PERCEIVED BARRIERS EXPERIENCED BY TOWNSHIP SMALL, MICRO
AND MEDIUM ENTREPRISE ENTREPRENEURS IN MAMELODI

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Abstract
North (in Greyling 2007: 14) states that “Entrepreneurship has been a catalyst in the development and growth of the world’s strongest economies. South Africa is no different. To realise the ideal of a better life for all South Africans, the entrepreneurial energies of all our people should be harnessed to ensure that the country’s full potential for economic growth is unleashed”. Entrepreneurship makes a significant economic contribution in terms of employment, job creation and wealth creation that can be attributed to entrepreneurial enterprises (Bell, Callaghan, Demick & Scharf, 2004:1). To stimulate entrepreneurial activity in any economy, a vibrant small, micro and medium enterprises (SMME) sector needs to be developed. (Rwigema & Venter, 2004:315). SMME business dominates the new entrepreneurial society. A common picture in the entrepreneurial society is that the successful small firm starts as entrepreneurial and then transforms itself, exploiting the formula that underlies its success and the market it has found (Bjerke, 2007:20-21).

If the notion that entrepreneurship through the creation of SMMEs enhances economic development and creates new jobs is to be believed, then South Africa can indeed benefit from the establishment, sustenance and growth of SMMEs. However, according to the Global Entrepreneurship Monitor (2008), which was led by the UCT Graduate School of Business, South Africa’s overall entrepreneurship ranking was 23rd position out of 43 in 2008. The Total Early-stage Entrepreneurship Activity (TEA) rate of 7.8% was achieved
– TEA is the measure by percentage of people between 18 and 64 who are involved in starting or running a business. According to the study South Africa also has one of the lowest new business success rates (GEM 2008).

According to Statistics South Africa (2008) South Africa has an official unemployment rate of 21.9%. The majority of the unemployed in South Africa that can benefit from the jobs that can be created through SMME entrepreneurial activity reside in what has come to be known as townships. Townships are specific areas outside major cities where the apartheid system forced black Africans to reside, separated from other races. These townships were and are still characterised by poverty and high levels of unemployment.

The townships in and around Pretoria are no exception, specifically the township of Mamelodi, which was established in 1953 and has an unofficial population of close to one million people (www.saweb.co.za). Moller (2008:16) indicates that the unemployment rate in Mamelodi is 63.6 per cent.

Entrepreneurship is suggested to be the possible solution to poverty and unemployment and the achievement of economic development (OECD 2003/2004).

This research therefore aims to identify the barriers perceived and experienced by SMME entrepreneurs in the township of Mamelodi in establishing, sustaining and growing enterprises.

Nieman and Niewenhuizen (2009) suggest a model for entrepreneurial development, which indicates that entrepreneurial orientation, a supportive environment and a cooperative environment are necessary for entrepreneurial activity to take place. However, within both the social and the business environment there are barriers that hinder the establishment, sustenance and growth of SMMEs. Kunene (2008) has identified elements in the macro environment such as economic factors (enterprise density, inflation, interest rates, unemployment, exchange rates and taxation), political-
institutional factors (macro-economic policies, cost of compliance, lack of public support, political instability) and socio-cultural (access to public infrastructure, access to money and capital, access to technology, access to labour, crime, health care and lack of role models), in the market environment such as market conditions, demand for supply, access to markets and location and in the internal environment such as company demographics (size and age of firm) and human capital (training and development, education, skills, experience and management training), that might give rise to barriers or at least perceived barriers for SMME entrepreneurs.

The study also discusses forms of assistance available to SMME entrepreneurs in South Africa. Rwigema and Karungu (1999) suggest six common forms, which include financial assistance, training and development, technical assistance, availability of information, industrial clustering and government and private sector assistance. The South African government has identified the importance of SMME development in reaching national goals and also set up institutions such as the Small Enterprise Development Agency (SEDA) and Khula Enterprises to promote SMME entrepreneurship.

