

UNIVERSITY OF CAPE TOWN



DEPARTMENT OF SOCIAL DEVELOPMENT

**An exploration of the challenges facing youth owned small enterprises in
Imizamu Yethu and Hangberg, Hout Bay.**

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NDLSAM008

**A minor dissertation submitted in partial fulfillment of the requirements for the award of
the degree of Master of Social Science in Social Development**

SWK5001W

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ABSTRACT

This study explored the challenges facing youth owned enterprises in the Hout Bay communities of Imizamo Yethu and Hangberg. A purposive sample of seventeen young enterprise owners and three key informants that offer support to the youth, were interviewed. Interviews were conducted with the aid of a semi structured interview schedule. The findings of the qualitative study conducted revealed that businesses owned by the youth face multi challenges that constrain their viability.

The key findings of the study revealed that: the young enterprise owners have long term aspirations of growing their businesses beyond the current operations. A conducive environment is therefore important to support these aspirations. The participants identified lack of finances, crime, lack of skills, competition and a lack of appropriate infrastructure as some of the major impediments to the growth of their businesses. In addition, there was general consensus among the youth that the low income of their communities reduces their capacity to boost revenue from their businesses. The findings revealed that all young participants finance their businesses, with additional finances, coming from family and friends. Although there are support programmes in place available to the youth, an overwhelming number of the young enterprise owners were unaware of these programmes available from the government, private sector and Non Governmental Organisations.

The key recommendations are that: Intensive awareness-raising programmes aimed at increasing the information and agency of the youth entrepreneurs should be put in place. In addition, role players such as the government, private sector and NGOs should play complimentary roles in addressing the challenges facing young enterprise owners to smoothen their transition to independence.

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To God Almighty who is my rock and fortress “Ebenezer”.

DEDICATION

This minor dissertation is dedicated to my parents, Mr and Mrs M.J Ndlovu for always believing in me. Thank you for teaching me the importance of education.

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

In addition to working for another, the promotion of self-employment through self-owned enterprises is increasingly seen as an active and sustainable means of ensuring youth inclusion in the economy (International Labour Organisation (ILO), 2007 & 2010). According to the South African National Treasury (2011), Small, Medium and Micro Enterprises (SMMEs) are important drivers of employment, economic growth and innovation. In addition, the development of small business enterprises has the potential of promoting skills development in young people with the objective of creating and managing viable businesses that could create permanent employment opportunities for other youth (Chingunta, 2002; Department of Trade and Industry [DTI], 2008). With unemployment in general, and youth unemployment in particular, constituting one of the major challenges facing South Africa at present (Kingdon and Knight, 2004; National Treasury, 2011; Smith, 2011), understanding the challenges, realities and aspirations of youth-owned small and micro enterprises is a policy imperative.

In spite of the clear importance of the above, young people who decide to embark on owning and running business enterprises are faced with several challenges including a lack of capital to grow their businesses and a lack of business management skills and business networks, among others (Chingunta, 2002; DTI, 2008; Rogerson, 2008). These challenges reduce the instrumental contribution of youth-owned enterprises to employment creation and the overall economic growth (DTI, 2008). It is against this background that this study seeks to explore the challenges, realities, and aspirations facing youth-owned enterprises in Hangberg and Imizamo Yethu communities in Hout Bay, Cape Town.

1.2 Problem Context

The unemployment rate in South Africa stood at 24.1% at the end of 2013 (Stats SA, 2014), with about two-thirds of all unemployed persons falling below the age of 35. The most

affected age cohort is 15 – 24 years, with an unemployment rate of 48.9% (Stats SA, 2014). This unemployment situation represents a huge loss in human potential and capital for the country, as these young people should be gainfully employed and contributing towards the country's economic growth.

According to Kingdon and Knight (2004: 5), the labour force in South Africa is growing rapidly, at about 4% per annum. The economic growth rate has, however, not increased as rapidly as the labour force; hence the creation of jobs has not been enough to sustain the labour force growth rate. Morrow, Panday and Richter (2005) argue that economic growth is not enough to cater for the growing labour force, therefore there is a need for young people to start their own businesses as a means of addressing their basic human needs. Engaging in entrepreneurial activities is not only a channel through which the youth generate income but it can also act as a means through which employment could be generated for others, transforming the state of the youth from that of being excluded to being included in the economy. Because of the inability of the labour market to absorb all of the unemployed youth, the small business sector has a fundamental role to play in ensuring the inclusion of youth in mainstream economic activities of the country both as employers and employees.

According to Herrington, Kew and Kew (2010), there are two types of entrepreneurs: necessity entrepreneurs and opportunity entrepreneurs. The survival of small business enterprises is largely dependent on the type of entrepreneur driving the business. Necessity entrepreneurs are those who are pushed by circumstances to engage in self-employment, whereas opportunity entrepreneurs are those who see an opportunity, a gap, and hence choose to be self-employed as a way of exploiting the gap. Most of the youth who choose to be self-employed make this choice on the basis of their inability to be absorbed in conventional employment (Smith, 2011). As a result of their circumstances, they find themselves in the necessity category, starting a small business as a way to address their income vulnerability and make a livelihood (Herrington et al., 2011). Herrington et al. (2008) argue that most small necessity business enterprises have a low sustainability rate as

evidenced by a 75% failure rate. At times, the distinction between necessity and opportunity entrepreneurs is quite unclear as a result of the ease of transition from one state to the other. For example, an entrepreneur may start as an opportunity entrepreneur but, with time, become a necessity entrepreneur and vice versa (Chigunta, 2002). However, this study will focus on opportunity entrepreneurs because they contribute to a sustainable solution to unemployment, and the challenges they face can be addressed through government policy and other interventions. Furthermore, enterprises founded on opportunity provide scope for growth, contribute to the country's economic wealth and provide a sustainable means of livelihood to their owners (Maas and Herrington, 2006).

The next section turns to the background of the communities of Imizamo Yethu and Hangberg in Hout Bay

1.2.1 Imizamo Yethu and Hangberg, Hout Bay

Table 2 Hout Bay Statistics

Structural Factor	Hout Bay (excluding Imizamo Yethu and Hangberg)	Imizamo Yethu	Hangberg
Population	8 318	15 539	28 800
Unemployment rate	11.98 %	32.84 %	30 %
Education: grade 12	81 %	27.9 %	30.8 %
Formal dwellings	94.1 %	23 %	78 %
Average income per month household	R51 200	R 3 200	R 3 200

Source: Adapted from StatsSA (2012)

Hout Bay is a diverse community which comprises the poorest of the poor and the richest of the rich in Cape Town. In the less affluent parts of Hout Bay there are townships known as Imizamo Yethu and Hangberg (The Unit for Religion and Development Research [URDR], 2004). The study will focus on these two communities.

Imizamo Yethu is a Xhosa word that means 'through our collective struggle we achieve'. The township is mainly an informal settlement with a predominantly black population. It sprang up in the 1990s and houses mostly people from the Eastern Cape who migrated to Cape Town to seek greener pastures. The Eastern Cape Province is the poorest in South Africa characterised by high levels of poverty, unemployment and poor service delivery (Statistics South Africa, 2013). These socio economic conditions drive inter-provincial migration. In addition, a substantial number of residents are foreign nationals from Somalia, Zambia and Malawi. The township is a hive of business activity, as each street has two to three businesses, many of which are foreign-owned.

Hangberg is a fishing community whose population is mainly coloured. According to Froestad (2005), the community was established in the 1970s to accommodate workers in Hout Bay's fishing factories. The community has 78% formal housing and the rest is informal housing.

The major challenges affecting the community of Hout Bay at large have been identified as: poverty and unemployment, HIV/Aids, crime, and violence (URDR, 2004). Although these problems relate to the community of Hout Bay at large, the poorer communities have problems which are particular to them and include: over population, lack of electricity supplies, lack of access to water, lack of adequate sanitation facilities, and lack of housing.

The percentage of the unemployed is estimated at 32.84 % and 30 % for Imizamo Yethu and Hangberg, respectively (StatsSA, 2012). The greatest proportion of the population has the lowest average income per individual per month (URDR, 2004). This can probably be attributed to the fact that the residents of Imizamo Yethu and Hangberg have very little schooling with a substantial number of them having failed to complete their education.

Against this background, it is important to understand how the social and economic environment of Imizamo Yethu and Hangberg is impacting on the businesses run by the youth in these communities. Because of the similarities in the socio economic circumstances of both communities, the study will not provide a comparative analysis of the challenges facing young enterprise owners in the two communities.

1.3 Rationale and significance of the study

Because youth unemployment is such a topical and serious policy issue in South Africa, understanding the challenges and aspirations of youth-owned enterprises cannot be over-emphasized. This study is significant in that it could inform and influence ongoing efforts by government, the private sector and civil society organisations that work with SMMEs to effectively target and support youth-owned business enterprises by clearly identifying the key challenges and constraints affecting them in running their small enterprises.

In addition, the research is significant to any organisation that is working towards youth enterprise development. Sustainable solutions to the challenges faced by young enterprise owners can only be effected if intervening organisations have information pertaining to the challenges faced in running and growing youth-owned business enterprises. Understanding these challenges has the potential to enable measures and channels to be put in place to offer practical assistance to young enterprise owners, thereby enabling them to run growing and viable businesses (DTI, 2006 and 2008).

1.4 Research Problem

In its National Youth Economic Empowerment and Implementation Framework, the Department of Trade and Industry (DTI) notes that, “the South African youth own a lesser percentage of the economy and remain marginalised in the mainstream economy” (DTI 2008: 6). Although the government has put in place policies aimed at improving the quality and quantity of youth enterprises for purposes of reducing the high levels of unemployment and poverty amongst the youth, the youth unemployment rate in South Africa has remained high. According to Herrington et al. (2011: 11), in the 2011 Global Entrepreneur Monitor

Report “relatively few jobs are available for the youth and small business development aimed at youth should be one of South Africa’s most pressing priorities.”

The reality is that young people who engage in small business enterprises face numerous challenges in running and growing their business enterprises (Chigunta, 2002; Olawale and Garwe, 2010; Fatoki and Chindoga, 2012). These challenges make it difficult for them to contribute substantially to economic growth, employment and poverty reduction. Furthermore, by virtue of their being young, they encounter other challenges that are youth specific (Chigunta, 2002; DTI, 2006; Olawale and Garwe, 2010). It is against this background that this research seeks to understand the challenges faced by youth-owned small businesses. Substantial research has been done on the challenges facing SMMEs in general, but little has been done on the challenges that young people, in particular face, in their quest to run viable businesses.

1.5 Main research questions

The main research question the study seeks to answer is: What are the key challenges facing youth-owned small business enterprises in the Hout Bay communities of Imizamo Yethu and Hangberg?

Based on the above main research question, the supporting research questions are:

- What are the aspirations of young small business enterprise owners regarding their businesses?
- What are the challenges that face young small-scale business enterprise owners in running and growing their businesses?
- What is their knowledge and what experiences have the young small business enterprise owners had of support offered by government, the business sector and NGOs in their efforts to address the challenges they face?

- What do the young small business owners think needs to be done by government, the private sector and NGOs to enable more young people to start up their own small businesses?

1.6 Research Objectives

The main objective of the research is to explore the challenges facing small scale youth-owned enterprises in Hout Bay.

The specific research objectives are:

- To understand the aspirations of youth small business enterprise owners regarding their businesses
- To explore the challenges facing young small-scale business enterprise owners in running and growing their businesses
- To explore their knowledge and experiences of support offered by government, the business sector and NGOs in their efforts to address the challenges they face
- To investigate what young small business owners think needs to be done by government, the business sector and NGOs to enable more young people to start up their own small businesses

1.7 Definition of Concepts

The central concepts of the study are explained here to provide a better understanding of the research.

Youth

The South African definition of a youth is an individual between the ages of 14 – 35 years (National Youth Policy [NYP], 2009), whereas the International Labour Organization (ILO, 2010) defines a youth as anyone between the ages of 15 – 24. Of interest to the study are youth in the age group of 25–35. This is because it is assumed that young people in this age

bracket could have higher levels of maturity than those younger than 25 years; furthermore, that they have acquired and accumulated the type of experience in life necessary for running a thriving business enterprise (Chigunta, 2002). The concept is further discussed in Chapter Two, section 2.2.

Small business enterprise

The term ‘small business’ is an umbrella term that includes businesses classified as micro, very small, small and medium enterprises (SMMEs). According to the National Small Business Act of 1996, small business can be understood as follows:

Table 1: Definition of small business

Size or class of enterprise	Annual turnover (ZAR)	Gross assets (ZAR)	Paid employees
Medium	Less than R50 million depending on industry	Less than R18 million	Fewer than 100
Small	Less than R25 million depending on industry	Less than R4.5 million	Fewer than 50
Very small	Between R500 000 – R200 000 depending on industry	Between R500 000 – R150 000 depending on the industry	Fewer than 10
Micro	Less than R150 000	Less than R150 000	Fewer than 5

Adopted from the National Small Business Act (1996)

This study will focus on enterprises that fall in the micro enterprise range, that is youth-owned or co-owned businesses making a gross income of not more than R150 000 per

annum. Furthermore, enterprises that employ no more than 5, if any, employees will be targeted.

Challenge

A challenge is an obstacle that prevents a course of action from being taken. It includes solvable and unsolvable obstacles. In relation to this study, obstacles (solvable and unsolvable) that hinder young enterprise owners from growing and running their business enterprises will be explored. Mahadea and Pillay (2008) argue that the obstacles facing enterprise owners are a result of their external and internal environments; these are discussed in detail in Chapter Two.

Formal and Informal sector

SMMEs can be categorised as either formal or informal businesses. This categorisation takes into account the issues of the registration of the business, as well as complying with the rules and regulations of the South African Revenue Authority (SARS). A business is referred to as formal if it is registered. Informal businesses are businesses that are unregulated and are not registered with any national institution. According to Berry et al. (2002), the informal sector consists mainly of survivalist or micro business enterprises which are mainly owned by people with minimal skills and the youth. The study focused on business enterprises in both the formal and the informal sectors.

1.8 Ethical Considerations

According to De Vos (2002: 63), “ethics are a set of moral principles that are widely accepted and offer rules and behavioural expectations about the most correct conduct towards experimental subjects and respondents, employers, researchers”. The research took into account the following ethical considerations:

1.8.1 Informed consent

According to Babbie (1995), Verdugo (1998) and Punch (2005), the researcher has to inform respondents of the general nature of the research so that they can make an informed decision about whether to participate in the research or not. Thus, in the process of recruiting participants, the researcher informed potential candidates about the nature of and reasons for the research. Participants were also requested to sign a consent form and at the start of each interview, they were reminded of the purpose of the research.

1.8.2 Voluntary participation

Participation in a study must be voluntary and under no circumstances must the subjects be coerced into participation (Babbie, 1995; Burton, 2000). The respondents were told at the time they were recruited for the study and again at the start of the interviews that participation was strictly voluntary and that they could withdraw at any time. The researcher did not coerce or use rewards to try and entice participation in the study.

1.8.3 Privacy, anonymity and confidentiality

For participants to open up about the issues under study, it was imperative that privacy, confidentiality and anonymity were adhered to. According to Babbie (1995: 50), “a respondent may be considered anonymous when the researcher cannot identify a given response with a given respondent”. Pseudonyms were used to ensure privacy. The researcher informed the respondents of anonymity prior to the interviews. In addition, before and again at the start of each interview, the researcher made it known to the participants that whatever information was shared would remain confidential.

1.8.4 Deceiving subjects

The researcher was open and honest with respondents on issues pertaining to the study and its purpose. Under no circumstances did the researcher use any deceptive means to acquire information for the study. Struwing and Stead (2001) as cited in De Vos, et al. (2011) argue

that the interviewer must not resort to deceptive tendencies that mislead participants, or withhold information.

1.8.5 Benefits

The researcher did not raise any unrealistic expectations in the participants with regard to the outcome of the study. Furthermore, the researcher made it known to each participant prior to the interview that the research was for academic purposes and would not in any way yield financial gains for the interviewee.

The researcher explained that the findings from the study would benefit youth who own and run enterprises in the long term through possibly influencing policy makers and service providers working with these youth.

1.9 Reflexivity

De Vos, et al. (2005: 363) define reflexivity as: “The ability to formulate an integrated understanding of one’s own cognitive world, especially understanding one’s influence or role in a set of human relations.”

