

UNIVERSITY OF CAPE TOWN



# Exploring the Role of Township Economy on Youth Empowerment, Employment and Entrepreneurship

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By

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## ABSTRACT

High youth unemployment, growing inequality and poverty are interrelated and have long been teething problems in South Africa. The youth who form the largest proportion of the population of South Africa are marginalized from participating in the economy in any significant way and this places them at the receiving end of these problems. For these youth, micro and small entrepreneurial ventures in the informal or township economy seem to be the only viable solution out of these problems. The objective of this study was to explore the extent to which the township economy fosters entrepreneurship among the youth. The study leverages on the case study of Galeshewe Township in the Northern Cape and undertook an in-depth face-to-face interview with small business owners in the township. The study was a qualitative study that allowed the respondents to express and describe their perceptions of whether township economy contributed towards youth empowerment, employment, and entrepreneurship.

From the data that was collected through interviews, the respondents indicated that the role of township economy was theoretical and do not address the actual challenges that Galeshewe youth face. The findings from the thematic analysis of the interview data identified key challenges faced by the youthful entrepreneurs' points to several structural challenges faced by business owners including lack of access to start-up and working capital, high crime rates in the township, poor infrastructure to support various kinds of businesses in the township, reliable suppliers and inadequate mentoring and monitoring. Notably, some of the challenges identified disproportionately affect women entrepreneurs in the township. Furthermore, the study revealed three themes informal business owners associated with township economy: empowerment, employment, and entrepreneurship. The study concludes with recommendations for targeted government support through various departments and entities, capacity building for small entrepreneurs and coordination of means to combat crime and infrastructure break-down in the township.

## ACRONYMS AND ABBREVIATIONS

CfERI	Centre for Entrepreneurship & Incubator
COVID19	Coronavirus
DTI	Department of Trade and Industry
EAP	Economically Active Population
ESE	Entrepreneurial Self-efficacy
GEM	Global Entrepreneurship Monitor
GDP	Gross Domestic Product
IDC	Industrial Development Corporation
IMF	International Monetary Fund
ILC	International Labour Conference
ILO	International Labour Office
NDP	National Development Plan
OECD	Organization for Economic Cooperation and Development
R&D	Research and Development
SMMEs	Small, Medium and Micro Enterprises
Stats SA	Statistics South Africa
TRE-GF	Township & Rural Economy Grant Fund
VAT	Value Added Tax

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the study

During the apartheid era, people of color were forced to live in the dormitory-style townships that were built as far away as possible from economic city centers. Post-apartheid development policies led to the construction of townships filled with government housing and limited access to some social services. However, these townships were often built as far, if not farther, than the original apartheid townships. Over the same period, there has been a massive growth of informal settlements (Alam, 2014). It is noted that over the past decade, the development of townships into more economically and socially sustainable communities has been the subject of growing interest in South Africa. According to Thulo (2015) about half of South Africa's urban population lives in townships and informal settlements, accounting for 38% of working-age citizens. This is according to research done by the World Bank Group in 2014.

Alam (2014) further points out that two other factors negatively affect labour market access, namely how due to apartheid spatial planning townships are typically far removed from commercial centres thereby making job seeking a costly endeavor. Secondly, Alam (2014) acknowledges that the combination of persistent unemployment and familial legacies of low skilled work results in the youth having comparatively weak social networks within the formal labour markets, particularly in the following sectors; mining, trade, finance, and services which have seen a growth in job creation (Alam, 2014). Townships tend to be dominated by residential housing for relatively low-income residential housing, which defines the 'buying power' and (to a large extent) the skills profile of people living in a township. These factors influence primarily the business opportunities within the township (McGaffin et al., 2015).

The informal sector appears to be poised to provide employment for most youth, however data regarding youth participation in the labour force indicates low activity within self-employed or informal microenterprises (Alam, 2014). It is against this backdrop that the Galeshewe youth will be studied. This study will investigate the work that youth perform in the township economy currently. We will analyze the main pathways through which youth enter the informal economy. Finally, we reflect on actions that can amplify youth entrepreneurship and employment.

Townships were inspired by colonial town planning. The colonial planners intended to physically segregate three classes of people, which generally coincided with race, in the South African context, namely; the white colonial elite, the colonized middle-class made up of Indians and some Africans employed in the bureaucracy and most Africans. Since the 1990s, urban townships, well-located or not, have undergone massive expansion as migrants from the rural areas have been drawn to the cities in search of work. Though it seems a uniquely South African creation, township-like planning is evident in many African cities.

Through the enforcement of the Group Areas Act (1950), accompanied by various elements of racially engineered town planning legislation, the government forced the entire non-white urban population to live in townships. The townships were areas designated for Black (African, Indian, and Coloured) South Africans, this was systematic exclusion, control and containment which affected every aspect of their lives daily. The only link to city centre and areas of employment (e.g., industrial firms) was either one road or a railway line which were easily obstructed by residents when organizing protests, against these conditions (Smit, 1989).

Galeshewe township sprung up in the early 1870s to accommodate the migrant labour population in Kimberley. According to Census 2011, Galeshewe has a population of 107, 920 which represents roughly 25,429 households, half of Sol Plaatje Local Municipality. Of this population, 92% are Black African, 7% is Coloured with less than 1% representing Indian Asian, white and those identifying as 'other'. The Sol Plaatje Local Municipality: Integrated Development Plan - IDP (2017 – 2022), which also includes Galeshewe, states that 31.9% of the population in the area is unemployed. The youth make up 41.7% of the unemployed population in the municipality. The township is faced with a myriad of issues including lack of access to clean drinking water and electricity for lighting and formal housing.

Galeshewe proximity to developments through to urbanization has not resulted in integration or in visible development. The township has no local industry to speak of, apart from some retail, entertainment, and government activity. Almost all primary and manufactured goods consumed in Galeshewe Township, including daily consumable products, are brought in from other parts of the country. The type of businesses spans across different categories, most traded in the services industries, and the liquor businesses accounted for a significant percentage of business activities in the township (Survey Study by DEDaT, 2016).

## **1.2 Problem definition**

Youth unemployment in South African has reached distressing levels. Against an economic backdrop in which the total rate of unemployment has progressively risen, now 41.2%, the level of youth unemployment is 51.52%. South Africa youth unemployment rate for 2022 was 51.52%, a 1.66% increase from 2021. The expanded unemployment rate decreased by 0,2 of a percentage point to 42,4% in Q1:2023 compared to Q4:2022.” (Statistics SA, 2023). According to S&P Global (2023) the total population of the Sol Plaatje Local Municipality (291 000) including both working age and non-working age, the number of people that are of working age is about 190 000. Out of the working age group, 54.0% are participating in the labour force, meaning 102 000 residents of the local municipality forms currently part of the economically active population (EAP). Out of the economically active population, there are 24 400 that are unemployed, or when expressed as a percentage, an unemployment rate of 23.8%.

“The challenge of bringing youth into the economy is particularly worrisome in the urban township context. Youth access to the formal job market is constrained by the comparatively poor education standards of township primary educational institutions. As a result, the rate of school non-completion is high in absolute terms, whilst those matriculating have reduced opportunities for post-school training. Two other factors negatively affect labour market access. First, the spatial dislocation of the townships from commercial centres makes job seeking costly. Second, pervasive unemployment in combination with family legacies of low skilled (and low paid) work means that the youth have relatively weak social networks in formal labour markets, especially in sectors such as trade, finance, and services where jobs have been created” (Alam, 2014). This study assesses the impact of township economy on Youth empowerment, employment and entrepreneurship in the Galeshewe Township, Sol Plaatjie Municipality.

## **1.3 Research questions and objectives**

The overarching aim of this study is to investigate the perceptions of entrepreneurs in Galeshewe Township about the impact of the informal or township economy on youth unemployment, empowerment, and entrepreneurship development.

The main research questions are;

1. What is the role of township economy on youth employment, empowerment, and development of entrepreneurship?
2. What challenges are faced by entrepreneurs in the SMME sector in Galeshewe Township?

The study will address the following research objectives;

1. To understand how the youth perceive the contribution of the informal/ township economy on the youth in Galeshewe Township.
2. To explore the challenges faced by entrepreneurs in the SMME sector in Galeshewe Township.

#### **1.4 Justification of the study**

The unemployment rate in the Northern Cape Province is of great concern to all sectors as more young people are roaming the streets. The unemployment was the reason why alcohol and drug abuse were high. The findings of the study can identify the factors that contribute towards motivating the youth to participate in growing the economy. The study would also add to a better understanding of the state interventions that would contribute to improvement of the lives of the people in the township. Furthermore, the findings would contribute to the body of knowledge pertaining to the role youth entrepreneurship in the township economic space. Explicitly, the contribution will be towards the empowerment and emancipation of the young people considering the influence of existing socioeconomic issues. Lastly, the proposed study can also provide more insight into the perceived attributes of male and female entrepreneurs and indicate as an area for further research.

#### **1.5 Structure of the study**

This remainder of this thesis is proceeds as follows; chapter one introduces the study. This chapter gives a background of the research area and presents the research problem and research questions and objectives. Also, the chapter offers a justification for the study and the contribution envisaged. It describes the background and the research questions, and the scope covered in this thesis. Chapter two presents a synthesis of the literature underpinning this study. The chapter provides an overview of Galeshewe, a comprehensive literature survey, explores theoretical, conceptual, and empirical literature on Township economy. Also, the chapter two

distinguishes between formal and informal economy, highlighting the contributions of SMMEs to the economy of a province and the country, and examining the challenges faced by the township entrepreneurs and SMMEs in general.

Chapter three is the methods section and highlights the research design, the data collection tools and the steps taken in analyzing the data collected. The chapter offers justifications for the choice of the research design and data collection methods. The chapter also explains how ethical considerations were made for the study. Chapter four presents the findings of the study. The chapter presents the findings in two broad categories namely the perceptions on the township economy and challenges faced by young entrepreneurs in the township. The chapter ties this back to literature reviewed in the study. Chapter five provides the main findings of this study and presents the conclusions. Policy recommendations are made as well as suggestions for potential areas for future research.

## CHAPTER TWO: LITERATURE REVIEW.

### 2.1 Introduction

This chapter includes a thorough review of literature that pertains to informal economy and its role towards economic development and growth. It starts with an overview of Galeshewe Township, theoretical literature, conceptual literature and empirical review, these sub topics analyze and compare formal and informal businesses and its theories. Several factors that are associated with and that contribute towards informal economy are also reviewed and challenges that affect SMMEs are discussed.

