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Majola, Jwalane Elisa Pride

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The impact of entrepreneurial capital on the performance of youth-owned enterprises in South Africa

Aima Jwalane Majola

Supervisor: Jose Barreira

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management specialising in Entrepreneurship and New Venture Creation.

Johannesburg, 2017

ABSTRACT

South Africa has one of the highest unemployment rates in the world, with youth unemployment sitting at 37.5 percent in 2016. In an attempt to remedy South Africa's unemployment, the government sought entrepreneurship as a solution. The South African government has implemented various policies and established numerous institutional bodies to accelerate entrepreneurship. Some of these policies and bodies are aimed specifically at enhancing entrepreneurship among the youth. In order to understand the best approach to assist these young entrepreneurs, it is important to understand what drives performance in current young entrepreneurs' enterprises.

This paper evaluated the impact that entrepreneurial capital (human, social, and financial capital) had on the performance of youth-owned enterprises. It surveyed 199 young entrepreneurs (between 18 and 35 years old) to understand what drives performance within their enterprises.

The research found that there were high levels of performance within youth-owned enterprises, when there were high levels of human capital and social capital. However, there was a negative relationship between financial capital and the performance of youth-owned enterprises. Overall, the research concluded that high levels of entrepreneurial capital had a positive relationship with the performance of youth-owned enterprises.

The objective of this study was to understand what drives the performance of youth-owned enterprises, in order to best facilitate government assistance and support for young entrepreneurs. The outcome suggests that human capital and social capital drive performance of youth-owned enterprises, it would thus be advisable for the South African government to focus on those two variables when drafting policies and forming institutional bodies to enhance youth entrepreneurship.

DECLARATION

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

Signed at ……

On the …… day of ……..…… 2017.

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I would like to thank the University of the Witwatersrand and Wits Business School, for the opportunity to grow and discover myself. The following people have been beneficial throughout my journey to completing this degree.

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CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

Youth entrepreneurship has been the centre of attention for many scholars, governments focus their policies on empowering the youth to become entrepreneurial. Youth entrepreneurship has been explored from many angles, but none have considered if the access to entrepreneurial capital affects the performance of youth-owned enterprises. This research sought to evaluate the impact of entrepreneurial capital on the performance of youth-owned enterprises. This kind of research has the capability to assist policy-makers, governments, scholars, and researchers in understanding the internal and external environment and challenges that affect the success or failure of youth-owned enterprises.

1.2 Context of the study

1.2.1 Youth

Youth are increasingly compelling subjects for study in Africa; to pay attention to youth is to pay close attention to the topology of the social landscape; power and agency; public, national, and domestic spaces and identities, and their articulation and disjuncture; memory history and sense of change; globalisation and governance; gender; and class (Durham: 2000, p. 113).

Describing the youth is very controversial, many scholars, institutions and organisations have come up with their own definitions of who qualifies to be called youth. For the purpose of this research, Morrow, Panday, and Richter's (2005) definition of youth was used, which included individuals between the ages of 18 and 35 years.

1.2.2 Unemployment

The National Development Plan (RSA, 2012) states that South Africa is planning to "introduce active labour market policies and incentives to grow employment, particularly for young people and in sectors employing relatively low-skilled people" (p. 28). According to the National Development Plan (RSA, 2012), young people who fail to secure formal employment by the age of 24 are unlikely to ever be formally employed. South Africa's official unemployment rate for the first quarter of 2016 stands at 26.7 percent (Fin 24, 2016a), while in the third quarter of 2016, the Quarterly Labour Force Survey (Stats SA, 2016) placed it at 27.1 percent. South Africa's burning issue is youth unemployment; 37.5 percent of the working population, which constitutes 3.6 million people, are classified at youth (Fin 24, 2016b). Unemployment is measured using the percentage of the unemployed population of a country or region (Janse van Rensburg, McConnell & Brue, 2011).

Unemployment has been a challenge for South Africa for many years (due to historic complexities that excluded the majority of the population from economic participation) and in 2013, unemployment stood at 25 percent, which becomes 36 percent if discouraged workers were included (DTI, 2013). According to Stats SA's (2014) report, 4.9 million of South Africa's labour force was unemployed during that period. Figure 1 illustrates the educational accomplishments of unemployed South Africa divided by racial group and gender.

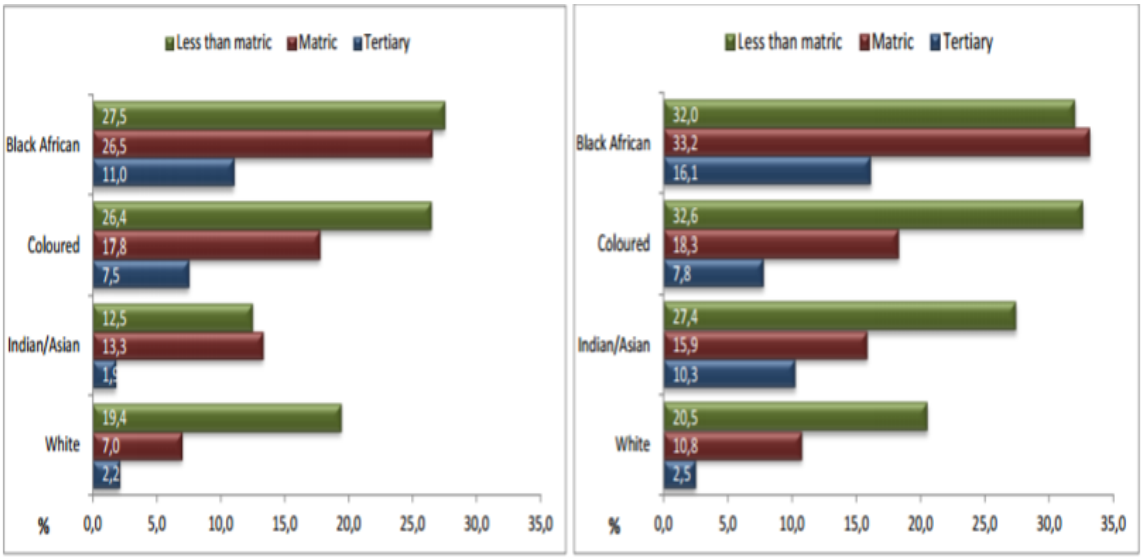


Figure 1: Unemployment rates in Q4 2014, for men and women

(Stats SA, 2014, p. 13)

In every educational group, the percentage is much higher for black Africans than all other population groups (Stats SA, 2014). The figures, also demonstrate that the unemployment rate for women is much higher than that of men. It could possibly be argued that the outcomes are a reflection of the world and South African history. Women were previously marginalised and excluded from political and economic participation and playing catch-up has been challenging (Herrington, Kew & Kew, 2015). In South Africa, black Africans were historically marginalised and excluded from political and economic participation, hence unemployment among black Africans is much higher than other population groups (Herrington et al., 2015).

Table 1 breaks down South Africa's unemployment by province, showing those provinces with the biggest unemployment problems.

Table 1: Unemployment by province

Province	Oct-Dec 2013 (%)	Jul-Sep 2014 (%)	Oct-Dec 2014 (%)	Qtr-to-Qtr change (%)	Year-on-Year change (%)
Western Cape	21.0	23.6	22.9	-0.7	1.9
Eastern Cape	27.8	29.5	29.1	-0.4	1.3
Northern Cape	24.9	29.7	28.7	-1.0	3.8
Free State	33.0	34.6	32.2	-2.4	-0.8
KwaZulu Natal	19.9	24.1	20.8	-3.3	0.9
North West	27.3	26.8	25.2	-1.6	-2.1
Gauteng	25.2	24.6	24.6	0.0	-0.6
Mpumalanga	27.2	29.3	26.6	-2.7	-0.6
Limpopo	16.9	15.9	15.9	0,0	-1.0
South Africa	24.1	25.4	24.3	-1.1	0.2

(Stats SA, 2014, pp. 13)

According to the official unemployment rate in the three quarters in Table 1 (October to December 2013, July to September 2014, and October to December 2014), the Free State had the highest official unemployment rate and Limpopo the lowest, followed by the Western Cape (Stats SA, 2014). Gauteng, which is South Africa's economic hub, is relatively well aligned to South Africa's unemployment rate it is also the most populated province in South Africa (DTI, 2013). Gauteng also hosts many migrant workers and migrant job seekers from other South African provinces and African countries (DTI, 2013).

Figure 2 shows a summary of South Africa's labour market.

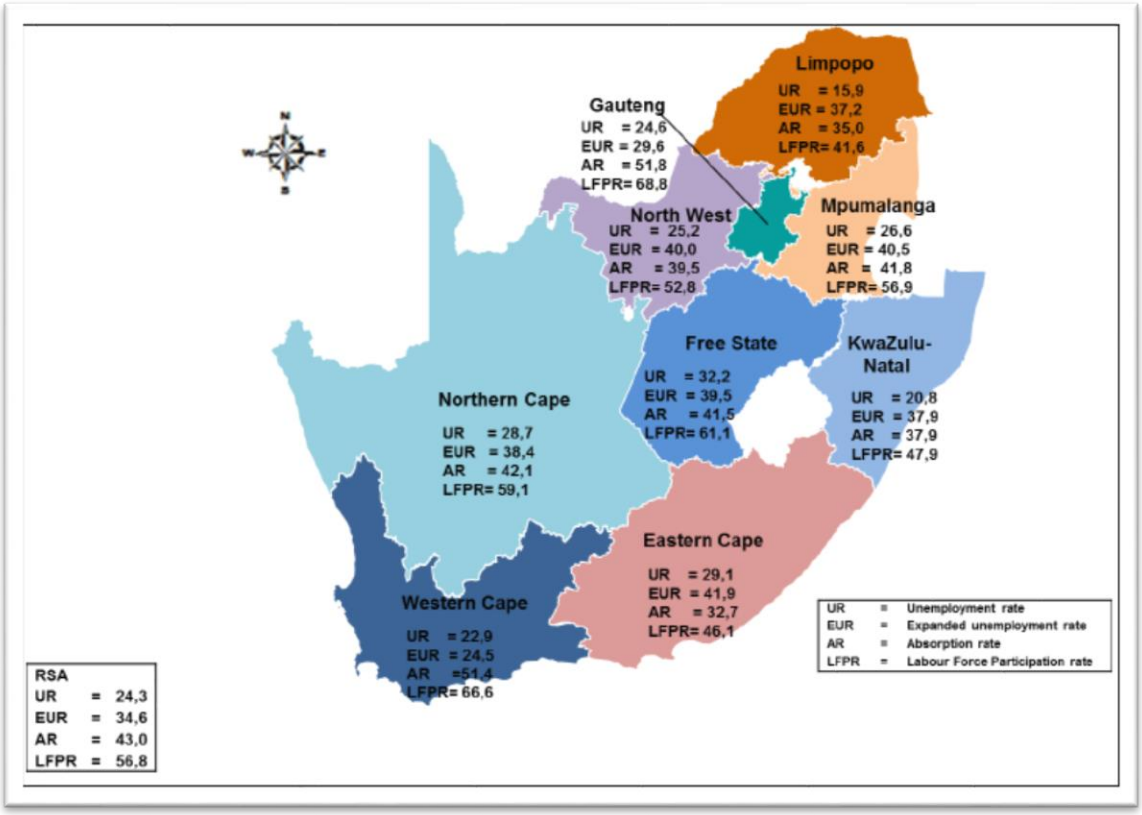


Figure 2: South Africa's labour market

(Stats SA, 2014, pp. 19)

South Africa has the third highest unemployment rate in the world for people between the ages of 15 to 24, according to the World Economic Forum Global Risk 2014 report (Fin 24, 2014). The biggest portion of South Africa's unemployed labour force is the youth.

1.2.3 Youth development

The Youth Enterprise Development Strategy 2013-2023 of the Department of Trade and Industry (DTI, 2013) states that 42 percent of South Africans under the age of 30 are unemployed and a mere one in eight people under the age of 25 are employed. The employment rate of South Africa's youth between the ages of 18 and 24 has fallen by more than 20 percent since December 2008. Unemployed youth tend to be less skilled and inexperienced; over 85 percent

have no formal education at tertiary level, while 66 percent have never worked, The South African government aims to address this issue with several policy interventions, such as:

- National Treasury and Department of Labour has introduced a youth unemployment policy by incentivising firms to employ the youth;

- The Department of Economic Development has introduced a short- to medium-term multi-pronged strategy with interventions that provide youth with income and opportunities, and encourage community service and programmes that enable entry into mainstream economy; and

- The National Youth Development Agency has provided the Integrated Youth Development Strategy with the key directive of executing interventions geared towards the economic participation of young people, namely: youth work, national youth services, and education and skills relevant to economic empowerment (DTI, 2013).

The biggest focus recently has been the entrepreneurial development of young people; government has noted that the current economy's labour market is not big enough to absorb South Africa's youth and has thus shifted focus to encourage young South Africans to be become job creators (entrepreneurs), instead of job seekers. Due to this focus, an increase in entrepreneurial incubators, enterprise development, and non-profit organisations aimed at assisting small- to medium-sized enterprises and youth-owned enterprises has occurred.

Recent global developments have seen an increasing number of young people conceiving ground-breaking innovation and turning them into multi-billion dollar businesses, which has revamped the youth. The youth is no longer seen as inexperienced, but rather as hubs of innovation in a rapidly technologically developing world (Whitten, 2015).

