance has remained a challenge to rural entrepreneurs in eDumbe Local Municipality similar to those in Ladysmith (Kumalo & Kaseeram, 2019:6), possibly due to lack of information on sources of funding (Bomani & Derera, 2018:157) and procedure to follow (Ngorora & Mago, 2018:11). Moreover financial institutions in South Africa are willing to fund mature SMEs, therefore rural SMMEs in early stages of development struggle to obtain funding (Bomani & Derera, 2018:153). This has repercussions as lack of access to finance hinders enterprises ability to expand entrepreneurial activities, choice of technology, employment of skilled personnel and renting

of suitable premises (Fiseha & Oyelana, 2019:239).

There is a significant relationship between the economic sector and the lack of collateral for entrepreneurs in eDumbe Local Municipality ( $p\text{-value}=0.007$ ). Table 4.105 shows that 73.7% (5.3%+68.4%) of informal entrepreneurs agree or strongly agree that collateral is a challenge preventing their access to finance. It also shows that 23.6% (11.8%+11.8%) of formal sector SMMEs agree or strongly agree respectively that lack of collateral is a challenge. Bomani & Derera, (2018:158), postulate that rural entrepreneurs are often poor that they do not meet collateral requirements.

There is a significant relationship between the economic sector and transport costs ( $p\text{-value}=0.038$ ). As shown in table 4.111, the majority of informal entrepreneurs 84.2% (15.8%+68.4%) agree or strongly agree respectively that transport costs have a negative bearing on their business. While 40.7% (17.6%+23.1%) of formal sector SMMEs agree or strongly agree respectively that transport costs are a challenge. A consequence of a largely dispersed rural population exposed to a transport system whose efficiency and quality needs much attention and heavily reliant on taxis (eDumbe Local Municipality, 2017:9). As rural entrepreneurs are located far from business support and support services, they have to spend significant amounts of time and money to access them, hence transport costs impact on their enterprise (Bomani & Derera, 2018:153). Significantly 51,3% of SMMMEs as depicted in table 4.56, either walk, use public transport or hire transport to run their enterprises. Transport availability often fluctuates according to season of the year, that is, sunset dependent and close earlier in winter compared to summer.

There is no significant relationship between the economic sector of the business and their challenge of high interest rates ( $p\text{-value}=0.420$ ). Table 4.104 shows that 57.9% (10.5%+47.4%) of informal SMMEs agree or strongly agree respectively that high interest rates are a challenge. It also shows that 47% (23.5%+23.5%) agree or strongly agree respectively that high interest rates are a challenge. Most informal entrepreneurs cited high interest rates charged by financial institutions as a deterrent for them seeking financial assistance. They mostly relied on loan sharks whenever there was a financial emergency which family and friends could not fulfil. They complained about the exorbitant interest demanded by "loan sharks" yet they preferred them due to the informal agreement whose terms can be negotiated. While the formal financial sector was viewed as cold, rigid and unwilling to understand when they had difficulty paying.

There is no significant relationship between the economic sector of the business and their challenge of high rates and taxes charged on businesses ( $p\text{-value}=0.360$ ). Table 4.119

shows that 36.9% (5.3%+31.6%) of informal sector SMMEs agree or strongly agree respectively that high rates and taxes are a challenge to the sustainability of their enterprises. It also shows that 58.8% (29.4%+29.4%) of formal sector SMMEs agree or strongly agree respectively that high rates and taxes are a challenge. Fiseha & Oyelana, (2019:243), posit that high tax rates increase the cost of doing business, therefore reduce SMME engagement in entrepreneurial activities, innovation, invest and employment. Thus a constraining factor of rural entrepreneurship.

There is no significant relationship between the economic sector of the business and their challenge of cell phone and telephone costs (p-value=0.282). Table 4.113 shows that 73.7% (21.1%+52.6%) of informal sector SMMEs agree or strongly agree respectively that telephone and cell phone costs are a challenge. It also shows that 47% (17.6%+29.4%) formal sector SMMEs agree or strongly agree that telephone and cell phone costs are a challenge.

There is no significant relationship between the economic sector of the business and their challenge of internet and data costs (p-value=0.643). Table 4.120 shows that 57.9% (5.3%+52.6%) of informal sector SMMEs agree or strongly agree respectively that the cost of internet and data is too high therefore negatively impacting their enterprises. It also shows that 38.9% (11.1%+27.8%) of formal sector SMMEs agree or strongly agree that internet and data costs are a challenge. Chimucheka & Mandipaka, (2015:310), state that most SMMEs use “foreign” technology whose ownership they lease or share with other counterparts. Most of the businesses are informal and thus rely on cell phones or internet cafes when making business related communication. It is for this reason that internet or data costs may not have a significant impact on the cost of operating enterprises in eDumbe Local Municipality.

There is no significant relationship between the economic sector of the business and their challenge of electricity billing (p-value=0.306). As depicted in table 4.114 31.6% (5.3%+26.3%) of informal sector SMMEs agree or strongly agree that electricity billing is a challenge to their businesses. It also shows that 58.8% (17.6%+41.2%) of formal sector SMMEs agree or strongly agree respectively that electricity billing is a challenge. The 31.6% figure of affected informal SMMEs may be associated with businesses operating from a premises or those informal business requiring electricity to run equipment or business. While most informal businesses do not require electricity to operate as they resell products from pavements and do not operate until late. Most informal owner/managers do not operate after dark as they are dependent on the availability of transport to take them home in the evening.

