

**Challenges facing SMEs in the Western Cape townships
with a focus on gender issues**

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Abstract

The state of Small and Medium Enterprises (SMEs) is a key determinant of economic development globally. These enterprises account for almost 90% of firms in both developed and emerging markets. They are the engines of the economy that drive employment creation, poverty alleviation, tax provision, export income and better the lives of citizens. Despite the excitement and investment in SME development, the world's vulnerable locations have not benefited from such development. Amongst them are South African township SMEs who continue to face a multitude of challenges that hinder them from developing into sustainable business enterprises with a meaningful contribution to the economy. Amongst them, women owned SMEs face supplementary challenges, which are mostly gender-based in nature. The study explored the challenges facing township SMEs in the Western Cape province and how the gender dynamics have played out in the face of SME stagnation. After identifying the challenges and gender dynamics, policy gaps were explored, and bridging strategies implored. To this end, the study employed a qualitative research approach covering a sample of 14 participants from the three townships of Khayelitsha, Nyanga and Langa using a semi-structured questionnaire for in-depth interviews. The primary interviews were analysed using the six-step thematic analysis approach.

The study found lack of funding to be the most prominent challenge, resulting in inadequate operational resources such as equipment, SME owner upskilling and product marketing. The study also found crime and corruption, limited opportunities and market access, human resources as well as lack of financial and business administration skills to be the cause of stagnation of township SMEs. Apart from the umbrella challenges facing SMEs, the study found women SME owners to be facing additional challenges of gender-based discrimination, family responsibility, sexual harassment and crime. Government initiatives were found to be ineffective in addressing township SME challenges as SME owners have limited knowledge and clarity about the workings of these initiatives. These initiatives were reported to be lacking fairness and transparency due to corruption.

Key words: SME, Challenges, Township, Gender, Government policy.

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List of acronyms and abbreviations

BSP	Business Specialists Project
CBD	Central Business District
CIPC	Companies and Intellectual Property Commission
DEFIC	Development Finance Centre
DTI	Department of Trade and Industry
DTI	Department of Trade and Industry
EC	European Commission
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
IFC	International Finance Corporation
IT	Information Technology
IWF	Isivande Women's Fund
KDF	Khayelitsha Development Forum
LED	Local Economic Development
MIS	Management Information System
NGOs	Non-Governmental Organizations
NPOs	Non-Profit Organisations
NYD	National Youth Development
PPP	Public Private Partnerships
RDP	Reconstruction and Development Programme
SAWEN	South African Women Entrepreneurship's Network
SBI	Small Business Institute
SDGs	Sustainable Development Goals
SEDA	Small Business Development Agency
SMEs	Small and Medium Enterprises
TWIB	Technology for Businesswomen

UIF	Unemployment Insurance Fund
UNDP	United Nations Development Programme
UNESCO	United Nations Educational Scientific and Cultural Organisation
USA	United States of America
VAT	Value-Added Tax
WEF	World Economic Forum

CHAPTER 1: BACKGROUND

1.1. Background of the study

Small and Medium Enterprises (SMEs) are the engines of economic development. They account for almost 90% of firms in both developed and emerging markets through job creation, employment, tax provision and contribution to the Gross Domestic Product (GDP). However in the Sub-Saharan context, SMEs face numerous challenges ranging from power shortages, lack of capital, poor management skills and competencies, inadequate information as well as corruption (Muriithi, 2017). The region is home to the world's poorest and most vulnerable groups, amongst them women and youth. Due to lack of employment skills, most women in the region resort to self-employment by establishing their own small businesses (United Nations, 2015).

Women-owned SMEs have an important contribution to the development of the global economy, more so in the emerging markets economies such as the Sub-Saharan countries where the world's poorest live. South African townships are one of such locations that house these vulnerable communities, furthermore unemployment is rife. A good number of studies have comprehensively covered the township economy and the prevalence of informal and formal small businesses (Njiro, 2010; Oni, 2018; Mahajan, 2014). The informal enterprises are survivalist, and this is the space where you find most women entrepreneurs. These enterprises struggle to graduate to formal meaningful businesses that reduce poverty, create employment and contribute to GDP (Herrington & Kew, 2018). Literature on these women-owned small enterprises is still scanty despite an increase in government policy and non-governmental organizations (NGOs) targeting women empowerment.

South Africa is one of the most unequal economies in terms of income and wealth distribution. The country has a high unemployment rate which has been increasing over the past decade. Unemployment is predominant amongst the vulnerable groups, who consist mostly of women and youth. Most of these women establish informal micro businesses to sustain their families. Several studies have made disturbing findings about the state of women-owned small businesses in South Africa. One such report is by the International Finance Corporation (IFC, 2018) which concluded that the informal sector is not providing significant employment opportunities compared to the

formal sector and this is a sector where most female owned businesses are concentrated. The World Bank Group (2017) statistics reveal that female ownership of SMEs declined by 10% during the period 2008 to 2017. Females' ownership of SMEs is mostly in the micro and small sectors. Female ownership in the micro and small enterprises is estimated at 41%, then it drops to 27% amongst medium sized enterprises while male ownership is at 73%. Though lately there has been excitement with regards to women-owned SMEs, it is evident that most of these enterprises remain stuck in the infancy stage. These enterprises do not graduate to higher levels of growth that would result in higher revenues and profits, more people being employed. The enterprises hardly become innovative nor do they become enterprises with sustainable business models.

SME ownership and development aligns with South Africa's socioeconomic history of racial and gender inequality. Black and female ownership of SMEs is more concentrated in the informal micro to small enterprises which are in the townships. It is therefore salient to investigate the general state of the township SMEs, with an emphasis on women-owned enterprises. Developing women-owned SMEs addresses Sustainable Development Goals (SDGs) 1,2,3,4 and 5 (United Nations, 2015) which are:

- End poverty in all its forms everywhere
- End hunger, achieve food security, improve nutrition and promote sustainable agriculture
- Ensure healthy lives and promote well-being for all at all ages
- Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- Achieve gender equality and empower all women and girls.

Item 5.5 of Goal 5 states, "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life". For development to be sustainable in all forms it must be inclusive and such inclusivity can only be attained through the emancipation of previously disadvantaged and vulnerable groupings. The researcher's view was that developing women-owned SMEs is smart economics based on the multitude of dividends that can be attained.

The United Nations Development Programme (UNDP, 2014) highlights a fragmentary state of policy and information and its failure to address women challenges because of lack of understanding of the women-owned SMEs landscape in South Africa. Despite the increase in the number of interventions that target women, the macro impact is yet to be seen. The UNDP (2014) reports that this is partly due to over inclusion in the definition of SMEs. It cites the lack of clarity between SMME and SME as a problem in developing targeted interventions. Definitions vary from government department to government department, between agencies and from country to country within the developmental space. Most initiatives end up providing support to survivalist informal SMEs instead of meeting the needs of formal SMEs with capacity to develop into a true growth business with a meaningful contribution to GDP and real benefits of women-owned SMEs. To mitigate this lack of clarity in definitions, this study focused on formal registered SMEs as defined by the Companies and Intellectual Property Commission (CIPC).

Identifying challenges facing women-owned SMEs and the results of current interventions help to align policy to mitigate specific challenges in the Western Cape townships. Numerous studies have been conducted which demonstrate the opportunities that can be attained by developing policies that empower women-owned SMEs. Economically empowered women re-invest their profits in their children's education, health as well as maintain nutritional in-takes. These outcomes constitute smart economics (Chowdhury, 2009; Zhu & Kuriyama, 2016). The study investigates both the challenges facing township SMEs and the perceived differences in challenges between genders in the SME space in the Western Cape; whether challenges experiences by females differ from those experienced by males.

Women ownership of formal SMEs remains low in the Western Cape townships and nationwide; an indication that there is lack of equity and diversity in the wealth creation process. The gender gap is ascribed to the challenges faced by women when doing business (Ahmed & Kar, 2019). Literature cites the most common challenges facing SMEs as lack of finance, skills and training, access to markets, openness to innovation and inadequate infrastructure as cited by the Small Business Institute (SBI, 2018).

South Africa has come up with several regulations and policy initiatives that support SME growth. Some of these initiatives are targeted at women specifically because of historic and current gender

biases in business ownership in the country. The study intends to understand the state of SMEs in the townships and the gender gaps in terms of challenges faced. Furthermore, the study will identify policy gaps in the current government interventions that are under the Department of Trade and Industry (DTI).

1.2. Problem statement

McClellan, Swail, Bell and Ibotson (2005) state that SME owners face a multitude of challenges in starting and managing their enterprises. Most of these SMEs fail within the first two years of inception due to barriers that hinder them from growing to the next level. Most of these enterprises remain at the micro level and are unregistered. The study explored the problems or challenges that hinder SMEs in the Western Cape townships from developing into sustainable business enterprises that are profitable and can create employment for the citizenry. Besides the general challenges facing SMEs, gender specific challenges deepen the magnitude of the problem. Women-owned SMEs face socio-economic challenges that exclude them from being active participants in economic development (World Bank Group, 2017). Women experience more and worse challenges than their male counterparts as a result of gender-biased discrimination. The gender gap in SME ownership implies that women are excluded from the wealth creation process and socio-economic development in general. Policy measures and initiatives that target women-owned SMEs have been developed in the past by national and provincial government as well as NGOs (Nkwinika & Munzhedzi, 2016). These policy measures however have not achieved the desired impact in developing SMEs in general and female owned enterprises more specifically, thus implying that the measures are not in sync with the challenges.

SMEs play a critical and important role in the South African township economy with regards to income and employment creation, however the gender gap still stifles the landscape. Akhalwaya and Havenga (2012) state that though South African women have gained from national liberation from the apartheid regime and their rights and interests have been advanced, they still face huge challenges in the business landscape. Although they account for more of the population, women are side-lined from formal business enterprises. They continue to be discriminated and stereotyped. In the Western Cape townships, women enterprises are limited to areas such as crafts, hawking, personal services and retailing (Coleman, 2002).

1.3. Research questions

The study seeks to answer the following salient questions:

- What are the challenges, barriers and problems that SMEs face in the Western Cape townships?
- What gender-based differences exist in challenges facing township SMEs in the Western Cape?
- What policy gaps exist in the initiatives targeting township SMEs in general and those specific to women SME owners in the Western Cape?

1.4. Research objectives

The aim of the study will be to:

- Investigate challenges that constrain township SMEs from growing into well-established business enterprises.
- Investigate the impact of gender-based discrimination on SME ownership in the township economy and how it has exacerbated challenges faced by women owners.
- Investigate gaps in the current policy frameworks that are targeted at township SMEs and those specific to women SME owners.

1.5. Location of the study (Western Cape townships)

The Western Cape occupies 10.6% of South Africa's land area. The province ranks second highest after Gauteng in per capita income terms and a GDP contribution of 13.7% (Herrington & Kew, 2018). According to the Western Cape Government (2017), the province is home to an estimated population of over 4 million people and 33 097 households. The province is currently experiencing hydrological drought conditions resulting in the implementation of strict water restrictions which have adversely affected economic growth. A recessionary period from 2011 to 2015, coupled with the drought, have resulted in deteriorating household financial health and increased poverty levels. The province's economy is marred by rising unemployment, low commodity prices, higher consumer prices, low investment and policy uncertainty. The most vulnerable people are African females, youth and rural dwellers.

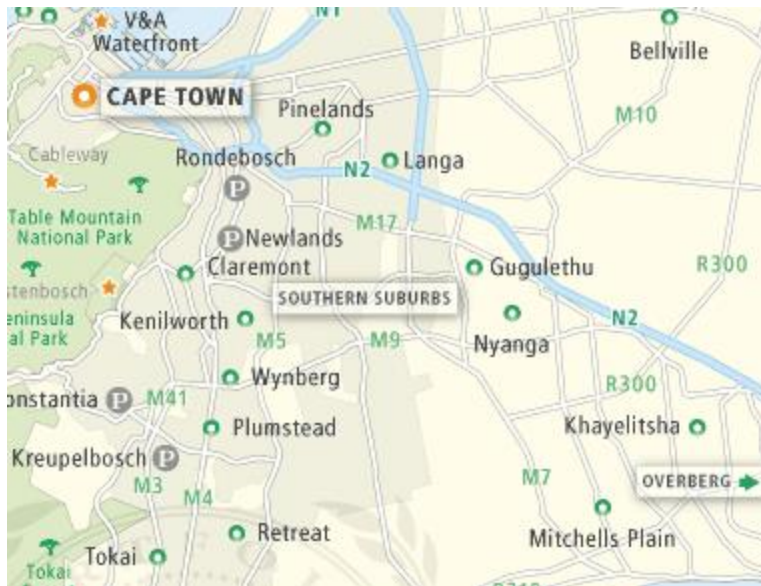


Figure 1.1: Western Cape townships

Source: Pauw, 2005.

Like all townships in the country, Western Cape townships are trapped within a low returns narrow band of economic activities with menial jobs created (Sustainable Livelihoods Foundation, 2016). Most SMEs are in the retail sector, ranging from street-traders, spazas, shebeens, hardware, and building suppliers: many operating from homes on a very small scale. In the service sector, the taxi industry is thriving and supports other related services such as tyre-repair centres and carwashes. The rest of the services sector is made up of food preparation, hair salons, early childhood development centers (Sustainable Livelihoods Foundation, 2016). Manufacturing is limited; where it exists, it is rarely associated with supply chains outside the township.

The township SMEs are trapped in informality. Presently, majority of township enterprises are informal and this is the space that most women entrepreneurs operate. Ngxiza (2011) found that though numerous interventions have been made since independence, the Western Cape townships remain unattractive, isolated dormitory features, with high unemployment rates, low incomes, low skills levels and exclusion by banks. These areas are poverty traps that are far from markets, transport and an underdeveloped infrastructure which keeps business entrepreneurs informal and survivalist. The township story is sensitive and very touching to most black South Africans and should be high on the agenda to development practitioners and agencies out there.

1.6. Justification of the study

There are very few empirical studies that have investigated the challenges facing SMEs with a focus on gender issues. According to Matiwane (2005), the problem with South Africa is the lack of empirical studies of women entrepreneurs and the inadequacy of statistical data. Research on entrepreneurship has been one-sided with very little being said or investigated about women-owned businesses. Structural and historical factors as well as feminism have been ignored (Ogbor, 2000; Reed, 1996).

The study will contribute to the scarce literature on women-owned SMEs in South African townships. It addresses the gaps in the knowledge base and contributes to a uniquely South African township economy. According to Godehart and Pernegger (2007), townships are a uniquely South African phenomenon, while Oni (2018) states that there is a growing interest amongst researchers covering the township economics with a focus on the gender gap. Majority of South African black women live in these townships and by addressing the challenges they face, socioeconomic factors such as gender equity, poverty, crime and unemployment are mitigated.

Though studies on challenges facing SMEs have been conducted across the globe. This qualitative study has been influenced by the unique history of the township and its potential to bring about new insights that are context-specific. To gain these insights the researcher has chosen to conduct in-depth interviews to explore a broader understanding of the issues affecting women-owned SMEs in the townships. The method allows the researcher to probe and get an in-depth understanding of the issues. This format has the potential of exposing other problems that don't form part of the study and warrant future research.

In conclusion, the study will add value in the following areas:

- Increase understanding by both business and government on the challenges faced by SMEs, specifically those owned by women in the context of a township economy, and why these enterprises do not grow into meaningful businesses.
- Development of better policy measures that are targeted at women-owned enterprises in the South African townships.
- Contribute to literature in the field of entrepreneurship from a township perspective.

1.7. Organization of the study

The study consists of five chapters. Chapter 1 is the introductory part of the study which will give context as to why women-owned SMEs in the townships are of importance to conduct research on. The chapter presents the research problem, questions and the objectives of the study.

Chapter 2 reviews literature on the relevance of women-owned SMEs in the South African economy, definitions of SME, challenges facing women-owned small businesses, and the development of a theoretical framework of challenges facing women-owned SMEs. The chapter also reviews the existing policy frameworks that support women-owned SMEs to determine the merits and the gaps.

Chapter 3 addresses the research method. It explains the research design, data collection process and analysis tools.

Chapter 4 presents the research findings. It interprets and discusses the salient findings of the study. It outlines the limitations of the study and recommends future research topics.

Chapter 5 is the final chapter; it addresses the recommendations and conclusions of the study as well as endorses policy implications of the research findings.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This section explores literature on the definitions of key concepts, presents the salient themes of the study, which are SMEs and their role towards economic growth, SME success factors, the challenges prohibiting township SMEs from attaining these successes, challenges peculiar to women-owned SMEs and the solutions presented in similar studies.

2.2. Definition of SME

The term Small and Medium Enterprises (SMEs) is used to describe a group of business enterprises and how they are run. These enterprises share common characteristics that set them apart from other business organizations. However, there is no consensus on the definition of SME among researchers and policy makers. The definition varies from region to region, country to country and from industry to industry. The lack of consensus creates a complexity and leaves most stakeholders with the question of what a small business is and when does it become medium sized and large. SMEs do not conform to a set of parameters but differ per industry and the type of people who own them. These factors defining SMEs further vary on space the business occupies in the supply chain, family owned to professionally managed, high growth, start-ups funded by Venture capitalists to self-funded enterprises (Stokes & Wilson, 2017). It is this diversity that makes it difficult to generalize the definition of a SME. Industry and national governments have made use of both quantitative and qualitative attributes to define SMEs. The study adopted the South African definition of SME as per the Department of Trade and Industry.

The SME definition is governed by the National Small Enterprise Act No. 102 of 1996 (Department of Trade and Industry [DTI], 1996). The minister released an amendment to the Act on the 15th of March 2019, before that the Act was last amended in 2003. The following changes were passed:

- New turnover threshold values to account for inflation since the Schedule was last revised in 2003.

- Two proxies instead of three. The new schedule defines small enterprise using two proxies: total full -time equivalent of paid employees' and 'total annual turnover'.
- Removal of the third proxy of Total Gross Asset Value in the current definition as the proxy is often inappropriate and difficult to measure.
- The size or class category 'very small enterprise' collapsed into the 'micro enterprise' category. Many users found this size or class category unhelpful and inconsistent with international practice.

Above the quantitative metrics such as headcount and turnover, the Act provides a definition of a small enterprise. "Small enterprise" means a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the Schedule and classified as a micro, a small or a medium enterprise by satisfying the criteria mentioned in columns 3 and 4 of the Schedule" (DTI, 1996). The new schedule collapsed the category 'very small' because it was found to be unhelpful as well as to align the South African definition with international standards. The revised schedule is presented below on **Tables 2.1 and 2.2**. **Table 2.1** presents the definition per the number of employees while table 3 represents the turnover metric.

Table 2.1: The new National Small Enterprise Act threshold of SME definition per number of employees

Size	No of employees
Medium	51 – 250
Small	11 – 50
Micro	0 – 10

Source: DTI, 1996.

Table 2.2: The new National Small Enterprise Act threshold of SME definition per turnover (R million)

Sector	Micro (\leq)	Small (\leq)	Medium (\leq)
Agriculture	7	17	35
Mining	15	50	210
Manufacturing	10	50	170
Electricity, Gas & Water	10	60	180
Construction	10	75	170
Retail, Motor trade & Repair Services	7.5	25	80
Wholesale	20	80	220
Catering & Accommodation	5	15	40
Transport, Storage & Communication	7.5	45	140
Finance & Business services	7.5	35	85
Community, Social, Personal services	5	22	70

Source: DTI, 1996.

2.3. The township economy

A consultation of literature revealed various forms of townships around the world. **Appendix A** presents the South African definition of township with both pre- and post-apartheid attributes. According to the World Bank, as much as 50% of South Africa's urban population resides in townships and informal settlements (BusinessTech, 2016). Rakabe (2017) highlights the economic and political significance of the township economy in the South African context. It is an economy that lags the neighbouring urban economies and fails to attract private investment. Most of the township enterprises present a traditional informal business which is stagnant, unproductive and cannot attract capital which is needed to grow to the next stage. Mahajan (2014) presents the township economy as trapped within a narrow band of informal activities with low returns and employment multipliers. Most jobs are informal. Townships are a scene of high levels of urban poverty and unemployment and youth as well as women are the most affected, thus women-owned

SMEs form a core theme of this study. For township SMEs, residents are the target market. These customers are poor, have low incomes and buy the basic foods which are mostly produced by large companies outside of the townships (Sustainable Livelihoods Foundation, 2016).

2.4. Theoretical framework: Economic entrepreneurship theory

The study is grounded in economic entrepreneurship theory which originates from classical economists and has evolved to its contemporary form. There is no single universally accepted definition of entrepreneurship. Most definitions are context dependent. Entrepreneurship has been defined from both management theory by scholars such as Drucker, Stevenson, Timmons as well as Pinchot and from an economic theory by Marshall, Schumpeterian and Kirzner. Economic theorists advanced the understanding of entrepreneurship considering its contribution to economic activity. Economic theories are designed to provide toolkits that can be used to explain or answer a phenomenon in the market system. The use of entrepreneurship in economics therefore explains how the market system works and its various kinds of incomes in relation to entrepreneurship (Tiryaki, 2005). The field of economics has a wide number of theories on entrepreneurship. An analysis of some prominent Neoclassical theories which are the Marshallian, the Schumpeterian approach, and the Neo-Austrian theories of entrepreneurship of Kirzner follows below. The section concludes with the all-encompassing contemporary Global Entrepreneurship (GEM) model.

