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TOWNSHIP HOME-BASED ENTERPRISES: THE CASE OF PIMVILLE

BY

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A Research report submitted at the Faculty of Engineering and the Built Environment, University of the Witwatersrand, Johannesburg in Partial Fulfilment for the degree of Master of Science in Development Planning.

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I declare that this research report is unaided work, except where due reference is made. It has never been submitted before for any degree or examination anywhere. It is being submitted at the faculty of Architecture and Planning at the University of Witwatersrand for the fulfilment of masters Degree in Development Planning.

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(Signature of Candidate)

----------Day of ----------2010

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ABSTRACT

Many informal sector scholars discovered that small informal businesses do not grow and develop. However scholars who went further and investigated factors influencing growth of these businesses did not cover all possible hindrances to growth. There are minor investigations with regards to South African township home-based enterprises, and there is also less information on the way in which growth of these businesses is affected by the location of a business or entrepreneur's social context.

The purpose of this research is to investigate the following gaps concerning the hindrances to growth of township home-based enterprises: the way in which these businesses are affected by their social context, their nature and the way they access land. It focuses only on South African township home-based enterprises. The factors that are investigated includes: factors that arise due to the nature of the businesses (being informal and operating at small scale), the factors that arise due to the businesses' social context and factors that arise due to the stigma attached to the informal sector businesses.

Pimville was used as the case study for this research and the interviews conducted a census rather than sample. A Questionnaire was used as the tool for data collection but data collection was in the form of interviews. Interviews were in the interviewee's language of choice and translated to English by interviewers. A team of eleven interviewers was used and most of them could at least understand most spoken languages in the area.

The findings of this research indicate that, factors that influence growth of township home-based enterprises are: growth objective, employee recruitment and development, product market, financial resources, local business collaboration or networking, owner's motivation, owner's education background and training qualification, past business experience, size of the founding team, environment/industry specific factors, characteristics of the firm or business and entrepreneur-community relationships. Although these factors either have a negative or positive influence on growth, negative influences overcome positive influences. However, some of the

factors that have negative influence have a combine influence that create other factors. Therefore interventions should focus on addressing key factors and this will result in the trickle down to other negative factors.

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Key words:

- Home-based enterprises
- Informal sector or informal economy
- Business growth
- Township
- Small business
- Economic Factors
- Social Factors

The definition of these words and other words used in this research are provided once as foot notes so as to create a mutual understanding between the reader and the writer. With regard to equivocal words, the research provides a definition that is adapted to suit the way the word is used in this research.

CHAPTER ONE: WHY TOWNSHIP HOME-BASED ENTERPRISES

1.1 Introduction

Informal business is a livelihood strategy for poor people in both developing and the developed world (Mulugeta, 2008). Through these businesses, owners are able to meet their families' daily needs. However, most of informal businesses do not grow in size and develop like those in the formal sector (Morris, 1996). Rogerson (1996) argues that while some informal businesses in inner cities grow, those in townships[1] mainly just survive, meaning that they provide money for people who are unable to secure a regular wage employment which meets their family's daily needs.

Scholars who conducted research on the growth of informal businesses have revealed several factors that can hinder growth. However, there are gaps in these findings. Most scholars have focused more on top-down interventions, especially government failure to support informal businesses and government interventions, both of which end up hindering growth (Rogerson, 1996; Mulugeta, 2008). Furthermore, current literature focuses more on retail enterprises and most of these are in the city context.

Research on the township context is crucial, since the township context is different from the city context. Townships have long been a home for millions of people and also have a long history of ingenuity regarding home-based businesses (Rogerson and Beavon, 1981; Fraser, 2005). Furthermore, a clear understanding of the way in which an entrepreneur's decisions regarding business is influenced by their social context, and therefore impacts on growth of the business, and the way in which owners of informal businesses in the South African townships are involved in policymaking processes, is a gap in the existing literature. More on this will be discussed later in this chapter.

[1] The urban living areas that under apartheid were reserved for non-whites (Freund, 1984;UN-Habitat, 2003). They are usually in the periphery of towns and cities. This research focuses only on black townships or the townships that are dominated by blacks.

This study intends to understand factors which influence growth/expansion and development of informal businesses in townships, focusing on home-based enterprises. Both internal influences (factors that arise due to the characteristics of the business) and external influences (factors that arise due to the environment in which the business is located) are investigated.

The study will highlight areas where informal enterprises may need support for growth and development and this information may be beneficial to policy makers. Furthermore, strategies for managing informal enterprises will also be highlighted and it is hoped that they may benefit owners of township informal enterprises. In this sense, both policy makers and owners of South African township informal enterprises are likely to benefit from this study.

1.2 Research Problem Statement

The South African informal sector has not been sufficiently investigated with respect to factors influencing growth of businesses in this sector. There are still areas that need further investigation as well as those that have not been investigated. In the literature that addresses challenges regarding growth/expansion and development of informal businesses, Morris (2004) argues that entrepreneurial potential is extensive in many people in society but certain environmental conditions are necessary to prompt these entrepreneurs into realising their potential. Effective environments for entrepreneurship are those with an effective infrastructure (ibid.). Morris (2004) further argues that policy makers in countries like South Africa mainly focus on trying to pick the winners (entrepreneurs that seem to be successful) and invest in them. Such environments are not good for enabling any entrepreneur to realise their potential (ibid.).

Rogerson (1996) argues that growth/expansion of informal businesses can be achieved through linking formal and informal enterprises. This can be done through the process of informalisation, whereby formal factory jobs are displaced to the jobs in unregistered plants and home working, or contracting out work to informal producers (ibid.). A dilemma with regards to this process is that informal businesses that employ this strategy become vulnerable to exploitation by formal

sector enterprises, although policy interventions can help to overcome this challenge. In the South African context, linkages between formal and informal enterprises exist but there are no polices to prevent informal enterprises from being exploited by formal ones (ibid.). Hence, the process of informalisation in South Africa is not effective enough to contribute to the growth of informal business.

Other scholars who studied growth, size, and development of informal businesses within the South African context have identified mainly the lack of expansion of the formal sector and that informal businesses lack owners who are motivated to grow their businesses (Rogerson and Beavon, 1981; Morris, 1996).

The factors that seem to be left out by the informal sector literature include the way in which township home-based enterprises[2] are affected by their social context. For example, depending on whether a township home-based entrepreneur owns land or not, they may be affected in many ways by the kind of relationships they have with those they depend on access to land. Furthermore, depending on the type of business, a business may either be liked or disliked by community members and therefore community members may raise threats that may hinder the growth of a business (Kellett, Bishop, Triple and Coulson, 2004). In other words, research regarding South African township home-based enterprise has not considered social factors.

Furthermore, the informal sector literature does not cover effectively the ways in which township home-based enterprises are affected by their nature, that is, their informality and small scale operation. Small businesses[3] have certain characteristics that hinder their growth. Most of township home-based enterprises are informal business and as such are affected by some of the factors that affect informal businesses in general. In other words, township home-based

[2] Any business enterprise that is operated within home, house or residential premises (Rogerson and Beavon, 1981).

[3] Refer the first two catergories of small businesses (survivalist and micro enterprises) using the South African definition of small businesses. Some of these businesses do not pay their employees, have a turnover that is less than a VAT registration limit, usually not formally registered for tax or counting purposes and the number of the employees ranges from zero to four, including the owner (Tussiopoulos, 2008).

enterprises have the combination of the factors that influence growth of small businesses in general and those that influence the growth of informal businesses.

Access to land is significant for township home-based enterprises just as it is for any other form of business since most businesses rely on land for their success. Without an access to land, most businesses would not exist. It is not just access to land that is significant but access to land that is in an environment which supports the type of business that is being carried out and also the appropriate location of a business. Research in other African countries indicates that poor access to land and infrastructure for businesses in the informal sector discourages mobility for individual businesses that want to change locations (Sethuraman, 1997 as cited in Mulugeta, 2008). This then hinders additional investments or improvement of businesses in the informal sector. Businesses that are carried out under these conditions are exposed to risks such as fire, flood, theft, confiscation of assets, lack of any form of government assistance and being deprived of access to urban amenities (ibid.).

Furthermore, the informal sector is affected by regulations pertaining to land use, land transaction, rental tenure, labour and so on (Sethuraman, 1997 as cited in Mulugeta, 2008). The consequence of not complying with these regulations may mean paying a penalty in the form of a lump sum fee resulting in the reduction of income and in other cases the outcome may be the closure of the business or confiscation of business property (ibid.).

In the South African township context like Soweto, access to land is complex. For example, Soweto comprises of many rental accommodations in back yards (UN-Habitat, 2003). Lemanski (2009) argues that in South African townships access to land involves land ownership (landlords/ owners) and renters (tenants). Gordon *et al.* (2006) add that one third of all South Africans live in rented accommodation. Gilbert, Mabin, McCarthy and Watson (1996) highlighted that about 55 percent of the population in townships that are in South African major cities, were renting in 1993. This is an indication that there is a predominant landlord-tenant relationship in the South African townships and if a tenant is an owner of a home-based enterprise, then their relationship with a landlord may influence growth of their business. Landlord-tenant relationships may

influence growth of a business in the sense that a relationship between a tenant and a landlord may determine a tenant's access to services and space to grow a business. In most cases township landlords build small detached houses or a big house with rooms for rental (ibid.).

This research aims to investigate all the above-mentioned gaps concerning hindrances on business growth[4]. This will be done by analysing the extent to which township home-based enterprises possess factors such as, the factors that influence growth of any small business (formal or informal), landlord-tenant relationships, challenges that arise due to government interventions and entrepreneur-community relationships. The research will look at the impact that these factors have on growth and development of township home-based enterprises.

1.3 Statement of Research Question

This research attempts to explore factors that influence growth and development of home-based enterprises in the neighbourhood of Pimville. In brief, the ways in which entrepreneurs interact in their social contexts, evidence of collaboration (which may result in voicing concerns to government) and factors that affect any small business are the main areas to be investigated. The following questions guide this research in identifying the relevant factors that influence growth of township home-based enterprises:

- What are the economic activities in townships?
- How common are these informal activities?
- Why do home-based enterprises work from home?
- What are the advantages and disadvantages of being involved in home-based businesses?
- How are these businesses affected by factors affecting small businesses in general?
- What relationships exist between business owners on rented premises and their landlords?
- Do owners of home-based enterprises collaborate with each other?

[4] Refers to the growth in size of a business enterprise. Business growth is identified through an increase in the enterprise's turnover, exports and jobs (Bridge *et al.,* 1998).

- Do these businesses appear in government strategic plans?
- What interventions does government have for these businesses and are these interventions effective enough to impact on growth/expansion and development of these businesses?

1.4 Research Methodology

This section presents the methodology adopted for this research project. This research project used the data that was collected for a study conducted by Prof. Aly Karam and Ms. Margot Rubin on the role of land markets in people's livelihood strategies within the informal sector in South Africa. The project was part of the course taught to the first researcher to the Master of Science in Development Planning students and the questionnaire was designed to suit the needs of each student, this research and the overall research (see a questionnaire in appendix 1). In other words, although the overall project was by Prof. Aly Karam and Ms. Margot Rubin but the researcher of this project had an input in the questionnaire design.

General approach

Based on the type and nature of the research problem, a case study research approach and mixed research method are more appropriate for this research. Through a case study, the research will be able to explore and analyse the factors that influence growth of township home-based enterprises (Yin, 2003) and through a mixed research method, the research will be able to collect an in-depth information and also cover a big sample (Creswell, 2009).

A survey method in the form of interviews was used as an instrument for data collection. Yin (2003) indicates that, interviews are the most important source of case study information and there are many forms in which interviews in a case study research may be conducted. The interviews in this research will be in the form of structured questions along the lines of formal surveys. Survey questions will be a combination of close-ended and open-ended questions

(Creswell, 2009). In this sense, both qualitative and quantitative data will be collected, analysed and interpreted.

The in-depth information is more crucial for understanding interactions between landlords and tenants that own businesses since these interactions are more socially based. Through numerical values, the research will be able to make generalisations. The data was collected on different sections of the Pimville Township overtime. The research targeted more than one Pimville section to increase the sample size but due to time constrains, data was not collected once.

Township home-based enterprises comprise of business operators whom are mainly illiterate, working mainly during the day (approximately from 06:00 until 18:00 or 19:00) but busy in the morning and afternoons, they either own a land in which a business is located or rent the business space. In this sense, the relevant data for this research was the data collected from township home-based enterprises. This data was from both business owners who are rentals and those that are land owners. A more convenient time for data collection was the mid day since most operators were not busy at this time. Thirty-one township home-based enterprises were covered by the surveys.

The process of data collection was in the form of interviews in which there were one-on-one interactions between the interviewer and the respondent but interviews were guided by the questionnaires. The respondents were interviewed in the language of their choice and the results were translated into English for interviews not conducted in English. Through this method, interviewees' language and literacy hindrances were mitigated.

Given that the study area comprises of people speaking different languages, mainly African languages, and the nature of the South African informal sector, the team of interviewers had to be people who at least understand most languages spoken in the area. This was essential so that the interviewers can be able to translate responses into English during interview sessions. The languages that were used for communication during the interviews were isiZulu and Sesotho, with isiZulu being the mostly used.

A team of 11 masters students were used as interviewers, of which the researcher of this project was one of them. All students were supervised by Professor Aly Karam and Ms. Margot Rubin. The questionnaire was clearly written in detail and chances of gathering irrelevant data due to misinterpretations were minor. The level of education of the interviewers also reduced chances of misinterpretations. Through their research experience interviewers were able translate questions in a more understandable manner in cases of misinterpretation of questions by interviewees. The use of more than one interviewer was necessary to reduce biases and to facilitate data collection within the time constraints of the research.

(a) Development of the questionnaire

The main researchers of the project (Prof. Aly and Ms. Margot) put together the questionnaire and circulated it amongst the class, including the researcher of this project. Students added questions that they saw relevant to their research interests. The main researchers then coordinated the compilation of all the required questions and provided the questionnaire. The questionnaire was subsequently tested amongst the class and several other people that were interviewers. It went on five revisions before the final one was approved.

The questionnaire was administered to people trading informally in Pimville Township, Yeoville, Elias Motsoaledi informal settlement and Protea North informal settlement. However, this research uses data from Pimville Township home-based enterprises only since its focus is this area only. The location of the survey and the activity were variables in the questionnaire, and this made it easy to separate data according to the location of each survey and activity.

(b) Data Gathering Procedure

Google Earth maps were used to identify areas with many activities on streets or yards that show a high density of structures, suggesting a high density of activity. In this process, the assumption was that compactness was highlighting that there was a business activity being operated within the yards or street. Locations that were selected for the study were those with many activities on either streets or yards. Google Earth maps were more convenient for sampling relevant areas for data collection without actually visiting the areas. These maps show aerial view of places, which include any structures and activities that are happening in the area, and they are continuously updated to provide the more up-to-date information. Furthermore, the main researchers, Professor Aly Karam and Ms. Margot Rubin drove to all areas that were to be surveyed before distributing interviewers in these areas. This was done for the safety of interviewers and to check if there were activities in the areas, as indicated by the maps.

In the identified areas (zones), census rather than sampling procedure was used to decide on which activities to interview. In other words, the attempt was to interview all people conducting informal activities in the area. There was no stratification of population. Therefore, the data reflect a true proportion of different characteristics that exist in the township informal home-based enterprises. Some of the characteristics that this research aimed to cover were gender, education, age distribution and the status of land or space ownership of business owners.

There were continual deep briefing sessions where interviewers talked about all the interesting things that were happening during each day of their surveys and the challenges they faced. In these sessions, interviewers were advised by the main researchers on how to do things differently next time, in cases of challenges or problems. After the fieldwork, each interviewer put their data on the data shied that was provided to them by the main researchers and the data was checked by the main researchers for recording errors.

(c) The Review of Government Strategies and Policies

This research also intends to assess the government strategies and policies pertaining to township home-based enterprises or small, medium and micro enterprises (SMME) in general. Therefore, this research assumes that the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises by the Department of Trade and Industry and other SMME national policies and the different Integrated Development Plans (IDP) and Informal Trading Policies of different municipalities can provide government plans and strategies regarding township home-based enterprises or SMMEs in general. However, instead of assessing all South African municipalities' IDPs and Informal Trading Policies, the research assessed the IDPs for South African metropolitan municipalities since they are big, mainly urban, and therefore more likely to have townships. The IDPs for the following metropolitan municipalities were assessed: The City of Johannesburg metropolitan municipality, The City of Cape Town metropolitan municipality, Ekurhuleni metropolitan municipality, EThekwini metropolitan municipality and Nelson Mandela Bay metropolitan municipality.

1.5 Relevance of the Study to the Planning Field

Informal businesses allow poor, vulnerable, marginalised people such as rural women, youth and those that are landless in both cities and rural areas to diversify their income, create new sources of economic growth and generate additional employment (International Fund for Agriculture Development (IFAD), 2008). Identifying and analysing factors that influence growth of township home-based enterprises and informal businesses in general, informing the policies about relevant changes to enabling growth of these businesses may help these businesses to grow. Thus contributing to the improvement of the lives of both the owners and workers in these businesses, including local economic development and growth domestic product of the areas where these businesses are. In this sense, this research falls under local economic development

strata in the planning field and it deals with many critical factors in this stratum that are relevant for planning.

1.6 Conclusion

This chapter has indicated that many informal sector scholars attempted to address the growth/expansion and development dilemma faced by small informal businesses. However, there are still gaps within the existing informal sector literature. The informal sector literature does not cover hindrances to growth that may arise due to the way in which entrepreneurs interact in their social context. The ways in which township home-based enterprises, including informal businesses in general, are affected by their nature is also not effectively covered by the informal sector literature. The aim of this research is to cover all the gaps that it has identified. The main focus of the research is township home-based enterprises and the following areas will be covered: economic factor or factors that arise due to the nature of the business, social factors[5] that arise due to an entrepreneur's social context and informal sector factors that arise mainly due to government interventions.

This chapter has introduced the whole study, highlighting the relevance of the study or the necessity for conducting this research. It presents a detailed procedure that was followed for data collection. The following chapter (Chapter two) will present work that has been done by other scholars in this area of research. It delineates small businesses and growth, and informal businesses in the South African context. Furthermore, it presents different factors that may affect growth of township home-based enterprises.

[5] Refer to factors that arise due to the entrepreneur's social context.

1.7 Organisation of the Report

Chapter two will discuss the small business and it is divided in to three sections. The first section discusses small businesses (their character) and business growth. The second section presents and defines informal sector businesses and also highlights challenges usually faced by informal sector businesses and the third section discusses factors affecting any small business (both formal and informal businesses).

Chapter three presents the hypothesis of South African township home-based enterprises. It has two sections: the first section evaluates the application of the international literature in the South African township context. It discusses variables that seem relevant to township home-based enterprises and excludes those which seem irrelevant. The conceptual framework is also presented in this section. The second section provides a hypothesis of South African township home-based enterprises deducing from the literature review. This section is sub-divided into four categories: home-based activities, economic factors[6], social factors and informal sector factors.

Chapter four describes the study area. This chapter is divided into four sections. The first section discusses the relevance of the study area for this research. The second section presents the history of the study area (Pimville). It covers information regarding the establishment of the area and its name, information on Soweto since Pimville is part of Soweto Township. The third section presents the location of the study area spatially. It presents the boundaries and access routes for both Soweto and Pimville.

Chapter five presents the survey results. Graphs and tables are used in this chapter to present information in a condensed way that makes it easy to interpret the results. The chapter is divided into three sections. The first section presents a profile of Pimville home-based enterprises and their operators. The second section presents data for responses regarding economic factors. The third section presents data for responses regarding social factors and the last section presents information on government interventions or policies.

[6] Refer to the factors that affect a business internally (the nature of small businesses).

Chapter six provides an analysis, interpretation and synthesis of the results assembled in the study area. The chapter is divided into four sections. The first is home-based enterprise profile which covers interpretation, analysis and synthesis of data regarding the profile of both the enterprises and their operators. The second section covers economic factors. It provides interpretation, analysis and synthesis of the data regarding economic factors of township home-based enterprises. The third section covers social factors, and it provides interpretation, synthesis and analysis of the data regarding social factors of township home-based enterprises. Last section covers informal economy challenges, and it presents synthesis, interpretation and analysis of the data regarding government interventions on township home-based enterprises or SMMEs and informal businesses in general.

Chapter seven presents the overall conclusion of the research. A summary of this research finding is presented. The chapter highlight strategies that may be utilised by township home-based enterprise operators and relevant government interventions. The chapter is divided into three sections: Factors influencing both positive and negative growth of township home-based enterprises and the ways in which these factors influence growth; recommendations, and finally areas for further research.

CHAPTER TWO: HOME-BASED ENTERPRISES AND GROWTH

2.1 **Introduction**

A large volume of literature on small businesses in both the formal and informal sector covers mainly the nature or characteristics of small businesses among the hindrances to growth of small businesses. Comparatively, little is available regarding the way in which entrepreneurs' social contexts influence decisions that they make regarding a business and therefore impact on growth of the business.

This chapter covers the definition of small businesses and their character and reviews literature regarding different factor associated with small businesses and their growth. The small businesses section covers different approaches in defining a small business, definition of growth and growth of small businesses in general. The literature review section covers a broader view of the informal sector, the challenges that arise due to the stigma attached to informality, the challenges that arise due to the nature of any small business and the challenges faced by entrepreneurs due to their social context in a South African township context.

2.2 Understanding Small Businesses and their Growth

Two approaches exist in defining small businesses and each approach is based on context. For example, using the number of employees to define the size of the business is economically the least appropriate since the number of employees does not reflect the extent of economic activity and also fails to reflect the true labour creation of the business since some businesses mainly employ casual staff to retain flexibility. However, the number of employees criteria is effective, easy to obtain, and mostly used to define businesses in general (Tustin, De Clercq and Venter, 2006; De Clercq and Venter, 2007).

The two approaches/ criteria used to define the size of a business are qualitative criterion and quantitative criterion. Quantitative criterion make use of variables that are easily measured such

as the number of employees, business's turnover and a balance sheet total to define the size of a business (Bridge, O'Neill and Cromie, 1998). Qualitative criteria make use of the variables that are not easily measured such as the type of ownership and the management structure of a business, growth in terms of activities, the level at which business competes and organisational structure of the business to define the size of the business (Tshabalala, 2007).

Business size is the complex phenomenon due to a lack of a universal scale to define the term and the categories, which also differ for different countries. Due to this, what may be a small business in one country may not be so regarded in another (Bounds, 2008). In the South African context, small businesses are sub-divided into six sub-divisions namely survivalist enterprises, micro-enterprises, very small enterprises, small enterprises, world-competitive small scale enterprises and medium enterprises (Tassiopoulos, 2008). Informal businesses fall within the first two categories of this spectrum, survivalist enterprises and micro-enterprises. Furthermore, in the South African context variances also exist between different sectors, thus exacerbating the complexity of defining business size. For an example, the way in which a medium business is defined in the agricultural sector is not the same as in the mining and quarrying sector or manufacturing sector (Act No. 26 of 2003).

2.2.1 Business Growth/Expansion

Business growth refers to an increase in size of the business. It is judged through an increase in business turnover, exports, job creation, or the movement of the business into bigger premises (Bridge *et al.*, 1998). Small businesses need the following components to grow: resources (especially funding), management delegation, coordination, more sales, system and control (ibid.). Growth of these businesses is influence by many factors but a business owner is the main driver of the business performance. The table below (table 2-1) categorises factors that influence growth of businesses.

Table 2-1: Some of the Influences on a Business

Type of influence	*Internal*	*External*
Positive influence	Owner's desire to increase profitability and/ or to prove him/herself; impetus for earlier growth	Stimulus of competition; encouragement of others; favourable tax incentives; encouragement and support from small business agencies
Negative influence	Bounce back from earlier uncontrolled growth; lack of ability of the owner and/ or management team	Adverse tax, interest and exchange rates; improvements in the competition product obsolescence
Influences which can encourage a business not to change	Owner's lifestyle and the consequent need for the present level of return but not for more inertia and the difficulty of mobilising the resources needed to do more; limits on internal capacity to plan, coordinate and supervise	Peer-group pressure

(Source: Bridge S., O'Neill K. and Cromie S., 1998. *Understanding Enterprise, Entrepreneurship and Small Business*. Macmillan Press.)

2.2.2 Small Business Growth Trend

May scholars who studied business growth indicate that, the growth rate of a business in terms of sale or employment is not influenced by the business size but smallest businesses that survive grow more rapidly than larger enterprises (Oulton and Halt, 1996). However, a majority of smallest businesses do not exhibit significant growth and many of them have the tendency of refusing to growth (Storey, 2000). In this sense, it is only few smallest businesses that show a rapid growth indicated above.

Growth trend of small businesses from their infant state to maturity may be described using the stage model (Storey, 2000). According to this model, there are five growth stages which businesses may pass through before they reach their maturity. The five stages are: existence, survival, success, take-off and resource maturity (Churchill and Lewis, 1983). Businesses may not pass through all stages but disengagement is explicitly addressed at stage three. In this sense, stage three is a transition between the stages. Each stage in this model is viewed as a snapshot at a point in time. Therefore, at each different stage the management style or nature of the organisation, the strategy and the role of business owners, all differ. The arrangement of these stages is in the form of an S-curve (Stanworth and Curran, 1976). The five stages of the stage model are discussed below.

Existence (stage one): a business is still new. It mainly faces problems pertaining to obtaining customers and delivering product or service contracted for. It is only the owner who is in the decision making position. The owner does everything concerning the management of the business, including working with their workers in producing the enterprise's products. Almost no formal planning that take place and there is high involvement of relatives and friends. The main aim of the business is to stay alive. Few businesses survive and those that manage to survive become stage two enterprises.

Survival (stage two): a business has enough customers, and business products or services, and it satisfies its customers. The key challenges are to manage the relationship between the revenue and expenses. There may be few employees supervised by a Sale Manager or a General Foreman. Sale Managers and General Forman do not make major decisions independently but instead they carry out well-defined orders of the owner. The major goal is still survival and enterprises that manage to survive at this stage, grow in size and become profitable, thus move to the third stage.

Success (stage three): business owners are at the state where they have to decide whether to exploit the enterprise's accomplishment and expand or to keep the enterprise stable and

profitable. Stage three is divided into two sub-stages and they are: Disengagement substage (stage three – D) and Growth substage (stage three – G).

At disengagement substage (stage three – D), a business has true economic health, sufficient size and product market penetration. The size of the business is at the state where it requires functional management to take care of certain duties performed by the owner on earlier stages. Making cash is easy for a business and cash is plentiful. The challenge is to avoid a cash drain in prosperous periods to the detriment of the enterprise's ability to withstand the inevitable routines. Many businesses stay at this stage for a long time. This is mainly due to the market niche not permitting growth and is mainly among service businesses. Failure at this stage may lead to either a business fold or drop back to survival stage.

At growth substage (stage three – G), the owner consolidates the company and marshals resources for growth. The owner endeavours business growth through risk taking, and use all cash that is for business for this. The aim of the owner is to ensure that a business stay profitable and auto run its resources. Furthermore, the business hires managers with forward business planning, and businesses that succeed at this stage move to the fourth stage.

Take-off (stage four): at this stage, the key challenges are to define strategies for rapid growth and to finance such growth. Many responsibilities for business growth are delegated to the management. Therefore, the managers should be people who are very competent to handle a growing and complex business environment. Some of the management responsibilities are to do operational and strategic planning. The success of the business to become a big business at this stage lay with the owner, the strategies they embark on both financially and managerially and the effectiveness of these strategies.

Resource Maturity (stage five): at this stage, businesses focus more on consolidating and controlling the financial gains brought on by the rapid growth achieved in the previous stage. The Business focus on retaining advantages of small size, including flexibility of response and the entrepreneurial spirit. It is crucial at this stage for an enterprise to expand the management

force fast to eliminate the inefficiencies that growth can produce. The success of a enterprise in becoming a formidable force in the market depends on the way it preserve its entrepreneurial spirit and the way it uses tools such as budgeting, strategic planning and management. The function (Figure 1) below presents the relationship between the size of the enterprise and age of the enterprise as described by the stage model.

