Human capital as a determinant to access finance for South African women entrepreneurs

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ABSTRACT

The purpose of this research is to investigate human capital and social capital as determinants to access to finance for women SMME owners in South Africa. The study focuses on Human capital which encompasses social capital and looks at access to finance within the South African context. It does not include all other factors discussed in entrepreneurship theory. The major theories underlying this research are Social Network theory and Human capital theory. Human capital theory is viewed as formal education, skills attained and knowledge gained through informal knowledge such as prior work experience, industry experience and apprenticeship opportunities. These variables are assessed to see if they determine access to finance; which is a barrier to entrepreneurship in South Africa for SMME owners. This constraint is stressed in all The Global Entrepreneurship Monitor (GEM) reports from 2009 to 2014. This paper focuses on a single gender; females and assesses these capital factors as determinants to access finance for their entrepreneurial activity. Social capital as a factor is studied as a component of Human capital and two variables are assessed: strong ties and weak ties. Access to finance is evaluated as both debt and equity for entrepreneurs. Bivariate analysis was used to test the theories for results. The results showed an importance of human and social capital for entrepreneurs in running their businesses however not all human and social capital factors were confirmed to entirely determine access to finance for the women entrepreneurs. This study can potentially assist SMME owners within South Africa, financial institutions, policy makers and support organisations for women-owned businesses with insight into what determines accessing finance for business.

DECLARATION

I, Kumbirai F Kowo, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master in Management in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Kumbirai Fungai Kowo

Signed at ……………………………………………………

On the …………………………….. day of ………………………… 20…..

DEDICATION

This report is dedicated to my parents for their enduring support; my close friends for their encouragement and humour and to my love for his understanding, and constant shoulder to lean on. This work would not have been possible without every one of you and your interminable backing of me as I undertook this endeavour.

Thank you: In Him I have been enriched in every way; in all my speaking in all my knowledge.

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CHAPTER 1. INTRODUCTION

1.1 Purpose of the study

The SEDA (Small Enterprise Development Agency) in South Africa estimates that 72% of the micro-enterprises within the country are owned by women, as are approximately 40% of the small enterprises. However the success of these women-owned businesses is impacted by internal and external factors which act as a barrier to growth. These barriers can range from basic life skills such as self-confidence, assertiveness, self-motivation, achievement orientation, reliability and communication skills as well as the absence of mentorship opportunities, marketing and basic holistic management training (Nieman, Hough & Nieuwenhuizen, 2003).

One of the inhibitors of entrepreneurial activity in South Africa often identified is lack of access to finance. This is attributed to many factors such as poor education or having no information on how to access funding. Research has shown that there is a positive correlation between funding provided during the start-up phase and new venture survival and growth. The correlation is obvious in that a firm that has more financial capital is able to further its growth through investing in products, marketing and development (Chandler & Hanks, 1998). Many firms attribute the lack of financial capital to their lack of growth leading to business failure (Rujoub, Cook & Hay, 1995).

If access to finance is essential to venture growth, it is therefore imperative to evaluate the extent other factors faced by the entrepreneur also affect access to finance. Human capital has been selected as one of these factors. This research will examine human capital which encompasses social capital, as a determinant to access finance for women entrepreneurs.

This study could potentially provide information to entrepreneurs to ease accessibility to financial capital for their ventures. As a developing country, South Africa has many positive aspects contributing to its economy. However there are some negative aspects which may prevent economic growth. Unlike other Sub-Saharan countries, South Africa is seen to be lagging behind in terms of small and medium business development (Herrington & Kelly, 2012). Two factors that contribute to this situation, human and social capital, form the basis of the research conducted in this study.

1.2 Context of the study

Over the past few decades Africa was seen as a continent in which there was widespread failed economic growth; extensively it was faced with poverty and disease and weak institutions (GEM Report, 2013). South Africa was seen to be the country which was ahead in many of these aspects. However it carries the history of a tragic oppressive apartheid system. Africa has undergone dramatic change within the economic situations of its countries and its economic potential has consequently risen, to provide new commercial opportunities to its peoples. The GEM report 2013 states the real GDP for the continent has risen by 4.95% from 2000 to 2008; more than twice that of the 1980s and 1990s. Industries that are showing economic boom are in telecommunications, the financial sector and retail sector. Countries in Sub-Saharan Africa now rely less on raw material extraction and agriculture, while contributing to high technology innovations. Meanwhile, Africa still faces its challenges of poverty, high infant mortality, and health and disease; however her economic potential is now widely acknowledged and recognised as being among the world's most rapidly growing economic regions (GEM Report, 2013).

Over the last 20 years, socio-economic transformation in South Africa has been a top government priority in its attempt to overturn the lasting legacy of apartheid. The Framework of the New Economic Growth Path, released in 2010, states how the inequalities and joblessness associated with the legacy of apartheid can be traced back to the mid 1900's, when a third of the South African population lived in the former Bantustans where less than one in three adults was employed.

In the first quarter of 2010, according to Statistics South Africa, the unemployment rate for young people aged 16-to-30 years was 40%, compared to 16% for those aged 30-to-65 years. Among the employed, many workers had poorly paying jobs. In the third quarter of 2008, half of all employed people earned less than R2500 a month and over a third earned under R1000 a month. GEM report 2013 states that 4,6 million people seek but cannot find jobs, and that some 2.3 million people have given up looking for employment. This equates to approximately 7 million South Africans who are unemployed; thus leaving out a potential 36% of the labour force that could contribute to South Africa's economic well-being.

Employment within the informal sector, agriculture and domestic work contributed to a third of all employment, but two thirds of working people still earned under R1000 a month.

Unemployment therefore is one of South Africa's greatest challenges. The last decades have also seen many sectors that provide formal employment, such as mining sector, shed jobs and retrench their staff. The unemployment rate is compounded by the fact that every year more and more of the youth within the country mature into new job seekers but they step into a market which cannot provide them with jobs.

It is seen worldwide that the growth and development of small, micro and medium enterprises plays an important role in providing employment; therefore making an important contribution to their country's economic growth. Likewise in South Africa, small, micro and medium enterprises (SMMEs) play a vital role in providing employment and as such their support is vital in creating a better life for the people.

It is therefore imperative to study factors that can contribute to this growth requirement and understand these in the context of entrepreneurship such that the field can be expanded upon in the future.

1.3 Problem statement

1.3.1 *Main problem*

Accessing credit and financial services is an essential requirement to the growth and sustainability of ventures; which is crucial to the economic development of a country. How to access this credit remains a barrier cited by many business owners. Documented in the literature is the importance of extending credit for small and transitional firms in their growth phases (Beck, Demirguc-Kunt & Maksimovic, 2005). When an entrepreneur initiates a venture, finding and securing financial capital is an important variant in their new business creation (Klapper, Laeven & Rajan, 2006). Many studies have been done and research conducted confirming that accessing and securing capital is crucial for any venture if their intention is are for it to grow (Banerjee & Duflo, 2008; De Mel, McKenzie & Woodruff, 2008). However women who do have the growth potential to move into a small, medium or large enterprise may not have the resources required. These include both financial services and business development support.

The number of men versus women in entrepreneurial activity varies across countries; mainly due to the cultural nuances and customs regarding the woman's role within the family and their participation in the economy and labour market. Globally, although still low, the ratio of male to female opportunity entrepreneurship has increased from 1.26 in 2002 to 1.36 in 2013. (GEM Global Report, 2012). However more research is required within South Africa into the different challenges men and women face and - if in South Africa these are different – the aim of the researcher through this study is to close to this knowledge gap.

Globally studies have shown that women are less likely to receive any financing from formal financial services; some studies have also shown that they are charged higher rates to borrow than males (Muravyev, et al., 2007). Studies show, consequently, that women generally raise less venture capital than their male counterparts (Brush, et al., 2004). It has been observed in Sub-Saharan Africa that women entrepreneurs are more likely than male entrepreneurs to rely on internal or informal financing (Bruhn, 2009; Richardson, Howarth & Finnegan, 2004). In order for the women within South Africa to participate in the economic development of the country through entrepreneurial activity, there needs to be a reduction in the gap and obstacles to them accessing finance; which ultimately impedes female entrepreneurship. This study relates as potential literature on the gender gap and barriers related to accessing credit.

The South African Women entrepreneurs Network's (SAWEN) study *Women Entrepreneurs in South Africa* claims women entrepreneurs are on the rise and "are expected to make an important contribution to their national economies". However, only 50% of women entrepreneurs will seek funding to grow their businesses, with only 25% considering applying for a loan. (White Paper released by FNB, 2005). The number of entrepreneurs in South Africa is growing but not at the level of male entrepreneurs situated globally. The American Express November 2006 report revealed that in America 43% of women business owners versus 32% of men say the one thing they need to be more successful is money. Lack of finance is regarded as a major inhibitor to business development and small businesses. Entrepreneurs are often unable to arrange finance from conventional sources such as banks; over 95% of all businesses in South Africa are started by entrepreneurs who source funds from their own savings, friends and family. (GEM Report, 2009). Currently large quantities of finance are earmarked for organisations such as Khula Enterprise Finance and the National Youth Development Agency fund; however, if 95% of entrepreneurs use their own funds this brings about reason for concern and emphasises the need to discover ways to improve female levels of self-employment, which in the South African context is an imperative. Research conducted by the World Bank Group in Africa showed countries in Africa that do not address gender issues lose a potential growth in GDP of 2-3%. These barriers to women playing a bigger part in economic growth can be addressed through attention to education and formal support for small businesses (World Bank/IFC Gender and Growth Assessments: Uganda (2005) and Kenya (2006).)

Global Entrepreneurship Monitor (GEM) research has shown that South Africa lags behind other developing countries in promoting early-stage entrepreneurial activity. South Africa's early-stage entrepreneurial rate was 7.8% (Herrington et al., 2008) – significantly behind the average of 13% for other middle to low income countries. It is important to ask why South Africa's early-stage entrepreneurial rate is so low; what factors have led to the low level of early-stage entrepreneurial activity and what can be done to improve it? In South Africa social and cultural norms, the regulatory environment, and levels of education and training play a highly significant and potentially negative role in determining early-stage entrepreneurial activity. (GEM Report, 2009). Education as an identified limiting factor in South Africa is not consistent with findings in other developing or efficiency-driven economies according to the GEM 2013 Report.

There is considerable hidden growth potential in the women of South Africa and tapping into that potential could make a substantial difference for the country's growth and poverty reduction.

1.3.2 *Sub-problems*

i. The first sub-problem is that the number of women entrepreneurs in South Africa is growing but at a slower pace than male entrepreneurs, despite funds being available for access.

ii. The second sub-problem is that human capital is important to entrepreneurial success and how the lack of it acts as a barrier for accessing finance for women entrepreneurs has to be determined

iii. The third sub-problem is that there might be limiting factors attributed to social capital and support for women entrepreneurs, meaning many ventures started remain in the survivalist phase of SMMEs and never get beyond the struggle to grow.

1.4 Significance of the study

This study may provide guidance to women entrepreneurs in identifying the gaps they might need to fill if their intention is to grow their ventures. It could also benefit financial institutions servicing the small business service sector by highlighting gender nuances and guiding them in their planning to provide meaningful support structures for women business owners. It is also noted that South Africa has a low rate of entrepreneurial activity where lack of financing has been identified as a limiting factor, yet funding for this is available. This study may contribute towards guiding policy makers in understanding what legislative factors may be limiting this access to finance for female entrepreneurs.

This study may also assist to fill a knowledge gap in the field on entrepreneurial studies in South Africa, as significant research has yet to be conducted that assesses the role of human capital and social capital in enhancing access to finance for women entrepreneurs of micro-enterprises within the country.

1.5 Delimitations of the study

- This study will investigate small, medium and micro enterprises.
- The capital factors examined in this research are human and social capital.
- All firms involved in this study are South African firms.
- All companies are women owned.
- All firms were not survivalists companies or informal trading companies.

- This study will not be a longitudinal study; rather; it will be on the current scope of women entrepreneurs in Johannesburg, Gauteng Province, South Africa.
- This study will use access to finance as a variable from the view of the entrepreneur and it will exclude the financial institution’s perspective.

1.6 Definition of terms

SMME - small micro and medium enterprises. Refer to Appendix for South African definition according to industry.

GEM Report - Global Entrepreneurship Monitor (GEM) research programme

Survivalist Entrepreneurship – ?

GDP - Gross Domestic Product.

The Framework of the New Economic Growth Path - ?

Human Capital – The educational level, educational speciality, and tacit knowledge and that an entrepreneur possesses (Zarutskie, 2008)

Social Capital - The goodwill engendered by social relations and that can be used to facilitate action (Adler & Kwon, 2002).

1.7 Assumptions

The following assumptions have been made regarding the study:

- The number of women entrepreneur respondents was sufficient to provide the data for this study.
- Social capital information was answered truthfully by all respondents, as false information would bring about inconsistencies and have a negative effect on the study.
- The sample of SMMEs was sufficient to provide truthful information on their access to finance, as the lack of such information would affect the credibility of the study.
- The respondent sample reflected a view of the human capital they possess. Non-representative views will skew the results of the study and reduce its validity.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

This section provides the literature review on the key themes expanded on in this study. The reader is introduced to the concepts of entrepreneurship and the South African context for this study. Gender within entrepreneurship is expanded on and the influence that has on entrepreneurs accessing finance; the theory of access to finance is analysed and its implication for women owned businesses in South Africa. Lastly, the two capital factors are expanded on which are examined in this study.

Entrepreneurship can be viewed as the exploitation of opportunities within a market. Timmons (1997) describes entrepreneurship as a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach and leadership balanced. The exploitation of these opportunities is seen as creating value. According to Morris (1998), “entrepreneurship creates value by bringing together unique packages of resource inputs to exploit opportunities in the environment. It can occur at organisational context and can result in a variety of possible outcomes, including new ventures, products, services, processers, markets and technologies”. Therefore with these two definitions entrepreneurship can be seen as the recognition of entrepreneurial opportunity leading to the exploitation of these opportunities.

Extensive research has been done on understanding what entrepreneurship is from the perspective of the individual and on views that entrepreneurship itself is a process (Kurantho & Hodgetts, 2007). An earlier definition from Jean Baptiste Say (1816) sees the entrepreneur as an agent "who unites all means of production and who finds in the value of the products...the reestablishment of the entire capital he employs, and the value of the wages, the interest, and rent which he pays, as well as profits belonging to himself." It highlights the role of the entrepreneur such as in

Barreto's (1989) definition, in which he relates the role of the entrepreneur in terms of their functional role of bearing uncertainty, co-ordination, decision making, supplying the capital required and ownership.

The importance of entrepreneurship in economic and social development cannot be highlighted enough. Many economies around the world have been built on small businesses rising and become emerging corporations. Studies show how in the developing world environments that support the emergence of entrepreneurship are being created (Kaplan & Warren, 2010). It is acknowledged globally that entrepreneurship is a vehicle that can drive economic development.

South Africa's economy is one which historically was one which was largely made up of the public sector and large corporations. The apartheid system meant that there were many restrictions placed on Black South Africans and there was, in consequence, also very little focus on them establishing small businesses. In 1994, the advent of democracy changed the economic landscape within the country and the consequent shift in focus saw the formal economic sector shrink, while the informal sector grew (GEM, 2012). The lack of formal employment and the slow growth of the informal sector meant that unemployment became a major challenge, which the new government had to set about solving.

StatsSa (2013) indicated that South Africa's unemployment rate to be at 25% and that approximately 40% for the employable youth who are less than 34 years old in age. This low employment rate can be arguably seen to contribute to other social dynamics and issues faced in South Africa such as high HIV/AIDS rate, crime and service delivery issues. Since 1994 the South African Government has made headway in showing their commitment to developing entrepreneurship. In 1995, Trevor Manuel highlighted the importance of entrepreneurship by saying that "Small, medium and micro enterprises represent an important vehicle to address job creation, economic growth and equity in our country" (The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa 1995).

The Global Entrepreneurship Monitor (GEM Report) is a report that focuses on growing their readers' understanding of small firms and their contribution to the economies of the world. GEM has revealed that the economic landscape of countries that have a high number of micro businesses are characterised by their citizens having low levels of per capita income.

According to The GEM, the landscape of entrepreneurship in South Africa shows that the country lags behind other developing countries. Although the level of early-stage entrepreneurial activity (TEA) within the country has been slowly increasing since 2006, it has - with the exception of 2010 - remained below the median for all GEM countries. In addition, it dropped significantly lower in 2012 (GEM 2012). The reasons attributed to the low levels of early entrepreneurship include:

- The low levels of education - especially in mathematics and science;
- Social and entrepreneurial factors that do not encourage entrepreneurship as a career path;
- A lack of access to finance - particularly for micro-financing;
- Official regulatory hurdles.

According to GEM research (2013), women enter entrepreneurship for many of the same reasons as men; such as to support themselves and their family, to attain financial independence and to enrich their lives with a meaningful career. However, there is a still a gap in South Africa, where 61% males versus 39% females are found in early stage entrepreneurship.

Buserup (1980) highlighted the contribution that women can bring to development. She was first in highlighting how that economic growth, and especially the spread of capitalism in the developing world, had not necessarily benefited women and men equally. In her book she perused studies done in Africa, Asia and Latin America to garner empirical support for her conclusion that women are being left behind. This is the reason why many developing countries have focused on entrepreneurship for women as a means for poverty alleviation and participation in the greater economy by providing employment.

However the literature highlighting the South African context of the constraints affecting women is limited. This study therefore tries to explore some of these as determinants to accessing to finance.

Figure 1 presents an illustration of the proposed framework that informs this literature review.

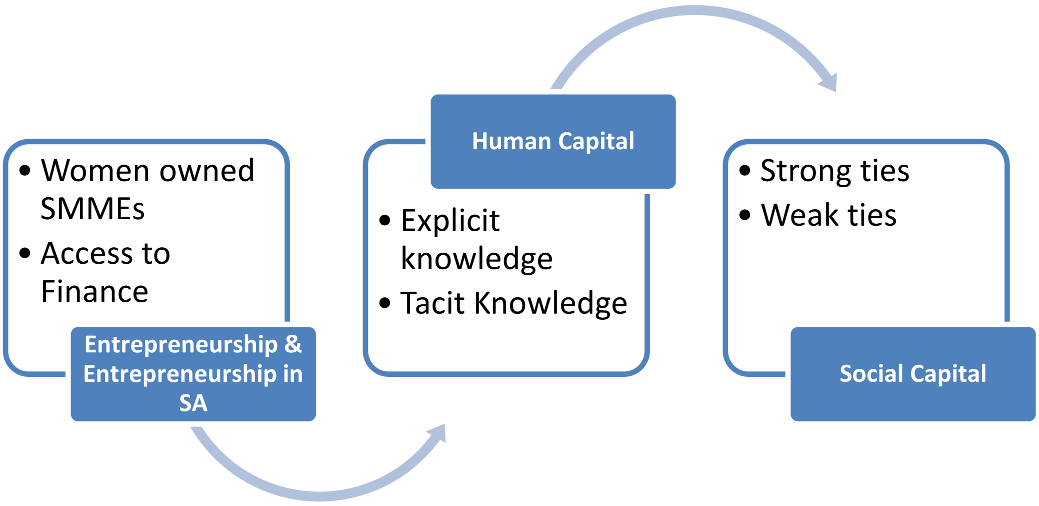


Figure 1: Proposed framework for literature review

2.1.1 *Method 1*

If the figure and caption are not already in the document, insert the figure as an inline object.

1. Click the picture.
2. On the **Format** menu, click **Picture**, and then click the **Layout** tab.
3. To change a floating picture to an inline picture, click **In line with text** under **Wrapping style**.
4. Insert the caption as usual.

2.1.2 *Method 2*

If you already inserted captions into text boxes, you can convert the text boxes into frames.

When you convert this drawing object to a frame, some of the drawing object's formatting may be lost.

1. Select the text box.
2. On the **Format** menu, click **Text Box**, and then click the **Text Box** tab.
3. Click **Convert to Frame**.
4. Click **OK**.

To define the hypothesis in the conceptual framework, the literature was reviewed as follows:

- The concept of entrepreneurship and the entrepreneur was reviewed. This was to broadly define the concepts of entrepreneurship, entrepreneurial motivation and the entrepreneur to support understanding of the other aspects to be studied.
- Entrepreneurship was then contextualised to South Africa as both a country and an emerging market. Specific GEM report studies done on South Africa which detail the South African entrepreneurial landscape were considered.
- Access to finance is a central key aspect of the study in relation particularly to the gender differences and a focus on women. The literature review expands on this aspect, as it is highlighted as a key constraint for entrepreneurship.
- The capital factors of human and social capital were reviewed. The factors of each and how they relate to gender and the access to finance was incorporated into a conceptual framework from which the hypotheses were derived.

2.2 Definition of topic or background discussion.

2.2.1 *Entrepreneurship contextualised*

Schumpeter (1934) defines entrepreneurship as a way of seeing new combinations and a new way of doing things. These new combinations are collectively listed as the introduction of new goods, a new method in production, opening new markets, and new source of production or new organisations. Gartner (1998) also defines entrepreneurship as the process by which organisations are created. Both these definitions sum up the core of what entrepreneurship entails.

The study of entrepreneurship also encompasses the ability for an individual to spot and maximize on an opportunity. An important variable in the field of entrepreneurship study is the ability to perceive economic opportunities for the new business (Lundstrom & Stevenson, 2005; Shane, 2003).

The focus here is on that individual that can spot market opportunities and wish to exploit those opportunities by establishing a new venture. The question of what drives entrepreneurial dynamics, particularly entry and enterprise growth, is of long-standing interest to policymakers and academics in developed and developing countries have had a sustained interest in entrepreneurial dynamics and the growth of entrepreneurial pursuit. In the developing world such issues have of late taken on a new urgency, due to the pressures and opportunities presented by globalization and an increased recognition of vibrant private-sector enterprise activity as a source of economic growth and poverty reduction. Some of this growth in interest has been partially motivated by the interest globally in microfinance and its effects on growth for entrepreneurship endeavors (Banerjee, Duflo, Glennerster, & Kinnan, 2009; Karlan & Zinman, 2010).

On a continual basis studies within the field of entrepreneurship are conducted to understand why some individuals and not others identify more opportunities and opportunities with superior wealth-creating benefits (Baron, 2004; Shane & Venktaraman, 2000). The premise is that by studying some of the elements that support the recognition of opportunities one can inform knowledge that enables entrepreneurship to become the route through which economic development and poverty reduction are accessed.

McGrath and MacMillan (2000) write about how repeat entrepreneurs have a unique 'entrepreneurial mindset' that enables them to find opportunities and pursue them. Factors that allow for this ability to recognise opportunities and then pursue the resources to establish a start-up company have not been fully scrutinized within the context of South Africa.

2.2.2 *Entrepreneurship in South Africa*

South Africa as a country can be classified as an emerging market. The Financial Times defines emerging markets as a term used to describe a developing country, in which investment could be expected to achieve higher returns but that is accompanied by greater risk. Emerging markets (EMs) sit between developed markets – for example, the US, the UK, core European countries and Japan – and 'frontier markets' which are even less developed than EMs. Entrepreneurship in an emerging market and its importance is highlighted by Kantis, Ishida, M & Komori, (2002), where evidence shows that entrepreneurship contributes to economic growth, assists social and productive networks, and can increase production. In a region entrepreneurship is recognised as an arm to innovation, creates employment and can revitalize regional identity (Audretsch & Thurk, 2001).

Lingelbach et al. (2005) presented in their study the distinction between entrepreneurship in developed countries and that of emerging markets. This distinction, if entrepreneurship is to be used as a vehicle for economic growth in developing countries, is important to understand. The primary measure of GEM research is that of total early stage entrepreneurial activity (TEA); which provides an index that shows the prevalence of start-up businesses (Figure 2). It can be referred to as nascent entrepreneurs and new firms for adults 18-to-64 years of age and captures the level of entrepreneurial activity within a country. The main object being to assess the differences in entrepreneurship levels in a country and how that interrelates to economic growth and job creation.

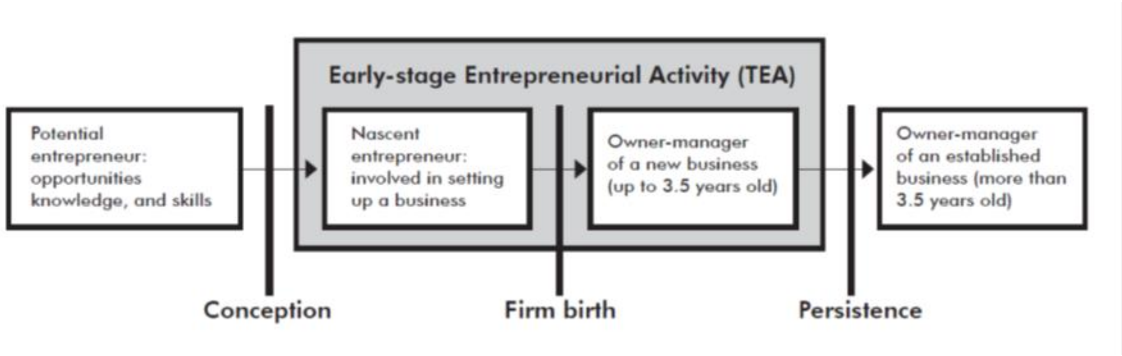


Figure 2: The entrepreneurial process and GEM operational efficiencies

The view of entrepreneurship in GEM research is that it is a process rather than a static event, and the phases of the entrepreneurial pipeline are identified as: potential entrepreneurship (first phase), entrepreneurial intentions (second phase), early-stage activity (third phase) and established business ownership (fourth phase) (GEM, 2012).

These phases of entrepreneurship measurement are explained as multi-phases (GEM, 2013):

- Potential entrepreneurs – those who see opportunities in their environments, have the capabilities to start businesses and are undeterred by fear of failure.
- Intentional entrepreneurs – those who intend to start a business in the future (in the next three years).
- Nascent entrepreneurs – those who have taken steps to start a new business, but have not yet paid salaries or wages for more than three months.
- New entrepreneurs – those who are running new businesses that have been in operation for between 3 and 42 months.
- Established business owners – those who are running a mature business, in operation for more than 42 months.
- Discontinued entrepreneurs – those who, for whatever reason, have exited from running a business in the past year.

South Africa's pool of intentional entrepreneurs is 14%, which is well below the 27% average for other efficiency-driven countries (GEM, 2013). In South Africa males are shown to have a higher likely intention to establish a startup business than are females; the difference measured at 16%. This measure of intentional entrepreneurship is important as there is shown to be a strong link between intending to start a business and actually starting a business. In other words, there is a correlation in the factors that show whether individuals see entrepreneurship as a good career choice, whether higher status is given to entrepreneurs and whether the media attention to entrepreneurship is high (GEM, 2013). In South Africa GEM research conducted in 2013 showed that there is a 54% increase in the perception that entrepreneurship is a good career choice, a 56% increase in perceived status, and a 65% increase in perceived media attention. This in itself is encouraging; however it still remains at a rate lower than that of other countries within Sub-Saharan Africa.

