A SITUATIONAL ANALYSIS OF SMALL BUSINESSES AND ENTERPRISES IN THE TOWNSHIPS OF THE GAUTENG PROVINCE OF SOUTH AFRICA

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Purpose: This research sought to understand the status of Gauteng township businesses and entrepreneurship by analysing their demographics, characteristics, opportunities, culture and entrepreneurial cognition.

Problem investigated: There is a need to understand the existing dynamics of South Africa’s township small businesses and the entrepreneurs so as to promote their growth and competitiveness. A flourishing business environment in the townships would contribute to redistribution of wealth, employment and improving the quality of life of the township residents. The research for this paper provided the much needed information to form a basis for the Centre for Small Business Development’s (CSBD) strategic interventions towards improving small and micro entrepreneurs’ business skills and enabling them to maximise their potential globally.

Methodology/Approach: The conceptual framework for this research was in the context of providing data for writing a paper for the CSBD’s first annual international conference. An expert researcher using his extensive knowledge and publications constructed a questionnaire, which was, modified, and the data were collected in the six districts that make up Gauteng Province, namely Sedibeng, West Rand, Tshwane, Soweto and Alexandra townships, Ekurhuleni and Metsweding. Forty questionnaires were administered to owners of businesses in each of these districts. Data capturing and analysis followed and researchers at CSBD conducted literature review, synthesised the information and wrote this paper.

Shortcomings of study: The sample was too small for the population of close to 1.5 million small, micro and medium enterprises (SMMEs) in Gauteng townships. The study was also not sector-specific and the findings are not area-specific either, more so for Soweto. However, this has no impact on the findings but is noted for future research. The questionnaire was also broad and general, as it was the first time this study was undertaken.

Findings: Most businesses in townships are very small, as they have fewer than 10 paid employees and a turnover of less than R1 million per annum. Most of them are formal because they are registered for value-added tax and taxes and they operate on formal premises. Most of the respondents demonstrated high entrepreneurial cognition with very accurate knowledge of business management practices and the meaning of legislative policies such as broad-based black economic empowerment (B-BEE). They were conversant with the use of banking and credit cards and they avoided personal loans and indebtedness. They also demonstrated good work ethics regarding the way they ran their businesses, respecting clients and customers and keeping records for their financial transactions daily. They were, however, unable to achieve financial flexibility to pay for medical aid, paid leave and unemployment benefits for themselves and their employees. Many said that they had not benefited from, BEE as intended by the provisions of the Department of Trade and Industry.
Future research should explore how these businesses can grow and become sustainable job creators.

**Areas for future study as a result of this study:** The next study in the middle of next year, in preparation for the 2011 conference, will have a much larger sample, and be sector-and area–specific, even in terms of findings. It will distinguish between the various age groups of the businesses.
1. INTRODUCTION

The Centre for Small Business Development (CSBD) of the Faculty of Management at the University of Johannesburg resolved to convene the first Annual International Conference to take place in January 2010. The purpose of the conference was to bring together academics, policy makers and the township business community to share and network on their experiences and knowledge on how best to develop small businesses and entrepreneurship. In order to contribute to the conference discussions, the CSBD opted to conduct an exploratory study of small businesses and entrepreneurs in the townships of Gauteng Province.

The conference theme is “Transforming black townships into economic powerhouses”. This theme intends to take forward the CSBD’s vision of developing innovative socially responsible and leading business entrepreneurs among township communities. By bringing together those with extensive knowledge and information, the CSBD will benefit from contributions from papers and discussions on how best to improve interventions aimed at growing and developing township entrepreneurs and their businesses. In addition, the conference will highlight the CSBD’s programmes to the participants, hopefully increasing the numbers of those intending to enrol. Owner’s and managers of small businesses will get a chance to network and exchange ideas. The conference will also provide time to discuss the areas that the CSBD should focus on when developing intervention programmes and strengthen the value-adding symbiotic partnerships between the University and the township business community.

The need to assist township entrepreneurs to sustain their businesses cannot be overstated. South Africa’s government has identified small, micro and medium enterprises (SMMEs) as a vehicle to reduce unemployment, create and distribute wealth and alleviate poverty (Tustin 2001; Ladzain & van Vuuren, 2002; GEM, 2006). Conducting systematic research on the nature and the needs of township businesses and entrepreneurs will revitalise the vision and mission of the Faculty of Management at the University at Johannesburg to increase its output of well-researched papers and publications.

1.1 Problem statement

Concerns were raised that long after 1994 townships continued to be dormitories of labour where residents lived, but went in search of work in better-endowed areas. Most township residents used the bulk of their purchasing power on consumer goods and durables, spending a lot of money outside their residential areas¹.

There is a dearth of research that addresses profiles of township businesses wholly focussing on the factors that motivate the establishment of a business, as well as the characteristics and behaviour of business owners and managers. An exploratory study aimed at understanding

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¹ Dr Thami Mazwai, personal communication This situation is changing rapidly; see Ligthelm (2008)
township entrepreneurship and businesses was conducted to contribute information that could fill gaps in knowledge and to facilitate the CSBD’s conceptualisation of intervention programmes.

1.2 Objectives of the study
The main goal of this study was to provide a background paper for the CSBD’s international conference that would later be published in a journal.

The following are the broad objectives of this study:

- To determine the characteristics of township businesses by consulting their owners/managers.
- To investigate the motivating factors and challenges for starting and running businesses as perceived by the owners.
- To obtain information that would form a basis for further research and to provide the needed interventions in business growth and development.

2 LITERATURE REVIEW

2.1 Structural features of a township’s economy and implications for SMME growth
The township is a peculiarly South African phenomenon and a deliberate manipulation of urban planning that designs cities in terms of race. Soweto is a conglomeration of townships created to house mainly black labourers who worked in mines and other industries in the city of Johannesburg. More black people were relocated from inner city “black spots” to Soweto as the centre of Johannesburg was reserved for whites (New march, 2006:16-26).