#### 2.1.1 An overview of the Galeshewe Township

“The Galeshewe Township in the Sol Plaatje Local Municipality, part of Frances Baard District Municipality of the Northern Cape Province. The township has been named after Kgosi (Chief) Galeshewe. He was a chief of the Batlhaping group, an anti-colonial revolutionary, and orchestrated rebellions against the Cape Colony government. Galeshewe is one of the oldest townships in South Africa, having developed during the Kimberley diamond rush in the 1880s” (Young, 2019).

Scheba and Turok (2019) stated that “the economy of Galeshewe township depends on the economy of Kimberley because majority of residents either work in Kimberley or are unemployed. The economic relationship between the township and the city is highly correlated because the prospects of Galeshewe have declined with those of Kimberley, following the decline in diamond mining in the area.” Apart from retail, there is very little economic activity in Galeshewe. In the recent years businesses have developed to cater to the township needs and lifestyle, such as the Shoprite and Pick n Pay Shopping centres however type of informal business in Galeshewe is home enterprises within residential areas, which generally remain small and compete heavily with one another (Wiid & Cant, 2021).

According to SP Global (2023) “population statistics is important when analyzing an economy, as the population growth directly and indirectly impacts employment and unemployment, as well as other economic indicators such as economic growth and per capita income”. The table below shows that between 2012 and 2022 the population growth averaged 1.93% per annum which is slightly higher than the growth rate of South Africa as a whole (1.47%).

**TABLE 1. Total population - Sol Plaatje, Frances Baard, Northern Cape, and National Total, 2012-2022 [Numbers percentage]**

	Sol Plaatje	Frances Baard	Northern Cape	National Total	Sol Plaatje as % of district municipality	Sol Plaatje as % of province	Sol Plaatje as % of national
2012	240,000	365,000	1,140,000	52,800,000	65.9%	21.0%	0.45%
2013	246,000	371,000	1,170,000	53,700,000	66.1%	21.1%	0.46%
2014	251,000	378,000	1,190,000	54,500,000	66.3%	21.2%	0.46%
2015	256,000	386,000	1,210,000	55,300,000	66.5%	21.3%	0.46%
2016	261,000	393,000	1,230,000	56,200,000	66.6%	21.3%	0.47%
2017	267,000	400,000	1,250,000	57,000,000	66.7%	21.4%	0.47%
2018	272,000	407,000	1,270,000	57,900,000	66.8%	21.5%	0.47%
2019	277,000	414,000	1,290,000	58,800,000	66.8%	21.5%	0.47%
2020	282,000	422,000	1,310,000	59,600,000	66.9%	21.6%	0.47%
2021	286,000	428,000	1,320,000	60,300,000	67.0%	21.7%	0.47%
2022	291,000	434,000	1,340,000	61,100,000	67.0%	21.7%	0.48%

**Average Annual growth**

2012-2022	<b>1.93%</b>	<b>1.77%</b>	<b>1.59%</b>	<b>1.47%</b>
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Source: South Africa Regional eXplorer v2423.  
Data compiled on 10 Oct 2023.  
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Tourism in the Frances Baard has been identified as a sector with positive potential for economic growth. The destination is known for its key attractions such as the Kimberly Big Hole, Wildebeest Kuil Rock Art Centre, Galeshewe Activity Route, Kimberley Ghost Trail, McGregor Museum, Hartswater irrigation systems and wine cellar, Anglo-Boer War battlefield and many more (Makho Communications, 2009). Regrettably, the township entrepreneurs are not capitalizing on this tourism sector.

## **2.2 Theoretical literature**

### **2.2.1 Informal economy**

The term “informal sector” was first coined by anthropologist Keith Hart in his study of the economic activities of the urban poor in Accra, Ghana, in 1973. Hart used the term to refer to the low-income activities of the urban poor who could not find formal employment. The informal economy has thus been traditionally been viewed as a catch basin for women and men who cannot find jobs in the formal economy and who therefore have no options but to take any job opportunity because they lack qualifications for formal employment, or create their own employment through marginal economic activities (ILO, 2002). The informal economy is also comprised of vulnerable groups who are selected out of the formal economy such as workers with disabilities.

There are a few theories in the literature that conceptualize the informal economy and how it exists. These theorizations fall into three broad categories – the dualist school, the structuralist school, and the legalistic school (Dell'Anno, 2022).

The Dualist school argues that the informal economy is comprised peripheral activities which operate independent of the formal sector, for an example, unregistered businesses what Hart (1973) describes as a ‘different way of doing things. ILO (1972) asserted that this marginal sector provides a safety net for the poor, who are in most cases precluded from actively participating in the formal economy. Lack of education and limited recognition of skills garnered in the informal economy also prevent poor people from entering the formal economy, while the scarcity of livelihood opportunities in rural areas often drives migrants into informal work in urban areas and in developed countries.

Dualists argue that the informal economy exists or persists because economic growth or industrial development has failed, due to the slow transition from informal to formal economy. They view the informal economy because of structural imbalances in the labour supply, where the supply of labour either outstrips economic development or when the existing skills do not match the emerging economic opportunities (ILO, 2002). Further, Weiss (1987) posits that socio-economic factors can also contribute to the development of the informal economy. He points out that a marginalized labour force and strong pre-existing social networks foster the development of an active informal sector. Labour market discrimination of vulnerable groups

such as poor women, disabled, ethnic groups, persons with HIV/AIDs often pushes these families and communities into poverty and survival through informal work.

The structuralist school argues that the informal economy is subordinated to the formal economy (Castells & Portes 1989). According to Castells and Portes (1989), the function of the informal economy is to support capitalist structure. Structuralists contend that capitalists who dominate the formal economy are constantly seeking to subordinate those who work in the informal economy to reduce their labour costs, reduce production costs, and thereby increase their overall competitiveness. They argued that globalization has played a central role in this entrenching this relationship. In support of this view,

Rakowski (1994), argues that informality only came into existence as a distinct category after its antithesis, the formal, was created through protracted struggle by labour unions which gave rise to the worker protections. Taking this view, she argues that the idea of an informal sector is illusionary.

The Legalistic school argues that the informal sector was comprised of micro entrepreneurs who try to avoid the costs and responsibilities of formal registration. De Soto (1989, 1990) posits that the informal sector is a response to excessive government bureaucracy and overregulation. He argues that the informal sector in Sub-Saharan Africa is comprised of 'plucky' micro-entrepreneurs who are forced to operate informally to avoid the steep cost, time, and effort of formal registration, and hopefully increase their own wealth. Proponents of deregulation, argue that the high cost of compliance to regulation results in 'rigidity of the labour market' and the 'voluntary choice of informality.' Proponents of the legalistic school therefore view informality as both a choice and a rational response.

In principle, the distinguishing factor between the three broad schools of thought on the informal economy described above is their conceptualization of power or power relationships between the formal and the informal economy. The dualists highlight the power imbalances between informal and formal economy, the latter holding an upper hand due to legal and institutional support. Structuralists argue that in the increasingly capitalist world, the power relationship between the formal and informal economy is skewed towards the formal economy. The legalists subscribe to the view that entrepreneurs who operate in the informal economy are subjected to exploitation and vulnerability due to formal economy restrictive bureaucratic controls. Other observers would argue for a comprehensive framework would be necessary to ensure that the rights and interests of informal entrepreneurs are safeguarded.

### **2.2.2 Township economy**

The 'township economy' refers to enterprises and markets based in the townships. These are enterprises operated by township entrepreneurs, in South Africa these are mainly found in the Blacks areas, to meet primarily the needs of township communities. (Antony & Graham, 2007). Yin-Zhou (2001) defines township economy as “the economy in the area of an administrative town, is a sub-system of the regional economic system and the other characteristic of the township economy is the balance between the development of economy and of society”. Gras & Nason (2015) point out that the township economy comprises small enterprises who fulfil a critical social protection and communal function for fellow entrepreneurs and their families.

South Africa's township economy is collectively defined as small registered/ unregistered businesses operating as street vendors and in-home businesses established on residential sites, often termed 'spaza shops' or 'tuck shops' in South Africa. The International Labour Officer (2002) notes that these enterprises are typically small in scale with a low level of organization and productivity and operate outside of state licensing and regulation framework. For the purposes of this study, the term informal economy will be used interchangeably with township economy.

There are an estimated 800,000 to one million informal businesses located in townships (SME South Africa, 2023). Scattered tuck shops, better known as spaza shops, and other small service providers developed primarily because of growing unemployment, but were also a response to the inconvenience of long distances and the costs of transport. For apartheid's planners, economic development in the townships was never a major factor in deciding on a new factory or a new settlement for the poor.

Due to the historic social compression in racially segregated areas, old townships are socially, culturally, and economically diverse. Townships are also likely to be home to the highest concentrations of poverty (David et. al, 2018). It is against this backdrop that internationally to address such forces of exclusion by applying the concept of 'inclusion', in addition, 'access to democratic and legal systems promotes civic integration, access to the labour market promotes economic integration, and access to welfare systems promotes social integration...' (Lawless,

2007). The Township economy promotes economic development to stimulate growth, expand tax base resulting in alleviating poverty, increases economic and employment opportunities.

Government's *Towards a Ten-Year Review* (2003) described the vast divide between the formal and informal economies in South Africa (Pieterse & van Donk). On the one hand, the formal economy is advanced, based on skilled labour and becoming more globally competitive. On the other, the informal economy is marginalized, lacks skills, and is populated by unemployed workers or those who are unemployable in the formal sector. The vast majority of South Africans are still stuck in the informal economy, and this remains the country's central national development challenge (Melzer, 2007). In addition, the informal economy, which dominates in township economic life, is characterized not only by economic poverty, but also by a lack of public amenities, social services, health care, educational facilities, and effective institutions for the maintenance of peace and order (Melzer, 2007).

Township renewal programmes play an important role in overcoming the Apartheid inequalities. Several studies argue that many township areas have limited potential for economic development. Some settlements, for example, are in obvious decline, and it would be counterproductive to pour public capital into these areas Silverman and Zack (2007). However, such areas cannot be ignored: investment in human capital can be catalytic, and infrastructure is needed to support delivery of social services. Relatively minor but well-planned adjustments in the way services are provided and located can unlock local economic opportunities without significant capital investment (Menguete, 2007). Pernegger (2008) however, posits that catalyzing broader growth and opportunity will require public investment in key areas of potential in township economies.