It is recognised by academics and policy makers that the development of entrepreneurial activity within a developing country is an important factor, as it benefits the economy as a whole (Hassje, 2006). In 2013, Goldman Sachs compiled a report on the main improvement points within South Africa that have occurred in the past 20 years and the challenges that South Africa still faces.

The main points of encouragement noted were that the GDP per capita has grown from $4 300 in 1995 to $6 000 in 2012 (which shows a 40% increase), the social grant system has dispensed grants to 16.1 million people (which is an increase of over 600% from 2.4 million in 2007).

However a high level of unemployment still plagues the country. 4.6 million people are looking for and cannot find jobs, and another 2.3 million people have given up looking for work; which means that approximately 7 million South Africans are unemployed – which represents 36% of the labour force. The Global Competitive Index (GCI) also dropped South Africa's rating from 35th position in 2007, to 54th in

2013. Herrington and Kelly (2012) noted that in comparison to other sub-Saharan countries, South Africa is behind in the development of its small, micro and medium sized businesses (SMMEs). Small and medium businesses play an important role in creating jobs; which is seen as a crucial factor in a country's economic development (Henning, 2003).

There are many definitions for small, micro and medium sized enterprises. Mead (1999) classified entrepreneurial businesses in developing countries as: Ones which are newly established, established but not growing, established but growing to a larger size. Definitions of these categories as offered by the National Small Business Act of South Africa 2003 are presented in Table 1.

Category of SMME	**Description**
Survivalist enterprises	Operates in the informal sector of the economy. Mainly undertaken by unemployed persons. Income generated below the poverty line, providing minimum means to keep the unemployed and their families alive. Little capital invested, not much assets. Not much training. Opportunities for growing the business very small.
Micro enterprises	Between one to five employees, usually the owner and family. Informal - no license, formal business premises, labour legislation Turnover below the VAT registration level of R300 000 per year. Basic business skills and training Potential to make the transition to a viable formal small business.

Very small enterprise	Part of the formal economy, use technology Less than 10 paid employees Include self-employed artisans (electricians, plumbers) and professionals.
Small enterprise	Less than 100 employees More established than very small enterprises, formal and registered, fixed business premises. Owner managed, but more complex management structure
Medium enterprise	Up to 200 employees Still mainly owner managed, but decentralised management structure with division of labour Operates from fixed premises with all formal requirements.
Note: Women represent approximately 56 percent of the survivalist company category, 38 percent of micro-enterprises with no employees, and 15 percent of micro-enterprises with 1-4 employees.	

Table 1: Definition of SMME in South Africa

It was noted by Kroon (2002) that in South Africa there is support for small businesses integrated within the governmental policy focus in the development of small business and for entrepreneurs. A White Paper (entitled: "A National Strategy for the Development of Small Business in South Africa (May 1995)" by the Department of Trade and Industry outlined a strategy on how to support SMMEs, as they are a recognised sector that is crucial to the economy. In 1996, the National Small Business Act was passed by Parliament, which outlined and provided institutions to assist in the implementation of this strategy.

The South African Government's national small business strategy identified that the bottle necks stifling SMME's within the country were:

- The legal environment deemed to be unfavourable,
- Lack of access to markets and procurement,
- Lack of access to finance and credit,
- Low skills levels,
- Lack of access to information,
- Shortage of effective supportive institutions.

Considering South Africa's low GDP per capita rate, the entrepreneurial activity (TEA) should be higher than those of other countries that also have a low GDP per capita rate; when compared to countries like Zambia (with 41%), Nigeria (with 35%) and Botswana (with 45%) (GEM, 2012).

	2001	2005	2009	2013	Ave SSA
Nascent entrepreneurial rate	5.3*	3.6	3.6	6.6	15.2
New business ownership rate	1.4	1.7	2.5	4.1	17.1
TEA	6.5	5.2	5.9	10.6	16.0
Established business ownership rate	-	1.3	1.4	2.9	16.0
Discontinuance of businesses	-	2.9	3.5	4.9	15.8

** Read as: 5.3% of the adult population in South Africa in 2001 are engaged in nascent entrepreneurship.*

Table 2: Prevalence rates (%) of entrepreneurial activity amongst the adult population in South Africa, 2001 – 2013

South Africa's TEA level should be in the region of 14-to-16%. SEDA's (2010) information booklet states that entrepreneurship in South Africa is also being driven by the factor that as individuals find themselves unemployed or retrenched they become entrepreneurial in order to earn a living. In the past ten years South Africa as also experienced a large influx of immigrants entering the country to seek employment opportunities and those immigrants – driven by necessity - have become entrepreneurs as they are unable to get into the already tight South African job market (FNB Commercial, 2009). This suggests that the low level of TEA in South Africa might well not be as a result of the lack of opportunities, infrastructure or capital that characterises other sub Saharan African countries.

Considering the established businesses in a country is also important, as that provides some indication of the sustainability of entrepreneurship in an economy. These businesses have moved from being startup businesses and now provide new stable employment, and new products and services to their market. In GEM report 2012 it is noted that in Sub-Sahara Africa (at 16%) there is a higher level of established businesses than in other economies. However South Africa (with a rate of 2.9%) is the exception. This rate is very low however positively it has shown that this in itself has seen an increase from 2011. What is of concern is that the discontinuance rate also continues to increase; meaning that more businesses in South Africa are closing than are starting (GEM, 2013). This is not a good indication of the SMME landscape, as it directly impacts on the future of economic development through the country's small businesses.

A Small Businesses Survey conducted by Finscope in 2010 estimated that there are 5 979 510 small businesses in South Africa. However of late this number is ever declining; varying reasons are offered to explain this phenomenon. In South Africa it appears that the three main reasons for this happening are that businesses would be no longer profitable, entrepreneurs experience problems getting finance, or personal reasons (GEM, 2013).

Opportunity entrepreneurship within South Africa increased by 35% between 2002 and 2013 from 1.38 to 1.86 (GEM, 2013). This is positive, as through GEM research it has been shown that opportunity entrepreneurships is likely to aid in providing the employment rate through their ventures; therefore making a notable contribution to the economy of the country.

However, GEM Report 2013 also notes that more research is needed, especially in sub-Saharan Africa, when it comes to the role of gender in entrepreneurship. There is more understanding required as to whether men and women face different challenges, have different aspirations, and if they have differences in their perceptions, attitudes and intentions.

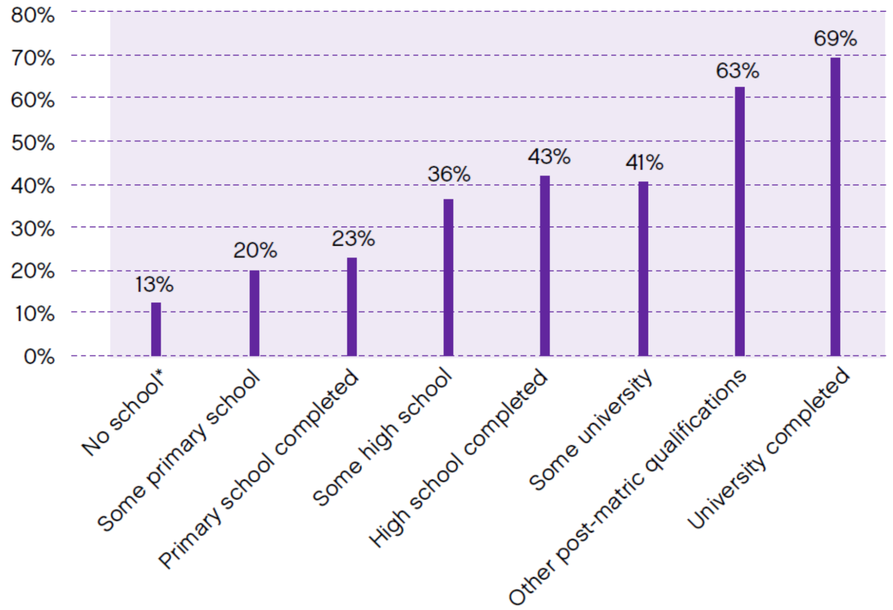
It is reasonable to assume a good education influences an individual positively in that they could have a higher sense of self efficacy and self-confidence, which could increase their capabilities and perceptions of opportunity. GEM 2012 reported that according to The World Economic Forum, for a country to move from one stage of development to the next certain criteria need to have been met. South Africa is presently in the efficiency-driven stage of development; and a criterion that is highly placed is that of primary and secondary education. South Africa however is ranked very low in the world - even fairing worse than many factor-driven economies. GEM 2012 states that this low rate could explain in part the reason the country's rate of perceived capabilities is ranked at 40%; which is lower than the average for efficiency-driven economies (which is 52%).

Education aspect	Ranking (out of 144 countries)
Quality of maths and science education	143
Quality of the educational system	140
Quality of primary education	132
Primary education enrolment	115

Source: World Economic Forum, Global Competitiveness Report, 2012 – 2013

Table 3: South Africa's education system relative to other countries

GEM research shows that education plays an important role in an individual's perception of their entrepreneurial capabilities. GEM 2012 below shows that



**Read as: 13% of individuals with no school education believe that they have entrepreneurial capabilities*

Figure 3: Levels of education in South Africa

the higher the level of education attained, the more likely it will be that individuals will perceive themselves to be capable of becoming entrepreneurs. In South Africa however the percentage of the population that has attained education on the tertiary level is (at 0.6%) very low; which is lower than that of the sub-Saharan Africa average of 0.78% and the world's average of 3.94% (Africa Competitiveness Report 2011).

Basu and Virick (2008) cited in Turton et al. (2012), note that education plays a significant role in lifting an individual's self-efficacy. This means that entrepreneurship and education is strongly related to entrepreneurial intention and a student's interest in entrepreneurship as a career increases – which in turn creates a positive attitude towards entrepreneurship as a career. The ability to source new opportunities increases and the creativity behind the production of new products and services also increases. Higher perceptions of self-efficacy lead to higher chances of entrepreneurial intentions (Zhao, Seibert & Hills, 2005, as cited in Turton et al., 2012). South Africa's low education and a low skills base findings clearly indicate that education at all levels remains a significant challenge for the country.

2.3 Women Entrepreneurs and Access to Finance

2.3.1 *Women entrepreneurs*

Gender and international studies show that when compared to men, fewer women are involved in start-ups (Bosma & Levie, 2009; Langowitz & Minniti, 2007). What differs in the process by which women go about starting up a new business? Empirical evidence shows that women, more than men, will balance work and family roles and other constraints, as they create new businesses for themselves (Brush, 1992; Carter et al., *2003*). Landes (1998) stated, ''the best clue to a nation's growth and development potential is the status and role of women.''

This means that investing in the education of women, especially rural women, will ultimately provide economic and social opportunities for women and ultimately impact on families who would otherwise be denied these avenues towards success

(Mrs. Helena Kaushik Women's College, 2005; Ottinger, 2002). There is an argument that states that women may face some social issues which prevent them from maximizing on any education that they may gain. However if a mother becomes a child's first teacher, there is inspiration that can come from the mother for her children to pursue education. The Nobel Prize winning economist Sen (2004) has said, ''There are few subjects that match the social significance of women's education in the contemporary world" (Tremblay, 2002).

All entrepreneurs face many of the same constraints in their attempts to start and successfully run a small business, the *2006 GEM Report* noted however that women face greater difficulties in becoming entrepreneurs. In developing countries some of the obstacles include: higher levels of domestic responsibility, lower levels of education, lack of female role models in the business sector, fewer business orientated networks in their communities, lack of capital and assets and a lower status in society. These factors may prevent women from perceiving as well as acting on entrepreneurial opportunities.

An analysis of Enterprise Survey data in Africa revealed that once they are already operating businesses, there are no significant differences in terms of performance and productivity of the business between male and female entrepreneurs (Bardasi, *Blackden & Guzman,* 2007).

Black women make up the largest self-employed segment in South Africa, where 52% of the population in South Africa are women (**The** Labour Force Survey, 2011). Of the self-employed Black women the majority of them still run informal businesses. Whilst race is still a primary driver of formal employment, a gender gap also exists that cuts across race with 28% of women said to be unemployed (The Labour Force Survey, 2011). Gender disparities still exist; more so for South African Black women, who in the current local economy earn the lowest income and show low levels of formal access to financial services (Finmark Trust Research, 2006).

Although current data suggests Black women have a higher participation in the labour force than White women, there is still inequality, which finds only 14% of Black women being formally employed. The Labour Force Survey 2011 illustrates - with 27,7% unemployed in June 2011 versus 23,1% of men - that in South Africa women are less likely to be employed. This highlights the large business growth opportunity presented for women - especially Black women - as entrepreneurs in the South African economy. Public policy should therefore reflect this opportunity and translate it into strategies for financial access for women-owned SMMEs.

The South African constitution and legislative framework highlights the importance of gender equality and The Broad-Based BEE Act of 2003, in which the importance of having women, in particular Black women, owning new enterprises is specified; thereby increasing their participation in the economy. The Financial Sector Charter of 2003 specifies gender targets only in organisation staffing requirements The Code of Good Practice for enterprise development and preferential procurement, released in 2005, does not differentiate between genders - even though the Act specifies this can be done to comply with equality requirements of the constitution.

The South African Women Entrepreneurs Network (SAWEN, 2005) claims in their study *Women Entrepreneurs in South Africa* women entrepreneurs are on the rise and "are expected to make an important contribution to their national economies". However, only 50% of women entrepreneurs will seek funding to grow their businesses; with only 25% considering applying for a loan. (White Paper released by FNB, 2005). The number of entrepreneurs in South Africa is growing but not at the level of male entrepreneurs situated globally. A report from the American Express November 2006 showed that in America 43% of women business owners versus 32% of men say the one thing they need to be more successful is more money.

Although women participate entrepreneurially in South Africa, the majority operate within the informal sector and are involved in crafts, hawking, services and retail sectors, in which the application of technology is minimal (Maas & Herrington, 2006). This suggests that there is still gender division in the South African economy and women are constrained in traditional female functions and roles and will participate more actively in activities which are compatible with their domestic and reproductive roles (Mahadea, 2001). Women are also are less likely to pursue an education; and, for instance, a technical education (such as engineering and mining) would provide them the skills to also participate in the manufacturing and high-technology sectors (Botha, Nieman & Van Vuuren, 2007; Carter & Brush, 2004).

In 2006 the **IFC** researched *Access to Finance for Women Entrepreneurs in South Afric*a and they identified several barriers to women accessing finance. Some of these were:

- Business development support,
- Employment and income levels, and
- Awareness of financial issues, technology and financial providers.

A literature review of many articles on women entrepreneurs by Carter, Anderson and Shaw (2001) showed that there are several studies that investigate specific gender differences in terms of business management, finance, business network and performance. Some disparities are that women entrepreneurs have been found to have a tendency to start their enterprises with lower start-up capital than that of men and that their enterprises will tend to be smaller in size when compared to those owned by men (Brush, 1992). The studies on access to capital and capital funding of women entrepreneurial firms show that women-owned businesses tend to start with both lower levels of capital and lower ratios of debt finance than do men-owned businesses (Bosma & Levie, 2009; Carter & Allen, 1997; Coleman, 2000). The 2012 GEM Report acknowledged that within South Africa entrepreneurship is important as a factor impacting economic development. The problem for women is that of the lack of reach or access for women across South African provinces. The IFC 2006 report of Access to Finance showed that out of 170 women surveyed across four provinces, only 7 were familiar with the development finance institutions.

The Global Competitiveness Reports by World Economic Forum study showed access to financing low in 2002 but to have improved slightly in 2008 from 6% to 9%. In the IFC report on Gender Entrepreneurship Markets 2006 it is stated that the correlation between poverty, employment and use of financial services shows that diminished economic opportunities and less use of financial services is detrimental to the financial sector in particular and the South African economy as a whole.

2.3.2 *Access to Finance Theory and Context*

Ganbold (2008) argued that the Investment Climate Survey conducted by the IBRD/World Bank in 2008 showed that growth of firms is usually impeded by the lack of access to finances. In South Africa, access to finance is noted as one of the major constraints SMMEs face when they are in the growth phase (Maas & Herrington 2006). Therefore access to finance proves to be a priority issue for South Africa in the SMME sector in order to aid firms and create employment. The Finscope Small Business Survey (2010) respondents identified and ranked access to finance third as a major obstacle to the growth of their companies.

Muhammad Yunus, the co-winner of the 2006 Nobel Peace Prize, highlighted in his speech the power of access to micro loans in assisting poor households living within or below the poverty line. Yunus argues that with the assistance of micro loans incomes increase and that increase in income allows children access to opportunities they would otherwise have been denied. The argument Yunus presents has its grounding in economic theory. His argument aligns with explorations of credit rationing that show that Pareto efficiency is not necessarily reached when whoever lends does not have sufficient information on the client (Besley, 1994; Stiglitz & Weiss, 1981). This then encourages credit markets to come up with innovations for micro credit markets in order to bring about efficiency and equity.

When viewed practically, commercial banks find themselves in a conundrum in which their providing certain clients access to finance does not necessarily yield a profit for their bank, yet they know that it is of benefit to entrepreneurship. The informally banked tend to not have assets to provide as security for the credit they will be applying. Moreover, many of the poor tend to make transactions deemed by the commercial banks to be too small to warrant their administrative attention (Cull, Robert, Asli Demirgüç-Kunt, and Jonathan Morduch. (2009). The micro-finance 'revolution' has then had to contend with other factors influenced and categorised such as low education levels, poor health, discrimination, and weak labour markets; and these challenges negatively influence the effectiveness of providing access to capital as a means to raise income in a country (Morduch, 1999). Morduch (1999) states that the evidence to date shows that access to capital may be a prevailing situation for all but not yield equally much returns for all.

There is a variety of ways that a firm can finance its operations for growth. This can depend on the entrepreneurs preference on what finance is available to them. Studies on the impact of financing obstacles on company growth show the top complaint is lack of access to finance, which significantly constrains their growth (Beck, Demirguc-Kunt & Maksimovic, 2005). Entrepreneurs also list other obstacles; however the constant theme interlinks access to finance as the most consistent underlying factor as a barrier to growth.

In South Africa financing for SMMEs can be broken down into two main sources: debt or equity financing. The literature often pays scant attention to equity finance; however Churchill and Frankiewicz (2006) argue that credit alone cannot be used for development. Therefore there are other forms of financial capital to consider and these are equity and venture capital. In South Africa SMMEs face constrained access to both debt and equity financing.

The financing gap, defined as the difference between the demand for funds by SMMEs and the supply of funds, occurs for various reasons (Mazanai & Fatoki 2011). There are arguments on each side; some say the reasons behind an SMME not being able to access finance is due to their inherent characteristics, while some argue the financing gap for SMMEs is found on the supply side due to market imperfections (Park et al., 2008). Park, Lim and Koo, (2008) further argued that both the demand and supply sides of the equation create these financing gaps. The supply side can be described as institutions or financial institutions providing finance. And demand side composed of SMMEs who require financing from financial institutions and other providers of finance (Mazanai & Fatoki, 2011). Capital markets are viewed as the markets where financing gaps are most prominent and countries in capital markets note issues when financing SMMEs through these markets (Park et al., 2008). According to Whicop (2001), SMMEs have the capacity to reach their potential to contribute to the economy; however this is dependent on the availability and access to financing.

Of the countries that belong in the Organisation for Economic Co-operation and Development (OECD), Park,Lim and Koo, (2008) reviewed that substantial financial gaps exist in a large numbers for both OECD and non-OECD countries; 80% OECD countries show a financial gap and a 90% non-OECD countries show financial gap (OECD, 2006). Several researchers have referred to the financial gap and there are a number of theories on this gap.

Three major theories that attempt to explain small-firm financial structuring are:

- Lifecycle approach,
- Pecking-order framework,
- Agency theory.

Weston and Brigham (1981) conceived the lifecycle approach by considering the rapid growth and lack of access to capital markets. When business starts up the likelihood is higher for the start-up to be funded with the owner's own money. As the business grows and expands, the depletion of capital becomes a real threat. This means that the firm has to look elsewhere for sources of funding, such as trade credit and short-term loans from financial institutions (Weston & Brigham, 1981) This implies that small businesses entering the expansion phase are likely to experience rising short-term debt (while using little or no long-term debt).

In the pecking-order theory, Myers (1984) argues that there are stages in how a firm uses its finances. A growing business will first use its own financial capital internally. After this the business is likely to use debt; then finally it will look externally for financing in the form of equity. This hierarchy shows the costs in the various capital sources for firms. It reflects that there is a higher cost for external funds for small companies. Larger companies have a higher probability of profitability; meaning that they in turn are more liquid.

In their credit rationing theory, Stiglitz and Weiss (1981) argued for what they termed the 'agency problem'. This is where there is a conflict of interests between management (who are seen as agents) and the shareholders (the 'owners' of the firm). They argued that SMMEs have difficulties in accessing finance due to information; that the real financial structures and intention to pay is known by the firms themselves (asymmetric information). This leaves the financial services to then operate under risk and hazards, as decisions will have to be made under asymmetrical information (Mazanai & Fatoki, 2011).

Asymmetric information can lead to conditions of credit rationing. Credit rationing can be explained as, a situation where financial lenders limit the supply of credit to borrowers who demand funds, even if the borrowers are willing to pay a higher interest rate. (Stiglitz, 1981). There is a lack of efficiency that then rises with this credit rationing, in that managers will then work under conditions of asymmetrical information "as it modifies the risk-return distribution" (Alfo & Trovato, 2006). Rationing conditions reduce access to financial resources not only for businesses trying to start up, but it has other reaches where it constrains employment creation and poverty alleviation.

Herrington and Kew (2008) argue that the survival rate of SMMEs is significantly low, less than 20%. This then could allow for doubt to be a factor when SMMEs face financial institutions; who are then more inclined to tighten on their criteria of funding loans. Financial institutions will therefore request detailed information about the intended investment and this information might not be readily available for submission. This leads to potentially successful business ideas falling into the credit rationing trap (Mazanai & Fatoki. 2011).

When viewing literature on access to finance for women, empirical evidence suggests that women are faced with more challenges than are men and also start their new business with fewer resources than men. The literature therefore points to the fact that there is a financing gap in South Africa despite the public and private sector initiatives to facilitate access to finance (Carter & Allen, 1997; Boden & Nucci, 2000). Weiler and Bernasek (2001) showed in their study that women are more likely to face slower service from suppliers and also face barriers when they try to expand and access other business clients (Bates, 2002).

The importance of early stage financing has been highlighted as critical for a firm to grow and develop (Mason & Harrison, 1992). So it is worrying when it is shown that start-up capital is a top barrier for women entrepreneurs (Cassar, 2004). Studies show that women also face difficulty in accessing other forms of capital such as debt (Coleman, 2000) and venture capital (Greene et al., 1991; Brush et al., 2002).

The National Credit Regulator (NCA) in a paper on access to finance notes that other factors also limit access to credit for SMMEs. These are: the lack of managerial experience and skills, a lack in information on the environment and its products, and low literacy levels which lead to poor business plans. Consideration for some of the possibilities which restrict access to funding for SMMEs is therefore needed and some of these factors call for further study. Human capital and social capital are both such factors, which are reviewed in the literature review. The next area of discussion will be general human capital as a determinant for entrepreneurship and access to finance. The second area will expand on social capital as a variable within human capital in relation to entrepreneurship and what role it plays.

2.4 Human Capital Theory

Human capital represents an investment in education and skills. Human capital plays a significant role in the development of economic growth (Novak & Bojnec, 2005). For entrepreneurship research, the theory has stimulated a body of research. There are several variables that are encompassed by human capital such as the owner's own experience, formal education, training, on-the-job experience when employed, and includes the owner's family background.

Human Capital theory is rooted in development theory and is a term used by 'neoclassical economists' to describe the stocks of knowledge and skills, which enable individuals to create economic value (Nahapiet, 2011). Early economist Adam Smith recognised that it is not only machinery and land that are resources but that people are also resources.

Schultz (1961) and Becker(1964) lent prominence to the theory that staff is human capital. Schultz (1961) argued that an economy that has to recover after a war can best recover through having a highly educated population; which was later supported by Bell's (1973) work when he argued that knowledge for workers was highly important and was an asset to their individual organisations and to the economy as a whole.

Becker (1964) defines human capital as, skills and knowledge that individuals acquire through investments in schooling, on-the-job training, and other types of experience. The author goes on to argue that there should be a differentiation made in the conceptualizing of human attributes. This distinction is important in that it separates for discussion the cause and effects of human capital attributes and it breaks down the link theoretical links between human capital and success. The author also states that distinctions are to be made between human capital investments versus outcomes of human capital investments, and task-related human capital versus human capital not related to a task. There is a difference between general human capital (such as basic literacy and numeracy) and specific human capital (which may be only applicable to one company or that particular industry or the individuals in it).

Human capital is the knowledge and skills acquired through formal and informal learning that resides within individuals (Becker, 1964). Studies view human capital as a favourable resource for all employment and the extent and power of the human capital effects are more relevant to some careers than others. Within entrepreneurship, Williams (2004) explained that individuals with higher stocks of human capital and better skills are better able use of their resources in entrepreneurship than if they are formally employed.

Researchers also argue that entrepreneurial abilities that are carried over by an entrepreneur to a new venture, they are based on resources that the entrepreneur acquired through education and experience (Jones et al., 2010; Mosey & Wright, 2007) However what can be seen is that a conventional measure of human capital does not seem to be consistent in the explanation of entrepreneurial potential (Rees & Shah, 1986).

Human capital attributes have long presented argument in how they interrelate with success for entrepreneurial businesses (Florin J, Lubatkin M, Schulze W 2003). There is high interest in the concept in the study of entrepreneurship. It is shown that in an evaluation of a business's potential investors hold the experience of the entrepreneur in high regard and past experience is deemed important (Stuart & Abetti, 1990).

Zacharakis and Meyer (2000) show that for selection venture, capitalists will place a higher priority on managerial skills and experience. In research most authors conclude that human capital is related to success; while some researchers believe that the link between human capital and entrepreneurial success is overstated (Baum & Silverman, 2004).

Economic growth and development has also been found to be closely interlinked to education (Bassanini & Scarpetta, 2001). The levels of education in a country differ and OECD Report 2002 shows the level of education in countries is interrelated and correlated to economic status, and can be linked to the growth of that economy. Human capital can be viewed in terms of: literacy rates, the average number of years spent in a school system, or the highest educational levels of the population. The higher the value of human development is within a country and across genders, the higher is its standard of living (Romer, 1990; Soto, 2002).

