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Factors influencing informal business choice in historically Black South African townships

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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 Business Administration

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ABSTRACT

There has been a significant change in the competitive forces and the economic climate that exists in historically black South African townships. The lifestyles and spending patterns of the communities that reside in those areas are completely different from what they were a decade ago. After all these changes, one may expect to see so many small informal businesses still being established in these areas. This study investigates the main factors that make small informal businesses popular among entrepreneurs in historically black South African townships.

Small business owners operating within the townships of Atteridgeville and Mamelodi, were approached to participate in the research by completing paper-based questionnaires. The key findings from the research questions posed by this study were that an entrepreneur's choice of type business to establish was influenced by the entrepreneur's demographics. It was also found that an entrepreneur's choice was influenced by some aspects of the entrepreneur's level of access to finance, and that the lifespan of a small business was related to the characteristics of that particular business.

The overall results of the study found that formal businesses tended to receive better access to resources and support structures, than informal businesses. This makes formal businesses more sustainable and profitable, which means that formal businesses are better positioned for growth, and stand a greater chance of improving their owners' living standards. When making the decision to establish a business, entrepreneurs in historically Black Township areas should explore a wider range of the different business type options available to them. They should consider establishing businesses that have better access to resources and support structures, so that they stand a better chance of being profitable and sustainable.

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 Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Tebogo Motshwane

Signed at ……

On the …….. day of May 2014

DEDICATION

To my wife, Lesego. You inspire me.

ACKNOWLEDGEMENTS

I would like to start by thanking the Lord Almighty, for the countless blessings that you have shown me in my lifetime. This journey would not have been possible without you.

To my amazing wife, your love and endless support means the world to me.

To my late father, brother and sister, thank you for shaping the person that I am today.

To my mother, family and friends, thank you for your patience and understanding when I was unable to spend a lot of time with you.

To my supervisor, Dr Tia Linda Zuze, thank you for being the best supervisor I could have ever hoped for. I wish to work with you again someday when I return to do my PHD.

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1. CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

The purpose of this study is to establish the main factors that lead entrepreneurs in historically black townships to prefer small informal businesses to other forms of businesses which could be more profitable and therefore more sustainable. The focus of this study is on the reasons for the choice that entrepreneurs make to establish small unregistered and informal businesses, specifically in residential townships which were previously reserved for black South Africans. The study makes use of a quantitative research approach. Data were collected by means of a survey questionnaire and then analysed in order for us to interpret and understand the findings. With this information, government departments and firms within the private sector that practise corporate social responsibility (CSR), have an opportunity to look at designing programs and initiatives that are specifically aimed at encouraging township entrepreneurs to explore a wider range of business opportunities.

1.2 Context of the study

South Africa is a developing country with a significant socio-economic challenge of unemployment. According to Statistics South Africa's 'Quarterly Labour Force Survey' conducted for the first quarter of 2013, the country's official unemployment rate was 25.2%. This number represents the percentage of the population that is currently unemployed, but actively searching for employment (Lehohla, 2013). Specific areas known to be most affected by the unemployment problem include historically black townships (Hunter, 2007).

Viljoen and Sekhampu (2013), explain that the origins of residential townships being classified along racial lines goes back to the early years of racial segregation and the history of South Africa's Apartheid system. One of the main goals of the Apartheid system was to ensure that the white minority South

African government at the time was able to maintain control over the country's economic and military resources. During this time, black South Africans were segregated from white South Africans and relocated to any of the 10 self-governed homelands (Bantustans), where the government provided them with services which were significantly inferior to those that were being offered to white South Africans.

Some aspects of township life have evolved over time and townships today look very different from how they did in the past. Jürgens and Donaldson (2012), argue that a new black middle-class (often referred to as black diamonds) has emerged. There is a wide variety of infrastructural development that has taken place within townships, which were previously reserved for black people. Numerous large shopping centres have been recently built in these areas, the effect of which has been a change in consumption patterns within the communities that reside in those townships. People no longer need to travel long distances in order for them to get to a shopping mall. Another significant change is that there is an increasing number of non-South Africans moving into township areas, the effect of which is an increasing level of competition among small businesses that have been established out of a necessity to survive poverty (Jürgens & Donaldson, 2012).

Davies and Thurlow (2010), argue that the informal sector serves a very important economic purpose, especially in developing countries. One view is that when unemployment is high, the informal sector enables people to survive the harsh realities of not being able to find formal employment. In the case of South Africa, informal employment has actually accounted for most of the jobs created over the period 1994 to 2004 (Casale et al., 2004; Altman, 2008). In support of this observation, Kingdon and Knight (2004) and Heinz and Posel (2008), have further shown that in South Africa, informal work is actually preferred to formal work. According to Davies and Thurlow (2010), the benefits derived from the informal sector however, tend to be short-lived. This means that the positive impact that is derived from the economic contribution made by the informal sector is only a fraction of the potential impact that could be

realised if informal business activities were to become formalised.

Chen (2007), argues that formal businesses tend to have better access to resources and support structures, which makes them more sustainable. This also increases the potential for formal businesses to grow and succeed. Another important element is that large corporations are often consulted and invited to participate in the process of setting policies and regulations. As a direct result of this practice, formal policies and regulations tend to favour formally registered firms, often to the disadvantage of informal enterprises and informal wage workers.

Taking all these factors into consideration, why is it then that when you take a walk or drive along the streets of most historically black townships, you are bound to pass a few similar business operations? At least one of these businesses is likely to be either a hairdresser, 'spaza-shop', car wash, shebeen, [1]'shisa-nyama', motor vehicle workshop, airtime or pre-paid electricity outlet. For some reason, most entrepreneurs and business owners around these areas, seem to gravitate towards forming the same types of businesses. The literature reviewed during the course of this study shows that people do not necessarily choose informal businesses as a result of them having a limited access to capital or funding, or limited access to knowledge about other forms of business. Some informal business owners make this choice based on their preference for small informal businesses. This is the main reason that this study attempts to assess the factors that make small informal businesses popular among entrepreneurs in historically black South African townships.

[1] Shisa-nyama is a butchery or an outlet selling meat (often together with pap, salad, and breadrolls). These places are usually equipped with braai facilities (barbeque grills), where, after purchasing the meat, customers can cook, prepare and consume the meat without leaving the premises.

1.3 Problem statement

The intention of this research is to establish the main factors that make small informal businesses popular among entrepreneurs in historically black South African townships.

1.4 Significance of the study

This study will benefit entrepreneurs that operate small businesses in historically black South African township areas as well as the communities that reside in those areas, by providing information that could aid the process of deciding on the appropriate form of business to establish. The study will also fill a gap by adding knowledge that could be utilised by the South African government departments to structure policies and initiatives that are specifically directed at helping entrepreneurs in historically black townships to establish more profitable and sustainable types of businesses. According to Chen (2007), sustainable businesses have a greater potential to grow and therefore stand to make a greater contribution to the South African economy. As these businesses grow, they are also likely to create more employment opportunities, thereby reducing the significant unemployment challenge that South Africa is currently faced with. In summary, the combination of these points means that sustainable businesses are more likely to have a meaningful and lasting impact on the living standards of South Africans residing in townships areas.

This study will also provide guidance to large corporations within the private sector by identifying potential investment and business opportunities that exist within township areas. This information could be used by private sector organisations, to partner with local entrepreneurs in order to develop alternative business models that are better suited at meeting the needs of the local communities that reside in historically black township areas.

1.5 Delimitations of the study

According to a survey conducted by the University of South Africa's Bureau of Market Research, informal businesses operating in the Pretoria (Tshwane) area generated an estimated monthly profit of between R 1 115 and R 13 375 (Schraader, Whittaker and McKay, 2010). Using these estimates as a guideline, this study is limited to micro and very small (generating a monthly profit of less than R 16 000), businesses that operate in historically black township areas. Medium and large businesses were excluded from the sample. The samples were drawn from two historically black townships within the Gauteng province of South Africa. Due to this sample restriction, there is a possibility that the two samples may not be representative of all historically black townships areas across the whole of South Africa.

1.6 Definition of terms

Historically black South African townships: Previously designated residential areas for black South Africans.

Informal businesses: Businesses that are not registered for tax purposes (VAT) (Stats S A, 2013).

Formal businesses: Businesses that are registered for tax purposes (VAT) (Stats S A, 2013).

Corporate social responsibility (CSR): A voluntary commitment made by an organisation to integrate social and environmental concerns into the organisation's business operations (Dahlsrud, 2008).

Spaza shop: A small retail business which operates from a residential home.

Shebeen: A small outlet selling alcohol, in most cases operating from a residential home.

Shisa-nyama: A butchery or an outlet selling meat (often together with pap, salad, and breadrolls). These places are usually equipped with braai facilities (barbeque grills), where, after purchasing the meat, customers can cook, prepare and consume the meat without on the premises.

1.7 Assumptions

- It is assumed that all the respondents in the study have provided honest responses based on their beliefs, perceptions and experiences.

- It is assumed that all the respondents were given adequate time within which to consider the various options before deciding on their responses.

- It is assumed that all the respondents in the study have interpreted and understood all the questions in a manner in which they were intended by the writer.

2. CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

A number of variations to the definition of entrepreneurship have been developed by researchers over time. One such definition is “the actions of a risk-taker, or a creative who ventures into a new business, or one who revives an existing business” (Hébert and Link, 1989 p.39). This study adopts this definition, but with a specific focus on people who establish and manage small businesses. The literature review section of the study begins with a discussion on entrepreneurship and the importance of the role that it plays in terms of poverty alleviation. The discussion then continues to explain the poverty trap and its implications on entrepreneurship initiatives amongst the poor. This is followed by a further discussion on the business environment within historically Black South African townships. Thereafter, the next section discusses factors that have been found in the literature to have a limiting effect on the growth of small informal businesses, followed by another discussion on the sustainability of small informal businesses. The literature review section of the study is then concluded following a discussion of the factors that have been found in literature to have the potential to influence an entrepreneur’s preference for small informal business operations.

2.2. Entrepreneurship from the perspective of the poor.

According to a United Kingdom labour force survey, there are various factors that lead people to partake in entrepreneurship-related activities (Lehohla, 2013). One of those factors is a pecuniary incentive, where individuals choose to become entrepreneurs in order to make money. There are also non-pecuniary incentives, which include the need for independence, the need for better working conditions, and the desire for joining the family business (Parker, 2009). Herrington and Kew (2008), distinguish between two types of entrepreneurs. They refer to the first type as opportunity entrepreneurs, who are

people that choose to pursue entrepreneurship because of a business opportunity that they have identified. The second type are referred to as necessity entrepreneurs, who are people that find themselves involved in entrepreneurship because they happen to have no other alternative employment opportunities that are available to them. For most developing countries employment opportunities in the formal sector are limited. As a result of this, the majority of poor people in developing countries end up pursuing entrepreneurship as a means of survival, in order to feed their families (Herrington and Kew, 2008). The Global Entrepreneurship Monitor Report (GEM), describes this form of entrepreneurship as one that is accompanied by less ambitious business activity, which often results in very limited or no growth (Amaros & Bosma, 2013).

Parker (2009), points out an individual's age as another factor that is related to an entrepreneur's decision–making process. There are advantages and disadvantages for both younger and older entrepreneurs. For older people, the positive attribute when it comes to age is that because they would have had more time, they are more likely to have accumulated more capital, experience and a wider business network, all of which can help them to overcome some of the challenges that one would usually face when attempting to set up a new business. A positive attribute for younger people, is that they tend to be less risk-averse because they usually have less responsibilities to consider before taking a risk. Young entrepreneurs are less likely to have responsibilities such as families and mortgages, that are generally expected to make people more risk-averse (Amaros & Bosma, 2013). Younger people also tend to be less risk-averse because they still have a long time to go before retirement age (Parker, 2009). An unsuccessful investment decision is less catastrophic to a younger person than it would be to an older person because the younger person has more time within which to recover from it, before he/ she reaches retirement age (Parker, 2009). This allows younger people to have a greater propensity for different, more risky, and potentially more rewarding business opportunities.

Sookram and Watson (2008), also suggest that an entrepreneur's age is another factor that could potentially make small informal businesses attractive. In countries where social security programs and pensions are considered to be inadequate, retired people are more likely to be willing to consider informal employment in order for them to supplement their income levels. Small informal businesses are regarded as easier and less costly businesses to establish. They are also regarded to be less time-intensive and more flexible to administer, which makes them better suited to the lifestyle of a retired individual.

Parker (2009), further argues that formal education is a factor that can encourage or discourage entrepreneurship. On the one hand, education has been shown to have the ability to improve a person's analytical abilities, understanding of markets, and the skills and knowledge required for them to run a business effectively. On the other hand, education has also been shown to increase the number of alternative non-entrepreneurial employment options that a person is able to access, thereby potentially making entrepreneurship less attractive to a highly educated individual. The higher the formal education level of an entrepreneur, the more likely it is that he/ she is an opportunity entrepreneur. It means that these individuals probably chose to be entrepreneurs over other available employment opportunities (Parker, 2009). A study of the interaction between age and education level conducted by Mandelman and Montes-Rojas (2009), found that unemployed young individuals with relatively low levels of education and low wages, are likely to be self-employed as they would be in a far worse position attempting to find well-paying salaried jobs. The study also found that older, better-educated workers who have also accumulated more working experience in their respective fields, had a lower probability of being attracted to self-employment ventures. The main reason for this pattern was that these individuals have a wider range of formal employment opportunities available to them.

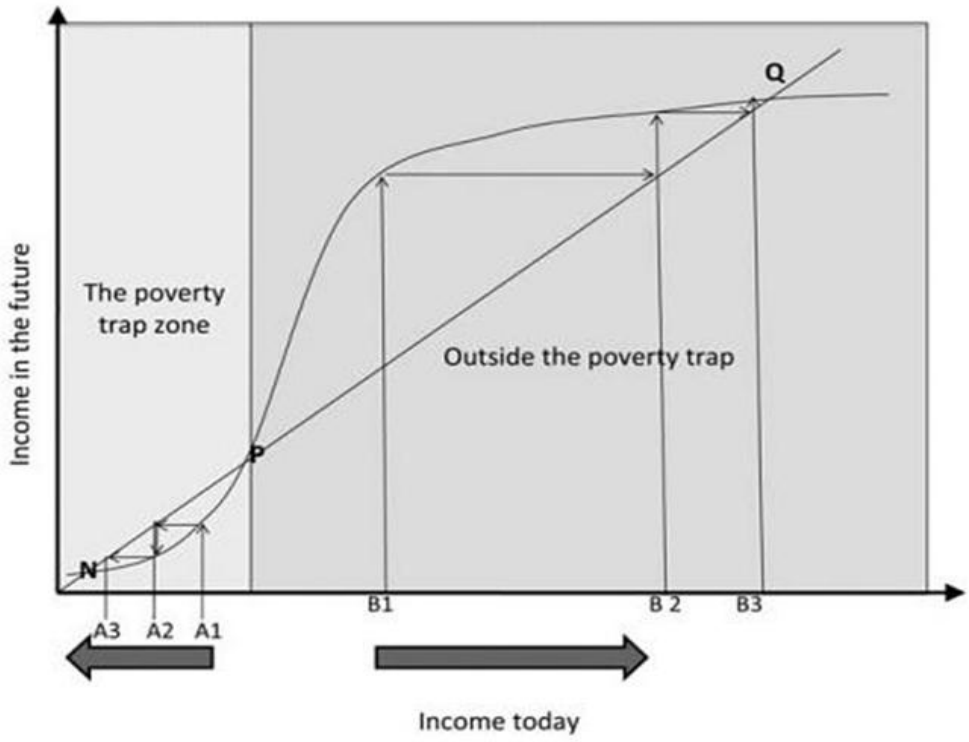
Banerjee, Banerjee and Duflo (2011), argue that access to finance can influence an entrepreneur's' decision on the form of business to establish. Most informal businesses do not have a profile that resembles a typical bank loan customer, and this inhibits their access to formal credit suppliers. The best alternative sources of finance for these businesses are informal micro lenders, who tend to make obtaining credit an extremely expensive exercise for informal business owners. A survey conducted in Udaipur revealed that the average annual lending rate offered by informal credit sources, for people living on less that 99 US cents per day, was 57%. By comparison, the most expensive form of credit available in the formal sector at the same time, was the 27% interest rate being changed by the United States Bank of America on its credit card facility (Banerjee, Banerjee, & Duflo, 2011). From this comparison it is clear that attempting to grow a business either on very little accumulated savings or on expensive debt is virtually impossible.