Durham (2000, p. 113) stated that "youth entrepreneurship is entrepreneurship that focuses specifically on the youth". A study conducted by Youth Business

International and the Global Entrepreneurship Monitor (GEM) on youth entrepreneurship lists a number of reasons why youth entrepreneurship matters:

- Youth entrepreneurship is an option to create employment for the youth;
- Young entrepreneurs are more likely to hire fellow youths;
- Young entrepreneurs are particularly responsive to new economic opportunities and trends;
- Young people are active in high growth sectors;
- Young people with entrepreneurial skills are better employees;
- Young people are more innovative and often create new forms of independent work;
- Young people who are self-employed have higher life satisfaction;
- Entrepreneurship offers unemployed or discouraged youth an opportunity to build sustainable livelihoods and a chance to integrate themselves into society; and
- Entrepreneurial experience and/or education help youth develop new skills that can be applied to other challenges in life. Non-cognitive skills, such as opportunity recognition, innovation, critical thinking, resilience, decision-making, teamwork, and leadership benefit all youth whether or not they intend to become or continue as entrepreneurs (Kew, Herrington, Litovsky & Gale, 2013).

Many countries, including South Africa have identified youth entrepreneurship as a key component to addressing the high rates of youth unemployment (Kew, 2015). It is thus important to evaluate the challenges that current youth entrepreneurs face and understand how various components of entrepreneurial capital affects the performance of youth-owned enterprises in order to assist in informing policy formation and enterprise development strategies.

1.2.4 Entrepreneurship

Shane and Venkataraman (2000, p. 218) define entrepreneurship as “the scholarly examination of how, by whom and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited”. The field includes studies in the following areas around entrepreneurship:

- Sources of opportunities;
- The processes of discovery;
- Evaluation and exploitation of opportunities; and
- The set of individuals who discover, evaluate, and exploit these opportunities (Shane & Venkataraman, 2000).

Venter, Urban and Rwigema (2008, p. 5) highlight a few definitions of entrepreneurship and entrepreneurs:

- “Entrepreneurship is the act of forming a new organisation of value” (Bateman & Snell, 1996, cited in Venter et al., 2008 p. 5);
- “The creation of an innovative economic organisation (or network of organisations) for the purpose of gain under conditions of risk and uncertainty” (Dollinger, 1995, cited in Venter et al., 2008 p. 5); and
- “[Entrepreneurs] serve as agents of change, provide creative, innovative ideas for business enterprise; and help businesses grow” (Kuratko & Hodgetts, 1998, cited in Venter et al., 2008 p. 5).

These definitions assist in attempting to show the complexity of entrepreneurship as a subject of study. Numerous universally accepted definitions of entrepreneurship and related theories have been developed to explain the different aspects of entrepreneurship (Simpeh, 2011).

1.3 Problem statement

Youth unemployment is a huge global problem, which seems to be much worse in South Africa, than in other countries. The youth are seen as an unattractive labour force because of their inexperience and lack of knowledge and therefore participation in the labour market is difficult (Office of the Secretary General Envoy on Youth, 2016).

The South African government has identified youth entrepreneurship as a possible sustainable solution to youth unemployment and has thus developed various policies and programmes to support this mandate. The private sector contributes towards the mandate through various initiatives such as incubators and enterprise development programmes (DTI, 2013).

The South African government and labour market act as push agents (Verheul, Thurik, Hessels & van der Zwan, 2010) for young South Africans; the labour market, through its inability to absorb the youth, and the South African government, by creating opportunities for the youth. This means that the government needs to find ways to make entrepreneurship attractive to the South African youth and possibly include market opportunities. The first step in achieving this would entail enhancing what already exists. This means that the South African government needs to look at young people who already have their own enterprises and seek ways to assist them; this would encourage other young people who have entrepreneurial intent to consider starting their own enterprises. The South African government can only do this by understanding what kind of challenges young entrepreneurs face and the type of resources they need in order for their organisations to perform. These resources could range from financial resources, to mentorship, guidance, and access to the correct opportunities.

1.4 Significance of the study

Studies have been done on the kind of challenges that young entrepreneurs face (Schoof, 2006), the entrepreneurial intent of the youth (Pendame, 2014), the

effectiveness of youth entrepreneurship programmes (Awogbenle & Iwuamadi, 2010), and how education and knowledge play a role in the interest of the youth in entrepreneurship (Steenekamp, van der Merwe & Athayde, 2011). However, research has not been conducted on the impact of entrepreneurial capital on the performance of youth-owned enterprises. The aim of this study is to determine how entrepreneurial capital influences the performance of youth-owned businesses. The findings of such a study could have a guiding effect on what government, incubators, entrepreneurial hubs, and investors should focus on when assisting youth-owned enterprises or youth who desire to establish their own enterprises.

A study on the relationship between entrepreneurial capital and the performance of youth-owned businesses would:

- Improve the understanding of the entrepreneurial patterns of young entrepreneurs;
- Ascertain the reason behind the success or failure of their entrepreneurial ventures;
- Assist government in framing their policies and understanding the entrepreneurial behaviour of the youth; and
- Assist in determining how to allocate resources and position entrepreneurship programmes for the youth.

1.5 Definition of terms

Table 2 lists the definitions that are fundamental in understanding this report and are thus defined in the context of this study.

Table 2: List of definitions

Terminology	Definition
Youth	The National Youth Policy 2009–2014 (The Presidency, 2009) acknowledges youth as anyone below the age of 35, and indicates that anyone below the age of 18 is considered a child. This study considered youth as individuals between the ages of 18 and 35 years.
Unemployment	Refers to individuals between the ages of 16 and 64 who fall into the following criteria: "a) were not employed in the reference week; b) actively looked for work or tried to start a business in the four weeks preceding the survey interview; c) were available for work, i.e. would have been able to start work or a business in the reference week; and d) had not actively looked for work in the past four weeks but had a job or business to start at a definite date in the future and were available" (Stats SA, 2014, p. 24).
Entrepreneurship	"Entrepreneurship is the recognition of an opportunity to create value, and the process of acting on this opportunity, whether or not it involves the formation of a new entity. While concepts such as 'innovation' and 'risk-taking' in particular are usually associated with entrepreneurship, they are not necessary to define the term" (Schoof, 2006, p. 12).
Youth entrepreneurship	"Youth entrepreneurship involves the development of entrepreneurial attitudes, skills, and opportunities for young people, from middle school through young adulthood (e.g., 25 yrs. old)" (Integral Assets Consulting, 2006, p. 8).
Entrepreneurial capital	Shaw, Lam and Carter (2008) state that entrepreneurial capital is a concept that evaluates the availability and access to resources (both financial and non-financial) in response to business ownership.
Performance	According to Maltz (2003, cited in Rylková, 2015), organisational performance measurement should include five main dimensions, namely: (1) Financial (with indicators such as sales, profits and return on investment); (2) Market and customer (with indicators such as customer satisfaction, retention, and service quality); (3) Process (with indicators such as evaluation of the length and quality of processes); (4) Staff development (with indicators such as employees' options, their motivation, and the capacity of information system); and (5) Standards for the future (with indicators such as the depth and quality of strategic planning, forecasting and preparing for unexpected changes in the external environment, the possibility of joint ventures and strategic alliances, and investing in new market development).

1.6 Contribution of the study

Youth entrepreneurship has the capacity to address several issues. First, it aims to empower the youth to become entrepreneurial (self-employed) by starting their own entrepreneurial ventures. Second, if implemented and supported correctly, it has the ability to address the high rates of youth unemployment. Third, the youth is at the centre of the digital age and are well positioned to exploit technological developments for entrepreneurial ventures. Youth-owned enterprises are usually undermined due to the inexperience of the owner, size of the enterprise, lack of resources (in some instances waste of resources), and lack of sustainability (long-term plans) (DTI, 2013). Youth entrepreneurship is therefore a very advantageous area for researchers, practitioners, and policy-makers to look at when addressing issues such as youth development, unemployment, and economic growth.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter comprises the literature reviewed around the variables in the study: entrepreneurial capital and organisational performance. The subject, youth entrepreneurship is discussed followed by entrepreneurial capital, which encompasses human capital, social capital, and financial capital. Organisational performance is unpacked, and finally the hypotheses were formulated.

2.2 Youth entrepreneurship in South Africa

The South African government and policy makers have placed great focus on young entrepreneurs, due to their inability to integrate themselves into the country's economy and the economy's inability to absorb them. The country's economy is not growing fast enough to create enough jobs for South Africa's incoming young labour force. Thus, the South African government saw fit to implement policies that would assist young South Africans become self-employed. Young entrepreneurs struggle to secure funding for their entrepreneurial ventures, due to the lack of assets that they can use as collateral (DTI, 2013). "This is prevalent for youth in rural areas, unemployed graduates, unemployed youth in general, and young people from informal settlements in urban and peri-urban areas" (DTI, 2013, p. 24). The geographic location of financial institutions (both public and private) is problematic, as most are based in urban areas far from aspiring entrepreneurs in rural areas. This has inadvertently resulted in constraining self-employment activities and youth entrepreneurship (DTI, 2013). Young entrepreneurs are associated with immense risk due to their lack of experience and are thus usually charged higher interest rates. The legacy of apartheid puts African youth at a great disadvantage as most come from backgrounds with family networks that were not exposed to business (DTI, 2013).

According to the 2014 GEM South African report, entrepreneurial activity is very low, compared to other emerging countries, when profile South Africans according to age, young South Africans between the ages of 18 and 24 have the lowest level of early-stage total entrepreneurial activity (TEA) (Herrington et al., 2015). Table 3 illustrates the percentage of TEA in South Africa per age group as well as the sub-Saharan Africa average.

Table 3: TEA percentage in South Africa

Age	2001	2005	2009	2013	2014	Ave SA
18-24 years	3.7	3.14	4.7	7.8	4.8	26.0
25-34 years	5.3	6.06	7.4	14.1	9.0	36.3
35-44 years	9.1	7.2	7.7	11.5	7.5	33.3
45-54 years	4.3	4.5	5.9	10.9	7.4	29.7
55-64 years	1.9	5.4	2.2	6.0	4.9	23.2

(Herrington, et al., 2015, p. 29)

There seems to be general increase of TEA in South Africa from 2001 to 2014; however, there are alarming decreases, for example, all age groups experienced significant decreases from 2013 to 2014. South Africa's TEA percentages are also concerning in comparison with the sub-Saharan Africa average, especially since South Africa is known as the economic hub of Africa. South Africa's biggest challenge in youth unemployment and underemployment highlights the need to increase youth economic participation (Herrington et al., 2015).

According to the 2008 Western Cape Status of the Youth Report (Western Cape Youth Commission, 2008), there are a number of reasons why young South Africans do not become involved in entrepreneurial activity. Although access to finance is a perennial problem for all small businesses, the youth are particularly vulnerable to this limitation. Young people often have no credit history or assets to serve as collateral in order to secure loans from financial institutions. They are also less likely to have accumulated sufficient capital to be able to use their own savings to finance a business enterprise. Young people who drop out of

education and training avenues fail to access relevant occupational skills. However, there is sufficient evidence that the problem is not just poor levels of school completion but, more importantly, that of skills mismatch (Herrington et al., 2015).

According to the Doing Business in South Africa report (World Bank, 2015), South Africa scores, on a scale of 0 to 100 where 0 represents the worst performance and 100 the frontier, as depicted in Figure 3:

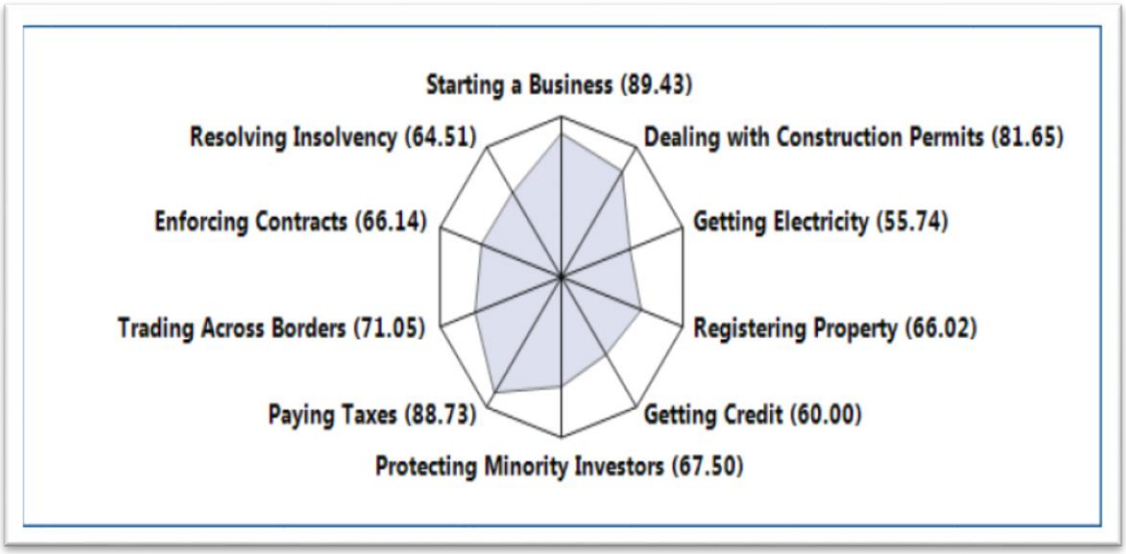


Figure 3: Ease of doing business in South Africa

(World Bank, 2015, p. 9)

Based on Figure 3, starting a business in South Africa is relatively easy with a score of 89.43/100, as are other factors such as paying taxes (88.73/100), dealing with construction permits (81.65/100), and trading across borders (71.05/100) (World Bank, 2015). Factors that scored the lowest are getting electricity (55.74/100) and getting credit (60.00/100). The credit industry in South Africa is heavily regulated both from a legal perspective and in terms of access, which entrepreneurs in South Africa experience as the biggest challenge, especially young entrepreneurs as previously discussed (World Bank, 2015). Getting electricity scored the lowest (55.74/100) due to the country's electricity crisis. Businesses suffer the most due to the inconsistent electricity supply and its high

costs, and small- to medium-sized enterprises suffer the most, because installing and maintaining generators is expensive (Herrington et al., 2015). In South Africa, investment confidence is affected by poor quality and supply of electricity along with other factors such as a lack of trust in politicians, crime and violence, and onerous labour laws (World Bank, 2015).