The study through qualitative research undertaken by conducting structured interviews with 30 SMME owners in Mamelodi, aims to shed more light on the perceived or experienced barriers by SMME entrepreneurs. Non-probability specifically purposive sampling will be used to choose the sample; data will be collected using an interview schedule and recorded using notes and a digital recorder. Both thematic and constant comparison methods will be used to analyse the data collected.
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Abstract

Entrepreneurship makes a significant economic contribution in terms of employment, job creation and wealth creation that can be attributed to entrepreneurial enterprises (Bell, Callaghan, Demick & Scharf, 2004:1). Entrepreneurial activity in any economy often takes place in the small, micro and medium Enterprise (SMME) business sector (Rwigema & Venter, 2004:315). However in the establishment of SMMEs, entrepreneurs encounter or perceive barriers that hinder the establishment, sustaining and growth of these important vehicles that are important to the development of both society and the economy (Kunene, 2008).

The study is exploratory and specifically attempts to identify and understand the barriers perceived and experienced by township entrepreneurs in the township of Mamelodi in establishing, sustaining and growing enterprises.

Mamelodi is a township outside Pretoria established in 1953 and has a population of close to one million people (www.saweb.co.za). Like other townships around South Africa it is characterised by high levels of poverty and unemployment. Mamelodi is therefore considered an environment where the suggested contributions of entrepreneurship can be beneficial.

The study was done through conducting qualitative research. Structured interviews conducted with 30 SMME owners (focus on small and very small businesses owners) in Mamelodi identified barriers to SMME entrepreneurship. Non-probability specifically purposive sampling was used to choose the sample; data were collected using an interview schedule.
In trying to identify barriers to entrepreneurship, the study used Nieman and Niewenhuizen’s (2009) model for entrepreneurial development as well as elements identified by Kunene (2008) in the macro-environment, the market environment and the internal environment as a framework. The following findings were made in the study:

The five frequently mentioned barriers in the interviews were lack of access to funding, lack of training and development, lack of knowledge and information, crime and lack of business premises. Other barriers identified are within the economy, barriers posed by customers, barriers in the regulatory environment including lack of government support, barriers with regard to lack of infrastructure and technology and barriers with regard to the negative effects left by the legacy of apartheid. Complementing the lack of training and development, the lack of mentorship, role modelling and entrepreneurial orientation were also identified as barriers to entrepreneurship. The most frequently mentioned areas of training where the respondents felt they could benefit most included training in areas of finance and bookkeeping, marketing and management.

With regard to entrepreneurial orientation and other findings, most of the respondents noted that they did not think that culture influenced entrepreneurship, which challenges other studies that indicate that culture does influence entrepreneurship. The most frequently mentioned reasons for starting a business by the respondents are those that can be regarded as pull factors, with seeking of independence/being self-employed as the most frequently given reason. Despite all the barriers indicated, the majority of respondents are of the opinion that there is market growth potential in Mamelodi that can be explored to expand entrepreneurship.

Keywords: barriers; entrepreneurs; SMMEs, township

1. Introduction and literature review
North (in Greyling 2007: 14) states that “Entrepreneurship has been a catalyst in the development and growth of the world’s strongest economies. South Africa is no different. To realise the ideal of a better life for all South Africans, the entrepreneurial energies of all our people should be harnessed to ensure that the country’s full potential for economic growth is unleashed”. Entrepreneurship makes a significant economic contribution in terms of employment, job creation and wealth creation that can be attributed to entrepreneurial enterprises (Bell, Callaghan, Demick & Scharf, 2004:1). To stimulate entrepreneurial activity in any economy, a vibrant small, micro and medium enterprises (SMME) sector needs to be developed (Rwigema & Venter 2004:315). SMME business dominates the new entrepreneurial society. A common picture in the entrepreneurial society is that a successful small firm starts as entrepreneurial and then transforms itself, exploiting the formula that underlies its success and the market it has found (Bjerke, 2007:20-21).

Entrepreneurship is the emergence and growth of new businesses. The motivation for entrepreneurial activities is to make profit. Entrepreneurship is also the process that causes changes in the economic system through innovations of individuals who respond to opportunities in the market. In the process entrepreneurs create value for themselves and society (Nieman & Nieuwenhuizen, 2009: 9), while SMMEs are generally defined by revenue, assets or by number of employees. In terms of South Africa’s National Small Business Amended Act (No 29 of 2004) (hereafter referred to as the Act), a small business enterprise is a separate and distinct business entity including co-operative enterprises and non-governmental organisations, managed by one owner or more, the size of which lies within specific thresholds, which classify whether the business will be categorised as micro, very small, small or medium. The Act offers the classification.