Teece (2011) argues that there are strong links between entrepreneurship and human capital. His theory draws on Schumpeter's concept of 'creative destruction', in that individuals who are educated will be better placed to restructure an economy.
Coleman (2007) and Shrader and Siegel (2007) conducted research measuring the effects of human capital gained by considering factors such as the influence of education and experience attained on growth and innovation levels, and whether there was a further link to financial performance. According to Barreira (2011), education is a primary component of human capital and has been found to have a direct relationship with economic growth.

2.4.1 *Derivation of hypothesis: Explicit Knowledge as Human Capital*

Research generally supports the link that education is central to human capital theory. Education should increase entrepreneurial discovering and exploitation of opportunities - access to finance being one of them (Shane & Ventakaram, 2000). Higher education - such as university education - is said to enhance entrepreneurial skills (Sapienza & Grimm, 1997) including:

- Foresight,
- Search skills,
- Imagination,

- Computational skills, and
- Communication skills.

These are skills are needed to be able to secure and find finance for fledgling SMMEs. It is also an advantage for the owner if the business started is a company related to their area of expertise.

Using the human capital variables identified by Gratton and Ghoshal, intellectual capital comprises three elements:

- The aptitude to learn and cognitive complexity,
- Tacit and explicit knowledge,
- Skills and expertise an individual builds over time.

Knowledge can be defined as either tacit of explicit (Polanyi, 1967). Tacit knowledge refers to that learned through the life of the individual and cannot be explicitly coded or explained. Explicit knowledge is knowledge that can be attributed to explicit information such as processes, written documents and educational institutions. Exploiting opportunities and problem solving requires tacit and explicit knowledge; therefore an individual can increase this knowledge through formal education.

Formal education is a component of human capital that can provide useful skills for entrepreneurs. An entrepreneur who gains knowledge and skill will be able to compete competitively and may lead to superior performance (Urban, B., van Vuuren, J. & Barreira, J. (2008). Human capital theory maintains that entrepreneurs who increase this capital have more potential for productivity and efficiency (Becker, 1964; Mincer, 1974; Shultz, 1959). Therefore, if there are entrepreneurial opportunities in the economy individuals with higher human capital should be better at perceiving them. In the entrepreneurial process these individuals would better exploit opportunities - with access to finance being one of them. The revised GEM model in the 2009 GEM Executive Report indicates higher education and training as an efficiency enhancer. This theory's weakness is that it does not assume the effect of the social systems on the human capital utilisation one accumulates. In this study, though, the researcher was focused only the accumulation of knowledge and how that affects the opportunity to access finance for women.

Human capital in its broadest sense can be split into variables that collectively constitute individual human capital (Gratton & Goshal, 2003). This study will encompass two elements of human capital: intellectual capital and social capital as in the model by Gratton and Groshal (2003); and them being interconnected and interrelated to provide an entrepreneur with a competitive advantage. The social and intellectual capitals form a relational dependence that is necessary for entrepreneurship and taking action (Urban, Barreira, Botha, & Oosthuizen, 2011).

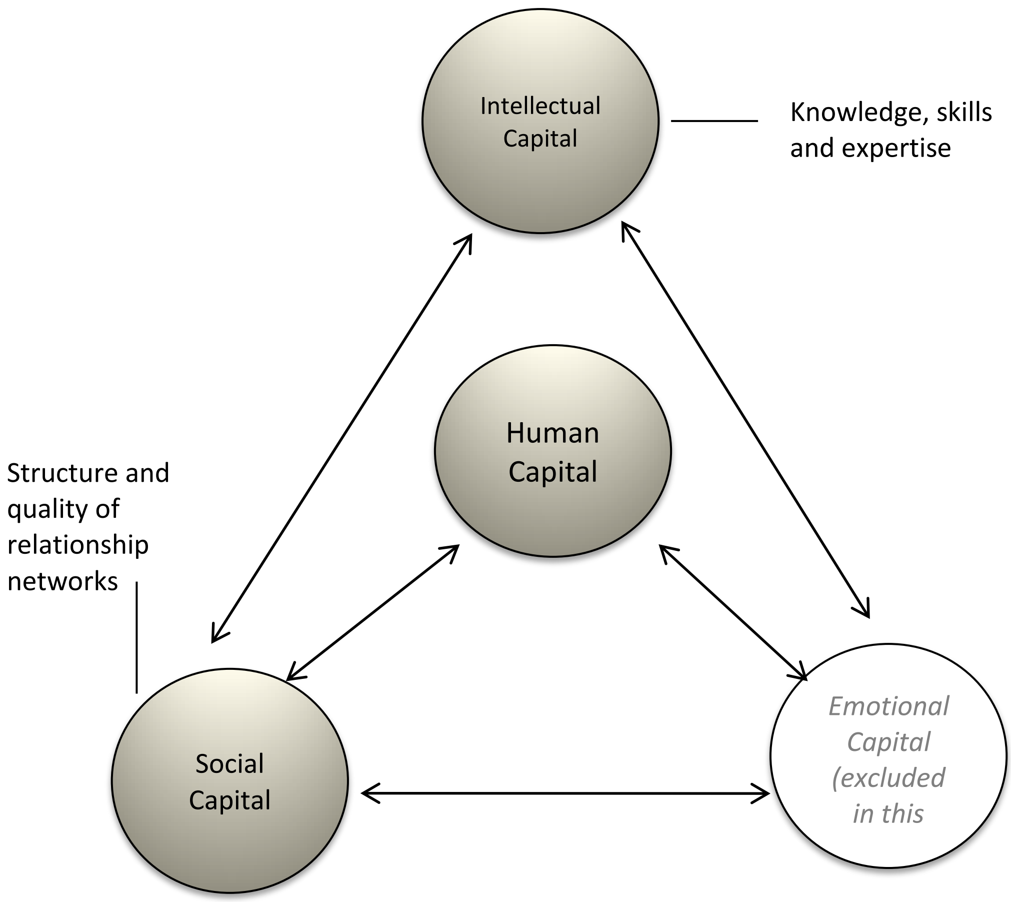


Figure 4. Constitutive elements of personal human capital. Source: Gratton & Ghoshal (2003).

In relation to gender differences within human capital, social feminism theoretical frameworks help to explain some gender differences in human capital, from differences in male and female experiences from childhood. This results in men and women having fundamentally different ways of viewing the world (DeTienne & Chandler, 2007; Fischer, Reuber & Dykes, 1993). Social feminism seems to view the genders as different but equal and that these differences between women and men are only due to unique socialisation processes (DeTienne & Chandler, 2007). It is these experiences that then lead to men and women developing unique human capital, leading to the differences in identifying entrepreneurial opportunities (Eddleston & Powell, 2007; Venkataraman, 1997).

The liberal feminist view, which contends that men and women are equal individuals, often contrasts to the social feminist view. These perspectives, therefore, suppose that women have been denied critical resources like financing and networks for establishing new ventures, with the elimination of gender discrimination resulting in the equal opportunities for women (DeTienne & Chandler, 2007). By drawing on feminist approaches, Bird and Brush (2002) propose a model, in terms of which gender impacts on entrepreneurial processes in terms of differences between men and women in connection to reality, time, action and interaction and power and ethics (Urban, 2010).

What emerges from the different feminist viewpoints is that, although it has been argued that there are no psychologically justified reasons for believing that women entrepreneurs might have fewer intentions of starting a venture, liberal and social feminist theories do provide socio-cultural explanations for expecting gender differences in this regard (Cliff, 1998). GEM report 2001 showed that only 26% of South African adults believed that they had the knowledge, skills and experience required to start a business. Black South Africans and women were the least likely to believe they had the skills necessary to start a business GEM Report 2012 highlighted the importance of education and training, from primary and secondary schools to universities and business schools, in creating and managing small, new or growing businesses.

Knowledge, therefore, can help in acquiring resources such as financial and physical capital (Brush et al., 2002) and can partially compensate for a lack of financial capital, which for many SMMEs is the barrier to initiation and success. Intellectual capital assists in acquiring knowledge and skills; therefore women SMME owners with higher intellectual capital should be more effective and efficient at accessing finance than owners without it.

Hypothesis 1. The relationship between the amount of explicit formal intellectual capital an entrepreneur possesses is positive in relation to the financial opportunities identified.

2.4.2 *Tacit Knowledge as Human Capital*

The skill and expertise an individual builds overtime and does not have to be attained in a formal education setting. General experience and practical learning that takes place on the job, and specific training courses that are not a part of traditional formal education is also knowledge that an entrepreneur can apply. Becker (1964) argues that specific vocational experience is theoretically predicted to increase human capital. Although no empirical evidence supports this statement, studies in entrepreneurship show that general experience while formally employed and managerial experience are linked to entrepreneurial activity (Bates, 1995; Gimeno, Folta, Cooper & Woo, 1997). Research studies, although not all consistent in their findings, are inclined to acknowledge the positive relationship between human capital and entrepreneurial activity. Some inconsistencies are evident, in that the education of the entrepreneur in itself does not mean that the entrepreneur remains persistent in their endevour (Gimeno et al., 1997).

This study looks at different aspects of human capital and takes into consideration years previous work experience and apprenticeship within an industry as indicators of human capital representing tacit knowledge, gained through experience. These may lead to the acquisition of financial capital. Storey (1994) highlights that the experiences, skills and competencies that an entrepreneur possesses are determining features which influence business survival and development.

Accumulating knowledge through practical experience and observation - such as an apprenticeship - is key in entrepreneurial process. Many successful entrepreneurs followed the apprenticeship route through observing parents who were entrepreneurs or through apprenticeship programmes and work experience (Timmons, 1994). The apprenticeship approach through learning-by-doing allowed the entrepreneur to gain first-hand knowledge and an appreciation of the effort for entrepreneurial pursuit. This knowledge gained is tacit knowledge for the entrepreneur (Chrisman & McMullam, 2000).

Prior knowledge in a particular field or industry does lend support to the entrepreneur. It aids in the process of attaining new knowledge and integrating and adapting it for use in known and new opportunities and situations (Weick, 1996). Learning from experience positively adds to an entrepreneur’s human capital and provides opportunities to translate that experience into innovation (Cunliffe, 2002). Formal skill in managerial aspects and any formal technical education is important, however what Cope (2003) deems as “the ability and willingness to engage in critical reflection” provides a platform for creativity and the promotion of organisational learning (**Cope** 2003).

Tacit knowledge can be gained through several sources in order for it to act as entrepreneurial knowledge. These are through mentoring and advice from experts, previous experience in the working environment and copying or imitating to succeed (Vesper, 1990).

Prior knowledge increases an owner's entrepreneurial alertness; making them more prepared to recognise opportunities to exploit, such as avenues for finance (**Shane** 2000; Venkatraman, 1997). However, Timmons (1994) argues that technological backgrounds would not make entrepreneurs strong in general management, marketing and finance. A study by Greene, Bush and Hart (1999) showed that prior experience in marketing is a resource that would be desired less in entrepreneurial ventures and more in corporate ventures. Another skill identified as an important function for entrepreneurial success was a good personal sales technique (Nieman, Hough & Nieuwenhuizen, 2003). Wickham (2001) describes an entrepreneur as an individual who is a manager but undertakes tasks such as marketing and sales.

Explicit and tacit knowledge as essentials to entrepreneurial success and opportunity recognition is supported by Floyd and Woolridge (1990), who defined entrepreneurial knowledge as inductive and deductive, and both encompassing explicit and implicit types of knowledge. These types of knowledge in the literature have been identified as skills largely:

- Sales,
- Human resources,
- Communication,
- Financial management,
- Marketing,
- Negotiation and persuasive skills,
- Business plan write up skills.

Various authors acknowledge that self-employed individuals require more diverse and considerable skills than those formally employed.

Solving complex problems and making entrepreneurial decisions therefore utilises an interaction of both tacit and explicit knowledge.

Hypothesis 2: Human Capital representing tacit knowledge as an owner's apprenticeship skill set is positively associated with obtaining finance.

Work by Gibbons and Waldman (1999), and Kletzer (1989) supports the theory that industry-specific human capital positively assists the entrepreneur. Past experience in a particular job or industry should enhance a worker's productivity in that job, regardless of the firm for which he is employed. According to Lazear (1995), this is supported by empirical studies done in venture capitalist, which showed that industry specific experience was a value-add. The venture capital markets were best for these studies in that venture capitalists are active investors who end up becoming involved in the governance and strategic decisions of the companies that their firms finance and have the responsibility to act as managers or advisors (Bottazzi et al., 2011; Kaplan & Stromberg, 2001). Examples of prior industry experience could that a civil engineer wh starts a consultancy firm should be more able to help his designers or clients with any civil mechanic knowledge required for the job under consideration. A software developer could find their prior industry knowledge useful if they start a firm in the IT industry, as they already have the technical expertise.

Hypothesis 3. Human Capital representing prior industry-specific work experience is positively related to obtaining financial resources.

The entrepreneurial ability to connect knowledge and opportunities requires a very specific set of skills and insight (Venkataraman, 1997). Intangible assets that provide credibility can come from previous business experience (Shaw *et al*, 2008). Human capital is enhanced holistically through other skills and cannot be created as a singular function. Entrepreneurs must be able to market their products and services and connect with clients and customers. They must also be able to receive buy-in for their vision and direction within their entrepreneurial pursuit (Gold et al., 2008). There is interdependence between the entrepreneur and employees and those that are in the circle of influence of the entrepreneur for a purpose (O'Connor, 2002). In order to enact change within an entrepreneur's firm, with an inference to also having the ability to access finance to grow the firm, the entrepreneur must use their human capital to engage with others with what Sadler-Smith *et al* (2001) calls a 'learning orientation'. This collaboration potentially supports firm-level innovation and performance.

Hypothesis 4: There is a positive relationship between an owner's entrepreneurial skill set and identifying financial access opportunities

In summary, previous studies support a positive relationship between human capital and entrepreneurial activity. Although studies predict that human capital and knowledge is critical in the exploitation and recognition of entrepreneurial opportunities, previous research does not expand on the understanding of what learning will be helpful in accessing finance particularly for women. The focus in this study was to examine this aspect in order to understand these variables.

2.5 Social Capital

An additional component of human capital - using Gratton and Ghoshal's (2003) model - is social capital. The formation of reciprocal relationships with people helps entrepreneurs develop intellectual capital by being able to learn from the knowledge the people already have. These are through network ties, through establishing trustworthiness and sociability.

Social capital refers to the relationships and networks from which individuals are able to derive institutional support (Urban, 2008). Social capital theory refers to the ability for individuals to extract benefits from their social structures and networks and memberships (Lin, Ensel & Vaughn, 1981). These networks are provided by family, organisational relations and the community. They are said to supplement effects of education and financial capital (Bourdieu, 1983; Coleman, 1990; Loury, 1987).

Social capital occurs at many levels and involves multiple dimensions (Nahapiet & Ghoshal, 1998). This study utilised social capital in terms of social exchange and informational flows to examine their effect on access to finance. This exchange could be through the provision of angel capital which provides capital to one or more start-up companies or intangible resources such as new markets for potential customers. These relations in the network will help analyse the variation and strength of ties and if they are meaningful and consequential, with a particular focus on access to finance (Burt, 2000).

2.5.1 *Social Capital and the Entrepreneur*

The entrepreneur is acknowledged as central to the process of starting a new business. The significance of the social aspects of the entrepreneurial process has been increasingly recognised (Young, 1998). The literature demonstrates that those entrepreneurs with a larger stock of capital resources will be better able to sustain and grow their businesses. This is because greater capital resources assets can act as a buffer against any unsuspected events, which – as they are not prepared for - tend to maim new firms. Human and social capital have been recognised as vital to the entrepreneurial process, as these capital resources are instrumental in providing a business founder access to additional financial, human and social capital required for new venture creation and success (Chandler & Hanks, 1998). Granovetter (1985) believed that behaviour is controlled by an individual's social factors and seeing as an independent entity is deceptive. Therefore, entrepreneurship can also be understood in terms of entrepreneurial social groups and not an individual act.

Entrepreneurship as an academic field engenders ever more research, as studies are conducted to understand why some people are able to identify opportunities and exploit them, and why some people cannot. Social and human capitals are intertwined and have numerous influences on both opportunity exploitation and discovery.

There is increased research on the network approach, in which the connections between entrepreneurs and their social contacts and how they either assist their firms or constrain them. This ‘network perspective’ has become a dominant concept in explaining the phenomenon of entrepreneurship (Johansson, 2000).

There are researchers who argue that being intricately involved in a network in which everyone knows each other has positive benefits for the entrepreneur (Granovetter, 1983; Burt, 2000). There is another perspective which argues that opportunity is available in society for all. Entrepreneurs therefore have to recognise those opportunities by looking externally; out of their immediate network of influence.

Birley (1985) was first to study the role of networks in creating new businesses. He found that there are ties, such as family and friends, which he termed ‘informal ties’ and ties such as financial institutes and accountants, termed ‘formal ties’. Of these he found that informal ties play more of a significant role when resources are required. Looking at the dimensions of network embeddedness and firm performance, there are two schools of thought. One is that a compact network is advantageous to a firm (Coleman, 1988), and one which is that dispersed networks are also beneficial to the firm.

In a network that is closed the participants are familiar with each other through time and they interactions are high between each other. This has its benefits in that there is a fast transmission of information between all network participants which saves time and effort. Group values are usually aligned which brings about the element of trust between members allowing for correctional behavior occurring with no consequences amongst members. Coleman (1988) argues that, as a result, closed social networks offer transactions which tend to be fair with minimal regulation due to the trust that has been built up. Close social relationships also can enhance social influence. Studies have shown that having a similar background or past garners sympathy and reciprocal influence (Kelly et al., 1983).

Networks which are not so closed mean redundancy is minimized. Burt (1992) uses the term ‘structural hole’ as a term for gaps identifiable in a networks social structure. He suggests that businesses in sparsely connected networks are at an advantage in that they are able to fill some of the gaps with non-redundant information. The benefit of having a network with gaps is that there is an opportunity for and access to more information to be used (Burt, 1992).

Opportunities are found at advantagous positions within networks. Certain resources are required to exploit these. The network of relationships which revealed these opportunities can be leaned on also to provide resources to exploit opportunities. The diversity of a network is also important as it provides the entrepreneur an ability to also recognise opportunity. Granovetter (1973) argued that entrepreneurs who have ‘weak ties’ are more likely to have access to different information from different sources, as “those to whom we are weakly tied are more likely to move in circles different from our own and thus will have access to information different from that which we receive”. Linking Granovetter’s theory, it can be said an entrepreneur’s weak network ties can assist in opportunity sourcing through having weak ties where information is available to pursue opportunities.

The social relationships that people develop can be classified into either strong or weak. Strong ties are made through constant interaction and over time. Weak ties are those that may be fleeting in nature and are not necessarily linked overtime. Examples of strong ties may include having parents in business, being encouraged by family or close friends, and being married. Social Capital weak ties may include membership in organisations, contacts with community agencies, business networks and the development of friendships with other entrepreneurs.

Advantages of both strong and weak ties	
Strong ties	**Weak ties**
Trust – parties are familiar with each other; hence behavior is predictable. This allows for trust based exchanges of goods and services to occur leaving out the requirements always of legal contracts.	Weak ties allow for new interactions which in term can bring about new information which a string tie cannot provide.
Strong ties allow for a platform for problems to be aired and resolved faster.	Due to new information and a sparse network, the rate of discovery of opportunities is increased
Information as it is coming from a trusted source means that there is less of a requirement to test its validity.	Weak ties mean there is lessened obligation. This means bad business relationships can be terminated earlier.

Table 4: Strengths of Weak and Strong ties adapted from (Coleman,1988), Aldrich et al.,1997, Uzzi, 1997 (Source: own)

Like human capital, social capital is an intangible resource asset, recognised through its relations and framework, and it does not exist independent of this framework of reference (Coleman, 1988). During the discovery process in entrepreneurship, social capital assists nascent entrepreneurs by group interaction, where they can nurture a potential idea through exposure to different perspectives, views and ideas (**Aldrich** et al., 1998). Discovery can be assisted through bonding capital more so than individuals who do not have string ties. A family member in a specific industry can assist in the discovery of an opportunity by daily family interactions and through conversation.

Social capital originates through exchanges in relations which can lead to an action and, like with human capital, this is information is good for when resources have to be acquired to grow a business and ensure its success. Coleman (1988) examined the ways in which social capital is employed in the creation of human capital. He argued that the family background of an individual can be analysed and separated into components if human, social and financial capital. Viewing social capital through the family's economic status and the parenting structure in a home has been studied. The studies showed that these factors do influence a child into adulthood as cognitive behaviors developed at a young age then accrued into capital (**Bradley** & Corwyn, 2002). The theory is that children brought up in lower socio-economic circumstances - even if they possess a higher innate ability - will still not fare as well as they would have had they not have been equipped well, due to fewer opportunities because of their disadvantaged backgrounds (**Currie** & Thomas, 1997). This theory can apply to South Africa; given that the country is faced with the triple challenge of HIV, unemployment, and poverty that affects over one-third of the country. Less of the citizens of the country will have the advantages of a higher socio-economic upbringing.

There has been shown to be a link between growing up in a family that owns a business and children who then do start their own businesses or join the same family business as an adult (Athayde, 2009). There is skills transfer and experience that occurs from those parents; which adds confidence to the child and additional essential entrepreneurial skills such as managerial human capital. This increases the likehood of these children growing up and pursuing entrepreneurship as a career choice (Zellweger et al., 2011).

Hertzman (1999) referred to that as the "biological embedding" of early experience for the child's cognitive development; meaning that there are positive effects observed from parenting which provides stimulation, emotional, and physical support. In research it has been argued that the mother figure is often observed as the lead caretakers for their children's education (Flouri & Buchanan, 2004). This would mean for women entrepreneurs their experiences will have a latent effect in the parenting of their children. Therefore social capital of the family endures in relations between children and parents and allows for a generational accrual of human capital.

2.5.2 *Derivation of hypothesis: Social Capital*

In this study the individual indicators of social capital that theoretically result in access to finance are examined. Social capital is an important resource for women entrepreneurs, in that it enhances trust through specific ties and can aid in providing resources (Adler & Kwon, 2002). It provides access to the resources that members of the network possess. Besides trust, social capital also provides ties that provide informational resources (Putman, 2000).

Hypothesis 5: The higher the number of weak ties a SA Woman SMME owner possesses, the more financial access opportunities she will identify.

Large sample studies support social capital theory. For example, they indicate that entrepreneurs with well-developed social capital are more likely to receive funding (Shane & Cable, 2002). For this study, social capital is important in that it may assist in the exploitation of opportunities and provide critical information and resources for access to finance. Studies show that entrepreneurs make decision usually based on their associations with friends or upon trusted advice (Buuderl & Presendorfer, 1998). Social capital also bridges the disparity between entrepreneurs and financial institutions with resources, and enhances the flow of information (Shane & Venkataraman, 2000).

A study through SAWEN 2005 showed that only 7 out of 172 women respondents were aware of development finance in their province. A few had heard of Khula Enterprise Finance, which is a largely known institution in South Africa that provides access to finance. Of those who had heard of Khula, some were not sure what Khula actually did or offered. In this study the influence of family and weak networks affect an individual's access to finance institutions is investigated. The emphasis was on the role the strong and weak ties in providing information about finance and credit market opportunities which could effectively decrease the entrepreneurs search costs. Kranton (1996) provides a model where decentralised networks assist agents in reducing their search costs. This study draws on this and investigates the role that community and family networks can play in raising awareness of credit sources among women entrepreneurs. This discussion leads to the following hypothesis:

Hypothesis 6. There is a positive relationship between the number of strong ties an entrepreneur possesses and the financial resources obtained.

Owners of micro-enterprises may learn about lending institutions or finance contracts through community gatherings, family and neighbourhood meetings. This focus is taken based on the growing number of empirical studies on the impact of social institutions on the impact on economic outcomes (Putnam et al., 1993). However networks might have a negative consequence to the allocation of finance in a community some studies show. Some communities based on culture might not participate in community meetings or women might not participate in group meetings. This exclusion may reduce access to finance. Network activities often involve time and monetary costs, which maybe a burden in impoverished South Africa. Therefore weak and strong ties can be a barrier to access finance if the funds they receive are used towards family and community network needs. Lenders might then be less willing to provide credit to individuals with strong social ties (Fafchamps & Minten, 2002).

2.6 Conclusion of Literature Review

Below is a conceptual framework that can serve as a foundation for theory building and testing of the hypotheses. It links human and social capital and their hypotheses to access finance for women entrepreneurs.

These hypotheses need to be tested in order to find to what level these factors are determinants to access finance and assist women entrepreneurs as access to finance is a major barrier to entrepreneurship identified in South Africa.

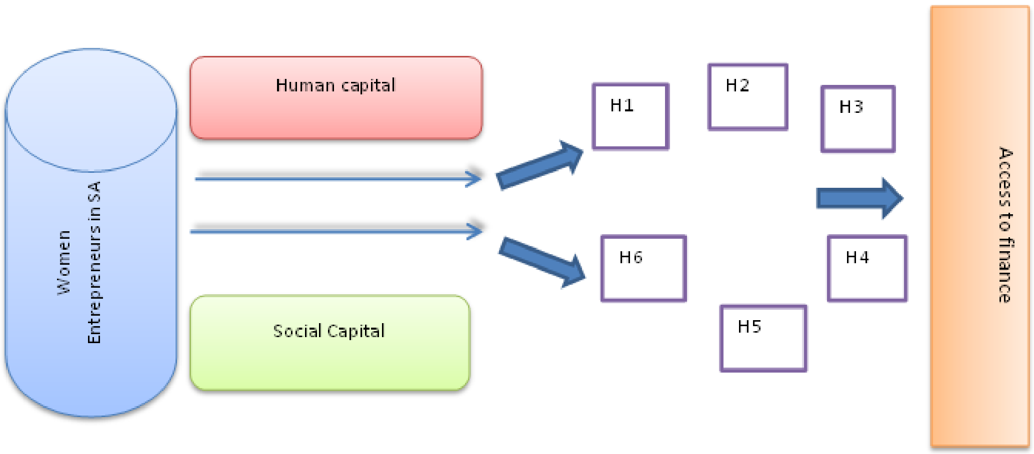


Figure 5: Conceptual Framework

Hypothesis 1: *The relationship between the amounts of explicit formal intellectual capital an entrepreneur possesses is positive in relation to the financial opportunities identified.*

Hypothesis 2: *Human Capital representing tacit knowledge as an owner's apprenticeship skill set is positively associated with obtaining finance.*

Hypothesis 3: *Human Capital representing prior industry-specific work experience is positively related to obtaining financial resources.*

Hypothesis 4: *There is a positive relationship between an owner's entrepreneurial skill set and identifying financial access opportunities.*

Hypothesis 5: *The higher the number of weak ties SA Woman SMME owner possesses, the more financial access opportunities she will identify.*

Hypothesis 6: *There is a positive relationship between the number of strong ties an entrepreneur possesses and the financial resources obtained.*

CHAPTER 3. Research Methodology

3.1 Research methodology / paradigm

Ghauri and Gronhaug (2005) describe research methodology as “a systematic, focused and orderly collection of data for the purpose of obtaining information from them, to solve or answer a particular research problem or question”. Research methodology provides the general direction for the research and a logical conclusion or solution to a research problem. This study followed a quantitative research design using quantitative analysis, deductive reasoning and descriptive research methods.