In 1963, following a four-year public competition, the name Soweto was adopted for the South Western Townships. Apartheid planning did not provide any infrastructure to these settlements and all manner of shelters, including shacks, flourished. Residents had limited access to capital, education and basic social and economic rights. They were also prohibited from owning and running businesses. In the 1950s, when Dr Richard Maponya² first tried to start a business in Soweto, the powers of the day told him he was “off his head”. They said no black was allowed to own a business, as they were temporary residents and privileged to be in an urban area where they were to serve.

According to Mandisa Mpahlwa, the former Minister of Trade and Industry in 2006, the small business sector comprised 2 million small businesses representing 98 per cent of the total number of firms. Collectively small enterprises employed 55 per cent of the country’s labour force, contributing approximately 42 per cent of the country’s total wage bill. However, 87 per cent of the small enterprises are survivalists and the great majority of these are owned by black people. Women owned 41 per cent of these. These trends are very

² Owner of one of the largest malls in Soweto and profiled by Property Magazine in his short biography on the internet.
significant, as they illustrate both the potential and the challenges for small business growth (Mpahlwa, 2006).

When analysing the legacy of apartheid, Mpahlwa (ibid) identified the following salient obstacles that can be traced to apartheid, also quoted by Sanchez (2008):

- Deliberate discriminatory policies limited access to capital and education and restricted basic social and economic rights.
- A situation existed where most black South Africans were prevented from owning and running businesses.
- Bantu education restricted opportunities for the acquisition of technical and professional skills by black people and entrepreneurial education, which could have encouraged youths to enter business and acquire a culture of entrepreneurship.
- Racially segregated residential areas enforced through the Group Areas Act led to large capital losses destroying the fabric of small enterprises that could have been established by black people.
- Segregation increased the distance between black residences and working areas, increasing the costs and risks of conducting business. Outside the homelands it was difficult for black would-be entrepreneurs to participate in business apprenticeship or partner with more established non-black entrepreneurs.
- Curtailment of property ownership rights for black people made it impossible to acquire assets that could serve as collateral to obtain finance loans.
- The situation was even more severe for women, as under apartheid there was no space for them to be involved in business. Discriminatory marriage laws removed their contractual capacity.

The legacy of these restrictions affected the growth of the SMME sector in the townships and stifled those that dared start by depriving them of any support. Bond (2000) calls it a theory of uneven development, which draws from Marx’s capital concentrations of wealth for capitalism and poverty and oppression of workers. South Africa has well-structured geographical inequality, even after 1994. Zinnes (2009) propounds that business environmental reform is facing the challenge of apparent reluctance by micro and small businesses to formalise and take advantage of legal, financial and marketing benefits.

Despite these problems, a special type of resilient entrepreneur emerged during the heyday of apartheid, but black youths used to victimise any township entrepreneurs, seeing them as budding capitalists who would be a future problem, as the struggle was about creating a socialist South Africa. A new blend of black business persons led by Sam Motsuenyane and Richard Maponya emerged by taking advantage of the changing environment. A study of what motivated these entrepreneurs is needed. They were lucky to have relationships with white business interested in the value they brought to their market share. There are other factors that have not been identified.
There seems to be no universal definition of SMMEs despite the social and economic significance of the sector. The definition provided by the National Small Business Act as amended (Act 26 of 2003) provides for the following five categories in terms of assets, turnover and number of employees:

- The informal business comprises survivalist enterprises’ activities on pre-entrepreneurial level. It includes hawkers, vendors and subsistence farmers; usually people unable to find paid jobs (Ntsika, 2001:13). They have minimal assets and have incomes below the poverty level (Morris & Zahra, 2000:95).

- Micro enterprises usually lack formality in terms of registration for business licences and taxation. They have a limited capital base and only rudimentary technical and business skills. They have fewer than five employees and their turnover is less than the value-added tax (VAT) registration limit, i.e. R150 000 per year (Tustin, 2001:10).

- Very small businesses are run mainly by self-employed persons and they employ a limited number of people, usually fewer than 10 paid employees, except the mining, electricity manufacturing and construction sectors, in which the figure is 20 employees. These enterprises operate in the formal market and have access to technology (Ntsika, 2001:13).

- Small businesses are usually more established and their organisation is more complex. They operate from business areas or industrial premises, are tax-registered and employ up to 50 people. Their turnover rate is between R 150 000 and R2 million. Small enterprises are generally more established and exhibit more complex business practices.

- At the top end are the medium enterprises, which have a maximum number of employees of 100 to 200. They have a total annual turnover of between R6 million and R25 million. Many are in the mining, electricity and manufacturing and construction sectors. The enterprises are often characterised by the decentralisation of power to an additional management layer.

This study defined a small business as a separate entity or organisation whether or not incorporated or registered under any law, which consists mainly of a person(s) carrying on small business concerns in any economic sector. The researchers’ interests are entrepreneurial businesses that are proactively seeking to grow and are not limited by resources or their location in the townships.

Entrepreneurship is another construct without universal agreement on definition. Pretorius and van Vuuren (2003, quoted in Kunene, 2008:20) defined entrepreneurship as innovative creation by individuals and organisations. There are those who state that it cannot be taught because skills like thinking out of the box, being different, risk-taking abilities and strength to stand by oneself are inherent. Others disagree and state that entrepreneurship is a discipline that can be taught and learnt (Schaper, 2005; Lekhotla, 2007). Notwithstanding these theoretical differences in descriptions, experts have consistently singled out problems in the
education system as being the root cause of low levels of entrepreneurial activity in South Africa (Acs, Arenius, Hay & Minniti, 2004). Insufficient education and training often head the list of factors hindering entrepreneurial capacity in South Africa (Driver, Wood, Segal & Herrington, 2001; Orford et al., 2003). Not only is a negative individual mindset often cited as a hindrance to entrepreneurship, but it is also evident that entrepreneurship is often not viewed as a legitimate career choice (Driver et al., 2001).