Rwigema and Venter (2004:6-7) suggest that entrepreneurship leads to new venture or new enterprise creation, which would begin in the start-up phase when the venture is still small. From this statement the logical link between entrepreneurship and the creation of SMMEs can be made and this logic is further strengthened by the following statistics:
The SMME sector in South Africa constitutes 98 per cent of all business, contributes 37 per cent of gross domestic product (GDP) and employs 68 per cent of the country’s labour force (Anonymous 2007).

In the definition given above by Nieman and Nieuwenhuizen (2009), it is mentioned that entrepreneurship involves a response to opportunities in the market. Rwigema and Venter (2004:315) argue that the SMME sector was largely neglected during the partheid years in South Africa. Since the end of apartheid in South Africa the new economic environment established by the democratic government has created opportunities for would-be SMME entrepreneurs.

South Africa has been described as the “economic powerhouse” of Africa, with a GDP or economic growth of 4.9 per cent in 2005 and 4.2 per cent in the first quarter of 2006 (at its peak before the slowdown in the global economy), inflation is relatively well controlled, a democratic state exists, stable financial markets and a stable banking sector are maintained and a stable political environment has been achieved. The country also has one of the best constitutions in the world, it attracts healthy foreign investments and free trade is encouraged by the government (www.southafrica.info).

However, against the background above, according to the Global Entrepreneurship Monitor (2007), which was led by the UCT Graduate School of Business, South Africa’s total entrepreneurship activity (TEA) gave it the 23rd position out of 43 in 2006. TEA is the measure by percentage of people between 18 and 64 who are involved in starting or running a business. According to the study South Africa also has one of the lowest new business success rates (GEM, 2007).

If the notion that entrepreneurship through the creation of SMMEs enhances economic development and creates new jobs is to be believed, then the findings of the GEM (2007) suggest that South Africa should find solutions to improve SMME entrepreneurship. According to Statistics South Africa (2008) job creation is especially critical in South Africa, with official unemployment rates as high as 21.9% (www.statssa.gov.za).
The majority of the unemployed in South Africa that can benefit from the jobs that can be created through SMME entrepreneurial activity reside in what has come to be known as townships. Townships are specific areas outside major cities where the apartheid system forced black Africans to reside separate from other races. These townships were and are still characterised by poverty and high levels of joblessness. The townships in and around Pretoria are no exception, specifically the township of Mamelodi, which was established in 1953 and has an unofficial population of close to one million people (www.saweb.co.za). Moller (2008:12) indicates that 65 percent of people in the City of Tshwane Metropolitan Municipality reside in formal settlements, while 35 percent reside in informal settlements. Moller (2008:16) also indicates that the unemployment rate in Mamelodi is 63.6 per cent. Melzer (2006), in a survey study called “Township Markets: A high level review of survey data”, indicates that the rate of unemployed young black people in large metros is exceptionally high. According to the survey the percentage of unemployed black people in metros (mostly townships) per age group is as follows:

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-19 years</td>
<td>78%</td>
</tr>
<tr>
<td>20-24 years</td>
<td>63%</td>
</tr>
<tr>
<td>25-34 years</td>
<td>41%</td>
</tr>
<tr>
<td>35-44 years</td>
<td>28%</td>
</tr>
<tr>
<td>45-54 years</td>
<td>25%</td>
</tr>
<tr>
<td>55-64 years</td>
<td>16%</td>
</tr>
</tbody>
</table>

The Organisation for Economic Co-operation and Development (OCED) report of 2003/04 states that “promoting entrepreneurship policies have been embraced as a means of increasing economic growth diversity, ensuring competitive markets, helping the unemployed to generate additional jobs for themselves and others and countering poverty and welfare dependency.” The report further states that “increasing rates of enterprise
creation is now an almost universal concern for local authorities and central governments wishing to accelerate development in disadvantaged areas.”

Given the above benefits of promoting entrepreneurship and creating enterprises (albeit small and micro enterprises), this study attempts to establish the perceived and experienced barriers encountered by entrepreneurs in Mamelodi.

