

**Social capital and entrepreneurial performance of
Immigrant and South African entrepreneurs
-a comparative study between Immigrant and South African
Entrepreneurs in Kwa-Tsa-Duza**

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ABSTRACT

The ability of immigrants to craft successful livelihoods in the harsh economic climate that seems to overwhelm the local population has led to them being blamed for the unfortunate plight of South Africa's poor, with the result that there has been targeted violence on immigrants in recent years. Informal sector entrepreneurship is at the heart of this with immigrants said to be outperforming local entrepreneurs, and taking away the last option of earning an income. Entrepreneurship is quoted as the only lasting solution to the poverty and unemployment that plagues developing countries.

The ability of immigrants to succeed in a sector that is considered unproductive is worth investigating. In this study, cross sectional data is used to compare the antecedents of Entrepreneurial Performance between foreign Immigrants and South Africans. The findings are that, while both group's performance is affected by Entrepreneurial Action; South African performance is driven mainly by deprivation, a factor that has no effect on immigrants. This puts the recent explosive response of local entrepreneurs to immigrant competition into perspective, and necessitates interventions that will, not only curb further xenophobic violence, but up-skill local entrepreneurs and enable them to make a living out of informal sector entrepreneurship.

Contrary to popular belief, none of the population's performance was linked to Social Capital. There is no use allowing people into the country only to stifle their ability to sustain themselves. Immigrant Entrepreneurship is a reality that South Africa needs to embrace.

DECLARATION

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

Sikhumbuzo Maisela

Signed at

On the day of 20.....

DEDICATION

Ernesto Alphabeto Nhamuave; Marcus Nats; Muvo; Shaofic Shaof UI Alam; Thabo Owen Mzombe; Ayanda Dlamini; Emmanuel Sithole; The nameless bones in the Namib Desert and yesterday's, today's and tomorrow's names that will add to this list.

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In this process, I learned that I know so little, about very little.

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1 INTRODUCTION

1.1 Introduction

Entrepreneurship is the backbone of economic development. It drives innovation, generates wealth and creates jobs, and these are factors that improve living standards in a country (Altinay, Madanoglu, Daniele, & Lashley, 2012). In setting the American economy on a path to sustainable growth, the Obama administration prioritised high growth entrepreneurship by focusing on SME's as they are known to be the main drivers of the economy (Ligthelm, 2013). Through continuous innovation, SME's make a country globally competitive (Ligthelm, 2013).

The needs of a country vary according to its economic status, and entrepreneurial activity varies accordingly (Herrington & Kew, 2016). Herrington and Kew (2016) recommend that policy makers channel entrepreneurs towards sectors of the economy that are essential for growth. Factor and efficiency driven economy entrepreneurs are most prevalent in sectors that require low levels of skill and capital. 50% of South African early stage entrepreneurship is in the retail sector (Herrington & Kew, 2016) which, although appears to be saturated and in no position to add entrepreneurial value, can be looked upon as a pool of entrepreneurial talent (Callaghan & Venter, 2011; Von Broembsen, 2010).

Factor driven economies are characterised by labour intensive low human capital informal retail activity, while innovation driven economy entrepreneurs are concentrated in high skill industries that are technology driven (Herrington & Kew, 2016). Innovation driven economy entrepreneurial activity is mainly opportunity based, while survivalist entrepreneurship reigns in factor driven economies (Kelley, Singer, & Herrington, 2012). A third of South African entrepreneurs are not opportunity driven. They, instead, venture into entrepreneurship out of necessity (Ligthelm, 2013). The Global Entrepreneurship Monitor reports that fear of failure is rampant in innovation

driven states, but decreases with economic sophistication and that corporate entrepreneurship is most prevalent in developed countries because of the capacity of economies there (Singer, Amoros, & Arreola, 2015). High job availability in developed countries lowers entrepreneurial orientation while the scarcity of jobs in developing economies drives populations towards entrepreneurship (Ligthelm, 2013).

Subsistence farming and extraction businesses are dominant in factor driven economies while efficiency driven countries are industrialised and therefore offer more work opportunities (Kelley et al., 2012). Subsistence farming can be viewed as informal sector self-employment (Herrington & Kew, 2016), and individuals with exposure to it are likely to outperform better at self-employment than those that do not have such exposure. People from factor driven economies have higher informal sector efficacy than those from developed economies and when they migrate to richer economies, like South Africa's, they have the tendency to outperform locals in informal sector entrepreneurship (Herrington & Kew, 2016).

The post-apartheid easing of immigration restrictions and a weak regulatory framework in South Africa led to the growth of the urban population (Valji, 2003). This has not been matched by a parallel growth in the economy and the result is that unemployment has increased (Callaghan & Venter, 2011; Ntema & Marais, 2014). International immigrants and South African internal immigrants now employ themselves in the South African informal sector (Rauch et al., 2013). Xu and Palmer (2011) observed China harnessing the increased participation of the poor in the non-farm economy as that population migrated from rural to urban areas.

Refugees and asylum seekers were prohibited from self-employment until a recent court ruling that enabled them to engage in self-employment (De Jager, 2015). Now, market share, in the informal sector, is heavily contested between local and immigrant entrepreneurs (Basu & Altinay, 2002; Liedeman, Charman, Piper, & Petersen, 2013) and this has fed into anti-immigrant sentiments that have been linked to sporadic incidents of violence towards immigrants

(Charman, Petersen, & Piper, 2012). Entrepreneurs are attracted to the informal sector by low barriers of entry (Darbi, Hall, & Knott, 2016; Webb, Ireland, & Ketchen, 2014).

South to South immigrants, some of whom perceive business opportunities in the South African informal sector (Basardien, Parker, Bayat, Friedrich, & Appoles, 2014; Park & Rugunanan, 2010), contribute to the proliferation of this sector (Martinez, Cummings, & Vaaler, 2015). South to South Immigrants usually lack the resources to enter formal sector entrepreneurship in host countries because they are from poor countries, hence their over representation in informal businesses.

The nationalities that feature prominently in the South African informal retail sector are; Bangladeshi, Pakistani (Park & Rugunanan, 2010), Ethiopian (Gebre, Maharaj, & Pillay, 2011) and Somalis (Ram, Theodorakopoulos, & Jones, 2008). Bangladeshi and Pakistani immigrants flee population pressures from their home towns (Park & Rugunanan, 2010). The two countries each have populations of 180 million and 160 million respectively. South African cities are relatively calm and orderly compared to Bangladesh and Pakistani's (Park & Rugunanan, 2010). Ethiopians leave their country because of the challenges of poverty and lack of economic opportunities (Gebre, Maharaj, & Pillay, 2011). The Central Intelligence Agency reports the following net migration figures for Bangladesh, Ethiopia, Pakistan, Somalia and South Africa; 0.46/1000, -0.22/1000, -1.54 /1000, -8.49/1000 and 2.42/1000 respectively (positive figures indicate that a country is a net importer of people, while negative figures indicate the opposite) (Central Intelligence Agency, 2016a, 2016b, 2016c, 2016d, 2016e). These numbers clearly show that net migration between South Africa and these countries is skewed towards South Africa.

The choice of a host country depends on perceived opportunities and its accessibility (Gebre et al., 2011). Chirisa (2014); Khosa and Kalitanyi (2014) and Singh (2015) point out that the economic disequilibrium, that exists between countries, is the main driver of migration. This disequilibrium may result from a number of factors, the most prominent being the home country

political and economic environment (Park & Rugunanan, 2010). The attractiveness of South Africa is a result its political and economic environment. As the only country that pays welfare grants in the region, South African disposable incomes are higher and this increases the local population's capacity to consume products and services offered by home based businesses. This gives informal sector immigrant entrepreneurs' better economic prospects in South Africa than other countries in the region (Samson et al., 2002).

Immigrant entrepreneurship is not a new phenomenon in South Africa. Hughes (2007) told of the concern, in the 1900's, of prominent black leaders over the "invasion" of Indians in Natal, who were seen to be a threat to the economic future of the black population. This was mainly because they operated retail outlets where blacks were spending their earnings from labour provided to whites. Du Plooy, De Jager and Van Zyl (2012) stated that immigrant entrepreneurship finds fertile ground in South Africa because of the dual economy which is characterised by two classes; the dominant and subordinate. This, according to the middleman minority theory, provides an opportunity for groups that belong to neither class, to facilitate the interaction of the two groups through business (Khosa & Kalitanyi, 2015). This has led to the economic success of immigrant groups like the Chinese, Jews, Italians and Greeks in the United States (Fairlie & Robb, 2007).

Competition between immigrant and local entrepreneurs in the informal sector is driven by inherent differences between the two populations (Basardien et al., 2014; Hungwe, 2013; Singh, 2015). These differences affect attitudes toward entrepreneurship, and the manner in which certain groups mobilise resources (Aliaga-Isla & Rialp, 2013; Beckers & Blumberg, 2013; Sanders & Nee, 1996; Venter et al., 2015, p. 86). These differences manifest in Entrepreneurial Performance which, in the South African informal sector, is seen in immigrants out-performing their local counterparts (Charman & Piper, 2011; Masurel, Nijkamp, Tastan, & Vindigni, 2002; Rauch et al., 2013; Wennberg, Pathak, & Autio, 2013). With the Spaza population said to have doubled in a 5-year period, intense competition is one of the factors that undermine the ability of entrepreneurs in this space to grow (Perks, 2010).

Economic elements in the immigrant sending country as well as the environment in the host country influence the propensity of immigrants to enter and sustain themselves through entrepreneurship (Aliaga-Isla & Rialp, 2013; Beckers & Blumberg, 2013; Krueger, Liñán, & Nabi, 2013; Singer, Amorós, & Moska, 2014). Environmental factors are important to consider because they have the effect of pushing or pulling individuals to entrepreneurship (Paulose, 2011; Zhang, 2010), for example, through the theory of Disadvantage, we understand that the labour market discrimination that prevents the upward mobility of immigrants in host countries results in them choosing to self-employ (Barrett, Jones, & McEvoy, 1996; Lee, Tüselmann, Jayawarna, & Rouse, 2011), and that the same discrimination against immigrants, has an opposite effect on the local population since it works in their favour through job reservation. This is said to affect the self-employment preference of citizens (Singer, Amorós, & Arreola, 2015).

South African environmental considerations should include past legacies that led to the existence of two parallel economies through the spatial separation of races and the exclusion of the black majority from formal economic participation (Tustin & Strydom, 2006; Uys & Blaauw, 2006). One would expect this to have increased the informal sector efficacy of black entrepreneurs, enabling them to be competitive in the space (Herrington & Kew, 2016), instead, it appears that it may have led to complacency by providing them with a captive market and shielding them from market competition (Basardien et al., 2014; Charman et al., 2012; Ligthelm, 2008).

South Africa's transition to democracy propagated the black middle class (Ligthelm, 2008; Southall, 2004; Strydom, 2011; Tustin & Strydom, 2006) which has attracted retail investment in townships. The proliferation of retail chains has further reduced the informal sector market share (Basardien et al., 2014; Bisseker, 2006; Brogden & Shearing, 2005; Tustin & Strydom, 2006). A study conducted in the US found that the opening of a Walmart store was quickly followed by the closure of independent retailers in the immediate vicinity due to their inability to compete (Strydom, 2011). Malls have brought options that were

previously not available to township consumers with the result that the informal retailer's market share has been significantly undermined (Du Plooy et al., 2012).

The somewhat hostile competition between South African and foreign entrepreneurs in the informal sector validates calls to have the unchecked population increase in South Africa addressed as it strains the economy's already stretched resources (Olukoju, 2008). One way to achieve this would be to enable the meaningful participation of sectors like the informal economy in the mainstream economy (Du Plooy et al., 2012; Khosa & Kalitanyi, 2014; Ligthelm, 2004).

1.1.1 Developing country dilemma - informal sector jobs or unemployment

The size of the informal sector is determined by the country's regulatory framework and tax laws (Drennan, Kennedy, & Renfrow, 2005). Informality is encouraged by over-burdening regulation that inhibits the upward mobility of firms, making operating outside the regulatory framework attractive (Reeg, 2013; Schneider, 2002). Estimates put the number of people employed in the informal sector at about a third of the world's population and that the highest concentration of these are in developing countries (Ligthelm, 2013). In 2004, half the African population was living in poverty because of unemployment (Kieh, 2009) as most African governments have failed to meet the socio-economic needs of their people, to the extent that governments in some regions have become obsolete (Shortland et al., 2013).

Informality thrives in a weak regulatory environment or when governments intentionally ignore it due to its employment creation (Martinez et al., 2015). Schneider (2002) reported that over-regulation, a popular practice in transitional countries, increases formalization costs making informality attractive. South Africa's business registration process was found to be one of the most onerous (120/160) among the countries that participated in the GEM survey in 2015 (Herrington & Kew, 2016). South African formal entry barriers

were found to be among the highest in the world. This is a direct consequence of the past which led to the existence of two parallel economies by reserving formal business activities for the exploitation by whites, in the process, preventing the black population from accumulating the capital that would have enabled their participation in formal entrepreneurship (Bond, 1990; Uys & Blaauw, 2006). As a result, black entrepreneurship continues, to this day, to be predominantly informal (Charman, Petersen, Piper, Liedeman, & Legg, 2017).

Survivalist entrepreneurship is not unique to South Africa; it is a common phenomenon in developing countries (Burger, Mahadea, & O'Neill, 2004). This is due to poverty, unemployment and underemployment that characterise the economies of developing countries (Daka & Toivanen, 2014). Weak institutional capacity deters foreign investment and limits the growth of developing country economies. However, informal entrepreneurs are not deterred from bringing capital from their home countries. This capital is, however, hard to quantify because it does not go through regulated investment channels (Martinez et al., 2015).

Informal entrepreneurship is rife in Sub-Saharan Africa because the region has the highest unemployment and poverty levels in the world (Herrington & Kew, 2016). This limits economic options to the informal sector where the industry of choice is retail (Daka & Toivanen, 2014). In South Africa, the informal sector is usually a temporary relief for the unemployed while they seek formal employment (Khosa & Kalitanyi, 2015; McKeever, 2006; Naidoo & Fenyes, 2003). Entrepreneurs here lack the characteristics of productive entrepreneurship and this makes it hard for enterprise development policy initiatives to be effective, the informal sector does provide jobs to people until something better comes through (Ligthelm, 2013).

1.2 Purpose of the study

The purpose of this research is to compare the Entrepreneurial Performance between South African and Immigrant Entrepreneurs. The study examines the

antecedents of entrepreneurial performance among the two populations. Scholars have indicated that conducting a study in this field may benefit the country by, among other things, bringing an understanding to a sector of the economy that is shrouded in mystery yet it is a significant contributor to the welfare of the population; opening doors that would enable actors in the sector to sustain themselves through informal entrepreneurship; and fostering social cohesion by enabling interventions that may ease tensions between local and immigrant entrepreneurs (Charman & Piper, 2011).

The comparison between the populations considers a number of factors like the different societal positions of the two groups in the local environment, and the backgrounds of the different groups. These are factors that are believed to be influential in the performance of the different groups in the informal sector. Findings may provide an understanding of the factors behind the superior performance of certain groups of others; factors that can be taught to the less performing groups.

1.3 Context of the study

1.3.1 The Importance of Informal Sector Entrepreneurship in South Africa

The study is driven by the socio-economic issues that necessitate the self-employment of the black population. South Africa is one of the most unequal states in the world (Central Intelligence Agency, 2016e) and the black majority are the most disadvantaged. This status quo needs to be addressed as it is not in the best interest of the nation. The promotion of entrepreneurship should start where entrepreneurs have already established themselves. This would be the more effective than targeting inexperienced people as practicing entrepreneurs demonstrate Personal Initiative, a key Entrepreneurial trait (Preisendoerfer, Bitz, & Bezuidenhout, 2014). Extreme suggestions of leveraging informal sector entrepreneurship have been made in the US where the entrepreneurial traits of drug dealers have been considered for channelling into productive businesses

(Fairlie, 2002). In South Africa, The informal sector is a place where black entrepreneurship may be promoted (Ligthelm, 2013).