There is no significant relationship between the economic sector of the business and their

challenge of water billing/costs (p-value-0.124). Table 4.117 shows that 10.5% (10.5%+0%) of informal sector SMMEs agree or strongly agree respectively that water billing/costs is a challenge. It also shows that 29.4% (23.5%+5.9%) of formal sector SMMEs agree or strongly agree respectively that water billing/costs are a challenge. Fiseha & Oyelana, (2019:243), posit that high water bills contribute immensely to the cost of doing business and therefore impact negatively on enterprise sustainability including investment, innovation and employment. As most businesses in eDumbe local municipality are informal, their source of water is often communal taps or water tanks. For this reason are not burdened by the costs associated with the procurement of water.

The results show that only access to finance, lack of collateral and transport costs have a significant relationship with the economic sector an SMME operated in. There is no significant relationship with the other variables that were measured against the economic sector. It is important to note that high rates and taxes, electricity costs and water costs/billing are less likely to affect SMMEs operating in the informal sector. This may be due to the fact that most are not operating from a formal structure (pavement) and therefore not liable to carry these services as a business cost. While those in the informal sector are likely to be more affected by high interest rates and high cost of telecommunication compared to those in the formal sector despite there being no significant relationship.

### 5.1.2 Objective 2: Infrastructure challenges and entrepreneurial support

The second objective was to determine the main challenges hindering the effective usage or lack thereof of available infrastructure designed to support entrepreneurship from an institutional perspective.

**Table 5.2: Infrastructure challenges**

	Formal		Informal		p-value
	Mean	Std deviation	Mean	Std deviation	
Government assistance	3.33	0.840	4.53	0.964	0.001
Private assistance	3.11	0.900	4.47	0.964	0.001
Municipal assistance	3.56	1.423	4.79	0.713	0.029
Transport infrastructure	3.50	0.985	3.89	1.410	0.078
Electricity supply	3.50	1.150	3.79	0.976	0.568
Water supply	3.22	1.166	4.26	1.195	0.007
Rental cost /inadequate premises	3.17	0.857	4.16	0.834	0.017

There is a significant relationship between the economic sector and government

assistance ( $p$ -value=0.001). Table 4.100 shows that 94.7% (26.3%+68.4%) of informal sector SMMEs agree or strongly agree respectively that government assistance is a challenge. It also shows that 40% (26.7%+13.3%) of formal sector SMMEs agree or strongly agree respectively that government assistance is a challenge. The informal sector SMMEs are more likely not to receive or be of the opinion that the government assistance they receive is not adequate to cover their needs. Findings which tally with the notion that government support in South Africa is predominantly geared towards poverty relief as opposed to wealth creation (Ngorora & Mago, 2018:11). Chimucheka & Mandipaka, (2015:312), postulate that some SMMEs receive inadequate government support, while other SMMEs are not aware of the existence of government support centres or initiatives meant to support businesses managed and run by SMMEs. While (Ngcobo & Sukdeo, 2015:510), state that there is a general lack of advice and information from government departments to entrepreneurs in both urban (educated owners) and rural areas. They further state the burden of red tape must be commensurate with the objectives it is meant to achieve.

There is a significant relationship between the economic sector and private assistance ( $p$ -value=0.001). Table 4.101, depicts that 89.5% (21.1%+68.4%) of informal sector enterprises agree or strongly agree respectively that private sector assistance is a challenge. While 33.4% (26.7%+6.7%) of formal sector SMMEs agree or strongly agree respectively that private sector assistance is a challenge. Ngorora & Mago, (2018:11), state that support for entrepreneurship from institutions, academics and other organisations such as banks and NGOs promotes new rural entrepreneurship development. This is also seemingly skewed according to gender as 60% male compared to 68.4 females tend to agree or strongly agree that there is a general lack of private sector assistance in the support of SMMEs.

There is a significant relationship between the economic sector and municipal assistance ( $p$ -value=0.029). Table 4.102, shows that 94.8% (5.3%+89.5%) of informal sector SMMEs agree or strongly agree respectively that municipal assistance is a challenge. It also shows that 53% (11.8%+41.2%) of formal sector SMMEs agree or strongly agree respectively that municipal assistance is a challenge. Municipalities, enhance rural entrepreneurship development as custodians of local economic development. Their policies and strategies affect wealth creation, job opportunities, food security and poverty alleviation within their boundaries (Bomani & Derera, 2018:154). These results support the assertion that in South Africa, local government strategies designed to promote and sustain local businesses in order to stimulate the local economy, fail to directly render any assistance to survivalist informal enterprises (Masuku & Nzewi, 2021:62).

There is no significant relationship between the economic sector and transport infrastructure

( $p$ -value=0.078). Table 4.112 shows that 73.7% (26.3%+47.4%) of informal sector SMMEs agree or strongly agree respectively that transport infrastructure is a challenge. It also shows that 58.8% (47.1%+11.8%) of formal sector SMMEs agree or strongly agree respectively that transport infrastructure is a challenge. Bomani & Derera, (2018:153), state that rural areas are synonymous with poor transport and communication infrastructure, yet infrastructure is a key enabler of entrepreneurial development. Informal sector SMMEs are the ones mostly affected by the lack of adequate transport infrastructure even though formal SMMEs are also affected as more than half of them acknowledge that it is a challenge.