Evolution stages

Revolution stages

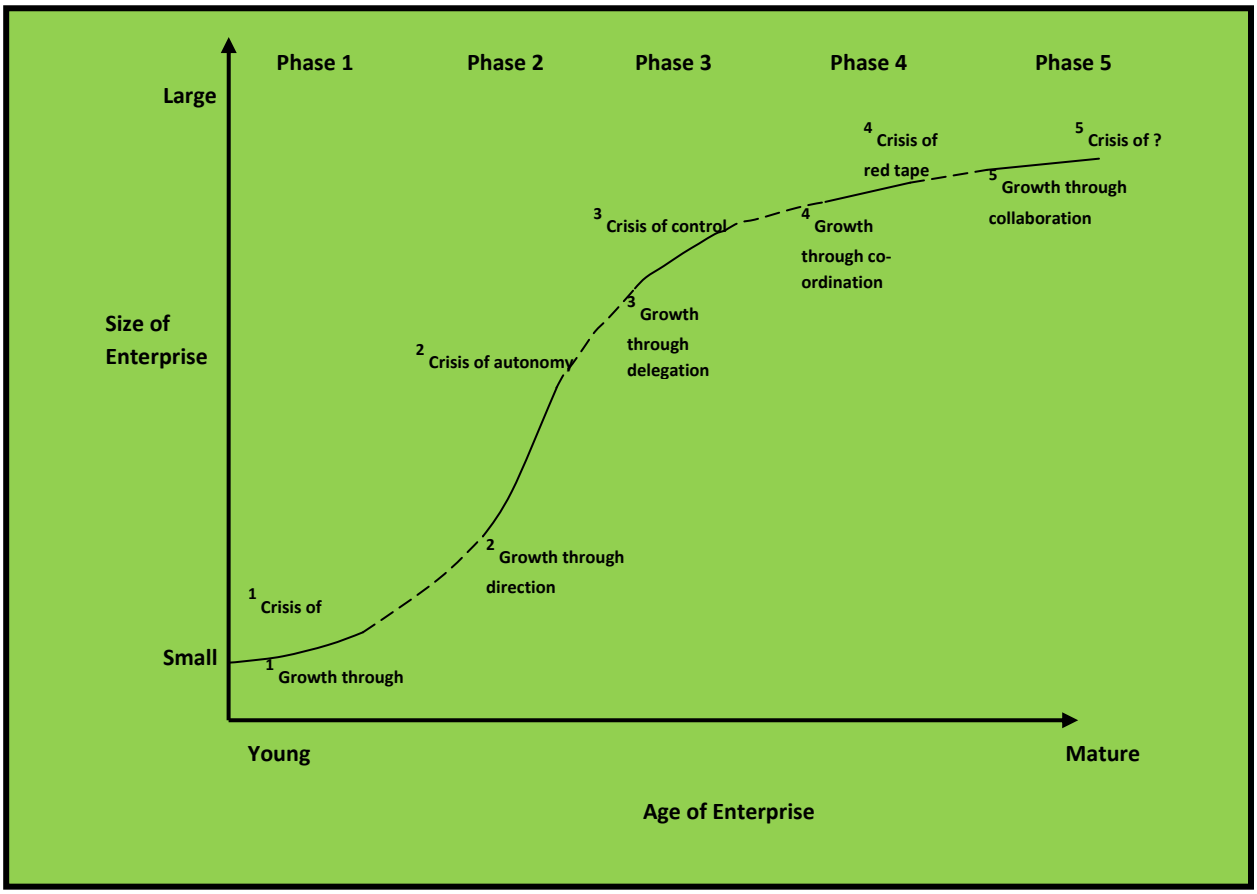


Figure 1: Growth function of small businesses (Source: Churchill N. C. and Lewis V. L., 1983. The Five stages of small business Growth. *Harvard Business Review.* 61 (3) 30-49.**)**

Many informal businesses seem to end in the first two stages of business growth (existence and survival). According to stage model, informal businesses may fail to escape the stages due the following factors: not gaining sufficient customer acceptance, the product failing to become

viable, or business owner's failure to accept the demand the business place on their time, finance and energy. The usual challenge faced by business owners at these two stages is capital exhaustion.

2.3 Informal Sector Challenges

This section covers a broad view of the informal sector. This involves definitions of the informal sector, factors that lead to its existence, categorisation of informal businesses, factors contributing to the formation of home-based enterprises, home-based activities, advantages and disadvantages of home-based enterprises, and challenges that arise due to the way the informal sector is perceived by the city officials.

2.3.1 Informal Sector

There are several reasons that lead to the emergence of the informal businesses. These reasons may range from poor people manoeuvring survival strategies to meet their families' daily needs to those having access to regular wage jobs in the formal sector but willing to supplement their primary income (Ferman, 1973; Saint-Paul, 1997). However, many scholars indicate that poverty and unemployment are the main factors that lead to the formation of the informal sector (Chen, Sebstad and O'connell, 1999; Ligthelm, 2005; Morris, 1996).

In many developing countries, including South Africa, most people live below the poverty line. Thus explaining why informal businesses are pervasive in these countries as compared to developed countries. Therefore, sustainable job creation may be the main intervention to reduce a rapid increase in informal businesses. One of the ways to do this is for the government to adopt developmental state policies and effectively implement them. The East Asian Tigers are one of the countries with highest scores in the Weberianness scale of GDP per capital and these countries managed to achieve high economic growth through developmental state policies (Evans and Rauch, 1999).

Defining informal sector is complex due to different interpretations about what a term entails (Devey, Skinner and Valodia, 2006). This relates much on how different countries or individuals perceive these businesses, which then influence the way they define the sector. One or more of the following criteria is used to define informal businesses in South Africa: non-registration of the enterprise in terms of the national legislation such as taxation; non-registration of employees of the enterprise in terms of labour legislations; and inappropriate zoning of the enterprise (Morris, 2004; Devey, Skinner and Valodia, 2006). These definitions illegalise informal businesses thus infringing on their growth while not taking into cognisance that some legislations discourages compliance because of inappropriate burden or imposing excessive costs. However, in South Africa government categorises businesses and apply some policies according to business capabilities. For an example, in South Africa businesses either pays or not pay tax based on their monthly turnover (Tussiopoulos, 2008). In this way, smallest businesses that struggle to grow and survive are given the space to manoeuvre growth strategies while not tax burdened.

Informal businesses are observed in both cities and rural areas. In South Africa they are pervasive in black townships (Morris, 2004; Devey, Skinner and Valodia, 2006). Women were marginalised and not having access to the formal sector for many years in many countries around the word. They are also more forced than men to work in the informal sector because of their household responsibilities, particularly the care of children (Hambridge and Friedman, 1991). Working in the informal sector allows women to combine household work with paid work because many informal businesses can be undertaken from home. These are some of the reasons for high involvement of women in informal activities (Gordon *et al.*, 2006; Bruin 1991). However, Devey, Skinner and Valodia (2006) indicate that men are more than women in the informal sector in general but woman are over-represented in less lucrative businesses in this sector. This indicates that women are still marginalised with respect to lucrative businesses in the informal sector. Therefore, there is a need of relevant interventions to stabilise these in equalities.

The number of people working in the informal economy internationally, either self-employed or as wage workers is increasing (Devey, Skinner and Valodia, 2006). In South Africa the

employment in the informal sector was more than doubled in the period between October 1997 and September 2003 (ibid.). Drawing from March 2004 labour force survey (LFS) figures, informal activities in South Africa are ranked according to the number of businesses as follows: trade (47, 1%), construction (13, 1%), manufacturing (10, 4%), private households (9, 5%), community services (9, 0%), transport (7, 1%) and building service (4,3%) (ibid.). The distribution of income is as follows: 40 % earn between R1 and R500, 24% earn between R501 and R1000, 17 percent earn between R1001 and R2500, 11 percent earn nothing, 7% earn between R2501 and R8000 and 2% earn more than R8000.

The Informal sector activities are mainly categorised as follows: trading and hawking, production and construction, services and illicit activities (Morris, 2004; Rogerson 1996; Rogerson and Beavon, 1981). This research focuses on trading or retailing, production or manufacturing and services. This is based on the assumption that all activities that may be operated from home are mainly covered by such categories.

Informal businesses vary from newly formed businesses to those that are very old e.g. more than ten years old. The highest number of informal businesses is distributed between those that are one to three years old and those that are more than ten years old (MTC base line study, 2009; Napier and Mothwa, 2001). Unlike in the formal sector where businesses last because of them being successful in terms of financial gain (Storey, 2000) – businesses in the informal sector last for a long time largely because operators find themselves stuck in them because of a lack of employment options (Chen, Sebstad and O'connell, 1999). In some cases, operators in the informal sector tend to be complacent in the way they conduct their businesses because they will be hoping to get employed in the formal sector.

Informal businesses changes over time in terms of the types of businesses found in the sector and the location of businesses. However, the extent in which this happens depends on the historical interventions that had an impact on these businesses or just the evolution of these businesses over time. Rogerson and Beavon (1981) and Gordon, Hudson and Nell (2006) allude in such changes within the South African township context in the period from 1981 to 2006. Rogerson

and Beavon (1981) focused more on the informal activities that were observable in Soweto and used Moroka as a case study while on the other hand Gordon, Hudson and Nell (2006) writing about 25 years after Rogerson and Beavon, also investigated kinds of informal activities found in townships recently. Among these scholars there are overlapping activities and also distinct activities.

There are fewer changes within businesses found under service category. These changes only involve the emergence of new activities. Some of the activities that were observable under the service category in 1981 are: child minders, barbers, taxi driving, street musicians, photographers and traditional healers (Rogerson and Beavon, 1981). The additional activities includes: hair salons, satellite installation, scrap collection and public phones (Gordon *et al.,* 2006). The emergence of activities such as satellite installation and public phones may have come due to the evolvement of technology.

The observable changes within production category include the replacement of some activities and change of locations for other activities. The activities that were observable within this category around 1981 are: building contractors, self employed artisans, shoe-makers, tailors, wood carvers, garment makers, the residual community of traditional beer brewers and 'home-based industry' groups under the auspice of various church and welfare organizations (Rogerson and Beavon, 1981). The additional activities that are observable today are: dressmaking and tailoring, welding and carpentry (Gordon *et al.,* 2006). Traditional beer brewers seem to have been replaced by shebeens since these activities have similar setting and traditional beer brewers are no longer observable today. The activities that seem to have changed locations include activities such as shoe-making and repair and wood carvers. These activities existed in home yards but now some have moved to streets and most of woodwork is now sold on streets and museums.

There seem to be no observable changes under distribution category. The activities that were observable around 1981are: shebeens and street traders (selling products like mopane worms, skin lightening creams, hair dressing creams etc) and also soft goods hawkers (selling clothes,

hats and carpets) (Rogerson and Beavon, 1981) . Gordon *et al.* (2006) add taverns and beverage sellers among the activities identified by Rogerson and Beavon.

2.3.2 Home-based Enterprises

The informal sector mainly consists of two kinds of home-based enterprises, namely: dependent subcontract workers (people doing work for big firms) and independent workers (people doing their own work) (Chen, Sebstad and O'Connell, 1999). The dependent subcontract workers tend to be left out in the literature. This is because they fall in the gap between the formal and informal sector. They are mainly not included in the lists of employees for the firms they work for and also excluded in the informal sector surveys (ibid.). Through observation and commonsense, in the South African townships there are few subcontracting home-based enterprises as compared to the independently owned enterprises and most activities are retail shops.

Some of the reasons that make people work from home include the fact that there are other activities, for example chores, that one can do without leaving the house or home. This arrangement also enables the owner to save rent, the money from which may be used for business (Chen, Sebstad and O'Connell (1999). Furthermore, home-based enterprises are convenient, close to family, save travelling costs to work, provide good security and reduce risks if the business fails (Gordon, Hudson and Nell, 2006). However, when working from home, it is difficult to separate work and home life and to provide a professional image especially if the space is small (Gordon *et al.*, 2006). In the South African townships context, townships are mainly residential areas with buildings that are close to each other. Therefore, home-based businesses in these areas are more likely to serve mainly their neighbourhoods and the communities usually use enterprises that are close to their houses. Thus, following foot traffic in such settings may be not essential, although there may be exceptions.

The house plays an important role in the incubation phase of the business if the business is not growing. Should the business grow and expand however, the house becomes small (Gordon *et*

al., 2006). Many entrepreneurs move their business out of the house when the house can no longer contain the business or out of a need for a professional image (ibid.). However, in most cases, affordability seems to be the main reason for those businesses that fail to relocate under these circumstances (ibid.).

In many countries around the world, Pro-growth local economic development[7] strategy is more dominant. Due to this there is less focus on small businesses or the informality in general as these entities are more pro-poor. For example, many European countries view local economic development as based only on pro-growth development strategies and the local economic development of almost all big cities in South Africa is mainly defined by pro-growth local economic development strategies (Rogerson and Nel, 2005; Organisation of Economic Co-operation and Development (OECD), 2007).

In the South African context government do not seem to support informal economies as much as they support formal economies. Instead government just recognise the existence of informal businesses, they control and provide the environment where these businesses can exist. On the other hand, formal economies receive more support from government and they are encouraged to grow and compete internationally (Morris and Barnes, 2003). In this sense, township home-based enterprises are more likely to receive minor interference and support from government officials, thus not encouraged to grow.

2.3.3 City Officials and Informal Sector Relationships

In general, good relationships between city officials and informal sector businesses do not exist in most countries. A case in point is that of owners of home industries in Zimbabwe (Harare) who argued that the local authorities took decisions about invading the industries (informal businesses) without notifying them (Kamete, 2004). They described the decision making process

[7] Refers to the strategies for local economic development that are based on maket-led activities (creating conducive environments for investment). The focus is on supporting big businesses and depending on them to provide jobs for the poor people (Rogerson and Nel, 2005).

in Harare as not transparent, accountable, participatory or democratic. Mulugeta (2008) adds that informal businesses face risks such as inability to access government assistance, being deprived of access to urban infrastructure such as electricity, water and other services.

Although in the South African context there is minor evidence of informal enterprise growth and development support from the city officials, but some informal enterprises do benefit from other government strategies. For example, the city of Johannesburg is adopting the strategy of demarcating some areas in its region for informal trading (Metropolitan trading company (MTC) baseline study, 2009; Johannesburg IDP, 2007/8). In some areas, facilities such as shelter where traders can trade from have been provided (Johannesburg IDP, 2007/8). However, demarcated areas do not cover even half the size of informal sector activities in Johannesburg and there is almost nothing that is done by municipalities to supporting township home-based enterprises (MTC baseline study, 2009).

2.4 Growth of Formal and Informal Small Businesses

This section focuses on factors that can influence growth of any small business, both formal and informal. It engages with economic and social factors, although literature that deals directly with social impacts on business growth is the gap within the existing informal sector literature. Despite the paucity of writings on this specific topic, literature is available in a range of areas, which gives insight into social factors. In the case of this research, literature on landlord-tenant relationships and entrepreneur-community relationships in general is used. Through the kind of relationships that this literature highlights, expectations on business growth may be deduced.

This section does not distinguish between the types on informal businesses because most characteristics of businesses in the informal sector are common. Therefore ‘informal business’ in this section refers to all businesses in the informal sector, including township home-based enterprises unless specified.

2.4.1 Economic Factors

There are number of variables/ factors that influence growth of any small business. Smallbone and Wyer (2000) grouped these variables/ factors according to their areas of influence within a business. Smallbone and Wyer's (2000) groups are management strategies, characteristics of entrepreneur, environmental/ industry specific factors and the characteristics of the firm. The variables/ factors that are under '**management strategies'** group are: growth objectives, employee recruitment and development, product market development, financial resources, internationalisation and business collaboration, and flexibility. The variables/ factors that are under the '**characteristics of entrepreneur'** group are: owner's motivation, owner's educational background and/ or training qualifications, owner's past experience and size of the founding team. The '**environmental/ industry specific factors' and 'the characteristics of the firm'** do not have sub-factors. The above variables/factors have either positive or negative influence on business growth.

Township home-based enterprises are also mainly informal businesses and as such their nature is not exactly the same as that of any small business in the formal sector. Due to these differences, some of these variables are relevant to township home-based enterprises and some are not. Some have most relevance and some have minor relevance. Hence, discussions bellow explain in details the variables that influence growth of small businesses and also cover the relevance of each variable to township home-based enterprises (group names are written in bold and sub-factors in italics).

Management strategies refer to the policies and strategies identified by the owner or the manager of the business for the operation and development of the business and subsequent translation of these policies into managerial actions (Dobbs and Hamilton, 2006). Snell and Lau (1994) allude the significance of management strategies in the growth of small businesses. They carried a study in the Chinese owned and managed enterprises in Hong Kong and identified a number of factors pertaining to management strategies, which influences growth of small businesses. The variables identified by Snell and Lau (1994) are similar to those grouped by

Smallbone and Wyer (2000) under 'management strategies' group. These variables are broadly explained below.

Growth objective factor focuses more on a business owner, specifically their commitment to achieve growth (Dobbs and Hamilton, 2006). Bridge *et al.* (1998) indicate that, in order for an entrepreneur to be successful in their business they should have a growth-oriented mindset. Meaning that, they should always strive for more achievements with regard to the growth of their businesses and they should never reach satisfactory points (ibid.). Dobbs and Hamilton (2006) add that, it is crucial for business owners to have specific growth objectives as this drives the growth of a business. However, small businesses mainly lack a vigilant mind that is able to identify and deal with external factors that impact on a business (ibid.). In this sense, owners of small businesses may have business growth objectives but fail to achieve them because they are not able to reason strategically to solve their business challenges.

Many informal sector scholars indicate that owners of informal businesses are not committed to grow their businesses. There are number of scholars who argue that, owners of informal business start and run their businesses mainly for survival purposes rather than to exploit the market (Morris 1996; MTC base line study, 2009; Preston-Whyte and Rogerson, 1991). In this sense, owners of informal businesses lack a fundamental essence for being able to achieve business growth according to growth objective factor.

Employee recruitment and development refers to the ability of a firm to attract, develop and retain skilled and capable employees (Dobbs and Hamilton, 2006). Businesses that show signs of employee recruitment and development mean that they are growing or they are effectively implementing and maintaining growth oriented strategies (ibid.). An increase in the number of skilled employees increases the demand for good human resource management practices (ibid.). This is because a firm's employees are the critical resource in the achievement of the firm's goals and maintenance of the resources and therefore they require appropriate management to ensure a superior firm performance (ibid.). In other words, skills development is necessary for

both managers and other general employees. However, incidents where a firm takes its employees for training have been reported to relate to firm size (ibid.).

Employee recruitment and development is minimal among informal businesses and most of recruitments are family bounded, with limited skills (Morris, 1996). There seem to be no skill development organised by businesses themselves for their employees in this sector. Instead, in some countries (like South Africa), it is government who organise skill development projects for informal businesses (MTC base line study, 2009). However, there are loopholes in these government initiatives. In the case of South Africa, skill development projects mainly benefit business owners, they do not cover all informal businesses but instead they are more based on informal traders and there are some traders who fail to attend these projects due to time constrains (MTC commuters and traders report, 2009).

However, employee recruitment and development factor is not one of the factors, which may be targeted to turn around the growth dilemma of informal businesses. Instead, this variable may be adopted automatically for further growth of these businesses, as the factor relate to business size (Dobbs and Hamilton, 2006). Hence, the employee recruitment and development factor is less influential on the growth of township home-based enterprises and therefore less significant for this research.

Product market factor focuses on the ways in which businesses, specifically small businesses, should manage their products and market to be competitive in their environments. Holm and Poulfelt (2002) argue that, small firms cannot compete with big firms economically since their economic scale is not the same, therefore small firms should focus on innovation rather than price. Dobbs and Hamilton (2006) add that, managing product and market is crucial for growth of small firms. A firm should constantly engage with factors such as technology, market and competition. It should carry out research and development to introduce new products to the market (Akgun *et al.*, 2004). The purpose of this is for a firm to enter existing markets with new products and then broaden their customer base. This way, a firm, increase cash flow, enhance

external visibility and legitimacy and consequently improve its market share (Bringer and Jones, 2004).

Many informal businesses do not have relevant skills to effectively manage their products and the market. Most owners of informal businesses have low level of education (few of them manage to leave primary school) (Morris, 1996; MTC base line study, 2009). Low level of education makes it difficult for people operating informal businesses to engage with technology and to conduct researches. However, not all informal businesses compete with big businesses and this varies with places, depending on the kind of big businesses found in the area and the type of informal businesses in that area. Therefore, competition between informal businesses and big businesses does not significantly influence growth of informal businesses, as all informal businesses do not grow regardless of whether they compete or not compete with big businesses (Morris, 1996; Rogerson, 1996). In this sense, innovation is crucial for informal businesses to manoeuvre growth strategies but not necessary for competing with big businesses.

Financial resources refer to the ways in which a business accesses its finances or cash for growth (Dobbs and Hamilton, 2006). Financing a business for growth can be done in many ways but one of the fundamental decisions by entrepreneurs is to do this through external equity finance, sharing control of the business with a financial institution or other individual. However, many owners of informal businesses oppose this since they have to compromise some of their powers.

Small businesses struggle to even get institutions that are willing to assist in financing a business (Binks and Ennew, 1996). The lack of information flow among small businesses perpetuates this problem since there are information asymmetries with regard to the debt contracts, which facilitate credit rationing (ibid.). Banks provide credit based on the performance of an enterprise or an enterprise's potential to achieve its objectives. Due to high risks that are associated with small businesses or the difficulty experienced by lenders when assessing risks for investment in these businesses, small businesses in general end up not receiving credit from credit lenders (Dobbs and Hamilton, 2006).

The degree of information symmetry may be reduced through the provision of collateral as part of debt contract and the development of close relationship with the lenders. However, small businesses also lack willingness to pledge collateral and to cultivate good working relationships with lenders. Gordon *et al.*, (2006) argue that homeowners have an advantage in getting bank loans since they can use their homes as collateral but most of them do not do so. One of the reasons for this is being sceptical of homeowner about the performance of their businesses and therefore become afraid of losing their homes. However, to have collateral does not always guarantee the granting of credit. In some cases, there are businesses that pledge collateral but not get credit (Dobbs and Hamilton, 2006). This is sometimes due to low levels of collateral held by the business owners.

Informal businesses are at higher risks compared to other small businesses in general due to their sizes and the challenges pertaining to informality. In other words, these businesses are more likely to not get credit from the credit lenders as compared to other small businesses in the formal sector. Furthermore, due to poverty that affects many informal business owners it is more likely that these owners may have very low valued collateral to qualify for the granting of credit. Therefore, most of these business owners may not get credit even if they pledge collateral. In this case, government credits may be helpful to these businesses, since there are minor expectations from these credits as compared to the other ones.

International and business collaboration refers to the ability of the firm to export its products (Dobbs and Hamilton, 2006). This characteristic is important mainly for those businesses that experience high growth. Exporting can be done through selling directly or through sales agents in geographic markets and it leads to broadening of custom base. Since an increase in the number of customers result in increased production demand, then this also leads to an expansion in production capacity (Lu and Beamish, 2001). In this sense, the involvement of a firm in collaborative relationships provides an opportunity for growth.

Many informal businesses are not in a position of exporting their products due to their size. However, collaboration with other local businesses is significant because through networks, these businesses may learn from each other strategies to achieve growth and also assist each other in many ways (Barnes and Morris, 2003). In this sense, through networks informal businesses may better their marketing capacity, thus increasing their customer base for growth.

Flexibility refers to the ability of the firm to respond to market changes (Dobbs and Hamilton, 2006). The nature of small business involves engagement in a narrow range of activities, narrow range of material, employing few skills and serving a single market. This makes the notion of flexibility pertinent for these businesses. In other words, it is easy for small businesses to be always ready for changes in their environment which impinge on their operation. Therefore, they can easily act accordingly in order to maintain their position and also improve their potential for growth as compared to big businesses.

However, as the literature indicates, growing businesses loose this advantage since they become more and more inflexible. In this sense, whether small businesses that aim at achieving growth should develop their businesses for flexibility is questionable. Narrowing the range of activities and materials, employing few skills and serving a single market may not enable a business to grow but may hamper growth instead. As such, flexibility is not a significant factor for the growth of any small business, but it may be significant for sustaining the sizes the business.

Characteristics of entrepreneur refer to the ways in which the owner or founder of the business handles the business, decisions they make and the relationships between the owner and the managers or staff. In general, business owners tend to fill the management role themselves or maintain a high level of control, overseeing business operations (Dobbs and Hamilton, 2006). Hence, they have a major impact on the growth of the business. The determinants of whether the business performs or not include owner's level of education, prior industrial or business experience, motivation and the size of the founding team (Storey, 2004). Watson and Wilson (1998) confirm the relevance of these characteristics in their empirical study of a cohort of 166 small businesses in West Yorkshire area in Britain. However, the characteristics of the owner

have minor effects for growth (Smallbone and Wyer, 2000). Below is a broad explanation of Storey's (2004) factors or the sub-factors of this group.

Owner's motivation refers to the motives that drive an entrepreneur to start and run a business (Wiklund and Sheperd, 2003). Businesses that are formed through a motive for exploiting the market are more likely to grow than those formed due to push factors such as unemployment, dissatisfaction with present employment or just personal lifestyle reasons (Wiklund and Sheperd, 2003). In some cases, business owners are tempered by personal tradeoffs between the prospect of improved financial results and concerns for the well-being of the employees (ibid.).

Many informal sector scholars indicate that most informal business owner are not motivated to exploit the market but instead they are in these businesses for survival (Morris, 1996; Preston-Whyte and Rogerson, 1991). This may have a huge impact on business growth since one of the fundamental characteristics (willingness) that influences any individual's actions is defied. Van Praag and Van Ophem (1995) focus mainly on potential entrepreneurs, and they argue that, if either willingness or opportunity is absent within an individual then that individual will not become self-employed. This argument is also applicable on business growth in the sense that growth of a business depends on the willingness and opportunity by the business owner. In this sense, the growth of informal businesses may be strongly influenced by the negative business owners' motives.

Owner's educational background and/ or training qualifications refer to the level of education and qualification that business owners have. These qualifications have an effect on the management of the business resources and motivations to achieve high level of business performance (Smallbone and Wyer, 2000). High qualifications in formal education provide skills such as research skills, forward thinking, computation and communication skills, which have a huge impact on the innovativeness of the business, and growth. Some professions provide an advantage because of their specific forms of knowledge that enable their professionals to easily become business owners using their area of expertise (professions like engineering, computer Science, etc.). Such businesses depend on the owner's technical skills rather than operational

capacity, and they are more likely to be competitive and sustainable in their neighbourhoods due to their uniqueness (as they are mainly based on scars skills) (Dobbs and Hamilton, 2006).

Many informal sector scholars indicate that most business owners in this sector have low level of education and some of them do not have formal education at all. Morris (1996) found that most of informal businesses in Khayelisha, Cape Town (South Africa) received formal education only up to Standard Five, 23 percent had obtained some form of job training at the training centres, Technikon or formal sector companies. The baseline study conducted by MTC in Johannesburg metro municipality's administrative regions contends Morris's (1996) study by indicating that 50 % of informal traders do not progress beyond primary school and less than 1 % receives any other form of training. It indicates that, skills such as engineering, information technology, etc exist in the informal sector. Informal businesses are influenced by low level of education and training of the owners in the sense that even if owners of these business are highly motivated to grow their businesses, but they lack the means (skills) to drive their motives.

Past experience refers to any experience that a business owner has which may be beneficial to their business. There is a link between business performance and owner's past experience (Dobbs and Hamilton, 2006). For example, experienced entrepreneurs usually have distinct venture, although establishing a new venture is complex, they are able to avoid costs mistakes compared to inexperienced entrepreneurs and they usually have pre-existing customers and networks. Owner's managerial experience has an impact on business growth through the owner's role in organising operational activities.

Most informal business operators gain business experience from their predecessors within their families (Bozzoli, 1991). There are other ways in which informal business owners gain experience. For example, entrepreneurs in this sector are exposed in business related activities (mainly informal) outside their home settings within their neighbourhood and they also gain experience through endeavours. Therefore informal business owners do not have sufficient experience to impact positively on growth of their businesses since these owners have business experience that is more confined to informality, thus lacks strategies to achieve business growth.

Size of the founding team refers to the number of people owning a business (Dobbs and Hamilton, 2006). Large founding teams have an advantage than small founding teams, because of the size larger founding teams pose more talent and resources (ibid.). On the other hand, there are studies opposing this view. Their findings indicate a negative relationship between the rate of the firm's growth and the number of founders (Hamilton and Lawrence, 2001). It is a nature of any small business to have small founding teams and in most cases they are owned by one person (Dobbs and Hamilton, 2006).