The main feature of quantitative research is the heavy reliance of the researcher on data analysis to arrive at findings or conclusions. Numbers are assigned to the properties in the phenomena to represent their qualities. Ghauri and Gronghaug (2005) view quantitative research as an efficient way to represent information and meanings. Hypotheses are developed from theory and these are tested on data collected from samples. The authors further noted that analyses are conducted through the use of diagrams and statistics, unlike in qualitative research which uses conceptualisation. The choice of a quantitative research design for this study was informed by its primary strengths because the authors also assert that a quantitative research design is more scientific than a qualitative research design.

3.2 Research Design

According to Mouton and Prozesky (2001) cited in Coetzee and Graaff (2005), a research design is “a plan or a blue print of how a researcher intends to conduct a study”. This involves plans for data collection, the instrument for gathering information, how information gathered would be processed and analysed to give meaning to a research findings. The essence of research design is to guide the researcher on the type of data to collect, and how to collect, process and analyse them in order to answer the research problem(s). A research design can be descriptive, exploratory or causal. The survey research strategy was used for the present study. Mouton and Prozesky (2001) cited in Coetzee and Graaff (2005) also describe the survey research strategy as involving the administration of a questionnaire to a sample of respondents selected from some population. Survey research is appropriate for descriptive research of this nature. The problem to be resolved through the research process is clear from the onset. Ghauri and Gronhaug (2005) describe surveys and questionnaires as among the most popular data collection methods in business and social science research. Surveys are chiefly used in studies that have individual people as the units of analysis.

The survey research strategy is probably the best method available to a researcher interested in collecting original data for describing a population too large to be observed directly. For this study, which was quantitative, an online questionnaire was chosen as the primary method of data collection.

This study involved the gathering of information from women SMME owners in Johannesburg. No manipulation of the variables was possible by the researcher. Any differences were determined by the nature of the descriptive research and any differences were from results derived from the measurement of the variables.

This study investigated the perceived relationship between human capital factors including social capital for women entrepreneurs as a determinant for access to finance. The aim was to determine how an entrepreneur’s knowledge (whether formal or informal), and her social connectedness as independent variables are linked or related to access to finance as a dependent variable. Through this descriptive study the researcher set out to establish whether there is indeed an association between the independent variables and the dependent variable, and whether that relationship is causal or explanatory.

An online survey was administered. There are several advantages to disseminating a questionnaire via an online survey:

- There is a time and effort benefit, as an online survey can be developed in less time than other data collection methods.
- An online survey is also cost-effective; for instance, this survey cost R200 a month subscription to the Survey Monkey web site.
- Conducting the survey online meant that geographical dependence was reduced and prevented.
- The conducting of an online survey allowed for a larger number of research respondents, than administering a traditional paper based survey would have allowed.
- Online surveys have survey software which allows for advanced statistical techniques to be utilised for analysing the survey data to determine its validity, reliability, and statistical significance.
- Anonymity was achieved by conducting the survey online; which served to encourage more honest responses.
- An online questionnaire enabled the researcher to view the results graphically and in real time.

In the questionnaire the interviewees were asked to indicate their level of education and knowledge of the types of financial aid available. A Likert-type scale was utilised for both the Human Capital and Social Capital sections of the survey.

3.3 Population and sample

3.3.1 *Population*

A research population, according to Ghauri and Gronhaug (2005), relates to the total universe of units from which the sample is to be selected. The target population of this research comprised women entrepreneurs who own a SMME in Johannesburg, in Gauteng Province, South Africa. SMMEs according to the National Small Business Act 102 of 1996 were defined as separate and distinct business entities in any sector of the economy, being managed by one owner or more. By definition, micro enterprises have one-to-five employees (usually the owner and family); very small enterprises have less than 10 employees; small enterprises less than 100 employees, and medium enterprises up to 200 employees.

Sample frame is the actual list from which the final people are selected. This is the specific list of all members of the population from which the sample will be ultimately selected. For this study, the sample frame consisted of SMME owners who are female, who own micro-enterprises or very small enterprises. The sample was not industry or market specific, as all types of markets and industries were examined. All companies had to be based in Johannebsurg, in Gauteng Province, South Africa.

3.3.2 *Sample and sampling method*

Samples involve collecting information from a portion of the larger group, and on this basis infer something about the larger group (population). A representative sample is crucial to quantitative research and must reflect the population accurately, so that inferences can be drawn.

The main concern in sampling is representativeness. Another concern mentioned by Blanche, Durrheim and Painter (2006) is the sample size. The sample should be large enough to allow inferences to be made about the population. A very small random sample may be quite unrepresentative, and the same is true for a large non-random sample. Sample size is determined in part by practical constraints such as the number of the population, and the finances and time available for the conducting of the study.

A judgement sampling strategy was applied for this research. This is a non-probability sampling technique in which respondents are chosen by the researcher based on their authority, professional judgement or knowledge. The researcher chose judgement sampling as the focus of this research was on a limited number of individuals - women who possessed the trait of interest of entrepreneurship. As a sampling technique, judgment sampling is deemed best for obtaining information from an explicit group of individuals.

The population sample used in this study was obtained from a database of several entities and institutions that incubate or support women owned businesses.

The voluntary survey respondents were located through:

- The Branson Centre, the enterprise development programme of Nedbank Ltd;
- The Businesswomen's Association of South Africa;
- The Hope Factory;
- Fine Women Business Network;
- Links through social networks to entrepreneurs.

Those associations were approached to assist and provide a variable sample of women SMME owners. Due to the Protection of Personal Information Act 2013 (POPI) which restricts access to database email addresses, a request was sent to the institutions listed above and they then informed their database of women entrepreneurs of this study and invited them to take part in this research. As a strategy, judgement sampling might be argued by some to have lower levels of reliability or higher levels of bias as the researcher has to decide whom to approach and it will not be a random approach. However judgement sampling has its benefits, in that a select number of people who were known to be well acquainted with the topic would become part of the study. This also meant costs would be lower and less time would be spent selecting whom to sample in the selected group, compared to other research methods.

The sampling frame was micro business owners who were female. The total sample size was 101 respondents. They were of different education levels and may or may not have had access to any social networks. The sampling parameters were SMMEs and the selection criteria included SMMEs operating in Johannesburg only. The respondents identified in this sample included the researcher’s social contacts through friends and also through family.

The questionnaire encompassed a limited number of questions, to encourage a higher response. An email accompanied any request to participate in this research (Appendix A). The email served as a formal invitation to partake and inform the respondent of the credibility of the researcher as a student with Wits Business School. All participation was voluntary and by clicking on the line the entrepreneur would have given her consent to participate in this study.

3.4 The research instrument

The independent variables researched were human and social capital. The dependent variable was access to finance. The criteria used were:

1. The SMME had to be women owned;
2. The SMME had to be based in Johannesburg.

The quantitative data was collected using a survey containing questions focused on the various human capital aspects of the entrepreneur and details of her social network. The survey was conducted online in as a structured questionnaire, which was used to collect data from respondents. The questionnaire was divided into sections that addressed: respondent demographics, human capital variables: intellectual capital and social capital variables; and how they related to access to finance.

The demographic characteristics were moderator variables. They affected the direction and/or strength of the relations between an independent variable and a dependable variable.

The technique for collecting the quantitative data was a self-developed questionnaire, with different formats:

- Dichotomous answers (“Yes” and “No”),
- Self-assessment measured (a 5-point Likert scale, with anchors such as:
  - “Strongly Disagree” (5), “Disagree” (4), “Neutral” (3), “Agree” (2), “Strongly Agree” (1).
  - “vVery Knowledgeable” , “Somewhat knowledgeable” ,Fairly knowledgeable, “Slightly knowledgeable” and “Not at all knowledgeable”

The questions were developed from the hypothesis stated from the reviewed literature. The questions were short and simple to understand, and were formulated to yield a higher response rate.

The questionnaire consisted of four sections:

1. Section 1 requested respondent demographics. This included questions related to firm size and age, as well as biographical data such as age and race categories.
2. Section 2 dealt with various finance options for businesses and asked how knowledgeable the participants were of finance opportunities and where to gain access to finance.
3. Section 3 measured the respondent’s intellectual capital in relation to access to finance. The measurement constructs used were knowledge, education, and expertise. Each construct had several items which were used to measure the perceived knowledge of these in relation to access to funding.
4. Section 4 requested information about the respondent’s social. This information about their social capital would enable measurement and analysis of their network variables to discover its strengths and constraints. Social capital as operationalised through the identification of networks and network relationships, defined by the strength of ties, repetitive group activity such as

the frequency of meetings and other formal interactions, as well as informal gatherings and other social activities, and social and family relationships.

The Literature review outlined in Chapter 2 informed the basis from which the hypotheses developed for this study were derived. A conceptual framework was then formulated and used to formulate the constructs and the questionnaire. Conclusions were derived using the responses from the questionnaire, and from that recommendations were made. (Refer to questionnaire in Appendix B)

Table 3.1 shows a portion of the online questionnaire and its construct measures.

Quest. No.	Human Capital Questions	Hypothesis
8	What is the highest level of education you have completed?	Background
9	Which of the following business classes have you taken for your entrepreneurial pursuit?	Background
10	Do you have previous start up experience?	Background
11.1	Overall I feel I have adequate business knowledge, skills and experience to run my own business	Overall intellectual and tacit knowledge
11.2	My schooling has helped me understand my business	1
11.3	My tertiary education has assisted me in understanding how to run my business	1
11.4	Attending business classes has provide me with the knowledge needed to run my own business?	1

11.5	Professional coaching has assisted me in my business endeavours	2
11.6	My formal job experience, prior to becoming an entrepreneur, prepared me adequately to help me start and run my business. *(A corporate organisation is any job where a salary was earned as a permanent employee)*	3
11.7	I gained good management experience in my previous employment in a formal organisation	3,4
11.8	Being an apprentice was valuable in gaining knowledge to run my own business	2
11.9	My apprenticeship helped my understand my business finances	2
11.10	My education has helped me find out about financial resources for my business	1
11.11	I understand my business's finances well	4
11.12	I received finance for my business because I am educated	1

Table 5: Online questionnaire and construct measures

3.5 Procedure for data collection

Data collection is the process of gathering relevant information about the subject from research participants.

Each of the methods of data collection has its own, unique advantages and disadvantages. Some of the advantages of the questionnaire method include:

- Cost efficiency,
- Easy administration,
- Easy analysis (especially in a quantitative study).

In this study the questionnaire method of data collection was applied because of the numerous advantages, including its ability to yield the most satisfactory range of reliable data.

The questionnaire is highly suited to a quantitative study. They usually consist of a number of measurement scales and elicit demographic information from respondents. They are easier to administer thereby making it possible to reach a large population. Not only are the costs of duplicating and distributing a questionnaire affordable for researchers, in quantitative studies the responses received from a questionnaire are also easy to analyse. With a questionnaire the researcher has a written record of people's responses.

Usually a questionnaire does not require the identity of the respondents; thereby encouraging the giving of honest opinions. A researcher is able to design a questionnaire in a way that will simplify analysis, e.g. the Likert scale format, which was also applied in this study. However, some respondents may not be honest in their answers, thereby distorting the overall findings of the study. Also, some respondents may not fully understand some aspects of the questions; while some may misinterpret the question as the researcher may not be around to clarify or respond to respondent queries. Another setback to the survey questionnaire is that participation on the part of respondents is voluntary; so many people may refuse to complete the questionnaire, while some may not return their completed questionnaire. Therefore, a poor return rate can negatively affect the findings of the research.

The self-administered questionnaire requires the respondent to be literate. It also requires some form of reasoning, as the researcher may not be available to make clarifications as and when respondents are responding to the questionnaire. However, self–administered questionnaires are known to have a higher return rate when the researcher, in some instances, personally distributes the questionnaire to respondents.

For this study the questionnaire was developed on the basis of key concepts from the research problem and the hypotheses of the study. The survey was designed to be web-based and accessed through an URL, which was distributed to the list of potential respondents identified through women entrepreneurship support institutions and business associations, who received their survey invitation through their last known e-mail address. An advantage of web-based surveys is that respondent responses are automatically stored in a database and ready for analysis.

An informed consent form was provided on the opening web page of the survey and the respondents were alerted to it.

3.6 Data analysis and interpretation

For this study, in order to provide a description of the sample from which data would be collected, descriptive information on age, gender, as well as the means, modes, range, and standard deviations was captured. Secondly, to determine the relationship between human capital and access to finance, and social capital and access to finance, Pearson product moment correlation coefficients were used as statistical analysis. Data analysis consisted of running various statistical procedures and tests on the data. In the research descriptive statistics were applied. Rosnow and Rosenthal (1999) defined descriptive statistics as condensing large volumes of data into a few summary measures, while inferential statistics is defined as the area of statistics that extends the information extracted from the sample to the actual environment in which the problem arises.

The results obtained for the demographic section were analysed using frequency analysis and supporting graphics in the form of pie graphs and tables for the categorical variables of demographics and geographic information.

Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. In short, it is the repeatability of the measurement (Babbie & Mouton, 2001). Reliability and validity were tested by statistical techniques. Reliability of the scales was considered in the form of the internal consistency of the scales by computing Cronbach's alpha coefficient, which assesses the extent to which the scale items are inter-correlated or homogeneous (Cooper & Schindler 2011).

The hypotheses were tested via correlation. The correlations showed the strength of the variables relationship and were examined through both the Pearson co-efficient to check on the consistency of the two sets of results. Correlation is a technique for investigating the relationship between two quantitative, continuous variables. Pearson's correlation coefficient (r) is a measure of the strength of the association between the two variables For two variables to be correlated, the correlation coefficient has to be significant.

3.7 Validity and Reliability of Research

3.7.1 *Reliability*

Joppe (2000) defines reliability as, “The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable”. To ensure internal consistency and therefore reliability the research questionnaire was improved through repeatability. The questionnaire was revised and edited to improve its reliability and inter-rater or inter-observer reliability. This is to assess the degree to which different raters/observers agree when measuring the same phenomenon simultaneously.

The stability of the survey questionnaire was obtained through an initial small pilot of the instrument. Test-re-test reliability will show the same results are obtained with the second administration. Results of the actual survey were correlated and compared to the pilot results and expressed by the Pearson r coefficient. Internal consistency reliability of the Likert scale was conducted on the study results. When measures are reliable, there is greater consistency in the study.

3.7.2 *Validity*

Validity determines whether the research truly measures that which it was intended to measure or the truthfulness the research results. Golafshani (2003) describes the validity in quantitative research as “construct validity”. The construct means question concept, notion, or hypothesis, which forms the basis for the data collection and sampling designs, consistent with the construct. In this study each hypothesis was tested for significance, thereby evaluating the criterion-related validity of the measures. External validity of the research is the generalisability of the results of the study to other settings. This was considered by opening up the research to all women entrepreneurs regardless of industry within Johannesburg to represent other settings.

Internal validity ensures the data collection process is uniform throughout. Content, criterion feedback of the survey instrument was established. The study ensured internal validity by replicating the structured questionnaires. Validity of the study was also enhanced by systematic feedback loops, with the appointed supervisor.

3.8 Limitations of the study

All research has its limitations and this study was reliant upon the response of a sample of individuals. The following limitations need to be considered:

- The sample was limited to women in Johannesburg only and may as such exhibit a bias.
- Being a closed online survey, the responses may be biased by not having a qualitative study to delve deeper into respondent views and perceptions.
- All the determinants of access to funding were not considered in this study, which might cause specification error.
- The participation method was voluntary; therefore, some entrepreneurs may not have deemed it necessary to complete the questionnaire.
- The data collection method was limited to online questionnaires, which may have omitted important opinions of respondents who do not have internet access or an email address.

CHAPTER 4. PRESENTATION OF RESULTS

4.1 Introduction

This chapter will present the results of the survey conducted .The chapter starts with a discussion of the analytical procedures used and how the data will be presented. The data is then discussed in two main sections. The first section of data is background and demographic information pertaining to the participants who completed the survey and the second section discusses the results as pertaining to each proposition outlined. The chapter concludes with a summary of which propositions are accepted or rejected and the reasons for this.

4.2 Analytical procedures

4.2.1 *The survey questionnaire structure*

The survey questionnaire was divided into 4 main sections. The first section dealt with basic demographics to obtain an idea of the profile of participants who completed the survey. The second section dealt with various finance options for businesses and was asked to understand how knowledgeable the participants were of finance opportunities and where to gain access to finance. In this section, the participants were also asked if they had applied for finance and what the outcome of this application was. In addition, they were asked if they had security or surety for their loan application. The third section of the questionnaire dealt with human capital elements asked using a 5-point Likert Scale answer choice and the final section dealt with social capital questions also using the same 5-point Likert Scale answer choices.

4.2.1 *Descriptive and Multivariate Analysis*

Data analysis was conducted using frequency analysis, average ratings for Likert scale questions and a simple regression calculation using Peason's Product-moment correlation formula was administered for human and social capital elements of the survey and to support findings for each hypothesis proposed. Data analysis was therefore both multivariate and descriptive.

Camo (2015:1) describes multivariate data analysis as "any statistical technique used to analyze data that arises from more than one variable". It is a method of condensing data into tables and finding relationships in the data.

On the other hand, descriptive statistics are described by Trochim (2006) as a way to "present quantitative descriptions in a manageable form" such as a frequency distribution, and they "form the basis of virtually every quantitative analysis of data". All data values can be presented, or values may be grouped into categories or ranges. The data is normally presented in the form of tables or graphs.

For this study, the frequencies were calculated as an average of responses but where participants omitted to answer a section of the survey, the base of the average calculation was adjusted accordingly. For example, 101 participants answered the survey but for the section pertaining to social capital, only 85 answered this section. The average ratings were based on 85 participants and not 101 participants.

Likert scale questions are presented in three ways. For some of the data they are presented with frequencies for all available answer options on the scale. For other sets of data, it was more meaningful to group the frequency data with the top two options (namely strongly agree and agree) as one frequency and the bottom two options (namely disagree and strongly disagree) as one frequency. This allowed for positive and negative responses to be compared.

The third presentation of results for Likert scale questions was an average rating with a maximum of 5.0 and a minimum of 1.0 for the 5-point rating scale. Responses were coded with the most positive answer option receiving a weighting of 5, the least positive or most negative answer receiving a weighting of 1 and answer options in-between receiving weightings of 4, 3 and 2 respectively as they move from positive to negative. The following table illustrated the weightings of the possible answer options used in this survey:

Likert Scale (Agreement)	Likert Scale (Knowledge)	Weighting
Strongly agree	Very knowledgeable	5
Agree	Somewhat knowledgeable	4
Neither agree nor disagree	Fairly knowledgeable	3
Disagree	Slightly knowledgeable	2
Strongly disagree	Not at all knowledgeable	1

Table 6: The weightings of the possible answer options used in this survey

The Human and Social Capital questions had answer options of strongly agree, agree, neither agree nor disagree, disagree and strongly disagree. At the beginning of each of these sections, the participants were asked an overall question in an attempt to understand their overall perception of their human and social capital strengths. These overall questions were used as a basis for a Pearson product-moment correlation coefficient to be calculated for each attribute against the overall strength of the participant's human or social capital. It was assumed that the overall strength of the participant's capital was a strong indicator of their ability to manage their finances in their business.

The Pearson product-moment correlation coefficient was calculated in a Microsoft excel worksheet using the formula r=PEARSON(array1;array2) where array 1 was the overall question response and array 2 was the attribute response for which the strength of correlation was required. The results of the Pearson product-moment correlation coefficient were reflected as the r value.

The typical formula used to calculate the r value (Statistics How To, 2015) is as follows:

$$r = \frac{n(\Sigma xy) - (\Sigma x)(\Sigma y)}{\sqrt{[n\Sigma x^2 - (\Sigma x)^2][n\Sigma y^2 - (\Sigma y)^2]}}$$

According to Laerd Statistics (2013), the following guidelines have been proposed for identifying the strength of association from the Pearson Product-Moment Correlations (r). These guidelines were used for the analysis of this survey:

	Coefficient, *r*	
Strength of Association	Positive	Negative
Small	.1 to .3	-0.1 to -0.3
Medium	.3 to .5	-0.3 to -0.5
Large	.5 to 1.0	-0.5 to -1.0

Table 7: Guidelines for the analysis of this survey

4.3 Respondent Demographics and Background

There were 101 participants that completed the survey questionnaire. Several of them omitted to answer a number of questions and this will be reflected in the presentation of results below.

4.3.1 *Geographical Area of Home and Work for the Participants*

Nearly a third of the participants lived in and around Sandton/Bryanston and small frequencies lived in and around other areas of Johannesburg, with the smallest group from the Soweto area (5%). Similarly, 34.7% of the respondents worked in and around Sandton / Bryanston and only 4% worked in Soweto. A full breakdown of the areas is reflected in table 8.

Table 8: Geographical Area where Participants Lived and Worked

Geographical Areas	Living Area		Working Area	
	Response Percent	Response Count	Response Percent	Response Count
Johanessburg CBD and Bruma	10,9%	11	12,9%	13
Bedfordview	13,9%	14	12,9%	13
Northcliff and Melville	5,0%	5	5,0%	5
Roodepoort	10,9%	11	6,9%	7
Rosebank Parktown Central	7,9%	8	8,9%	9
Sandton/Bryanston	30,7%	31	34,7%	35
Fourways/Diepsloot	15,8%	16	14,9%	15
Soweto	5,0%	5	4,0%	4
answered question		**101**		**101**
skipped question		**0**		**0**

4.3.2 *Age, Race and Marital Status of the Participants*

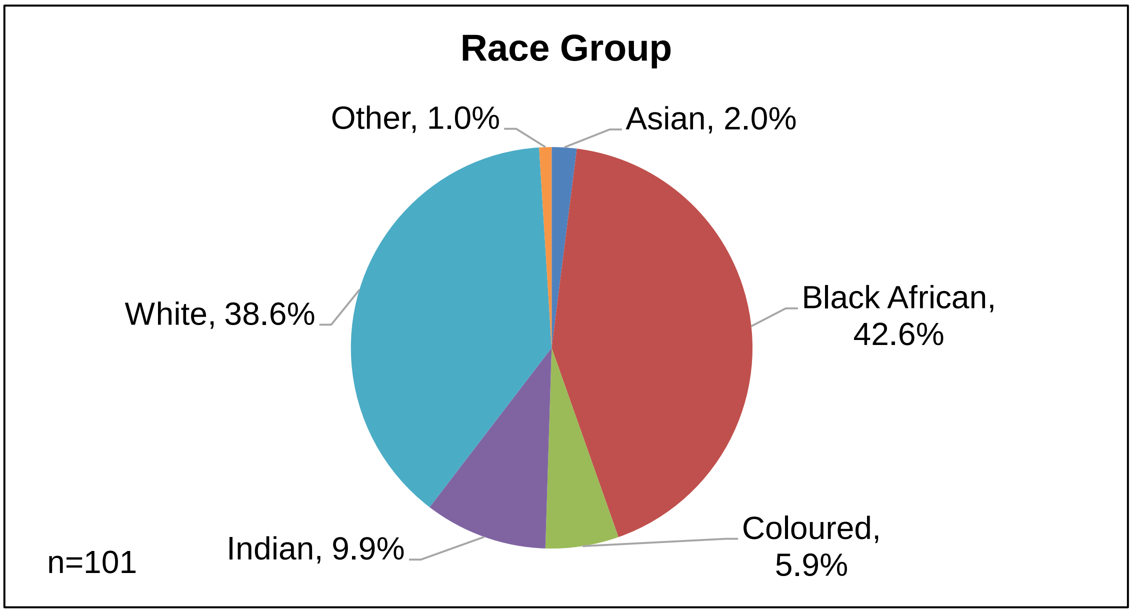
The respondent ranged in age groups from one being younger than 20 to fifteen being 50 years and older. The age group with the highest frequency of respondents was 30 to 39 years old (table 9). Approximately half the participants were single (49.5%) and half were married (50.5%).

Table 9: Age of Participants

Age Groups	Response Percent	Response Count
Younger than 20	1,0%	1
20 to 29 years	10,9%	11
30 to 39 years	39,6%	40
40 to 49 years	33,7%	34
50 years and older	14,9%	15
	answered question	**101**
	skipped question	**0**

There were large differences in the respondents race group with the largest group being lack African (42.6%) followed by White (38.6%). Only a small number of participants were from the other race groups, namely Indian (9.9%), Coloured (5.9%), Asian (2.0%) and other (1.0%) (Figure 6).

Figure 6: Participants Race



4.3.3 *Primary Area of Business for the Participants*

The majority of participants were entrepreneurial in the professional services arena with 22.8% of them working in that business area. This is significantly more than the second highest frequency of 6.9% in both the legal services and manufacturing businesses. Retail had a similar number of participants with 5.9% of them being in retail and 5% were in the electrical business. The other participants were from numerous other areas of business with 4.0% or less in these other areas. Table 10 provides all business areas in which the participants worked.