Due to the subjective nature of qualitative data analysis, Levy and Schick (2005: 293) point out that “the researcher’s beliefs, values and predispositions influence the entire process”. Thus, reflexivity requires the researcher to minimise her influence on the research process and be as open minded and objective as possible. Having consulted much literature on the topic, as well as having formulated some research questions, the researcher approached the study with an open mind, no pre-conceived ideas and with an eagerness to find out from the youth themselves the challenges they face in running their businesses.

1.10 Report structure

The report is structured as follows:

Chapter One: Introduction

This chapter introduces the study topic, and then it outlines the rationale, the significance and problem statement of the study. It provides a clarification of the main concepts in the study, discusses the ethical considerations that are applicable to the study and finally it provides a section on reflexivity and the structure of the report.

Chapter Two: Literature review

The literature review outlines and discusses the literature pertaining to youth, SMMEs, policy frameworks and the challenges facing small business enterprises. The purpose of reviewing the literature is to discuss the research done and theories that explain and provide a better perspective and understanding of youth, the challenges they encounter in running and growing their small business enterprises.

Chapter Three: Methodology

The methodology used in the study is outlined and discussed in detail in this chapter.

Chapter Four: Presentation and Discussion of Findings

A presentation and analysis of the findings will be the focus of chapter four based on data collected in the communities of Imizamo Yethu and Hangberg.

Chapter Five: Conclusions on findings and recommendations

This chapter will conclude the study and provide recommendations for further studies.

CHAPTER TWO: LITERATURE REVIEW

2. 1 Introduction

This chapter gives an overview of literature linked to the main objectives of this study. It is organised as follows: it first provides a definition of the concept “youth.” Furthermore it discusses the role of SMMEs in development in South Africa. It then reviews the key theoretical frameworks that provide a deeper understanding of the study that were used for the analysis of the findings discussed in Chapter Four. This is followed by an assessment of the South African policy environment on SMMEs. The chapter concludes by reviewing key challenges facing SMMEs within the South African context. Key literature on the above issues will be highlighted and discussed.

2.2 The definition of youth

The term, youth, has many definitions. The concept has both social and biological connotations. According to Spence (2005: 51), the social context within which young people grow up, determines the social and economic positions they occupy in the community and in the society at large. Because of the position of young people in society, they have limited access to finances and resources. This is often a result of having few years in employment, as well as spending a greater part of their lives in acquiring an education. Compared to older people, the youth are likely to have limited personal savings and property. It is against this background that young people find it difficult to obtain finances to establish and grow their businesses. As a biological concept, youth is used to denote people of the same age or falling within a certain age group. In South Africa, youth is defined as any individual in the age ranges of 14 – 35 years (National Planning Commission, 2011), while the World Bank classifies youth as persons falling in the 15 – 24 years cohort.

Youth can also be defined as a transition period between childhood and adulthood (Spence, 2005; World Bank, 2007). It is a period when young people have to navigate their way into adulthood by successfully completing their education, gaining financial independence,

starting families and ultimately attaining full citizenship status. According to Spencer (2005), it is when these milestones are successfully navigated that young people become adults. However, in South Africa and many other countries, young people are a socially and economically excluded group and this negatively affects their transition process (DTI, 2006). The participation of young people in the economy is hindered by their lack of appropriate experience for absorption in the labour market, as well as their inability to start and run thriving businesses. Understanding the challenges facing young enterprise owners will enable measures to be put in place to counter the challenges faced and to recommend changes to existing measures. Furthermore, coming up with solutions that address the challenges of young enterprise owners will smooth the transition to independence for young people.

The following section will discuss the socio economic background of the Hout Bay communities of Imizamo Yethu and Hangberg, the contexts within which the youth in this study are placed.

The next section turns to the role of SMMEs in development

2.3 The Role of SMMEs in development

Small, Medium and Micro Enterprises play a major role in the economic development of both developing and developed countries. Approximately 22% of the adult population in developing countries are employed in the SMME sector (Chigunta, 2002). It is on this premise that governments worldwide are increasingly targeting the growth of this sector as a means of economic growth (Fatoki and Odeyemi, 2010; Olawale and Garwe, 2010; Mahadea and Pillay, 2008). Furthermore, Mahadea and Pillay (2008) argue that SMMEs are a means through which poverty can be reduced through the reduction of unemployment and the advancement of prosperity. The DTI (2008); Maas and Herrington (2007) argue that SMMEs are important for their substantial contribution to GDP and to employment creation.

Unemployment in general and youth unemployment in particular constitute one of the major challenges facing South Africa at present. The unemployment rate stood at 24.1% at end of 2013 (Stats SA, 2014), with about two-thirds of all unemployed falling below the age of 35 years. Engaging in entrepreneurial activities will not only be a means through which the youth generate income but it could act as a means through which employment can be generated for others, transforming the state of youth from that of being socially excluded to being socially included. Herrington et al. (2010: 57) argue that “entrepreneurship is an important mechanism for economic development through job creation, innovation and its welfare effect”. Once established as business owners, young entrepreneurs will need assistance with the running of their businesses and if they are provided with it, this might possibly lead to an employed generation and a growth in productivity.

In addition, young people are known for thinking ‘out-of-the-box’ and hence have the advantage of bringing innovation into business. According to the DTI (2008), the small business sector contributes approximately 35% – 40% of the country’s economic growth. Such a substantial contribution cannot be ignored and should be nurtured to ensure increased economic growth.

According to White and Kenyon (2000), the engagement of the youth in running and owning business enterprises is a means through which young people who are marginalised and discriminated against can be integrated into the mainstream economy, thus addressing their state of exclusion.

Furthermore Chigunta (2002) argues that young people’s involvement in the SMME sector contributes to their social and economic development. Running businesses enables young people to live independent lives and it impacts positively on their self-esteem and happiness. Moreover youth-run enterprises are a source from which local communities can be provided with goods and services.

To add to that, owning and running business enterprises enables young people to be self-employed and to contribute to employment creation should they hire fellow youth to assist

in the running of their enterprises. Hence through employment creation, the ills associated with unemployment are avoided. Atkinson and Rees (1982) argue that youth unemployment is viewed as a waste of the nation's national resource (labour) and is a major source of low morale among young people. This demoralisation manifests in alcohol, drug abuse, riots and other forms of damage to the social fabric of society (Janlet and Hammastrom, 1992).

According to the DTI (2008), there is a negligible percentage of youth who are currently small business owners. Only 5.5% youth out of a total of 37.5% own small businesses. A survey conducted among the youth by the South African Social Attitude Survey (2007) revealed that the majority of the youth has a preference for formal employment as compared to self-employment. Herrington et al. (2011:42) also confirmed this by noting that "despite mounting unemployment and massive poverty, there are high levels of fear, combined with a culturally embedded preference for a job rather than starting a business".

The process of SMME development, according to Herrington et al. (2011), is a process comprising three phases, namely the decision to embark on starting a business, the decision on the type of business to embark on, and the acquisition of the necessary financial and capital resources to start the business. Herrington et al. (2011) identify a business as new if it has been in operation from three to 42 months. An established enterprise is one that has been in operation for more than 42 months. This study will focus on enterprises that have been in operation for 24 months and beyond. Two years allows sufficient scope to experience and assess the challenges, opportunities and experiences of the business. The Global Entrepreneurship Monitor report (2010) observed that approximately 60% of businesses started by young people do not progress to operate past the first year. However, 40% of those that continue to operate are constrained from growing and reaching their full potential as a result of the external and internal environment. The major causes of failure have been attributed to a lack of adequate education, including business skills (Mahadea and Pillay, 2008). Herrington et al. (2010:24) argue that the few youth who decide to run small businesses are restricted from running them efficiently and effectively because of a lack of

managerial, technical and marketing skills and they can thus not perform competitively in the changing business environment. Furthermore, Morrow et al. (2005) argue that small businesses that have a higher likelihood of succeeding are those that are owned by people with specific work experience, as well as the practical know-how of how to run a business, whereas those who have not completed Grade 12 are highly unlikely to run successful business ventures.

The next section will focus on the theoretical framework underpinning this study.

2.4 Theoretical frameworks

The model and theories discussed below underpin and enhance the conceptual framework of this study on young enterprise owners. The theories adopted for a deeper understanding of business enterprises and enterprise owners are: The organisational life cycle model, Capabilities approach and the Human needs theory.

2.4.1 The organisational life cycle model

According to the organisational life cycle model, small businesses differ widely in their sizes and their potential for growth. Small businesses are characterised by varying organisational structures and management styles. However, according to Churchill and Lewis (1983); Mahadea and Pillay (2008), small businesses go through common challenges as they transition into the various stages of their development.

This study will focus on the Churchill and Lewis model titled the 'The five stages of small business growth.' Churchill and Lewis (1983) argue that the growth and continued existence of a small business enterprise are dependent on the enterprise owner's expertise and skills in managing and driving the small business enterprise into a viable business entity. According to this model, the life cycle of a small business enterprise is made up of five important stages: existence, survival, success, takeoff and resource maturity. These stages will be discussed briefly below.

Stage 1 –The existence stage

Business enterprise owners in this stage mainly focus on obtaining a market for their goods and services. The main challenges in this stage are acquiring enough customers to ensure the viability of the business enterprise. The business enterprise at this stage is solely run by the owner with the assistance of relatives and friends.

Stage 2 – Survival

Transitioning into stage two implies that the enterprise has an adequate market that it services. It is at this stage that the business enterprise owner must demonstrate managerial and bookkeeping skills in balancing the revenues coming into the enterprise and the expenses going out of the business. According to Churchill and Lewis (1983) many business enterprises get stuck at this stage while earning marginal returns on the time they spend running their enterprises and the capital invested.

Stage 3 – Success

In stage three based on the enterprise owner's motivation, opportunity recognition and financial resources, steps can be taken towards maintaining the status quo of the business or growing it.

Stage 4 – Take – off

This stage is characterised by the decisions taken by the business enterprise owner on the rate of growth for the enterprise and on how this growth is to be financed. Making these decisions requires the business enterprise owner to have management skills that will enable the enterprise to take off and also to obtain the necessary financial resources to finance this growth.

Stage 5 - Resource Maturity

At this stage the primary concern of the enterprise owner is managing business profits emanating from the growth of the business.

Each stage in the enterprise cycle has its own set of challenges, requiring a particular set of managerial capabilities. Movement from one stage to the other involves overcoming challenges unique to that particular stage. According to the Churchill and Lewis model, a small business enterprise's survival is dependent on the capabilities of the manager in respect of managerial skills and level of education (Timmons, 1990; Herrington et al., 2010). Chigunta (2002) and Herrington et al. (2010) argue that youth owned enterprises often get stuck in the survival stage of the business. Although enterprise owners (old and young) share the same challenges in trying to expand their businesses enterprises, young people face other challenges that are specific to the youth (DTI, 2005). These challenges are identified and discussed in detail in section 2.8. This model is applicable to this study as it highlights the managerial skills necessary for each of the stages of business growth. It also highlights the challenges that enterprise owners are likely to encounter as their business enterprises grow. It is in identifying and addressing the challenges facing young enterprise owners that they can grow their businesses into viable and profitable business enterprises. The model provides a framework that can inform enterprise owners, government and investors of the various stages of the development of small business enterprises and the anticipated challenges encountered during each. This information is necessary as it enables measures to be put in place to counter the challenges and to equip young enterprise owners with the skills to run thriving businesses. The study elicited the challenges faced by young enterprise owners in Imizamo Yethu and Hangberg and the challenges were compared with those set out in this model.

2.4.2 Capabilities Approach (Sen, 1999)

The capabilities approach asserts that development is a process that involves the expansion of freedoms that people enjoy. The approach focuses on the quality of life that individuals can achieve with enhanced freedoms. Freedoms are the opportunities available to individuals enabling them to accomplish what they want and to have genuine choice rather than being forced into a particular life by circumstances (Deneulin and Shahani, 2009). The capabilities approach has two main elements namely: functioning and capability. Sen (1999:

75) defines functionings as “the various things that a person may value doing or being”. Capabilities on the other hand refer to different combinations of functionings that individuals can achieve (Deneulin and Shahani, 2009; Robeyns 2005). According to Sen (1999) functionings denote achievement whereas capabilities denote the means to attaining this achievement. Freedom therefore is the enhancement of human capabilities.

Sen (1999) identifies five instrumental freedoms which are necessary for enabling the capability of individuals and these are: economic facilities, social opportunities, political freedom, transparency guarantees and protective security. The denial of one freedom leads to an ‘unfreedom’ in another sphere as these freedoms are interconnected and interdependent. The enhancement of these freedoms is dependent on the social and economic arrangements in a country such as education, health and civil rights.

This study will focus on the instrumental freedom of economic facilities which entails the opportunities available for means of exchange, the utilisation of economic resources for the purpose of production, exchange and consumption, and access to the markets. Sen (1999) argues that participation in market activities should be open for all interested and that measures must be put in place to encourage disadvantaged groups to participate in economic activities through schemes such as micro credit facilities and skills training.

Young people’s success in running small business enterprises is curtailed by the numerous challenges, as discussed in section 2.8. These challenges are a form of capability deprivation, hindering the youth from running viable business enterprises.

2.4.3 Human needs theory: Max-Neef

Max Neef (1991) defines development as a process that allows for the greatest improvement in people’s lives through availing opportunities to adequately meet their fundamental human needs. The fundamental human needs are identified as subsistence, protection, affection, understanding, participation, idleness, creation, identity and freedom (Max Neef, 1991).

Max Neef (1991: 18) argues that “any fundamental human need that is not adequately satisfied reveals a human poverty.” Kanbur and Squire (2001); Hussain and Menka (2010) argue that poverty is a multi-dimensional phenomenon whose dimensions capture the various experiences of deprivation. Furthermore the dimensions also encompass vulnerability and risk, powerlessness and lack of voice (Kanbur and Squire, 2001: 184). Poverties are a result of the inability of people to access satisfiers that will result in the improvement of people’s quality of life (Max Neef, 1991).

The participation of young people in business enterprises allows them to gain financial independence and adult status. However young people who own business enterprises encounter many challenges by virtue of them being ‘young’ (Chigunta, 2002 and DTI, 2005). These challenges hinder them from fully participating and contributing in the mainstream economy, moreover they hinder them from reaching their full potential as viable enterprise owners.

2.5 Government policy framework and support systems

This section will discuss the policies and programmes that facilitate youth and SMME development in South Africa. According to the DTI (2009) there was a negligible percentage of youth who were small business owners in 2008. Only 5.5 % out of a total of 37.5% youth in South Africa owned small in 2008. The government has put in place measures to address the challenges faced by young enterprise owners and enterprise owners in general. These include: the National Youth Policy 2009-2014 (2009), the National Youth Economic Empowerment Policy (NYEEP) 2009-2019 (2009), the National Youth Development Agency Act (2008) and the Khula Enterprise Finance Limited. These policies and support programmes will be reviewed in this sub-section.

2.5.1 The White Paper on National Strategy for the Development and Promotion of Small Businesses in South Africa (1995)

The White Paper argues that Small, Medium and Micro Enterprises are an important vehicle to addressing the challenge of high levels of unemployment through employment creation

and economic growth. To address the disparities in the distribution of wealth brought about by apartheid, the democratic government of South Africa drew up the White Paper to create an environment conducive to the growth of small enterprises. The government sought to promote entrepreneurship through capacity building, creating an enabling environment by reducing regulation, ensuring access to financial resources and markets, as well as the provision of infrastructural facilities and business support. Furthermore the government sought to enhance the competitiveness of small enterprises through skills training, facilitation of technology transfer and improving quality of production (DTI, 2005).

2.5.2 National Youth Policy (NYP) (2009)

This policy framework provides a holistic approach towards youth development and the government's commitments towards the socio-economic mainstreaming of youth development. The policy focuses on the holistic empowerment of the youth in the spheres of education, health, well-being, economic participation and social cohesion. According to the policy, the interventions aimed at increasing the economic participation of the youth should raise the confidence of youth so that they can contribute meaningfully to their own development and productively as citizens (NYP, 2009).

The policy proposes the provision of entrepreneurial education at schools so as to nurture the entrepreneurial spirit and to provide young people with business ownership and management as a viable option to employment seeking.