Informal businesses mainly have one founder and for those that have more than one founders, it is unlikely for the number to exceed five (Morris, 1996; MTC base line study, 2009). Lack of trust may be the main reason leading to small founding teams within the informal sector since even those businesses with more than one founder the team is confined within the family. It is more beneficial for informal businesses to have large founding teams due to their low level of education and skills, as this may enable the integration of talent, resources and skills to giving a business more advantage for growth.

Environmental/ industry specific factor refers to the external constraints and opportunities relating to the environment in which a business operates (Dobbs and Hamilton, 2006). Distribution of resources is one of external constrains that may influence growth of businesses (Hawawini, Subramanian and Verdin, 2002). Businesses may either access or not access resources depending on how the resources are distributed amongst businesses in the neighbourhood or the location of resources relative to a business. Scope and buoyancy of the market may also influence growth of businesses depending on the business site. Since a success of any business depends on the supply and demand factors, then small scope and buoyancy of the market may have negative impact on business growth (Smallbone and Wyer, 2000). Furthermore, environments where large firms outsource their work to small firms usually have positive impact on the growth of small business (Morris and Barnes, 2003).

Informal businesses are mainly not considered with regards to resource distribution by city official, as compared to formal businesses (Mulugeta, 2008). City officials mainly capitalise on

big formal businesses as these businesses have high potential to be successful and competitive international. Most informal businesses run their businesses through recourses (resources such as stock) that are cheap and close to them (MTC base line study, 2009). Township home-based enterprises are more likely to encounter business challenges since they are mainly located in residential areas rather than in areas designated for business. Challenges that may mainly face township home-based enterprises are small scope and buoyancy of the market and being away from the foot traffic. These challenges impact on the supply and demand factors of the business, thus influencing business growth.

Characteristics of the firm or business refer to the age and size of the firm/ business (Dobbs and Hamilton, 2006). Size has an impact on the structure and behaviour of the business – as the business grows, its organisational learning, bureaucratisation and structure improves (ibid.). Business failure is high in small firms and as such they need to invest gradually and not invest all available resources at the initial stage (Smallbone and North, 1995). Research also indicates that young businesses grow faster as they accumulate sufficient resources to withstand unforeseen shocks and once they achieve this, the businesses tend to grow less rapidly (Heinonen, Nummela and Pukkinen, 2004). This may happen due to owners reaching their objectives in terms of growth, owners being reluctant to take risks or owners avoiding complexes that result from growth (Robson and Bennett, 2000). However, this kind of growth is not only confined to small businesses (Rutherford, McMullen and Oswald, 2001).

Informal businesses either experience minor growth during their infant stages or not grow at all. Business age within the informal sector has an impact mainly on the ability of the businesses to sustain its size than on the structure and behaviour of the business (MTC base line study, 2009). In this sense, the characteristics of a business factor may not be capitalised to turn around informal business growth dilemma since it is less influential to growth of these businesses. Therefore, the ‘characteristics of a business’ factor is less significant for this research.

2.4.2. Social Factors

(a) Landlord-tenant relationships in the South African township context

Although not all home-based enterprises in townships are owned by tenants, for those enterprises that are owned by tenants, a relationship between the owner of the business (tenant) and the landlord may have an influence on growth of the business. Gordon *et al.* (2006) argue that township landlords are all unit owners with a small number being sub-letter landlords. These unit landlords are further categorised into formal landlords (have formal unit or a room in the house), informal landlords (have informal unit) and tenant landlords (tenant erected the unit and is renting a potion of the landlord's land. It might be a room in the house or informal unit). The extent to which unit landlords occur in the area depends on the historical, location, planning and regulatory factors (Gordon *et al.,* 2006).

Relationships between a landlord and a tenant owning a business may define the time that a business may spend in its location, the availability of space for expansion or growth and the availability of resources for a business. Good relationships may have positive influence and bad relationships negative influence. However, the outcomes of tenant-landlord relationships may not be as simple as indicated in this paragraph since people's emotions are complex.

Small scale landlords (mainly found in townships) that mainly provide informal stock, have stock that is of very poor quality. There is indoor pollution, overcrowding, dampness and poor access to services. The challenges that relate to poor access to services includes: not having electricity meters that are connected directly into tenant's rooms, not having access to hot water taps, having one flush toilet that is also used by the landlord and not having ceramic or fixed basins and baths on tenant's stands (ibid.). In this sense, tenants depend on good relationships with their landlords in order to access a number of resources. Therefore, some tenants end up not having resources such as electricity as a result of payment tensions (fighting for over-consumption and under-payments) with their landlords (Lemanski, 2009). Furthermore, some landlords pose certain rules which constrain freedom and behaviour of their tenants. For

example, there are many tenants that are restricted on the amount of noise to make and extend of alcohol abuse.

Resources such as electricity and water are a cornerstone to many in formal businesses under service category. For example, activities such as hair salon and fast food shops depend on water and electricity for them to operate. Therefore, the growth of these businesses depend more on tenant-landlord relationships as compared to the other informal businesses. A failure to manoeuvre strategies to overcome such dependence may have a huge influence on business growth.

The eviction threats by landlords on tenants that are renting the space for a business may influence owner's willingness to expand their businesses. Lemanski (2009) argue that, there are few cases of eviction by the landlords in both inner cities and townships. However, if it is necessary to evict, landlords seem not to face problems and at the same time getting tenants is not difficult in both the inner city and townships (Gordon *et al.,* 2006). Tenants are protected by law from being illegally evicted through, for an example, the Prevention of Illegal Eviction (PIE) and unlawful occupation of land act, 1998 states that landlords should find an alternative accommodation for non payers if they have been in the building for more than six months (ibid.). On the other hand, Lemanski (2009) argues that landlords can evict tenants often at short notice. In this sense, the evictions at short notices may be due to a lack of law implementation, which may be coming from the limited knowledge by both tenants and landlords.

Power pendulum relationships between landlords and tenants (landlords depending on rents from tenants and tenants depending on the landlords for cheap fully-serviced accommodations) help to mutualise power dynamics between landlords and tenants (Lemanski, 2009). The way in which tenants are treated by their landlords, including rents for accommodation, vary for different accommodations. Therefore, poor service, being rule bounded and eviction threats may differ for different tenants, thus having different impacts on business growth in different areas and within different businesses.

(b) Community-Entrepreneur Relationships

Entrepreneur-community relationships can be viewed in two ways. First, where an entrepreneur helps their community, they can lead and become a role model in terms of developing the area. In this view, the aim is not to gain self interest but to rebuild the community's social fabric. Second, where a business behaves in a way that directly enhances its public image and prestige and therefore, gain support from the community. Good behaviour involves the provision of public good, e.g. clean air, public radio, community betterment etc.

Entrepreneur-community relationships depend on the type of community since community structures and behaviour differ for different communities. Kellet, Bishop, Tipple and Coulson (2004) indicate that some communities have traditional values encouraging working together and being supportive to each other. Building social fabric is more viable in communities that are responsive and strong (Cornwall, 1998). Besser (1999: 16) argues that, "The enlighten self-interest model of corporate social responsibility predicts that, businesses that support their local communities are more successful". The logic from this argument is that, the community recognises the support they gain from the business and therefore reward a business in their role as customers, employees, professional service providers, supplies etc.

Home-based enterprises have both positive and negative impacts on their location area (Safeyah and Winasih, 2008). These businesses provide the following positive impacts in their neighbourhood: improvement in housing development, income, secondary goods ownership and children's education. These are achieved through employment opportunities and empowerment of the public economy. The negative impacts include decrease in home spatial health and house activity freedom. The impacts on the residential environment include sound pollution, air pollution, increase in traffic congestion and chaos, decrease in the quality residential space and the loss of social space. Hence, businesses may either be liked or disliked in their neighbourhood depending on their environmental impact.

In South African townships, land use amenities are not taken into cognizance by community members. In this sense, there may be minor cases where a business is seriously affected by people complaining about issues relating to land use amenities. Even in cases where there are complaints, possibilities for law enforcement are minor. Thus township home-based enterprises may be minor influenced by community-entrepreneur relationships.

2.5 Conclusion

The literature (informal or formal sector) that addresses challenges relating to small business growth focuses more on factors that arise due to the nature of a business (the way in which the business is structured). Less research has been done with regard to the way in which entrepreneur's social context may influence growth of a business. Growth of township home-based enterprises is more likely to be affected by three factors namely informal sector challenges (in most cases these challenges arise due to government interventions), economic factors (this refers to factors affecting growth of any small businesses due to their nature) and social factors (this refers to the challenges that may be face by an entrepreneur due to their social context).

In the South African context, government seems to be embarking on projects that are aiming at formalising the informal sector, although these interventions seem not to cover much of the informal sector businesses. The literature indicates that growth of any small businesses is influenced by their character. Areas that are identified by the literature as requiring interventions in terms of economic factors include management strategies, characteristics of an entrepreneur, environment/industry factors and characteristics of a firm or a business. Furthermore, this research argues that social factors are also influential to the growth of small businesses, mainly home-based enterprises. Two social variables are identified that may influence business growth and they are tenant-landlord relationships and entrepreneur-community relationships.

This chapter defined small businesses and growth, delineated informal sector businesses and their challenges, presented factors that affect growth of any small businesses and social factors affecting growth of township home-based enterprises and other businesses in general. The

following chapter (Chapter three) discusses the application of the literature to the study area (Pimville). It clearly highlights variables that are relevant and those that are not for township home-based enterprises and also presents the conceptual framework. Lastly, it provides a hypothesis of township home-based enterprises, deducing from the literature.

CHAPTER THREE: THE SOUTH AFRICAN TOWNSHIP HOME-BASED ENTERPRISES HYPOTHESIS

3.1 Introduction

This chapter deduce from the literature and presents a hypothesis of South African township home-based enterprises. The previous chapter highlighted that South African township home-based enterprises are small informal businesses and therefore their characteristics combine elements of informal businesses as well as those of any small business. For these businesses to grow, they need to overcome hindrances to growth from all elements they encompass.

3.2 Application of the Literature (small businesses) on Township Home-Based Enterprises

In summary, the literature review of this research singles out the following factors as having an influence on growth of small businesses in general: growth objective factor, employee recruitment and development factor, product market factor, financial resource factor, international and business collaboration, flexibility, owner's motivation, owner's education background and/ or training qualification, past business experience, size of the founding team, environmental/ industry specific factor, characteristics of a firm or a business, landlord-tenant relationships and entrepreneur-community relationships. Within these factors, the international and business collaboration factor is not relevant to township home-based enterprises since these enterprises do not compete internationally due to their size. Local networking is identified as the factor that may nurture these businesses to work as a team rather than compete against each other.

Employee recruitment and development factor, and characteristics of a firm are not essential for growth of township home-based enterprises due to the size of these businesses. These factors may automatically be applicable as these businesses grow and develop. In other words, 'employee recruitment and development' factor and 'the characteristics of a firm' factor are more effective for the growth of big businesses than they are for the growth of very small

businesses. Therefore, these factors do not have a significant influence on the growth of township home-based enterprises, thus not essential for this research.

Flexibility is more pertinent to small businesses but capitalising on it may discourage growth of these businesses. In other words, small businesses that are aiming at achieving business growth should automatically benefit from flexibility due to their sizes, but they should not develop their businesses to be flexible, as this may hinder their growth. Therefore, flexibility is less significant for growth of township home-based enterprises, thus not essential for this research.

Table 3-1 below highlights variables that have major relevance for growth of township home-based enterprises and those that have minor relevance for growth of these businesses due to their sizes but may have relevance once a business start growing. It also presents relevant moderations of some variables to suit home-based enterprises. Positive signs indicate factor that have major relevance for growth of township home-based enterprises. Negative signs indicate factors that have minor relevance for growth of township home-based enterprises but may be relevant once these businesses start growing. A star sign indicates that a variable needs to be moderated to be relevant, a more relevant variable (moderated) is then provided in the next column (right hand side).

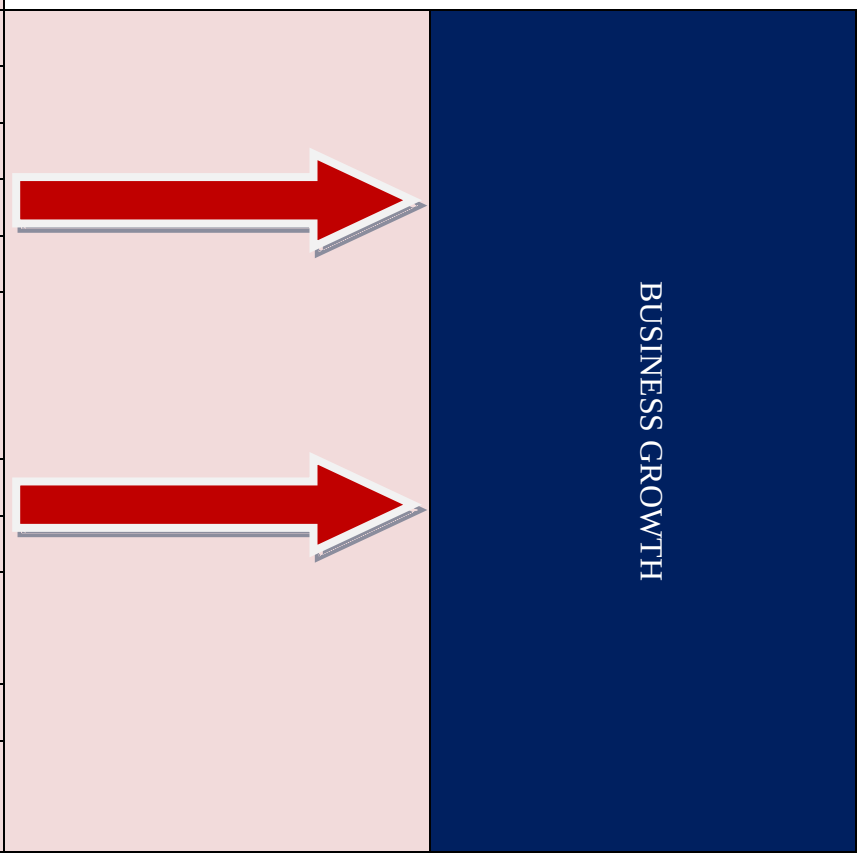
Table 3-1: Variables that have Major Relevance for Growth of Township Home-Based Enterprises, those that have Minor Relevance and Moderated Variables to Suit Township Home-Based Enterprises (Source: Taken From: Besser, 1999; Smallbone and Wyer, 2000; Gordon et al, 2006; Safeyah and Winasih, 2008; Lemanski, 2009)

Variables	Relevance to home-based enterprises	Changed variable to suit home-based enterprises
Growth objective factor	+	
Employee recruitment and development	-	
Product market factor	+	
Financial resources	+	
International and business collaboration	*	Local business collaboration
Owner's motivation	+	
Owner's education background and/ or training qualifications	+	
Past business experience	+	
Size of the founding team	+	
Environmental/ industry specific factors	+	
Characteristics of the firm or business	-	
Landlord-tenant relationships	+	
Entrepreneur-community relationships	+	

The following diagram is a conceptual model of this research. It shows variables that are necessary for growth of township home-based enterprises and growth as an outcome. All variables should be met to achieve growth.

Figure 3-1: ***The Most Necessary Variables for Growth of Township Home-Based Enterprises (Source: Taken From: Besser, 1999; Smallbone and Wyer, 2000; Gordon et al, 2006; Safeyah and Winasih, 2008; Lemanski, 2009)***

Variables
Growth objective factor
Product market factor
Financial resources
Local business collaboration
Owner's motivation
Owner's education background and/ or training qualifications
Past business experience
Size of the founding team
Environmental/ industry specific factors
Landlord-tenant relationships
Entrepreneur-community relationships



3.3 The South African Townships Home-Based Enterprises Hypothesis as Deduced from Literature

This section provides a hypothesis of the factors/ variables in the South African township home-based enterprises. The section is divided into four categories namely home-based activities, economic factors, social factors and informal sector challenges.

3.3.1 Home-based Activities

This research hypothesises that, South African township home-based enterprises comprises of the following activities: child minders, traditional healers, hair salons, satellite installers, public phones operators, building constructers, self employed artisans, shoe-makers, tailors, wood carvers, garment makers, welfare organisations, churches, beverage sellers etc. The probability of finding all activities in the study area is small. This is because Pimville represent a very small portion of South African townships. In some cases, it is possible for a researcher to unintentionally miss some businesses due to the lack of directions and boards advertising a business, therefore making it difficult to identify them.

3.3.2 Economic Factors

South African township home-based enterprises should have the characteristics of any small business and those of informal businesses since they are small informal businesses. These businesses should possess the following factors which can hinder growth: having owners that are not committed to achieve business growth, employing few people mostly family members and not provide training for employees, lack of innovation, having problems in accessing credit from lenders, using their savings to finance their businesses, lack of networking, having owners and employees that have low level of education, having few founding teams and in most cases the business owner only, not located in areas suitable for a business, good location of a business happening unintentionally and having owners that have been in the business for a longer time (managing to sustain their business but not achieving business growth).

3.3.3 Social Factors

South African township home-based enterprises should possess the following kinds of landlord-tenant relationships and entrepreneur-community relationships, which may influence growth of these businesses: small scale landlords providing informal stock of very poor quality, poor access to services for tenants, power pendulum relationships, landlords restricting kinds of businesses to

be operated in their yards and businesses being at risk of eviction. Furthermore, township home-based enterprises should have either negative or positive effects on the environment and in the social lives of the people in their neighbourhood. Therefore, some businesses should receive support from community members and others receive eviction treats depending on the environmental impact the business have in the neighbourhood.

3.3.4 Informal Sector Challenges

South African township home-based enterprises should be negatively affected by government interventions on informal sector as it happens in the other countries. However, in the South African context these businesses should neither receive support nor threats from the city officials, as there are minor government interventions with regards to informal businesses in townships.

3.4 Conclusion

Most of South African township home-based enterprises are small informal businesses. In this sense, these businesses have elements of both small businesses and those of informal businesses in general. Due to this, some factors that influence growth of any small businesses are not relevant for these enterprises while others are. Variables that are assumed to have minor relevance are not totally irrelevant as some of them may be relevant after these businesses start growing. Variables that this research identifies as having minor relevance include: employee recruitment and development, international collaboration, flexibility and characteristics of the firm or business. The conceptual model argues that all relevant variables should be met to achieve business growth.

This chapter presents a summary of Chapter two. It discusses variables that are relevant for South African township home-based enterprises, excludes variables that seem to have minor relevance and moderate variables that require moderation before they may be relevant. It then presents a theoretical model and hypothesis based on the literature. The following chapter

(Chapter Four) describes the study area. It justifies the relevance of the area in terms of providing appropriate data, discusses the historical background of the study area (Pimville), delineates location of Soweto and Pimville and presents demographic information for Soweto Township.

CHAPTER FOUR: PIMVILLE: THE STUDY AREA

4.1 Introduction

This chapter describes and discusses Soweto and Pimville. The actual study area is Pimville but due to the scale and the lack of information that is specific to Pimville, information on Soweto as a whole is presented. The location of Soweto and Pimville is presented, highlighting the boundaries of these areas and the access routes. Area justification, historical background of Pimville Township, location of Soweto and Pimville and demographic information on Soweto and Pimville are presented in this chapter.

4.2 Area Justification

In South Africa, the number of informal businesses seems to be high in townships, especially black townships (Morris, 2004). Due to this, it is convenient to do a study of this nature in townships as there will be more data as compared to other areas such as inner cities. The study aims at exploring the effects of tenant-landlord relationships on the growth of home-based enterprises. Townships are also a convenient location for this kind of interaction due to the high number of rental accommodation in these areas (Lemanski, 2009).

Soweto is the most dominant area in Johannesburg and the whole country as compared to other South African townships. It is most dominant in terms of scale, size of population and international recognition (Johannesburg, Regional Spatial Development Framework (RSDF), 2003). Assuming an equitable distribution of informal activities, Soweto is then a more convenient location since it is where a high number of informal businesses are found.

The study aims at focussing more on home-based enterprises and there is evidence of existence of such businesses in Soweto. For example, Rogerson and Beavon (1981) identified home-based businesses in Soweto (Moroka) and such businesses are also observable in many Soweto townships today. Examples of home-based enterprises in Soweto include spaza shops, salons,

public phones, etc. Figure 3 below shows a spaza shop and fast food shop in Zone 5, Morobadilepe Street, Pimville.



Figure 4-1: Spaza Shop and Fast food Shop in Morobadilepe Street, Pimville (Source: author)

There are minor differences between informal businesses in different townships of Soweto. Therefore, the variations in terms of the type of businesses and kinds of landlord-tenant relationships between these townships are minor. Pimville is more convenient area for this project due to the variety of activities in the area and its accessibility. Two researchers in the project were leaving in Pimville. Therefore it was easy to go around in Pimville Township than in the other Soweto townships.

4.3 The Study Area

Pimville is one of the townships in Soweto. The name Soweto is an acronym of South West townships, as Soweto is situated in the south western part of Johannesburg central Business District (Johannesburg RSDF, 2003). Soweto's formation is linked to the eviction of black people by the city and state authorities from Johannesburg Central Business District (Pirie, 1984). It was propelled by an increase in number of people who migrated into Johannesburg to find jobs in mines and resided in Soweto (ibid.). Pimville was renamed from Klipspruit which was the first townships in Soweto (Fraser, 2005). Soweto is known globally due to its size, Dr Nelson Mandela and its history in the fight against the use of Afrikaans as a medium of instruction at schools during the Soweto Uprising of 1976.

4.4 Location

This section presents the spatial location of Soweto and Pimville. Location boundaries are used to frame each area (Soweto and Pimville). This section also highlights access routes for each area (Soweto and Pimville).

4.4.1 Soweto

Soweto forms part of region D of the Johannesburg Regional Spatial Development Framework (RSDF) and it is located approximately 15 km south west of Johannesburg Central Business District and approximately 10 km South of Roodepoort (RSDF, region, 2007/8). Its boundaries include (see map in figure 4):

- The vacant land separating the Eastern sector of Soweto and Nasrec.
- Highway system in the East, formed by the N 1.
- The Klip River and floodplains separating Soweto from Lenasia to the south as well as the N 12 Potchefstroom Highway.
- Large tracts of mainly agricultural land with intermittent dolomite to the west.

(Johannesburg RSDF, 2003: 9)

Soweto is accessible through Chris Hani Road (previously known as Old Potchefstroom Road) and East Street (from the East), Dobsonville Drive (from the west), Soweto Highway (from the north west), Rand Show Drive (from the north) and Klipspruit valley (from the south) (Google Earth maps, 2007). Bellow is the map (figure 4) showing the location of Soweto Township.

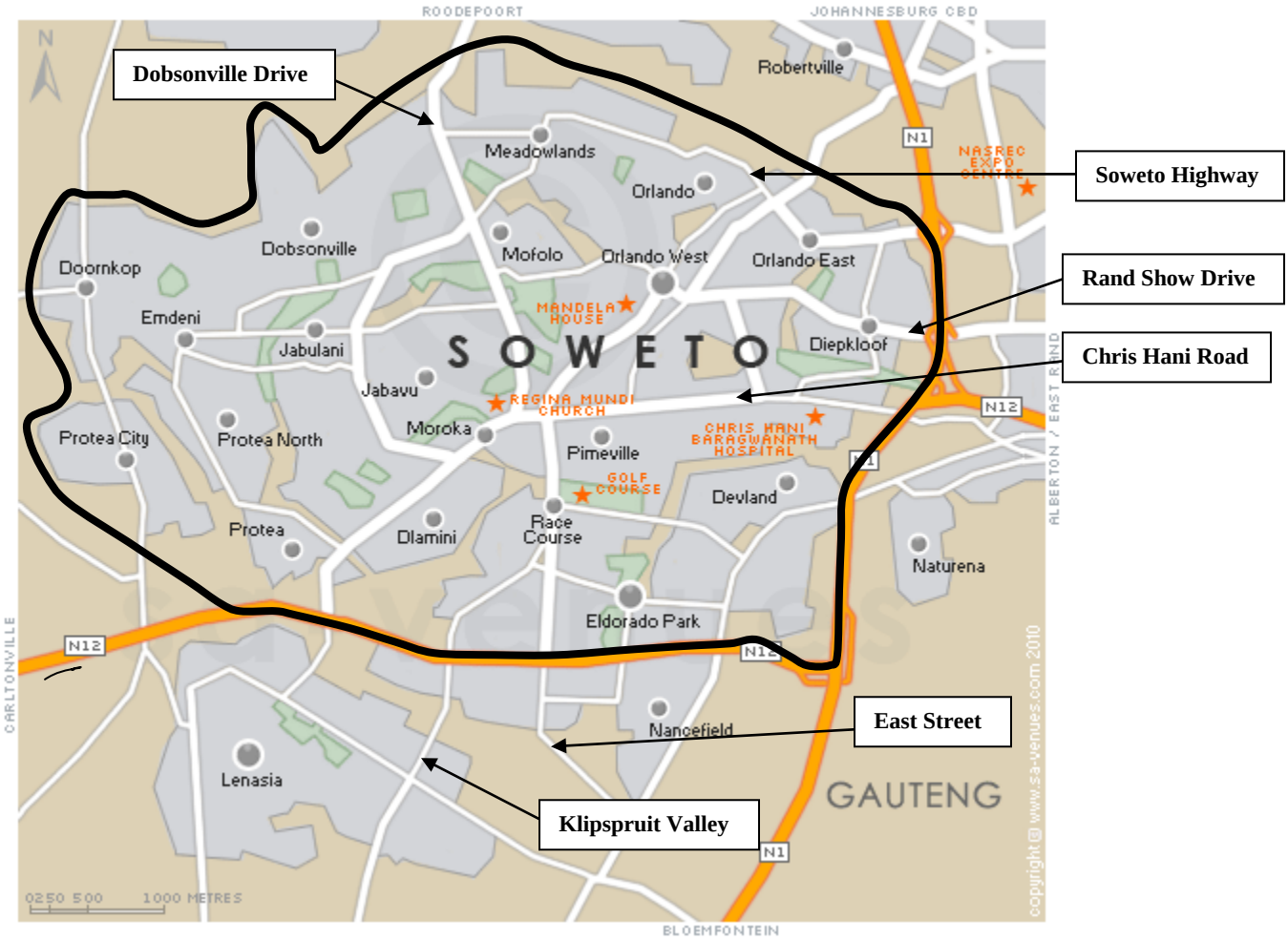


Figure 4-2: Soweto Map (Available at www.sa-venues.com ***[cited in 1st April 2010])***

4.4.2 Pimville

Pimville is one of the small townships of Soweto. It is the first township that was established in Soweto. The first residents in Soweto were residents that were relocated from Coolietown (centre of Johannesburg) to Klipspruit in 1905 (Pirie, 1984). These people were only blacks and the housing was based on rental. This was done to establish racially segregated residential areas. In 1934, Klipspruit was renamed Pimville (Fraser, 2005; www.soweto.co.za).

Soweto is divided into sixteen sub-sections or suburbs and Pimville falls under sub-section eleven (Johannesburg RSDF, 2003). Pimville is located in the mid South of Soweto and is located approximately 2 km south west of Diepkloof Township, approximately 2 km north of Eldorado park, approximately 1 km east of Dlamini Township and 1 km South of Klipspruit (other section and not the one that was renamed Pimville) (Google Earth maps, 2007). In the East, West and South, Pimville is bounded by vacant land, separating it from Dlamini Township, Kliptown and Power Park, respectively (ibid.). In the North, Chris Hani Road is a mobility spine, separating Pimville and Klipspruit Townships (ibid.).

The Pimville township is accessible using two mobility spines (Chris Hani Road and Union Street), in the North and South, respectively (ibid.). Below is the map (figure 4-3) showing the location of Pimville Township.



Figure 4-3: Pimville Map (Google Earth maps, 2007. [accessed 20 August 2009])

4.5 Demographic Information

The greater Soweto area is about 153 km^2, accommodating about one million residents and 43 % of the Johannesburg population (Johannesburg RSDF, 2003). Projected population growth for 2000 – 2010 is 0, 9 % per annum. About half of the population is under the age of 25 and the gender distribution for the total population is almost evenly balanced (51 % female and 49 male) (ibid.). Soweto supplies labour throughout the region – about 80 % of workers are employed outside Soweto while about 20 % work in Soweto (ibid.). About 75 % of the population hold unskilled, manual jobs and about 10 % hold managerial positions (ibid.).