2.3. The poverty trap and its implications on entrepreneurship

According to research by Banerjee, Banerjee and Duflo (2011), one of the main questions concerning poverty alleviation is whether people can be trapped in poverty. If this is true, then a capital injection of financial aid should be able to significantly affect a person's circumstances, thereby enabling and empowering them to improve their living standards. Banerjee, Banerjee and Duflo (2011), illustrate this process by way of their poverty trap concept (as illustrated in figure 1 below). According to this concept, a person's current income is distinguished from their future income. The diagonal line in the diagram represents this distinction. On the diagonal line itself, current income is equal to future income. For the very poor who fall within the 'poverty trap zone', income that they will generate in the future is lower than the income they are generating today. This is represented in the diagram by the portion of the curve that lies below the diagonal line (between N and P). Over time, these people will become poorer and poorer, as their position moves lower along the curve

(represented in the diagram by the arrows from A1, to A2, and then to A3). For the people who start off from a position outside of the poverty trap zone, future income exceeds current income (between points P and Q). Over time, these people acquire more wealth, as they move upward along the curve (represented in the diagram by the arrows from B1, to B2, and then to B3).

Figure 1: The s-shape curve and the poverty trap (Banerjee, Bernajee and Duflo, 2011)



In summary, people who start off with very little or no resources, are likely to fall deeper into poverty over time, with their standards of living deteriorating to positions that are worse than those from which they may have previously held (Banerjee, et al., 2011). On the opposite side of the spectrum, people who start off with an abundance of resources, are likely to acquire more wealth over time, with their standards of living continuously improving (Banerjee, et al., 2011).

Some authors have raised a counterargument to the poverty trap concept, whereby they argue that by reinvesting small increments into a business, the business owner should be able to earn equally incremental profits (Banerjee et

al., 2011). What the opponents of the poverty trap concept propose is that if this process were to be repeated multiple times over, eventually the business should be able to grow, thereby allowing the business owner to escape extreme poverty (Banerjee et al., 2011). According to the proponents of the poverty trap concept, the opposition's view may be somewhat unrealistic in the sense that it is based on the assumption that there is a strong linear relationship between incremental reinvestment and growth (Banerjee, et al., 2011). The proponents further argue that there will always be people trapped in poverty whenever the conditions for growing income or wealth at a very fast rate, are not accessible by those who happen to have too little to invest in the first place (Banerjee, et al., 2011).

According to Banerjee, Banerjee and Duflo (2011), one implication of the poverty trap is that when an entrepreneur realises over time that his/ her business is unlikely to grow beyond a certain critical point, where it could potentially change his/ her life in a meaningful way, they are likely to become demotivated. It can be expected that over time, the entrepreneur will become less committed to the business and therefore end up opting to devote their time and resources to other activities. When we consider that many entrepreneurial ventures by the poor are formed as a means for people to survive, due to conventional employment opportunities being unavailable to them at the time, it paints a bleak picture for the chances of encountering opportunity entrepreneurship amongst poor people.

Studies have also shown that necessity-based entrepreneurs do not enjoy running a business and therefore dread the thought of expanding their business to a point where it would probably take up most of their time and dedication (Banerjee, et al., 2011). For this reason, they may therefore, not be interested in acquiring the necessary skills that could to help them grow their businesses (Banerjee, et al., 2011). Necessity entrepreneurs may also not have the required risk appetite to seek out potential growth opportunities for their

businesses (Banerjee, et al., 2011). Banerjee, Banerjee and Duflo (2011), further argue that most of the poor who happen to be forced into entrepreneurship by life circumstances, do not necessarily see being an entrepreneur as something to aspire to. A survey conducted in Udaipur revealed that most of the people interviewed hoped that their children would someday be employed as government employees, where they would be guaranteed job security above everything else. This is another possible explanation of why opportunity entrepreneurship tends to be the exception amongst the poor (Banerjee, et al., 2011).

Table 1 below shows the proportion of self-employed individuals (aged 18 years and older) living in South Africa in 2008, and relates these figures to total employment statistics within the country (Ligthelm, 2010). It has been six years since this study was conducted, which means that the figures portrayed in the study may be different today. Assuming that the self-employed figures represent the levels of entrepreneurship, 17.8 percent of people earning a monthly income of between R 1 001 and R 2 500, were self-employed (Ligthelm, 2010). This figure dropped to 11.1 percent for the group earning between R 2 501 and R 5 000 monthly, but then gradually increased for each successive income group thereafter (Ligthelm, 2010). In summary, these figures illustrate that people with relatively low incomes, primarily residing in township areas, tend to be active in informal and less productive businesses (Ligthelm, 2010). This observation supports the theory of survival or necessity entrepreneurship (Ligthelm, 2010). As people's incomes increase to the next bracket (R 2 501 to R 5 000), their level of entrepreneurship drops, possibly due to people seeking alternative and more stable forms of employment (Ligthelm, 2010). Beyond this category, there appears to be a general upward trend in the levels of entrepreneurship activity for each successive income group thereafter, which supports the theory of opportunity-based entrepreneurship (Ligthelm, 2010).

Table 1 also displays the percentage of self-employed people, against their educational levels per income group. These numbers illustrate that among the self-employed, there is a positive association between income and education levels (Ligthelm, 2010).

Table 1: Self-employment and educational level by personal income category (Ligthelm, 2010)

Income category per month	% of self-employed to total employment	% of self-employed with a maximum of primary school qualification (%)	Some high school and matric (%)	Post matric (%)	Total (%)
R1–R1 000	5.9	42.2	56.5	1.2	100.0
R1 001–R2 500	17.8	25.2	71.2	3.7	100.0
R2 501–R5 000	11.1	12.1	77.5	10.4	100.0
R5 001–R10 000	16.2	9.3	53.9	36.8	100.0
R10 001–R20 000	24.3	0.4	52.4	47.2	100.0
R20 001–R40 000	39.2	0.7	33.7	65.6	100.0
R40 000+	60.5	0.0	35.2	64.8	100.0

Source: Ligthelm (2010)

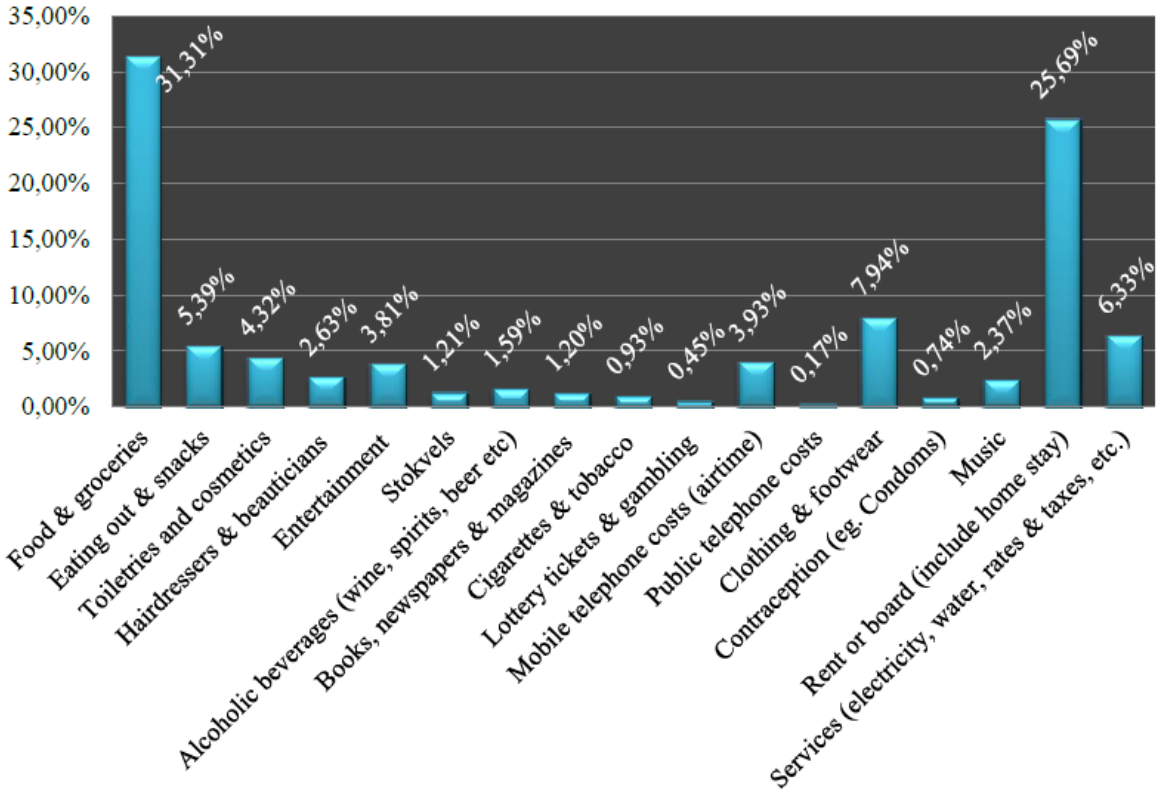
2.4. The business environment within historically Black South African townships

Since the early 2000s townships have been undergoing a transformation, which has seen them changing from pure residential spaces to small economic hubs where leisure facilities such as shopping malls, restaurants, museums and other tourist attractions have become regular features. According to an article by Simpson and Dore (2008), this change has been accompanied by a growing black middle class (sometimes referred to as black diamonds). Over time, this group has gained greater access to higher incomes, which has altered the group's consumption patterns, housing preferences and mobility standards. Some members of this group have moved out of the townships, to more affluent

residential areas, but others have opted to remain in the townships. Simpson and Dore (2008), further explain that it is estimated that about three quarters of the black diamonds' group had invested in suburban property, but only 15 percent of them had a home loan. Ninety-two percent of the respondents to the study stated that they believed in retirement funding but it was found that only 22 percent of them had a pension or provident fund in place and that less than 20% of them had taken out a retirement annuity. A question that comes to mind then is where and how do individuals in this group choose to spend their money? Results from a survey conducted in 2008 confirmed that more than 80 percent of the residents of Soweto, plan to stay in Soweto for the rest of their lives (Tustin, 2008). The study also confirmed that a significant proportion of those that have moved out of the townships still spend a considerable amount of time over weekends returning to the townships to visit their families or to attend occasions such as weddings, funerals and tombstone-unveiling celebrations (Jürgens & Donaldson, 2012).

Cant and Wiid (2013), conducted a study which undertook to investigate consumption patterns for South African consumers residing in non-white underdeveloped urban residential areas within the city of Tshwane (Pretoria). The specific townships included in this study were Atteridgeville, Mamelodi, Soshanguve, Eersterus, Saulsville, Marabastad and Laudium. Sixty-six percent of the respondents to the study were Black, 21 percent were Coloured, 8 percent were Indian, and 5 percent were white. The results found from the study are illustrated in figure 2 below. A few interesting observations are that households spend most of their income on food and groceries (31.31 percent), followed by rent and boarding (25.69 percent) (Cant & Wiid, 2013). Only 2.63 percent of household income is spent on hairdressers, 5.39 percent on eating out, and 1.59 percent on alcoholic beverages (Cant and Wiid, 2013). When considering these results, a question that comes to mind is why are there so many hairdressing businesses, fast food outlets and shebeens still being established in these areas?

Figure 2: Average monthly expenditure for households in non-white urban areas of Tshwane (Cant and Wiid, 2013).



The introduction of shopping centres into township areas has transformed the competitive environment for spaza shops and other informal merchants (Jürgens & Donaldson, 2012). According to research by the University of South Africa's Bureau of Market Research, 90 percent of Soweto residents reported that they purchased nearly half of their household needs from the newly established shopping centres which had just been established in the area (Hazelhurst, 2008). Also contributing to this new competitive environment is the introduction of non-South African informal business operators, whose commercial success has led to conflict and outbursts of xenophobic violence incidents from the local communities (Jürgens & Donaldson, 2012). According to Mahlutshana (2013), the past decade has seen a significant increase in the number of spaza shops that are owned or run by foreign nationals across most of South Africa's townships. Over this time, foreign entrepreneurs, particularly those from countries such as Somalia, Egypt, Ethiopia, Pakistan and

Bangladesh, have been successful at identifying and pursuing business opportunities within South Africa's informal and unregulated sector.

The success of these foreign businesses could be attributable to their ability to achieve very low selling prices, their long operating hours, and the good customer service they provide. Studies comparing immigrant entrepreneurs to South African entrepreneurs in the informal business sector have shown that one of the major differences between the two is that immigrant entrepreneurs usually set up their establishments based on formal business models, whereas the locals are more likely to be survivalist establishments which are usually set up to supplement some other forms of household income or possibly even to supplement state grants (Mahlutshana, 2013). Another reason that small foreign-owned informal businesses outperform those owned by local entrepreneurs is that immigrant entrepreneurs tend to invest more capital into their establishments (Mahlutshana, 2013). The reported start-up capital for a foreign-owned spaza shop is around R 45 000, whilst that of a South African-owned one is about R 1 500 (Mahlutshana, 2013). Foreign entrepreneurs prefer to reinvest their income into each other's business, rather than keeping money in a South African bank account, as this would increase the risk of them being detected by the authorities (Mahlutshana, 2013). Another identified difference is that unlike local entrepreneurs who often operate individually, foreign entrepreneurs tend to operate collectively as a network, which enables them to achieve lower unit costs (Mahlutshana, 2013).

