MPhil

Creating shared value: Investigating how micro-property developers in townships can collaborate with impact investors

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Abstract

Micro-property developers are social entrepreneurs operating in townships and offer high quality rental units that upholds the dignity of community members. Although they are making a valuable contribution they are also faced with many challenges and the biggest being access to funds. This study looks at how impact investing, an emerging funding model can be used to address this challenge. Impact investing can be described as a cross-sectional initiative that involves the professional participation of various stakeholders; to drive social entrepreneurship to a level which can drive the socio-economic impact within communities, to create a social good that optimises financial, social and environmental returns (Annual Impact Investor Survey, 2019). This research study seeks to explore and understand collaboration strategies that can be employed by micro-property developers in the context of South African townships.

This study investigates how micro-property developers, through institutional systems and a multi-stakeholder approach can collaborate with impact investors by applying the concept of collective impact effort in township areas. Further on, this study highlights the importance of impact investing and unpacks the successes and challenges in township areas by illuminating how risk-taking, organisational values and funding contribute to corporate considerations in generating measurable, social and environment impact combined with financial return.

Through relevant literature consulted and the use of in-depth interviews this study adopted a qualitative research methodology. Research participants included micro-property developers, impact investors and intermediaries. The research findings indicate that in the corporate ambit of social entrepreneurship and impact investing; variables such as income, risks, impact measurement, the situated area of human settlement and investor readiness are key considerations in the successful acquisition of funding opportunities. In addition, although impact investment in township areas is still an untapped market in South Africa, community leadership and partners should equally advocate the need of inclusion and innovation to steer sustainable impact investment opportunities in such communities.

This study suggests that impact investors and funders should work toward cross-sectional initiatives that are scalable and inclusive, and that can create a positive impact in township communities. This study also recommends that a level of deeper knowledge is required through informed research, to understand the value and the impact of impact investments in township areas. This way, scientific data can override all stereotypical notions linked to township investments, as stigmas of crime and risks still hinder investment opportunities in townships compared to their urban counterparts.

Keywords: Micro-property developers, Impact investing, intermediaries, townships, shared value, social impact, impact measurements, trust, funding selection criteria, investor readiness, institutional systems, multi-stakeholder approach

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"It takes a village to raise a child"- An African proverb, which means that the intricacies of raising a child are not exclusive only to biological relationships.

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DEDICATION

This Masters dissertation is dedicated to my late parents Gladwin Ngakane and Tebogo Ngakane. My father, Gladwin Ngakane believed that there were no short-cuts in life and that hard work and persistence will always pave the way to bigger opportunities in life. My mother, Tebogo Ngakane, was a smart woman who introduced me to property development and ignited in me the passion to foray into this field. I still miss them every day.

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CHAPTER ONE: INTRODUCTION AND BACKGROUND OF STUDY

1.1 Introduction

Housing is considered a basic human right, yet issues pertaining to housing have been a challenge in South Africa since the Apartheid era. There have been interventions made by the South African government, as well as ordinary citizens to address the problem. However, these interventions were often met with the micropolitics of waiting and wherein grey spaces of informality and illegality of occupation gave rise to excessive waiting lists and the erection of unsafe, informal backyard dwellings (Oldfield & Greyling, 2015)

From a community perspective, many homeowners have built backyard rooms and used these premises as rentals. Some communities also use the concept of stokvels and crowdfunding to collectively raise funds to build houses, while others purchase land and properties to develop rental units. These initiatives are not merely to build houses, but also to build and strengthen communities. This will allow for community members to take charge and ownership as part of their own community development through the principles of self-help. As part of all these initiatives - local labour is used, women are trained on building houses, building materials are sourced locally, environmentally friendly practices are incorporated in building processes and there are financial returns. All these factors contribute to creating shared value for all stakeholders in a community.

This research study looks at micro property developers who are social entrepreneurs, operating in townships to address the problem of housing. As these entrepreneurs are operating in townships, they are faced with many challenges that prevent them from truly creating shared value. This study investigates how these developers can collaborate with impact investors, to assist them in addressing some of the challenges that they are faced with. This report revisits how knowledge, resources and skills can be shared between the two parties in their collaboration for value creation. Social entrepreneurs are usually classified as entrepreneurs who create - on what is considered - a 'social good', and are unable to quantify their impact in economic terms. This research study will challenge this notion by illustrating how impact evaluation can be used to convince doubters of social entrepreneurship of the socio-economic impact that they are able to create.

This chapter aims to introduce various categories and chapters linked to 'creating shared value' within this research study and provides a background and context to the highlighted research problem. In addition, it provides a detailed overview of the theoretical framework, the type of data to be collected and how it will be collected. Ethical considerations and the scope limitation will also be addressed.

1.2 Background to the study

After the advent of democracy in 1994, the South African government introduced different policies and strategies aimed at providing affordable housing for the poor, the working class as well as lower middle-class people. In 1996, the first Reconstruction and Development Program (RDP) housing project was launched. This would be the first initiative by the government to which the 2004 Breaking New Ground (BNG) initiative was introduced (Ballard et al., 2017). In 2008, the government implemented the Social Housing project, a rental-based model intended for those in the "gap market" targeting people earning between R3 500 and R15 000 per month and do not qualify for both free housing as well as mortgage bonds (Tissington, 2011).

Due to the backlog in the provisioning of state funded houses, there were businesses that were instrumental - and which saw the need to provide proper housing, without having to wait on funding from government. These were micro-property developers in townships areas, who offered rental services to those in the gap market. Micro-developers are entrepreneurs in property development who operate in townships and areas usually characterised by lack of development (Mayra, 2018). McGaffin, Spiropoulous and Boyle (2018) categorise micro-developers into two groups, namely *homeowner developers* which are people building rental units on their own properties to get an extra income.

The second group refers to *enterprise developers* who own small enterprises that have a commercial interest in projects as a business value. Some have land, and others approach homeowners for available sites to build these much-needed rental units on. These micro-developers are in fact social entrepreneurs as they use economic activity to pursue a social objective, and they go beyond making a profit whilst contributing to social change (Grieco, Michelini, & Iasevoli., 2015). The impact created by social entrepreneurs should be measured to ensure that they are indeed providing real and tangible benefits to their communities.

Although micro-developers offer solutions, they are faced with many challenges that ultimately affects the quality of housing, as well as the time it takes to deliver on projects and create value. Micro-developers operate in townships, making it difficult to acquire funds from banks. For this, they mostly rely on their personal savings, credit cards as well as micro-loans that are repaid at higher interest rates. An alternative solution is Impact Investing which is a deliberate action by investors to generate positive social and environmental impact as well as financial returns ("2019 Annual Impact Investor Survey," 2019).

Impact investing refers to investments made into companies, organizations and funds with intention to create environmental, social as well as financial returns (Ngoasong, Paton, & Korda., 2015). It involves partnering of Development Finance Institutions (DFIs), philanthropic organizations as well as mainstream private ventures to create funds aimed at funding market-based enterprise developers in both developed and emerging markets. They are not there to relieve government of their responsibilities, but to assist them to be effective in their service and product delivery (Social Impact Investment Taskforce, 2014).

This research study explores how micro-property developers can collaborate with impact investors by applying the concept of collective impact effort. It is the idea that complex social issues are not isolated but are caused and persists due to omission of action by stakeholders i.e. government, communities, private sectors, investors, non-governmental organizations (NGOs) etc. (Kramer & Pfitzer, 2016). In order to address the issues what is needed is to change how the system functions collectively.

Advantages of impact investing is that business brings essential assets i.e. knowledge to define objectives and the ability to implement solutions within time and on budget. An element of trust is an essential key for impact investing as resources are shared (Kramer & Pfitzer, 2016). Within the many entities/stakeholders that exist, there are those that are influential whose presence can be instrumental in getting projects off the ground. These entities do not necessarily have to take the lead or be in control. Kramer and Pfitzer (2016) suggest five elements that need to be in place for collective impact to achieve its aim of large-scale social change i.e. a common agenda, a shared measurement system, constant and open communication, mutually reinforcing activities and a dedicated support system in place.

1.3 Research problem

There is a need for quality and affordable housing that upholds the dignity of people in townships. With emerging micro-property developers eager to address this need by assisting prospective consumers in the building and/or erection of quality and affordable rental units in townships, the spaces that micro-property developers occupy in the formal business sector is still inchoate with regard to impact investing (McGaffin et al., 2018). Although micro-property developers offer an intervention, they are faced with many challenges and access to finance, especially being the main driver as they do not receive subsidy from government or the private sector (McGaffin et al., 2018). The state of micro developers' enterprises as well as the environment within which they operate, makes it difficult to acquire funding and to truly create shared value for stakeholders.

Social Impact Assessment (SIA) is the measurement or assessment of impact, and an essential key in impact investing. Grieco et al., (2015) pointed out that assessing impact is not easy due to the complexity of identifying the qualitative and quantitative metrics for reporting to stakeholders. There are many models that have been developed for SIA reporting. However, given its complexity, it is difficult to choose one to use as organisations differ in size, service/products, area etcetera. Ebrahim and Rangan (2014) point out that measuring impact is complex due to factors such as politics, social, cultural as well as economic systems that are at play. Furthermore, they contend that an enterprise might produce outcomes however those outcomes do not necessarily translate to impact.

1.4 Purpose of the study

The purpose of this research is to explore and understand the nature of enterprise micro-developers in township areas and how micro-developers in these areas can collaborate with impact investors to create shared value.

1.5 Research questions

- How can micro-developers in townships collaborate with impact investors so that shared value is created?

1.6 Research objectives

The research objectives of this research study are, to:

- establish the strategies that can be used by micro-developers to attract impact investors so that shared value is created.
- ascertain the importance and the impact of impact investors for micro-developers in townships.
- understand existing interventions that can be used to address some challenges faced by micro-developers.

1.7 Significance of the study

This study aims to explore and understand the voices and challenges experienced by emerging micro-property developers, and their quest to establish affordable rental units in township areas in South Africa. Based on literature and insights gained, their qualitative responses can give rise to a greater understanding on how existing and upcoming micro-developer entrepreneurs understand the market, the challenges and opportunities that exist.

Amid the fact that impact investment, as a form of innovative finance, shows great economic potential in township, insufficient and the lack of proper reporting hinders the transfer of this business narrative to enter the ambit of mainstream corporate investment literature in Africa. Township areas have for quite a number of years been connoted as "slums", and areas in which businesses that they operate there cannot scale. This study seeks to highlight and give a voice to economic activities in township areas that have the potential not only to offer, but to service corporate investment, to scale.

Furthermore, this study aims to facilitate both an African and global level of understanding on how impact investors can successfully collaborate with enterprises operating in townships. Often, investees have to adjust ways in which they conduct business to meet the requirements of investor. However, this research study positions itself to provide a transformative voice to both parties on what strategies to consider prior to collaboration. By so doing, indigenous knowledge would be preserved and can be shared and applied in other business contexts.

This study aims to challenge the notion that shared value can only be achieved by large corporates. The researcher shares the view that this concept can also be applied to enterprises that operate in previously disadvantaged and underserved areas i.e. townships. This study also seeks to explore and understand the relationship between impact investing and shared value.

Lastly, this study explores how the concept of inclusive innovation can be harnessed to further strengthen the collaborative ties between micro-developers and impact investors. The outcome of this study is to create a workable model to transfer shared understanding on how micro-developers and impact investors can successfully collaborate to ensure that shared value is created to benefit all stakeholders.

1.8 Scope of research

In this section, I briefly discuss key literature and scholastic studies to constructively align both Westernised and African views and understanding to the research objectives of this study. The literature consulted will focus on the concepts of creating shared value, impact investing and the central role of micro-property developers as agents in the property development process.

1.8.1 Creating shared value

Creating Shared Value(CSV) is defined as the policies and operating practices aimed at advancing the economic and social aspects of a community, as well as financial benefits of an organisation (Porter & Kramer, 2019). A company's success would no longer be measured by how much it makes, but by the social and environmental impact it brings to communities within which it operates. CSV addresses issues such as climate change, wastage of water and energy, the use of environmentally-friendly building materials, etcetera. CSV provides an advantage of creating new products and services for underserved communities and benefits both the organisation as well as the communities which they are serving (Porter & Kramer, 2019).

1.8.2 Micro-property developers

Micro-property developers are agents who play a central role in the property development process (McGaffin et al., 2018). Motsetse (2015) points out that these housing construction developers fall within grades 2 and 7 as per Construction Industry Development Board (CIBD). Aren and Sibindi (2014) classify micro-property developers under Small Medium and Micro Enterprises businesses (SMMEs), because of the number of employees, net worth, the size of business relative to the sector. A common definition for SMMEs is that it comprises mainly of small business enterprises. The South African National Small Business Act 102 of 1996 defines small business as a separate distinct business entity, including co-operative enterprises and non-government organisations managed by one or more owners, which is carried out in any sector and can be classified as micro, very small, small or a medium enterprise (South Africa, 1996). According to Cronje et al. (2001 as cited in Chimucheka, 2013) the qualitative characteristics within SMMEs, are that SMMEs are generally more labour intensive than larger businesses, and on average, generate more job opportunities per unit of invested capital. In terms of quantitative criteria, their total full-time paid employees, total annual turnover and the gross asset value are far less than larger organisations(Chimucheka, 2013).

In this context, micro-property developers assist in solving the problem of erecting decent housing in township areas as they are faced with many challenges including but not limited to: access to finance, acquiring land and delays from the planning office.

1.8.3 Impact Investing

Impact investing provides an opportunity to social entrepreneurs as it helps catalyse funding for social innovation projects that subsequently addresses social problems (Ormiston et al., 2015). Impact investing, a form of innovative finance, seeks to create a positive social and environmental impact as well as financial returns for investors. Brandstetter and Lehner (2015) assert that not much is known about impact investing and its interplay between agents, instruments and regulation. Creating shared value requires that experts in business and social issues projects receive the same scrutiny that is required for any capital investment. If this is not done diligently, then impact investors will lose out on their Return on Investment (ROI).

1.9 Research approach adopted for the study

The study adopted the use of interviews to collect data. However, due to Covid-19 pandemic and the lockdown regulations enforced by the South African government, interviews were conducted telephonically and online by using digital platforms such as Microsoft Teams and Zoom. These platforms also presented a limitation to the study as more data could have been collected from body language of the participants as well as the environment they are in. A total of fourteen (14) interviews took place, however only feedback from twelve (12) participants was integrated to this study. Researcher bias was also a limitation for the study and to address it, the researcher worked with their research supervisor as well as a writing coach, who both assisted in asking questions that helped the researcher to consider different voices and ways of thinking about the research problem.

The study relied on literature, experts in the field as well as conducting interviews from participants. The research instrument that was used were interviews, observations as well as documents analysis and what emerged after data analysis were patterns, relationships or new theories.

1.10 Organisation of thesis

Chapter 1: Introduction and Background to the Study

This research study commences with a brief background to this research study, providing an overview and explaining the problem and objectives of this study. This chapter provides a roadmap or plan to this thesis.

Chapter 2: Literature Review

This chapter provides an in-depth literature review where it looks at existing literature and explores the views of researchers as well as work done in practice. Different narratives of the topic are explored to ensure that there was no bias or misconception to the topic in focus.

Chapter 3: Research Design and Methodology

This chapter illuminates the details on the research strategies, the research design and the type of data to be collected. In addition, it also highlights how this research data will be collected and provide a succinct overview to how data will be analysed and controlled. This chapter will not only explain the methodology selected but will also share the reasons to why certain strategies and methodologies were selected.

Chapter 4: Presentation of Results

This chapter looks at the responses given by participants in the study, explains how data was analysed and how patterns were identified from participants' feedback.

Chapter 5: Conclusions and Recommendations

In this chapter the researcher provides an overview of the research findings by comparing literature review with feedback from participants. This section will provide suitable recommendations as well as share areas in which new knowledge can imparted and build upon.

CHAPTER TWO: LITERATURE REVIEW

This chapter aims to present and share literature and theoretical positionings gleaned from scholastic resources and seminal works, and aim to recontextualise, explore and understand core concepts relating to role of micro-property developers and impact investing against contemporary community development.

2.1 The state of housing in township areas

Countries around the world are divided into two distinct spatial realms: urban and rural areas. South Africa however in addition to these two realms has townships, to which these areas that are neither classified as rural nor urban (Mahajan, 2014). These areas were formed by the former Apartheid government that forced black people to reside in areas that were far from urban economic hubs.

The Apartheid system had policies for urban planning and housing development in place, that created the concept of "townships" – a dormitory town with rows of uniform houses lacking basic infrastructure and services and located far from white residential areas and economic hubs (Mahajan, 2014). The process of "loosening" South Africa from its former system is currently a continuous process of conscious transformation towards the "building of a democratic, non-racial and non-sexist future" (Harrison & Todes, 2015).

In this journey, the government has implemented strategies aimed at improving the state of housing. In 1996, the government introduced the Reconstruction and Development Program (RDP) that was aimed at providing free housing to previously disadvantaged people who are low-income earners. Although the programme provided homes to some people, it also had its shortfalls (Tissington, 2011). In 2004, the Breaking New Ground strategy was implemented with the intention of building houses in the near economic hub areas (Ballard et al., 2017). Later in 2008, Social Housing was introduced as rental services for those who could not qualify for free housing (Tissington, 2011). For most citizens, the right to housing translates in practice to the experience of waiting. Many citizens are still waiting in hope while staying in informal settlements, backyards, overcrowded areas and hostels (Oldfield & Greyling, 2015).

However, there are those who have taken initiative in their communities to improve housing in townships without having to wait for government.

2.2 Micro-property developers

Micro-property developers are agents who play a central role in the property development process (McGaffin et al., 2018). Motsetse (2015) points out that these housing construction developers fall within grades 2 and 7 as per Construction Industry Development Board (CIBD). Aren and Sibindi (2014) define micro-property developers as Small Medium and Micro Enterprises Businesses (SMMEs), based on the number of employees, net worth, the size of business relative to the sector. A common definition for SMMEs is that it is a small business. The South African National Small Business Act 102 of 1996 defines small businesses as a separate distinct business entity, including co-operative enterprises and non-government organisations managed by one or more owners which is carried out in any sector and can be classified as micro, very small, small or a medium enterprise (South Africa, 1996).

McGaffin et al., (2018) point out that micro-developers play a central role in the property development process which includes stakeholders from formal and informal institutions. Stakeholders in this process includes landowners, developers, construction companies, financing institutions, regulatory authorities, estate agents and consultants. Micro-developers need to manage their projects by applying project management capabilities, which is the combination of knowledge gained through training together with skills acquired through experience (Jaafar et al., 2016).

2.2.1 Challenges confronted by micro-property developers in construction projects

There are many challenges faced by micro-property developers throughout the development life cycle. McGaffin et al. (2018) outlines the challenges faced by developers at different phases of construction development lifecycle. These challenges are summarised as follows:

Acquiring land

Most houses in townships excluding those land owned by the state, are not properly registered at the deeds office, making this process even more complex. It is suggested that this phenomenon is an outcome of cases where an elder person who is a registered owner of a house passes away and no transfers or name changes are done at the deed's office by the surviving family members (Marais et al., 2014). Calvo, Berrisford, and Cirolia (2016) suggest that cases of fraud and corruption are also prevalent at this phase, as some may not follow the proper legal procedure of acquiring land.

Barry and Roux (2019) do point out that off-register buyers have no legal protection and that a "cloudy title" i.e. a case where a *defacto* owner is not the name on the title deed. These cloudy titles do not only affect a buy sell transaction, but also go as far as delaying new construction developments. For example, in a case where approval forms have to be signed by neighbouring owners, one of the neighbours is required to sign a "dead man's title" or property that is sold off-register, then no building development for a project can proceed. Community participation and engagement play a crucial role in implementing building projects, Barry and Roux (2019) point out that it is usually difficult to get residents to attend and properly facilitate housing consumer sessions as housing and access to land are highly politicised. These are some external factors that may delay projects for micro-developers.

Access to finance

According to a report by Centre of Affordable Housing Finance in Africa (KB, 2018), acquiring funding for projects is a challenge due to the requirements as well as the environment in which micro-property developers operate in. The report shows that access to housing finance is limited in Africa, with only five African countries having a mortgage to GDP ratio above 10%. This makes it difficult for banks and other financial institutions to get capital to fund long term mortgages as there are regulations and policies on a national and international scale presenting complex variable to deal with. Formal financial institutions require that an enterprise have assets that can be used as collateral security however, this variable excludes other developers especially those coming from previously disadvantaged backgrounds (Ncwadi & Dangalazana, 2005).

Across Africa, practitioners are grappling with the need to create an enabling environment for housing finance (Kruger-Levy & KB, 2016). There has been strides in both the public and private sector to create products that will assist micro-developers to gain access to building funds, especially those who cannot afford to get mortgage bonds. Some of these solutions include housing micro-finance, mortgage liquidity facilities, cement block banking etcetera.

(Kruger-Levy & KB, 2016). A case study conducted by Kruger-Levy et al., (2016) shows how micro-financing has been successfully implemented by Build-It, a building material retailer in Southern African Development Community (SADC) region. It has championed this model through incremental lending and micro-lending.

Building approval

This phase includes the technical design of the house and submitting the designs to the planning office. The technical specifications (house plans) are assessed at the municipal office and it has been reported that many projects stall at this phase as it awaits technical approval (McGaffin et al., 2018). Once approval has been received, then the actual building may commence. However, there are reported cases where developers continue illegally with the building process even though they have not received clearance from the planning office (McGaffin et al., 2018).