The Soweto economy is tied with the Johannesburg metropolitan municipality economy (in particular, Johannesburg CBD) (Johannesburg RSDF, 2003). About Half the employed population in Soweto work in Johannesburg and about 30 % travel daily to the Johannesburg CBD to work.

About 45 % of the population in Soweto is unemployed and the household income is as follows (Johannesburg RSDF, 2003: 18):

- About 75 % of the population earn under R 1 500 per month
- 9 % earn R 1 500
- 2 % earn over R 3 500

Sixty six percent of the population is employed and of these, forty and a half percent are aged sixteen and above and are not full time workers. The mean level of education is between standard 6 and standard 7 (Johannesburg RSDF, 2003). The total number of informal activities in Soweto is estimated at 2642 and 138 in Pimville (MTC base line study, 2009).

4.6 Conclusion

Pimville Township is very small in scale when located provincially or nationally and lacks information specific to it e.g. demographic information. Since Pimville is part of Soweto, for some of the information, it is convenient to use information on Soweto as a whole. Townships are more convenient for this project due to the large spread of informal businesses and a high number of rental accommodations in these areas. Soweto is one of the biggest South African townships. Therefore it should have many informal businesses than any other South African township, thus more convenient for the study. Pimville was selected as the study area because of the variety of activities and accessibility of the area as compared to the other Soweto townships.

This chapter presented the justification of the study area, historical background of Pimville, spatial location of Soweto and Pimville and demographic information on Soweto. The following chapter (Chapter five) presents data gathered in the study area. Graphs and tables are used to present the information in a more simplified and interpretative way.

CHAPTER FIVE: PIMVILLE INFORMAL BUSINESS

5.1 Introduction

This chapter presents data that was gathered in Pimville, the analysis will be presented in the following chapter. In total, 31 home-based enterprise owners were interviewed. Graphs and tables will be used to present information in a compressed and readily accessible manner. Some of the questions in the questionnaire did not have responses due to various reasons, e.g. lack of information from the respondents or interviewers missing questions. However, all unanswered questions are assumed to be due to the interviewee's failure to respond except in cases where quite a number of questions till the end of the questionnaire are left unanswered in which case such questionnaires are regarded as incomplete. There is no case where a question was not answered by all the interviewees. Incomplete questionnaires were calculations only for all sections completed. However, this will be explicitly indicated in all sections.

5.2 The Profile of Home-based Enterprises and Operators

This section presents a profile of Pimville home-based enterprises and their operators. The information that is presented includes gender and age distribution of the people interviewed, the status of land or space ownership for owners of home-based enterprises and activities found in the area as well as the categorisation of the businesses.

Home-based enterprises were mainly operated by females with about 77 % of the total sample operators being females; 19 % of the total sample were operated by males and the rest, 4% were not specified (see Figure 5-1). The age of home-based enterprises operators was mostly in the 20 – 29 age group (32 %), followed by 50 – 59 (23 %), etc. (see Figure 5-2).

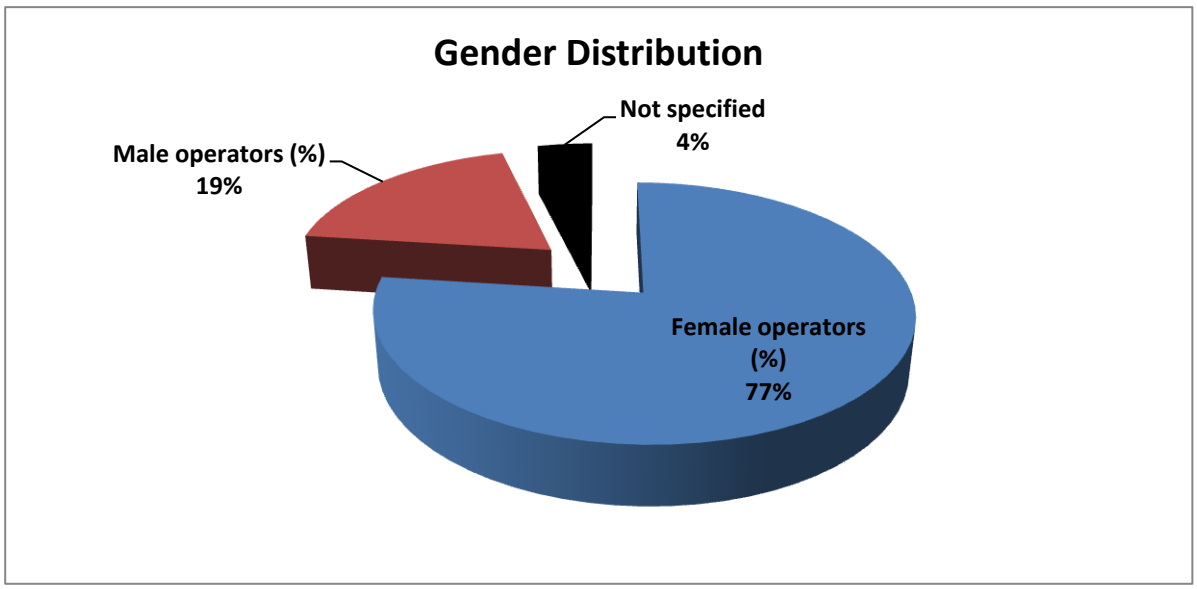


Figure 5-1: Gender distribution among home-based enterprise operators

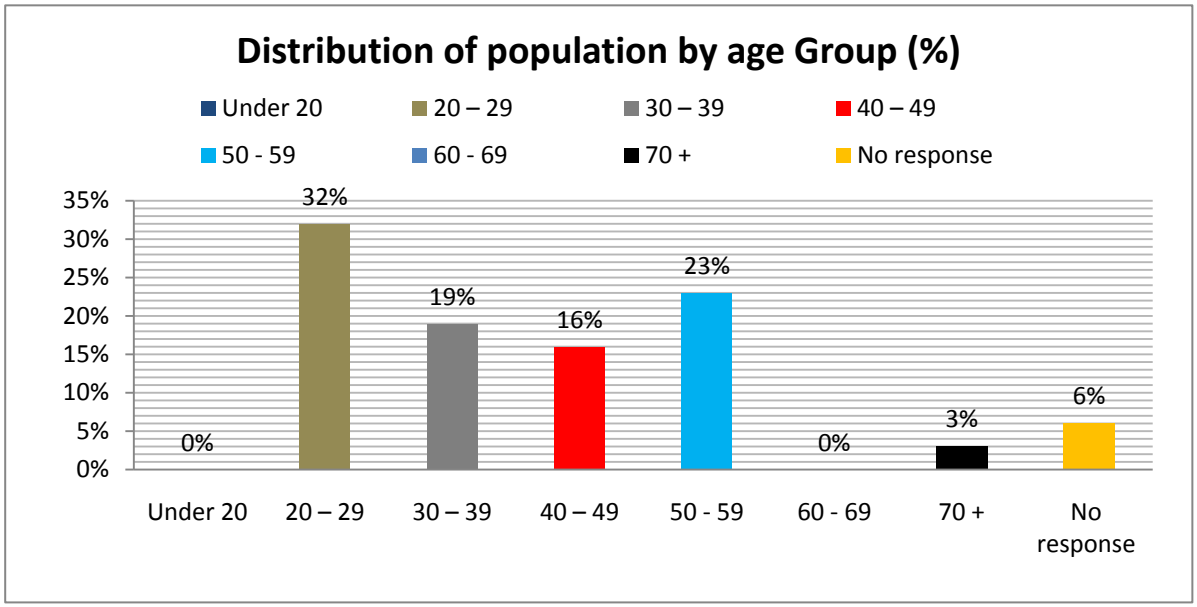


Figure 5-2: Distribution of Home-Based Enterprise Operators' Population by age Group

Most home-based enterprises in Pimville are owned by land owners (45 % of the total businesses surveyed), 26 % are owned by rentals and the other 26% are owned by people to whom the yard is their home (it may be a child within a family or a family member, most of these people are not paying rent) and this information is illustrated in Figure 5-3.

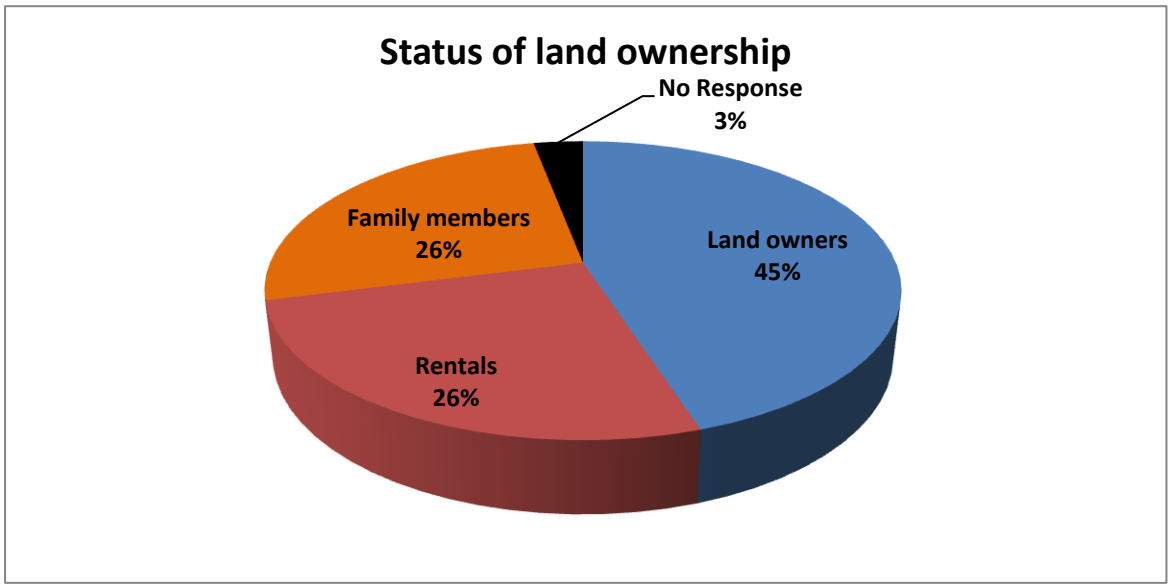


Figure 5-3: status of land ownership for Pimville home-based enterprise operators

The criterion for classification of home-based businesses was that from Rogerson and Beavon, 1981, Morris, 2004 and Rogerson, 2004. The categories used were retail, manufacturing and service. Among the home-based activities that were visited in Pimville, only two categories were observed, retail and service categories. Most home-based enterprises were retail activities accounting for about 71% of all enterprises surveyed and 29% were service activities (see Figure 5-4).

Activities found in the area included public phones, hiring pots and gas stoves, hair salons, video games, TV, play station and CD repairs. There were also retail shops selling airtime, snacks, fruits and vegetables, cakes, cigarettes, sweets, *kota*[8], sit-in meals and takeaways, liquor (taverns and shebeens), vetkoekies, groceries etc.

[8] A quarter of a loaf of bread with two or three of the following: archer, Russian, pylon and soup inside.

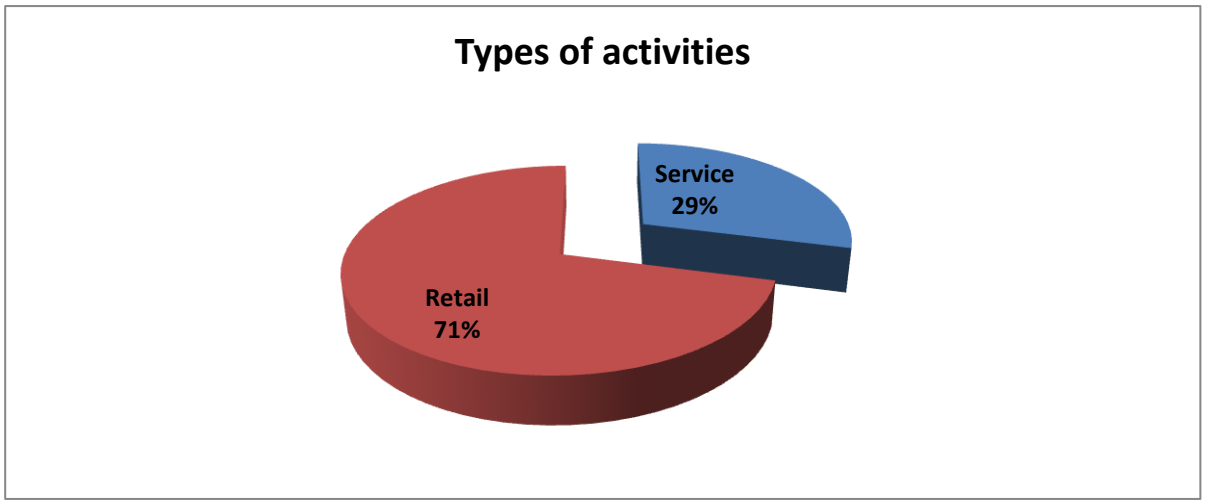


Figure 5-4: Classification of activities found in Pimville

Most home-based enterprises were old. The highest number of these businesses was more than ten years old (26%), followed by those aged between three and four and those less than a year, both at (16%) etc. (refer to figure 5-5). Furthermore, there was no business owner who indicated that they had inherited their business and this is an indication that knowledge is not imparted from the older generation to the younger generation but through the owner's endeavour over time and other ways. A total number of 29 surveys were used for calculating the percentages for the graph.

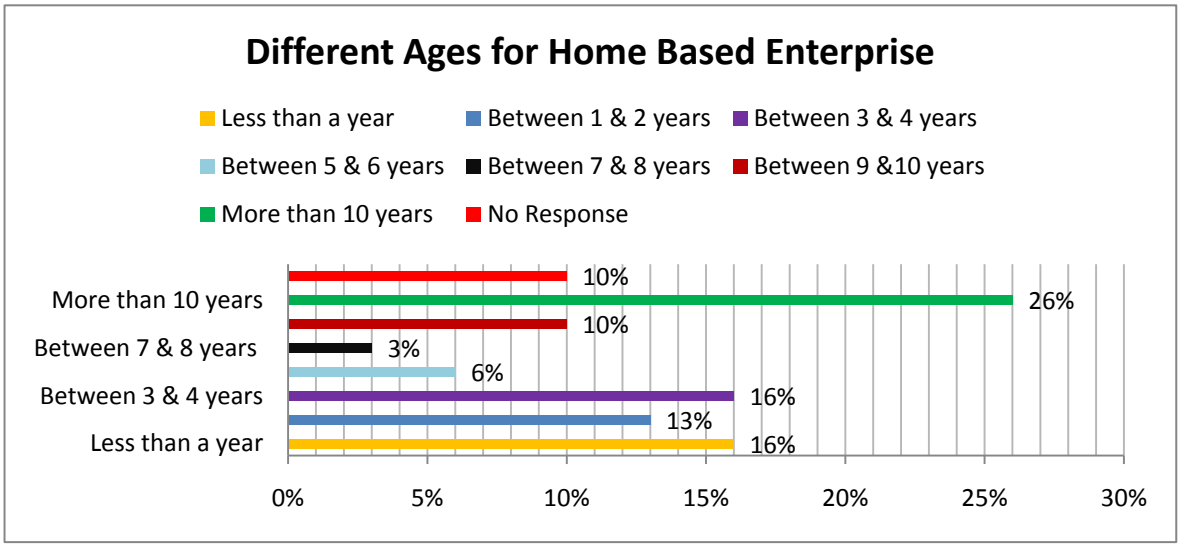


Figure 5-5: Age of Home-based enterprises

Most operators of home-based enterprises hold certificates beyond matric level. 41 % of the operators had university degrees, 7 % had post graduate degrees, 14 % had matric, 21 % completed grade 10 but did not complete matric, 14 % did not complete grade 10 and 3 % had primary school education (see Figure 5-6 below). A total of 29 surveys were used for the construction of a graph below.

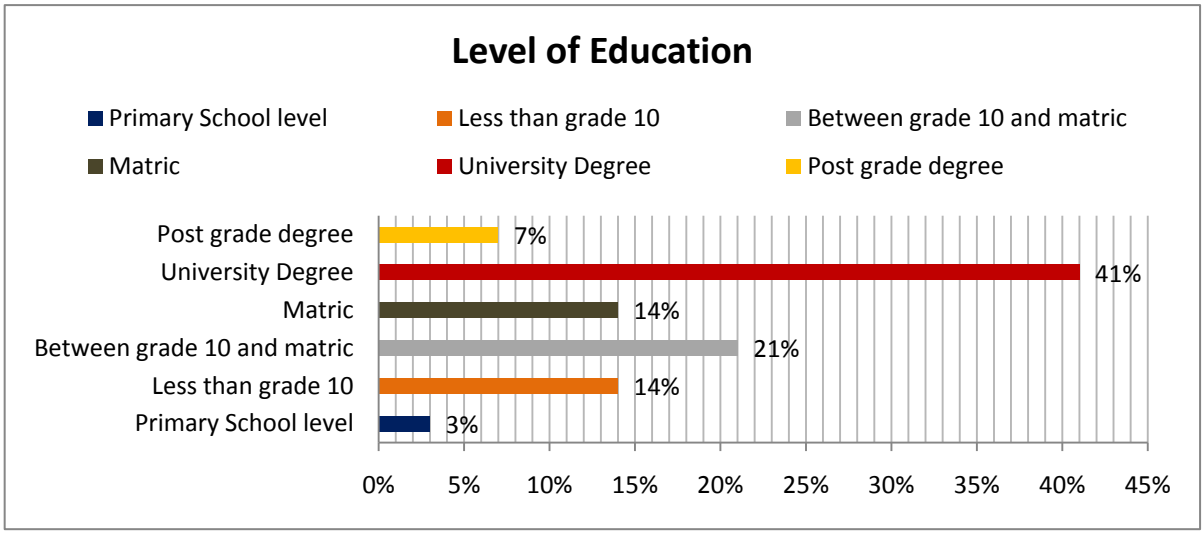


Figure 5-6: level of education for Pimville home-based enterprise operators

5.3 Economic Factors

This section covers all responses to the questions that were addressing economic factors/variables. Responses to questions addressing the following variables are covered: growth objective factor, product market factor, financial resources, local business collaboration, owner's motivation, past business experience, size of the founding team, and characteristics of the business. This section will alternate between 31, 30 and 29 total surveys.

Growth objective factor focuses more on the commitment of the controller (owner) in achieving growth as highlighted in section 2.4.1. In terms of this factor (growth objective factor), owners in the study area were assessed based on whether they do show the existence of future business growth plans in their responses to questions and whether they were able to identify factors

affecting the performance of their business. In other words, owners were assessed based on the evidence of willingness to grow their businesses and the ability to identify key factors that may enable growth.

In questions that were directed at owners' strategies for achieving growth, 14% of the total businesses surveyed did not have plans to grow their businesses, 76% had strategies for growing their business and 10% did not respond to the question (see Table 5-1). Strategies that were received from respondents included increasing the number of equipment for doing business or introducing equipment that would enable a business to do a variety of activities; introducing more marketing strategies, getting a space for a business outside the home (mainly for professional appearance), creating conditions where customers would feel comfortable, like having a place to sit (mainly liquor stores), increasing the stock or introducing a variety of activities, locating a business where there are many people and alternating activities that are seasonal, depending on the weather.

About 34 % of businesses for completed surveys had never experienced any business growth changes. These were businesses that since their formation had remained the same size to the day of the interview. About 7 % did not know if they had ever experienced any business growth changes. All of these respondents (didn't know if they experienced any changes) did not provide strategies for growing their business. This is an indication that they may have failed due to the lack of growth plans. About 59 % of businesses for the completed surveys had experienced business growth changes (positive growth and negative growth), although these were minor changes. Furthermore, all of these owners were able to spot factors that contributed to the growth changes in their businesses (see Table 5-1). In other words, business owners that were able to spot factors influencing the growth of their businesses and also define strategies to overcome negative influences were assumed to have growth oriented minds.

Table 5-1: All Responses Regarding Growth Factor Variable

STRATEGIES FOR GROWING A BUSINESS		
Not have plans	Have strategies	Declined to answer
14%	76%	10%
BUSINESS GROWTH CHANGES		
Never experienced growth change	Experienced growth changes and can also identify causes	Did not know
34%	59%	7%

Another economic factor that was important for this study was employee recruitment. This section highlights the number of businesses that had employees and the relationship between the owner and employee(s). Chapter three argued that employee recruitment and development factor is not significant for township home-based enterprises due to the number of people employed by these businesses. The results from this research concur with this view but the factor cannot be totally side lined since it may be relevant in later stages of the business in terms of achieving further growth. One questionnaire is excluded in the total number of questionnaires due to incompleteness. In this sense, a total number of 30 surveys are used for this section.

About 33 % of the businesses had no employees and 67 % had employees. About 65 % of businesses that had employees, the employee(s) was/were a family member(s) or close friend of the owner and for the remaining 35 %, there was no close relationship between the owner and employee(s) and this group was characterised by a boss-employee relationship (see Figures 5-7 and 5-8 below). The number of employees did not exceed three for all businesses surveyed.

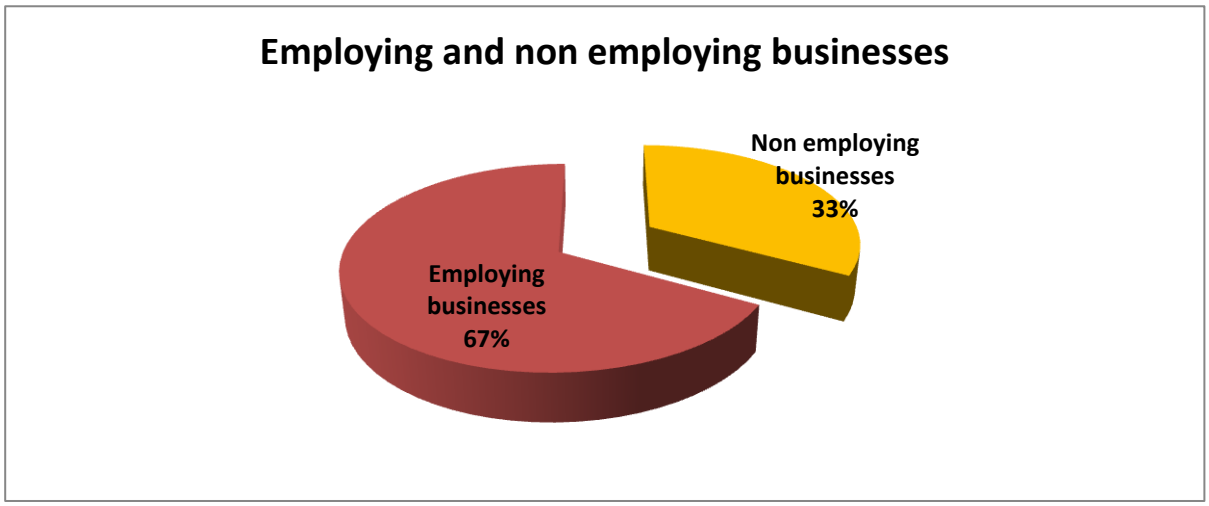


Figure 5-7: Employee recruitment among Pimville home-based enterprises

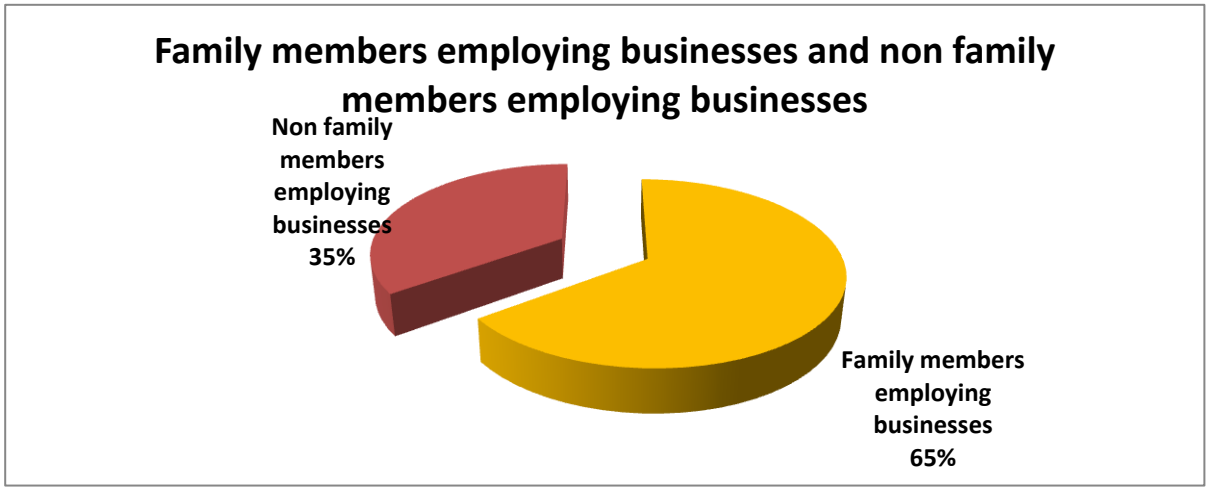


Figure 5-8: Businesses employing family members and those that are not

According to product market factor, small businesses should be innovative for them to achieve growth, and technology is one of the main mechanisms to do this. In the twenty first century, the internet is one of the main technological sources of information. Therefore innovative businesses should at least have internet and a telephone for communication purposes. Innovativeness of these businesses was assessed based on the business's access to facilities such as telephone and internet, although cell phones are now mostly used instead of telephones. Furthermore, it was

also argued in section 2.4.1 that education equips individuals with skills such as research skills. Research skills are necessary for achieving innovation in these businesses. In this sense, the ability of a business to be innovative was also assessed based on the owner's level of education.

All businesses surveyed did not have access to the internet. At least 17% of the total businesses surveyed had access to a telephone, and 83% did not as indicated in Figure 5-9 below. However, due to the wide spread use of cell phones one can assume that these businesses rely on cell phones rather than on a landline phone. Concerning education, most township home-based enterprises owners had degrees (41 percent) including post graduate degrees (7 percent) as shown in Figure 5-6.

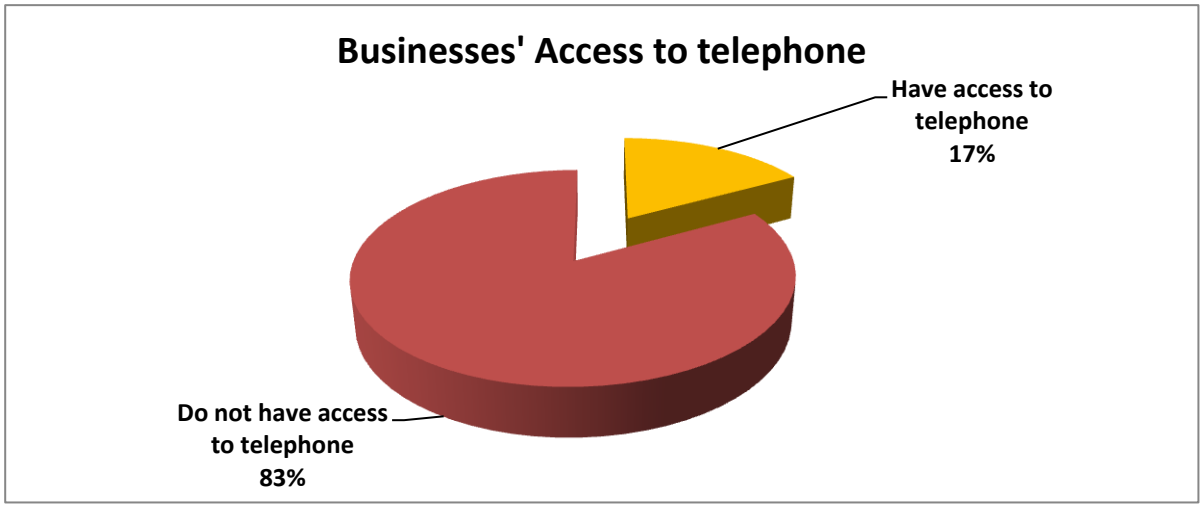


Figure 5-9: Access to telephone for Pimville home-based enterprises

Financial resource factor refers to the way in which a business accesses finances or cash for growth, as discusses in 2.4.1 of this research. Forming business partnerships with financial institutions and/or forming good relationships with the credit lenders are some of the strategies used by entrepreneurs to access credit for businesses. In this section a total number of 29 surveys were used.