### **2.2.3 Drivers of the informal economy**

Scholars cite multiple factors to explain growing informality. The role of informal economy is job creation for the underprivileged and unemployable. In countries where economic growth was experienced, it was noted that some countries have experienced little or no economic growth. Other countries have pursued capital-intensive growth, termed "jobless growth" by some scholars. In both such contexts, not enough jobs are created for all those seeking work. Many frustrated formal job seekers find employment or create their own work in the informal economy (ILO, 2002).

Another pattern of economic growth – “high tech” growth - tends to create more high-skill service sector jobs than lower-skill manufacturing jobs. In such contexts, those who lack the required skills to compete are cushioned by continuing to work in the informal economy. There is another, more optimistic, scenario: namely, “growth from below.” In some regions, countries, or industries, the informal economy provides and generate income for the unskilled therefore create more jobs than the formal sector (ILO, 2002).

Contrary to common narratives that the informal economy acts as a transit hub for the unemployed which dissipates once economies grow and absorb the surplus labour found in it, evidence across countries shows that informality persists in countries which have experienced robust and sustained economic growth. In many developing countries, a more complex relationship emerges – one where economic downturn throws people into the informal employment (as a survival option) and economic upturns fail to bring them back into the formal system (ILO, 2002).

The second set of factors has to do with economic restructuring and economic crisis. Available evidence suggests that during periods of economic adjustment, whether due to economic reforms or economic crises, the informal economy tends to expand. This is because, retrenched workers move into the informal economy when public enterprises are closed or the public sector is downsized. This is also because households need to supplement formal sector incomes with informal earnings in response to inflation or cutbacks in public services.

The third set of factors relates to the globalization of the world economy. Global trade and investment patterns tend to privilege capital, especially companies that can move quickly and easily across borders, and to disadvantage labour, especially lower-skilled workers that cannot migrate easily or at all (Rodrik 1997). To increase their global competitiveness, more and more investors are moving to countries that have low labour costs or shifting to informal employment arrangements.

Furthermore, there has been a radical restructuring of production and distribution in many key industries characterized by outsourcing or subcontracting through global commodity chains. The net result is that more and more workers are being paid very low wages and many of them must absorb the non-wage costs of production (Carr & Chen, 2002). Globalization also tends to privilege large companies who can capture new markets quickly and easily to the disadvantage of small and micro entrepreneurs who face difficulties gaining knowledge of -

much less access to - emerging markets. In sum, globalization puts pressure on low-skilled workers and petty producers by weakening their bargaining power and subjecting them to increasing competition.

This study pays attention to the expansion of the informal economy because of its actual or perceived link between working in the informal economy and being poor, an area of concern to this study. Average incomes are lower in the informal economy than in the formal sector. As a result, a higher percentage of people working in the informal economy, relative to the formal sector, are poor. However, there is no simple relationship between working in the informal economy and being poor or working in the formal sector and escaping poverty (Charmes, 1998a, Sethuraman, 1998, & Thomas 1995). The relationship between informal employment and poverty appears only when informal workers are classified by employment status and by industry or trade. Informal incomes worldwide tend to decline as one moves across the following types of employment: from employer to self-employed to informal and casual wageworkers to industrial outworker.

The link between working in the informal economy and being poor is stronger for women than for men. A higher percentage of women than men worldwide work in the informal economy. Moreover, there is a gender gap in incomes and wages in the informal economy.

This is because women worldwide are under-represented in higher income employment statuses in the informal economy (employer and self-employed) and overrepresented in the lower income statuses (casual wage worker and industrial outworker). For instance, relatively few women are employers who hire others; and relatively few men are industrial outworkers. Even within the same trade or industry, men and women tend to be involved in different employment statuses. In many countries, for example, men traders tend to have larger scale operations and to deal in non-perishable items while women traders tend to have smaller scale operations and to deal in food items.

Available evidence suggests that globalization of the economy tends to reinforce the links between poverty, informality, and gender. This is because global competition tends to encourage formal firms to shift formal wage workers to informal employment arrangements without minimum wages, assured work, or benefits and to encourage informal units to shift workers from semi-permanent contracts without minimum wages or benefits to piece-rate or casual work arrangements without either assured work, minimum wages, or benefits. This is also because

globalization often leads to shifts from secure self-employment to more precarious self-employment, as producers and traders lose their market niche. With these shifts, and as more and more men enter the informal economy, women tend to be pushed to the lowest income end of the informal economy: for example, as petty traders or as industrial outworkers.

However, globalization can also lead to new opportunities for those who work in the informal economy in the form of new jobs for waged workers or new markets for the self-employed. However, a collaborative effort on the part of grassroots organizations of those who work in the informal economy with sympathetic representatives of non-governmental, research, government, private sector, and international development organizations is needed to enable the most vulnerable segments of society to seize these opportunities.

Actors in South Africa's informal economy are often not recognized, registered, or counted in national statistics, lack social protection, do not exercise rights at work and lack representation and voice in the workplace. And even where they are registered, they may be outside the reach of social protection, labour legislation and protective measures at the workplace. Their employment status may be ambiguous - further reinforcing their limited protection under the law. They are therefore excluded from the benefits that are provided by the state, private markets, and political processes, and because of this, the informal economy is largely unprotected, insecure and vulnerable

Notably, women and youth are also disproportionately represented in the informal economy and often at the most marginalized end of it. Strong gender segmentation is evident, with employers being predominately male and contributing family workers predominately female. Additionally, within any given employment status category, women's earnings are less than that of men.

Moreover, women spend fewer hours in remunerative work than men, in part due to the hours they spend in unpaid care work. Responsibilities for unpaid care work also reinforce labour market segmentation – women may be restricted to own-account or home-based employment, even if total hours worked are longer and incomes lower. Women also tend to be clustered in 'traditional female' oriented economic activities such as tailoring and cooking which are often more poorly remunerated and suffer greater market saturation than other types of economic activities.

## **2.3 Conceptual literature**

### **2.3.1 Entrepreneurship**

The term entrepreneurship draws different interpretations and conceptual definitions in the literature. Hisrich, Robert, Peters, Dean and Shepherd, (2005) suggest that entrepreneurship involves taking initiative and risk and organizing social and economic mechanisms to transform resources. Similarly, Berner et al (2008) points out that entrepreneurs take risks, specialize, maximize profits, accumulate, and do everything necessary to make their venture grow. Entrepreneurship also combines positive connotations of seizing market opportunities and innovation (Roger & Osberg, 2010). Adeyeye, et.al. (2019) describe entrepreneurship as “any attempt at new business or new venture creation, such as self-employment, a new business organization or the expansion of an existing business, by an individual, a team of individuals, or an established business” (Adeyeye, et al. 2019).

OECD (2017) describes entrepreneurship as the “phenomenon associated with entrepreneurial activity, which is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.”

According to Blanka (2019) entrepreneurship is defined as “an individual’s ability to turn ideas into action. It includes creativity, innovation, risk taking, ability to plan and manage projects to achieve objectives.” Although there is a lack of consensus on the definition of entrepreneurship, Reynolds et al (2005) points out that these varying conceptualizations of the term are unified by the idea that “entrepreneurship is about creating something new”.

Dees (1998) describes entrepreneurs as value creators who transfer economic resources from an area of low productivity into the area with high productive gains. Due to the difficulty in arriving at a standard definition of the term, self-employment is often used interchangeably with the term entrepreneurship. In this view, an entrepreneur is anyone who works for himself or herself as opposed to being employed by someone else, except under arm’s-length contract. This description includes those who work independently as well as the owners of businesses with partners and/or employees. Entrepreneurship thus embraces a wide spectrum of activities of different scales such as local artisans, writers, actors, independent consultants, shopkeepers, e-hailing drivers, new Internet marketers, commonly referred to as social media influencers and so forth.

This study leverages on the conceptualization of youth entrepreneurship proposed by Oseifuah (2010). He describes youth entrepreneurship as the process which individual between ages of

15 to 35 years identify opportunities to generate wealth and value by establishing new or acquiring already existing enterprises irrespective of sector of operation. This definition combines ideas of risk-taking behaviour, innovation and value-creation and relates these elements to the age range of concern to this study.

### **2.3.2 Significance of entrepreneurship to the economy**

Having outlined the concepts of entrepreneurship and an entrepreneur, this section highlights the importance of entrepreneurship to the economy, more so the informal economy, as argued in the literature. The concept of economic growth has often been relevant at firm level, industrial, national, and regional levels, states (Robbins, Pantuosso, Parker & Fuller, 2000). This suggests that the relationship between entrepreneurship and economic growth requires one to aggregate the contribution of individual entrepreneurs. However, Todtling and Wanzanbock, (2003) point out that this view requires that entrepreneurs, either as individuals or a team, demonstrate their willingness and ability to generate new economic opportunities. Carree and Thurik (2002) argue that the number of market participants in any industry ultimately has a significant bearing to economic growth, as such it is important to be mindful of the “turbulence effect” of enterprises, which is the effect of entries and exits in the market.

According to Nwokike (2015), small businesses are the core of any country’s economy and that entrepreneurship can impact the economy of a country in diverse ways. He posits that entrepreneurship has the potential to create employment, provide services and products needed and create wealth for themselves and their community and country. He suggests that it is through entrepreneurship that important innovations enter the market leading to new products or production process which eventually increases market efficiencies through intensifying competition among market players. Nwokike (2015) further suggests that the future of Africa’s economy is largely dependent on its entrepreneurs and on government policies on entrepreneurship.

Similarly, Singh & Singh (2015) find that countries with a higher degree of entrepreneurship often have elevated levels of innovation and technological advancement. They suggest that entrepreneurs create new jobs, intensify market competition, and can also increase productivity through technological innovation, thereby creating their wealth that which contributes towards improving the economy. Along similar lines, Thulo (2015) suggests that entrepreneurship is a key driver for job creation and economic growth, with South Africa’s National Development

Plan (NDP) asserting that 90% of new jobs will be created by SMMEs by the year 2030. However, given the high level of unemployment in South Africa and a relatively large SMME sector, this seems to be contradictory. This study will seek to explore the link between entrepreneurship in the townships and employment creation.