2.4.1. Marshallian approach

The Marshallian theory tries to explain how the market equilibrates under the assumptions of perfect knowledge and information, perfect competition, existence of homogenous goods as well as free entry and exit. The theory's goal is to demonstrate that markets reach equilibrium under perfect competition assumptions and there are no excess profits and therefore labour is not exploited in the production process as everyone achieves a marginal profit. Without excess profits, Marshall suggests that innovations will be the incentive that will drive small firms to continue producing. The theory seems to contradict itself when it suggests the essentiality of large-scale production for economic progression and innovation. The theory stresses the relationship between capital and labour, a relationship based on the principle of partnership, where the producer has a dominant position because of his superior managerial skills. This dominant position earns the producer more income than labour (Tiryaki, 2005). According to Loasby (1982), though Marshall

acknowledges the normal running business as entrepreneurship, he does not make the distinction that some producers are more enterprising than others. He does this in order to avoid analysing a stationary state and the evolving economy, because a stationary state is misleading to economic progress. According to the Marshallian approach, enterprises must structure their functions of production and marketing for an ever-changing economy which consists of changing customer needs, changing competitor strategies and developing new strategies to deal with change. Marshall (1948) states that the successful entrepreneur who can produce for the market as a merchant and organiser of production, is one with true knowledge of his trade. He can forecast and produce what the customers want as well as identify opportunities and produce new goods and services for the market.

There are several criticisms levelled against the Marshallian theory beginning with the perfect market assumption. Firstly, the successful entrepreneur who produces new products and services with new technology is bound to earn economic profits and that goes against the perfect market assumption of his theory. Secondly Marshall's entrepreneur anticipates the actions of his competitors, in a perfect market all the firms are price takers and there is no need to anticipate the competition's production decisions. Thirdly the enterprises earn zero profits, it is therefore not clear what incentives them to continue producing (Loasby, 1982).

Marshall's entrepreneur is a business genius who falls into a special class of individuals. He has a special personality, is alert to market opportunities and has above average ability to coordinate and innovate. He however does not differentiate between entrepreneurship function and management. The theory fails to explain market equilibrium condition, the market process, the role of an entrepreneur and profit (Bögenhold, Bonnet, Dejardin, & Garcia Pérez de Lema, 2016). His entrepreneur was later challenged by Schumpeter who argued that entrepreneurship does not always have to invent new combinations but the ability to identify how the new combinations can be applied.

2.4.2. Schumpeter: Creative destruction

Schumpeter (1991) defines entrepreneurship as establishing a new business to produce a new product or to make an old product in a new way. His entrepreneur is a socioeconomic leader who decides, directs and pushes through with developmental matters. The Schumpeter entrepreneur is

a market leader who achieves profits. These profits get eroded away when imitators get into the market using the same production methods. The temporary monopoly profits show the ever-changing capitalist environment and how innovation by entrepreneurs translates into business cycles. While the Marshallian theory postulates that small contributions from several small enterprises lead to economic growth, Schumpeter's entrepreneur is a revolutionary in new product creation and by so doing creates disequilibrium. He terms this the creative destruction as the new inventions make the old obsolete and is only possible in a capitalist system. According to the theory, capitalism is a method of economic change and is dynamic in nature and the neoclassical equilibrium cannot apply in such a system. The theory does not recognise imitators or those that simply identify and respond as entrepreneurs unless their responses are forming new firms and products. His entrepreneur is a monopoly and driver of economic growth and therefore monopolies must be encouraged as they take risks that are out of the routine and be protected to reduce the risk. The theory explains profit as the reward of innovations and the risk taken, and only the capitalist system can reward the entrepreneur. Unlike Marshall, Schumpeter can explain the profit concept in his theory.

The critics of the theory are opposed to the idea of putting the responsibility of inventions on individuals alone, citing that innovations can be also be carried out by a generation and not individuals alone, thereby making the distinction between leader and imitators irrelevant. Furthermore, there are those that have tried new inventions and failed, are they not warranted to be called innovators or entrepreneurs (Bögenhold et al., 2016).

2.4.3. Kirzner's "alert" entrepreneur

According to Kirzner (1997), the question of whether the market economy works is addressed, and if it does, the next question would be: how does it reach equilibrium? He claims that the markets start from a disequilibrium position and the competition among the alert entrepreneurs leads it to an equilibrium position. Unlike the Neo-classical economists, Kirzner (1997) acknowledges that markets are not always perfect, and the entrepreneur needs incentives and such incentives come from the information and knowledge gap among the entrepreneurs. Profit is the driving force as profit seeking entrepreneurs rent, seek and speculate. The cycle begins with each entrepreneur having a different set of knowledge and information and this drives profit seeking, however, as the market process gives information about everyone's plan, the market moves towards equilibrium.

But that does not mean markets reach equilibrium. According to Kirzner (1997), an entrepreneur discovers an opportunity to make profit by discovering a gain that had not been seen before and in that way, profit stimulates entrepreneurship. Kirzner's entrepreneur does not cause destructive creation and his activities do not have to cause change, instead the alert entrepreneur must discover that change has taken place and a profit opportunity exists. A new production technique or changes in customer preferences leads to market disequilibrium in a market that was in equilibrium. The new allocation of production methods, prices, outputs and owner incomes reveal where the weaknesses in the system are and force corrective change to take place. The theory acknowledges the differences among the agents in terms of ability, alertness and information compared to Marshall's homogenous classification of agents. Kirzner (1997) differentiates between entrepreneurs and the general population, entrepreneurs exploit opportunities and make decisions and the rest of the population does not. Entrepreneurs are alert, see change when it occurs and exploit the resultant opportunities. The differences in knowledge and information leads to differences in the valuation of goods. If there is no change, the market is in equilibrium and there is no profit opportunity for the entrepreneur as everyone carries on with their predetermined plans. The importance of the entrepreneur is brought to perspective since they realise the knowledge and information gaps and realise that the market is in disequilibrium and therefore an opportunity exists. Competition amongst the entrepreneurs will drive the market back to equilibrium once more. Kirzner (1997) states that in a perfect market like that of Neoclassical economists, there will be no entrepreneurship discovery and creativity, therefore for the market to create profit opportunities for the entrepreneur, exogenous shocks are required.

Critics of Kirzner highlight certain explanatory omissions in the model such as the failure to explain why if the general population does not make decisions, what causes the change in preferences. If the agents are passive, what drives the change in the production techniques? Loasby (1982) states that the main limitation of the model is that in assuming that opportunities continue being created by changes, the model does not explain the incentives of such a change.

2.4.4. Contemporary definitions of entrepreneurship

As indicated above, there is no universally accepted definition of entrepreneurship. Littunen (2000) and Morris, Pitt and Berthon (1996) state that the term can be defined in many ways and its meaning has evolved since the Neoclassical definitions. Barringer and Ireland (2008) define

entrepreneurship as the seeking of opportunities without consideration of the resources at hand or one owns. Nieman, Hough and Nieuwenhuizen (2007) define it as the emergence and growth of new enterprises or the expansion of existing businesses by an individual or a team. It is evident that there are many definitions of entrepreneurship. This study will adopt the Global Entrepreneurship Monitor (GEM) definition because of its evolution, comprehensiveness and methodology towards current affairs in global economics.

2.4.5. The Global Entrepreneurship Model

The GEM was initiated in 1999 as a joint venture of Babson College and London Business School. It has grown to be a global consortium of over 500 researchers and is the largest and most developed research program on entrepreneurship in the globe accessing entrepreneurship data from over 100 economies (GEM, 1999). Their model has come up with an all-encompassing contemporary definition of entrepreneurship and its linkage to economic development. The consortium defines entrepreneurship in the economic context 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.

The GEM conceptual framework was conceived with the intention of detecting the entrepreneurship-economic development relationship. The framework and its basic definitions have evolved over the years to bring more clarity into the assumed relationships. The conceptual framework in **Figure 2.1**, as discovered in 1999 depicted the assumption that economic growth is as a result of individuals' personal ability to identify and seize the opportunities and the process involved in the interaction with the environment (GEM, 2014).

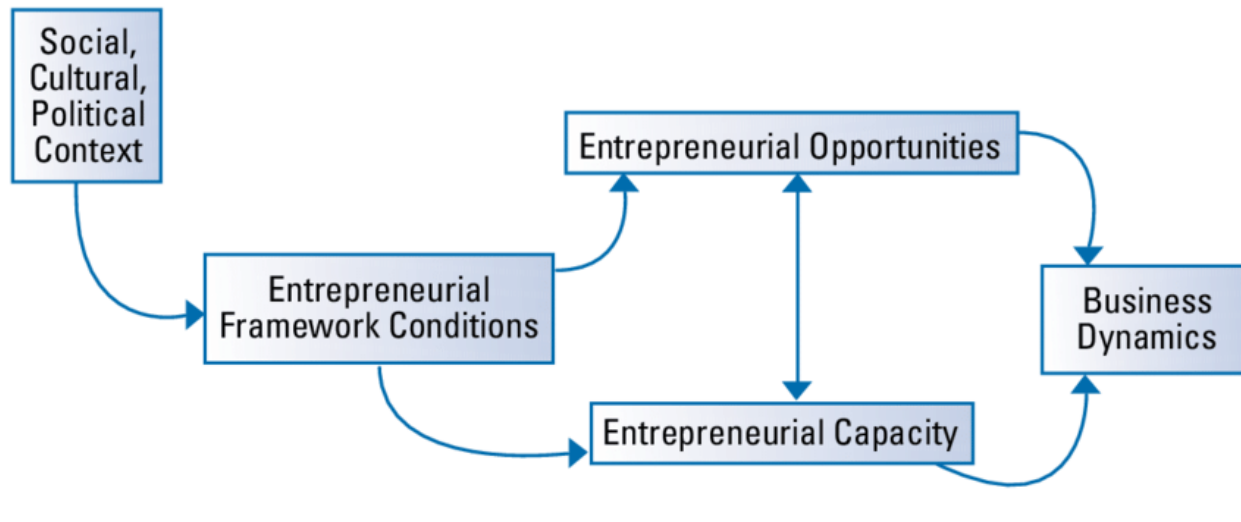


Figure 2.1: GEM Model of entrepreneurial process affecting economic growth

Source: GEM, 2014.

The revised initial framework did not spell out the nature of relationships when assuming mutual relationships among attitudes, aspirations and activities. The revised model consists of the following relationships:

Social, cultural, political and economic context: these are defined using the World Economic Forum (WEF)’s twelve pillars. The model emphasises that these conditions may be dispersed in different combinations in different countries and their impact is dependent on the level of development.

Social values of entrepreneurship—: this refers to the attitude of society towards entrepreneurship. Is there a culture of entrepreneurship that is visible in the economy and how much value do people assign to entrepreneurship?

Individual characteristics: this refers to aspects such as demographics and psychological factors such as perceived capabilities of the people, presence of opportunities as well as the fears and motivations towards entrepreneurship.

Entrepreneurship activities: the physical activities and the phases in which entrepreneurs find themselves. The model investigates whether they are new, nascent or at the termination stage of the life cycle Sectors where the activities are taking place are also accessed.

In conclusion the theories of entrepreneurship are designed to explain how the market system works and the relationship between entrepreneurship and profit. Marshall's theory assumes a perfect market with no profits and does not distinguish between entrepreneurship and management. The theory fails to answer how the market system works and the entrepreneurship-profit relationship. Schumpeter's analysis explains the market system and creation of profit, however over emphasises individual innovations and ignores generational innovations and previous failures. Kirzner's (1997) entrepreneurship is arbitrage, seeing profit opportunities and exploiting them. His model also fails to explain the market system and the entrepreneurship-profit relationship accurately but does attempt to correct the Marshallian theory. The current study however adopts the GEM definition due to its evolution, comprehensiveness and methodology towards current affairs in global economics.

2.5. The role of SMEs in the South African economy

Small and Medium Enterprises play a critical role in the economy. Throughout the global economy they are the key drivers to economic development, innovation and job creation. They are seen in all international economies as a vehicle for inclusive economic growth, benefiting even the poorest in rural sub-Saharan Africa. Despite its high GDP per capita, South Africa is behind the global standards in its ability to establish, sustain and grow SMEs. Instead the country is marked by high levels of inequality, unemployment and poverty (IFC, 2018). The unemployment rate has been on the increase in the past 10 years, surpassing 27%. Unemployment is particularly high amongst the previously disadvantaged, majority of them residing in the townships and in informal settlements. It is the high level of unemployment that exacerbates inequality and women are the most affected. There is general consensus between government, private sector and trade unions that SMEs are productive drivers of inclusive economic growth and development in South Africa (Rakabe, 2017).

IFC (2018) reported a 10% decline in women owned SMEs during the period 2008 and 2017. It is the female-ownership that is concentrated in the micro and small enterprises. Female ownership is estimated to be around 41% in the micro enterprises, this figure however drops to 27% when it comes to medium-sized enterprises where male-ownership is 73%. The study seeks to investigate the status quo of challenges facing SMEs in the townships with a specific interest in female-owned SMEs. It is imperative to establish as to what the challenges are that keep township enterprises

informal and hinder them from progressing to eminent stages that meaningfully contribute to economic growth and job creation.

Though South Africa lags in SME development aspects compared to other emerging market economies, the role of SMEs is still being acknowledged by the policy makers and the private sector. According to the Banking Association South Africa, small and medium enterprises make up 91% of the formalised business and their economic output is estimated at 45% of GDP (Sibanda, 2013). South Africa has alarming levels of inequality; the country's Gini coefficient is one of the highest in the world. The high levels of inequality are accompanied by an increase in unemployment especially amongst the youth. Poverty and unemployment are catalysts for social unrest. SMEs have been identified as a driver of inclusive economic growth where everyone gets to partake in building economic prosperity. SMEs create employment in an environment where the formal sector continues to shed jobs. They reduce poverty and improve the general quality of life (Malefane, 2013).

Nkwinika and Munzhedzi (2016) concluded that a government policy and support initiative is a practical acknowledgement that SMEs are the pivot of the economy. The study recommended that both private and public sector should establish a relationship that supports SME growth in order to create a sustainable economy that creates jobs and alleviates poverty. They further urge National treasury to monitor the performance of the Local Economic Development (LED) program which has been mandated to provide support to SMEs.

Both public and private sector should have a stable relationship in fostering economic growth and community development by supporting SMEs in order to grow the economy, create jobs and reduce poverty. It is imperative for the government through the National Treasury to supply good monitoring and evaluation on the LED program in order to support SMEs. NGOs should work with national government in order to attain synergies from collaborative interventions.

2.6. Challenges facing SMEs: A conceptual framework

The conceptual model of the study is a product of the literature review in challenges facing SMEs in general, as well as challenges affecting women-owned SMEs. The researcher chose to only consider variables from emerging market economies and South African specific studies, as these paint a picture closer to home than those in developed markets. A total of nine variables were

identified; these variables were grouped into three categories of macro, micro and socio-cultural. The first two sets of categories were identified to be applicable to both men- and women-owned SMEs while socio-cultural contains variables were identified as unique to women.

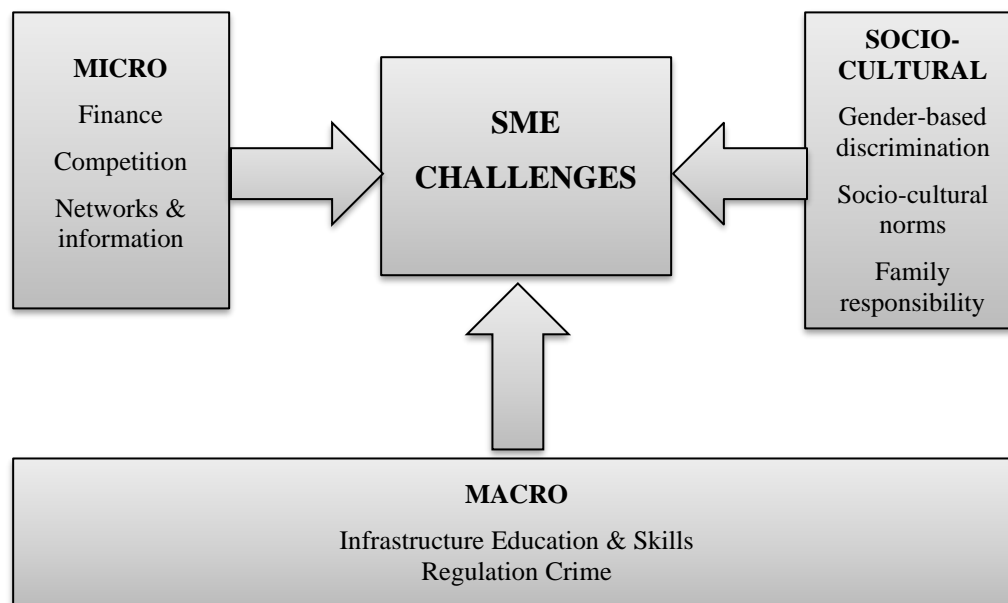


Figure 2.2: Challenges facing SMEs theoretical framework

Source: Researcher’s own.

2.7. Empirical literature on challenges facing SMEs

This section discusses the variables that feature prominently as challenges affecting SMEs in the South African context. These variables have been used to construct the conceptual framework of the study. The framework combines variables that adversely affect SMEs in general with those that are peculiar to women-owned SMEs only. This was done with the measuring instrument in mind. The questionnaire is intended to identify both general challenges and those peculiar to women as well.

2.7.1. Access to finance

Lack of funding for small businesses has been well documented in literature, both access to and cost of finance constrain small businesses to sustain and grow to the next level. This variable has been singled out as major constraint in SME growth in South Africa. Though there seems to be enough funds available for SMEs, a low number of applicants succeed in getting funding. The

ability of SMEs to obtain funding depends on the ability to restructure and innovate, which are strategies that require capital. One of the most cited reasons for SMEs failure to access funding is lack of collateral. In their study, Mazanai and Fatoki (2012) define the financing gap as the difference between the demand of funds by SMEs and the supply of funds. They cite SME peculiar characteristics and market imperfections on the supply side as major reasons causing the funding gap. Their study recommends Malhotra et al.'s (2007) lending methodologies of bridging the gap, which are:

- A loan analysis that focuses on the client's ability to pay instead of collateral with a minimal processing time.
- Entitle repeat borrowers to increasingly larger loans.
- Loan officer to bear full responsibility and incentive structures to follow up when payment problems occur should be in place.
- Appropriate decision-making and control mechanisms should be in place and supported by a strong Management Information System (MIS) and Information Technology (IT) to assist in the management and administration of the loan portfolio.

Mazanai and Fatoki (2012) concluded that SMEs fall victim to credit rationing by financial service providers and the solution to bridging the gap should be a joint effort by both private and public sector institutions.

Makina, Fanta, Mutsonziwa, Khumalo and Maposa (2015) cite the Modigliani and Miller (1963) theorem amongst other researchers who concur that SMEs that can access finance can grow faster into an optimal size while those that cannot stagnate and miss out on the economies of scale curve. The study further cites that SMEs that cannot access formal finance resort to informal finance. Though informal finance solves for SME finance asymmetries of information, it has a limited market and the cost of capital is exorbitant and therefore does not afford SMEs the opportunity to grow. Their paper concludes that there is a positive relationship between firm size and access to formal credit. Access to such credit has location dimension, SMEs in economic hubs such as Gauteng, KZN and Western Cape have more access while other provinces rely on the informal market.

The SBI (2018) report acknowledges that funding is an important factor in the growth and survival of SMEs. South African government prioritises small enterprise development and provides various forms of funding in the form of grants, tax incentives, loans and equity finance. Their survey however revealed shocking results on SMEs access to government funding: only 6% of the respondents indicated to having received government funding while a whopping 94% indicated to not having received government funding. Only 9% indicated having received non-government funding; most of the funding was sourced personally and from family members. Out of the 1 157 respondents, 33% indicated they had been refused funding, an indication that most SME-owners do not know the requirements to qualify for funding such as track record and adequate cashflow. The GEM (2018) report came to similar findings. It reported that 28% of small businesses exited because of lack of finance which is twice the average of other African countries at 15%. On average 90% of new enterprises in South Africa make use of personal funds, friends and family and not financial institutions.

Access to finance impacts women owned SMEs differently from males. Chinomona and Maziriri (2015) contend that finance is one of the most important obstacles that emerging market women-owned enterprises face. Phillips, Moos and Nieman (2014) cited historic injustices to women as one of the reasons as women have no properties under their names which they can use as collateral when seeking finance. Women therefore need their husbands' permission to enter into financial arrangements thereby limiting their economic freedom. Women SMEs suffer from inadequate funding from start-up to working capital as they struggle to acquire external funding due to absence of collateral and credit history.

2.7.2. Education and skills

According to Borat et al. (2018), small business owners have lower levels of education in comparison to large business owners. For SMEs owners to sustain and grow their enterprises, a certain skill level is required, and these skills can be acquired through education and training programmes. GEM (2018) highlights the consistency in their findings from previous reports that there has always been a positive correlation between level of education and the ability to start a business and sustain it through the developmental stages. The higher the entrepreneur's level of education, the more likely they are to run a successful enterprise. It is therefore imperative for the

South African government to invest in programmes that ensure an educated workforce with correct skills and capacity to innovate, compete, produce and sustain its enterprises.

A study by Ladzani and Van Vuuren (2002) that analysed course content, training methods and profiles of trainers concluded with an emphasis on the need of a comprehensive entrepreneurship training program for successful SMEs. Their study cites Marais and Israelstam (1997) who contend that a rapidly changing environment requires SMEs to receive regular training in order to keep up with the change. Training empowers SME owners to solve problems as they arise in their enterprise thereby saving them time and money, they would have incurred from either making a wrong decision or consulting. It affords them the ability to do their work with fewer obstacles. Useful training should cover motivational business and entrepreneurship skills training. Institutions tend to focus on one area, either business skills or on motivational skills and very little on entrepreneurship (Ladzani & Van Vuuren, 2002).

Perks and Smith's (2008) study that focused on entrepreneurship training states that training providers should pay attention to the content of the programmes, cost, timing due to participants' time, financial and personnel constraints. Their participants also indicated that one-to-one learning and learning by doing are more beneficiary, an implication for the need for mentorship. The study concluded that most SMEs challenges can be addressed with training programmes except access to finance. Dladla and Mutambara (2018) who also found a positive relationship between training and SME performance recommend the importance of 'after service' support, which is follow-ups to the supported SMEs. Training should be all inclusive otherwise SMEs will suffer to what they termed the "peace meal syndrome"; a phenomenon of providing support in bits and drips. Short (2019) warns of the lack of homogeneity among SMEs and that training preferences will vary between informal and formal as a result. It is therefore imperative to consider this lack of homogeneity while designing an all-inclusive support programme.