Safety and security in township areas is another challenge that micro-property developers have to deal with as they primarily operate in township areas (Mayra, 2018). Micro-developers need to invest more money for security measures which ultimately results in business overheads (Motsetse, 2015).

2.2.2 Interventions by government

In South Africa, the Department of Trade and Industry (DTI) is the main driver in defining and implementing policies for SMMEs. The DTI have also contributed greatly to developing micro-enterprises and have introduced projects that encourages the use of emerging contractors (Ncwadi & Dangalazana, 2005). There is also the Small Enterprise Development Agency (SEDA) which was formed by DTI to assist and support small businesses in South Africa. They have branches countrywide where entrepreneurs at different levels can be assisted with their different needs such as drafting business plans, training, mentoring, coaching etc. (*SEDA*, 2019).

There also are agencies such as the Small Enterprise Finance Agency (SEFA) that are aimed at providing financial products to qualifying SMMEs and cooperatives (Motsetse, 2015). This is another intervention spearheaded by the Department of Small Business Development. Their offering is in lending credit facilities or products (*SEFA - Accessible Development Finance*, 2019).

In recent years, the Department of Public Works (DPW) have utilised a lot of contractual services from construction SMMEs and have noticed the need for skills development. They now have an arm that is aimed at training and offering skills development to SMMEs (*Department of Public Works*, n.d.).

2.3 Building an inclusive residential property

The value of a house realises is important for both the household and the city, as its market value is important in the negotiation process. This is an important and significant investment especially to the city, as it offers substantial revenue opportunities that creates the budget that makes the city to function (Rust et al., 2018). The 2018 report for Cape Town Property Market further states that it is important to think about the housing unit as a private asset as well as a national asset that contributes to the overall economy. The formality or informality of the household's rights over the property as well as the kind of structure are also important. Rust et al., (2018) point out that property that is formally registered in a well-established neighbourhood with good infrastructure material has a better chance of yielding more financial value for its owners. However, this does not rule out informal properties, as the latter properties show value that can be unlocked making it important for cities and municipalities to understand these dynamics to improve housing asset performance for residents. The goal is to maximise housing market performance for both the households and the city.

Rust et al., (2018) suggest that to build an inclusive residential market, the following factors need to be taken into consideration:

- Creating opportunities for inclusive housing and dealing with gentrification.
- The understanding and ability to work with informality.
- Understanding dynamics of the rental market.

2.3.1 Creating opportunities for inclusive housing and dealing with gentrification

With increasing improvements on properties comes the challenge of housing being unaffordable especially for low-income earners. Rust et al., (2018) pose the question "How can the benefits of improving underperforming areas be mobilised for benefits of the poor?". Further on, they answer this question by suggesting that cities need to understand the dynamics of housing market and how it relates to demand. The phenomenon of exclusion of the poor and their replacement by the affluent due to improvements in properties is referred to as gentrification. Chava and Newman (2016) propose a model to ensure that properties that are developed are inclusive. They suggest a framework that facilitates collaboration with stakeholders to engage in dialogue and share their views from planning stage right through to completion. By adopting this model, Chava and Newman (2016) are of the opinion that community members are not passive but actively engage in the cooperation and collaboration processes.

Patel (2016) writes that citizenship is an important factor that should not be ignored when addressing issues of inclusivity in properties. He defines citizenship as a multifaceted concept constituting of relationships between social actors, these can be legal rights or claims based on moral or social rights. Citizenship, in its basic format according to Bloemraad (2015) is a state of legal and political membership to a region and is inclusive of relationship between status, rights, participation and belonging. Patel (2016) introduces the concept of inclusive citizenship which he describes as a move beyond political rights to socio and economic rights. RDP housing, BNG as well as social housing are some interventions that the South African government have come up with as forms of inclusive and accessible housing.

2.3.2 The understanding and ability to work with informality.

According to Rust et al., (2018) informality refers to the registration process of the land, the materials used to build the property, as well as the planning process. Although most of the "informal" properties are not known or recorded at the deed's office, it is still important to understand this market. It is also through informality that entrepreneurs such as micro-property developers can provide rental accommodation to most people who cannot afford to pay, rent or own properties in cities. Rust et al., (2018) points out that this economic activity needs to be understood and incorporated into a city's economic development strategies. They point out that organisations such as Development Action Group (DAG) or the Legal Resource Centre in the City of Cape Town actively work with most township communities to capture this data.

2.3.3 Understanding the dynamics of the rental market.

Karuri-Sebina (2014) is of the opinion that not much has been done to improve the state of housing, specifically in townships that were built as a result of segregation laws forced on black people by the then apartheid government. Although a lot of economic activities in townships has been referred to as being informal, a study by Charman and Petersen (2014) indicates that rental business in townships is more stable and generates a higher income than other micro-enterprises like house-shops, liquor traders, educare facilities, etcetera. Most studies conducted to understand the rental business in townships have focussed largely on the informal aspect of business markets (Karuri-Sebina, 2014). However, in understanding the dynamics of the rental market, it is of critical importance to consider that formal businesses in this context, such as registered micro-property developers, generates a large percentage of income in the South African rental market. Rust et al., (2018) argue that although there has be numerous reports and area-based studies for areas in Cape Town, there is no clear and consistent quantitative data collected. However, they do assert that the collection of such data is critical and important in understanding rental markets in South Africa.

2.4 Impact Investing

Impact investing refers to investments made into companies, organisations and funds with the intention to create environmental, social as well as financial returns (Ngoasong et al., 2015). It involves partnering of Development Finance Institutions (DFIs), philanthropic organisations, affluent families as well as mainstream private ventures. These different entities collaborate to create funds aimed at funding market-based enterprise developers in both developed and emerging markets. They are not there to relieve government of their responsibilities but to assist them to be effective in their service and product delivery (Social Impact Investment Taskforce, 2014).

Alijani and Karyotis (2019) suggest that impact investments are a unique and distinct asset class of investing and can be compared and rated on the basis of financial performance, social and environmental impact factors. They point out that impact investing can only be fully realised when there is collaboration between actors and when blended value is created and sustained. According to Alijani & Karyotis (2019) “Blended Value Accounting” (BVA) is an emerging practice used for measuring the socio-economic impact of Social Enterprises (SE). Measuring blended value requires techniques or tools that consider market and non-market variables when analyzing a firm’s value proposition.

There are venture funds that carry the label of impact investing. This is achieved when DFIs attract private investors and target informal sector businesses that can be scaled to operate in the formal sector (Ngoasong et al., 2015). There are however challenges of taking this approach as the risks are higher and coupled with other challenges such as inability to clearly define the size of the target market, no assets and no records to show historic financial data. Impact investors should be able to show the viability of the investment before funds are disbursed. For enterprises that fail to receive funding after applying, feedback is provided to them listing how they can improve (Ngoasong et al., 2015).

Ormiston et al., (2015) point out that impact investing can be classified into two classes i.e. “financial first” and “impact first”. Financial first investors tend to include investors that are seeking market competitive financial returns from investments that will create a positive social and environmental impact. In contrast to the afore, “impact first” investors are those who are interested in investing for the purpose of maximising impact while creating minimum financial returns.

Before making decisions to invest, investors assess risks and challenges which also include both the strategic and tactical intent, the overall execution of a business model, assessing management risks, country and currency risks, extreme weather events and currency devaluation in certain markets. The GIIN report also show that many impact investors seek to develop communities that have diverse stakeholders and includes those who are from underrepresented groups. In 2019, the GIIN Report (2019) highlighted that the most significant challenges in the impact investing spectrum is the lack of capital across the risk/return spectrum, lack of suitable exit options, unreliable impact measurement practices and lastly that most enterprises are not investor ready.

2.4.1 Types of impact investors

This section below highlights the different types of impact investors there are in the market.

Development Finance Institutions (DFI)

This group of investors are those that contribute the most in the continent and their mandate is geared towards poverty alleviation (AIR, 2019). DFIs are owned by governments and their offering is for the private sector. One of Africa's DFI is the African Development Bank (AFDB) which partners with eighty countries. Other leading contributors both locally and internationally include Trade and Development Bank, the World Bank, Praparco and many others. DFIs play a significant role more especially in investing in higher risk areas as well as where poor credit quality is apparent (AIR, 2019).

Institutional investors

Initially, these group of investors were part of impact investing. However, based on them adopting a socially responsible and impact driven investment approach, they are now considered institutional investors. These investor type institutions are highly regulated through agreements with clients and include banks, insurers and pension funds. Since they are highly governed, they need to perform thorough risk assessments before investing and quite often they co-invest with DFIs. This investor type usually takes on projects or join the funding value chain when there is financial stability (AIR, 2019). The report further states that this investor type invest in varying impact projects and use debt and or equity as financial instruments.

Philanthropic investors, donors and foundations

What makes this type of investors stand out is that they are committed to providing capital at early stages of a project. These investors fund through grants but do also use debt and equity instruments. In the context of South Africa, there are a number of initiatives both from public and private sector that have been formed to promote growth in domestic impact investing and one of those being Impact Investing South Africa (IISA). It is a compact formed by UCT GSB

Bertha Centre and partners with 16 more entities to define strategies, governance, national standards as well as institute an awareness for impact investing in South Africa (AIR, 2019).

Vecchi et al. (2015) point out that impact investing is the new frontier for venture capital for funding and nurturing companies at early stages of development. Most investors are not willing to invest at this phase as risks are high. These establishing entrepreneurs often look to family and friends for seed funding; however, philanthropy and venture philanthropy organizations not only offer financial resources but also play a significant role in strategy building and mentoring to ensure that the enterprises will be successful and will be able to realise impact both in society as well as financially. However, Vecchi et al., (2015) point out that the average return history of venture capital to investors is usually not as high as expected but is able to deliver more stable financial returns in the long term.

Asset managers

With this investor type assets are managed on behalf of end-investors which includes pension funds, retail companies, financial companies, hedge, private equity, real estate and commodity funds (Haldane, 2014). In the last decade, an increasing number of firms are rated not only on their basis of their credit rating but also on Socially Responsible Investing (SRI) (Scholtens, 2014). Asset managers from many regions have sparked an interest in investing in emerging markets because of the social and environmental impact that they can deliver. This investor group use both equity and debt instruments in their funding models. They typically enter into an investment deal at a stage when an enterprise has low risks (AIR, 2019).

Globally out of 1340 investor types for impact investing, a total of 64% are asset managers, 20% are foundations and the rest are DFIs and other types (GIIN, 2019). Most of the funds are however directed towards developed markets i.e. North America and Europe and only 8% of impact funds invested in Africa (AIR,2019).

2.4.2 Assessment of investor readiness

Impact investors aim to invest in inclusive businesses, and this is defined as a long running profitable business that service BoP consumers to overcome poverty whilst simultaneously ensuring that they are profitable in the process. In this instance, an inclusive business uses services and products from marginalized groups (local content), provides services to low-income groups and ensures that it socially and financially scales (Ngoasong et al., 2015). The financial returns for investors are usually easy to measure, but equally important is the measuring of both the social and environmental impact of an investment. The GIIN (2019) report also show that many impact investors seek to develop communities that have diverse stakeholders and includes those who are from underrepresented groups. Many impact investors seek to promote diversity, equality and inclusion ("2019 Annual Impact Investor Survey", 2019).

In addition to creating impact, investors need to target and attain financial returns for the projects that they invest in. Investors track their performance against standards defined by the United Nations Sustainable Development Goal (SDG) ("2019 Annual Impact Investor Survey", 2019).

There are three financial returns that any investor looks at i.e. target risk adjusted market rate returns, below market rate returns closer to market rate, and lastly below market rate returns closer to capital preservations (*Financing the Sustainable Development Goals*, n.d.). Risk is another variable that investors consider when making decisions to invest. GIIN (2019) points out that business model execution and management risks are rated as the most severe risks to any portfolio.

2.4.3 Collaborative engagement

Theories of resource mobilisation focus on funders and disregards the receivers as they are painted as helpless and unable to move forward without those resources. These theories disregard knowledge and any inputs that come from those at the receiving end (Tarlau, 2014). Getting involved in social movements can become an educational experience of consciousness and raising empowerment.

Knowledge flows and knowledge sharing are based on equality and mutual benefits, there can be a knowledge spill-over between locals and foreign investors. Wang and Wu (2016) do point out that knowledge is often divided into two forms i.e. codified knowledge and tacit knowledge. Tacit knowledge refers to the "know how" and is hard to transfer through written or verbal communication. Nix and Zacharia (2014) point out that since tacit knowledge is difficult to acquire and transfer it can produce a "sustainable advantage". Effective transfer of tacit knowledge requires regular interaction and trust relationships to be built (Wang & Wu, 2016). Codified knowledge on the other hand can easily be transferred and learned through written or self-explanatory methods.

Nix and Zacharia (2014) emphasise the need for episodic collaboration which they define as when firms work together collectively to solve a specific well-defined problem. They suggest that for this kind of collaboration to succeed, there must be a defined beginning and end, and that both these definite dates should occur within a limited time frame.

Collaborative engagement is characterised by high levels of knowledge transfer, general agreement, engagements and relations (Nix & Zacharia, 2014). This requires time, resources, sharing of information and being open to new ways of solving problems. Firms that are able to collaborate learn faster and have a competitive advantage. Nix and Zacharia (2014) further add that some of the benefits of collaborative engagement are that there is knowledge gained, operational benefits and relations are strengthened. Relational View (RV) which is the ability to engage in superior inter-firm linkages is a source of competitive advantage. Relational Rents (RR) are high profits which can only be attained in an exchange relationship and not in isolation. Both the concepts i.e. RV and RR are generated through the combination of assets, knowledge as well as capabilities of every firm (Nix & Zacharia, 2014).

2.4.4 Impact investing in the context of South Africa and the rest of Africa

It has been reported that in West, East and Southern Africa over 50% of impact investment funds go towards financial services and the energy sector and only 2% is allocated to housing projects (Africa Impact Report, 2019)**.** The AIR (2019) report further argues that for great impact to be achieved investors need to concentrate on investing in basic services such as housing, education and healthcare. By so doing, it will help the continent to achieve its goals for Agenda 2063 as well as those for SDG (AIR, 2019).

Speed (2012) holds the view that impact investing in South Africa is favourable due to the blooming and vibrant SE sector as well as the high demand for social services. Furthermore, he states that although the conditions are favourable it is important that challenges that prevent investors from entering African markets should be addressed. A recent report by AIR (2019) shows that South Africa has been facing tough conditions, and therefore projects a low level of business confidence. According to a 2019 financial market report by Rand Merchant Bank, South Africa is ranked in the top 3 countries in Africa that are attractive to investors. Impact investing in South Africa is still nascent but shows an increase in activity and growth. The formation of the national taskforce for Impact Investing in 2018 in South Africa, is a step in the right direction as it aims to drive the establishment of an effective impact environment in the country (Boros, 2019).

Due to uncertainty in African market trends, investors add a premium to the required returns of a project. These premiums are caused by poor credit ratings, corruption, political and policy instability and many other macro-economic concerns (AIR, 2019). Mouton (2019) reports that there are more than 3000 ethnic groups in Africa with over 2000 languages spoken. This shows that as a continent, Africa hosts diverse cultures and value systems that investors need to understand before entering any market. African countries have undergone seasons and years of colonialism and it was through bloodshed and turmoils in many regions that independence was gained. A legacy left behind by such a history is trust deficit, lack of policies as well as poor legal frameworks (AIR, 2019). Gaining trust as well as navigating the statutory and general duties with which they should comply is almost always a challenge (Ormiston et al., 2015).

Building strong partnerships between SEs and impact investors that are well coordinated is important (Boros, 2019). These partnerships also require working together with policymakers to influence change. Boros (2019) further points out that there are few examples of successful impact investing projects in the context of South Africa however this should not be viewed as a negative factor but as an opportunity to step up, take risks and learn from the lessons gained through partnerships and investments.

2.4.5 Challenges faced by impact investors when collaborating for impact

Although impact investors may have the resources to assist in the solving of societal problems they are also faced with a plethora of challenges. This section highlights some of the major challenges that affects how they collaborate with investees.

Expertise to design, implement and manage impact investments

One of the major challenges faced by impact investors is getting expert resources to engage in successful impact investing (Ormiston et al., 2015). Ormiston et al. (2015) point out that the nature of impact investors requires financial expertise, domain knowledge as well as good communication skills with different stakeholders. Accessing the right expert individuals to successfully engage in impact investing is often one of the first challenges that investors are faced with (Ormiston et al., 2015). In some cases, it is beneficial for investors to consult with external intermediaries especially if they are entering into a new area and investing in a domain outside their expertise.

Impact investors use intermediaries such as fund managers to do in-depth research of the inclusive business that may be short-listed for review. Due diligence is followed during this process; however, it can be argued how reviews are made as every business environment is different from one country to another. It can further be argued whether fund managers possess the managerial, technical and leadership skills to train local inclusive business leaders. It is therefore important that the investor has the right fund managers onboard to ensure successful transfer of skills and successful management of the fund to ensure that return on investment is realised (Ngoasong et al., 2015).

Suitability of investment opportunities

Another major challenge that impact investors are faced with is that a lot of the investees are not investment ready, they are high risk. Ormiston et al., (2015) assert that structured investment funds and products are still very few in numbers and have not yet established a proven track record. This is a challenge as reputable data is key to serve as a recommendation to investors.

Viviers and McCallum (2019) substantiate their point aligned to the above, indicating there is not enough technical and financial support for SMMEs in South Africa from the development banks. This makes SMMEs to have a high-risk profile and unattractive to investors. An important variable that attracts investors to an enterprise that most SMMEs fall short in, is the ability to measure and report back on impact both environmentally and socially. Viviers and McCallum (2019) mention that the only reporting that is usually available is financial reporting and those covering social and corporate governance are less sophisticated. Their argument is that more work by policy makers needs to be done on a local and national government level. They do point out that there are initiatives on a global scale such as “Impact Management Project” that defines worldwide accord of how impact can be managed and measured.

Some of the offerings of impact investing is operating support, mentoring, strategic thinking as well as embedding a revenue model. Many impact investors are willing to take investment risks at a later life stage of an organisation when business models have been clearly defined and the risks lower (Social Impact Investment Taskforce, 2014). Acquiring funds is a common challenge faced by many SMMEs.

To address this problem, Ormiston et al., (2015) propose that early collaboration and engagement with investees is key. They also point that it is also important to clearly follow a due diligence process when seeking investees, ensuring that the mission and values align and the importance of collaborating and networking.

Legislation and regulatory environment

Boros (2019) points out that regulation both in terms of legislation and the business environment can be a barrier to entry for both investors and SEs. In South Africa, the current legislation and regulatory environments both are complex and not conducive for growth. SEs that want to collaborate with impact investors have to establish a hybrid structure for funding to access different types of capital and this adds a lot of complexities to these enterprises. For investors, there are a few options available that they use that allows them to invest in SEs. Investors can register as these entities: Small Business Funding Entity (SBFE), Public Benefit Organisation (PBO) trust, 12J Venture Capital Company (12J) and non-profit company. Although these structures or entities offer a solution, they do not allow the investor to generate maximum returns and offer very limited tax benefits (Boros, 2019).

These challenges need to be addressed through rethinking and making changes to policies and legislation.

2.5 Impact measurements

SEs have unpredictable internal and external variables that affect their performance and governance models (Manetti, 2014). They are mission driven and risks are associated with executing their social mission, contrary the "for-profit enterprises" are concerned with maximising economic surplus. Social ROI (SRO) which refers to social and environmental impact presented in monetary value, can be evaluated through blended value by assessing the revenue model, cost structures as well as social benefits and risks (Alijani & Karyotis, 2019). Impact investors include intermediaries from banks, funds, social exchanges and DFIs and use SROI to assess their impact.

Alijani and Karyotis (2019) are of the view that impact investors determine the rules, intermediaries provide guidelines and evaluators assign payoffs to investees. The GIIN Impact Investing Report (2016) points out the need for reliable guidelines and measurement techniques to determine the impact of investors.

Diza (2019) highlights variables that need to be considered when measuring and evaluating impact of an investment. These variables can be described as follows:

- Time of evaluation
  Most investors are often obsessed with evaluating and measuring impact and often it may be too early to conduct an evaluation as end-users may not have had sufficient time to use or experience the product or service (Diza, 2019). It is therefore important to clearly define certain points in a project life cycle when it is feasible to conduct the assessments.
- Framing the objectives of an evaluation
  Evaluators are often seen as "police" by the enterprise being assessed and there also are power dynamics at play during assessment periods (Diza, 2019). This may cause people to be dishonest in the feedback that they provide to ensure that they do not lose funding. Diza (2019) suggests that forming trust relationships between assessors and the client makes way for honest and accurate data. Such a relationship or understanding makes it easier to be informed well in time if a funder decides to exit a project.
- Stakeholders
  Identifying and engaging with relevant stakeholders during assessments is vital and they may include clients, end-beneficiaries, industry experts etcetera. These stakeholders can be engaged at different stages of an evaluation process.

- Reporting

  How we report on findings of an assessment plays a crucial role, it’s important to use simplified, accessible and comprehensive reports (Diza, 2019).

In recent years, accountancy has implemented quantitative measuring tools to measure in monetary terms the socio-economic impact of an organisation (Manetti, 2014). Traditionally, social value has always been assessed quantitatively while economic and financial value are measured with quantitative measurements. Reporting on impact (socially, environmentally and financially) strengthens relations between the organization or enterprise and the impact investors. This also makes SMEs to be credible. Manetti (2014) pertinently contends that the monitoring and measuring of effectiveness are key variables in assessing the success of a SE. Impact evaluation plays a crucial role in convincing doubters of social entrepreneurs of the socio-economic impact that they can create.