2.2.1 Empowerment and incubator initiatives

In comparison to other countries, South Africa has the resources and capability to assist aspiring entrepreneurs; however, the GEM report has identified factors that cause a divergence between the entrepreneur and entrepreneurial development institutions (Herrington et al., 2015):

- A lack of sufficient collateral on the part of the entrepreneur;
- The inability of the entrepreneur to produce a business plan that is acceptable to the financial institution;
- Poor market research and the absence of a viable business idea that has demonstrable benefits; and
- Lack of access to markets (Herrington et al., 2015).

The South African government has established many institutions to assist aspiring entrepreneurs, such as (Herrington et al., 2015):

- *Small Enterprise Development Agency (SEDA):* Established in December 2004 under the DTI, from the merger of three organisations, Ntsika Enterprise Promotion Agency, the National Advisory Centre, and the Community Public Private Partnership programme. In April 2006, the GODISA Trust and National Technology Transfer Centre were integrated into SEDA and formed the SEDA Technology Programme. SEDA provides business development and support services for small enterprises through a national network, in partnership with other role players who support small enterprises (Herrington et al., 2015).

- *Small Enterprise Finance Agency*: Founded in 2012 with R1.4 billion in funding, provided by the IDC and the government of South Africa, it merged with the South Africa Micro-Finance Apex Fund and Khula Enterprise Finance in 2004, and caters for small businesses requiring funding, up to R3 million in the form of bridging finance, revolving loans, asset finance, working capital, and term loans (Herrington et al., 2015).

- *National Youth Development Agency*: Established in 2009 and financed from the demutualisation of Old Mutual and Sanlam; its mission is to coordinate and promote the development of youth in South Africa, by assisting them to start businesses and to finance existing businesses (Herrington et al., 2015).

- *Technology and Innovation Agency (TIA):* Created by an act of the South African parliament in November 2008, and as an initiative of the Department of Science and Technology (DST). TIA's mission is to enable and support technological innovation across all sectors of the economy in order to achieve socio-economic benefits for South Africa and to enhance its global competitiveness; as well as support the development and commercialisation of research outputs from higher education institutes, science councils, public entities, and private research institutions, and bring them to market (Herrington et al., 2015).

- *National Empowerment Fund*: Established in 1998, it is "the driver and thought leader in promoting and facilitating black economic participation by providing financial and non-financial support to black empowered businesses and promoting the culture of savings and investment among black people" (Herrington, et al., 2015, p. 39). The fund provides business loans from R250 000 to R75 million across all industry sectors, for start-up, expansion, and equity acquisition purposes (Herrington et al., 2015).

- *Other funders*: There are other funding resources available that are independent (non-government), these incubators have their own funding

conditions and offer mentorship and loan/equity options (Herrington, et al., 2015):

- Knife Capital;
- Leaf Capital;
- Masisizane Fund;
- Thundafund;
- U-Start;
- Edgegrowth;
- Futuregrowth;
- Atlantic Asset Management; and
- Anglo Sebenza Fund.

The South African government is investing a lot in supporting and funding entrepreneurs, to establish and grow their enterprises. The South African government believes that the creation and sustainability of small- to medium-sized enterprises will decrease the unemployment rate, alleviate poverty, and reduce crime.

2.3 Entrepreneurial capital

Audretsch and Keilbach (2004, p. 5) describe the entrepreneurship capital “of an economy, a region, or a society as being a regional milieu of agents and institutions that is conducive to the creation of new firms”.

This involves a number of aspects such as:

- Social acceptance of entrepreneurial behaviour;
- Individuals willingness to take the risk of creating new firms; and

- Bankers and venture capitalists willingness to share risks and benefits (Audretsch & Keilbach, 2004).

In other words, entrepreneurial capital collectively looks at a number of factors such as legal, institutional, and societal factors (Audretsch & Keilbach, 2004). Lam, Shaw and Carter (2007) mention that the concept of 'entrepreneurial capital' has emerged recently in recognition that business ownership is predicated on the availability of and access to financial and non-financial resources. Furthermore, they elaborate on the impact that the amount and variety of capital available and attainable to entrepreneurs can have on the performance of their enterprises and experience of business ownership. This study aimed to research the impact that the availability and attainability of these financial and non-financial resources has on the performance of youth-owned enterprises (Erikson, 2002; Firkin, 2003; Morris, 1998, cited in Lam et al., 2007).

Building on the resource-based perspective of entrepreneurship (Kelley, Brush, Greene, Herrington, Ali, & Kew, 2014), the idea of entrepreneurial capital suggests that the entrepreneurial process is affected by the other types of capital, in addition to financial capital, possessed by entrepreneurs or available to them through networks and relationships. Entrepreneurship scholars have identified non-financial capital as including the physical, organisational, technological, human, cultural, social and symbolic capital of business owners and their firms (Lam et al., 2007).

In retrospect, entrepreneurial capital is a composition of human capital, social capital, and financial capital. Schøtt, Kew, and Cheraghi (2015) define the different aspects of entrepreneurial capital (from a youth aspect) as collective resources that comprise of three elements:

(1) *Human capital*: Knowledge and skills that people have in their heads;

(2) *Social capital*: Valuable relations that people have with other people; and

(3) *Financial capital*: Monetary capital that people have in their pockets or to which they have access.

2.3.1 Human capital

Human capital refers to people's knowledge, skills, and experience, which comprises both implicit knowledge acquired through education and tacit knowledge acquired through experience (Schøtt, et al., 2015). From the perspective of classic economic theory, Marimuthu, Arokiasamy, and Ismail (2009), define human capital as labour that is considered a commodity that can be traded in terms of buying and selling and focuses on how capital exploits labour. However, unlike the term labour, human capital refers to an individuals' knowledge, expertise, and skills that are accumulated via education and training (Marimuthu et al., 2009).

Human capital theory was initially developed to measure employees' income based on investment in their human capital (education, knowledge, and skills) (Unger, Rauch, Frese, & Rosenbusch, 2009). The variables used for their research were formal education, training, employment experience, start-up experience, ownership experience, parent's background, skills, knowledge, and others (Unger et al., 2009). According to Venter et al. (2008), the theory maintains that individuals' cognitive abilities are increased by knowledge, which then leads to more productive and efficient potential activity. Venter et al. (2008) believe that the outcome would replicate in an entrepreneurial scenario. Zarutskie (2008) advocated that the classic elements of human capital are education level, education speciality, work background (experience), and tacit knowledge.

It has been shown that education and training has the ability to enhance students' entrepreneurial skill, and entrepreneurial courses at tertiary level have proved beneficial in enhancing innovation (Schøtt, et al., 2015). Many countries have implemented entrepreneurial vocational and technical training into their policies to motivate students to go into entrepreneurship. This kind of training is most functional in developed countries and is challenging in developing countries where it is most needed (Schøtt, et al., 2015). Urban, Barreira, Botha, and Oosthuizen (2011) identifies human capital as an important source of economic growth, skilled individuals performing their respective tasks in an organisation to ensure its success and profitability can ensure economic growth. Urban, et al.

(2011) elaborates that there is a direct relationship between the primary components of human capital and economic growth.

“Based on international measures of human capital development, South Africa’s human capital base for entrepreneurship has been consistently weak” (Venter et al., 2008, p. 41). Many South Africans are survivalist entrepreneurs due to South Africa’s high unemployment rate; people start their own businesses because they have no other means of income and livelihood and are thus pushed into entrepreneurship (Venter et al., 2008). Their enterprises are thus just a means for survival, a source of income, and are generally not profit or growth orientated.

The study hypothesizes that youth-owned enterprises have higher levels of performance when human capital levels are higher.

2.3.2 Social capital

Social capital refers to the institutional support derived from an individual’s relationships and networks (Venter et al., 2008). These relationships and networks are with people who can offer support or assistance to the other person and vice versa. The support or assistance is not necessarily monetary, it can be knowledge, skills, or connections to other individuals with the necessary knowledge, skills, or other (monetary and non-monetary) resources.

Andriani (2003) identifies three structural dimensions of social capital that characterise the different types of connections within relationships. These three dimensions are bonding, bridging, and linking. They are not mutually exclusive and each has its own characteristics and impact on the socio-economic dynamics of society (Andriani, 2003).

- *Bonding social capital*: Based on trust and reciprocity, usually between close-knit people such as family members, and driven by strong in-group connections and usually assists with socio-economic problems.

- *Bridging social capital*: Link between bonding groups and represents the strength of weak ties, usually with friends, neighbours, and acquaintances

and due to these people belonging to other groups they open opportunities for other bonding groups.

- *Linking social capital*: Represent vertical connections with people or groups with different political or financial power, and come with tremendous access to resources or information from institutions of power (Andriani, 2003).

Relationships with entrepreneurs, who may serve as role models and provide tacit knowledge on entrepreneurial pursuits, promote their intentions to become entrepreneurs, and form people's social capital (Schøtt, et al., 2015). Social networks "facilitate the discovery of opportunities, as well as the identification, collection, and allocation of scarce resources" (Davidsson & Honig, 2003, cited in Venter et al., 2008, p. 309).

It has been proven that young people whose parents were self-employed and successful tend to be more entrepreneurial, since they experienced entrepreneurial role models. Entrepreneurs' networks include the private sphere of family and friends, who provide emotional support, and the public sphere of the work place, the professions, the market, and the international environment. Networks in the public sphere are built up gradually, and older entrepreneurs often have the advantage of networks that are larger and more diverse (Schøtt, et al., 2015; Xheneti & Bartlett, 2012, cited in Schøtt, et al., 2015).

Social capital has numerous benefits for an entrepreneur; it could be a source of knowledge and guidance, word-of-mouth marketing, and a social network attracts financial and non-financial opportunities.

The study hypothesized that youth-owned enterprises have higher levels of performance when social capital levels are higher.

2.3.3 Financial capital

The most difficult form of capital to obtain is financial capital, and refers to the "funds that a person can access to invest in starting, running, and expanding a

business" (Schøtt, et al., 2015, p. 11). Raising finance, be it from banks or investors is problematic for young people who are unlikely to have obtained sufficient credit history, limiting he possibility of finance via traditional routes (Schøtt, et al., 2015). Determined entrepreneurs come up with strategies to make up for lack of financial capital.

"One strategy is *bricolage*, entrepreneurially and innovatively using the limited resources that are at hand and that others consider useless, rather than drawing up a business plan that is overly ambitious and unlikely to lead to a loan" (Baker & Nelson 2005, cited in Schøtt, et al., 2015, p. 11). Schøtt, et al., 2015 highlights a strategy called *bootstrapping;* it involves reducing costs by using limited resources.

According to Audretsch and Keilbach (2004), countries that have easy and high access to financial capital to support start-ups end up funding tentative and irregular ideas, while on the other hand, countries with difficult and low access to financial capital for start-ups, hamper the ability of individuals to start new enterprises.

Cooper, Gimeno-Gascon & Woo (1994) claim that "the amount of capital raised should be positively associated with venture survival". They give an example of how the more capital a store owner has the more merchandise they can buy, which will increase traffic and make the stop a one-stop-shop for consumers. Historically, there has been a big focus on what is considered a process central to the entrepreneurship – the financing of new enterprises (Cooper, et al., 1994).

In their book, Entrepreneurship: Theory in practice (2nd edition), Venter et al. (2008) contributed an entire chapter to the different financing opportunities for entrepreneurs. The chapter starts by highlighting the advantages (no interest, no terms and conditions, etc.) and disadvantages (saving timeframe, having no access to disposable income etc.) of using your own money.

The next section of the chapter explores ‘other people’s money’, through debt financing and looks at:

- Borrowing money from friends and family;
- Obtaining a bank loan (short- and long-term loans);
- Micro-financing (loan sharks, private institutions, and non-governmental organisations and government initiatives); and
- Community-based lending (Grameen Bank Model and stokvels).

The last section of the chapter inspects equity financing options:

- Shareholder capital (preference, ordinary, and deferred shares);
- Close corporation (shareholding – one to ten members);
- Partnership (shareholding – two to twenty members);
- Venture capital (investment for some ownership and control); and
- Angel investors (investment because they believe in the idea/individual).

The study hypothesized that youth-owned enterprises have higher levels of performance when financial capital levels are higher.

Uzzi (1999) conducted research in the US that showed that firms that were socially embedded with micro-lenders and middle-market banks and needed financing, received lower interest rates in comparison to those that were not socially embedded. This thus shows the integrated relationship between social capital and financial capital. Research conducted by the Western Cape Youth Commission (2008) also identify access to finance as a key role player to the success or failure of most small-to-medium sized enterprises (SME) in South Africa.

2.4 Enterprise, business, or organisational performance

Organisations are the backbone of any country's economy, hence the performance of organisations have a big impact on a countries' economy. Organisations are a huge source of employment and are often used to determine the economic, social, and political progress of a country (Gavrea, Ilieş & Stegerean, 2011). Performance is the best way that an organisation can determine whether it has grown and progressed; hence, the amount of management research that has gone into organisational performance and its indicators (Gavrea, et al., 2011).