Table 10: Primary Area of Business for Participants

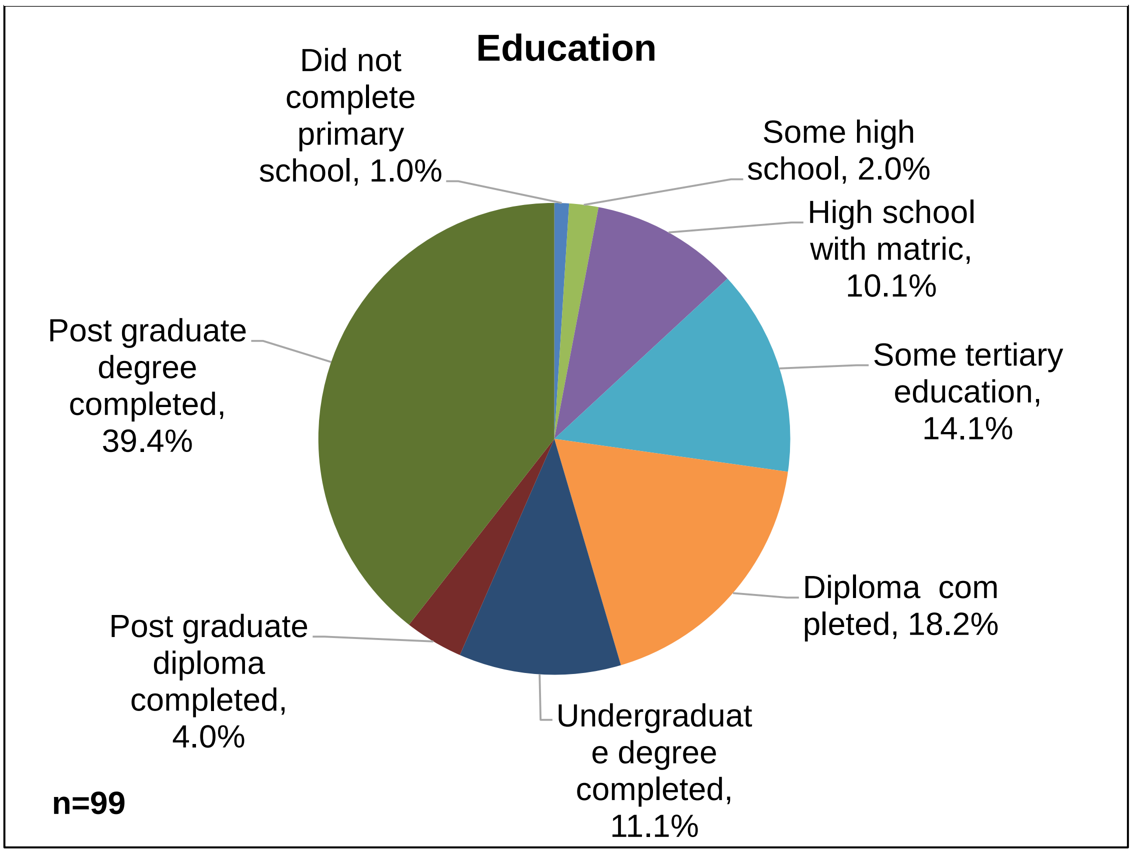
Primary Area of Business	Response Percent	Response Count
Professional services	22,8%	23
Legal services	6,9%	7
Manufacturing	6,9%	7
Retail	5,9%	6
Electrical	5,0%	5
Accounting	4,0%	4
Finance and Investment / Insurance	4,0%	4
Human Resources and recruitment	4,0%	4
Marketing and marketing related services	4,0%	4
Secretarial services	4,0%	4
Tourism	4,0%	4
Agriculture	3,0%	3
Education	3,0%	3
Property	3,0%	3
Advertising	2,0%	2
Architecture and Design	2,0%	2
Construction / Engineering	2,0%	2
Health / health and beauty	2,0%	2
Mining	2,0%	2
Transport	2,0%	2
Restaurant and food services	2,0%	2
Computers and IT	1,0%	1
Economic Development	1,0%	1
Entertainment	1,0%	1
Import / Export	1,0%	1
Printing / publishing	1,0%	1
Security services	1,0%	1

answered question	***101***
skipped question	***0***

4.3.4 *Participants Education and Experience*

The majority of respondents had high levels of education with 86.9% of them having done some form of tertiary education, although 14.1% had not completed their tertiary education. Of those that had no tertiary education (n=13), ten had completed matric, two had some high school and only one had not completed primary school (figure 7).

Figure 7: Participants Education



The participants have also completed numerous business courses. Nearly half of them (46.3%) have attended some form of management course and more than a third have attended a marketing or public relations (36.8%) course and financial skills or bookkeeping (34.7%) course. More than one in 5 have attended a business plan write up or proposal course (26.3%), human resources (24.2%), communication (24.2%), or sales (21.1%) course. Operations and negotiations courses were also attended by 16.8% and 15.8% of the participants. Several other courses have also been attended by a few of the participants (see figure 3). However, 29.5% of the participants have attended no business courses.

In terms of previous start-up experience, nearly half the participants (48.5%, n=97) have previously started their own business. Four participants did not answer the question.

4.3.5 *Participants Who have Looked for Financial Advice for their Business*

More than half the participants (56.5%) have looked for financial advice for their business (figure 9). Of these participants, 52.1% looked for this advice from family or friends, 50.0% looked for advice from books, magazines and newspapers, 47.9% looked for advice from professionals in the field and 45.8% looked for advice on the internet (figure 10).

Figure 9: Respondents who looked for Financial Advice

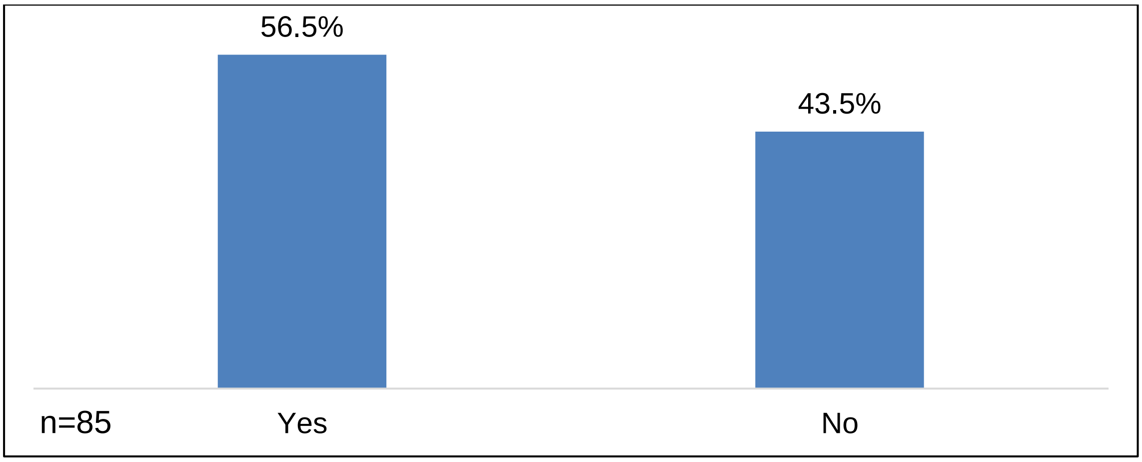
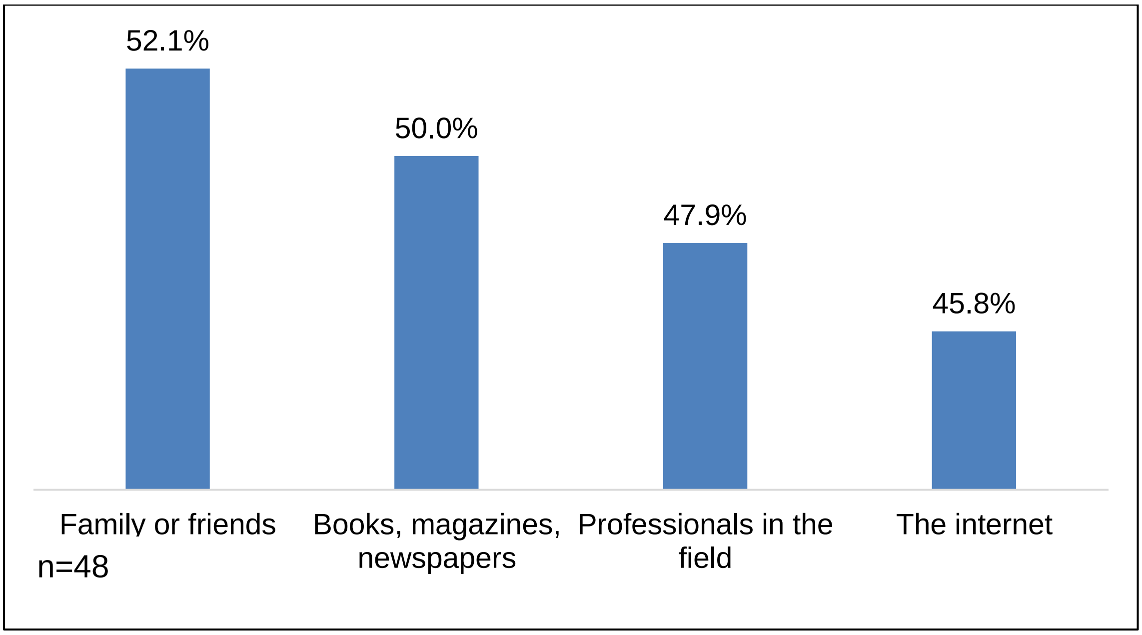


Figure 10: Places where Financial Advice was Obtained

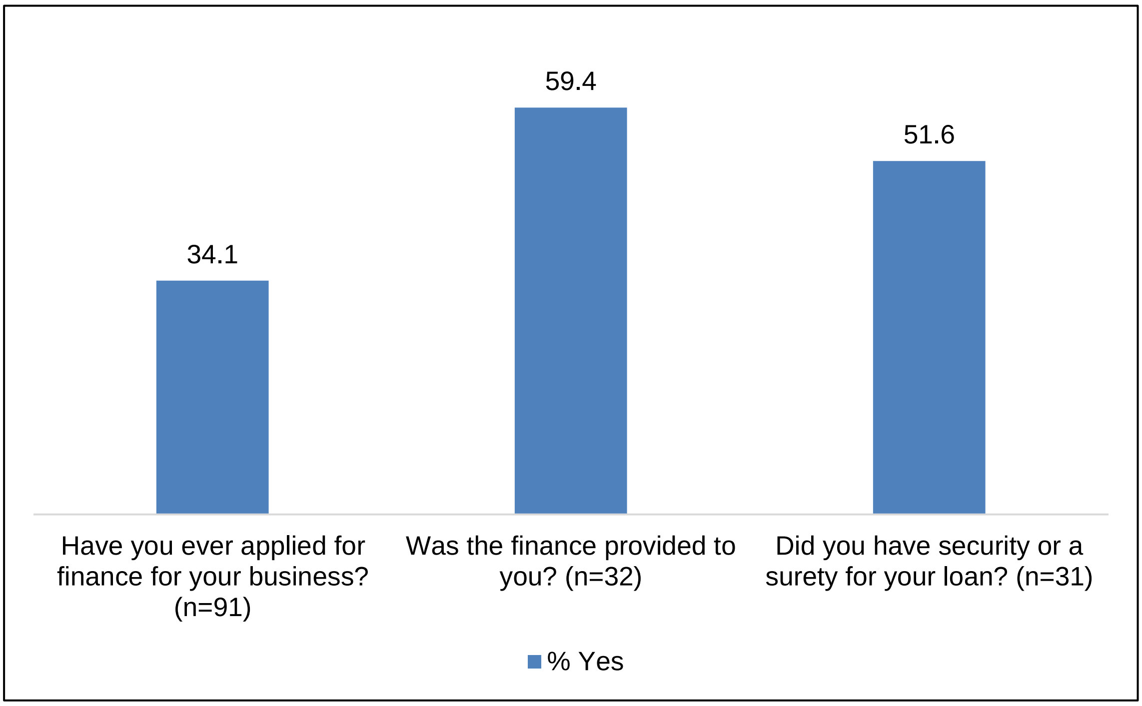


4.4 Results pertaining to Hypothesis 1

The relationship between the amounts of explicit formal intellectual capital an entrepreneur possesses is positive in relation to the financial opportunities identified.

Just over a third (34.1%) of the participants have applied for finance for their business (figure 6). Nearly 6 out of 10 of these were successful in obtaining finance (59.4%) but only 51.6% had security or surety for their loans.

Figure 11: Finance Applications and Outcomes by Education Level



Various finance options were presented to the participants in the survey and the participants were then questioned about these. The finance options were described as follows:

- **CREDIT LINE**: A pre-arranged loan that can be used, in full or in part, at discretion and with limited advance warning
- **BANK OVERDRAFT:** A negative balance on a bank account with or without specific penalties
- **CREDIT CARD OVERDRAFT**: A negative balance on the credit card
- **GRANTS OR SUBSIDISED BANK LOAN:** Involving support from public sources in the form of guarantees, reduced interest rates, loans, etc.
- **TRADE CREDIT**: Purchase of goods or services from another business without making immediate cash payment
- **LEASING OR HIRE PURCHASE:** Obtaining the use of a fixed asset (e.g. cars or machinery) in exchange for regular payments, but without the immediate ownership of the asset

- **DEBT SECURITIES:** Short-term commercial paper or longer-term corporate bonds
- **EQUITY CAPITAL:** Quoted or unquoted shares, preferred shares or other forms of equity provided by the owners themselves or by external investors, including venture capital or business angels
- **FACTORING:** Selling your invoices to a factoring company. This company gets your debt and has to collect it. It will make a profit by paying you less cash than the face value of the invoice
- **RETAINED EARNINGS OR SALE OF ASSETS:** Internal funds like cash or cash equivalent resulting for instance from savings, retained earnings, sale of assets
- **OTHER SOURCES OF FINANCING:** e.g. subordinated debt instruments, participating loans, peer-to-peer lending, crowd funding

The respondents rated their knowledge of finance options available and knowledge of whom or where to approach for access to these finance options, on a 5 point Likert scale. The Likert scale options were very knowledgeable, somewhat knowledgeable, fairly knowledgeable, slightly knowledgeable, and not at all knowledgeable. The responses were then weighted as follows:

- Very knowledgeable =5
- Somewhat knowledgeable = 4
- Fairly knowledgeable =3
- Slightly knowledgeable = 2
- Not at all knowledgeable =1

The weighted responses were used to calculate an average response. The highest rating would then be a 5 and the lowest a 1.

On an overall level, which is for all the participants, their knowledge of the various finance options was fairly good (see figure 7), with most options receiving a rating of

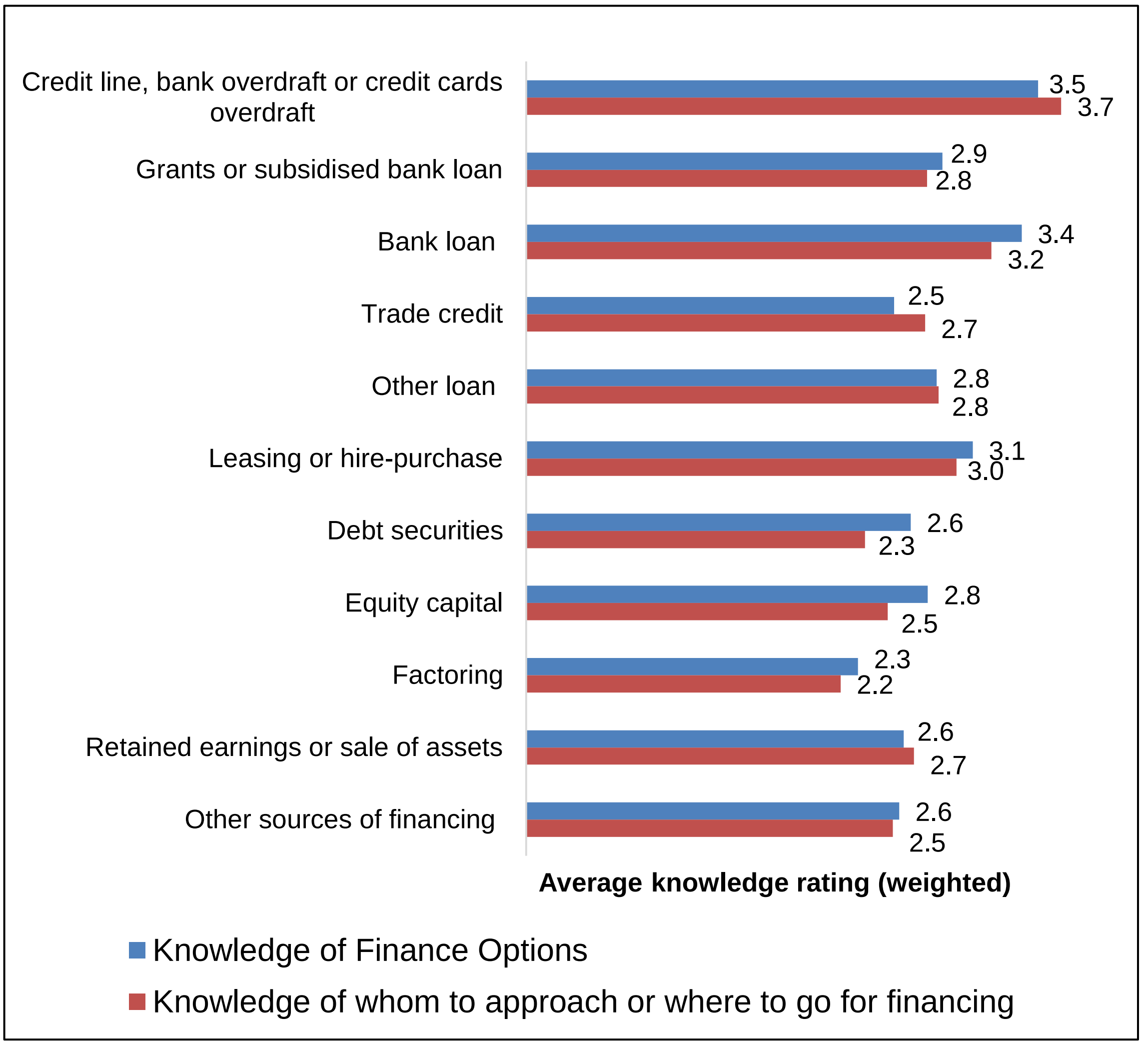
2.5 or higher for knowledge. By placing limits on knowledge ratings of 3.0 to 5.0 being a good knowledge, 2.6 to 3.0 being medium knowledge and 2.5 or less being low knowledge, it can deduced that participants knowledge of the various finance options was as reflected in table 4 below:

Table 10: Knowledge of Finance Options

Good Knowledge (rating of 3.0 to 5.0)	Medium Knowledge (rating of 2.6 to 3.0)	Low Knowledge (rating 2.5 or less)
Credit line, bank overdraft or credit cards overdraft (3.5)	Grants or subsidised bank loan (2.9)	Factoring (2.3)
Bank loan (3.4)	Equity capital (2.8)	Trade credit (2.5)
Leasing or hire-purchase (3.1)	Other loan (2.8)	
	Debt securities (2.6)	
	Retained earnings or sale of assets (2.6)	
	Other sources of financing (2.6)	

The participants had a similar knowledge of where to go for access to the various finance options (figure 11). For some forms of finance, the participants has a better knowledge of where to go than of the actual finance option such as credit line, bank overdraft or credit card overdraft where their knowledge of where to go rated an average of 3.7 and their knowledge of the finance was only 3.5. This was also the case with trade credit at 2.7 for knowledge of where to go and 2.5 for knowledge of the finance, and retained earnings or sale of assets at 2.7 for knowledge of where to go and 2.6 for knowledge of the finance.

Figure11: Overall Knowledge of Finance Options and Where to go for Access to Finance



Looking at the participant's knowledge of the various finance options by their highest level of education achieved (table 11), there were no significant difference that could be found between their levels of education and their knowledge.

Table 11: Knowledge of Finance Options by Education Level Achieved

	Knowledge of Finance Options							
	Overall	Post graduate degree	Post graduate diploma	Under-graduate degree	Some tertiary education	Diploma	High school with matric	Some high school
n=	*94*	*39*	*4*	*10*	*12*	*17*	*10*	*2*
Credit line, bank overdraft or credit cards overdraft	3,5	3,4	2,3	3,3	3,7	3,9	3,7	4,0
Grants or subsidised bank loan	2,9	2,7	3,3	3,4	3,1	2,8	2,4	3,0
Bank loan	3,4	3,4	2,5	3,3	3,3	3,6	3,3	4,0
Trade credit	2,5	2,7	2,0	2,1	2,5	2,7	2,8	1,0
Other loan	2,8	3,3	1,5	2,1	2,6	2,9	2,6	1,0
Leasing or hire-purchase	3,1	3,2	3,5	2,9	2,3	3,6	2,8	1,0
Debt securities	2,6	2,8	3,0	2,8	2,5	2,2	2,9	1,0
Equity capital	2,8	3,1	1,8	2,9	2,5	2,3	3,0	2,5
Factoring	2,3	2,1	2,5	2,9	1,8	2,1	2,9	4,0
Retained earnings or sale of assets	2,6	2,9	2,0	2,1	2,1	2,5	2,9	2,5
Other sources of financing	2,6	2,7	1,5	3,3	2,1	2,2	2,9	2,5

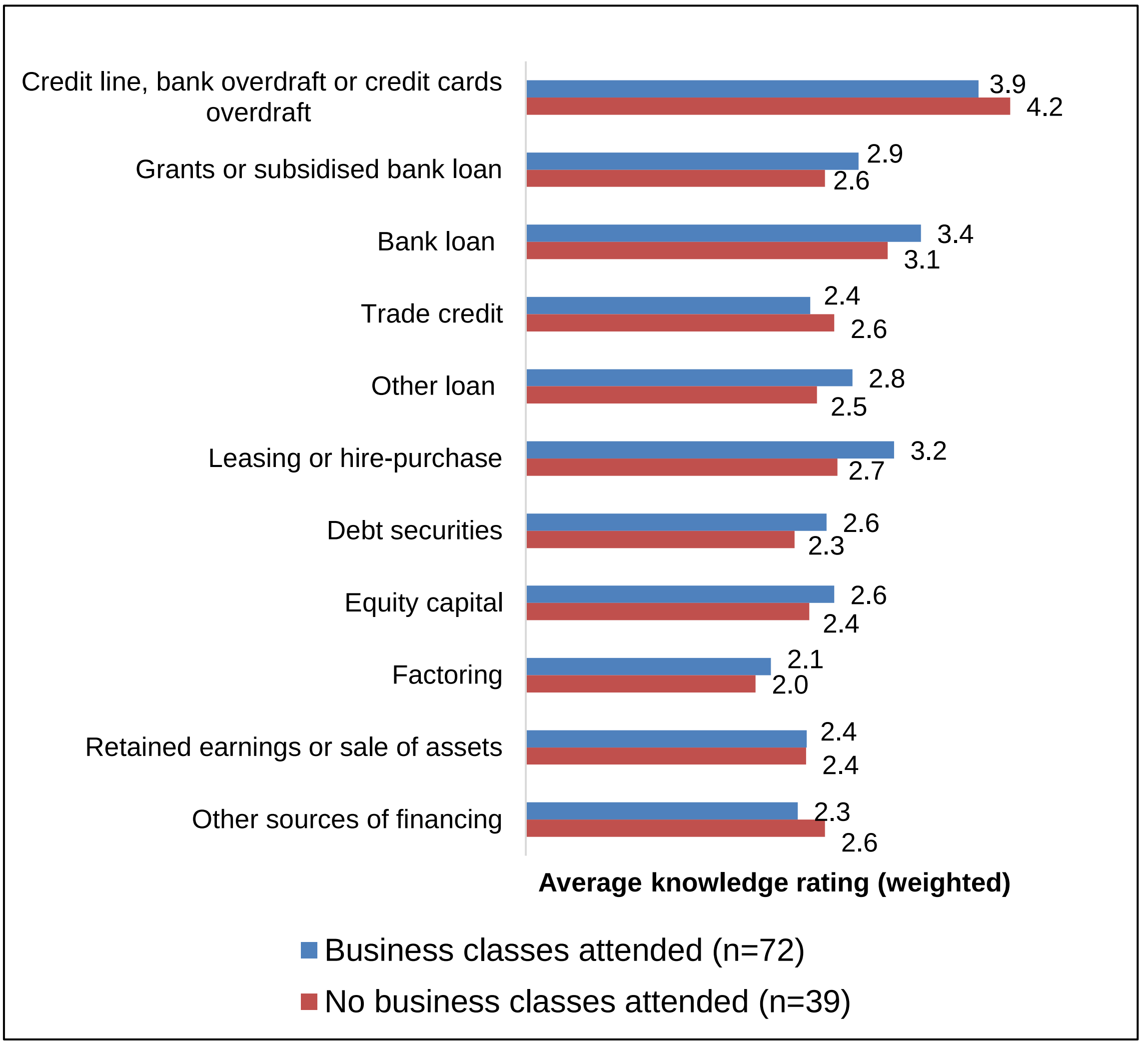
The participants knowledge of where to go or who to approach for access to finance options by their highest level of education achieved (table 12), also revealed no significant difference between their levels of education and their knowledge.

Table 12: Knowledge of Where to go or Who to Approach for Access to Finance Options

	Knowledge of Where to Go or Who to Approach for Access to Finance							
	Overall	**Post graduate degree**	**Post graduate diploma**	**Under-graduate degree**	**Some tertiary education**	**Diploma**	**High school with matric**	**Some high school**
n=	***94***	***39***	***4***	***10***	***12***	***17***	***10***	***2***
Credit line, bank overdraft or credit cards overdraft	3,7	3,8	4,5	3,6	3,2	3,6	3,2	4,0
Grants or subsidised bank loan	2,8	2,6	3,8	3,1	2,6	3,1	2,6	2,0
Bank loan	3,2	3,2	4,0	3,0	2,7	3,4	3,4	2,5
Trade credit	2,7	2,7	2,3	2,9	2,8	2,9	2,7	2,5
Other loan	2,8	2,9	3,8	2,9	2,3	3,0	2,5	2,5
Leasing or hire-purchase	3,0	3,0	3,5	3,1	2,3	3,6	2,2	1,0
Debt securities	2,3	2,4	3,3	2,4	2,4	2,3	1,9	1,0
Equity capital	2,5	2,6	3,5	2,6	2,2	2,4	2,1	2,5
Factoring	2,2	2,1	2,8	2,9	1,7	2,1	2,0	2,5
Retained earnings or sale of assets	2,7	2,9	3,3	3,1	2,3	2,6	2,1	1,0
Other sources of financing	2,5	2,7	3,0	3,3	2,2	2,2	2,0	2,5

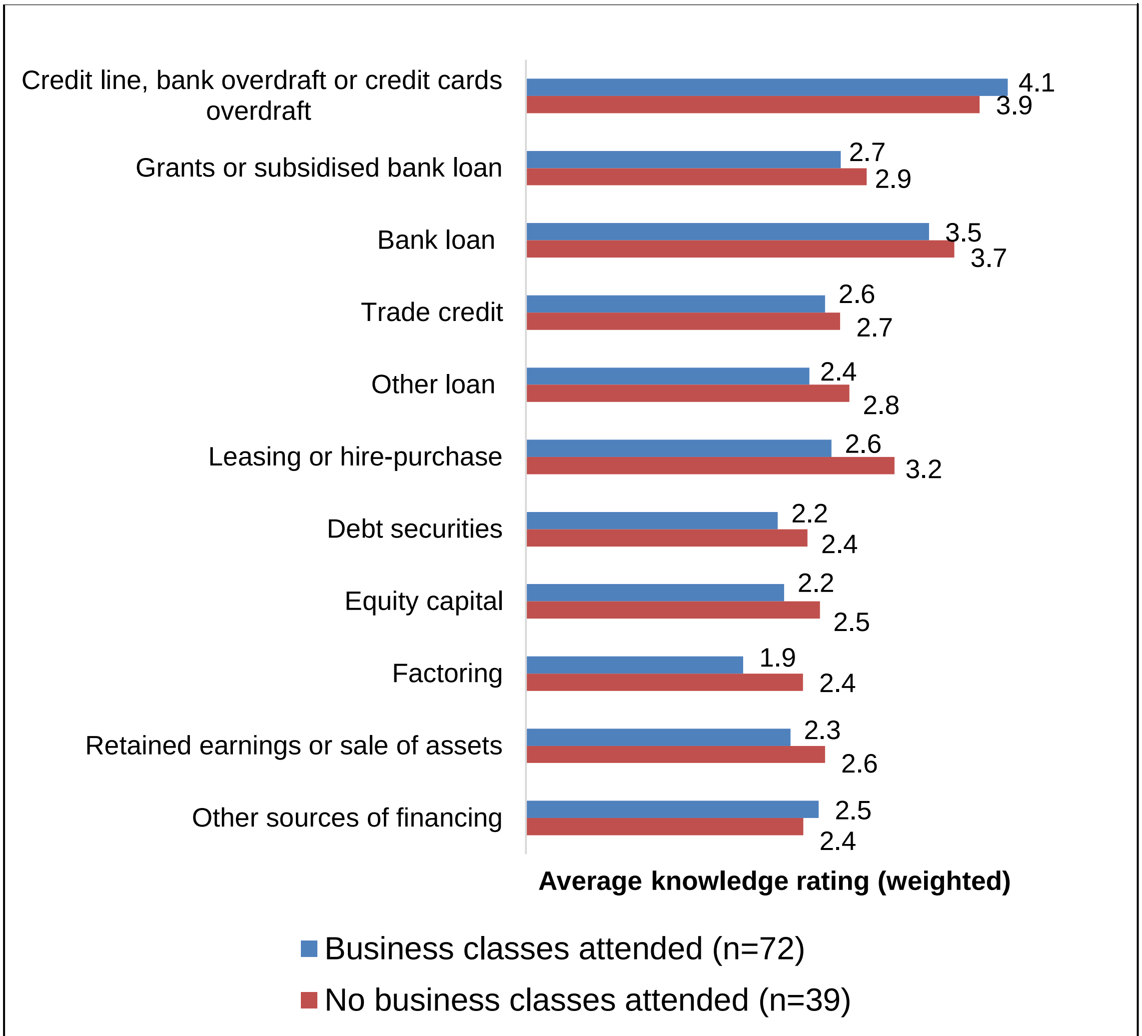
When comparing the knowledge of various finance options between those respondents who have attended business classes to those who have not, slight differences are apparent between the two groups. Those who have attended one or more business class were more knowledgeable about 7 of the finance options than those who had not attended business classes (see figure 13). Those who had not attended business classes were more knowledgeable about credit line, bank overdraft or credit card overdraft, trade credit and other sources of financing than those who have attended business classes. The same knowledge for both groups was apparent with retained earnings or sale of assets (2.4).