In this, the SROI principles is used as an instrument to assess effectiveness based on present value. SROI is built upon the principles of positivist theory of accounting and cost benefit analysis. Since it is based on measuring economic and social value generated by an organisation the equation is as thus:

$$\text{SROI} = \frac{\text{Net Present Value of Benefits}}{\text{Net Present Value of Investments}}$$

Manetti (2014) does point out that there is not a lot of coverage of SROI in literature, however there are very strong cases with evidence where it is used as an instrument of measurement for impact and effectiveness evaluation. What sets SROI apart from traditional cost benefit analysis is the continuous engagement with stakeholders throughout the process. Engaging with stakeholders especially employees gives them an opportunity to analyse their work and improve on their offering.

It is however argued that the evaluation process for SROI is complex as it requires a lot of time from the resource required to carry out the analysis (Alijani & Karyotis, 2019). This is a challenge especially for SMEs as they do not have the time and resources to analyse the findings and engage with these accordingly. Furthermore, there are doubts that exist regarding preparedness of employees to carry out the process of analysis.

2.6 Creating Shared Value

Creating Shared Value (CSV) is defined as policies and operating practices that are aimed at advancing the economic and social aspects of a community, as well as financial benefits of an organisation (Porter & Kramer, 2019). This allow the successes of businesses to no longer be measured by how much it makes in relation to its financial turn-over, but by the social and environmental impact it brings to the community within which it operates. With regard to the environment, it addresses issues such as climate change, wastage of water and energy, the use of environmentally friendly building materials, etcetera. CSV provides an advantage of creating new products and services for underserved communities and showcasing the benefits it holds, for both the organisation, as well as the communities which they are serving (Porter & Kramer, 2019).

There are numerous global standard codes and guidelines that cover ethical, social and environmental responsibilities of organisations such as United Nations Global Compact, the ISO 26000, the SA 8000 among others. Many of these codes have overlapping variables that are referred to as S2QuE3LCH2 (Visser & Kymal, 2015).

Table 1. Description of S2QuE3LCH2

Variable	**S2**	**Q**	**E3**	**L**	**H2**
Description	Safety and Social Issues	Quality issues	Environmental, Economic and Ethical issues.	Labour issues	Health and Human rights issues

Source: S2QuE3LCH2 (Visser & Kymal, 2015)

Based on the variables of S2QuE3LCH2, Visser and Kymal (2015) assert that business organisations usually focus on one area and neglect other variables. Visser and Kymal (2015) further state that CSV has received a lot of criticism globally because it is based on shallow misconceptions about business activity and the role of businesses in society. Crane, Palazzo, Spence, and Matten (2014) hold the opinion that CSV is a concept developed by and for leaders within large corporations, and that it is difficult to use such measures for micro enterprises. Crane et al (2014) also caution that it is often difficult to apply the associated measures and standards although it is popular and appeals to practitioners and scholars (Crane et al., 2014).

Porter and Kramer (2019) point out that one of the key variables of CSV is compliance. However, Crane et al., (2014) argue that multinational organisations fail in this area, as they operate in geopolitical contexts where governments are unwilling to regulate compliance effectively due to business deals that they might end up losing, if they put such measures in place. Their view is that large corporations concentrate on “low hanging fruits” (Crane et al., 2014) focusing with key intent to adopt and finalise projects without concentrating on fixing systematic social and environmental problems, to which they are responsible for creating. Although CSV has been getting negative reviews it is important to note that it is still evolving, and many organisations have different perspectives and strategies for it. Corazza, Scagnelli and Mio (2017) are of the view that CSV offers an opportunity for organisations to re-engineer their business processes under a more inclusive business perspective.

2.6.1 Creating shared value in the context of small businesses

Creating Shared Value in African SMEs tends to escape academic scrutiny as it is often assumed that CSV is only achieved by larger corporations, and that they lack influence or resources to address social issues and the notion that SMEs avoid responsible behaviour and do not focus on social activism (Amaeshi, Adegbite, Ogbechie, Idemudia, Kan, Issa and Anakwue, 2016). Contrary to the latter, Amaeshi et al. (2016) points out that work done by SMEs does have an impact in the workplace, marketplace, community and ecological environment as addresses the institutional gaps that exist within the environment and their associated markets within.

Corazza et al., (2017) point out that larger firms overshadow any other type of organisation in business and management literature. They further add that small businesses play the partnering role in enabling CSV and that a lot of SMEs can learn from large corporations by communicating externally with stakeholders, as well as implementing internally to achieve an integrated approach to sustainability.

Small businesses have a unique advantage in the depth and range of the relationships with customers and local communities (Parkhurst, 2014). These close relationships are an advantage to creating shared value where large organisations cannot. Furthermore, Parkhurst (2014) adds that the size of small enterprises is also an advantage as the size allows them to be more agile and quickly adopt new practices.

The following section provides pragmatic insights of SMEs where shared value is created:

A good example of SMEs partnering with large organizations is the partnership between Nestlé and its local subsistence farmers in rural areas of India and Pakistan. Nestlé is a transnational organization that specializes in manufacturing dairy products and has a footprint both in emerging and developed markets globally (Christiansen, 2014). Nestlé works with local farmers by training them in looking after their animals, ensuring that quality and well-being of animals is maintained, strict hygiene practices are also put in place and appropriate disposal and reuse of manure is used for cooking and warming households. The products are not only sold to Nestlé but also to other clients (Christiansen, 2014).

Through these partnerships Nestlé has become the world's leading manufacturer of dairy products, to which millions of farmers have elevated themselves out of poverty in the process, and the availability of micro-nutrients have increased in the products introduced. These partnerships have enabled shared value to be created for all stakeholders within the value chain.

In SME partnering, the supply chain relationship often stands out for the size differential especially in cases wherein one big buyer with thousands of small suppliers. These farmers are not only small businesses, but they are families, communities that are rooted in a particular culture and agro-ecological landscapes (Bowe & der Horst, 2015). These contracting arrangements have an impact not only to farmers but to a national producing scale in that country. Although there are benefits to these contractual arrangements the farmers are exposed to new risks such as "trust".

Although Nestle is lauded for its collaboration and partnerships with local farmers and SMEs it is important that we do not ignore controversial issues surrounding this transnational organization. For many years there have been consumer organizations and social change communities that have boycotted the use of mass media and profit motivated marketing strategies employed by Nestle to discourage breastmilk and promoting milk formulated products (Johnson, 2020). Coupled with this there also were allegations made in 2015 against Nestle where the organisation was accused of committing modern day slavery in Ivory Coast. To these claims, the organization publicly admitted that it was using child labour in its Cocoa supply chains (Purkayastha & Qumer, 2019). Clapp and Scrinis, (2017) point out that because of the power held by Big Food corporations such issues cannot be dealt with through soft law mechanism, they are of the opinion that there needs to be nutrition experts and policy makers to provide effectives basis for nutrition policies and regulations. Bowe and der Horst (2015) do point out that to maintain trust and further business dealings honesty and forming trust relationships are crucial in SME partnerships, and where CSV is considered.

Creating shared value for SMEs does not happen automatically, as it requires an intentional transition (Motilewa et al., 2016). An example of such is Mubarakeh Steel Company(MSC) based in Iran that specialises in the production of steel products. They had Corporate Social Responsibility(CSR) practices as part of their strategy, but eventually transitioned to CSV and to achieve that (Motilewa et al., 2016) they put the following measures in place:

- Interacting with local communities by identifying economic, cultural, social and industrial opportunities aimed at building or improving a community. This is achieved by maintaining an active dialogue with the community.
- Employing local community members and having training and development programs in place.
- Communicating environmental policies to employees and ensuring implementation of such policies such as recycling some of the products

Conclusion

There have been interventions implemented by government; through RDP and social housing, an increase in private sector involvement, as well community members, through micro-property development to address the problem of housing particularly in township areas. In township areas, micro-property developers are generally associated with informality thus making it difficult for developers to acquire the necessary funding for building projects.

Funding, the acquisition of land, as well as building approval processes are major challenges that property developers are faced with. Information regarding property development and township economies are limited and not well-documented given sound reasons on why financiers are reluctant to take financial risks with developers. Property development in township areas across South Africa is a thriving business and had sparked interest from practitioners and researchers to better understand this market. However, more research is still needed to better understand the market; how scalable these businesses are, and the financial aspects of the business.

Based on literature consulted, findings have shown that impact investors are interested in collaborating with organisations that create impact and are scalable. Most organizations that are funded are those that are operating formally and have a proven track record. The question raised by this research study aims to understand how impact investors can collaborate with developers operating in township areas to create shared value. Value creation is not only viewed from a financial stance for the investors and developers but it extends to the impact that is created for communities that the developers operate in. Existing literature does not answer this research question due to the limited nature of scientific studies highlighting the roles of impact investors in township areas. This research aims to understand how impact investors deal with informality and how both stakeholders can create an environment that is favourable to all stakeholders.

Literature as well as practice for CSV is still in its genesis, some researchers believe that what organisations who claim to apply CSV are in fact doing is philanthropy, CSR and social entrepreneurship. This however can be debated if we consider some of the collaborations and partnerships that have emerged between multinational organizations and SMEs. There is also a great misconception that for CSV to be successful it needs to be at a macro level, this is also a debatable issue considering that the concept of CSV is for the benefit of all stakeholders including those considered to be in the "micro level". Since this concept is still in its genesis it presents an opportunity for different stakeholders i.e., policy makers, governments, consumers, corporates to collaborate and define the value they wish to create, how they will track and measure it and ensure that sustainable impact is created. Based on definitions of CSV and Impact Investing as well as the pillars that they each stand on we conclude that proper collaborations allows for shared value to be created for all stakeholders.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents an overview of the most suitable research strategy selected and the research design process, highlighting also the various methods and techniques consulted to create, display and support scientifically obtained knowledge (Weldman & Kruger, 2001). The key purpose of this chapter is to present the research philosophies, methods and techniques applicable to this study, to skilfully support the analysis of findings presented in the subsequent chapters, whilst discussing the research strategy in relation to the research design and approach.

3.2 Research Philosophy

A research philosophy (or research paradigm) is the system of beliefs and assumptions about the development of knowledge. There are three major types of assumptions that constitute all research philosophies, namely the ontological, epistemological and axiological (Saunders, Lewis & Thornhill, 2016). The Ontological assumptions within a research study assist the researcher to determine what to focus on and how to approach the research study, whereas the epistemological is concerned with what contribution the researcher will be making to the body of knowledge or discipline. The Axiological assumptions refers to the role of values and ethics throughout the research process. Maxwell (2013) define the concept of paradigm as “the entire constellation of beliefs, values, techniques, and so on shared by the members of a given community. Furthermore, Maxwell, emphasizes that there are different paradigms that can be observed and each embodying different ideas about reality(ontology) and how we can gain knowledge of it (epistemology).

There are numerous research philosophies, that exists in the realm of research. For this research study, interpretivism was selected as a research philosophy to guide this study. Creswell and Creswell (2018) believe interpretivists seek to understand the world which they live and work in. Individuals hold subjective views of their experiences and these experiences may be informed by social and historical constructs, as well as their interactions with others. To attain a better understanding on a certain phenomenon, the interpretivist paradigm allows a researcher to rely on the views, focal points narratives and lived experiences of the research participants.

In this case, the researcher is not only focused on understanding the physical events and behaviours that are taking place in the identified context or research setting, but actively seeks to understand how participants make sense of the phenomena and how these phenomena influence their behaviour (Maxwell, 2013). Further on Tuffour(2017) adds that the interpretivist phenomenology has two main aims i.e. to look at how people makes sense of life experience and to give detailed interpretation of the account to fully understand the experience. It is for these reasons that the research instruments such as the interviews were conducted to collect data, with the primary intent to acquire rich and detailed data from research participants.

Aligned to its research theory, an interpretivist paradigm requires that a researcher develop theory or patterns based on feedback received from his or her research participants (Creswell & Creswell, 2018). Saunders et al., (2016) further add that the purpose of an interpretivist study is to create new and richer interpretations of the social world or phenomena being studied. For this research study, it required that researchers immerse themselves in the social world of the research. In addition, a part of the data collection processes also requires the researcher to form trust relationships with research participants allowing the researcher to engage with the narratives shared, the background and the primary intent of undertaking this research study.

The aim of this study is to explore and understand both the worlds of impact investors and the micro-developers in township areas in South Africa. As there has been very limited published information on micro-developers, this research study seeks to better understand this category of developers, as well as the socio and economic dynamics of the communities they serve. There is very little known about the township economy and this study seeks to shed light on this setting of investments as well.

Alharahsheh and Pius (2020) are of the view that this paradigm aims to include richness in the insights gathered rather than providing high level general ideas or categories. They add that the goal is to rely as much as possible on the views of participants partaking in this study. The importance of framing and asking the right questions are critical, especially as questions need to be broad and general to get more insights through discussions and through participant interpretation (Creswell & Creswell, 2018). The more open-ended the questions are, the better the insights a researcher will gain from the interaction with the research participants. Having such rich content will also challenge the biases of the researcher. For this study, the researcher had two groups of people to interview i.e. developers as well as impact investors (including intermediaries) and each with its own set of questions. This approach was taken so that the researcher can get different perspectives of each group to better understand their world view.

The set of questions are listed in Table 1 under appendix section. The questions are not only to understand views of research participants but will provides insights gleaned from participant's responses, highlighting their experiences in micro-development and investment in township areas in South Africa.

3.3 Research approach

The research approach or theory development refers to the strategies a researcher will use to better reason and understand a worldly phenomenon (Leedy & Ormrod, 2019). There are three approaches that a researcher can select from, namely the deductive, inductive and abductive reasoning approach. The extent to which the theory is clear at the beginning of a research, determines the research approach to be adopted (Saunders et al., 2016). For this research study, data was first collected to explore and understand the phenomena, and to build and connect the conceptual parts of this research into a conceptual framework. As there were limitations in existing theories regarding micro-developers, and it is for this reason that an inductive approach was adopted for the study. This approach generates results in theories that are understandable both to the researcher and the audience being studied (Maxwell, 2013).

Saunders et al., (2016) point out that with this research approach a researcher does not begin with a clearly defined theoretical framework. It is only through the process of data collection, analysis and interpretation that a theory would emerge. Woiceshyn & Daellenbach (2018) also add that an inductive study does not start with a theory to be confirmed or falsified but rather with unanswered questions about an area of interest or research. They further state that in an inductive study the researcher starts with an observed phenomenon of interest that is framed as a question that has not been explored partially or fully. The research therefore goes beyond what is already known This approach allowed the researcher to test the validity of existing theory by comparing it with what is experienced by micro-developers, as well as impact investors. It is not always the case that grounded theory whereby participants' reality lines up with existing literature. It is important that a researcher acknowledges new emerging patterns that are derived from the data, because this is how contributions to the body of knowledge are made (Saunders et al., 2016).

3.4 The research methodology

Due to the inductive nature of the research as well as interpretive philosophy that was adopted this research employed a qualitative research methodology. This methodology structures participants meanings and relationship between them by using data collection method with the purpose of creating a conceptual framework (Maxwell, 2013). Creswell & Creswell (2018) define this methodology as one used for exploring and understanding how individuals or groups ascribe to a social or human problem. The process involves understanding existing theory, data collection through consulting with individuals or groups experiencing the phenomena, data analysis to create patterns or themes and finally interpreting findings to form a theoretical framework.

This research methodology was adopted also because of its' inclusive nature, it does not automatically assume that existing literature is final neither does it make conclusions based on the researcher's biases. It allows the researcher to engage with various research participants to analyse and draw conclusions from the data. In this study there were a total of 12 research participants who were interviewed to better understand the problem at hand.

3.5 Research design

Research strategy is a type of enquiry within the subsets of research approach i.e. qualitative, quantitative or mixed methods approach that provides direction and procedure for the research study (Creswell & Creswell, 2018). Saunders et al., (2016) define it as a plan defining how a researcher will answer their research question. They also state that a research strategy should not be viewed as superior or inferior to any other. The strategy adopted for this study was phenomenology, which focuses on participants lived experiences and particularly concerned with understanding the participants interpretations of those experiences (Saunders et al., 2016). Patton (2015) states that research that adopts phenomenology seeks to answer the question, "what is the meaning and essence of the lived experiences of a person or group of people?". Further on he states that this approach requires careful and thorough capturing of how people experience a particular phenomenon.

This strategy requires in-depth study of the phenomena through conducting interviews with participants who have a “lived experience” as opposed to a second-hand experience. This will lead to rich insights that are descriptive and development of theory. This is also useful especially in research like this one where not much is known about the lived experiences of developers operating in township areas.

In-depth interviews were used to collect data from participants and it was also important for the researcher to reflect on the data collected. Part of this process included following an 8 step approach in the data analysis phase as outlined in the data analysis section.

3.6 Data collection methods and research instruments

This research study adopted a multiple methods approach for collecting data. This approach was used because it helps with validating and verifying the data sets collected. Data was collected by conducting interviews, journaling and reflections and visiting sites. More than one data collection method was used to confirm the validity, credibility and reliability of the research data, analysis and interpretations (Saunders et al., 2016). Using this technique reduced the risk of having a conclusion that was only supported by a single method to gain a better understanding on the research topic being investigated.

This section below discusses the methods in greater detail:

3.6.1 Interviews

Data was collected by conducting interviews, research interviews is a conversation between two or more people, requiring the interviewer to ask relevant questions with the intent of gathering valid and reliable data that is relevant to the research question(s) and objectives (Saunders et al., 2016). According to Alshenqeeti (2014) it is worthwhile to use interviews as a data collection method because it offers the researcher an opportunity to uncover information that one would not be able to attain through questionnaires and observations. Further on the researcher has the advantage of asking follow up questions and research participants also get clarity of questions that they do not understand. As a result, the researcher will have more accurate data to work with. Interviews also affords the researcher an opportunity to record the responses making it easy to refer back to the recordings when analysing data (Saunders et al., 2016). Although interviews are a popular data collection method there also exists drawbacks to using them. Alshenqeeti (2014) is of the opinion that interviews will only provide information or perceptions that might be subjective and change over time according to the participants circumstances. It is therefore important to have a sufficient data set so that the researcher can compare responses before drawing conclusions. This study adopted an exploratory approach, Swedberg (2020) defines exploratory study as a research that attempts to discover something new by working through a research topic. Further on he states that this approach tends to fall into two categories i.e., those that make first analysis of a new topic and those that propose new ideas on an existing topic. In this research study the researcher was aiming at creating new hypotheses on an existing topic.

Interviews have also been criticized that they are time consuming especially when the data set is large. This is because data that has been collected has to be transcribed, coded and possibly translated (Alshenqeeti, 2014). To address some of these drawbacks of using interviews Alshenqeeti (2014) is of the opinion that researchers should consider using more than one data collection method to obtain richer data and to validate the research findings. Bewley (2002) also stresses the importance of never doing anything that will compromise confidentiality of research participants. It is important that data collected is anonymised to protect the identity of participants.

For this study there was a total of twelve participants, four intermediaries, four micro-property developers and the last four were impact investors. The interviews were conducted from June 2020 until February 2021. The timeframe was when the world was hit by the Covid-19 Pandemic. Many countries including South Africa enforced very strict regulations and rules that restricted movement to reduce the spread of the virus amongst people. It is for this reason that most of my interviews were conducted using digital platforms like Zoom and Microsoft Teams. For participants that could not use these platforms interviews were conducted telephonically.

When the Covid-19 rules were relaxed the researcher met physically with some of the participants and all social distancing protocols were observed. Each interview session for all participants was scheduled for one hour, however sessions with impact investors usually ran over by thirty minutes. A list of questions was prepared by the researcher and used as part of the interview guide. Although the interview guide is used the researcher should also follow up

on cues or leads provided by the respondents (Fox, 2006). There were two set of interview questions that were prepared, one for developers and another for impact investors. This separation was necessary because the context and line of work for each group is different.
Questions that were prepared for micro-developers were aimed at understanding how they operate their businesses, the impact that they create in their communities and whether they are aware of other ways to fund their building projects. Questions for impact investors were aimed at understanding how open they are to collaborating with businesses operating in township areas and how well they understand this market. The list of questions is listed on Appendix A.

All interview sessions were recorded using a cell phone as well as recording on Zoom and Microsoft Teams. Interview protocols were observed, recordings were made once permission was granted from the interviewee. Interviews that were conducted virtually were done with video cameras on. There were however participants who preferred not to have their cameras on. Having video camera on during an interview helped with reading and observing the body language of participants e.g., frustration, smiles or laughter, pauses, facial expressions etc.

Covid-19 Pandemic accelerated the use of technology, majority of impact investors that were interviewed were identified via LinkedIn – a social media platform used for professional networking. Micro-property developers and intermediaries were identified through referrals from an estate agent as well as tenants who stay in some of the rental flats. During interviews the researcher also took notes, this was to record the feedback given by the interviewee as to take note of body language. Notes that were taken were usually two pages long for each interview session. To have a visual view of the kind of rental flats being developed some of the interviewees provided me with pictures that they had taken, social media pages as well as a company website. This was important in determining and validating the quality of rental units being developed.