2.5. Factors that limit the growth of small businesses operating in South African townships

According to research by (Ferreira-Tiryaki, 2008), the two most common factors restricting the growth of small businesses operating in South African townships are a lack of funding (mostly due to poor credit records and no assets to be put up as security for loan applications), followed by a general lack of business acumen being displayed by the business owners. The research also shows that more particularly in developing countries, whenever informal businesses are fortunate enough to gain access to some form of external financing, it is usually

from illegal moneylenders, who probably advance small amounts at very high interest rates. The resultant effect of this is that small informal businesses find it very difficult to improve productivity and growth prospects, and therefore end up being more likely to fail in the long run (Ferreira-Tiryaki, 2008). Wiklund, Patzelt and Shepherd (2009), argue that resources only have an indirect effect on the ability of a small business to grow. They also illustrate that an entrepreneur's attitude and strategic processes, are the more important elements required for the growth of a small business, because these are the attributes that determine the manner in which the resources of a small business are manipulated to create future growth opportunities for that business. Apart from the financial risks, it has also been shown that poor businesses are more likely to suffer the effects of violence, crime and corruption (Banerjee, et al., 2011). Crimes such as robbery, break-ins and vandalism, have been shown to have a devastating effect on small businesses that operate in township areas (Mbonyane & Ladzani, 2011).

Banerjee, Banerjee and Duflo (2011), argue that the pattern of receiving job opportunities is far more erratic and unpredictable for casual workers operating in poor environments. At any given time, casual workers are uncertain about how long they will remain employed or when an employment opportunity might materialise. One way in which the poor respond to these risks, is by diversifying into many different activities. The motivation behind this practice is that when income generation from one activity suffers, they have an alternative income stream which can see them through the difficult period. In a survey conducted amongst 27 villages in Bengal, the median family business was found to have three working members and seven different occupations (Banerjee, et al., 2011).

Another way in which the poor attempt to limit their exposure to risks, is by being conservative in the way in which they manage their businesses (Banerjee, et al., 2011). This makes them less willing to try out and adopt new technologies that promise to make their operations more efficient and

productive (Banerjee, et al., 2011). Having multiple occupations could also prove to be inefficient because it makes it difficult for one to become a specialist and really good in any one of them (Banerjee, et al., 2011).

Mbonyane and Ladzani (2011), argue that other factors are poor financial management, a lack of management expertise and poor access to communication technology. All these lead to poor management decisions being taken by small businesses operating in township areas. The authors also argue that most of these small businesses are at a disadvantage when it comes to customer relations management tasks such as using technology to keep frequent contact with their customer base. Linked to this, they further argue that small businesses also lack marketing elements such as running special promotions to draw in customers, changing prices in response to market reactions, and introducing new product features.

According to Mbonyane and Ladzani (2011), a general lack of communication from the municipal authorities, makes the lives of small business owners in township areas more difficult. Most of the small business owners interviewed during a 2009 study which was conducted among small business owners operating in the township of Kagiso, complained that they were never informed in advance whenever electricity and water supply disruptions were scheduled by the municipal authorities. These interruptions tend to have a significant impact on small businesses, especially those whose businesses involved food preparations (Mbonyane & Ladzani, 2011). A study conducted by Morris and Pitt (1995), in the South African township of Khayelitsha, found that since formal businesses are taxed as legal entities, they tend to receive more supportive services from the government compared to the minimal services provided to informal businesses. The support services being provided by the government are one of the reasons that registered businesses on average manage to achieve higher revenues than those of informal businesses (Bradford, 2007).

2.6. Sustainability of small informal businesses

According to Morris, Jones and Nel (1997), most small-scale business activity in South Africa takes place within the informal economy. In 2010, it was estimated that the largest concentration of informal business in South Africa were in the form of retail (including hawkers), spaza shops, and shebeens (Rolfe, Woodward, Ligthelm, & Guimarães, 2010). One explanation for the dominant position that informal trade holds in South Africa is that during the apartheid years, historically black townships were isolated and underserved (Rolfe, et al., 2010). The lack of formal retail in these areas left a giant gap in the retail market which was then filled by the informal sector (Rolfe, et al., 2010). Many people who are unable to find employment opportunities in the formal economy, turn to informal enterprises, most of which tend to be similar types of businesses establishments. The objective of these businesses is to generate minimal income on which the business owners can survive whilst they wait for formal sector job opportunities to become available. The owners tend to invest very little capital in these businesses and the revenues generated from them are so minimal that any surplus revenue ends up being immediately consumed, which severely limits any possible growth opportunities for the businesses (Morris, Jones and Nel, 1997). There are however, other entrepreneurs who pursue informal businesses not as a means of survival but because they have identified a business opportunity to generate additional revenue for themselves (Morris, Jones and Nel, 1997). A sustainable informal business is defined as one which can stand on its own feet and make a positive contribution to the living standards of its owner(s) (Rolfe, et al., 2010).

It is estimated that about 40% of new business ventures fail in their first year, 60% in their second year, and 90% in their first 10 years of existence (CSS, 2002). The age of a business reflects its experience in the market. It also

provides an indication of its sustainability and growth capability. In the 2009 study conducted in a township called Kagiso that was mentioned earlier with a population of 190 000 (located 30 kilometres west of Johannesburg), it was found that 50 percent of all small businesses established in that area, failed to grow (Mbonyane & Ladzani, 2011). A different study conducted in 2007 on small businesses operating in the Pretoria area, found that the longer the period that a business has managed to survive, the greater its chances of being able to survive in the longer term become (van Scheers & Radipere), 2007).

According to the study by Rolfe et al (2010), conducted on micro-enterprise activity in the informal retail sector of Africa, it was found that owners with access to higher start-up capital stand a greater chance of earning higher levels of income than those with limited access. Another finding from the study was that entrepreneurs who were unemployed at the time of starting their business, turned out to generate lower levels of income and sales compared to those who had been employed. The study also found that higher levels of education amongst the business owners, were highly correlated with firm survival rates. Businesses that had been operational for longer periods were found to generate higher income and sales levels than those that had been established more recently (Rolfe, et al., 2010). Businesses located in close proximity (within walking distance) to shopping centres/ malls were found to generate lower income and sales levels (Rolfe, et al., 2010).

2.7. Factors that make small informal businesses popular among entrepreneurs in historically Black South African townships

The problem statement looks at factors that make informal businesses an attractive option for entrepreneurs operating in the historically black township areas. According to Ferreira-Tiryaki (2008), informal businesses tend to be invisible from regulators. These businesses are usually not licensed, and therefore do not pay any taxes. Some entrepreneurs view this as an incentive, in the sense that the funds which would have been paid away for tax purposes, can be used elsewhere, thereby increasing the profitability derived from the business. Ferreira-Tiryaki (2008), further mentions that there is a negative element associated with this view, which is often overlooked by the informal sector entrepreneurs. This element is that the same need for informal businesses to avoid being detected and possibly taxed by the relevant authorities, usually means that the informal firms are likely to encounter difficult credit conditions compared to those encountered by firms of the same size, operating in the formal sector.

In the absence of the regulation burden and the tax burden that formality puts on small businesses, entrepreneurs in the informal economy stand a greater chance of success because they do not have to pay the 'cost of formality' (Rolfe, et al., 2010). Tipple (2005), argues that the fact that informal businesses are largely unregulated, and therefore do not have to conform to any formal contractual obligations, is viewed as an attractive attribute by some entrepreneurs. For most small informal businesses, the owner is the self-employed proprietor. He/ she is very often the manager as well as the employee at the same time, which also means that there is no distinction between the business, labour and other factors of production. Even in instances where the business employs a number of employees, it is usually found that those employees have been hired on casual employment arrangements, as opposed to them being employed via contractual employments agreements, which often

means that the employers can get away without providing their employees with any formal employment package requirements such as leave and pension benefits (Tipple, 2005). Research shows that wherever entrepreneurs feel that their government exercises excessive control over small businesses and that this leads to burdensome government regulations for them to follow, the entrepreneurs are more likely to consider the option of rather operating their businesses within the informal sector (Sookram & Watson, 2008). Literature also shows that whenever unemployment is high, skills and education levels are low, labour-intensive occupations are required, and where the regulations make it is easy to employ and pay workers without the need for registration or documentation, entrepreneurs are more likely to prefer operating within the informal sector (Sookram & Watson, 2008).

The GEM Report highlights certain attributes that appear to be trade-offs between favourable working conditions and work-life balance. The greater the opinion that individuals seem to have about their health and well-being and their working conditions, the more favourable and sustainable their prosperity becomes (Amaros & Bosma, 2013). Tipple (2005), argues that flexible working conditions and a greater allowance for one to balance home and work responsibilities presents an attractive attribute for small informal businesses. This is true especially in the case of retail based informal businesses that operate from home, where the time spent behind a shop counter could be regarded as low-intensive work. This allows the owner/ employee to combine work-related tasks with other household tasks such as childcare. Tipple (2005), also illustrates that due to the majority of these businesses being operated from the owners' place of residence, there is no additional cost that must be paid for renting a workspace. This factor plays a role in reducing the amount of the initial capital outlay required to set up small informal businesses. An additional cost saving opportunity lies in the fact that the owners do not have to incur the costs of travelling to and from work. Van Scheers and Radipere (2007), conducted a study on small businesses operating within the Pretoria area. Most of the respondents to this survey perceived theft (at 43% weighting) to be the most

significant single threat against their businesses. When asked to explain this perception, some respondents stated that formal business which operate from premises that are located away from home, are more vulnerable to crimes such as burglaries which tend to take place outside of business hours. Based on this observation, there appears to be a greater sense of comfort and security when the entrepreneur's business operates from a residential home, where the entrepreneur is able to monitor the business both during and after working hours.

2.8. Conclusion of Literature Review

The literature review conducted, highlighted a number of important considerations. One such consideration is that people pursue entrepreneurship for different reasons and from different perspectives. For some, it is a matter of choice and for others it is a matter of life circumstances and a lack of alternative employment options (Herrington and Kew, 2008). Another consideration is that the effects of poverty go a lot further than a person not having money at a particular point in time. Banerjee, Banerjee and Duflo (2011), illustrated that poverty can also affect a person's capability to improve his/ her life circumstances. They further illustrated that the most important form of poverty alleviation is not the initial capital injection, but whether people with very little to invest can gain access to conditions that allow for income to grow at a very fast rate.

Another important consideration is the business environment that exists in historically Black South African townships. According to Tustin (2008), this business environment has generally changed over time. There is a great deal of economic activity currently taking place in these areas. The introduction of shopping centres and foreign-owned retail operations have significantly altered the competitive landscape, especially for small informal retail operations (Mahlutshana, 2013). There are factors which have been identified to have a limiting effect on the growth potential for small township businesses (Ferreira-

Tiryaki, 2008). Another factor is the sustainability of small informal businesses. (Rolfe, et al., 2010), illustrated that when entrepreneurs have access to higher start-up capital, are employed, and have higher levels of education, they stand a greater chance of establishing more sustainable businesses.

Small informal businesses may not necessarily just be a ‘stepping stone’ for entrepreneurs who aspire to participate in the formal sector, but could instead be the preferred option of some entrepreneurs (Naudé, 2010). Based on this consideration, there are a number of identified factors which could potentially make small informal businesses popular among entrepreneurs in historically Black South African townships. This study proposes to assess the influence that these factors have on an entrepreneur’s decision regarding the form of business they choose to establish. The assessment of these factors will be conducted by answering the following research questions:

2.8.1 Research question 1

How do the demographics of an entrepreneur influence the entrepreneur’s choice on the type of enterprise to establish?

2.8.2 Research question 2

How does an entrepreneur’s level of access to finance influence his/ her choice on the type of enterprise to establish?

2.8.3 Research question 3

How do characteristics of a small business influence the lifespan of the business?

3. CHAPTER 3: RESEARCH METHODOLOGY

The research methodology section begins with a brief discussion of the research strategy that was adopted in this study. This is then followed by a brief discussion of the selected research design used. The following section is a description of the population and the sample chosen for the study. The next section describes the research instrument used, which is followed by a description of the data collection procedure which was followed. This is then followed by a description of how the collected data was analysed. The next section is a discussion of the limitations that may have been encountered in the study, and the chapter is then concluded by a discussion of the study's reliability and validity.

3.1 Research Strategy

There are three general forms of research strategies, being qualitative, quantitative, and mixed methods (Bryman, 2012). This study has adopted a quantitative approach, because it has been identified as the one that is best suited to the research setting, and the one that best addresses the research questions being posed by this study. The quantitative research strategy is defined by Creswell, (1994) as a research strategy that explains phenomena via a process of collecting numerical data, which is then analysed by making use of mathematically based methods. This strategy has been used by (Wiklund & Shepherd, 2005), in their study on entrepreneurial orientation and small business performance. In a context that is closer to home, this strategy was also used by (Krauss, Frese, Friedrich, & Unger, 2005), in their research of a psychological model of success among Southern African small business owners. This is the approach used in this study to assess the factors that make small informal businesses popular among entrepreneurs in historically Black South African townships.

3.2 Research Design

There are five general forms of research design that could have been used. These are cross-sectional, experimental, longitudinal, comparative and case study (Bryman, 2012). Out of these options, this study adopts an explanatory, cross-sectional approach as this is believed to be the design that best addresses the research questions being posed by the study. The explanatory cross-sectional design is defined as a design that entails a collection of data of two or more variables, at a single point in time, which are then examined to establish patterns of association between the variables (Bryman, 2012). This design has been used by Keupp and Gassmann (2009), in their research to analyse the relationship between business owners' personality traits, business creation, and the levels of success achieved by these businesses. In a South African entrepreneurship context, the explanatory, cross-sectional design has also been used by Mtigwe (2005), in his study to examine the process that small South African entrepreneurial firms follow in order for them to expand their operations beyond their home countries' borders.

3.3 Population and sample

3.3.1 Population

According to Chiloane-Tsoka (2013), the City of Tshwane (previously known as Pretoria), is the capital city of South Africa. It contributes 8.46 percent to South Africa's GDP, which is the third highest contribution, after Johannesburg and Cape Town. There are 2.2 million people living in this city and it occupies 1.4 percent of the land surface of the country. The population selected for the purposes of this study consists of all the small businesses that operate within the townships of Atteridgeville and Mamelodi, which are both situated in the Tshwane Metropolitan Municipality, in the Gauteng Province of South Africa. Atteridgeville and Mamelodi were selected as the population for this study because both these townships were established in 1945, following the formation of the 'Native Urban Areas Consolidation Act' which undertook to relocate all

black people from Marabastad, Bantule, and Lady Selborne, to Atteridgeville and Mamelodi (Ralinala, 2002). These two townships also share other common characteristics such as the proximity of their location from the Tshwane city centre, and the common languages spoken by residents of the two townships (Ralinala, 2002).

3.3.2 Sample and sampling method

Two samples, one from Atteridgeville Township and another form Mamelodi Township, were collected. One hundred completed paper-based questionnaires were collected from small business owners, in each one of these townships, combining to a total sample of two hundred respondents. Stratified random sampling is defined as the process by which a sample is controlled to ensure that it contains all the segments that make up the population (Henry, 1990). Stratified sampling has been used by Grondin and Schaefer (1995), in their research of the differences in export activities between male and female owned small and medium sized businesses. Stratified random sampling method was also utilised in this study for data gathering purposes to ensure that the collected sample included a representative sample of at least 5 different types of small businesses. The pre-determined stratified classes were shebeens, spaza shops, hairdressers, vehicle repair shops and shisa-nyama outlets. Each data-collection agent was briefed to target respondents in a manner that ensured that the collected samples were proportionally distributed across the 5 selected stratified groups. The purpose of the stratification was to avoid a situation of potentially ending up with bias, where the collected sample ends up being heavily dominated by one particular type of business over the other types. For the purposes of analysis however, the individual stratified samples were combined to form one total sample, thereby allowing for statistical analysis to encompass the total sample. The total sample size for the study is limited to 200, mainly due to the limited time frame within which the study had to be completed. Another reason for the sample being limited to this number is that it was anticipated that some of the business owners/ operators approached, would not wish to participate in the study due to fears of them being exposed to

the South African government authorities.