Of particular concern to this study is the relationship between entrepreneurship and job creation. There is an inconclusive debate in the literature about the relationship between unemployment and entrepreneurship. On the one hand, one strand of literature argues that unemployment stimulates business entrepreneurship, which is described as the “refugee effect” (Aubry et al., 2015). On the other hand, another strand in the literature argues that higher levels of entrepreneurship reduce unemployment, in what has been termed as a “Schumpeter effect” (Mehmood et al., 2019). Taken together, these two opposing arguments result in considerable ambiguities about the relationship between unemployment and entrepreneurship (Carree & Thurik, 2002).

### **2.3.3 Significance of entrepreneur characteristics**

The question of “what characteristics and traits make for a successful entrepreneur” is a matter that has been extensively researched over the years. This body of research has aimed at developing a typical profile that identifies the key attributes of a successful entrepreneur. A few studies have attempted to answer this question. For example, Singh & Rahman, (2013) identifies five critical actors that are associated with successful entrepreneurs. These are innovation, a futuristic mindset, risk taking propensity, adaptability, and commitment. Likewise, James, Boulton, Carland, & Hoy (2007) while acknowledging that entrepreneurs are not homogenous identify three general traits that characterize entrepreneurs as a whole: the need for achievement, preference for innovation and an inclination to take risk.

Individual characteristics of entrepreneurs consist of ascribed characteristics, achieved characteristics, learnable characteristics, and requirement characteristics of being a successful entrepreneur. Ascribed characteristics are attributed to inherited genes. These are the ones one is born with; they develop over time and are influenced to some extent by few factors, such as age; race; ethnicity; gender and socio- economic origin of the entrepreneur (Ferrante, 2008).

Achieved characteristics are acquired through some lifestyle choices, efforts and abilities and they include one’s level of education; occupation; work experiences (Ferrante, 2008). Learnable characteristics are qualities that are highly preferred in people with perceive as highly

influential in the business sector. For example, some studies such as by El Hallam & St-Jean, (2016) suggest that an entrepreneurs’ chances of being successful can be enhanced and qualities such as skills and behaviour can be acquired by mentorship and nurturing. This argument is resounded by Nieuwenhuizen (2004) where it is suggested that characteristics of entrepreneurs can be acquired by birth, through the individuals’ life experiences and through the process of being an entrepreneur.

**Table 2:** Characteristics of entrepreneurs.

<b>Types of characteristics</b>	<b>Attributes</b>
Learnable characteristics	Need for achievement; Need for power; Calculated risk taking; Commitment and determination; creative tendency; Leader “ self-confidence; Innovativeness; Tolerance of risk, ambiguity, and uncertainty; Recognizing and taking advantage of opportunities; Resourcefulness; Creativity; Visionary; Independent thinker; Hard worker; Optimistic; Creativity, self-reliance, and the ability to adapt; Motivation to excel; persistence in problem solving; taking initiative and personal responsibility
Ascribed characteristics	Race; ethnicity; gender; socio- economic origin; age, family influence
Achieved characteristics	Education, Experience
Demand and requirement characteristics	Accommodation to the venture; stress; Economic and professional values, Ethics, Team building and creativity; knowledge and experience of the business environment

**Source:** Neneh (2011)

Further, various models have been proposed in the literature to predict entrepreneurial success using elements that relate to the business owner directly such as the entrepreneurs’ characteristics and actions, and external factors such as the business environment. These include the Giessen Amsterdam model of entrepreneurial success, the human capital model, and the personality-based model. The models and studies and highlighted above agree that the success and growth potential of a small and medium enterprise lays greatly in the characteristics of the entrepreneur.

The idea that the success of an enterprise is necessarily determined by certain characteristics of the entrepreneur has, however, been equally criticized in the literature. Chell (2008) notes the following “we do not believe there is any single set of characteristics that every entrepreneur must have for every venture opportunity”.

This study takes a middle-ground and less secure position in this debate. This study attempts to find out the extent to which these characteristics of successful entrepreneurs are present and homogenous among SMME owners. This dispassionate view considers that these ideal characteristics of entrepreneurs are not easily observable and that they require a significant degree of interpretation and even judgement.

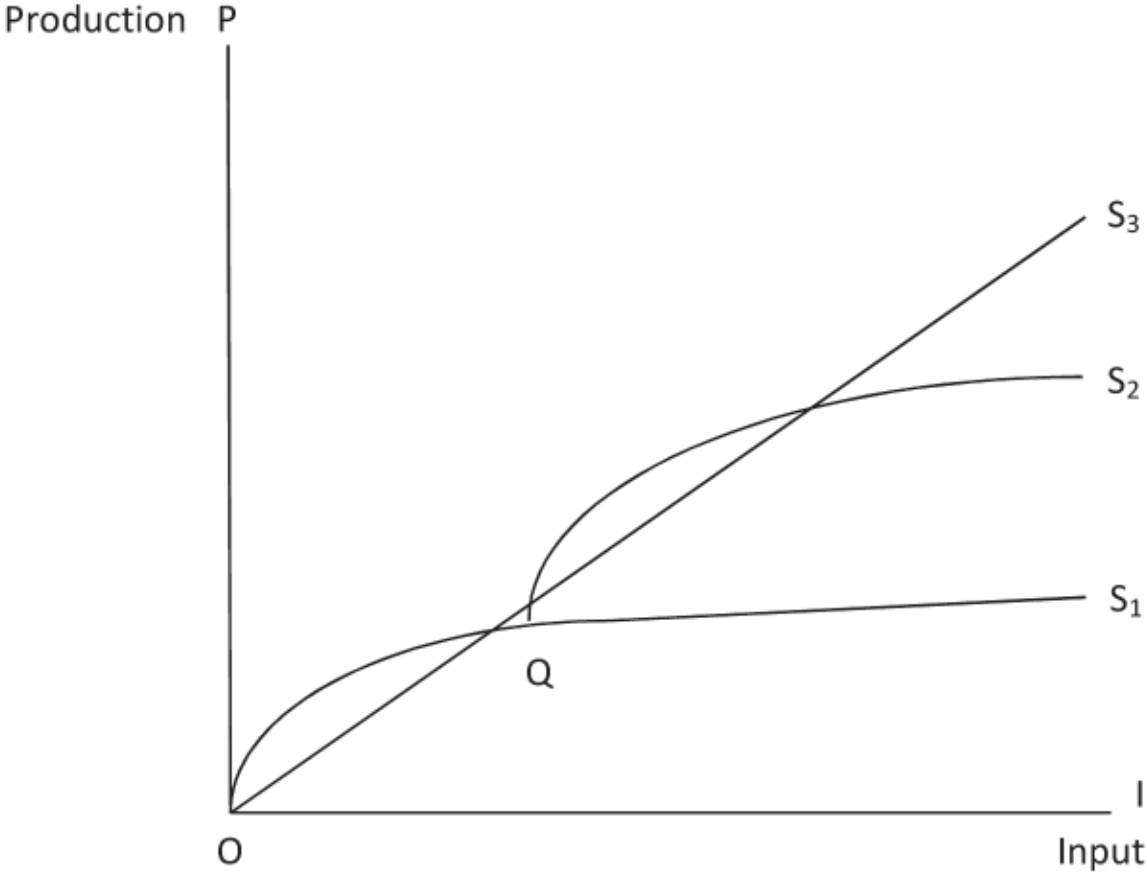
#### **2.3.4 The role of informal economy**

The potential contribution of informal/unproductive/necessity entrepreneurs towards economic growth and development is extensively debated in the literature. The consensus is aptly summarised by Berner, Gomez and Knorringa (2008). They stress that the motivation of unproductive entrepreneurship is not growth but survival, and serves primarily as a buffer against sinking deeper into poverty – its contribution to economic growth and development is marginal. Schramm (2004) confirms that policies aimed at promoting unproductive entrepreneurship are most often not successful. Banerjee and Duflo (2011) state that most informal businesses are established for survival.

They argue that such entrepreneurs do not have the talent, the skills or the appetite for risk needed to turn informal businesses into successful businesses. However, they also suggest that informal businesses still have a significant role to play in the lives of the poor, as these small businesses will be the only way that many of the poor will thrive in the near future.

In a microeconomic context, Figure 1 below shows the production technology of many informal businesses as well as the impact of entrepreneurial conduct in enhancing competitive advantage through improved inputs (e.g. technology and capital). **OS1** reflects international as well as South African evidence on the production function of many informal businesses. It shows a steep increase in production after business establishment but flattens very quickly, implying limited growth potential (Banerjee & Duflo 2011). This pattern suggests low overall returns despite high initial marginal returns. The production curve **OS3** reflects the production technology of entrepreneurially endowed and growing businesses. Elevating the production curve to **QS2** requires entrepreneurial ingenuity.

**Figure 1:** The S-shape of entrepreneurship



**Source:** Adjusted from Banerjee & Duflo (2011)

The fact that marginal returns are high should imply that it is possible to increase production by allocating more resources to the business, but this does not happen. The answer to this dilemma is summarised by Banerjee and Duflo (2011) as follows:

“Taken together, this evidence makes us seriously doubt the idea that the average small business owner (in the informal sector) is a natural ‘entrepreneur,’ in the way we generally understand the term, meaning someone whose business has the potential to grow and who is able to take risks, work hard, and keep trying to make it happen.”

## **2.4 Empirical review: Challenges that affect SMMEs**

There are numerous challenges that SMMEs face across the globe, according to Morrison (2006) the most common and critical ones have been emphasized in this paper. There is inadequate technological capacity because business owners have limited knowhow in the deployment of the technology. SMME owners and managers currently do not have the correct knowledge and ability to choose the right technology for their business needs. SMMEs have a tendency of being businesses with a low productivity rate and because of these SMMEs making use of technologies which are not advanced, this results in the SMMEs being uncompetitive in relation to the larger firms (Morrison, 2006).

Innovation relies heavily on research and development; this is especially true for SMMEs in the manufacturing sector. If SMMEs cannot carry out extensive R&D, they are at great risk of falling behind competitors in innovation and technology. On average, countries that are developed spend approximately 3% of the overall GDP on research and development initiatives. Some developing countries such as China, India and Brazil have in recent years built up their research and development expenditure to the levels of most developed countries (Morrison, 2006).