2. **Problem statement**

“Under the right condition, a few small-scale businesses may grow into giants with a disproportionate impact on employment and wealth creation. Without a steady supply of entrepreneurship, South Africa is likely to stagnate and decline economically” (Rwigema & Venter, 2004:10)

The rate of unemployment and poverty in Mamelodi is high (63.6%) and the number of jobs created in the formal sector has not been able to meet the demand of gainful employment (Melzer, 2006). An alternative to formal employment is entrepreneurial activity; however, SMME entrepreneurs are encountering barriers in establishing, sustaining and growing enterprises.

3. **Research question**

What are the barriers that SMME entrepreneurs in the township of Mamelodi perceive in establishing, sustaining and growing enterprises?

4. **Purpose of the research**

*Primary objective*

This research aims to identify the barriers perceived and experienced by SMME entrepreneurs in the township of Mamelodi in establishing, sustaining and growing enterprises.
**Secondary objectives**

The following are the secondary objectives of this research:

- To identify ways of dealing with or addressing identified barriers
- To identify initiatives by different stakeholders that are already in place to deal with these
- To contribute to the body of literature with regard to the chosen topic.

5. Literature review

Cichello (2005) is of the opinion that more work in this field of research should be done, as this will help researchers understand why 21.9 per cent of the labour force remain unemployed instead of entering into some form of self-employment.

Cichello (2005) identifies potential barriers and/or hidden costs that may have an impact on the decision process of individuals considering or currently engaged in self-employment activity in the Khayelitsha/Mitchell’s Plain area in Cape Town. The following barriers were identified:

- Future-limiting barriers - This is the notion that self-employment choices today may limit labour-supply choices in future periods.
- Hidden cost barriers – These may include formal restrictions such as regulations and informal restrictions, i.e. gangs that mark their territory. An analyst may not typically include these hidden costs in an analysis. They may include loss of profit due to theft or extortion and related non-economic costs. These also include the loss of household resources one might lose access to after leaving the ranks of the unemployed and the additional payments to the household one might make once self-employed.
- Capital barrier – This appears to be the primary deterrent to entry. However, the author concedes that it is unclear whether this lack of capital induces lower participation owing to:
- ex-ante risk management strategies that induce the unemployed to remain unemployed rather than face the variable income stream and/or downside risk associated with self-employment or
- capital constraints that limit the liquidity these individuals have for initial capital investments.

- Skills barrier – Lack of skills to operate business also have been found to limit self-employment activity; however, these hindrances appear to be of less importance than capital barriers.

Dust (2007) adds to the above and lists the following barriers:

- Cultural barriers - Having a secure job is more important than actualising one’s full potential. This has to do with the socio-economic background of our country.
- Cultural barriers may also include the societal roles as perceived culturally i.e. women in business vs. the cultural role of women.

Anonymous (2004) also mentioned hidden regulatory barriers, i.e. the registering of business entities and alignment to certain regulations that may create barriers in the market.

Cichello, Almeleh, Ncube and Oosthuizen (2006) found the following barriers to self-employment in Khayelitsha:

- Crime – There is a risk of the self-employed being robbed or falling prey to thugs. This is indeed a concern where the majority are poverty-stricken and perceive starting a business as being uplifted; the would-be entrepreneur becomes an easy target for crime, which is in itself a symptom of the poverty that self-employment would help to eradicate.
- High structural cost – Transport and infrastructural costs are considered here. Considering that the people come from a base where, as mentioned earlier, the capital to start a business is considered a major hindrance, absorbing
other cost may indeed become too much to bear with the limited resources available.

- Fear of failure - This hindrance is more psychological and does not apply only to the poverty-stricken in townships but to most entrepreneurs. It is aroused by the risk concerned in leaving one’s certain comfort zone and not knowing whether the new venture will work or not.

The above are among the barriers that have been identified in the literature review. However, the literature review seems to agree with the initial statement that entrepreneurship is a key to economic development (Anon, 2004; Bell J., Callaghan I., Demick D. & Scharf F., 2004; Cichello, 2005; Greyling, 2004; Rigwema & Venter, 2004).