1.3.1.1 South Africa's unemployment and poverty woes

The South African government's goal to halve poverty over a 10 year period (Van Rooyen & Antonites, 2007) has not been achieved, with the result that the black population remains marginalised (Klasen & Woolard, 2009) and makes up a disproportionate majority of the twelve million South Africans that are trapped in poverty (Mamabolo, 2015). Green, Kirpatrick, and Murinde (2006) gave an interesting perspective to poverty by describing it as; vulnerability and lack of basic security that, disables the performing even the basic of activities. Poverty breeds social ills that undermine the economic progress of a country (Samson et al., 2002). Bond (2015); Loustel (2011) and Peters (2001) argue that an effective way for developing countries to deal with poverty is by transitioning from welfare to workfare. The creation of quality jobs is a serious challenge in South Africa (Grimm & Paffhausen, 2015). The self-employment option that the informal sector makes available to the population must, therefore, be explored (Kingdon & Knight, 2001; Klasen & Woolard, 2009).

The importance of entrepreneurship cannot be over-emphasised, especially in the face of the current sluggish economic growth in the global economy (Ligthelm, 2013). A high number of entrepreneurs, in an economy, increases the chance of economic development and job creation (Bond, 2015; Burger et al., 2004). It is also the most promising tool for poverty alleviation among the disadvantaged and marginalised (Drennan et al., 2005; Ligthelm, 2003).

1.3.1.2 The Need for Black Economic Participation

There is a limit to the extent of redistribution that can be achieved by sharing existing resources, hence the ineffectiveness of the reconstructive policies of the post-apartheid state (Moodley & Adam, 2000; Pieterse, 2007; Southall, 2004). The programmes that the state has fostered are not entrepreneurial in nature as they do not allow the involvement of black people in the operational aspects of businesses. These programmes, instead, promote tokenism and

parasitism, which further undermines black entrepreneurship (Southall, 2007). South African black entrepreneurship is also limited by the unavailability of networks (Urban, 2011). There is, therefore, a need for a paradigm shift on the pursuit of black economic participation.

1.3.2 The informal Retail Sector

This paper examines a sector of the economy that has been linked to the recent incidents that have drawn negative international attention (Adam & Moodley, 2015). It is a sector where many of the country's poor and unemployed are concentrated (Ligthelm, 2013). Herrington and Kew (2016) found that chronic unemployment and high income inequality in South Africa are a result of the economy's failure to create jobs at the required rate. This, and the failure of reconstructive policies, has only enabled the transformation of this new nation at the top, while the bottom sinks in poverty (Central Intelligence Agency, 2016e; Moodley & Adam, 2000; Southall, 2004). The sluggish performance of the global economy indicates that employment prospects will continue to decline and this will necessitate that citizens learn to self-employ (Ligthelm, 2013).

The informal sector was one of the few means of economic participation for blacks during the apartheid era (Steyn, 2008). Basardien et al. (2014) and Ntema and Marais (2014) reported growth, in the informal sector, that was eight times that of the formal sector, in the period between 2001 and 2006, and that this provided a safety net to the country's poor by absorbing the unemployment shock. With about a third of Gauteng's population residing in informal settlements, it is only sensible that the sector be enabled to continue serving the needs of the poor by making it an important part of the urban economy (Steyn, 2007; Tokman, 2007; Uys & Blaauw, 2006).

Even though the South African informal sector is the lowest in comparison to similar economies, it accounts for at least 13% of the South African labour force who contribute to the lives of about 15 million people (Charman, Petersen, Piper, Liedeman, & Legg, 2017;). It is also an integral part of the economy and

is growing at a rapid pace (7% annually) (Du Plooy et al., 2012; Ligthelm, 2003). In Zimbabwe, it provides 90% of the employment, and around the world, people employed in the informal sector outnumbered those employed in the formal sector in 2012 (Chirisa, 2014; Daka & Toivanen, 2014). The importance of this sector looks set to increase in the future as employment opportunities decline (Ligthelm, 2013). This sector, therefore, deserves policy attention as it may be one of the few means of enabling South Africa's poor to participate in the economy or to give them something worthwhile while they await better opportunities (Naidoo & Fenyes, 2003).

Van Rooyen and Antonites (2007) established that the informal sector drives local economic activity by creating jobs in the local setting and opening up the locality to the global economy. Informal businesses do not only enable households to make ends meet, but enable communities to create economic relationships, for example, a local Shisa nyama attracts customers for the local tavern (Oldfield, 2014). The informal sector is teeming with early stage entrepreneurs, self-starters who demonstrate entrepreneurial orientation by choosing this discipline in an environment where other options, like crime, are available.

The volume of activity that goes through the informal sector also makes it a sizable tax base (Ligthelm, 2013; Ligthelm & Masuku, 2003; Ramachandran & Shah, 1999). Home based businesses are estimated to make up to 60% of the South African informal sector (Rogerson, 2008; Smit & Donaldson, 2011). Von Bormann (2005) reported that the combined revenue of Spaza shops exceeded that of South Africa's branded retail chains in 2005. This made it an important delivery channel for formal sector goods (Ligthelm, 2004). The informal sector may also be an outlet for criminality, as reported in Ramachandran and Shah (1999), where incidents of tax evasion and economically harmful rent seeking behaviour of entrepreneurs have been reported. Omeje and Mwangi (2014) projected that up to 20,000 Somali and Ethiopian immigrants are smuggled into South Africa annually through the informal sector.

Martinez et al. (2015) claim that the contribution of the informal sector, especially to job creation, is such that if it were to stop functioning, the effect would be felt through a sudden increase in unemployment. Eliminating the informal sector under prevailing conditions would, therefore, offload multitudes from economic participation, leaving them with only crime as an option (Rogerson, 2008). Enabling the economic participation of the unemployed is another important role that the informal sector plays (Naidoo & Fenyes, 2003). Callaghan and Venter (2011) argue that this may be further enhanced through enterprise development policies that may enable the incorporation of this sector into the mainstream economy. It has been demonstrated that, with the right programs, informal sector businesses can transition into the formal sector by climbing the entrepreneurial ladder (Von Broembsen, 2010). Somalia is a demonstration of the informal sector's potential to sustain the economy even in the absence of a state (Leeson, 2007). Von Broembsen (2010) argues that formal businesses graduate from informality, meaning that every business has its roots in the informal sector.

The embeddedness of the informal sector in poor communities makes it an ideal vehicle for equitable economic redistribution as well as an effective channel with which to fight unemployment (Perks, 2010). In a country where poverty and disease are a reality, the informal retail sector has a role to play as it is mainly made up of the sale of food products, meaning that it helps the poor to access food that they require for their nutritional sustenance (Tustin, 2004).

1.3.3 South African Activity in the Informal Retail Sector

Even though home businesses are survivalist in nature, they are resilient and look set to become a permanent feature of the South African economic arena (Du Plooy et al., 2012). Home based businesses grew even more when unemployment rose in the 1980s (Rogerson, 2008). During the recession in 2008, there were an estimated 355,000 home based businesses accounting for 13% of the population (Rogerson, 2008). A direct consequence of Apartheid's exclusion of blacks from meaningful economic participation was the inability of blacks to acquire business skills and accumulate capital (Riley, 1993). The

Spaza, a home based retail micro enterprise became popular among black entrepreneurs during the apartheid era when home based businesses were illegal to operate (Riley, 1993).

Spaza shops are relevant because of the value they provide to the community. Their growing clientele is propagated by the significant number of low income households in South Africa (Li, 2001; Strydom, 2011) who take advantage of their convenience and accessibility (Du Plooy et al., 2012; Ligthelm, 2003). As the last leg of the distribution channel, they create value by making available an assortment of products, maintaining the availability of stock and breaking bulk to sell products in affordable units. All this reduces the buying costs for customers as they buy as and when they need the product (Ligthelm, 2008). This is a benefit that retail chains are unable to provide to consumers (Ligthelm, 2008). Tladi (2003) found that nearly all township residents are Spaza customers and that 75% visit Spazas daily. Spaza shop owners, however, struggle with; poverty, unreliable incomes and credit unavailability and this limits their ability to accumulate income and expand their businesses (Oldfield, 2014). Conventional knowledge dictates that retail chains pass, to their customers, the favourable prices they negotiate with their suppliers. However, they do so as long as they need to drive out the competition, and soon revert to pricing that ensures maximum returns to their shareholders (Ravhugoni & Ngobese, 2010). The corner shop, therefore, has its position in the market and will stay relevant despite the encroachment of retail chains (Ishaq, Hussain, & Whittam, 2010; Oldfield, 2014; Rogerson, 2008).

1.3.4 Immigrant Activity in the informal Retail sector

Globalisation and political unrest have propagated immigration (Lindley, 2010), therefore, the threat of immigrant competition will remain present to South African entrepreneurs especially because of the country's better economic standing in the region (Gebre et al., 2011; Hungwe, 2013). The recent attacks that were targeted at immigrants indicate that this needs to be addressed (Rogerson, 2015). The inability of the country to provide welfare to immigrants

also necessitates that immigrant self-employment be enabled (De Beer, 2014; De Jager, 2015; Van Gelderen, 2007).

Kimhi (2010) and Singer et al. (2015) link South Africa's entrepreneurial under-performance to the inferior entrepreneurial traits of the local population. They posit that this exacerbates unemployment and poverty in the country, and argue that local entrepreneurs would benefit by learning from immigrants. Fatoki and Patswawairi (2012) and Ligthelm (2004) suggested that immigrant entrepreneurship be looked upon to drive job creation through the self-employment of locals, arguing that policy developers can use the entrepreneurial skills of immigrants to teach local entrepreneurs better ways of running informal sector businesses. Building on this rationale, this study intends to facilitate this process by comparing the entrepreneurial performance of the immigrant and local groups.

Even though immigrant entrepreneurs are accused of maintaining their competitiveness by engaging in practices like evading tax, non-adherence to labour laws and the employment of vulnerable illegal immigrants, amongst others, they contribute to the community by making products cheaper (Lyon, Sepulveda, & Syrett, 2007; Ntema & Marais, 2014; Singh, 2015). They use competitive practices to outperform locals. Arif (2013) submitted that competition drives progress in a complacent space and that new entrants force incumbents to improve their standards. What we are seeing in the Spaza space today is a similar phenomenon where locals who have had a protected market are now faced with a different breed of competitor who is willing to give more value to customers. The effort that immigrants put into their businesses enables their superior performance. They reinvest in their businesses, making them grow faster and become more competitive (Khosa & Kalitanyi, 2014; Oldfield, 2014).

The superior performance of immigrants has earned them a higher social standing that has been received with jealousy by local entrepreneurs (Park & Rugunanan, 2010; Rauch et al., 2013). Singh (2015) reports that 70% of locally owned shops close within a period of fourteen months of the opening of an

immigrant shop in the same area. The saturation of the Spaza market by foreign entrepreneurs has, however, resulted in unhealthy overtrading (Bond, 2015). Aggressively competitive groups like Somalis (Callaghan & Venter, 2011) compete on price and mainly derive their income from volumes. They grow their businesses to levels that mimic retail chains (Basardien et al., 2014; Omeje & Mwangi, 2014).

Pro-activeness is cited as the main characteristic of an entrepreneur (Altinay et al., 2012; Beckers & Blumberg, 2013; Frese, Hass, & Friedrich, 2016; Preisendoerfer, Bitz, & Bezuidenhout, 2014) and immigrants are said to demonstrate high pro-activeness by first choosing to leave the stifling environments of their home countries and exporting themselves to places where they can engage in entrepreneurship (Friedrich, Glaub, Gramberg, & Frese, 2006). Scholars posit that entrepreneurship differs according to ethnic group and that this manifests in differences in their entrepreneurship (Basardien et al., 2014; Khosa & Kalitanyi, 2014; Seaman, Bent, & Unis, 2016).

1.3.5 The inability of South Africans to compete with immigrants

The lack of cooperation in the black community in South Africa may be attributed to traits that were learnt over the colonial and apartheid years (Bähre, 2007; Moodley & Adam, 2000). The anchoring of blacks in the homelands and their temporary settlement in townships prevented the development of lasting cooperative relationships among township dwellers (Bezuidenhout & Buhlungu, 2011; Bond, 1990; Geldenhuys, 1981). Today's dearth of networks in the black population may be attributed to this (Bezuidenhout & Buhlungu, 2011; Crush, 1994).

Ethnolinguistic differences may be preventing network formation in South Africa (Urban, 2012), for example, the biggest township in South Africa was divided according to tribal lines with Sotho's, Nguni's, Venda's and Tsongas living separately in the township (Seekings, 1988). Seekings (1988) pointed out that the township was further stratified according to class and that relations, in the affluent districts of Soweto, mimicked a Euro-American individualistic style.

Blacks in these areas emulated the non-committal relations of white Suburban life which severely undermined social cohesion and strengthened insecurities about self-worth (Bruce, 2006). Geldenhuys (1981) and Mosoetsa (2004) posit that divisions among blacks are remnants of colonialism and apartheid divide and rule tactics. The effects of these were demonstrated during the struggle for freedom when the black liberation movements were in constant opposition despite having the same foe. Un-cooperativeness of black entrepreneurs in the informal sector is a further demonstration of these traits that now seem to be part of modern black culture (Chirisa, 2014). They affect black social relations in every sphere and are now exposing local entrepreneurs to competition from immigrant entrepreneurs in the informal sector (Ngiba, Dickinson, & Whittaker, 2009).

1.3.6 The threat of xenophobic violence

Most governments perpetuate the narrative that immigrants contribute to the hardships of local populations. This is usually done to mask government failures to deliver services to their people (Sims, 2013). The passing of a licencing bill that will limit the free reign of foreign business in the South African informal sector may be viewed as xenophobia (Rogerson, 2008). This is a stance that was taken by most post-colonial governments who attempted to indigenise their economies and reserve business opportunities for their citizens (Collins, 2012; Segatti, 2015).

Unrealistic promises and failure to implement inclusive empowerment programmes have left South Africa's poor more than prepared to cause trouble in the process of advancing their interests (Freund, 2010; Olukaju, 2008). The violence that has been targeted at immigrant entrepreneurs is a sign that the possibility of an all-out assault on immigrants is not a remote possibility (Adam & Moodley, 2015; Ntema & Marais, 2014; Tella, 2016; Tshishonga, 2015; Valji, 2003). The country's poor are dissatisfied and frustrated, and they do not have an outlet to vent their anger (Mothibi, Roelofse, & Tshivhase, 2015). The proximity of immigrants to the country's poor makes them an easy prey for disgruntled locals (Tella, 2016). Oppressing vulnerable immigrants gives poor

South Africans, who have suffered years of oppression, a rare opportunity to experience superiority (Bruce, 2006; Moodley & Adam, 2000).

Xenophobic tendencies are not unique to South Africa. Suspicion of strangers is widespread and anti-immigrant behaviour is rampant around the world (Moodley & Adam, 2000). Olukoju (2008) stated that successful alien groups are envied and resented in most African countries. In the UK, where immigrants have, for long time, had the right to self-employ, they are stigmatised and deprived of resources and opportunities (Lyon et al., 2007). In other developed countries like the United States of America, where immigrants have access to social welfare, they are often viewed as a burden to the state and laws have been enacted to limit their reliance on social services (Musterd, Andersson, Galster, & Kauppinen, 2008). This attitude of authorities towards immigrants sends mixed signals to local citizens and has led to the marginalisation of immigrants in many host countries. In South Africa, where immigrants have become successful in informal sector entrepreneurship, they are perceived as the reason for the failure of local entrepreneurs, and this has been used to justify the violent actions against them (Adam & Moodley, 2015; Charman & Piper, 2011).