3.3.3 Description of the respondents

The study targeted both male and female small business owners and operators of all ages, operating their businesses in the townships of Atteridgeville and Mamelodi, as potential respondents to the survey.

3.4 The research instrument

Each questionnaire was accompanied by a consent form, which is an adaptation, based on examples from the UK Data Archive (2009). The consent form used is attached as appendix 1.

The questions in the questionnaire are grouped into two main sections. The first section requested demographic information about the respondents in order to ensure that the respondent qualified to participate in the survey. The second section consisted of statements developed from the findings of the literature review chapter. In this section of the survey, the respondents were required to indicate their views and perceptions of agreement or disagreement to the statements in the questionnaire, based on a five point Likert Scale, which ranged from strongly disagree, to strongly agree. The questionnaire used is attached as appendix 2.

3.5 Procedure for data collection

Small business owners or operators in the Townships of Atteridgeville and Mamelodi were stratified as mentioned earlier, and approached to participate in the survey by responding to the paper-based questionnaires. It was ensured that each field agent assisting with the survey was able to communicate in all four languages (English, Sesotho, Setswana, and isiZulu) predominantly used in these townships. The language requirement ensured that each field agent would be able to clearly communicate with all the respondents, and that they would also be able to explain or translate sections of the questionnaire if

necessary.

3.6 Data analysis and interpretation

This study begins the data analysis process by first using descriptive statistics to establish a general view of each business and the entrepreneur participating in the survey. Starkweather and Moske (2011, p.1), define multinomial logistic regression as “a form of regression model which is used to predict categorical placement in or the probability of category membership of a dependent variable based on multiple independent variables”. The multinomial logistic regression model has been used by Lee, OLeary, Lee, and Morrison (2002), in their research to evaluate the push and pull factors that influence trip behaviour. In a context that is more relevant to the growth of small businesses, the multinomial logistic regression model was also used by Gregory, Rutherford, Oswald and Gardiner (2005), in their study of the effect of the financial growth model, in comparison to characteristics of small businesses. In this study, the multinomial logistic regression model is initially used to determine how an entrepreneur’s demographics, influence the type of business the entrepreneur establishes. The model is then also used to determine how an entrepreneur’s level of access to finance, influences the type of business the entrepreneur establishes.

Ordered logistic regression is considered to be the appropriate regression model where the dependent variables are ordinal in nature (Hanushek and Jackson, 1977). In this study, ordered logistic regression is used to determine how the characteristics of a small business influence the lifespan of that business.

3.7 Limitations of the study

Due to time and resource constraints, this research was restricted to two particular townships. By implication, this means that findings from the research may not be applicable to other historically black townships in South Africa. The

type of survey used in this research, usually presents a problem in that we cannot be certain that each variable will measure the actual dimension which we intend to measure, and we also cannot be certain of how well it actually measures that dimension.

One limitation of the regression analysis technique is that it is based on a set of assumptions which may not hold true in reality. The relationships between variables may change over time due to changing conditions in the broader economic environment, which could potentially lead to instability among the variables included in the regression analysis.

3.8 Validity and reliability

3.8.1 External validity

The fact that this study was based on samples collected from two pre-selected areas, may influence the external validity of the research (Bryman, 2012). It may therefore not be possible to generalise the results of the study to all historically black South African townships (Bryman, 2012). This effect is however minimised by the fact that the actual respondents within the selected areas, were approached on a completely random basis.

3.8.2 Internal validity

Quantitative cross-sectional studies usually have an inherent problem of internal validity, especially concerning the causal relationships between the dependent and the independent variables (Bryman, 2012). This study maximises internal validity by using more than one construct to measure each variable, thereby ensuring that each variable is measured by making use of multiple attributes.

3.8.3 Reliability

Reliability is mainly concerned with the consistency and repeatability of the research (Bryman, 2012). To ensure that reliability is maximised in this

particular study, all the field agents were provided with a checklist which they needed to complete in order to ensure that the data collection process remained consistent and that a uniform standard was maintained for each and every respondent.

4. CHAPTER 4: PRESENTATION OF RESULTS

4.1 Introduction

The survey was carried out in two, previously black townships within the Gauteng province of South Africa. The objective was to obtain 100 completed questionnaires from small business owners operating in Atteridgeville, and 100 completed questionnaires from small business owners operating in Mamelodi. All 200 questionnaires were successfully completed and included in the analysis, which represents a 100% response rate, as indicated in table 2 below.

Table 2: Area/townships

Area	Frequency	Percent	Cumulative Frequency
Atteridgeville	100	50	50
Mamelodi	100	50	100
Total	**200**	**100**	

The collected data from the completed questionnaires were analysed by making use of a two-phased process. The first phase made use of descriptive statistics, which were applied across all the variables. The benefit of using descriptive statistics is to gain clarity about the midpoint of data and its distribution. The arithmetic mean is the average value within each variable (Bryman, 2012). The median represents the mid-point within a distribution of ordered values, which means that the median is not influenced by outliers (Bryman, 2012). The standard deviation is a measure of dispersion which determines the average variation around the mean value within a variable (Bryman, 2012). The measurements used in the first phase of this study are arithmetic mean, median, and standard deviation. The second phase of the analysis process made use of various regression techniques to determine the relationships and influences that exist between the variables. The multinomial logistic regression model and the ordered logistic regression model were carried out to determine the relationships and effects that existed between the variables being

considered.

4.2 Descriptive Statistics

A few questions in the questionnaire had been included for the purposes of obtaining a demographic view of the sample that would be collected. These were mainly questions relating to the business owners' age, gender, race, nationality, educational background and business experience. The questionnaire also included questions relating to the size and type of business. These questions focused on aspects such as the tenure of the business and profitability levels achieved by the business. Other questions in the questionnaire related to the business owners' reasons for starting the business, the challenges that the business owner may have faced, as well as the business owner's previous experience of establishing and running a small business.

Dichotomous variables are variables that only have two categories (Bryman, 2012). Responses to questions 3, 5, 6, 8, 10, 11, 12, 13, 14, 15, 16, 17 and 18 in the questionnaire represent dichotomous variables which were coded as either 1 or 0, for the purposes of computer software analysis. Ordinal variables are variables whose categories can be ordered by rank (Bryman, 2012). Responses to questions 4, 9, 19 and 20 in the questionnaire represent ordinal variables, which were coded ranging from 1 to 5, with each number representing a specific category for the purposes of computer software analysis. Responses to questions 21 to 38 in the questionnaire were also transformed into ordinal variables, with each being allocated a number from 1 to 5. These numbers were then coded to represent each category of the Likert scale, ranging from strongly disagree to strongly agree. Nominal or categorical variables are variables whose categories cannot be ranked or ordered (Bryman, 2012). Responses to questions 1, 2, 39, 40 and 41 in the questionnaire were coded as nominal variables for the purposes of computer software analysis.

4.2.1 Demographics of the business owner

Frequency tables are the most common form of presenting the number or percentage of observations belonging to each specific category (Bryman, 2012). Table 3 below, presents a frequency table for the different race groups of business owners contained in the sample. This includes a summary of the percentages of respondents by population group. The respondents to the survey were mostly African, at 94% of the sample, followed by Asian business owners who only represented 3.5% of the sample. The remainder of the sample was made up of white business owners, at 1.5% representation and Indian business owners, at 1% representation. There were no coloured business owners represented in the sample.

Table 3: Race of the business owner

Race of the business owner	Frequency	Percent	Cumulative Frequency
African	188	94	94
Indian	2	1	95
White	3	1.5	96.5
Asian	7	3.5	100
Total	**200**	**100**	

Table 4 below, presents a frequency table for the number of business owners within the sample that are South African, versus the number of business owners that are not South African. Ninety four percent of the African business owners appear to have been involved in either spaza-shop/ tuck shop operations (30%), or hair dresser/ salon types of businesses (25%). Table 4, illustrates that 84% of the respondents were South African, and in Table 5, it is shown that most of those were tuckshop/ spaza-shop owners, followed by hairdressers/ salon owners. In Table 5, the split between South African and Non-South African business owners, is further broken down according to the various types of businesses being studied.

Table 4: Is the business owner South African?

Is the business owner South African?	Frequency	Percent	Cumulative Frequency
No	32	16	16
Yes	168	84	100
Total	**200**	**100**	

Table 5: Type of business vs whether the owner is South African.

Is the business owner South African?	Type of business								
		Hairdresser/ Salon	Spazashop/ Tuckshop	Tavern/ Shebeen/ Pub	Restaurant	General Dealer	Motor Mechanic	Butchery/ Chisa -Nyama	Supermarket	Car Wash
	No	16	9	0	0	6	0	1	0	0
	Yes	33	50	29	4	9	22	18	2	1
Pearson chi2(8) = 29.2411 Pr = 0.000										

Figure 4 below, provides an illustration of the percentage split between the two categories of gender included in the sample. The collected sample comprised of 57.5% male and 42.5% female business owners. In Figure 5, the split between the two categories of gender, is further broken down according to the various types of business being studied. This illustrates that spaza-shops/ tuckshops are almost equally owned by both male and female entrepreneurs, while hair dressers/ salons are predominantly female owned. Taverns/ shebeens/ pubs appear to be a male dominated type of enterprise and so are motor mechanics, general dealer and shisa-nyama enterprises.

Figure 3: Gender representation

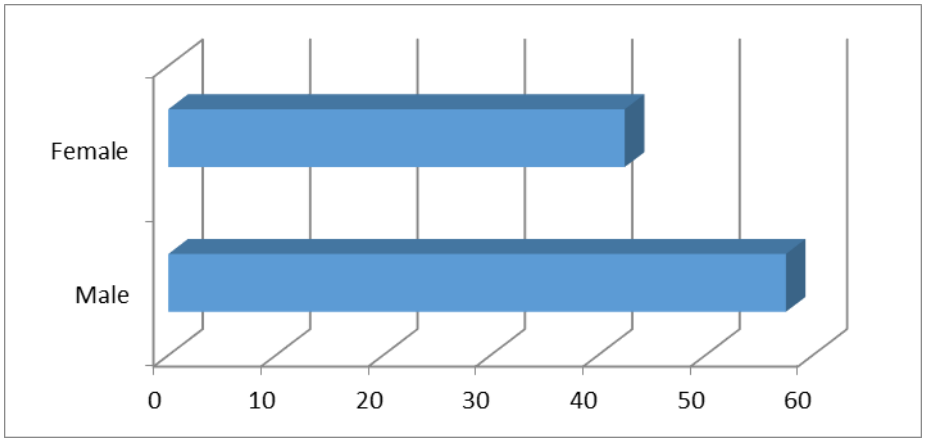


Figure 4: Gender representation according to business type

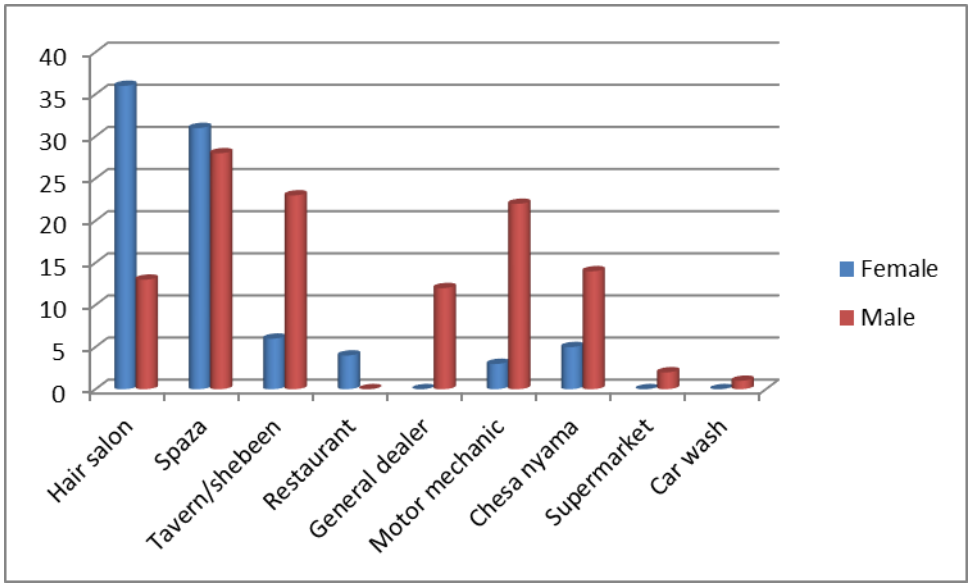


Table 6 below, presents a frequency table of the age distribution contained in the collected sample. Over 40 percent of business owners were found to be between the ages of 26 and 45 years old. In Table 7, the age distribution is further broken down according to the different age group categories being studied. This illustrates that within this 26 to 45 age group, most of the businesses formed are hairdressers/ salons, followed closely by spaza-shops/ tuckshops.

Table 6: Age of the business owner

Age of the business owner	Frequency	Percent	Cumulative Frequency
18 - 25	14	7	7
26 - 35	85	42.5	49.5
36 - 45	54	27	76.5
46 - 55	29	14.5	91
55 and over	18	9	100
Total	**200**	**100**	

Table 7: Type of business vs age of business owner

Age of the business owner	Type of business								
		Hairdresser/ Salon	Spazashop / Tuckshop	Tavern/ Shebeen/ Pub	Restaurant	General Dealer	Motor Mechanic	Butchery/ Chisa - Nyama	Supermarket	Car Wash
	18 - 25	5	6	0	0	3	0	0	0	0
	26 - 35	30	33	2	0	5	9	5	0	1
	36 - 45	13	9	12	0	3	5	10	2	0
	46 - 55	0	8	8	4	3	5	1	0	0
	55 and over	1	3	7	0	1	3	3	0	0
Pearson chi2(32) = 93.0331 Pr = 0.000										

Table 8 below, presents a frequency table for the various categories of the highest formal education level held by each business owner within the sample. It was found that 50.5% of the business owners within the collected sample had matric as their highest formal education level. Sixteen percent of the respondents had attained a formal education level below matric, and only 33% had attained a post matric certificate/ diploma/ degree.

Table 8: The business owner's highest formal education level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below matric	32	16.0	16.0	16.0
	Completed matric	101	50.5	50.5	66.5
	Post matric certificate	29	14.5	14.5	81.0
	Post matric diploma	27	13.5	13.5	94.5
	Degree	11	5.5	5.5	100.0
	Total	200	100.0	100.0	

4.2.2 Preferences of the business owner

Table 9 below, represents the proportion of opportunity entrepreneurship, in the form of respondents who opened a business because they wanted to become business owners. The questionnaire asked whether the business owner had established the business because they wanted to own a business. Eighty seven percent of the respondents indicated that they opened their businesses

because they wanted to become business owners. Only 7.5% of the respondents stated that being a business owner was not the main source of motivation for them establishing their businesses.