According to reports by the World Bank (2014), African entrepreneurs need to start investing in relevant technology in order to increase the capacity that their SMME currently has and to also improve the quality and productivity of production, which in the long run, will increase competitiveness.

Another challenge faced by the SMMEs is the increased connectedness that globalization has brought about. Globalization brings with it the pressure for SMMEs to reduce production costs, increase productivity and become more knowledge intensive (OECD, 2001). The most distinctive attribute of globalization has been the deep-seated change in the economic landscape which has shifted economic activity away from a local focus, to more international and global.

Globalization increases the competition in the sector SMMEs operate in. In order to survive, thrive and achieve success for SMMEs, the owners must reach a place where they have full understanding of the dynamics at play, develop the skills and competencies that will give them

a competitive edge. For SMMEs to combat the intensified competition that is brought on by globalization, SMME owners need to be able to perceive changes in the world which are both current competition and any potential competition. This will help the business remain viable and successful (OECD, 2000). Porter's Competitive Forces Model postulates SMMEs fail because they cannot keep up with the competitiveness of the international firms.

The macro-environment is an economy or circumstance that involves factors outside the business that are complex circumstances and these variables play a major role in promoting entrepreneurship during the life cycle of every SMME (Simpson, Tuck, & Bellamy, 2004). For example, macroeconomic factors, such as inflation, taxation, unemployment, etc. cannot be controlled by SMME managers and the very growth and success of SMMEs depends heavily on how well management navigates through these factors (Mazzarol, Thierry, Noelle, & Vicki, 1999).

This definition of the macro-environment was reiterated by Dahlqvist et al (2005) where they explained macro environmental factors as external factors that present opportunities, threats and information that would have an impact on all entrepreneurs and SMMEs within that environment. Mambula (2002) also cites another challenge faced by small businesses is the harassment of government officials to extort money from companies. Mambula (2002) further adds that implementation of any existing policy can be difficult because of the constant changes that come along with governmental administration changes and inter-government conflicts.

In addition, Themba et al (1999) highlight the important impact that the political institutional aspects of an economy such as the political climate and the regulations and laws have on the development of entrepreneurship in developing nations. Regional political instability result with many SMMEs from the region flooding into other African states and increasing competition for the local SMMEs (Ahwireng-Obeng & Piaray, 1999).

The lack of capital and limited access to financing through traditional institutions is a massive barrier to entrepreneurship and negatively impacts the growth of existing SMMEs; this is because it hinders the advancement that comes from the application of resources in a manner that is timeous (Cant & Ligthelm, 2002). The traditional financing avenues avoid lending to

SMMEs as these types of businesses are high risk, have no collateral and they cannot produce dependable financial track records (Mughan, Lloyd-Reason, & Zimmerman, 2004). Majority of the SMMEs that can secure start-up finance find the cost of capital is too high.

Also, according to Thulo (2015) the lack of access and infrastructure was one of the biggest challenges identified by the entrepreneurs because the infrastructure does not support progressive business climate.

A lack of such facilities would thus result in increased overheads for businesses as they now must spend more to obtain such facilities on their own. The quality of infrastructure in a country can heavily affect the growth prospects for SMMEs.

Furthermore, Dickey (1994) identified proper management of cash flows as one critical reason why small businesses fail. On start –up or expansion, more financial resources need to get invested for a while before any benefits can be realised by the business owner. Tilley (2005) identified a set of reasons to explain why small businesses fail which included the dominance by the owner over employees instead of taking a more leadership role, a weak finance function, lack of management depth and poor governance structure shown by a nonparticipating board.

According to Cant & Ligthelm (2002) bad budgeting, lack of staff training, bad personnel relations, bad stock control and bad customer relations as the main reasons why thousands of businesses are failing. Also, Mambula (2002) after assessing 32 small businesses in Nigeria ascertained that small businesses fail because of lack of training and lack of acquired foreign capital to purchase machinery and small parts.

Van Aardt and Bezuidenhout (2002) have identified major reasons for the failure of small businesses; namely, poor management skills, poor record-keeping, poor money management, and too little effort to market the business, poor planning, poor pricing practices, etc.

Furthermore, in South African there are general observations regarding entrepreneurs and SMME challenges, amongst others the following:

- The informal economy is not organised;
- Lack of understanding of informal sector by various government department and other stakeholders.

- Conflict between the informal traders and law enforcement in the executing of their duties and not providing sufficient information on how to comply with rules and regulations.
- There is alleged outcry by traders that foreign nationals taking over spaza shops in local areas.
- The rising unemployment rate and how this impact on the informal trading space.

Lastly, to sum up the impact of entrepreneurship to economic growth Carree and Thurik (2002) have provided five strands of empirical evidence to show their involvement;

1. The first evidence mainly deals with the turbulence effect of entrepreneurship on the growth of economy. Turbulence can be viewed as the total entries and exits in regions or industries and can easily be interpreted as one of the powerful indicators of entrepreneurial activities.
2. The effect of and changes in size distributions in regions represents.
3. The number of market participants in any industry will finally have an important effect on economic growth and this is recognized as another strand of evidence of the role of entrepreneurship in economy expansion.
4. The effect of the number of business owners and self-employed individuals in economic growth.
5. The economic history of previously centralized and planned economies will also have an influence in economic growth of countries.

In South Africa, entrepreneurship is also considered a key driver for job creation and economic growth, with the National Development Plan (NDP) stating that SMMEs will create 90 per cent of jobs by 2030 (Thulo,2015). The reality is however, that the levels of entrepreneurship in South Africa are worryingly low.

## **2.5 Conclusion**

This chapter summarizes the theoretical, conceptual, and empirical evidence on the topic being studied. From the point of view of township economy, literature covering the entrepreneurs' understanding and challenges that affect SMMEs in the informal sector is limited. There is, however, evidence that township economy can play a significant role in bolstering the

development of small businesses, thereby empowering, and creating jobs. In fact, research goes as far as to say that township economy is a most visible and vivid backdrop to the vibrancy of township life through these informal businesses. However, the research clearly indicates that there are many challenges that may inhibit the potential positive impact of township economy. Thus, it is imperative to investigate the entrepreneurs' understanding of township economy and the challenges in the sector to work towards effective change.

From the above reviewed literature, it has been established that global economy tends to reinforce the links between poverty, informality, and gender, which this current study scope does not address in depth.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter is concerned with the methodological approach employed for this study. Firstly, the research design was discussed and its justifications presented. The chapter discussed data collection tools and procedures. This section also explained the sampling techniques used and outlined the demographic distribution of the informants. In this regard, the chapter offered methodological and practical justifications for the choice of data collection tools and sampling techniques. The third section explained how data collected was analyzed and explained how findings from data collected were checked for validity and reliability. Finally, the chapter highlighted key ethical considerations that were given due attention in this study and mitigating steps taken throughout the study.

### **3.2 Research Approach and Research design**

The research explores how the township economy impacts on the young entrepreneurs who run SMMEs in Galeshewe Township. Brewerton and Milward (2001) define research design as the strategy or schedule used to collect evidence, to analyze the findings and from which to draw conclusions in a study. The research design therefore ought to address the central question of what type of study will be undertaken to provide acceptable answers to the research problem or question (Leedy and Ormond, 2001). The study employed a qualitative research design. In conducting this study primary research methods were employed.

Further, the choice of a qualitative study was appropriate given that the research was aimed at examining the perception of impact of running small enterprises in Galeshewe Township from the perspective of young entrepreneurs. In this regard, this study required detailed explanations from informants which could only be achieved through a qualitative research design. This is consistent with Sutton and Austin (2015) who observe that qualitative research can help researchers to obtain the thoughts and feelings of research participants, which enable development of an understanding of the meaning that people attribute to their knowledge.

The research utilized the case study approach. Consistent with Benbasat et al. (1987), a case study was considered appropriate for this study because it was necessary to study the phenomenon of 'the township economy' in its natural setting. A case study also complements the qualitative research design given that it allows the flexibility of asking "how" and "why" questions, to understand the nature and complexity

of the phenomenon. Further, the case study of Galeshewe Township was appropriate given that to the best of my knowledge, very few, if any, previous studies have been undertaken focusing on Galeshewe's economy and the entrepreneurs who operate in the township. This follows from Eisenhardt (1989) who posits that case studies are "particularly well suited to new research areas or research areas for which existing theory seems inadequate".

### **3.3 Data Collection**

A combination of primary and secondary data was used for this study. Face -to face interviews with entrepreneurs were used to gather primary data. These entrepreneurs were selected from a government database of registered SMMEs, most of whom have received government funding. This involved visiting the youth in their places of business, and conducting recorded interviews which lasted between forty and sixty minutes. The main objective of this personal approach was to maximize the response rate.

This being a descriptive study, face to face interviews were appropriate because there was an imperative to get detailed answers about the informant's entrepreneurship journey and challenges. To this end, the interviews were semi-structured which allowed for flexibility in terms of steering the conversation and giving the respondent room to provide detailed explanations. The study relied on an interview guide that I prepared in advance which contained open-ended questions. Open ended questions encouraged the informants to provide detailed answers. Outside the interview guide, other questions were posed to the informants for purposes of seeking clarity and from my own immediate reflection on their responses.

#### **3.3.1 Sampling**

The study used a non-probability sampling method, specifically a purposive sampling. This type of sampling is based on the researcher's judgement and is characterized by purposeful choice of a sample of a population on the basis that it is typical and representative of that population (Kothari, 2004). My purposive sample was drawn from a database of entrepreneurs who have been funded by the government department which is maintained by the department of Economic Development and Tourism in the Northern Cape Province. This database is publicly accessible and my duty was to access the list of unregistered businesses and sample from it. To make my purposive sampling more representative, I sampled business of different types, sizes, locations within the township and whose owners were both female and male.

Emmel (2013) suggests that the advantage of purposive sampling lies in its intentional bias which allows for the selection of knowledgeable, reliable informants, in my case young entrepreneurs in the township. These entrepreneurs were best placed to answer the primary question of concern to this study, which is the functioning of the township economy and how it impacts on youth entrepreneurship, employment, and empowerment.