Poverty also contributes to the social relations that play themselves out in violence (Bähre, 2007). Rich people are insulated from violence while the poor come face to face with its realities (Shortland, Christopoulou, & Makatsoris, 2013). With a healthy bank account, conflict disappears, but there is no cohesion in poverty (Moodley & Adam, 2000). Violence limits the freedoms that are necessary for economic development (Mamabolo, 2015). It undermines trust in the ability of the state to secure rights and freedoms of the population (US Department of State, 2016). This can be seen in immigrant's lack of faith in the South African justice system which they demonstrate by the low rate of reporting crimes committed against them (Gastrow, 2013).

1.3.7 Disjuncture in knowledge and practice

Although a number of studies have been conducted on immigrant and local informal sector entrepreneurship, a knowledge gap exists because only a few have compared the two groups, with the result that the antecedents of entrepreneurial performance of the two groups are not well understood (Chand & Ghorbani, 2011; Rajiman & Tienda, 2000; Ranja, 2003). As a result, scholars rely more on theory to explain differences in entrepreneurial performance. This approach fails to recognise other factors that may be applicable, especially when two groups are in direct competition with each other as is the case between South African and immigrant informal sector entrepreneurs.

Immigrant self-employment in the informal sector is rampant in South Africa (Fatoki & Patswawairi, 2012; Radipere, 2013). As governments are unable to regulate the informal sector, it is not well understood how this phenomenon impacts the local economy, especially the local entrepreneurs that are operating in the sector (Ntema & Marais, 2014). Recent studies indicate that immigrants out-compete locals, but it is not known how and to what extent (Fatoki & Patswawairi, 2012; Gebre et al., 2011). The flow of resources within this type of entrepreneurship is also not well understood with the result that government constantly finds itself failing to enact progressive policies for this sector (Martinez et al., 2015).

It is also not well understood whether the two groups enter entrepreneurship for the same reason, whether they are both survivalist or opportunity driven, or whether one is opportunity driven while the other is survivalist (Ligthelm, 2013). It is important to understand this because promoting the wrong kind of entrepreneurship would lead to economic failure (Ligthelm, 2013). Understanding this would enable the creation of an environment that will help survivalist entrepreneurs to upgrade to opportunity entrepreneurship (Basardien et al., 2014).

Due to unemployment and the ineffectiveness of distributive policies, poverty has worsened in South Africa and this has necessitated that citizens self-

employ (Herrington & Kew, 2016). The informal sector may be in a position to enable the self-employment of South Africa's unemployed, yet it is shrouded in mystery, despite accounting for a sizeable portion of the country's retail industry (Ligthelm & Masuku, 2003). The ability of certain groups to sustain themselves in a sector that has been thought to be unproductive and therefore overlooked must be taken as an opportunity to explore the promotion of self-employment among the country's poor (Charman et al., 2012).

Studying the two groups independently prevents the comparing of apples with apples. This study fills this gap by comparing the factors that impact entrepreneurship of the two groups in the same environment and at the same time. This provides an understanding of how these groups use their inherent differences to deal with the same market factors.

1.4 Problem statement

1.4.1 Main problem

The ability of some populations, especially immigrant groups, to earn a living through the informal sector needs to be understood (Omeje & Mwangi, 2014). This may be done by examining the factors behind the Entrepreneurial Performance of both immigrant and South African entrepreneurs.

The main problem of the study is; to **compare the Entrepreneurial Performance of the Immigrant and Local populations.**

1.4.2 Sub-problem1

Entrepreneurial Intention pulls people to entrepreneurship where their Entrepreneurial Action translates to Entrepreneurial success or failure (Beckers & Blumberg, 2013; Rauch et al., 2013; Wennberg et al., 2013). The study's first sub-problem entails investigating the effect, on performance, of actions taken by

entrepreneurs in application of their intentions to enter entrepreneurship. It is stated below.

The study will compare the effect of Entrepreneurial Action on the Entrepreneurial Performance of Immigrants and South Africans.

1.4.3 Sub-problem 2

Immigrants and locals alike, require resources to enter entrepreneurship and the magnitude of resources that individuals can access depends on their networks (Beckers & Blumberg, 2013; Venter et al., 2015). Entrepreneurs find each other, cooperate and create networks that provide them the resources they need for entrepreneurship (Burt, 1993; Loustel, 2011). This brings us to our second problem which is stated below.

The study will compare how Entrepreneurial Action impacts the formation of networks that provide immigrant and South Africans the Social Capital they need for their Entrepreneurial Performance.

1.4.4 Sub-problem 3

Practicing entrepreneurs challenged by the unavailability of resources required for entrepreneurship may be forced to cooperate and create networks that would provide them with these resources (Burt, 1993; Loustel, 2011), meaning that entrepreneurs would mitigate the unavailability of resources through Social Capital. Welter (2012) posits that sharing hardships, especially in a foreign setting, reinforces national identity among immigrants, resulting in a cooperative spirit. This means that being deprived of opportunities and resources may force actors to create opportunities and provide resources for themselves through networks. The study's next sub-problem is coined around this and can be stated as; **to compare the effects of Deprivation on the Social Capitals of Immigrants and South Africans.**

1.4.5 Sub-problem 4

Practising entrepreneurs cooperate and create networks that provide them the resources they need for entrepreneurship (Burt, 1993; Loustel, 2011). Networks are enablers of entrepreneurial entry and performance to the extent that the relationship between Entrepreneurial Action and Entrepreneurial Performance is said to flow through Social Capital (Adato, Carter, & May, 2006; Aliaga-Isla & Rialp, 2013; Katila & Wahlbeck, 2012; Lee et al., 2011; Sanders & Nee, 1996). This leads to the next problem of the study which is stated as; **to compare, between the two populations, the flow of Entrepreneurial Action to Entrepreneurial Performance through Social Capital.**

1.4.6 Sub-problem 5

Awareness of limited self-sustenance options forces entrepreneurs to make a success of entrepreneurship (Paulose, 2011; Zhang, 2010). Being deprived of opportunities, therefore, impacts the relationship between Entrepreneurial Action and Entrepreneurial Performance. Here, Deprivation reinforces the translation of Action to Performance. The study investigates this by **comparing, between the two populations, deprivation's impact on the relationship between Entrepreneurial Action and Entrepreneurial Performance.**

1.4.7 Sub-Problem 6

The harsh economic environment that is characterised by job scarcity for the local population (Central Intelligence Agency, 2016e), and the blocked upward mobility of immigrants (Ishaq et al., 2010) necessitates their self-employment and Entrepreneurial Performance (Beckers & Blumberg, 2013; Rauch et al., 2013; Wennberg et al., 2013). As a result, the study will **compare Deprivation's direct effect on the Entrepreneurial Performance of the two populations.**

1.5 Significance of the study

The tendency of developing country governments to pursue policies that are not in the best interest of their economies can be blamed on ignorance of the factors that affect the economic landscapes of their countries (Collins, 2012), for example, the Black Economic Empowerment system that is currently being implemented in South Africa, was adopted from similar programmes in the United States and Malaysia, countries that have a different economic landscape to South Africa (Southall, 2007). The failure of this programme to achieve its intended goals may be attributed to the lack of understanding, by policy makers, of the socio-economic needs and landscape of South Africa (Southall, 2007).

The lack of appreciation of the informal sector is seen in the negative attitude of the government towards the informal sector which is demonstrated in anti-informal sector regulation and the marginalisation of this sector, despite its proven ability to create jobs (Tshishonga, 2015). This indicates a lack of understanding that can only be attributed to ignorance. The research hopes to provide guidance by presenting relevant information from results of a study conducted in a South African setting.

Protectionist and economic indigenisation policies that saw the expulsion of Asian entrepreneurs in Uganda failed miserably and undermined the economic growth of that country (Collins, 2012; Segatti, 2015). Policy decisions, like the passing of the licencing bill which is aimed at curbing the free reign of immigrant entrepreneurs in the South African informal sector (Rogerson, 2015) should not be based on trial and error, but be steeped on solid evidence. The study will contribute to the literature required to enable this.

Theories used to study immigrant entrepreneurship are based on South to North migration (Drever & Hoffmeister, 2008; Li, 2001; Rajjman & Tienda, 2000) and may, as a result, fail to explain this phenomenon in South to South migration where immigrant entrepreneurs find themselves operating in sectors that are already occupied by locals (Martinez et al., 2015). Theories like the labour market disadvantage theory explain how deprivation in a host country

forces immigrants to self-employment (Lee et al., 2011), but do not consider how, in some cases, especially in South to South migration, the local population may be equally or even more disadvantaged than the immigrant population (Martinez et al., 2015).

Enterprising immigrants can also be better understood when compared with their local counterparts. This study does exactly that and considers factors like the socio-economic settings of the immigrant sending countries in comparison to those of the host country. The process of immigrating is, on its own, fraught with challenges and obstacles that may affect the entrepreneurial abilities of those that go through it (Lumpkin & Dess, 1996). South to South migration often exposes immigrants to harsh experiences (Omeje & Mwangi, 2014) that may increase their tolerance levels, making them adaptable and more resilient to challenges than the local population (Basu & Virick, 2008). Difficulties experienced in life teach people to adapt easily, making venturing into business less challenging to people who have experienced hardships than to those who have always had stability (Drennan et al., 2005). The process of immigrating involves significant risk (Lumpkin & Dess, 1996). Risk taking is a key trait that is required in entrepreneurship (Bond, 2015). The experiences that the black population of South Africa went through may have left traits that are impacting South African entrepreneurial orientation, action and performance (Burger et al., 2004). The method used in this study will enable the comparing and contrasting of the factors discussed above on the two populations. This may provide information that will enable a deeper understanding of entrepreneurship.

1.6 Delimitations of the study

- **Specific market sector**

The study covers entrepreneurs that conduct business activities that are partly or wholly outside state observation, taxation and regulation (Chirisa, 2014), and activities that do not contribute to the calculated Gross National Product of the country (Tustin, 2004). Liquor retailers are excluded as most immigrants are

barred by their religious beliefs from trading in liquor products (Charman, Petersen, & Govender, 2014; Ntema & Marais, 2014).

- **Organisation type**

The study is restricted to home based independent retailers, commonly referred to as Spaza shops, that operate home based businesses within fixed premises. Hawkers and street vendors are excluded from the study, instead, only businesses that service the local community with daily essentials are considered.

- **Level of Respondent**

Owners of business are the focus of the study as the variables being measured are mainly concerned about the behaviour and actions of business owners.

- **Methodology**

The quantitative research methodology was used in the study.

- **Geography from which sample was drawn**

The sample was drawn from three adjacent townships in the municipality of Ekurhuleni. These townships are known by the shortened name of Kwa-Tsa-Duza which stands for Kwa-Thema, Tsakane, and Duduza. The Ekurhuleni Municipality is one of the main municipalities of the Gauteng region. This makes the area ideal for the conduction of the study as it is representative of the South African urban landscape (Bond, 1990). The population of the area is estimated at 333, 528 (Statistics South Africa, 2015). The unemployment rate of Ekurhuleni was reported to be 40 per cent compared to an overall average of 35 per cent for the rest of the province (Machaka & Roberts, 2006). One can therefore expect more informal sector activity in this area than in the rest of Gauteng.

1.7 Definition of terms

The study's key terms are; Culture, Deprivation, Disadvantage, Entrepreneurial Action, Entrepreneurial Performance, Informal sector, Retail, Social Capital, and Spaza. They are defined below.

- **Culture**

Krueger et al. (2013) define culture as shared values and beliefs that influence the behaviour of people within a specific region or environment.

- **Deprivation**

Loustel (2011) defines deprivation, or disadvantage, as the inability to access opportunities either because of discrimination, stigmatisation or other methods that block the upward mobility of certain population groups. This has the effect of marginalising certain groups and relegating them to lower forms of earning a living.

- **Entrepreneurial Action**

Undertaking entrepreneurship by acting on one's intention to become an entrepreneur is Entrepreneurial Action. Action requires pro-activeness and the willingness to exploit opportunities by taking the necessary steps (Preisendoerfer et al., 2014). Action oriented people are not passive; they exploit opportunities optimally by taking the necessary actions. Culture and prior experience affects the orientation of people toward action (Kimhi, 2010).

- **Entrepreneurial performance**

Fatoki and Patswawairi (2012); Rehn, Brännback, Carsrud, and Lindahl (2013); Spigel (2013) teach that Entrepreneurial Performance is the growth or decline of a business. The rate of change in the number and value of transactions (sales), the number of employees in the business, and the use of income generated from the existing business to fund the establishment of other businesses are usually used as proxies to measure entrepreneurial performance (Edelman, Brush, Manolova, & Greene, 2010; Murphy, Trailer, & Hill, 1996).

- **Informal sector**

The informal sector covers unregistered businesses (Basardien et al., 2014) and businesses that are involved in activities that are partly or wholly outside state observation, taxation and regulation (Chirisa, 2014). It also covers activities that do not contribute to the calculated Gross National Product (Tustin, 2004). Businesses may be registered and still operate in the informal sector if they meet one of the above conditions.

- **Retail**

The retail sector comprises businesses that derive more than 50% of their revenue from goods sold to the public for household consumption (Tustin, 2004).

- **Social Capital**

Venter et al. (2015, p. 86) define Social Capital as network embedded stock that has the potential to yield future returns. It enables entrepreneurial entry and performance, and may be inherent in some ethnic groups, because of their cultures, or necessitated by the environment in groups that lack cooperative cultures (Burt, 1993).

- **Spaza**

This word is taken from local slang that means hidden, and was coined around the operation of illegal informal retail shops by black people during the Apartheid era (Riley, 1993). Spazas are home-based grocery businesses that service the local community with daily essentials (Charman et al., 2012).

- **Values**

Values refer to the maintenance of certain beliefs that drive people to the pursuit of desired outcomes instead of the acceptance of undesired outcomes (Morris, Schindehutte, & Lesser, 2002). Values determine preferences, usually positive, over others; usually negative (Morris et al., 2002). Values are a product of culture (Morris et al., 2002).

1.8 Assumptions

The assumptions of the study are that:

- An equal comparison of the variables; Entrepreneurial Action, Entrepreneurial Performance, Social Capital and Deprivation between the Immigrant and South African populations in the informal retail sector, can be reliably conducted.
- SADC immigrants are not significantly different in behaviour and performance from South Africans (Peberdy & Rogerson, 2000).
- Non-SADC Immigrants are significantly different in behaviour and performance from SADC Immigrants (Peberdy & Rogerson, 2000).
- The demographic findings of the study are a representation of the ratio and distribution of Immigrant and South African entrepreneurs in the urban informal retail sector.
- Respondent comprehension of the survey questions was adequate to enable reliable and meaningful responses.
- The reliability and validity of the source scales that were adapted for the purpose of this study hold in this study.

2 LITERATURE REVIEW

2.1 Introduction

At the core of the study are the variables Entrepreneurial Action and Deprivation, and their relationship with Entrepreneurial Performance. Factors that may affect this relationship through mediation and moderation are also considered. Data is collected around these factors and used to test pro- and anti-informal sector literature. The study examines independent variables Entrepreneurial Action, Deprivation and Social Capital, and dependent variables Entrepreneurial Performance and Social Capital, among immigrants and South African entrepreneurs in the informal sector. The Entrepreneurial Performance of the two populations is examined by comparing the effects of Action on performance.