2.5.3 National Youth Economic Empowerment Policy (NYEEP) (2009)

The key youth empowerment policy in South Africa that focuses on the promotion of small businesses is the National Youth Economic Empowerment Policy (NYEEP). The NYEEP was put forward by the Department of Trade and Industry (DTI) in 2009 to ensure the inclusion of the youth in the country's mainstream economic activities. The policy framework aims at improving the quality and quantity of youth enterprises to reduce the high levels of unemployment and poverty amongst the youth. The policy seeks to "Economically support young people in order to unleash their potential to create wealth, sustainable decent

employment, increase their savings and investment levels and develop their human resource capacities, entrepreneurship and technical knowledge” (National Youth Empowerment Strategy, 2009: 8). It intends to do this through skills development programmes, mainstreaming youth economic empowerment in all policies and micro finance.

In its National Youth Economic Empowerment and Implementation Framework, the Department of Trade and Industry (DTI, 2008) notes that young South Africans are marginalised in the mainstream economy. It further points out that the youth that are most affected are African, with a lower level of education (secondary), and unemployed African graduates. In addition, youth inclusion is imperative because of the widespread unemployment in South Africa and the growing demographic bulge in the youth cohort.

A major strength of the NYEEP is its consultative approach and strong focus on stakeholders. During the development of the NYEEP framework, consultations were held with all tiers of government; youth organizations; labour; non-governmental organizations (NGOs); youth, disabled and women’s organizations; business and NEDLAC constituencies (DTI, 2008).

Another key strength of the NYEEP as a strategy for promoting youth inclusion is its decentralized focus. Its implementation has brought on board local level players, such as municipalities, in promoting youth inclusion. It clearly spells out roles for each key player at the national and local levels. To date, such decentralized focus has ensured ownership of the strategy at the municipality level through inclusion of the NYEEP in Local Economic Development Initiatives at municipal levels. This has forced municipalities to report on their performance vis-à-vis youth inclusion and the related programmes.

Considerable efforts have been made by the DTI to link small-scale businesses to mainstream private sector businesses. This has resulted in increased access to current technologies by youth-run businesses, as well as enhanced business practices and professionalism (DTI, 2008). Furthermore, through the NYEEP, the DTI has put forward programmes that are aimed at benefiting the youth and also at encouraging them to view entrepreneurship and enterprise ownership and management as a viable career option (DTI, 2008). Through the

Youth Entrepreneurial Promotion and Awareness Programme (EPAP), the DTI is trying to positively impact on the choices of unemployed youth by raising awareness, as well as promoting self-employment to the youth (DTI, 2008).

Furthermore, the current focus of government, through the DTI, on labour-intensive industrialization, sets the stage for supporting youth entrepreneurs who are able to further create jobs and more opportunities. In addition, the active promotion of affirmative action procurement and local content by the DTI under its revised Industrial Policy Action Plan (2012), presents a significant opportunity for youth inclusion. The DTI's focus on supporting cluster formation and development in the informal sector will likely result in increased participation of youth entrepreneurs in these clusters. Prior to this policy position, cluster development had mainly been uncoordinated and mostly confined to the private sector. However, due to positive externalities the department has resorted to active support of cluster development in the informal sector. Supporting cluster development in the informal sector generates and optimizes on positive externalities such as information, technology and learning which, if facilitated and supported, can be useful in addressing national challenges such as unemployment and entrepreneurship (DTI, 2005; DTI, 2008)

2.5.4 National Youth Development Agency (NYDA)

The NYDA was established through the National Youth Development Agency Act (2008). The agency was established in 2008 to address challenges faced by South African youth through the creation and coordination of youth development initiatives. The agency provides a platform where all stakeholders (government, private sector, and civil society) can work together to address the concerns of young people. Through designing and implementing programmes aimed at addressing the plight of the youth, the agency works towards youth development.

The NYDA is mandated to oversee and monitor interventions aimed at youth development through financial assistance in the form of micro finance grants, business development services and introducing entrepreneurial training in schools (Jobson, 2011). Between 2009

and 2010, the NYDA was able to provide 7 500 loans to the value of R23-million and SMMEs were provided loans to the value of R3million, while R33million was allocated as business consultancy vouchers to 4 244 youth (Jobson, 2011:10). Although young people are benefiting from the agency, not much on the performance of the supported enterprise ventures beyond their start-up phase is documented and reported (Development Bank of Southern Africa [DBSA], 2011; Jobson, 2011). Furthermore, the DBSA (2011: 32) argues that the number of young people accessing these services is negligible because of a lack of knowledge of them among the youth.

2.5.5 Khula Enterprise Finance Limited

The DTI started Khula Enterprise Finance Limited in order to cater for the provision of small loans to small and medium scale enterprises. The DTI, in collaboration with the private sector, provides financial assistance through the banking sector as well as through micro credit outlets. Moreover, the agency offers mentorship and training programmes to business enterprise owners in the various aspects of business management (DTI, 2004).

In spite of government efforts to support SMME development through the above discussed policies and support programmes, the SMME sector faces numerous challenges (see section 2.8). These challenges are compounded by the fact that most youth focussed programmes are of questionable quality in terms of design, implementation, review and targeting (Herrington et al., 2011). In some cases, government expenditure is disproportionately high in terms of support to necessity entrepreneurs as opposed to opportunity entrepreneurs thereby compromising success.

In addition, while the above various policies are aimed at supporting small scale entrepreneurs, there are weak to non-existent platforms for matching potential entrepreneurs with the supportive services such as, markets, they require to be successful (Morgan, 2012).

Furthermore the weak to absent accountability and performance measurement of how effective most of these policies are to the beneficiaries has made it difficult to assess what is exactly happening on the ground in terms of the effectiveness of policies. It has also made it difficult for the government to achieve visible impact on the ground. Moreover, the above policies are weak in terms of incentives for success as they are mostly input focussed (in term of how much money has been disbursed) (Smorfitt, 2008).

It may also be useful for government to focus on raising the entrepreneurial capacity of small scale enterprises in a way that raises their “critical” business skills, capacity and ability to self select into the various ventures of interest. Examples of Rwanda, among other countries have shown that although money is important for small enterprise owners, their vision and drive are important in turning around their fortunes and making their operations a success (Morgan, 2012).

2.7 Private sector and NGO support systems

Aside from the government, the private sector and NGOs play a vital role in the promotion of SMME development. Support is mainly non-financial and comes in the form of mentorship programmes and skills training. The reluctance to offer financial support is driven by the fact that many young people are viewed as having a high likelihood to default on repayment of loans (Schoombe, 2000; Rogerson, 2008). One of the objectives of this study is to explore the knowledge and experiences of young people of support offered by government, the private sector and NGOs in their efforts to address the challenges they face. Below is a discussion of support available from private sector and NGOs.

2.6.1 Private sector

According to Rogerson (2008) access to finance, skills acquisition and a conducive regulative environment are key to the development of small business enterprises. Although the private sector has not been actively involved in offering support to young enterprise owners, some private businesses have now started programmes that aim to do so. This assistance is mainly in the form of mentorship and business skills training.

Private banks such as ABSA, Standard Bank and Nedbank offer support to small businesses in the form of mentorship and financial loans. However, there is a reluctance to offer financial assistance to the youth because they often lack the collateral and credit history required to access a loan (World Bank, 2006; Rogerson, 2008). Businesses operating in the informal sector in general have little or no chance of accessing finance from the banking sector (Rogerson, 2008).

Private businesses such as the Branson Centre of Entrepreneurship offer young enterprise owners an opportunity to acquire skills necessary for running a business, as well as mentors to guide the youth into running sustainable enterprises (Branson Centre of Entrepreneurship, 2006). Financial assistance is made available to the youth to enable them to grow their businesses. Although such support is available to young enterprise owners, it is little known, furthermore information is available via the internet but communities such as Imizamo Yethu and Hangberg might not be in a position to fully access this information because of the costs associated with the use of such technologies (Herrington et al., 2011).

2.6.2 Non-Governmental Organisations (NGOs)

Non-Governmental Organisations (NGOs) complement the support systems offered by the government and private sector in a bid to promote SMME development. Organisations such as Business Bridge, and the Tertiary School in Business Administration (TSiBA) are actively involved in enhancing the skills and the capacity of young enterprise owners through offering short courses and business education. These organisations target young people and enterprise owners from grassroots communities, such as Imizamo Yethu and Hangberg.

It is of note that, although support systems are available to the youth, there is very little awareness of them (Herrington et al., 2011). According to the GEM report only a negligible number of businesses benefit from the government programmes available through agencies such as Khula and NYDA. Furthermore, as mentioned above, the support available through the private sector and NGOs is little known by young people from disadvantaged

communities who have very limited access to computers and the internet. However, young enterprise owners can benefit from the available systems if they are aggressively promoted through local authorities and community development workers.

The previous two sections have discussed policies which facilitate the development of the youth and entrepreneurship, as well as support programmes from government, the private sector and NGOs that play a vital role in providing support to the youth. The following section discusses the key challenges facing young enterprise owners.

2.7 Key Challenges affecting SMMEs

Although the government has put in place policies and strategies aimed at supporting and encouraging SMMEs, business enterprises in general are still faced with numerous challenges that impact negatively on their growth and contribution towards poverty alleviation (Chigunta, 2002). These obstacles are a result of both external and the internal environments.

According to Mahadea and Pillay (2008), the environment alludes to a wide range of conditions that impact either positively or negatively on the operations of enterprise owners. The internal environment refers to the available resources over which the entrepreneur has control, while the external environment refers to the conditions over which the entrepreneur has no control, such as macro-economic, political, and technological factors. Although the entrepreneur has no control over the external environment, the internal environment is shaped by him/her (Mahadea and Pillay, 2008). Moreover, the success of an enterprise is dependent on the pace at which it is able to adapt to the changing environment. Enterprises that quickly adapt to changes in the environment and are not afraid of taking risks are the ones that achieve success and hence, growth (Chigunta, 2002; Rogerson, 2008; Olawale and Garwe, 2010; Fakoti and Chindoga, 2011).

2.7.1 Internal environment

Olawale and Garwe (2010) define the internal environment as being made up of factors that a firm owner can control. These factors include the managerial competence of the owner of the enterprise, the education and business skills of the enterprise owner, networking and role models, innovation and technology, and information and awareness.

2.7.1.1 Managerial competence

Research has shown that, although an individual might have successfully started an enterprise, it does not follow that they have the right expertise to run a thriving business. Herrington et al. (2011) argue that one of the serious limitations to business development in Africa is a lack of managerial skills. These are defined as a set of competencies, such as requisite knowledge, skills, behaviours and attitudes that contribute to personal effectiveness in running a business (Olawale and Garwe, 2010; Herrington et al., 2011). This personal effectiveness normally translates to business growth and viability. A study on 'business success factors' in Gauteng concluded that a business owner lacking in technical and managerial skills has an adverse effect on the growth and development of a business enterprise (Ligthelm and Cant, 2002).

According to Chigunta (2002), the youth are constrained by their lack of tactical skills (covering business management, time management, stress management, improving sales, reducing costs, debt recovery techniques, negotiation skills, marketing and stock control techniques), needed for running and growing a thriving business enterprises. Furthermore, Mahadea and Pillay (2008) argue that research has proven that the success of SMMEs is dependent on the level of education of enterprise owners, their training, management skills and their entrepreneurial experience. Managers and business owners who have a knack for marketing and management fare better in growing and expanding their business initiatives than individuals who have limited talent.

2.7.1.2 Lack of adequate education and business skills

Lack of adequate education including business skills has also reduced uptake and success of small-scale businesses by youth. Data on education in South Africa suggests that, on average, one million students drop out of school at the end of grade 10 (Cloete, 2009) and the numbers of those students who proceed to matric is low. This, coupled with the low quality of education, paints a gloomy picture of the future prospects of youth. According to the DTI (2006), poor education limits the ability of the young people to deal with numbers thereby compromising their bookkeeping and stock control abilities. The GEM report (2011) concurs with the conclusion that one of the major impediments to entrepreneurial activity is “inadequate education and training”. Herrington et al. (2011) argue that holders of matric certificates and those with tertiary education have a higher likelihood of starting and running businesses. The success and survival of entrepreneurial activities of those with higher levels of education are deemed to be higher (Herrington et al, 2009).

Herrington et al. (2010:24) argue that the few youth who decide to take up small business are restricted from running them efficiently and effectively because of a lack of technical and marketing skills and thus, they cannot perform competitively in the changing business environment.

2.7.1.3 Inadequate networks and role models to support small scale businesses

The absence of supportive business role models and mentors for the youth has also hampered the effectiveness of using SMME development as a strategy to promote youth inclusion in the economy. According to Smith (2011), research on youth and entrepreneurship found that the presence of role models who have ventured into and made a success in business within a family or in one’s circle plays a significant role in ensuring that youth choose to engage in self-employment. Smith (2011: 6) argues that “role models play an important role, facilitating the understanding of market opportunities, access to networks and know-how to young entrepreneurs”. In addition, the background of the youth largely determines their success or failure in small-scale business. Growing up in an environment

where self-employment is seen as an opportunity rather than a vice increases the probability of taking up that route. It is of note, however, that a majority of disadvantaged youth are more likely to have backgrounds that have “an ingrained culture of entitlement in which it is expected that both government and large companies will provide employment” (Herrington et al., 2011). Although policies for promoting entrepreneurship among all the youth might be in place, it is likely to be those youth who have grown up in an entrepreneurial environment that take up self-employment.

In addition, networking is an important aspect in SMME development as it impacts positively on the growth of enterprises. According to Mahadea and Pillay (2008), networks assist business owners’ abilities to get access to resources outside of their businesses. Moreover, it is through networks that SMME services are marketed to the general public.

2.7.1.4 Innovation and technology

Today’s environment is highly competitive and requires that enterprise owners be technologically up to date and innovative. Enterprise owners need to be innovative with the products they offer and the services they provide to their clientele. This is important as it ensures that business enterprises are able to adapt and meet the constantly changing needs of the market. According to Chigunta (2002), young people are known for thinking outside the box and hence have the advantage of bringing innovation into business. However, Fatoki and Chindoga (2011) argue that one of the obstacles that hinder the success of enterprises is the unwillingness by enterprise owners to risk. Many business owners are afraid to be viewed as failures in their communities, hence they fail to explore channels that might improve their business acumen. Fatoki and Chindoga (2011) state that many young entrepreneurs become risk averse because of their social environment.

According to a GEM report (2011), technology gives business enterprises an added impetus to grow and be competitive in the business environment. Furthermore, the use of the internet is an important source of business information, as well as a source of business ideas. “For businesses to become competitive, develop relationships with customers and suppliers

and have easy access to information regarding new business opportunities, it is important that they have access both to communication methods and technology” (Herrington et al., 2008:40). Although enterprise owners are well aware of the advantages of technology, some forgo its use as it is considered an expense that can be avoided (Mahadea and Pillay, 2008).

A study done by Herrington et al (2010) concluded that day-to-day business activities, such as placing orders with suppliers and receiving payments from customers in disadvantaged communities, showed a preference for conventional ways of conducting business. However, enterprise owners, particularly from disadvantaged communities, sometimes use mobile phones to conduct business rather than the internet. According to Chigunta et al. (2005) electronic invoicing is a reliable and efficient way of placing orders with suppliers and it impacts positively on the relations between the enterprise owner and his/her suppliers. However, there is a preference by young enterprise owners in rural South Africa for sending invoices via post and fax (Herrington et al., 2010).

2.7.1.5 Lack of information and awareness of the programmes

While the aforementioned efforts by government (see section 2.6) are laudable, there is a general lack of awareness of these programmes (DTI, 2006). This factor is both an internal and external factor because the lack of information is as much due to lack of agency on the part of the youth as it is on the part of government.

With regard to the latter, the GEM report (2011) argues that, most of the programmes government has put in place have been found wanting in respect of access and delivery. Of concern are the quality and the efficacy of the government interventions (Herrington et al., 2011: 43).

2.7.2 External factors

Mahadea and Pillay (2008) define the external environment as relating to factors outside of the business enterprise over which the enterprise owner has no influence. These factors include: misalignment of skills training to business opportunities, economic variables and

markets, infrastructure, crime, cultural factors, the curse of the first and second economy demarcation, lack of capital and lack of opportunity. These factors will be discussed below.