Table 9: Opportunity entrepreneurship

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	1.0	1.0	1.0
	Disagree	13	6.5	6.5	7.5
	Uncertain	11	5.5	5.5	13.0
	Agree	106	53.0	53.0	66.0
	Strongly Agree	68	34.0	34.0	100.0
	Total	200	100.0	100.0	

Table 10 below, represents the proportion of necessity/ survival entrepreneurship, in the form of respondents who opened a business because they had no other employment opportunities available to them. The questionnaire asked whether the business owner had opened the business because they had no alternative employment opportunities available them at the time. More than 77 percent of the respondents agreed with the statement that the motivation behind establishing their on their businesses, was that at the time, they had no other employment opportunities available.

Table 10: Necessity entrepreneurship

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	1.5	1.5	1.5
	Disagree	36	18.0	18.0	19.5
	Uncertain	6	3.0	3.0	22.5
	Agree	80	40.0	40.0	62.5
	Strongly Agree	75	37.5	37.5	100.0
	Total	200	100.0	100.0	

Table 11 below, presents a frequency table illustrating the proportion of business owners contained in the sample who actually enjoy owning a business. The questionnaire asked whether the owner liked being a business

owner to which, 87% of the respondents agreed that they enjoyed the role of being a business owner.

Table 11: Preference for being a business owner

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.5	.5	.5
	Disagree	9	4.5	4.5	5.0
	Uncertain	12	6.0	6.0	11.0
	Agree	104	52.0	52.0	63.0
	Strongly agree	74	37.0	37.0	100.0
	Total	200	100.0	100.0	

Table 12 below, presents a frequency table illustrating the proportion of business owners who would rather prefer pursuing other employment opportunities than continuing with their business, if those opportunities were to become available. The questionnaire asked whether the business owner would leave their business and pursue an alternative employment opportunity if it were made available to them. Forty seven percent of the respondents disagreed with this statement, confirming that they would not choose any alternative employment opportunity as a substitute to their business.

Table 12: Preference for alternative employment opportunity – if available

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	49	24.5	24.5	24.5
	Disagree	45	22.5	22.5	47.0
	Neutral	33	16.5	16.5	63.5
	Agree	57	28.5	28.5	92.0
	Strongly agree	16	8.0	8.0	100.0
	Total	200	100.0	100.0	

Table 13 below, presents a frequency table illustrating the proportion of business owners who prefer to have an informal business because they do not have to pay tax. Thirty nine percent of the respondents agreed that they

preferred to own an informal business rather than a formal one because their informal business enabled them to avoid having to pay tax.

Table 13: Preference for informal businesses – no tax payable

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	19	9.5	9.5	9.5
	Disagree	71	35.5	35.5	45.0
	Neutral	32	16.0	16.0	61.0
	Agree	60	30.0	30.0	91.0
	Strongly agree	18	9.0	9.0	100.0
	Total	200	100.0	100.0	

Table 14 below, presents a frequency table illustrating the proportion of business owners who prefer to have informal businesses because informal businesses do not have to comply with formal business rules and regulations. Forty one point five percent of the respondents agreed that they preferred to own an informal business rather than a formal one because informal businesses are not required to follow any formal business rules and regulations.

Table 14: Preference for informal businesses – no formal rules and regulations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	16	8.0	8.0	8.0
	Disagree	71	35.5	35.5	43.5
	Neutral	30	15.0	15.0	58.5
	Agree	63	31.5	31.5	90.0
	Strongly agree	20	10.0	10.0	100.0
	Total	200	100.0	100.0	

Table 15 below, presents a frequency table illustrating the proportion of business owners who prefer to have an informal business based on the belief that the cost of running an informal business is cheaper than the cost of running a formal one. Sixty nine point five percent of the respondents agreed that their

preference for informal businesses over formal ones was based on the belief that informal businesses are cheaper to run.

Table 15: Preference for informal businesses – cheaper running costs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	2.0	2.0	2.0
	Disagree	42	21.0	21.0	23.0
	Neutral	15	7.5	7.5	30.5
	Agree	100	50.0	50.0	80.5
	Strongly agree	39	19.5	19.5	100.0
	Total	200	100.0	100.0	

Table 16 below, presents a frequency table illustrating the proportion of business owners who prefer to have an informal business based on the belief that an informal business is easier to run, compared to a formal business. More than 70 percent of respondents agreed that their preference for informal businesses over formal ones was based on the belief that informal businesses are easier to run.

Table: 16 Preference for informal businesses – easier to run

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	1.0	1.0	1.0
	Disagree	41	20.5	20.5	21.5
	Neutral	16	8.0	8.0	29.5
	Agree	95	47.5	47.5	77.0
	Strongly agree	46	23.0	23.0	100.0
	Total	200	100.0	100.0	

Table 17 below, presents a frequency table illustrating the proportion of business owners who prefer to have a small business based on the perception that it allows them the flexibility to work from home. Sixty three percent of the respondents agreed that their preference for owning a small business over a

larger one was based on the belief that a small business allows them the flexibility of being able to working from home.

Table 17: Preference for small businesses – flexibility of working from home

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	6	3.0	3.0	3.0
	Disagree	50	25.0	25.0	28.0
	Neutral	18	9.0	9.0	37.0
	Agree	83	41.5	41.5	78.5
	Strongly agree	43	21.5	21.5	100.0
	Total	200	100.0	100.0	

Table 18 below, presents a frequency table illustrating the proportion of business owners who prefer to have a small business based on the perception that it allows them the flexibility to juggle work and personal tasks, without having to ask for permission or explain themselves to anyone. Seventy percent of the respondents agreed that their preference for owning a small business over a larger one was based on the belief that a small business allows them the flexibility to attend to work and personal tasks simultaneously.

Table 18: Preference for small businesses – flexibility to juggle work and personal tasks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	2.0	2.0	2.0
	Disagree	44	22.0	22.0	24.0
	Neutral	12	6.0	6.0	30.0
	Agree	86	43.0	43.0	73.0
	Strongly agree	54	27.0	27.0	100.0
	Total	200	100.0	100.0	

4.2.3 Demographics of the enterprise

Table 19 below, presents a frequency table illustrating the various types of businesses contained in the sample. The most popular (29.5%) business type contained in the sample was spaza-shop/ tuckshop, followed by hairdresser/ salon (24.5%) and tavern/ shebeen/ pub (14.5%). In terms of the areas sampled, the popularity of these business types was relatively evenly split between Atteridgeville and Mamelodi. Most businesses (35%) contained in the sample, had been operating for a period of between 2 and 5 years. Thirty percent of the respondents employed two people and 21 percent only employed 1 person. These numbers were found to be common, especially amongst spaza-shops/ tuckshops and hairdresers/ salons. It was also found that most (28.5%) of the businesses included in the sample make a monthly profit of between R 3 000 and R 5 000, after having paid all their expenses.

Table 19: Type of business

Type of business	Frequency	Percent	Cumulative Frequency
Hairdresser/ Salon	49	24.5	24.5
Spazashop/ Tuckshop	59	29.5	54
Tavern/ Shebeen/ Pub	29	14.5	68.5
Restaurant	4	2	70.5
General Dealer	15	7.5	78
Motor Mechanic	22	11	89
Butchery/ Chisa -Nyama	19	9.5	98.5
Supermarket	2	1	99.5
Car Wash	1	0.5	100
Total	**200**	**100**	

4.2.4 The enterprise's access to finance

Table 20 below, presents a frequency table illustrating the proportion of businesses within the sample that have access to a bank credit facility. The questionnaire asked whether the business had access to a credit facility from a bank. It was found that only 39.5% of the businesses contained in the sample, had access to a credit facility from a bank. Nearly two-thirds of businesses

surveyed did not have access to a credit facility from a bank.

Table 20: Access to a bank credit facility

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	121	60.5	60.5	60.5
	Yes	79	39.5	39.5	100.0
	Total	200	100.0	100.0	

Table 21 below, presents a frequency table illustrating the proportion of businesses within the sample that have a loan from a bank. The questionnaire asked whether the business had a loan from a bank. It was found that only 16% of the businesses contained in the sample, have access to a bank loan. Eighty four percent of the businesses do not have access to a bank loan. It was also found that that 84.5% of the businesses do not have access to a loan from a non-banking institution either.

Table 21: Access to a bank loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	168	84.0	84.0	84.0
	Yes	32	16.0	16.0	100.0
	Total	200	100.0	100.0	

4.3 Results pertaining to Research Question 1

This particular research question sets out to evaluate the manner in which an entrepreneur's demographics influence the decision that the entrepreneur makes in deciding on the type of business that the entrepreneur chooses to establish. As mentioned in the research methodology chapter earlier, the multinomial logistic regression model was used to determine how an entrepreneur's demographics, influence the type of business the entrepreneur chooses to establish. Due to the sample size being limited to only 200

observations, the categories of business type were reduced from 9 to 3, in order for the regression to produce a more robust result. The car wash business type category and the motor mechanic business type category were combined into one variable for 'motor services'. The restaurant business type category was combined with the general dealer business type category, the butchery/ shisa-nyama business type category, the supermarket business type category, and the tuckshop/ spazashop business type category, to form one variable named 'retail'. The remaining business type categories, being hairdresser/ salon and tavern/ shebeen/ pub categories, were combined into the last variable, named 'other', which includes all the business type categories that are not incorporated in 'motor services' and 'retail'. The results of this regression (using relative risk ratios) are illustrated in Table 22 below.

Table 22: Multinomial logistic regression output – Effect of demographics on business choice

Number of obs = 200						
Design df = 13						
F(8, 6) = 25.93						
Prob > F = 0.0004						
Business Category : Other	**RRR**	**Linearised Std. Err.**	**t**	**P>|t|**	**[95% Conf. Interval]**	
Race of the business owner	0.9023124	0.2450056	-0.38	0.711	0.5018766	1.622247
Gender of the business owner	0.57651	0.2699529	-1.18	0.261	0.2096401	1.585402
Age of the business owner	1.297172	0.611837	0.55	0.591	0.4682304	3.593646
The business owner's highest formal education level	1.417911	0.327708	1.51	0.155	0.8606045	2.336116
Business Category : Retail	**(Reference Category)**					
Business Category : Motor Services	**RRR**	**Linearised Std. Err.**	**t**	**P>|t|**	**[95% Conf. Interval]**	
Race of the business owner	0.0078178	0.0023075	-16.44	0	0.004132	0.147914
Gender of the business owner	0.6525856	0.5370865	19.07	0	0.1102699	3.8607
Age of the business owner	0.9430049	0.3621897	-0.15	0.881	0.4112973	2.162081
The business owner's highest formal education level	0.9516817	0.3085205	-0.15	0.881	0.4724219	1.917138

According to Table 22, 0.902 is the relative risk ratio for a one category unit change in the race group of the owner of a business that falls within the 'other' business type category relative to the 'retail' business type category, given that the other variables in the model are held constant. When the race of the owner changes from one category to the next, the relative risk for the 'other' business type would be expected to decrease by a factor of 0.902 given that the other

variables in the model are held constant. This means that given a single category change in the race of the business owner, the relative risk of the owner having a business that falls within the ‘other’ business type category would be 0.902 times more likely, when the other variables in the model are held constant.

There is a relative risk ratio comparing male business owners to female business owners of the ‘other’ business type category relative to the ‘retail’ business type category, given that the other variables in the model are held constant. For males relative to females, the relative risk for the ‘other’ business type category relative to the ‘retail’ business type category would be expected to decrease by a factor of 0.577, given the other variables in the model are held constant. This means that when the business owner is male, the relative risk of him having a business that falls within the ‘other’ business type category, would be 0.577 times more likely, when the other variables are held constant.

There is a relative risk ratio for a one unit change in the owner’s age group category for the ‘other’ business type relative to the ‘retail’ business type, given that the other variables in the model are held constant. When the age group of the owner increases by one category, the relative risk for the ‘other’ business type would be expected to also increase by a factor of 1.297, given that the other variables in the model are held constant. This means that given a single category increase in the age group of the business owner, the relative risk of the owner having a business that falls within the ‘other’ business type category would be 0.902 times less likely**,** when the other variables in the model are held constant.

There is a relative risk ratio for a one unit change in the owner’s highest category of formal education level in the ‘other’ business type relative to the ‘retail’ business type, given that the other variables in the model are held

constant. When the highest education level of the owner increases by one category, the relative risk for the ‘other’ business type would be expected to also increase by a factor of 1.418 given that the other variables in the model are held constant. This means that given a single category increase in the owner’s highest education level, the relative risk of the owner having a business that falls within the ‘other’ business type category would be 1.418 times less likely**,** when the other variables in the model are held constant.

Table 22 also illustrates, 0.008 as the relative risk ratio for a one category unit change in the race group of the owner of a business within the ‘motor services’ business type relative to the ‘retail’ business type, given that the other variables in the model are held constant. When the race of the owner changes from one category to the next, the relative risk for the ‘motor services’ business type would be expected to decrease by a factor of 0.008, given that the other variables in the model are held constant. This means that given a single category change in the race of the business owner, the relative risk of the owner having a business that falls within the ‘motor services’ business type category would be 0.008 times more likely**,** when the other variables in the model are held constant.

There is a relative risk ratio comparing male business owners to female business owners of the ‘motor services’ business type category relative to the ‘retail’ business type category, given that the other variables in the model are held constant. For males relative to females, the relative risk for the ‘motor services’ business type category relative to the ‘retail’ business type category would be expected to increase by a factor of 0.653, given the other variables in the model are held constant. This means that when the business owner is male, the relative risk of him having a business that falls within the ‘motor services’ business type category, would be 0.653 times less likely, when the other variables are held constant.

There is a the relative risk ratio for a one unit change in the owner's age group category for 'motor services' business type relative to the 'retail' business type, given that the other variables in the model are held constant. When the age group of the owner increases by one category, the relative risk for the 'motor services' business type would be expected to decrease by a factor of 0.943, given that the other variables in the model are held constant. This means that given a single category increase in the age group of the business owner, the relative risk of the owner having a business that falls within the 'motor services' business type category would be 0.943 times more likely**,** when the other variables in the model are held constant.

There is a relative risk ratio for a one unit change in the owner's highest category of formal education level in the 'motor services' business type relative to the 'retail' business type, given that the other variables in the model are held constant. When the highest education level of the owner increases by one category, the relative risk for the 'motor services' business type would be expected to decrease by a factor of 0.952 given that the other variables in the model are held constant. This means that given a single category increase in the owner's highest education level, the relative risk of the owner having a business that falls within the 'motor services' business type category would be 0.952 times more likely**,** when the other variables in the model are held constant.

4.4 Results pertaining to Research Question 2

This particular research question sets out to evaluate the manner in which an entrepreneur's level of access to finance influences the entrepreneur's decision on the type of business that the entrepreneur chooses to establish. The multinomial logistic regression model was used to determine how an entrepreneur's level of access to finance, influences the type of business the entrepreneur chooses to establish. Similar to the previous regression for

research question 1, the regression for research question 2 was also based on the three reduced business type categories (other, retail and motor services). The results of this regression are contained in Table 23 below.