Despite the concept of performance in organisations being common in academic literature, it has numerous definitions (Gavrea, et al., 2011), none of which is a universally accepted definition. In the 1950s, organisational performance was defined as "the extent to which organisations, viewed as a social system, fulfilled their objectives" (Georgopoulos & Tannenbaum, 1957, cited in Gavrea, et al., 2011, p. 535). Performance evaluation during this time was focused on work, people, and organisational structure. Later in the 1960s and 1970s, organisations have begun to explore new ways to evaluate their performance so performance was defined as "an organisation's ability to exploit its environment for accessing and using the limited resources" (Yuchtman & Seashore, 1967, cited in Gavrea, et al., 2011 p. 379). The years 1980s and 1990s were marked by the realisation that the identification of organisational objectives is more complex than initially considered. Managers began to understand that an organisation is successful if it accomplishes its goals (effectiveness) using a minimum of resources (efficiency). Thus, organisational theories that supported the idea of an organisation that achieves its performance objectives based on the constraints imposed by the limited resources (Campbell, 1970, cited in Gavrea, et al., 2011). In this context, profit became one of the many indicators of performance.

The authors Lebans and Euske (2006, cited in Gavrea, et al., 2011, p. 71) provide a set of descriptions to demonstrate the broad concept of organisational performance:

- Performance is a set of financial and nonfinancial indicators, which offer information on the degree of achievement of objectives and results.
- Performance is dynamic, requiring judgment and interpretation.
- Performance may be illustrated by using a causal model that describes how current actions may affect future results.
- Performance may be understood differently depending on the person involved in the assessment of the organisational performance (e.g. performance can be understood differently from a person within the organisation compared with one from outside).
- To define the concept of performance is necessary to know its elements characteristic to each area of responsibility.
- To report an organisation's performance level, it is necessary to be able to quantify the results.

Wang and Ang (2004), and Achtenhagen et al. (2010, cited in Blackburn, Hart & Wainwright, 2013) highlight the fact that measuring business performance is not only complex because data regarding the asset and profitability are not available, but also the nature of the subject itself proves convoluted. The lack of a universally accepted definition for organisational performance has led to various methods being established to measure organisational performance; some are relatively simpler than others and vary from financial to non-financial indicators and in some instances include both (Rylková, 2015). Companies operating in the consumer goods market, mining, processing chemicals, metals and healthcare industries use a large number of indicators; while enterprises in construction, retail, and manufacturing are the smallest users (Janeček & Hynek, 2010, cited in Rylková, 2015).

According to Maltz (2003 cited in Rylková, 2015), organisational performance measurement should include five main dimensions:

(1) Financial (with indicators such as sales, profits, and return on investment);

(2) Market and customer (with indicators such as customer satisfaction, retention, and service quality);

(3) Process (with indicators such as evaluation of the length and quality of processes);

(4) Staff development (with indicators such as employees' options, their motivation, and the capacity of information system); and

(5) Standards for the future (with indicators such as the depth and quality of strategic planning, forecasting and preparing for the unexpected changes in the external environment, the possibility of joint ventures and strategic alliances, and investing in new market development).

The traditional approach to the competitiveness measurement, focuses on financial analysis and includes indicators such as net profit/loss per period, and turnover amount; ratios such as profitability, liquidity, indebtedness, and productivity; and differences such as profit increase/decrease, and turnover increase/decrease (Wagner, 2009, cited in Rylková, 2015).

2.5 Hypotheses

This research hypothesised that youth-owned enterprises have higher levels of performance when entrepreneurial capital levels are higher.

This main hypothesis was divided into null and alternate sub-hypotheses, as follows:

2.5.1 Sub-hypothesis 1

$H1_a$: Youth-owned enterprises have higher levels of performance when human capital levels are higher.

$H1_0$: There is no relationship between human capital levels and business performance.

2.5.2 Sub-hypothesis 2

$H2_a$: Youth-owned enterprises have higher levels of performance when social capital levels are higher.

$H2_0$: There is no relationship between social capital levels and business performance.

2.5.3 Sub-hypothesis 3

$H3_a$: Youth-owned enterprises have higher levels of performance when financial capital levels are higher.

$H3_0$: There is no relationship between financial capital levels and business performance.

Figure 4 diagrammatically represents the main hypothesis, which deals with entrepreneurial capital, and it sub-hypotheses, which deals with the three variables: human-, social-, and financial capital.

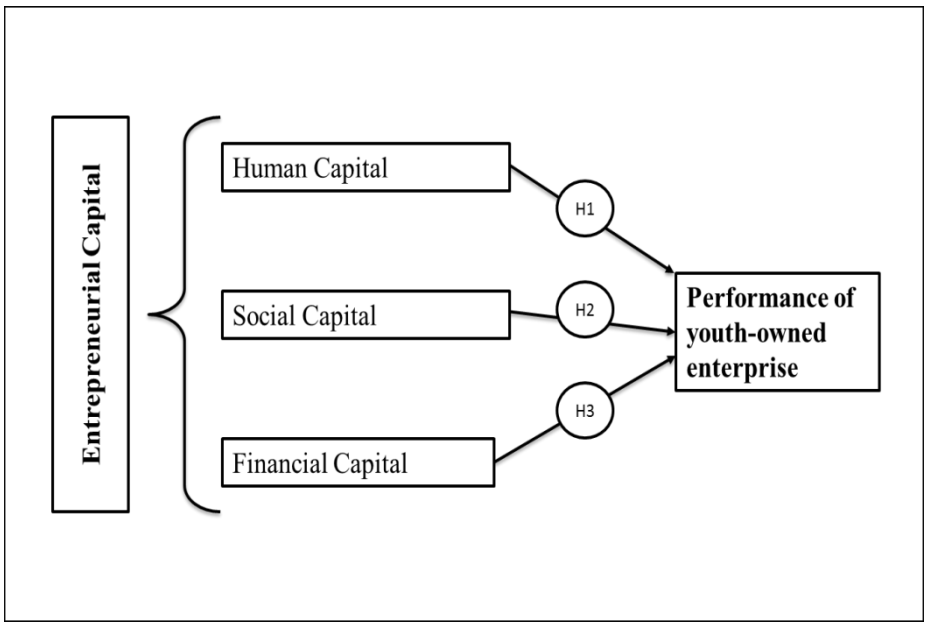


Figure 4: Research hypotheses

2.6 Conclusion of literature review

Based on all the literature studied, youth unemployment is both a South African and a global problem. Many countries face the kind of challenges that South Africa faces when it comes to the youth. Entrepreneurial activity among the youth in South Africa is also alarmingly low, which might be caused by the different challenges that the youth face in the entrepreneurial environment. Access to financial capital is the biggest challenge for young South African entrepreneurs. Young people who do overcome these challenges and start their own entrepreneurial ventures often have no support or access to formal or informal support structures. This study aims to understand how human capital, social capital, and financial capital impacts on the performance of youth-owned enterprises, thus appreciating what type of support young entrepreneurs need, for their enterprises to succeed.

CHAPTER 3: RESEARCH METHODOLOGY

The research methodology describes the approach or strategy to conduct the research, and indicates the validity of the research. It is possibly the most important part of the study, failure to plan and execute it properly might lead to failure of the research. This chapter considers various research methods and outlines the ones best suited for this research topic.

3.1 Research approach

A positivist approach was used to conduct the research. This approach is based on understanding entrepreneurship by studying conditions and arrangements from empirical data for consensual objectivity (Burg & Romme, 2014). This approach considers the hypotheses of the research valid, as it sees the knowledge as a representation of the world as it is. The quantitative research methodology strictly uses surveys to collect data. It is only dependent on the answers to the survey questions for data and is thus unable to look at anything beyond the survey data (Johnson & Onwuegbuzie, 2004). The results of the research conducted determine whether the hypotheses are true of false. The positivist approach tests hypotheses using inferential statistics through the collection of quantitative data, and uses general causal relationships among the variables to define empirical objects. The outcomes have to stay within the threshold of the analysis (Burg & Romme, 2014).

The purpose of this research was to study the relationship between the different variables of entrepreneurial capital (human, social, and financial) and organisational performance of youth-owned enterprises. The hypotheses take a positivist approach by suggesting that there is a positive relationship between the variables, for example, that high levels of human capital will lead to better business performance.

3.2 Research design

Three methods could be used to conduct research: qualitative, quantitative, and mixed-method. Qualitative research involves conducting in-depth interviews with the research subjects around particular topics; the focus of the research is the quality of the interviews (Newbold, Carlson & Thorne, 2013). Quantitative research involves collecting information through surveys with the same questions and a selection of possible answers (Newbold et al., 2013). Mixed-method research involves a combination of quantitative and qualitative research.

Quantitative research was used to conduct this research. Johnson and Onwuegbuzie (2004) highlight the strengths and weaknesses of the quantitative method, which need to considered during data collection. The strengths of quantitative research are as follows:

- Testing and validating already constructed theories about how (and to a lesser degree, why) phenomena occur;
- Testing hypotheses that are constructed before the data are collected, can generalise research findings when the data are based on random samples of sufficient size;
- Can generalise a research finding when it has been replicated on many different populations and subpopulations;
- Useful for obtaining data that allow quantitative predictions to be made;
- The researcher may construct a situation that eliminates the confounding influence of many variables, allowing more credible assessment of cause-and-effect relationships;
- Data collection using some quantitative methods is relatively quick (e.g., telephone interviews);
- Provides precise, quantitative, and numerical data;

- Data analysis is relatively less time consuming (using statistical software);
- The research results are relatively independent of the researcher (e.g., effect size, statistical significance);
- It may have higher credibility with many people in power (e.g., administrators, politicians, people who fund programs); and
- It is useful for studying large number of people.

The weaknesses of quantitative research are as follows:

- The categories that are used may not reflect local constituencies' understandings;
- The theories that are used may not reflect local constituencies' understandings;
- Phenomena occurring because of the focus on theory or hypothesis testing rather than on theory or hypothesis generation (called the confirmation bias) may be missed; and
- Knowledge produced may be too abstract and general for direct application to specific local situations, contexts, and individuals.

Quantitative data is the process of collecting data through a survey, in which all questions are the same and there are only a selective number of answers for each question. These weaknesses need to be considered once data has been collected and a report is being formulated, as they might have the ability to explain the outcome of the data. The data was collected directly from the research subject, and is thus primary data.

3.3 Population and sample

3.3.1 Population

A complete set of all items that interest an investigator is considered the population, and its size (*n*) can be very large or even infinite (Newbold, et al., 2013). The population for this survey was South Africans between the ages of 18 and 35 years who were self-employed or ran their own enterprises. The areas predominately used to collect the data were Gauteng and the Free State provinces. Due to the timeframe, it proved difficult to collect data that would accurately reflect all nine provinces of South Africa. The two provinces, Gauteng – being predominately urban and industrial, and the Free State – being predominately rural and agricultural, gave a good representation of the impact that entrepreneurial capital had on the performance of youth-owned enterprises. However, the population was not limited to those two geographical locations, but it applied strict constraints on the age of the entrepreneurs.

The organisations and individuals' databases in Table 4 were used to select the sample.

Table 4: Data collection databases

Organisation	Description	Contact person
Business Woman Association of South Africa (BWASA)	BWASA was established to support South African women (business owners, professionals etc.).	Matshepo Makgamatha
National Youth Development Agency	Financing institution for youth-owned enterprises.	Juliet Tshoke
SAB KickStart Boost and SAB KickStart Ignite	Provides support to operating entrepreneurs and aspiring entrepreneurs.	Mpho Sadiki
Youth Entrepreneurship Programme	The Swisscontact Youth Entrepreneurship Project is dedicated to promoting entrepreneurship and creating real opportunities for income generation among youth in selected South African townships.	Dewald Scholtz
SEDA	Provides business support to SME's.	Marius de Villiers
Wits Business School (WBS) Centre for Entrepreneurship (CfE)	The WBS CfE provides budding or aspiring entrepreneurs with a range of support and learning and development interventions.	Lindy Mataboge
LoveLife Qwa Qwa	Identifies and assists local entrepreneurs obtain funding and support to grow their enterprises.	Mamotsehare Lebesa
Matwabeng Community Stakeholder Forum	A forum made of various community members and civil servants aimed at using collective resources to solve community projects.	Lucy Majola
African Women Movement	AWM is a non-profit company that was founded by female professionals who saw the value in networking among women from different backgrounds and sectors of the economy.	Refilwe Matenche

3.3.2 Sample and sampling method

Newbold et al. (2013) defines a sample as a practical portion or subset of a population with the sizer of the sample given as *n*. Sampling involves ensuring

that the questionnaire is administered to the targeted population (Slavec & Drnovsek, 2012). Although there is no specification about the size of a sample, there are two recommendations to be considered, first, the sample of subjects should be large (DeVellis, 2003, cited in Slavek & Drnovsek, 2012), and second, as the number of items increase, the number of respondents should increase (Hinkin, 1998, cited in Slavec & Drnovsek, 2012).

The sample narrows down the population group, in the case of this study, the population group was South African youth between the ages of 18 and 35 years, who had their own enterprises. However, for the purpose of practicality and due to time constraints, the sample was narrowed down to South African youth between the ages of 18 and 35 years, who had their own enterprises in the Gauteng and Free State provinces. The sample size was big enough to collect representative and accurate data.

Simple random sampling was used to identify the sample. This procedure is used to “select a sample of *n* objects from a population in such a way that each member of the population is chosen strictly by chance, the selection of one member does not influence the selection of any other member, each member of the population is equally likely to be chosen, and every possible sample of a given size, *n*, has the same chance of selection” (Newbold, et al., 2013, p. 3).