2.7.2.1 Misalignment of skills training to business opportunities

Targeted training to improve the business skills of young people through training centres is not always aligned to business opportunities. A study done on Mitchells Plain Skills Centre graduates revealed the limited link between the curriculum offered at the training centres and the business opportunities available for the youth (Ndlovu, 2012). Once they had completed their 3-month, 6-month or 1-year training courses, they remained idle, as they lacked capital and information on schemes that have been set up by government and the private sector to support them.

In addition, the World Bank (2006) argues that it has been proven that, although entrepreneurship may yield positive outcomes in respect of youth employment, the programmes that the youth embark on to improve their entrepreneurship skills are characterised by high failure rates and drop out.

2.7.2.2 Economic variables and markets

At present, South Africa is experiencing a decline in levels of consumption. The reduced levels of consumption resulting from a decline in disposable income, impact negatively on business enterprises through reduced sales (Olawale and Garwe, 2010). In addition, many disadvantaged communities are characterised by very high unemployment rates. According to the Strategic Development Information and GIS Department (2013), the unemployment rate in Imizamo Yethu and Hangberg in Hout Bay are 32.84 % and 35.3 % respectively. Such high levels of unemployment affect the levels of sales for young enterprise owners.

Chigunta (2002:36) argues that many young people from both the developed and the developing world get their business from the local market. Heavy or sole reliance on the local market, particularly in developing countries with high levels of poverty, constrains the earnings and growth prospects of enterprises. Furthermore, due to a lack of information and

networks, young people lack access to high value markets. Poor marketing and branding also negatively affect their prospects of growth.

For youth micro enterprises to be sustained beyond the initial stages, it is important that they understand market dynamics, including consumption patterns.

2.7.2.3 Infrastructure

Infrastructure is an essential component required to run and grow a small, medium, or micro business enterprise. According to Omidyar Network Africa (2010); Olawale and Garwe (2010); Mahadea and Pillay (2008); Fatoki and Chindoga (2011), one of the major constraints to the growth of business enterprises across sub-Saharan Africa is poor infrastructure. Poor infrastructure has negative effects on enterprise costs, as well as access to markets. A study done by the Omidyar Network Africa (2010) revealed that erratic electricity supplies were affecting their business operations, leading to a reduction in revenues and clients. In addition, poor quality of road and rail networks and poor communications infrastructure were identified as major infrastructural constraints.

Although the electricity supply in South Africa is above average compared to other sub-Saharan African countries, the cost of electricity is too high for small scale enterprise owners (Chigunta, 2002). The escalating electricity prices reduce the profits of small business owners.

2.7.2.4 Crime

The issue of crime, particularly in disadvantaged communities, is of great concern. Olawale and Garwe (2010) note that the impact of crime on small-scale business enterprises is alarming and it is an obstacle to the success of many businesses. While measures are being taken and efforts made by the South African Police Services (SAPS) to reduce the levels of crime in South Africa, business-related crimes have been on the rise. A Nedcor study on crime levels in South Africa revealed that burglary on business premises in the period 2007 - 2008 was estimated at 131.7 per 10 000 of the population (i.e. 62 995 cases) (Mahadea and

Pillay, 2008: 436). Business owners lose property, money and business confidence (Mahadea and Pillay, 2008). According to the Investment Climate Survey, 29% of the survey's respondents noted that crime is a major challenge for business in South Africa (World Bank, 2010). Furthermore, a study done by the Presidency revealed that over 50% of small business enterprises in South Africa had been victims of crime. Moreover, 25% revealed they were reluctant to expand operations as they were afraid of losing their proceeds to crime (Mahadea and Pillay, 2008).

2.7.2.5 Cultural factors

The DTI attributes the low uptake of small business by youth to the prevailing culture that favours employment to establishing own businesses. It notes that the culture of self-employment is still very new and hence young people's preference for the conventional labour market. A South African Social Attitude Survey (2007) on the youth, revealed that the majority of the youth have preference for formal employment as compared to self-employment. Herrington et al. (2011: 42) also confirm this by noting that "despite mounting unemployment and massive poverty, there are high levels of fear, combined with a culturally embedded preference for a job rather than starting a business".

Furthermore entrepreneurship is looked down upon by communities through a lack and absence of positive messages (DTI, 2009). Although the government has implemented policies that promote small businesses, there is a need to change the mindsets of the youth through, for example, incorporating entrepreneurship into the school curriculum, as well as providing a platform for those who have made it in business to mentor the youth. According to Smith (2011), youth who have role models who are self-employed are more likely to become their own bosses than those without. Smith (2011) further argues that role models are likely to play an important role in coaching and supporting the youth in taking advantage of market opportunities and facilitating access to business networks. Embarking on self-employment requires strong mentorship, finance, management skills, as well as network connections; without these, it is difficult to have a thriving business.

2.7.2.6 The first and second economy demarcation

The South African economy is made up of two sections which are defined as the first and the second economy (DTI, 2005). The first economy in South Africa is made up of the registered small, medium and large firms, while the second economy, also referred to as the informal sector is made up of micro and small unregistered businesses that are mainly owned by social groups that were historically disadvantaged (World Bank, 2006). According to the DTI (2008), the notion of the two economies reflects imbalances in the distribution of opportunities and resources within the population, “a situation where one part of the population is included in the global economy and another part – through lack of education, relevant skills and other exploitable assets – is excluded’ (DTI, 2008:16) . While the first economy is characterised by modernity, integration with the global economy and making a substantial contribution towards the country’s GDP, the second economy is underdeveloped but accommodates the majority of the country’s entrepreneurs.

The first economy has traditionally received more attention from policy makers as it has been regarded as the real economy (DTI, 2012). However, most of the youth enterprise owners are found in the second economy and their realities and aspirations are rarely known and appreciated.

2.7Lack of capital

One of the major impediments to youth entrepreneurship in South Africa is a lack of access to capital and funding. Youth are said to have no capital or assets to use as collateral to obtain loans from the official financial system, which in itself is characterized by high interest rates and complicated application processes (Rogerson, 2008). Youth entrepreneurs compete with consumers for available funds in the financial institutions. According to DTI’s Industrial Policy Action Plan (2011), the increased borrowings for consumptive expenditure, has provided unsustainable competition for small-scale entrepreneurs. Hence the government, through the DTI, put forward the NYDA and Khula Enterprise Finance Limited to cater for the financial needs of prospective young entrepreneurs.

The intervention of government through financial institutions such as Khula, which have been designated to provide youth with start-up capital, provides a starting point for young people to engage in small business enterprises. The intervention of government through policies plays a crucial role in promoting entrepreneurship. Whereas the conventional route of acquiring credit via the banks excludes the youth due to their lack of collateral, government institutions such as Khula fill this gap. Altman and Marock (2011) argue that allowing the youth access to credit facilities enables them to take advantage of opportunities available to them and thus to engage in small business operations.

2.8 Conclusion

In spite of the above challenges, most of the youth empowerment programmes such as Khula and the NYDA, among others, have managed to reach out to a number of youth through credit facilities and entrepreneurial skills training (DTI, 2006). The DTI through the NYEEP (as discussed above in section 2) has put forward programmes that are aimed at benefiting the youth and also at encouraging them to view entrepreneurship and enterprise ownership and management as a viable career option (DTI, 2008). Through the Youth Entrepreneurial Promotion and Awareness Programme (EPAP), the DTI can positively impact on the choices of unemployed youth by providing information that raises awareness, as well as promoting self-employment to the youth. Furthermore, the private sector and NGOs are playing a crucial role in supporting entrepreneurial development by making available funding and support systems that are essential for the growth of business enterprises.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

A methodology is defined as an approach that a researcher uses in conducting a study (Babbie and Mouton, 2007). The choice of methodology is dependent on the purpose of the study. This chapter will discuss the methodology that was used in this study, the research design, gaining entry, sampling methods, data collection method and tools, data analysis, data verification and finally, the limitations of the study.

3.2 Research design

A research design is defined as a plan of action used by a researcher to carry out a study (Babbie and Mouton, 2007). A qualitative approach and an explorative research design were used since the study sought to explore and examine the challenges faced by the youth who are owners of small businesses in the Hout Bay communities of Imizamo Yethu and Hangberg. The knowledge of young enterprise owners with regard to support systems in place through government, the business sector and civil society were also investigated.

According to Babbie and Mouton (2007: 53): “Qualitative research attempts always to study human action from the insider perspective. The goal of the research is defined as describing and understanding ...” Through qualitative research, respondents were able to share their experiences and present their issues in as open a way as possible.

3.3 Gaining entry

The researcher gained entry into the community of Hout Bay, through Imizamo Yethu’s community development worker. As a development worker, he is actively involved in community work and development issues at a micro level and he works under the Western Cape local government (Department of Social Development)). The community development worker is well known and respected in the community and is very knowledgeable about small businesses in the area; hence, the researcher made him her first port of call into the community. The researcher gave him a briefing of the study, its purpose, objectives and its

possible benefits. In addition, the significant work he does with young enterprise owners qualified him to serve as one of the key informants to the study.

3.4 Sampling

A total of twenty participants were interviewed for the study. The sample comprised of seventeen young South African micro business owners from Imizamo Yethu and Hangberg, as well as three key informants. The key informants were: a community development worker (Western Cape Provincial Government), a government agency official (National Youth Development Agency [NYDA]) and a youth development leader from a Faith-based organisation (FBO).

Selection criteria

- **Young enterprise owners**

Potential participants between the ages of 20 and 35 years were considered for the study (based on their availability and willingness to participate in the study). The study focused on business enterprises that have been in operation for two years and longer. This is because two years and beyond point to maturity in business experience, as well as exposure to the challenges of business (Chigunta, 2002). Furthermore, due to the diverse nature of the business environment in Imizamo Yethu and Hangberg, the researcher focused on all business types, including retail and community services. This ensured that common and important issues affecting micro enterprises, irrespective of the nature of business, were surfaced.

The researcher focused on South African citizens, as they are the main beneficiaries of support from the country's institutions. In addition, government has a primary responsibility to South African citizens through policy making, therefore focussing on and targeting South African citizens will have more policy traction.

The researcher's sample comprised youth who own businesses. Furthermore, the researcher was particularly interested in young people who were involved in the day-to-day running of the business, as they would be able to provide first-hand information pertaining to the challenges they face in the running of their business ventures.

- **Key informants**

The criteria used for the selection of the three key informants were that they were all in work positions that involved the development of the youth and especially promoting and supporting entrepreneurial development. The key informants were from, the Western Cape, NYDA and a FBO.

Purposive sampling

The study made use of purposive sampling which is a non probability sampling method (Punch, 2005; Babbie and Mouton, 2007). Through purposive sampling, the researcher, with the assistance of contact persons from each community, was able to select respondents on the basis of them possessing the characteristics that were relevant to the study. De Vos (2002: 207) argues that "a purposive sample is based entirely on the judgement of the researcher, in that a sample is composed of elements that contain the most characteristic, representative or typical attributes of the population". The advantage of adopting a purposive sampling method is that it minimizes non-response and ensures that the pre-defined characteristics of interest are explored. Its key disadvantage is that, since it is not random, it does not provide scope for generalization of the results and outcome (Punch, 2005). The researcher's process of participant recruitment is discussed below.

The Imizamo Yethu community development worker introduced the researcher to a pastor in Hangberg, who became the contact person there. The church pastor is actively involved with young people in that community and he was knowledgeable about all young people running businesses in the community.

With the help of the community development worker and the pastor, the researcher sought potential participants from the two communities. The contact persons from both communities contacted the first participants. The researcher was then introduced to each participant. These introductions gave the researcher a platform from which to share with the participants the aim of the study and to seek their permission to participate. The researcher shared with the participants that, should they agree to participate in the study, each interview would be recorded with their permission, for purposes of transcription. Moreover, it was explained to the participants that what was shared in the interviews would remain confidential and their identities would be known only by the researcher. The researcher stressed that participation was voluntary, in order to fulfil the ethical consideration of voluntary participation.

Although the community development worker was of assistance to the researcher, as a busy person himself, he was unavailable to help the researcher with recruiting all respondents required for the study. As Imizamo Yethu is a very small community, the researcher went around the community's small businesses seeking possible respondents for the study. Despite the fact that Imizamo Yethu is rich in micro businesses, most of the small businesses were owned by foreign nationals, while a number of those owned by South African nationals were either young businesses (below 2 years) or they were owned by individuals above the age of 35. However, the researcher was able to recruit 13 participants who met the selection criteria for her study. With the assistance of the contact person from Hangberg, the researcher obtained four participants. Unlike Imizamo Yethu, Hangberg does not have many businesses and, only a very few young people run and own businesses. This was a major challenge for the researcher; although she had set out to interview 10 participants from each community it was not possible to do this.

Having identified the first two possible key informants, the researcher was referred to the third, a youth development leader, who worked hand in hand with the youth in both communities. The researcher emailed the possible key informants, outlining the study

purpose and objectives. All three contacted agreed to participate in the study and they requested to be interviewed at their work stations as this was convenient to them.

3.5 Data Collection

Data collection method

According to Punch (2005), data collection involves gathering and measuring information on variables of interest, in an established manner that enables one to answer the research questions and hence evaluate the outcomes. In qualitative research, researchers mainly make use of interviews as a method for data collection. In this study, as mentioned, interviews were conducted with 20 respondents. Face-to-face interviews provided an effective method of data collection and created an environment where participants were able to speak frankly and openly (Punch, 2005). They also allowed the researcher to clarify issues and to seek follow-up information. The researcher held interviews in the enterprise owners' business premises. Interviews with the key informants were held at their places of work.

Data collection instrument

The researcher designed semi-structured interview schedules (see Appendix 1 and 2) as a guide for the interviewing process. According to De Vos (2011: 348), semi-structured interviews are organized around areas that are of interest to the study while enabling flexibility and depth. The interview schedules were designed around the main research questions, linked to the study objectives. The semi-structured interview schedule was not designed to be followed rigidly by the researcher but to give direction to the interview.

Although, in most cases, the researcher was able to control the flow of the interview, but at times she found it quite challenging. The first question that required the participants to share their background in terms of business always drew very long responses that, in most cases, side-tracked from what the researcher was seeking. The researcher could not tell the participants to be brief as she feared they might be offended and clam up.

Data recording aid

The researcher made use of a digital recorder as a data recording aid. She carefully sought permission and explained the purpose of using a recorder before each interview. The use of the recorder enabled her to pay full attention to the respondents while taking note of body language and non-verbal communication during the interview process.

Because four of the respondents were uncomfortable with the use of English as a mode of communication, part of the interviews were held in Xhosa.

3.6 Pilot study

A pilot study is defined by Terre Blanche, Durrheim and Painter (2006: 94) as:

“A preliminary study on a small sample that helps to identify potential problems with the design, particularly the research instrument.”

The researcher conducted a pilot interview with a young enterprise owner in the community of Hangberg. The purpose of the pilot study was to test the data collection instrument. This was done with the intention of improving the semi-structured interview schedule.

The researcher listened to the pilot interview to identify any loopholes in the flow of the questions, question clarity and sequencing as well as level of probity. With the feedback from her supervisor, the interview schedule was amended to address the identified gaps. Conducting a pilot interview also helped improve the researcher’s probing skills and gave her confidence.

3.7 Data Analysis

Data analysis broadly refers to a way of deriving meaning, trends and patterns from data. Qualitative data analysis is defined as: “a research technique for the subjective interpretation of the content of text data through the systematic process of coding and identifying themes and patterns” (Hsieh and Shannon, 2005:1281).

For the purposes of analysis, the researcher made transcriptions of all recorded interviews. This process involved listening to each interview and typing it out word-for-word. The four interviews partially held in Xhosa were translated to English during the process of transcription. The quotes in Chapter Four, from these respondents are thus a translation from Xhosa to English by the researcher.

The study made use of the eight steps of data analysis by Tesch (1990):

- To obtain a picture of the study, the researcher went through each and every transcript, carefully and thoroughly. This enabled the researcher to be familiar with the data gathered.
- Through careful analysis the researcher was able to note the common themes and ideas coming from the majority of the transcripts.
- Thereafter, the researcher was able to draw up a list of all themes, ideas and concepts and assign codes to them.
- Different codes were attached to appropriate segments of the text. This enabled the researcher to identify any gaps in the analysis.
- Linking together the codes that had common subjects enabled the creation of categories, providing a clearer framework to be used as a guideline for the analysis process.
- To support the themes, concepts and ideas emerging from the study, the researcher used actual quotes from the interviews with the respondents, linking research findings to the literature review that is provided in Chapter Two.
- Data belonging to each and every category was analyzed. To provide a critical evaluation of the study, the researcher made comparisons with other studies of a similar nature.
- The researcher discusses her analysis in the next chapter (Chapter Four).