Tongco (2007) suggests that a purposive sample could pose a challenge since the reliability and competency of an informant rely on the judgment of the researcher, which may be subject to bias. I overcame this by selecting businesses which have been in operation for more than two years. This provided me with numerous respondents who were deeply knowledgeable on the township economy, rather than start-up entrepreneurs who are more likely to have limited knowledge and historical context of the township economy, both which were useful to my analysis. In total, 25 interviews were conducted against the targeted sample size of 32 participants. This sample size was adequate to achieve data saturation.

### **3.4 Data Analysis**

This study utilized two data analysis techniques namely, thematic analysis and trend analysis. Sutton and Austin (2015) posit that qualitative data analysis compares open ended responses from the interviews and identify trend, if any. The thematic analysis involved summarizing all the data collected to identify the common issues that recur, and identify the main themes that summarized all the views from the data collected. Thematic analysis involved analyzing field notes and listening to interview recording multiple times and comparing them to discern deeper meaning and identifying the common themes.

This study also utilized the trend analysis technique which involved collecting data about users as well as from users. This data is then analyzed to determine a trend and is then analyzed further to determine its development over time. This was important to identify characteristics of entrepreneurs which as I highlighted earlier is critical in determining the overall success of SMMEs.

In coming up with findings for this study, I drew on interpretations drawn from responses and ‘stories’ of informants consulted and took account of the themes and trends earlier identified. The findings were then presented the findings in a manner that was both respectful to those participants and meaningful to readers and as faithfully as possible.

### **3.4.1 Validity and reliability**

Leedy (1997) states that validity is concerned with the soundness, the effectiveness, of the measuring instrument. Rubbin & Babbie (2011) describes validity as the extent to which the researcher is measuring what was set out to be done, and that the instrument measured what it was intended to measure. It is essential to determine whether the findings are correct from the position of the researcher, the participant, or the readers of the account, this is to ensure the validity of the qualitative approach (Creswell, 2003).

Leedy and Ormond (2001) point out that the results of a study are reliable if the study will yield similar results if repeated using the same methods. Similarly, Zikmund (2011) defines reliability as the degree to which measures are free from error and therefore yield consistent results. According to Golafshani (2003), reliability as a concept is inapt for qualitative studies. Validity and reliability for this study was ensured by sharing questions with the respondents beforehand and designing the data collection instrument which saw the respondents give responses to the same open-ended questions. Validity for this study was further ensured by designing the relevant interview questions around already established concepts and theories.

### **3.5 Ethical considerations**

Given that this study involved human respondents, several ethical issues that could potentially arise while carrying out this research were envisaged, and the face-to-face interviews. To guard against any harm from coming to the informants, I prepared an informed consent for my potential informants. The consent forms were signed by the informant before the interview commenced. In situations where the informants were uncomfortable signing the form, I obtained verbal consent from the informants which was sufficient for my purposes. In the consent form, I described that the informants were not obliged to participate in the interview, were free to withdraw at any time from the interview, and that would not be compensated in any way.

The interviews conducted were audio-recorded with the permission of the informants in line with the informed consent letter. I also used memos to record important observations and notes during fieldwork. All interviewees were guaranteed anonymity for themselves and their enterprises. The informed consent letter ensured that informants were well-informed about what participation entails, and reassured that declining will not affect any services they receive.

## **CHAPTER FOUR: DISCUSSION OF FINDINGS**

### **4.1 Introduction**

This chapter presents and analyses the findings from the semi-structured questionnaires in which both closed and open-ended questions were used to gather data from 25 research respondents. The chapter presents the results of the qualitative and exploratory study based on the interviews conducted. The chapter on findings of the study comprises five sections. Section 4.2 details the demographic profile of the respondents in terms of gender, age, level of education and previous experience. Section 4.3 presents respondents' perspective about SMMEs and township economy; Section 4.4 presents responses to questions related to the challenges faced by the youth in the SMME sector; and lastly, Section 4.5 is the conclusion of the chapter.

The survey questionnaires were distributed to 32 small business owners. Twenty-five (78.13%) of the 32 respondents answered the questionnaires, while some respondents were reluctant to respond, indicating that they, possibly, did not have enough time to do so, while others were not interested in participating in the survey.

### **4.2 Demographic characteristics of participants**

The sample of respondents for this study was drawn from the population of SMME business around Galeshewe Township who mainly were informal business SMMEs. The twenty-five participants in the study were operating from five different locations around the township. Two respondents were operating from an incubation centre, the other two operating from different locations (moving around from place to place), four respondents interviewed were street vendors, eight respondents operating from illegally occupied land, and nine respondents operating from home. The respondents in the study were participating in various nature of business categories. Six respondents were involved in the food stands (Chisa nyama), five were in hair salon, another five in tailoring/ sewing business, another five in tyre and exhaust pipe repairs, three in the fruit and vegetables stands and one in shoe repairs. Seven respondents were shebeen/tavern business, which unfortunately due to the COVID19 epidemic, could not participate. Tavern owners did not want to participate because they were unhappy with the government's failure to support them during the COVID19 lockdown.

The next paragraph presents the demographic profile of the twenty-five respondents that constituted the sample. The gender of the respondents, as shown in Table 3, is that there were 14 males (56 percent) and 11 females (44 percent). The average age of the twenty-five respondents was 27 years with a minimum age of 17 years and a maximum age of 36 years. The data in Table 3 further indicates that fifteen of the respondents (56 percent) were between 30 and 49 years old. The majority (60 percent) of the respondents were over the age of 30 years, with only two respondents (40 percent) being younger than 30 years of age. The educational profile as shown in Table 3 below indicates that, at the time of this research, six of the respondents (24 percent) had a tertiary qualification a post matric certificate or diploma. Eight of the respondents (32 percent) had a secondary qualification, five (20 percent) had elementary education and six respondents (24 percent) never went to school. The previous experience of the respondents was very diverse. These included being a student, unemployed and previously operating a business. This study found that the major drivers for the establishment of the small businesses were unemployment (40.0 %), profit making (40%), innovation (16.0%) while the other drivers including, inheriting the business, motivated by family and friends etc. only accounted for four percent.

**Table 3: Demographic characteristics of respondents**

<b>Variable</b>	<b>Attributes</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>	Male	14	56.0%
	Female	11	44.0%
<b>Level of education</b>	Tertiary level	6	24.0%
	Secondary	8	32.0%
	Elementary	5	20.0%
	None	6	24.0%
<b>Age</b>	16-19 years	4	16.0%
	20-29 years	5	24.0%
	30-35 years	15	56.0%
	36> years	1	4.0%
<b>Experience</b>	Student	2	8.0%
	Unemployed	13	52.0%
	Previously in business	10	40.0%
<b>Motivation to start business</b>	Innovation	4	16.0%
	Unemployment	10	40.0%
	Profit making	10	40.0%
	Other	1	4.0%

**Source:** Author's own analysis

In conjunction with the demographic analysis, part of the in-depth exploration of the gender and education profile, the distribution of men and women was examined by means of

crosstabulation on the variables. Table 4 indicates that, in terms of education qualifications, only two women had completed secondary education in comparison with six men, four men had undergraduate degrees, compared to one woman; and two men had no education, compared to four women. This suggests that most of the women who took part in the study had no matric, and that there was a high illiteracy level among the women, as compared with the men. The findings agree with those of Peters, Van Gensen, Issacs, Botha and Naicker (2014), who affirm that, in comparison with female entrepreneurs, male entrepreneurs are more educated, and tend to have business and managerial skills. This is, therefore, a concern, as the gender distribution implies that most female business owners have relatively low education levels. Qualifications play a role in business, as the better the qualifications that a person has, the more likely it is that they could be successful. Therefore, there is, possibly, a strong correlation between education and business success.

**Table 4: Cross-tabulation between gender and level of education (n=25)**

<b>GENDER</b>	<b>LEVEL OF EDUCATION</b>				<b>Total</b>
	Tertiary level	Secondary	Elementary	None	
<b>Male</b>	4	6	2	2	<b>14</b>
<b>Female</b>	1	2	3	4	<b>10</b>
<b>Missing</b>	1				<b>1</b>
<b>Total</b>	<b>6</b>	<b>8</b>	<b>5</b>	<b>6</b>	<b>25</b>

**Source:** Author's own analysis

### **4.3 Thematic Findings: Perspective of entrepreneurs about township economy**

The thematic analysis of the response to the questions on the perspective of entrepreneurs about township economy revealed three themes they associated with township economy: empowerment, employment, and entrepreneurship.

#### **4.3.1 Empowerment**

Interviewee 4 expressed that participating in the township economy as unregistered businesses is empowering them for future business endeavours. This sentiment agrees with those of Von Broembsen (2010) who found that the informal businesses are well-defined as not registered, unregulated economic activities that contribute to the gross domestic product. On the statement

that township economy is predominately a male space (Interviewee 2), these findings mirror that of Chiloane-Tsoka (2013) who proclaims that in the past South African laws deprived Black women in the economic stream as laws were gender biased. In contrast to these findings, according to ILO (2002) the informal economy has historically been seen as a catch pool for women and men who are unable to find employment in the formal economy and thus forced to work or establish their own employment through low, often marginal, economic activities. In South Africa, informal economy actors are entrepreneurs not by choice, but rather by opportunity, and are likely to take up formal employment where such opportunities arise. Due to the lack of formal sector opportunities and the limited state of welfare, many individuals, operating in terms of a small-scale, cash-based business, are defined as survivalist enterprises (Charman et al., 2012). Interviewee 15 expressed that *“We are into this for survival as individuals and for our family too”*.

#### **4.3.2 Employment**

According to 25 interviewees, they unanimously agreed that township economy contributes towards job creation. One of the township entrepreneurs expressed that *“I never refer to myself as unemployed because I get up every day like those who work at the firms or mines even though I did not complete school”* (Interviewee 18).

Interviewee 6 said, *“Township economy is for those who can't find jobs in the formal economy”* Interviewee 9 who has no formal education said, stated that *“To participate in the township economy there is no high levels of education and skills needed”*. These findings are supported by ILO (2002) through its Development Policy Research Unit (DPRU) which states that the youth access to the formal job market is constrained by the comparatively poor education standards of township primary educational institutions. As a result, the rate of school noncompletion is high in absolute terms. This concurs with the 11 of respondents who do not have matric, whilst those matriculating have reduced opportunities for post-school training. This is evident in the seventy three percent respondents in this research.