Table 23: Multinomial logistic regression output – Effect of access to finance on business choice

Number of obs = 200						
Design df = 13						
F(10, 4) = 4.79						
Prob > F = 0.0724						
Business Category : Other	**RRR**	**Linearised Std. Err.**	**t**	**P>|t|**	**[95% Conf. Interval]**	
Is the business registered for tax?	1.183369	1.051566	0.19	0.853	0.173534	8.069677
Does the business have a credit facility from a bank?	0.2726506	0.182521	-1.94	0.074	0.064198	1.157955
Does the business have a credit facility from a non-banking institution?	1.958165	1.717824	0.77	0.457	0.2942864	13.02951
Does the business have a loan from a bank?	6.089839	2.876658	3.82	0.002	2.194881	16.89665
Does the business have a loan from a non-banking institution?	0.2716144	0.2981932	-1.19	0.256	0.0253458	2.910717
Business Category : Retail	**(Reference Category)**					
Business Category : Motor Services	**RRR**	**Linearised Std. Err.**	**t**	**P>|t|**	**[95% Conf. Interval]**	
Is the business registered for tax?	0.2605659	0.1419427	-2.47	0.028	0.0803185	0.8453168
Does the business have a credit facility from a bank?	4.248624	2.097539	2.93	0.012	1.46232	12.34395
Does the business have a credit facility from a non-banking institution?	2.100049	2.069772	0.75	0.465	0.2497583	17.65789
Does the business have a loan from a bank?	8.348287	8.316455	2.13	0.053	0.9703729	71.82177
Does the business have a loan from a non-banking institution?	1.379929	1.133809	0.39	0.701	0.2338629	8.142388

According to table 23, 1.183 is the relative risk ratio for whether a business within the 'other' business type category is registered for tax, relative to one in the 'retail' business type category, given that the other variables in the model are held constant. When the business is registered for tax, the relative risk for the 'other' business type would be expected to increase by a factor of 1.183 given that the other variables in the model are held constant. This means that given a business that is registered for tax, the relative risk of that business falling within the 'other' business type category would be 1.183 times less likely, when the other variables in the model are held constant.

There is a relative risk ratio for whether a business within the ‘other’ business type category has a credit facility from a bank, relative to one in the ‘retail’ business type category, given that the other variables in the model are held constant. When the business has a credit facility from a bank, the relative risk for the ‘other’ business type would be expected to decrease by a factor of 0.273, given that the other variables in the model are held constant. This means that given a business that has a credit facility with a bank, the relative risk of that business falling within the ‘other’ business type category would be 0.273 times more likely, when the other variables in the model are held constant.

There is a relative risk ratio for whether a business within the ‘other’ business type category has a credit facility from a non-banking institution, relative to one in the ‘retail’ business type category, given that the other variables in the model are held constant. When the business has a credit facility from a non-banking institution, the relative risk for the ‘other’ business type would be expected to increase by a factor of 1.958, given that the other variables in the model are held constant. This means that given a business that has a credit facility with a non-banking institution, the relative risk of that business falling within the ‘other’ business type category would be 1.958 times less likely, when the other variables in the model are held constant.

There is a relative risk ratio for whether a business within the ‘other’ business type category has a loan from a bank, relative to one in the ‘retail’ business type category, given that the other variables in the model are held constant. When the business has a loan from a bank, the relative risk for the ‘other’ business type would be expected to increase by a factor of 6.090, given that the other variables in the model are held constant. This means that given a business that has a loan from a bank, the relative risk of that business falling within the ‘other’ business type category would be 6.090 times less likely, when the other variables in the model are held constant.

There is a relative risk ratio for whether a business within the ‘other’ business type category has a loan from a non-banking institution, relative to one in the

‘retail’ business type category, given that the other variables in the model are held constant. When the business has a loan from a non-banking institution, the relative risk for the ‘other’ business type would be expected to decrease by a factor of 0.272, given that the other variables in the model are held constant. This means that given a business that has a loan from a non-banking institution, the relative risk of that business falling within the ‘other’ business type category would be 0.272 times more likely, when the other variables in the model are held constant.

Table 23, also illustrates 0.260 as the relative risk ratio for whether a business within the ‘motor services’ business type category is registered for tax, relative to one in the ‘retail’ business type category, given that the other variables in the model are held constant. When the business is registered for tax, the relative risk for the ‘motor services’ business type would be expected to decrease by a factor of 0.260 given that the other variables in the model are held constant. This means that given a business that is registered for tax, the relative risk of that business falling within the ‘motor services’ business type category would be 0.260 times more likely, when the other variables in the model are held constant.

There is a relative risk ratio for whether a business within the ‘motor services’ business type category has a credit facility from a bank, relative to one in the ‘retail’ business type category, given that the other variables in the model are held constant. When the business has a credit facility from a bank, the relative risk for the ‘motor services’ business type would be expected to increase by a factor of 4.249, given that the other variables in the model are held constant. This means that given a business that has a credit facility with a bank, the relative risk of that business falling within the ‘motor services’ business type category would be 4.249 times less likely, when the other variables in the model are held constant.

There is a relative risk ratio for whether a business within the ‘motor services’ business type category has a credit facility from a non-banking institution, relative to one in the ‘retail’ business type category, given that the other variables in the model are held constant. When the business has a credit facility from a non-banking institution, the relative risk for the ‘motor services’ business type would be expected to increase by a factor of 2.100, given that the other variables in the model are held constant. This means that given a business that has a credit facility with a non-banking institution, the relative risk of that business falling within the ‘motor services’ business type category would be 2.100 times less likely, when the other variables in the model are held constant.

There is a relative risk ratio for whether a business within the ‘motor services’ business type category has a loan from a bank, relative to one in the ‘retail’ business type category, given that the other variables in the model are held constant. When the business has a loan from a bank, the relative risk for the ‘motor services’ business type would be expected to increase by a factor of 8.348, given that the other variables in the model are held constant. This means that given a business that has a loan from a bank, the relative risk of that business falling within the ‘motor services’ business type category would be 8.348 times less likely, when the other variables in the model are held constant.

There is a relative risk ratio for whether a business within the ‘motor services’ business type category has a loan from a non-banking institution, relative to one in the ‘retail’ business type category, given that the other variables in the model are held constant. When the business has a loan from a non-banking institution, the relative risk for the ‘motor services’ business type would be expected to increase by a factor of 1.380, given that the other variables in the model are held constant. This means that given a business that has a loan from a non-banking institution, the relative risk of that business falling within the ‘motor services’ business type category would be 1.380 times less likely, when the

other variables in the model are held constant.

4.5 Results pertaining to Research Question 3

This particular research question sets out to evaluate the manner in which the characteristics of a small business influence the lifespan, and therefore, the sustainability of that small business. Ordered logistic regression method was used to determine how the characteristics of a small business influence the lifespan of the business, and the results are illustrated in Table 24 below.

Table 24: Ordered logistic regression output – Effect of the characteristics of a small business on the business lifespan

Number of obs = 200						
LR chi2(9) = 67.36						
Prob>chi2v = 0.0000						
Log likelihood = -263.23997						
Pseudo R2 = 0.1134						
Business Lifespan (the length of the period that the business has remained operational)	**Coef.**	**Std. Err.**	**z**	**P>|z|**	**[95% Conf. Interval]**	
Is the business registered for tax?	0.623762	0.3624716	1.72	0.085	-0.0866693	1.334193
The business owner's highest formal education level	-0.279859	0.1492479	-1.88	0.061	-0.5723795	0.0126615
Has the business owner had any business/ managerial training?	-0.2649112	0.2996825	-0.88	0.377	-0.8522782	0.3224558
Was the business owner employed at the time of starting the business?	0.1031476	0.2926899	0.35	0.725	-0.4705141	0.6768092
Does the business have a credit facility from a bank?	-0.300794	0.3135258	-0.96	0.337	-0.9152932	0.3137052
Does the business have a credit facility from a non-banking institution?	0.2590402	0.4807348	0.54	0.59	-0.6831827	1.201263
Does the business have a loan from a bank?	0.1763322	0.4163512	0.42	0.672	-0.6397012	0.9923656
Does the business have a loan from a non-banking institution?	-0.6175002	0.5100377	-1.21	0.226	-1.617156	0.3821553
Monthly profit after payment of expenses?	0.9526058	0.1583191	6.02	0	0.642306	1.262906

According to table 24, the ordered log-odds estimate of comparing businesses that are registered for tax to those that are not registered, on the expected business lifespan given the other variables are held constant in the model. The ordered logit for businesses that are registered for tax, having a longer lifespan is 0.6238 more than that of businesses that are not registered for tax, when the

other variables in the model are held constant.

There is an ordered log-odds estimate for a one unit increase in the category of the business owner's highest level of formal education, on the expected business lifespan given that the other variables are held constant in the model. This means that a one unit increase in the business owner's level of highest formal education category would result in a -0.2799 unit decrease in the ordered log-odds of the business having a longer lifespan, while the other variables in the model are held constant.

There is an ordered log-odds estimate of comparing businesses whose owners' have had business or managerial training, to businesses whose owners' have not had such training, on the expected business lifespan given the other variables are held constant in the model. The ordered logit for businesses whose owners' have had business or managerial training, having a longer lifespan is -0.2649 less than that of businesses whose owners have not had such training, when the other variables in the model are held constant.

There is an ordered log-odds estimate of comparing businesses whose owners were employed at the time of forming the business, to businesses whose owners were unemployed at the time of forming the business, on the expected business lifespan given the other variables are held constant in the model. The ordered logit for businesses whose owners were employed when they started the business, having a longer lifespan is 0.1031 more than that of businesses whose owners were unemployed when they started the business, when the other variables in the model are held constant.

There is an ordered log-odds estimate of comparing businesses that have access to a credit facility from a bank, to businesses that do not have access to such a credit facility, on the expected business lifespan given the other variables are held constant in the model. The ordered logit for businesses that have access to a credit facility from a bank, having a longer lifespan is -0.3007 less than that of businesses which do not have access to a credit facility from a bank, when the other variables in the model are held constant.

There is an ordered log-odds estimate of comparing businesses that have access to a credit facility from a non-banking institution, to businesses that do not have access to such a credit facility, on the expected business lifespan given the other variables are held constant in the model. The ordered logit for businesses that have access to a credit facility from a non-banking institution, having a longer lifespan is 0.2590 more than that of businesses which do not have access to a credit facility from a non-banking institution, when the other variables in the model are held constant.

There is an ordered log-odds estimate of comparing businesses that have access to a loan from a bank, to businesses that do not have access to such a loan, on the expected business lifespan given the other variables are held constant in the model. The ordered logit for businesses that have access to a loan from a bank, having a longer lifespan is 0.1763 more than that of businesses which do not have access to a loan from a bank, when the other variables in the model are held constant.

There is an ordered log-odds estimate of comparing businesses that have a loan from a non-banking institution, to businesses that do not have such a loan, on the expected business lifespan given the other variables are held constant in the model. The ordered logit for businesses that have a loan from a non-banking institution, having a longer lifespan is -0.6175 less than that of businesses which do not have a loan from a non-banking insitution, when the other variables in the model are held constant.

There is an ordered log-odds estimate for a one unit increase in the category of the monthly profit generated by the business, on the expected business lifespan given that the other variables are held constant in the model. This means that a one unit increase in the category of monthly profit generated by a business would result in a 0.9526 unit increase in the ordered log-odds of the business

having a longer lifespan, while the other variables in the model are held constant.

4.6 Summary of the results

In this results chapter, a combination of various statistical techniques were used to assess the relationships between selected variables. The data had been collected by making use of the research questionnaire mentioned earlier in the in the research methodology chapter. The results were presented in table and graphical formats in this chapter. In the following chapter, these results are analysed and discussed and this is followed by a conclusions and recommendations chapter.

CHAPTER 5: DISCUSSION OF THE RESULTS

5.1 Introduction

This chapter begins with a discussion based on the research findings derived from the demographics of the business owners contained in the sample. This is then followed by a discussion based on the research findings derived from the business owners' preferences. The next section is a discussion based on the demographics of the various businesses contained in the sample. The demographics discussion is then concluded with a discussion based on the level of access that the sampled enterprises have to finance.

The second section of the chapter proceeds with a discussion based on the results which were obtained from running various regression techniques on the collected data. Thereafter, the chapter is concluded.

5.2 Demographic profile of respondents

5.2.1 Demographics of the business owner

As shown in chapter 4, certain commonalities were found between the results of this study and that of Cant and Wiid, which evaluated consumption patterns that exist within non-white underdeveloped urban residential areas within Tshwane (Pretoria) (Cant and Wiid, 2013). The common finding between the two studies was that most of the respondents were African. The main difference between the two research papers could be because Cant and Wiid's study was conducted on a much wider population. In addition to Atteridgeville and Mamelodi, their study included areas such as Eersterus and Ladium, which are known to be mostly occupied by Coloured and Indian people respectively. As a result of this, their study included a wider range of race groups than the current study, which is only limited to two specific townships and a sample size of 200 respondents.

The findings of this study show that spaza-shop/ tuckshop operations were the most popular business types contained in the sample. This supports an earlier observation made by Cant and Wiid in 2013, which showed that households in townships still spend most of their income on food and groceries (Cant and Wiid, 2013). There is still a large market that exists for retail types of businesses which would explain the popularity of spaza-shop/ tuckshop operations. The results also show that almost 1 in 5 business owners contained in the sample, were non-South African. It appears that despite the recent spate of xenophobic attacks which have been reported in and around South African township areas, foreign business owners are continuing to pursue business opportunities within South Africa's informal sector. This could be due to their collective business model which has proven to be more successful than the usual model of individual small retail operations, which was traditionally adopted by South African informal business owners. This finding is in line with an earlier study by Mahlutshana, which compared South African entrepreneurs to immigrant entrepreneurs, operating within South Africa's informal sector (Mahlutshana, 2013).

The findings show that in the case of spaza-shops/ tuckshops, ownership is almost equally divided between the two genders. For every other type of business, there appears to be one gender that clearly dominates the other, in terms of ownership. Male business owners have a stronger preference for certain types of businesses, such as motor mechanics. Female business owners have a stronger preference for other types of businesses, such as hairdressers/ salons.

According to the findings, there is one particular age group range (between the ages of 26 and 45) that appears to be more common within the sample, regardless of the different types of businesses being studied. There is no

distinct differentiation between the types of businesses formed by young people and those that are formed by the older generation. This finding is different to an earlier finding by Parker, which suggested that younger entrepreneurs tend to be less risk-averse than older entrepreneurs, and that young entrepreneurs had a preference for pursuing riskier business opportunities (such as nightclubs) than those typically pursued by older entrepreneurs (Parker, 2009).

The findings show that only a little more than one third of the respondents have attained a post matric certificate/ diploma/ degree. The rest of the sample has matric or less, as their highest formal education level. A possible explanation for this finding is that highly educated people prefer to pursue larger or formal entrepreneurship opportunities or other forms of non-entrepreneurial employment opportunities that may be available to them. This explanation supports an earlier finding by Parker, which suggests that higher levels of formal education tend to provide people with alternative non-entrepreneurial employment options, which would make it unlikely for them to start a small business (Parker, 2009).

Forty two percent (42%) of the business owners who participated in the survey, indicated that they had previously received business/ managerial training, while 59% of them had not previously received any such training. This finding supports that of Mbonyane and Ladzani, which highlighted this finding as one of the obstacles that restrict the growth of small businesses in township areas (Mbonyane and Ladzani, 2011).