It is evident that the barriers considered can be from psychological to physical to regulatory. Considering that entrepreneurship leads to business enterprises, barriers to entry into markets should be considered, as pioneered by Porter (1979:137-145):

- Bargaining power of suppliers - Enterprises must acquire resources (inputs) from their environment and convert those resources into products or services (outputs) to sell. Suppliers provide the resources needed for production or resale. Suppliers can raise their prices or provide poor quality goods and services. Enterprises are at a disadvantage if they become overly dependent on any powerful supplier. A supplier’s bargaining power is powerful when the buyer has few other sources of supply or if the supplier has many other buyers. Powerful suppliers can therefore create a barrier to entry or the creation and running of an enterprise.

- Bargaining power of customers - Customers purchase the products or services an enterprise offers. Customers can therefore demand lower prices, higher quality, unique product specifications or better service. They also can play off competitors against one another. If a customer has many options to purchase
from or is the biggest customer of an enterprise, then this customer will have
greater bargaining power. This can be at the expense of the enterprise’s
profitability, therefore becoming a barrier to growth and sustainability.

- **Competition** – When enterprises compete for the same customers and try to win
market share at the others’ expense, all must react to and anticipate their
competitors’ actions. Thus, as the first step in understanding their competitive
environment, enterprises must understand their competitors; for example, small
local enterprises, strong big enterprises, new entries into the market or overseas
firms. Failure to deal with or counter competition might result in closure of the
enterprise. Therefore competitors might be barriers to entry or might threaten
the survival and growth of the enterprise.

- **Threats to new entry in markets** – New entrants into an industry compete with
established entrants. If many factors prevent new companies from entering the
industry, the threat to established enterprises is less serious. If there are few such
barriers to entry, the threat of new entrants is more serious. Some major barriers
to entry include government policy, capital requirements, brand identification,
cost advantage and distribution channels.

- **Threats of substitutes** - Substitute product or services can limit another
industry’s revenue potential. Enterprises in those industries are likely to suffer
growth and earning problems. This will serve as a barrier to growth and
sustainability.

The above clearly indicates that not only might barriers be a hindrance to entry, but even
when in business there will still be hindrances and hence the need for skills training.
Friedrich (2004:51) maintains that there is a need for massive entrepreneurship training in
South Africa. The author suggests that the training should deal with aspects of personal
initiative, innovation and action strategies with an action learning approach.

The three other major areas that township SMME entrepreneurs indicated as high
priorities in terms of training included in order of importance, keeping and interpreting
financial records, marketing/promotion and obtaining financing (Anon, 2007:3).
6. Research methodology

The following research design is to be followed:

6.1.1 Scope of research

The scope of the research includes SMMEs operating in the retail and service sectors in demarcated business areas in Mamelodi. The businesses that qualified to participate in the study met the SMME criteria as defined according to the National Small Business Amended Act (No. 29 of 2004). The focus of the study is, however, on small and very small enterprises only.

6.1.2 Purpose of research

The purpose of the research was to identify barriers as perceived by SMME entrepreneurs in starting, sustaining and growing their own enterprises.

6.1.3 Type of research

The type of research conducted in this study is qualitative research. To collect data, face-to-face interviews with a structured interview schedule were undertaken. Klave, in Casell and Symon (2004:11) defines the qualitative research interview as “an interview, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena. The goal of any qualitative research interview is therefore to see the research topic from the perspective of interviewee, and to understand how and why they come to have a this particular perspective”

6.1.4 The research population
Bryman and Bell (2007: 182) define a research population as “the universe of units from which the sample is to be selected”. The research population in terms of this study are SMME entrepreneurs, with specific focus on small and very small enterprise owners operating businesses in the retail and service sectors, operating from demarcated business areas in Mamelodi.

6.1.5 Sample

A sample is the segment of a population that is selected for investigation (Bryman & Bell, 2007:183). A non-probability sampling method has been used. Bryman and Bell (2007: 183) explain that non-probability sampling involves human judgement in the selection process of a sample. The specific non-probability technique that will be employed in this study will be purposive sampling. De Vos, Strydom, Fouche and Delport (2005: 202) explain that this type of sample is entirely based on the judgement of the researcher in that a sample is composed of elements that contain the highest number of characteristic, representative or typical attributes of the population.

A sample of 30 has been chosen from a list created by the researcher according to criteria already mentioned. A sample of 30 is regarded as sufficient in a qualitative study with a non-probability sample to give a representative view of the population.