An educated labour force is one of the drivers to small enterprise development and economic growth. Statistical information from the Global Competitive Index Report shows that South African policy makers have dismally failed entrepreneurs. The current education system does not provide people with skills that are required to compete in a rapidly dynamic economy (Herrington & Kew, 2018). An education system that teaches people to be independent thinkers and not to rely

on others to provide employment is required. More is needed in vocational training and trade skills to stimulate and sustain SME growth.

How do women perform in education and skills levels? In some communities, traditions and customary laws still obstruct the development of women. Where legislature on equality lags, the girl child endures gross inequality. According to Levendale (2017), “Female illiteracy and low female education hurts productivity and earnings – for women and the economy, less schooling may also mean more limited capacity to upgrade technical skills (which is vital for sustainable development)”. Despite the strides that have been made in advancing female education, the report claims that boys are still favoured over girls to receive education and skills training. Restricted education for women means missed opportunity for a future generation. According to the UN Women, educating women contributes to higher economic growth due to more women accessing higher levels of education and achieving greater equality in the time spent in the education system between men and women. Chinomona and Maziriri (2015) concur with the UN Women, furthermore their findings state that higher education institutions alone cannot change the grooming of women entrepreneurs, a multi-stakeholder approach must be adopted. The quality and relevance of higher education is required to produce women graduates that have a sustainable advantage everywhere. Tertiary institutions curriculum should incorporate entrepreneurship as it contributes towards GDP, employment and poverty alleviation for women. Their study goes further to suggest that the proposed stakeholder approach must include parents to change how society view women business owners.

2.7.3. Infrastructure

Like all developing countries, South Africa suffers from an appalling state of infrastructure such as transportation, telecommunication and electricity (Olawale & Garwe, 2010). All business requires adequate infrastructure and services to operate. Studies have established that lack of adequate infrastructure hinders competitiveness and productivity while an increase in the quality of infrastructure leads to SME growth (Selelo, Madigele, Ntaka, & Moetedi, 2017). Infrastructure deficiencies increase production costs as SME owners resort to self-provision (Obokoh & Goldman, 2016). Therefore, SMEs would operate below optimal and reduce production due to cost distortions. The result of which will be reduced return on investment.

According to the Western Cape Government (2007), availability of water, sanitation and refuse removal services, as well as electricity, are important municipal services that are important for the day to day operations of SMEs. The historic settlement patterns have segregated townships from formal business hubs, making transport infrastructure highly important for the movement of people, goods and services. Transport is particularly important for township SMEs due to the apartheid spatial mismatch planning which located townships significantly away from the urban centres which are business hubs. The spatial mismatch was important in Borat et al.'s (2018) study as it found Africans to likely own SMEs, presenting an alternative to unemployment. Spatial mismatch adversely impacts township SMEs as owners find it costly to travel for business purposes to economic hubs where enterprises are likely to access a bigger market than being limited to the townships. Efficient and affordable transport network is important for SME development in South African townships.

South Africa is currently faced with an all-time low business confidence due to load shedding and water restrictions. The Western Cape has been experiencing drought for an extended period which has had an adverse effect on the agricultural sector and its entire supply-chain (Schreiner, Mungatana, & Baleta, 2018). The Small Business Development Agency (SEDA, 2018) reported that the drought in the Western Cape has exerted a toll, with new failing, general poor economic conditions and SME turnover slipping to 40% from previous quarter of 41.7%.

Electricity shortages on the other hand are a national phenomenon; they have become a regular occurrence that SMEs must deal with. Schoeman and Saunders (2018) state that dealing with electricity outages increases the cost of doing business, SMEs must spend money buying back-up power sources. Failure of which may result in equipment damages due to power surges and regular stock throw away as well as replacements. According to Borat et al. (2018), 71% of SMEs reported having access to electricity for their operations and that prolonged power-outages is a leading challenge for them. Load-shedding is a result of poor and aging infrastructure that cannot meet the country's electricity demand. Though these power-outages affect businesses across the board, SMEs are the least equipped to mitigate the losses due outages. They are unlikely to afford a generator, which is a costly investment.

2.7.4. Crime

South African crime rates have been well documented across studies as one of the worst in the world (World Bank Report, 2004). It comes as no surprise that crime is causing tremendous damage to SME success. According to Borhat et al. (2018), “Crime impacts the business environment through acting as a direct violation of firms’ property rights, and therefore lowers the incentive for firms to reinvest”. It affects the SMEs ability to attract customers, recruit and retain employees, and lowers workplace morale as well as the productivity of its employees (Oyelana & Fiseha, 2017). Suppliers prefer not to transport supplies to high-crime areas, therefore eroding location advantages for those enterprises doing business in informal locations which are prevalent in the townships.

Bhorat and Naidoo (2017) state that though South African Police Services reported a decline in reported categories of crime over the period 2004–2013, business-related crimes remained on the increase. Crime remains a single dominant perceived constraint to self-employment in South African townships. Their study shows that 27% of firms surveyed in Diepsloot identified crime as the top constraint in the area. Using data, they investigated the relationship between firm characteristics and incidence of crime. The results suggest that well established firms with fixed assets are more likely to be targeted than newer firms. Criminal theft seems to target physical assets and stock rather than money. The implications are that firms that are about to graduate into the formal space remain trapped by crime to move into formal business ventures while firms in the formal space continue to grow as they are better positioned to invest in crime mitigating tools. Borhat and Naidoo (2017) cite Chandra, Nganou and Marie-Noel (2002) whose study found that perceptions about crime were stronger than the actual crime that had taken place. Their data shows that over 50% of firms perceived their business to be constrained by crime but only 30% of the firms were victimised by crime in the same period.

In a report commissioned by the Presidency, Borhat and Naidoo (2017) recommended the need to focus on township and informal settlement enterprises. The survey demonstrated that township enterprises were more exposed to violence and guns, the most common crimes being burglaries and robberies. Amongst the businesses surveyed, township SME owners are the most disheartened and discouraged by crime and reported that they were most likely not to invest in or grow their business due to crime. Fear of crime by their customers and suppliers had resulted in an adverse

impact on their business. Fear of crime across the value chain give township businesses a bad image.

In female-owned enterprises, research suggests that women are easy targets for criminal activities. Islam (2013) tested the relationship between crime and economic growth; the study concluded that economic growth reduces crime, the magnitude of this reduction is felt more in women-owned firms. Muñoz-Fernández, Assudani and Khayat's (2019) study made intriguing findings on women in low-income countries and their propensity to own businesses as crime rates increased. An increase in one unit in the estimated loss from criminal activities increased the likelihood of women intent to own by 0.03%. This is a finding that warrants more research. According to Maluleke (2018), crime “has consequences for women and girls and their ability to achieve their potential in every sphere of social and productive life. Gender-based violence in all its forms denies women and girls the opportunity to achieve equality and freedoms enshrined in the Constitution”. The report further uses data to demonstrate how women’s constitutional freedoms are compromised by crime, making it difficult for them to optimally engage in the wealth creation and economic development processes.

2.7.5. Marketing

Marketing studies have always focused mostly on big business and very little on SMEs. This could be part of the reason why small enterprises find it difficult to craft competitive marketing strategies that are effective in their landscape (Mapila, Chiliya, & Chiliya, 2014). Budgetary constraints are the most cited reason as to SMEs not committing adequate resources to marketing activities. Marketing functions such as promotion, public relations, sales training and sales assistance are important for small enterprise that are competing for market share with well-established big businesses. In their study, Mapila et al. (2014) contend that there has been an increase in the number of township SMEs. One of the most visible weaknesses of these SMEs is failure to differentiate; they establish identical businesses that sell identical products and services. The increase in township malls presents competition from big supermarkets with strong brands, customers that used to buy from the SMEs because of convenience now travel to big supermarkets where there is a variety of products and services at cheaper prices.

Mapila et al.'s (2014) study concluded that SME owners need marketing education that enables them to employ a variety of marketing approaches that best work for them. They recommended that some of government's support should include continued training of entrepreneurs on marketing approaches. Training should include but not limited to packaging, shop layout, competition and price strategies.

An interesting study by Oji, Iwu and Haydam (2017) was conducted to investigate SMEs in the hospitality sector and their use of social marketing platforms such as Facebook, Twitter and WhatsApp. The results show that most SMEs in the hospitality sector use social media platforms, with WhatsApp being the most frequently used followed by Facebook and Twitter. These social media platforms present a cheaper approach to marketing that can be used for promotion, new product marketing and customer loyalty. WhatsApp is mostly used for socialising. If social media platforms can be used for marketing purposes by SMEs, it will boost their marketing capabilities and afford to compete with big businesses.

2.7.6. Regulation and policy

Small medium enterprises in various sectors must comply with regulations dealing with procedures, processes and compliance. Though costs may be the same for both small and big enterprises, the financial and time burden is higher on SMEs relative to big business. While big businesses can have a person or department designated to such matters, SME owners must assume this responsibility, as not complying with rules and regulations can inhibit SME growth (Bhorat et al., 2018). According to Nieuwenhuizen (2019), most government imposed regulations were reported to be restrictive and expensive to SMEs. These consist of business registration, SARS, all forms of taxation including value-added tax (VAT), tax compliance cost, labour laws, the cost of compliance in terms of time and money, paperwork and requirements for the skills development system.

The SBP (2014) cites changes in regulation as another burden on SMEs. Small businesses must keep track of overlapping and sometimes conflicting regulations across government departments. The changes are sometimes poorly communicated. Inaccessible information and inefficiencies in government departments means more time is spent on compliance issues than on strategic

approaches to grow the business. According to Bhorat et al. (2018), the financial and time costs of compliance deter small businesses from formalising and growing within the formal sector.

How does regulation and policy impact women owned-SMEs? According to Akhalwaya and Havenga (2012), developing country legislation can be limiting contractually and economically to women. Women in certain countries are excluded from property ownership which can be used as collateral when applying for funding. According to Maas and Herrington (2007), South African entrepreneurship policies need to be addressed to ensure that women-owned businesses are sustained over time and grow their enterprises to create jobs and grow the economy.

This section covered challenges facing SMEs in general. The next section delves into challenges that are peculiar to women-owned SMEs. Gender is one of the focal interests in the study due to pressure worldwide to economically emancipate women to address gender-based inequality in economic and wealth matters. This drive for inclusive economic growth is seeing a rise in the women-owned SMEs which at the same time is forming part of the gender studies (Cilliers & Strydom, 2016).

2.8. Challenges unique to women-owned SMEs

There is a rich history of the manipulation of women to the extent that a patriarchal society seems to be an acceptable social status quo. Veena and Nagaraja (2013) state that several studies have found that female and male entrepreneurs have more similarities than differences with regards to motivation to start a business and success metrics, however social norms have made female owners to face more problems and for those problems to be of a greater magnitude than their male counterparts. It is the attitude towards the role of women that makes female entrepreneurs not to be taken seriously in business and to lack role models that can mentor them. This section discusses challenges that are peculiar to women-owned SMEs. Empirical evidence shows that although women are affected by the same challenges as men-owned SMEs, their challenges are made worse by gender discrimination and other socio-cultural challenges which are peculiar to them.

2.8.1. Access to networks and information

In entrepreneurship, networks have become an important enterprise success factor to the extent that they have coined the term social capital because of their value in enterprise development.

Contacts in networks provide entrepreneurs with valuable information, resources, meaning and skills required to succeed. Malende and Väisänen (2017) cite three ways in which social capital aid entrepreneurial activities. Firstly, they provide supplies and financial resources which can be used to buy required stocks and equipment. After all, most women-owned SMEs rely on family and friends for start-up capital because of their inability to provide collateral, credit record and set of skills required by financial institutions. Secondly the network can provide relevant information and reduce uncertainty in the start-up phase, discover and act upon opportunities. New business owners lack knowledge of markets, customer needs and management skills. Research shows that such skills can be obtained from interacting with other people. Thirdly networks can be a source of motivation, encouragement and emotional backing at different levels of the business growth. Dassanou et al. (2014) state that women businesses tend to have a small network compared to their male counterparts. Men have better social connections that help them to identify and take advantage of the opportunities.

According to Dassanou et al. (2014), women who establish new enterprises tend to know fewer entrepreneurs than their male counterparts. In other words, women have less connections that help them identify and access opportunities, provide information and contacts. Women are disadvantaged as they have less mentors and role models from the on-start which they could capitalize on in the long run to manage and grow their enterprises. Ahmed and Kar (2019) concluded that the lack of networks for women-owners are social in nature. Pierotti's (2016) qualitative study suggests the importance of having a network of family and friends in mobilizing enough collateral for large loans. Renzulli, Aldrich and Moody (2000) state that women networks tend to be narrower and homogenous than those of men and this has a negative impact on business success. Women's limited social networks restricts them from acquiring necessary skills and meeting potential clients. Campos, Goldstein, McGorman, Muñoz Boudet and Pimhidzai (2015) highlight the importance of support mentors, mostly men, in enabling women to start businesses in male-dominated sectors. Such networks will encourage women to engage in non-traditional activities and more profitable business sectors.

2.8.2. Gender discrimination

Though male and women SMEs do encounter the same challenges such as access to finance, education and skills as well as access to market, women face a further challenge of gender

discrimination. Gender-based discrimination is well documented in literature, beginning with an education system that favours the male child than the female. Veena and Nagaraja (2013) attest to the fact that male and female entrepreneurs come from different education and business experience backgrounds. The route to entrepreneurship for males is characterised by logical progression and replication of a business one has prior knowledge of; however, this does not appear to be the case for women. Even in instances where women entrepreneurs are well-educated, they do not have a business background. This means men and women entrepreneurs don't start on the same footing in terms of managerial skills as most women get their first managerial experience in their own businesses. The IFC (2014) concurs with this view and further elaborates that this lack of education and managerial skills makes it difficult for women owners to keep record of their accounts, handle taxes, understand rules and regulations and results in lack of a strategic focus.

Women find it harder to access capital from both the formal and informal institutions in comparison to their male counterparts. A study by Derera and Neill (2014) concluded that scoring variables such as collateral, track record, credit history and formal work experience are unfavourable to women looking for start-up capital. Women struggle to get formal work, accumulate assets that can be used for collateral and build a credit record. Chaudhuri et al. (2018) on the other hand used econometrics to assess women-owned enterprises' chances of accessing credit in comparison to their male counterparts. Their study found women-led businesses less likely to obtain formal finance. Male-owned businesses had a 10%-12% higher probability than women firms. They concluded that women-owned businesses are disadvantaged in the SME credit market and attributed it to the existence of gender-based discrimination.

In the South African Townships, Nchabeleng, Fatoki and Oni (2018) found the top three challenges facing women to be finance, lack of business experience and training while lack of mentorship was the main social challenge. This is in line with findings from other South African studies. Akhalwaya and Havenga (2012) investigated challenges facing women-owned enterprises in the Gauteng province and concluded that financial barriers were hindering developmental opportunities and networking such as business skills training, dealing with gender discrimination and exploiting growth opportunities.

2.8.3. Cultural and social norms

The subjective perceptions that women are less economically qualified than men has no basis in reality today but continues to prevail because of past cultural norms, laws and other institutions (D'Souza, Lim, & Hewarathna, 2016). This could be one of the multitudes of reasons why women are hesitant to assume entrepreneurial roles. The cultural and social barriers continue to relegate women to menial roles in society by treating them as children and denying them education and skills. Prevailing gender division of labour and less household bargaining power as well as less control over their earnings are all challenges that are related to customs. Such disempowerment can cause them to lose the urge to grow their businesses. The IFC (2011) states that cultural and social norms constrain opportunities for women, reduce time available for entrepreneurial activities and restricts their mobility.

2.8.4. Family responsibility

Akhalwaya and Havenga (2012) state that women's family responsibility also results in additional financial burden as well as household chores. Lack of affordable child-care centers restricts mothers from starting their own businesses. The perception that a woman's place is at home with her family prevents most women to venture into business. According to Botha (2006), there is an additional responsibility to cater for extended family; this adds on to the financial constraints and takes away the time women could be doing entrepreneurial activities. Alsos, Ljunggren, Carter and Jørstad (2016) concluded that women owners can be successful in their enterprises while balancing work and family responsibility. They however found the success to come at high level of sacrifice. Their study went on to investigate coping strategies that women use to balance work-family responsibility. The strategies used include using the resources to compensate for lack of time at home by relying on the larger family, paying for housework and childcare. Other strategies involve using the benefit of being the boss and taking flexible hours, reorganizing work to better take care of the family, taking work home and bringing children to work. All these strategies involve sacrifice from the women-owner in order to balance work-family responsibilities. Studies across economies have demonstrated the relationship between family responsibility and lower growth among women-owned SMEs, they have also shown the importance of family support for successful women entrepreneurs.

2.9. SME support initiatives

2.9.1. Government support for women owned SMEs in South Africa

South Africa is a developing country and like all emerging markets it faces the challenges of poverty, high unemployment, income and gender inequality as well as low economic growth. SME development is seen to present dividends in various socioeconomic developmental aspects in many developing countries. South Africa has adopted a variety of policies to address SME development, included in these policy initiatives is the empowerment of women business owners. Although a lot of investment has been channelled to these programmes, the returns are yet to be seen. Debates are ongoing regarding the success and failures of these policies. Some of the dominant initiatives include:

2.9.1.1. Isivande Women's Fund (IWF)

This is a DTI funding initiative targeted at accelerating women's economic empowerment through the provision of affordable funding. The fund also provides support services to enhance the success of women-owned businesses. It provides products such as start-up funding, business expansion, business rehabilitation, franchising and bridging finance. The aim of the fund is to finance black and women-owned SMEs in creating sustainable business enterprises by providing financial and non-financial support. It targets businesses requiring funding of R30 000 to R2 million and the qualification criteria consists of: at least 6 months in operation; requires early stage, expansions and growth capital; 50% plus one share owned and managed by women; have potential for growth and commercial sustainability; and improved social impact in the form of job creation (DTI, 2020).

2.9.1.2. Bavumile skills development initiative

This is a skills development programme that builds capacity by identifying talent in the arts and crafts and textiles and clothing sectors. It is a formal training programme that empowers women to produce marketable goods and creation of SMEs in the creative industry. The project aims to: Recruit women involved in the creative, clothing and textile industries, with skills in embroidery, sewing, weaving and beading; Provide specialist skills training and assist women to establish their own enterprises or co-operatives; In partnership with SEDA, provide additional training in packaging, customer service, basic bookkeeping and registering a business; and provide training sessions in municipalities. The training includes training on business skills. Several women who

have undergone this training have run successful businesses and have been further assisted through other products offered by the DTI (2020).

2.9.1.3. *Technology for businesswomen (TWIB)*

The programme was launched to advance women-owned enterprises in technology-based business systems which enables the ease of doing business and competitiveness in global markets. The programme links women-owned businesses to science and technology driven companies that provide solutions, encourage creativity and innovation using technology. The programme also invites women whose businesses involve technological inventions that improve production and quality of products (DTI, 2020).

2.9.1.4. *Techno-girls programme*

The programme encourages girls to pursue careers in engineering, science and technology by making information on education and careers accessible to them as well as facilitating extra mural learning programmes. The theme of the programme is “A girl today, a successful entrepreneur tomorrow”. The programme encourages women to take professions that were previously reserved for males. The involvement of women in such professions allows them to partake in economic development and to be part of the wealth creation process. The programme targets schools from previously disadvantaged communities. It attracts 900 learners every year from all around the country. The winning schools receive computers and fax machines. The learners are given an opportunity to present at the Budget Vote day and at the global summit (DTI, 2020).

2.9.1.5. *South African Women Entrepreneurs’ Network (SAWEN)*

The programme was adopted to support women in addressing challenges that hinder them from establishing, strengthening and sustaining their businesses. It is a membership organisation which represent and articulates the voices of women entrepreneurs across South African SMEs. The programme support services include effective network forums, training and capacity-building programmes, the provision of pertinent business information and advice that leads to business opportunities, facilitating trade missions and exposure to global economy, and maintaining a reliable database of South African women entrepreneurs (DTI, 2020).

2.9.1.6. *Small Enterprise Development Agency (SEDA)*

The Small Enterprise Development Agency is under DTI and is mandated to implement national government's strategy on SMEs. It designs and implements a standardised offering across all government tiers. SEDA provides targets SMES from all sectors throughout the country, it provides information, counselling and business support services. SEDA's target market includes SMMES, cooperatives as well as entrepreneurs with a business idea. It defines its clientele as per the provisions of the National Small Business Act of 1996 (DTI, 1996) which is based on number of employees, turnover, and fixed assets. The output of assisted clients has been huge; however, this has been achieved at the expense of sacrificing measures such as employment, profitability and sustainability. This has forced the agency to focus on small and medium enterprises employing between 21 and 200 employees. The agency gives special focus to women entrepreneurs and provides support in the form of general Information and education programmes, mentoring and coaching programmes, support for networking structures and financial assistance (SEDA, 2020).

2.10. Chapter summary

The chapter defined key terms which are SME and township. Literature shows that there is no single universal definition of SME, different regions use a variety of metrics to define a SME. The National Small Enterprise Act No. 102 of 1996 (DTI, 1996) definition has been adopted in this study, it is the regulation governing SMEs in South Africa. The World Bank definition of township was adopted for the study. The definition defines a South African township into two distinct eras, apartheid, and post-apartheid.

The chapter also presents the theoretical concept of the study which is entrepreneurship. The work of the neoclassical scholars such as Marshall and Schumpeterian as well as later scholars such as Kirzner who advanced the economic understanding and definition of entrepreneurship are presented. Their theories demonstrate the evolution of entrepreneurship from a narrow view to broader modern definitions such as the GEM model, which is used by world renowned research institutions. The chapter presents literature that links entrepreneurship and SMEs. The two are different but are closely linked. Entrepreneurship leads to the establishment of SMEs through which innovative products and services are produced to solve societal challenges such as poverty, unemployment, and economic growth.