3.6.2 Site visits

Due to limitations of movement brought about by Covid-19 rules it was difficult for the researcher to do site visits as initially planned. Only one site visit was done in Kraaifontein, this was to understand the context within which the micro-property developers operate in. During this visit, questions were asked pertaining to the structures being developed as well as how they engage with people in the community. Data was collected by taking down notes, observations as well as asking questions to the developer. Site visits allowed the researcher to ask questions which they would not be able to ask during a virtual interview. An added advantage about this site visit was that the researcher was able to engage with tenants who stay in the rental units as well as to see the actual rental units. Engaging with tenants allowed the researcher to also understand the impact made by developers in these communities from the lens of tenants.

3.7 Sampling

Sampling in its broadest sense is the process of selecting specific data sources with the purpose of collecting data in order to address the objectives of the study (Gentles, Charles, Ploeg, & McKibbon, 2015). Sampling techniques allows a researcher to reduce the number of data to collect by approaching specific subgroups instead of entire general public or elements (Saunders et al., 2016). Sampling can either be probability or non-probability. Probability sampling uses randomization where all units of the population have probability of inclusion (Vehovar et al., 2016). Non-probability sampling technique allows the researcher to subjectively select units of the population under research and the researcher has the advantage of selecting accessible units (Etikan, 2016).

In this research study the researcher adopted non-probability as a sampling technique, and this was because to answer the research questions it was important to get people who are actively working in the building sciences field. Research participants included micro-property developers, intermediaries as well as impact investors. The researcher found participants through LinkedIn, mutual relationships with estate agents as well as tenants that stay at some of the rental units in the township areas (Kraaifontein and Cosmo City). Developers that were interviewed are those who have rental units developed in township area(s) and have a good track record of being in business. Intermediaries and impact investors were mostly identified through LinkedIn. Researcher looked for participants who were not only rich in knowledge but have work experience.

Non-probability sampling is further divided into four groups i.e. quota, purposive, volunteer and haphazard. Quota sampling is non-random and used for structured interviews as part of a survey strategy (Saunders et al., 2016). Volunteer sampling is when participants volunteer to be part of the research study and this technique is usually used when it is difficult to get desired population for the study (Creswell & Creswell, 2018). Haphazard sampling involves selecting participants haphazardly because of their availability, however this approach has low levels of credibility (Saunders et al., 2016). Lastly purposive sampling is used when researcher needs to use their judgement to select cases that will best answer their research question. This research study adopted this approach, and one of the reasons it was used was that the researcher was able to select cases that were most informative to their study. It's also important to note that there were interviews that were conducted but the feedback was not used or included in the final report. This was because the feedback did not align with answering the research questions.

Interviews for this study were conducted between June 2020 and February 202, during the Covid-19 Pandemic when governments worldwide had enforced strict rules to limit human contact and movement to help prevent and stop the spread of the virus. It was because of the rules that most of the interviews were done using digital platforms such as Zoom, Microsoft Teams as well as telephonic calls. Research participants included 6 developers, 4 intermediaries and 4 impact investors. Upon analysing data, a decision was taken to only use responses of 4 developers as the other 2 did not meet the criteria. Table 2 in Appendix section gives a summarized view of all the research participants, the organization they represent as well as the platform used for interviews.

Participants were selected based on industry expertise, for developers a prerequisite was that they should have implemented building projects in township areas with tenants occupying the rental units. The type of structure, the area as well as the number of units were some of the variables used as a selection criterion. Developers were based in Cosmo City (a township north of Johannesburg) as well as Kraaifontein and Khayelitsha in Cape Town.

The two participants who were excluded did not meet the criteria because one had a single back room in his yard that he was renting out. The other participant was not a developer but an executive committee member of a Non-Governmental Organization (NGO) that builds houses by women for women in township areas. Their feedback was valuable and offered new insights and perspectives, however it could not be used by the researcher to help answer the research questions.

Intermediaries and Impact Investors that were selected were those who are industry experts. For intermediaries it was important to get individuals who have worked closely with businesses operating in township areas. All intermediaries that were interviewed for this research study have a strong footprint in township areas and this was an advantage to the research study. In the case of selecting impact investors there was no specific criteria used for picking them, the researcher had an industry expert as a contact who recommended certain individuals.

3.8 Data Analysis

As stated by (Hatch, 2002) data analysis "is a systematic search for meaning", it is a way of processing data collected so that what has been learned can be communicated to others. This process includes identifying patterns, discovering relationships, explanations and generating theories. Constant comparison also called coding is the most popular type of analysis for qualitative data (Leech & Onwuegbuzie, 2007). Further on they add that codes can be undertaken deductively (codes are identified before analysis and then looked for in the collected data), inductively(codes are identified from the data) and lastly abductively(codes emerge iteratively). In this study inductive coding was adopted as data was collected and analysed to identify patterns and themes.

This study followed the qualitative content analysis steps as outlined by Tesch (2013). Below are the steps that were followed to create categories and to identify the research themes.

Step1: The process that was followed by the researcher included listening to the recorded interview and transcribing them. It also included going through the notes taken during the interview and incorporating them with the feedback data. This process was followed for all 12 interviews that were conducted. The data was recorded and organised on Microsoft Excel spreadsheets for easy reading and to make the coding process easy.

Step 2: Part of analysis process includes interpreting the collected data, this is the sense making process where the researcher had to reread the transcripts and field notes. This was done to identify information that was not part of the interview questions that the respondents spoke of. Some of the questions that the researcher had to ask included, "what else is the respondent saying?". An example of this is the issue of trust, there was no question that specifically addressed trust however it was a common topic that all respondents spoke of and this was mostly informed by their own experiences. This additional informational was also added in the spreadsheet as “new insights”.

Step 3: In this step, a list of labels, names or tags is used to group data and label them with codes. The process of coding is repetitive by nature and involves a researcher going through an entire set of data or a subset of data. Maxwell (2013) points out that one of the common problems in qualitative studies is letting unanalysed notes and transcripts pile up making the analysis process more difficult. To address this problem, they suggest that coding should be done after every interview. In this study data was analysed immediately after every interview. There are three levels of coding data: open coding is when data is reorganised in different categories, axial coding is when we reorganise relationships between categories and lastly selective coding is the integration of categories to form a theory (Saunders et al., 2016).

The coding process was started by assigning a word or label that best represents the raw data. The researcher then categorised the data by grouping similar labels together.

Step 4: This step includes testing the identified codes against the data. This is done to test if the codes are valid as well as to identify new emerging codes.

Step 5: At this stage there were a lot of labels and codes that were identified and to make sense of the data it was important to group similar labels together. Descriptive words from the data were used to help with the grouping to create topics.

In qualitative data analysis similarities and differences are used to define categories (Maxwell, 2013). During the coding process it was important that the researcher also considers juxtaposition in the identified codes. Using this approach brought depth in answering the research questions and also allowed the researcher to explore different ideas of the same code. An example of such a grouping is “knowledge”, impact investors needed to know a lot more about how developers operate their enterprises and at the same time it was also important to look at their own mental models/biases/previous knowledge about developers. It was important that these two similar but contrasting ideas be grouped together to get more depth in understanding developers from an investor perspective.

Step6: In this step the researcher organised all the categories using X-Mind a tool used for brainstorming and to help organise ideas.

Step 7: Once data was grouped accordingly the researcher then built a conceptual map that depicted the flow of ideas for the findings chapter(details of the findings are documented in chapter 5). The themes that were identified include social impact, trust, funding models and investor readiness. It is in the discussions chapter where the researcher compared the themes against existing literature to test if their themes align or contrast with existing knowledge.

Step 8: In this step the researcher handed the information to the supervisor and co-moderator to cross-check the themes and patterns derived in the coding process. This was done to ensure the reliability and validity of the data collected. This will be discussed further in the next section.

3.9 Research criteria

The quality of the research and the findings are important and there should be strategies developed to determine whether research findings still stand under close scrutiny. This section delves into the four criteria that were adopted to uphold the quality of research as outlined by (Saunders et al., 2016).

3.9.1 Transferability

Transferability refers to the degree that results of qualitative research can be used in a different context with different set of respondents. This can be achieved by providing thick descriptions and through purposeful sampling (Anney, 2014). Thick description refers to having rich details concerning methodology and context in the research report (Li, 2004). This involves the researcher giving details of the research process, how data is collected, context of the study and the final report. Providing richness of data assists other researchers to use the research findings in other settings. Purposive sampling refers to selecting research units purposively with the intention of answering the research questions. This approach assists the researcher to focus on information coming from participants who are informed and knowledgeable (Anney, 2014). This also helps the researcher to create greater in-depth findings.

To enhance the transferability of this research the researcher provided full description of the research questions, design, context, finding and interpretations. In terms of sampling the researcher was intentional in interviewing specific participants who are developers, intermediaries and impact investors. This was purposively done to ensure that data collected from informants can be used to answer the research questions.

3.9.2 Credibility

Credibility is the confidence that can be placed in the truth of the research findings. It is used to establish whether the findings of the study are a true representation and interpretation of the participants' views (Anney, 2014). Further on rigor of an inquiry is achieved by adopting the following strategies:

- Prolonged engagement in field or research site – This approach requires the researcher to immerse themselves in the participants' world to better understand their world view and context (Guba, 1981). Employing this strategy also offers a researcher an opportunity to spend prolonged time with participants and to develop trust. Initially this was the approach that the researcher had envisaged to take, but this could not be achieved due to Covid-19 lockdown regulations.
- Triangulation – This is a multiple methods approach where a researcher can collaborate with other researchers and use mixed research methods. This approach reduces bias by cross examining feedback from all participants and all sources and produces rich set of data (Anney, 2014).
- Peer debriefing– Employing this approach provides the researcher with an opportunity to test their insights with others and to get feedback (Guba, 1981). For this inquiry the researcher adopted this strategy by engaging with their research supervisor who provided academic support and scholarly guidance. Peer reviewing was done throughout the entirety of the research process.

3.9.3 Dependability

Saunders et al., (2016) points out that the research focus is likely to be modified as the research progresses, dependability means recording all of the changes to produce a reliable report that can be evaluated by others. It was important that the selected research participants provide rich detail on the subject matter and that their line of business or work would offer insights to help answer the research questions. There were two interview sessions convened, and feedback excluded from the final list were gained from respondents whose line of work and feedback did not align to this research study.

There were major shifts in the study, initially the researcher's motivation of this study was to understand how to get micro-developers to be investor ready. However, upon engaging with intermediaries and impact investors it was apparent that the research study needed to also focus on understanding how to get impact investors to be ready to collaborate and invest in these developers. This transition and insights are shared in the findings and discussions chapter.

3.9.4 Confirmability

Confirmability is concerned with ensuring that the data and findings are derived from real data and not fragments of the inquirer's imagination (Tobin & Begley, 2004). Research shows that confirmability can be achieved in three ways i.e., audit trail, reflexive journal and triangulation (Guba, 1981). Audit trail is visible evidence showing that data was indeed collected. Reflexive journal is a journal where all events pertaining to the inquiry are recorded including personal reflections (Anney, 2014). In this research study the researcher used a reflexive journal and safely kept all notes, recordings and transcribed scripts as proof that indeed interviews were conducted for data collection and that a process was followed to derive the research findings.

3.10 Ethical Consideration

In addition to forming strategies for the writing process, it is also important to factor in ethical issues that may arise during the research. Part of the research process involves collecting personal and sensitive data about and from your research participants study (Creswell & Creswell, 2018). It is therefore imperative that the researcher puts into place necessary strategies to adhere to ethical behaviour when conducting research. Ethics according to Saunders et al., (2016) refers to "standard behaviour that guides your conduct in relation to those who become the subjects of your work or those affected by it".

Prior to undertaking this research, the researcher had to submit a research proposal to the ethical clearance board. Part of the documentation that the researcher had to familiarize themselves with and later sign off is a code of conduct that they had to adhere to during the research journey. The ethics committee reviewed all the submitted documentation and determined if the study places participants at risk. This is also done to ensure that basic human rights of participants will be protected during the study. Once the board committee had familiarized themselves with how this study will be conducted a decision was made and a clearance certificate was allocated to the researcher. The process did not end there, maintaining good ethical behaviour was also required during the data collection, data analysis and report writing process.

The following two ethical principles i.e. confidentiality and informed consent summarize how ethical behaviour was maintained throughout the research journey.

3.10.1 Informed consent

Part of the research protocol includes a researcher providing sufficient information to all research participants of what the research is about, what the researcher hopes to achieve, the role that participants will play in the study and also getting permission from the participants to participate in the study (Saunders et al., 2016). All of these were done to assist the participant to make an informed decision to whether they want to participate in the study or not. The following are some of information that the researcher disclosed at the beginning of each interview:

- Background of the study including the purpose of the study, the university they attend as well as exactly what will be done with the data collected.
- If participants agreed to partake in the study a consent form was sent to them via email to sign and they returned it back to the researcher. All documents were securely stored electronically.
- The length of the interview to ensure that they can commit to that time.
- Informing participants that their identity or the organization they represent will be protected i.e. their names will not be used.
- Participants were informed that if they do not feel comfortable answering certain questions, they are allowed not to answer them.
- That they are allowed to ask question and if they do not feel comfortable continuing with the interview, they are allowed to retract their participation.
- That they will not be paid or have to pay to participate in the study.
- Contact details of the researcher was provided as well as informing them of who the research supervisor is.

3.10.2 Confidentiality

Confidentiality addresses respecting the privacy of participants, this includes using aliases or pseudonyms for individuals and places to protect the identities of participants (Creswell & Creswell, 2018). The final report should be written in such a way that findings of the research should not be linked back to the participants (Maxwell, 2013). It was also important to assure participants that they can trust the researcher and that the data shared will not be shared with other third parties. Some of the risks associated with this research study is that some of the developers do not have their businesses registered which by law could be a risk. Interviewing different developers, intermediaries and impact investors also posed a competitive risk for these individuals and the organisations/institutions they represented. To mitigate these risks it was important that the researcher maintains a stance of confidentiality both when interviewing individuals as well as when writing the research report. It was important that the researcher does not ask questions or make comments about other parties during an interview.

Part of confidentiality also includes defining how notes, recordings, transcripts, coding documents, research report and all documents pertaining to the study are stored. To ensure the safekeeping of all documents the data was stored in the laptop of the researcher which is password protected. To ensure that the data can be later retrieved even in cases when there is hardware failure, the data was backed up and stored in the researcher’s personal Google drive account. A consent form was signed by the researcher and the co-moderator to that stipulates that the data will not be shared with anyone during and after the coding and analysis phase.

CHAPTER FOUR: FINDINGS

4.1 Introduction

This chapter presents and discusses findings as derived from responses of the interviewees of micro-property developers, intermediaries as well as impact investors. As discussed in preceding chapters, interviews were used as a research instrument and framed by the qualitative data collection method. This chapter gives a background summary of all interviewees and helps to answer the research question:

- How can micro-developers in townships collaborate with impact investors so that shared value is created?

4.2 Overview of research participants

4.2.1 Micro-property developers

To answer the research question, it is imperative that we have a good understanding and background of the developers as well as the environment that they operate in. Based on the feedback it seems as though prices for land and houses in some townships is affordable since some could afford to fully fund a project without applying for any loans. An observation I made was that all of the micro-developers interviewed have full time jobs and run their enterprises as a second job. Many of the developers rely on mortgage bonds, personal loans and loans from friends and family to implement their project(s). It is evident that developers are strategic on the areas they choose to develop in as well as how they price the rental units.

They also have a good understanding of their market; they build different units for different clientele. Kraaifontein and Cosmo City are both located close to industrial sites and city centres. People staying in Cosmo City are close to Johannesburg, Lanseria as well as Pretoria. Kraaifontein on the other hand is close to Bellville, Durbanville and Stellenbosch. Developer A and Developer B are both qualified nurses working at a local hospital in Parrow Cape Town. They own rental units in Kraaifontein, a township north of Cape Town. They are both originally from the Eastern Cape and obtained their nursing qualification at University of Western Cape (UWC). Developer A is 37 years old and has been operating his enterprise since 2019. He says that the financial pressure of having to look after his three kids as well as three kids from his late sister were mounting and he had to have another income stream.

"I am the only surviving family member, I had to take my sister's kids and raise them as my own. I tried applying for grants from South African Social Security Agency (SASSA) multiple times but my application was always rejected because I'm a male. I was with left with no option but to look for another job so I can cash in my pensions to build these rental units"- Developer A.

With his pension pay-outs as well as personal loans he developed ten flats in a yard that used to be his RDP house. It is a duplex structure with five units on each floor as well as two bathrooms per floor. He cites that his original plan was to have each unit with its own bathroom but at the time of building that was not a popular practice in Kraaifontein. He mentioned that the builder also advised him against that idea because it would require tenants to pay more rent and although people prefer renting in flats they won't be willing to pay more money.

Developer B funded his projects out of his own pocket, he used his savings to build the rental units and did not apply for loans. He stays in Kraaifontein but not in the same yard as where his rental flats are.

"In 2016 I bought a plot and built a house (where I stayed) and two rental units. I later demolished the house and built eight flats. I sold a piece of land that I owned and used the funds as well as my personal savings to build the flats. I decided to go into this line of business solely because rental business was booming in Kraaifontein, and a lot of people couldn't afford to stay in suburbs. I'll be demolishing the house I currently stay in to convert it into flats. From a business perspective I'm not registered." – Developer B

Developer A and Developer B are both doing well in their building projects and they both mention the prospects of developing more rental units in the area. A rather concerning observation that I made in both interviews is that they didn't consider themselves as entrepreneurs and didn't acknowledge that they were in fact making a positive contribution in their community. To them they were building these units because this business opportunity is lucrative in Kraaifontein. It was only when I mentioned impact and proper housing that they acknowledged that what they do does improve the quality of lives for their tenants.

Developer C is originally from Limpopo province in South Africa, he currently resides and runs his rental business in Cosmo City, a township in Johannesburg. From the tone of his voice he seems to be a very confident and street wise individual and as I probe further I found out that he is a qualified building engineer. He has been operating his rental business with his business partner for 8 years, however his enterprise is not registered.

"To me this property business is a hobby and comes as second nature as I am a building engineer. On weekdays I have a nine to five job and on weekends I literally mind my own business by building and managing my rental business. I have a business partner and we have a total of ten houses, some of them we buy cash while other are funded through mortgage bonds.
I stay in Cosmo City, so I know this area quite well i.e. the kind of people that stay here, the kind of houses that they'd like to live in as well as how much people are willing to pay for rent. It's easier to operate in this area because the houses are low cost, and it therefore makes financial sense to buy them cash. I chose Cosmo City because it's the new Johannesburg, it's the new version of SOWETO but it is more developed. There is certain level of "class" to this township, it is more developed and it's growing at a tremendous rate. I went into this line of business because there's a lot of opportunities here and I have the knowledge and skills as a building engineer" – Developer C

From our conversation Developer C knows his market and understands Cosmo City quite well. He understands the impact he is making in the community but has made it quite clear that his intentions is to make money. When asked about how he supported his tenants who could not pay rent during the national lockdown he unapologetically mentioned that those who couldn't pay had to move out. I believe having a professional background in the building industry has given him the confidence he has. His outlook is that people should be rewarded for what they have worked for. He indicated that his business is unregistered, and his reason was that he does not receive any subsidy from the government when developing his properties and therefore does not see a need for government to gain from him through taxes.

He was doubtful and at times suspicious about credibility of impact investors collaborating with them. He sees them as foreign investors who are dodging taxes in their own countries. Developer D is from Gauteng and is a qualified Information Technology Architect working as a consultant. Unlike other developers interviewed he applies his business model (buying and refurbishing houses) also in urban areas.

"I have been doing this for 2 years and operate in the following: areas Ekhurhuleni, Protea Glen, Cosmo City and North Riding. I started off by sub-letting a property that I was staying in, I then bought another one and have been operating in that manner. I renovate and develop the property; I would buy a house and then refurbish it and create apartments. The apartments vary by size, some are bachelors, other 2 bedrooms and others 3 bedrooms. Each has it's own bathroom and kitchen. I draw the contracts and manage the rentals myself; I use digital platforms to advertise my properties e.g. Property24, Gumtree.

I do this work on weekends since I have a nine-to-five during the week. I don't only operate in townships, but I apply this model also in urban areas. Most of the areas I choose like Cosmo-City is centrally placed and close to people's workplaces. A lot of people stay here because housing in these areas is affordable. I personally like renovating and building however this is not something that I went to school for. I did this out of love for property development. My enterprise is registered." – Developer D

Out of all the developers interviewed Developer D was the only one whose enterprise is registered. He shared photos of the rental units he has developed, and it was impressive to see the detail and the quality that is put in developing these units. He manages the properties in Cosmo City himself but for those in North Riding he prefers to use a property agent to manage them. He seems to be open minded about other ways of funding his building projects by collaborating with impact investors. He was also open and frank about how he struggled financially with the country being under lockdown. As a consultant some of the projects he worked on were put on hold and this put him under financial strain as some of his tenants could not pay rent and he had mortgage bonds to repay.

A major disappointment that I experienced during the process of interviewing developers was that I struggled to find female developers. My intention for this research project was that it be inclusive and have diverse voices. Although there were referrals of female developers, it was difficult to get hold of them mostly because of their working hours as well as their responsibilities at home after work hours as well as on weekends. It would have been interesting to hear their views and perspectives.

An interesting observation about all the developers interviewed is that they all have a day job and some work on their property businesses on weekends. When this was mentioned, I was always weary that maybe their projects take long to be implemented however this is not something that they seemed to worry about themselves. It appears those working on weekends have teams that are productive. Based on the feedback provided the greatest motivator for them to venture into this business are the financial rewards. Some were aware of the social impact however others only saw it through that lens when I mentioned the need for proper housing in townships.