2.1.1 Discussion of Independent variables

2.1.1.1 Entrepreneurial Action

Differences in culture impact the orientation of people towards entrepreneurship (Basu & Virick, 2008). Hout and Rosen (1999), Loustel (2011) and Seaman et al. (2016) found rich business heritage demonstrated by activity in family businesses among people with entrepreneurially oriented cultures. Altinay et al. (2012); Drennan et al. (2005) and Gold (1988) found that family background is a socio-demographic factor that influences entrepreneurial orientation. Entrepreneurial orientation manifests in differing preferences for methods of earning income. Some people prefer self-employment while others prefer formal employment (Herrington & Kew, 2016; Ligthelm, 2013; Singer, Amoros, et al., 2015). The strength of one's orientation can be seen in the effort they put into the entrepreneurial process (Basardien et al., 2014; Beckers & Blumberg, 2013). People that prefer self-employment have higher will take the necessary actions to enter and perform in entrepreneurship while that those that prefer formal employment will not (Frese & Fay, 2001; Preisendörfer, Bitz, &

Bezuidenhout, 2012). They take charge and are quick to exploit opportunities, while those that are less Entrepreneurial oriented are reluctant and slow in exploiting opportunities (Edelman et al., 2010; Hout & Rosen, 1999).

Entrepreneurial Orientation is linked to values and beliefs (Basu & Virick, 2008) which are products of culture (Morris et al., 2002). Culture's influence on the behaviour of minorities has been proven in a number of studies. Some ethnic groups, like the Amish, have values that drive industriousness (Kraybill, Nolt, & Wesner, 2011) , while others, like Somalis, have a trading heritage that is driven by pro-cooperative values (Basardien et al., 2014; Charman et al., 2012; Omeje & Mwangi, 2014). Both these values result in high Entrepreneurial orientation. The values of the Amish and Somali are rooted in religion, one of the most influential factors in shaping behaviour and holding culture together (Basardien et al., 2014; Kraybill et al., 2011).

Religion's effect on community and family structures can have a major impact on a population's attitude towards entrepreneurship (Hout & Rosen, 1999). It can, however, also have adverse effects on entrepreneurship, for example, religions that prevent the adoption of modern ways of doing things have the effect of arresting the development of some groups (Altinay, 2008). In South Africa, religion contributes to the Social Capital deficiency of the black population because of the fragmented faiths and predatory nature of churches among the black population (Bähre, 2007; Hungwe, 2013; Kumalo, 2008; Mosoetsa, 2004).

Entrepreneurial orientation can be seen in the pro-activeness of individuals in the exploitation of opportunities (Preisendoerfer et al., 2014). This is commonly referred to as Personal Initiative and it is what makes people take the necessary actions to perform entrepreneurially (Friedrich et al., 2006). Personal initiative is characterised by being a self-starter (Baumeister, Bratslavsky, Muraven, & Tice, 1998; Frese et al., 2016; Solomon, Frese, Friedrich, & Glaub, 2013). It is an integral trait required in entrepreneurship and it cannot be outsourced but is expected from entrepreneurs themselves (Loustel, 2011; Lumpkin & Dess, 1996; Preisendoerfer et al., 2014; Urban, 2012). Entrepreneurial Action can

measured by looking at the effort that people put in the entrepreneurial process (Edelman et al., 2010; Hout & Rosen, 1999).

South African Personal Initiative has been assessed to be lower than that of immigrants (Frese & Fay, 2001). This has been blamed on extended exposure to oppression which has led to high risk aversion, fear of failure, a culture of dependency and low self-confidence in the black population. Preisendörfer et al. (2012) claim that locals are passive. Uncompetitive business practices and the refusal to copy immigrant traits are a demonstration of low personal initiative (Andrew Charman et al., 2012; De Jager, 2015; Gebre et al., 2011; Hout & Rosen, 1999; Khosa & Kalitanyi, 2015; Ntema & Marais, 2014; Yazdanfar et al., 2015).

Part of being proactive involves seeking business environments that meet the requirements for entrepreneurship. Immigrating is a demonstration of pro-activeness in that individuals who judge their home environment to be unfriendly export themselves to environments that meet their requirements. This involves a certain degree of risk that indicates the willingness of these individuals to take the risks required to embark on entrepreneurship (Kelley et al., 2012). The risk appetite of immigrants is demonstrated by their investment in a crime infested country like South Africa (Bähre, 2007) while the risk aversion of locals is demonstrated by their preference for formal employment instead of self-employment in an environment they are familiar with, where they are less prone to crime than immigrants (Gastrow, 2013).

Raising Start-up capital is another measure of Entrepreneurial Action as it indicates the financial risk that an individual is willing to take to enter entrepreneurship (Kingdon & Knight, 2001). Most immigrants come into the country with limited resources and start saving for capital as soon as they get employed (Khosa & Kalitanyi, 2015). Immigrants invest up to 30 times more than locals and this is one of the factors that enable their superior performance (Basardien et al., 2014). Optimism and expectation for business growth is cited as precursor to Entrepreneurial Action. People who expect their businesses to grow, are more likely to put more effort in it (Peberdy & Rogerson, 2000).

Herrington and Kew (2016) and Kimhi (2010) indicate that a country's developmental status influences the entrepreneurial behaviour of its citizens and that Employee Entrepreneurial Activity (EEA) is more dominant in high income countries while Total Entrepreneurial Activity (TEA) is dominant in low income countries (Singer, Amoros, & Arreola, 2015). The Global Entrepreneurship Monitor (GEM) explains that this is a result of the ability of high income countries to provide jobs while the scarcity of jobs in low income countries limits the potential for people to engage in EEA. People in low income countries are, therefore, compelled to provide jobs for themselves. Surprisingly, with the exception of Somalia, where reliable statistical data cannot be obtained, South Africa's unemployment rate is higher than that of the immigrant countries in the study (Central Intelligence Agency, 2016a, 2016b, 2016c, 2016d, 2016e) yet South Africans are reluctant to enter entrepreneurship Herrington and Kew (2016). It is surprising how South Africa's unemployed fail to enter self-employment like their counterparts in developing countries (Kingdon & Knight, 2001).

Factors like the political and social context of immigrant sending countries, in relation to South Africa, have to be examined (Ram et al., 2008). Considering the Global Entrepreneurship Monitor's finding that entrepreneurial activity in a country is influenced by the economic status of the country and that individual entrepreneurial activity diminishes with an increase in a country's economic status (Herrington & Kew, 2016), it is necessary to look at the economic context of the immigrant sending countries in relation to South Africa. The GDP per capita of each is used, in this study, to do this comparison and the results are demonstrated in Figure 2.1.

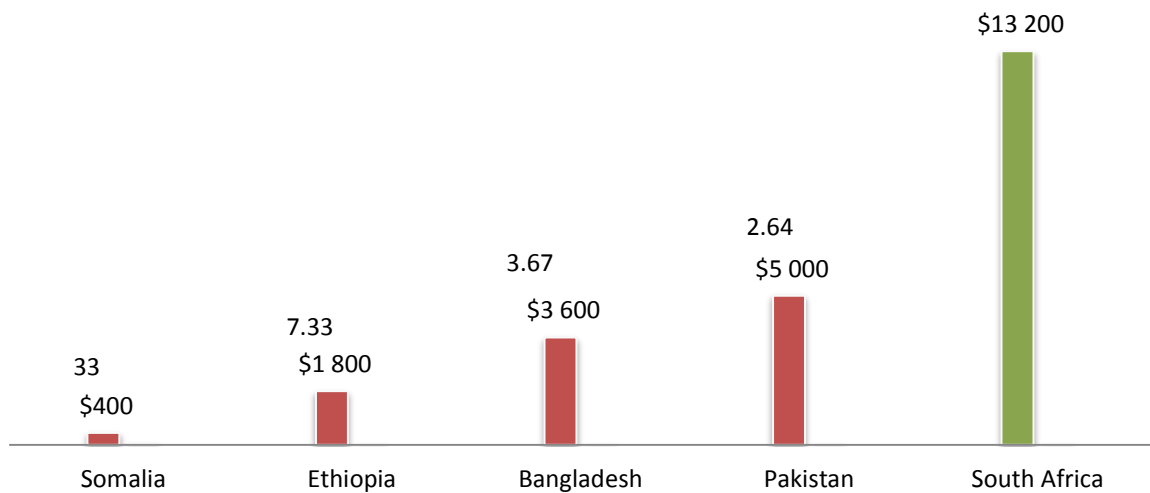


Figure 2.1: GDP Per Capita of immigrant sending countries in relation to South Africa

Source: Developed by Author

South African GDP per Capita is 2.64 times that of the closest immigrant sending country and 33 times that of the furthest (Central Intelligence Agency, 2016a, 2016b, 2016c, 2016d, 2016e). This clearly shows that the South Africa is better positioned for entrepreneurship than any of the immigrant sending countries.

GEM indicators like Total Entrepreneurial Activity (**TEA**), Entrepreneurial Intention (**EI**), Capabilities (**CBP**), and Established Business Ownership (**EBO**) give an indication of a country's entrepreneurial performance (Singer, Amoros, & Arreola, 2015). GEM reports that the Entrepreneurial Intents of Ethiopia, Bangladesh and Pakistan are; 22%, 25% and 25% respectively, while that of South Africa is 10.9% and that this is reflected in the differences between the TEA's and EBO's of these countries in relation to South Africa (Herrington & Kelley, 2013). The difference between self-employment and wage employment income affects Entrepreneurial Action and in a country like South Africa where, historically, wage employment has been consistently higher than self-employment, this has the effect of lowering the Entrepreneurial Action of the local population (Kingdon & Knight, 2001). South African employment expectations, at 19/60, are comparable to that of Switzerland which ranks 21/60. This is one of the richest countries in the world whose economy has the

capacity to provide the jobs that are expected by its population. South Africa's economy is nowhere close. An Efficiency driven country like Morocco, with which South Africa must be compared, ranks 35/60 (Kelley et al., 2012).

It has been argued that the attitudes of blacks are not suited for entrepreneurship because they lack entrepreneurial traditions (Glazer & Moynihan, 1970). Others cite low self-confidence, high risk aversion, fear of failure and a culture of dependency as factors that mould the attitude of blacks (Preisendörfer et al., 2012). Dating back to the times of the first settlers' need for black labour and the subsequent industrial growth of South Africa, the South African Capitalist system's hunger for labour necessitated that black peasantry be eradicated. This forced black people to wage labour. This was sustained for a long period, only to end abruptly with the demise of apartheid (Kynoch, 2006). Entrepreneurship would have lessened the value of the black man to the economic system of South Africa, therefore it became necessary to put barriers in place to "de-entrepreneurilize" this race and erode its ability to sustain itself (Ranger, 1997). Comparing South Africa with the immigrant sending countries, which were also colonized, with the exception of Ethiopia, none of them saw the magnitude of labour hungry industrialization that saw South Africa drawing labour from as far as Central Africa (First*, 1982). It can be said that this, encounter with colonialism and capitalism impacted these populations differently leaving them with traits that may be affecting their Entrepreneurial ability.

The study briefly considers the historical effects that may have led to low Entrepreneurial Action among the South African population. The factors behind the entrepreneurial performance of South Africa and the immigrants sending countries are considered below.

- ***South African Entrepreneurial Action***

- ***The Uniqueness of South Africa***

The unique history of South Africa set in motion a chain of processes that have arrested the progression of the black population, trapping them in poverty (Burger et al., 2004). Colonialization and apartheid created a black man who was optimised for the provision of labour and therefore deprived of the skills required to enter entrepreneurship (Klasen & Woolard, 2009; Southall, 2004). Baderoon (2004) and First* (1982) detailed how settlers acted on their “God given right” to tame the natural African landscape which, with its animals and people, was for their exploitation. There were no grounds for negotiation with the indigenous people as they were judged to lack the intellectual capacity to be sensible. This rendered experimentation with reasonable laws useless (Bardien, 1988). The settlers quickly commenced with the civilization of the land and with that started the history of South Africa (Adhikari, 2006; Southall, 2004). The “senseless” indigenous people were labelled “Kaffirs” because of their “closed hearts and minds” that were not capable of learning and accepting the truth. Like animals, Kaffirs were controlled and exploited for the convenience of the “sensible” settlers. The Kaffir would later be a useful tool in the advancement of white interest during the industrialisation of South Africa (Baderoon, 2004).

What came next was the expulsion of the people from the land in an uncompromising manner that demonstrated to the indigenous people that the settler’s way of life was superior and that rebellion was futile (Bardien, 1988). Gradually the black man was shifted from being able to self-sustain to a position of servitude. This paved the way for black exploitation and led to the white master and black servant relationship that endures to this day in South Africa (Ranger, 1997).

- ***The South African Capitalist Machine***

The Rapid industrialisation of South Africa demanded labour in thousands and the supply of labour was first ensured by passing laws that forced blacks into wage employment (Bardien, 1988). It later became necessary to disarm the

African of other options of earning a living and force him to volunteer himself for the provision of labour. This was achieved through the dispossession of arable land and expropriation of livestock (Bezuidenhout & Buhlungu, 2011). Restricting property and land ownership to the homelands suppressed the entrepreneurial orientation of blacks as the economies of the homelands were weak and heavily reliant on South Africa's (Bond, 1990; Crush, 1994; Geldenhuys, 1981).

African residence in urban areas was restricted to enabling only the provision of labour. The Kaffir Pass Act, for example, ensured that Xhosa entry into the Cape Colony was only for work purposes (Bardien, 1988). Bond (2003); Mosoetsa (2004); and Ranger (1997) describe how South African cities and townships in the 1950s reflected a pattern that was crafted for the optimal supply of black labour. Kimberley's spatial structure, for example, was sanctioned by law to control labour and make black it available to the mines (Crush, 1994).

The apartheid system also used poverty and social exclusion as a tool to shape the economic behaviour of blacks (Akerlof & Kranton, 2000). Lasting exposure to poverty got intertwined with black identity making it easy for blacks to identify with inadequacy (Akerlof & Kranton, 2000). Races were assigned to categories that classified the population to white employers and black employees. This worked on the psyche of blacks, limiting their ability to think beyond their position of servanthood (Akerlof & Kranton, 2000).

Ranger (1997) reported how peasantry was deliberately phased out and the means of food production were handed over to the gentleman farmer. The only elements of capitalism that blacks were allowed to copy were those that divided them like individualism, which prevents black people from economic cooperation (Bähre, 2007). The disempowerment of the black race effectively eliminated self-sustenance, and this, today, manifests itself in dependence and behaviour similar to that observed on organisms afflicted with learned helplessness.

– **Learned helplessness**

Learned helplessness is a condition where organisms give up trying to change their circumstances because they believe that outcomes are independent of their responses (Abramson, Metalsky, & Alloy, 1989; Baumeister et al., 1998). Universally helpless individuals attribute failure to external factors and these attributions affect efficacy and esteem (Abramson, Seligman, & Teasdale, 1998). Abramson et al. (1998) explained how people who suffer from learned helplessness are passive and fail to escape escapable circumstances. Apartheid laws, that prohibited black entrepreneurship, were external factors which the black population had no control over. These laws bred a population of apartheid thoroughbreds whose sole purpose was and continues to be the provision of labour.

The low Entrepreneurial Action of South Africa's blacks is a manifestation of their encounter with settlers which eventually led to their subjugation (Ranger, 1997). From the cultural theory, we learn how the environment shapes behaviour and instils common traits on populations (Krueger et al., 2013). Dependence, helplessness and low entrepreneurial action are some of the traits that the culture of oppression has instilled in the black population of South Africa.

• ***Bangladeshi Entrepreneurial Action***

Bangladesh is a severely overpopulated lower middle income country which enjoys an unemployment rate of 4.9%, and has 40% of its population underemployed (Central Intelligence Agency, 2016a). The economy there has been growing at a rate of 6% annually for the past 20 years (Central Intelligence Agency, 2016a) and this, according to Manni and Afzal (2012) has been made possible by market liberalisation which opened the economy, enabling the country to move from an aid to a trade driven economy (Bhattacharya, Rahman, & Raihan, 2002). Penning-Rowsell, Sultana, and Thompson (2013) observed that the informal sector is prominent in Bangladesh.