3.8 Data Verification

According to Punch (2005), verification of data involves the process of checking, confirming and testing for accuracy. Morse, Barret, Olson and Spies (2002:9) argue that data verification refers to mechanisms that are used during the process of research to contribute towards ensuring that the study is both reliable and valid.

Reliability and validity within the context of qualitative research can be assessed by the concepts of credibility, dependability, transferability and conformability. According to Carson, et al. (2001), these can be achieved through the careful use, interpretation and examination of literature and they will be discussed below:

Credibility

Shenton (2004:4) defines credibility as the adequate representation of the construction of the social world under study; it refers to the extent of congruence of the study findings in relation to reality. Credibility can be attained through spending extensive time in the field, interpretations against raw data, and peer feedback, among others (Zhang and Wildemuth, 2005). The researcher ensured credibility in the study by referring to the extensive literature on the subject. The participants that took part in the study all fit the selection criteria as discussed in section 3.4. Furthermore, interviews held were guided by questions that were directly linked to the study objectives.

Dependability

This concept seeks to examine whether the same/similar findings and conclusions would be obtained if a study of the same nature were to be repeated given the same procedure and process. According to Lincoln and Guba (1985), there is a close link between credibility and dependability: a credible study ensures dependability. Therefore, by virtue of the study being credible, its dependability is not questionable.

Transferability

This concept refers to the generalisation of research findings to other contexts with different participants, groups and situations (Shenton, 2004). To ensure transferability the researcher referred to and was guided by theoretical frameworks for data collection and analysis. However, due to the small size of the sample (20 participants), the findings cannot be generalised as a representation of challenges facing all young owned businesses.

Conformability

Conformability refers to steps that must be taken to ensure that the study findings are a true reflection of the experiences and ideas of research participants rather than the beliefs and preferences of the researcher (Shenton, 2004). The transcribed interviews were submitted to the researcher's supervisor and, with the guidance of her supervisor, the researcher checked for the trustworthiness of the obtained data.

3.9 Limitations of the research

The limitations of the study will be discussed in relation to the sample size, the research design, the researcher, the data collection tool and data analysis, and the language barrier.

Sample size

In qualitative research, the number of respondents is not a limitation in itself but rather if sufficient interviews were not conducted until a point of data saturation is reached. Data saturation occurs when the researcher no longer hears new information from participants (Siegle, 2009). In the current study, only 17 young enterprise owners were interviewed, which may not have been the point at which data saturation was reached. In addition, such a small number of respondents in the context of a qualitative study does not allow for the generalisation of the findings to a larger population. The challenges faced by the young small business owners interviewed can thus not be taken to represent those of all the young business owners in Hout Bay or further afield (Babbie and Mouton, 2006).

Research design

The second limitation relates to the exploratory nature of the study. According to Babbie and Mouton (2001), in an exploratory study, respondents seldom provide satisfactory answers even though they may hint at the answer. Participants in exploratory studies are known to seldom divert from the topics under discussion and, in some instances, they might misunderstand the issues under discussion (Babbie and Mouton, 2001). In an attempt to counter this limitation, the researcher was very attentive and repeated questions to ensure that the respondents understood what was being asked of them. This assisted the researcher to obtain rich data on the challenges facing young business owners.

The researcher

The ability to probe is dependent on the skill of the researcher. Although the researcher had conducted qualitative interviews before, she did not have extensive experience and hence, her interviewing skills were limited. However, the researcher drew on her previous experiences, and the pilot interview she conducted allowed her to gain confidence and improve on her interviewing and probing abilities.

Data collection tool

Semi-structured interview schedules (see Appendix 1 and 2) were used as data collection tools. The purpose of an interview schedule is to give guidance to the flow of the interview and is not to be followed rigidly. In the first few interviews the researcher followed it rigidly but, as she gained more confidence, she was able to allow respondents to share their experiences more freely.

Data analysis

Due to the qualitative nature of the survey, the analysis of findings is purely subjective as it is based on how the researcher perceives the information obtained and on literature that has been written on the topic. Although the objectives of the study provide some guidelines on

the identification of themes and categories, the ultimate analysis is based on the researcher. To avoid this, the researcher analysed the collected data guided by the eight steps of data analysis by Tesch (1990) discussed in section 3.6. This enabled the identified themes to be reflective of the data collected.

Language barrier

Two of the participants were less conversant in English than they were in Afrikaans and the researcher who is not conversant in Afrikaans, had to be more patient and had to spend considerably more time with each of these participants rather than just targeting those fluent in English and Xhosa. The language barrier acted as an obstacle to what could have been insightful and in-depth interviews.

3.10 Summary

Chapter Three gave an outline of the methodology used in the study. Presented was the qualitative research approach adopted in the study. The use of the qualitative approach enabled the researcher to explore the challenges facing young enterprise owners in the communities of Imizamo Yethu and Hangberg.

In addition, the face to face interviews conducted, allowed participants to share their experiences enabling the researcher to obtain rich and in-depth data. The chapter also discussed: sampling, data collection, data analysis and finally, the limitations of the methodology.

The next chapter will present and discuss the findings of the research.

CHAPTER FOUR: PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

The purpose of this study was to explore the challenges faced by young enterprise owners in running their businesses in the Hout Bay communities of Imizamo Yethu and Hangberg. Seventeen young enterprise owners and three key informants formed the pool of participants in the research.

This chapter discusses the findings drawn from the interviews conducted with the aid of a framework for analysis summarised in table form. Identified are five themes that will be the focal point of discussion. The views of the key informants are discussed in conjunction with those of the young enterprise owners. Findings of the study are analysed and compared with the literature review (Chapter Two).

4.2 Profile of Participants

Participants were selected for the research based on the selection criteria set out in Chapter Three. Face-to-face interviews were conducted with each participant. Enterprise owners and key informants are not identified by their names but by the businesses they run and by numbers, respectively, to maintain anonymity and confidentiality.

The profile is important, as it provides a context in which to understand all participants with regard to their age, gender, the type of enterprise they operate, registration status, the number of years in business and highest level of education completed. Furthermore the profile of the informants outlines the organisations they work for and the positions held. Below are tables outlining the profile of all the youth participants and key informants.

Table 3: Profile of participants

Respondents	Age	Gender	Enterprise type	Registration status	Years in business	Level of education completed (by grade)
1.	26	Female	Hair Salon	Unregistered	4	10
2.	28	Male	Internet	Registered	3	12
3.	32	Male	Printing	Registered	7	Tertiary
4.	34	Female	Catering	Unregistered	4	12
5.	30	Male	Carpentry	Unregistered	3	12
6.	34	Female	Hair Salon	Unregistered	8	12
7.	35	Female	Hair Salon	Unregistered	7	12
8.	35	Female	Laundromat	Unregistered	6	12
9.	31	Male	Fruit and veg	Registered	5	9
10.	35	Female	Catering	Registered	4	10
11.	33	Female	Spaza shop	Unregistered	2	12
12.	30	Male	Hair Salon	Unregistered	2	12
13.	25	Male	Hair Salon	Unregistered	7	10
14.	25	Male	Hair Salon	Unregistered	5	9
15.	25	Female	Hair Salon	Unregistered	3	12
16.	27	Female	Hair Salon	Unregistered	5	12
17.	30	Male	Spaza shop	Unregistered	7	11

Table 4: Key informants

Informant	Organisation	Position held in organisation
KI 1	National Youth Development Agency	Business Development Coordinator
KI 2	Western Cape local government	Community Development Worker
KI 3	Anglican Church	Youth Development Leader

From the above it can be seen that the youth were in the age range of 25 – 35 years. All of the young enterprise owners were sole owners of their businesses and a significant number were involved in the consumer services sector. Only four out of seventeen had registered businesses. Nine females and eight males were interviewed. It should be noted that this study does not use gender for analysis purposes. Moreover, the study does not provide a comparative analysis of the findings from Imizamo Yethu and Hangberg.

4.3 Discussion of Findings

The framework for analysis was developed guided by the main research questions as laid out in Chapter One. Themes were developed from each research question and categories were developed under each theme. The framework facilitates a process of analysis guided by these identified themes and categories.

Table 5: Framework for analysis

Theme	Category
4.3.1 Background	4.3.1.1 Family business background 4.3.1.2 Skills and level of education 4.3.1.3 Business registration status
4.3.2 Aspirations	4.3.2.1 Short term 4.3.2.2 Long term 4.3.2.3 What needs to happen to achieve short and long term goals
4.3.3 Challenges	4.3.3.1 Internal challenges 4.3.3.2 External challenges
4.3.4 Knowledge and experiences of available support programmes	4.3.4.1 Financial support used by the enterprise owners 4.3.4.2 Support programmes 4.3.4.3 Experience of support programmes
4.3.5 What needs to be done by role players (Government, Private sector and NGOs)	4.3.5.1 To encourage more young people to start businesses 4.3.5.2 Role of government 4.3.5.3 Role of private sector 4.3.5.4 Role of NGOs

The findings below are categorized into themes (as in Table 5 above) and in accordance with the research questions outlined in Chapter One.

4.3.1 Background

An exploration of the background of young enterprise owners was important as it provides a context within which their experiences as business owners can be understood. Issues of enquiry centred on young enterprise owners' family background with regard to business, their skills, level of education and the registration status of the business.

4.3.1.1 Family business background

With regard to family background, ten of the participants stated they grew up in business environments where their immediate family were running micro businesses for survival or to complement their family income. They stated that the interest to own and run a business had been birthed and cultivated because of their growing up in business environments. This is corroborated by two participants who pointed out:

I grew up at home, we were selling potatoes... I grew up in that kind of environment where we had enough land with three gardens for potatoes that used to bring money to the family. (Fruit and veg vendor)

My mother was a street vendor and we usually used to help her after school and in the city selling fruit and other stuff. So since we were children we grew up selling sweets and everything, so we grew up in a very business environment. (Laundromat owner)

A key informant stated that:

Family background plays a big part in one's decision to be an entrepreneur. I think it is to do with cultures, quite a few of them [Youth] have family members who have been in business, yes, and they can share the entrepreneurial knowledge. Then you get those who have never been risk takers... (KI 1)

According to Chigunta et al. (2005), growing up in a culture that is entrepreneurially orientated motivates generations towards a business path. It is easier to take up owning and running a business if one has grown up in that type of environment. On a more cautious note, Chigunta (2002) notes that experience in informal and often survivalist businesses is not sufficient to ensure business success. He further argues that this survivalist business environment deprives the youth of proper mentors who can provide them with the guidance necessary for success in business.

Seven participants, however, stated that none of their immediate family members had or ran businesses. They were the first in their families to venture into the entrepreneurial sector. The

experience obtained in the various places of work had motivated them to use their accumulated skills to start and run a business. A spaza shop owner pointed out:

I started work at Spar. From there I moved to BP garage at the kiosk and also worked at Woolworths also, so yah, I like have a lot of retail experience, altogether I can say I have 15 years in retail and that is what motivated me to do something for myself.

On this important aspect, it can be argued that, while the experience gained during “informal’ activities is very important in nurturing entrepreneurial zeal for the youth, strong mentorship goes a long way in making them think and act beyond the survivalist mode (Chigunta et al., 2005).

4.3.1.2 Skills and level of education

The seventeen young enterprise owners were asked about the technical and management skills they had brought into business and the skills they had since acquired to address the needs of their businesses. All had brought at least one skill into their business. Fifteen of the participants had personal and technical skills they had obtained from their former employment. These skills were identified as communication skills and trade skills, such as carpentry and hairdressing. Only two participants had pursued skills training after starting their businesses, to improve their business management skills.

- **Skills prior to starting the business**

The fifteen participants who had started their businesses with personal and technical skills noted that their passion for self-employment and the skills they had acquired in their varied places of employment were an encouragement for them to venture into self-employment:

Coming into the business I had no business skills but I was working at different hair salons. Sometimes the bosses would leave me alone and I would have to make sure things run smoothly. I had to do stock taking and all that. That is where I gained all that business information and how to keep track of your finances and admin work. (Hair salon owner)

I would say I have extensive experience in different aspects. I have worked in many different positions; this is how I then learnt the skills that I possess. For instance, with communication

skills: as a community liaison officer when you are dealing with the community, then you learn to communicate. (Internet cafe owner)

I did not have any business skills but I did have skills for cutting hair that I had obtained through practise and also through working for a salon in Cape Town. It was really a course; they were teaching us about salon work. (Hair salon owner)

All of the participants noted that they had no business operation and management skills when they started their businesses. However, the business sector that they had chosen was one they thought they could work in. This is what the respondents had to say about business skills prior to starting their businesses:

Business skills ummm... I didn't have any skill this is just something that I had and have naturally. That is doing people's hair. (Hair salon owner)

No, I had not done any skills training courses or anything like that; I just managed the business the best way I know how really. (Catering business owner)

Key informant 2 supported this argument by stating

Most of the youth, start their businesses with only technical skills, such as hairdressing, gardening... and no business skills at all.

According to the young participants, their talents (such as hair dressing and catering) led them to start businesses.

- **Skills obtained after starting a business**

Only two participants indicated that they had done skills training in business management. One of these participants, an owner of a catering business, was in the process of completing a course in bookkeeping called 'Manage your money', offered by the NYDA. She argued that the skills she had obtained and the training she was undergoing were benefiting her as both an entrepreneur and her business:

I am doing a business bridge course and they are teaching and showing us how to budget, how to keep your money in the bank, spread sheets and things like that. And also because of some of the training that we went through with Umsobomvu, you know, those workshops and short courses when you look and see, they also help, because in order for you to make your business work, you need to have a record; you always have to have a record if you buy something, have a record, so all that helps.

Key informant 2 from the NYDA noted that skills development is a priority for the agency and access to funding is subject to one completing an entrepreneurial programme:

We encourage people to go through our courses because we emphasise the importance of money management, keeping records, marketing...The grants we offer can only be obtained if one has gone through our entrepreneurial programme, first.

One participant noted that there is a need for a constant upgrade of skills so as to enable enterprise owners to run viable and growing businesses:

I think also skills development in business... that is one important aspect that we need to get on somewhere. We cannot rely on the knowledge that we got five years ago; it might be irrelevant now. So you need constant development as an entrepreneur and I think going to school is important if you are going...to run a successful business... (Internet cafe owner)

Other participants however, did not seem to prioritize formal skills training as necessary for running their businesses. They were of the opinion that, through the day-to-day running of their businesses, they were acquiring skills and getting better at running their businesses.

No, I had not done any skills training courses or anything like that. I just managed the business the best way I know how really. (Catering business owner)

This finding is consistent with the argument by Chigunta (2002), that the main source of skills in many informal youth owned enterprises is on-the-job training rather than formal skills training.

- **Education**

The participants were asked to identify the highest level of education they had completed. Ten of the respondents had a matric certificate. One respondent had a tertiary qualification while only two had not gone beyond grade nine. This finding is consistent with Chigunta et al. (2005), who argue that young enterprise owners are increasingly having average to above average levels of educational attainment. This is in contrast with the general view that young enterprise owners have low levels of education (Todd and Shaw, 1980).

Turton and Herrington (2012) argue that, although individuals with higher levels of education are likely to engage in entrepreneurial activities, they are not immune to the external challenges that hinder business growth. It can be noted that the participants in the study are vulnerable as discussed in section 4.3.3.2 below.

4.3.1.3 Business registration status

The study revealed that, out of a total of seventeen young business owners, only four had registered their businesses. According to Berry et al. (2002), young people in business are mainly in the informal sector running survivalist and micro businesses, and these businesses are not registered with any governing authority. Two key informants stated:

They do not want to register their businesses whether it's avoiding taxes or what. (KI 1)

There are very few businesses that are registered, but they have not been operational. (KI 3)

However, a study done by FinMark Trust (2010) concluded that many business enterprise owners fail to register their businesses because of a lack of knowledge. A laundromat owner provided some insight into why most of the youth entrepreneurs do not register their businesses. Asked why she operates her business without registering, she responded:

Aah... sometimes we run business in the township without knowledge on those kind of things: where to register, where you must go and who to approach. If there could be agencies from the government doing like, telling us where we should go, helping us with all the information, that

would be easier. Most of the businesses would be registered. So people just do their businesses and say I can't go and all that and you are not sure of what you must bring and where to go so we end up running businesses without registering them.