There is no significant relationship between the economic sector and electricity supply ( $p$ -value=0.568). The reason for this result may in part be attributed to load-shedding which affects all residents of the municipality equally. Table 4.115 shows that 52.7% (21.1%+31.6%) of informal sector SMMEs agree or strongly agree respectively that electricity supply is a challenge. It also shows that 56.3% (31.3%+25%) of formal sector SMMEs agree or strongly agree respectively that electricity supply is a challenge. Masuku & Nzewi, (2021:64), posit that most informal SMMEs operate in open spaces with no access to electricity and therefore are not connected to the electricity grid. Therefore while there is no significance in the result there may be different reasons as to why electricity supply is a challenge to both formal and informal enterprises. For informal enterprises their challenge may be due to their desire to be connected to the electricity grid, which would help grow and sustain their businesses. While for formal SMMEs the challenge may be attributed to the frequency of load-shedding which disrupts their production and operations, impacting on their profitability.

There is a significant relationship between the economic sector and water supply ( $p$ -value=0.007). Table 4.116 shows that 68.4% (0%+68.4%) of informal sector SMMEs agree or strongly agree respectively that water supply is a challenge. It also shows that 41.1% (23.5%+17.6%) formal sector SMMEs agree or strongly agree respectively that water supply is a challenge. Chimucheka & Mandipaka, (2015:312), postulate that in a number of developing countries there is considerable lack of basic infrastructure such as telecommunication, transport and electricity which negatively impacts the growth and sustainability of SMMEs. As a number of informal SMMEs operate in open spaces such as pavements, their only source of water is often communal water points such as taps and water tanks. These are often not situated close to where they operate and they have no control to their access, as at times the taps may be locked or the water tanks (jojo tanks) empty.

There is a significant relationship between the economic sector and rental cost or inadequate



premises ( $p$ -value=0.017). Table 4.118 shows that 73.7% (31.6%+42.1%) of informal sector SMMEs agree or strongly agree respectively that rental cost or inadequate premises is a challenge. It also shows that 23.6% (11.8%+11.8%) of formal sector SMMEs agree or strongly agree respectively that rental cost or inadequate premises is a challenge. Chimucheka & Mandipaka, (2015:312), state that poor infrastructure and its location is a barrier to SMME growth, as its quality can negatively impact the growth prospects of enterprises.

Bomani & Derera, (2018:155) posit that a number of municipalities have no clearly defined strategies on how to support rural entrepreneurship development. Only transport infrastructure and the supply of electricity show no significant relationship between the formal and informal sectors. Therefore the institutions meant to support the development of entrepreneurship within eDumbe Local Municipality seemingly have no clear strategy to support informal SMMEs in particular.

### 5.1.3 Objective 3: Managerial skills and educational level

Education levels beyond primary school level, contribute to SME success as educated entrepreneurs are better able to adapt to the dynamic business environment (Chamane et al., 2018:10). There is an assertion that the higher the level of education an entrepreneur has, the more likely they will feel they have the necessary skills to run a successful enterprise (Herrington & Kew, 2017:30; Bowmaker-falconer & Herrington, 2020:17). It follows that to better understand challenges associated with education, the education levels of entrepreneurs by sector has to be established.

**Table 5.3: Educational level and business sector**

	Business Type	
	Formal %	Informal %
No formal schooling	0%	5.3%
Primary school	0%	5.3%
Secondary school	11.1%	52.6%
Vocational courses/certificates	0%	10.5%
Matric	27.8%	26.3%
Diploma	50%	0%
Bachelor's degree	5.6%	0%
Master's degree and above	5.6%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A cross tabulation between the sector an SMME operates in and their level of education shows a significant difference (Chi square=20.321;  $p$ -value=0.005) between the

level of education and business sector. Only 26.3% of informal sector SMMEs have a matric qualification which is the highest education qualification in the informal sector. This corresponds to the assertion by Jili et al., (2017:5), that SMMEs play a pivotal role in providing employment to less educated people in general. The results show that SMME owners/managers operating in the informal sector have education levels from no formal schooling up to matric level. While SMME owner/managers operating in the formal sector have education levels from secondary up to master's degree and above.

### 5.1.3.1 Education level and managerial competencies

Competencies are the foundational characteristics of an individual, inclusive of motives, skills, traits, ability and knowledge necessary for running a business venture (Mamabolo et al., 2017:2). While education influences the management style of a small enterprise owner/manager (Ngorora & Mago 2018:7). To check the influence of an entrepreneur's education level against their entrepreneurial and managerial skills and abilities a cross tabulation of related competencies were calculated using chi-square at 5% level.