Singer et al., (2015) report that a pro male culture in Bangladeshi makes entrepreneurship the domain of males, and that; informal sector entrepreneurs, are supported by their families and friends. The graph in Figure 2.2 compares Bangladeshi and South African Entrepreneurial Action using the measures; Total Entrepreneurship Activity (TEA), Entrepreneurial Intention (EI) and Established Business Ownership (EBO). The graph demonstrates that Bangladesh outperforms South Africa in Entrepreneurial Action.

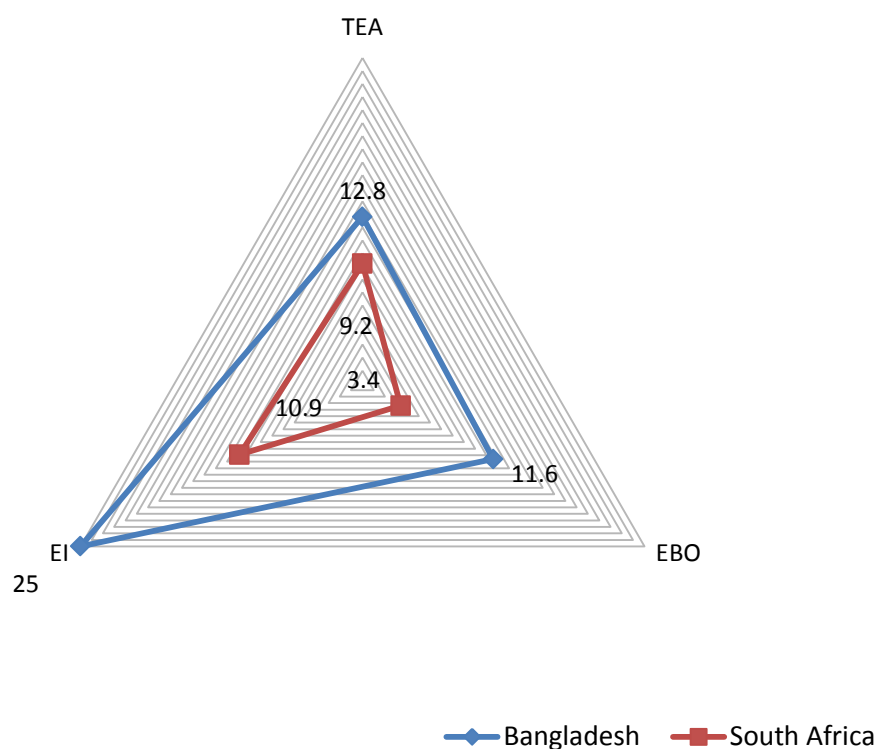


Figure 2.2: Entrepreneurial Action & Performance Indicators (South Africa vs Bangladesh)

Source: Developed by Author

- ***Ethiopian Entrepreneurial Action***

Ranked the fifth fastest growing country in the world by the IMF, (Central Intelligence Agency, 2016b), Ethiopia is one of the poorest countries in the world (Kelley et al., 2012). Mehretu (2012) blamed the unhealthy state of the

Ethiopian economy on ethnolinguistic separatist tactics that led to political problems over the past three decades. The 1980 political crisis was followed by the 1991-1992 famine that drove a significant number of people out of the country (Lindley, 2010). The population of Ethiopia is increasing, yet landholding remains small, making the agricultural subsistence economy ineffective (Bezu, Barrett, & Holden, 2012). Ethiopians leave their country because of poverty and lack of economic opportunities. As a result, the country is a net exporter of 0.22 per 1000 people (Central Intelligence Agency, 2016b).

Ethiopians perceive abundant opportunities in South Africa (Gebre et al., 2011). A majority come into the country without the capital required to start businesses and most likely without work permits too. They fend for themselves by finding employment with fellow immigrants, saving money and borrowing from friends to set up their own businesses (Gebre et al., 2011). Gebre et al. (2011) attribute low entrepreneurship and slow business growth on illiteracy and limited access to capital. The country made a dismal showing of 137th of the 144 countries that participated in a financial access survey (Kelley et al., 2012). Total Entrepreneurial Activity is mainly driven by the retail sector (60.8%) (Kelley et al., 2012).

Ethiopians value a good work ethic and identify themselves as hard workers. They rely on their social networks to establish businesses (Gebre et al., 2011). The graph in Figure 2.3 compares Ethiopian and South African Entrepreneurial. Here too, the graph shows South Africa being outcompeted in Entrepreneurial Action.

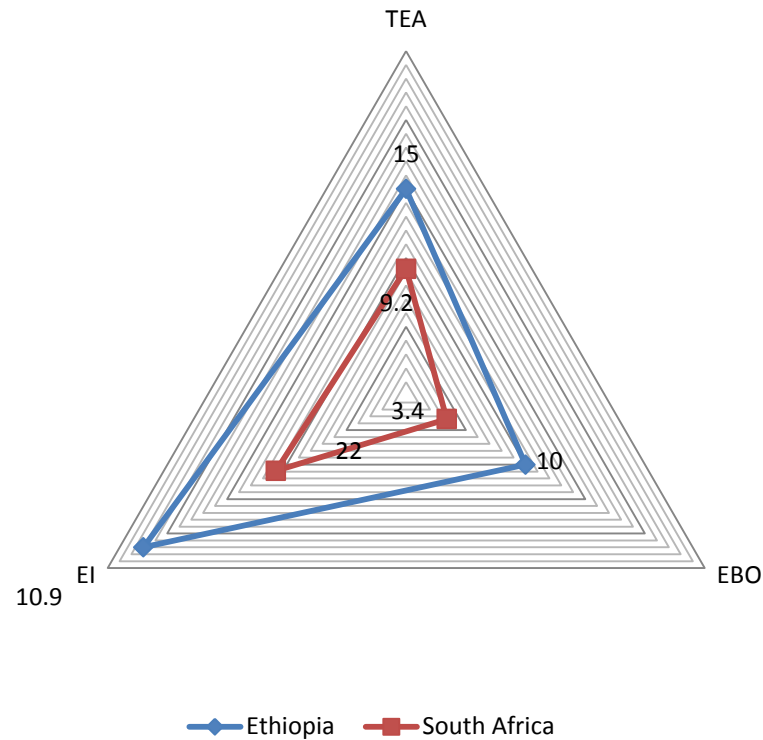


Figure 2.3: Entrepreneurial Action & Performance Indicators (South Africa vs Ethiopia)
Source: Developed by Author

• ***Pakistani Entrepreneurial Action***

Kelley et al. (2012) report that the people of Pakistan have a God-given entrepreneurial ability. 90 per cent of private firms are SME's that contribute 40 per cent to the country's GDP and provide 80 per cent of the country's non-farm employment. Small businesses in Pakistan have to navigate a myriad compliance and administrative challenges. As a result, the informal sector dominates industry in Pakistan (Central Intelligence Agency, 2016c). However, the Pakistani informal sector has been shrinking since the early 1990s when trade liberalisation policies were adopted (Arif, 2013). As a result, Pakistanis are exporting themselves to other countries where they have become prominent players in the informal sector (Arif, 2013).

The graph in Figure below compares Pakistani and South African Entrepreneurial Action graph shows that South African action is less than that of Pakistan.

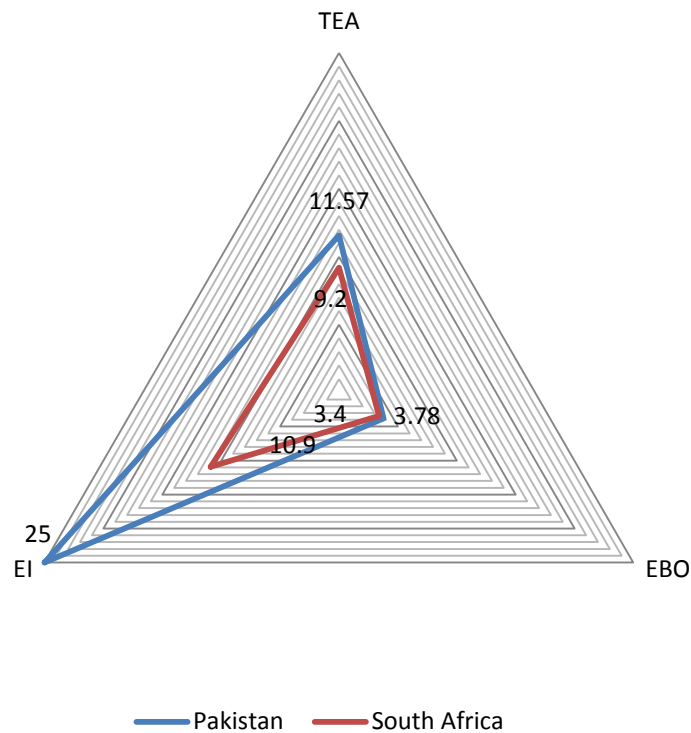


Figure 2.4: Entrepreneurial Action & Performance Indicators (South Africa vs Pakistan)

Source: Developed by Author

- ***Somali Entrepreneurial Action***

Ram et al. (2008) noted how Somalis seem to be better resourced than most minority entrepreneurs and argued for the understanding of factors beyond host country disadvantage and Social capital when studying Somali mobilisation of resources. Somalia has no government (Leeson & Boettke, 2009). Before the absence of government, there was a predatory state that enacted policies that stifled the formal economy and propagated the informal economy (Shortland et al., 2013). Somalia has been in anarchy since 1991 and has demonstrated good performance in statelessness (Leeson, 2007). Clan networks facilitate economic cooperation and this has enabled economic activity in statelessness. This is incredible in that, for an economy to grow, it requires the cooperation of a countless number of strangers, something that is not expected in statelessness as there is little incentive for actors to honour their contractual obligations in the absence of an enforcer like the state (Leeson & Boettke,

2009). Cooperativeness is a trait that Somalis are exporting to other parts of the world (Leeson & Boettke, 2009; Lindley, 2010).

None reliance on state laws manifests itself in the high preference for autonomy and an impeccable ability to organise and get things (Leeson, 2007). Somalis have a strong retail showing and use their superior strategies in this field to establish bigger Spaza shops that enable them to out-compete local entrepreneurs (Basardien et al., 2014). Their business success has also been attributed to unlawful practices that are enabled by their experience in navigating the legal landscape (Omeje & Mwangi, 2014). GEM studies are not conducted in Somalia because of the unstable political environment there.

- **Aggregate Immigrant VS South African Entrepreneurial Action**

Comparing the average Entrepreneurial Performance indicators of the three immigrant sending countries that participated in the Global Entrepreneurship Monitor (Bangladesh, Ethiopia and Pakistan), and South Africa's, the difference can be seen in the table and graph below.

Table 2.1: Immigrant VS South African Entrepreneurial Performance indicators

Country	TEA	EBO	EI
South Africa	9.2	3.4	11
Immigrant Average	13	8	24
Difference	3.8	4.6	13

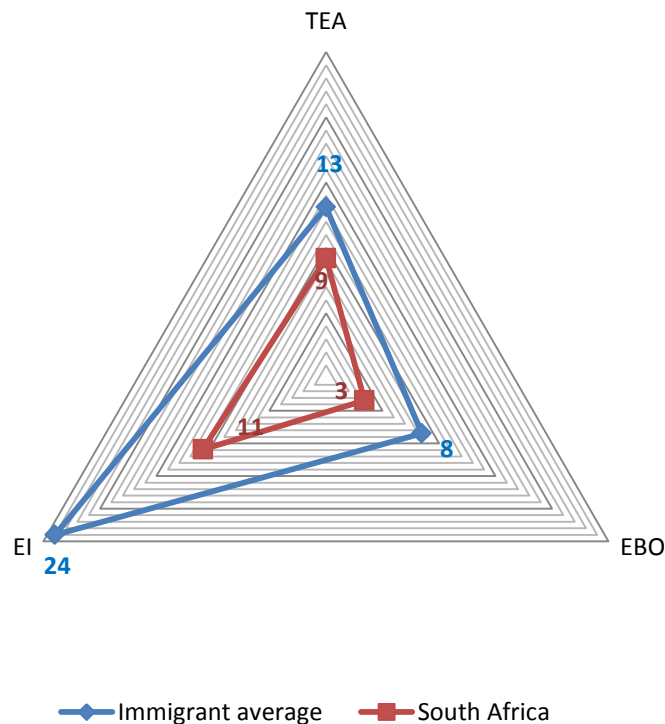


Figure 2.5: Entrepreneurial Action & Performance Indicators (South Africa vs Immigrant average)

Source: Developed by Author

2.1.1.2 Deprivation

The disadvantage theory explains how a harsh economic environment that deprives people of economic opportunities may force them into self-employment (Paulose, 2011; Zhang, 2010). In the case of South Africa, deprivation does not only apply to Immigrants but to locals as well, as they find themselves among the most unemployed population in the world (Central Intelligence Agency, 2016e).

Being denied economic opportunities through labour market and other forms of discrimination, forces certain groups in the population to seek alternative means of earning a living (Katila & Wahlbeck, 2012). In a country with a history like South Africa's, where there was racial discrimination, it is not surprising that the black population still suffers deprivation of economic opportunities (Loustel, 2011). South African banks determine the direction of development in South

Africa and they unfortunately do so in ways that mirror the segregated patterns of the past (Freund, 2010). The requirements that one should meet to access financial capital, e.g. collateral and income earning ability, among others, cannot be met by the majority of the country's poor (Herrington & Kew, 2016). As a result, blacks are left deprived of economic opportunities. Poverty, unemployment and inequality, all of which are factors within deprivation, force them into self-employment (Dassah, 2015; Paulose, 2011; Zhang, 2010).

Understanding immigrant survival in a setting like South Africa's requires the examination of the tilted opportunity structure and hostile social context (Hungwe, 2013). A hostile social context of host countries forces immigrants into self-employment (Ishaq et al., 2010; Katila & Wahlbeck, 2012; Kavuro, 2015). The blocked upward mobility thesis explains that rather than stressing cultural traits that manifest themselves in thrift, self-reliance and industriousness in certain population groups, even those that lack entrepreneurial cultures are more likely to self-employ in response to deprivation (Ishaq et al., 2010). In most countries, it is immigrants that are deprived, for example, unemployment was the main reason quoted by Turkish entrepreneurs for starting their own businesses in Finland where they had settled with the intention of finding jobs (Katila & Wahlbeck, 2012). Their superior entrepreneurial performance could not be linked to cultural traits, instead there was an indication that their entrepreneurial action may have been reinforced by disadvantage (Davidsson, 1995).

The different impacts of deprivation on the two populations affects their entrepreneurial entry motives and subsequently, their performance (Hungwe, 2013). Immigrant-hood exposes one to vulnerability that is compounded by the refusal of host countries to guarantee the rights of immigrants (Adam & Moodley, 2015; Basardien et al., 2014). Immigrant groups have been observed to resort to network structures to mitigate this (Bähre, 2007; Basardien et al., 2014; Burt, 1993). Immigrants arrive in host countries with limited resources, if at all. Starting a business is, therefore, hard. They raise capital by borrowing and/or securing employment from fellow immigrants (Bähre, 2007; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006).

South to South migration differs from South to North migration in that the former is the movement of people from developing countries to other developing countries while the latter is the movement of people from developing countries to developed countries (Martinez et al., 2015). South to South migration tends to propagate the informal sector as immigrants in South to South migration often enter informal sector self-employment rather than seek formal employment in host countries (Martinez et al., 2015). The decision to enter entrepreneurship is usually made before encountering host country disadvantage. Deprivation here therefore may not affect entrepreneurial entry or performance as immigrants may have immigrated with the intent to employing themselves in host countries (Rauch et al., 2013; Wennberg et al., 2013).

Deprivation is an external factor that impacts the relationship between Entrepreneurial Action and Entrepreneurial Performance (Bähre, 2007; Burt, 1993; Wennberg et al., 2013). It may heighten or dampen the translation of Action to performance (Davidsson, 1995) by reinforcing individual Entrepreneurial Action or driving cooperativeness that enables entrepreneurs access to the resources required for Entrepreneurship (Burt, 1993). Cooperativeness leads to Social Capital, a key resource in Entrepreneurial Performance (Adato et al., 2006; Aliaga-Isla & Rialp, 2013).