4.2.2 Intermediaries

There's a unique group of respondents who operate in the property development arena as well as the funding space. I will refer to them as intermediaries because of the dual role they play. They sometimes co-ordinate the building process and allow funds to flow from impact investors to developers. Intermediary E, F, G and H fall under this category.
Intermediary E is in his late thirties, he co-owns a registered enterprise with two business partners that has been operating since early 2020, just before the Covid-19 pandemic hit the shores of SA. He is a qualified accountant and works as a general manager at a leading asset management firm. They decided to go into the business of offering student rental accommodation in townships because they saw the lack and need for proper student accommodation in townships. He says that his personal struggles when he was a student are motivated him to go into this line of business. During the interview he stressed a lot about the need for SMEs to do work for social change.

> *"That was sparked my experiences when I was doing my undergrads qualification, the environment I was studying under. I then saw the importance to stay in a stable environment as a student to become a success, my business partners also went through the same experience with staying in places that were not favourable for them when they were studying. We then decided to go to township and develop the best*

student accommodation in township the type we find in high end suburbs like Kingsway. The accommodation was meant to alleviate the pressure of students having to worry about their living conditions and only worry about their studies.
We then partner with homeowners. We approach homeowners staying in SOWETO within the radius of 5km from University of Johannesburg (UJ) SOWETO campus. We then negotiate with them to get small land next to their four roomed house." – Intermediary E

Talking to all the intermediaries felt like a breath of fresh air. I appreciated how honest Intermediary E was about his experiences as a student and how that motivated him to build rental units for students in a township area. Together with his business partners they have partnered with UJ to ensure that the units they develop comply with the University's standards. He shared photos of the units and I can confirm that they look like up-market student accommodation that we only find in suburban areas. The fact that he sees a need for SMEs to do work for social change means that there is a crop of intermediaries who are looking to improve communities through their enterprises.

They build student rental units and offer accommodation to students who are funded by National Student Financial Aid Scheme (NSFAS), this means that payment of rent is guaranteed. As an accountant by profession and an intermediary he is very familiar impact investing, in fact in developing the units they have reached out to numerous impact investors who liked the business idea but were unwilling to collaborate sighting that "investing in a township business was too risky". This response was popular for most of the intermediaries I interviewed, all respondents mention that these are mental models and biases that some impact investors have about township enterprises.

Intermediary F and Intermediary G both work for the same enterprise and I decided to do this because of the multiple perspectives I could get since they play different roles in the organisation. Intermediary F is a qualified building architect who used to work with NGOs in the township housing space and through those roles she formed lasting relationships with some of the residents as well as community leaders. She currently fulfils the role of an Architect Project Manager within the organization.

"I used to work with NGOs in the township and housing space. I started to a bit more research in finding out about how these backyard rentals are being funded and we found out

that there was a gap in funding model for this sector and most of these developers were not able to get mortgages or loans from our formal banks. We have been operating for 2 years and what we do is partner with homeowners, we secure investment from high-net-worth individuals and some company CSI money. We partner with homeowners to design and develop the backyard units and to manage the construction process. We also make sure that the units are of the standard and quality that we desire. We also provide the homeowners with basic training on property management that covers topics on conflict management with tenants, managing a property, responsibilities of a landlord etc." – Intermediary F.

Intermediary G refers to himself as an impact entrepreneur, he is the co-founder of the enterprise. The enterprise offers a link between large financial institutions and small property owners. He is an activist in his own right, during our interview he mentioned that it's important to think deeper and ask challenging questions about systemic issues and to challenge our mental models.

"I'm a Zimbabwen by birth and when I arrived we couldn't open a bank account meaning we weren't part of the banking systems and there were many of us in South Africa with that problem. At that time, I then started a fintech start up for addressing this problem for individuals that were not allowed access to bank in SA. It was at the time that I met my business partner who was in the insurance industry and was tasked to create a pension fund using micro pensions. We started looking at De Sato's work and doing research and working with individuals in the development space to understand the property business in township areas. The research took 2 years and we've been operating since 2019.

It's been an interesting journey for us and setting up the business was not a challenge. Our greatest challenges has been having to overcome mindsets, mental models, assumptions that are systemic, institutional and personal views have been the major challenge." – Intermediary G

Both Intermediary F and G are passionate and authentic about the work they do and the impact they want to create. As a black South African I personally know how hard it is for many black people to trust white people coming into a township area with intentions to develop and create positive change for the community. These are some of the many lasting effects of the apartheid system for many SAs. As I engaged with both intermediaries, I came to the conclusion that they have not only done research, but they have gone as far as immersing themselves in the communities to understand the people, the social structures and social dynamics.

Their enterprise does have black people however I do not see them using black or brown people as a front for public relations. They themselves engage with homeowners, they walk the township streets and have formed trusting relationships with community leaders as well as community members. They know the ins and outs of impact investing and have engaged with many investors. To date their funding is mostly from philanthropists and they too battle with investors to invest in their building projects. Their enterprise has close to 34 rental units all based in Khayelitsha. During the hard lock down in 2020 they only had one tenant who was unable to pay rent and were able to find alternative accommodation for the tenant. In the same breath many property portfolios in urban areas lost a lot of money due to tenants who could not pay.

As derived from the interviews I am of the opinion that there is funding available and that the greatest challenge is battling systems, institutions and mindsets that are so deeply rooted in those who have influence and power to bring about the necessary change. Intermediary G mentioned that some investors mentioned that they will only invest in them once they hit the R100 million mark and of course it will take years to reach that point. He further on mentioned that they always use the example of Mohammed Yunus from Bangladesh who formed Grameen Bank when pitching their business model to investors and funders. Mohammed Yunus is renowned for his humanitarian work in creating micro-credit for low-income earners. He lends money to women in low-income families and when he started this business the model worked. For most townships the pre-historic legal and financial systems may not work but the social systems in these communities' work and people do pay rent. Research shows this but it is difficult to prove this especially to investors when they are afraid to even walk the streets of townships.

Intermediary H is a female who works for a micro lender that helps finance micro-property developers operating in townships. They currently offer these services in SOWETO (Johannesburg) as well as Khayelitsha, Delf and surrounding townships in Cape Town.

"The company started 5 years ago in Johannesburg. We fund developers who have land or full title deeds or have space to build in their backyards. I would ask for their cost of project, plans and establish an understanding of how much they will charge for the rental units (usually based on what other people are charging in the area) this kind of information will help us establish how prepared and serious the builder is about this project. We also do due diligence checks on checking their credit score i.e. should be above 600 points. We don't check their personal income but we consider based on the income they'll be getting from the rental unit and this model is very different to how traditional banks do it."- Intermediary H

It is rather heart-warming that all intermediaries interviewed realise the need for proper housing and that they are engaging in conversations of challenging financial institutions of their exclusive systems that only serve a minority of privileged individuals in society. The conversations does not only end there but they also try to come with interventions to effect change.

4.2.3 Impact Investors

This group of respondents are those who offer funding directly to large enterprises and channel money to SMEs through intermediaries. This section gives background information about impact investors that participated in this study.

Impact Investor K is a female and works for a leading insurance company. She works as an asset manager and manages a Resilient Asset Fund.

"I work with private debt, and we provide loans to small to medium sized communities ranging from R10m – R15m. We have been able to capture this opportunity because of the low-risk appetite from banks to provide loans to this group. We have 3 funds including the SME debt relieve fund which has been created as a response to Covid-19 and its intention is to create and preserve jobs. One of the funds was formed by my manager and other colleagues as a green fund but has evolved into an impact investing fund. It was set up to support small businesses within the supplier chain. The fund has evolved over time and our intentions is to cover as many SDGs as possible as we have focussed on specific areas where there's important issues to solve and where we were seeing an opportunity. housing was one of them, we were getting housing developers that were operating in the affordable housing

market space, education, healthcare, green energy and our intention is to extend as far as possible." - Impact Investor K.

From my conversation with Impact Investor K I got the sense that the organization she works for is one of the few that are moving to be more intentional about impact. They are looking at ways of strengthening the value chain, getting feedback and measuring impact. Impact measurement is in fact one of pillars that help determine the success of any impact project.

Impact Investor L is a risk management manager and works for one of the leading banks in SA. He unlike other impact investors is against investing in SMEs that are operating in townships. He reports that most people staying there live with unwritten laws, and it is too risky to invest in businesses operating in townships. He does however point out that there are successful retail organisations like U-Save (Shoprite) that has continued to operate really well in townships.

Impact Investor M is a female who is a director and founder of a niche impact advisory business. She has a background in law and strategy and her career transitioned into the impact investing landscape in 2010.

"My background is law and strategy and I got into impact investing space in 2010. I then worked at one organisation where I was heading their impact investing division. Later in 2016 I formed my own enterprise, and the core business is to raise funding from SA corporate organisations who require development compliance." - Investor M

Investor M further points out that the difference between her organisation's Enterprise and Supplier Development (ESD) offering and those of her competitors is that the beneficiaries of the funding all have to deliver a social impact. I also appreciated that there is an additional layer in the SMEs she supports, they are all not just black owned businesses but there has to be measurable social impact in terms of their business model. She has done work in affordable housing, emerging agriculture farms, disadvantaged education and SME lending.

Impact Investor N is a co-founder of a fintech company that focuses on investing in financial inclusive solutions that uses tech to address problems especially to the under banked population.

"Some projects we have worked on before include running a program to find an alternative way to register RDP houses, low-cost housing. SA property registration system is quite sophisticated and uses the historic English system which is quite costly, and this is the problem with getting title deeds for RDP homeowners i.e. low value properties. We had a company that tried to automate the bond registration process as it includes many stakeholders, and it takes long. The conveyancing process should be made simpler by using blockchain technology. We ended giving up because there was too much. There was a back lock of about 1 million RDP houses that were not registered. De Sato's paper has so much value in proving that having a home should enable low-income earners to use it as a collateral." - Impact Investor N

4.3 Data analysis according to the different themes

In this section I delve into the patterns and themes identified during analysing of data. These include social impact, trust, funding models and investor readiness.

4.3.1 Social Impact

One of my interview etiquettes included referring to developers as social entrepreneurs. It was surprising to see at least two developers shy away from this. At first, I thought they were being humble but to an extend I see that as not owning your space and minimising the contribution that one is making to their community through job creation as well as providing homes that restore people's dignity. Developer A and B both mentioned that they are only in this line of business to have extra income. I pointed out to them that they play quite a vital role in their community by building these rental units. To this Developer A responded by saying,

"A lot of the people who stay here are foreigners and don't have the right papers to stay in proper rental areas. During lockdown most of them lost their flats in fact most of the units right now are vacant because people could not afford to pay rent anymore. I did not chase them away as most owners do in this area, I allowed them to stay and let their conscious speak to them because some were staying long without paying. I helped out

some of them to look for cheaper accommodation and went as far as paying one month rent for them without expecting them to repay it back.

Things are also taking slow to come back to normality and therefore using my salary to pay loans. Most other flat owners in the areas are taxi owners and they are harsh and do not allow tenants to stay without paying rent" - Developer A

In order for social change to really take place through SMEs it is important that they own up the spaces where they want to effect change. They should also engage effectively with community members to understand what exactly they would like to see happen in the housing and accommodation space. Being raised up in a township area informs me of some of the activities that take place such as ward council meetings where community leaders engage with community members to address issues that concern their neighbourhoods. Although some of these meetings are usually politicized, they are a good place for micro-developers to engage with community members to understand their housing needs as well as to raise awareness on the impact that developers are making in their society.

In this section I will report back on different views that stakeholders had pertaining to social impact and how they had to readjust their business operation due to effects of the Covid-19 Pandemic. There are many aspects of social impact and those that were prevalent in this are study are: affordable and decent housing, training and job creation.

4.3.1.1 Training and job creation

All the developers and intermediaries interviewed work with local developers from those communities with a proven track record. Intermediary E mentioned that an investor had accepted their funding application and this particular investor had very strict rules that included contracting specific builders for the projects. Using formal building contractors is not only expensive but it defeats the purpose of creating jobs for locals or people from neighbouring communities.

Developer C is a building engineer by profession and for that reason he builds and develops the properties that he rents out. He is well acquainted with developers in the area and he subcontracts them during weekends as most of them have nine-to-five jobs on week days. He does not have any full-time employees and he does train individuals from his community that are interested in working with him. My observation with sub-contractors is that (builders, carpenters, plumbers etc) they are hired on referrals and proven track record on delivery and quality of work. All of the developers I interviewed personally know their sub-contractors and prefer to work with the same team provided that they are available.

Training does not only end with providing technical skills to builders but a common pattern I observed with intermediaries is that they are intentional about providing basic financial education as well as basic property management education to homeowners whom they partner with. Training them is quite crucial to create a successful partnership that will last for years. Below are responses on training programs that are offered by intermediaries:

"We also have training happening, financial literacy, managing the property. We also train them in understanding that they are also making a positive contribution in society by providing housing. We help homeowners with getting tenants, but we also train them on managing tenants because at the end of the day they have to live with them under one yard. So it's important to manage those relationships." – Intermediary H

"We also provide the homeowners with basic training on property management that covers topics of conflict management with tenants, how to manage your property, responsibilities of a landlord." – Intermediary F

"We will be managing their properties it's also important to educate them financially on how to do certain things on managing properties and how you need to manage your finances to the homeowners because now they have an extra income which they never had before." - Intermediary E

Intermediary H points out that part of their business process requires potential clients to undergo training or mentorship programme that they provide. In Johannesburg they have a training centre set up because of the large client base that they have there. Their Cape Town client base is low and therefore only has a mentorship programme. They collaborate with homeowners that have never managed a building project and it is imperative that they attend this training. At the time when the interview was conducted training was stopped due to governments restrictions on people's movement and they didn't have a virtual program set up. A virtual program would also exclude many people as a lot of their clients may not be computer literate or have access to data and computer resources.

Training and job creation are ways that impact can be created in townships where unemployment rates are high leading to high crime rates. When impact investors rules are strict and too rigid, they limit developers from working with local artisans and it decreases the number of families that can benefit from these projects. When investors want to measure their impact, these are some of the factors they use to determine if a project is successful or not. Project success is no longer limited to how much a developer or investor makes but it extends to the quality of lives being improved. In answering the research question on how value can be measured, the insights from this study show that if developers and impact investors collaborate well both parties can define what they want to measure and how they will achieve good outcomes for their impact measurements.

4.3.1.2 Affordable decent housing

One of the most notable things that Covid-19 exposed throughout the world including SA is the level of poverty in most communities. As I was driving through Kraaifontein to meet with one of the developers I could not help but notice the increase in the number of shacks in that area. Every piece of land that was once open space before the hard lockdown in March 2020 (including a car racing track) was now sprawling with shacks. When I enquired about it I was told that there were land grabs during the hard lock down. People from other areas also relocated to stay there. There is a very clear distinction between the shacks and the rental units offered by Developer A and Developer B. The latter have running water and sanitation facilities which those staying in shacks do not have. It was at this moment that the need for this research study really sank in.

My observation about most developers and intermediaries interviewed is that they truly understand the need for and importance of developing units that uphold the dignity of people. This is evident in the structures being developed. Most of the developers shared with me pictures of houses and units they have developed; I couldn’t help but notice the detail in some of these structures. The yards are clean and there is also visibility of high walls and security gates in most yards.

Respondents mentioned that this is how they stay relevant and compete in the market as there are many other developers offering the same services. They also mention that it is important to give people value for their money. Intermediary F and Intermediary G both highlighted that a lot of times after developing the rental units the homeowners would be so impressed with the finished product that they would also ask the team to fix and upgrade the structure of the main house. This is an added advantage because it helps to increase the value of the house.

Intermediary E talked about his struggles as a student and how that motivated him to develop the units. He mentioned that a lot of students especially those from disadvantaged backgrounds cannot afford to pay for decent accommodation that is conducive for their learning. He mentioned how some students end up dropping out of school because of these struggles. The units that they develop are specifically for students and they have partnered with University of Johannesburg. He reports that the University is clear on the building requirements, and they have tried to ensure that they go above and beyond to meet those requirements and make student's stay as comfortable. Some of the requirements include the number of bathrooms that can be shared, students should have their own access-controlled entrance, accommodation should be within 5km radius from the school etc.

To ensure that the enterprises scale it's important the rental units are priced well. All of the respondents had to do market research to understand how much units are priced in the area. This is to ensure that they do not overcharge or undercharge. In most township rental units people share an outside toilet facility but new units are now designed to have a bathroom, a kitchen as well as a bedroom in each unit. This means that pricing will be slightly higher than normal. It's important to do market research to understand the average income for most households and how much people are willing to pay for rent.

"Our target market is middle class people; some are starting out their careers and staying in this area because of affordability. These are people who can't necessarily afford to stay in suburbs or to buy their own properties" – Developer C

". Our price range is well suited for those who are doing well financially and those who might be struggling."- Developer D

4.3.1.3 Income for homeowners

To truly create impact and to see how people's lives are impacted it is important to have the view of community members and how they are benefitting from the work being done. In this section I look at how homeowners are benefitting from this business model by collaborating with intermediaries. Intermediary E, F, G and H all collaborate with homeowners to build the rental units. Quite often homeowners approach them after seeing some of the projects they have worked on in their community. In fact, intermediaries do not have to do door to door visits to market themselves.

How the agreement works is that there's a binding contract between homeowners and intermediaries for "x" number of years. During the agreed period both parties co-own the rental units and the homeowner(s) is expected to repay the intermediary money that was invested to build the rental units through a portion of the rental income. At the beginning of the contract the intermediaries manage the rental units and train the homeowner. Money is recouped from the rent paid by tenants; to which the homeowner gets to keep a certain percentage as profits and a certain percentage is paid to the intermediary. It is the responsibility of both parties to ensure that they get tenants who would honour the contract and pay their rent. If for some reason a tenant does not pay rent the homeowner will not be held liable to service the loan, that risk is taken by the intermediary. At the end of the contract the intermediary exits the agreement, and the homeowner manages the properties and keeps 100% of the rental income.

Intermediary E mentioned that in a yard they can develop 20 student accommodation units and the profit margins for the homeowner is between ten and fifteen thousand Rands (R10 000 – R15 000) per month. This is income that they never had before and that is why it's important to also provide basic financial literacy training to ensure that they spend their money wisely. It is difficult for township homeowners to use their homes as collateral when they need financial assistance from banks, but the funds accumulated from these rental units can assist many families.

Although intermediaries have a lot of homeowners that would like to partner with them they too have a challenge of securing funds from investors. This is the main reason why they prefer not to advertise their service offering because they want to avoid situations of not living up to their promises which can ruin their reputation within these communities. The effects of the pandemic also affected them as some foreign investors decided to channel funds in their own home countries. Intermediary E mentioned that one of the challenges of getting funding is because this business model in unique, ground lease is not popular in SA. Investors might have a low-risk appetite as this is still new in SA.

Innovation is key to creating shared value for collaboration between developers and impact investors. Since this is still new grounds for both parties especially in the South African context it is important that we learn from other industries and other countries who are using similar models. The work that was started by Mohammed of Grameen Bank is a great example of how such a collaboration can be done and that it is possible to create shared value. In the same breath it is also important to note and learn from some of the challenges and failures faced by early adopters. If we want to change the conditions in our communities it is important to challenge our biases and to take calculated risks. Impact investors can start off by collaborating with intermediaries to better understand township dynamics and developers should be open to venture into new funding models. The contracts and agreements that are drawn should be able to benefit all stakeholders at the end of the day.

4.3.2 Impact Measurement

What separates impact investing from other investment classes is the ability to create impact and shared value through funds and or resources that are invested in an enterprise. Profit as well as measuring impact are the two variables that are used to determine the success of a project and this information needs to be reported back to investors. The impact measurement reports are also used by intermediaries when seeking funding from investors. Although impact measurement is important it seems as though there are no established standard tools used for measuring impact that are used by investors or intermediaries.

A common theme that I observed amongst intermediaries and investors is that there is a lot of admin work that goes into measuring impact. Impact investor K pointed out that there is a lot of work involved that requires resources and time. She mentions that oftentimes the deal size and funding amount is small but the due diligence as well as impact measurement work required is resource intensive. Based on the feedback it also seems as though those who are funding investors are also less interested in getting reports on impact measurements. The conclusion that I can make is that it seems as though impact measurement is still a new concept for many investors and some investors are being intentional about it and ensuring that they align with international standards. Some of the response I got pertaining to this issue include:

"Investors who invest in my funds are really investing for ESD points and are less concerned in getting this kind of data, they do like the idea that there's social good created in the communities however there's not a demand for my business to be heavily invested in impact measurement." – Impact Investor K

"None of the II we work with have asked for the measurements and what contributes to that is that most of our investors know that we are still a start-up and that some things are not yet fully in place" – Intermediary G

Impact investor J highlighted that quite recently they started taking impact measurement quite seriously as that is a requirement from fund managers. They currently contract third party consultants to assist them with sourcing the data and compiling impact measurements reports. She also points out that measuring impact should be done throughout the project life cycle because it's no use going to developers and asking them about the impact they created when that was never defined and agreed upon at the beginning of a project. Those requirements should be clearly communicated at the beginning of a project.