This response shows the ignorance of a number of the enterprise owners regarding registering their businesses. There is a perception that it is a difficult process. But equally clear is the lack of agency on the part of the business owners. They expect all the information to be provided, yet one key trait of an enterprising businessman is to constantly search for information and scan the environment for any threats and opportunities (Herrington et al., 2010). Registration or non registration can be a source of threat or opportunity in terms of regulatory authorities as expressed below. After being further probed on whether she thought there were any benefits of registering a business, the participant responded:

Yah, I believe there are benefits: If you are going to be in the database for the business, there are advantages if you want to get a loan and all that kind of stuff. It shows that you are serious about your business. I think registering puts you at an advantage.

Although six participants were aware of the benefits of registering their businesses in relation to accessing support programmes (from the government), eleven were not. Three participants were under the impression that if their businesses were to be registered, they would have to pay tax. Furthermore, they felt that their businesses were too small and not making a lot of money to warrant the need for business registration:

When you have a small business then there is really no need to register the business. (Hair salon owner)

...honestly, I have never thought it's necessary to register a small business, and I just took it for granted and I say the business is too small to be registered. (Hair salon owner)

If your business is registered, you will need to pay tax and this and that and that will be a problem for me because really I don't have money to pay tax. I don't make enough money to give some of it away as tax. People who are supposed to pay tax are those who have money, not people like me. (Carpentry business owner)

It can be noted from the above responses that the lack of knowledge (with regard to how and where to register, as well as the benefits of registering) and the fear of having to pay tax were the main deterrents to registering business enterprises for a number of the participants. Most of the participants felt registering was not really important. In addition, they were not aware of the South African Revenue Service (SARS) tax thresholds in terms of small businesses, namely: All the businesses with an annual turnover less than R500, 000 are exempt from paying tax.

Overall, registration of businesses will likely have a positive effect for the small-scale operators in terms of benefitting from government programmes, including NYDA.

4.3.2 Aspirations

The participants were asked where they saw their businesses in the short (2 years) and long (5 years) term. All participants highlighted a desire to see their businesses grow. One participant, however, expressed a desire to change her business into another because she was facing too much competition, which was affecting her turnover in her current business. All seventeen of the participants stated that in the short run (within 2 years) they needed to increase their financial flow. The increase in financial flow would then be used to finance new business ventures in the long run.

4.3.2.1 Short term aspirations

All participants were asked where they saw their businesses in the next two years. As already mentioned, they all stated that they needed to increase their revenue. This they hoped to achieve by working even harder in their small business enterprises. The quotation below from a carpentry shop owner provides insight into the short term aspirations of the young enterprise owners:

My target for end of this year is that I go very far with my business. If I am able to sell as much of my products as possible that will enable me to save more for the business.

A spaza shop owner summed up her aspirations as follows:

I want to have this business running off like until I am satisfied. I am getting there but I am not yet satisfied; I still have to grow a bit more then I can embark on doing the takeaway.

The above responses show that the young business owners have a desire to see their businesses grow. This growth is seen as a function of increased turnover, savings and ultimately, using the savings as working capital to expand their business ventures.

4.3.2.2 Long term aspirations

When asked about their long term aspirations, all participants noted that they were hoping their businesses would have grown into successful income-generating ventures. They stated that they saw their businesses operating competitively and being recognised in the mainstream economy. A laundromat owner from Imizamo Yethu captured the respondents' buoyant future expectations regarding their businesses:

I am thinking of having a big laundromat with big machines that is with an injection of capital and space to run it. I would like to grow the laundromat; get bigger machines and shelves and stuff like that.

A carpentry shop owner similarly echoed this by noting:

In 5 years' time, I hope I will have obtained accommodation for the business, no matter if it's not in a busy place where I know I can have my workshop and then I can see about marketing my business intensively.

The above responses reflect that young people view their businesses not as a stopgap to employment, but as existing in the long term. This concurs with the findings by Turton and Herrington (2012) that a high percentage of young people with businesses have a preference for running their businesses in the long run. Although all respondents were optimistic about their business ventures in the next five years, they expressed deep concerns about the challenges they were facing in their quest to achieve success. From this, it can be deduced that

the growth and optimism they expressed can only be realized if something is done regarding some of the challenges they face (see section 4.3.3).

Although the young participants had stated that they viewed their businesses in the long term, one key informant pointed out that the fear of the unknown always confines some of the youth to think short term and have a job as well, as a means limiting risk. He stated:

Sadly many of the young people with businesses today, would rather run a business and have a job as well, just in case the business does not work out, then they have a job to fall back on. Circumstances affect their ability to commit fully to their businesses, so they would rather have both. (KI 2)

4.3.2.3 What needs to happen for them to achieve their aspirations?

Participants had differing views on what they thought needed to happen for them to achieve their aspirations. Thirteen of the participants highlighted that business premises were of importance in their line of work. With business premises they would be able to have workshops and a place to showcase their products. A carpentry owner argued that his long term aspirations could be achieved:

If I could get a place that could allow for me to display my products nicely and maybe have a small office... because you see the things I make have to be physically seen for people to trust me. That's why I need an office... where I can showcase my products. I can also get photographs and videos of my work and post them on the internet so that I get more customers.

Space constraints and the need for a bigger space to operate came out strongly from a number of participants.

Four of the participants were of the opinion that only hard work, dedication and drive would enable them to reach their desired goals. They noted that it would not be easy but it was possible with hard work that they could reach their goals. Furthermore, understanding that business is a process with no immediate returns and hence people have to work hard to achieve is important (Chigunta, 2002). A caterer aptly summed it up by pointing out:

Hard work and just to understand that these things take time... It's basically just to be profitable and to see that your business has become a success and you can even make it to become more innovative by getting more ideas and stuff like that. That is what I am aiming for now to get it even more profitable ...

It is quite informative and reassuring that the young entrepreneurs in the study show commitment towards hard work. According to Chigunta et al. (2005), young people in business work hard and spend long hours in their businesses. However, it's more important that they also work harder and smarter to realize their aspirations.

4.3.3 Challenges

The study sought to explore the challenges faced by young entrepreneurs in running their businesses. In addition, the key informants were asked to share what they perceived to be the major challenges facing young enterprise owners. All enterprise owners appeared to face similar challenges and these are discussed in detail below with the views of the key informants.

4.3.3.1 Internal challenges

These are challenges that are internal to the business and the entrepreneur has control over them. The key ones surfaced during the study are; skills, innovation and technology, as well as lack of information and awareness of support systems.

- **Skills**

Two participants had acquired bookkeeping skills, while two others had acquired skills through learning-by-doing and the remaining thirteen stated that they managed their businesses and finances as they go. For example, a spaza shop owner noted the following:

Ja, I face challenges; I have had to put in a lot of finances in my business and I have lost a lot because of bad judgement. Sometimes I think, at first, it was just because I just didn't know how to go about it. The experience that I had, I did not know how to deal with numbers, that is figures, how to put that into place, so I had a bit of advice from my sister-in-law and my brother and they showed me the basics of what I need to focus on.

McGrath (2005) and Rogerson (2008) argue that technical and managerial skills are essential for the success of SMMEs. When enterprise owners lack these skills they risk failure in business. In addition, the organisational life cycle model postulates that the expertise and skills of an enterprise owner have an impact on the growth and continued operation of a business. Each stage (as identified and discussed in Chapter Two) in the life cycle of a business requires different sets of skills and expertise to enable the navigation of the stages. To transition into the success stage there is a need for young enterprise owners to have managerial and bookkeeping skills.

Seven participants expressed an interest in pursuing skills training that would enable them to have an edge in running their businesses. A catering business owner expressed her concern about her lack of costing and bookkeeping skills:

Honestly, I will not lie, I have no skills, I just do things as they come. Things such as expenses are difficult to balance because I don't know how to cost all that I use and put in the business. I am thinking of maybe going to a college or doing a course so that I can understand these things better.

All key informants agreed that young people lack the necessary skills to enable them to face and address the challenges they face in running their business. One key informant noted that, although in some instances young people get training, the training does not equip them with the necessary know-how to address the many challenges they face in running their businesses:

Although young people sometimes get trained, they get inferior training which doesn't take them any further to how they can face challenges and to grow their businesses. (KI 3)

Generally, these findings show the importance of skills to enable young enterprise owners to transition from one stage of their business development to the other (Churchill and Lewis, 1983; Mahadea and Pillay, 2008). While the youth appreciate the importance of skills for their businesses, the study clearly shows that very few youth have formal skills.

- **Innovation and technology**

One participant said he had invented a product while a majority of the participants noted that they provided services that were not commonly provided by their competition enabling them to stay in tune with the changing needs of their markets:

Currently I have a product called the emergency blanket which I invented in 2006 and had it designed and registered in 2007. The product is mainly for the emergency rescue services, the fire fighters, the army, the police (internet cafe owner).

In addition, the respondents were asked about their use of technology in their businesses, and only three alluded to the use of the internet and cell phones in their business dealings. The rest of the respondents showed a preference for the conventional way of doing business. The reasons cited for not using modern technologies in their business was that of the high costs needed to maintain such technology. Some of the respondents had this to say regarding the use of modern day technology:

No, we do not use any computers, no invoices; no faxes to conduct businesses, all those things cost a lot of money. I have to save money. (Hair salon owner)

To get my product out there I had to send in lots of emails to various government departments to get them to buy my product. At that point I had an internet modem so it was costly for me; it was just too much. (Internet cafe owner)

You know what, I do it the old fashioned way, I do it roughly on a piece of paper and then I will put it on the computer and I print out fliers, say 50, and then I will leave at every tuck shop, every pole, the civic centre, the library and... umm... that is how I advertise. (Hair salon owner)

These responses illustrate that there is still reluctance with regard to the use of modern technology because of high costs associated with such technology. This is in line with Herrington et al. (2011), who argue that, although technology can give businesses the upper hand with regard to competition, many business owners choose not to use it because of the high costs associated with its use.

- **Lack of information and awareness of support systems**

Support programmes are available to young enterprise owners to start and grow their businesses. These programmes are offered by the government, NGOs and the private sector (as outlined in Chapter Two). The young business owners were asked about their level of awareness of these support programmes. Of the 17 interviewed, only four had knowledge of the available support programmes. Furthermore, a majority of the respondents lacked knowledge and information of the benefits that they stood to gain from participating in these support programmes. Below is a brief conversation with a catering business owner regarding knowledge of support programmes:

Interviewer: Do you know of support systems that are available to young business owners such as yourself from government, NGOs and private sector?

Hair salon owner: No, I don't know.

Interviewer: Do you know of the NYDA, SETAs, Khula enterprise finance?

Hair salon owner: I don't know any of those things; if I knew I would definitely try to get help from them. I would definitely tell these people that I need help in my business.

A key informant confirmed the lack of knowledge on the part of the youth of support programmes, especially from government:

You find out that the young entrepreneurs are not aware of NYDA or other government agencies that can assist them. (KI 1)

This lack of information and knowledge regarding the support programmes was not only peculiar to this respondent, but to an overwhelming number of the respondents. According to the DTI (2006 and 2008), it is because of the lack of information and awareness of the support programmes that their uptake is very low. Young people fail to utilise the opportunities available to them and hence miss out on assistance that could be of benefit to them as business entrepreneurs and in growing their businesses.

However, the key informants noted that the youth were not proactive in seeking information. Furthermore, they showed little interest in attending workshops and meetings aimed at raising their awareness to support services available. One informant argued:

It's a shame that these workshops are very poorly attended. Young people here are not interested... Just a month ago we organised a session where all who are in business must come and listen and just learn a bit more about their businesses and those who want to start their businesses can also learn one or two things, it was really embarrassing because people did not come. (KI 1)

4.3.3.2 External challenges

External challenges are defined as challenges that enterprise owners have little or no control over. In this study the external challenges identified by participants were: economic variables and markets, infrastructure, crime, lack of capital and competition.

- **Economic variables and markets**

With limited financial resources and high levels of unemployment in both communities, businesses are experiencing low revenue resulting from reduced sales. A hair salon owner aptly summarized this by noting:

It's alright having a business here, it's just that most people do not have money; man, they do not want to pay, the people do not like to pay and they just can't afford to pay sometimes so it's really very challenging. Some people do not work so it's very difficult to pay.

You see, if you are like me then even the prices that you charge have to be lower than the going price just so that my products can be sold, also because of the place I operate from. (Carpentry shop owner)

The tightening macro-economic environment currently being experienced in South Africa has significantly reduced levels of disposable income for the low income earners (who are the main customers for the youth enterprises surveyed), thereby reducing levels of consumption.

Disadvantaged communities such as Imizamo Yethu and Hangberg, with low levels of income, are bearing the brunt of the economic decline.

This is in line with the observation of Chigunta et al. (2005) that most youth-owned enterprises rely on local markets, which have low disposable income. This reliance has an adverse impact on revenues and, therefore, growth. In addition, although Hout Bay has a wealthy population the young participants are unable to tap into the affluent market because of a lack of information, networks, marketing as well as the “right” product to sell in that market. In addition, business location (as indicated in the above testimony by the Carpenter) influences the prices they charge and hence the revenue they get. This is line with the argument by Chigunta (2002) who further notes that poor marketing and branding also negatively impacts on the ability of young enterprise owners from growing their markets beyond their locality.

- **Infrastructure**

The respondents spoke passionately about the challenges they face with regard to lack of electricity and water supplies. This is corroborated below:

For me, sometimes water is a big challenge because we are living in the informal settlement. Sometimes there is no water. My problem is pressure for the water. There are too many people who have done water connections in the small thin pipes and then pressure will be too low and water will be coming in too slow and people will be coming in to ask, “Where is my laundry? My laundry is not ready...”. (Laundromat owner)

Four participants spoke of the disadvantages of not having a designated business area and business premises from where they could run their businesses. They argued that they had to operate from home. Some of the participants stated that, because they had no business premises, they were forced to operate in open space and this was negatively affecting their business.

Honestly it’s difficult because of... aaah... we don’t have space... that is space for business, a place where we as business people can operate from. For example, if we could say, here is a

place for business we could be alright. You see in a salon you need electricity, you need water in a salon, you need a toilet. We are mainly helped by others, so business is difficult in this way. (Hair salon owner)

Two key informants shared the same sentiments as the young enterprise owners with regard to business premises and one stated:

Firstly, there is no space to run their businesses they are clustered in one household where it is difficult for them to run businesses. There are no business areas that were allocated by the government or the city council, a space where all who run their businesses can operate from. (KI 2)

Infrastructure has been identified as one of the key constraints for enterprise owners in disadvantaged communities (Turton and Harrington, 2012). In this case, even basic and simple infrastructure, such as market stalls for vegetables, electricity and water can make a difference to the viability and development of small-scale business entrepreneurs. Omidyar Network Africa (2010) argues that inconsistent supplies of electricity and water are a key deterrent to small business growth as they impact negatively on service delivery and therefore, revenue.

- **Crime**

Nine young enterprise owners identified crime as the biggest challenge to their businesses. However, other respondents noted that, although neighbouring small businesses had been victims of crime, they had not been robbed or subjected to any criminal activity:

...but the biggest challenge of all is crime. Although I want to do much more than just do hair in the salon, this place is just not safe. I want to sell hair pieces, even handbags and things like that, but I can't store them here because this place is just not safe. If you are broken into then you lose so much and then what do you do? So it is better to stay with as little as possible. (Hair salon owner)

In the past three weeks, the salon has been robbed more than four times and they stole pro hair products that are imported products from Israel and are very expensive. They have stolen

thousands of rands worth of products from the dyes, some boxes of treatment. (Hair salon owner)

In addition, some of the participants raised concerns about the failure by the police to address this issue and reduce the crime rates in their communities. The feeling was that the police are not doing much to help them preserve their businesses. A hair salon owner stated:

We need secured places and we need the police to really support us and work hard at preventing all these burglaries. All the people who steal must be dealt with; the police must do their work honestly and keep our sources of livelihood safe.