2.3 South Africa’s SMME sector since 1996

Research aimed at developing a better understanding of the capacities and perceptions of informal traders is important in South Africa, particularly as the government applies itself to the development of the informal sector (The Presidency 2008; Van Rooyen and Antonites 2007). In South Africa, the informal sector is said to contribute to 25 per cent of total employment, and between 5 and 6 per cent of total gross domestic product (Ligthelm, 2006). According to Statistics SA’s Labour Force Surveys, a total of 2.5 million SMMEs are recorded, reflecting an annual increase rate of 6.5 per cent over the period 1994-2006 (Seda, 2007: 7). The majority of these are black-owned and women-owned businesses currently not able to capitalise on opportunities in the broader economy; these SMMEs tend to exist on the fringe of what has been labelled the first economy (Seda, 2007).

South Africa’s democratic government is committed to a transformation process that transfers ownership of the economy to all by empowering the previously marginalised citizens through small business development. The rallying call was made by former president Mbeki:

…ASGISA has once more confirmed the need for us to expand our small, medium and micro enterprise (SMME) sector, pays particular attention in this regard to Broad-Based Black Economic Empowerment, and the development of women and the youth”. (President Thabo Mbeki in a State of the Nation Speech on February 3, 2006).

President Jacob Zuma continued this by stressing the need to promote a more inclusive economy:

By utilising state levers such as procurement, licensing and financial support to assist small medium enterprises by promoting the implementation of Broad-Based Black Economic Empowerment and affirmative action policies (State of the Nation address, 3June 2009).

This resonates well with arguments by Acs (2008: xvi), Hisrich, Peters and Shepherd (2005:15), Floyd and McManus (2005:144) and Timmons (2002:16), who posit that the creation of small businesses is a necessity for national economic development. They argue, and this aspect refers specifically to South Africa, that small business has a great redistribution effect and fundamentally restructures society.
Ligthelm (2008) has pointed out that the pre-2000 situation when townships in Gauteng were dominated by small, mainly informal retail businesses, offering basic products and services to a relatively low-income consumer market, has changed. That era of only a small portion of consumer spending by township dwellers within their area of residence has been replaced by the development of large shopping malls in Soweto townships, targeting sizeable population numbers. Five of these shopping malls have opened their doors in Soweto since 2005 and a sixth shopping complex is about to be opened.

His study focused on two questions, namely: What is the current state of township small businesses and entrepreneurship? What are the underlying dynamics and challenges facing township entrepreneurs and their businesses? He noted that township enterprises are not very competitive, as they have below-poverty-level turnovers and relatively high attrition rates (Ligthelm, 2008). There is a need to harness and develop the potential for entrepreneurial skills of the owners/managers of the township businesses.

3. RESEARCH METHODOLOGY

The design for this is a descriptive study, which is cross-sectional and survey–based; the study aims for a descriptive analysis of small businesses in townships. The justification for using a quantitative approach to identify a situational analysis of entrepreneurship, rather than rely on a qualitative methodology, is supported in previous investigations (Busenitz & Lau, 1996), in particular when analysing non-quantified data on several variables from many cases that are often described as beyond the cognitive and affective limits of most researchers (Davidsson, 2004).

Data were collected through a survey, which elicited the views of respondents on issues pertaining to characteristics of small businesses and motivational and cultural factors. Izigi Human Capital was commissioned by the CSBD to collect data in the townships in all six districts of Gauteng.

The target population and subsequent sampling units were based on small businesses in various townships. A randomly selected sample was used to include as many businesses and entrepreneurs as possible for the purpose of eliciting descriptive information. Forty township businesses were selected in the major urban areas, namely Soweto and Alexandra townships. These include:

- Soweto/Alexandra
- Tshwane
- Sedibeng
- Ekurhuleni
- Metsweding
- West Rand.

In South Africa, small businesses can be classified as micro, very small, small or medium according to a pre-determined set of thresholds. The National Small Business Act, as revised
by the National Small Business Amendment Bill of 2003, breaks down the thresholds by each industry sector. SMMEs in South Africa can only employ up to 200 people (SA Survey, 2007). In addition, there is no conclusive definition of informal, unregistered, unregulated businesses, which include service enterprises, production activities and vending. Based on these parameters, the survey concentrated on owner-managers in small businesses with up to 200 employees in various industries. Although the sample is not representative of the entire small business sector in South Africa in terms of selected sectors, enterprise sizes and regions, these small businesses reflect the dynamics of township entrepreneurs in the greater Johannesburg area.

3.1 Data-collecting procedure

Questions were based on prior literature and selected items from previous studies by Christensen and Peterson (1990), Kaish and Gilad (1991) and Hills, Shaver and Reynolds (1999) were replicated and modified.

Seeking an answer to the study’s research question allowed for descriptive data to be collected. Since existing work has not yielded generalisable knowledge pertaining to the fundamental nature of township entrepreneurs, it was posited that a descriptive study generating empirical results would add to the body of knowledge in this new direction of study.

A questionnaire was designed to reflect the main objectives of the study. Existing questionnaires were scrutinised for relevance and several items were modified to suit the objectives of this study. The instrument had the following sections:

- Demographic information
- Characteristics of business and the way entrepreneurs perceive them
- Opportunities available to them
- Motivation factors for start-ups
- Cultural factors
- Entrepreneurial cognition.

Data collection started with an explanation of the purpose of the study to the respondents so as to ensure that research fieldworkers obtained informed consent and respondents were assured that the information they contributed would be handled with extreme care and confidentiality. Eighteen (18) fieldworkers were each given 14 questionnaires to collect data.

The first few days the research team piloted the questionnaire to ensure that each question was well understood. All questionnaires were administered and there was 100 per cent response to each question. The respondents were keen to participate in the survey, as they believed it would contribute to improving their situation.
The final sample was 240 businesses.

3.2 Data analysis
With the assistance of a statistical software package, the data were analysed, starting with preparation, data capturing, cleaning and coding. The data were then analysed in terms of frequencies and percentages. The Special Package of Social Science technology was applied in this process.