The chapter presents the conceptual framework of the study which is a product of literature on the challenges facing SMEs in general and challenges particular to women-owned SMEs. The framework groups the challenges into three categories of macro, micro and sociocultural. Women-owned SMEs are also affected by challenges faced by SMEs in general, however their challenges are worsened by gender-based discrimination which stems from historic societal perceptions of the role of women as being in the house with the family. Women are discriminated by the education system and financial institutions resulting in them lacking the managerial skills and knowledge to run their businesses. Their networks are limited, and they lack role models and mentors that can help identify opportunities and meet customer needs. Women must strike a work-family balance resulting in less time being spent in the enterprise.

The chapter concludes by presenting policy measures which the South African government has crafted and implemented over the years. The South African government sees women owned SMEs as presenting dividends in many socioeconomic aspects of development, women-targeted policy measures have been developed and implemented under the DTI. The study acknowledges the existence of private and NGO support initiatives but chose to focus on government led initiatives which are easily identifiable and have their mandates presented in the public domain.

CHAPTER 3: METHODOLOGY

3.1. Introduction

This chapter outlines the research methodology that was followed in the study. The methodology aspects covered include research approach, design, population and sample, source of data, data collection instrument and the data analysis method.

3.2. Research approach

Upon investigating various literature sources, the researcher decided that a qualitative design was suitable for the study. Three reasons were identified for this choice. Firstly, there are insufficient studies that have been conducted on the challenges facing women-owned SMEs in South African townships (Oni, 2018). The study intended to explore an in-depth understanding of challenges facing township SMEs, women-owned specifically. Secondly, Studies have demonstrated that there is a variation in what constitutes success in SMEs, and this success is primarily context-dependent (Chittithaworn, 2011). Thirdly, townships are a uniquely South African phenomenon which originates from the apartheid system (Godehart & Pernegger, 2007). Though literature shows that challenges facing women-owned SMEs can be generalised across the emerging markets, the researcher was of the view that there may be challenges that are unique to the township context as a result of its historic origins. This meant that the research design required an in-depth exploration of the township economy to gain understanding of the SME landscape and nature of challenges that hinder enterprise development. The research question was therefore drafted to allow for an exploration study.

3.3. Research design

This section presents the elements of the design of the study, the target population and sampling. Furthermore, the data collection process, instrument used and data analysis aspects such as the analysis process followed is outlined. Lastly, issues pertaining to the validity and reliability of the study are discussed.

3.3.1. Population and sampling

A population is the element which we wish to make an inference about such as people, events and records or elements that contain information that is desired by the study and can answer the research question as well as determine whether a sample is representative (Blumberg, Cooper, & Schindler, 2008, pp. 90-107). The population of the study are SME owners as defined by the National Small Business Act No. 102 of 1996 (DTI, 1996). Most Small to Medium enterprises are managed by their owners and would therefore have first-hand experience of the challenges faced throughout the life span of the enterprise. The study targeted SMEs operating in the Western Cape townships of Khayelitsha, Nyanga and Langa. These are the three oldest black African townships in the Cape and have been exposed to both the apartheid and the democratic era.

The three townships targeted by the study fall under the Cape metropole. Khayelitsha was created in response to migrants moving to the Cape and those who were forced out of Crossroads by the “witdoeke violence”. The township grew after 1994 when influx laws were abolished (www.capetown.gov.za). Nyanga was established in 1946. Langa Township was established in 1923 after the demolishing of Ndabeni Township. Ndabeni Township was destroyed due to pressure from white residents in the nearby Pinelands suburb (www.capetown.at/heritage).

The databases of the local development forums in the respective townships and the Philippi Small Business Centre were identified as sources for respondents. The three townships have development forums which amongst other things focus on small businesses development. The Khayelitsha Development Forum (KDF) is the most popular because of the population size and its involvement on both social and economic development. The Philip Small Business Centre assists small business from registration, funding and skills training. The centre caters for small businesses from different townships in the Cape. The Philip Small Business Centre works with organisations such as the Bertha foundation which has close links to the UCT Graduate School. The researcher sent out a letter of request to these organisations for permission to use their databases to reach out to small business owners in the townships who were available and willing to be part of the study.

Sample

The research sample is the subset which represents a portion of the total set of objects, events or individuals of interest in the study (Barker & Weller, 2003). The sample frame consisted of SMEs

on the databases of three township development forums, the Khayelitsha development forum, Philippi small business Academy and the Nyanga development forum. The sample size was 14 respondents, which consisted of 50% male-owned (n=7) and 50% female-owned (n=7) SMEs. The researcher considered this a big enough sample due to the nature of the study (in-depth and exploratory), the cost and time constraints.

Sampling method

A combination of sampling methods was used, namely, purposive and snowball sampling. These methods were chosen due to the nature of the study, objectives and cost (Creswell, 2007). Purposive sampling was used as it uses the researcher's judgement to select elements in the sample for a specific purpose. Hair, Black, Babin, Anderson and Tatham (2006) state that this method is suited when the sample comprises of a group of objects that is considered to possess the desired information. The sample is chosen on the conviction that they form a suitable sample, even though it may not necessarily be representative of the population. The study therefore made use of the following pre-selection criteria to select respondents who qualify:

- Must be the owner of the business
- Business must be registered with CIPC
- Business be in existence for more than 3 years
- Must employ people
- Must be located exclusively either in Khayelitsha, Nyanga or Langa.

In a township environment where business enterprises are similar and the sectors of trade are limited, it was important that the researcher made use of his own discretion as to who could provide rich information on the topic. This approach mitigated dangers such as the study being concentrated on a single sector and location.

Secondly, the snowball sampling was used due to the anticipated difficulty of finding enough township SMEs that met the chosen criteria of being a formal business, employing people and being in existence for more than 3 years. The databases only provided names and genders of SME owners registered with the various development forums, other details such as business sectors was not provided. The researcher therefore made use of the first appropriate respondents to direct him to other participants who qualified.

3.3.2. Data collection

According to Hair, Celsi, Money, Samouel and Page (2011), the study objectives and the nature of the study determine the amount of data to be collected. Data can be collected either from primary source or secondary sources. Primary data gets collected for the first time by the researcher as part of the study. Secondary data is a form of data that is obtained from other sources of literature such as journals, books, reports etc. (Sekaran & Bougie, 2010). The most commonly used methods of collecting primary data are interviews, questionnaires and observations. Interviews and observations are the commonly used in qualitative studies. The interview method was used in this study. Empirical evidence shows that using a personal interview is the most effective way of conducting a survey. The field worker solicits information by asking respondents questions. Interviews can either be structured or unstructured and can be conducted face to face, by telephone or through the use of online tools (Hair et al., 2011). The study employed semi-structured interview questions allowing the researcher to be guided and not dictated by the schedule. The method allowed respondents to speak of their experiences instead of answering pre-determined hypothesis questions

3.3.3. Data collection process

Ethical clearance was first obtained from the University of Cape Town to conduct the study. The researcher requested permission from the three development forums that are in possession of the database of SMEs in the townships. Once permission was granted, SME owners were contacted via telephone and email inviting them to partake in the study. The researcher sent out invites to 16 SMEs, of that number, 2 were Non-Profit Organisations (NPOs). Therefore, a total of 14 respondents were interviewed. The 14 respondents were made up of 50% males and 50% females to balance the gender distribution. The researcher settled for 14 respondents because of saturation, the responses started to be repetitive, additional interviews were no longer contributing to the discovery of new insights and themes. The topic ‘challenges facing SMEs’ is not new, it is well researched, the exploration approach was motivated mainly by the unique context of ‘townships’. A unique context that presented the opportunity to discover new information on the subject matter. The researcher personally conducted the fieldwork. An interview schedule was drawn which contained questions that probed SME owners of their first-hand experiences of the challenges they face daily in their enterprise. The respondents were interviewed face to face at a time and place of

their convenience. Face to face interviews made it possible for the researcher to ensure that the respondents understood the questions asked. Respondents were asked to complete consent forms. They were not forced to partake in the study and were given the freedom to pull out of the interview at any given stage. The researcher guaranteed the privacy of their identities and the information they gave.

The researcher recorded the respondents' answers by both audiotaping and making notes; this was to safeguard against something happening to the recordings. Recordings can get lost or be corrupted by internet viruses. At the beginning of each interview the respondents were reminded about their rights as contained in the ethical consideration section. Furthermore, the respondents were reminded about the purpose of the study, protection of their identity and how the collected data was to be stored and who will access it. Respondent names were replaced with numbers to ensure anonymity. Interviews were stored on a password protected computer which only the researcher had access to. The recordings were deleted after transcription. The transcripts can only be accessed by the researcher and the supervisor.

3.3.4. Data collection instrument

The data collection instrument used in the study was a semi-structured interview questionnaire. This instrument was the most suited for the study because the structured questions probe respondents to provide in-depth descriptions and experiences about the variables of interest. The questionnaire was drafted with the research objectives in mind. Each objective had a set of questions that probed deeply on the variable of interest. Based on the literature that had been reviewed, the proposed instrument consisted of five categories. Category one probed demographics, while category two dealt with the business profiles. Category three to five addressed the four study objectives respectively. Category three investigated challenges that constrain township SMEs from growing into well-established business enterprises. Category four focused on the impact of gender-based discrimination on SME ownership in the township economy and how it has exacerbated challenges faced by women-owners. Category five had two objectives, firstly, to investigate weaknesses in the current policy frameworks that are targeted at township SMEs and those specific to women SME owners. Secondly it solicited recommended strategies to be adopted by policy makers that can better address township SME challenges as well as empower

women owned SMEs from the participants' perspectives. These recommendations were incorporated in the recommendations section of the study.

Interview questions were sent one week beforehand via email so that the respondents could better prepare themselves. Respondents could reschedule interviews to times that were most convenient to them to avoid any inconveniences as SME owners are hands-on in their businesses.

The interviews were audio-recorded then transcribed verbatim by a research assistant. There was a signed confidentiality agreement between the researcher and the assistant in order to protect the privacy of the respondents.

3.3.5. Data analysis

The purpose of analysing qualitative data is to obtain an in-depth understanding of the phenomenon being investigated (Ghauri & Grønhaug, 2002). Interpretation is critical in data analysis as it helps to understand the findings. There are several approaches to data analysis in a qualitative study. The process followed in this study was the six-step guide to doing thematic analysis (Braun & Clarke, 2006; Braun, Clarke, & Terry, 2015, 2019):

1. Familiarisation with the data
2. Generating codes
3. Constructing themes
4. Reviewing themes
5. Naming Themes
6. Producing the report.

The analysis was conducted manually through a line-by-line coding process. The initial codes were used to develop clustered codes where codes with similar meaning units were grouped together. Themes and subthemes were developed, arranged and described in accordance to the study objectives.

3.3.6. Validity and reliability findings

According to Creswell and Creswell (2018), qualitative validity means the researcher checks for the accuracy of the findings from the standpoint of the researcher, participants and readers by

employing procedures such as triangulation, member checking, use of rich thick description, clarifying bias etc. Reliability refers to researcher's approach being consistent across different researchers and among different projects (Gibbs, 2007).

The study employed the member checking validity procedure. The process entails taking the final report or specific descriptions back to the participants to check for accuracy. This process required follow-up interviews with the participants, allowing them to comment on the findings. Furthermore, the researcher clarified the bias the respondents brought to the study. This created an open and honest narrative which resonates with the reader (Creswell & Creswell, 2018).

The study falls under the social sciences field of Entrepreneurship with specific reference to challenges and perceived successes of small businesses.

3.4. Geographical demarcation of the study

The study targeted Western Cape townships of Khayelitsha, Nyanga and Langa. It was limited to the Cape Town metropole black African townships for feasibility reasons. These Cape Town townships were easily accessible to the researcher. It would have been costly for the researcher to cover all townships in South Africa. The apartheid system not only separated people on race but on tribal lines too. The residents of the Cape townships are mostly of Xhosa descent that originally came from the Eastern Cape and enjoy a common culture. Townships in other metros have residents of a different descent and culture might have an impact on the way business is conducted and therefore limiting the study to these three townships excluded such externalities to the study. The second reason for the geographic limitation is that the Cape has several old townships with a rich history of both the apartheid system and the new democratic system, such exposure was seen as capable of bringing about other salient topics for future studies and these selected townships were representative of other townships across the country.

3.5. Ethical considerations

Patton (2002)'s checklist of what constitutes good ethical conduct when conducting field work was used. The checklist addresses issues of reciprocity, assessment of risk, confidentiality, informed consent, data access and ownership. Ethical clearance was applied for from the University of Cape town's ethics committee and was granted on the 2nd of June 2020. Thereafter

all participants were asked to sign a consent form that outlined the details of the study such as purpose and data collection process. All participants who took part in the study were SME owners partaking in their personal capacities and therefore organisational consent was not required. Participants were assured their anonymity will be maintained. Participants' names were removed, and numbers were used to when referring to participants. The interviews were electronically recorded and only the researcher had access to the recording. Transcriptions were done by a professional service provider, who signed a non-disclosure contract to protect the information contained in the recordings.

3.6. Chapter summary

The chapter began by defining the research approach chosen for the study. This approach was chosen because of insufficient studies on the topic, the varying definitions of SME across the world and the unique setting of the study, townships, which are a South African phenomenon. Based on the three reasons the researcher saw a high probability of new information emerging from this context. The population of the study were SME owners as defined by the National Small Business Act No 102 of 1996. The participants came from three Western Cape townships, Khayelitsha, Nyanga and Langa and databases from the Khayelitsha development forum, Philippi Small Business Academy and Nyanga development forum were utilised to source study participants. A combination of sampling methods was used, namely purposive sampling and snowball sampling. The sampling methods ensured access to suitable study participants and diverse business-sectors. A questionnaire was designed to conduct in-depth interviews and the data was analysed using the six-step thematic analysis. Ethical considerations were taken into consideration to ensure confidentiality of participant information as well as inform participants of their rights throughout the interview process.

CHAPTER 4: RESULTS AND DISCUSSIONS

4.1. Introduction

This chapter firstly presents the findings and thereafter a discussion of the findings. The results were grouped according to the questionnaire categories, which consist of demographics, business profiles, challenges that constrain township SMEs from growing into well-established business enterprises, the impact of gender-based discrimination on SME ownership in the township economy, weaknesses in the current policy frameworks that are targeted at township SMEs and those specific to women SME owners and lastly, the recommended strategies to be adopted by policy makers that can better address township SME challenges as well as empower women-owned SMEs from the participants' perspectives.

4.2. Demographic information

The sample consisted of 14 participants, 50% females and 50% males which was predetermined in the methodology. The ages of the respondents ranged from 28 to 72 years old, with an average age of 45 years. The youngest participant was 28 years and the oldest 72 years. Six participants were between the ages of 31 to 40 years, and 3 were between the age ranges of 51 to 60 years. Agbenyegah (2013) found it very concerning that in a country like South Africa with high numbers of youth unemployment there were less economically active SME owners under the age of 30 years old. His study concluded that this was a missed opportunity as more youth could be roped into the economically active citizens through entrepreneurship training and youth development support programmes.

In the sample, 6 participants were married, 6 were single, 1 divorced, and 1 was a widow. In the married subset, 4 were males and two were females. In the single participants, 3 were males and 3 were females. Agbenyegah (2013) states that marital status provides a positive and stable environment for SME success. Married SME owners enjoy the support of their spouses and resource contribution. The combined assets have a significant bearing on the financial health and growth of the business enterprise. The business benefits from the combined skills and knowledge of both partners instead of one.

In the sample, four participants were high school dropouts, one had a matric certificate, two were college/university dropouts, five had diplomas, one had an honours degree and one was a PhD candidate. In the sample, 30% of women SMEs had university degrees compared to 21% males. Veena and Nagaraja (2013) concluded that even though more women are educated, very few of them have business education compared to their male counterparts. Males starting a business seems to be a logical progression; they start a business in a field in which they have prior knowledge or work experience. Most women do not have this exposure. The diversity in educational qualifications of the participants could be indicative that formal education is not the only determining factor of entrepreneurial success. Anyone can be an entrepreneur. Botha, Nieman and Van Vuuren (2006) state that education is not a prerequisite to business success. This implies that anyone with any level of education can start their own SME in the townships

In the sample, 13 of the participants had fulltime jobs before they started their own businesses and only one had no previous profession. Of the 14 participants, eight participants started businesses in fields that were related to their professional backgrounds. Hlatshwako (2012) found that prior work experience puts one in a better position to run a successful business. The results overwhelmingly point towards the view that professional background influences the sector and product choice of SME owners. SME owners in the township tend to start businesses in the fields or products that they have worked in and know very well. This signals the importance of exposure and prior training in SME development. If adequate training is provided, township people will command the knowledge and the skills that are imperative for opportunity identification. **Table 4.1** is a summary of the demographics of the sample.

Table 4.1: Demographics of the sample

Participant	Age	Gender	Marital status	No of children	Level of Education
Participant 1	41	Male	Married	2	College drop out
Participant 2	37	Male	Married	3	High School drop out
Participant 3	38	Male	Single	0	High School drop out
Participant 4	62	Female	Single	2	High School drop out
Participant 5	38	Female	Married	2	PhD candidate
Participant 6	72	Male	Married	3	High School drop out
Participant 7	59	Female	Married	5	Diploma Education
Participant 8	34	Female	Single	2	University drop out
Participant 9	48	Male	Married	2	Diploma Auditing
Participant 10	37	Male	Single	3	Diploma Management
Participant 11	32	Female	Single	1	Diploma Fashion Design
Participant 12	52	Female	Widow	3	Matric
Participant 13	57	Female	Divorced	4	Diploma Administration
Participant 14	28	Male	Single	0	Honours degree

Source: Author, 2020

Participants were asked to describe their business journey from inception until present. The majority of participants reported a difficult initial stage due to inadequate resources and furthermore, many of the participants had an overall difficult business journey. They reported having faced many challenges and failures along the way due to several various factors discussed in the next category. However, their successes are also worth noting, some participants reported to have outgrown the introductory phase of their business and moved to the growth phase while others reported finding themselves stuck in the introductory phase of the business cycle. In the sample, 13 participants reported that their businesses were started with very minimal capital. Participants stopped working formal jobs and used their qualifications and experience to start a business in their areas of interest, the most common source of capital injection being employment packages. Of these 13 participants, nine started their businesses with either a retrenchment or employment package after they left their jobs. Majority of the participants report that the business income substituted their salaries and they used it for personal expenses and therefore struggled to invest into and grow their business.

4.3. Category two: Business sector and performance

This category probed the business profile aspects such as the type of business, economic sector and product offering. Registration of the SMEs with CIPC was a prerequisite in the methodology of the study; therefore, all the SMEs were registered businesses. All SME owners were the original founders of the business, none had purchased an already existing enterprise. Majority of the SMEs were private limited companies, 11 SMEs were Pty Ltd, two were close corporations and one was a co-operative. Participants were asked about their perception on the importance of business registration. Ten participants acknowledged the importance of registering a business and the benefits of such.

In the sample, four participants indicated that they had never experienced a real benefit of registering a business. Their expectations of registering a business have not yet been met; these include access to government tenders, funding and resources. It is evident that these participants associate business registration with immediately accessing funding and resources to operate a business. Participant 4, a 62-year-old female, selling sheep heads views business registration as a statutory obligation that is a requirement when engaging employees for their provident fund and the Unemployment Insurance Fund (UIF). Participant 9, a 48 old male, with a diploma in auditing and runs a financial services business reports that business registration is the curriculum vitae of a business and therefore presents benefits. He further reports that most business owners have no understanding of this benefit. He lays part of the blame squarely on the respective government departments for failure to educate people on business registration.

The sampling method, purposive sampling gave the researcher the liberty to include SMEs from diverse economic sectors which range from hospitality, construction, financial services, health care, clothing and textile as well as agriculture to mention some. Despite the effort to come up with a sample with diverse economic sectors, the researcher ended up with three SMEs from the hospitality sector. The hospitality industry is a broad sector with varying product offerings from tour guides, bed & breakfast, restaurants and laundry offering which are an interlinked network. The diverse economic sectors also meant that the product offering varied across the sample.

Table 4.2: Business sector

Participant	Type of ownership	Economic sector	Product/Service	No of employees
Participant 1	Close corporation	Pest control	Pest control services	3
Participant 2	Pty Ltd	Plumbing	Plumbing services	3
Participant 3	Pty Ltd	Hospitality	Burgers	15
Participant 4	Pty Ltd	Hospitality	Sheep heads	12
Participant 5	Pty Ltd	Construction	Construction solutions	8
Participant 6	Close corporation	Hospitality	Catering services	6
Participant 7	Pty Ltd	Poultry	Chicken	4
Participant 8	Pty Ltd	Fast food	Gatsby	2
Participant 9	Pty Ltd	Financial services	Financial statements	4
Participant 10	Pty Ltd	Hospitality	Laundry	6
Participant 11	Pty Ltd	Clothing & Textile	Clothes	4
Participant 12	Co-operative	Agriculture	Vegetables	5
Participant 13	Pty Ltd	Construction	Building, Painting, Fencing	4
Participant 14	Pty Ltd	Health services	Medication delivery services	16

Source: Author, 2020

Participants' qualifications and professional background influenced the choice of product or service offering. In the sample, eight participants' product offering was influenced by their professional background, most of them worked in the product related field and had knowledge and the skills to offer the product. At least four of the participants also had qualifications that are related to their product choice.

Business performance was gauged on the following metrics: number of employees, customers, turnover and profitability. It was a prerequisite for SMEs to employ people in order to be part of the sample and therefore all sample participants have employees. The number of employees differs depending on the size and nature of the operation. Some businesses were labour intensive. Participant 3, a 38-year-old male owns a burger business which does deliveries in the Nyanga, Gugulethu and Philippi townships. The business that started with one man selling muffins at the

train station, however it now employs 15 people. Participant 4, a 62-year-old female selling sheep heads started with ten heads at her back yard, now she sells 200 heads a day and employs 12 all-male employees. The ability to plough back profits into the business on a uniquely township delicacy has made it possible for her to attract customers from both townships and suburban markets. Participant 14, a 28-year-old male in the health care delivery service employs 16 people. His business model was initially targeted for the township and has grown to cater for the wider Cape metropole. Ten participants started their SMEs as a one-man business due to affordability reasons; these businesses have grown to employ people over the years. The remaining four started with employees partly because of the nature of the business, for example, participant 6, a 72-year-old restaurant owner could not prepare food and serve customers at the same time.