**Table 5.4: Educational and managerial challenges**

	Formal business		Informal business		p-value
	Mean	Std deviation	Mean	Std deviation	
Education and training	3.17	0.985	4.05	1.393	0.013
Entrepreneurial skills	3.17	1.043	4.05	1.026	0.152
Management skills	3.44	1.149	3.63	1.342	0.666
Business experience	3.06	1.056	3.42	1.346	0.587
Market opportunities	3.33	0.907	4.26	0.991	0.037

There is a significant relationship between an entrepreneur's level of education and their lack of education and training (p-value=0.013). Table 4.106 shows 73.7% (15.8%+57.9%) of informal SMMEs agree or strongly agree respectively that education and training are a challenge. While 41.2% (35.3%+5.9%) of formal SMMEs agree or strongly agree respectively that education and training are a challenge. Education and training have a direct influence on the level of entrepreneurial activity (Pansiri & Yalala, 2017:59). Therefore, entrepreneur attendance of courses and workshops inclusive of production, basic financial management skills, management of human resources and risks assists increase their innovation and entrepreneurial orientation (Ngorora & Mago, 2018:8). Thus, the municipality should together with other relevant stakeholders consider the provision of relevant training programmes specifically those designed to support informal sector enterprises. Importantly evidence exists which suggest that education and training has been used effectively to reduce small

business failure (Pansiri & Yalala, 2017:59).

There is no significant relationship between an entrepreneur's level of education and their lack of entrepreneurial skills (p-value=0.152). Table 4.107 shows 73.7% (31.6%+42.1%) of informal SMMEs agree or strongly agree respectively that entrepreneurial skills are a challenge. While 35.3% (23.5%+11.8%) of formal SMMEs agree or strongly agree respectively that entrepreneurial skills are a challenge. Mamabolo et al., (2017:3), define entrepreneurial skills as the "proficiency in performing tasks in the entrepreneurial phases as a result of human capital investments (formal and education, entrepreneurial education, work, industry and entrepreneurship experiences) and can be improved by training, practice and development". It stands therefore that to improve entrepreneurial skills of SMMEs programmes must be designed to cater for the various categories. More female than male run SMMEs entrepreneurial skills are impacted by their lack of education.

There is no significant relationship between an entrepreneur's level of education and a lack of management skills (p-value=0.666). Table 4.108 shows 57.9% (21.1%+36.8%) of informal entrepreneurs agree or strongly agree that the lack of management skills is a challenge. While 47% (23.5%+23.5%) of formal enterprises agree or strongly agree respectively that the lack of management skills is a challenge in the running of their business. Business management skills entail organising and proficiently managing the operations of the enterprise (Mamabolo et al., 2017:4). The results shows that level of education does not impact on the ability of entrepreneurs to manage their business even though more informal entrepreneurs are impacted opposed to formal entrepreneurs.

There is no significant relationship between an entrepreneur's level of education and their lack of business experience (p-value=0.587). While table 4.109 shows that 47.4% (15.8%+31.6%) of informal SMMEs agree or strongly agree respectively that business experience is a challenge. In contrast 29.4% (17.6%+11.8%) of formal SMMEs agree or strongly agree respectively that business experience is a challenge. The education level of informal entrepreneurs is therefore more likely to inversely affect their business experience when compared to formal entrepreneurs in eDumbe municipality. The results concur with those by Ntshangase & Ezeudji, (2020:8), who postulate that level of education does not impact on an entrepreneurs business drive and enthusiasm.

There is a significant relationship between an entrepreneur's level of education and a lack of market opportunities (p-value=0.037). Table 4.110 shows that 73.7% (15.8%+57.9%) of informal enterprises agree or strongly agree respectively that their level of education negatively impacts on their ability to identify and exploit available market opportunities. While

41.2% (29.4%+11.8%) of formal entrepreneurs agree or strongly agree respectively that their level of education is a challenge to their ability to identify and exploit available market opportunities. The results show that education levels mostly affected female and informal SMMEs ability to identify and exploit market opportunities.

The results show that only education and training and the lack of market opportunities have a significant relationship with an entrepreneurs level of education. Even though no significant relationship with an entrepreneurs education level and their lack of business and entrepreneurial skills and business experience was found, the informal sector is the one mostly affected. Of note also is that no informal sector SMME has an education level beyond matric implying that education is a challenge to them even though it may not be significant.

**Table 5.5: Education level and managerial competencies**

	Education level		
	p-value	Chi square	Likelihood ratio
Education and training	0.012	47.529	0.029
Entrepreneurial skills	0.000	65.742	0.118
Management skills	0.058	40.648	0.269
Business experience	0.034	43.081	0.224
Market opportunities	0.865	14.117	0.743

There is a significant relationship between an entrepreneur’s level of education and their lack of education and training (p-value=0.012). There are 56.7% (24.3%+32.4%) of SMMEs who agree or strongly agree, 24.3% are neutral and 18.9% (10.8%+8.1%) who disagree or strongly disagree respectively their level of education is a challenge to education and training. Table 4.79 shows that 65% (25%+40%) of female entrepreneurs agree or strongly agree respectively that education and training are a challenge in the running of their enterprises. While 50% (25%+25%) of male entrepreneurs agree or strongly agree respectively that education and training are a challenge in the running of their enterprises.

There is a significant relationship between an entrepreneur’s level of education and their lack of entrepreneurial skills (p-value=0.000). There are 54% (27%+27%) of SMMEs who agree or strongly agree, 29.7% are neutral and 16.2% (13.5%+2.7%) disagree or strongly disagree respectively that their level of education is a challenge to their entrepreneurial skills. Table 4.81 shows that 55% (30+25%) of female run SMMEs agree or strongly agree respectively that entrepreneurial skills are a challenge. While 56.3% (25%+31.3%) of male run SMMEs agree or strongly agree respectively that entrepreneurial skills are a challenge. More males

than females are of the view that entrepreneurial skills are a challenge.