3.3. Report writing
Researchers at the CSBD embarked on a review of literature and document analysis to obtain clear knowledge of what had been written in this area. The analysed data were further interpreted in the light of the research methods; synthesised and preliminary reports were produced. Descriptive and inferential statistics were generated to construct this paper.

4. RESEARCH FINDINGS AND DISCUSSION

The following are the research findings describing the responses of the 240 respondents following the main topics of the research:

- Demographic information
- Characteristics of business and the way entrepreneurs perceive them
- Opportunities available to them
- Motivational factors for start-ups
- Cultural factors
- Entrepreneurial cognition.

Section 1: Demographics

The information on personal demographics comprised gender, age, level of education, ethnic group and home language. Respondent’s perceptions and experiences of their businesses are also in this section. The findings are presented as follows:

4.1 Gender
The sample was fairly evenly distributed; with females slightly more than the males at 52 per cent, while 48 percent were males. The gender composition of the research sample is represented in the following pie-graph:
The dominance of women in these township businesses could be attributed to the increased number of female–headed households and lack of formal employment for women. This makes very small businesses the most promising income-generating opportunities for them. Gender-sensitive interventions for this level of SMMEs should be considered.

4.2 Age in years
Most entrepreneurs were aged between 31 and 40; 39 was the median, while a substantive number was aged between 20 and 30 years. There were few older persons, i.e. older than 51, among the sampled respondents. This implies that it is the youth’s entrepreneurial spirit that is directing very small businesses and this needs to be supported. It could also mean the attrition rate of these businesses is heightened because of lack of experience that is gained over the years. Age brings with it experience. Fig. 2 below states the ages of the respondents:
4.3 Educational background

Most, about 60 per cent, of the respondents had achieved at least a matriculation level of education (i.e. primary and high school), 50 per cent had diplomas and very few had postgraduate education. It looks as if the more educated one is, the less likely it is that one would be involved in township business. Very few of the sampled respondents had a degree or postgraduate education. It was also noted that the businesses were not necessarily in line with the educational qualifications that a respondent had achieved. Entrepreneurial education needs to be offered from primary school if businesses are to benefit from years spent in education. Careers are influenced by what a person is formally exposed to in school education; otherwise going to school is replaced by short courses on how to run a business. The levels of education for the sampled group are indicated in the graph below:
Fig. 3. Level of education

Fig. 4. Ethnic group of respondents

Black people are the majority of the residents in the townships at 89 per cent; coloureds are 5 per cent, whites 3 percent and Indians 2 percent. This confirms that townships were segregated residential areas for black people. There has been no effort to bring about integration of races even after 1994.
4.5 Home language

Nguni languages, namely Zulu, Xhosa Tswana, Ndebele and Swazi, are the dominant home languages in the townships. Although Nguni speakers are the majority, the Sotho/Pedi and Venda are well represented. Entrepreneurial information and communication need to bear this in mind.

The home language of respondents is provided by the graph below:

![Home language graph](image)

Fig 5. Home language of respondents
4.6 Perceptions of economic status

4.6.1 How would you describe your economic status? See the graph below.

As many as 65 per cent described themselves as comfortable, while 28.8 per cent said they were poor and 9.5 said they were very poor. Only 1.3 said they were rich. Living a life of comfort is the benefit of starting a business.

4.6.2 Which of the following do you own?

Fig 6. Economic status as perceptions of the respondents

Fig 7. Asset ownership
Most respondents own wealth indicators and high status assets, showing that businesses are promoting improved lifestyles in townships. Most of the respondents (66.7%) have paid-up furniture, 63.9 per cent have a house/fixed property, and 59.6 per cent have a vehicle and half had insurance policy.

4.6.3 Which of the following do you have access to?

![Bar chart showing access to amenities and ICT](image)

Fig 8. Access to amenities and ICT

Most respondents responded positively to accessing these assets, demonstrating that the democratic government is succeeding in delivering basic services and the business owners are able to pay for them. Nearly 100 per cent have access to food, 89 per cent have access to running water, toilet facilities, electricity and TV. Television is accessed by 63 per cent; washing machines are accessible to 52 per cent and DSTV satellite is accessible to 40 per cent.

4.6.4 Which of the following do you use?

![Bar chart showing utilisation of business management assets](image)

Fig 9. Utilisation of business management assets
The sampled respondents have good business practices of banking, use credit wisely and are not indebted by personal loans; 96.2 per cent use a bank account, 36 per cent have a personal loan, 33.3 per cent have credit cards, 25.5 have a home loan and only 16.4 per cent have a vehicle loan.

4.7 How many years did you work in formal employment before running this business?

![Bar chart showing years of experience in formal business](image)

Fig 10. Years of experience in formal business

The sampled respondents have minimum experience in formal work, as 59 per cent had worked for at least six years, 41 per cent had worked between five and six years, 51 per cent had worked between three and four years and 37 per cent had worked for one or two years.

4.6.8 Did you work in the same industry/business area as your business/product/service line?

To this question, 59.3% of the respondents said no, while 40.2 per cent said yes. Businesses are therefore not influenced by the career experience of the respondents. What one does in business does not seem to be connected with previous work experiences.

Section 2. Characteristics and perceptions of businesses

4.8 Are you a business owner?
Of the respondents, 94.1 per cent stated that they were the owners of their business and only 5 per cent said no. This means that the sampled respondents are ready to improve their businesses, as they are the owners and not mere employees.

**4.9 Description of your business**

Most respondents (45.4%) said that their businesses were formal and 32.5 per cent said their businesses were informal. The notable observation here is the way respondents are keen to adhere to formalising their business. This means that they are likely to optimise information on the available support of government and private sector services. Forty-four per cent (44%) said they considered their business to be formal, as it was registered as a close corporation. About 36 per cent said they were in informal business, 20 per cent were in formal partnership, 19 per cent were formal sole traders and 5 per cent were in formal private business.