3.4 The research instrument

Covin and Slevin’s (1991) instrument was used to measure the performance of youth-owned enterprises. The instrument was initially developed by Gupta and Govindarajan (1984) and was modified by Covin and Slevin (1991). The instrument asked t The respondents were asked to indicate, using a five-point Likert-type scale ranging from 'highly dissatisfied' to 'highly satisfied', the extent to which their firm's top managers are currently satisfied with their firm's performance. Each of these financial performance criteria were assessed: sales level, sales growth rate, cash flow, return on shareholder equity, gross profit

margin, net profit from operations, profit to sales ratio, return on investment, and ability to fund business growth from profits (Fatoki, 2011).

In Fatoki's (2011) research a seven-point Likert-type scale was used for satisfaction values, the 'satisfaction' value scores were multiplied by the 'importance' scores in order to calculate a weighted average performance index for each enterprise.

Yang (2008) created a business performance scale that contained eight items and used a seven-point Likert scale. The four indicators of growth were; sales growth, employment growth, sales growth compared with competitors, and market share compared to competitors. The three financial performance indicators were gross profit, return on sales (ROA), and return on investment (ROI). The final indicator was one of overall performance/success to business performance adapted from Lumpkin and Dess (1996). According to Knight (2000) previous studies have often used self-reports to gather business performance data and the results have proven to be reliable. Furthermore, work by Wiklund (1999) suggested that performance measures should include both growth and performance measures.

Likert scale questions and dichotomous questions were used to obtain answers from the respondents. The elements of entrepreneurial capital were measured using the following variables

- *Human capital*: education, working experience, related experience, managerial experience, business education, and competency in the four management functional areas: financial management, personnel management, marketing management, and general administration.

- *Social capital*: social interaction, relationship quality, and customer and general networks.

- *Financial capital*: access to debt capital, personal savings, friends and relatives, venture capital, angel investment, government grants or

privately-owned incubators, equity offerings, banks and other commercial lenders, and commercial finance companies (enterprise development).

3.5 Data collection

The respondents had to be South African entrepreneurs between the ages of 18 and 35 years. The sample was selected from urban and rural areas and included all races, both male and female. The target was a number of 300.

To avoid excluding a certain part of South Africa's youth who did not have access to computers or internet, the instrument was administered both electronically and manually. Respondents who had the ability to do the survey online had the option to do so; however those who did not have the ability were not excluded from the research and given the option of filling in a paper survey. This provided individuals from all backgrounds the opportunity to participate in the survey and thus increased the level of objectivity from the data collected. The. The hard copies were captured onto the system with all the other surveys that were completed electronically.

3.6 Data analysis

The data collected from the survey was analysed using Statistical Package for the Social Sciences (SPSS), and administered by a professional statistician. The following analysis methods were used:

- Descriptive statistics to describe the sample;
- Exploratory factor analysis for assessing validity;
- Cronbach Alpha for assessing the reliability of the scale;
- Correlation analysis for assessing association and multicollinearity; and
- Multiple regression models to test the three sub-hypotheses.

3.6.1 Descriptive statistics to describe the sample

Newbold et al. (2013) defines descriptive statistics as graphical and numerical procedures that are used to summarise and process data. The demographic data of the sample and data collected is presented in graphs (in Chapter 5) to categorise the outcome of the demographic data.

3.6.2 Exploratory factor analysis for assessing validity

External validity, also known as generalisability, questions the transferability of a study's results to other groups (Handley, 2001). Research performed exclusively in a particular sample or group may not be transferable to another group. External validity is thus concerned with the transferability of an instrument and questions if the outcome of the study would be the same in a different environment with different subjects. It is thus advisable to use a research instrument that has been used several times, with the same or similar outcomes, as this increases its validity.

Internal validity is concerned with the results of the study, if they are acceptable because of the sample selection, data recording, or analysis (Handley, 2001). Internal validity states that the outcome of the data might be skewed based on how or where the survey is distributed, for example if the survey is distributed online only, it automatically excludes those who do not have access to computers or the internet. It is thus important to highlight how such issues can affect or could have affected the outcome of the data when compiling the report.

Exploratory factor analysis was used to assess the validity of the data. "Factor analysis operates on the notion that measurable and observable variables can be reduced to fewer latent variables that share a common variance and are unobservable, which is known as reducing dimensionality" (Bartholomew, Knott, & Moustaki, 2011, cited in Yong & Pearce, 2013, p. 80).

3.6.3 Cronbach's alpha for assessing the reliability of the scale

A common threat to internal validity is reliability, which assumes that the test assessment will provide the same results when used in the initial conditions. If assessments are made over time, by different people, or are highly subjective, reliability can be at risk (Handley, 2001).

Tavakol and Dennick (2011) outline the relationship between validity and reliability as follows:

- Validity is concerned with the extent to which an instrument measures what it is intended to measure;
- Reliability is concerned with the ability of an instrument to measure consistently;
- The reliability of an instrument is closely associated with its validity;
- An instrument cannot be valid unless it is reliable; however
- The reliability of an instrument does not depend on its validity.

The research instrument consisted of a compilation of already existing and tested research instruments. The research instruments sections Cronbach's alpha measurements are tabled in Table 5.

Table 5: Reliability tests: Cronbach's alpha

	The Variables	No of items	Cronbach's Alpha
1	Business performance (importance)	9	0.84
2	Business performance (satisfaction)	9	0.92
3	Human capital	9	0.821
4	Social capital	7	0.762
5	Financial capital	8	0.629

It is possible to measure effectively the reliability of a research instrument using Cronbach's alpha. Cronbach's Alpha was developed by Lee Cronbach in 1951, to measure internal consistency of a test or scale (Tavakol & Dennick, 2011). It is important to measure a research instrument's internal consistency to ensure validity prior to it being used for research purposes. The acceptable values of alpha range from 0.70 to 0.95. A low alpha measurement could be because of poor interrelatedness between items, heterogeneous constructs or too few questions (Tavakol & Dennick, 2011).

3.6.4 Correlation analysis for assessing association and multicollinearity

Correlation analysis is used to evaluate the relationship between two variables; it generally tests the direction and strength of the relationship (Newbold, et al., 2013).

It can be shown that the correlation coefficient ranges from -1 to +1. The closer *r* is to +1, the closer the data points are to an increasing straight line, indicating a positive linear relationship. The closer *r* is to -1, the closer the data points are to a decreasing straight line, indicating a negative linear relationship. When $r = 0$, there is no linear relationship between x and y – but not necessarily a lack of relationship (Newbold et al., 2013)

The correlation coefficient was used to assess the relationship of the three hypotheses, the relation of social capital, human capital, and financial capital with business performance.

3.6.5 Multiple regression model to test the hypotheses

It is important to develop a model to explain variability in the dependent variables, when applying the multiple regression model. The multiple regression model determines the effect of several independent variables individually and concurrently on the dependent variable, using the least squares principles (Newbold et al., 2013). There is a process to follow when developing the multiple

regression model; first, develop the model specification by determining the model variables and model form; second, study the least squares process and analyse the variability to identify the effects of each predicator variable; third, examine the estimation, confidence intervals, and hypothesis testing. (Newbold et al., 2013).

The multiple regression model was used to analyse the hypotheses; the effect of entrepreneurial capital (human, social and financial capital) on business performance.

3.7 Limitations and future research suggestions

The following issues were identified as possible limitations to the study:

- Respondents lack of honesty when completing questionnaires;
- Social desirability bias – respondents responding in a favourable manner;
- Findings may be biased according to the competencies, values, and ethics of respondents; and
- Research conducted in convenient locations (Mataboge, 2014).

The following list of possible affiliated research topics might be explored:

- The impact that LSM grouping has on the performance of youth-owned enterprises;
- The impact of geographic location (urban versus rural) on the performance of youth-owned enterprises;
- The impact of human capital on the industry choice of youth-owned enterprises;
- The performance of youth-owned enterprises funded by privately-owned incubators and youth-owned enterprises funded by publicly-owned incubators; and

- The performance of female youth-owned enterprises and male youth-owned enterprises.

3.8 Research ethics

This academic research will adhere to both the global academic code of ethics, but more specifically to the University of the Witwatersrand code of ethics, for conducting Academic research.

The research will not be conducted on underage children (below the age of 18).

Participants will not be coerced into completing the survey and will be allowed to withdraw from participating whenever the like.

The surveys will only be restricted to the identified sample and people who do not meet the sample criteria will not be allowed to participate.

CHAPTER 4: PRESENTATION OF RESULTS

4.1 Introduction

There were 201 responses, of which two were incomplete and thus excluded from the sample. The final sample had 199 responses.

4.2 Demographic profile of respondents

The age distribution is summarised in Figure 5.

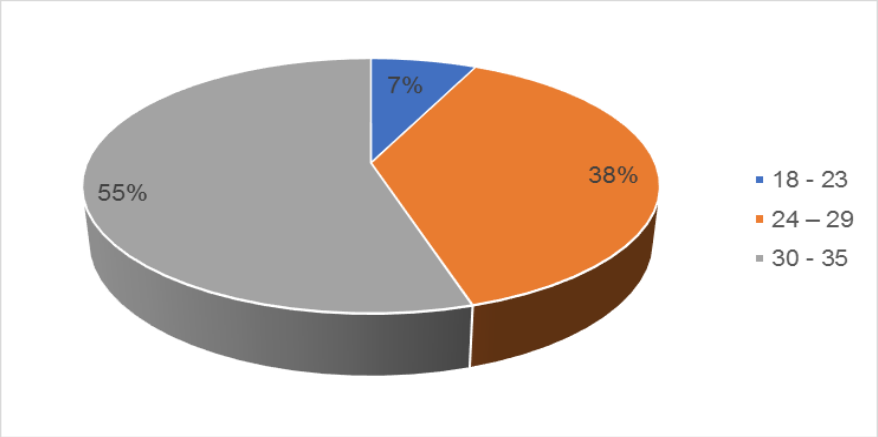


Figure 5: Age

More than half of the respondents (55 percent) were aged between 30 and 35 years, the other 38 percent were between 24 and 29 years old, and seven percent were 18 to 23 years old.

Respondents were asked to indicate their race and the results are shown in Figure 6.

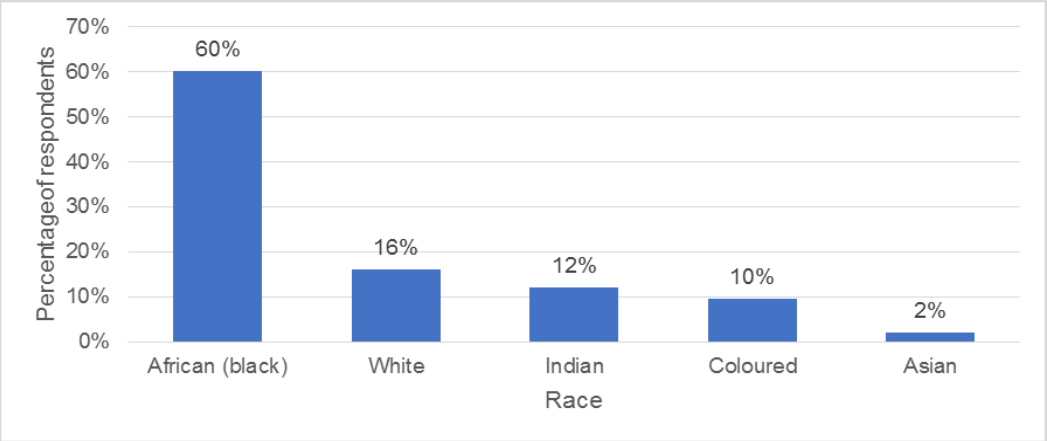


Figure 6: Race

Most of the respondents were Africans (60 percent), followed by whites (16 percent), Indian (12 percent), and coloured, which constituted 10 percent.

The gender distribution of the sample is shown in Figure 7.

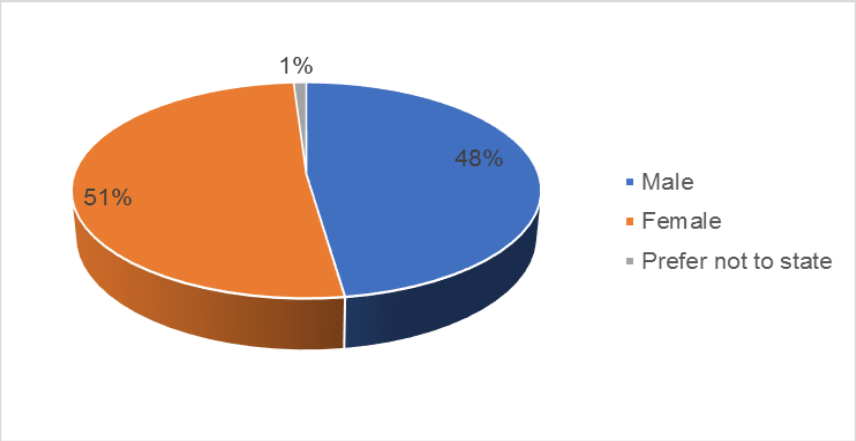


Figure 7: Gender

Slightly more than half of the sample (51 percent) were female, 48 percent were male, and the other one percent preferred not to mention their gender.