There is no significant relationship between an entrepreneur's level of education and a lack of management skills (p-value=0.058). There are 51% (21.6%+29.7%) of SMMEs who agree or strongly agree, 27% who are neutral and (5.4%+16.2%) who disagree or strongly disagree respectively that their education level is a challenge to their management skills. Table 4.83 shows that 40% (15%+25%) of female SMMEs agree or strongly agree respectively that management skills are a challenge. While 69.2% (31.7%+37.5%) of male entrepreneurs agree or strongly agree respectively that management skills are a challenge. The results show that male entrepreneurs are more likely to have a challenge with management skills.

There is a significant relationship between an entrepreneur's level of education and their lack of business experience (p-value=0.034). There are 37.8% (16.2%+21.6%) of SMMEs who agree or strongly agree, 32.4% are neutral and 29.7% (24.3%+5.4%) who disagree or strongly disagree respectively that their level of education is a challenge to their business experience. Table 4.85 shows that 40% (15%+25%) of female SMMEs agree or strongly agree respectively that they lack the necessary business experience. While 37.6% (18.8%+18.8%) of male entrepreneurs agree or strongly agree respectively that they lack the requisite business experience to run their enterprises. The results show that more female than male SMMEs acknowledge business experience as a challenge.

There is no significant relationship between an entrepreneur's level of education and a lack of market opportunities (p-value=0.865). There are 56.7% (21.6%+35.1%) of SMMEs agree or strongly agree, 32.4% are neutral and 10.8% disagree respectively their level of education is a challenge to exploiting market opportunities. Table 4.87 shows that 60% (10%+50%) of female SMMEs agree or strongly agree respectively that their level of education is a challenge to their ability to exploit and identify market opportunities. While 56.3% (37.5%+18.8%) of male SMMEs agree or strongly agree respectively that education impacts negatively on their ability to identify and exploit market opportunities.

The results show that only lack of market opportunities and management skills have no significant relationship with education levels when it comes to gender. While a significant relationship exists between education level and lack of business experience, education and training and entrepreneurial when it comes to gender. Therefore, education is a challenge to the success of female entrepreneurs.

## **5.2 Conclusion**

The findings of the research survey have been presented in this chapter. The results of this study should be viewed as preliminary due to the small sample size of 37 SMMEs

which were interviewed. Therefore, a more comprehensive study with a larger sample must be considered to make a more conclusive validation of the study findings. The results however show that the informal sector is gravely disadvantaged as it is impacted by a number of challenges. Informal sector entrepreneurs only went as far as matric and a significant relationship exists between education and the formal and informal sectors. The informal sector was less affected by business costs associated with operating from a property (no significant relationship) affecting only those operating from rented premises. Gender was also another factor which from the results played a role with females being the ones mostly affected. Thus, female who operated in the informal sector were doubly disadvantaged. The next chapter presents a summary of the study objectives, study limitations, recommendations and possible future studies.

## **CHAPTER 6: CONCLUSION AND RECOMMENDATIONS**

### **6.1 Introduction**

The obtained results from the survey were discussed in the previous chapter. The proposed recommendations made by the researcher are based on the study findings and reviewed literature. The first section of the chapter provides a brief summary of the previous chapters. The summary is based on salient points from each chapter, followed by the study's limitations. There is a provision for a scope of future research, and the chapter ends with a conclusion of the study.

### **6.2 Summary of preceding chapters**

The salient points from each chapter are as follows:

#### **6.2.1 Chapter 1**

In this chapter the research problem and research objectives are defined. The research design is briefly indicated, and then chapter concludes with a chapter layout of the dissertation.

#### **6.2.2 Chapter 2**

The chapter outlines entrepreneurship as an important vehicle for improving economic growth and decreasing unemployment locally and internationally. The various types of entrepreneurship and entrepreneurs are reviewed, and the different socio-economic roles of each are outlined. A distinction between small business and SMMEs is made. The chapter explores the formal sectors of America, Asia, Africa, and more specifically, South Africa. The informal sectors of Africa, America, Asia and South Africa are also analysed. The various challenges of entrepreneurship, such as access to finance and infrastructure faced daily by entrepreneurship, as discussed.

#### **6.2.3 Chapter 3**

The chapter explores the research philosophy, design and methodology. A comparison of the interpretivist and positivist philosophy is drawn, and the researcher's preference for the positivist approach is explained. The qualitative and quantitative research methods are juxtaposed, and quantitative research methods are described. The choice of the research area – eDumbe Municipality – is extensively discussed and justified. The target population and how the sample of entrepreneurs was selected, is described. The chapter further discusses the data collection method selected for this research, namely self-administered questionnaires. Data validity and reliability as well as the importance of data integrity and

consent of respondents are elaborated on.

#### **6.2.4 Chapter 4**

Chapter 4 provides a discussion of the results obtained from the empirical research, looking into the challenges confronting entrepreneurs in eDumbe Local Municipality. Predominantly, descriptive statistical analysis was used to prepare data for presentation.

#### **6.2.5 Chapter 5**

In this final chapter, the literature review findings and the results obtained from the empirical analysis are used as foundation to find solutions for the challenges faced by entrepreneurs. These are elaborated on in the next sections.

### **6.3 Objectives and findings**

The aim of the research is to determine the internal factors (SMEs perception) that hinder how effectively rural entrepreneurs of eDumbe Municipality are able to access the locally available support, including availability of finance and infrastructure such as roads, telecommunication, water and electricity. The research outlined three objectives to achieve this aim.