#### **4.3.3 Entrepreneurship**

Another theme that emerged amongst the candidates was that the township economy is synonymous to entrepreneurship. Interviewee 25 experienced that during and post COVID19 pandemic *“as an entrepreneur did not think outside the box, I continued to do business as usual”*, this

was not of assistance as the pandemic came with tight regulations making it impossible to operate their business. This statement highlights how difficult it is for the youth in the township economy space to be innovative. To support the above- mentioned finding, Mullins (1994) cited difficulties in gaining access to appropriate technologies, uncertainty surrounding new technologies and information on available techniques. It is believed that this limits innovation and SMME competitiveness.

Interviewee 20 has been selling sweets since primary school, and said *“I have always seen myself in my adult life as an entrepreneur, self-employed and creating jobs.”* In addition, Interviewee 13 stated that he has employed two casuals to assist in the tyre repairs. Furthermore, Interview 19 concurred *“I have created more jobs especially over weekends because the chisa nyama business blooms during weekends.”* It is argued that entrepreneurs are a predominant source of income and employment for hundreds of millions of people worldwide. USAID (2009) opined that in many countries, microenterprises - small, informally organized commercial operations constitute most businesses. The SMME sector’s influence on individuals, households and national economies is clear and profound. The above-mentioned findings were also alluded to by Shakantu and Kajimo Shakantu (2007) citing Siddiqi (2005) and Kesper (2000) suggested that entrepreneurs are the real potential engines of wealth creation, value re-orientation, job creation and poverty eradication in South Africa. According to Richards (2006), addressing the high unemployment rate and poverty levels has been hampered by the poorly developed entrepreneurial culture of job creation. Business entrepreneurs should rethink their ways of operating, and they should develop new business models, to survive, and thrive, in the ever-changing, and dynamic, global economy and create jobs.

#### **4.4 Thematic Findings: Challenges faced by the entrepreneurs in the SMMEs sector**

The thematic analysis of the response to the questions to identify the challenges faced by entrepreneurs in the SMME sector in Galeshewe Township revealed five key challenges related to: poor access to finance, crime, infrastructure, suppliers, and inadequate mentoring and monitoring.

##### **4.4.1 Poor access to finance**

According to 19 out of the 25 interviewees, the consensus was that access to finance is a major issue for these township business owners. The candidates mostly referred to the issues of red tape and affordability being the major constraints to accessing loans from these government agencies and institutions. Interviewee 14, who had approached banks and microfinance organizations was rejected, stated that *“I have been turned away by banks and microfinance organizations when I applied for financial assistance all the time”*. Interviewee 24 has been

trying to get a loan for two years without any luck, and their experience regarding to barriers to finance included *“my business is unregistered and I have no collateral.”* Interviewee 11 stated *“you go out there requesting family to be your collateral but still you are rejected”*. Interview 8 stated *“They just come up with tons and tons of excuses to make the loans inaccessible.”* More than half of the interview candidates had received financial assistance from family and friends. This indicates that micro financiers and banks do chase small businesses away when they require financial assistance. This is in contrary with the opinion of Sharpe (2013), who elaborates that an entrepreneur requires funding, and moreover, that the funding should be accompanied by training to encourage entrepreneurship. In addition, the evidence indicates that financial support is crucial, and that it is vital for businesses to survive. The findings coincide with those of Fatoki (2014), who agrees that a lack of financial support contributes to business failure, and that it is regarded as the second aspect on constraints of business owners after education and training in South Africa.

#### **4.4.2 Crime**

All the respondents that were interviewed were affected by crime in their area of operation. Most of the respondents that were dissatisfied expressed that police were not making any progress about their cases that are investigated. Interviewee 1 expressed *“It is really a pity that police are not taking the cases seriously. The culprits are known by the community and no arrest has been made.”* Interviewee 5 expressed that, *“although I made numerous calls to the police when I was hinted where my stolen equipment was kept, it was in vain.”*

Interviewee 9 stated *“The abuse of drugs by the youth is a major factor. The community members are afraid of these drug junkies, lest they attack them more”* This is evidence that many businesses are affected by crime. Interviewee 12 and 14 stated, *“Crime is hindering my business’ chances of growth in township”* and *“Crime is a worrying factor for my business.”* respectively.

These findings coincide with those of Ramunkumba (2014), who is of the opinion that crime, such as theft, is a challenge to business growth. The findings confirm that the types of crimes experienced were theft of property break-ins and robberies, which hampered their businesses. The findings strongly suggest that crime is among the factors that were experienced by business. Furthermore, the findings agree with those of Mboyane and Ladzani (2011), who elaborate that

entrepreneurs are affected by crime, ranging from robberies, break-ins and vandalism, and that employees are being injured, or traumatized. It is proof that small business owners strongly agree that crime affects their business.

#### **4.4.3 Infrastructure**

The respondents pointed out that the primary reason for the limited growth in the township economy was the poor infrastructure for business space. The lack of well-designed services from the Municipality offices to deal with specific township business problems. The informal entrepreneurs are frustrated as they often receive no responses about their challenges and yet what they need are specific solutions to their areas of operation and where possible individual circumstances. Interviewee 7 stated *“There is water running in front of my business spot and it is dirty and smelling”*.

It is evident therefore, that infrastructure and services such as electricity, water, and lack of resources was the one greatest obstacle facing SMMEs in the Galeshewe Township. Results from the respondents suggest that more than half of the respondents operated from an ‘unregulated’ space. These respondents stated operated in the ‘unregulated’ space because they can dodge paying taxes, etc. The study revealed that the respondents are comfortable working from home because there are no additional overheads to run the business, for example, travelling costs. *“I cannot afford rental”* (Interviewee 15). Respondents said *“we have no conducive space to operate from because the provision of businesses spaces at incubation centres is for registered businesses”*.

The findings of Gwija, Eke and Iwu (2014) highlight that, due to bureaucracy, aspects of legality of the registration processes take too long, and that other barrier, like costs, might lead to the businesses not registering.

*“Local government should introduce information campaigns to help small businesses register with the CPIC”* (Interviewee 12). *“Social media and radio can be effective tools to inform us of such campaigns”* echoed Interviewee 16. It is therefore, recommended that the registration process be curtailed and other means of communication be utilized.

#### **4.4.3 Suppliers**

The proportion of SMMEs that are having supplier related challenges is arguably high. Many of the candidates complained that supplier proximity is a problem. Interviewee 10 stated *“I think that having a wholesaler for my goods in the area would assist to cut costs (e.g., travelling, higher prices, etc.) and it would allow me to become more competitive.”*

Many of the respondents strongly agreed with the statement that they thought that they were disadvantaged in terms of price by suppliers, owing to the fact that they operated far from the central business district. This reflects that most of the respondents indicated that they had challenging issues with suppliers. The findings agree with those of Siemens (2010), who agrees that it is time-consuming, and costly, to transport products and to reach suppliers.

#### **4.4.5 Mentoring and Monitoring**

Many interviewees asserted that township economy-based mentoring and monitoring is lacking. Governmental institutions *“must try to contextualize the trainings they provide to the informal sector”* (Interviewee 1). It is evident from this study that small business owners within informal settlements lack key information essential to the development of their businesses. They do not know the importance of acquiring finance, registering their businesses, marketing their products, using technology, and separating their own funds from that of the business. The local government should have a small business mentoring and support programme which engages with the SMMEs in the townships, identifying their needs and providing expert advice on how they can solve their problems.

For example, *“mentors can advise business owners on the registration process, help them prepare proposals for funding, basic bookkeeping, and marketing techniques”* (Interviewee 19). Additionally, *“the mentoring should go hand in hand with monitoring to advise the government on the real issues faced by us and how they can address them”* (Interviewee 23).

It is evident that in terms of accessing any mentorship and monitoring support services it is vital that such services be brought to the communities where they are easily reachable, and where they are delivered within the communities, so that the business owners do not have to travel far to access them.

## **CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

In this chapter, the final summaries and conclusions will be drawn. The aim of this study was to examine the youth entrepreneurs' understanding of township economy and investigate the challenges faced by SMMEs in the informal sector. The study gathered information through qualitative interviews with selected SMMEs in Galeshewe township. The study further considered the constraints facing SMMEs, and made suggestions that should be able to assist businesses to be sustainable, and to flourish, to enable them to contribute to the GDP of the country, decrease unemployment and alleviate poverty. Then, the appropriate policy recommendations will be proposed to address the challenges faced and finally concludes with suggestions for further research.

The literature review focused on various factors, both positive and negative facing businesses in Galeshewe. The aim and objectives were discussed, and the research findings, and discussions, were briefly summarized. The findings of the study were summarized, and recommendations were made regarding the township economy and SMMEs' development. It is concluded that government support plays an important part in its interventions for these businesses through various department and entities.

The findings of the study reveal that all the challenges need to be addressed for the optimal impact of township economy towards poverty alleviation and economic development and growth in the area.

### **5.2 Summary and Conclusions**

The purpose of the study was to understand the challenges and entrepreneurs' understanding of township economy and its impact on empowerment, unemployment, and poverty. Evidently, there were many more challenges faced my informal SMMEs that arose when analyzing interview responses. Drawing from the findings above, it is evident that the red tape of government processes needs to be relaxed. A large amount of SMMEs do not have access to long-term support in the form of mentorship, guidance, or any sort of assistance with market access.

It can be concluded that having knowledge of economy in general and its impact on unemployment, empowerment and poverty alleviation is crucial as such support through business skills development and mentoring should be provided. As small businesses play a vital role in the communities where they operate, financial support is crucial for a business, for it to expand. There is a need to have a viable infrastructure in place that can support these businesses, and be conducive to their sound operation. Furthermore, interventions need to be undertaken in support of black women in business. This is because the existing skills shortages need to be addressed, and the appropriate empowerment tools should be implemented at all levels. A possible idea derived from the study is that there may be a need to develop additional business hubs in Galeshewe, where SMMEs will have a secure environment in which to trade. The aim of the research was to somehow determine the extent of entrepreneurship development in Galeshewe and examine whether the local government incentives were available to boost the local economy, in particular informal economy. The study investigated what barriers existed in this specific township which placed constraints on business progress. One aspect that was not considered at all in this study was the influence or impact of politics on the functioning of enterprises; this is a delicate matter but could be considered in future research.