**4.10 Is the business registered for any of the following? (Select as many as applicable)**

![Chart showing business registration status](image)

Fig 11. The formal structures of registration of business

The majority (60.5 per cent) are registered for a trading licence and more than 56.6 per cent are paying their taxes. Unfortunately, 96 per cent of them did not even know what a retail survey group is all about and it may be because they are not retailers. Eighty-seven per cent had not registered for pay-as-you-earn.
4.11 How would you classify your business based on the number of people employed?

![How would you classify your business based on the number of people employed](image)

Fig 12. Classifying business by number of employees

Most (47.9%) had between two and five employees, 28.3 per cent had one person and 20 per cent had between six and 20 employees. Those with over 20 employees were negligible (1.7%). This confirms that these are very small businesses.

4.12 How long you have been working in the business?

Most respondents had worked at their current businesses for six years, an indicator that it had moved from survival to a reliable business.

4.13 Indicate which sector your business is primarily involved in (select only one)

The respondents were to select from a list of sectors as shown in the graph below.
Fig 13. Sectors in which businesses are found

Retail, motor and repair services are in the majority (20.5%), while 15.4 per cent are in catering, accommodation and other unspecified trade and manufacturing.

Fig. 14. Location of business

Most 39% said they were in a formal building, 21.6 per cent had their businesses based at home or a friend’s home and 13.9 per cent were street traders or hawkers. Ten per cent had their business at a shopping centre, 6.1 per cent in a container or caravan and another 6.1 per cent at a craft market. An even distribution of the location of businesses shows that one can find thriving income-generating activity in any place. Other businesses mentioned are cleaners of rubbish bins at 97.9 per cent and farm farm/yard/freelance and school yards. all at 0.4 per cent.
4.14 Please indicate the annual turnover of your business:

<table>
<thead>
<tr>
<th>Category</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>above R1 million but not exceeding R5 million per year</td>
<td>7</td>
</tr>
<tr>
<td>above R150,000 but not exceeding R1 million per year</td>
<td>28.1</td>
</tr>
<tr>
<td>above R12000 but not exceeding R150,000 per year</td>
<td></td>
</tr>
<tr>
<td>below or equal to 12000 per year</td>
<td>25</td>
</tr>
</tbody>
</table>

Fig 15. Turnover rates

Most (39.9%) had a turn-over of R 12 000 but not exceeding R150 000 per year, 28.1 per cent had between R150 00 to R1 million per year and 25 per cent had below 12 000. Seven were beyond 1 million. Efforts should be made to help these businesses raise their annual turnover.

4.15 Would you describe your local condition as

<table>
<thead>
<tr>
<th>Condition</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal with services</td>
<td>63%</td>
</tr>
<tr>
<td>informal with services</td>
<td>35%</td>
</tr>
<tr>
<td>informal without services</td>
<td>2%</td>
</tr>
<tr>
<td>other</td>
<td>0%</td>
</tr>
</tbody>
</table>
Sixty-eight per cent described their local conditions as formal with services, 35 per cent said they were informal with services and only 2 percent said they were informal without services. This shows that the government is providing services to the township residents.

**Fig 16. Local condition for the businesses**

Most (92.4%) businesses have access to cell phone, 63 per cent have access to a computer, and 59.3 per cent have access to a land-line and printer. Access to a fax machine is available to 52 per cent and to the internet to 48.2 per cent. Email is accessed by 47.9 per cent. The fact that most people said ‘yes’ is an indication that information communication technology is penetrating the townships.
Does the business keep records of the following business transactions? (Please tick as many of the following as applicable)

![Bar chart showing the percentage of businesses keeping records of various transactions.]

**Fig. 18. Business-keeping records**

The majority 84.1% said that they keep records of cash receipts and payments, which is a good business management practice. Eighty per cent have a record of bank deposit and withdrawal slips. While 71.3% record everything that was sold, 53.4% said they had a record of their creditors, 45.5% said they had a record of cheques drawn and 38.8% said they recorded their creditors and 28.7% said they recorded how much was sold every month. Twenty per cent had bank records and 15.5% per cent had cash receipts.

Do you have access to any of the following benefits through the business? (Please tick as many of the following as applicable)
Fig 19. Benefits to business owners

‘No’ is the predominant answer to most of these options. Only 38.8 per cent have allowances for cellphones/petrol, 27.1 per cent enjoy unemployment benefits, 25 per cent have paid leave, 14.3 per cent have a pension, 10.5 per cent receive medical aid and 2.5 per cent have a home loan. There is a need to train owners of township businesses to understand the usefulness of medical aid, paid leave and unemployment benefit for themselves.

4.18 If you employ people, do your employees have access to any of the following benefits through the business? (Please tick as many of the following as applicable)

The fact that the negative responses are more than the positive ones is an indication that owners of these businesses need to formalise human resource relationships. The predominant answer here is ‘no’, except for paid leave and unemployment benefit. The businesses cannot afford to provide employees with many benefits.
4.19 Do you know any of the following who either are or have been entrepreneurs?

The ‘yes’ and ‘no’ responses are evenly distributed, showing that these township business owners are emulating business skills learnt from their friends and relatives and not necessarily their parents.
4.20 Are your employees members of a union?

Fig 22. Membership of union among employees

The respondents who said they were members of a union amount to 1.4 per cent; the majority (98.6%) said they were not members of a union. A few employees (9.4%) are members of a union, but not the majority (90.6%). Another study to determine why unions are not popular with business owners in townships needs to be carried out. Growing businesses need networking, sharing information, skills and the right representation. Isolation is one way of losing out.
4.21 If others work for you, would you describe your relationship with them as ...

![Pie chart showing level of satisfaction among employees]

Fig 23. Level of satisfaction among employees

Satisfactory relationships are the most dominant at 53 per cent and this is fair in business.