#### **6.3.1 Objective 1**

- To determine the main challenges hindering the accessibility of finance and other financial services meant to assist business growth and sustainability from the entrepreneur's perspective

The research study found that there is a significant relationship between formal and informal business lack of access to finance. This means that those businesses in the formal sector of the economy had less trouble accessing external finance compared to those in the informal sector. It was also found that the lack of collateral in order to obtain a business loan also affected those in the informal sector more than it did those in the formal. Transport costs to run the business were also more of an issue for entrepreneurs operating in the informal sector of the economy compared to those operating in the formal sector.

#### **6.3.2 Objective 2**

- To determine the main challenges hindering the effective usage or lack thereof of available infrastructure designed to support entrepreneurship from an institutional perspective

The challenge of access to infrastructure was found to affect more enterprises operating in the informal sector than those in the formal sector. The only infrastructure challenges,



which affect all sectors of the economy equally, were the lack of or inefficient transport and the lack of or the unreliable supply of electricity.

### **6.3.3 Objective 3**

- To determine the dearth of managerial skills and prevalent levels of education among entrepreneurs in and around the municipal area

The majority of entrepreneurs only went as far as secondary school, followed by those with a matric education and by those with a diploma respectively. Importantly it was revealed that education was not much of a significant factor with regard to gender parity in the study area. Yet a significant relationship was found between the economic sector an SMME operates in and their level of education. The research study found that there was no significant difference between an entrepreneur's level of education and the lack of management skills and the lack of market opportunities. However, the level of education does influence entrepreneur lack of entrepreneurial skills, lack of entrepreneurial education and training and lack of business experience.

## **6.4 Recommendations**

Based on the findings of this study it is recommended that institutions meant to provide funding to entrepreneurs be more visible or active in the study area. Therefore institutions should conduct marketing drives to ensure that they are visible and also to explain their products. The terms and conditions for accessing such products should also be explained so they are fully understood by all. That is prompted by the fact that only 16 % of entrepreneurs acknowledge that they are aware of the existence of such institutions. This is consistent with previous studies in KZN, which found that entrepreneurs in the province were often not aware of the existence of funding institutions in their area of operation.

The lack of collateral although a problem to all entrepreneurs across all economic sectors seemingly affects informal entrepreneurs the most. If informal businesses are to graduate from the informal sector to the formal sector special arrangements must be made to allow disadvantaged entrepreneurs access to finance. However, the lack of collateral seems to be more of a problem for male entrepreneurs (see table 4.34). To breach the gap of collateral government should consider partnering with financial institutions to act as collateral to those businesses which are viable or sustainable. Such enterprises should also be incorporated into monitoring and mentorship programs to ensure that they not only grow but also avoid defaulting from their commitments.

The study also shows that education plays a pivotal role with regard to the successful

running and management of a business enterprise. In the event of an entrepreneur-training programme being designed for the area it should focus more on the lack of entrepreneurial education and training, lack of business experience and lack of entrepreneurial skills. There is also a need to teach entrepreneurs how to write a business plan as most did not have it while some mentioned that they have never had of it before.

The informal sector entrepreneurs are of the view that no public or private sector assistance is forthcoming towards them. Even though mostly survivalist, informal entrepreneurs play an important role of decreasing over reliance on social grants and pressure on the fiscus. To increase the tax base and make more money from the fiscus available for developmental programmes meaningful assistance to uplift entrepreneurs is imperative. This may call for a more radical review of the whole entrepreneurial programme, essential for building a sustainable entrepreneurial culture and society of job creators.

The informal sector seemingly does not have meaningful access to the available infrastructure as formal sector enterprises in and around the municipality to help sustain and grow their businesses. It is recommended that there be an upgrade to infrastructure that would in turn improve the prospects of existing entrepreneurs and encourage the establishment of new ones.

## **6.5 Limitations of the Study**

The small sample size of the study means that its findings can only be presented as preliminary as the sample cannot be confidently stated as representative of all SMMEs in eDumbe Local Municipality.

The lack of an SMME database and of the sectors they are involved in from eDumbe Local Municipality LED office made it difficult to locate SMMEs – therefore the results cannot be generalised on all SMMEs of eDumbe municipality.

Limited academic and recent literature in South Africa exists on rural entrepreneurship in KwaZulu-Natal, Zululand district and eDumbe Local Municipality in particular.

## **6.6 Suggestions for future studies**

The study was dedicated to challenges faced by entrepreneurs in eDumbe Municipality; it would be worthwhile in future to find out why entrepreneurs are largely not aware of any funding institutions. This is serious considering the crippling lack of finance by SMMEs.

The lack of collateral will be a considerable challenge going forward into the future. A study

to see how banks and financial lending institutions could incorporate a number of risk coping strategies to make it easier to obtain loans. More advanced economy banks and financial lending institutions do provide such risk-coping strategies to ease SMME funding gaps (Fowowe, 2017:6). This would also relieve pressure on government and fully bring the private sector into play.

A research study would be necessary to not only find out why but also to help women entrepreneurs to have an even spread of businesses from micro to macro scales. As seen in table 4.27 women entrepreneurs are not exhibiting signs of natural progression and growth. This would benefit entrepreneurship to find out what the cause is and how it can be rectified.