### **5.3 Policy Implications**

Based on the findings of this study, the South African government has a few options to consider in relation to township economy and entrepreneurial participation increase through youth empowerment. The Department of Small Business Development; Department of Planning, Monitoring and Evaluation; Department of Science and Technology; the Department of Trade and Industry; The Industrial Development Corporation; and, other relevant government entities would be the key contact departments for the findings of this study.

The challenges faced by informal SMMEs in township have considerable negative consequences on their development. It is imperative for state institutions to channel and focus on developing township economy as an intervention towards poverty alleviation, creating jobs and empowering youth entrepreneurs. Significantly, government institutions should focus on local sector-specific incubation hubs. Furthermore, state entities like provincial Small Business Development Department, SEFA and SEDA provide training to specialized township-based

incubation hubs, where trainers comprehend the township economy and the complexness of operating in an informal economy. As a positive result, this will also eliminate commuting costs and time for the business owners, making the services more attractive. Looking to Brazil as a benchmark, the local municipality should look for more involvement for incubation offered by Sol Plaatje University, its Centre for Entrepreneurship & Incubator (CfERI), as well as private business consultants (Timm, 2011). Other important lessons to learn from Brazil in terms of incubation include top-down incubation supportive policies, enhance innovative funding models (such as the Township & Rural Economy Grant Fund (TRE-GF) from the provincial Economic Development Department). The incubators must adopt monitoring systems to report on the progress quarterly and their impact biennial. Bi-annually, surveys should be sent out to the grant beneficiaries and township-based business owners to collect updated data on what exactly is needed by the business owners in the informal space. This will allow for consistent updating of the database and reviewing of the relevance of material in a township context. Furthermore, the case of informal township businesses should not be pressurized to formalize, rather a focus on the creation of a modernizing informal sector, as explained by Mahajan (2014). The plan should take advantage of the comparative advantages of the township economy (the ample affordable labour, plenty inexpensive land space and a large unexploited customer base) by strengthening the linkages and integration with the formal urban sector. With the government support, this will boost their viability and these businesses will be in a position where they can either compliment or compete with the formal economy. This holds significant potential for township business expansion and contribution toward the region and country's growth. Conducting research prior to training is an imperative aspect in terms of understanding the needs of the business and the time frame needing to be allocated. Although this may initially be costly, it saves the wasteful expenditure on unwanted resources, besides government departments have allocated budget for research and development (R&D).

The unemployed youth in Africa generally and South Africa are involved in traditional industries such as food processing and handicrafts, and vending and hawking --unfortunately all of which have been affected by globalization. The trade liberalization has seen the influx of Asian goods which have displaced the local products with its cheap imports. This is directly destroying many livelihoods, leaving unemployed women and youth with less or few options to diversify due to no support from the government which will enable innovation to improvise the products. In the case of vending or hawking, research recently conducted around South African townships, the findings are worrisome, for example, the cheap, new, and different types

of products being brought by the foreign nationals. This has brought about a new dimension for survival, the informal youth entrepreneurs have turned to job seeking rather than being job creators, for an example, becoming tied into multinational corporation chains through selling their products (Skinner, 1999).

The Small Business Development Department could create an environment in which private sector companies are rewarded for investing in township economy and entrepreneurship. These investments could be attracted to the relevant sectors through highlighting investment opportunities in those sectors and through tax-incentives to investors who wish to invest in informal economy. The state-owned, Industrial Development Corporation (IDC), a development financial institution mandated with capacity development and job creation in industry as key outcomes, has a direct interest in addressing unemployment. IDC could expand its objectives, through the GRO-E Youth Scheme, which encourages youth entrepreneurship and employment creation, thereby growing South Africa's economy to consider informal traders (IDC,1940). The plight of South Africa's youth, specifically the excessive levels of youth unemployment, is relentlessly in the spotlight, among young South Africans (15 to 24 years), the unemployment rate was at its highest, 59.6 percent (StatsSA,2023). Dealing with it should be a national imperative and one of government's priorities.

The IDC's approach to this challenge is anchored by three major pillars: education, work experience and entrepreneurial development. On the education pillar, South Africa should adopt a significant and ongoing entrepreneurship campaign that targets all levels of the community. Their target market should include, the illiterate youth, learners at schools from the lowest grades up to high school grades and drop outs.

Section 217 of the Constitution requires that when an organ of state contracts for goods and services, it must do so in accordance with principles of fairness, equitability, transparency, competitiveness, and cost-effectiveness (Constitution of South Africa, 1996). On 4 November 2022, when the Minister of Finance gazette new Preferential Procurement Regulations (2022 Regulations) under the Preferential Procurement Policy Framework Act, 2000 (PPPFA), this was aimed at aligning the regulations to the February 2022 Constitutional Court judgement (National Treasury, 2022). This new Act allows the local and provincial governments to increase the aims of preferential procurement and strengthen the discretion of organs of state to implement their own procurement policies. This new Act redresses the existing commitment of

setting aside targets for purchasing from small businesses, however, these were merely targets that were not backed up by any legislation (Timm, 2011). The purpose of this policy is to provide for emancipation through categorization of preference in awarding of bids; advancement of persons or categories of persons disadvantaged by unfair discrimination; and advancement of specific goals, local procurement, and employment of local citizens. In addition, the Municipality should apply what is the Business Act 71 of 1991 to ensure that all informal trading spaces are formalized through demarcation. The Municipality should categorize and define the different types of informal business within its jurisdiction and budget for infrastructure development in relation to informal economy development. Informal entrepreneurs should be considered in specific areas e.g., adjacent to public transport facilities, public open spaces, and areas with high levels of pedestrian traffic; this can be achieved by Municipal bylaws.

According to Timm (2011) South Africa can learn from Brazil, as the countries have similar socio- economic issues. With the advent of ‘tenderpreneurs’ it is crucial to instill confidence and promote entrepreneurship as a possible career path of choice amongst South African youth, where entrepreneurial spirit seems to be considerably low. In support of these findings of this study, this view is also shared by Hart (1973) in his rejection of modernization theory stating that its weakness was that informal sector was not seen as an area of economic growth or dynamism, nor was it characterized as a reservoir of entrepreneurial training and talent. The South African government can further consider to establish an Equity Bank like the one of Kenya, a largest commercial bank which offers both retail and microfinance services. It is an innovative bank which persistently finds new ways of making financing accessible to the under supported through mass targeting of people who do not use mainstream financial services. The Equity Bank of Kenya adopted a low margin, high volume model which can be copied by the mainstream bank in the future. Through such an initiative, township entrepreneur and the informal sector SMMEs in general will benefit.

Lastly, through the Department of Planning, Monitoring and Evaluation (DPME) effective monitoring systems must be put in place by government in all spheres. Both Brazil and India’s governments have effective monitoring systems in place for their business development service organizations and programmes (Timm, 2011). The local government should implement an IT

system which can be used to verify, monitor progress and performance in real time. This will help government identify bottlenecks quickly, and to monitor whether actual impact is on track with the goals set out in the planned interventions and strategies.

#### **5.4 Avenues for future research**

There is no doubt that collecting primary data during the COVID-19 pandemic posed many challenges, and certainly limited the amount of data points that could be obtained for this study. In a non-COVID world, I would have an inclusive sample, as stated in this research paper, the tavern/ shebeen owners declined to participate.

The study was restricted to the Galeshewe township in the Sol Plaatjie Municipality in the Frances Baard region of the Northern Cape. To get a complete understanding of how the entrepreneurs perceive township economy and challenges faced in municipalities, it would be appropriate for further research to be done at other municipalities. The researcher of this study also proposes an examination should be conducted on the relationship between poverty, informal economy, and gender in South Africa. In addition, an understanding is required of how township economy impacts on the lives of those in poor communities.

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## APPENDICES

### ANNEXURE A: Survey Questions

**Name of institution:** The University of Cape Town

**Name of researcher:** Zoleka Mbinda

**Aim of the research:** To explore the impact of township economy on youth empowerment, employment, and entrepreneurship.

Dear Respondent

I am currently an MCom (Development Finance) student at the University of Cape Town Graduate School of Business.

**Please note the following:**

- This study involves an *anonymous* survey. Your name will not appear on the questionnaire and the answers you give will be treated as *strictly confidential*.
- You cannot be identified in person, based on the answers you give.
- This survey will give us a better understanding of the challenges of township economy growth and how these affect young entrepreneurs.
- By completing this survey, you indicate that you are voluntarily participating in this research and that, should you want, you may withdraw at any stage without any penalty.
- Please ensure that **ALL** questions are answered as completely as possible. This questionnaire should take no more than 20 minutes of your time to complete.
- The results of the study will be used for academic purposes. A summary of the research findings will be provided to you on request.

If you have any concerns or questions, please contact me on my cell number.

## SECTION A

### Personal information

Gender:

Male	Female

1. Age:

16- 19	20 - 29	30-35	36+

2. What is your level of education

Tertiary level	Secondary	Elementary	None

3. Previous experience: What were you doing before starting this business

Student	Unemployed	In another business	Other ( <i>specify</i> )

4. What is the place/location where your business operates from?

Location	Tick (✓)
Home	
Incubation centre/ formal structure	
Informal market/ street vending	
Illegally occupied land	
Move around from place to place	
Other ( <i>specify</i> )	

**SECTION B: Understanding of Township Economy**  
 6. What type of business are you operating?

Business type	Tick (√)
Car wash	
Tailors	
Shoe repairs	
Tavern	
Fruit & vegetable stands	
Food stands (chisa nyama)	
Tyre patching & Exhaust pipes repairs	
Other (specify)	

7. What motivated you to start business?
8. Is your business registered?
9. In your view who dominates township economy, males, or females?
10. Would you consider formal employment?
11. Do you refer to yourself as an entrepreneur?
  - a. If yes, why?
  - b. Did you create jobs?
    - i. How many jobs have you created?

**SECTION C: Challenges faced by the entrepreneurs in the SMME sector**

12. Did you apply for a grant/funding/ loan?
  - a. Which funding institution/s did you apply from?
  - b. Did you get assistance/support?
13. What other challenges are you facing? For example, in terms of crime, infrastructure, suppliers, etc.?
14. Did you get any form of non-financial support?
  - a. What type of training/mentorship programme?
  - b. Was the training relevant to your business?
  - c. Were you assigned a coach to mentor and/ monitor your business operations?

*Thank you for your participation in the survey*