Owners were asked if they had business partners and who those partners were. Owners were also asked about methods of financing their businesses. The type of business partners and the way business owners access credit to finance their businesses may highlight the relationships owners

have with credit lenders. Owners were also asked if they thought there was a person who could help them with their businesses. This question was to assess areas where owners of home-based enterprises thought they might get help from, which included assessing if credit lenders existed in the owners' minds.

Among the businesses surveyed, there was no business financed through credit lenders. Owners financed their businesses mainly through their savings and also through friends and family members. About 62% of the businesses were financed through owners' savings, 17% were financed through family and friends, 7% were financed through savings and family, and 14% declined to respond to the question (refer to figure 5-10).

About 72% of the businesses surveyed were owned by single owners, 21% were owned by more than one owner and 7% did not respond to the question (see Figure 5-11). About 83% of the businesses that are operated by more than one person, partnerships were among family members or friends and 17% of the businesses owned by more than one person were owned by people who are not friends or family members (see Figure 5-13). Other than a 72% of businesses owned by single owners, 14% of the total businesses surveyed were owned by two founders, 7% by three and the other 7% did not respond to the question (Figure 5-12).

About 69% of the businesses owners surveyed did not think that there could be a person other than government who could help them with their businesses, 17% thought that they could receive help to grow their businesses other than from government, 7% were not sure and the other 7% did not respond to this question (see Figure 5-14). Only 20% of owners who thought that they could receive help other than from government thought that they might receive help from a bank. Another 20% thought that they could receive help from family members, 40% from big businesses and the other 20% from certain TV programs that specialise in helping people such as "Zola Seven[9]" (refer to Figure 5-15).

[9] A TV program playing on SABC 1 where a Kwaito star by the name of Zola helps people to overcome problems they have and other things. People write him and he then select stories that he see as being most important, approach the writer and assist that person while also recording for his show.

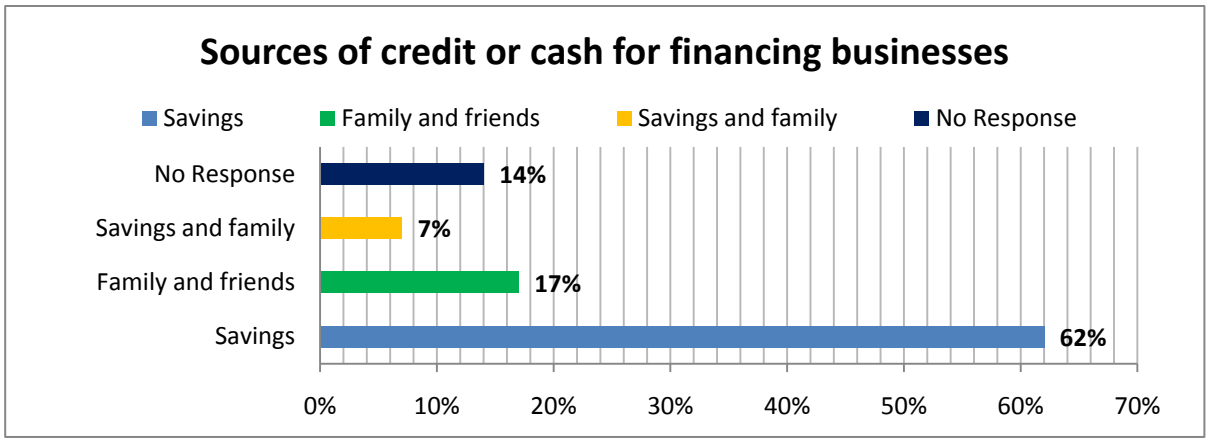


Figure 5-10: The way Pimville home-based enterprises are financed

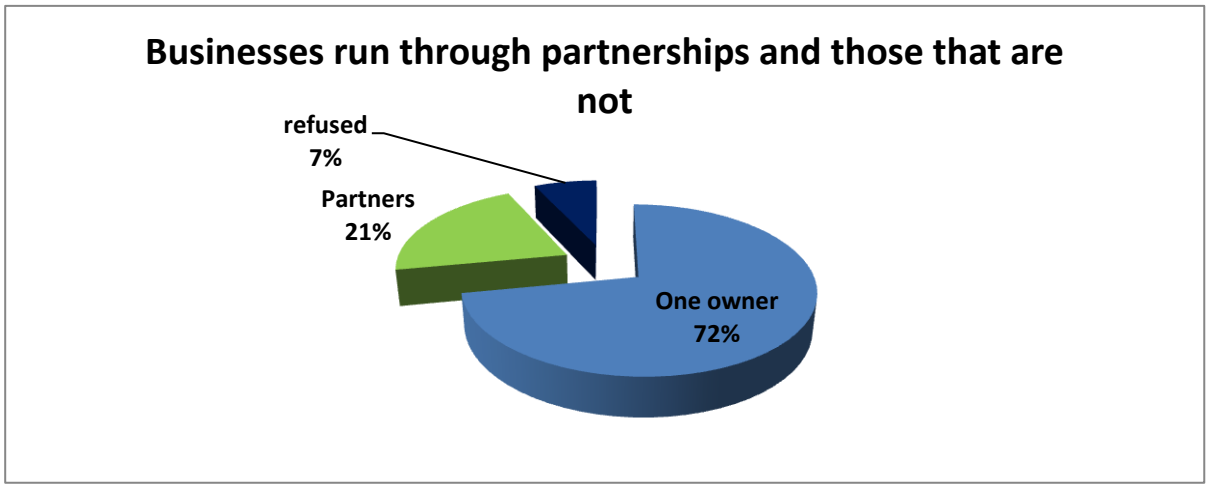


Figure 5-11: businesses that are owned through partnerships and those that are not (in Pimville)

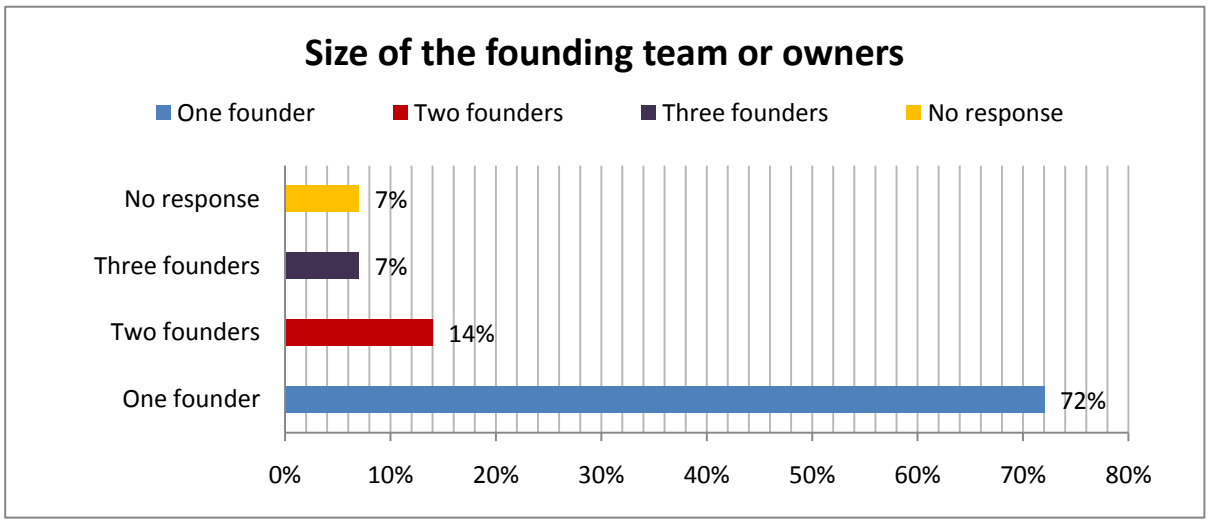


Figure 5-12: Size of the founding team for Pimville home-based enterprises

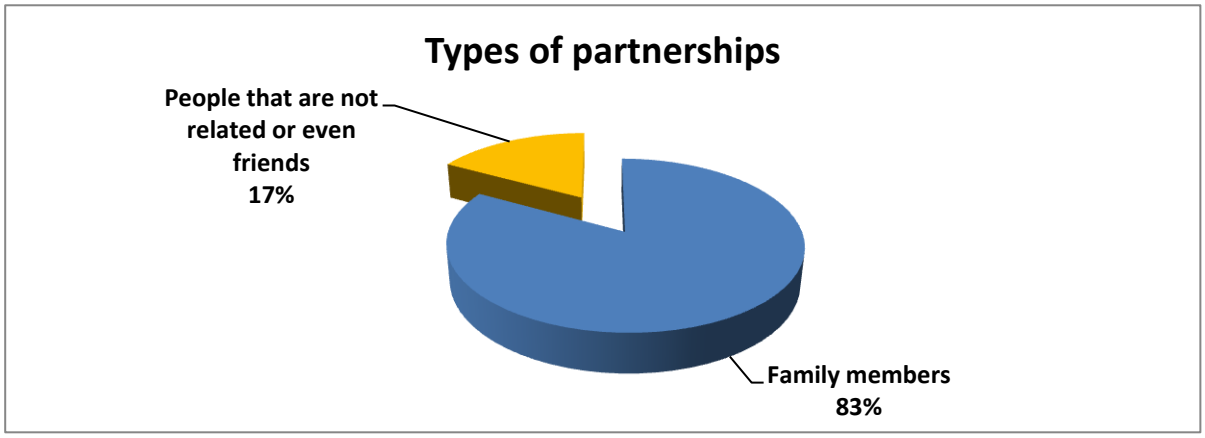


Figure 5-13: Types of partnerships for Pimville home-based enterprises

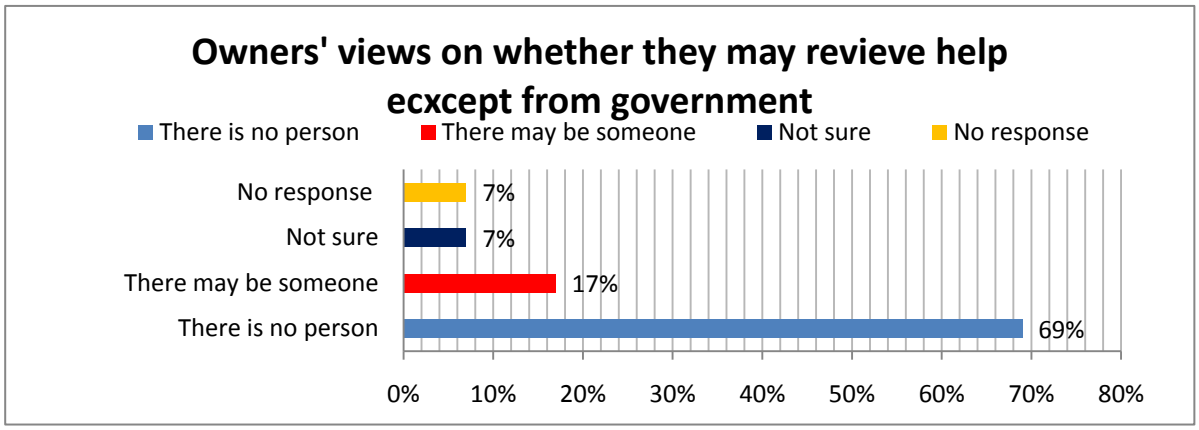


Figure 5-14: Business owners' views on whether they think there are people other than government who can help them to grow their businesses

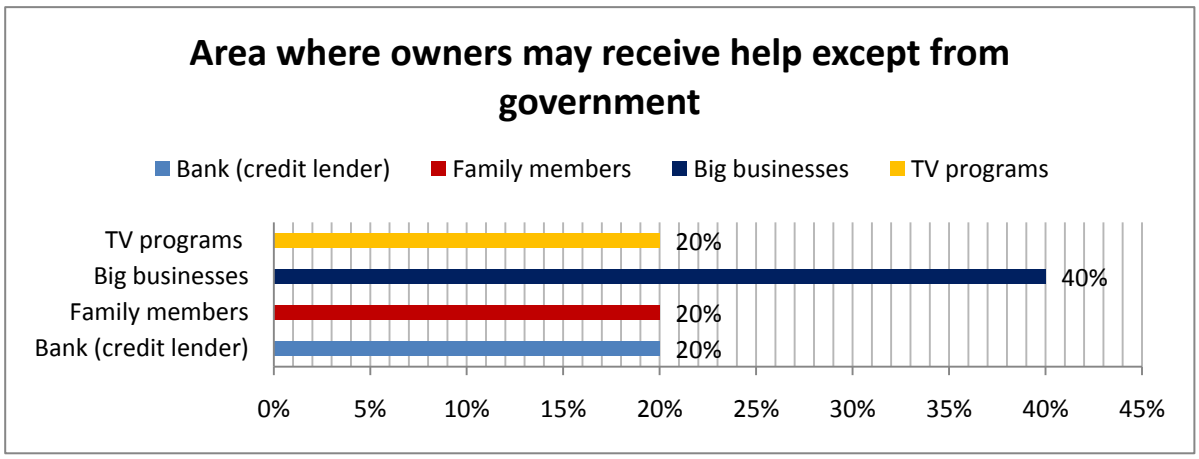


Figure 5-15: Areas where business owners may receive help other than from government

Home-based enterprises may learn from each other strategies for achieving growth and they can assist each other in many ways through networking as indicated in Chapter two. The research assumes that an evidence of belonging to a business organisation among township home-based enterprises in the area is a sign of collaboration among these businesses. The other reason why business organisation was used as a measure of collaboration was that organisations are good mechanisms for voicing people's concerns but people need to collaborate to form an organisation. In this sense, business owners were asked if they belonged to any business organisations and if not, why. A total number of 29 surveys were used in this section.

About 7% of business owners in the area belong to business organisations whereas 93% do not (Figure 5-16). Among business owners that belonged to business organisations none had local organisation membership. All the operators that seemed to be networking either could not define the kind of network or the network was not a business one. Reasons that owners provided for not belonging to any business organisation included not having internet, not knowing any organisation in their neighbourhood, not having the time, not seeing any necessity, not knowing why, the smallness of their business, being new in the business and never having thought of it.

About 37% of businesses that did not belong to any business organisation argued that there was no business organization in the area, 11% did not see the necessity of having a business organisation, 7% had never thought of it, 4% saw the lack of internet access as being the reason,

4% did not have a clue why, 4% thought that their business was too small, 4% thought that it was because they were new in the business and the rest (29%) did not respond to this question (Figure 5-17).

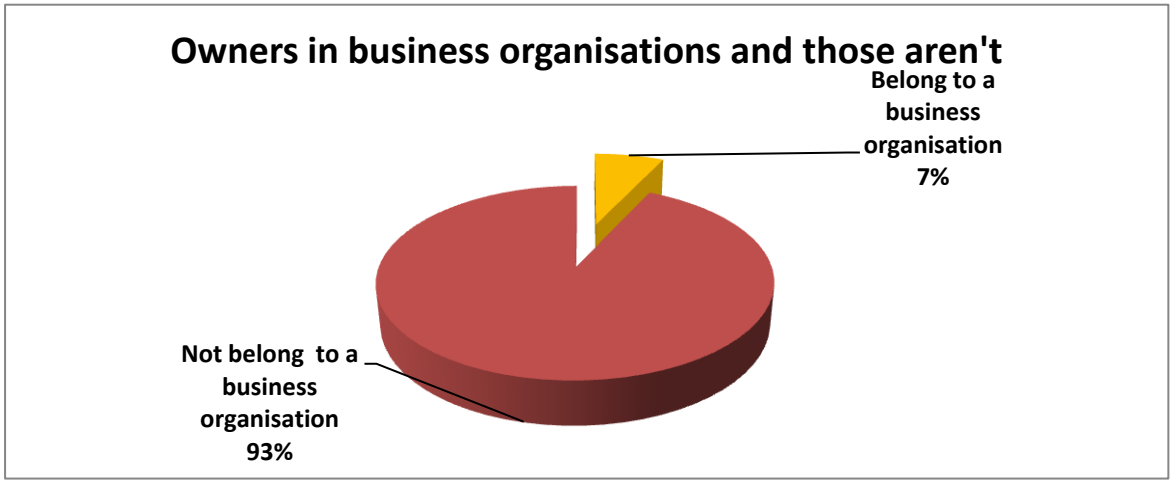


Figure 5-16: Businesses belonging to the business organisation and those that did not.

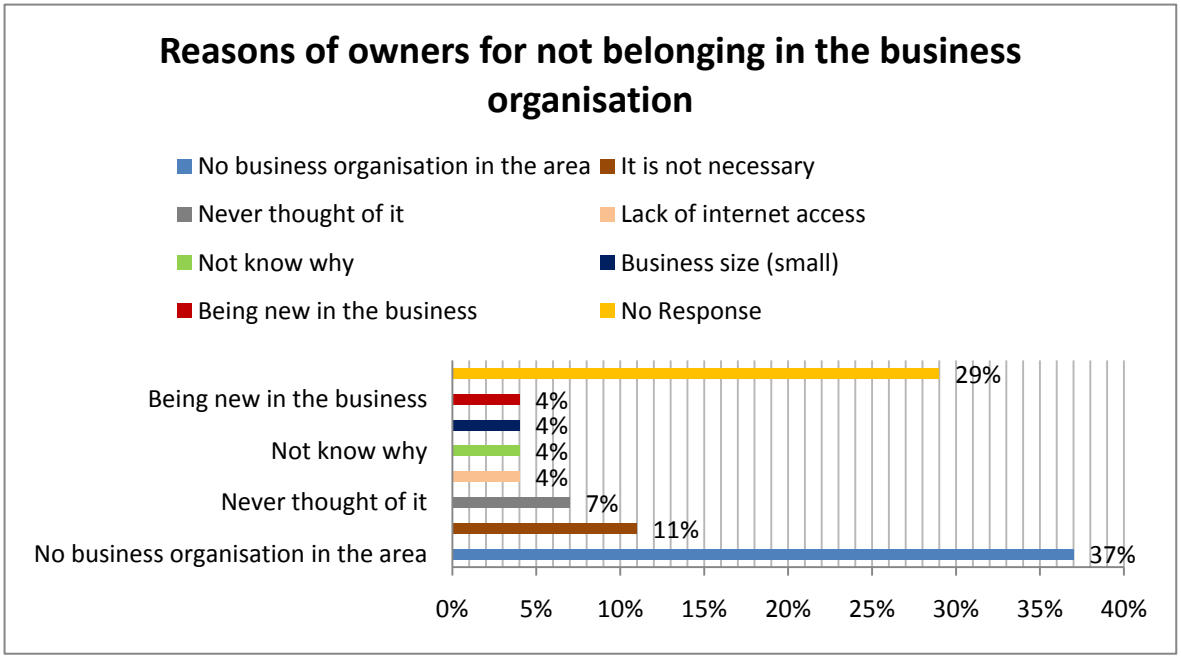


Figure 5-17: Owners' reasons for not belonging in the business organisation

Owner's motivation refers to the push factors that make owners start their businesses. To assess this variable, owners were asked for reasons that made them start their businesses. A total number of 30 surveys were used in this section.

About 47% of the owners surveyed started their businesses because it was the only thing they could do, 17% started their businesses because of a market niche, 7% started businesses just to have extra money, 3% started businesses due to connections with people in the same line of work, 3% started businesses due to a passion for a business, 3% started businesses just because they wanted to be bosses and 20% did not respond to the question (Figure 5-18).

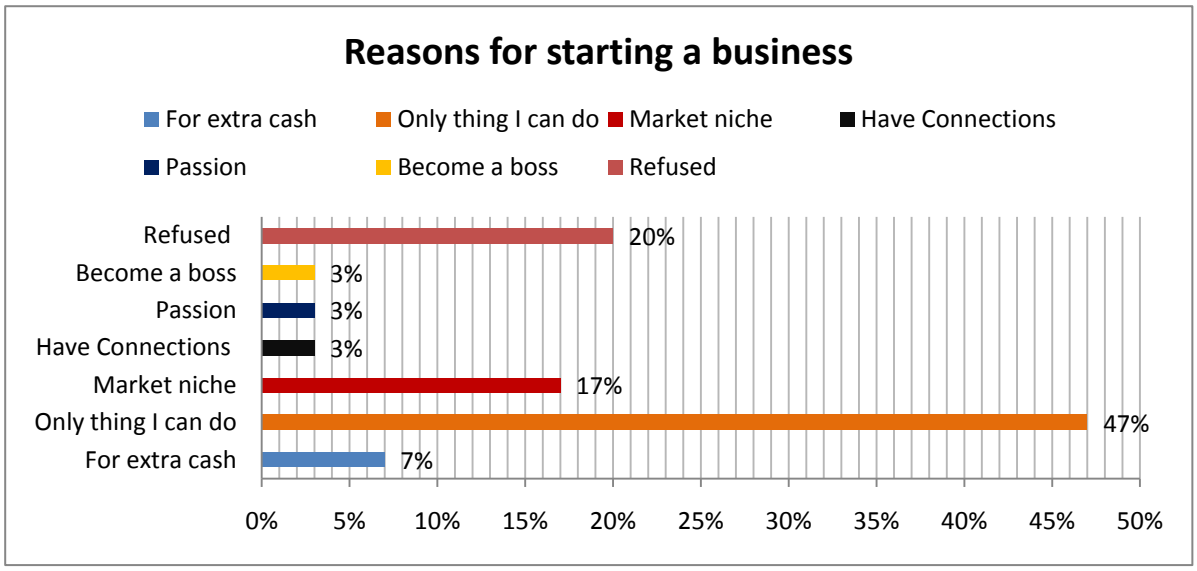


Figure 5-18: Reasons for starting businesses according to owners of Pimville home-based enterprises

It was indicated in 2.4.1 that there are two ways in which owners of informal businesses may gain experience. They may gain experience through operating one business for a long time, in one location or different locations and also through an older generation imparting knowledge to a younger generation within the family. In this sense, past business experience for owners of home-based enterprises was assessed through an indication of business inheritance within the family or elsewhere, the age of a business including if the owner operated the same business elsewhere other than in the current location.

About 83% of the total businesses surveyed did not change location (the businesses were the owners' first businesses), 14% had changed locations (businesses were not owners' first businesses) and 3% did not respond to the question (Figure 5-19). About 50% of the businesses that changed location continued in the same line of trade whereas the other 50% changed (Figure 5-20). Refer to 5.2 with regards to the age of businesses and impartation of knowledge from an older generation to a younger generation.

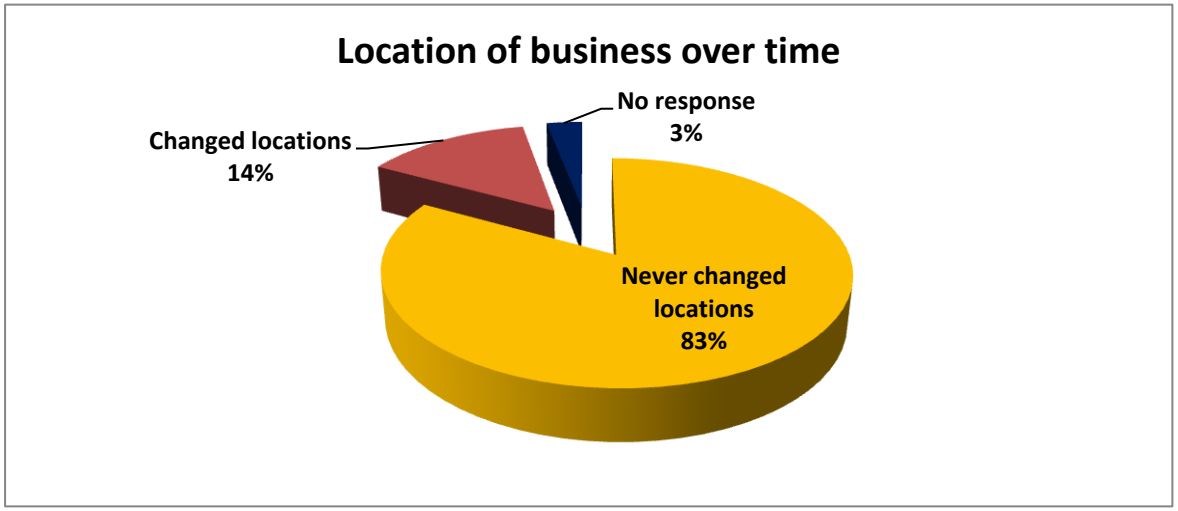


Figure 5-19: Change of locations for Pimville home-based enterprises

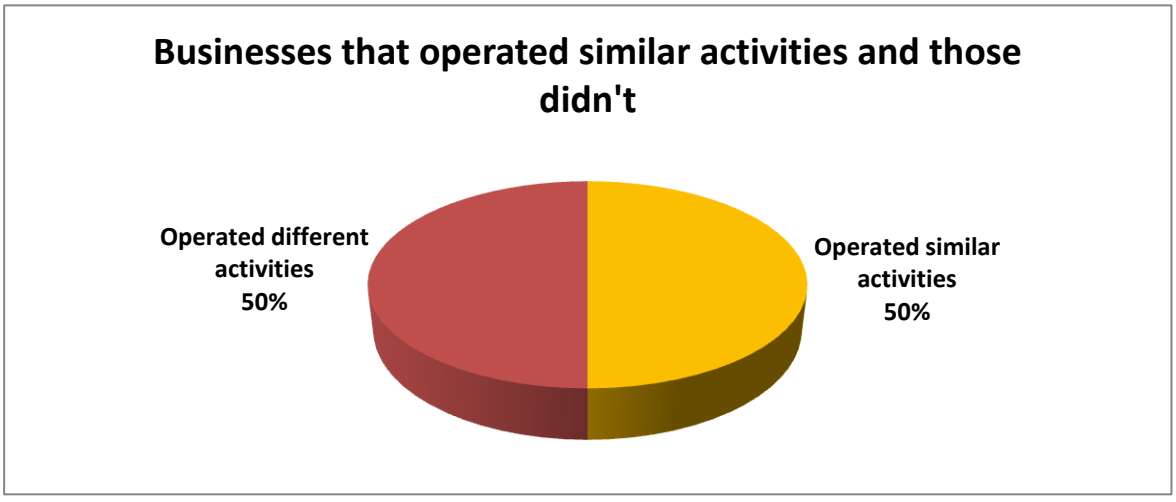


Figure 5-20: Response on whether owner operated similar activities in other locations

The size of the founding team refers to the number of people owning a business (partnerships), as highlighted in Chapter two. The results indicate that most of the township home-based enterprises are owned by single owners/ founder (72%), followed by those owned by two owners/founders (14%) and lastly those that are owned by three owners/ founders (7%) (Figure 5-12).

Environmental/business specific factor refers to external constraints and opportunities that may influence growth of a business as pointed out in 2.4.1. The distribution of resources in the business's locality, local market and competition were highlighted as examples of these constraints and opportunities. Owners were asked to identify the source of their stock and means of transport used to transport the stock. Stock is a fundamental requirement for any business. Focus was on how far businesses were from suppliers as well as the form of transport used to ferry the stock. Owners were also asked for the catchment area of their businesses. This question was aimed at judging the support that businesses received with regard to clientele. Although the business turn over may be influenced by many things, in this section this research assumed that high business turnover is as a result of good buoyancy of the local market. A total number of 29 surveys were used in this section.

About 79% of the businesses surveyed were serving the neighbouring community and 74 % of these businesses had monthly turnover of more than R 3500; 14% served a nearby community and people from outside their neighbourhood. All these businesses had monthly turnover of more than R 3500; 7% did not respond to the question (Figure 5-21). "Neighbouring community" refers to houses close to the business. The research assumed that the neighbouring community would be houses that were more or less in the radius of 0, 2 km due to other businesses in the area. However, this varied for different businesses since competition was not the same for different areas and also the nature of the business contributed to this variation.

Owners bought their stock from these areas: Kliptown (about 2km from Pimville), Daveland (about 3km from Pimville), Baragwanath (about 3.5 km from Pimville), Langlaagte (about 17,2

km from Pimville), Krugersdorp (about 25 km from Pimville) and Crown Mines (about 7 km from Pimville.

The other areas where owners bought their stock from included the neighbouring malls (Baragwanath, Maponya, Jabulani, South Gate and Protea Gardens) and breweries (the report assumes that Pimville taverns use breweries that are nearby, such as those in Roodepoort and Johannesburg). All the malls mentioned above are in Soweto except South Gate and all the malls are less than 9km from Pimville. Roodepoort is about 12 km from Pimville and Johannesburg is about 15 km away.