Figure 13: Knowledge of Finance Options for Participants who have Attended Business Classes versus those who have not Attended Business Classes



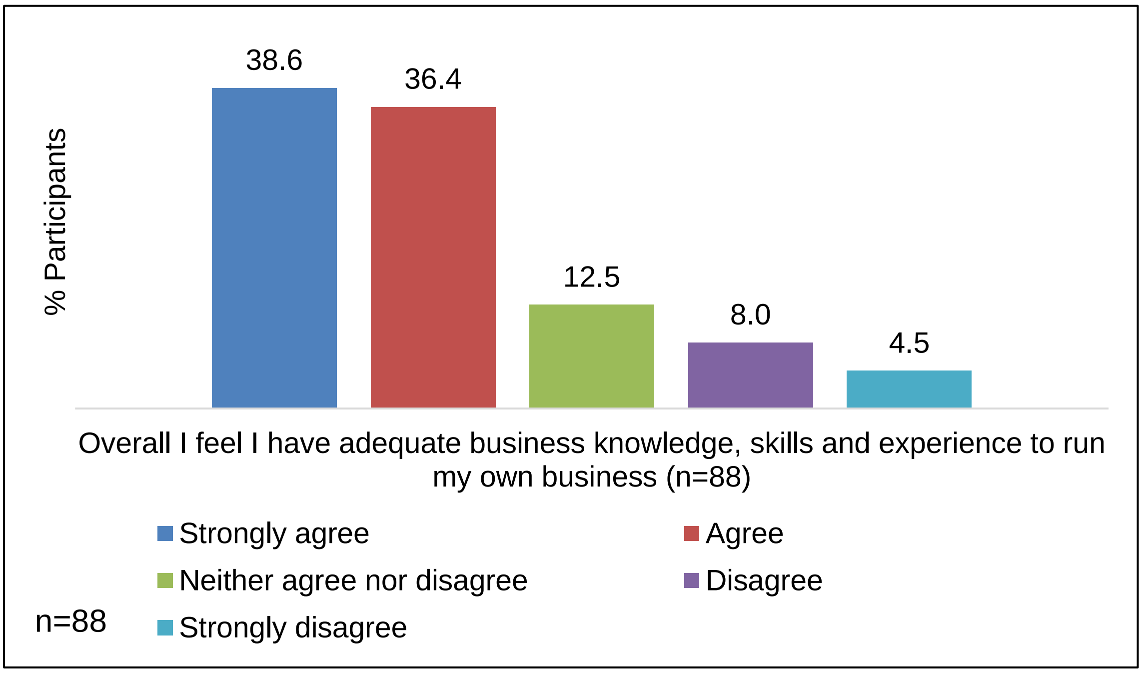
Besides credit line, bank overdraft or credit card overdraft, the participants who had not attended business classes had a higher average knowledge of where to go or who to go to in order to access the various forms of finance (figure 14).

Figure 14: Knowledge where to go to Access Finance for Participants who have Attended Business Classes versus those who have not Attended Business Classes



An overall human capital question was asked of the participants where they were provided with a 5-point Likert scale answer option of strongly agree, agree, neither agree nor disagree, disagree or strongly disagree with the statement, 'overall I feel I have adequate business knowledge, skills and experience to run my own business'. Figure 15 below provides the percentages of participants who selected each answer option. Three quarters (75.0%) of the participants strongly agreed or agreed that they had adequate business knowledge, skills and experience to run their own business. Only 12.5% disagreed or strongly disagreed with this statement.

Figure 15: Overall Perception of Adequate Business Knowledge, Skills and Experience to Run Own Business

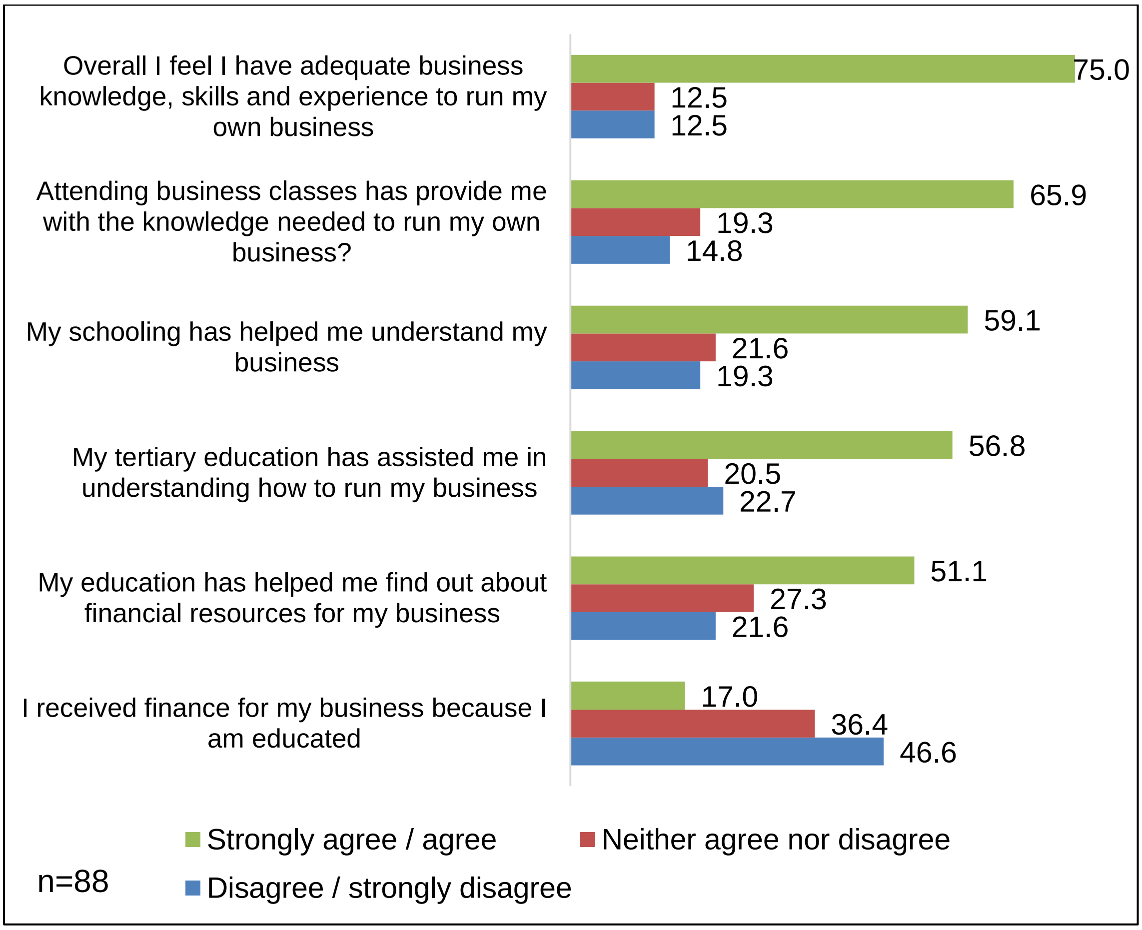


The other attributes asked of the participants to support hypothesis 1 ***(The relationship between the amounts of explicit formal intellectual capital an entrepreneur possesses is positive in relation to the financial opportunities identified)*** were:

- My schooling has helped me understand my business
- My tertiary education has assisted me in understanding how to run my business
- Attending business classes has provide me with the knowledge needed to run my own business?
- My education has helped me find out about financial resources for my business
- I received finance for my business because I am educated

Figure 16 below represents the participant's agreement ratings with these attributes. There is a very high agreement that business classes have provided the knowledge needed to run their own business with 65.9% of participants stating they strongly agree or agree with this statement. 59.1% of the participants strongly agree/agree that their schooling has helped them understand their business, 56.8% strongly agree/agree that their tertiary education has assisted them in understanding how to run their business and 51.1% strongly agree/agree that their education has assisted them to find out about financial resources for their business. However, only a few respondents (17%) agree that they received finance for their business because they were educated.

Figure 16: Perceptions of Intellectual Capital Assisting to run Own Business



Looking at the Pearson product-moment correlation for these attributes against the overall perception of having adequate intellectual capital (table 13), very high positive effects are seen for formal education in form of schooling (r=0.5789), tertiary education (r=0.5497) and education assisting in finding out about financial resources (r=0.5116). A medium effect is seen for business classes providing knowledge to run own business and a low correlation is observed for receiving finance because of education.

Table 13: Person Correlation for Intellectual Capital Attributes

	Mean rating	Strength of association-r coefficient
My schooling has helped me understand my business	3,6	0,5789
My tertiary education has assisted me in understanding how to run my business	3,6	0,5497
My education has helped me find out about financial resources for my business	3,4	0,5116
Attending business classes has provide me with the knowledge needed to run my own business?	3,8	0,3246
I received finance for my business because I am educated	2,5	0,2445

In conclusion, schooling and tertiary education have been shown to have strong effects on the participants understanding of how to run their own business and find out about financial resources to assist them. Business classes however, had a lessor effect for the participants but a large percentage of the participants still perceived these classes to be beneficial for them. Hypothesis 1, *The relationship between the amounts of explicit formal intellectual capital an entrepreneur possesses is positive in relation to the financial opportunities identified* is supported by the evidence in these results.

4.5 Results pertaining to Hypothesis 2

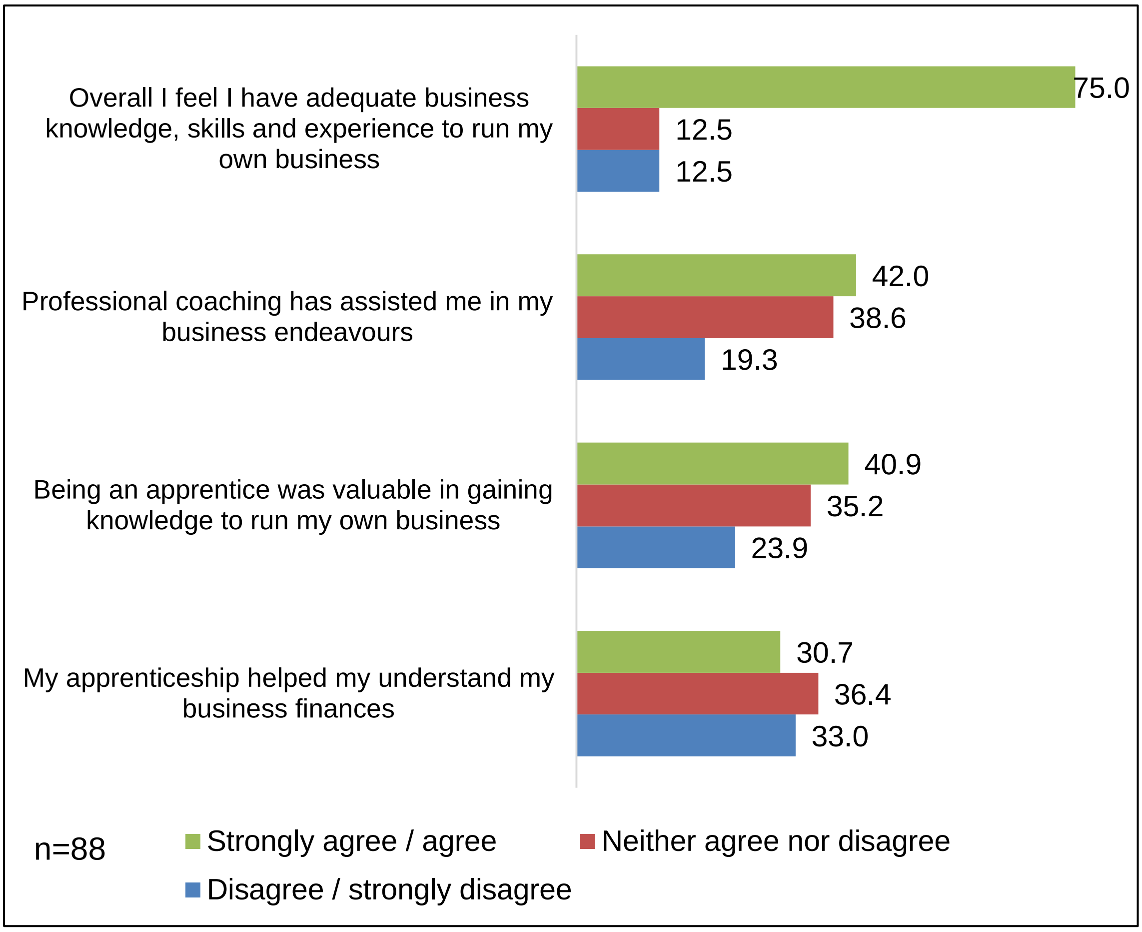
Human Capital representing tacit knowledge as an owner's apprenticeship skill set is positively associated with obtaining finance.

The apprenticeship attributes of human capital which were asked of the participants to investigate hypothesis 2 ***(Human Capital representing tacit knowledge as an owner's apprenticeship skill set is positively associated with obtaining finance)*** were:

- Professional coaching has assisted me in my business endeavours
- Being an apprentice was valuable in gaining knowledge to run my own business
- My apprenticeship helped my understand my business finances

Figure 17 below represents the participant's agreement ratings with these apprenticeship attributes. Only 42% of the participants agree/strongly agree that professional coaching has assisted them in their business endeavours, 40.9% agree/strongly agree that being an apprentice was valuable in gaining knowledge to run their business and 30.7% of them strongly agree/agree that their apprenticeship helped them to understand their business finances. Coupled with these results, a third of the participants also strongly disagreed/disagreed that their apprenticeship helped them to understand their business finances.

Figure 17: Perceptions of Apprenticeship Skills in assisting to run Own Business and Understand Business Finances



To understand the effect of apprenticeship on the participants business knowledge, skills and experience, or human capital, for running their own business, a Pearson Product-moment correlation was calculated.

Looking at the Pearson product-moment correlation for the apprenticeship attributes against the overall perception of having adequate intellectual capital (table 8), no high correlations are apparent. All apprenticeship effects were small with apprenticeship helping to understand business finances being the largest effect with an r coefficient of 0.2950. Professional coaching assisting in business endeavours had an r coefficient of 0.2443, and a very small correlation was apparent for gaining knowledge to run own business through being an apprentice (r=0.1069).

Table 14: Person Correlation for Intellectual Capital Attributes

	Mean rating	Strength of association- r coefficient
Professional coaching has assisted me in my business endeavours	3,4	0,2443
Being an apprentice was valuable in gaining knowledge to run my own business	3,2	0,1069
My apprenticeship helped my understand my business finances	3,0	0,2950

When looking at the participants perceptions of the apprenticeship assisting them in their business endeavours, in gaining knowledge to run their own business and in helping them understand their business finances, coupled with the low r coefficient effects on overall human capital, Hypothesis 2 (*Human Capital representing tacit knowledge as an owner's apprenticeship skill set is positively associated with obtaining finance)* there is little evidence to support this hypothesis.

4.6 Results pertaining to Hypothesis 3

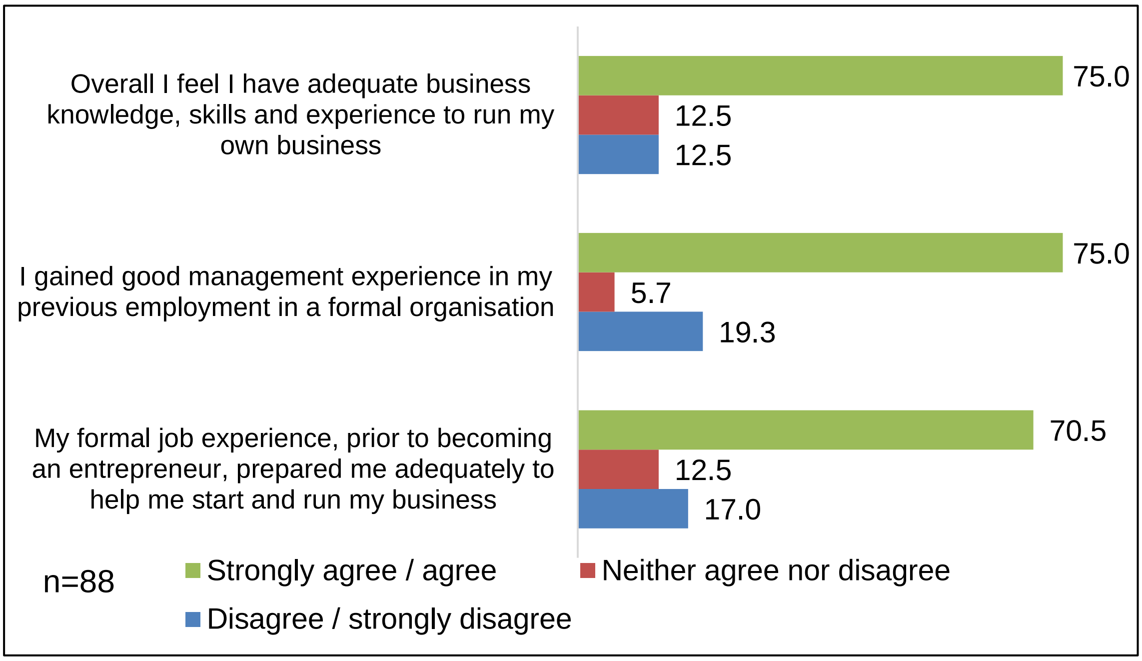
Human Capital representing prior industry-specific work experience is positively related to obtaining financial resources.

Two attributes relating to prior industry-specific work experience were asked of the participants to investigate hypothesis 3 (*Human Capital representing prior industry-specific work experience is positively related to obtaining financial resources)*. These attributes were:

- My formal job experience, prior to becoming an entrepreneur, prepared me adequately to help me start and run my business
- I gained good management experience in my previous employment in a formal organisation

Figure 18 below represents the participant's agreement ratings with these prior industry-specific work experience attributes. There is very strong agreement that prior industry-specific work experience has assisted the participants in having the business knowledge, skills and experience to run their own business. 75% of the participants indicated that the management experience they gained in their previous employment in a formal organisation, and 70.5% of the participants indicated that the formal job experience prior to becoming and entrepreneur prepared them adequately to start and run their own business.

Figure 18: Perceptions of Prior Industry-Specific Work Experience in assisting to run Own Business and Understand Business Finances



A Pearson product-moment correlation for these prior industry-specific work experience attributes (table 15) indicated a very strong effect (r=0.4365) for formal job experience preparing the participants for their entrepreneurship endeavours. However, only a small effect was apparent for gaining good management experience in previous employment (r=0.2421).

Table 15: Person Correlation for Prior Industry-Specific Work Experience Attributes

	Mean rating	Strength of association-r coefficient
My formal job experience, prior to becoming an entrepreneur, prepared me adequately to help me start and run my business	3.9	0.4365
I gained good management experience in my previous employment in a formal organisation	3.9	0.2421

The results are inconclusive for hypothesis 3 **(*Human Capital representing prior industry-specific work experience is positively related to obtaining financial resources)*** as they indicate that formal job experience has a strong positive effect on overall business knowledge, skills and experience but that management experience gained in previous employment has a weak effect on overall business knowledge, skills and experience.

4.7 Results pertaining to Hypothesis 4

There is a positive relationship between an owner's entrepreneurial skill set and identifying financial access opportunities.

Looking at the entrepreneurial skill set of the entrepreneurs, elements of both human and social capital need to be considered. Two attributes relating to human capital and four elements of social capital were identified to test hypothesis 4 ***(There is a positive relationship between an owner's entrepreneurial skill set and identifying financial access opportunities)*.** These human capital attributes were:

- I gained good management experience in my previous employment in a formal organisation
- I understand my business's finances well

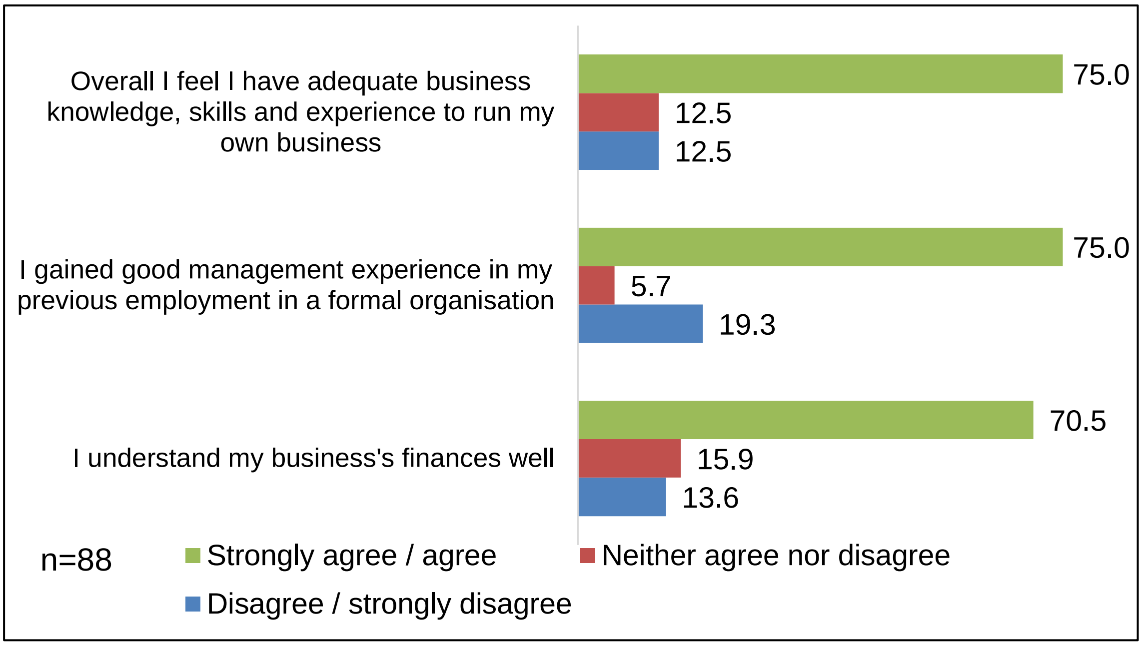
The social capital attributes were:

- I am aware of development finance opportunities (e.g. Khula Enterprise Finance)
- I have strong relationship with my business bank

- I have developed a management style similar to that of a business person I admire
- I am sought after in my community and network to assist other entrepreneurs access business finance

Figure 19 below represents the participant's agreement ratings with the human capital elements of the participants entrepreneurial skills set. There is very strong agreement that the participant's human capital elements of their entrepreneurial skill set has assisted them in having the business knowledge, skills and experience to run their own business. 75% of the participants indicated that they gained good management experience in their previous employment in a formal organisation, and 70.5% of them indicated that they understand their business finances well.

Figure 19: Human Capital Elements of Entrepreneurial Skills Set assisting to run Own Business and Understand Business Finances



In order to understand the strength of these entrepreneurial skills for having adequate business knowledge, skills and experience to run their own business, a

Pearson Product-moment correlation was calculated (table 16). The entrepreneurs understanding of business finances has a very strong effect (r=0.6641) towards having adequate business knowledge, skills and experience to run their own business. However, gaining good management experience in previous employment only had a small effect (r=0.2421) on their overall ability to run their own business.

Table 16: Person Correlation for Prior Industry-Specific Work Experience Attributes

	Mean rating	**Strength of association- r coefficient**
I gained good management experience in my previous employment in a formal organisation	3,9	0,2421
I understand my business finances well	3,8	0,6641

Figure 20 below represents the participant's agreement ratings with the social capital elements of the participants entrepreneurial skills set. Agreement is not very strong that the participant's social capital elements of their entrepreneurial skill set has assisted them in having learnt a lot about business. Less than half (45.9%) strongly agree/agree that they have developed a management style similar to that of a business person they admire. 45.9% also agree that they have a strong relationship with their business bank but 24.7% disagree. Awareness of development finance opportunities was also only agreed by 43.5% of the participants and 31.8% disagreed that they had this awareness. Very few (28.2%) agreed that they were sought after in their community and network to assist other entrepreneur's access business finance. The social capital elements of the entrepreneurs skill sets therefore appears to have little effect on their learnings of how to run their businesses and finances.