4.22 Please describe your business and the products it offers

<table>
<thead>
<tr>
<th>Types of sector</th>
<th>Description of business engaged in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Rearing cows and sheep, nursery growing of flowers and plants, seedlings</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Manufacturing furniture, steel stands for domestic use, protective safety products</td>
</tr>
<tr>
<td>Construction</td>
<td>Building backrooms, carrying building materials, ricklaying, carpentry, renovation and design, furniture shop, painter</td>
</tr>
<tr>
<td>Retail, motor trade and repair services</td>
<td>Butchery, car services and repair, fruit and vegetables, tuck shop, liquor store, motor repairs, supermarket grocery, repair of taxis</td>
</tr>
<tr>
<td>Wholesale trade, commercial agent and allied services</td>
<td>Wholesaler and distributor, wholesaler building materials, window and glass fitting</td>
</tr>
<tr>
<td>Catering, accommodation and other trades</td>
<td>A pub, accommodation, African food, African restaurant, bakery, bed and breakfast, caterer, coffee shop, guest house, pub and meat selling, tourism</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>Bus transport operator, taxi, panel beater and motor machinery, petrol station, car wash, storage facility, telecommunication</td>
</tr>
<tr>
<td>Finance and business services</td>
<td>Accounting services, business services, cash loaning, financial adviser, private insurance broker</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>Homeless shelter, beauty salon, hair care, cleaning rubbish bins, crèche for children, aftercare for children. Dressmaking, driving school, dry cleaning, electronic goods, funeral parlour, fitting car</td>
</tr>
</tbody>
</table>
4.23 How much has been invested in your business?

Fig 24. Amounts invested in business

The investments are very moderate, as most are above R12 000.00 but not above R150 000.00.
4.24 How did you obtain the above-mentioned finance to invest in your business? 
(Please tick as many as applicable)

Fig 25. Where the finance is obtained

Own contributions were used by 56.5 per cent, bank loans bys 20.5 per cent, friends and family contributed 14 per cent, the Government 3.3 per cent, ventures 2.8 per cent and grants 2.2 per cent. Capital for starting business is not being accessed by these township business owners.

4.25 Who are the key stakeholders in your business?

Key stakeholders for most respondents are their clients and customers (83.3%). Others are the general community at 10.5 per cent and suppliers as ‘other’ make up only 0.4 per cent.

Clients and customers are the main stakeholders, while the community is next. Business owners relate more strongly to their customers than to the community.

4.26 Please describe your target market.

Various businesses target different customers, as shown by table 1 below:

Table 1. Target market

<table>
<thead>
<tr>
<th>Business</th>
<th>Customers targeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community, social and personal services</td>
<td>• Community, corporates and</td>
</tr>
<tr>
<td>Category</td>
<td>Needs/Services</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>government</td>
<td>Everyone wishing to use public phones</td>
</tr>
<tr>
<td></td>
<td>Clinics, hospitals, old and sick people</td>
</tr>
<tr>
<td></td>
<td>Children needing training in life skills</td>
</tr>
<tr>
<td></td>
<td>Anyone needing a good hairdo</td>
</tr>
<tr>
<td></td>
<td>Five houses a month targeted by cleaners</td>
</tr>
<tr>
<td></td>
<td>Children on streets</td>
</tr>
<tr>
<td></td>
<td>Flowers for funerals,</td>
</tr>
<tr>
<td></td>
<td>Tourists, local and international</td>
</tr>
<tr>
<td>Retailers</td>
<td>SMMEs selling vegetables and all households and individuals wishing to buy fruit and vegetables</td>
</tr>
<tr>
<td>Construction</td>
<td>Construction companies,</td>
</tr>
<tr>
<td></td>
<td>Mining companies, especially in government</td>
</tr>
<tr>
<td></td>
<td>Anyone needing second-hand good furniture</td>
</tr>
<tr>
<td></td>
<td>People in need of houses</td>
</tr>
<tr>
<td>Caterers</td>
<td>Anyone wanting good African food,</td>
</tr>
<tr>
<td></td>
<td>Those needing bunny chow</td>
</tr>
<tr>
<td></td>
<td>Weddings and conference events</td>
</tr>
<tr>
<td>Motor trade and repair services</td>
<td>Car-owners, local motorists</td>
</tr>
<tr>
<td></td>
<td>Those with broken vehicles</td>
</tr>
<tr>
<td>Finance and business services</td>
<td>Those who do not have money but</td>
</tr>
</tbody>
</table>
Some said that they target 20 people daily to get 100 per day and 30 people per day who deal with 1000 each per day.

Section 3: Opportunities

![opportunities](image)

Fig. 26. Opportunities for business in townships

There was great agreement about the suggested opportunities among most respondents. Creativity and identifying business opportunities were considered important ways of using opportunities.
Section 4: Motivational factors which best describe reasons for your start-up

Fig 27. Motivational factors

Desire to win business is the predominant motivation, making these entrepreneurs opportunity business people rather than necessity ones (GEM 2008).

Section 5: Cultural factors

Table 2. Cultural factors

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Undecided</th>
<th>disagree</th>
<th>strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>My community is highly supportive when success is achieved through hard work.</td>
<td>37.9%</td>
<td>42.5%</td>
<td>15%</td>
</tr>
<tr>
<td>My community emphasises self-sufficiency and personal initiative</td>
<td>20.8%</td>
<td>51.4%</td>
<td>29.3%</td>
</tr>
<tr>
<td>My community encourages entrepreneurial risk-taking</td>
<td>23.1%</td>
<td>39.4%</td>
<td>29.9%</td>
</tr>
<tr>
<td>My community encourages creativity and innovativeness</td>
<td>26.1%</td>
<td>36.5%</td>
<td>28.9%</td>
</tr>
<tr>
<td>My community emphasises individual responsibility</td>
<td>18.5%</td>
<td>40.3%</td>
<td>40.2%</td>
</tr>
<tr>
<td>Young people are encouraged to start their</td>
<td>17.3%</td>
<td>29.9%</td>
<td>34%</td>
</tr>
</tbody>
</table>
Contrary to what is said about black communities, these respondents stressed that their community supported business start-up. Individual responsibility is also supported.