The respondents were asked to indicate their highest level of education and the results are summarised in Figure 8

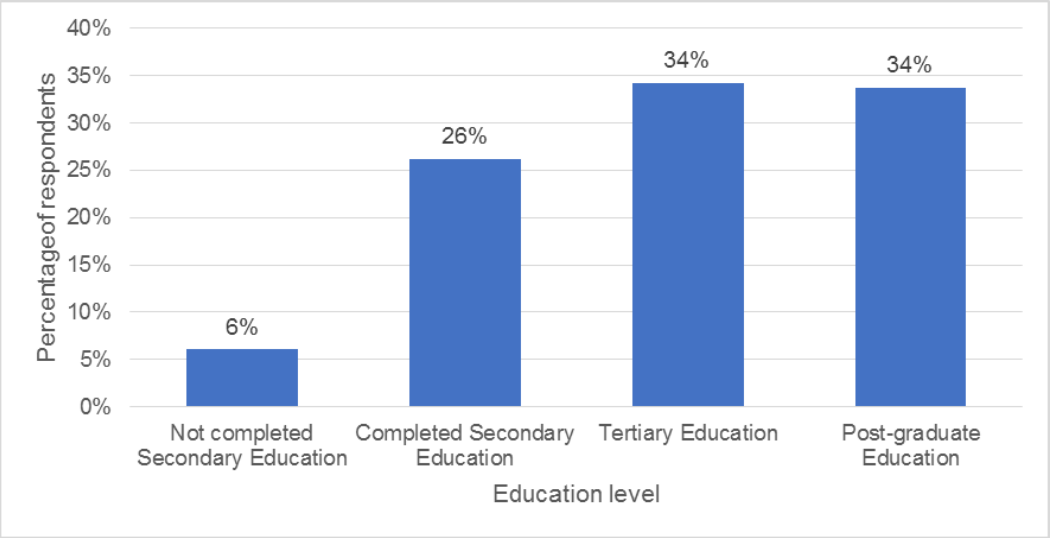


Figure 8: Highest level of education

It can be noted that 12 respondents did not complete secondary education, 26 percent completed education, while 34 percent had tertiary education as their highest level of education, and another 34 percent had post-graduate education.

The industry in which the entrepreneurs in the sample operate was indicated and the results are shown in Figure 9.

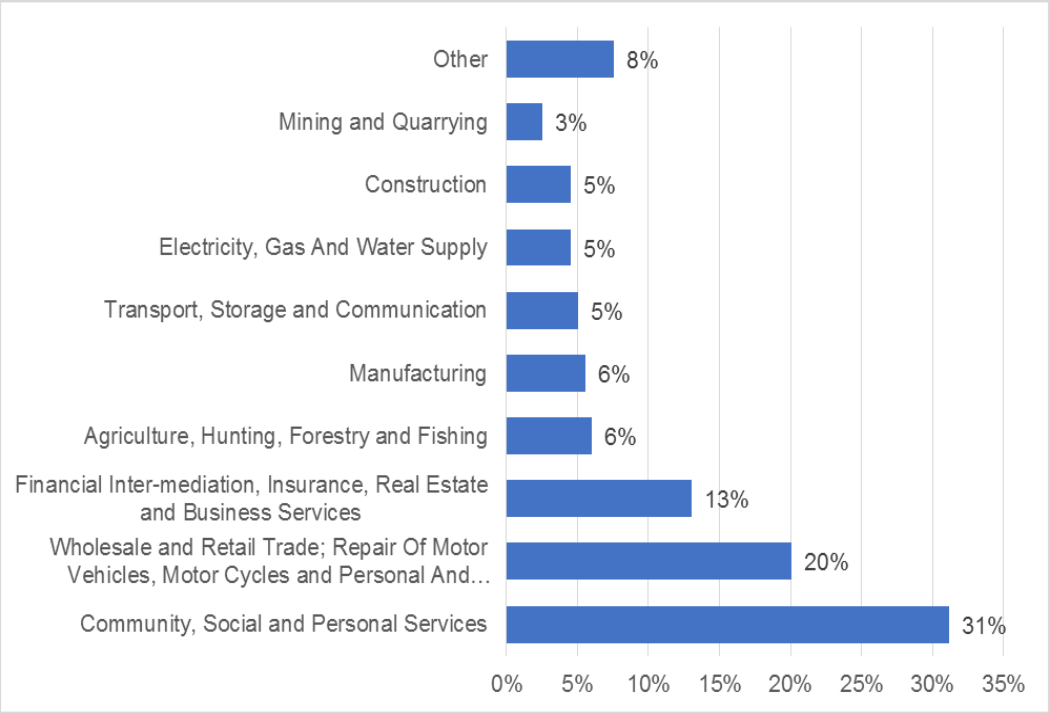


Figure 9: Industry

The most common industry was community, social and personal services (31 percent) followed by wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods, hotels and restaurants (20 percent), and the financial inter-mediation, insurance, real estate and business services (13 percent). Mining and quarrying was the least mentioned sector with only three percent of respondents stating that they operated within that industry.

Figure 10 shows the ownership structure of the enterprises represented in the sample.

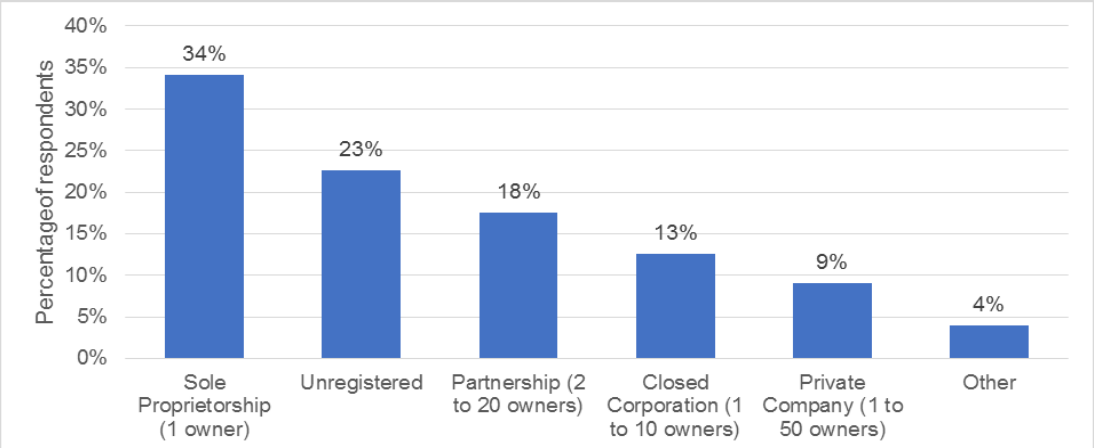


Figure 10: Ownership structure

One in every three enterprises (34 percent) were sole proprietorship (1 owner), while 18 percent were partnerships, and 13 percent were closed corporations (1 to 10 owners). Of respondents' enterprises 23 percent were not registered.

The length of time that the enterprises had been paying salaries is summarised in Figure 11.

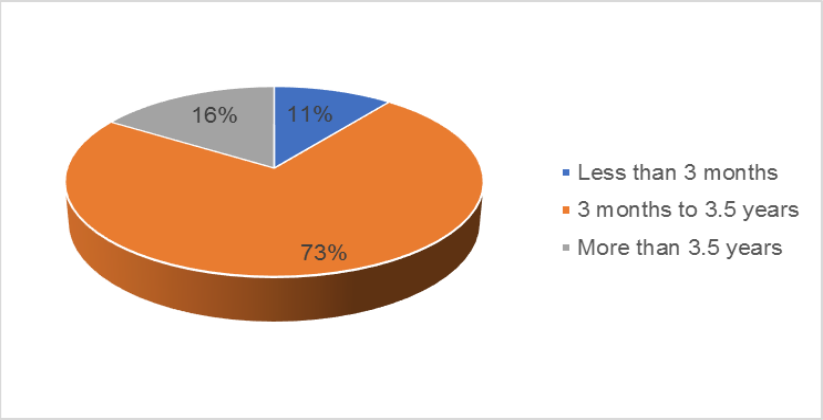


Figure 11: Length of time enterprise paid salaries

Most of the enterprises had been paying salaries for between 33 months and 3.5 years (73 percent), while three percent had been paying for less than three months, and the other 16 percent for more than 3.5 years. It is important to note that these salaries included those paid to the owner of the enterprise.

The number of employees are illustrated in Figure 12.

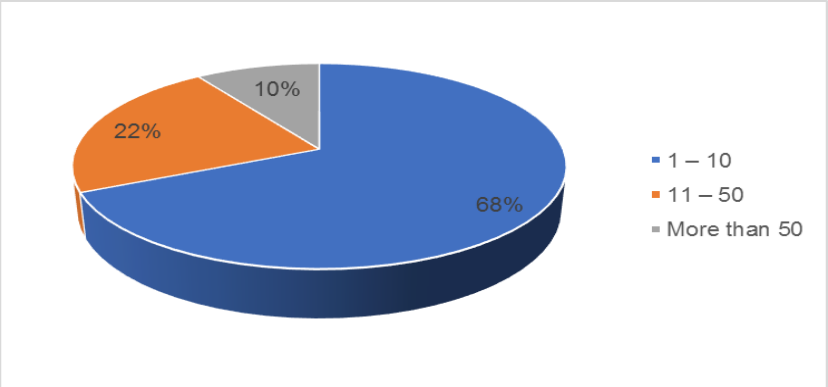


Figure 12: Number of employees

Most of the enterprises in the sample had between one and 10 employees (68 percent), 22 percent had between 11 and 50 employees, while the other 10 percent had more than 50 employees. It is important to note that the number of employees includes the owner of the enterprise.

4.3 Measurement scale

Business performance was measured using satisfaction with nine indicators of performance that were rated on a five-point Likert scale, where one was very dissatisfied with the performance of the indicator and five was very satisfied with the performance of the measure.

Human capital was measured using nine statements that were rated on a five-point Likert scale, where one was strongly disagree with the statement and five was strongly agree with the statement.

Social capital had five measures of social capital that were rated on a scale where one indicated that the item was selected and zero if the item was not mentioned or if the respondent was not sure about that measure. The social capital score for each respondent was computed by summing up all the mentions. Thus, the more the mentions of various social capital sources, the higher the social capital score.

Financial capital had eight sources of capital from which respondents could select. A source of capital was coded with a one if the entrepreneur used that

source of income, otherwise the source was coded as zero. The financial capital score for each respondent was computed by summing up all the mentions. Thus, the more the sources of income the higher the financial capital score and vice versa.

Exploratory factor analysis was conducted to assess the validity of the scale for the business performance and the human capital constructs. Cronbach's Alpha was computed to assess the validity of the scale. The results are shown in Tables 6 and 7.

Table 6: KMO and Bartlett's tests

Test		Business Performance	Human Capital
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.904	.892
Bartlett's Test of Sphericity	Approx. Chi-Square	3115.424	2111.852
	df	36	36
	Sig.	0.000	0.000

The results showed that the KMO values for both constructs were greater than the minimum required value of 0.5, implying that the sample was adequate to conduct factor analysis on both constructs. The Bartlett's Test of Sphericity had significant p-values of 0.000, which implied that the factor analysis could be fitted since the p-values were less than 0.05.

The results in Table 7 showed the construct composition and factor loadings for the items within each factor, the total variance explained by the retained factors and the Cronbach's Alpha values.

Table 7: Validity and reliability

Construct	Items	Validity		Reliability
		Factor Loading	Total Variance Explained	Cronbach's Alpha
Business performance	Profit to sale ratio	.977	82%	.971
	Gross profit margin	.973		
	Net profit from operations	.971		
	Cash flow	.961		
	Sales growth rate	.957		
	Sales level	.938		
	Return on investment	.912		
	Ability to fund business growth from profits	.819		
	Return on shareholder equity (ROE)	.587		
Human capital	Do you believe that your previous business-associated experience is directly related to the level of success in your enterprise?	.882	71%	.949
	Do you believe that your previous work experience is directly related to the level of success in your enterprise?	.880		
	Do you believe that your previous managerial experience is directly related to the level of success in your enterprise?	.880		
	Do you believe that your general management competency is related to the level of success in your enterprise?	.875		
	Do you believe that your personnel management competency is related to the level of success in your enterprise?	.871		
	Do you believe that your business education is directly related to the level of success in your enterprise?	.852		

Construct	Items	Validity		Reliability
		Factor Loading	Total Variance Explained	Cronbach's Alpha
	Do you believe that your financial management competency is related to the level of success in your enterprise?	.811		
	Do you believe that your marketing management competency is related to the level of success in your enterprise?	.798		
	Do you believe that your educational background is directly related to the level of success in your enterprise?	.749		

The exploratory factor analysis results showed that the business performance construct retained all nine items, initially within the hypothesized construct, in one factor. The retained factor explained 82 percent of variation in the rating of the nine items. The items within the business performance construct loaded highly onto the construct with the lowest loading being 0.587 and the highest 0.977.

The human capital construct retained one factor with all nine items that were within the initially hypothesized construct. The retained factor explained 71 percent of variation in the rating of the nine items. The items within the human capital construct loaded highly onto the construct with the lowest loading being 0.749 and the highest 0.882.

Thus, there was scale validity for the two constructs.

The Cronbach's Alpha values indicated that there was excellent reliability for both business performance ($\alpha = 0.971$) and human capital ($\alpha = 0.949$), since the alpha values were both greater than 0.9. Since the reliability was excellent, the items within each scale were combined to form a summated scale for the construct. The summated scale was computed by calculating the average of the items within the construct.

4.4 Hypotheses testing

Table 8 shows the descriptive statistics and the Pearson's correlation for the four constructs.