In order to decipher the strength of effect of these attributes, the Pearson Product-moment correlation was calculated for each attribute against the overall perceptions that the entrepreneurs have learnt a lot about business through their family, friends and networking associations (table 11). The attributes with a medium strength correlation to the overall were having a strong relationship with their business bank (r=0.4784), developing a management style similar to a business person they admire (r=0.4066), and being sought after in their community and network to assist other entrepreneurs access business finance (r=0.3454). Being aware of development finance opportunities showed a weak strength of association (r=0.2639).

Figure 20: Perceptions of Social Capital Elements of Entrepreneurial Skills Set providing Learning for Running Own Business and Finance

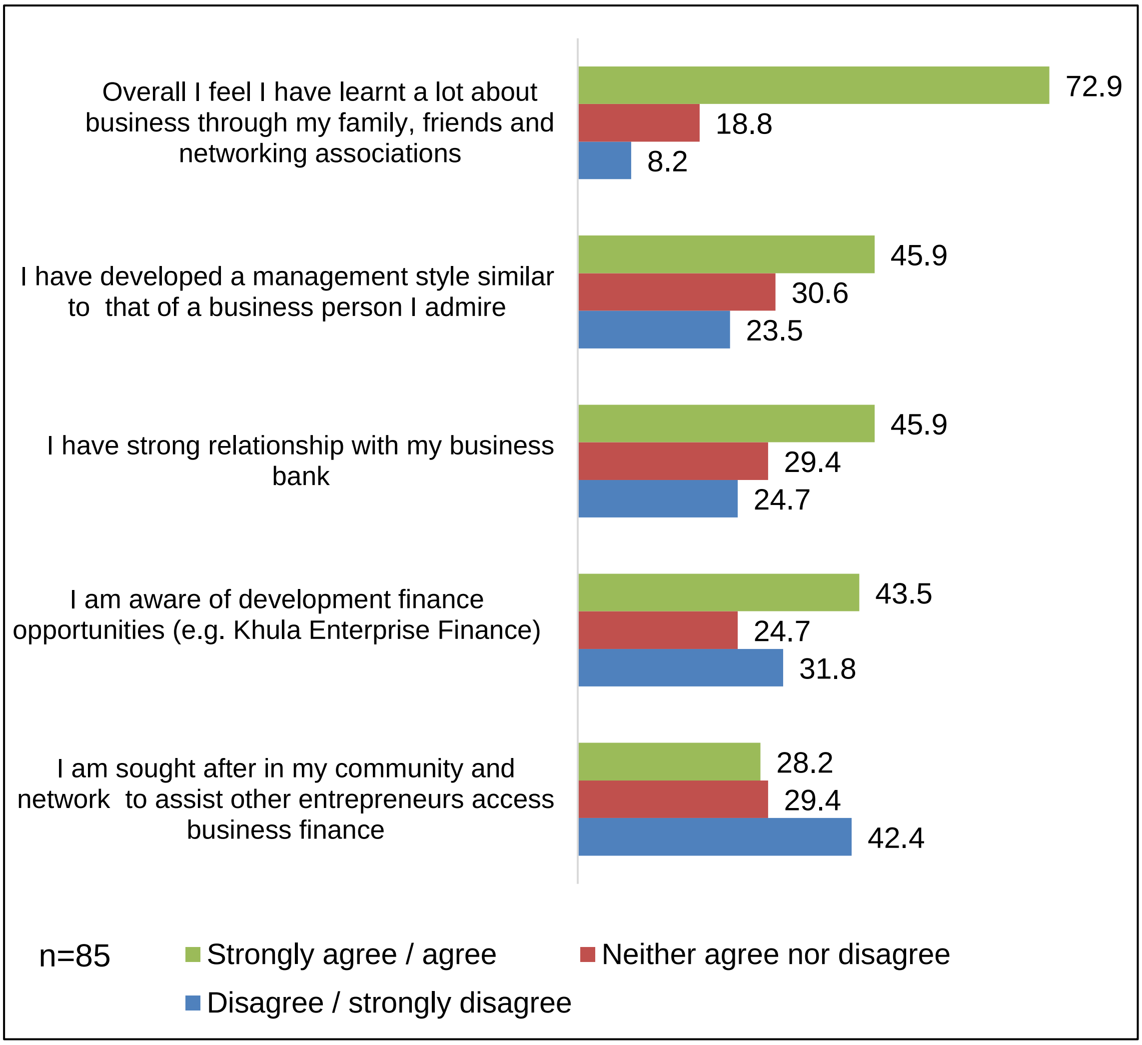


Table 17: Person Correlation for Social Capital Elements of Entrepreneurial Skills Set providing Learning for Running Own Business and Finance

	Mean rating	Strength of association- r coefficient
I have strong relationship with my business bank	3.3	0.4784
I have developed a management style similar to that of a business person I admire	3.3	0.4066
I am sought after in my community and network to assist other entrepreneurs access business finance	2.8	0.3454
I am aware of development finance opportunities (e.g. Khula Enterprise Finance)	3.2	0.2639

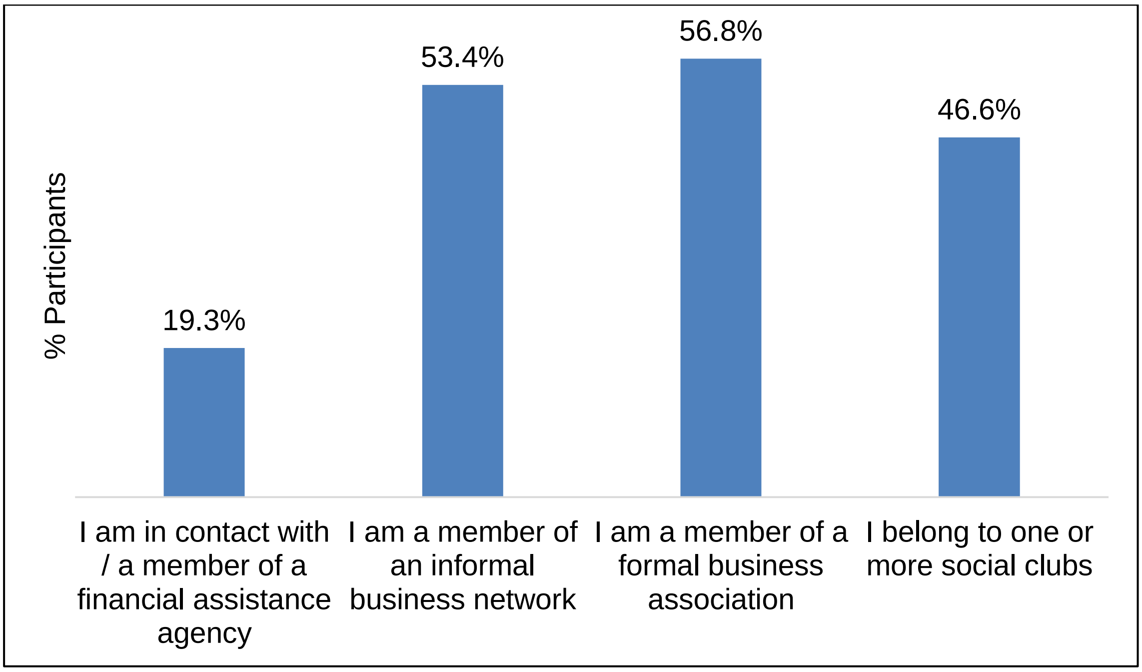
With the high agreement for the human capital elements and the strong effect of understanding business finances well, there is evidence that ***there is a positive relationship between an owner's entrepreneurial skill set and identifying financial access opportunities*** as stated in hypothesis 4. With the social capital elements, the evidence is not clear as there was fairly small agreement of the social capital elements and no strong effect from the Pearson Correlation coefficients. The highest correlation however was having a strong relationship with their business bank. Hypothesis 4 should therefore be considered to be accepted with the premise that only certain elements of human and social capital provide the participants with entrepreneurial skills which assist them in identifying finance access opportunities.

4.8 Results pertaining to Hypothesis 5

The higher the number of weak ties SA Woman SMME owner possesses, the more financial access opportunities she will identify.

Many participants were members of various associations or bodies (figure 21). More than half were members of a formal business association (56.8%) or an informal business network (53.4%). Just under half (46.6%) were members of one or more social clubs but only 19.3% were in contact with or a member of a financial assistance agency.

Figure 21: Association or Membership with Various Bodies

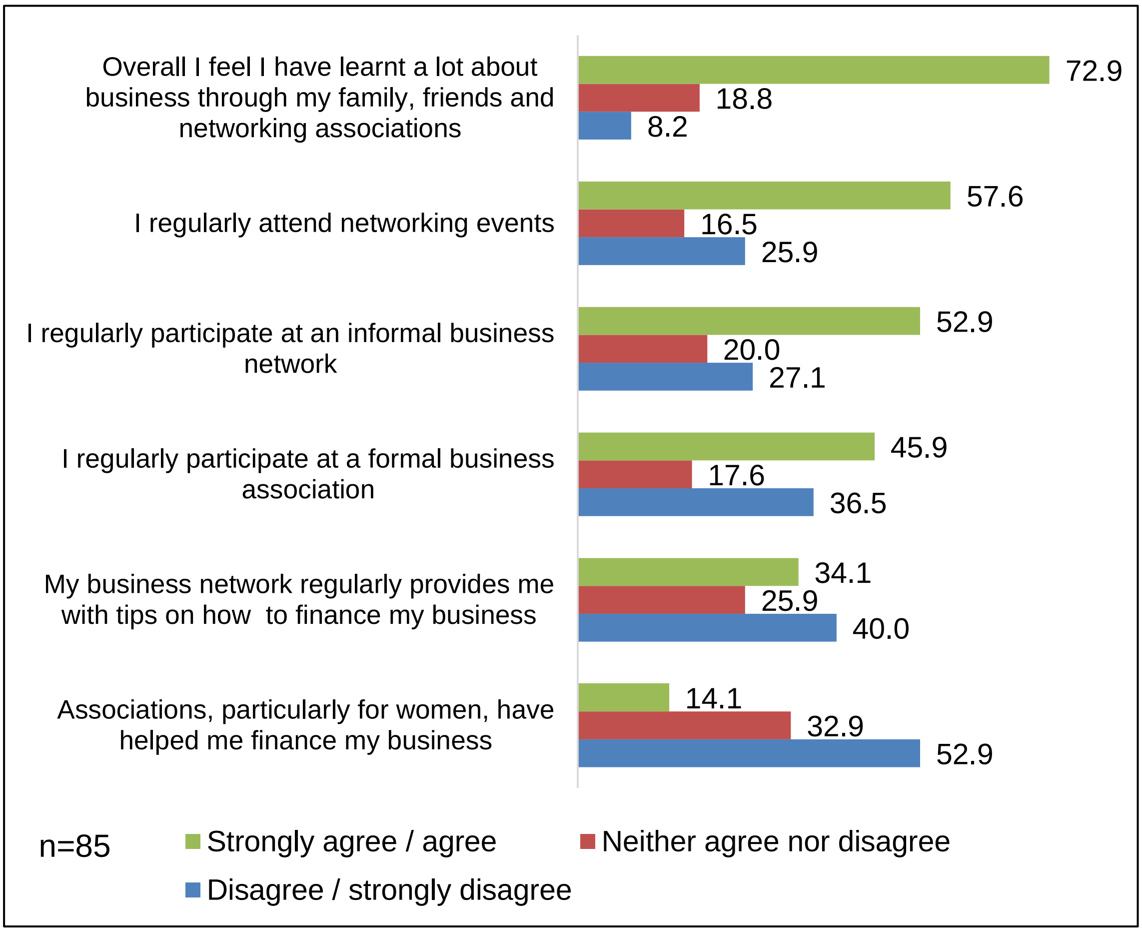


Five social capital elements were identified to investigate how the weak ties entrepreneurs have, assist them in gaining learning for running their own business and finance. The elements identified to test hypothesis 5 (***The higher the number of weak ties SA Woman SMME owner possesses, the more financial access opportunities she will identify)*** were:

- I regularly attend networking events
- I regularly participate at an informal business network
- I regularly participate at a formal business association
- My business network regularly provides me with tips on how to finance my business
- Associations, particularly for women, have helped me finance my business

More than 50% of the participants strongly agree/agree that they regularly attend networking events (57.6%) and regularly participate at informal business networks (52.9%) (Figure 22). Slightly less than half the participants (45.9%) regularly participate at formal business associations and a third (34.1%) agree that their business network regularly provides them with tips on how to finance their business. Only 14.15 of the participants agree that associations, particularly for women, have helped them finance their business. It is important to note that there was also a high percentage of participants who strongly disagreed/disagreed with some of these elements. More than half (52.9%) disagreed that associations, particularly for women have helped them finance their business, 40% disagreed that that their business network regularly provides them with tips on how to finance their business and 36.5% disagree that they regularly participate in formal business associations.

Figure 22: Perceptions of Weak Social Capital Ties Assisting to run Own Business and Understand Business Finances



The Paerson Product-moment correlation coefficient was calculated on these elements against their overall perception that they have learnt a lot about business through their family, friends and networking associations, or in essence have learnt necessary skills to run their business and finance through their weak tie networking (table 12). The results indicate a strong effect of regularly participating at formal business associations to having learnt a lot about business and finance from family, friends and networking associations (r=0.5322). Medium strength attributes were regularly attending networking events (r=0.4557), business network providing regular tips on how to finance business (r=0.4205), and regularly participating at informal business networks (r=0.4104). Association, particularly for women, helping to finance business had a very weak correlation (r=0.1827).

Table 18: Pearson Correlation for Weak Social Capital Ties Assisting to run Own Business and Understand Business Finances

	Mean rating	Strength of association- r coefficient
I regularly participate at a formal business association	3.1	0.5322
I regularly attend networking events	3.5	0.4557
My business network regularly provides me with tips on how to finance my business	3.0	0.4205
I regularly participate at an informal business network	3.4	0.4104
Associations, particularly for women, have helped me finance my business	2.4	0.1827

Hypothesis 5 ***(The higher the number of weak ties SA Woman SMME owner possesses, the more financial access opportunities she will identify)*** is accepted due to the high percentage of participants that are members of associations or clubs as well as the high and medium effects reflected in their networking activities on their learning about business.

4.9 Results pertaining to Hypothesis 6

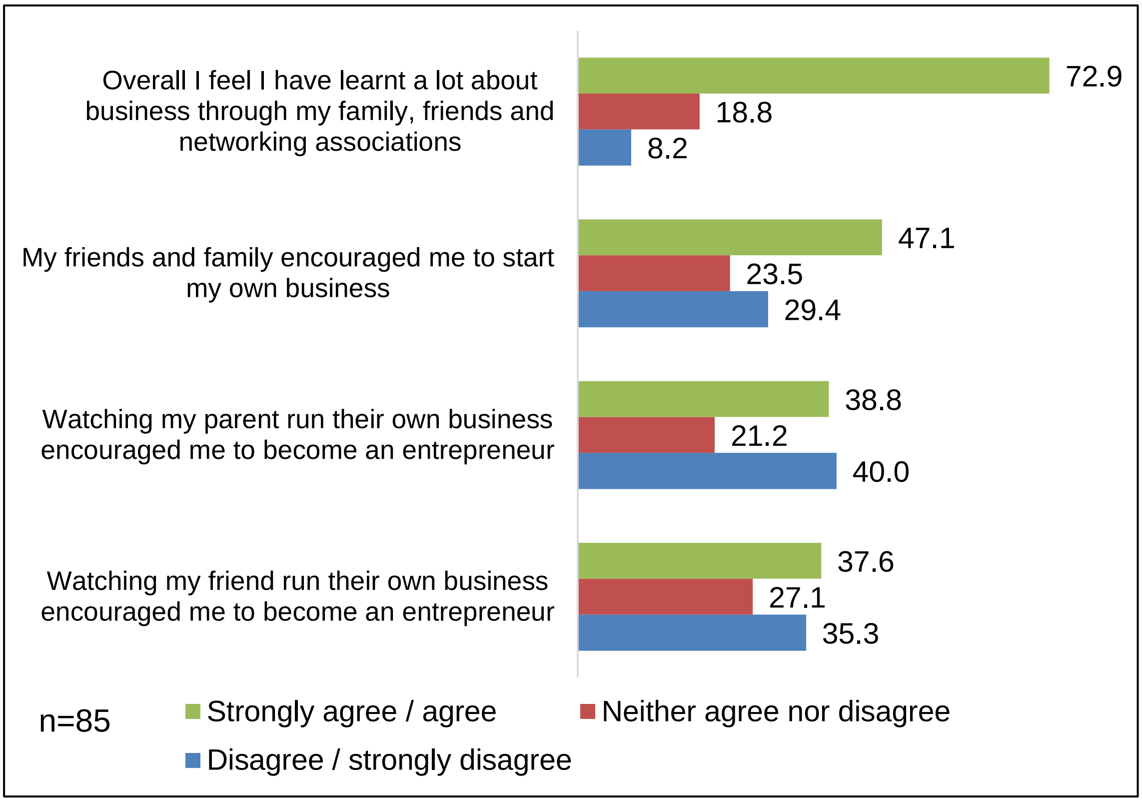
There is a positive relationship between the number of strong ties an entrepreneur possesses and the financial resources obtained.

The strong networking ties attributes which were asked of the participants to investigate hypothesis 6 **(*There is a positive relationship between the number of strong ties an entrepreneur possesses and the financial resources obtained)*** were:

- Watching my parent run their own business encouraged me to become an entrepreneur
- Watching my friend run their own business encouraged me to become an entrepreneur
- My friends and family encouraged me to start my own business

Less than half the participants agreed that their strong ties assisted them in starting and running their own business (figure 23). Only 47.1% agreed that their friends and family encouraged them to start their start their own business, 38.8% agreed that watching their parents run their business encouraged them to become entrepreneurs and 37.6% agreed that watching their friends run their own business encouraged them to become an entrepreneur. In addition, 29.4% disagreed that their friends and family encouraged them to start their start their own business, 40.0% disagreed that watching their parents run their business encouraged them to become entrepreneurs and 35.3% disagreed that watching their friends run their own business encouraged them to become an entrepreneur.

Figure 23: Perceptions of Strong Social Capital Ties Assisting to run Own Business and Understand Business Finances



The Person Product-moment correlation coefficient was calculated on these elements against their overall perception that they have learnt a lot about business through their family, friends and networking associations, or in essence have learnt necessary skills to run their business and finance through their strong ties (table 19). The results indicate only medium effects of watching their parent run their own business encouraging them to become an entrepreneur against having learnt a lot about business and finance from family, friends and networking associations (r=0.3829), watching their friend run their own business encouraging them to become an entrepreneur (r=0.3466) and friends and family encouraging them to start their own business (r=0.3252).

Table 19: Person Correlation for Weak Social Capital Ties Assisting to run Own Business and Understand Business Finances

	Mean rating	Strength of association-r coefficient
Watching my parent run their own business encouraged me to become an entrepreneur	3.0	0.3829
Watching my friend run their own business encouraged me to become an entrepreneur	3.1	0.3466
My friends and family encouraged me to start my own business	3.3	0.3252

Hypothesis 6 ***(****There is a positive relationship between the number of strong ties an entrepreneur possesses and the financial resources obtained****)*** is inconclusive. Strength of effects are only medium correlation strengths and agreement ratings are for less than 50% of the participants. It cannot be concluded that the number of strong ties a SA woman SMME owner possesses, the more financial resources she obtains through her learning from these strong ties.

4.10 Summary of the results

All participants in the survey were entrepreneurs and found to have a fair sense of business related issues. All participants were based in and around Johannesburg. The majority (73.3%) were 30 to 49 years old and the largest race group of entrepreneur was the Black African (42.6%) followed by the White (38.6%) race group. The participants worked in a large variety of business areas and the majority (86.9%) has some form of tertiary education. Business courses were also widely attended by the participants.

More than half (56.5%) the participants had looked for financial advice at some point and had been to various sources of information to obtain this advice. 34.1% has applied for finance for their business and 59.4% of them had received this finance.

The participants were fairly knowledgeable about various finance options available to them with only factoring and trade credit receiving low knowledge ratings of 2.3 and

2.5 out of 5, respectively. No significant differences were observed in the participant's knowledge of finance in relation to their levels of education or number of business courses attended.

Hypothesis 1: *The relationship between the amounts of explicit formal intellectual capital an entrepreneur possesses is positive in relation to the financial opportunities identified* - has been accepted. It was found that the participants strongly agreed that their schooling and tertiary education assisted them in running their own businesses. The strength of impact reflected in the correlation co-efficient supported this with schooling and tertiary education having strong effects on the participant's perceptions of having adequate business knowledge, skills and experience to run their own business.

Hypothesis 2: *Human Capital representing tacit knowledge as an owner's apprenticeship skill set is positively associated with obtaining finance* – has been rejected. Low agreement ratings from the participants and small strength of effects on the participant's perceptions of having adequate business knowledge, skills and experience to run their own business were observed.

Hypothesis 3: *Human Capital representing prior industry-specific work experience is positively related to obtaining financial resources.*
– was inconclusive. There was a high agreement rating from the participants that their prior work experience has assisted them in their entrepreneurial endeavours and that they gained valued management experience in their previous work, but the strength of effect for these gaining valuable management experience was contradictory in that there was a weak relationship with their perceptions of having adequate business knowledge, skills and experience to run their own business.

Hypothesis 4: *There is a positive relationship between an owner's entrepreneurial skill set and identifying financial access opportunities* – has been accepted with the premise that only certain elements of human and social capital provide the participants with entrepreneurial skills which assist them in identifying finance access opportunities. There was high agreement and high correlation reflected with the human capital elements of the participant's skill set and a borderline high correlation with the participants having a strong relationship with their business bank (social capital). However the other skills set elements of social capital had low agreement and no strong correlation coefficient.

Hypothesis 5: *The higher the number of weak ties SA Woman SMME owner possesses, the more financial access opportunities she will identify.*
– is accepted due to the high percentage of participants that are members of associations or clubs as well as the high and medium correlations that are observed between the participants weak ties and their perceptions of having learnt a lot about business through their family, friends and networking associations.

Hypothesis 6: *There is a positive relationship between the number of strong ties an entrepreneur possesses and the financial resources obtained* – is inconclusive. Low percentages of the participants were in agreement that their strong ties assisted them in learning how to run their businesses and the strength of correlations for their strong ties was only of a medium strength.

CHAPTER 5. DISCUSSION OF THE RESULTS

5.1 Introduction

This chapter discusses the results of the study. The data on human capital as a determinant to access finance for women entrepreneurs in South Africa is interpreted and discussed. For an easy understanding of the data set, it is summarised simply. The results discussed in this chapter formed the basis for the next chapter where the conclusion and recommendation were dealt.

The objective of the study was to further understand the barriers that are highlighted within South Africa to accessing finance for women entrepreneurs: human capital and social capital. Research supported the theory that women have been impeded from acquiring adequate levels of human capital because of different social and cultural structures (Chusmir, 1983). Social capital was therefore studied also as a component of human capital. These factors were studied with the objective to understand how either of these capital factors determines access to finance.

As women are an emerging sector in the global business environment, the study focused on women entrepreneurs only as they represent more than half of the population of South Africa. Women are seen to generally lack the resources they require to necessitate a start-up and develop it into growth stage. Resources that are critical for success in the entrepreneurial process are human capital and social capital the women possess. The focus was therefore to analyse these factors within the context of Johannesburg, South Africa.

The research was conducted via an online survey for ease and timeline efficiency and was conducted with respondents who were affiliated to several groups which were networks, support programs or incubation hubs for women entrepreneurs. The data was gathered through a questionnaire where the entrepreneurs were asked to answer in relation to their own human and social capital. Descriptive statistics was used in describing the basic features of the study through summaries of the sample and its measures and inferential statistics were then used to make predictions or inferences about the population of entrepreneurs that was observed.

A discussion of the findings was conducted in this chapter. The demographic results were discussed and then followed by interpretation of the hypotheses , integrated with literature on entrepreneurship, women-owned business and human and social capital theory. The research conclusions and recommendations are presented in Chapter 6

5.2 Demographic profile of respondents

The achieved sample size was 101 participants that completed the survey questionnaire of which 85 completed full questionnaires. The respondents race groups were black African (42.6%) followed by White (38.6%), a small number of Indian (9.9%), Coloured (5.9%), Asian (2.0%) and other (1.0%)

5.3 Discussion pertaining to Hypothesis 1

A spread of only 31% had applied for finance with only 60% being successful. This is in line with the fact that many start-ups are funded by angel investors mainly friends and family. The difficulty in accessing finance as a start-up could be the lack of surety or security shown in the access to finance credit rationing theory. Start-ups are in a conundrum there they need finance to enable their business and pay any suppliers however being new with no assets they are unable to borrow due to financial institutions requiring surety for a loan. Family and friends and the entrepreneurs own financial resources are usually the source of finance that entrepreneurs rely on when they are in start-up phase as shown in the results.

There are several options for finance which were presented in the research to ascertain the knowledge levels of the entrepreneurs regarding these. Of the 11 different finance options only three were widely known by the entrepreneur. This could show that these entrepreneurs require more information and knowledge regarding their options as a business. This limited knowledge could affect the entrepreneurs in that they are they will not be able to attain the finance they require to start-up their businesses. This could be reflected in the figures for women-owned businesses in South Africa being at 38 % (FNB 2011). It could also be a reflection of why South Africa is below par in comparison to other sub-Saharan countries (GEM 2013).

The credit options which the respondents showed as knowledgeable on were financial institution products from banks such as bank loans, credit cards and overdrafts. There is scope therefore for the banking industry in South Africa to leverage off this. Most people first approach their financial institutions for an extension of cash when they require it. Knowing this, banks could use this and provide further support and structured programmes to assist their small business clients more who come to them for finance. The respondents were rated medium in their knowledge of other types of credit such as debt equity, and grants. South Africa has many grant programmes specific to new entrepreneurs however there is a knowledge gap in that entrepreneurs could feel they are not confident to approach these institutions due to their lessened knowledge of how they are structured and what their terms are like. The results of whom to approach when they would like access to finance to the forms of finance listed are closely rated. This shows that the respondents do not know where to access the capital itself as they are not knowledge of the form of finance ether.

What is interesting to note is that there was no significant difference to their level of education and their knowledge of finance facilities. The assumption would be that having less education would mean an entrepreneur could therefore not be able to know of options that are available to them differing in complexity. However this might not be so because although knowledge as a whole was at 30%, this knowledge could have been based off a lack of information filtration or social networks that could assist in providing information. This therefore could be an issue of information asymmetry rather than a deduction that lower levels of education attained result in less knowledge of financial instruments to use as most agreed business skills classes and not formal education helped them understand their businesses. This provides an opportunity for all support programmes and government programmes such as SEDA and Khula to spread their information web and structures providing information sessions to all levels of educated or non-educated women within South Africa. There is an opportunity also to expand reach to small informal trade entrepreneurs who might need other information but due to reach and a lack of knowledge of whom to approach they lose out on pertinent information. This is important in South Africa given the identified low education levels of the population at large.