2.1.1.3 Social Capital

Networks can be seen as enablers of entrepreneurial entry and performance (Adato et al., 2006; Aliaga-Isla & Rialp, 2013; Katila & Wahlbeck, 2012; Lee et al., 2011; Sanders & Nee, 1996). It can be said that the translation of Entrepreneurial Action to Entrepreneurial Performance depends on Social Capital. Social capital is cited as the main enabler of immigrant entrepreneurship (Kloosterman, Van der Leun, & Rath, 1999), and as the most missing ingredient among South African entrepreneurs (Bähre, 2007). Due to it being a product of culture, Social Capital differs by ethnic group because network structures differ by culture (Katila & Wahlbeck, 2012). Differences in

social capital are reciprocated in Entrepreneurial Performance (Hared, Abdullah, & Huque, 2014; Kraybill et al., 2011; Loustel, 2011; Seaman et al., 2016; Yazdanfar et al., 2015)

Network benefits differ according to network type with close ties leading to bonding capital while long ties lead to bridging capital (Kalnins & Chung, 2006; Stewart, 2003). Bonding capital has been found to be the most prevalent in ethnic networks because of the ease of close network formation among people that share the same culture (Behtoui & Neergaard, 2010; Katila & Wahlbeck, 2012). Bonding capital is, however, deprived of resources like external opportunities, innovative capability and access to investors that are outside a closed network (Altinay, 2008; Musterd et al., 2008; Ram et al., 2008; Urban, 2011). Social Capital can also be structural or cognitive, with structural capital being the most valuable as it is based on resource sharing while cognitive capital is based on sharing values and beliefs (Von Broembsen, 2010).

Bonding capital has been found to be crucial at the start-up phase, but limited in enabling entrepreneurs to transcend industries and establish systemic businesses (Katila & Wahlbeck, 2012). The concentration of ethnic entrepreneurs in the same industry is attributed to this. Katila and Wahlbeck (2012); Ntema and Marais (2014); Peberdy and Rogerson (2000); and Ram et al. (2008) observed heavy network reliance at start up, because of the bonding capital nature of ethnic networks, and a diminishing reliance on networks, as businesses became established. For continued network support, Katila and Wahlbeck (2012) recommended a mix of social capitals that would comprise both bonding and bridging capital.

The Social Capital deficiency of blacks is attributed to divisions in the black race that are a legacy of individualistic traits that were instilled on Africans to weaken their national identity and prevent rebellion against oppression (Bardien, 1988; Crush, Williams, & Peberdy, 2005; Katila & Wahlbeck, 2012). Bähre (2007); Bruce (2006); and Crush et al. (2005) revealed how there was a systematic stripping of the indigenous lifestyle to ensure it became unsustainable for Africans to survive without surrendering themselves to the

labour requirements of the colonialist and capitalist process. The dispossession of land and confiscation of cattle not only robbed them of the means of earning a living, but undermined the extended family which was centred on land and livestock. Hut taxes resulted in smaller homesteads and this undermined the traditional extended family which was a social network on its own. New products and patterns of consumption which necessitated access to money were introduced. Bähre (2007) says the African population not only became a source of labour, but a market for new products, as wage labour replaced subsistence labour.

Single parent households, characterised by the absence of fathers, are a legacy of apartheid that has severely undermined the African family unit resulting in generations of ill-disciplined youths that have grown up to pass these traits to their offspring (Bruce, 2006; Fairlie & Robb, 2007). Fairlie and Robb (2007) found that the breakdown in family structure limits the network potential of blacks as they have very shallow clan networks. This puts Blacks at a major disadvantage when having to compete with groups that have these types of networks, as is often the case with immigrants. This was collaborated in a study in the United States, where blacks were found to have the lowest rate of business ownership because of their weak family structures (Fairlie & Robb, 2007).

South African Social Capital is more cognitive than structural (Ntema & Marais, 2014). It is further undermined by weak values (Bähre, 2007), while immigrant cognitive social capital is reinforced by strong values (Peberdy & Rogerson, 2000). South Africans are reportedly Social Capital deficient (Liedeman et al., 2013) and this is seen in other industries where blacks dominate. The taxi industry is a case in point. It demonstrates how Social Capital deficiency is preventing the economic progress of blacks (Venter, 2013). There are an estimated 140 000 taxis in South Africa that are worth over R10 billion. The potential for scale economies in the taxi industry is obvious yet complex for the black entrepreneurs in it (Venter, 2013). This capital can be leveraged to venture into complementary industries like; fuel supplies, spares and to expand to other high profit sectors (Dugard, 2001).

Taxi operators effectively operate as individuals and their businesses are, as a result, in a state of arrested development. Informality traps this industry within its own self-made walls (Venter, 2013). Venter (2013) explains how the short-sightedness of taxi entrepreneurs was demonstrated by them turning down the government's invitation to participate in the bus rapid transit programme where the government was to capitalise them and hand over the income generating operation. Below is an exploration of the factors that may be behind the Social Capital deficiency of black South Africans.

- **Conspicuous Consumption**

Even though self-help networks exist in the black population, they are usually for the purposes of sustaining consumption, rather than accumulating wealth (Bähre, 2007). Consumption breeds jealousy and undermines cooperation (Bähre, 2007).

- **Crime and Violence**

The perpetual state of fear that is bred by crime and violence consumes the community's social fabric that would enable cooperation in the community (Bähre, 2007; Dugard, 2001; Singh, 2015). The efficacy of violence is rooted in apartheid era political violence (Bruce, 2006) which was used by the state to undermine cooperation among the black population and to lay a foundation for black economic failure post-apartheid (Lomme, 2008). This means that black economic progress is handicapped, even in the absence of threats from immigrants.

- **Distrust**

Distrust inhibits social cohesion in the country (Bähre, 2007). Mosoetsa (2004) found that prevailing mistrust in the township of Mpumalanga has its foundation in Apartheid destabilisation tactics that promoted violence between political factions. Distrust can also be seen in self-help organisations where it results in a crab basket mentality that limits the effectiveness of these organisations (Bähre, 2007).

- **Political efficacy**

The struggle for freedom emphasised political cooperation over neighbourhood relations (Bähre, 2007). The advent of political freedom came with expectations of redistribution. This further undermined the role of social networks (Bähre, 2007).

- **Poverty and social exclusion**

The collective associations that were studied by Bähre (2007) were characterised by the exclusion of those that are regarded as of a low social status, and the embracing of those with a high social standing. Bähre (2007) noted how Africans exhibited a deep hatred for beggars and how being poor is viewed with contempt in the African community (Bähre, 2007). The shame associated with poverty prevents cooperation amongst the poor hence the poor have failed to successfully deal with poverty on their own (Mosoetsa, 2004). Bähre (2007) reported that South African morals and values are centred on money. People with money are recognised and respected in society irrespective of how they accumulated it. This is now a part of black identity that undermines cooperation among Africans leaving them with little or no foundation for social capital (Bähre, 2007).

- **Religion**

Traditional rituals were important in promoting kinship relations because they fostered cooperation. Their dilution undermined the formation of meaningful networks among blacks (Ranger, 1997). Mosoetsa (2004) found that churches discourage kinship relations by arguing that they are linked to rituals and traditions that honour ancestors. The intense fragmentation among black churches limits the networking potential of their members as it prevents networks across churches.

2.1.2 Discussion of dependent variables

2.1.2.1 Entrepreneurial Performance

The income earning propensity of a business depends on the processes that are put in place by the entrepreneur (Preisendoerfer et al., 2014; Urban, 2012). Edelman et al. (2010); Hout & Rosen (1999) linked Entrepreneurial Performance to the actions of entrepreneurs (Entrepreneurial Action), arguing that people with high Entrepreneurial Action will out-perform those with low Entrepreneurial Action. Differences in the business performance of locals and immigrants is linked to differences in Entrepreneurial Action of the two populations as well as environmental factors like access to economic opportunities (Basardien et al., 2014).

Immigrants are reportedly more entrepreneurial than natives (Adam & Moodley, 2015; Basardien et al., 2014). Their competitiveness is enhanced by their self-exclusion from the host country social scene as this enables them to live cheaply, save and reinvest in their businesses (Khosa & Kalitanyi, 2014). This discipline is instilled by their cultures (Altinay et al., 2012; Drennan et al., 2005; Hout & Rosen, 1999; Loustel, 2011; Seaman et al., 2016). Klandermans, Van der Toorn, and Van Stekelenburg (2008) argued that assimilation would actually compromise immigrant ethnic identity and dilute the traits that give them their competitive advantage.

Entrepreneurial heritage enhances the ability of people to perform in their businesses and pulls them to self-employment (Basu & Virick, 2008; Drennan et al., 2005; Gold, 1988; Walstad & Kourilsky, 1998). The lack of business heritage and weak family structures in the black community results in blacks lacking the specific human capital skills that family business history provides. This undermines black entrepreneurial performance (Bezuidenhout & Buhlungu, 2011; Fairlie & Robb, 2007; Hout & Rosen, 1999). Parental business involvement enhances the self-efficacy of offspring (Malebana, 2014; Seaman et al., 2016) by giving children practical business experience (Bond, 2015; Callaghan & Venter, 2011; Ligthelm, 2004; Loustel, 2011; Ram et al., 2008)

Entrepreneurial performance is affected by the character traits of entrepreneurs as well as the factors they are exposed to which necessitate self-employment as a means of earning a living instead of formal employment (Herrington & Kew, 2016).

The performance of entrepreneurs can be measured through the growth of their businesses which can be seen in; sales, number of employees and number of other businesses that the entrepreneur owns (Callaghan & Venter, 2011; Fatoki & Patswawairi, 2012; Murphy et al., 1996; Rehn et al., 2013).

2.1.2.2 Social Capital as dependent variable

The cooperation of network participants towards the formation of businesses is not granted for every network. It depends on the behaviours of individuals and the characteristics of their networks. Some networks may be vast, yet participation may be limited due to the behaviours of members (Xu & Palmer, 2011). South African network structures are affected by a number of factors. Bähre (2011) reported how the country's massive redistributive sector, that is driven by insurance companies and the social welfare system, undermines cooperation among neighbours and kin in the community. An overwhelming majority of grant recipients (94%) are black (Van der Berg, Siebrits, & Lekezwa, 2010). Bähre (2007) argued that the grant system negatively impacted cooperativeness by giving individuals a false sense of independence and self-reliance.

Ranja (2003) observed that immigrants rely on their networks to survive the harsh conditions of host countries. The network structures of immigrants are therefore the main enabler of their entrepreneurial entry (Aliaga-Isla & Rialp, 2013) as they rely on them for information about the environment of the envisaged host country, living conditions and opportunities that are available there (Gebre et al., 2011; Khosa & Kalitanyi, 2015; Park & Rugunanan, 2010). When they arrive in the host country, they embed themselves with established immigrants where they get on-the-job training and start saving up for business

start-up. This also provides them with a safe environment to acclimatise to the local culture (Gebre et al., 2011). However, network importance diminishes after the start-up phase (Katila & Wahlbeck, 2012).

Bähre (2007) explained how cohesion cannot be expected from poverty in the South African context because poverty is a shameful thing that exposes people to stigmatisation. Poverty, therefore, leads to people keeping to themselves and choosing, rather, to deal with it privately. The environment that forces immigrants to cooperate in order to realise their entrepreneurial goals may not achieve the same result in the South African population.

2.2 Entrepreneurial Action and Entrepreneurial Performance

Entrepreneurial qualities differ across populations and they are demonstrated by the effort that people invest in the entrepreneurial process (Basardien et al., 2014; Kingdon & Knight, 2001; Riley, 1993). People who have a positive outlook for their businesses are most likely to invest more than those that do not (Peberdy & Rogerson, 2000). High Entrepreneurial Action is also demonstrated by Personal Initiative (Frese et al., 2016). The actions of entrepreneurs translate to their performance (Frese & Fay, 2001). This involves the financial capital and time invested in the business, pro-activeness in exploiting opportunities and the prioritisation of running one's own business, rather than seeking formal employment (Basardien et al., 2014).

According to the cultural theory, behaviour that is shaped by culture impacts the attitudes of people towards entrepreneurship and this results in differences in Entrepreneurial Performance between ethnic groups (Beckers & Blumberg, 2013; Krueger et al., 2013; Singer et al., 2014). These differences can be understood by assessing the effort people invest in the entrepreneurial process. Linking Action with performance would enable the examination of differences in Entrepreneurial Performance. This relationship is hypothesised below.

2.2.1 Hypothesis 1

Entrepreneurial Action is positively related to the Entrepreneurial Performance of Immigrant and South African entrepreneurs.



Figure 2.6: Entrepreneurial Action to Performance Conceptual Model

Source: Developed by Author

2.3 Entrepreneurial Action and Social Capital

Entrepreneurial Action also affects Social Capital by making people, who take the initiative to achieve their entrepreneurial goals, cooperate in their endeavours. Various authors (Bähre, 2007, 2011; Basardien et al., 2014; Gebre et al., 2011) report how people who hardly know each other ended up cooperating for the sake of advancing their mutual interests. Cooperativeness in a population may be fostered by the shared zeal of individuals to succeed (Bardien, 1988; Basardien et al., 2014; Beckers & Blumberg, 2013; Burt, 1993; Gebre et al., 2011). In such a case, Entrepreneurial Action would have a direct relationship with Social Capital which can be hypothesised as follows.

2.3.1 Hypothesis 2

Entrepreneurial Action is positively related to social capital among immigrants and South Africans.



Figure 2.7: Entrepreneurial Action to Social Capital conceptual framework

Source: Developed by Author

2.4 Deprivation, Entrepreneurial Action and Entrepreneurial Performance

From the disadvantage theory's we understand that circumstances reinforce the performance of deprived individuals (Paulose, 2011; Zhang, 2010). Immigrants are disadvantaged by the host country environment that blocks their upward mobility (Barrett et al., 1996; Lee et al., 2011) while locals are disadvantaged by past legacies that prevented their economic participation (Geldenhuys, 1981), and the current scarcity of jobs (Fatoki & Patswawairi, 2012; Khosa & Kalitanyi, 2014; Ntema & Marais, 2014).

Just as it is known that awareness of entrepreneurial support has a positive effect on entrepreneurship, by assuring entrepreneurs that their efforts will not be vain (Malebana, 2014), awareness of limited self-sustenance options forces entrepreneurs to make a success of entrepreneurship (Paulose, 2011; Zhang, 2010). Being deprived of opportunities, therefore, impacts the relationship between entrepreneurial Action and Entrepreneurial Performance. Here, Deprivation reinforces the translation of Action to Performance. The two populations are, however, not equally deprived and there is a possibility that this may impact the translation of their Entrepreneurial Action to Entrepreneurial

performance. The impact of deprivation of the relationship between Entrepreneurial Action and Entrepreneurial Performance is hypothesised below.

2.4.1 Hypothesis 3

Deprivation moderates the relationship between Entrepreneurial Action and Entrepreneurial performance among immigrant and South African entrepreneurs.