The turnover and profitability metrics were not probed explicitly as the researcher felt this would be sensitive information for the participants to disclose. The participants were asked to indicate whether they had experienced growth in turnover and profitability over the years. Twelve participants were very confident that turnover had increased over the years and the number of customers had gone up over the years. Participants were however not convincing about the profitability of their enterprises. One would expect an increase in turnover to be positively related to profitability. Peters and Naicker (2013) state that although most SMEs have been in existence for several years, their growth is questionable, and many have experienced a decline. In terms of performance measures, most formal SMEs remain in their infancy stage as they fail to wean themselves off the start-up challenges of resources, knowledge and skills. Turnover curve surges in the beginning but soon flattens out as a result of insufficient capacity of both the owners' business skills and resources to support growth.

A question was posed as to what prospects were intended by the SME owners. All 14 participants indicated that they would like to grow their businesses either by targeting a bigger market base in and outside the township or introducing new business units that complement the existing business. Participant 5, a 38-year-old female running a construction consultancy indicated that she would like to open a construction training academy that produces contactors and graduates that are marketable in the industry as well as help solve the massive infrastructure backlog in the townships. Participant 7, a 59-year-old female in the poultry business indicated her desire to

diversify her business by buying a processing machine which would ultimately result in increased profitability.

4.4. Challenges facing township SMEs

The major challenges facing SMEs in the townships from the thematic analysis resulted in the following prominent themes.

4.4.1. Lack of financial resources

The lack of resources and infrastructure resulting from limited funds is a constant source of frustration for township SMEs, and largely hampers the growth and success of these enterprises. Most participants highlight the difficulty of obtaining funding from financial institutions. All 14 participants have struggled to access funding to buy the necessary start-up resources for their businesses as well as adequately finance the growth stage of the cycle. Most participants report that building credit records with banks is not possible under the circumstances. Firstly, they cannot bank funds as they need to use them in their day-to-day operations. Secondly, they find bank transaction fees exorbitant, they take away from the little funding they have. Opportunity cost is assigned to the use of transaction fees in the business than on the benefits of building a credit score. Participant 4, a 62-year-old female, who sells sheep heads reports that she cannot bank money because she needs it to buy more equipment that is needed in the business while participant 11 says that it was not easy for her to keep a business account with one of the major banks in the country because of the bank charges.

The results show that most participants have limited knowledge of where to access funding besides mainstream banks who require collateral. Most SMEs cannot meet the requirements of the banking sector because they have no previous track record that shows that they can generate cashflow to service such loans.

*The number one challenge is that a lot of SMEs do not know where to go in terms of funding. I also used to struggle with that because I started the business without capital, I felt that it's a struggle. And honestly, it is. When you go around looking for funding, they want a registered business and business owners do that. Then there are always so many forms that need to be filled and sometimes there are things that small businesses don't have. For example, business accounts. I had an *** business account but because I'm a small business*

and my income was in a certain bracket; I could not fulfil all their requirements. I felt like with FNB, at the time, I was losing money because I was doing transfers and the charges were not small business friendly. Their fees and charges were too high for a small business (Participant 11, 32-year-old fashion designer)

The findings resemble those of the SBI (2018) and the GEM (2018) reports which highlighted the difficulty of accessing government funding by SMEs; less than 10% of SME owners were accessing government funding. Participant 1, a 41-year-old male doing pest control mentions that government agencies take too long to respond to applications for resources and funding, this results in SME owners having to use savings and plough back profits for both capital expenditures and working capital. Participant 2, a 32-year-old plumber mentions that township SME owners are underfunded. By the time they access funding, they already have capex and working capital backlogs. Furthermore, he highlights that funding is essential for the SME owner's self-development because most of them have limited skills and knowledge of how to run a business operation.

I didn't have a tent or tables. I didn't have chafing dishes. When I started, I did a bit of research in Nyanga, but I didn't like their style, so I created my own style. I started with nothing, i started to accumulate things I needed bit by bit.... I can't even bank anything because I still need to buy more things that I need for the business. For example, I need dining tables because some of my customers want to dine (Participant 4, 62-year-old female selling sheep heads).

Participants who have knowledge of funding agencies other than mainstream banks, complain about the red tape involved when applying for funding. Participant 11, a female fashion designer has given up applying for funding from government agencies because of the requirements SMEs have to meet to qualify. She finds some requirements ridiculous to ask for from an SME, requirements such as such high turnover thresholds and number of employees. Most SMEs are still in their infancy stage and cannot afford for example to be employing more than 50 people. She states that most SMEs cannot meet these requirements, and this defeats the purpose these agencies were designed for:

But I have lost interest because the documentation they usually ask for is not something you would ask of an SME. The applications would go something like this: Do you have a registered, do you have a BEE certificate, do you have a business bank account, you need to have 50 or more employees, you need to be in the income bracket of amount X p/a. It's a small business! You don't have 50 employees. I ask myself that if their funding is directed to SMEs why they would ask for 50 employees when an SME is likely to have two or three employees. So, we are not really meant to get this funding. I think that's why I personally lost interest. A lot of my business peers are of the same opinion (Participant 11, 32-year-old fashion designer).

Lack of adequate funding exacerbates SME challenges as they cannot afford decent infrastructure which is key for them to be accessible to their target market and be regarded as professional business enterprises. Majority of the participants started their businesses in their homes thereby limiting their exposure to the bigger market out there. Participant 3, a 38-year-old male, who runs a mobile burger business describes how he struggled to get trading premises. The application process for municipal land took long and he ended up not getting it because an informal settlement was erected in the same space. He feels government, both local and national are not affording SMEs the recognition they should be getting, considering the role they play in the economy.

Municipal disservices also disrupt business in the township. Load shedding and water cuts adversely affect businesses and force them to close during trading hours. Participant 12, a 52-year-old female, running an agri-business raises the need to build local infrastructure where SMEs can operate and are able to market their products. She believes the route to local market should be easily accessible instead of having to travel to the central business district (CBD). Participant 14, a 28-year-old male, in the health services delivery states that a big chunk of his business is with the public sector, however when he approached the National Youth Development (NYD) for funding and infrastructure, he was informed that his business idea would not work but today it has a turnover of more than five million Rands a month. It is the most successful business model in the sample. He further questions the location of the current support government initiatives, which is away from the access of SMEs, it is in the CBD and away from the townships. He states that the NYD offices are far away from the townships and are not easily accessible to townships.

4.4.2. Crime and corruption

Crime and corruption were the second highest challenge cited by participants. Crime and corruption, which goes hand in hand with poverty, is a constant threat to the safety and profitability of SMEs. Participants mentioned criminal activities such as robbery, burglary, gangsterism, theft, fraud and corruption as the most prominent. This adds to the cost of conducting business in the township because of the losses incurred and investments in security. Participant 1, a 41-year-old male offering pest control services complains about the fear he has for the gangsters in the area. Township SME owners are forced to pay money to gangs who in turn guarantee their safety. The entire supply chain is affected because suppliers are afraid to deliver products to SMEs in the townships resulting in businesses failing to meet customer needs; the general public who are customers get robbed during their day-to-day activities. Participant 1, a 41-year-old male, doing pest control, does not brand his company vehicles for fear that they will be burnt during protest action by the community. Participant 5, a 38-year-old female in the construction space has lost tenants because of break-ins. This form of crime forces the business to incur an additional expense of insurance as most tenants do not accept the expense to be passed on to them. Tenants feel unsafe after an incident and prefer moving to what they perceive as safer areas:

Crime is one of the very difficult things because there's a lot of crime related happening. For example, the Somalian businesses in the township must pay fees to the gangsters in order to be protected. Gangsters even harass spaza shop owners for "protection" fees (Participant 9, 48-year-old male with an audit and tax business).

It's not just small crime, its real crime that affects SMEs locally. Our businesses have closed, and people have stopped trading, they've moved out because of that. You can go to Philippi mall which was recently built and do your research to find out how many South African owned shops are in that mall. What is the reason for not finding South African owners in that mall? All the shops there are owned by foreigners and it's not because they have experience but because they can afford it through mysterious means (Participant 13, a 57-year-old female in construction).

Participant 9, a 48-year-old male auditor and 14, a 28-year-old male in health services link the high crime rate in the township to social ills such as hunger, poverty and unemployment. When

government fails to deliver services such as water, electricity, housing and healthcare, township communities take to the streets burning tyres and, in the process, damaging infrastructure, vandalising vehicles on the road as well as looting businesses. Participant 9 cites a recent housing protest which resulted in the bigger part of the community to be without electricity for two weeks. Drugs and drug dealing form part of these social ills. He contends that the calibre of role models in the townships is a cause for concern as the youth associate success with drug dealers who they see driving fancy cars. The drug problem is further raised by participant 7, a 59-year-old female in the poultry business who states that most of the theft and robberies stem from the need to satisfy drug addictions mostly by the youth:

I started a garden in the back yard. It was fenced and then they stole the fence. I decided to not continue with the garden because I was going to experience theft every day. The thieves are not stealing for their children to eat, they are stealing to get drugs. If government could make means for these youngsters to be preoccupied with anything other than drugs. In the township, one must constantly be worried about the safety of their business property (Participant 13, 57-year-old female, poultry business)

Crime has affected us a lot. Protest has affected us a lot. There was a protest recently for housing and people were looting and burning cars. Eskom vehicles were burnt which led to Eskom being restricted or pulling out their resources because of safety of their staff and vehicles. We started having problems. Danger facilities were not working well. And we don't have electricity in certain areas, in my centre we did not have electricity. For two weeks we had on and off electricity. A private company had to come in in a disguised vehicle. So, such things affect my business. Crime has affected my business in terms of the society we live in. If you look at any township, it's not that there are no role models, but the role models are gangs with fancy lives (Participant 14, 28-year-old male, healthcare services).

Corruption has been mentioned as a challenge by the participants alongside crime. The most common type of corruption being in the awarding of government tenders as well as funding. Most participants were of the view that you only get government tenders or funding if you know the officials in charge and if you can afford to pay bribes. Participant 11, a 32-year-old fashion designer states “With corruption, doors open for you because you know someone in that sector”.

Participant 10, a 38-year-old laundry owner describes the number of years he has spent applying for government tenders. Tenders are awarded to candidates that are not in the line of business and end up subcontracting him to do the work. He claims SMEs stand a better chance getting funding from the private sector because government funding agencies are corrupt:

So, corruption is the issue. It's exhausting because you spend so much time and effort on applying. I've had about ten tenders in the past which were indirect tenders where someone else had been awarded the tender but did not have a laundry business, and then we would strike a deal (Participant 10, 37-year-old male running a laundromat).

4.4.3. Limited opportunities and market access

Participants cited limited opportunities for business in the townships as well as limited access to the market as a challenge. The competition that results tends to be hostile and jealousy also becomes a recurrent problem. Participant 3, a 38-year-old male in the fast food business describes the township business environment as cutthroat, where 20 or more businesses apply for one tender. Tenders are no longer a primary focus in his business. Instead, he has developed a thick skin and aggressively promoted his business for it to succeed. Opportunities in fast food and catering businesses have become very limited over the years. Participant 5, a 38-year-old female in the construction business attests to intense competition in her sector, a hostile business environment with geographic demarcations. She describes the environment as scary. Township businesses fight amongst each other and do not take kindly to people coming from outside a specific radius opening business in another township. She cites unemployment as one of the causes of the stiff competition within certain sectors. According to her, too many unemployed people attempt to start businesses to put food on the table for their families. Participant 7 concedes to this and states that the lack of creativity is the cause of limited opportunities:

Another thing is competition. Business is all about competing, but you find that the person opposite you will also open the same business, which is not right. Business is all about taking opportunities, but I cannot start a business that somebody else has already started. People in the township want to do the same business as their neighbours so that you as a neighbour don't succeed (Participant 7, 59-year-old female in the poultry business).

Big companies competing with SMEs in the township were also cited as a cause for unhealthy competition. Participant 9, a 48-year-old male in the financial services sector makes a comparison of retail space participants where township customers have a choice to buy their groceries from either a big retailer such as Shoprite or a local Spaza shop. Firstly, big retailers have reliable suppliers that guarantee them on time service when delivering products, while Spaza shops must go out of the township to source their products. Secondly, big retail companies are bulk buyers and get their products at very cheap prices compared to Spaza shops that source their products from the same big retailers. Thirdly, big retailers boast about well-known brand names, state of the art infrastructure, an enjoyable ambiance and customer service, resulting in repeat sales compared to a Spaza shop operating from a container with no air conditioning.

For example, Shoprite and Pick 'n Pay, they are in the townships. Even big insurance companies. There is nothing wrong with the big companies but there is no room for small businesses when they are big companies or when there is a big company providing the same service as a small business. For example, I will not buy bread from a Spaza shop when I can get a nice loaf from Shoprite. Big corporates are supplied by the big brands, for one. If a small business approaches a big supplier, they are likely to be turned away and told to go to their local big corporate store. It's only the farmers that are likely to happily supply small businesses (Participant 9, 48-year-old male auditor).

Participants also cite jealousy as one of the factors that limit opportunities and make the market environment hostile. Participant 4, a 62-year-old female selling sheep heads gives details of a jealous neighbour who always called the law enforcement officers to stop her from trading before she could get a license to operate. Even the local councillor came to “harass” her. Participant 7, a 59-year-old female in the poultry business says that township people do not support one another. Her neighbours think they will make her rich if they buy from her. People copy each other's business model and steal business ideas to ensure that you do not succeed. Participant 11 highlights a similar challenge amongst female SME owners, that they are jealous of one another even when they are not rendering the same service or product. Females are reported not to support other females in business.

Participant 13, a 57-year-old female in the construction sector complained about the unfair competition practices by foreign nationals. She reports that Somalians have taken over the township economy and they have done this by severely lowering their prices until the local business owners cannot compete and are forced to close. Once local shop owners close their businesses, foreign shop owners buy those shops and start charging normal prices. Their objective is to drive local shop owners out of business to reduce competition. The participants are of the view that foreign shop owners want to take over the township market:

The cause of that is competition. Competition is too tough. If you remember when the Somalians came into the country...it was called xenophobia, but I said it's not. I will tell you how many shops I had around me previously. I had three shops around me which were owned by South Africans, and then the Somalians came. They don't need to buy house or clothes or feed children, so they started to take over our economy in the Western Cape. They came in and started a shop here. In their shop they had very low prices which affected the South African owned shops because the people started buying from the Somalians. One of the South African owned shops closed and when that shop closed, they bought it and continued with their low prices until the second South African owned shop closed as well. When all three shops were now owned by the Somalians, the prices quickly went back to the normal South African prices (Participant 13, 57-year-old female in construction).

4.4.4. Human resources

In the sample, 4 participants complained about poor workmanship by township employees. Participant 1, in the pest control business complained about the lack of discipline amongst employees residing in the townships. Employees drink heavily over the weekend and do not report for duty on Monday mornings. Those that report for duty are still hungover and cannot put in a fair day's work. This leaves the customer with a bad impression about the business and might result in that customer not making use of your company again. Employees do not understand the need to grow the business. Despite this behaviour, these employees expect their wages. According to him, most businesses prefer to hire foreign nationals because of their work ethic. Foreign nationals seem eager to understand what the business is about and how they can help grow it.

Participant 8, a 34-year-old female in the fast food business emphasises the importance of hiring the right people and training them because customer service is key for the business to grow. She details bad experiences she has come across of employing people because they are desperate for the job, only to find out that they are not passionate about it. She experiences township employees to be constantly giving, which they expect to the owner to understand. She has experience of employees consuming liquor on duty:

This business is my baby, it's my love but I end up hiring any random person because of desperation. I come across people in need of a job and hire them, they don't treat the job seriously or with any passion. Customer service and delivering a good service is very important. I think in this food industry or black SMEs in general need to learn about being professional. We need to also teach our employees about being professional (Participant 8, a 32-year-old female, fast food).

Participant 13, a 57-year-old in the construction business presents a different dimension of employee challenges. As a female in a male-dominated industry, she is not taken seriously by other construction company owners as well as her own male employees who refuse to take instructions from her. They do not regard her as knowledgeable in construction matters because it is a male dominated industry:

Because I'm a woman. When we started this interview, I told you that it's even done by your own employees. Most of my employees are men so for me to tell a man what they need to do and how to do, it becomes a challenge because he thinks that you don't know what you're talking about (Participant 13, 57-year-old, construction sector).

4.4.5. Lack of financial and business administration skills

In the sample, seven participants cited poor financial and administrative record keeping as a challenge for township SMEs. Participant 5, 38-year-old female in construction states that she has come across numerous businesses that fail to keep financial records and documentation including herself. The financial records and administrative documentation are salient for SMEs when applying for funding. Record keeping is also a requirement in the adjudication process when awarding companies tenders. SME owners will claim they have experience and have worked on numerous projects but have no paperwork to prove or back up their application. Access to grants

requires financial statements and most SMEs do not have them. They are good at keeping pictures of projects, have portfolios but cannot produce financial records:

I think we do see it but it's the skill that we don't have. Like myself. I consider myself more educated than the group that I work with but I'm still bad in terms of record keeping because it's not a skill that I've acquired. I've done forms of accounting here and there; I've done bookkeeping but it's not something that I practice. I don't know how it can be acquired because the knowledge can be there. Even with the groups that I teach, I give them record keeping templates, but it just doesn't happen as often as taking an exciting picture. All the accounting part of the business is not as it should be (Participant 5, 38-year-old female in construction).

Participant 6, a 72-year-old restaurant owner highlights the fact that township SME owners fail to recognise that the business is a separate entity from their personal affairs. Business finances are used for personal use without accounting for them. SME owners should separate personal expenses from business activities, learn to draw salaries from the business which they can use to take care of their personal expenses. He reports that most businesses do not keep financial records, they generate revenues and just use the funds without accounting for them. It is imperative for business owners to track the business performance in order to distinguish between sales and profits. Most township SMEs draw salaries from profits instead of drawing down on their working capital. He has been to several bookkeeping training sessions where he has learnt about food costing. He is however still not confident about his record keeping. Participant 11, a female fashion designer attributes the failure to separate business and personal finances to what she calls “Black tax”. Most black Africans in the township come from poor backgrounds and there is expectation and pressure that they must financially take care of the extended family.

Participant 9, a 48-year-old who runs an audit business highlights several shortcomings of record keeping when it comes to township SMEs. Most SME owners have no understanding of the process of running a business, there are a lot of misconceptions from the word go. They think registering a business is a license to getting immediate funding and that the business must blossom. Instead, one needs to maintain the business registration with CIPC, open a business bank account for transaction purposes as well as draft financials to monitor the business performance. Such

information is essential for self-monitoring and control, to funders, suppliers, customers and employees of the business. For example, government agencies such as SEDA require a list of documents in order to award grants. One of the checklist items are three years of financial statements. You find majority of SMEs in the townships that have been in business for more than three years failing to produce a single set of financial statements. Funding can be pumped into these enterprises, but it will not produce the desired results because SMEs lack the understanding of these processes. Participant 10, a laundry owner shares the same sentiments:

The second challenge is record keeping or bookkeeping. Township businesses that are operating cannot give an account of their business. Without keeping record keeping, it's difficult to grow a business because one cannot change their approach if they don't know how much they are making. The third one is administration. For example, now with businesses operating again, township businesses don't have a database of their clients which would enable them to efficiently communicate their re-opening during this Lockdown time (Participant 10, 37-year-old male, Laundry business).

4.4.6. Other challenges affecting township SMEs

Other challenges cited by participants are presented below.

Limited knowledge and innovation:

Township businesses tend to conduct similar businesses due to lack of access to information that may assist them to develop innovative strategies. Six participants cited this theme as a challenge facing township SMEs. Participant 1, a 41-year-old male doing pest control states that township SME owners lack knowledge and innovation. He provides the following example: If one starts selling chicken, more chicken businesses will start-up next to the existing one. They copy everything including the pricing instead of coming up with new ideas that would complement existing businesses. He cites the limited knowledge and innovation as the reason why people think there are limited opportunities in the townships. Participant 5, a female in the construction sector warns against the assumption that certain knowledge is public knowledge, thus it should not be taken for granted that people have information:

There's a programme I've been running currently and it's focusing on SMEs. We were shocked to...you know we have access to information, us people with smart phones, data,

WiFi, internet. There are certain things we take for granted and assume that it's public knowledge but I was shocked to learn that the group of small contractor companies that I was working with were not familiar with the Covid relief solutions offered by public sector (Participant 5, 38-year-old female, construction sector).

As township SMEs we take a lot of things for granted. Some of us are lazy to go outside...because we are in this box. They become content with the money they make and fail to step out (Participant 11, 32-year-old female designer).

Lack of mentorship and skills transfer:

There are limited opportunities to be mentored, and thus limiting SME owners to acquire valuable skills. This partly explains the lack of financial and administrative skills amongst township SME owners. In the sample, seven participants mentioned the need for mentorship and sustainable training programmes that continually evaluate SME owners' skills capacity instead of the two-week training courses that are currently offered by government agencies. Participants acknowledge that running a business is not always a smooth ride, during tough times one needs that 'go to person' that provides guidance and motivation. They further highlight the difficulty of finding suitable mentors in the township environment. Participant 3, a 38-year-old male in the mobile fast food business states that doing business without any mentorship is difficult. The few businesspeople that succeed in the townships quickly move to suburban areas and leave no one to look up to. Township SME owners end up making vast mistakes in their day-to-day operations. Participant 5, a female in the construction sector feels the mentoring and training should mainly focus on financial management and administrative record keeping. It is the one department where most SMEs fail. Participant 9, a 48-year-old male financial auditor shares the same sentiment:

Funding is not a problem because money can be pumped into a small business but might not last without budgeting and financial management. I'm aware that most small businesses are always looking for funding however, there are more important things such as mentors who will advise on investments and making profits (Participant 9, 48-year-old male, financial services sector).