Table 8: Descriptive statistics and Pearson's correlations

Variables	Descriptive Statistics		Pearson's Correlations			
	Mean	Std. Deviation	Human Capital	Social Capital	Financial Capital	Business Performance
Human capital	3.33	.899	1			
Social capital	3.54	1.540	.476**	1		
Financial capital	2.20	.903	.426**	.243**	1	
Business performance	3.51	.768	.345**	.324**	.237**	1

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson's correlation coefficient values indicated a significant correlation between business performance and each of human capital ($r = 0.345$, p-value < 0.01), social capital ($r = 0.324$, p-value < 0.01), and financial capital ($r = 0.237$, p-value < 0.01). The correlations between the independent variables human capital, social capital, and financial capital were not very high (<0.8), which implied that there was no threat of multicollinearity.

To test the three sub-hypotheses, multiple regression model was fitted with business performance as the dependent variable and human capital, social capital, and financial capital as the independent variables. The results are summarised in Table 9.

Table 9: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.400[a]	.160	.147	.70961

a. Predictors: (Constant), Financial Capital, Social Capital, Human Capital

The results in the model summary showed that financial capital, social capital, and human capital explained 16 percent of variation in business performance as shown by an r-square of 0.16. The ANOVA results, in Table 10, tested the null hypotheses that neither human capital, social capital nor financial capital was significant in predicting business performance against the alternative hypotheses.

Table 10: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.742	3	6.247	12.406	.000[b]
	Residual	98.192	195	.504		
	Total	116.934	198			

a. Dependent variable: Business performance
b. Predictors: (constant), financial capital, social capital, human capital

The results showed that at least one of the variables, human capital, social capital, and financial capital, was significant in predicting business performance, since the p-value was less than 0.05 (p-value = 0.001). The regression coefficients shown in Table 10 indicate which particular variables were significant in predicting business performance.

4.5 Hypotheses results

Entrepreneurial capital is a combination of human capital, social capital, and financial capital, and due to the nature of the instrument used in this research, an analysis of the three variables collectively could not be completed. However, taking into account the fact that there was a positive relationship between two of the three variables, it is justifiable to assume that there is a positive relationship between entrepreneurial capital and business performance. It was therefore concluded that the main hypothesis could be supported; youth-owned enterprises had higher levels of performance when entrepreneurial capital levels were higher.

Table 11: Regression coefficients

Coefficients[a]						
Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.381	.201		11.838	.000
	Human capital	.177	.068	.207	2.578	.011
	Social capital	.100	.037	.201	2.692	.008
	Financial capital	.086	.062	.101	1.384	.168

a. Dependent variable: Business performance

The coefficients results in Table 11 were used to answer the three sub-hypotheses. The results of the three sub-hypotheses are summarised in Table 12 and discussed in sections 4.5.1 to 4.5.3.

Table 12: Summary of sub-hypotheses results

Sub-hypothesis		Outcome
H1	Youth-owned enterprises have higher levels of performance when human capital levels are higher	Supported
H2	Youth-owned enterprises have higher levels of performance when social capital levels are higher	Supported
H3	Youth-owned enterprises have higher levels of performance when financial capital levels are higher	Not Supported

4.5.1 Results pertaining to sub-hypothesis 1

$H1_a$: Youth-owned enterprises have higher levels of performance when human capital levels are higher.

$H1_0$: There is no relationship between human capital levels and business performance.

The results showed that human capital (B = 0.177, β = 0.207, p-value = .011) was significant and positive related to business performance. This is because the coefficient for human capital was positive and the p-value was less than 0.05.

Thus, the null hypothesis is rejected in favour of the alternative hypothesis. It was therefore concluded that youth-owned enterprises had higher levels of performance when human capital levels were higher.

4.5.2 Results pertaining to sub-hypothesis 2

$H2_a$: Youth-owned enterprises have higher levels of performance when social capital levels are higher.

$H2_0$: There is no relationship between social capital levels and business performance.

The results show that social capital (B = 0.100, β = 0.201, p-value = .008) was significant and positive related to business performance. This was because the coefficient for social capital was positive and the p-value was less than 0.05. Thus, the null hypothesis was rejected in favour of the alternative hypothesis. It was therefore concluded that youth-owned enterprises had higher levels of performance when social capital levels were higher.

4.5.3 Results pertaining to sub-hypothesis 3

$H3_a$: Youth-owned enterprises have higher levels of performance when financial capital levels are higher.

$H3_0$: There is no relationship between financial capital levels and business performance.

The results show that financial capital (B = 0.086, β = 0.101, p-value = .168) was not significant related to business performance. This was because the p-value was greater than 0.05, which implied that the null hypothesis was not rejected. It was therefore concluded that there was no relationship between financial capital and business performance in youth-owned enterprises.

CHAPTER 5: DISCUSSION OF RESULTS

The objective of this chapter is to unpack, discuss, and interpret the results presented in Chapter 4. The first section discusses the demographic data, the second section evaluates the outcome of the hypotheses, and the third section concludes the discussions and makes recommendations.

5.1 Demographic data

5.1.1 Age

Of the 201 responses, two were incomplete and were thus excluded from the sample, making the final sample 199 responses. The age group sampled were youth entrepreneurs between the age of 18 and 35.

The age distribution of the respondents was as follows:

- Fifty-five percent were between the ages of 30 and 35;
- Thirty-eight percent were between the ages of 24 and 29; and
- Seven percent were between the ages of 18 and 23.

5.1.2 Race

The respondents were reflective of South Africa's general demographic, 60 percent were African (black) people, 16 percent were white people, 12 percent were Indian people, 10 percent were coloured people, and only two percent were Asian people. A demographic study by Stats SA (2015) indicated that South Africa has a population 54 956 900 people of which 44 228 000 (80.5 percent) were African, 4 534 000 (8.3 percent) were white, 4 832 900 (8.8 percent) were coloured and 1 362 000 (2.5 percent) were Indian and Asian people.

5.1.3 Gender

From the 199 responses analysed, 55 percent were females and 48 percent were male, only one percent preferred not to mention they gender. This is an interesting outcome, as numerous studies have indicated that men are more likely to pursue entrepreneurship than are women. A GEM report looking specifically at the gender gap within entrepreneurship indicated that in South Africa there were high percentages of males who had entrepreneurial intention and entrepreneurial motivation in comparison to females, but that there was a higher rate of female-owned businesses that closed in comparison to male-owned businesses (Kelley et al., 2014).

5.1.4 Education

Of the respondents, 34 percent had a post-graduate qualification, 34 percent had a tertiary qualification, while 26 percent had a National Senior Certificate (completed secondary education) and only six percent did not complete secondary education.

5.1.5 Industry

The respondents were given a list of industries, and asked to select the industry in which their business was classified. The list of industries chosen, in order of preference, is as follows:

- Community, social, and personal services – 31 percent;
- Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants – 20 percent;
- Financial inter-mediation, insurance, real estate and business services – 13 percent;
- Other – eight percent;
- Agriculture, hunting, forestry, and fishing – six percent;

- Manufacturing – six percent;
- Construction – five percent;
- Electricity, gas and water supply – five percent;
- Transport, storage and communication – five percent
- Mining and quarrying – three percent

These statistics could be an indication of two things:

(1) Industries in South Africa that have high barriers to entry and those that have low barriers to entry; and

(2) Educational background, training, skills, and experience of the group sampled.

Research done by Schøtt et al. (2015) indicated that there is a positive relationship between entrepreneurship and human capital (educational background, training, skills and experience), which implies that people who choose to start their own business often choose a sector or industry of which they have good knowledge.

5.1.6 Ownership structure

The respondents were asked to indicate their enterprise's ownership structure; 34 percent of the respondents were sole proprietors, 23 percent were unregistered, 18 percent were part of a partnership, 13 percent were part of a closed corporation, while nine percent were part of a private company and four percent were under the category of 'other'. There was a very high number of unregistered enterprises, these could be informal entrepreneurs such as hair braiders, street vendors, loan sharks, tuck shop owners, car wash owners etc. It would have been interesting to establish the age range of owners in partnerships, close corporations, and private companies, their level of involvement in the

enterprises, and whether the enterprise's performance was better based on the involvement and profile of the owners.

5.1.7 Salaries

The survey asked the respondents to indicate the length of time they had been paying salaries (including their own); this question could be used as an indication of approximately how long the enterprise had been in existence. The majority (73 percent) of the respondents had been paying salaries for three months to 3.5 years, while 16 percent had been paying salaries for more than 3.5 years, and only three percent had been paying salaries for less than three months.

5.1.8 Employees

The respondents were asked to indicate the number of employees in their organisation (this number includes the owner). Of the enterprises, 68 percent had one to 10 employees, 22 percent have 11 to 50 employees, while only 10 percent have more than 50 employees. The total number of employees an enterprise has is an indication of the size of the enterprise and whether it has been able to grow over the years.

5.2 Hypotheses outcomes

It was concluded that youth-owned businesses had higher levels of performance when human capital and social capital levels, two of the three entrepreneurial capital variables were higher.

Lam et al. (2007) state that the availability and attainability of entrepreneurial capital can have a positive impact on the performance of enterprises. The outcome of the research supported Lam's, et al. (2007) statement that high levels of entrepreneurial capital can lead to positive enterprise performance. It is important, to note that although the main hypothesis was accepted, the research outcome showed only two of the three sub-hypotheses could be accepted.

By driving entrepreneurial capital in youth-owned enterprises, it is almost guaranteed that the enterprises will grow and become sustainable. Entrepreneurial capital has previously been shown to be an extremely important component to starting, running, sustaining, and expanding an enterprise. The outcome of this research affirmed that entrepreneurial capital is indeed a very important component. The research determined which variables of entrepreneurial capital, as outlined in the purposes of this study, had the biggest impact and were the best drivers of entrepreneurial capital. Those variables were human capital and social capital.

5.2.1 Sub-hypothesis 1

As indicated in the results section, the null hypothesis was rejected in favour of the alternative hypothesis, meaning that human capital was positively related to business performance. This proved that sub-hypothesis $H1_a$: Youth-owned enterprises have higher levels of performance when human capital levels are higher, was correct.

Academic research conducted by various scholars has already indicated that there is a positive relationship between human capital and entrepreneurship, both in terms of the knowledge of the industry and sector that they choose of do business in and in terms of being able to grow their enterprises. Human capital is a composition of formal education, training, employment experience, start-up experience, ownership experience, parent's background, skills, and knowledge, among others (Unger et al., 2009).

The results indicated that human capital played an important role in the success of an individual, not only from an entrepreneurial perspective but generally as well, supporting the finding by Venter et al. (2008). However, the focus of the study was the impact that human capital had on the performance of youth-owned enterprises, which confirmed Venter's et al. (2008) belief that human capital would have the same effect in any entrepreneurial context. Taking the composition of human capital, discussed above, into account, it is clearly important that entrepreneurs invest in their own upskilling by either obtaining

formal business or industry related educational qualifications, getting experience by working for other organisations, or getting a mentor to advise and guide them.

Urban et al. (2011) found that enterprises with high levels of human capital perform better and are sustainable and profitable and therefore contribute to economic growth; the results of this research confirmed Urban et al. (2011) findings. Enterprises that are sustainable and profitable are able to grow and thus employ more people and contribute positively to economic growth.

5.2.2 Sub-hypothesis 2

As indicated in the results section, the null hypothesis is rejected in favour of the alternative hypothesis, meaning that social capital is positively related to business performance. This proves that sub-hypothesis $H2_a$: Youth-owned enterprises have higher levels of performance when social capital levels are higher, was correct.

The results of the research indicated that Venter et al. (2008) and Schøtt et al. (2015) were correct in stating that entrepreneurs with high levels of social capital are exposed to better opportunities through extensive social networks and are thus able to grow their enterprises. Young entrepreneurs with an extensive social network are able to use their network to access opportunities (monetary and non-monetary), get advice from various people with different background and expertise, and use as a word-of-mouth marketing platform.

Andriani (2003) identified three types of social capital, namely bonding social capital (family), bridging social capital (society), and linking social capital (influence). All three types of social capital are important and each come with their own benefits; for example, bonding social capital can provide a great base for motivation for an entrepreneur, bridging social capital can support an entrepreneur by buying their product or using their services, and linking social capital can provide great access to opportunities (monetary and non-monetary).

5.2.3 Sub-hypothesis 3

As indicated in the results section, the alternate hypothesis was rejected in favour of the null hypothesis, meaning that financial capital is negatively related to business performance. This proves that sub-hypothesis $H3_a$: Youth-owned enterprises have higher levels of performance when financial capital levels are higher, was incorrect.

The outcome of these results were contrary to assumptions that the more financial capital an entrepreneur has, the more they able to invest in the business, by acquiring better machinery, efficient technology, and highly skilled people, which can lead to better enterprise performance. Schøtt et al. (2015) states that entrepreneurs can use financial capital to start, run, and expand an enterprise, but states that it is quite difficult to obtain, especially for young people due to their lack of credit history and assets. Research conducted by the Western Cape Youth commission (2008) and Cooper, et al. (1994) illustrated that financial capital play a crucial role in starting, running, sustaining, and expanding an enterprise; however this research results prove the contrary.

The results clearly indicate that financial capital on its own is not a strong determinant of good organisational performance, but that other factors play a role. If an entrepreneur has high levels of financial capital but low levels of human capital, especially from a financial competency aspect, they would not know how to spend the financial capital, this could therefore result in wasteful expenditure. The results do not discredit financial capital as unimportant to good organisational performance, but rather highlight the fact that financial capital alone is not enough and should be accompanied by other factors such as human capital and social capital. The negative relationship between financial capital and enterprise performance could be an indication of a lack of access to financial capital and an indication of how young entrepreneurs are using their human and social capital to compensate for the lack of financial capital to grow their enterprises.