A research study will be necessary in the future to determine the full extent of the education and training challenges between formal and informal enterprises. As seen in table 4.107 the majority of informal enterprises acknowledge their short comings in education and training necessary to grow and run their businesses successfully.

## **6.7 Conclusion**

The aim of the study was to look at challenges facing entrepreneurs in eDumbe Municipality. The study helped to reveal that entrepreneurs experience a number of challenges in the running of their businesses. Through the co-ordination of all relevant stakeholders, it would be possible to thrash out the challenges faced by entrepreneurs and come up with working solutions. Although entrepreneurs have formed themselves into group's namely informal traders association and formal traders union, it would be beneficial if they would come together and consolidate their challenges. Entrepreneurs would benefit immensely by identifying training courses that would benefit them and communicate these to relevant local authorities.

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## APPENDIX A: QUESTIONNAIRE

Please respond to all relevant questions. Please tick X in appropriate box.  
**Cela uphendule yonke imibuzo efanele. Cela umake ngo X kwi bhokisi elifanele.**

### PART A. BIO DATA ON THE OWNER/ MANAGER OF THE BUSINESS

- 1) What is your gender? **Isiqu?**

Male <b>Mnumzane</b>		Female <b>Nkosazana/Nkosikazi</b>	
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- 2) What is your age group? **Iminyaka yakho**

18-23 years		35-39 years		50-54 years		65-69 years	
24-29 years		40-44 years		55-59 years		70-74 years	
30-34 years		45-49 years		60-64 years		75 +	

- 3) What is your marital status? **Isimo somshado**

Single <b>Awushadile</b>		Married <b>Ushadile</b>		Separated		Divorced <b>Udivosile</b>		Widowed <b>Umfelokazi</b>	
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- 4) How many dependants do you have? **Isibalo sabantu obondlayo**

0-1		2-3		4-5		6 +	
-----	--	-----	--	-----	--	-----	--

- 5) What is your educational status? **Izinga lakho lezefundo**

No formal schooling <b>Awuyanga eskoleni</b>		Matric <b>Unoma tikuletjeni</b>	
Primary school <b>Wagcina kumabanga aphansi</b>		Diploma <b>Uneziqu ze diploma</b>	
Secondary school <b>Wagcina kumabanga aphezulu</b>		Bachelor's Degree <b>Uneziqu ze degree</b>	
Vocational (courses/certificates) <b>Unezi tifiketi zamakhono</b>		Master's Degree and above <b>Unzeziqu za master nanga phezulu</b>	

6) What is the highest education level of your dependants? **Izinga lezemfundo labantu obondlayo**

No formal schooling <b>Abayanga eskoleni</b>		Matric <b>Unoma tikuletjeni</b>	
Primary school <b>Wagcina kumabanga aphantsi</b>		Diploma <b>Uneziqu ze diploma</b>	
Secondary school <b>Wagcina kumabanga aphezulu</b>		Bachelor's Degree <b>Uneziqu ze degree</b>	
Vocational (courses/certificates) <b>Unezi tifiketi zamakhono</b>		Master's Degree & above <b>Unzeziqu za master nanga phezulu</b>	

7) Are you the breadwinner? **Bonke ekhaya bondliwa uwena?**

Yes <b>Yebo</b>		No <b>Cha</b>	
--------------------	--	------------------	--

If not how many are in employment? .....

8) Have you ever been employed? **Usuke waqashwa phambilini?**

Yes <b>Yebo</b>		No <b>Cha</b>	
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9) Are you still looking for employment? **Usawu funa yini umsebenzi?**

Yes <b>Yebo</b>		No <b>Cha</b>	
--------------------	--	------------------	--

10) Reason for unemployment? **Isizathu sokuthi ungaqashwa?**

Lack of skills <b>Ukungabi na sakhono</b>		Lack of opportunities <b>Ukwa ntuleka kwama thuba</b>		Retrenchment <b>Ukuphelelwa umsebenzi</b>	
--	--	--	--	--	--

Other please specify.....

**Chaza esinye isizathu**

**PART B. INFORMATION ON STATUS OF THE BUSINESS**

1) What is the focus area of your business?

Retail		Agriculture		Wholesale	
Services		Manufacturing		Construction	

2) Type of business owned

<b>Clothing:</b> Sewing buying and selling		<b>Food:</b> Restaurant, vegetables, fruits, food etc.		Professional: Legal, accounting, medicine, Information Tech etc.	
<b>Entertainment:</b> tourism, event organiser		<b>Beauty parlour:</b> Hair dressing salon, manicure, spa etc.		<b>Accommodation:</b> lodge, letting houses, flats etc.	
Transport		Cleaning		Hardware	

Other, specify.....

3) What is your role within the business?

Adviser		Owner		Co-owner		Manager		Other	
---------	--	-------	--	----------	--	---------	--	-------	--

4) How many businesses do you currently own/manage?

0-1		2-3		4-5		6+	
-----	--	-----	--	-----	--	----	--

5) How many businesses have you started?

0-1		2-3		4-5		6+	
-----	--	-----	--	-----	--	----	--

6) For how many years have you been an entrepreneur?

0-1		2-3		4-5		6+	
-----	--	-----	--	-----	--	----	--

7) Is your current business registered?

Yes		No	
-----	--	----	--

8) If not registered do you plan to register it in the near future?