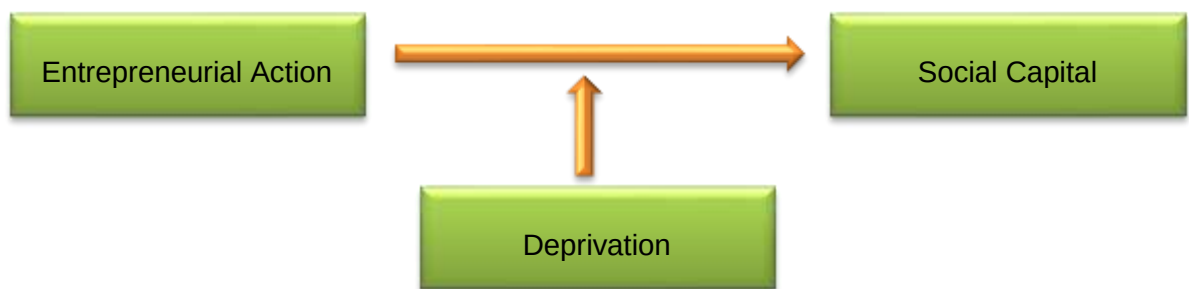


Figure 2.8: Entrepreneurial Action to Entrepreneurial Performance conceptual framework

Source: Developed by Author

2.5 Entrepreneurial Action, Social Capital and Entrepreneurial Performance

Network structures that enable entrepreneurial performance may be fostered by the determination of entrepreneurs (Burt, 1993; Loustel, 2011), meaning that Social Capital is a product of Entrepreneurial Action. According to the Social Capital theory, Social capital enables Entrepreneurial Performance by giving entrepreneurs business support (Venter et al., 2015, p. 86). The translation of Entrepreneurial Action to Entrepreneurial Performance can therefore be seen to flow through Social Capital. This relationship is hypothesised as follows.

2.5.1 Hypothesis 4

Social Capital mediates the relationship between the Entrepreneurial Action and Entrepreneurial Performance of immigrant and South African entrepreneurs.

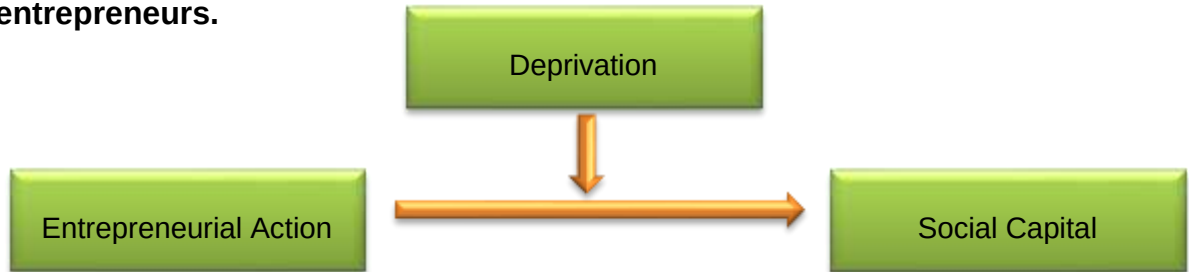


Figure 2.9: Social Capital's mediation of Entrepreneurial Action and Entrepreneurial Performance conceptual framework

Source: Developed by Author

2.6 Deprivation and Social Capital

The creation of networks may be fostered by a hostile environment (Burt, 1993; Loustel, 2011), meaning that entrepreneurs would mitigate the unavailability of resources through Social Capital. In this case, Social capital is an outcome of Deprivation. Sharing hardships fosters solidarity among entrepreneurs, especially in a foreign setting (Welter (2012). This means that being deprived of opportunities and resources may force actors to create opportunities and provide resources for themselves through networks.

The disadvantage theory explains that deprivation reinforces cooperativeness among the deprived, meaning that there is a positive relationship between deprivation and Social Capital (Barrett et al., 1996; Lee et al., 2011). Deprivation fosters social capital in that people who lack the resources required to enter entrepreneurship create networks that provide them with the social capital required to do so (Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006). This leads to the study's next hypothesis.

2.6.1 Hypothesis 5

Deprivation is positively related to Social Capital among immigrant and South African Entrepreneurs.



Figure 2.10: Deprivation to Social Capital conceptual framework

Source: Developed by Author

2.7 Deprivation and Entrepreneurial Performance

Survivalist entrepreneurship is fostered by disadvantage which may be in the form of limited economic options due to unemployment and/or being prevented from getting jobs because of being an immigrant (Paulose, 2011; Zhang, 2010). Deprivation persists in South Africa today with black people suffering one of the highest unemployment rates in the world (Central Intelligence Agency, 2016e). Institutional barriers prevent the economic progress of the black population (Katila & Wahlbeck, 2012). Poverty, unemployment and inequality, all of which are factors within deprivation, force locals into self-employment (Dassah, 2015; Paulose, 2011; Zhang, 2010). The different impacts of deprivation on the two populations may affect their entrepreneurial entry motives and subsequently, their performance (Hungwe, 2013). Discrimination against immigrants forces them into entrepreneurship (Adam & Moodley, 2015; Basardien et al., 2014). On the other hand, the self-employment of immigrants may be born out of an explicit intent to enter the country for the purpose of engaging in entrepreneurship (Rauch et al., 2013; Wennberg et al., 2013).

Deprivation is directly related to entrepreneurial performance in that had people not been deprived, they would not have entered entrepreneurship (Davidsson, 1995). The potential that entrepreneurial performance is a product of the unfriendly environment is hypothesised as follows.

2.7.1 Hypothesis 6

Deprivation is positively related to Entrepreneurial Performance among immigrant and South African Entrepreneurs.



Figure 2.11: Deprivation to Entrepreneurial Performance conceptual framework

Source: Developed by Author

2.8 Conceptual Model for the study

Immigrant and informal sector entrepreneurship literature informed the development of the relationships of the variables in the study. The conceptual model of South African informal sector Entrepreneurial Performance is presented in figure 2.12

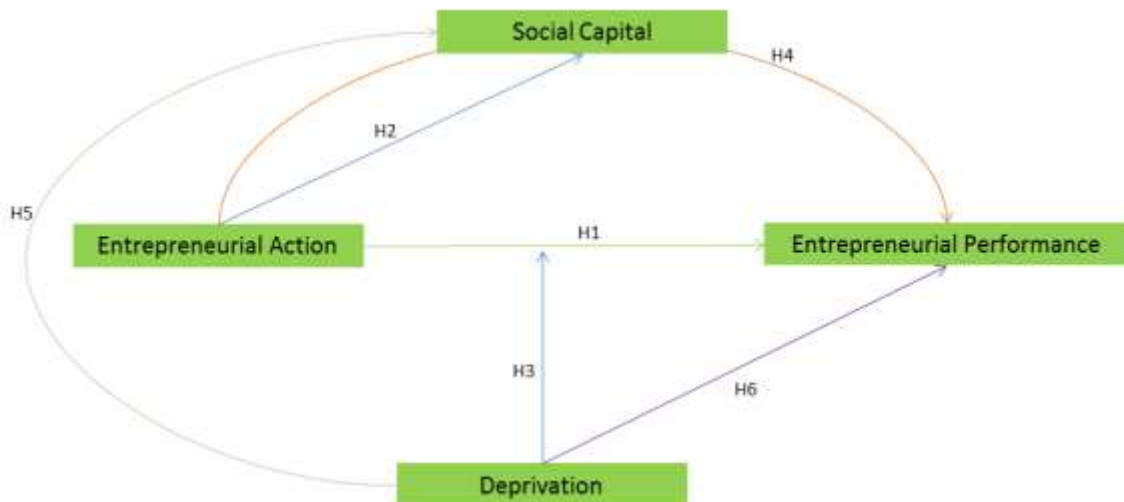


Figure 2.12: Research Model

Source: Developed by Author

2.9 Conclusion of the Literature Review

Informal sector entrepreneurship is frowned upon by governments because of the challenges of quantifying and harnessing its contribution into the economy (Morris, Pitt, & Berthon, 1996; Rogerson, 2008, 2015; Von Broembsen, 2010). The sector has, however, proven its worth in the economic scenes of developing countries where it is the main creator of jobs (Martinez et al., 2015; Rogerson, 2008) and it enables the economic participation of the unemployed (Naidoo & Fenyes, 2003). This form of entrepreneurship is therefore a necessity that developing countries should embrace.

Excessive regulation has led to the proliferation of the black market making it even harder for governments to access the informal sector (Leeson & Boettke, 2009; Shortland et al., 2013). Governments that ignore the sector risk losing the benefits of a sizeable tax base (Ligthelm & Masuku, 2003) as well as ignoring a channel that may be effective in equitable economic redistribution (Perks, 2010).

Callaghan and Venter (2011) argue that the informal sector should be used as a foundation for entrepreneurship through targeted enterprise development policies that will enable the incorporation of this sector into the mainstream economy as it has been demonstrated that, with the right programmes, informal sector businesses can transition into the formal sector by climbing the entrepreneurial ladder (Von Broembsen, 2010). This is reinforced by the proliferation of immigrants in this sector whose entry seem to be rather driven by opportunity than necessity (Andrew Charman et al., 2012). This means that the argument that informal sector activities are unproductive because they are survivalist (Ligthelm, 2013), is not entirely valid.

The out-performance of South African entrepreneurs by immigrants further indicates that there may be differences, between South Africans and immigrants, in the antecedents of performance in this form of entrepreneurship (Charman & Piper, 2011; De Jager, 2015; Fatoki & Patswawairi, 2012). Literature points to differences in culture and experiences of informal sector actors as the main reason behind this (Altinay, 2008; Chand & Ghorbani, 2011;

Seaman et al., 2016; Wennberg et al., 2013). People that come from countries with more robust informal sectors than South Africa demonstrate superior skills that enable them to out-perform locals (Gebre et al., 2011; Klandermans et al., 2008; Radipere, 2013). Performance may be further enhanced by internal and external factors that affect the translation of actions to performance (Chen, Tzeng, Ou, & Chang, 2007; De Jager, 2015; Drever & Hoffmeister, 2008; Lee et al., 2011; Sanders & Nee, 1996). These are deprivation and social Capital.

Depending on the values instilled by culture, Entrepreneurial Action may be high or low (Basu & Virick, 2008; Urban, 2012) and the differences in Entrepreneurial Action can be seen in unequal Entrepreneurial Performance (Basu & Virick, 2008; Charman, Petersen, Piper, Liedeman & Legg, 2015; Khosa & Kalitanyi, 2015; Ntema & Marais, 2014; Urban, 2012). Entrepreneurs that are intent on making a success of entrepreneurship are cooperative (Khosa & Kalitanyi, 2015; Ntema & Marais, 2014; Singh, 2015). Higher levels of cooperativeness have been observed among immigrants (Khosa & Kalitanyi, 2015) than locals (Bähre, 2007) and this is an indication that people with high entrepreneurial actions are more cooperative (Hughes, 2007). The social capital that results from the actions of entrepreneurs enables entrepreneurial performance, meaning that the relationship between Entrepreneurial Action and Entrepreneurial Performance flows through Social Capital. This is a mediation relationship (Baron & Kenny, 1986).

It can also be seen how groups that have limited options of self-sustenance are compelled to cooperate and form the social capital they need to perform entrepreneurially (Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006). For immigrants, it is host country disadvantage, while for locals; it is the unavailability of jobs that limit their economic options. In both cases, the position of disadvantage (Deprivation) fosters the creation of networks. Awareness of their position of disadvantage reinforces the conviction to make a success of entrepreneurship (Paulose, 2011; Zhang, 2010). The level of deprivation therefore heightens or lowers the effectiveness of entrepreneurial actions on performance (Baron & Kenny, 1986). The study was conducted to compare the relationships of the above variables and their overall effect on the

Entrepreneurial Performance of the two groups. The following relationships were tested.

2.9.1 Hypothesis 1

Entrepreneurial Action is positively related to Entrepreneurial Performance among Immigrant and South African entrepreneurs. (Beckers & Blumberg, 2013; Basardien et al., 2014; Frese et al., 2016; Krueger et al., 2013; Singer et al., 2014).

2.9.2 Hypothesis 2

Entrepreneurial Action is positively related to the social capital of immigrant and South African entrepreneurs (Bähre, 2011; Beckers & Blumberg, 2013; Burt, 1993; Gebre et al., 2011).

2.9.3 Hypothesis 3

Deprivation moderates the relationship between the Entrepreneurial Action and Entrepreneurial performance of Immigrant and South African entrepreneurs. (Burt, 1993; Loustel, 2011; Venter et al., 2015, p. 86).

2.9.4 Hypothesis 4

Social Capital mediates the relationship between the Entrepreneurial Action and Entrepreneurial Performance of immigrant and South African entrepreneurs. (Barrett et al., 1996; Burt, 1993; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006; Lee et al., 2011; Welter, 2012).

2.9.5 Hypothesis 5

Deprivation is positively related to the Social Capital of Immigrant and South African entrepreneurs. (Burt, 1993; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006).

2.9.6 Hypothesis 6

Deprivation is positively related to the Entrepreneurial Performance of Immigrant and South African entrepreneurs (Adam & Moodley, 2015; Dassah, 2015; Hungwe, 2013; Katila & Wahlbeck, 2012; Paulose, 2011; Rauch et al., 2013; Wennberg et al., 2013; Zhang, 2010).

3 RESEARCH METHODOLOGY

3.1 Research methodology /paradigm

3.1.1 Introduction

The study was conducted from an epistemological position that accepts existing theories to guide the development and testing of hypothesis. Literature and a large population from which data could be collected and analysed were available. The quantitative research approach was therefore, considered appropriate for this study as it is objective and enables the assessment of phenomena through the guidance of theory (Hayton & Cacciotti, 2013).

3.1.2 Paradigm

Similar to Aliaga-Isla and Rialp (2013), the study was conducted in a positivist manner where relationships were hypothesised and data analysed to prove and disprove them. Quantitative analysis of data was conducted as it is known to provide precise means of testing relationships between variables (Hayton & Cacciotti, 2013). The benefit of this method is in its reliable scientific means of testing relationships (Blumberg, Cooper, & Schindler, 2011). Findings are also generalizable as this method has a wider focus than the qualitative method (Blumberg et al., 2011).

3.2 Research Design

A volume of cross sectional primary data was collected through a survey instrument which comprised hypothesis testing questions. These were structured surveys which had closed ended questions. The survey instrument was administered by the researcher in the field. The three townships were visited and time was allocated to each according to their estimated population densities.

3.3 Population and sample

3.3.1 Population

The sample was drawn from informal entrepreneurs located in Kwa-Tsa-Duza where an estimated 333,528 people reside (Statistics South Africa, 2015). The province of Gauteng, where these townships are, has the most number of informal entrepreneurs (Urban, 2011) therefore, these townships, are most likely to have a prominent informal sector with a representative mix of entrepreneurs.

3.3.2 Sample and sampling method

The number of informal retailers in South Africa can be estimated at over 250,000 (Charman et al., 2017). Basardien et al. (2014) estimated that there are 100,000 Spaza shops in the country. This study took the conservative number of 100,000 and the sample was calculated from that.

Table 3.1: Population and sample size

Description	2015 Factor	Source
Population SA	54,960,000	(Statistics South Africa, 2015)
Population Tsakani	144,906	(Statistics South Africa, 2015)
Population KwaThema	110,524	(Statistics South Africa, 2015)
Population Duduza	78,098	(Statistics South Africa, 2015)
Total KwaTsaDuza	333,528	Total of Tsakane, KwaThema and Duduza Populations
% of Total Population	0.61%	Percentage of South African Population
Spaza Shops SA	100000	Basardien et al. (2014)
Spaza shop population ratio	550	National population divided by estimated number of Spaza shops
Spaza shops in KwaTsaDuza	606.86	National ratio multiplied by population of KwaTsaDuza
Sample Size	241.09	Yaro Yamani $n=N/(1+N(e^2))$

3.3.2.1 Sampling Method

Applying the formula $n=N/(1+N(e^2))$ to the estimated population of Spaza shops gives a minimum Sample size of 242. To mitigate the risk of a low response, the sample was increased by a factor of 2 resulting in a total of 484. A total number of 484 questionnaires were administered on the population where respondents were sampled conveniently.