6.1.6 Data collection

The research, as mentioned, is qualitative and a personal standard, structured research interview was conducted by the researcher with each respondent at his or her business. All interviews were conducted within one week in November 2009.
6.1.6.1 **The instrument**

An interview schedule containing structured research questions posed to respondents was used.

6.1.6.2 **Type of questions**

Questions asked included among others demographic and open- and closed-ended questions.

6.1.6.3 **Recording the data**

The data collected are answers from respondents and are the primary data of the study.

Two methods were used to record the data, namely notes and a digital audio recorder.

7. **Results**

7.1 **Barriers identified in the study**

The findings of the study indicated as the five major barriers or perceived barriers to entrepreneurship in Mamelodi:

1. Lack of access to funding
2. Lack of information and knowledge
3. Lack of training and development
4. Crime
5. Lack of premises.

However, apart from the above barriers or perceived barriers identified/ranked by the respondents, the following also emerged from the study:
A lack of entrepreneurial orientation can lead to entrepreneurial activity at a later stage. Early entrepreneurial orientation through formal or informal education either from parents, role models or formal schooling seems to be lacking. This has manifested in people preferring to enter the job market instead of becoming entrepreneurs.

Associated to the point above, the lack of business role models as well as mentors, who could be regarded as entrepreneurial leaders in communities, appears to have adverse effects on the establishment of an entrepreneurial culture or orientation.

The lack of or perceived lack of government support is a theme that has been constant in the study; this involves lack of assistance to access funding, lack of provision of work to SMMEs or other forms of support. Government regulation and the tax system imposed also appear to hinder entrepreneurship in Mamelodi.

The minimal use of technology in township businesses is a barrier to success. The researcher observed this and the respondents admitted that there is a lack of technology to enable the strengthening of enterprises in Mamelodi. This can be improved through machines, computers or software programs that can assist in the management of inventory. Crime has been mentioned as one of the reasons why there are no investments in technology.

There is a lack of innovative entrepreneurship, which emphasises the lack of invention and technological advancement in Mamelodi. All the entrepreneurial activities that are represented in the sample were necessity and/or venture entrepreneurship.

7.2 Assumptions challenged by the study

The following accepted notions were challenged by the findings of the study:

- The notion that people started SMMEs because of lack of work or unemployment. The study indicated that the majority entered into entrepreneurial activity to attain
independence and become self-employed. The majority of the respondents indicated pull factors in establishing enterprises.

- The notion that SMME entrepreneurs in the township had minimal education and experience was also challenged through this study, confirming that the majority had some form of tertiary education qualification and related work experience.
- The notion that female entrepreneurs are viewed negatively owing to cultural or societal expectations. Of the few female entrepreneurs interviewed, only one felt that her gender was a barrier, while the other two did not feel that their gender was a barrier in business. The majority of the male respondents also had positive views about women involvement in entrepreneurship.

7.3 The benefits of entrepreneurship confirmed in the study

In the prelude to the study entrepreneurship and the establishment of SMMEs were said to have certain benefits for the economy as well as for society. The following benefits of entrepreneurship were confirmed in the research process:

- Through entrepreneurship and SMMEs jobs are created and unemployment reduced. The 30 businesses in the sample employed a total of 176 people, an average of six per business. This indeed confirms the job creation capacity of entrepreneurial activities and the existence of SMMEs.
- Because of the proximity of township SMMEs, more jobs are also created indirectly. This, as indicated in the study, is due to the fact that the availability of resources supplied or sold by SMMEs enables local people to leverage this availability and offer work. An example was given by one of the respondents who stated that because of the closeness of his hardware shop to the community, female-headed households would often send an unemployed person to buy supplies and then ask that person to do handyman work for a fee.
- The wealth creation or income-generation capacities of entrepreneurial activities and the subsistence created by SMMEs were also confirmed. All the respondents were able to generate income from their business activities. Most of the
respondents were married or had partners and children; through this income they were able to sustain their families. Furthermore, through these entrepreneurial activities they were able to pay salaries or wages to their employees who were also able to sustain their dependents.