The above quotes show despair and discouragement that come from being a victim of crime. According to Mahadea and Pillay (2008), crime levels in South Africa are very high because of the high levels of unemployment. Small businesses are directly affected by crime when business property and income are stolen. Enterprise owners lose confidence in their businesses, resulting in reduced business viability and profitability and ultimately, enterprise growth (Mahadea and Pillay, 2008).

- **Lack of capital**

All participants stated that a lack of financial resources was hindering their businesses from progressing. Some of the responses to corroborate this include:

It's not easy to get finance as a business. I think that is one of the biggest challenges in terms of finance. I do not have the finances to really run my salon efficiently, so it's a challenge. I do not have much that I can really invest in my business to really make it grow. I do not have the finances but I will get there. (Hair salon owner)

Finances are also a challenge because I have two household machines, a tumble drier and a washing machine, so they are not strong, they break down a lot, time and time again. But if I had industrial ones and the space, I would be able to run a proper laundromat, so the finance to buy bigger equipment is a problem. (Laundromat owner)

This was corroborated by all key informants:

I think the major challenge is access to finance. But when you look it, it depends on the credit worth of the applicant... (KI 3)

Other participants went further to explain that the revenue generated from their businesses was mainly used for personal expenses and little was set aside to grow the business. This further depletes a possible source of capital for young entrepreneurs. This is corroborated by a catering business owner:

You see, it's very difficult to come up with the money to grow a business, for example there has been two funerals back at home in the Eastern Cape, so all the money that I had saved, I had to use it towards these funerals. Although I was saving the money for business, I had to use it for this and in January, money was required for my child who is at school. So when you are trying to save the money, bit by bit things come up such as these that make you use the money.

According to the DTI (2006); Olawale and Garwe (2010), one of the significant barriers constraining the growth of enterprises owned by the youth is a lack of financial resources. Young people find it difficult to access working capital for their enterprises because, in most instances, they lack the necessary collateral and credit history to make them investment-worthy. Moreover, the revenue generated often has to be used for family and self sustenance, thereby reducing the ability of the youth to make substantial savings to reinvest in growing their businesses.

- **Competition**

Competition was identified as one of the major challenges affecting business for the young enterprise owners. Thirteen of the young participants in the consumer services sector stated that there were too many other businesses offering the same products and services as themselves. A salon owner stated:

Competition is another part of business, it also poses a great challenge, you see, every street in this community has a salon. I also used to sell a lot of hair pieces but I have since stopped because I do not gain much from them. There are Chinese people who sell the same pieces at a very low price, but me, because I want profit, I sell at a higher price. So I have stopped because

people now buy from the Chinese. They buy the hair pieces and come to me to have them sewn on...

Key Informant 1 supported this argument by stating:

At the moment competition in running a business in this community is very high... aaah... other people from other African countries... and also Chinese are running businesses and they do it well and they are a threat to our people.

The high level of competition is a key challenge for youth entrepreneurs in this study. On this subject, Herrington et al. (2008), state that many small businesses in South Africa are in the consumer services sector where there are very high levels of competition. The growth of many small businesses is threatened by this competition as the markets are not big enough to enable growth and sustainability. Reasons for fierce competition in this sector are identified by Herrington et al. (2008) as low skills and financial input required in starting and running these businesses. Due to low levels of entry and exit restriction into this sector there are too many businesses operating in it, leading to reduced sales for enterprise owners.

A look at the challenges faced by the youth (above) clearly shows that a number of government policies (including programmes targeted at the youths) do not comprehensively address these, during conception as well as the life of the policy. For example most government policies (reviewed in Chapter Two) base their interventions on the premise that the small scale operators lack money and skill and hence their intervention is to provide money and skills (Smorfitt, 2008). The findings from the study clearly show that money and skills are a small part of the challenges faced by young enterprise owners. Therefore government policies can only be effective if they adopt a holistic view to the issues facing the small operators. The realities, vision and aspirations of these small operators should provide the starting point in the design and implementation of these interventions.

4.3.4 Knowledge and experiences of available support programmes

The South African government, private sector and NGOs have put in place support systems and strategies that are focused on supporting the development of SMMEs. This section will discuss the knowledge and experiences of the young participants with regard to support systems available to them from these key role players.

4.3.4.1 Financial support used by enterprise owners

Respondents were asked about the main sources of support for their businesses. All the young enterprise owners stated that their businesses were self-financed and additional finances were obtained from friends and relatives. Only two participants had received a loan from NYDA and Khula Enterprise Finance when they started their businesses, while the rest had neither applied for nor received a loan or grant from government, private sector or NGO. This is confirmed by the following statements from the respondents:

Honestly, my business has no financial backing from anyone but me. My brothers sometimes offer to help but I prefer to do things on my own. I save the money that I make and use it in my business. So, I finance my own business. (Carpentry shop owner)

I haven't received any support financially or otherwise from any of those [government, business sector or NGO]. I haven't gone to seek any financial assistance from outside. It has only been my financial resources that have been used in running the business. I would say it's family, friends and myself who have been funding the business. So it's just been self-funding; finding resources amongst ourselves through family and friends and using that in the business. (Printing business owner)

From the above responses, it appears that the young enterprise owners rely on their own financial resources and those of family and friends, and this concurs with the findings by the Investment Climate Survey (2010), which concluded that most small businesses raise finance through friends and family.

4.3.4.2 Support programmes of government, private sector and NGOs

All participants were asked about their knowledge of the NYDA, Khula Enterprise Finance, SETA, private sector support programmes and NGO support programmes. The responses from the enterprise owners can be categorised thus: they know the support system and what it offers; they have heard of it but have no knowledge of the support offered; and they have never heard of the support system. Below is a table that gives a breakdown of the knowledge of participants with regard to support systems:

Table 6: Knowledge of support programmes

Support programme	NYDA	Khula Enterprise finance	SETA	Business sector	NGOs
Know	4	4	7	2	3
Have heard of	3	1	2	3	1
Have never heard of	10	12	8	12	13
Have used	2	1	0	0	0

Of the seventeen participants, only four knew of the NYDA while ten had never heard of it. Of the four who knew of the agency, two had obtained support. Although three had heard of it from friends, they were not very knowledgeable about how it operates as an agency. The same participants who knew of the NYDA also knew about Khula Enterprise Finance while a total of twelve had never heard of it. Only one participant had received a loan from Khula. Most participants had no knowledge of services offered to enterprise owners by the private sector. Although three participants stated that they had knowledge of NGOs that offer entrepreneurial support, thirteen of the participants did not know. Of these thirteen, three stated that they did not have any idea what an NGO was. This confirms the observation of Herrington et al. (2008) that support systems available to enterprise owners are little known by their intended beneficiaries. It is of note that most of the youth who had knowledge of support services were

actively involved in community development in their respective communities and they actively attended workshops for enterprise owners. This is what a laundromat owner had to say:

At times at the community centre there are workshops about small businesses, management and all that, and I usually go and attend if I have time ... so I have heard of the NYDA, Khula, SETAs and all that.

4.3.4.3 Experiences of support programmes

Only two participants had sought and benefited from the support of NYDA, while one participant was still sitting on an approved loan from Khula Enterprise. One of the two participants who had benefited from the NYDA had obtained a loan at the start of her business, while another had benefited through skills training and, at the time of the interview, was engaged in a business management course with the NYDA. Both participants were satisfied with the service they had obtained from the agency. This is what had they to say about the service of the NYDA:

The service was really fast; I was just walking in Cape Town and I came across them talking about Umsobomvu on the parade and I went to inquire about what they do and if they could help me as a young business person. They gave me a form and I came with it home. I think it took six weeks to two months for them to get back to me with a loan. Also they don't charge high interest, the interest is really small. (Hair salon owner)

I found them [NYDA] very helpful because their facilitators would like say, if you have problems you can come back to us and then we can work on your challenges together. They make sure that you understand what they teach you, so that was really helpful for me. (Catering business owner)

The third participant, however, expressed a lot of despair at the inability to move forward with his business even with an approved loan. Although he had been awarded the loan in 2012, he was finding it difficult to get definite orders for his product from the police, the fire department and the paramedics unit. Orders are a prerequisite by Khula Enterprise Finance, for the redemption of loans. The internet cafe owner stated:

This funding was approved subject to or on condition that I acquire a contract with specified quantities. But I have been sitting with this since because it's difficult for black people to crack this market and actually be successful in innovations. I kind of felt like we are too dependent on products from the west and do not give a fair chance to our domestic products.

Key informant 1 agreed with the conditions attached to the disbursement of loans and stated they were necessary for quality control:

We need verification from the suppliers and accreditation, it has to be on a company letter head and all that...we have to verify with the suppliers...then we can prepare documents for disbursement.

According to the young innovator the various government departments who were meant to be his main market were difficult to get a hold of. Furthermore, communication was challenging, as responses came months later and, in all instances, with no definite orders for his product.

This is his perspective on communication:

Communicating with government departments about my product has been a challenge; I would send a message that would be responded to after 4 – 6 months. Government departments are depressing sometimes.

From the above responses it appears there were mixed feelings regarding the support offered to the youth. This is in line with a study conducted by Berry et al. (2002) that revealed that SMMEs who have received assistance from government departments are often satisfied with the service obtained. However, government departments are characterised by red tape, and communicating with the 'right' person who can give the desired assistance is often a challenge.

4.3.4.4 Support required by business owners

All participants were asked about the kind of support they required to run thriving businesses. An overwhelming number of participants stated that they mainly needed capital to enable them to run their businesses efficiently. The participants had this to say regarding the need for financial support:

I need money to be able to buy a container that can be safe for me to buy and keep products in it. (Hair salon owner)

Government can help us, particularly small business owners, to be able to grow our business by availing funds that we can invest in our businesses so that they can grow. (Fruit and veg owner)

Herrington et al. (2008) argue that small businesses find it difficult to transition into the growth stage because they are unable to make super profits and are unable to access the working capital necessary to drive business growth.

While all participants stated the need for capital as the most important factor, some young people stated that they would welcome a loan if they were offered such an opportunity. However, seven of the participants were of the opinion that, although they needed financial support, they were not willing to apply for loans. This attitude is in line with the argument by Chigunta et al. (2005) that young people are afraid of taking risks that could possibly be to their benefit in the long run. The risk associated with owing finances was too much of a challenge for them. This is corroborated in the statements below:

I know about loans, but I don't want to take that direction. Me, I am not like a person that likes to take the easy way; I like taking the hard way. I want to work for what I want... I would not advise myself to go and get a loan because I don't know if, at the end of the day, am I gonna be able to pay it off. (Hair salon owner)

I have not been to seek financial assistance from government, private sector or NGOs because I am afraid of being in debt, so I would rather use the finances that I have and not owe anyone anything. (Fruit and veg vendor)

Three participants noted that they could benefit from skills training in bookkeeping and costing. They stated that they did not have enough of these skills to enable them to make good financial and business decisions. According to the Churchill organisational life cycle model, businesses can only reach the success stage if enterprise owners have good managerial and bookkeeping skills. The participants had this to say regarding their need for skills enhancement:

*I also need help in knowing how to cost and price my meals so that I am able to make a profit.
(Catering business owner)*

And with regard to finances, just to be taught on how to use finances so as to be successful. (Hair salon owner)

One respondent further added that coaching was necessary for enterprise owners. This is in line with the recommendations by the DTI (2008) which state that young enterprise owners can experience growth and success in their businesses with the assistance of mentors who can accompany them step-by-step in running thriving businesses. A laundromat owner had this to say:

We want to be taken step by step into running these businesses. Coaching must take place from the first part of starting your business to the booming up.

Ten of the participants said appropriate business premises would help them in running their businesses. A safe designated business area would give the young business owners a sense of security that their products were not under the threat of being stolen.

We also need a designated place as business owners, where we can run our businesses; not in spaces and places such as these where there is so much crime. (Salon owner)

Mahadea and Pillay (2008) argue that crime results in business owners losing confidence in their business investment and also impacts negatively on the profits of businesses.

It is important to note that most of the desired support, such as finance, coaching and skills training identified by the young enterprise owners in this study, is already being offered by government, private sector and NGOs. However, young people have little knowledge of its availability, which confirms the argument by Herrington et al. (2011) that knowledge and uptake of available support systems by the intended beneficiaries is very limited.

4.3.5 What needs to be done by role players (government, private sector and NGOs)

All the young enterprise owners were asked what they thought the different role players (government, private sector and NGOs) could contribute towards the promotion of youth enterprise development in general. Three participants stated that youth-owned enterprises have to be given a chance and support to thrive. A printing business owner had this to say:

There is need for the powers that be to start believing in the capabilities of young people. Young people have ideas, but they need support and, without that support, we will not go anywhere. What is affecting the progress of young people is the lack of belief; that is young people are not being taken seriously.

4.3.5.1 To encourage more young people to start businesses

All participating young people were asked what they thought needed to be done to draw young people towards entrepreneurship and away from job-seeking. All the participants stated that young people have many ideas, but they do not know how to pursue their dreams. Other respondents went on to add that entrepreneurship learning must be started at schools so that young people grow up with more options to pursue for their careers. A communication business owner spoke passionately about the role of education in promoting entrepreneurship:

You see, education plays a very important part ... in one's development and I think if government could take seriously that the entrepreneurial spirit needs to be developed: we want to be employed by someone else. We want to get a salary, that is that, but if we could be able to teach young people to be entrepreneurs, to be self-sufficient, to nurture the entrepreneurial spirit... agenda... let me put it that way... and that has to be incorporated in our education system; that could be the starting point.

A key informant also supported this argument by stating that:

I think it stems from when they were in school; they should have been encouraged or given more exposure to entrepreneurship (KI 3).

From the above responses and many other similar responses, it can be argued that respondents felt that business ownership is something that has to be given priority at the foundation stages of education. If young people grow up with the knowledge that entrepreneurship is a viable alternative to employment, then more young people can take it up as a career. This is in line with the argument by Fakoti and Chindoga (2011) that states that entrepreneurial education must be introduced at a young age.

Other participants felt that, through workshops and youth meetings, young people could be educated on entrepreneurship. Another participant went further to state that support programmes must be easily accessible to the youth to cut down on transport costs. In addition to education, there was an emphasis on the need for application processes to be simple. Here is what a laundromat owner had to say:

If there could be more workshops... they need more education. There is need for more of education. If there could be maybe weekly meetings about how to start and run businesses, maybe then they can gain confidence. Also capital as well, and providing all they need in an easier way, not filling forms and travelling. At times young people do not have transport money to travel so those are some of the challenges...

In addition, a key informant stated that young people have no role models, to motivate them towards an entrepreneurial path. Seeing fellow youth who started small and made it would provide an incentive to many young people that success can be attained in self-employment. The key informant noted:

As far as I know, motivation is very important, especially for young people. Their situation is very delicate, so they need role models; young people like them who are successful, coming and speaking to them about their humble beginnings. There are many who have made it. These are the people who must talk to the young people. (KI 1)

4.3.5.2 Role of government

All respondents argued that the government and hence government policies play a big role in enabling more young people to start their own businesses.

The issue of a lack of information with regard to support programmes available to prospective enterprise owners was identified as very important. Some of the respondents stated that there was a need for government to provide young role models, who have made it in business, to show young people that success is possible in entrepreneurship.

If there could be agencies from the government doing like, telling us where we should go, helping us with all the information, that would be easier.

They [young people and adults] must work hand in hand. They [The government] must stop providing older people [government officials] to talk to the youth but we also need the young people [government officials] to be more active and more involved because there is usually the older people. They must just let the youth do their thing. (Laundromat owner)

The key informants were in agreement with the young enterprise owners. One key informant stated a need for a climate that is conducive to entrepreneurial activity:

A radical approach from government is necessary to create a climate where young business people can get training and become capacitated and to also look at challenges that are stopping them from not growing and addressing those problems. (KI 3)

From the above responses, it is apparent that the young people and the key informants in the study feel that the government has a big role to play in creating an enabling environment for entrepreneurial development among young people. The feeling was that not much was being done to raise awareness and avail information necessary to help young enterprise owners.

4.3.5.3 Role of the private sector

The young respondents suggested that banks address their complicated application processes by reducing the number of documents they need. Other respondents were of the opinion that

banks need not offer assistance in cash but rather through the provision of equipment that young people require to run their businesses efficiently. A hair salon owner stated:

The whole process of assisting must not all be very complicated; there must be easier ways of gaining access to these facilities. The whole banking process is really complicated. Banks can like help by say... there is no need for them to even loan out money but they can assist by equipping us business people with all the necessary tools we require in our businesses, then we can pay back.