In the sample, participants had diverse skills needs which can be addressed through mentorship. Some stated that the current government programmes are not working for them. Participant 9, 48-

year-old male financial auditor would like a mentor who can assist him to grow his client base. Unlike the other participants who need a mentor in the finance field, this participant is already qualified in the finance field but lacks marketing skills. Participants are against the umbrella approach when it comes to solving their skills shortcomings.

Low-income market:

The socio-economic state of the township often results in a client base that cannot afford goods and services. Participants 5, a 38-year-old female in construction and 7, 59-year-old female doing poultry depict the township market as constrained and limited by the socio-economic challenges such as unemployment. When people are unemployed, they cannot afford to buy products, a business environment that cannot sustain growth prospects. Participant 5, a 38-year-old female in construction reports that the township market cannot afford her fees, she is therefore forced to reduce her fees to generate sales. As a result, her business is not yet profitable. Participant 7, a 59-year-old female in the poultry business cites lack of local support. Local customers have low incomes and SMEs are forced to sell their products on credit in order to generate sales. The credit terms are not always adhered to, people default on payments and this adversely impacts the business. She cites unemployment as a big challenge. Unemployment forces township customers to opt for cheaper and sometimes poor-quality products.

You see that another issue. People are hungry. People need opportunities and the opportunities do not come by. You've got a community with high unemployment rates, with businesses that do not generate income...you're bound to have socio-economic issues. Whenever there's that one opportunity, everyone wants a piece of that. It's been extremely hostile. It feels scary running businesses in the township space Participant 5, 38-year-old female in the construction sector).

People are not employed therefore township SMEs don't have a big enough clientele. Unemployment is one of the issues because when people don't have money, they will not eat meat, they will find cheaper alternative food (Participant 7, 59-year-old female).

4.5. Challenges facing women owned SMEs

Women play an important role in society however they have unequal footing in business versus their male-counterparts. The questions posed in this category were intended to investigate whether female SME owners had similar challenges to their male counterparts or theirs are unique. The questions probed the differences in challenges from a range of dimensions, general challenges of how serious women are regarded as business owners, challenges from the household environment, lifestyle choices, work-personal life balance as well as socio-cultural aspects. In this category, results show the most prominent themes that describe challenges faced by women SME owners as: gender-based discrimination, family responsibility as well as work-personal life balance, women still come across high levels of sexual harassment from males and their physical stature makes them crime targets. Perceptions and experiences of challenges facing women owned SMEs were solicited from both women and men. It was of interest to the researcher to get male perspectives on a subject where literature has found them to be perpetrators.

4.5.1. Gender based discrimination

The data indicates that traditional gender roles still exist in society, thus resulting in a level of disrespect towards women who do not fit the mould. Participants acknowledge the existence of a patriarchal society where women must continually fight for equal opportunity and recognition in the face of gender discrimination. Business ownership is mostly associated with males in the townships. Women business owners report that they face stereotyping, that males undermine them and that they are not seen as capable of running successful enterprises. Participant 7, a 59-year-old female in the poultry business commented that most males reduce the role of women to be limited to the household chores. She attributes this mind-set to one that results in women SME owners being undermined and not taken seriously in business. Her experience is that males regard women as being weak and unable to assume certain roles such as owning a business. She further states that given equal chances, women can run successful businesses; the challenge is that they must divide their time between the business and household duties. Men on the other hand are reported to be available to focus on their businesses with undivided attention.

Males undermine females. They feel that females cannot do anything because they belong in the kitchen. That's the mistake they make because females are very strong, they can do

everything! Another thing is that males have more time to spare than women because women also take care of children and the household. So, it's easier for men because they do not have to split their focus (Participant 7, 59-year-old female in the poultry business).

Participant 10, a 37-year-old male in the laundry business comments that he is of the view that women are taken seriously in female-dominated sectors such as food and catering, however in sectors such as construction, so-called male sectors, women are not taken seriously. He further delves into the origins of such perceptions; traditional gender roles define and differentiate what are female and male roles. As a result, women business owners are taken seriously when they start businesses in sectors that are traditionally associated with women such as cooking and looking after children. Women are undermined when they enter traditionally male associated roles such as the construction sector because they are not regarded as knowledgeable in those sectors. Women must consistently prove their knowledge and capabilities before their male counterparts can take them seriously. Even when tenders are awarded to their companies, people find it difficult to accept that it is on merit, instead they are suspected of bribery or offering sexual favours to get tenders. According to participant 10, 37-year-old male in the laundry business, levels of education also play a role, not necessarily those of women but the township community's level of education. Low levels of formal education make people consider female capabilities in narrow traditional roles. Traditionally, a woman should be in the hospitality sector and not in construction. Being in business or having a job is traditionally regarded as a male role.

In the sample, most participants agree that women SME owners are undermined, and their capabilities are continuously questioned. Participant 11, a 32-year-old female fashion designer states that being a female is the number one challenge for women SME owners. Females are not taken seriously when it comes to business, their skills and capabilities are always questioned. She drives a Toyota quantum, and because it is a vehicle mostly driven by males in the taxi industry, people do not trust her. The distrust aspect further cascades to her line of business even though she is in a so-called female sector (fashion designing). Most of her male customers do not trust that she can design and deliver on a suit; they come to her mostly because they have been referred by someone they trust. The perception is that when a man starts a business, the community gives it a chance, but when a woman starts a business, it is scrutinized and muzzled.

The first is being a female. That was a major challenge because I feel like females are not being taken seriously...when it comes to us owning businesses. It's always a matter of what does she know, she's only a female. ...for example, I sometimes drive a Quantum and I find that people don't trust my ability to handle it. So, when it comes to the business, I had a challenge because I was not being trusted enough. Other females might be competitive and jealous, but they trust that I can do the job. I found that male clients didn't trust that I could pull off a suit or a jacket and would rather go to another male who might understand them more. So, I found that some of my male clients were not sure about my service but came because they were referred by somebody that they trusted (Participant 11, 32-year-old female, fashion designer).

Participant 13, a 57-year-old female in the construction space details her challenges in a so-called male sector. She reports that when one is a woman in a male-dominated sector, gender discrimination always comes up. A woman experiences constant scrutiny. When a female gets contracted, it will be questioned as to whether the contract was obtained on merit. Furthermore, in the business relationships a woman has, from her business colleagues to her employees: her role appears to be continuously challenged, even though she is as capable as a man. This somewhat stifles the woman's opportunity to blossom. She compares the undermining of women to racism; in that people learn to be chauvinist in their upbringing. Participant 4, a 62-year-old female faces similar challenges with her employees, they resist her authority and whenever she disciplines them, they adopt a 'go slow' service. She gets accused of behaving like a man whenever she disciplines them, implying that authority is associated with males. Participant 16, a 28-year-old male in healthcare services comments that business ownership in the township is associated with men and not women. Women SME owners are undermined. Men discuss business, share ideas and opportunities while they have a beer; because women are not invited to these beer summits, they get excluded from such conversations.

4.5.2. Family responsibility and balancing work and life

For many women, there is still an expectation that despite them being business owners, they need to play an active role in managing the household. These two responsibilities are often conflicting and difficult to handle. All participants agree that running a business and taking care of the household are difficult to handle simultaneously as they both demand time. It is unfortunately

generally the role of a female to manage the household and not the man. Maas and Herrington (2006) found this to be a barrier that prevents women from taking advantage of opportunities and growing their businesses. This affords men enough time to focus on their businesses without feeling guilty and negligent of their households. In the sample all married men describe the supportive role that their wives play in running their business. Participant 2, a 37-year-old plumber works until late while the wife takes care of the household and the children. In the past this was a woman's primary role; he however comments that in the current environment it is difficult to manage the household and run a business for female SME owners. Household duties are as challenging as running a business and as a result one is bound to fail; many times, it is the business that fails. Participant 9, a 48-year-old male financial auditor traces this challenge to black women's upbringing. They grew up with a female's role being primarily a wife and child bearer.

Participant 7, a 59-year-old female in the poultry business states that the reason many women start their own businesses is because men can longer be entrusted with the responsibility of providing for the family. Women's financial situation therefore forces them to start small businesses that can sustain the family. Some of these women are single parents and must bear the responsibility of providing. Participant 11, a 32-year-old female fashion designer cites that business ownership by women is a choice that they make as result of their life stage. Some are forced by circumstances while others do it to attain better achievements in life. Male participants also agree that the work-personal life balance of women business owners is more challenging than that of males. Participant 14, a 28-year-old male states that women face more challenges above the challenges that every SME owner faces. The juggling between home and business is as a result of societal pressures of gender roles. For example, a male looking after children and doing household chores is a picture that is frowned upon in the township environment because it is believed to be a female role. Cultural gender roles are therefore a hindrance to the progress of women SME owners.

The lady is expected to be a mother at home. If the lady focuses on the business and doesn't become...it seems like the father cannot become the parent while they are both parents, but society says the mother is supposed to take care of that child. What if she is flying in and out of the city or the country doing business? And those interventions may be growing the business and growing the family, but the father cannot be seen sitting at home with the kids.

So those are perceptions that can extremely hinder women in terms of going forward (Participant 14, 28-year-old male, healthcare services).

4.5.3. Sexual harassment

The element of sexual harassment still occurs and is something most women face. It is a phenomenon that is mostly associated with the workplace; however, township SME owners complain about sexual harassment from their suppliers and customers. Participant 4, a 62-year-old selling sheep heads complains about the abattoir owner who touches female customers when they go and buy the sheep heads. She expresses her discomfort to this behaviour even though other females do not see it as an issue. Participant 8, a 34-year-old female in the fast food business details a gruesome experience of operating in a taxi rank. Taxi drivers used to touch and hug her without her consent. She describes a culture of ‘if you deny me touching and hugging, then I don’t buy from you’. It is a rogue environment where taxi drivers touch, hug, kiss and swear at the women selling food to them. There is also a culture of entitlement in the sense that when you deny them, they do not only stop buying from you but influence other drivers to stop buying from you.

When the drivers come to buy, they want to touch and kiss you which is another problem. They do all these crazy things and even swear at you, and you’re expected not to have a problem with that behaviour because that’s who they are. Not accepting the culture of harassment at the taxi rank will cost you your business “If someone is pursuing you and you don’t agree, they will influence other customers to not buy from you. Sexual harassment is the biggest one in the township There is pressure to accept the culture of harassment as a norm - “if you don’t know who you are, you’ll end up doing a lot of bad things to survive in business. And that is not business” – not getting the job the proper way (Participant 8, 34-year-old, fast food offering).

Participant 10, a 37-year-old male in the laundry business states that women are considered vulnerable, and males in positions of power take advantage of them. They take advantage of them when they apply for tenders, offering them tenders in exchange for sexual favours. He further expands that it is such men that have created the notion that, to be successful women sleep their way to the top. He dismisses this notion as unfounded and meant to undermine women as people

that have no capabilities and cannot achieve anything on their own. Sexual trading to get business was also raised by participant 14, a 28-year-old male in the health services sector.

4.5.4. Crime

Women struggle more with crime in the townships due to the basic fact of them being physically a weaker sex and therefore unable to defend themselves. All the participants concur that crime levels are at all-time high in the townships and that women are the biggest victims of criminal activities. Women are robbed the most in their day-to-day activities because of their physical stature; they are considered weak and cannot fight back as men would. Female businesses are therefore most targeted, they experience the most robberies and break-ins. Participant 2, a 37-year-old male plumber brings about the issue of physical stature of women, unlike men they cannot fight back when attacked by criminals. Participant 4, a 62-year-old female selling sheep heads details how she was forced to relocate her business because of shootings in the area. Her own neighbour was caught twice breaking into her yard to steal. She feels very unsafe as a female business owner and the township environment does not provide certainty because of crime. Crime increases the cost of doing business through losses and investment in security features. Though everyone experiences crime, the participant expressed that township crime is gender based. She must rely on her male employees to help with security.

We live in a time where women are the target of crime, women are being killed. Even in business, you are a target when you are a female because people know that you have money. For a man it's better because men have a presence, a dignity of sorts (Participant 7, 59-year-olds female in the poultry business).

4.6. Category five: SME policy framework

This category probed the status quo of the current government initiatives targeted at SMEs in general and those directed specifically to women SMEs. Participants were quizzed on the initiatives that they know, how they have benefitted from them, the shortcomings of these initiatives and their proposals to resolve the deficiencies in government initiatives. In this category questions 1, 2, 5 and 6 focused on participants' awareness of government initiatives that support SMEs. Question 3, 4 and 7 probed the weaknesses of the current initiatives while questions 8, 9 and 10 solicited for solutions to the current challenges.

4.6.1. Weaknesses of current government SME initiatives

Awareness of government initiatives:

According to the Western Cape Government (2019) report on township economies, the overall impact of government initiatives on township SMEs has been limited due to standardisation. Township SMEs are unique and therefore require tailored initiatives that speak to their challenges. These government initiatives are designed to support SMEs and ensure that they benefit equally. Female SME initiatives have therefore been created to cater and resolve female-specific needs and challenges. In the sample, 11 participants mention that they were aware about government initiatives targeted at SMEs but did not know how to access them or what form of assistance they offer. The results were similar when it came to awareness of women targeted initiatives. The most popular government agency being cited by participants was the Small Enterprise Development Agency (SEDA) followed by the National Youth Development Agency. Participant 2, a 32-year-old plumber, Participant 4, a 62-year-old selling sheep heads and Participant 8, a 34-year-old female in the fast food business had no knowledge of any government agencies targeted at SME development. Although most participants had heard about government initiatives, only one participant had received assistance from government initiatives. Participant 11, a 32-year-old fashion designer received training from a provincial government initiative, the Top 15 youth development programme. The other 13 participants had never benefited from any government initiative be it through funding, provision of equipment or training. Participants have applied for assistance and did not receive positive feedback. Most of the participants have given up efforts to receive help from government initiatives and have no hope that they will ever get assistance. Several reasons have been given for the lack of confidence in the government initiatives. Contrary to Berry et al.'s (2002) study which found few SME owners aware of government support initiatives, some owners had never had contact or heard of these support initiatives, the current study found owners to be aware of these initiatives, however they had limited knowledge of how these initiatives operate. This might mean that the levels of awareness have increased over the years.

In the sample, nine participants were aware of women targeted-government initiatives. Only participant 11, a 32-year-old female fashion designer had received training from a government programme. Five participants were not aware of any women targeted initiatives. Participant 8, a

34-year-old female in the fast food business admitted that her lack of knowledge was a result of not conducting research and could not fault government for her lack of knowledge. Most participants that know about these initiatives have not received assistance because of various reasons, the most prominent being limited information and accessibility of the agencies as most of them are located away from the townships. Another reason that participants provided for not receiving assistance from agencies was a lack of fairness in the initiatives.

Limited information and accessibility:

In the sample, participants complained that most SME owners have no knowledge of how to access assistance from government agencies. They report that communication channels are blurred, and information does not get to the target market. Participant 5, a 38-year-old female in the construction sector states that more opportunities are in the public sector than private, however communication of the opportunities is inefficient and ineffective. She expressed that SME initiatives would reach SME owners if they can be advertised like tender bulletins. This is because unlike tender portals, it appears that funding initiatives are hidden from the people that they are supposed to benefit; one often needs someone who is knowledgeable to assist you in the application process. Participant 3, 38-year-old male selling burgers echoes the same sentiments in that there are no proper channels of engagement between officials heading SME targeting agencies and the SME owners. The participant believes that it is easy for these agencies to reach SME owners if they really intend to do so; government can make use of the local community structures such as councillors to arrange SME engagement sessions which is a popular channel being used for other community programmes.

The government doesn't come down to the people...to tell us about their programmes. They can even go via our local counsellors to call all small businesses for workshops and such. I think maybe they don't care about us (Participant 3, 38-year-old male, fast food business).

The reach is a problem. The means by which they are communicated to the public are not efficient. They are not as advertised, for example, as tender bulletins. Tenders are quite popular, and people know the tender portals. When it comes to grants, however, you must know someone who will tell you what link to go to or what website. It feels as though it's

something hidden even though it's not. It is not enough in the manner they are put out there (Participant 5, 38-year-old female in the construction sector).

Participant 11, a 37-year-old male in the laundry business cites the low levels of education that has resulted in the lack of research as the reason why a certain grouping of women is not aware of government initiatives that are designed for their benefit. He contends that younger women are familiar and comfortable with technology and can conduct research on SME programmes online using their smart phones. This may however not be the case for older females with lower levels of education; they struggle to operate smart phones and are intimidated by the processes involved when applying to these agencies. They find the paperwork daunting, tedious and not easily understandable. Participant 5, a 38-year-old female providing construction solutions also singles out literacy levels among most SME owners. She explains that those unfamiliar with technology may not be able to perform tasks like downloading documents, edit them and compiling the required set of documentation. It is suggested that SME agencies increase the support stations around the township in order to provide meaningful help to small and medium enterprises:

Because getting a form and targeting SMEs which are usually run by people who are not so literate, how do you expect those people to be downloading PDFs and editing documents and understanding how to compile those documents. And they are quickly told that they are disqualified because they did not make the criteria. How do we ensure that they meet the criteria? We do not have enough service stations to ensure that people know where to consult (Participant 5, 38-year-old, construction sector).

Lack of fairness of initiatives:

Most participants that have applied to government agencies targeted at SMEs have lost all hope because they do not receive responses post application. Responding assures applicants that their applications have been processed. Furthermore, providing reasons for declining an application helps SME owners work towards meeting the requirements next time they apply. Eight participants complain about not receiving any responses after applying for funding. Participant 1, a 41-year-old male doing pest control and Participant 10, a 37-year-old male in the laundry business attribute corruption as the reason why they are not receiving help from government agencies and as a result have given up applying. Participants have mentioned the levels of corruption taking place in

government tenders. The assumption is therefore that SME targeted initiatives are also tainted by corruption; it appears that only the politically connected receive funding and resources from these agencies. Participants report that the officials in charge of these initiative are bribed in order to process applications.

I would say the corruption. Because I asked for help from Seda two years back and they have not answered me till today. I'm just struggling on my own. I would say so because two years until now I have not received a response...no email, no letter, nothing. But all the documents they asked me for, I emailed them (Participant 1, 41-year-old male in the pest control business).

Participant 2, a 37-year-old plumber details the difficulty of receiving government tenders. Jobs are awarded to big companies and SMEs are left out even though there is legislation that requires a certain percentage of government projects to go to SMEs. He reports that even though he has the skill and resources to do the job, his business has never been awarded a job. Participant 3, a 38-year-old male in the mobile fast food business contests the criteria used to qualify SMEs for funding and awarding of jobs in the public sector. Most SMEs do not meet the criteria, which is why they get rejected. The application process itself is reported to be very long and discouraging for most SMEs. Participant 9, a 48-year-old auditor who also does work for SEDA by offering their clients accounting services states that even though SME owners are aware of government initiatives and agencies, they fail to meet the basic requirements such as bookkeeping and a good credit score. SEDA requires 3 years set of financials and most SMEs are not in possession of such accounting records and therefore are automatically disqualified. He further reports that part of the failure lies squarely on the execution of these initiatives. They are sometimes run by inexperienced people with no business understanding. Participant 16, a 28-year-old male in the healthcare services was turned away at NYDA because someone did not believe in his business plan, however today he runs a multi-million Rand business on the very model that was rejected:

When I started my business, the NYDA told me that my business wouldn't work and that it wouldn't make money... I haven't gone back to tell them that I'm running a R5 000 000 company with 18 staff. I'm not going to do that but the guy at NYDA, when I gave him my plan, said it's not going to work. He said to me that he is going to connect me with a

consultant who will assist me with a business plan and where I come from, at UCT, we were told that a business plan is nothing without execution. It's good to have a business plan. My business plan that I took to NYDA was only three pages. There were only three things I needed to understand i.e. an idea, the idea must speak to the market, and it must be able to have resources in order to execute. These are what we are taught at business school. So, this is what I was explaining to them that an extensive business plan is not what one needs when starting a business. There are a lot of gate keepers especially in the public space which is government. The problem with government funding schemes is that they are run by people who have never started or ran businesses before, its employees who follow a criterion. When we come with our business ideas, they don't apply their knowledge but instead that apply criteria (Participant 16, 28-year-old male, healthcare delivery company).

Participant 13, a 57-year-old female in the construction space states that government policies on SMEs have not reached fruition partly because there is lack of monitoring. Good policies are drafted, and resources are allocated, however no one monitors and ensures that programmes and resources reach the desired SME owners. Instead, inexperienced politicians are put in positions that require experts. Companies are corruptly awarded tenders and go on to subcontract because they do not have the resources and expertise to execute the job. There are no independent bodies that audit and monitor the progress of these initiatives thus the high failure rate. Monitoring ensures that gaps are identified, and corrective measures taken to improve the effectiveness of government initiatives.

4.6.2. Intervention strategies for SME development in the township

This section solicited solutions from SME owners, measures required to close existing gaps in policy and ensure the progress of SME development. The question probed interventions that will enable government programmes targeted at SMEs to achieve effectiveness and efficiencies in meeting SME owners' needs. The last question probed participants about the solutions to the challenges that they face and how government can intervene to enable better SME development programmes. Participants were tasked to recommend solutions to current policy deficiencies. The following themes were most prominent solutions proposed by participants.