About 38% of businesses bought their stock from Kliptown, 14% from breweries, 7% from Daveland, 3% from Krugersdorp, 3% from Johannesburg, 3% from Langlaagte, 3% from Baragwanath, 3% from Crown Mines, 3% from neighbouring malls, 3% from Maponya and Daveland, 3% buy from Kliptown and Lens and 14% did not respond to this question (Figure 5-22).

Modes of transport used by owners to transport their stock included walking (using wheel barrows or carry things themselves), taxies, hired cars and private cars. About 41% of businesses surveyed used their own cars to transport stock, 10% of the businesses transported stock themselves (walking), 14% used taxies, 7% hired cars, 10% had their stock delivered to them, 3 % used electronic transfer and 14% did not respond to this question (Figure 5-23).

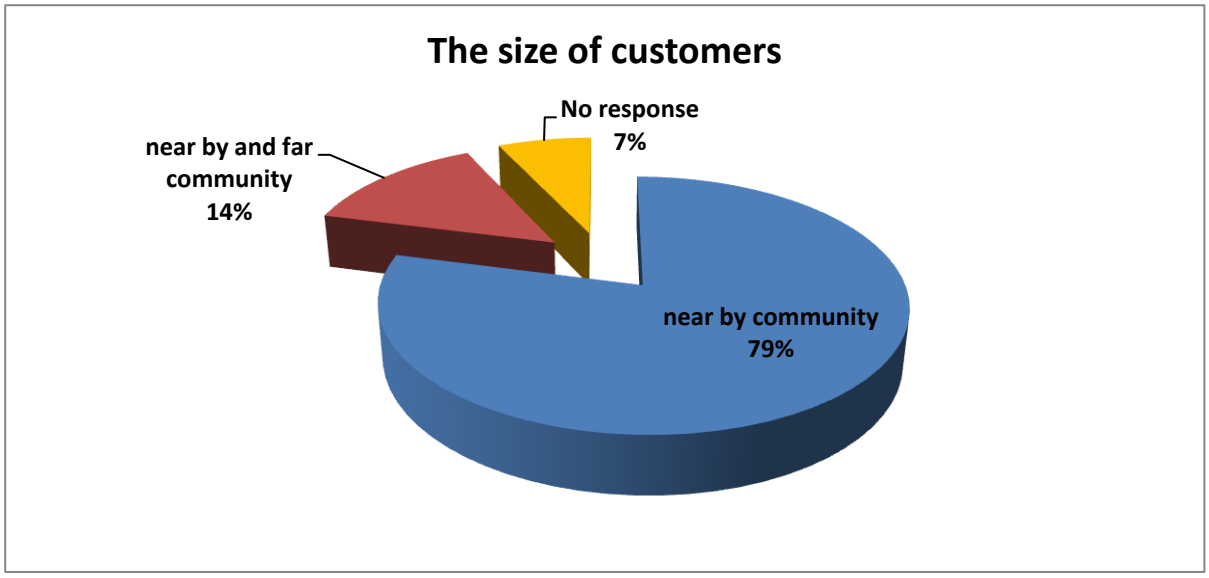


Figure 5-21: Location of customers

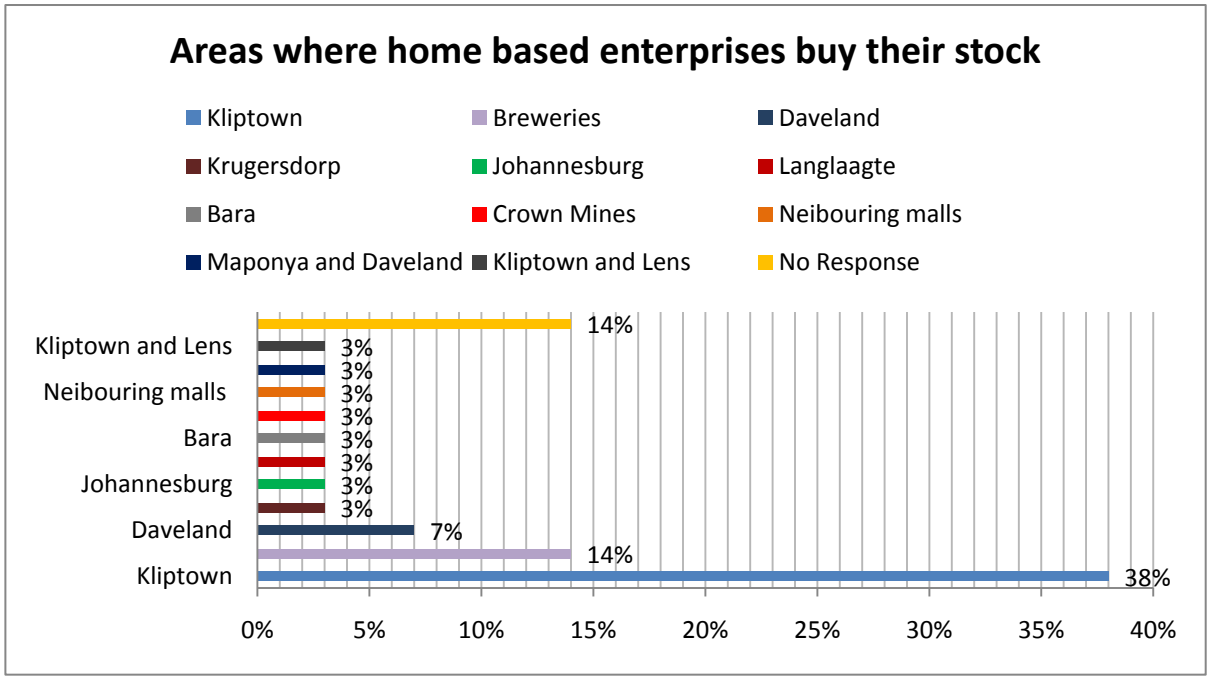


Figure 5-22: Areas from which Pimville home-based enterprises buy their stock

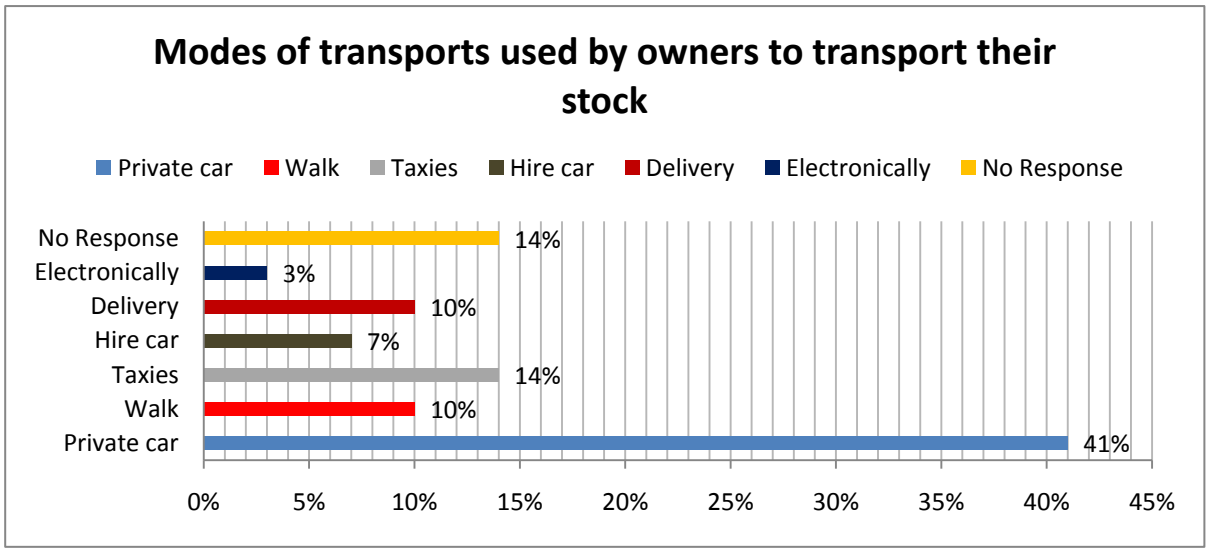


Figure 5-23: modes of transport used by owners to transport their stock

Characteristics of a firm refer to the age and size of a business as highlighted in 2.4.1. Owners were asked to say for how long they had been in business. In terms of the size, the number of employees was used. In this section, data on the businesses' age and size will be presented simultaneously to highlight the relationship between age and size (Table 5-2 and Figure 5-24). In general, 33% of the businesses surveyed had no employees and 67% had (Figure 5-7).

The research also recognised that there could be a relationship between the type of business and size of the business. Although there were exceptions with regard to the number of employees and type of business, results reveal that all businesses operating public phones employed one person, retail businesses selling fewer goods did not hire employees, the number of people employed in fast food shops ranged from zero to one employee (75% of these businesses employed one person and 25% had no employees). The number of people employed in taverns ranged from zero to two employees (50% of these businesses employed two people, 25% employed one person and 25% had no employees). Shebeens employed two employees, those that hired out pots and gas stoves employed three employees. The number of people employed in Spaza shops ranged from zero to one employee (60% of these businesses employed one person and 40% had no employee). The number of people employed in hair salons ranged from one to two employees (67% of these businesses employed one person and 33% employed two people). The number of

people employed in video game shops ranged from zero to one person (50% of these businesses employed one person and 50% had no employees) (Table 5-2).

Table 5-2: Number of People Employed and Type of Business

Type of a business	Total number in the study area	% of businesses with no employees	% of businesses employing one employee	% of businesses employing two employees	% of businesses employing three people
Public Phones	2		100%		
Small retail businesses	4	100%			
Fast food shops	8	25%	75%		
Taverns	4	25%	25%	50%	
Shebeens	1			100%	
Hire pots and gas stoves	1				100%
Spaza shops	5	40%	60%		
Salons	3		67%	33%	
Video games shops	2	50%	50%		

A few changes were made from the table used to draw the graph below (see the table on appendix 2). For businesses that were captured as aged between two years, the highest figure, is used for the graph e.g. business number 91 is between 1 and 2 years old, but the research assumes that it is 2 years old. Businesses that are less than a year were assumed to be one year old and all rows with missing information from the table were not used in the graph. Businesses that were more than 10 years old were assumed to be 11 years old.

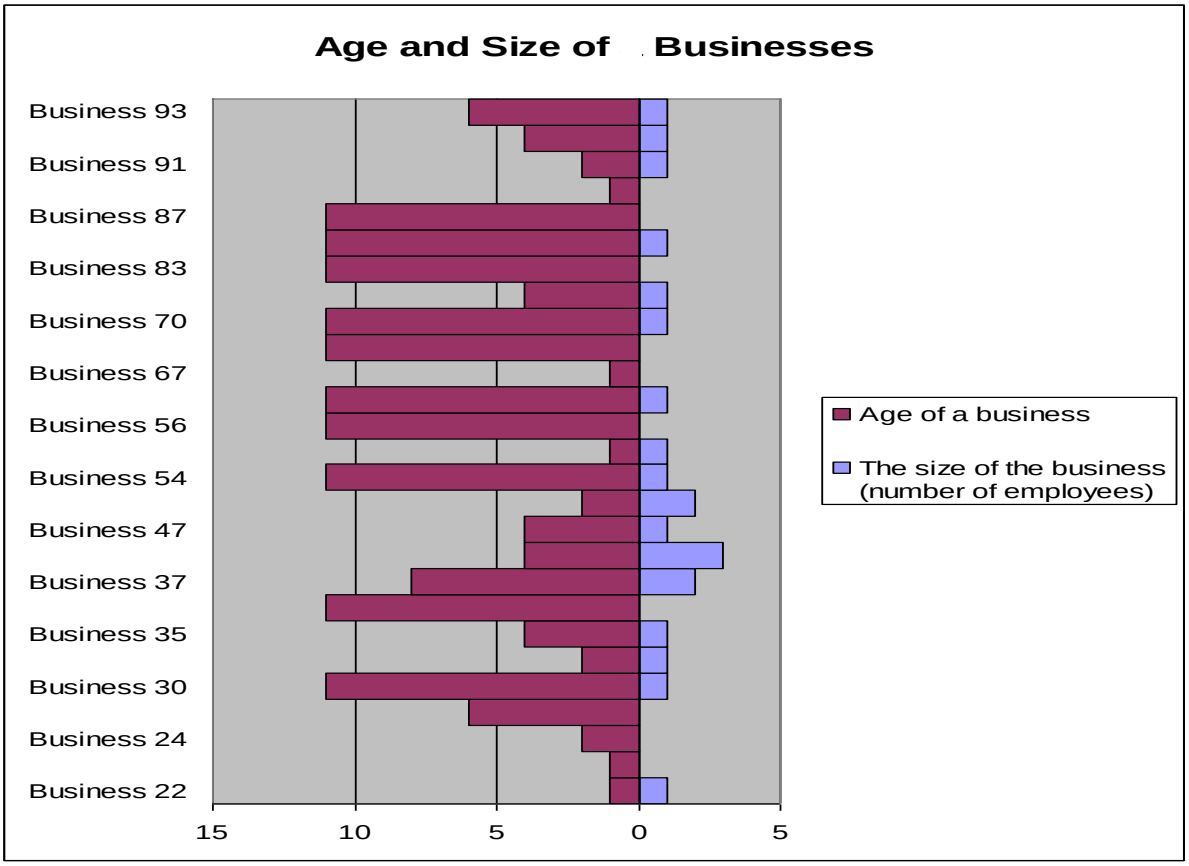


Figure 5-24: Business ages and Sizes for Pimville home-based enterprises

5.4 Social Factors

This section covers all responses to the questions that addressed social factors/ variables. Responses to questions addressing landlord-tenant relationships and entrepreneur-community relationships were covered. With regard to data presentation, the same procedure as that adopted for economic factors was used in this section. Section 5.2.2 highlighted that 26% of the total businesses surveyed were owned by rentals (Figure 5-3). Therefore, a section on tenants-landlord relationships only focuses on these businesses (owned by rentals). In other words a total number of eight surveys are used in that section.

5.4.1 Responses to Questions Regarding Landlord-Tenant Relationships

This variable focuses on the kinds of interactions between tenants and landlords (refer to 2.4.2). These interactions may influence tenants' access to services for their businesses. Section 2.4.2 highlighted that there were landlords that did not provide good quality service to their tenants. A total number of 7 surveys were used in this section.

Landlord-tenant relationships were assessed based on whether landlords intervened in the daily operation of a business with eviction threats or stopping certain activities from being operated. Business owners were also asked whether they had access to services such as water, electricity and sanitation and respondents were also given a chance to provide comments concerning their access to these services in an attempt to judge access and quality of services.

Among all businesses owned by tenants that were surveyed, there was no business owner who had ever received an eviction threat or threats forcing them to stop certain business activities. All tenants had access to services such as water, sanitation and electricity. In most cases, fees for these services were covered in their rents. However, rents varied for different accommodations and there was no owner who commented on the way they assessed these services. The assumption was that since they did not comment, they were happy with the way they accessed these services.

Some respondents stated clearly that services were covered in their rents while others were not able to tell how much they were paying for services. Business number 83 did not want to reveal her rent but the amount she said she was paying for services could be the actual amount she was paying for rent (judging from rents for other accommodations in the area). In this sense, this amount was assumed to be the actual rent. Rents ranged from R300 to R1000 per month. About 14% paid a rent of R300, 43% paid either R400 or R450 rent, 29% R500 rent and 14% paid R1000 (Figure 5-25). Figure 5-26 presents data on profit and rents to highlight relationships between the two, if any and also to indicate if businesses pay rents from their profits.

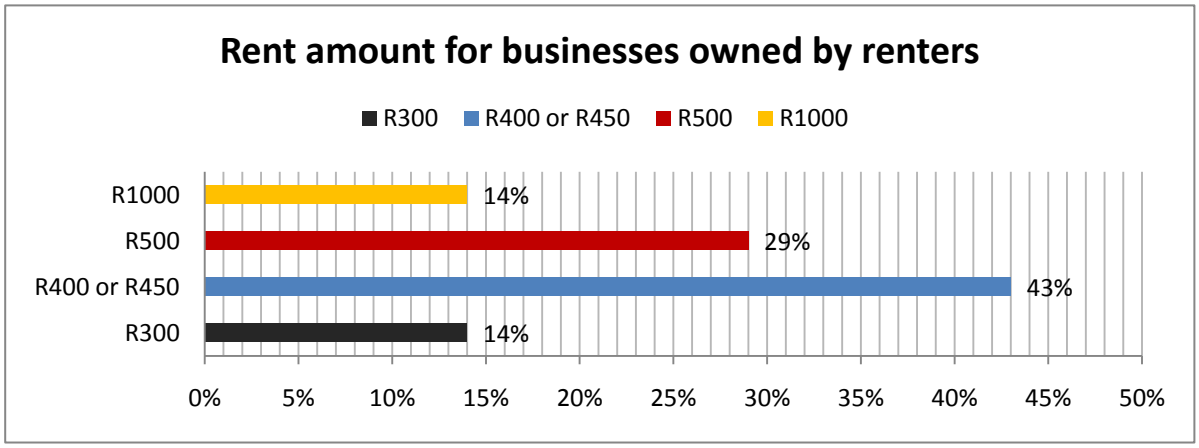


Figure 5-25: Rent amounts for home-based enterprises owned by renters

Table 5-3: The Comparison of Profit and Rent for Businesses Owned by Renters

Businesses	**Rent (R)**	**Profit (R)**
Business Number 55	R300	R3501-R4500
Business Number 56	R400	R2501-R3500
Business Number 74	R500	R4500-R5500
Business Number 83	R400	R6501-R7500
Business Number 88	R450	More than R7500
Business Number 91	R1000	R3501-R4500
Business Number 92	R500	More than R7500

With regard to business profit, amounts were presented in the form of a range e.g. between R2501-R3500. For the purpose of drawing a graph (Figure 5-26), a few changes were done from the table. The highest amount was used instead of the range. For example, for the above example R3500 is used instead of R2501-R3500 and R8000 was used to represent 'more than R7500.

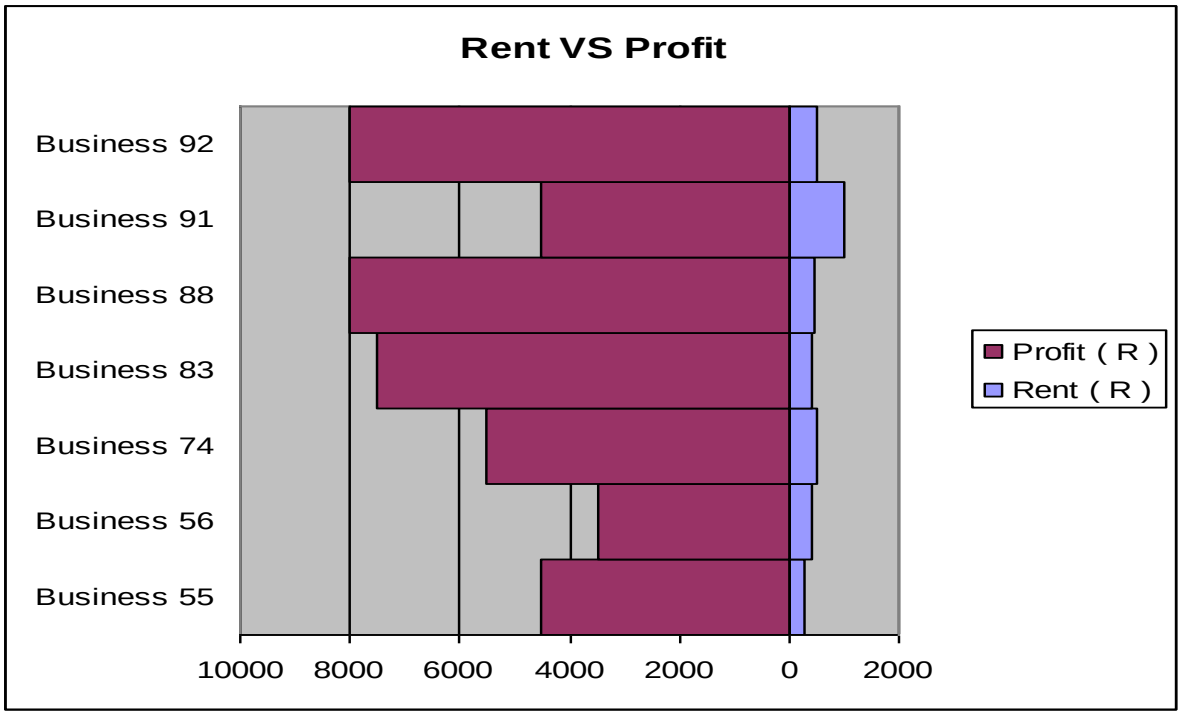


Figure 5-26: Comparison of profit and Rent for businesses owned by renters

Entrepreneur-community relationships refer to the interaction between the owner of the business and community (refer to 2.4.2). Entrepreneur-community relationships were assessed based on whether a business had ever experienced eviction threats from the community or some community members asking the owner to stop operating some activities. Furthermore, assessment of this variable was also done based on whether owners liked to be located where they were and reasons they gave for their decisions regarding this. A total number of 29 surveys were used in this section.

About 73% of the total businesses surveyed were happy about their location; 24% were not and 3% did not respond to the question (Figure 5-27). There was no owner who wanted to change locations due to bad interactions/relationships with the community. About 87% of the total businesses surveyed had never experienced eviction or eviction threats; 10% had experienced eviction treats and 3% offered no response to the question (Figure 5-28). All businesses that experienced eviction threats were either shebeens or taverns and they received these threats from government officials or police due to not abiding with the city by-laws.

About 87% of total businesses surveyed had never been asked to stop some activities that they were engaged in, 10% had experienced cases where they were asked to stop some activities they were doing and 3% did not respond to the question (refer to Figure 5-29). Sixty seven percent of the businesses that had experienced cases where they had been asked to stop some activities had also received eviction threats and all these businesses were shebeens or taverns. Pollution and misbehaviour from customers were the main reasons that made the community want these businesses to stop selling alcohol.

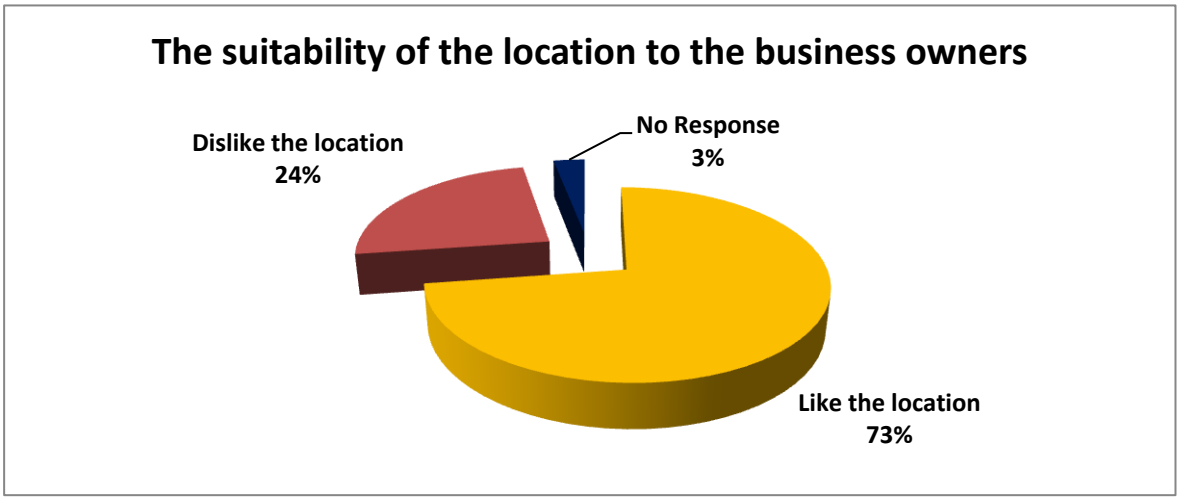


Figure 5-27: Responses on whether owners like where their businesses are located

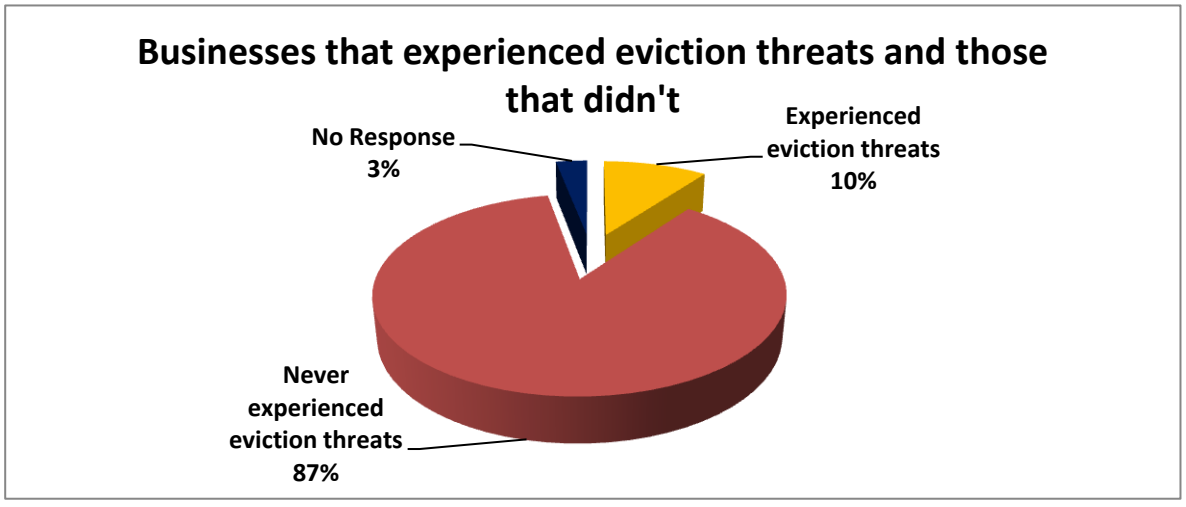


Figure 5-28: Businesses that experienced eviction threats and those that did not

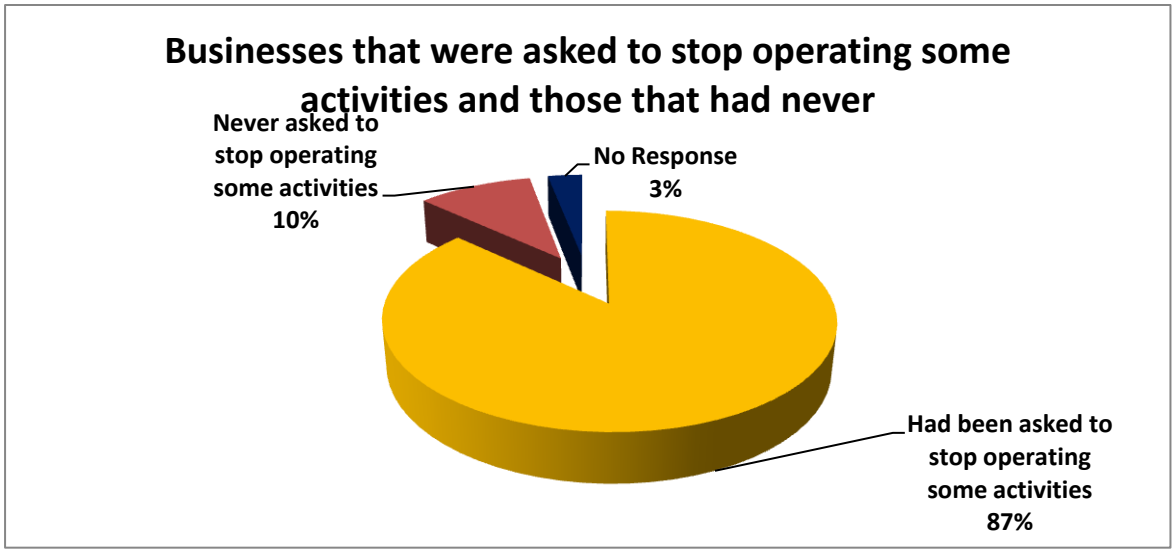


Figure 5-29: Businesses asked to stop operating some activities and those that never had that experience

5.5 Government Interventions or Policies Adopted for Township home-based enterprises

This section presents information on government interventions at national and local level with regard to township home-based enterprises. The DTI's integrated strategy on the promotion of entrepreneurship and small enterprise and different integrated development plans (IDPs) from different South African municipalities (metropolitan municipalities) were reviewed and together with responses from township home-based enterprise operators. The ability of metropolitan municipalities to generate money themselves adds in their other advantageous (highlighted earlier on) since due to this metropolitan municipalities are advantageous in terms of providing support for these businesses.