Section 6: Entrepreneurial cognition

4.27 Are black entrepreneurs less successful than Indians and whites?

Most (68.3%) of the respondents agreed, while 31.7 per cent did not agree.

Table 3 Reasons given by those who said ‘yes’, black businesses are less successful that those run by Whites and Indians

<table>
<thead>
<tr>
<th>Finance and resources</th>
<th>Indians and whites are successful because they get funding, unlike black people who lack collateral for the banks.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(i) Blacks lack access to resources</td>
</tr>
<tr>
<td></td>
<td>(ii) Blacks do not know how to handle funds to grow their businesses</td>
</tr>
<tr>
<td></td>
<td>(iii) Blacks do not have access to computers while whites and Indians have everything needed in business</td>
</tr>
<tr>
<td></td>
<td>(iv) Indians and whites know how to save money and use it in their business</td>
</tr>
<tr>
<td>Management skills</td>
<td>Indians and whites buy in bulk</td>
</tr>
</tbody>
</table>
and work collectively
Black people’s entrepreneurial
skills are less than those of whites
and Indians
Black people waste money for lack of
management and business skills
(i) Blacks need to learn too many things

| Support | Black people do not support one another and they depend on
Indians and whites
There is not enough support
financial investors for black
entrepreneurs, while Indians and
whites have support from
government and their communities
(i) Indians have support from their families, while whites have
support from the private corporate world |

| Marketing | Blacks focus on one market only
Whites and Indians run chain stores and have a competitive
advantage over blacks in marketing |

| Location | Apartheid settlement adversely affected black people’s businesses
rather than those of whites and Indians. |

| Human capital factors | Black people are close-minded
Black people do not trust themselves
(i) Blacks are still struggling
(ii) They are weak thinkers and do not believe in what they do
(iii) Indians and whites value business culture while blacks are not
motivated, lack determination and perseverance.
(iv) Blacks have false expectations |
Table 4 Reasons given by those who said “No”

<table>
<thead>
<tr>
<th>Finance</th>
<th>Banks are keen to support black people so as to score BEE points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management skills</td>
<td>Black people find it easy to start a business but maintaining it is difficult</td>
</tr>
<tr>
<td></td>
<td>Blacks are not using their many ideas; instead white people use them to expand their businesses</td>
</tr>
<tr>
<td></td>
<td>Education does not teach self-reliance and business skills; rather teaches how to become employees</td>
</tr>
<tr>
<td>Location/Information</td>
<td>Black people support one another and are better off than Indians and whites</td>
</tr>
<tr>
<td></td>
<td>Whites and Indians have several business opportunities and locations not available to blacks</td>
</tr>
<tr>
<td></td>
<td>When black people have information and access to similar resources they do very well</td>
</tr>
<tr>
<td></td>
<td>Blacks must change the mentality that thinks that only white people have great ideas</td>
</tr>
<tr>
<td></td>
<td>Black businesses are increasing and becoming bigger than those of whites and Indians</td>
</tr>
<tr>
<td>Human capital factors</td>
<td>Black people are successful these days; we are all equal</td>
</tr>
<tr>
<td></td>
<td>Black people have started to realise that they need to work hard to reap greater rewards</td>
</tr>
<tr>
<td></td>
<td>Black people come from a struggle background but are moving very fast</td>
</tr>
<tr>
<td></td>
<td>Unequal starting levels enable whites and Indians to start in dominant positions</td>
</tr>
<tr>
<td></td>
<td>There is a change whereby black businesses are growing faster than those of whites and Indians</td>
</tr>
</tbody>
</table>

4.28 What do you understand by BEE?

Fig 28 what is BEE?

It was encouraging to note that the majority of the respondents, nearly 75 per cent, understand very clearly what BEE is all about, judging by some of their comments.
A substantive group of respondents, about 25 per cent, did not understand what BEE is all about. Their responses were generally, “I do not understand what BEE is all about.” Asked whether they or their businesses had benefited from BEE, 93 per cent said ‘no’ while 7 per cent said ‘yes’.

4.29 If ‘yes’, how has your business benefited?

The benefits are seen in the way a lot of black people are registering their new businesses and becoming quite well off. Many black people have acquired wealth, which they spend on consumer goods such as cars, by a procurement policy that makes black people secure government tenders. Accessing business is easier for black people than it was before. More job creation occurs than before BEE. Better training and information connectivity for black people in workshops and short training courses are available.

Fig 29. Personal attributes for black business
Human capital factors such as passion and patience, motivation and dedication to business are mentioned by most people (69.8%), while business management skills such as proper budgeting and a business plan are mentioned by 30.2 per cent.

4.30 Thinking about the successful black business person, what conditions should be in place for her/his business to succeed?

Most responses (75%) emphasised human capital factors such as personal development to acquire knowledge and know the best environment for the business. Ambition, confidence and an eye for the bigger picture were mentioned by a large number of people. Problem-solving skills, being a hard worker, and being well connected with those in high government positions were also regarded as important. Patience, commitment, courage and dedication were also mentioned by many respondents. Only a few respondents, less than 10 per cent, mentioned business skills. The enabling environment provided by a supportive government, security and macro-economic were not mentioned by the respondents sampled.

4.31 Did you undertake the following for your business?

Writing of a feasibility study was done by 65.2 per cent, while a business plan was written by 52.2 per cent. This implies that the respondents are adhering to the correct procedures.

4.32 Rate the importance of the following for a successful business: 1 as the least important and 5 as the most important.