Yes		No	
-----	--	----	--

Specify reason.....

9) How long have you run the current business?

0-6 months		1 to 2 years		5-6 years	
7-2 months		3-4 years		7 +	

10) Reason for running a business?

Lack of employment opportunities		Gap in the market		Retrenchment	
----------------------------------	--	-------------------	--	--------------	--

Other please specify.....

11) Do you have an accounting system for your business?

Yes		No	
-----	--	----	--

If no, please state reason.....

12) Do you have a business plan?

Yes		No	
-----	--	----	--

If no, please state reason.....

13) How many people do you employ in your business?

Self only		1-5		6-14		15-24		25-50	
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Other specify.....

14) Are you happy with the current location of your business?

Yes		No	
-----	--	----	--

If happy please specify.....

15) If not happy what are your reasons?

Far from customers		Lack of sufficient water		Poor network reception	
Lack of electricity		Inadequate transport		Inadequate shelter	

Other please specify.....

**PART C. ACCESSIBILITY TO SERVICES, TO HELP SUSTAIN/GROW BUSINESS**

1) Are you aware of any funding institutions in your area?

Yes		No	
-----	--	----	--

2) Do you receive any funding to start/ sustain the business?

Yes		No	
-----	--	----	--

3) If funding is received, who is the funder?

Bank		Private institution	
Government agency		Loan shark	

Other please specify.....

4) If funding is not received, what are the reasons?

Self-sustaining		Confusing process	
Stringent requirements		No collateral	

Other please specify.....

5) What is your preferred mode of transport?

Walking		Public transport		Transport hire	
Bicycle		Own vehicle		Other	

Reason for preferred transport.....

6) How much is spent on transport per month to run the business?

R0-R500		R1001-R5000		R10 001-R50 000	
R501-R1000		R5001-R10 000		R 50 001 and above	

7) How much is spent on telephone/cell/internet/fax per month to run the business?

R0-R500		R1001-R5000		R10 001-R50 000	
R501-R1000		R5001-R10 000		R 50 001 and above	

8) What is the annual turn-over of your business?

R0-R10 000		R50001-R250 000		R500 001-R1500 000	
R10001-R50 000		R250 001-R500 000		R1500 001-R5 000 000	

9) Do you have a relationship with your suppliers?

Yes		No	
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10) If a relationship exists with suppliers, how long has it lasted?

0-1 year		2-5 years		6-15 years		16 years +	
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11) What is required to grow your business?

Financial assistance		Cheaper communication cost	
Reliable transport		Cheaper rent	

Other please specify.....

12) What is required to ensure your business is sustainable?

Reliable suppliers		A business plan	
A financial system		Better infrastructure	

Other please specify.....

#### **PART D. CHALLENGES TO BUSINESS**

**Do any of these challenges or factors in anyway hinder the growth or success of your business in any shape or form?**

1) Lack of assistance from government agencies/departments

1. Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

2) Lack or inadequate assistance from Private institutions/agencies

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

3) Lack or inadequate assistance from local Municipal services

1. Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			



4) Lack or inadequate access to finance

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

5) High interest rates charged by institutions

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

6) Lack of collateral to obtain loan

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

7) Lack of education and training

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

8) Lack of entrepreneurial skills

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

9) Lack of management skills

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

10) Lack of business experience

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

11) Lack of market opportunities

1.Strong disagree		2. Disagree		3. Neutral	
4 Agree		5. Strong agree			

12) High transport costs

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

13) Poor transport efficiency/infrastructure

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

14) High telephone/ cell phone costs

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

15) High internet/ data costs

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

16) High electricity costs/billing

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong			

17) Unreliable or none existent electricity supply

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

18) Unreliable or none existent water supply

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

19) High water costs/billing

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

20) High rental cost or lack of adequate business premises

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

21) High rates and taxes associated with business operation

1.Strong disagree		2. Disagree		3. Neutral	
4. Agree		5. Strong agree			

## APPENDIX B: LETTER OF CONSENT

### *eDumbe Municipality*

10 Hoog Street  
Private Bag X308  
PAULPIETERSBURG 3180



☎ : (034) 995 1650  
Fax : (034) 995 1192  
edumbekz261@mweb.co.za

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ALL CORRESPONDENCE TO BE ADDRESSED TO THE MUNICIPAL MANAGER

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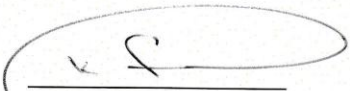
Date: 10 April 2019

I MP Khathide, in my capacity as Municipal Manager at eDumbe Municipality give consent in principle to allow Sihle Mthethwa, a student at the Cape Peninsula University of Technology (CPUT), to collect data in this company as part of his/her Master of Technology research. The student has explained to me the nature of his/her research and the nature of the data to be collected.

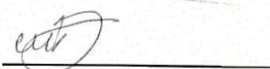
This consent in no way commits any individual staff member to participate in the research, and it is expected that the student will get explicit consent from any participants. I reserve the right to withdraw this permission at some future time.

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				

  
\_\_\_\_\_  
<<Insert name>>

*M.P. Khathide*  
\_\_\_\_\_  
<<Insert date>>

  
\_\_\_\_\_  
<<Insert name>>

*K.S. Mkhwanazi*  
\_\_\_\_\_  
<<Insert name>>

  
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*G.L. Khumane*  
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