"Developers work with time, and they do work they are contracted for. Once they've delivered a project they leave and move onto the next one."- Impact investor J

Part of measuring impact also includes knowing what you are measuring and clearly defining the variables that will be used to determine the impact. Defining these variables makes it easy because you know who to talk to and what you are measuring. There are insights that may emerge that were not initially defined as measurement variables, and it is therefore important to remain open minded and flexible to new insights. It is also important to note that not all impact that is created can be measured, there are other intangible things such as restoration of human dignity that is felt by the human heart but cannot be physically measured. Below are responses of some variables used for measuring impact:

"The number of women homeowners we've assisted or work with, the number of family members that have benefited through collaborating with a homeowner, the number of tenants we've been able to house in better homes, the number of jobs that has been created during the building process"- Intermediary F

"I would seat with the investees and we would define the metrics. On the SME side I would ask how many black businesses are funded, their growth and turnover, how many jobs are created. I'm not benchmarking to any international standard."- Impact investor K

"We are currently creating a new model for our business and my business partner is a specialist in impact measurements so the quality of the impact measurements that will come out of the investments will be at a completely different level. This is because our investors are philanthropic foundations and actual impact investors and with that relationship in place then impact measurement has to be done in a completely different level." - Impact investor K

Impact investor K mentioned that enterprises that she works with are required to measure their own impact and only send a report. She however avoids overburdening investees with too many impact measurement requirements as she is aware of the amount of work involved. Impact measurement is at the core of impact investing in fact this is one of the variables used to determine if a project is successful or not. We must remember that impact investing is different from other investment classes in the sense that investors do not only look at the financial profits, but also look at whether the quality of people's lives in a community are improved and how that project is offering new business opportunities for all stakeholders involved.

4.3.3 Trust

The theme of trust came up quite strongly from all research participants and an obvious reason is that there is money involved however there are other contributing factors such as social networks, character of individuals, respect, knowledge, mental models etc. Before any relationship is formed there must be trust formed from both parties. Mental models that have been formed about individuals and or group of people also play a significant role on levels of trust. It therefore requires willingness from all parties to learn and unlearn and see things from a new lens.

The history of SA pertaining to issues of race, poverty and inequality came up quite a lot in the discussions pertaining to trust. For instance, some investors view townships as areas that should be avoided by all means where people are unruly and live with unwritten laws. They believe that investing in any project or enterprise operating there is too risky. This therefore shows that where trust is low the appetite for risk is low. On the other side some developers believe that impact investors are white people and foreign nationals with financial resources who want to take advantage of the poor by taking their land and charging high interest rates for loans granted. These are examples of mental models that have been formed over time that needs to be challenged.

"They live with unwritten law but it's important to note that not all situations are the same. I grew up in a township, so I have seen how people there operate and it's not things that I feel comfortable getting myself in" - Impact Investor I

"I personally believe that impact investing in housing in SA not right because the issue of land in SA has to be resolved. If I had to work with this class of investors, it'll have to be really big projects and that is in "white" owned companies. I want my business to scale and to go big, but I also don't want to be reaped big" - Developer C

Intermediaries and some impact investors are open to working with "informality" and giving developers an opportunity. There are due diligence checks done to determine if a developer or enterprise can be trusted however not everything can be determined through documents submitted. It is important that I point out that impact investors are not philanthropists, but they provide funding through loans that are serviced or paid back by developers through rental payments. It is therefore important that funders do proper checks before granting loans. The following are some responses pertaining to checks made by investors and intermediaries:

"*Does the enterprise have the right culture and values*" – Imapct Investor K

"The turnaround time to respond as well as the quality of the documentation"
– Intermediary H

"Banks require that builder(s) contracted should have an NHRBC certificate"- Developer C

"Track record including being registered and number of years in the industry" – Impact Investor K and Impact Investor J

Some of the requirements listed above may be difficult to be in place especially if an enterprise is a start-up. The maximum number of years for enterprises I've interviewed is eight years. Some developers may have a good track record but not have a NHBRC certificate. I believe that for impact to be truly created it requires both parties to be flexible on some of their expectations and requirements. Some institutions may take years to change how they operate, more especially large corporates that are operating on historic systems. I also believe that the longer it takes to change the more lost opportunities there will be.

4.3.3.1 Trust through social networks

My observation is that intermediaries are flexible in adjusting their models to fit those of township communities they operate in. Intermediary F and G pointed out that they spent two years doing research work to understand the market. Intermediary F mentioned that she had previously worked for an NGO operating in Khayelitsha and during that period she had formed lasting relationships with community leaders as well as community members.

The concepts of Design Thinking inform us that it is important to understand people and their perspectives before trying to solve their problem(s). Research in this case is not only for understanding perspectives but also for building and maintaining relationships. The truth about township communities is that they may be informal but there are social systems in place that people follow. For instance, if there's any agreement or contract to be done between two parties, they both go to their nearest police station and write down an affidavit themselves.

I believe that the groundwork that the intermediaries do through research informs them on the things to look out for when building a trust relationship with homeowners. The following responses summarises some checks that intermediaries do:

"The willingness to be an entrepreneur, the initial process is not easy as it requires time and commitment. Homeowners are required to attend training and mentorship program. Most people drop out from the training program which also serves to surf out those who are willing to go all the way through." – Intermediary *H*

"Affordability checks on the homeowner and how they manage their personal finances is important. They are required to contribute not only land but at least twenty percent of the total cost of the project." – Intermediary *H*

"Their stand in the community, locus of control. How a person engages and interacts with fellow community members can also be used to determine whether they can be trusted or not"

"Openness, being transparent, participating and not holding back their ability to fulfil their commitments."

Getting homeowners is usually never a problem for intermediaries because they get approached by many homeowners. Intermediary E pointed out that they have close to 50 homeowners who would like to partner with them. The challenge they are faced with is getting funding for these projects and this challenge is usually caused by mindsets that people have already formed regarding townships.

4.3.3.2 The relationship between trust and control

An observation made is that the higher the levels of trust the lesser the need to control. Many SMEs have disadvantages of access to funds, lack of experience, as well as the label of "liabilities of newness". Most of them are at the mercy of funders and some end up signing into contracts that do not benefit them to an extend that they cannot realize the impact that they initially envisaged. Intermediary E recounts how an impact investor had put very strict rules on the contract, and this included them using very specific developers, with very high interest rates. They ended up not signing the contract because of the limitations and lock in rules.

"You can go the bank and get a home loan, but there are technicalities with banks that are too restrictive" - Intermediary E

"A bank would want to tell you how you should build your house and I don't want to follow most of the rules that they set for us." – Developer C

Social relationships and networks are very important for any enterprise to succeed. My observation on this matter is that where relationships were already built and solidified the trust levels are high. Also, in relationships where trust is high the need to control is low, the legal structures used to govern the agreement are relaxed. These relationships are also made strong through learning and knowledge exchange. The more each party is willing to be open and provide valuable information the higher the levels of trust.

To some developers the concept of investing for social good and social change is a foreign concept. They do not believe that organisations are willing to make investments to uplift communities. Developer C was vocal and stern about this, whereas Developer A and Developer B showed their disbelief through their body language. Developer C believes that they are foreign investors who are dodging taxes in their home countries.

"How can one man invest in another man, if you have the money then do it yourself you do not have to use/invest your money in another person" - Developer C

"I can only get into such an agreement if the numbers make sense and if the deal is better than that of the bank's"- Developer C

The level of trust that developers have for impact investors is low and this is because of mental models and the believe that impact investors would want to control them. The impact investor may be a foreign national or a high-net-worth individual who is not necessarily from SA. It is important to note that developers will engage with intermediaries as opposed to the notion of engaging directly with investors.

4.3.4 Investor Readiness

In most funding models the party being funded always has to fit in the box with rules defined by the investor. Investor readiness was a theme that was identified especially from the perspective of the impact investor, however after careful inspection of the data I came to the conclusion that both parties i.e. micro-developers and impact investors have to be ready for each other for a successful collaboration. In this section I look at both the challenges and strengths of developers and voice perspectives of impact investors.

4.3.4.1 Understanding of clientele

A common pattern observed from most respondents is that there's a lot of business opportunities for property development in townships and although a lot of things are done "informally" there are social systems in place that work well for these communities. Backyard rentals has to a large extend been an extra source of income for many homes in township areas and the product offering is evolving and becoming better. Most developers know and understand their clients, they build these units with the clients' needs and wants in mind. The concepts of design thinking i.e. client centricity and client experiences are inherently part of how they design and build the rental units. They know the types of units tenants are looking for and an added advantage for most developers is that they reside in the area where their flats are located. Below are some responses from developers that shows that they understand their clientele:

> *"I stay here, I know the challenges of Cosmo City and how the people stay there. We make people's environment beautiful, we do very good market research. We know that South Africans like beautiful things, but they do not have the money, so we create beautiful houses and spaces that are affordable for this group of people."* – Developer C

> *"The business of rental flats was booming and doing well in this area, and I noticed that some people can only afford to rent but they do not want to be staying in backyards with their landlords due to disputes that sometimes arise. I then decided to take this risk."* – Developer A

"I've always stayed there, and I understand the area quite well. The property business is also booming there. Another idea I'm thinking of implementing is building a gym in the area" – Developer B

4.3.4.2 Challenges

Although this market is booming and presents a lot of opportunities for all stakeholders they are however faced with many challenges. The patterns identified as challenges include crime, protection fees, business informality as well as funding. The challenge for funding is elaborated further under heading The Funding Model.

Crime

This is a challenge that affects many communities right across the country and my observation is that the more an area is less developed the higher the levels of crime. Developers operating in Cosmo City didn't mention anything about crime however both developers and intermediaries operating in Cape Town townships i.e. Kraaifontein and Khayelitsha brought it up. This is one of the many reasons why banks are unwilling to collaborate with enterprises operating in townships.

"None of my portfolios include projects in townships, this is because of some of the dynamics that I have observed at the times I stayed there. It is not a viable environment because when people cannot pay their bond it doesn't become a straight eviction. people fight and forcefully stay. This is not something that any investor would like to see. Also, it can go as far as the community getting involved and getting in arms even when the property belongs to the bank. I don't see it as a viable environment to invest in. You need also be a "legintsa" (slang for gangster) to conduct business there or have someone to fight for you or scare people off" - Impact Investor I

Based on the above feedback from Impact Investor I, I think it's important to take caution and not to generalise. There are many successful companies in retail, banking, transport etc. The insights from this study show us that developers in Cosmo City did not mention security as a challenge but those from Cape Town i.e. Khayelitsha and Kraaifontein mentioned the risks of crime. This is where intermediaries are needed to perform risk assessment to make more informed decisions for investors.

Developer A mentioned that he lost a lot of money during the building process, and this is because he was not on-site when the units were developed. He would come on weekends or when he is free from work.

"People noticed that no one was staying here and guarding the building material and therefore my neighbours and builders were helping themselves to the building material. I would buy material and the amount of work done could not equate to the amount of building material bought" – Developer A

I do sympathise with Developer A because he was mostly on shifts as a nurse at the hospital when his units were developed. Such a scenario could happen in any area even in upmarket areas, it is important to have someone staying on site during a building project. If a developer cannot be on-site, then they need to hire someone who will act a security guard during the day and at night to ensure that building material is not stolen.

Protection Fees

There are gangs in Cape Town townships that demand a "protection fee" from the homeowners and not even the police can help fight off these gangsters and the demands they are making. This is a problem that not only affects homeowners but even people that own cars are targeted.

"Crime is a problem in this area, gangsters demand us to pay them a "protection fee" of close to R1000 every month claiming that they will protect us and ensure that they will protect our flats. They have a tendency of demanding rent for 2 units depending on the number of units you have. There is no formal agreement or proof that you are protected, and another member of another gang can also come demanding the same thing. We pay these people. They do the same thing also with car owners. Going to the police does not help." - Developer B

Intermediary F and Intermediary G highlighted that the issue of protection fees is prevalent in neighbouring areas of Litter Park in Khayelitsha. They have a total of 34 rental units at Litter Park and they reported that the area has not been affected. They mentioned that the homeowners raised it as a concern especially in 2020 when a lot of people lost jobs due to shut down of economic activities in the country.

"This is one thing that I can say we can't prevent from happening, we have been incredibly lucky that Litter Park has not been affected by this" – Intermediary G.

Business informality

The word informality can mean many things and in this context, I'm referring to how the business operates; 75% of the developers interviewed reported that they are not registered with South African Revenue Services (SARS). When they request funding i.e. personal loans they do so under their own personal capacity and this is risky especially when there is more than one owner. Those that are not registered mentioned that they would not be able to make any profit if they still have to pay tax.

"What would be the reason for me to be registered? And what would be the reason for paying tax? I do not believe that a person needs to be paid for what they did not work for, the government did not contribute to this project so why do I have to pay them? Right now, we are hit by the pandemic and the government said that they will give companies loans however there is corruption in how these loans are granted, they are only given to those who are linked and connected to the government officials (corruption). I don't see a good benefit of paying taxes to the government when I don't gain anything from them. Right now, there's a piece of land that we want and at the moment they don't want to sell it to us but to sell it to their "comrades" at lower costs. Why should we help them?" - Developer C

"The business however is not registered because with paying taxes I will not be left with any profits to take home as I still have to repay my loans and take care of my family." – Developer A

As much as many of these developers do not benefit from government through their business dealings it is still important for them to be registered and to be known. Being registered will increase their prospects for funding as funders only collaborate with registered enterprises, not only that but it will also increase their chances for working or collaborating with bigger clients. Sometimes people are not aware of some initiatives by government to support SMEs such as rewarding and offering subsidies for creating jobs and offering training. To answer the question of how shared value can be created it is important that stakeholders are well informed and that reward systems be put in place to encourage more SMEs to be registered. Afterall the backbone of any economy is its SMEs, especially those that can be accounted for.

All impact investors interviewed mentioned that before they fund any project there is thorough due diligence made and one of the requirements is that the enterprise should be formally registered. This would mean a lot of the developers I interviewed would be excluded from funding. Contrary to this Intermediary H works for an organisation that uses character-based funding model. They assess an individual's character as well as their financial habits to determine if a client is eligible for funding or not. Their model however does not include funding for registered enterprises, they only fund homeowners and landowners. Below is the response from Intermediary H elaborating more on the character-based model that they use:

"Character based lending model, we need to lend to someone who is approachable and someone we can work with, trustworthy. We look at your CV and for those without experience we allocate them coaches/mentors.
We fund developers who have land or full title deeds or have space to build in their backyards. We don't check their personal income, but we consider based on the income they'll be getting from the rental unit and this model is very different to how traditional banks do it model" – Intermediary H

Most intermediaries and developers interviewed reported that some of the homeowners they collaborate with are RDP homeowners. It was interesting to observe that there are developers who do not prefer to collaborate with RDP homeowners. Developer C mentioned that some of the RDP owners can cause unnecessary fights and disagreements due to lack of knowledge and not wanting to adhere to contractual agreements.

"I don't buy from RDP owners in fact I avoid doing business with them, I buy low-cost housing and we give people value for money.
The guys that do this are mostly not honest and when there is a disagreement, they would involve the community leaders and as the buyer/investor you are putting your life at risk.
With RDP houses the communities do things their own way.
The RDP owners are not very knowledgeable and can cause unnecessary fights and disagreements due to their lack of knowledge." – Developer C

Crime, business informality as well as not understanding businesses operating in townships are some of the reasons why it is difficult to acquire funding for projects. Impact investor I states that it is risky to do business with enterprises operating in townships. There are however investors and intermediaries like Intermediary H who understand the township market and are willing to invest and work with this clientele. Intermediary E, F and G have enterprises that are registered.

Intermediary E mentioned that they approached all major banks in SA as well as Development Finance Institutions (DFIs) and when they presented their business model it ticked all the boxes. Investors were impressed but were not willing to invest because mentioning that they will be operating in townships. They further explain that they were approached by two banks, but the high interest rates were too high, and they had a long list of rules on how they should operate and which contractors to work with. It did not make financial and neither did it make sense from a social impact perspective.

> *"One investor asked us if there is electricity in townships, we mentioned that we have malls in townships with big retails and that power outages from ESKOM affects everyone in the country"* – Intermediary E

Intermediary F and G both mentioned that when pitching their ideas to investors they struggle with closing a deal even when the numbers and the business plan makes sense. The only way they can win investors over is when they agree to go onsite with them to show them the area as well as the units that they have already built.

> *"A lot of pitches we've made that were successful is when we manage to take the investors to the site to actually see the kind of rental units that we are developing there. For a lot of white South African's their perception of Khayelitsha is when they drive from airport on the N1. When we take people there and they see houses, and they don't get hijacked, they meet the homeowners they get to form a different perspective about these places. For those who don't go there we show them the numbers based on the returns that we're making thus far."* - Intermediary F

Further on to that Intermediary G mentions that they had invited a popular audit firm to assess their business model.

"When we presented the idea to audit consultants, they didn't want to do business and said that it doesn't make economic sense, the history of township and investing in the areas is not appetizing to investors. To overcome that challenge is significant. There's a perception that there'll be non-payment, it's still white capital and there's a lot of institutional blockages, legal issues on how you validate the ownership i.e. title deed. Our greatest challenge has been selling the concept that informal systems and social systems work. Imposing the financial and legal system from above works for rich people however in the context of township these systems cannot work" - Intermediary G

It was rather interesting to observe the different dynamics of informality, to some it is linked to a business not being registered and to others it is linked to operating in a township area. I think the latter is a mental model that would be a stumbling block for good collaboration between investors and developers. To merely get developers to register their business and to be informed about ways of funding are not the only ways that will qualify them of funding. There is a lot more of openness to learning and challenging mindsets and biases to truly create innovation and shared value within this space. Funders or investors need not fear

township areas. Even through there are challenges that exist, most intermediaries have done the groundwork to ascertain the success of micro-developers operating in townships.

Asking whether developers are investor ready is not the only question that should be asked. We should also ask whether impact investors are also ready to collaborate and fund micro-developers. There is knowledge gap that exist for both parties that needs to be addressed to truly create value.

4.3.5 Funding Models

For any business to thrive it requires funding and this is a major challenge for many businesses operating in townships. Many of them do not get funding from commercial banks as the they do not meet the minimum requirements for qualifying. Most of the rules set by commercial banks are not inclusive as they do not understand the environment that these enterprises operate in as well as the opportunities that are available from this market. In cases where funding is granted the interest rates are usually very high or they set very strict rules for these enterprises on how they should operate. Most enterprises apply for personal loans, use their personal savings or borrow money from friends and family to fund their projects.

"There's a plot I had that I sold in order to get extra funds to build. I've never had to apply for loan" – Developer B.

"I had to resign to cash in my pension money and in addition I also had to apply for personal loans to pay for the project." – Developer A

Intermediaries play a very important role because they understand the township market i.e. the people, the businesses, the social issues as well as established social systems in play. They bridge the gap between "formal" and "informal" systems. They can also help developers to organise themselves to be investor ready. They have a good understanding of how commercial banks and other financiers operate. Although intermediaries have all this knowledge, they also have a challenge of getting funding from investors. Based on the feedback I received, several of the intermediaries reported that investors view this business model to be risky, even when they present evidence of viability, showing good returns coupled with creating social impact for the communities.

All developers interviewed indicated that they are not aware of funding opportunities from impact investors through intermediaries. I mentioned few names of organisations that play in the intermediary spaces, and they were not familiar with them. On the other hand, impact investors indicated that they do not work directly with SMEs operating in township, Impact Investor K pointed out that this is because she does not understand the market and prefers to work with them through an intermediary. She also brought it to my attention that they have been in partnership with Intermediary H and providing funding for some of the building projects they have with micro-property developers. Further on she also pointed out that they don’t fund start-ups with a track record of less than three years however her organisation is currently working on a fund that will cater for this group.

“In the property development space, I'm working with Intermediary H, to raise seed capital funding. I have worked with them closely to set up the structure and making sure they have the right BEE credentials to receive enterprise development funding.
In the SME lending space, I found a niche SME lender who has a lending model that is very specific to the needs and requirements of small businesses and the portfolio I fund has to fund black owned businesses.”- Impact Investor K

It is encouraging to see that there are impact investors that are keen on creating shared value and want to partner with enterprises and intermediaries to create impact.

4.3.5.1 Funding opportunities

It was very interesting to hear Impact Investor J mention that they were able to capture the opportunity to fund SMEs because of the low-risk appetite from banks to provide loans to this group. They offer loans from ten to fifteen million Rands to SMEs. The qualification criteria for this loan is quite strict, developers should have a track record of ten to fifteen years of experience, have access to land and should be able to successfully start and complete a project.

“You need to be a developer with a good track record, you should have experience in the industry, you are able to market and sell your product within a specific time frame. How we’ve set up the loan repayments is that payments are made based on units sold. We assess your ability to build the unit at that price, sell it, market and repay the loan within the specified loan repayment term. We also take security through the land and based on the personal profile of the developer we might require them to take out a specific guarantee or some type of surety.” - Impact Investor J

Although Impact Investor J only supports developed enterprises, they support enterprises that serve previously disadvantaged communities as well as developers that work closely with women. Land as highlighted is also used as security and in some cases the developer is required to take out a guarantee or some type of surety. This model is similar to that used by Intermediary H, they require that the homeowner seeking funding be the registered owner of the land to be developed and to contribute twenty percent deposit of the total project cost as capital.

> *"It's important that people understand that they are applying for a loan and that there are requirements to receive funding. We need to check the character of the client. We also require clients to pay 20% deposit for the building project as capital. This is to ensure that a client contributes something to the doesn't take advantage and not pay. This applies to all clients."* - Intermediary H

My observation is that there is a requirement for developers or landowners to contribute not only through land but to contribute a certain percentage to funding of the project. This is to ensure that risk is shared amongst all stakeholders, that projects are delivered on time, on budget and that the building structure also comply with the planning office regulations. Impact investing is not the only solution to funding SMEs, there are other alternatives that can be used such as blended finance where funding is sourced from various funders for a single project. I believe that impact investing stands out from the rest because investors seek not only to provide loans but to bring positive and sustainable change in communities.