- Through entrepreneurial activities, people who are employed were able to gain training and skills, thus becoming empowered. Cases where people who were employed in these enterprises then went on to start their own SMMEs were noted in the research process. This indicates the power of entrepreneurship to spread entrepreneurial activity and to empower people and societies.

### 7.4 Concerns from the findings in the study

Though the benefits of SMME entrepreneurship are stated in the study, issues of concern are also noted and should be addressed; among others the following:

- The number of women who are involved in SMME entrepreneurial activity in Mamelodi appears to be low, given that women represent the majority of the South African population and given that there appears to be a generally positive attitude to women becoming involved in business; this issue is a concern.

- The participation of those who are considered youth (18 years to 35 years) also appears to be low. If an entrepreneurial culture is to be created in Mamelodi and it is to be passed on from generation to generation, more youth entrepreneurs need to emerge.

- Of concern are also the deep-rooted “scars” that have been left by the apartheid legacy, which still affect people in Mamelodi. These scars appear to be mostly psychological and affect the way people view themselves and those around them. After 15 years of democracy in South Africa it seems as though the legacy of apartheid still affects societies and business.
7.5 **Recommendations**

Stemming from the findings made in the study, the following recommendations are suggested:

- Early entrepreneurial orientation programmes are recommended to be set up by government and communities to teach and orientate children into entrepreneurship. This can be done formally through schooling modules or informally through community programmes or intervention programmes. The emphasis of these programmes should be on offering entrepreneurship as a viable career option and on offering practical lessons in entrepreneurship.
- Programmes specifically targeting women and youth, training them into entrepreneurship, are recommended to increase the participation of these two groups of people in the community.
- To advance the entrepreneurial impact on not only the entrepreneurs in question but the community as a whole, more innovation entrepreneurship instead of the current necessity entrepreneurship needs to be encouraged.
- The impact of education on entrepreneurship has been discussed in the paper; quality formal and tertiary education that is both technical and practical needs to be made available to the majority of people in society to increase the chances of entrepreneurship.
- More work-related experience must be created by both the government and the private sector in the form of internships, in-house training and even volunteer opportunities. The study has indicated that most respondents had related work experience before starting their own enterprises.
- Mentorship programmes should be set up. These can be encouraged by offering interested mentors incentives for getting involved in the development of up-and-coming entrepreneurs.
- Even though there are currently programmes running in terms of entrepreneurial development from government, one of the biggest issues raised in the study was that people did not know about these programmes. Better communication and
marketing of government initiatives need to be implemented. This can be done through more advertising, setting up offices close to the communities and explaining more and in detail what is on offer and how these programmes can benefit entrepreneurs.

- The need for training and development cannot be over-emphasised. Training in the areas of management, financial management, taxation and marketing, among others, is required, as stated by the respondents in the study.

- It is recommended that a formalised organization involving SMME entrepreneurs and owners be formed in Mamelodi. This organisation will help mobilise the owners and through this organisation most of the above-mentioned initiatives can be pursued. The organisation can serve as a platform for sharing knowledge, providing training, negotiating with authorities, communication, networking and forming business linkages.

- Given the negative findings in the study with regard to financial institutions, it is recommended that these institution engage more with SMMEs and attempt to understand the SMME market and the problems that this market has to deal with. By doing so, financial institutions might gain insight into developing products that might actually help SMME development. Although Khula does provide funding through financial institutions, government also needs to find better ways to offer incentives or guarantees to financial institutions and mitigate some of the risk that these institutions will face in providing access to finance to township SMMEs.

8. CONCLUSION

The findings of the study of perceived barriers experienced by township SMME entrepreneurs in Mamelodi has proven to be consistent with the findings already in literature and of those published by respected bodies such as the OECD and World Bank and in the South African SMME Business Confidence Index Report.

The importance of entrepreneurship and the existence of SMMEs in contributing to employment, wealth creation, an improved economy and an improved lifestyle cannot be
denied. Through the study it has been determined that the answer to the research question is a complex one. The barriers to entrepreneurship are found in a range of areas including among others psychology, institutions, the business environment, the economy, past legacies, culture and society itself. It will take a complex solution, which should include all stakeholders, including among others parents, role models, mentors, government, big business, communities and indeed individuals, to overcome these barriers and to create an entrepreneurial culture.

**BIBLIOGRAPHY**