Accessible and transparent funding/resources:

Participants recommend that access to funding should be made easier and transparent for it to provide solutions to SME challenges. Some of the requirements when applying for funding and resources from government agencies automatically disqualify most SMEs. Participant 11, a 32-year-old fashion designer mentions unfair requirements such as high turnover thresholds and high numbers of employees. Most SMEs have low turnovers and cannot afford to employ a lot of people during the start-up phase, a phase that requires more funding and resources. Funding metrics should therefore be revised in order to be realistic with the capabilities of SMEs. Participant 5, a 38-year-old female recommends that the paperwork involved when applying for funding is too much for SMEs to handle:

I think the funding is there. I've seen a lot of funding opportunities but the paperwork to get that funding is the main problem. And it's what I've seen from some of the SMEs that I have worked with. I wouldn't say there is a shortage of the grants themselves, I think they are there but qualifying for them is another ballgame all together (Participant 5, 32-year-old female, construction industry).

Participants advocate for transparency in the awarding of funding and resources. Participant 1, a 41-year-old male in the pest control business suggests that to curb corruption and favouritism, the processes involved should be made transparent to everyone. SME owners do not understand why some of them become eligible to funding and resources while others are not and see the process as marked by underhand dealings and corruption. Participant 13, a 57-year-old in construction and Participant 14, a 28-year-old in health services delivery feel that corruption is a serious issue that should be strongly addressed. They report that government officials use initiatives that are designed for SME owners for their personal gains, thereby defeating the purposes of such programmes.

Participant 5, a 38-year-old female in construction suggests that resources to SMEs should include financial advisors who will provide training to SMEs on bookkeeping and how to run a financially sound business. Financial skills could assist SME owners understand the importance of financial information when transacting with both public and private sector agencies. Financial skills assist

SME owners to meet application requirements for funding and resources which improves their chances of being awarded the required funds.

Participant 6, a 72-year-old male restaurant owner highlights the need to deal with asymmetries of information. Government needs to monitor and ensure that the allocated funds and resources are used for the purposes they are awarded for. He suggests that previous experiences show that SME owners used funds for personal purposes instead of business-related activities; this in turn denies genuine enterprise owners that would have put the resources to good use in their businesses. Those that squander the funds make it difficult for other SME owners to access similar opportunities in future.

Provide training and mentorship opportunities:

All participants agree that training and mentorship are essential for township SMEs to succeed. Participants report that most SME owners lack the basics skills of business management. They express that SMEs can be registered every day but very few will succeed and graduate to become stable businesses if the people running them are not trained on how to run their businesses. Money and resources can be pumped into SMEs, but the failure rate will remain high if the skills levels are still low amongst the township business owners. Participant 1 advocates for an increase in the number of business training centres that will train business owners on the basics of managing their finances. SME owners in the township fail to distinguish between turnover and profits. The revenues generated are used for personal expenses, draining the business of the much-needed working capital. Indirect expenses such as transport or fuel expenses are not accounted for when doing costing resulting in overstating of profits. Participant 5, a 38-year-old in construction states that they are a lot of people who are in love with the idea of business ownership however they are ignorant with regards to what it takes to run a business

Because people here in the township just open a business and lack knowledge on how to run a business. For example, if I'm selling you apples and make R300 in a day then I'm alright and I can go buy whatever I want, they don't think about petrol for tomorrow... they lack understanding. That is why we need these centres here in the townships (Participant 1, 41-year-old male, pest control business).

You can have logos, business cards and everything overnight but if you do not know what your business is about, how are you going to convince the next person to invest in your business. I have met a lot of people who like the idea of owning a business but don't understand what it takes to run a business. Some SMEs, as I mentioned, might be owned by people with a professional job, if the SME is a side hustle, the owner must still learn to plan properly because there are a lot of paper business owners. They don't have the spirit or the drive but want to come and say that their business is not growing when they have not invested in their business (Participant 5, 38-year-old female, construction sector).

Participant 2, a 37-year-old plumber suggests that government should deploy people with the right skill sets to train and mentor township SME owners. Participant 3, 38-year-old male selling burgers recommends that a collaboration between public and private sector initiatives can help government tap into the efficiencies in the private sector in grooming small business owners. Public private partnerships (PPP) ease the pressure on government to be the sole provider of services to SMEs. Franchise businesses have expertise on training and mentoring entrepreneurs and are the ideal private sector partners to work with. Participant 10, a 37-year-old in the laundry business states that private sector must stop with “public relations stunts”, where they sponsor one SME and blow the once off activity out of proportion in order to gain marketing mileage. Part of the corporate social responsibility budgets should go into SME development, that way they will be regarded as genuine corporate citizens. Participants would like to see consistence in SME development activities such as training and mentoring. For example, two weeks training sessions and thereafter awarding certificates have not added value in developing skilled SME owners. The solution is genuine long-term empowerment; a complete set of business skills takes time and practice to acquire. The ability for SME owners to view their businesses holistically takes years of training and mentoring. Participant 14, 28-year-old male offering deliveries in healthcare services condemns the current public sector tendering system. It is a system that promotes “tenderpreneurship” instead of entrepreneurship. Firstly, tenders are awarded corruptly. Secondly, there is no intensive scrutiny of the skills and business acumen of these SME owners. The result is poor workmanship and service delivery that leaves communities worse off.

Engage with SME owners, provide relevant assistance:

In the sample, eight participants recommended that government agencies should be more accessible to SME owners. Policies are drafted and approved without the inputs of the SME owners who are key stakeholders and beneficiaries of these policy initiatives and programmes. Participants want government agencies to come to the communities in the townships and engage them in order to find out what the real challenges are. They are of the view that current government policies do not speak to the challenges on the ground, which is why SMEs are not playing the role they are supposed to in the economy, to create employment, reduce hunger and poverty as well as contribute to the country's GDP. Participants cite the communication break down between SMEs as the cause of lack of knowledge and skills in the SME space. Participant 6, a 72-year male restaurant owner states that coming to communities and engaging with SME owners will assist government agencies to better frame the challenges as well as develop fitting solutions.

The first thing that the government should do is to communicate with township SMEs and ask them what help they need because some of the programmes government invests in are programmes that we don't currently need. They should just have conversations with us. We just want to be heard. We've been to some of the programmes and they are not that effective. Having them call us for such conversations would solve a lot of problems because in that process they can get to understand the problems that we are facing and the opportunities that we have in our businesses (Participant 3, 38-year-old male, mobile fast food business).

Participant 5, a 38-year-old female in the construction industry recommends that government agencies targeting SMEs should set up offices in the township to ensure accessibility. The few that are already situated there are short staffed and poorly run. Decentralisation will enable the SME agencies to assist people in the comfort of their communities instead of travelling to the CBD which are far away from the townships. Travelling to the CBD attracts opportunity costs; time that could have been spent operating the business is spent travelling and queuing at the agency offices. SMEs are in the townships but are serviced from outside the townships. Participant 12, a 52-year-old female in the agriculture business recommends that ministerial advisors should engage with SME owners to ensure clear and smooth communication between SMEs and national government.

SME owners should empower themselves:

In the sample, 4 participants stated that the solution to SME challenge should not be responsibility of government alone. Participant 10, a 37-year-old male suggests that SME owners must play their part in empowering themselves. He is currently doing an Honours degree for self-empowerment and does not believe in waiting for government assistance to develop his skills and take his business to the next level. SME owners should take the initiative upon themselves to resolve the challenges they face. Participant 11, a 32-year-old designer advises that township SMEs should come together and form business associations that will resolve challenges as a collective compared to individual efforts. These enterprises need to take themselves seriously before anyone else can. Participant 5, a 38-year-old female in construction states that township SMEs must organise themselves and share resources as well as empower each other on business skills, knowledge as well as development of strategies:

They can support each other. I've been looking into this research of business models and have realised that, especially in the township space, the support is not there. Other small businesses...I was reading up on a collection of franchises who look like they are big businesses, but they are small companies. So, through share resources I think SMEs could offer support amongst each other. They could share resources. We live in a gig economy. What else could they do? Up skill themselves because to run a business you need to also learn how to do...so set strategies, plan, and commit to deliver (Participant 5, 38-year-old female, construction solutions).

4.7. Discussions

The following section presents the discussion of the results of the study and the comparative literature on the conceptualized themes of the study. The discussion is structured around the four major objectives of the study, which are:

- Investigate challenges that constrain township SMEs from growing into well-established business enterprises.
- Investigate the impact of gender-based discrimination on SME ownership in the township economy and how it has exacerbated challenges faced by women owners.

- Investigate weaknesses in the current policy frameworks that are targeted at township SMEs and those specific to women SME owners.

4.7.1. Challenges facing township SMEs

4.7.1.1. Lack of financial resources

Makina, Fanta, Mutsonziwa, Khumalo and Maposa (2015) state that SME growth requires adequate funding to achieve optimal size quicker; SMEs that cannot access funding stagnate and miss out on the economies of scale curve. The current study found lack of financial resources to be the number one obstacle prohibiting township SMEs from growing. Most participants ran their businesses from home because they could not afford to acquire or rent space to operate from. Furthermore, they are ill equipped, have no marketing budgets to promote their businesses and no means of self-development to acquire knowledge and skills that will enable them to come up with unique business strategies that set their businesses apart. Township SME's lack of funding deprives them of the most basic tools that they need to be descent business operations. Borat, Asmal, Lilenstein and Van der Zee (2018) found that as the enterprises go through the growth cycles, the binding constraints also change from lack of funding to sophistications such as competition. Majority of township SMEs are still stuck in the funding phase because they have never accessed enough of it from the on-start.

Majority of the participants start-up funding came from personal savings, family and friends. None of the participants makes mention of commercial bank loans. According to Mazanai and Fatoki (2012), these SMEs fall victim to financial institution credit rationing. The current study found that most SME owners are very much aware that they do not qualify for bank loans and their only hope is pinned on public sector funding. During the interviews the researcher found that even though registered, most enterprises did not have financial statements and bank accounts. This in turn means they do not have business and credit records which are a prerequisite in accessing commercial bank loans. Furthermore, they lack understanding that the business is an independent juristic person and its records and finances should be separate from the owner's personal activities. Township SME owners' personal financial constraints are married to those of the enterprise, thereby limiting the enterprise from building its own assets and credit records which will enable it to qualify for loans.

Although most township SMEs have pinned their hopes on government funding, very few of them can access it. The SBI (2018) report found that an alarming number of SMEs were not accessing government funding despite availability in the form of grants, tax incentives, loans and equity finance. During the interviews the researcher found despair amongst the participants when it comes to accessing government funding. The reason for this being the red tape involved when applying for the funds, the lack of trust in all government programmes as they are marked by corruption as well as requirements that seem unreasonable to SME owners. Participants mentioned requirements such as a high number of employees of more than 50 and turnovers that are out of the SMEs reach to qualify as unreasonable and unfair to SME owners. Township SMEs have low turnovers and are mostly one-man businesses and therefore current government initiatives do not speak to their life cycle funding needs.

4.7.1.2. Crime and corruption

The study is in line with the findings of Borhat and Naidoo (2017) who recommended that particular focus should be directed to the effects of crime on township enterprises. The current study shows that the effects of crime on SMEs is twofold, the first is the fear of doing business in the township. Investors are afraid to put money in an unsafe environment and as a result the townships lag in economic development despite the opportunities SMEs present, to combat hunger, poverty and unemployment. The second effect is in the losses experienced by SMEs during burglaries and robberies. Such losses add to the cost of doing business in the township and impact enterprises that are already struggling with the day to day working capital needs. The study found that there is fear of crime throughout the township value chains. Suppliers are afraid to deliver because their vehicles are burnt during protests, SMEs are targets of burglaries and robberies, and customers are victims of crime in their day-to-day activities. Oyelana and Fiseha (2017) state that crime is a direct violation of SMEs' property rights, it reduces the appetite to reinvest, ability to attract customers as well as recruit and retain quality employees.

The study also found the emergence of organised crime that is targeted at businesses in the townships. Gangs are aware that SME owners are afraid of crime and have identified an opportunity to make quick money by taxing businesses. SME owners are forced to pay protection fees to gangs who promise to safeguard their enterprises in return. This is becoming a lucrative business and is attracting a lot of gangs who in turn fight for control of the township region. The

findings to this arrangement are that businesses have an additional expense, protection fees, which is not even guaranteed. Secondly the South African Police services are losing the fight against crime in the townships. The environment has degenerated to an extent that gang and drug lords maintain law and order. Taheri-Keramati (2013) found gangsterism to be supported by police criminality in the townships. Police permit and support gang activities because they are on the gang payrolls.

Ikejiaku (2009) states that the transition to the election of a democratic non-racial government has stirred the debate, among other issues, of political corruption. It is a parasite that takes away from the poor communities and robs future generations in advance. All the participants demonstrated lack of trust in government programmes; they have no hope that they can benefit from them. Participant 10 states that you can only get government tenders or funding if you know of someone working in that office. Those in charge of the programmes want bribes in return when awarding tenders and funding. He has subcontracted several times because a tender had been awarded to someone without capacity to do the job. This led to the finding that corruption leads to inefficient allocation of resources Firstly, SME funding and tenders are awarded to undeserving people while SME owners with capacity continue to struggle. Secondly the bribes exacerbate the cost of running these government initiatives. The inefficiencies in government have failed the SMEs in the townships.

4.7.1.3. Limited opportunities and market access

The study concurs with Mapila et al.'s (2014) findings, that there has been a sharp increase in the number of SMEs in the townships that are concentrated in the retail space or sectors that require minimal start-up capital. Participants complained about new SMEs coming up which copy their business models which has led to conflict amongst township SMEs. The competition for the market is not only amongst SMEs but also from big business with well established brands who can afford to offer their products and services cheaper. As a result, customers prefer to buy from big supermarkets where there is variety and prices are low. Participants also complained about the cut-throat competition coming from foreign nationals who charge extremely low prices in the beginning in order to drive the local SMEs out of business and thereafter revert to normal pricing.

The study found that township SMEs have an evident weakness of failing to differentiate their product offering, they establish identical businesses offering the same products and services. In the study, unique product offerings such as that of participant 16, a 28-year-old male offering medication delivery services for both public and private sector patients were hard to imitate and showed a sustainable business model with a high growth rate. Township SMEs lack rare innovations that give them a competitive advantage over their competition. Township SMEs fail to identify market niches that cannot be serviced by big business and but are profitable. There is a geographical constraint for township SMEs in terms of penetrating the marketplace. Their business models are limited to the township. They do not tailor their products and services for customers outside the townships, the township SME owner lacks a global view when doing business. Township SME owners need a global lens where business has no geographic boundaries, and everyone can trade freely including foreign nationals.

4.7.1.4. *Human resources*

The study findings on township SME employees resemble those of Ngassam et al. (2009) who found small businesses to be limited due to their inability to attract and retain skilled and productive employees. Most employees were found to be in the hospitality sector, working mostly as casuals due to demand fluctuations. Most SME owners could not afford permanent employees. Majority of the study participants complained about the quality of their employees, that they have no understanding of customer service, punctuality and reporting for duty under the influence of alcohol. Employee level of education could be one of the reasons that deprive township SME; of skilled labour, it has been cited in literature as one the contributions of poor human resources in the South African context. Herrington and Kew (2018) state that the current education system does not speak to industry skills requirements. South Africa is marked by a shortage of skilled labour and suffers from structural unemployment.

Township SMEs end up with unskilled employees because of their inability to pay skilled employees, they end up resorting to cheap labour which they do not have to legally contract with on a permanent basis. The failure to attract skilled labour could reflect the quality of the employer. Township SMEs are not employers of first choice, they do not guarantee permanent jobs, decent packages and growth opportunities to potential employees.

4.7.1.5. *Lack of financial and business administration skills*

According to Hisrich and Peters (1995), and Lavendale (2017), SME training is pivotal in ensuring successful business operations. They highlight that funding access without financial controls presents a high probability of failure, the same way access to markets without knowing how to market one's products and services is an obstacle. The current study participants unashamedly declared their lack of financial skills and general business administration skills. Majority have not accessed funding for their businesses because they have no understanding of how the financial system works and their neglect for the imperatives of financial institution requirements. The first and far most challenge is failure to separate business finances from personal ones. Majority of township SME owners have no business bank accounts, secondly those that have them, treat them like their personal banking accounts. The resulting effect is that business working capital is exhausted on personal expenses instead of supporting the growth cycles.

General business administration skills are lacking, there is no methodology of matching internal business resources to market demand. Most participants indicated that record keeping was non-existent in their businesses, which raises the question of what inputs they use in their day-to-day planning and how strategic plans are arrived at. The study found that training interventions from public sector institutions lacked relevance, consistence and sustenance. Participants complained about the short-term nature of such initiatives; two-week courses are offered and thereafter certificates are awarded. There is no system in place to first establish the challenges on the ground, develop training that speaks to the identified challenges and a continuous system of measuring progress as well as control the outcomes of these training initiatives. Township SMEs do not regard self-skilling as one of the most essential investment needs in their enterprises, they are more concerned about working capital and capital expenditures. Participant 16 states that it is a futile exercise to give money to people who have no capacity to put it to productive use, they will waste it and remain worse off. The study therefore agrees with Van Vuuren and Nieman's (1999) model on training programmes, that skilling entrepreneurs should be regarded as a fundamental in starting and running a business.

4.7.1.6. *Other challenges*

Other challenges that featured strongly in the study are:

Limited knowledge and innovation – township SMEs are concentrated in the retail and hospitality sectors, meaning their products and business models are similar and easily imitable. In the study, only two participants had innovative business models that were difficult to imitate and required high start-up costs. Participant 3 ran a mobile fast food business which does deliveries in a space where other food delivery companies are afraid to operate in. He has partnered with other businesses in the entertainment space which presents a ready market through events. His business model presents speed, mobility, flexibility and affordability to the customer. Participant 14, a 28-year-old male in the health services delivery, identified the need to deliver medication for both the public and private sector, ensuring that patients with chronic diseases do not stand in the queue all day. Their business models are unique, creative and speak to what the modern customer is looking for, have high turnovers and create more jobs. Township SMEs require training programmes that develop competences for innovation

Lack of mentorship and skills transfer – participants complained about the shortage of mentorship programmes. Successful SME owners that can mentor others are quick to move out of the township because of the social ills such as the high crime rate. Participants acknowledge that the skills shortage amongst township SME can be addressed through mentorship programmes. Unlike formal training programmes, mentorship will afford SME owners to learn new skills and knowledge without being away from their businesses. According to Clutterbuck (1991), mentorship facilitates the sharing of experiences and ideas in an environment of professional friendship, empathy, encouragement and developing insights through mutual reflection. The advantage of mentorship to township SMEs is that each owner has unique challenges which can be addressed on a one-on-one basis in a relaxed environment with no assessment pressure, the process is continuous and normally has no cost attached to it.

Low-income market – throughout literature, the township market has been characterised by hunger, poverty, unemployment and crime. Mahajan (2014) characterised Diepsloot township's customer base as low-income households which present small client bases to the local SMEs. In the current study, participants agree that the average township customer has low income and cannot afford expensive goods and services. Township SME owners need to conduct market research before they can launch their products or services. The market research will answer questions that pertain to the target market such as size, behaviours and buying power. This gives the entrepreneur

insights on the profitability of the target market and whether it is worth going into that business segment. Furthermore, township SMEs owners need to develop global products and services, relying on the township clientele alone is limiting and unsustainable in the long run.

4.7.2. Challenges facing women owned SMEs

4.7.2.1. Gender based discrimination

Women play an important role in society however they have unequal footing in business versus their male-counterparts. Richardson et al. (2004) contend that women business ownership faces substantial challenges as a result of society's negative attitude towards them. This is a similar finding by Kuratko and Welsch (1994) who also found women business owners to be victims of discrimination. In the current study women's discrimination is twofold. The first being socio-cultural, the township society at large still regard women as inferior to men, that women cannot lead. Leadership roles are reserved for men while women leaders are seen as imitating men rather than as leaders in their own right. D'Souza, Lim and Hewarathna (2016) state that this perception has no basis in modern society but continues to prevail because of past cultural norms, laws and other institutions. Participants concur that past cultural norms are still strong in the townships and a woman's role is perceived to be in the household. The acceptance of women as SME owners in the townships is very slow and might require awareness programmes that educate both genders on the imperativeness of equality not only in business ownership but in everyday life.

The second form of discrimination is sectoral. The township community has broken down business sectors in gender terms. They believe certain sectors are reserved for males such as the construction industry. Participant 13, a 57-year-old female in the construction industry details the discrimination she encounters from her peers in the industry as well as from her own employees. Women must continuously prove themselves in these sectors while men in so-called female sectors such as catering are accepted and are not regarded as assuming feminine roles but as reputable business owners. More programmes should be introduced by both public and private sectors that promote women participation in historically male sectors. Such programmes should be well resourced in order to encourage more women to take up educational courses and vocational training in these fields.

4.7.2.2. *Family responsibility and striking work and life balance*

Women business owners are still expected to perform household duties despite this creating a conflict. During the interviews, female participants were more concerned about being seen as neglecting their household duties and less about the time spent in their business enterprises. This could signal the magnitude of societal pressure on gender-based roles, that it is a woman's role to take care of the household, a barrier that prevents women from taking advantage of opportunities and growing their businesses (Maas & Herrington, 2006). The current study found that township women work double shifts, in the business and at home, this negatively impacts their ability to grow their businesses and they are seen as failures compared to their male counterparts who do not share in these responsibilities. Married participants and single mothers suffer this phenomenon the most. Township female SME owners must choose where their priorities lie, they must juggle being business ownership, motherhood, being wives and representing the family in traditional ceremonies where they are expected to perform domestic chores such as cook as well as serve guests.

4.7.2.3. *Sexual harassment*

Sexual harassment of women has been a phenomenon associated with the workplace environment and rarely discussed in a business ownership space. The study revealed that township women endure sexual harassment regardless of their social standing. Women SME owners experience sexual harassment from their suppliers as well as their customers. The study reveals that sexual harassment is not limited to townships but extends further into the general society. This makes women vulnerable, being forced to comply to this form of harassment because they would be denied opportunities if they protest. Sexual harassment happens every day to women, however very few of them report it for fear of being victimised. Men in positions of power take advantage of women SME owners, they put conditions of sexual favours in order to award them tenders or funding. This could explain why less women access government initiatives targeted at them, as they must do more than just applying. Sexual harassment has numerous effects, both physical and psychological on the victim. Literature shows that it can result in depression, anxiety and loss of trust in environments where the harassment took place as well as in types of people occupying similar positions as the perpetrator (Levendale, 2017).