Table 5. What they consider important for successful business

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up capital</td>
<td>2%</td>
<td>.5%</td>
<td>1%</td>
<td>5%</td>
<td>91.5</td>
</tr>
<tr>
<td>Mentorship</td>
<td>8.1%</td>
<td>7.6%</td>
<td>11.2%</td>
<td>24.4%</td>
<td>48.7%</td>
</tr>
<tr>
<td>Understanding the competition</td>
<td>4.1%</td>
<td>7.6%</td>
<td>15.2%</td>
<td>20.3%</td>
<td>52.8%</td>
</tr>
<tr>
<td>Networking and cooperation</td>
<td>15.6%</td>
<td>9.7%</td>
<td>18.3%</td>
<td>19.9%</td>
<td>36.6%</td>
</tr>
<tr>
<td>Having a dedicated/niche market</td>
<td>6.9%</td>
<td>4.3%</td>
<td>12.2%</td>
<td>20.2%</td>
<td>56.4%</td>
</tr>
<tr>
<td>Cost of inputs</td>
<td>10.7%</td>
<td>3.9%</td>
<td>15.2%</td>
<td>10.7%</td>
<td>59.6%</td>
</tr>
<tr>
<td>Skilled and reliable labour</td>
<td>8.3%</td>
<td>9.3%</td>
<td>8.3%</td>
<td>19.2%</td>
<td>54.9%</td>
</tr>
<tr>
<td>Other factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.33 Is there effective legislation and professional support for your business?

Table 6 Legislation support
<table>
<thead>
<tr>
<th></th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective structure (e.g. formal tax system and registration process)</td>
<td>48.2%</td>
<td>51.8%</td>
</tr>
<tr>
<td>Professionals to link you to relevant assistance in government or sectors</td>
<td>32.4%</td>
<td>67.6%</td>
</tr>
</tbody>
</table>

There seems to be little formal support in the way of legal structures, links to government services and even to other businesses for the benefit of sharing ideas.

**4.34 Do you belong to any business association (Yes/ No.) If yes, name it**

The majority (82%) confirmed that they do not belong to any associations and only 18 percent said that they were members of some association. Those who said ‘yes’ named the Gauteng Department of Transport, Gauteng Province Driving School, National Home Builder and TED.

![Fig 30 Networks and associations](image)

Assistance with operation is the main help from associations. Others are bargaining when making purchases and sometimes when one has a problem and fighting crime.

**Table 7 Critical actions or interventions needed to produce a greater number of successful black entrepreneurs**

<table>
<thead>
<tr>
<th>Business management training skills</th>
<th>Financial banking inputs</th>
<th>Government services</th>
<th>Human factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A clear</td>
<td>• Revised bank</td>
<td>• Workshops</td>
<td>• Hard work</td>
</tr>
</tbody>
</table>
understanding of the business system and a good support structure
- Business plan and implementation
- A great deal of understanding of the competition, mentorship and business system
- Training of more artisans so skilled people have experience and know how to do the job
- Training and access to education
- Training in leadership

<table>
<thead>
<tr>
<th>policies to make it easier to access funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended credit by banking institutions</td>
</tr>
<tr>
<td>Banking policies to change and include SMMEs as their top clients</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>following up on people who have established their businesses and seeing their progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government to do proper research before formulating policies or acts that do not support SMMEs</td>
</tr>
</tbody>
</table>

well done; it is up to a person if he/she wants to succeed
- Belief in own ability and hard work
- Passion: doing things people are good at
- The need for blacks to stand for themselves without relying on government handouts

### 5. CONCLUSIONS

Small businesses and entrepreneurs in Gauteng townships are truly contributing to the transformation of the socio-economic conditions that characterised townships because of the legacy of apartheid. Clearly, the study has revealed that they are bringing about equitable distribution of income-generating opportunities and social change to the previously disadvantaged individuals living in Gauteng townships. Possibilities for wealth creation through job creation and substantive incomes have improved the quality of life of the study respondents in that many said that they were comfortable.

The changing face of township business is demonstrated by easy access to amenities and infrastructure. The implication is that townships will soon be the centre of economic activity and development. The possibilities for business growth are shown by respondents’ perceptions of the economic status of their business. Interventions to enable business growth should be at an advanced level to enable the entrepreneurs to achieve a level higher than mere...
satisfaction. Successful and profitable businesses will free the entrepreneurs from the responsibility of daily attendance to become owners of their own businesses. There seems to be a lack of financial fluency, demonstrated by the fact that the owners of businesses do not pay for medical aid, unemployment benefits and paid leave for themselves and their employees. Business growth and expansion through innovative marketing is needed. Networking and cooperative associations should be taught, as there are more benefits when businesses share synergies than when they are in cut-throat competition.

The study has generated some knowledge about the resilience of township business owners and the need for advanced interventions.

Women’s domination of this SMMEs sector shows that it is fulfilling a business niche that suits them. Nearness to home or home-based businesses enable them to rear their children and make a living by providing to the community. There is a need to harness and promote the youth entrepreneurial spirit, since young persons are the majority in these businesses.

Entrepreneurial education is not producing many businesses in this sector and there is a need to refocus attention on the business skills required to grow these businesses and attract graduates and post-graduates. Community, social and personal services are the main sectors creating businesses in the townships. Transport and communication, catering accommodation and retail trade are the business skills that need to be supported.

Financial institutions are not reaching out to these businesses and yet the government has institutions such as Khula that are meant to lend them money.

6. RECOMMENDATIONS

By collating empirical data and pointing out several areas of interest to entrepreneurs and policy makers, where much speculation exists, this study makes a modest contribution to theory building and demonstrates the complementary nature of the constructs investigated and their combined explanatory potential in understanding township entrepreneurs. Apart from theoretical implications, the study has several important implications for practitioners, educators and policy makers.

- The main recommendation is that from this baseline/exploratory study other studies should be carried out to ensure that more authoritative knowledge is generated to promote growth and development of township businesses and entrepreneurship.

- Township businesses have a high entrepreneurial cognition, demonstrated by innovative decision-making, systematic management of their businesses and accountability.

- There is a need for capacity-building programmes on policies and strategies to assist the businesses, especially those owned by women and the youth.
More research should be carried out on the culture of entrepreneurship, baseline, impact assessment and customer satisfaction surveys.

Discriminatory practices that impede funding of township businesses should be addresses by the institutions concerned.

Networking and collaboration among business owners should be actively promoted. Growth of business should be benchmarked and the achievement of milestones rewarded.

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