Some respondents were not knowledgeable about the role of the private sector in promoting entrepreneurial development. Therefore, they stated they did not know how the private sector could be of help to young prospective and established enterprise owners.

4.3.5.4 Role of NGOs

An overwhelming number of respondents did not know what an NGO was. Below is part of a conversation with a catering business owner:

Interviewer: Do you know of any NGOs that assist business enterprise owners?

Respondent: What is an NGO? I honestly do not know any of those things. However, I really would like to seek assistance from such programmes if I do get information.

The few who knew of NGOs were not aware of programmes available to young people by NGOs. Only one respondent stated that, years ago, there had been an NGO working in the community encouraging entrepreneurial development; however, the NGO had since closed. The participant stated that NGOs could help by inviting various stakeholders to come and raise awareness among the young enterprise owners and prospective enterprise owners of support systems that are available and how they can benefit.

4.4 Summary

This chapter has presented the findings of the research in terms of the identified themes and categories from a study done on the challenges facing young enterprise owners in the Hout Bay

communities of Imizamo Yethu and Hangberg. The key challenges identified include, among others: lack of capital, competition, crime, lack of infrastructure and lack of information on awareness programmes. The short and long term aspirations of the young enterprise owners have been analysed. The expected supportive role of key stakeholders (government, private sector and NGOs) has also been analysed.

The next section will conclude the study by relating the findings to the main objectives of the study. It will use this as a basis for providing recommendations to address the identified challenges.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter will discuss the main conclusions of the research based on the findings discussed in Chapter Four and in relation to the study objectives. Recommendations for further research will also be made.

5.2 Conclusions

The conclusions will be discussed in relation to the objectives and research questions as below;

Objective 1: To understand the aspirations of youth small business enterprise owners regarding their business

- In the short term, the youth participants aspire to increase their revenue from their business ventures. The young enterprise owners felt that, through hard work and dedication, they could increase their profits and save money. These savings would then be reinvested in the business as working capital for the long term.
- In the long run an overwhelming number of youth participants aspired to have proper businesses in appropriate, designated businesses premises. The majority of them pointed out that they would like to operate on a larger scale with bigger equipment and machinery. Although the young participants had stated that they viewed their businesses in the long term, one key informant pointed out that the fear of the unknown always confines some of the youth, to think short term and have a job as well, as a means of safeguarding themselves against income shocks.
- However, the participants felt that their aspirations could only be achieved if the environment was conducive for them to run sustainable businesses.
- The respondents have a long term view of their businesses and do not regard them as temporary ventures, which they are doing until they get alternatives to sustain themselves economically.

Objective 2: To explore the challenges facing young small enterprise owners in running and growing their businesses

- One key challenge the young participants identified was the lack of adequate skills to run their businesses efficiently, including skills to do costing and bookkeeping. This has made it difficult for the businesses to transition to the growth and success stages; hence, most of the participants are stuck in the survival phase of their businesses.
- Although technology has been identified as an enabler of innovation and change that can enhance the competitive advantage of small businesses, an overwhelming number of participants were not making use of it in running their businesses. There was a general preference for running the businesses in the conventional way that was said to be cost-effective by participants.
- There was consensus among the youth and key informants that one of the major challenges facing the youth, was that their businesses were in low income communities and this impacted on revenues. Although residents offered their support to the businesses, by accessing services and products, the people did not have much money to spend. Although close to an affluent market (Hout Bay) the young enterprise owners fail to tap into that market and grow their businesses. This can be attributed to a lack of information, the locality of their businesses and a lack of skills necessary to cater for that market.
- One of the major hindrances to business growth was identified as a lack of appropriate infrastructure to enable the youth to run their businesses efficiently. Two key informants shared the same sentiments. Some of the enterprise owners alluded to the shortage of water and electricity as affecting their business operations. The majority noted that they did not have premises to run their businesses and were thus forced to operate from home.
- The enterprise owners and key informants stated that the businesses run by the youth in the study, were in very competitive trades. Due to many businesses operating and offering the same services and products the participants were left with a very small share of the market. The high levels of competition hinder the businesses from growing.

- The issue of crime as being a major challenge was shared by ten of the respondents, all of whom had been victims of robbery. Crime is an obstacle to the success of many businesses, as owners lose confidence in their businesses, thereby affecting growth.
- There was consensus among the youth and key informants that the most significant barrier to business growth and success was a lack of finances. The youth felt that the revenue generated from their businesses was not enough both to reinvest in their businesses and for their personal maintenance.

Objective 3: To explore their knowledge and experiences of support offered by government, the business sector and NGOs in their efforts to address the challenges they face

- All respondents mentioned that the main sources of finance for their businesses were themselves, with additional finances obtained from family and friends. Only two participants had accessed a loan, with another participant having an approved loan but no orders to claim it.
- The study revealed that an overwhelming number of young enterprise owners were unaware of programmes offered by government, the business sector and NGOs that are in place to support the development of their businesses.
- The majority of respondents felt that they needed to be assisted with working capital to grow their businesses. Half of the young enterprise owners stated they would accept a loan if offered. However, the other half were afraid of being indebted to anyone through loans.
- The study revealed that although there are support systems available to young enterprise owners there is a lack of knowledge and information on what they are and how to access them. Moreover, knowledge of the support systems is mainly available on the internet, thereby excluding business owners from communities such as Imizamo Yethu and Hangberg, who do not have access to the internet.
- From the study, a number of the youth clearly indicated that they have difficulties relating to a number of the programmes because they are delivered by adults and in a format and

language that excludes them. Allowing youth to play an active role in administering some of these programs will go a long way in reducing the generational gap and hence increasing access and uptake.

Objective 4: To investigate what young people think needs to be done to enable more young people to start up their own businesses

- There was consensus among the youth and key informants, that young people are bursting with ideas but lack the necessary guidance and confidence needed to realise their potential. The participants noted that, with mentoring, workshops and community development programmes, the young people could learn more about entrepreneurship.
- There was agreement that government has a fundamental role to play in creating an enabling environment for more young people to start businesses. The participants felt that making available agencies working at a community level could raise the awareness of the youth about support systems available to them should they decide to become entrepreneurs.
- Young people felt that the banks had to make their application process easy and understandable to all. However, most of the participant did not know how the business sector and NGOs could be of assistance to young enterprise owners.

5.3 Recommendations

Taking into consideration the challenges outlined by the young enterprise owners in the communities of Imizamo Yethu and Hangberg, recommendations are put forward. The recommendations will be action-oriented and hence, presented according to what the various role players could do to address some of the challenges experienced by the youth enterprise owners. Furthermore, recommendations for further research are proposed.

5.3.1 Government

The recommended actions by government include:

- Provide a platform for connecting youth-focussed enterprise programs and policies to the realities and aspirations of youths. Youth enterprise owners must be given a platform to present the challenges they face with regard to running and growing their businesses, so that policies formulated directly address the issues as they stand on the ground. These platforms could be embedded in review clauses of current youth programmes.
- Intensive awareness-raising programmes must be held to raise the profile of support agencies such as NYDA, SETAs and Khula Enterprise Finance. This must target “never reached before” places such as townships, informal markets, among others.
- Financial resources must be made available to those with a desire to pursue entrepreneurship. The application process must be as simple as possible and the support access points must be easily accessible to all because young people sometimes do not have money for transport.
- The current youth programmes should enhance targeting to ensure that priority is given to opportunity entrepreneurs as opposed to necessity entrepreneurs.
- The current government policies could be more effective if they have in-built constant and periodic review to ensure that they remain relevant to the youth as well as that they remain in sync with the youth’s realities and aspirations. Building constant and participatory review processes ensures that the programs are youth focused.
- Organize to have youth who have succeeded in business play a role in motivating prospective entrepreneurs and those striving to run viable businesses through illustrating the possibilities of achieving success in business. This can be done at the local level through entrepreneur fairs, and these can be targeted for Youth Day or any other special days.
- Government should include a mentorship clause as part of their support conditions (financial or otherwise), so as to enable those who do succeed to give back to fellow youth.

5.3.2 Non-Governmental Organisations

Whilst a number of respondents had no idea of what an NGO is or how NGOs could help them, these organisations could indeed play the following roles in addressing the highlighted issues and challenges affecting youths. Their roles include;

- NGOs can play a strong role in information brokerage and linking the youths to current support (from government, the private sector and NGOs).
- NGOs can work together with some of the youth champions to raise awareness at both local and national levels on the challenges they are facing.
- NGOs can also organize and support some experiential learning/youth exchange programmes at the local level to ensure that youths learn from each other.

5.3.3 Private Sector

The recommended actions by the private sector include:

- A joint venture between the private sector and government or the private sector and NGOs to allow some of the people from the private sector to be guest speakers or instructors on some of the courses will be useful in connecting the youth to the private sector expectations.
- The private sector should regard supporting youth businesses, especially in historically disadvantaged communities, as their key contribution to BBEE and corporate social responsibility. They should accrue BBEE credits for doing that. Support can include: subcontracting services and sourcing some of their inputs from the youth entrepreneurs. For example, a hotel operator who sources vegetables and carrots from a youth cooperative or entrepreneur should be given BBEE credit.
- The private sector should also broaden their corporate social responsibility to include targeted support to youth enterprises that are in their line of work. In some cases training

subcontractors on how best to meet the needs of the private sector could go a long way in reducing training costs on the part of the government as well as increasing the skills pool among the small entrepreneurs.

5.3.5 Youth

The recommended actions to be taken by the youth are:

- Youth enterprise owners should be proactive in terms of seeking information on available support and other opportunities to grow their businesses. In addition, they should actively seek and tap into networks that can link them to support services. It is through realizing their agency that the youths will grow their businesses and move from being survival entrepreneurs.
- They should, as much as possible, support each other in their businesses and engage in activities such as savings clubs, as a way to cushion themselves in times of crises, as well as pooling resources to support their expansion wishes. In cases where crime is a serious external challenge to their businesses they should form or support neighbourhood watch groups to protect their businesses from criminal activities.

5.5.6 Further research

- An in-depth analysis of the coping mechanisms of young enterprise owners, in the context of the many challenges they face.
- A comparative analysis of locally owned youth SMMEs and foreign owned youth SMMEs in terms of challenges, aspirations, and other aspects would be useful in understanding and supporting the key drivers to successful youth entrepreneurs. While foreign owned businesses are not eligible to any form of government support, there are many, some of which are more enterprising than locally owned SMMEs. All SMMEs need to be better understood and supported, as part of the drive to promote employment in South Africa.

- Future studies could further explore the reasons why young entrepreneurs in Hangberg and Imizamo Yetho do not do business in affluent neighbouring communities, both within and in the vicinity of Hout Bay.
- Finally, it is recommended that a follow-up study is conducted with young business owners in Hangberg and Imizamu Yethu in 2 to 3 years time, to track a number of the issues raised through the current study.

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Appendix 1: Interview schedule, youth owners of small businesses

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DEPARTMENT OF SOCIAL DEVELOPMENT

MSocSc (SOCIAL DEVELOPMENT)

Information to be shared with interviewees prior to the interview

My name is Samkelo Ndlovu, I am a student at the University of Cape Town, and I am studying towards a Masters Degree in Social Development.

The study to be conducted seeks to explore the challenges facing youth owned small business enterprises in the communities of Imizamo Yethu and Hangklip. The purpose of this study is to generate and contribute knowledge on the challenges that young people face in their quest to run viable business enterprises in the two communities of Hout Bay. The study is purely for academic purposes and will not yield financial gain for you as a participant and myself.

Your participation in this interview is voluntary and should you feel the need to discontinue the interview it is well within your rights to do so.

For purposes of information accuracy, I would like to seek permission to use a digital recorder which will record our interview. However your identification and all information shared will only be known to me, moreover your name will not be referred to in the study report.

**An exploration of the challenges facing youth owned small enterprises in Imizamu Yethu and
Hangberg, Hout Bay**

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Interview schedule: youth owners of small businesses

A. Background information on the business owner and enterprise

1. Can you please tell me about your family background with regard to business?

If not addressed, probe:

- Did you grow up in a business environment?
- Did your parents or immediate relatives run business enterprises?

2. Can you please tell me about your business (i.e. type of business, services/products?)

If not addressed, probe:

- Main products/services of business
- Major clients
- What it is like having a business in that community

- Competition in that line of business
- If applicable, how competition affects the line of business

3. Can you please tell me about yourself as a business person?

If not addressed, probe:

- Business skills brought into the business
- Current business skills (bookkeeping, planning, buying, communication skills etc.)?
- How current skills were developed

B. The aspirations of young enterprise owners

1. What are your short term (in the next 2 years) aspirations regarding your business?
2. What are your long term (5 years and beyond) aspirations regarding your business?
3. What do you think needs to happen for you to achieve these aspirations?

C. The challenges facing young enterprise owners in running and growing their business enterprises.

1. What challenges do you face in running your small business?

If not addressed, probe:

- Challenges faced with regard to: finances, marketing, infrastructure, community acceptance, skills shortage, market base, clientele, technology, crime.

D. Knowledge and experiences of young small business enterprise owners with regard to support programmes available from government, private sector and NGOs

1. From what sources do you get different kinds of support for your business? (probe type of support from each mentioned source and how the participant found out about the source)
2. What are your experiences of accessing and using these sources of support? (probe financial, attitudinal and geographical accessibility of each used)
3. What other sources of support do you know of, but have not used, made available by the government, NGOs and private sector? (Probe level of knowledge and reasons for not accessing them; cover: NYP, Khula Enterprise Finance, NYEEP, NYDA, SETAs).

E. What the young small business owners think needs to be done to promote youth owned business development

1. In what ways, other than those you have already mentioned, would you like the government, private sector and NGOs to support you as a business owner?
What do you think needs to be done and by whom in order to enable more young people to start their own businesses? (Probe government at NATIONAL, PROVINCIAL and LOCAL LEVELS; NGOs; private profit-making sector)

F. Conclusion

1. Would you like to add anything which would help me understand you and your business more?
2. Do you have any questions?
3. How was this interview for you?

Thank you for your participation!

Appendix 2: Interview schedule, Key informants

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A. Background information of Key Informants

1. Can you please tell me about your organisation?

If not addressed, probe:

- What is the role of your organization/ department? (Explore, aim, vision, objectives)
- Main support programmes to the youth

2. Can you please tell me about your role in youth empowerment?

- Can you tell me your role in youth entrepreneurial development
- How do you work with young enterprise owners

B. The challenges facing young enterprise owners in running and growing their business enterprises.

1. What challenges do you suppose young people face in running their small businesses?

If not addressed, probe:

- Challenges faced with regard to: finances, marketing, infrastructure, community acceptance, skills shortage, market base, clientele, technology, crime.

C. Knowledge and experiences of young small business enterprise owners with regard to support programmes available from government, private sector and NGOs

1. In your opinion how knowledgeable are young people of the support available to them from your organisation.
2. Do you think young people are aware of legislative frameworks that are in place to their economic empowerment
3. Are you aware of the challenges that the youth face in trying to access support programmes.
4. Apart from your organisation which other organisations do you think should be assisting the youth with their businesses.
5. What do you suppose are the difficulties that young enterprise owners face with regard to accessing your programmes.
6. How does your organisation help the youth access support for their development
7. How else do you think your organisation can assist young enterprise owners improve their businesses.

D. What the key informants think needs to be done to promote youth owned business development

1. In what other ways do you think the government, private sector and NGOs can support young business owners?

What do you think needs to be done and by whom in order to enable more young people to start their own businesses? (Probe government at NATIONAL, PROVINCIAL and LOCAL LEVELS; NGOs; private profit-making sector)

E. Conclusion

1. Would you like to add anything which would help me understand your responsibilities and organisation more?
2. Do you have any questions?
3. How was this interview for you?

Thank you for your participation!

Appendix 3: Participant background information sheet

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	Question	Answer
1	Age	
2	Gender	
3	Business street address	
4	Year and month in which you started your business	
5	Ownership of the business (sole or joint venture)	
6	Highest level of education successfully completed	
7	Number of paid employees	
8	Number of unpaid employees	
9	Is your business Registered?	
10	Type of business:	<i>Tick appropriate</i>
	Agriculture	
	Manufacturing	
	Construction	
	Retail	
	Repair services	
	Catering	
Other services (specify)		