5.5.1. Responses to questions regarding government interventions

In most cases, government interventions are also influential to growth of informal businesses (refer to 2.3.3). This section covers responses from owners of Pimville home-based enterprises on whether they had ever received any financial help from the government. The research assumes that financial assistance is the most basic assistance that can be easily recognised within the informal sector. In other words, there may be interventions directed at helping informal businesses but if they do not have a direct impact on a business, chances that the owner of

informal business would recognise the impact of the intervention on business growth are slim. A total of 29 surveys were used in this section since the other two were incomplete.

Among businesses surveyed, there was no business that had ever received financial assistance from the government; 3% of businesses had tried some means of getting financial support but were not successful; 90% had never tried any means of accessing financial assistance and 7% did not respond to the question (refer to Figure 5-30). About 38% of the businesses that had never tried any means of getting financial assistance from government argued that this was due to lack of information about such assistance from the government; 12% of these businesses did not know why they had never tried; 15% said that they had never thought of trying to get financial assistance from the government; 8% did not see the necessity; 12% thought that getting assistance from the government would reduce their independent ownership of a business; 4% did not trust government officials (they thought government would not help but steel their ideas); 8% were still new in the business and 4% thought they had to approach significant problems before asking for help from the government (refer to Figure 5-31).

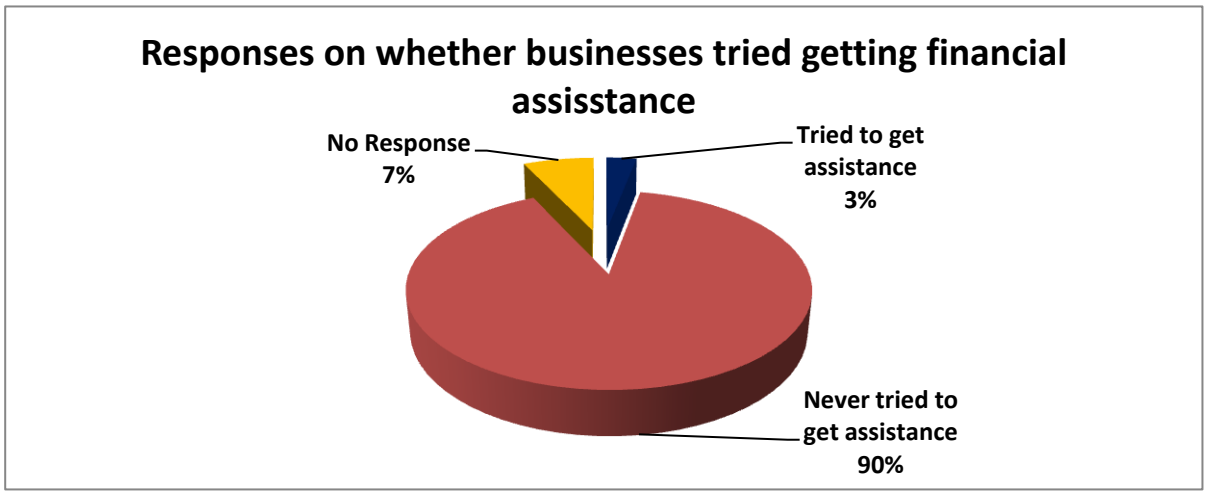


Figure 5-30: Responses on whether businesses tried getting financial assistance from government

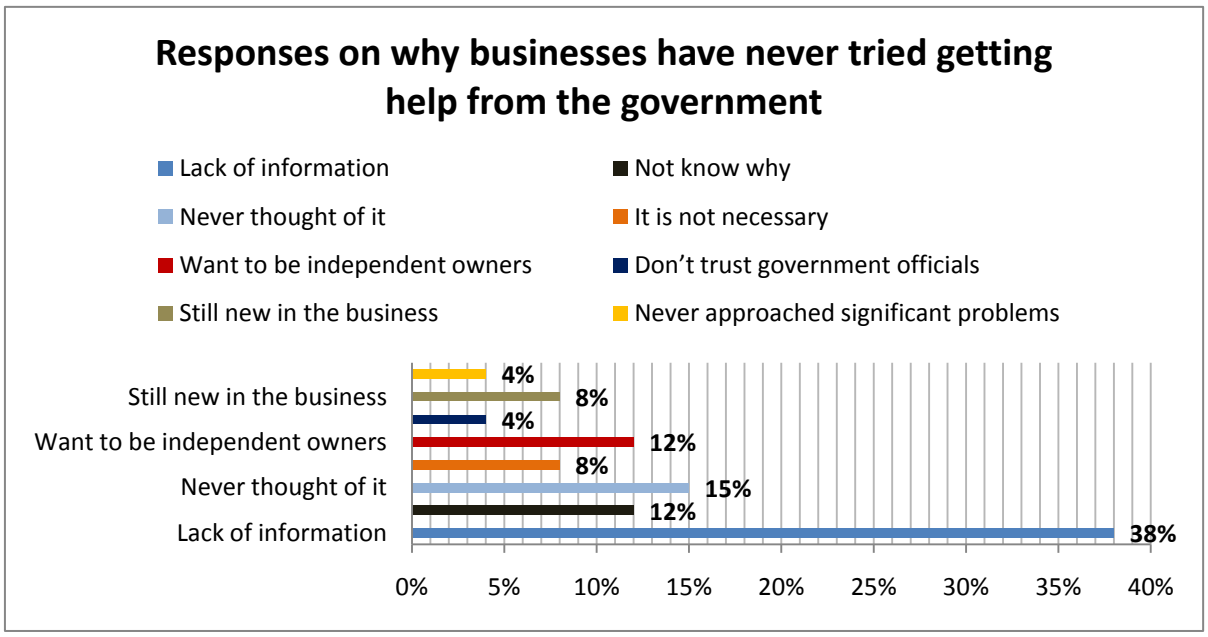


Figure 5-31: Responses on why businesses never tried getting help from the government

5.5.2 Government Interventions

This section presents plans, strategies and policies that government has for township home-based enterprises or SMMEs in general. The department of trade and industry's integrated strategy on the promotion of entrepreneurship and small enterprise, and the IDPs of the following municipalities were reviewed: The City of Johannesburg Metropolitan Municipality, The City of Cape Town Metropolitan Municipality, eThekwini Metropolitan Municipality, Ekurhuleni Metropolitan Municipality and Nelson Mandela Bay Metropolitan Municipality.

(a) The review of the Department of Trade and Industry's strategies and policies

The Department of Trade and Industry (DTI) hold the responsibility of developing and implementing policy for small, medium and micro-enterprises (SMME) sector (Devey, Skinner and Valodia, 2006). In 1995 the DTI identified the following challenges (in their white paper) which face SMMEs: access to market, access to finance and affordable business premises, the acquisition of skills and managerial expertise, access to appropriate technology, the tax burden

and access to quality business infrastructure in poor areas or poor nodes. All these challenges are still observable in the informal sector.

The DTI interventions on the identified challenges as follows as stipulated in their integrated strategy on the promotion of entrepreneurship and small enterprise, 2005 are as follows:

- Being reliant on law enforcement pertaining to legislation that the DTI view as inappropriate for small enterprises, to allow many people to have access to these businesses and for these businesses to grow
- They have created the environment where business registration is easy
- They offer a wide range of product and services, e.g. loans and incentive grants for enabling access to finance;
- They offer business development services through Small Enterprise Development, Gauteng Enterprise Propeller, Limpopo Business Support Agent and Western Cape Red Door (some of these services are available in many municipalities);
- They provide a enterprise development and support programs that are for the youth and women;
- They have created programmes that are for growing network of incubators and providing access to technology;
- They offer skill development programs through Service Sector Education and Training Authority (SETA) and
- The national treasury and the South African Revenue Service (SARS) worked together to reduce the compliance burden (administrative and tax) for small businesses.

The DTI have polices, strategies and programmes in place to fast track the implementation of their interventions. The Strategies that are developed for the above interventions are (DTI integrated strategy on the promotion of entrepreneurship and small enterprise, 2005):

- **The micro-economic reform strategy**, which focuses on small business development, equity, prioritisation of growth in sectors, identifying special geographical areas of focus and maintaining strong coordination of support measures.

- **Accelerated and shared growth initiative South Africa** outlines the number of focus areas that need to be closely monitored and supported through relevant policies, strategies and programmes.
- **Draft regional industrial development strategy** focuses on identifying and promotion economic zones.
- **Broad-based Black Economic Empowerment Strategy** is geared on encouraging and supporting development of small enterprises owned by blacks and support growth in number of such businesses.
- **National strategy for the development and promotion of franchising in South Africa** seeks to promote the contribution of franchising in areas such as: the economic empowerment of historically disadvantaged entrepreneurs, creation of an entrepreneurial culture in many small businesses, the creation of the environment conducive for growth of franchising and the promotion of linkages between big and small enterprises.
- **Strategic framework on gender and women's economic empowerment** mainly focus on women economic empowerment. It poses the following initiatives aimed at providing support to women owned businesses: the provision of business information, entrepreneurial education and training, access to financing and budgeting skills, international trade, access to funds for technology and development programmes for rural women
- **National youth enterprise strategy** prioritises on youth. The key areas of interventions for this strategy are: entrepreneurial skills, talent and experience; access to resources; and to ensure that youth is the key target group of need.
- **Co-operatives policy and development draft strategy** focuses on aligning policies, strategies and support programmes that are developed to support SMMEs and to ensure that these policies and strategies are available to support co-operatives entrepreneurship.
- **Draft strategy framework for forestry enterprise development,** which seeks to develop market-driven, profitable business ventures involving previously disadvantaged communities and individuals, based on the sustainable use of forests and forest-based resources.

DTI have policies such as the National Small Business Act, 1996, National Small Business Amendment Bill, 2003 and National Small Business Amendment Act, 2004 that are geared to the development of small businesses. The National Small Business Act, 1996 is the act providing for the establishment of the National Small Business council and the Ntsika Enterprise Promotion Agent (National Small Business Act, 1996). It also provides guidelines for organs of state in order to promote small business in the republic of South Africa and matters incidental thereto (ibid.). National Small Business Amendment Bill, 2003 and National Small Business Amendment Act, 2004 amend the National Small Business Act, 1996.

The National Small Business Amendment Bill, 2003 repeals all provisions pertaining to the National Small Business Council and the provisions pertaining to alternate directors, empower the minister to consult people representing the interests of small businesses, make the Public Finance Management Act, 1999 applicable to the Agency, make further provision in respect of the functions of the Agency, do away with the requirement of calling for nominations for directors of the Board by notice in the Gazette and substitute the schedule to the Act, in order to reflect the current economic position (National Small Amendment Bill, 2003).

The National Small Business Amendment Act, 2004 repeals all provisions pertaining to Ntsika Enterprise Promotion Agency, Provide for the establishment of the Small Enterprise Development Agency, make provisions for the incorporation of the Ntsika Enterprise Promotion Agency, the National Manufacturing Advisory Centre and any other designated institutions into the Agency to be established and also provide for the necessary transitional arrangements to this effect (National Small Business Amendment Act, 2004).

(b) The review of Integrated Development Plans and Informal Trading Policies of The South African Metropolitan Municipalities

Enabling the poor to escape poverty is among the aims/ vision of the city of Johannesburg (Johannesburg IDP, 2007/8). Townships like Soweto are identified as areas that have a high demand for informal businesses (RSDF, 2007/8). The City of Johannesburg identifies the

following areas of intervention for the second economy: support in terms of skills development, financial support and non financial business services (ibid.). The city is establishing a small, micro and medium enterprise (SMME) fund and considering innovative proposals to provide targeted and relevant training and skills development to second economy participants in the city (ibid.). In terms of informal trading, the aim is to establish a trading system through market and formally proclaimed sites (ibid.).

Hindrances to growth of businesses that have been identified by the city include unnecessary costs of doing business, crime, poor skills and infrastructure (ibid.). One of the interventions by the city with regard to cutting unnecessary business costs is to facilitate cheaper telecommunications (ibid.).

With reference to SMMEs, the city sees enabling the commercial ladder as a way of consolidating the growth of small businesses. Interventions include providing support instruments such as investment capital, operating capital and business skills but only secured operators are earmarked to receive this help. The city aims to create channels for micro-retailers to enter the formal economy through schemes like access to banking and social interventions (ibid.).

Concerning skills development, the city aims at mapping target markets and matching candidates with specific appropriate market opportunities (ibid.). The city is aiming to mitigating linear marketing, providing skills databases and enterprise training for co-operatives (ibid.). The aim is to train informal traders through business skills programmes and mentor them through mentorship programmes with Welfare Sector Education and Training Authority (WSETA) and partnerships with Wits. The mandate of managing developments that relate to informal trading was given to the Metropolitan Trading Company (MTC) (Johannesburg metropolitan municipality IDP, 2007/8).

The Metropolitan Trading Company (MTC) is the city's entity that manages informal traders (MTC Business Plan, 2008/9). This entity focuses more on street traders. Almost all

interventions with regard to informal businesses have been applied to street traders (MTC business Plan, 2008/9). However, there is no evidence of any intervention on small informal home-based businesses like township home-based enterprises.

The City of Cape Town aims at linking formal and informal SMMEs development (The city of Cape Town IDP, 2007 – 2012). It prioritises the facilitation of SMMEs through programmes such as the red door project, complemented by initiatives such as developing relationships with key cities across South Africa and worldwide (ibid.). Furthermore, the city also focuses on skills development, developing an effective transport system and infrastructure, access to telecommunications and low cost internet, balancing the needs of the market and those of the environment and accommodating informal street trading in designated streets (ibid.). In terms of skills development, the focus is on skills that foster entrepreneurship, skills that equip people to be ready for employment, life skills, artisan and information technology.

Ekurhuleni municipality also tries to integrate formal and informal businesses (Ekurhuleni IDP, 2009 – 2013). They welcome informal sector businesses to exist within the formal (ibid.). The municipality aims at assisting informal street traders and hawkers by building facilities where these traders can operate and also provide them with business skills development training and mentorship. Furthermore, the municipality also accommodates street traders in demarcated areas, provide proper management of existing markets, registration and allocation of permits and enforcing city by-laws governing trade and tariffs for traders operating from formal sites (ibid.). The municipality does not have interventions pertaining to SMMEs.

EThekwini Municipality is embarking on programmes devoted to skills development (EThekwini IDP, 2006 – 2011). This is through programmes like the development support programme. This programme focuses on transferring basic skills of business management (ibid.). The municipality is prioritising youth entrepreneurship. In terms of informal street traders, the municipality is demarcating areas for street trading, issuing permits, organising traders into area committees that feed into a citywide forum, rent collection and law enforcement (ibid.). There is a selection process for promising entrepreneurs for advancement in entrepreneurial support

centres. In this centre, promising entrepreneurs receive additional facilities including training and support.

Nelson Mandela Bay municipality assists emerging SMMEs, co-operatives and the previously disadvantaged entrepreneurs through a variety of training and capacitating programmes and workshops (Nelson Mandela Bay IDP, 2006 – 2011). Areas that are covered through these programmes include business and finance management and marketing, and promotion (ibid.). Furthermore, the municipality focuses on business sustainability and this strategy is viewed as one of municipality's strategies for poverty alleviation.

5.6 Conclusion

Results indicate that the township home-based enterprise sector is dominated by females. Most of the operators are aged between 20 and 29, most businesses are owned by land owners and most of the activities are retail activities. Most of the businesses in the area do not want to shift from their locations. Most had experienced changes relating to growth and most business owners were interested in growing their businesses. Pimville home-based enterprises were mainly financed through savings and they had bad relationships with credit lenders but some of them saw the importance of involving credit lenders in their businesses.

Township home-based enterprises did not seem to be changing locations. They had a few founding teams and they mainly served neighbouring communities. Most of these businesses selected areas that were near them for stocking purposes and they mainly transport their stock using their private cars. Government seems to have good plans for the informal sector. However, interventions seem to cover street traders and provide more support to entrepreneurs that indicate a potential of being successful. This chapter presented data gathered in the study area and from local government IDPs. Graphs and tables were used to present information in a compressed and readily accessible manner. The following chapter (Chapter six) presents discussions and recommendations of the data collected in the study area.

CHAPTER SIX: MAKING SENSE OF THE FINDINGS FROM THE STUDY AREA

6.1 Introduction

The previous chapter presented the data collected in the study area. This chapter provides an interpretation, synthesis and analysis of these results. Results gathered in Pimville are generalised for all South African townships. This chapter is divided into four sections: home-based enterprises profile (providing interpretation, synthesis and analysis of the data regarding the profile of township home-based businesses and their operators); economic factors (providing interpretation, synthesis and analysis of the data regarding economic factors for township home-based enterprises); social factors (providing interpretation, synthesis and analysis of the data regarding social factors for townships home-based enterprises), and informal economy challenges (providing an interpretation, synthesis and the analysis of the data regarding government intervention on the informal sector in general or SMMEs).

6.2 Home-based Enterprises and their Operators Profile

This section presents a profile of home-based enterprises and their operators. It covers the following areas: gender, age distribution, status of land ownership, classification of the businesses, level of education and age of businesses.

Township home-based enterprises were dominated by females with a huge percentage difference (refer to Figure 1). These findings are common in most of the informal trading literature (Bruin, 1991; Gordon *et al.*, 2006). Hambridge and Friedman (1991) argue that females dominate the informal sector due to the compatibility of the sector to the roles society associate with them. However, there are cultures which do not support women's independence of owning a business, although the extent to which this tendency is prevalent varies for different locations (Bruin, 1991). In other words, society construes females as more based at home and due to this, females are more likely than males to form home-based enterprises.

Township home-based enterprises seemed to have operators aged mainly between 20 to 59, with most of them being aged between 20 and 29, followed by those aged between 50 and 59, etc. (refer to Figure 2). Other scholars also indicate that most of informal traders seem to be engaging in these businesses at the age of 20 and operators stay in these businesses until their fifties (MTC baseline study, 2009; Gordon *et al*, 2006). The age group 20 to 59 is that of people who are supposed to be employed in the formal sector if work opportunities are available. Bruin (1991) contends that most of his sample was of people who were supposed to be earning a living. In this sense, informal business operators enter this kind of a business due to the lack of employment and they view these businesses as a panacea to their situation.

In this research owners of home-based enterprises were categorised into three categories: land owners, renters and owners that are family related to the land owner. Results revealed that most businesses are owned by land owners and the other two categories share an equal percentage (refer to Figure 3). Scholars like Lemanski (2009) and Gordon *et al.* (2006) highlight the advantage that landlords have as compared to tenants concerning access to land. One of these advantages is that land owners (landlords) have access to land while tenants have to access land through landlords. Chen *et al*. (1999) also indicate that home-based enterprises are more suitable to land owners, since they help in terms of saving rent that may be used for the business and also, the owner is able to multitask. In other words, it is easy for a land owner to get space for a home-based business than it is for a renter.

Furthermore, owners of home-based enterprises that are family related to the land owners also have minor risks as compared to other renters owning home-based businesses. In most cases, it is easy for a family member to get special favours from the land owners as compared to other renters in general. For example, in the study area most business owners that were family related to the land owner were not paying rent (refer to 5.2). The advantage of land ownership is the reason why township home-based enterprises are dominated by landlords or landowners.

Activities found in the area can be classified into two categories namely retail and service, with most activities falling under the retail category (refer to Figure 4). However, many scholars

indicate that informal businesses may be classified into three categories: retail, service and manufacturing (Rogerson and Beavon, 1981; Gordon *et al.*, 2006). Hence, it may not be generalised that all township home-based enterprise activities are retail and service businesses. Instead, this may be an indication that retail and service categories are the most dominant categories in township home-based enterprises.

The informal sector seems to be changing very slowly in terms of the type of businesses found in the sector. There is no significant difference between activities identified by the study and those identified by Rogerson and Beavon (1981) and Gordon *et al.* (2006). The study identified the following activities: public phones; hiring out pots and gas stoves; salons; video games; TV, play station, and CD repairs. Retail shops sold airtime, snacks, fruits and vegetables, cakes, cigarettes, sweets, *kota*, sit-in meals and takeaways, liquor (taverns and shebeens), vetkoekies and groceries. In general, activities identified by this study and some of those identified by Rogerson and Beavon (1981) and Gordon *et al.* (2006) are the main activities operated in township home-based enterprises.

Results from this study reveal that most township home-based enterprises are more than 10 years old. The second highest number of businesses is for those less than a year old together with those aged between three and four (refer to Figure 5-1). MTC base line study (2009) established that in the informal trading sector a highest number of businesses are distributed between those that are aged between one and three years old and those that are more than ten years old, and this distribution vary for different areas. Therefore, it may be concluded that, the highest number township home-based enterprises may either be among those aged between one and three years old and those that are more than ten years old, depending on the location of these businesses. This indicates that most township home-based enterprises have some years of experience although the amount of experience varies for different locations.

Township home-based enterprises seem to differ with regard to the owners' qualifications than other informal businesses. Results from this study reveal that the majority of people owning township home-based enterprises had qualifications beyond matric level and most of these

qualifications were degrees, including posts graduate degrees. The second largest group was that of the people who had passed Grade 10 but had not finished grade 12, etc. (refer to figure 5). These results contradict many results found by other scholars within the informal trading sector. For an example, Morris (1996) identified in his Cape Town study that only 26 percent of owners had qualifications beyond matric level and MTC (2009) in their base line study in all Johannesburg administrative regions established that less than one percent of informal businesses received some form of training. However, Morris's study (1996) focused on all different types of informal businesses while the MTC base line study (2009) excluded home-based enterprises. As such, the difference in terms of qualification results between the two studies may indicate that within the informal sector, people with high qualifications are owners of home-based enterprises (assuming that most of the twenty six percent was from home-based business operators in Morris's (1996) study).

A high number of operators with high qualifications in township home-based enterprises may be both an advantage and disadvantage to business growth. Learning skills or strategies that may enable growth of township home-based enterprises may be easy to grasp for educated people compared to the uneducated. On the other hand, the probability of being employed in the formal sector is higher for people with high qualifications than it is for those without qualifications or low qualifications. Therefore, people with high education qualifications are less likely to stay in the informal sector for a long time. Consequently, they enter this kind of business for survival before they get a job rather than for achieving growth. However, the ages of most township based home businesses indicate that although owners may have an advantage in terms of the movement to the formal sector, but once they are involved in these businesses they do not escape from them.

6.3 Economic Factors

Many scholars within small businesses in general, formal and informal, indicate that the nature of small businesses hinders their growth (refer to 2.4.1). This section presents the analysis, synthesis and interpretation of the results regarding economic factors or variables. This section focuses on these topics: growth objective factors, employee recruitment and development factor, product market factor, financial resource factor, collaboration or local networking, owner's motivation factors, owner's past business experience, size of the founding team, environmental/industrial specific factors and characteristics of a business.

In general, most township home-based enterprise operators are willing to grow their businesses. They are able to assess factors influencing growth of their businesses and also provide solutions to the problems they face (refer to Table 5-1). In this sense, these owners do have a growth oriented mindset. This observation contradicts most arguments from small business (formal and informal) scholars. For example, Dobbs and Hamilton (2006) indicate that most owners of any small business lack a vigilant mind that is able to identify and deal with external factors affecting their businesses. Furthermore, scholars like Morris (1996) and Preston-Whyte and Rogerson (1991) argue that the aim of informal business owners is not to grow and exploit the marketplace but to survive only. However, from the results of this research, it is argued that township home-based enterprise owners fail to implement their growth strategies and plans. Lack of financial support or ways of accessing financial assistance may be the main factor leading to this dilemma.

Dobbs and Hamilton (2006) and Gordon *et al.* (2006) indicate that small businesses (formal and informal) seem not to have appropriate strategies for financing their businesses. According to Dobbs and Hamilton (2006), one of the most appropriate methods for financing a business is through external equity finance. However, most small business owners like to finance their businesses through their pockets and this is not an appropriate way for financing a business (Dobbs and Hamilton, 2006; Gordon *et al.*, 2006). The results from this research match those of Dobbs and Hamilton (2006) and Gordon *et al.* (2006). This research's results indicate that most township home-based enterprises finance their businesses through savings and there were no

businesses financed through credit lenders (refer to Figure 5-9). This then validates the above argument that township home-based enterprises lack strategies for accessing financial support which then makes it difficult to translate their business plans into practice.

Furthermore, the results also indicate that credit lenders do exist in the minds of township home-based enterprise owners. Some of the owners identified credit lenders as one of the areas where there may look for help with regard to business challenges, although there is a strong preference for family help (refer to Figure 5-8). In other words, owners of home-based enterprises seem to have a strong belief in themselves and those very close to them. This belief seems to hinder them from adopting relevant strategies for business growth since most informal sector scholars seem to indicate that most growing businesses receive help from people not related to them such as credit lenders (Dobbs and Hamilton, 2006; Gordon *et al.*, 2006).

In terms of business ownership, Dobbs and Hamilton (2006) argue that businesses that are established by many people are likely to grow. Large founding teams have high talent due to the integration of the talent that exists among individuals. Observations from a number of scholars indicate that small businesses, including informal businesses, lack large founding teams (Morris, 1996; Dobbs and Hamilton, 2006; MTC base line study, 2009). The results from this research coincide with the arguments from these scholars. The results reveal that township home-based enterprises have very small founding teams. Most of these enterprises have one founder and the numbers of founding members range from one to three people (refer to Figure 5-16). Dobbs and Hamilton (2006) argue that a lack of large founding teams that exists within small businesses is as a result of the lack of trust from business owners. Lack of trust may be linked to self-reliance (relying on themselves and their family members) of township home-based enterprise operators as highlighted above. In this sense, self-reliance tends to influence most of the negative factors related to township home-based enterprise owners. Hence, challenging and changing this mindset may have high impact on growth of these businesses. One of the ways to do this is through education, teaching owners of township home-based enterprises business skills and to stress the importance of partnerships in these education programmes, since although most of

these owners may have high educational qualifications, these qualifications may not be business related.

Most of the businesses surveyed did not aim at exploiting the marketplace, but were for survival (refer to Figure 5-11). This concurs to the arguments by Morris (1996) and Preston-Whyte and Rogerson (1991) highlighted earlier on about informal businesses being survivalists. Bridge *et al.* (1998) indicate that owner's motivation has an influence on business goals. In other words, owner's motivation gives a business direction (areas to focus on in order to grow). Hence this is one of the main factors influencing growth of township home-based enterprises given that it is the foundation for all business growth outcomes.

Poverty, the increased educational levels of people in places with scarce employment, and the perceptions that people have about informal businesses (Morris, 1996; Morris *et al.*, 1996) may be the main factors influencing people entering the informal businesses sector to view the sector as that which is not for exploiting the marketplace. Although poverty and unemployment are the main push factors to the formation of township home-based enterprises (Morris, 1996; Chen, Sebstad and O'connell, 1999; Ligthelm, 2005) there is a high probability that the perception that people have about growth of informal businesses influences confidence for achieving growth for those entering the sector. Borthon, Pitt and Morris (1996) indicate that owners of informal businesses who are driven by the perception of opportunity create more growth. In this sense, fostering people engaging in township home-based enterprises to think beyond survival may have an impact on growth of township home-based enterprises. One of the ways for doing this may be through government providing conditional support to these businesses. For example, government may embark on a strategy which focuses on subsidizing growth oriented township home-based enterprises. The assessment of growth oriented business may be done through the assessment of businesses plans. However, for the success of the strategy, there may be a need for educational centres where owners may attend to equip themselves with effective business skill. Furthermore, it is also necessary to force successful candidates to show evidence of having necessary skills for managing their enterprises or small businesses in general before receiving any support from government. The growth of these businesses may create a new image for

township home-based enterprises and also create a favourable impression on those entering this kind of business.

Dobbs and Hamilton (2006) point out that, the owner's past experience has positive impact on business growth. Bozzoli (1991) indicates that knowledge in the informal sector is informally imparted from the old to young generation. In other words, owners gain experience from their predecessors. However, the results from this research indicate that the process of imparting knowledge from an older to younger generation does not exist within township home-based enterprises. There was no business owner that indicated they had inherited the businesses from relatives (refer to 5.3.7). The age of most businesses in the area (they are old) signifies that most owners have experience but their experience is through personal endeavours (refer to figure 5-12).