4.7.2.4. *Crime*

As previously indicated in the section discussing challenges facing SMEs, crime is one of the deterring factors to SME development in the townships. Though crime affects everyone, women are more vulnerable than their male counterparts in the townships. Participants attest to women being soft targets of crime because of their physical stature. Unlike men, they cannot defend themselves when attacked by criminals. Women-owned SMEs experience more burglaries and robberies than their male counterparts and this could be a major deterrent to female SME growth in the townships. The GEM (2014) report highlights the need to increase security expenditures and how this drags investment confidence of business owners. This is a double jeopardy for female SME owners who are already struggling with inadequate funding.

4.7.3. *Category five: SME policy framework*

This category investigated the challenges of current government initiatives targeted at SMEs and what policy issues should be considered for such programmes to be effective and efficient in township SME development.

4.7.3.1. *Challenges facing current SME policy initiatives*

Participants highlighted lack of adequate awareness of government initiatives as one of the reasons they have not used and benefitted from these programmes. Berry et al.'s (2002) study concluded that very few SME owners were aware of government support initiatives, some of these owners had never had contact or heard of these support initiatives. Their study further concluded that the lack of faith in the ability of government to create effective interventions contributes to SMEs not looking for assistance from these institutions. Gopaul and Manley (2015) came to similar conclusions, they concluded that their study participants perceived government to not be doing enough to assist and support SME development. Considering the time period between the two studies one would expect perceptions of SME owners to have improved and government support to have reached more enterprises.

The current study found awareness to be inadequate, though most participants were aware of the government initiatives supporting SMEs, their knowledge of these initiatives was flimsy and they do not get assistance from them, as a result have lost faith that they will ever get assistance. The study found low levels of knowledge to be as a result of the headquarters and satellite offices of

these initiatives being located away from the townships, mostly in the Cape metropole. The inaccessibility of these offices has resulted in lack of knowledge about their mandate and how they can be utilised by township SMEs.

The study found loss of faith in these initiatives to be stemming from the perceived lack of fairness in these initiatives. Township SME owners have no trust in government officials, they perceive them to be corrupt and cannot get assistance unless they know someone in charge of the programme, or if they bribe the officials. Corruption has given government initiatives a negative image in the townships, government initiatives need to be relaunched with an emphasis on stakeholder engagement as well as fair and transparent processes. The brand image of government support initiatives has been tainted amongst the township SME owners and this needs to be addressed before they can be viewed in a positive light once again.

4.7.3.2. *Intervention strategies*

The study found out that government initiatives need to involve SME owners when crafting them. SME owners must have an input as they are better positioned to explain what their challenges are. Only once a proper diagnosis of the challenges has been done can these initiatives produce policy measures that are relevant and effective solutions. Offices that administer these initiatives should be brought closer to the SME owners so that they are accessible and can provide knowledge and support in locations where they are needed the most. Aggressive marketing should take place in order to expand awareness of where to find support and explain the nature of available support.

4.8. Chapter summary

The chapter presented the study results followed by a discussion of the findings. The results and discussions followed the categories in the questionnaire, which were demographic information, business sector and performance, challenges facing SMEs, challenges peculiar to women-owned SMEs and SME development in the townships. The thematic analysis produced five dominant themes on challenges facing SMEs, which were; lack of financial resources, crime and corruption, limited opportunities and market access, human resources and lack of financial and business administration skills. Under the section challenges facing women owned SMEs, four prominent themes emerged; gender-based discrimination, family responsibility and balancing work and life, sexual harassment and crime. Participants highlighted the challenges with current government

initiatives as; lack of awareness of programmes, limited information and access as well as lack of fairness of initiatives. They recommended interventions such as accessibility and transparency of funding, provision of training and mentorship programmes, proper engagement with SME owners as well as SMEs learning to be organised and self-empowering. The discussions reveal that there are township specific challenges that require a design of township-specific solutions for SMEs. Women have peculiar challenges to their male counterparts in addition to those that affect SMEs in general. Government policy for SMEs does not speak to the township environment and therefore requires a new approach that prioritises SME owners as the number one stakeholder.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents the conclusions, limitations of the study as well as recommendations for future studies.

5.2. Summary of the study

The study explored the challenges facing SMEs in the Western Cape townships of Khayelitsha, Nyanga and Langa. The interest in the three townships stems from the fact that they are the oldest townships in the Cape metropole and that the township phenomenon is uniquely South African. It preserves the history of black segregation during the apartheid era and currently forms the developmental agenda in a democratic dispensation. The study explored general challenges facing all township SMEs as well as those peculiar to women. According to the United Nations development goals, women are a vulnerable grouping and their exclusion from economic activity is a missed developmental opportunity that can address hunger, poverty, unemployment as well as gender equality. Though government initiatives targeting SMEs have been established, their impact is yet to be seen in the South African context. The study explored the short comings of these initiatives and solicited proposals of improving them.

A qualitative approach was used to gain an in-depth understanding of the experiences of SME owners in the townships and to allow them to express the challenges they face in their own words. The sample included participants from three Western Cape township SME owners. A combination of sampling methods was used to ensure suitable participants are chosen from diverse business sectors. The interview questions were divided into five categories, which are demographic information, business sector and performance, challenges facing township SMEs, challenges facing female-owned SMEs as well as SME development initiatives.

5.3. Conclusions

Majority of township SMEs remain survivalist, they struggle to advance to the growth stage of the business cycle because of inadequate start-up capital. Most SME owners establish their businesses with very minimal capital which hinders them from acquiring the necessary equipment and

resources that businesses need to grow. The study concludes that township SMEs face a multitude of challenges and lack of funding was the most prominent one. SME owners fail to secure funding from both the private and public sector, they struggle to meet the basic requirements of these institutions because of capacity constraints such as collateral and business management skills. Most SMEs are borne out of necessity and their revenues are used for personal expenditures instead of financing business growth.

The study also found the following challenges to be the cause of stagnation of township SMEs: crime and corruption, limited opportunities and market access, human resources as well as lack of financial and business administration skills. Though the study found levels of formal education high in the townships, SME owners lack business education, a challenge that is related to all the other challenges. Business skills impact the quality of enterprises because the owners lack knowledge and innovation that is required to devise sustainable business models with products that can compete in a global landscape thereby expanding their market access. The quality of township SMEs makes it difficult for them to attract, recruit and retain skilled employees, they resort to cheap, unskilled casual labour.

Crime and corruption detract investment from the townships, high crime levels increase the cost of doing business as SME owners experience burglaries, robberies and must invest more in security features to protect their businesses. Gangsters and drug lords charge SME-owners protection fees, an illegal tax on their businesses. The study further found high levels of corruption in the awarding of government tenders and funding has resulted in mistrust of government initiatives amongst township SME owners.

There are differences in challenges facing women-owned SMEs in comparison to male-owned. Apart from the general challenges facing SMEs, the study found women SME owners to be facing additional challenges of gender-based discrimination, family responsibility, sexual harassment and crime. Women SME owners are undermined in the townships and in industry, socio-cultural perceptions of a women's place being in the kitchen have a strong presence in the townships. Women SME owners also struggle to balance work and life; household roles mean less time spent in their businesses. Despite literature on sexual harassment being associated with workplace environment, the study found that women SME owners face sexual harassment from their suppliers

as well as from customers. Women owners are vulnerable, and males may take advantage of them. Their vulnerability also makes them prime crime targets. Criminals target their businesses because women are physically weaker than men and cannot fight back as males do.

Current government initiatives were found to be ineffective in addressing township SME challenges. Though the levels of awareness of these programmes was high, SME owners have limited knowledge about the workings of these initiatives. The offices of government agencies targeting SMEs are located far away from the townships and are not easily accessible to most township SMEs. Township SMEs are an important stakeholder when crafting solutions to their challenges, however there is minimal consultation taking place, as a result the current solutions do not address the challenges at hand. Furthermore, government initiatives were found to be lacking fairness and transparency due to corrupt officials soliciting bribes from applicants.

5.4. Recommendations

Based on the conclusions of the study, the following are recommended to inform government on SME development policy:

Government must capture SME data to improve efficiencies and coverage. Data that segments SMEs improves geographic and sectoral support. Segmentation that can facilitate ease of data collection is required to reveal geographic, sectoral and gender status quo in SME development. Geographically, township SMEs face a unique set of challenges from those located in the CBD and suburban areas. An umbrella approach by government agencies has not yielded results. Segmenting SMEs will assist policy makers to draw information and better understand challenges faced by township SMEs which in turn will facilitate the development of relevant and effective policy strategies in developing these SMEs. This data should be supported by regular national surveys on key SME topics that align support strategies to the township SMEs' context and needs.

Township SME owners should be engaged as they are primary stakeholders when developing policies that address their challenges. They are better positioned to describe what affects them, and therefore stakeholder engagement should be key when crafting SME development strategies in such environments that require special attention. Involving township SMEs will also improve the awareness of government initiatives and provide information on how to access assistance from them. In order to achieve the adequate level of engagement and awareness, SME agencies should

be located close to their target market. Introduce one-stop shops that reduce regulatory and application process red tape as well as ensure ease of access to the help stations. Initiatives should provide follow-up support after the initial assistance to ensure sustainability of programmes. Programmes should be regularly reviewed, and corrective measures taken to achieve the desired SME development objectives.

To mitigate corruption and the incompetence of officials running SME development initiatives, independent auditing should form part of these initiatives. Auditors should provide transparent and fair reporting on the operations of these initiatives and ensure that government employees are always held accountable. Audit reports of government initiatives should be used to improve public procurement and funding tools to be transparent and fair. Introduce criteria that awards deserving candidates tenders and resources to uproot bribery and inefficiencies in SME initiatives. A culture of zero tolerance to corruption should be adopted, officials found to be colluding must face disciplinary action and harsh sentences should be imposed. Introduce sector specific specialists that can mentor and provide knowledge in respective sectors to rid incompetent officials.

To mitigate challenges facing SMEs, entrepreneurship education must be intensified. Skills development can resolve most SME challenges. More resources should be channelled to strengthening entrepreneurship education in tertiary institutions and in government agencies targeting SME development. Formal education on its own is not enough to gain skills to run a business operation. SME owners in the townships lack business education and skills. The lack of business education limits the ability to envision sustainable and innovative business models that can compete on a global scale, it limits their understanding of how to effectively and efficiently run a business in order to qualify for the much-needed funding. Skilled township SME owners will create global products with unlimited market access as well as attract private investment. Without business skills, no amount of funding will grow township SMEs and government initiatives should prioritise quality over quantity of SMEs developed.

Specific financial models should be designed that meet township SME funding needs. The models should address funding short comings of township SME owners such as the knowledge, record keeping and requirements gaps that make them fail to access funding. This can also take the form of research by Development Finance Institutions (DFIs) coming up with innovative finance

solutions that suit township SMEs' needs, seeing that most are unbanked and cannot access commercial bank loans. Public sector SME funding should consider strategies such as business cycle stage funding when financing SMEs. More SME growth can be achieved if owners know that meeting the next stage growth requirements will result in more funding being availed by these initiatives, this will resolve the stagnation of township SMEs majority of which currently remain informal and small.

To mitigate challenges faced by women SME owners, a comprehensive framework should be developed by government that supports gender equality in the township space. Such a framework should advocate for more women to be appointed to lead women targeted initiatives. Women leaders have a better understanding of the challenges facing other women in society. The more women appointed in senior leadership positions, the more training, knowledge and exposure will women gain to start and lead successful SMEs. As more women success stories emerge, women SME owners will be more acceptable as business and industry leaders in the townships. The proposed framework should collaborate with tertiary learning institutions to prioritise women candidates when enrolling in entrepreneurship courses in order to gain knowledge and business skills. SME development initiatives should be tailored for women owners to meet their unique challenges. Women SME owners should organise themselves and form support groups that share information, knowledge, successes and challenges, thereby facilitating learning and problem solving amongst one another. Such support groups can also be vehicles that mobilize women to influence policy initiatives, force law enforcement agencies at both national and provincial level to form special units that are dedicated to enforcing laws on gender-based violence and sexual harassment as well as crimes targeted at women owned SMEs. Aggressive enforcement of such laws coupled with gender-based educational programmes will decrease crimes against women. Literature shows that the gender gap in SME ownership is very narrow and therefore women SME owners are a force to be recognised they just need to form establishments that have their best interest at the forefront.

5.5. Limitations and implications of future studies

The sample of the study was limited to three Western Cape townships of Khayelitsha, Nyanga and Langa; this constitutes a small sample in comparison to the number of townships in South Africa and therefore the findings of the study cannot be inferred to other South African townships. Studies

from other townships might come to a different set of findings. It is therefore recommended that studies that cover all townships and a wide range of business sectors in South Africa be conducted if meaningful SME development is to be attained by government initiatives.

The study sample was concentrated on small businesses. Medium enterprises that are at a different stage of the growth cycle possibly experience a different set of challenges. It is recommended therefore that future studies dichotomize challenges facing SMEs on business cycle stage in order to cover the entire SME spectrum.

There is a need to conduct research on all the themes that were found to be challenges affecting SMEs in the townships in order to obtain an in-depth understanding and better inform policy on SME development.

Several studies have documented the challenges facing female SME owners and the prospective opportunities that can be attained if more women can be active participants in economic development. Future studies need to investigate the challenges of women-owned SME initiatives in order to close the policy gap and ensure township women run businesses that have meaningful contributions to the economy by employing people, reducing hunger and poverty as well as contributing to the GDP.

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APPENDICES

Appendix A: Township definitions

The study focuses on the townships of the Western Cape and therefore it is imperative to provide a definition of the term township and a brief history of how these locations came about. Most countries are made up of two distinct geographic areas which are rural and urban areas (www.worldbank.org). South Africa differs in that it also has townships and informal settlements. This makes townships a peculiar South African phenomenon.

The World Bank defines township on two eras, under the apartheid system and post-apartheid. Under apartheid, townships were places that were built far away from the economic city centers where people were forced to live dormitory style. Post-apartheid development policies led to the provision of houses in the township. The description further highlights two salient aspects about the current township, limited access to social services and are still being built far if not further than the apartheid townships (www.worldbank.org). The economic characteristics of the modern townships are joblessness, lack of basic services, crime and violence.

Bond (2008) describes a township as “land formally allocated to hosting the site of a town; the word township legally refers to both residential and industrial sites”. He further states that the most popular townships are in South Africa, which are a creation of the apartheid government and its predecessor white regimes. Bond (2008) provides a brief history of the origins of the South African township. Racial segregation became formal practice upon the landing of the first white settlers in 1652. The Land Act of 1913 and the Group Areas Act of 1950 ordered black, mixed race and Indian people to live separately. The township served as a racial discriminatory tool. Even in the black townships, tribal groups were separated.

Pernegger and Godehart (2007) concur with Bond (2008) that townships were originally created as separate areas for the non-whites and are characterized by low-income houses and informal settlements. The paper further states that townships remain economically segregated in the democratic dispensation. Townships have low levels of community facilities and investment, high

unemployment, low incomes and poverty. Future-oriented development by municipalities of townships should be encouraged while dealing with backlog issues.

The spatial legacy of apartheid has been difficult to change (Mahajan, 2014). Post-apartheid policies have failed to address the township quality of life. The post-apartheid townships are full of Reconstruction and Development Programme (RDP) houses (i.e. government subsidy housing), far away from the economic hubs. One of the key fundamental principles of the negotiated South African constitution was protection of private property rights. This made it difficult to pass regulation that is redistributive.

Sustainable Livelihoods Foundation (2016) provides a broad and all-inclusive definition of a township which considers both the apartheid and post-apartheid characteristics.

In South Africa, a 'township' is a dense urban settlement usually built at a distance from centers of commercial and industrial activity. In the apartheid era, this was by design: with townships established as dormitory towns for black workers in mines and factories, with no internal economic logic and limited social services. In the post-apartheid period, this pattern has tended to be reproduced because large-scale projects on cheap but poorly located land offer lower unit costs, despite being far from economic opportunities in the core economy. The social, infrastructural and economic costs of this ineffective urban planning are underestimated and become set in concrete.

The definition demonstrates that the original township concept which served the needs of the white administration has resulted in today's challenges faced by majority of the poor black people which the democratic government is grappling with. The definition will be adopted in this study for broad and transitory portrayal of the township phenomenon and the challenges faced by the people who live and do business in the townships. Researchers and policy surveys have shown that it is the youth and women that experience the most hardships (United Nations, 2014). There is further consensus on the solutions presented, that growing township SMEs will lead to job creation and economic growth (Cilliers & Strydom, 2016). Based on what has been described about the township, the researcher takes the stance that by empowering township SMEs, particularly women-owned enterprises, the township can be a better place for those who call it home.

Appendix B: Research consent form

Participant name:.....

I volunteer to participate in a research project conducted by **Lomakhosi Nyathi** as partial fulfilment of the requirements for the MCom Degree at the Graduate School of Business. I understand that the research is designed to gather information about **challenges facing SMEs in the Western Cape townships with a focus on gender issues** and that I will be one of approximately **20** of people being interviewed for this research.

Background and purpose of the research

SME owners face a multitude of challenges in starting and managing their enterprises. Most of these SMEs fail within the first two years of inception due to barriers that hinder them from growing to the next level. Most of these enterprises remain at the micro level and are unregistered. The study explores the problems or challenges that hinder SMEs in the township from developing into sustainable business enterprises that are profitable and can create employment for the citizenry. Besides the general challenges facing SMEs, gender specific challenges deepen the problem, women-owned SMEs face socio-economic challenges in the Western Cape townships. Women experience more and worse challenges than their male counterparts as a result of gender-biased discrimination. The gender gap in SME ownership means that women are excluded in the wealth creation process and in socio-economic development in general. Policy measures and initiatives that target women-owned SMEs have been developed in the past by national and provincial government as well as NGOs, however the fact that they have not achieved the desired impact in developing SMEs in general and female owned

enterprises specifically, means that there is lack of understanding of challenges facing SMEs.

The purpose of the study is to investigate challenges that constrain township SMEs from growing into well-established business enterprises. The study focusses on gender issues, the impact of gender-based discrimination on SME ownership in the township economy and how it has exacerbated challenges faced by women owners. The researcher intends to understand weaknesses in the current policy frameworks that are targeted at women owned SMEs and recommend strategies to be adopted by policy makers that can better addresses these challenges.

Ethics approval

Ethical consent for the study has been approved by the *UCT Commerce Faculty Ethics in Research Committee*.

Participation and confidentiality

I understand that my participation in this research is voluntary, that I will not be compensated and that I may withdraw at any time.

The interview will take approximately **60 - 90 minutes** to complete and will be audio recorded.

I understand that I will not be identified by name in any reports using information obtained from this interview and that my confidentiality as a participant in this study will remain secure. Subsequent uses of records and data will be subject to standard data use policies which protect the anonymity of individuals and institutions.

Should you have any questions or concerns please contact me on email address **lomakhosi@gmail.com** or my supervisor at **latif.alhassan@gsb.uct.ac.za**.

Consent

I consent to participate in this interview, based on the terms outlined above and subject to the following additional condition of my own (if any).

Signed by interviewee Date



18/06/2020

Signed by Student Date

Appendix C: Research Questionnaire

Study topic: Challenges facing SMEs in the Western Cape townships with a focus on gender issues.

Interview schedule

Category one: Demographic information

1. Tell me about yourself:
 - Age
 - Gender
 - Marital status
 - Number of children
 - Education (highest level of qualification)
 - Professional background (Previous work experience)

Category two-Business Profile

1. Tell me about your business:
 - the type of business ownership
 - economic sector
 - the business journey you have travelled since its inception.
 - Are you the founder of the business?
2. What is your view on business registration, how does it benefit a business?
3. What product/service do you specifically provide and why did you choose to sell that product/service?
4. Where do you source your product or raw materials and what problems do you encounter to get the product?
5. Describe your business performance and growth from inception till now?
6. How would you describe your business performance and growth from inception till now:

- number of clients
 - number of the employees
 - turnover
 - profitability
7. Where would you like to see your business in the next:
- 5 years
 - 10 years?

Category three: Challenges facing township SMEs

1. In your view, what challenges, constraints and problems hinder most township SMEs from becoming well-established business enterprises.
2. What challenges have affected you the most in your business and how did you deal with them.

Category Four: Challenges facing women owned SME

1. What challenges, constraints and problems are peculiar to women-owned SMEs in the townships.
2. In your view, are the challenges facing women-owned SMEs different from those faced by their male counterparts, explain your answer.
3. Do you think that women SME-owners are taken seriously? Please explain your answer, you can share examples if you have any?
4. In your view, are women SME owners treated differently from their male counterparts in the townships, please explain your answer?
5. Does business ownership affect women's lifestyle choices compared to their male counterparts? Explain your answer.
6. Has parenthood, being a wife/husband or caregiver had an impact on your ability to run your business, if so, describe how?

7. As a SME owner how do you strike a personal-work life balance?
8. How do societal and cultural roles affect business ownership in the townships?

Category five: Solutions to township SME challenges

1. Do you know of government agencies both national and local that support SMEs?
2. As an SME owner, have you ever received government assistance in any form?
3. In your view, what are the weaknesses of current government support initiatives to SMEs?
4. What type of support do you want government to provide you with?
5. Are you aware of government support programmes that are targeted at female SME owners?
6. In your view, are female SME owners aware of the available government support programmes targeted at them?
7. Empirical evidence has shown that results of women targeted government SME initiatives are yet to be seen. In your view why are township women not benefiting from the current government programmes, explain?
8. What can government do to ensure female SME owners are aware and use the available support initiatives to start their own businesses?
9. In your view, how can the challenges facing women owned SMEs be resolved and what form of government support can drive them to succeed, explain your answer?

Please be assured that this information will be treated with the utmost confidentiality and that no identifying data will be used at any stage or in any form. Your time and contribution to this study and to the success of future women SME owners in South Africa is greatly appreciated.