5.2.2 Preferences of the business owner

The results show that most (87%) of the business owners contained in the sample opened their businesses because they wanted to become business owners. On the surface, this finding resembles ‘opportunity entrepreneurship’, as defined by Harrington and Kew (2008). At a closer look however, the above result may have been somewhat influenced by the fact that most of the respondents did not have any other employment opportunities available to them

at the time that they started their businesses. This statement is supported by the fact that 77.5% of the respondents agreed that a significant motivator for the establishment of their businesses, was that there were no other employment opportunities available to them at the time. It therefore appears that in reality, the finding resembles ‘necessity entrepreneurship’ (Harrington and Kew, 2008). Irrespective of whether it may have been opportunity or necessity/ survival entrepreneurship in the beginning, an interesting observation made by the findings is that most (87%) of the respondents confirmed that they actually enjoy the role of being a business owner and 47% of the respondents indicated that they would still prefer to continue with their businesses even if alternative employment opportunities were to be made available to them. All these findings are contrary to an earlier finding by Banerjee, Banerjee and Duflo (2011), which suggested that entrepreneurs who started their businesses out of a necessity to survive, do not enjoy being business owners (Banerjee, Banerjee and Duflo, 2011).

The results show that 39% of the respondents prefer to have an informal business because informal businesses enable them to avoid paying tax. This finding supports an earlier finding by Ferreira-Tiryaki, which highlighted that some entrepreneurs view the non-payment of tax as an incentive for establishing informal businesses (Ferreira-Tiryaki, 2008). The results further show that 41.5% of the respondents prefer to have an informal business because informal businesses enable them to avoid having to comply with formal business rules and regulations. This finding supports that of Tipple, which suggests that the fact that informal businesses are unregulated, is viewed as an attractive attribute by some entrepreneurs (Tipple, 2005).

Almost 70% of the respondents were found to have a preference for informal businesses based on the belief that informal businesses are cheaper and easier to run, compared to formal businesses. This finding supports an earlier finding by Rolfe, Woodward, Ligthelm and Guimarães, which argues that some entrepreneurs are of the view that they stand a greater chance of success by

establishing informal businesses, as this exempts them from having to pay the heavy ‘cost of formality’ (Rolfe et al., 2010). The results further show that 63% of the respondents prefer to have a small business because it allows them to have the flexibility of working from home. This finding supports that of Tipple, which argues that flexible working conditions that allow people to balance work and home responsibilities, are considered attractive attributes by small informal business owners (Tipple, 2005).

5.2.3 Demographics of the enterprise

The results show that retail types of businesses are most popular within the collected sample. As mentioned earlier, this finding supports Cant and Wiid’s argument, that retail could be the most profitable market for township businesses, as households have been shown in 2013 to still be spending most of their income on food and groceries (Cant and Wiid, 2013). After rent, services and clothing, entertainment and hairdressers were among the next group of activities on which household incomes appear to be spent (Cant and Wiid, 2013). This finding could be a possible explanation for hairdresser/ salon and tavern/ shebeen being the second and third most popular types of businesses contained in the sample.

5.2.4 The enterprise’s access to finance

The results show that less than 40% of the businesses contained in the sample, have access to a bank credit facility. More than 6 in every 10 businesses do not have such funding. The results also found that only 16% of the businesses contained in the sample have access to a loan from a bank. More than 8 in every 10 businesses do not have access to such funding. Eighty four percent of the respondents also confirmed that they did not have a loan from a non-banking institution either. These findings support the earlier findings by Mahlutshana, which showed that retail type small businesses are often established and funded by the entrepreneur investing his/ her savings into the business, and not by making use of funds obtained from external loans or credit facilities (Mahlutshana, 2013). This practise is even more common amongst

immigrant entrepreneurs, who tend to prefer investing on a collective basis, in one another's business, rather than to keep money in a South African bank account, due to the fear of being detected by the authorities (Mahlutshana, 2013).

5.3 Results pertaining to Research Question 1

This particular research question sets out to evaluate the manner in which an entrepreneur's demographics influence the decision that the entrepreneur makes in deciding on the type of business that the entrepreneur chooses to establish. The multinomial logistic regression method was used, and the results from that regression were interpreted in chapter 4, by making use of relative risk ratios.

Given a single unit increase in the category number that represents the race of the business owner, the relative risk of the owner having a business that falls within the 'other' business type category would be more likely, when the other variables in the model are held constant. According to this result, the race of the business owner is positively related to the owner choosing to establish a business that falls within the 'other' business type category, relative to the owner choosing to establish a business that falls within the 'retail' business type category. Based on the numbers according to which the various race groups were coded when the data was analysed (1 = African; 2 = Coloured; 3 = Indian; 4 = White; 5 = Asian), this finding means that as we move from African business owners to Asian business owners, an entrepreneur is more likely to choose a business that falls within the 'other' business type category, relative to him/ her choosing one that falls within the 'retail' business type category. This finding is consistent with the result shown earlier in chapter 4, where 94% of the respondents were African business owners who appeared to have been involved in either spaza-shop/ tuck shop operations (30%), or hair dresser/ salon types of businesses (25%).

The results found that when the business owner is male, the relative risk of him

having a business that falls within the ‘other’ business type category, would be more likely, when the other variables are held constant. According to this result, the gender of the business owner is positively related to the owner choosing to establish a business that falls within the ‘other’ business type category, relative to the owner choosing to establish a business that falls within the ‘retail’ business type category. This finding is consistent with the result shown earlier in chapter 4, where tavern/ shebeen/ pub business type operations were a lot more popular among male business owners, compared to female business owners.

The results found that given a single category increase in the age group of the business owner, the relative risk of the owner having a business that falls within the ‘other’ business type category would be less likely**,** when the other variables in the model are held constant. According to this result the age of the business owner is negatively related to the owner choosing to establish a business that falls within the ‘other’ business type category, relative to the owner choosing to establish a business that falls within the ‘retail’ business type category. This finding is partially consistent with the results shown earlier in chapter 4. When the age group category increases from 18-25, to 26-35, the number of businesses that fall within the ‘other’ category, increase from 5 to 32, whilst those that fall within the ‘retail’ category increase from 9 to 43. Also when the age group category increases from 36-45 to 46-55, the number of businesses that fall within the ‘other’ category, goes to 8, whilst those that fall within the ‘retail’ category goes to 16. In both these cases, the ‘retail’ business type category appears to be more popular, relative to the ‘other’ business type category.

The results found that given a single category increase in the owner’s highest education level, the relative risk of the owner having a business that falls within the ‘other’ business type category would be less likely**,** when the other variables in the model are held constant. According to this result the business owner’s

highest formal education level is negatively related to the owner choosing to establish a business that falls within the 'other' business type category, relative to the owner choosing to establish a business that falls within the 'retail' business type category. This finding is consistent with the finding mentioned earlier in this chapter, as well as an earlier finding by Parker, which suggests that higher levels of formal education tend to provide people with alternative non-entrepreneurial employment options, which makes it less likely for them to pursue entrepreneurship (Parker, 2009).

The results found that given a single unit increase in the category number that represents the race of the business owner, the relative risk of the owner having a business that falls within the 'motor services' business type category would be more likely**,** when the other variables in the model are held constant. According to this result the race of the business owner is positively related to the owner choosing to establish a business that falls within the 'motor services' business type category, relative to the owner choosing to establish a business that falls within the 'retail' business type category. Based on the numbers according to which the various race groups were coded when the data was analysed (1 = African; 2 = Coloured; 3 = Indian; 4 = White; 5 = Asian), this finding means that as we move from African business owners to Asian business owners, an entrepreneur is more likely to choose a business that falls within the 'motor services' business type category, relative to him/ her choosing one that falls within the 'retail' business type category. This finding is consistent with the result shown earlier in chapter 4, where there were more White and Asian business owners in the 'motor services' business category, than in any other business type category.

The results found that when the business owner is male, the relative risk of him having a business that falls within the 'motor services' business type category, would be less likely, when the other variables are held constant. According to this result the gender of the business owner is negatively related to the owner

choosing to establish a business that falls within the ‘motor services’ business type category, relative to the owner choosing to establish a business that falls within the ‘retail’ business type category. This finding is not consistent with the results shown earlier in chapter 4, where 88% of the businesses that fall within the ‘motor services’ business type category were owned by males. Only 12% of the businesses that fall within the ‘motor services’ business type category were female-owned.

The results found that given a single category increase in the age group of the business owner, the relative risk of the owner having a business that falls within the ‘motor services’ business type category would be more likely**,** when the other variables in the model are held constant. According to this result the age of the business owner is positively related to the owner choosing to establish a business that falls within the ‘motor services’ business type category, relative to the owner choosing to establish a business that falls within the ‘retail’ business type category. This finding is not consistent with the results shown earlier in chapter 4. When the age group category increases, in each case, the ‘retail’ business type category appears to be more popular, relative to the ‘motor services’ business type category.

The results found that given a single category increase in the owner’s highest formal education level, the relative risk of the owner having a business that falls within the ‘motor services’ business type category would be more likely**,** when the other variables in the model are held constant. According to this result the business owner’s highest formal education level is positively related to the owner choosing to establish a business that falls within the ‘motor services’ business type category, relative to the owner choosing to establish a business that falls within the ‘retail’ business type category. This finding is not consistent with the findings mentioned earlier in this chapter.

In conclusion of this research question, out if the 4 demographic elements that were studied (race, gender, age, education), the race of the business owner was found to be positively related to the owner choosing to establish a business that falls within the ‘other’, as well as the ‘motor services’ business type categories, relative to them choosing one that falls within the ‘retail’ business type category. The male gender was found to be positively related to the business owner establishing a business that falls within the ‘other’ business type category, but negatively related to them establishing one that falls within the ‘motor services’ business category. The business owner’s age was found to be negatively related to the them choosing to establish a business that falls within the ‘other’ business type category, but positively to them choosing to establish one that falls within the ‘motor services’ business type category. The business owner’s highest formal education level was found to be negatively related to the them choosing to establish a business that falls within the ‘other’ business type category, but positively related to them choosing to establish one that falls within the ‘motor services’ business type category.

5.4 Results pertaining to Research Question 2

This particular research question sets out to evaluate the manner in which an entrepreneur’s level of access to finance influences the entrepreneur’s decision on the type of business that the entrepreneur chooses to establish. Similar to the previous research question, the multinomial logistic regression method was used, and the results from that regression were interpreted in chapter 4, by making use of relative risk ratios.

The results found that given a business that is registered for tax, the relative risk of that business falling within the ‘other’ business type category would be less likely, when the other variables in the model are held constant. According to this result, a tax registered business is more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘other’ business type category. A

possible explanation for this finding could be that almost 50% of the sample contained businesses that fall within the ‘retail’ business type category. This could mean that any business, regardless of whether it is registered for tax or not, is more likely to fall within the ‘retail’ business type category. The results also showed that given a business that is registered for tax, the relative risk of that business falling within the ‘motor services’ business type category would be more likely, when the other variables in the model are held constant. According to this result, a business that is registered for tax is more likely to fall within the ‘motor services’ business type category, relative to it falling within the ‘retail’ business type category. A possible explanation for this finding could be that most small business that are registered for tax in the sample, fall within the ‘motor services’ business type category.

The results found that given a business that has a credit facility with a bank, the relative risk of that business falling within the ‘other’ business type category would be more likely, when the other variables in the model are held constant. According to this result, a business that has access to a credit facility from a bank is more likely to fall within the ‘other’ business type category, relative to it falling within the ‘retail’ business type category. This finding is consistent with the result mentioned earlier in this chapter, which showed that more than 60% of the businesses contained in the sample, do not have access to a credit facility from a bank. The results also showed that given a business that has a credit facility with a bank, the relative risk of that business falling within the ‘motor services’ business type category would be less likely, when the other variables in the model are held constant. According to this result, a business that has a credit facility with a bank, is more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘motor services’ business type category. A possible explanation for this finding could be that out of the businesses that have a bank credit facility in the sample, most of them fall within the ‘retail’ business type category.

The results found that given a business that has a credit facility with a non-banking institution, the relative risk of that business falling within the ‘other’ business type category would be less likely, when the other variables in the model are held constant. According to this result, a business that has a credit facility from a non-banking institution is more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘other’ business type category. The results also found that given a business that has a credit facility with a non-banking institution, the relative risk of that business falling within the ‘motor services’ business type category would be less likely, when the other variables in the model are held constant. According to this result, a business that has a credit facility with a non-banking institution, is more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘motor services’ business type category. Both these findings are consistent with an earlier finding by Mahlutshana, which showed that small retail type businesses in townships prefer not to interact with the formal South African banking system (Mahlutshana, 2013).

The results found that given a business that has a loan from a bank, the relative risk of that business falling within the ‘other’ business type category would be less likely, when the other variables in the model are held constant. According to this result, a business that has a loan from a bank is more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘other’ business type category. The results also found that given a business that has a loan from a bank, the relative risk of that business falling within the ‘motor services’ business type category would be less likely, when the other variables in the model are held constant. According to this result, a business that has a loan form a bank, is more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘motor services’ business type category. Both these findings are inconsistent with the earlier result in chapter 4, which illustrated that only 16% of the businesses contained in the sample have access

to a loan from a bank.

The results found that given a business that has a loan from a non-banking institution, the relative risk of that business falling within the ‘other’ business type category would be more likely, when the other variables in the model are held constant. According to this result, a business that has a loan from a non-banking institution is more likely to fall within the ‘other’ business type category, relative to it falling within the ‘retail’ business type category. An earlier result showed that 84% of the respondents contained in the sample did not have a loan from a non-banking institution, which is consistent with Mahlutshana’s finding, as it showed that small business owners in township areas prefer not to make use of loans from external sources (Mahlutshana, 2013).

The results found that given a business that has a loan from a non-banking institution, the relative risk of that business falling within the ‘motor services’ business type category would be less likely, when the other variables in the model are held constant. According to this result, a business that has a loan form a non-banking institution, is more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘motor services’ business type category. This finding is also consistent with an earlier finding by Mahlutshana, which showed that small retail type businesses in townships prefer not to interact with the formal South African banking system (Mahlutshana, 2013).

In conclusion of this research question, out of the 5 financial elements that were studied, a tax registered business was found to be more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘other’ business type category. A business that is registered for tax was also found to be more likely to fall within the ‘motor services’ business type category, relative to it falling within the ‘retail’ business type category. A business that has access to a credit facility from a bank was found to be more likely to fall within the ‘other’

business type category, relative to it falling within the ‘retail’ business type category. A business that has a credit facility with a bank, was also found to be more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘motor services’ business type category. A business that has a credit facility from a non-banking institution was found to be more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘other’ business type category. A business that has a credit facility with a non-banking institution, was also found to be more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘motor services’ business type category. A business that has a loan from a bank was found to be more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘other’ business type category. A business that has a loan form a bank, was also found to be more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘motor services’ business type category. A business that has a loan from a non-banking institution was found to be more likely to fall within the ‘other’ business type category, relative to it falling within the ‘retail’ business type category. A business that has a loan from a non-banking institution, was also found to be more likely to fall within the ‘retail’ business type category, relative to it falling within the ‘motor services’ business type category.