5.3 Results discussion

The research outcome proved two of the three sub-hypotheses to be true and subsequently proved the main hypothesis to be true. Human capital and social capital proved to have a positive relationship with the performance of youth-owned enterprises, proving the various studies explored in the literature review to be valid. This outcome can be used to establish how best to provide young entrepreneurs with the necessary support to increase the levels of human and social capital in order to build on the performance of their enterprises.

The rejection of the third sub-hypothesis, regarding financial capital, is quite interesting based on the fact that financial capital is seen as important to people starting, running, sustaining, or expanding their enterprises. However, it is important to note that the outcome was based on youth-owned enterprises and that the literature is based on all enterprises. The research result could be based on two factors, first, the assumption that young people are reckless with money, and second, that obtaining financial capital for young people is difficult, so they resort to other mechanisms to start, run, sustain, and expand their enterprises.

It is also important to note that financial capital is useful only if it is used effectively and human capital is required to ensure the effective use of financial capital and in instances where human capital lacks, then social capital has the capability to fill in the gaps. Human capital is the knowledge and skill that will be used to utilise the financial capital effectively. Social capital are the social networks (people) accessible to provide advice and guidance on how the financial capital should be used effectively. Both human capital and social capital do not guarantee the effective use of financial capital, but the outcome of the research results indicate a positive relationship between high levels of human capital and the performance of youth-owned enterprises as well as a positive relationship between high levels of social capital and the performance of youth-owned enterprises.

CHAPTER 6: CONCLUSION

The South African population is growing and the labour market is unable to absorb all the job seekers. There has been a growth in population but the labour market has been stagnant. Young people find it particularly hard to find employment due to their lack of experience and the perception that they are not responsible.

The South African government has thus actively implemented numerous policies and institutions to fast-track entrepreneurship in South Africa. Some of these policies and institutions are deliberately aimed at promoting and accelerating entrepreneurship among the youth, due to the high number of unemployed young people In order to ensure the effective and sustainable implementation of these policies, it is important to understand what drives youth entrepreneurship. Studies have been done of the challenges that young entrepreneurs face in South Africa (Madzivhandila & Dlamini, 2015), but none of them have focused on the subject matter: young entrepreneurs and what has an impact on the success or failure of their enterprises. This paper researched the current young entrepreneurs and identified how entrepreneurial capital (human, social, and financial capital) impacts on the performance of the youth's enterprises. This kind of study can assist government identify, which areas drive performance and how it should orientate its policies to focus on those areas in order to assist young entrepreneurs sustain and grow their organisations. When organisations grow, they are able to employ more people, thus alleviating poverty by creating more employment opportunities.

5.1 Recommendations

The South African government should evaluate how they can assist the unregistered entrepreneurs to formalise and grow their enterprises as there would be a number of benefits should these businesses become formalised, sustainable, and profitable. These benefits would be tax paid to the government and the creation of employment opportunities thus resulting in economic growth.

There should be a bigger focus on upskilling entrepreneurs, the positive relationship between human capital and the performance of youth-owned enterprises is a strong indicator that human capital plays an important role in the sustainability and profitability of youth-owned enterprises.

The creation of social platforms, with a variety of knowledge, skills, and resources, could prove very beneficial to young entrepreneurs. These platforms would provide entrepreneurs easy access to people who could offer advice and resources to entrepreneurs with low levels of social capital.

It is important that the existing financing models for entrepreneurs are reviewed; the negative relationship between financial capital and enterprise performance could be an indication of the fact that young entrepreneurs cannot access funding, instead of an indication that financing is not important to the performance of youth-owned enterprises.

5.2 Future research

Based on the research results, suggestions for further research follows:

- *The impact of financial capital on the performance of youth-owned enterprises*: This research might provide a deeper understanding of whether there is a negative relationship between financial capital and the performance of youth-owned enterprises, or whether financial capital on its own is not enough to ensure good enterprise performance.

- *The relationship between social capital and human capital on the performance of youth-owned enterprises*: It would be interesting to find out if there is a relationship between human capital and social capital, in other words, when human capital levels are high, then social capital levels are also high or alternatively, if human capital levels are low then social capital levels are also low. This could then be tested in relation to the performance of youth-owned enterprises. This kind of research would assist in determining the relationship between the two variables and assist policy

makers in understanding how to drive these variables to assist youth entrepreneurs sustain and expand their enterprises.

- *The influence of entrepreneurial capital on the selection of industry for young/female entrepreneurs*: This kind of study would assist in identifying the barriers to entry of these industries and the influence of entrepreneurial capital on the selection of industries among young or female entrepreneurs. Understanding the barriers and the influence of entrepreneurial capital on this selection process could assist government in identifying high potential industries and dealing with the barriers and entrepreneurial capital challenges faced within those industries.

- *The impact of privately-owned entrepreneurial incubators in comparison to publicly-owned entrepreneurial incubators:* This kind of study would assist to identify which form of incubators have the biggest impact and where the others are lacking and how to improve and make the other more impactful.

5.3 Limitations

Geographic restriction:

Geographic restriction could have affected the research in numerous ways, such as those listed below.

Economic sectors: Certain economic sectors are more dominate in certain areas in comparison to others and due to the geographic restriction; most of the respondents would come from a specific economic sector.

Representation: The results are not an equal distribution and representation of the whole of South Africa.

Accessibility: The locations where the research was conducted were chosen due to the accessibility that the research had.

Bias:

Bias from both the researcher and the participants could have affected the outcome of the results.

Research: The researcher could have been bias in choosing the location of the research and the age group. The researcher has strong social networks in the two locations picked for the research to be conducted. The research also falls under the category of youth and could have picked the research subjects because of relatability.

Participants: The participants could have completed the survey favourably, instead of being honest; this is known as social desirability (Mataboge, 2014).

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APPENDIX A: COVER LETTER

The Graduate School of Business Administration

2 St David's Place, Parktown,

Johannesburg, 2193

South Africa

PO Box 98, WITS, 2050

Website: www.wbs.ac.za

MM RESEARCH INVITATION AND CONSENT FORM

The impact of entrepreneurial capital on the performance of youth-owned enterprises in South Africa

Unemployment in South Africa sits at 26.6%.
Youth unemployment at 54.20%!
How are we going to solve this problem?
Many seem to think through entrepreneurship, I agree!

Hi there,

My name is Aima Jwalane Majola, I am conducting research for my Masters at Wits Business School.
My research topic is:
The impact of entrepreneurial capital on the performance of youth-owned enterprises in South Africa.

I would like to investigate which entrepreneurial capital (human capital, social capital or financial capital) drives performance for youth-owned enterprises.

I believe that the outcome of this research can provide great insights to aspiring young entrepreneurs, young entrepreneurs, policy makers (government) and incubators (enterprise development).

If you are job creator (whether it's for yourself or for other people as well) and between the ages of 18 and 35.
Would you kindly take 7 minutes to complete this survey? The link is below:
{LINK}

Deadline: Friday, 27 January 2017

Terms and Conditions Apply:
Your participation
Please understand that **your participation is voluntary** and you are not being forced to take part in this study. The choice of whether to participate or not, is yours alone. If you choose not take part, you will not be affected in any way whatsoever. If you agree to participate, you may stop participating in the research at any time. If you do this there will also be no penalties and you will NOT be prejudiced in ANY way.

Confidentiality

Any study records that identify you will be kept confidential to the extent possible by law. The records from your participation may be reviewed by people responsible for making sure that research is done properly, including my academic supervisor/s. (All of these people are required to keep your identity confidential). All study records will be destroyed after the completion and marking of my thesis.

Risks/discomforts
At the present time, I do not see any risks in your participation. The risks associated with participation in this study are no greater than those encountered in daily life.

Benefits
There are no immediate benefits to you from participating in this study. However, this study will be extremely helpful to us in understanding **"the impact of entrepreneurial capital on the performance of youth-owned enterprises in South Africa".**
.

If you would like to receive feedback on the study, I can send you the results of the study when it is completed sometime after 10 March 2017.

Who to contact if you have any concerns
This research has been approved by the Wits Business School. If you have any complaints about ethical aspects of the research please contact the Research Office Manager at the Wits Business School, Mmabatho Leeuw, Mmabatho.leeuw@wits.ac.za.

If you have concerns or questions about the research you may call my academic research supervisor Dr Jose Barreira, genhinge5@global.co.za, (011 9071755/6).

CONSENT

I hereby agree to participate in research on "the impact of entrepreneurial capital on the performance of youth-owned enterprises". I understand that I am participating freely and without being forced in any way to do so. I also understand that I can stop participating at any point should I not want to continue and that this decision will not in any way affect me negatively.

I understand that this is a research project whose purpose is not necessarily to benefit me personally in the immediate or short term.

I understand that my participation will remain confidential.

……..
Signature of participant **Date**:……..

APPENDIX B: RESEARCH INSTRUMENT

Demographic data

Please tick an age category that is applicable to you:			
18 - 23		23 – 29	
30 - 35			

Please tick the race that is applicable to you:			
Black/African		Coloured	
Indian		White	
Asian		Other	

Please tick the gender that is applicable to you:					
Male		Female		Other	

Please tick the highest level of education you have completed:			
Not completed secondary education		Completed secondary education	
Tertiary education		Post-graduate education	

Please tick the industry that best describes the classification of your enterprise:	
Agriculture, hunting, forestry and fishing	
Mining and quarrying	
Manufacturing	
Electricity, gas and water supply	
Construction	
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants	
Transport, storage and communication	

Please tick the industry that best describes the classification of your enterprise:	
Financial inter-mediation, insurance, real estate and business services	
Community, social and personal services	
Other	

Please tick the form of ownership structure best describes the classification of your enterprise:	
Unregistered	
Sole proprietorship (1 owner)	
Closed corporation (1 to 10 owners)	
Partnership (2 to 20 owners)	
Private company (1 to 50 owners)	
Other	

Please tick the length of time that your enterprise has been paying salaries and wages for (including the owner):	
Less than 3 months	
3 months to 3.5 years	
More than 3.5 years	

Counting the owners, please tick the amount of people who currently work for your enterprise:	
1 – 10	
11 – 50	
More than 50	

Business Performance

Please indicate the degree of satisfaction that the firm attaches to the following criteria:					
	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
Sales level	1	2	3	4	5
Sales growth rate	1	2	3	4	5
Cash flow	1	2	3	4	5
Return on shareholder equity (ROE)	1	2	4	6	7
Gross profit margin	1	2	3	4	5
Net profit from operations	1	2	3	4	5
Profit to sale ratio	1	2	3	4	5
Return on investment (ROI)	1	2	3	4	5
Ability to fund business growth from profits	1	2	3	4	5

Human capital

Please indicate the degree to which you agree or disagree with the statements below:					
	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Disagree
Do you believe that your educational background is directly related to the level of success in your enterprise?	1	2	3	4	5
Do you believe that your previous work experience is directly related to the level of success in your enterprise?	1	2	3	4	5
Do you believe that your previous business-associated experience is directly related to the level of success in your enterprise?	1	2	3	4	5
Do you believe that your previous managerial experience is directly related to the level of success in your enterprise?	1	2	3	4	5
Do you believe that your business education is directly related to the level of success in your enterprise?	1	2	3	4	5
Do you believe that the below listed competencies are related to the level of success in your enterprise?					
	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Disagree
Financial management competency	1	2	3	4	5
Marketing management competency	1	2	3	4	5
Personnel management competency	1	2	3	4	5
General management competency	1	2	3	4	5

Social capital

Please indicate the extend of you social networks by answering yes, no or not sure to the questions below:			
	Yes	No	Not sure
General and customer network			
Do you belong to a professional association/chamber of commerce			
Do you attend any conferences, training and seminars related to your industry/enterprise?			
Do you have a relationship with any entrepreneurial institutions/incubators or government agencies?			
Do you use an accountant to prepare your financial statement?			
Social Interaction			
Do you maintain close social relationships with customers/clients?			
Do you maintain close personal relationships with customers/clients?			
Relationship quality			
Do you always your promises to customers?			

Financial capital

Have you ever used/received any of the below listed financial capital or do you have access to the below listed financial capital?		
	Yes	No
Personal savings		
Friends and relatives		
Venture capital		
Angel investment		
Government grants or privately-owned incubators		
Equity offerings		
Banks and other commercial lenders		
Commercial finance companies (enterprise development)		

APPENDIX C: CONSISTENCY MATRIX

Main hypothesis: The impact of entrepreneurial capital on the performance of youth-owned enterprises in South Africa					
Aims of research	**Literature Review**	**Hypotheses or Propositions or Research questions**	**Source of data**	**Type of data**	**Analysis**
The impact of human capital on the performance of youth-owned enterprises	Schøtt et al. (2015) Marimuthu et al. (2009) Unger et al., 2009	Sub-hypothesis 1: Youth-owned enterprises have higher levels of performance when human capital levels are higher.	Surveys will be used to collect the data and the data question will be used as a source of data	Categorical	Inferential statistical analysis
The impact of social capital on the performance of youth-owned enterprises	Schøtt et al. (2015) Venter et al. (2008)	Sub-hypothesis 2: Youth-owned enterprises have higher levels of performance when social capital levels are higher.	Surveys will be used to collect the data and the data question will be used as a source of data	Categorical	Inferential statistical analysis
The impact of financial capital on the performance of youth-owned enterprises	Schøtt et al. (2015) Venter et al., (2008)	Sub-hypothesis 3: Youth-owned enterprises have higher levels of performance when financial capital levels are higher.	Surveys will be used to collect the data and the data question will be used as a source of data	Categorical	Inferential statistical analysis