This notion is further supported by the fact that there was a slight difference in knowledge of finance products and accessibility in those that had attended business classes. The change was noted in that they were more knowledgeable of 7 of the financial choices with an increase of knowledge shown for the more complexly structured finance options. This could show that incubation programmes are a vital arm for information filtration for entrepreneurs. Most incubation hubs have supporting skills programmes where the basics of financial management, accounting and business plan writing are offered for many in these hubs. It however must be noted that the sample consisted of entrepreneurs who also where from a database of incubation programme within Johannesburg and this could be reflecting in the results. What is shown therefore is that there could be a need for more business skills supports programmes or assistance in the increase in their accessibility within Johannesburg. The supposition would be that more business skills would provide a platform for enquiry and would also provide information necessary to increase financial access knowledge.

What is surprising to note is that those who had not attending business skills classes had more knowledge of whom to approach when finance is required. These results could align to the premise of an entrepreneurs self-efficacy rather than the knowledge in that entrepreneurs are confident in their capabilities and have confidence when they start-up a business. This could mean that these respondents although having not attended business classes they feel they know whom to approach as the questionnaire asked their level of what they feel regarding knowledge. It could also reflect that their knowledge could be a result of an extended social network where they might within their networking discuss options of where to go for finance. This does no measure their knowledge of the actual financial instrument as shown in the data but rather shows their confidence in their knowledge attained elsewhere outside formal business classes.

Using the Pearson coefficient measure there was a high positive correlation between the level of education of formal education termed explicit human capital and this having assisted the entrepreneur how to run their business and to understand their business. This is acknowledged in there literature where studies have shown that a higher level of education allows an entrepreneur to increase their capability in opportunity discovery and the exploitation of these results. (Jones et al, 2010; Mosey Wright 2007); Serneels 2008). Education the higher you go to tertiary is structured around problem solving and with these skills the research shows that the higher the level the respondents have in education the more they felt education assists them in their business running. Therefore if there are entrepreneurial advantages in the economy, the higher the entrepreneur is educated the more they are able to perceive these opportunities to assist in understanding a running their businesses.

What is of interest however is that there was a low correlation using the Pearson coefficient measure between the education and ability to access finance for entrepreneurs. This therefore does not support the hypothesis that more education results in actually accessing finance for the entrepreneur. This observation could be in line with the theory that the human capital theory does not assume the effect of the social systems on the human capital utilisation one accumulates. An accumulation of knowledge as argued in the study (Toth 2012) does not mean that the entrepreneur can exploit this accumulation for success. Although higher levels of education can increase the self-efficacy and confidence in the entrepreneur to start-up a business, the theory could be supported by this research that the formally educated entrepreneur at tertiary level does not necessarily have a further advantage when accessing finance. An entrepreneur therefore potentially requires other knowledge and capital than explicit intellectual capital exclusively.

5.4 Discussion pertaining to Hypothesis 2

Tacit knowledge is human capital gained through experience in a field or industry. Studies have shown that experience in an industry often allows the entrepreneur to have an advantage in the understanding of their own businesses specifically if they go into those industries. High technology firms have shown this to be an important variable for entrepreneurs. The research reflected this and supports these theories in the agreement ratings, that there were a higher percentage of respondents who felt that industry coaching and apprenticeship attributed to their understanding of their businesses. Also noted is that there was less of an agreement when the entrepreneurs responded to prior knowledge increasing their understanding of their business finances. This could be that financial management as a skill is not always attained in certain fields and industries that an entrepreneur might have worked in or did their apprenticeship in.

A Pearson product-moment analysis of intellectual capital and tacit human capital in the form of apprenticeship showed no high correlations overall. The low correlation being that; apprenticeship knowledge helped to run the entrepreneurs business and the lowest being the ability to access finance. A study by Dr Jayawarna on Human capital potential (2004) showed that experience gained as an apprentice was a high determinant of entrepreneurship. This has a positive effect on business ownership. However the results of this study show that although apprenticeship contributed to the understanding of their businesses, there was no significant association between apprenticeships and the ability to manage their business finances nor ability to access capital. This is shown by the low r coefficient on overall human capital; the lowest being apprenticeship as having helped to understand the respondents business finances. These results show the hypothesis is not supported as there no correlation evident in the results.

It however has to be noted that the sample had only 1% in the information technology industry. Further research within on high-technology firms would be interesting to see if the theory argued by Timmon's (1994) that technological backgrounds do not make entrepreneurs necessarily strong in general management, marketing and finance and between an entrepreneur's apprenticeship prior experience and ability to access finance for their business is proved

5.5 Discussion pertaining to Hypothesis 3 and 4

Becker (1964) argued that specific vocational experience is theoretically predicted to increase human capital. There are few in support of this statement but studies in entrepreneurship show that general experience while formally employed and managerial experience are linked to entrepreneurial activity (Cooper & Woo, 1997). A Pearson product moment correlation done in the study of r=0.4365 strongly supports this theory.

Formal job experience has a strong positive effect on overall business knowledge, skills and experience but that management experience gained in previous employment has a weak effect on overall business knowledge, skills and experience therefore the evidence to support Hypothesis 4 holistically is inconclusive: (Human Capital representing prior industry-specific work experience is positively related to obtaining financial resources:

Human capital has to be seen holistically through other skills and not as a singular function. Entrepreneurs must be able to market their products and services and connect with clients and customers. (Gold et al., 2008). With the high agreement for the human capital elements and the strong effect of understanding business finances well, Hypothesis 4 show evidence that there is a positive relationship between an owner's entrepreneurial skill set and identifying financial access opportunities

The result supports the literature that prior knowledge gained through employment may increase an owner's entrepreneurial ability to realise opportunities to exploit, such as access to finance (Shane 2000). The results reflect that that formal employment has a strong agreement rating in business experience and managerial experience to run their own businesses. Previous research finds a positive correlation between human capital and entrepreneurial activity. Cooper and Dunkelberg (1986) found that entrepreneurs usually started ventures based of their previous occupation in employment. This is supported by this study in that there was a strong agreement in that former occupations were seen to have contributed positively to the skills required and the ability to run and understand their own businesses. There are studies which have shown that previous experience working in an industry or managerial experience is significant linked to entrepreneurial activity (Bates, 1995, Robinson and Sexton), however there are still mixed results. There are conflicting results that can be found in the empirical evidence. For example a study by Preisendorfer and Voss (1990) showed that at different stages of the entrepreneurial process there could be different types of human capital required at each stage. This study did not fragment the entrepreneurial process so this could be variant that will show in the result.

It can be expressly noted that the theory of prior formal employment knowledge is supported decidedly in high-technology industries where some studies argued that prior industry knowledge is highly essential and contributes positively to the entrepreneur's human capital (Colombi and Grilli, 2005a, Feeser and Willard 1990). A study by Colombo and Grilli (2010) on founders' human capital and venture capital entrepreneurs in high-technology industries ranked past experience gained or prior knowledge in an industry as a high requirement when accessing finance.

The sample of this study had only 1% of respondents in the sample who were in the Information Technology industry. The low number of women in information technology could be a reflection of the education gap within South Africa where maths and science were shown to be the subjects lowest passed or studied (GEM 2012). Complementary content-specific knowledge has been acknowledged as crucial for an entrepreneur in a complex high-technology environment and would assist identify new business in that industry like technology, which is in a very uncertain business environment and exploit them. There is an opportunity here for encouragement for women to enter the technology or information technology field if they have studied sciences and technology or worked in these previous industries. South Africa could look at maths and science programmes at basic education levels to increase literacy and understanding and provide educational support for students studying sciences and technology. Corporates could also incentivise women into graduate programmes in technology industries with the preposition that this industry knowledge could therefore in the future in an equal gender weighting within the technology industries in the country.

5.6 Discussion pertaining to Hypothesis 5

Hypothesis 5 proposed that the higher the number of weak ties a SA Woman SMME owner possesses, the more financial access opportunities she will identify. A high percentage of participants showed that they had a high level of weak ties. They confirmed that they attended networking events, were part of business networks and participate in formal business associations. However this result could have been a consequence of the sample who responded to the survey. The entrepreneurs originated from database listings of centres which are affiliated to the incubation of entrepreneurs possibly skewing the answers and showing a high prevalence belonging to an association. Courthard and Loos (2007) described networking for entrepreneurs as the ability to connect and build relationships with individuals around them. The benefits being that there is a flow of information amongst those relationships that can assist in reducing any information asymmetry that might occur regarding access to capital. This finding is in agreement with existing literature where social capital is evidently positive in the extracting of benefits from one's surroundings. Davidson and Honig (2003) explain it from an entrepreneur's perspective in that social capital aids the discovery of opportunities and in exploiting scarce resources. Personal contacts from frequent interactions can provide an informal information line to accessing entrepreneurial finance (Guso et l., 2004). The implication is that entrepreneurs should continue to actively pursue and develop social relations around them and manage these effectively as a resource valuable to them.

Although the majority of the respondents were part of social networks, there were fewer who agreed that associations particularly for women assisted them in accessing finance for their business. This study showed a low correlation between being part of an association for women and assistance received in get finance for their ventures. This was surprising in that these associations appear not to provide assistance or access to capital as expected of entrepreneurial associations. A point to note is that the data did not ask respondents at what stage they were in their entrepreneurial endeavours: if they were at nascent stage of growth phase when they accessed finance. This could be a factor that could have reflected in this low correlation as start-ups might receive less financing due to their lack of surety or security for their borrowing than businesses which are larger and in the growth phase.

Associations are centres for regular interaction and are voluntary and in communities these can be centred on an ethnic community (Urban 2010). Given that South Africa's population has majority an African racial grouping with 42% of the respondents being African females, an assumption of an association could be one of similar background and ethnic communities and may include a stokvel. The term 'association' therefore in South Africa is synonymous with that of 'stokvels'. The oxford dictionary defines a stokvel as a savings or investment society in South Africa where members regularly contribute an agreed amount from which they receive a lump sum payment. These are prevalent in South Africa, providing a billion dollar industry and have increased over the years to approximately 10.5 million in 2003 (UCT 2003 and Future Fact 2002 in Townsen and Mosala 2009). In a study of stokvels on South Africa in 2012, 57% of stokvel participants were female. The assumption therefore would that stokvel's as associations could assist with finances for business for women as the savings are paid out as a lump sum. This would need to be explored in further research as limitation to note is that this study did not look into stokvel's as means to finance business. The implications are such that financial organisations might be missing a catchment of finances which can be formalised to assist in loan surety or deposits. There is an opportunity for further research into whether stokvel's are in particular vehicles used as start-up finance for women entrepreneurs or if they are seen as group funding for other purposes instead.

5.7 Discussion pertaining to Hypothesis 6

Hypothesis 6 proposed a positive relationship between the numbers of strong ties an entrepreneur possesses and the financial resources obtained. The results were inconclusive and revealed only a medium effect in Pearson correlation of strong ties with access to finance. This was surprising as there is an assumption in literature that many start-ups are financed by family's or closes friends of the entrepreneur.

An important factor in a social network is that of trust which is seen as an emollient that holds a network in place (Davidsson & Honig, 2003). It ensures behaviour can be predicted where there is trust. Strong ties an entrepreneur would have are those that are of a closer nature to the entrepreneur for example their family members or close friends where there has been an accumulation of trust over time implicitly or explicitly.

The medium correlation effect on respondents having learnt a lot from watching family and friends is supported in part in a study on the role of human capital and social capital in nascent entrepreneurs. This study showed that encouragement from strong ties of family and friends meant there was a higher probability of entry into entrepreneurship (Davison & Honig 2003)

The family is noted as a primary source of close association and shown to influence the probability of an individual starting up their own venture. (Sanders and Nee, 1996). The results this might mean that although strong ties are important for encouragement and support, close ties themselves do not assist with receiving or accessing finance if it is not from themselves. Strong ties could only provide the confidence and structure for entrepreneurial endeavour in an individual rather than access to capital. This is supported by the Finscope Research in 2010 which found that 70% of black women trust their own experience rather than the advice of others.

The implications are that there is an opportunity to delve into angel capital as a form of start-up finance from strong ties within the South African context through further research. Further research on the effects of network theory and ties per gender is also suggested to fully understand social capital strong ties and if they have a positive influence on accessing finance.

5.8 Conclusion

The findings in this study indicate that Human capital and social capital act as positive determinates to entrepreneurship and financial understanding for women entrepreneurs leading to accessing capital in South Africa. There is reasonable indication to support on this. Human capital and social capital are seen as important in opportunity recognition, the entrepreneurial success, and understanding financial capital. However there are also inadequate findings as to what extent these two capital factors are determinants to access finance.

CHAPTER 6. CONCLUSIONS & RECOMMENDATIONS

6.1 Introduction

This chapter explores the conclusions of the study and provides implications and recommendations for further research work. The limitations of the study are also addressed and future study suggestions presented.

6.2 Conclusions of the study

6.2.1 *Human Capital*

Based on the information obtained from this study it can be concluded that human capital is essential and a key factor in entrepreneurship in the understanding of entrepreneurial processes and the running of a business. The finding was consistent with other studies done previously on Human Capital. Empirical evidence in previous studies showed that the greater the human capital of the founder, the greater they can leverage essential capabilities and skills to grow their businesses (Colombo and Grill 2010).

Formal education, prior industry knowledge and employment and apprenticeship all were rated as important in understanding how to run their businesses and in understanding the finances of their businesses. However this study did not adequately show a high link between human capital and actually receiving finance, contradicting the study by Combo and Grill (2010) that human capital has a positive effect on access to capital.

In this study 56.5% had looked for financial advice for their business with 32% actively seeking finance. This shows that access to capital is key in entrepreneurial growth and start-up. The medium to low knowledge of financial products or instruments showed that although formal education was seen as important for skills to run their businesses and for understanding, it did not conclusively mean that a higher education results in knowing how to access finance. This was supported in the results in that there was a lesser correlation between human capital from higher education and actually receiving finance for their venture.

6.2.2 *Social Capital*

Social Capital is recognised in entrepreneurship as networks, having strong or weak ties that lower some information and other transaction costs (Conning 1998; Stigltz and Weiss).The concept of social capital therefore is to view it as an asset through an individual's connectedness and access to resources in the networks they belong in (Lin 2001). The results reflected this with high agreement from respondents on the importance of social networks and contacts.

This research showed that within the sample there were a high number of women who were part of associations or networks: weak ties. This showed that the perception of reciprocation of knowledge and support is important within these weak ties. They provide a mutually beneficial relationship for both all participants in these networks. However contrary to expectations there was only partial evidence in the research that showed a correlation between being part of these associations and networks and accessing finance. These groups and networks could therefore benefit from this research by including more assistance through the access to finance process and assisting clients not only in the knowledge of business tips and how to run their businesses but also, if access is needed, how they can secure it.

Less than half the participants agreed that their strong ties assisted them in starting and running their own business. 47.1% agreed that their friends and family encouraged them to start their start their own business and 38.8% agreed that watching their parents run their business encouraged them to become entrepreneurs. These results however do not adequately show that close family and friends, strong ties, were instrumental in receiving finance for their entrepreneurial pursuit. There was no qualitative analysis done as to why this perception was so meaning there is further exploration on how culture and societal norms of gender roles within South Africa could possibly affect these strong ties positive contribution to accessing finance.

6.3 Recommendations

This study could assist women entrepreneurs, financial institutions and governmental policy makers to understand some determinants of why access to capital. This is important to understand as access to finance remains a challenge in South Africa for SMMEs as noted in the GEM reports.

Other recommendations are:

- A directory or database of business financiers should be made available and published to enable al entrepreneurs to have adequate knowledge of financial services available to them. These could be disseminated to all formal associations and network organisations for women entrepreneurs.
- Financial institutions could use this research to take advantage of the opportunity women entrepreneurs present. By understanding the social capital implications when accessing finance for entrepreneurs, and the role of stokvels, they can tailor their products specifically to women
- The research showed that higher education did not mean that entrepreneurs understand the various forms of credit and finance available to them. State sponsored agencies could have a collective of information and market their existence extensively.

6.4 Suggestions for further research

There are gaps identified after conducting this study. Stokvels were not analysed or added into the research as means to access capital, given their prevalence and worth, there could be interesting further research that can be done in relations to start-up finance for women entrepreneurs or if they are seen as group funding for other purposes instead.

Further research within Social capital strong ties could be further researched to find out the gap between acknowledging the support of family and close friends and not receiving finance or financial advice from them. The factors that play a part here in relation to culture, gender and the country could be of interest to explore.

The study on the level of human capital in relation to the actual amount received could be of interest. Although noted in this study that education levels and knowledge of financial options were correlated, the extent of this human capital and the amount determined when receiving finance was not studied and therefore could be further explored.

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APPENDIX A

Letter to Respondents

Dear Entrepreneur,

I invite you to please participate in a research study for women entrepreneurs. I am currently enrolled in the Masters in Management Entrepreneurship and New Venture Creation Programme at Wits Business School, Johannesburg and I am in the process of writing my Master's Thesis.

This study will add to the field of Entrepreneurship in the understanding of access to finance for women entrepreneurs. Respondents will have the opportunity to receive feedback regarding the study results if requested via email.

Your participation in this research is completely voluntary. Since the validity of the results depend on obtaining a high response rate, your participation is crucial to the success of this research. This survey will take approximately 15 minutes to complete.

Please be assured that your responses will be held in the strictest confidence and will be anonymous. If the results of this study were to be written for publication, no identifying information will be used. If you have questions or concerns regarding this study please may you contact me the lead investigator.

I hope you will take a few minutes to complete this questionnaire.

https://www.surveymonkey.com/s/woman_entrepreneurs

Sincerely yours,

Kumbirai Kowo

Student Number: 583766

Masters in Management: Entrepreneurship and New Venture Creation

This study has been reviewed and approved by Wits Business School as part of the completion of my Masters in Management and this study meets the ethical obligations required by the university policies.

APPENDIX B

Research Instrument

Questionnaire

Thank you for taking the time to participate in this survey. It should take no more than 15 minutes of your time to complete. We would like to assure you of confidentiality and anonymity. This survey will contribute towards understanding the difficulties that woman entrepreneurs experience in South Africa.

DEMOGRAPHICS

In order to understand a bit about you, please can you answer these demographic questions about yourself?

1. Which of the following areas is closest to where you live?

Residence	
a. Johanessburg CBD and Bruma	
b. Bedfordview	
c. Northcliff and Melville	

d. Roodepoort	
e. Rosebank Parktown Central	
f. Sandton/Bryanston	
g. Fourways/Diepsloot	
h. Soweto	

2. Which of the following areas is closest to where you work?

Work	
a. Johanessburg CBD and Bruma	
b. Bedfordview	
c. Northcliff and Melville	
d. Roodepoort	
e. Rosebank Parktown Central	
f. Sandton/Bryanston	
g. Fourways/Diepsloot	

h. Soweto	

3. In which age group do you fall?

Age Group	
a. 20 - 29	
b. 30 - 39	
c. 40 - 49	
d. 50 and older	

4. What is your marital status?

Marital status	
a. Single	
b. Married	

5. In which race group do you fall?

Race group	

a. Asian	
b. Black African	
c. Coloured	
d. Indian	
e. White	
f. Other	

6. In which of the following fields is your primary business?

Industry	
a. Accounting	
b. Advertising	
c. Agriculture	
d. Arts and crafts	
e. Construction	
f. Computers and IT	

g. Education	
h. Electrical	
i. Employment	
j. Entertainment	
k. Import / Export	
l. Health	
m. Legal services	
n. Manufacturing	
o. Mining	
p. Retail	
q. Secretarial services	
r. Tourism	
s. Transport	
t. Property	
u. Services	

v. Restaurant and food services	
w. Other	

If other, please specify: ……………………………………………………………………

SECTION 2: HUMAN CAPITAL (Intellectual Capital and Experience)

Could you please now tell us about your educational and business background?

7. What is the highest level of education you have completed?

Education	
a. Did not complete primary school	
b. Primary school completed	
c. Some high school	
d. High school with matric	
e. Some Tertiary Education	
f. Diploma completed	
g. Undergraduate Degree completed	

h. Post Graduate Diploma completed	
i. Post Graduate degree completed	

8. Which of the following business classes have you taken for your entrepreneurial pursuit?

Business Classes Attended	
a. Business plan write up	
b. Communication	
c. Financial skills / book keeping	
d. Human Resources	
e. Management, including project management	
f. Marketing	
g. Negotiation	
h. Operations	
i. Sales	
j. None	

9. **Do you have previous start up experience?** Previous start-up experience includes any business you started before up to its running stage

Start-up experience	
a. Yes	
b. No	

10. How knowledgeable are you of the following finance options for your business?

		Very knowledgeable	Somewhat knowledgeable	Fairly knowledgeable	Slightly knowledgeable	Not at all knowledgeable
10.1	Credit line, bank overdraft or credit cards overdraft					
10.2	Grants or subsidised bank loan					
10.3	Bank loan (excluding subsidised bank loans, overdrafts and credit lines)					
10.4	Trade credit					
10.5	Other loan (e.g from a related enterprise or shareholders -not trade credit or from family/ friends					
10.6	Leasing or hire-purchase					
10.7	Debt securities					
10.8	Equity capital					
10.9	Factoring					
10.10	Retained earnings or sale of assets					

10.11	Other sources of financing					

CREDIT LINE: A pre-arranged loan that can be used, in full or in part, at discretion and with limited advance warning
BANK OVERDRAFT: A negative balance on a bank account with or without specific penalties
CREDIT CARD OVERDRAFT: A negative balance on the credit card
GRANTS OR SUBSIDISED BANK LOAN: Involving support from public sources in the form of guarantees, reduced interest rates, loans, etc.
TRADE CREDIT: Purchase of goods or services from another business without making immediate cash payment
LEASING OR HIRE PURCHASE: Obtaining the use of a fixed asset (e.g. cars or machinery) in exchange for regular payments, but without the immediate ownership of the asset
DEBT SECURITIES: Short-term commercial paper or longer-term corporate bonds
EQUITY CAPITAL: Quoted or unquoted shares, preferred shares or other forms of equity provided by the owners themselves or by external investors, including venture capital or business angels
FACTORING: Selling your invoices to a factoring company. This company gets your debt and has to collect it. It will make a profit by paying you less cash than the face value of the invoice
RETAINED EARNINGS OR SALE OF ASSETS: Internal funds like cash or cash equivalent resulting for instance from savings, retained earnings, sale of assets
OTHER SOURCES OF FINANCING: e.g subordinated debt instruments, participating loans, peer-to-peer lending, crowdfunding

11. **Please indicate how knowledgeable are you of whom to approach or where to go for the following sources of financing?**

		Very knowled geable	Somewhat knowledg eable	Fairly knowledg eable	Slightly knowled geable	Not at all knowledg eable
11.1	Credit line, bank overdraft or credit cards overdraft					
11.2	Grants or subsidised bank loan					
11.3	Bank loan (excluding subsidised bank loans, overdrafts and credit lines)					
11.4	Trade credit					
11.5	Other loan (e.g from a related enterprise or shareholders -not trade credit or from family/ friends					
11.6	Leasing or hire-purchase					
11.7	Debt securities					
11.8	Equity capital					
11.9	Factoring					
11.10	Retained earnings or sale of assets					

11.12	Other sources of financing					

12. Have you ever applied for finance for your business?

Applied for finance	
a. Yes	
b. No	

13. If yes, was the finance provided to you?

Finance received	
a. Yes	
b. No	

14. Did you have security or a surety for your loan?

Finance received	
a. Yes	
b. No	

15. Please indicate how much you agree with the following statements about yourself using a scale of strongly agree to strongly disagree where:

- 5 = Strongly agree
- 4 = Agree
- 3 = Neither agree nor disagree
- 2 = Disagree
- 1 = Strongly disagree

		Strongly agree	**Agree**	**Neither agree nor disagree**	**Disagree**	**Strongly disagree**
15.1	Overall I feel I have adequate business knowledge, skills and experience to run my own business					
15.2	My schooling has helped me understand my business					
15.3	My tertiary education has assisted me in understanding how to run my business					
15.4	Attending business classes has provide me with the knowledge needed to run my own business?					
15.5	Professional coaching has assisted me in my business endeavours					
15.6	My formal job experience, prior to becoming an entrepreneur, prepared me adequately to help me start and run my business. ***(A corporate***					

	organisation is any job where a salary was earned as a permanent employee)					
15.7	I gained good management experience in my previous employment in a formal organisation					
15.8	Being an apprentice was valuable in gaining knowledge to run my own business					
15.9	My apprenticeship helped my understand my business finances					
15.10	My education has helped me find out about financial resources for my business					
15.11	I understand my business's finances well					
15.12	I received finance for my business because I am educated					

SECTION 3: SOCIAL CAPITAL (Networking and Relationships)

Could you please now tell us about some of the relationships you have with business people and networking events you attend?

16. In terms of your association or membership with various bodies, please select all that apply to you?

Associations and Memberships	
a. I am in contact with / a member of a financial assistance agency	
b. I am a member of an informal business network	
c. I am a member of a formal business association	
d. I belong to one or more social clubs	

17. Please indicate how much you agree with the following statements about yourself using a scale of strongly agree to strongly disagree where:

- 5 = Strongly agree
- 4 = Agree
- 3 = Neither agree nor disagree
- 2 = Disagree
- 1 = Strongly disagree

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree

17.1	Overall I feel I have learnt a lot about business through my family, friends and networking associations					
17.2	Watching my parent run their own business encouraged me to become an entrepreneur					
17.3	Watching my friend run their own business encouraged me to become an entrepreneur					
17.4	My friends and family encouraged me to start my own business					
17.5	I am aware of development finance opportunities (e.g. Khula Enterprise Finance)					
17.6	I have strong relationship with my business bank					
17.7	I have a strong relationship with my business mentor					
17.8	I regularly attend networking events					
17.9	I regularly participate at an informal business network					
17.10	I regularly participate at a formal business association					

17.11	I have developed a management style similar to that of a business person I admire					
17.12	My business network regularly provides me with tips on how to finance my business					
17.13	Associations, particularly for women, have helped me finance my business					
17.14	I am sought after in my community and network to assist other entrepreneurs access business finance					

18. Have you ever looked for financial advice for your business?

Financial advice sought	
a. Yes	
b. No	

19. If yes, where did you look for this advice? Select all that apply

Financial advice received	
a. Family or friends	

b. The internet	
c. Professionals in the field	
d. Books, magazines, newspapers	
e. Other	

20. Do you have anything further you would like to share?

………
………
………………

Thank you

You have reached the end of the survey. Thank you for your support and valuable time.

Your participation in this survey will contribute to the entrepreneurial field of study and hopefully assist women SMME owners.

Thank you!