5.5 Results pertaining to Research Question 3

This particular research question sets out to evaluate the manner in which the characteristics of a small business influence the lifespan, and therefore, the sustainability of that small business. The regression method used to evaluate this research question, is ordered logistic regression. The results for this regression were also interpreted in chapter 4.

The results found that the ordered logit for businesses that are registered for tax, having a longer lifespan is more than that of businesses that are not registered for tax, when the other variables in the model are held constant. This finding supports an earlier finding by Ferreira-Tiryaki, which illustrates that one important factor which is often overlooked by entrepreneurs who choose to establish informal businesses for tax avoidance purposes, is that by attempting

to remain undetected from the economy, usually means that informal businesses are likely to experience less support and more difficult trading conditions, thereby resulting in them having limited lifespans (Ferreira-Tiryaki, 2008). The finding also supports an earlier finding by Chen, which argues that formal businesses tend to have better access to resources and support structures, which makes them more sustainable than informal businesses (Chen, 2007).

The results found that a one unit increase in the business owner's level of highest formal education category would result in a decrease in the ordered log-odds of the business having a longer lifespan, while the other variables in the model are held constant. This result is consistent with an earlier finding by Parker, which showed that highly educated people prefer to pursue larger or formal entrepreneurship opportunities or other forms of non-entrepreneurial employment opportunities that may be available to them (Parker, 2009).

The results found that the ordered logit for businesses whose owners' have had business or managerial training, having a longer lifespan is less than that of businesses whose owners have not had such training, when the other variables in the model are held constant. This result is not consistent with an earlier result by Mbonyane and Ladzani, which argued that one of the main factors restricting the growth and prosperity of small businesses in township areas, was that most of the business owners had not been previously exposed to business/ managerial training (Mbonyane and Ladzani, 2011).

The results found that the ordered logit for businesses whose owners were employed when they started the business, having a longer lifespan is more than that of businesses whose owners were unemployed when they started the business, when the other variables in the model are held constant. A possible explanation for this finding is that business owners who were employed

elsewhere at the time of starting their business, were not motivated by a need to survive (necessity/ survival entrepreneurship). These were possibly entrepreneurs, who had identified a potential and therefore more profitable and sustainable opportunity in the market, which they wanted to pursue (opportunity entrepreneurship) (Harrington and Kew, 2008).

The results found that the ordered logit for businesses that have access to a credit facility from a bank, having a longer lifespan is less than that of businesses who do not have access to a credit facility from a bank, when the other variables in the model are held constant. The results also found that the ordered logit for businesses that have a loan from a non-banking institution, having a longer lifespan is less than that of businesses who do not have a loan from a non-banking institution, when the other variables in the model are held constant. Both these findings are consistent with the earlier result from Mahlutshana's findings, which showed that small businesses in township areas are often established and funded by the entrepreneur investing his/ her savings into the business, and not by making use of funds obtained from external loans or credit facilities (Mahlutshana, 2013).

Contrary to Mahlutsana's findings however, were the results which found that the ordered logit for businesses that have access to a credit facility from a non-banking institution, having a longer lifespan is more than that of businesses who do not have access to a credit facility from a non-banking institution, when the other variables in the model are held constant. It was further found that the ordered logit for businesses that have access to a loan from a bank, having a longer lifespan is more than that of businesses who do not have access to a loan from a bank, when the other variables in the model are held constant. These results are also contrary to an earlier finding by Ferreira-Tiryaki, which expressed the lack of funding and access to finance, as the most common factor restricting the growth potential of small businesses that operate in South

African townships (Ferreirra-Tiryaki, 2008).

The results found that an increase in the category of monthly profit generated by a business would result in an increase in the ordered log-odds of the business having a longer lifespan, while the other variables in the model are held constant. This finding is consistent with an earlier finding by Chen, which showed that the more profitable a small business is, the more sustainable and prosperous it is likely to be (Chen, 2007).

In conclusion to this research question, out of the 9 small business characteristics that were studied, a business that is registered for tax, was found to have a longer lifespan than one that is not registered for tax. An increase in the business owner's level of highest formal education category was found to result in a decrease in the ordered log-odds of the business having a longer lifespan. The ordered logit for businesses whose owners' have had business or managerial training, having a longer lifespan was found to be less than that of businesses whose owners have not had such training. The ordered logit for businesses whose owners were employed when they started the business, having a longer lifespan was found to be more than that of businesses whose owners were unemployed when they started the business. The ordered logit for businesses that have access to a credit facility from a bank, having a longer lifespan was found to be less than that of businesses who do not have access to a credit facility from a bank. The ordered logit for businesses that have access to a credit facility from a non-banking institution, having a longer lifespan was found to be more than that of businesses who do not have access to a credit facility from a non-banking institution. The ordered logit for businesses that have access to a loan from a bank, having a longer lifespan was found to be more than that of businesses who do not have access to a loan from a bank. The ordered logit for businesses that have a loan from a non-banking institution, having a longer lifespan was found to be less than that of businesses who do not have a loan from a non-banking institution. An

increase in the category of monthly profit generated by a business was found to result in an increase in the ordered log-odds of the business having a longer lifespan.

5.6 Conclusion

This chapter started off by reviewing and discussing various demographics that became apparent following the analysis of the collected data sample. These discussions were divided into four specific sections focussing on; business owners, business owners' preferences, the different types of businesses, and each business type's level of access to finance. The chapter then proceeded to discuss three specific research questions and their related regression results.

The first research question aimed to evaluate the manner in which an entrepreneur's demographics influence the decision that the entrepreneur makes in deciding on the type of business that the entrepreneur chooses to establish. Four demographic elements were studied, as to how they influence an entrepreneur's decision.

The second research question aimed to evaluate the manner in which an entrepreneur's level of access to finance influences the entrepreneur's decision on the type of business that the entrepreneur chooses to establish. Five financial elements were studied, as to how they influence an entrepreneur's decision.

The third and final research question aimed to evaluate the manner in which the characteristics of a small business influence the lifespan, and therefore, the sustainability of the small business. Nine small business characteristics were studied, as to how they influence the lifespan of a small business.

6 CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter begins by stating the findings of the study, as well as the conclusions drawn therefrom. This is followed by a section which looks at recommendations made for various stakeholders. The chapter is then concluded by a section which provides suggestions for future research.

6.2 Conclusions of the study

This study set out to evaluate the reasons for the choice that entrepreneurs make to establish small unregistered and informal businesses, in residential township areas that were previously reserved for black South Africans. One could have expected to see a change in the types of businesses formed in these areas, especially since so much of the township economic environment has evolved from what it used to be. One consideration was that since informal businesses have been shown to have shorter lifespans than formal businesses, it can be expected that informal businesses are unlikely to have a significant life-changing impact in improving the living-standards of their owners (Davies and Thurlow, 2010). Another consideration was that since formal businesses have better access to resources and support structures, which makes them more sustainable, it can be expected that formal businesses would be regarded as the preferred option (Chen, 2007). If this is true, then it can only mean that there are other important factors which continue to still make small informal businesses an attractive option for entrepreneurs.

Most of the respondents to the survey were found to be African, and the most common business type was found to be spaza-shop/ tuckshop operations. These results were consistent with Cant and Wiid's study, for which a possible explanation is that the popularity of retail type businesses in South African townships is due to the demand that exist for them. Although the competitive

landscape has changed due to foreign-owned small businesses and the establishment of large shopping centres, there still appears to be a viable market for small informal retail operations because the majority of households continue to spend large proportions of their income on food and groceries (Cant and Wiid, 2013).

Apart from retail type businesses which are equally shared between male and female business owners, there appears to be specific types of business that are more preferred by one gender than the other, regardless of the business owners' age. Education and managerial training were found to provide people with alternative non-entrepreneurial employment options, which makes it unlikely for them have an interest in establishing small businesses (Parker, 2009).

Tax avoidance, lower start-up capital requirements and cheaper operating costs were some of the reasons highlighted by informal business owners, as to why they prefer informal to formal businesses (Tipple, 2005). Some entrepreneurs believe that due to the heavy costs that come with running a successful formal business, they stand a greater chance of success by avoiding those costs and establishing informal businesses instead (Rolfe et al., 2010). This view was however found to have untintended consequences in the sence that the main reasons that informal business owners prefer to remain invisible form the authorities, are the same reasons that make it diffucult for informal businesses to gain access to financial and other forms of resource support that would enable them to grow and become more sustainable (Mahlutshana, 2013).

6.3 Recommendations

A recommendation to the entrepreneurs that operate small informal businesses in historically black South African township areas is to consider other forms of businesses, which have better accesses to resources and support structures, thereby making them more sustainable and profitable.

A recommendation to the communities that reside in historically black South African township areas is to support and promote all forms of entrepreneurship

and to recognise the importance of entrepreneurship and its potential for creating employment opportunities.

Many government initiatives through the DTI (Department of Trade and Industry) such as the BBSDP (Black Business Supplier Development Programme) and CIP (Critical Infrastructure Programme), which have been set up to promote and support small businesses, are primarily focused on offering financial support. A recommendation to the South African Government is to introduce more educational initiatives such as SEDA (Small Enterprise Development Agency), that are specifically directed at educating entrepreneurs about the various forms of businesses available to them, and most importantly to highlight the support structures and other benefits that go with the different forms of businesses, thereby providing the much needed non-financial support to accompany the financial support that is already provided.

A recommendation to large corporations within the private sector is to direct some of their corporate social responsibility focus towards entrepreneurs in historically black South African township areas, in the form of coaching and mentorship programmes that are specifically directed at building practical business management skills and experience for the entrepreneurs, thereby helping them to build more sustainable businesses.

6.4 Suggestions for further research

Most of the data used in this study was of a categorical nature. Further research could look at collecting more continuous data, which will allow for the use of a wider selection of data processing and data analysis techniques.

Due to time and resource limitations, this study only focused on evaluating a few factors that were suspected to have an influence on the business choices made by entrepreneurs. There are many other factors which further research could look to evaluate.

The research strategy adopted by this study was quantitative in nature. Further research could look at a qualitative research strategy, which would allow for

interview based data collection and analysis.

This study also focused on two specific township areas, with a limited sample of 200. Further research could look to expand this study to a much greater sample size. Further research could also look to expand this research to a much wider population, across many different townships.

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APPENDIX 1

Respondent's consent form (based on examples from the UK Data Archive (2009) and several UK universities).

My name is Tebogo Motshwane. I am a Master of Business Administration (MBA) Student at the Wits Business School. As part of my studies, I am doing research on the factors that make small informal businesses popular among entrepreneurs in historically Black South African townships. Completing this questionnaire will help me to complete this research.

I, the undersigned, have read and understood the Study consent form provided.

I have been given an opportunity to ask questions about the study.

I have been given adequate time to consider my decision and I agree to take part in the Study.

I understand that my personal details such as name and employer details will not be revealed to people outside of the Study.

I understand that my responses may be quoted in publications, reports, web pages, and other research outputs, but my name will not be used.

I agree to sign the copyright I hold in any material related to this Study to Tebogo Motshwane, in his capacity as the researcher.

I understand that I can withdraw from the Study at any time and that I will not be asked any questions about why I no longer wish to take part in the Study.

Name of Participant: _____Date:_____.

Researcher Signature: _____Date: _____.

APPENDIX 2

Research questionnaire

Demographic information					
Date of the survey					
Type of the business being surveyed					
Race of the owner	African	Coloured	Indian	White	Asian
Gender of the owner	Male		Female		
Age of the business owner	18-25	26-35	36-45	46-55	55 and over
Does the owner currently reside in the township?	Yes		No		
Is the owner South African?	Yes		No		
How many people are employed by the business?					
Is the business registered for tax?	Yes		No		
What is the owner's highest formal education level?	Below Matric	Completed Matric	Post Matric Certificate	Post Matric Diploma	Degree
Has the owner had any business/ managerial training?	Yes		No		
Has the owner formed another business in the past 5 years?	Yes		No		
Has the owner worked in another business in the past 5 years?	Yes		No		
Has the owner managed another business in the past 5 years?	Yes		No		
Was the owner employed at the time of starting this business?	Yes		No		
Does the business have access to a bank credit facility?	Yes		No		
Does the business have a credit facility from a non-banking institution?	Yes		No		
Does the business have a loan from a bank?	Yes		No		
Does the business have a loan from a non-banking institution?	Yes		No		
How long has the business been operating?	Less than 1 year	1-2 years	2-5 years	5-10 years	More than 10 years
How much money does the business make per month?	Less than R 1 000	R 1 000 - R 3 000	R 3 000 - R 5 000	R 5 000 - R10 000	More than R 10 000

Views and Perceptions					
Statements	Views and perceptions				
I opened this business because I did not have any other employment opportunity available to me.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I opened this business because I wanted to be a business owner.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I like being a business owner.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I had enough time to plan for my business before I opened it.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
The business is my main source of income.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I started the business so that I could supplement another source of income.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
If another employment opportunity became available, I would prefer that over this business.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
The business has grown over the past 5 years.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I prefer to operate my business from home because I feel that it is safer than operating away from home.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
There is a shopping centre located less than 5 kilometres away from my business.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I prefer to have an informal business because they do not have to pay tax.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I prefer to have an informal business because they do not have to comply with formal rules and regulations.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I prefer to have an informal business because they are cheaper to establish.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I prefer to have an informal business because they are easier to run.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I prefer to have a small business because I can work from home.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I prefer to have a small business because I can attend to business and personal tasks at the same time.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I prefer to have a small business because it allows me to have more flexibility with my time.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I prefer to have a small business because it is not so demanding.	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree

Views and Perceptions	
Statements/ Questions	Views and perceptions
What I like the most about my business, is…	
What I dislike the most about my business, is…	
If I could change anything about my business, I would change…	

APPENDIX 3: CONSISTENCY MATRIX

The problem is to establish the main factors that make small informal businesses popular among entrepreneurs in historically black South African townships.					
Main-problem	**Literature Review**	**Hypotheses or Propositions or Research questions**	**Source of data**	**Type of data**	**Analysis**
Main-problem	Parker (2009). (Ligthelm, 2010). Mbonyane and Ladzani (2011). Sookram and Watson (2008).	How do the demographics of an entrepreneur influence the entrepreneur's decision on the type of enterprise to establish?	Paper-based questionnaire	Nominal/ Categorical data and Ordinal data	Descriptive statistics, and Multinomial logistic regression.
Main-problem	Banerjee, Banerjee and Duflo (2011). (Ligthelm, 2010). Management Today study (2008). (Ferreira-Tiryaki, 2008).	How does an entrepreneur's level of access to finance influence his/ her decision on the type of enterprise to establish?	Paper-based questionnaire	Nominal/ Categorical data	Descriptive statistics and Multinomial logistic regression.

The problem is to establish the main factors that make small informal businesses popular among entrepreneurs in historically black South African townships.					
Main-problem	**Literature Review**	**Hypotheses or Propositions or Research questions**	**Source of data**	**Type of data**	**Analysis**
Main-problem	(Chen, 2007). (Jürgens & Donaldson, 2012). (Banerjee, Banerjee and Duflo, 2011). Ferreira-Tiryaki (2008). (Sookram & Watson, 2008). (Tipple, 2005).	How do the characteristics of a small business influence the lifespan of the business?	Paper-based questionnaire	Nominal/ Categorical data	Descriptive statistics and Ordered logistic regression.