Informality is another reason why most funders don't have the risk appetite for micro developers. Impact investors with the help of intermediaries also play the role of developing SMEs to be investor ready. They can also upskill and train entrepreneurs in these areas and more: computer literacy, bookkeeping skills, business management skills etc.

> *"We can assist with registering the company, open their bank accounts assist them with accounting to make sure that money is spent correctly, assist with governance. We can help set up the structures to make it work"*- Impact Investor L

4.4 How investors responded to Covid-19 Pandemic

Based on the feedback provided I am of the opinion that some organisations have embraced impact investing and a lot are learning as they go. I believe that the Covid-19 pandemic has also accelerated the journey for many organisations, majority of the impact investors I spoke to are looking at the models they have and whether they serve society in the best way. Impact Investor K pointed out that impact investing can mean so many different things to different organisations and that it's important not to close ourselves into one definition. She also highlighted that her clients (where she receives funds for impact) are companies who need ESDs and they would invest in one of her many funds based on the risk level they are willing to take.

"From an investor perspective there is also the assumption of risk, the moment you mention impact there's an association of risk. How can you address the social need and still manage your risk and that is a legacy issue. At my previous job we would pitch it in a very different way. So, you address it as something else but not impact investing there's the notion that when you are investing for impact you are assuming risk" - Impact Investor K

There was a positive response from investors on how they handled their debt books during the pandemic. It was really encouraging to see and hear how investors were being intentional in their decision to support their clients during this season. Not all clients were able to honour their payments and those that couldn't were given options to take payment holiday for 3 months or interest free repayments. This was done to alleviate financial pressure as many people lost their jobs and all building projects were on stand still. This was a time when business commitment and values were brought to the test for all enterprises and organisations regardless of the size.

"Fortunately, all the SMEs that we fund have not defaulted in payments and they have been very adaptable. In the agriculture space I anticipate some challenges because the land bank

is collapsing, and a lot of the farms are funded by them, but I think there's going to be a lot more opportunities for organisations like mine. There has been a lot of flexibility and resilience in the businesses that I support." - Impact Investor K

"We've all been affected, and our view has been that we want to be able to support the businesses that we fund. What we've done at the first part of the lockdown is that we offered no interest rates loan repayments because everything stopped, developers couldn't build, deeds office couldn't process applications and that ultimately means you cannot sell. The cash that you had projected is not coming in and you also have employees to pay so it was important that we see them through that period and support our clients. People matter and jobs matter. All of these things are interconnected there's an ecosystem." - Impact Investor J

It was encouraging and heart warning to see how some impact investors were able to support their clients and to leave up to their company values by supporting clients. This also shows us that without the clients most impact investors would not be able to serve their purpose.

4.5 Chapter Summary

In this section I identified and unpacked themes and patterns observed from the interviews. Creating shared value and successful collaboration does not only depend on developers being registered but it also requires impact investors to learn and understand the developers and doing business in township. Trust was also a pattern observed from both parties and this may be the factor that hinders progress and good collaboration. To answer the research question, on how both stakeholders should collaborate it is required that all stakeholders think differently, unlearn and learn and be open to new markets. To innovate we need to take risks and the Covid-19 pandemic has taught us to also reinvent risk.

CHAPTER FIVE: DISCUSSION

This chapter presents key findings based on responses acquired from respondents, and as yielded through in-depth interviews. Based on the responses shared by identified stakeholders, the researcher aims to compare and contrast these shared narratives and align these to current literature and governmental and corporate strategies; to understand the dynamics of trust and the creation of shared value among micro-property developers in two townships in South Africa.

Furthermore, this chapter will also provide shared understandings based on the reflections of the researcher, on the data interrogated and analysed to highlight current and future implications of this research study and on future research.

5.1 Institutional systems and the need for multi-stakeholder approach

In South Africa, there is an increasing need for corporates and organisations to contribute to the Sustainable Developmental Goals (SDGs) as adopted by the 2030 Agenda for Sustainable Development to action partnership. The need to yield and harness workable strategies became even more germane, especially after the effect of the Covid-19 pandemic on the South African society.

As a strategy to steer alignment and to assess impact, most impact investors integrated and realigned their corporate SDGs through their business networks and enterprises. These came about by providing corporate focus on collaborative business partners, chambers and forums. The Covid-19 pandemic has also placed a lot of key emphases on the need for developers to be investor-ready, however very few new narratives came to pass on how organizational systems can transform itself amid sustainability risks to attract investors to the investees. In essence, the social, financial and political context within which micro-property developers operate is still crucial when in decision-making processes from investors, and it would be biased to use historic financial systems to determine whether an investee is worthy of funding.

In this research study, the research data showed that when applications are made to prospective funders, historic systems do not favour enterprises operating in township areas. A study conducted by Block, Hirschmann and Fisch (2021) showed that the three most pertinent criteria used by II when selecting investees include criteria relating to the authenticity of the team, societal problems being addressed as well as financial stability of the enterprise. Amid the fact that these are valid quality criteria to be considered, questions need to be asked on how inclusive these systems are and what should be done to make these criteria more inclusive in developing contexts. Alijani and Karyotis (2019) pointed out that if II want to solve and address issues of social exclusion and poverty, then new and innovate pathways need to be considered to enter new markets whilst placing emphasis in creating integrative and ethical financial systems.

In the research data extracted, it was evident that current financial systems used by most financial institutions do not cater for SEs operating in previously disadvantaged areas. As a recommendation, it was suggested that financial products need attract diverse groups, so that even low-income earners will be able to qualify for business funding opportunities. Critical business concepts such as design-thinking and systems-thinking should be employed to create workable financial products as these promote societal collaboration and contextual understanding of the client and population. An example of such an initiative is the strategy followed by Intermediary H when selecting micro-developers to collaborate with. In the case of Intermediary H, Intermediary H was cognizant that most homeowners who want to become micro-developers may not have the necessary financial support and the technical skills to manage and oversee such projects.

For this, interested homeowners were required to join and follow a training program that was developed and provided by Intermediary H. The training programme was created to equip developers with the vital skills and knowledge to understand the of level of commitment required from them when entering agreements. Some of the topics covered in the training programme include basic project management skills to understand the skills-set needed to fulfil obligatory criteria relating to building processes, tenant management, basic financial management skills, problem-solving, risk management and corporate negotiation. Intermediary H reported that many people joined this programme with the notion that having land will automatically qualify them. Most of Intermediary H’s clients were not aware on how the importance of time, organisation and commitment impact the success of the project. It is also during this stage of the process that the intermediaries can assess the readiness and willingness of potential developers. Intermediary H would still oversee the much-necessary due diligence checks, use character-development models compelling the individual to contribute twenty percent of the total project cost so that financial risks are shared. This model ensures that developers are empowered and are acquainted to what would be required from them to contribute and sustain success to such projects. It also provides the intermediaries an opportunity to understand the needs of the prospective client, and to form a corporate relationship with them prior to the commencement of the implementation part of the project.

Based on the research data consulted, data showed that homeowners that collaborate with intermediaries have a much higher chance of scaling and to acquire the necessary funding. The most obvious reason is that intermediaries are registered entities and most of them are knowledgeable about the various funding models that exist and are available, which include knowledge of impact investors. Although such knowledge exists, intermediaries also struggle to obtain funding due to the mindset that most investors have, pertaining to township areas as a space of investment. The data collected showed that when intermediaries contact investors, their greatest obstacle is not whether the business is indeed viable and scalable, but whether business investment in township areas are feasible especially in contingent consideration.

In this research study, it should be noted that in as much as there are successful towns and cities in South Africa, there are townships where businesses operate and where business success is equally effective and scalable. In property investments, rental businesses have been an extra source of income for many South African families residing in township areas, dating back even to the years of Apartheid. Nowadays, micro-developers are investing in rental units and flatlets that are quite similar to those in suburban areas.

Intermediaries have taken time to explore, understand and study these townships areas prior to collaborating with homeowners in township communities. Data collected show that intermediaries do consider the following variables as pertinent prior to investment, namely: the level of crime, access to public transport and proximity to amenities, willingness to rent in the identified area and most importantly, whether trust relationships can exist with township community members. In this study, it became clear how important it is for investors and financial institutions to be open-minded and to enter new markets with unbiased perspectives. In addition to the latter point, is their willingness to unlearn bias practices to better understand this investment market. There are many businesses and franchises that are operating in township communities which have created services and products that suit consumers from areas including e.g. Pep Group, Shoprite, Capitec and many others.

Alijani and Karyotis (2019) suggest that intermediaries are instrumental in coordinating and managing risks on behalf of II as they play a crucial role in creating a co-learning and flourishing environment for investors and investees. Furthermore, intermediaries suggest that by using a multi-stakeholder approach, that it can yield opportunities to redefine the value chain and value proposition, by making it more inclusive. In this, all stakeholders should work together to build products and services that are worthy of investing. In essence, policymakers play a significant role by initiating pay-for-success commissioning, whilst further exploring the credibility of impact investment in international development (Ormiston et al., 2015). The GIIN Impact Investor Survey (2016, 2017) brings to light the need for institutional change on II, the need for reliable measurements instruments, the effects of institutional oversight and the need for transparency in decision making.

The concept of adopting a Multi-stakeholder Partnerships (MSPs) has been widely adopted by the United Nations in relation to attaining their Sustainable Development Goals (SDGs). MSPs are mostly used for addressing sustainable development challenges (Worley & Mirvis, 2013). MSPs are imperative to achieving the SDGs, and stakeholders should include government, business, civil society, donors, financial institutions and academic sectors (Clarke & MacDonald, 2019). These partnerships are also used policy adjacent to domains such as housing, health, climate change and biodiversity (Pattberg & Widerberg, 2016).

Although there is no clear blueprint to achieving a successful MSPs participation, there are strategies that can be employed to foster and yield meaningful conversations with implementable goals. Some approaches that can be adopted, include:

- The importance of cultural tacit knowledge especially in South African township communities. This observation was made from the collected data. With structures and systems in place, township areas have ways of living that are not formally documented and corporately exploited. These systems host unwritten rules that can be understood through corporate engagement, spending time and forming business relationships with community members and existing business forums and township leaders.

- Ensuring that the development and negotiation process is fair, inclusive and that member participation is not hindered by external influence from political and administration groups (Eichhorn et al., 2021). Research data showed that intermediaries engage with community leaders, and that conversations with both community members as well as representatives from municipal offices are important to ensure that there is fairness and representation from all parties. There are also contracts and agreements that need to be drafted and then translated into the most dominant indigenous language of the township, to ensure that all stakeholders understand the contractual agreements. Having a good reputation contributes greatly to the success of the collaboration.

To add to this list, Pattberg and Widerberg (2016) have identified nine conditions that have to be in place for improved performance that are arranged across three overarching themes. These overarching themes consist of:

- Actors: Leadership and partners
- Processing: Goal setting, monitoring and management
- Contexts: Problem structure and socio-political contexts

A close observation of the data reveals that all three of these overarching elements, i.e. actors, processes and contexts, were in place especially where intermediaries are involved. When it comes to doing business in any area, district or township, it is important that there is representation of all stakeholders in the transaction. In this study it was observed that those who were in leadership positions and operated from a level of humility and trust gained the much-needed trust in communities, to ensure that projects will succeed. Intermediaries played an important role in facilitating conversations and helping stakeholders to understand the collective business perspective.

The research data further showed that successful collaborations require processes to be in place to guide the process of multi-stakeholder collaboration. For instance, Intermediary I mentioned that they have a process in place where candidates need to attend training, provide required documentation, identify a team of technical personnel to work with, conduct research on rental markets in the area they want to develop in, provide plans to municipal offices, implement projects and provide feedback throughout the process. Lastly, the need to understand context cannot be emphasised enough. Context provides a situational view on how to approach and engage with community members. This way, investors are able to understand the challenges they have about housing and therefore can build the most suitable infrastructure suitable to people within that community. Understanding the socio-political context can also assist intermediaries and homeowners to charge the right rental amounts, pick the right development sites that are accessible to public transport, and to incorporate water and electricity saving facilities when building the units.

There are ongoing debates regarding the authenticity of the MSPs approach. Critics argue that some partnerships may increase the power of private interest particularly in developing countries (Zammit, 2003; Pattberg & Widerberg, 2016). It has been reported that some developing countries have been weary of collaborating with some investors due to controversial interests (Pattberg & Widerberg, 2016). A key challenge in MSPs is managing the interests of multiple and diverse partners. What was observed in the research data was that successful collaborations were underpinned by values such as business transparency and openness, including the importance of understand context, people and systems that exist in the community. Hostile perspectives from critics about II, include the element of corporate bias. However, the latter can be unlearned through dialogue and further engagements.

5.2 The dynamics of trust

Trust was a theme that emerged quite strongly throughout the research study. Trust is a complex concept, and it matters to understand what informs the attitudes of investors and developers in the decision-making processes. Scholars for decades have proposed that trust is critical for a society to function well (Lewis, 1985). In a speech by the president of the United States of America, Barack Obama, Obama cautioned that: "…rising inequality…is bad for our families and social cohesion, not because we tend to trust our institutions less, but studies show that we actually tend to trust each other less when there's greater inequality" (*Remarks by the President on Economic Mobility*, 2013).

In the business sector, there are two dimensions of trust that drives the SME financing behaviour between businesses and consumers, namely interpersonal trust and institutional trust (Dowling, Gorman, Puncheva & Vanwalleghem, 2019). Interpersonal trust is the general disposition to trust others in society and institutional trust refers to the confidence in a country's law system and governance institutions (Mathews & Stokes, 2013). This dimension of interpersonal trust was observed in the research study when investor participants mentioned that they have personal trust relationships with investees and that these relationships were built over time through stakeholder engagement and delivering on promises made. Personal relationships may play a greater role in business relationships (Aschuer, Massaro, Moro & Fink 2019).

In instances where there is great economic inequality, greater social distance among members of society exists. It is in this great divide that distrust festers and grows (Akee et al., 2010). Populations with high levels of unequal distribution of wealth and resources have lower levels of trust and zero cooperation, especially in instances where those who are desperate exploit and the non-desperate avoid interaction altogether (De Courson & Nettle, 2021). Addressing this problem
requires equal distribution of resources which would ultimately result in higher levels of cooperation and trust. This solution requires dialogue discussions with multiple stakeholders to change and improve policies.

The data collected indicates that there is a great rift between those the rich and the poor, and this is especially evident in developing contexts. Both groups possess little trust for each other's business intent. Majority of the developers, especially those who are not registered were sceptical about II and viewed them as opportunists who were either looking to steal or own land or they are foreigners who are dodging taxes in their home countries. On the other hand, some II were also sceptical about collaborating with businesses that operate in townships. What can be deduced is that biases and ethnocentric ideas still exist, and that these require communities to unlearn and relearn socially conditioned structures especially those prevalent in marginalised communities. The history of South Africa is to a large extent responsible for the tainted views and division in society and has shaped how people think and perceive those who are different to them. If we truly want to move ahead as a nation it is important that we open ourselves up to conversations with the purpose of learning and understanding each other.

The high levels of crime that was observed in the research data is also resultant of inequality. This is because in an unequal society those in the lower end of the socioeconomic spectrum turn to illegitimate opportunities to make a living (Kelly, 2010). A study by Akee et al., (2010) showed that the Eastern Cherokee, a Native American group with high rates of poverty, addressed this challenge by distributing casino royalties through an unconditional income scheme. What was observed in the recipient's households was that there was a rapid decline in criminal offences amongst young people. This shows that by improving the distribution of resources among marginalised or underserved communities, will increase levels of societal trust. There will also be better and improved human relations, not only for those in desperate communities, but for society at large.

Findings of this study also showed that most developers are not aware of other funding models and that a gap in knowledge also contributes to low levels of institutional trust. Although the latter factor might hinder institutional trust, another contributing factor is also the history of South Africa that is rooted in segregation and racial divide. When considering the progress of social cohesion in South Africa, it has been proven that structural and socio-economic legacies inherited from apartheid regime remain a key challenge (Meiring, Kanemeir & Potgieter, 2018). The many years of racial division and segregation in South Africa has resulted in general distrust in fellow citizens of other racial groups. It is reported that inequality and race are frequently ranking second or third in the list of possible causes of division and mistrust in the country (Moosa, 2020).

The Apartheid system was tailored to service and benefit the white minority, while the absence, marginalisation and exclusion of the black majority were visible in the social, political and economic developments in the country (Moyo et al., 2020). To address and remedy legacies of the system, there was a forum established i.e. The Truth and Reconciliation Commission (TRC) that was regarded as a model for conflict resolution and to implement restorative justice (Tuazon, 2019). According to Moyo et al. (2020), the TRC was charged with the task of facilitating truth telling, justice, reconciliation, rehabilitation, reparations and the restoration of human and civil dignity of victims of gross violation of human rights" (Moyo et al., 2020). The biggest accomplishments of the TRC was the space of dialogue constructed to offered to the oppressors and the oppressed the change to talk and heal. However, only 849 out of 7112 submitted applications were offered amnesty and many South Africans refrained from submitting their applications. It is reported that the biggest failure of the commission was its lack of involvement in addressing social and economic transformation. The RDP housing initiative by government was established as a recommendation to address mobilising socio-economic policies (Tuazon, 2019).

The level of distrust is quite evident not only in social setting but also transcends into the socio-economic spheres where people are less likely to collaborate due to racial differences. Meiring et al., (2018) highlight that redistribution (i.e. lessening of inequality) is an important policy that should be adopted by a government to increase societal trust. Rothstein and Uslaner (2005) are of the opinion that "generalised trust reflects a society's sense of solidarity, a society's belief that their fate is interdependent. Generalised trust is taken as a proxy for the glue that holds society together". The issue of trust cannot be tackled in isolation, it also requires a multi-stakeholder approach where government puts policies in place that are aimed at addressing inequality. These would then be overseen and implemented by public and private structures and will eventually trickle to the mass general public.

5.3 The funding selection criteria used by impact investors

Data collected from this research study showed that most developers were not aware of impact investing as a financing model, and it is therefore imperative for developers to network with industry experts and to be informed of developments in its financing models. Phillips & Johnson (2021) add that awareness needs to be converted into action through training programs to deepen financial literacy and to bring to light available opportunities. For these programmes to be successful it will require the adoption of a multi-stakeholder approach to design distinct propositions with a high level of social impact (Alijani & Karyotis, 2019). Attending these networking sessions is important because of continuous developments in the impact-investing space that stakeholders need to be aware of.

Previous research studies show that II can be classified into "financial first" or "impact first" investors (Ormiston et al., 2015). This classification can further be subclassified into the forms of capital invested which includes equity, debt and donations. These are sub-classified categories show that:

- Equity investors are the most popular and have a clear interest of achieving market rate financial returns through exit proceeds (Block et al., 2021). This group of investors would fall under the "financial first" category.
- Debt investors provide debt to portfolio companies and although they seek financial returns their investment is often characterised by below market return expectations (Barber, Morse & Yasuda, 2021). Debt investors also form part of the "financial first" category.

- Donor investors includes philanthropists, and they are less concerned with market returns but with achieving social goals (Block et al., 2021). These are the "impact first" investors.

The research data collected shows that all the II interviewed fall under the category of debt investors. Research shows that this group of investors are more interested in the reputation of the investees, their financial standing as well as the ability of the enterprise to scale (Block et al., 2021). The selection process is important for the long-term success of the investors. Block et al., (2021) further observed that debt investors pursue impact investing for business reputation and not for authentic social impact reasons.

The data collected in this study however does not support this statement as some intermediaries and II interviewed, already have roadmaps in place to improve their impact investing strategies by collaborating with stakeholders in the value chain. Through the latter, business models can be explored to fund start-ups as well as exploring inclusive selection criteria models such as using the character-based model. The prioritisation of financial first investment and use of established due diligence practices is a sign that investors are protecting themselves against loss and managing risk. They utilise familiar investment decision-making processes to avert risk (Ormiston et al., 2015).

There is a great gap in both literature and practice pertaining to standard models used by II for selecting SEs. When it comes to SMEs operating in townships, there is very little to no data available on how II select them for funding. Data collected from this study showed that it is difficult for intermediaries to collaborate with II for projects operating in townships. A study conducted on an International II, the Greater Cincinnati Foundation (GCF) showed how they follow a three phased approach for the due diligence and review process (Cheney et al., 2013). The first phase is conducted by the grant making committee where they first had to assess and review the social impact of the project. If there are no social returns, the evaluation process discontinues. The second phase includes an analysis of the financial terms and deal structure of the project. If the opportunity looks promising a full-fledged due diligence review is conducted by specialists and they would provide a report with recommendations.
These three phased processes are inclusive and puts creation of social impact as the forerunner of other variables that are used for assessing an enterprise.

Data collected showed that most developers were not equally aware of impact investing as another source for funding their building projects. To keep themselves relevant in the rental business they focus on building quality and secure homes at affordable rates. The quality of rental units has improved drastically, and developers became intrinsically aware that people have many options when it comes to selecting a place to stay in. Research data also showed that a majority of the developers enter this market because they know the financial benefits it offers. These developers are aware that they solve the problem of housing, although this is not their main reason for getting into this business. To get recognised by II and intermediaries it is very important that developers strengthen their position and own up to the social impact they are creating in their communities through housing. Currently, NGOs and SEs are operating in very competitive environments with budgets that are tight and often competing to get funding from same donors. It is imperative that they remain relevant by demonstrating solid impact and sustenance (Urban & George, 2018).