Dobbs and Hamilton (2006) points out that, the size of a business has an impact on growth of a business and business grows fast when it is young. On the other hand, Storey (2000) argues that, a majority of smallest businesses do not exhibit significant growth and many of them have the tendency of refusing to growth. Growth of many township home-based enterprises concurs to Storey's (2000) argument. Therefore, due to the sizes (very small) of township home-based enterprises, the impact of size on growth may be minor. This research assessed the impact of age on growth of home-based enterprises by comparing the age and size of these businesses (refer to Figure 5-20). Results reveal that, for township home-based enterprises, there was no correlation between the age and the size of the business. However, this relationship would have been effectively assessed by sampling new businesses and assessing their growth from the time of their establishment till they are old. Due to time constraints, the research was not able to do this. The results further reveal that most young businesses had no employees while the oldest businesses either had one employee or none (refer to Figure 5-20). According to Dobbs and Hamilton (2006) oldest businesses are expected to be bigger than those younger than them. Hence, lack of correlation between age and size of township home-based enterprises indicate that growth of these businesses do not depend on the age of them.

The size of these enterprises may be linked to the type of a business. This is in the sense that some businesses need more than one person to operate even though they may be young and some do not. Results reveal that businesses that seem to employ people include public phones, fast food shops, some taverns, *shebeens*, businesses dealing with hiring, some *spaza* shops, salons and some video game shops (refer on Table 5-2). Service activities and liquor stores seem to employ most people within township home-based enterprises. Hence, the size of home-based enterprises is more dependent on the type of the businesses than it does on the age.

Employee recruitment and development has less significance to growth of township home-based enterprises unless these businesses start growing (Morris, 1996; Dobbs and Hamilton, 2006). Dobbs and Hamilton (2006) indicate that adoption of this factor mainly depends on business size. Almost all businesses studied recruited very few employees, most of whom were family members and, as indicated earlier in the report, the number of employees depends on the type of business. There were no signs even from government interventions indicating development of employees or business owners with reference to township home-based enterprises in Soweto. In municipalities such as Johannesburg where the interventions focus on skills development, such interventions do not reach township home-based enterprises (refer to 5.4.2). In this sense, there is evidence of employee recruitment but there is no development of either employees or owners, this may vary for different locations depending on interventions from municipalities.

Barns and Morris (2003) highlight the importance of networks among small businesses. They argue that networks encourage a learning atmosphere whereby businesses learn from each other different strategies for achieving growth and also strategies for dealing with other business challenges. The results from this research revealed that collaboration did not exist among township home-based enterprises. Even those businesses that seemed to be collaborating, their networks were not traceable (refer to Figure 5-9).

The research went further and investigated reasons for lack of collaboration within home-based enterprises in the study area. Most operators indicated that they are not collaborating because there are no local structures encouraging collaboration in their neighbourhood. The second

highest percentage indicated that they did not see the necessity (refer to figure 5-10). Responses in Figure 5-10 reveal a sense of confusion among township home-based enterprise operators. Most of them did not totally disagree with the concept but they seemed at the same time, not to see the usefulness of collaboration. There is then, a high probability of success in fostering business operators of these businesses into networks if the necessary structures are in place and they understand the necessity of networking. However, it might take some time for operators to be habituated in the network systems.

Hawawini, Subramanian and Verdin (2002) point out that one of the ways in which a business is affected by the environment under which it exists is through the distribution of resources. In this research, business stock was viewed as the most prominent resource for a business. Therefore the research focused more on identifying ways in which businesses access their stock. Results reveal that most businesses get their stock from Kliptown, the most nearest place to Pimville (2 km from Pimville). The longest distance travelled to get stock was about 25 km (Krugersdorp). Most owners of township home-based enterprises own cars and as such transport their stock using their cars (41 %) (refer to Figure 5-19). The same trend is also noticed by other scholars within the informal sector. For example MTC base line study (2009) revealed that most informal traders use price and distance to determine areas to buy their stock from. In this sense, the extent to which township home-based enterprises may be affected by the distribution of resources differs for different areas but in general they are not that much affected by this factor. Furthermore, the impact also varies for different businesses but it is easy for most businesses to get resources even if they are far from their business location since most have access to cars.

Furthermore, most businesses are forced to serve their nearest neighbourhood due to the number of businesses operating similar activities next to each other, thereby heightening competition (refer to Figure 5-17). However, the buoyancy of the local market seems to be good, considering the level of competition. The smallest monthly turnover that township home-based enterprises get is R2500 and most businesses have a turnover of R2500 to R3500 (refer to 5.3.9). Hence competition has an influence on growth. However, through networking, businesses may be able

to manoeuvre strategies for operating without competing with each other and compete against big businesses in their neighbourhood instead (Barns and Morris, 2003).

Holm and Poulfelt (2002) observe that one way in which small businesses may compete with big businesses is when they become innovative since they cannot compete economically due to different economic scales. Infrastructure is necessary to fast track innovativeness of businesses (Dobbs and Hamilton, 2006). For example, business networks and access to information are some of the necessary mechanisms for facilitating innovativeness of businesses but the availability of the mechanisms depends on access to infrastructure such as internet, telecommunications, etc. (Barns and Morris, 2003). Hence, this research assessed the ability of township home-based enterprises for innovativeness using the criterion of access to internet and telephones. Results revealed that these enterprises lack mechanisms to facilitate innovation and as a result are less likely to be innovative. All township home-based enterprises did not have internet and only a few had access to a telephone (refer to Figure 5-3). In this sense, government interventions with regard to township home-based enterprises should also encompass the provision of access to these means of communication that may lead to innovativeness in these businesses.

6.4 Social Factors

Growth of township home-based enterprises may be influenced by the kind of relationship the owner has with the land owner or with the community members in their neighbourhood (Gordon *et al*, 2006; Safeyah and Winasih, 2008). This section presents the analysis, interpretation and synthesis of the data pertaining to such social factors. Data on landlord-tenant relationships and community-entrepreneur relationships is presented.

Results from this research reveal that there were few township home-based enterprises owned by tenants (5.3.1). This reduced the number of businesses that were likely to be affected by landlord-tenant relationships.

The following challenges were likely to be faced by the owners of township home-based enterprises that accessed land through renting: poor access to services such as electricity, hot water and sanitation (Gordon *et al*, 2006). This is due to the kind of services which small scale landlords (found in townships) provide and that sometimes the relationship between a landlord and tenant determines the tenant's access to services (Gordon *et al.*, 2006; Lemanski, 2009). Since electricity and water are crucial for the success of some business activities, activities may become easily affected by landlord-tenant relationships. Results reveal that tenants owning businesses did not seem to be facing problems with accesses to services (electricity, water, etc) (refer to 5.3.1). Results further revealed that none of the surveyed businesses had ever received eviction threats from their landlords or complaints regarding the type of activities they operated. In other words, it was less likely for relationships between tenants and landlords to spill over to tenants' access to services. Hence, it was less likely for township home-based enterprises to be affected by tenant-landlord relationships with regard to access to services. These results concur with some of Lemanski's (2009) arguments. Lemanski (2009) indicates that there are power pendulum relationships between landlords and tenants, meaning that as tenants depend on landlords so do landlords on tenants. This kind of relationship may neutralise the impact tenant-landlord relationships may have on the access to services and businesses.

Township home-based enterprises that were owned by tenants differed from each other with regard to rent paid. Rent amounts depended on one-on-one negotiations with the landlord but for all businesses, their rent was much smaller compared to businesses profits. Lemanski (2009) also indicated that in his study, tenants' rent varied with different accommodations. Furthermore, in this study, there was no correlation between rent and the business profit suggesting that rents are solely dependent on the negotiations with landlords.

Community-entrepreneur relationships depend on the impact the business has on its neighbourhood (Besser, 1999). Businesses with positive impact are normally liked by the community while those with negative impact are normally hated (ibid.). Home-based enterprises have both negative and positive impacts on their neighbourhoods (Safeyah and Winasih, 2008). Results revealed a similar argument to that of Besser (1999) and Safeyah and Winasih (2008).

They indicated that taverns and *shebeens* were the main businesses that had a negative impact on their neighbourhood and the least liked. These businesses were normally accused of breaking the city by-laws (opening even during the times that they were not allowed to). Therefore, these businesses received eviction threats from government.

All the shebeens and taverns were once asked by the community to stop selling liquor. The community accused them of land pollution and other negative things which customers committed when drunk. Although threats were not as severe as to force operators to stop or leave the neighbourhood, they had a negative impact on growth of these businesses. In cases like these, a solution should not only focus on circumventing the impact these businesses have on the environment and community, but should be that which focuses on a mutual benefit of a business, community and environment. Therefore, regulations such as the enforcement of city by-laws could be an effective intervention since in most cases by-laws focus on mutual benefits or the greater good of the citizens.

6.5 Informal Economy Challenges

This section presents interpretation, analysis and synthesis of the data pertaining to informal economy challenges. There are two sources of information for this section, one from the business operators and the other from government policies and strategies. Government policies and strategies such as the 'integrated strategy on the promotion of entrepreneurship and small enterprise, 2005', the national small business act, 1996, the national small business amendment act, 2003, the national small business amendment act, 2004 and other policies pertaining to small medium and micro enterprises are critically analysed.

The results from owners of township home-based enterprises indicated that they had never received any assistance from the government. Even people who requested assistance from the government did not receive anything from the government (refer to 5.4.1). In fact, the results indicate that there are no either positive or negative interventions by government to township home-based enterprises. This contradicts what the South African literature highlights in inner

cities. Rogerson (2004) indicate that, South African government aid small developing informal businesses with bringing them into the formal sector. In this sense, South African government intervene more on businesses in inner cities and neglect those in townships.

The DTI's integrated strategy on the promotion of entrepreneurship and small enterprise, 2005 identified all relevant factors that influence growth of informal businesses (refer to 5.5.2). Their interventions are also relevant and appropriate to help these businesses to grow and develop, but there is no evidence of the implementation of any interventions in townships home-based enterprises for townships such as Soweto. The implementation of some interventions is observable in the inner city informal traders, although these interventions do not come directly from DTI but from municipalities.

The gaps in the DTI's policies and strategies are as follows: policies such as 'national small business act, 1996' and 'the national small business amendment bill, 2003' excludes many informal businesses in their definitions of small businesses, the policies and strategies fail to differentiate between formal and informal economies since some of the challenges in these economies differ, strategies lack delegation of power to local areas for more involvement with problems and communication with clients, and lastly most of the strategies and policies fail to present into details the description of their strategies, they do not present their action plans.

The definitions of small businesses in the DTI's policies excludes 'survivalist enterprise' category which covers many informal businesses. Although the 'micro enterprise' definition in these policies may represent informal businesses, it is more likely for this category (micro enterprise) to draw more focus to businesses that are bigger than many informal businesses. The maximum monthly turnover of business in 'micro enterprise' category, as indicated in the policies, is about two hundred percent more than the average monthly turnover of many informal businesses.

The results in this research indicate that, many DTI services do not reach informal businesses (refer to 5.5.1). There was no respondent during the interviews who even mentioned the DTI

services. This is an indication that, the DTI does not advertise effectively its services to its clients. This may be due to the lack of having some of its structures (departments) at local level that works directly with the DTI for more engagement with communities with regards to communication and service delivery. If the informal economy is to be recognised as one of the important economies in South Africa, the policies and strategies that are for small businesses should differentiate between the formal and informal economies. There are many challenges in the informal economy as compared to the formal and these challenges may be effectively dealt with if informal businesses are prioritised separately from formal businesses to able more focus and effective distribution of resources.

The analysis of the policies in municipalities such as The City of Johannesburg municipality indicate that there is lack of coherence with regards to policies for big scale developments and those that focus on the small scale or local policies. IDPs seem to effectively cover interventions across all small businesses but the evidence of the implementation is one sided, mainly on street traders. Township home-based enterprises may be left out because cities are not challenged that much by these businesses, spatially as compared to street trading (Chen, Sebstad and O'Connell, 1999).

Furthermore, virtually all South African metropolitan municipalities seem to be adopting similar strategies with regard to informal businesses. Although these municipalities seem to recognise the existence of informal activities, the mindset of viewing the sector as a problem has not diminished. Most South African municipalities still see the sector as an entity that has to be regulated (eThekwini municipality IDP, 2006 – 20011; Ekurhuleni municipality IDP, 2009 – 2013). These findings concur with Kamete's (2004) observation on Zimbabwe that city officials have negative perceptions about informal businesses, which then influence type of interventions they adopt for these businesses.

6.6 Conclusion

Most township home-based enterprises are operated by women. Society associates most house chores with women, hence the high number of women found at home than men which then increases the probability of women forming home-based businesses than men. The change of the type of township home-based enterprise activities over time was found to be negligible since almost all businesses that were found in townships three decades ago were still observable.

Most owners of township home-based enterprises were willing to grow their businesses and they were also able to assess factors influencing growth of their businesses and define relevant solutions for challenges that they faced. However, there was a lack in terms of the implementation process of strategies. Other factors such as self-reliance, lack of growth-oriented mindset etc. may be the factors hampering the implementation of the strategies. Self-reliance of the owners seemed to be one of the main factors that influenced other factors or challenges. For an example, factors that result from self-reliance include small founding teams and limited access to finance.

The number of businesses that were likely to be affected by landlord-tenant relationships was fewer compared to those that were less likely. This was due to the lower percentage of home-based enterprises owned by renters as compared to those owned by landowners. Relationships between tenants and landlords seemed to be less likely to affect tenants' access to services and also on the business.

Township based home businesses that had a negative impact on the environment and community members were more likely to be disliked by community members. Almost all of these businesses were shebeens and taverns. The negative impacts that these businesses posed in their neighbourhood included: land pollution and misbehaviour from customers which disturbed some community members. These businesses seemed to be also breaking city by-laws. However, an effective solution would be that which seeks mutual benefit for businesses, community members and the environment.

This chapter presented interpretation, synthesis and analysis of data gathered from the study area (Pimville) and also from different South African metropolitan planning tools and other SMMEs policies and strategies. It was observed that there were cases where some factors were closely linked to others. The following chapter (chapter seven) presents the conclusion of the whole report. Recommendations and areas for further research are also presented.

CHAPTER SEVEN: CONCLUSION, RECOMMENDATIONS AND AREAS FOR FURTHER RESEARCH

7.1 Introduction

This research was inspired by gaps in the literature on informal sector in townships. It sought to contribute to poverty alleviation strategies. Township home-based enterprises were viewed as a form of income for poor people. Therefore, these businesses enable poor people to meet their families' daily needs. The aim was to identify and explore factors that influence growth of township home-based enterprises. Furthermore, it also aimed to recommend strategies for overcoming negative influences.

This chapter provides the overall conclusion of the research. A summary of the whole report is presented and a synthesis of the overall findings in the report is offered. The report recommends strategies that may be utilised by owners of township home-based enterprises, cities relevant potential interventions from government and isolates areas for further research.

7.2 The Summery of the Whole Research Project

The aim of this research was to understand factors that influence growth and development of township home-based enterprises. The research identified the following factors as being influential on growth of township home-based enterprises: growth objective, employee recruitment and development, product market, financial resources, local business collaboration or networking, owner's motivation, owner's education background and training qualification, past business experience, size of the founding team, environment/industry specific factors, characteristics of the firm or business and entrepreneur-community relationships. Some factors have major influences and other minor influences, and the factors that have major influence have a combined influence that lead to other factors. Therefore, the essential factors for the growth of township home-based enterprises are: self-reliance of owners or lack of the ability to form

partnerships, lack of motivation for growth, lack of local networks and community-entrepreneur relationships.

National and local government have relevant policies and strategies to support growth of informal businesses but the implementation process on informal businesses and historical disadvantaged areas such as townships is lacking. Many government SMME policies are more supportive to formal businesses. Many owners of informal businesses are discriminated against due to their low level of education, skills and technical knowledge. Therefore, government should ensure the equitable distribution of resources in all SMMEs.

7.3 Recommendations

(a) National Government

Many informal sector scholars, including this research finding, indicate that many informal business owners engage in informal businesses due to push factors such as poverty and lack of employment in the formal sector (Morris, 1996; Preston-Whyte and Rogerson, 1991). These owners lack willingness to grow their businesses, thus making it difficult for them to grow their businesses. Government should embark more on economic policies that increase the number of sustainable wage employments to reduce the number business owners who do not like to be in these businesses but get stuck in them due to circumstances. Developmental state policies are some of the policies which government may adopt to increase sustainable job opportunities. These policies are one of the main reasons the East Asian Tigers are some of the leading countries worldwide in terms of growth domestic product (GDP) (Evans and Rauch, 1999).

The DTI policies and strategies can be more beneficial to the growth and development of informal businesses that are willing to grow, but there are still gaps with regards to these policies. These policies and strategies are not covering the whole spectrum of small businesses in South Africa. Many informal businesses are excluded in most of these policies. These policies and strategies should distinguish between formal and informal economies, not with the aim of

separating these economies but to enable equitable distribution of services. Some of the challenges in these economies are different; therefore some policies and strategies should also differ to effectively deal with these economies as individuals.

This research recommends the following changes in the DTI's policies and strategies:

- Small businesses definitions in the National Small Business Act, 1996 and National Small Business Amendment Bill, 2003 should include the 'survivalist enterprise' category for these definitions to cover most of informal businesses.
- There is a need of strategies that will prioritise more on historically disadvantaged areas such as townships and rural areas to ensure the equitable distribution of services.
- DTI should make use of variety of methods to ensure that all South African people are aware of their services. These methods should not discriminate people based on their skills, level of education, technology etc. Some of the effective method may be radio and television adverts.

(b) Local Government

The analysis (of this research) of the policies of the City of Johannesburg municipality indicates that there is the lack of coherence with regards to the big scale development policies and small scale policies (covering specific areas) pertaining to SMMEs. The City of Johannesburg's IDP effectively presents areas of interventions for all SMMEs businesses but the municipality has an entity (MTC) that is only responsible for informal traders. Therefore, the implementation of the city's interventions on SMMEs is only observable among informal traders (mainly those that are in cities). Therefore, the city should develop mechanisms that will allow coherence of the SMME policies from the IDP to the implementation stage and ensure an equitable implementation of these policies (those that are rich and those that poor). This may be equally applicable to all municipalities since they seem to be adopting similar strategies.

Municipalities should prioritise more on, historical disadvantaged areas such as townships, as these areas have many informal businesses and they are disadvantaged with regards to infrastructure that may be supportive on growth of informal businesses. The infrastructure that

government should develop for informal businesses are: road construction and maintenance to allow easy access to these areas, access to internet for easy access to knowledge, easy access to telecommunication to support business networks and collaboration.

(c) Township informal business entrepreneur

Partnerships and local networks are the main mechanisms in which informal businesses entrepreneurs may increase their skills and education capacity for the benefit of these businesses. Local networks and partnerships encourage team work which is beneficial in many ways to the group rather than to individual businesses. In this sense, township informal enterprises entrepreneurs should focus more on forming cooperatives than individually owned businesses but the partnerships should be professionally based with clear rules driven by a collective gain rather than the individual gain.

7.4 Areas for further Research

The areas of further research that this research identifies are as follows:

- The types of educational and other qualifications held by township home-based enterprise owners. This may be helpful in indicating the relevant skills required by owners of these businesses.
- The factors that influence growth and development of home-based enterprises in the informal settlements.

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APPENDIX 1

WITS UNIVERSITY ACCESS TO LAND SURVEY

TO BE FILLED BY INTERVIEWER immediately before interview starts:

Initials of Interviewer:_____ Date:_____

Gender of interviewee:_____ Time:_____

Location of interview:_____

1. Classification of the type of location/land:

    a. Corner _____

    b. Pavement _____

    c. House _____

    d. Part of a house _____

    e. Stand _____

    f. No particular location/mobile _____

    g. Road intersection _____

    h. Informal structure on public land _____

    i. Informal structure on private land _____

    j. Flat/Part of flat (please indicate which floor) _____

    k. Other? _____

2. How do you classify the activity? (need to define each:

    a. Service _____

    b. Retail _____

    c. Manufacturing _____

d. Other? _____

3. Please specify the activity:_____

Introduction. Hello, my name is _____. I am a Masters student at Wits, and I am doing a class project that includes a survey on land and business location issues.

Thanks for agreeing to talk to us. Please be assured that this is a confidential interview and if you feel uncomfortable, we can stop anytime. Let me start by asking you some questions about yourself.

4.Can you do the interview in English, (y/n) ____ or would you prefer another language (what?)_____

5. Your Age: (tick one):

a. under 20

b. 20-29___

c. 30-39___

d.40-49___

e.50-59___

f.60-69___

g. 70+___

6. Where were you born?_____

7. If not from Johannesburg, how long have you been in Johannesburg?

a. 1-2 years _____

b. 3-4 years _____

c. 5-6 years _____

d. 7-8 years _____

e. 9-10 years _____

f. More than 10 years _____

8. How many years of schooling did you finish?

a. Primary School

b. Less than Std 10

c. More than Std 10 but not matric

d. Matric or equivalent

e. University degree

f. Post-graduate degree

Thank you. I will now be asking some questions about the work you do in this location.

9. What work do you do here?

_____
_____

10. When did you start this business?

a .Less than one year _____

b. 1-2 years _____

c. 3-4 years _____

d. 5-6 years _____

e. 7-8 years _____

f. 9-10 years _____

g. More than 10 years _____

11. Why did you start this work?

a. Inherited _____

b. Only thing I can do _____

c. Market niche _____

d. Had connection/friend in this line of work _____

e. Got offered it to me _____

f. other. State why _____

12a. Do you work **for** someone?

Yes_____(go to 12.b) No _____ (go to 12.c)

12b. If yes, who?

a. Sibling _____

b. Parent _____

c. Kin (cousins, aunts uncles) _____

d. Friend from home _____

e. Friend made here _____

f. Boss who is not a friend or family _____

g. Other?_____

12c: Do people work for you?

Yes_____ (go to 12.d) No_____ (go to 13.a)

12d. If yes, who?

a. Sibling _____

b. Parent _____

c. Kin (cousins, aunts uncles) _____

d. Friend from home _____

e. Friend made here _____

f. Child (son/daughter) _____

g. Employees _____

13a. Do you have partners in this work?

Yes _____(go to 13.b) No _____(go to 14.a)

13b. If yes, how many people do you work with?

a. 1 other _____

b. 2 _____

c. 3 _____

d. 4 _____

e. 5 _____

f. More than 5 _____

13c. Who are these people?

a. Family members _____

b. Friends from home _____

c. Friends from here _____

d. Just colleagues _____

e. Hired help _____

14a. How did you get this place or the place where you work?

a. From a friend _____

b. From a family member _____

c. from the owner _____

d. From the caretaker _____

e. Just occupied the space _____

14b. Did you have to pay something? _____if yes, how much? ____

14c. Did you buy/rent the business? Or just the space?

a. Bought the space _____
b. Bought the space and business _____
c. Renting the space _____
d. Renting the space and the business _____
e. Other arrangements (what) _____

14d. How did you get the money to start this business? **(NOT OWNERS?)**

a. From a friend _____

b. From a family member _____

c. from the owner _____

d. From the caretaker _____

e. Had some savings _____

15a.How do you keep this space? **(On what basis do you occupy this space?)**

a. Rent it from owner with lease agreement _____ (go to 15.b)

b. Rent it from owner without a lease agreement____ (go to 15.b)

c. Bought the space and have title deed. _____ (go to 15.c)

d. Bought the site but have no title deed _____ (go to 15.c)

e. Allowed to stay by owner/care taker _____

f. Occupy the space without owning or renting _____

g. Paid previous person occupying this place _____

15b. If a or b, how much do you pay? _____

15c. If c or d , how much did you pay?_____

16a. Is this the only place you have worked from?

Yes ____ (go to 19.a) No____ (go to 16.b)

16b. If no, was the other place close by?_____

16c. In your previous work place, did you:

a. Rent it from owner with lease agreement

b. Rent it form owner without a lease agreement

c. Bought the space and have title deed.

d. Bought the site but have no title deed

e. Allowed to stay by owner/care taker

f. Occupy the space without owning or renting

16d. What kind of site was it?

a. Corner _____

b. Pavement _____

c. House _____

d. Part of a house _____

e. Stand _____

f. No particular location/mobile _____

g. Road intersection _____

h. Informal structure on public land _____

i. Informal structure on private land _____

j. Flat/Part of flat (please indicate which floor) _____

k. Other? _____

17. If you moved from somewhere else, why did you leave the last place?

_____

18. Did you do the same activity in your previous place?

_____

19a. Do you have a license/registration papers or other official documents that allow you to trade from here?

Yes _____ (got to 19.b) No _____ (go to 19.d)

19b What type of documents do you have? _____

19c Where did you get them from?

a. Friend _____

b. Family _____

c. Government official _____

d. Elected Official _____

e. Other? _____

19d. Do you think these papers help you with your business?

Yes ____ No____

19e. Why or why not?

_____

_____
_____

20a. Has anyone ever tried to evict you or move you from this place?

Yes ____(go to 20.b) No _____ (go to 20.c)

20b. If yes, who?

a. Community members _____

b. Owner of space _____

c. care taker _____

d. Police officer _____

e. Elected official _____

f. Government officials _____

20c. What happened?

_____

_____
_____

20d. Has anyone ever tried to stop one of you activities?

Yes _____ (go to 20.e) No_____(go to 21.a)

20e. If yes, What was it? _____

20 f. Who tried to stop you?

a. Community members _____

b. Owner of space _____

c. care taker _____

d. Police officer _____

e. Elected official _____

f. Government officials _____

20f. Why did they want to stop you?

_____

_____
_____

21a. Has your activity changed over the last few years?

Yes _____(go to 21.b) No_____(go to 22)

21b. If so, how?

a. the actual economic activity has changed _____

b. employed more people _____

c. employed fewer people _____

d. increased profits _____

e. decreased profits _____

f. increased activities _____

21c. Why did the change take place?

_____

_____
_____

22. What services do you have access to: This should be a grid i.e.

Service	Yes/No	Cost
a. water		
b. electricity		
c. refuse removals		
d. Telkom line		
e. Internet		

24. Who are your clients/customers?

a. Passers-by _____

b. People who live/work in the area _____

c. Friends _____

d. family _____

e. People who have heard of you and come specfically to see you

25. What is your monthly turnover?

Less than Rand 2500 ____

2501-3500 ____

3501-4500 ____

4501-5500 ____

5501-6500 ____

6501-7500 ____

More than Rand 7500 ____

26. What is your monthly profit?

Less than Rand 2500 ____

2501-3500 ____

3501-4500 ____

4501-5500 ____

5501-6500 ____

6501-7500 ____

More than Rand 7500 ____

27. Where do you get your goods/products/equipment from?

_____

28. How do you transport them to this place?

29a. Do you think this is a good location for your business?

Yes _____ (go to 29.c) No _____(go to 29b.)

29b If not, why not?

_____

29c. What would be a better location for your business?

_____

30. What do you think you could do to improve your business?

_____

_____

31. What could be done to improve your business

_____

_____

32. What do you think the state could do to improve your business?

_____
_____

33. Could you sell your business?

34. If yes, what would be included;

a. Stock _____
b. Customer book _____
c. Suppliers _____
d. Place from which you work _____

Thank you very much for your time!

APPENDIX 2

Table 5: Age and business sizes for Pimville home-based enterprises

BUSINESSES	SIZE (NUMBER OF EMPLOYEES)	AGE
Business number 22	1	Less than a year
Business number 23	0	Less than a year
Business number 24	0	Between 1 and 2 years
Business number 27	0	Between 5 and 6 years
Business number 30	1	More than 10 years
Business number 32	1	Between 1 and 2 years
Business number 35	1	Between 3 and 4 years
Business number 36	0	More than 10 years
Business number 37	2	Between 7 and 8 years
Business number 43	3	Between 3 and 4 years
Business number 47	1	Between 3 and 4 years
Business number 49	2	Between 1 and 2 years
Business number 54	1	More than 10 years
Business number 55	1	Less than a year
Business number 56	0	More than 10 years
Business number 60	1	Between 9 and 10 years
Business number 67	0	Less than a year
Business number 68	0	Between 9 and 10 years
Business number 70	1	More than 10 years
Business number 71	1	Refused
Business number 74	1	Between 3 and 4
Business number 82		More than 10 years
Business number 83	0	Between 9 and 10
Business number 84	1	More than 10 years
Business number 87	0	More than 10 years
Business number 88	1	Refused
Business number 89	0	Less than a years
Business number 90	0	Refused
Business number 91	1	Between 1 and 2 years
Business number 92	1	Between 3 and 4 years
Business number 93	1	Between 5 and 6 years