Another self-limiting factor about developers is that most enterprises are not formally registered. This is a limiting factor to developers because II will only collaborate with entities that are registered. Oftentimes, when developers require funding, they apply for a personal loan using their profile and not the company's profile. This structure and way of doing business, work; however, it has limitations to it. For instance, there is no historic data that is created under the company's profile, and it is the latter data that intermediaries require when doing a feasibility study.

5.4 Measuring impact

The data collected from this study does show that there is no standardised method been used in measuring impact, and in some instances the measurements are done by developers. In some cases, there are no measurements and in instances external third-party consultants are hired to measure impact which is a more expensive option. Agrawal et al., (2019) point out that the major risks linked to impact investing arise from lack of replication, the need for established processes as well as underdeveloped practices in measuring social value. Measuring and valuing social impact are major challenges faced by SEs and impact investors (Chen & Harrison, 2020).

Impact investing is a field that has grown both in practice and research. However, the standard for measuring this construct is still underdeveloped (Rawhouser et al., 2019). It is concerning to how research data show that there are some investors that are not collecting measurement data as impact measurements play a significant role in impact investing. Apart from measuring impact and providing a report to the investors, the data collected can also be analysed and used to understand the immediate community, and to build products and services to suit them.

For II to gain legitimacy it was important that measures of impact be developed and implemented. Two tools emerged respectively in 2010 and 2011, that were designed to help practitioners to understand and quantify their impact (Rawhouser et al., 2019). The first tool was the Impact Reporting and Investment Standards (IRIS) initiative that was developed specifically to improve transparency of performance data and to track improvements in social entrepreneurial processes (GIIN, 2011). The IRIS provides definitions of II terminology as well as a list of countless metrics that investors and investees can use to track and report on social and environmental measures (Dadush, 2012). The second system that was developed is the Global Impact Investing Rating System (GIIRS) which adds a "judgmental function" to the assessment progress by aggregating IRIS compliant data into numerical scores and ratings (Dadush, 2012).

Despite the opportunities presented by these systems; quantifying and measuring impact remains impractical with these tools. According to Rawhouser et al., (2019) these phenomena is observed because projects differ in priorities, and intentions of social impact e.g. some focus on health, others housing and other crime prevention also fluctuate on a scale of listed priorities. An additional challenge that these systems present is conflicting interests in stakeholders of holding different views as to what constitutes "impact" (Grieco et al., 2015).

Both IRIS and GIIRS are American-based and draw technical and financial support from entities in government, business and NGOs. These include Rockefeller, Bill and Melinda Gates Foundation, B Lab, Acumen Fund, Deloitte, Prudential Financial and many more other organisations (Dadush, 2012). The development of these tools involves iterative and consensus-driven processes that are designed to incorporate public feedback (Dadush, 2012). Literature hosted in the field of the accounting shows us that larger organisations are more interested and willing to use sophisticated tools and methods as they have the time and money available to use these tools (Grieco et al., 2015). This shows that the size and resources of an organisation have a significant impact on how tools and interventions can be employed to measure impact. A concern with these tools is that they might seem to be exclusive to larger corporates.

From the research data collected only one impact investor mentioned that they utilise the services of external consultants who are specialists in this field. They however did not disclose the impact measurement tools or systems that these consultants use. Other II mentioned that they use their own internal method by co-developing questionnaires with the developers. Feedback reports are then provided by developers together with end users at different stages of the project life cycle. These responses would then be used to quantify or determine the impact created, as well as to identify possible areas of improvements. A notable observation is that it is important that stakeholders understand what impact is and why it has to be measured before a project commence. This is because, once a project is delivered and stakeholders have moved on to other projects, it is difficult to get them to commit their time to measure impact. Also, when all parties understand the intention of impact measurement it will be done in honesty and with the end goal in mind.

A study conducted by Phillips and Johnson (2021) on affordable housing and impact investing, findings showed the limited use of evaluation and impact metrics and that greater emphases were placed on financial returns over social returns. Observations made from this research study also support this claim as most investors and intermediaries do not use appropriate metrices and measurement tools to measure clear impact, as the measuring of financial returns are held in a much higher regard than social returns. Although this phenomenon is observed in practice, literature states that impact investors put social impact first (Glänzel & Scheuerle, 2016).

There are valuable scholastic and organisational contributions made by GIIN Impact Measurement and Management initiative in guiding SEs as well as II. For this, Phillips and Johnson (2021) identify the barriers to adoption that should be addressed by re-educating stakeholders, as well as corporately advocating for more openness when taking financial risks. As a consideration, it is imperative that financial resources be put in place to acquire more dedicated resources, especially on projects where the collection, analysis and interpretation of data is followed by an impact measurement. In addition, it is critical that the aforementioned be supported by skills, technology, tools and management systems in place to develop sound impact measurements however these are often labelled as “overhead” (Phillips & Johnson, 2021). The perception of overhead needs to be challenged to truly create the change social entities envisage.

5.5 Future research and implications for policy and practice

This research study has explored ways to better understand developers, intermediaries as well as impact investors. As part of the limitations of this study, policy makers were not consulted in the data collection process as the focus were solely on the triadic relationship between developers, intermediaries and impact investors. As an area of future research, policy makers should also be consulted as they occupy a critical role in setting the rules for partnerships and collaboration. It would also be beneficial if future research looked into their understanding and contributions in their roles in the multi-stakeholder processes, as well as identify existing and future strategies that can be applied to foster successful partnerships with local and international investors.

On the issue of trust, South Africa has a long way to go in addressing issues of inequality. As of 2021, South Africa has been a democratic country for twenty-seven years, and a large part of the population still lives in abject poverty. This problem calls not only for future research but demands that the South African government and all policy-making bodies to implement policies that will promote and create equal opportunities for all, especially in instances where a person’s success is not based on wealth and privilege but based on merit and effort. The issue of trust and inequality is a grave societal problem that cannot be addressed in isolation, as it calls for deep systematic change in different spheres of both policy and society. Future research can look at how systems thinking in practice can be used to better facilitate MSPs to guide stakeholders in understanding the problem and the communities that they are solving problems for.

In addition to the aforementioned problems identified, this research study aims to make suitable recommendations on how developers can position themselves to be investor-ready, and to attract impact investors. As a researcher, our backgrounds and upbringings inform our biases and world view, and these can be limitations to how data is interpreted. It is therefore important that researchers and practitioners' critique and moderate each other's societal perspectives, to eliminate bias especially in cultural and societal understandings. At this point, limited research studies exist on businesses in township areas hence we need more systematic research and narratives of business who have succeeded and are able to scale their businesses.

In addition, data collected from this study also show that most impact investors use traditional models for assessing the readiness of SEs and most often these models work against the SEs. This calls for financial institutions to revisit their historic funding models that are still in use and determine if these are culturally inclusive. More research studies need to be conducted to understand the township economy, and to assist especially financial institutions to understand this untapped market. Researchers and practitioners can also collaborate and do further research on inclusive models that can be adopted by II for selecting enterprises to collaborate with.

In measuring impact, further research needs to explore how share learnings from enterprises and organisations that are excelling in this area, can harness a best and reflective practices model. Investors are more eager to take a solution that has worked before and is scalable (Urban & George, 2018). Replicability and innovation work conjointly, and organisations should consider how innovation can replicate solutions that have worked somewhere else. For this field to develop, it will require research effort that incorporates large scale empirical tests. The scope of SROI needs to be further investigated to ascertain how these can be effectively applied in SEs to measure social value. Future research can explore practical ways of integrating impact measurement capabilities in SMEs. From a practice perspective, future studies can also explore how governmental entities set their criteria, especially areas where policy and regulatory frameworks have not yet been established.

5.6 Limitations of this study

It was important to be inclusive when selecting research participants, it was however difficult to get female developers to partake in the study. This was mainly because potential female interviewees were not available due to work and home responsibilities. Getting time commitments from male developers was fairly easy.

The fact that interviews were mostly done digitally was also a limitation because a researcher does not only collect data through the responses but there are other things to consider such as body language and the physical location that contributes to data that can be collected.

Collecting data during the pandemic also made it difficult to get more participants for the study because not all developers are digitally savvy and all building projects were put on hold for several months.

CONCLUSION

This research study shared interesting conversations and insights on how developers can collaborate with II to create shared value. Outcomes of this study showed that for these two entities to collaborate it will require trust, deep systemic changes, open mindsets and a willingness to collaborate with various stakeholders. When corporates collaborate with SEs operating in previously disadvantaged communities especially in the context of South Africa, it is important that we do not ignore the history of our country. A lot of funders, including II, do ask questions pertaining to inaccessible collaboration with SEs operating in townships and the answer to that is that a lot of inequality still exist, which contribute to the low levels of trust especially between people from different racial groups. This problem cannot be addressed using a single approach. From a macro level, the South African government together with all policymakers need to implement policies that promote equality in accessing opportunities. From a micro level time needs to be invested in engaging with communities to understand them and to build trust relationships. The power of conversation allows us to unlearn to truly learn and to understand those who are different to us.

Funding is one particular area that developers struggle toward, and it is unfortunate that many funding providers still use prehistoric systems that are exclusive in nature and do not to cater for those operating in previously disadvantaged communities. Rental business in townships has been for many years an extra source of income for many households and today there’s a new breed of entrepreneurs that are taking this business to higher grounds by developing not just backrooms but proper rental flats. When the research study started, one of the questions I asked was how developers can prepare themselves to be investor ready, and the answer that emerged in the research process was that both parties i.e. developers and II need to prepare themselves. Not much is known about businesses operating in township areas and property development is no stranger to this phenomenon. Impact investing as a financing tool is not popular and known to developers, those that are aware of it are intermediaries. Intermediaries act as the middleman;

they understand the township economy and they understand socioeconomic challenges that people in these communities are faced with.

As much as intermediaries are informed about II as a financing tool, they are faced with a dilemma where they do not want to overmarket their services to developers and homeowners because they struggle to get funding from II. They struggle to get funding not because their business model is not feasible, but their greatest challenge is the mindsets and biases that investors have about townships. Many intermediaries have presented to investors and have shown that this business model works and is scalable. To address this problem, this research paper suggests that developers and II need to understand the world view of each other, and this can be achieved by creating networking sessions that are inclusive of all stakeholders and which adopt a multi-stakeholder approach. This is not for the purpose of marketing but for the purpose of learning and understanding the communities even before creating financial products for them. This process involves applying systems thinking tools to understand the problem of housing, and to create financial solutions that are inclusive and benefit all stakeholders. A good example of this model is what Capitec bank is doing. Capitec bank is a South African-based bank that has created financial products targeted for low-income earners. This approach speaks to innovation and creation of products that are inclusive and create a positive impact to consumers.

Engaging in conversations is important but there also are practical things that developers can do to be investor ready, and these include registering their enterprises with the South African Revenue Services. However, many of the enterprises listed on the developer's databases are unregistered, and this automatically excludes them from being funded as investors can only collaborate with registered entities. Another benefit of registering is that there is historic data that is generated that can be used by intermediaries when conducting a feasibility study. It's also important that the developers maintain a good reputation in the communities they operate in as this will be used when assessing them. This also includes having a good financial record and managing your enterprise well. These collaborations are not only exclusive to developers, but intermediaries are able to collaborate with homeowners. Many homes in townships are family homes and most often the title deeds are registered in the name of someone who is deceased. It is important that homeowners address this challenge as contracts can only be drawn with those who are rightful owner(s) of the property.

Impact investing is still at its infancy stage in South Africa, and this should not be seen as a disadvantage but an opportunity to learn and apply success stories to our own II projects. What was observed was that practitioners use what works best for them in their specific environment, and it is important to standardise on things so that impact measurement tools can help II to realise value in projects they are investing in. Impact measurement is not only a part of impact investing but is a significant component and it is required for business to invest in having practitioners of measuring impact. Research data collected show that impact investors are not reporting on their impact and sometimes this job is left to the SEs or developers to provide insights and measurements of their impact. Impact measurement is a resource intensive job that requires investors to invest sufficient time and resources for the job to be done properly.

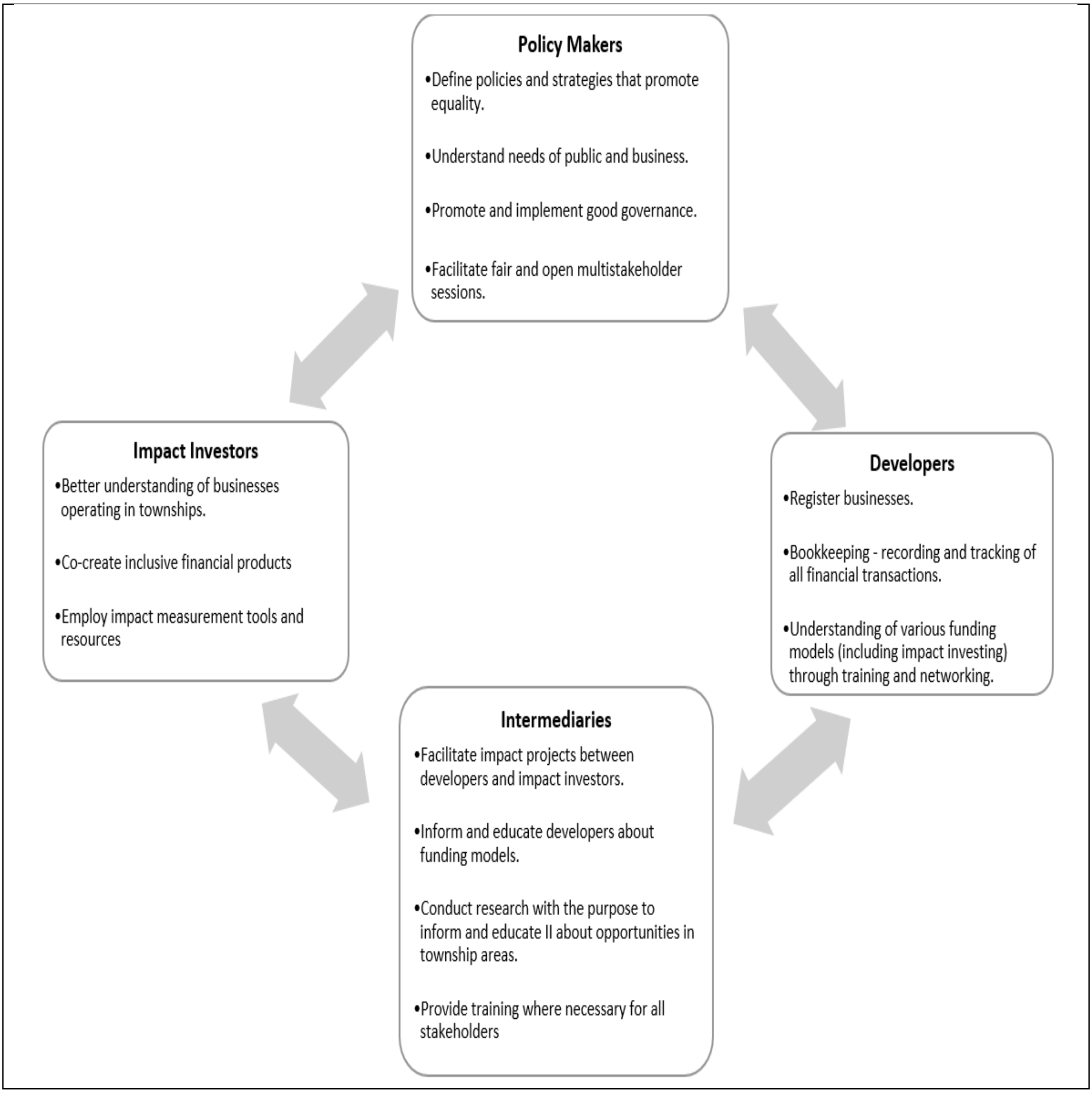

Diagram 1: Praxis model for multistakeholder approach

To summarise findings of this research the above praxis model is created to depict the various stakeholders required to adopt a multistakeholder approach that will promote better collaboration with the intent of creating value and impact. The diagram summarises the roles as well as areas of improvement for each stakeholder. The model represent a continuing sequence of stages, tasks or events that can occur in any direction. This model is not only exclusive for building projects in township areas but can also applied in other areas of business in township areas.

When I initially embarked on this research study my intentions were to focus and understand the environment of micro-property developers; however, upon looking at the recommendations and outcomes of this study I realised that the insights gained, can be applied in any type of SE that seeks to collaborate with impact investors. The recommendations are scalable and envisage to promote creation of products and solutions that are inclusive with the intention of creating a positive impact in communities. This study also seeks to add more knowledge and awareness of businesses that are operating in township areas.

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APPENDIX

ADDENDUM A1. Interview questions

Micro-property developers	Intermediaries and Impact Investors
1. Can you tell me a little bit about yourself? 2. Can you tell me about your enterprise i.e. how long it has been operating, number of employees you have and the area(s) you operate in? 3. Please describe some of the rental projects you have worked on or implemented. 4. Please tell me about why you choose these kind of building projects and the areas you choose to operate in? 5. What are the major challenges you are faced with during the building process? 6. Do you fund all the projects you work on or are there other means of financing your projects? If so, can you tell me about alternatives forms of funding you are using? 7. Do you believe you are creating impact? If so how and how do you measure it? 8. What does creating shared value mean to you as a developer? 9. Would you consider collaborating with impact investors?	1. What kind of projects have you invested in before, particularly those in emerging communities? 2. How do you engage with stakeholders (enterprise owners, community members) to better understand the context of an enterprise and the community it serves and operates in? 3. Is there a specific industry you prefer to invest in? 4. Can you describe some of the challenges you encounter when collaborating for impact? 5. When looking for enterprises to invest in what are the main characteristic you look for? 6. Describe how a good collaboration would look like. 7. How open are you to partnering with enterprises operating townships ? 8. Measuring impact is key to ensuring your success as an investor, what are some of the instruments you use for measurements? 9. What does value creation mean to you and do you believe it can be

10. Please describe how a good collaboration with an impact investor would look like.	achieved in the context of SMEs operating in townships?

ADDENDUM B. Ethical clearance letter

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20th October 2020

Ms Boipelo Ngakane
Graduate School of Business
University of Cape Town

Dear Ms Ngakane

REF: REC 2019/10/015

CREATING SHARED VALUE: INVESTIGATING HOW MICRO-PROPERTY DEVELOPERS IN TOWNSHIPS CAN COLLABORATE WITH IMPACT INVESTORS

We are pleased to inform you that your ethics application has been approved. Unless otherwise specified this ethical clearance is valid until 31st October 2021 and may be renewed upon application.

Please be aware that you need to notify the Ethics Committee immediately should any aspect of your study regarding the engagement with participants as approved in this application, change. This may include aspects such as changes to the research design, questionnaires, or choice of participants.

The ongoing ethical conduct throughout the duration of the study remains the responsibility of the principal investigator.

We wish you well for your research.

Shandre Swain
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ADDENDUM C: Themes and Codes

THEMES	CODES
Dynamics of Trust	● Developers do not trust II and see them as foreign investors who are dodging taxes in their country. ● Banks are too restrictive when giving loans to developers and they control the building process. ● Transparency - participating and not holding back. ● Being able to fulfil commitments. ● Understanding business model. ● Providing training. ● Gap in knowledge leading to trust issues. ● Developers to provide owners equity ● Mental models and previous knowledge and experiences(SA history) contribute to low levels of trust. ● High levels of crimes contribute to distrust.
Impact Measurement	● Investors are less concerned in getting impact data and this is a concern. ● It's important not to overly burden investees with requirements for measuring impact ● Impact measurement requires specialist and there seems to be a shortage of those especially because it is fairly still new in SA. ● Importance of co-creating measurement criteria with all stakeholders. ● Some organisations are using third party consultants to help with impact measurements, however this is a very expensive option.
Institutional systems and the need for multi-stakeholder approach	● Innovation and systems change in funding SMEs. ● Broadening the pipeline, the investees are few ● Due diligence ● A lot of institutional blockages, legal issues how do you validate the ownership i.e. title deed. ● Intermediaries play an important role in facilitating conversations between stakeholders.
The funding selection criteria used by impact investors	● SMEs don't have financials, some don't have owners equity.

	• There is no standard selection criteria process that is followed. To build trust the following are factored in by II: • Does the enterprise have the right culture and the right values • Time of response and quality of information • Builder(s) contracted should have a NHBRC certificate and experience in the industry To build trust the following are factored in by intermediaries when assessing homeowners and or developers: • Willingness to be an entrepreneur • Ability to market and get tenants within a specific time frame. • Affordability check on the client • stand in the community and locus of control • size of property • Character based lending model

APPENDUM D. Summary of research participants and the various platforms used for conducting interviews.

Respondents	**Institution or Enterprise**	**Interview Platform**
Developer A	Micro-property developer	Face to face interview
Developer B	Micro-property developer	Face to face interview
Developer C	Micro-property developer	Telephonic
Developer D	Micro-property developer	Zoom
Intermediary E	Start Up	Zoom
Intermediary F	Start Up	Zoom
Intermediary G	Start Up	Zoom
Intermediary H	Micro-lender	Zoom
Impact Investor I	Leading bank in SA	Zoom
Impact Investor J	Leading Insurance company	Microsoft Teams
Impact Investor K	Niche Impact Advisory Business	Zoom

Impact Investor L	Private Equity Management Company	Zoom