Table 3.2: Profile of Immigrant and South African respondents

Number to be sampled from each population	242
Business owner	
Engaged in informal retail of fast moving consumer goods except alcohol and drugs	
Of the minimum age of 18	
Conducting business in any one of the three townships	

3.4 The research instrument

The instrument comprised a section for demographic information and sections for each of the variables of the study. All scales were copied from existing studies to ensure the reliability of the instrument. Each section had closed ended multiple choice questions. The sections were arranged accordingly in the following order of the variables;

3.4.1 Variables

3.4.1.1 Deprivation

The first section had six questions to measure the Deprivation Variable. Measures were all adapted from empirical research by Atkins (2014) where they were used to measure the effects of perceived discrimination on victims. They were subjected to factor analysis in the original study and found to score adequately (Cronbach's Alpha > 0.6). 5-point Likert questions were used here.

Table 3.3: Deprivation scales

Question	Purpose
1. I feel that I am entitled to welfare assistance from the South African government	Agreement with this statement indicates deprivation while disagreement indicates the opposite. In the case of immigrants this would mean that they did not come into the country to engage in entrepreneurship but were forced by the lack of government support (Ranja, 2003; Rauch et al., 2013; Wennberg et al., 2013), while for locals agreement would indicate unrewarded entitlement which equates to deprivation (Freund, 2010).
2. I am capable of providing for myself without government assistance	Agreement with this statement indicates lack of deprivation for both populations in that they do not perceive lack of support to be an obstacle to their ability to earn income (Atkins, 2014). Disagreement indicates the opposite.
3. I have sufficient access to resources and opportunities as other people in South Africa	Agreement with this statement indicates perception of equality and lack of deprivation (Katila, & Wahlbeck, 2012)
4. I have a good opportunity of getting a job.	Agreement with this statement indicates lack of deprivation for the immigrant (Kavuro, 2015) and South African population (Katila, & Wahlbeck, 2012)
5. I am treated the same way as everybody else in South Africa.	Agreement with this statement indicates lack of deprivation in the immigrant (Ranja, 2003) and South African population (Katila, & Wahlbeck, 2012)
6. My social status limits my chances to access resources and opportunities.	Agreement with this statement indicates lack of deprivation for the immigrant (Lyon, Sepulveda, & Syrett, 2007) and South African Population (Goldberg, 1993)

3.4.1.2 Entrepreneurial performance

The variable comprised questions of varying dimensions. It was, therefore, quantified through the summation of the total score where; larger values were an indication of high Entrepreneurial Performance, while; low scores indicated a low Entrepreneurial performance. Measures used here were adapted from various studies where had they satisfied reliability requirements (Barrett et al., 1996; Fatoki & Patswawairi, 2012; Murphy, Trailer & Hill, 1996; Rehn et al, 2013).

The measures that were used for Entrepreneurial performance are; Sales, Number of employees and organic growth through other business ventures. The actual measures are shown in the table below.

Table 3.4: Entrepreneurial Performance scales

Question	Purpose
1. Please select the interval that represents your monthly revenue	Growth in revenue indicates increase in performance (Murphy, Trailer & Hill, 1996).
2. Has the business increased, decreased or stayed the same compared to the same time last year. Select correct answer below	An increase in the business indicates growth in performance (Rehn, Brännback, Carsrud & Lindahl, 2013). Positives response would be scored higher and high entrepreneurial performance will be indicated by a high value of the variable.
3. If so, how many more businesses have you started with income generated from your current business	A positive response would indicate positive entrepreneurial performance and will be score accordingly resulting in a total score for high entrepreneurial performance and a low score for low entrepreneurial performance (Edelman et al., 2010; Murphy et al., 1996)
4. How many employees do you have?	A positive response would indicate positive entrepreneurial performance and will be score accordingly resulting in a total score for high entrepreneurial performance and a low score for low entrepreneurial performance (Murphy, Trailer, & Hill, 1996)

3.4.1.3 Social Capital

Social capital scales were adapted from Lee, Tuselmann, Jayawarna, and Rouse (2011); and Rouse (2011) where their reliability was tested and found to be satisfactory (Cronbach's Alpha >0.6). The following questions were asked

Table 3.5: Social Capital scales

Question	Type	Purpose
1. How did you earn a living before starting your business	5-point Likert scale	To determine pre-entrepreneurial entry network reliance (Gebre, Maharaj, & Pillay, 2011)
2. If you were employed, was it in the same industry as your current business	5-point Likert scale	To determine role played by ethnic members in teaching entrepreneurship to respondent (Peberdy, & Rogerson, 2000)
3. If you were employed, were you employed by a member of your ethnic group?	5-point Likert scale	To determine role played by ethnic members in entrepreneurial entry (Basardien, Parker, Bayat, Friedrich, & Appoles, 2014)
4. My employer helped me to start my current business.	5-point Likert scale	To determine role played by ethnic members in entrepreneurial entry (Basardien, Parker, Bayat, Friedrich, & Appoles, 2014)
5. Whose vehicle do you use to transport your stock	Dichotomous	To determine continuing business support from network (Aliaga-Isla & Rialp, 2013)
6. Did you raise start-up capital from your employment?	Dichotomous	To determine network reliance for entrepreneurial entry (Aliaga-Isla & Rialp, 2013)
7. Are you a member of a buying group?	Dichotomous	To determine network reliance for on-going business support (Aliaga-Isla & Rialp, 2013)
8. I would not have been able to start my business if it were not for the help I received from my friends	5-point Likert scale	To determine the role played by family Singer et al., (2015)
9. I would not have been able to start my business if it were not for the help I received from my family	5-point Likert scale	To determine the role played by family Singer et al., (2015)

3.4.1.4 Entrepreneurial Action

Entrepreneurial Action Scales were adapted from Valliere (2015) where they had already been subjected to factor analysis and scored satisfactorily (Cronbach's Alpha >0.6). Scales measured the following elements of Entrepreneurial Action; personal initiative (Frese, Hass, & Friedrich, 2016), self-employment preference (Valliere, 2015), optimism (Peberdy & Rogerson, 2000) and commitment to self-employment through investments (Bond, 2015). They were then summated to provide an Entrepreneurial Action score where a high value indicated high Action and vice versa.

Table 3.6: Entrepreneurial Action Scales

Question	Purpose
1. My business is going to become more successful	To determine the entrepreneurs optimism and therefore the likelihood of continuing with the entrepreneurial process (Peberdy, & Rogerson, 2000).
2. Have you ever looked for a job in South Africa?	To determine self-employment preference (Valliere, 2015)
3. Did you quit a job in order to start your business?	self-employment preference (Valliere, 2015)
4. I would leave my business if I got an equally paying job	commitment to self-employment (Bond, 2015; Radipere, 2013)
5. Did you invest your own money to start this business?	Personal initiative (Frese, & Fay, 2001)
6. I have always wanted to run this kind of a business	self-employment preference (Bond, 2015; Radipere, 2013)
7. I have plans to expand my business in the near future	Optimism (Peberdy, & Rogerson, 2000).
8. I came to South Africa to start a business	Personal initiative (Hass, & Friedrich, 2016)
9. I was forced by unemployment to become self-employed	Personal initiative (Frese, Hass,, & Friedrich,2016)
10. I am planning to settle permanently in South Africa	Commitment to self-employment (Bond, 2015; Radipere, 2013)

3.5 Procedure for data collection

Cross sectional primary data was collected through a survey instrument that was administered by the researcher similar to the studies like Aliaga-Isla and Rialp (2013); and Kesler and Bloemraad (2010). A total of 60 days were spent making door to door visits to informal business in the three townships. Time was allocated according to the estimated number of the Spaza shops in the townships as illustrated in the table below;

Table 3.7: Time allocation per Township

Township	Estimated Spaza Population	Time allocation
Tsakane	210	39 days
Kwa Thema	160	29 days
Duduza	113	21 days
Total	484	60 days

3.6 Data analysis and interpretation

Questionnaire data was capture on Microsoft excel and imported to Social Package for Social Scientist where it was statistically analysed as in James,

Hayton, and Cacciotti (2013); and Spigel (2013). Descriptive statistics were used to analyse the demographics of the respondents and give an indication of the results that were obtained in comparison to what was expected. Information that was analysed descriptively included; nationality, Gender, number of years in business and percentage of respondents in each of the three townships. Factor analysis was done to determine the correlations of the variables in the instrument and to give an indication of potential relationships that warranted further investigation.

Simple linear regression was used to analyse hypotheses with linear relationships between a single dependent and independent variable. Moderation and mediation were tested through multiple regressions according to the methods prescribed in Baron and Kenny (1986).

3.7 Validity and reliability

3.7.1 External validity

Realizing the challenges of conducting research in a population of this kind (Charman, Petersen, Piper, Liedeman, & Legg, 2015) and the suspiciousness of entrepreneurs in the informal sector (Ishaq, Hussain, & Whittam, 2010), and considering the circumstances around the tensions of the Xenophobic violence, it became necessary to test the face validity of the instrument through a pilot study. As in Lee et al. (2011), this was also done to ensure the relevance of the questions as well as the generalisability of the study. Pilot outcomes were used to refine the instrument and ensure its external validity.

3.7.1.1 Pilot Testing of Instrument

The pilot was conducted in a section of Kwa-Thema that has an estimated population of 1815 (648 households counted on the map of the area X 2.8 people per household (Statistics South Africa, 2015). Kwa-Thema was chosen because it is one of the three townships where the study was conducted. The pilot sample was kept at 10 respondents. Outlets were chosen by scouring the

area on foot and approaching the first 10 Spaza shops that were open for business on the day. This was also done to get an indication of the ratio between foreign and South African owned shops. Outlets had to meet the following criteria to participate in the study:

- Informal retailing of fast moving consumer goods
- Not engaged in the sale of liquor products
- Operating within fixed premises

The picture below shows the physical locations of the outlets that were surveyed with the green outlets having participated in the survey while the red ones declined.



Figure 3.1: Map Of Kwa-Thema Ext 3

Source: Google Earth

Data from the pilot was captured and analysed descriptively and qualitatively. The following were the outcomes:

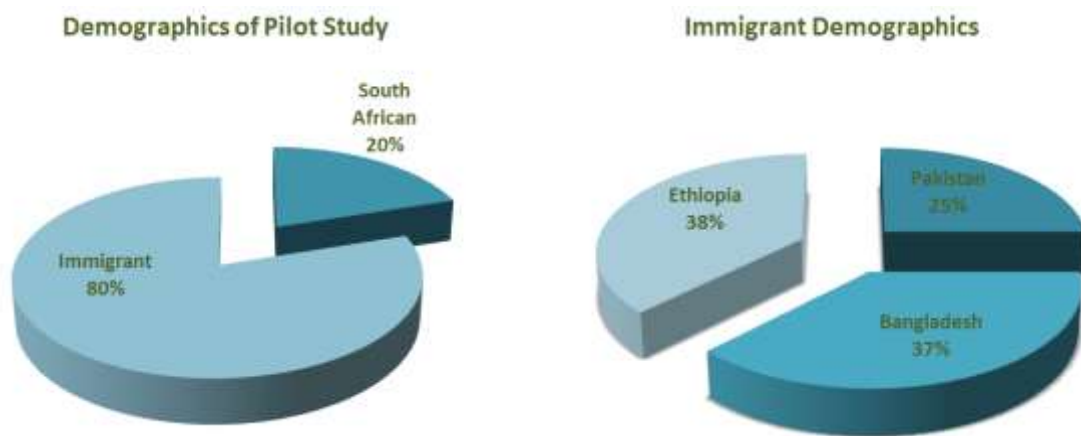


Figure 3.2: Immigrant and South African demographic data

Source: Developed by Author

Of the 10 Spaza shops, eight were operated by immigrants and the rest were South Africans. All the South African entrepreneurs agreed at the first attempt to participate in the study, while three of the five immigrant participants requested that they be visited at a later time as they were too busy to participate in the survey. Of the eight immigrants, there were three Ethiopians, three Bangladeshis, two Pakistanis and no Somalis. More observations were made in the pilot study and they are listed in the table below.

Table 3.8: Observations from Pilot study

Observation
An area with an estimated population of 1815 had 10 Spaza shops.
The Ratio of South Africans to immigrants in the population was 1:4.
A participation rate of 70% was achieved
All pilot respondents were male
All immigrant respondents are not welfare recipients and felt that they are not entitled to welfare
A majority of immigrant respondents raised their capital in South Africa
None of the immigrant entrepreneurs sought formal employment in South Africa
All the South African Entrepreneurs that responded to the pilot survey had had formal employment and indicated that starting a business was a response to either losing formal employment
All immigrant entrepreneurs had previously been employed in the informal retail sector by fellow immigrants. South Africans, however, only had previous employment in the formal sector where they had not been employed by people from their ethnic group
All the immigrant respondents quit their informal sector jobs as soon as they had started their businesses
All immigrant respondents came to South Africa for the purpose of starting their own businesses
None of the respondents were willing to disclose their businesses incomes
Immigrant entrepreneurs struggled to understand the questions that were asked

The reluctance of immigrants to participate in the pilot study was evident. This confirmed prior literature findings (Ishaq et al., 2010). The study adapted tactics from Charman, Petersen, Piper, Liedeman and Legg (2015) where, in an effort to blend in with the community, field workers used bicycles to commute while conducting research. The researcher, in this study, was careful not to appear too formal as this would have had him mistaken for a government agent and other authorities with whom immigrant and informal sector entrepreneurs are reluctant to engage.

3.7.2 Internal validity

Internal validity was ensured by using literature to guide the development of measures as in Lee et al. (2011). It was also done by developing concise and direct questions that limited responses to the relevance required in variables. The administration of the questionnaire by the researcher also helped ensure the internal validity of the instrument.

Learnings from the pilot study were also used to ensure that questions were relevant and valid. The following findings, from the pilot, were used to refine and strengthen its validity.

Table 3.9: Implications of Pilot Outcomes

Observation	Implications for the study	Impact on research method
An area with an estimated population of 1815 had 10 Spaza shops.	This works out to a ratio of 1:182 which is 3 times the national average of 1:550 in Basardien et al. (2014).	This necessitated increasing the sample size as there was a possibility that the population size may be understated in literature (484 to 612).
The Ratio of South Africans to immigrants in the population was 1:4.	This indicates an over representation of immigrants in the informal retail sector.	This may be an indication of South Africans exiting the industry due to their inability to compete with immigrants. This will tested in the actual study by comparing the revenues of the 2 populations.
A participation rate of 70% was achieved	This was a higher rate than expected and it was thought to have been made possible by the researcher administered questionnaire as well as the small sample which enabled repeat visits to respondents that would have otherwise not been able to complete the survey the first time	More time was allocated for data collection (60 days as opposed to 30) to enable the researcher to administer questionnaires in the field
All pilot respondents were male	This indicated that the sector may be male dominated.	Literature investigations revealed that entrepreneurship in countries in the Indian Sub- Continent is male dominated (Park & Rugunanan, 2010; Whittam, 2010)
All immigrant respondents are not welfare recipients and felt that they are not entitled to welfare	This indicates that this group lacks a sense of dependency which could explain their propensity to self-employ	This was included as a measure under Entrepreneurial Action and was used to see differences between the immigrant and local population
A majority of immigrant respondents raised their capital in South Africa	This could indicate reliance on networks for resource acquisition	A scale was developed to measure this and included under measures for the social capital construct
None of the immigrant entrepreneurs sought formal employment in South Africa	The explicit choice to avoid certain avenues of income generation may be indicative of a commitment to a particular path of income generation	This scale was used to measure the entrepreneurial Action construct
All the South African Entrepreneurs that responded to the pilot survey had had formal employment and indicated that starting a business was a response to either losing formal employment	This could be an indication of job security being a push factor to self-employment. Lack of options (deprivation) could be the main driver of entrepreneurship among immigrants	This scale was used to others to measure deprivation.
All immigrant entrepreneurs had previously been employed in the informal retail sector by fellow immigrants. South Africans, however, only had previous employment in the formal sector where they had not been employed by people from their ethnic group	This may be indicative of reliance on networks for resources and a strong reliance on weak ties as family contribution does not feature prominently	This scale was a measure of social capital as responses to it differed between immigrants and South Africans
All the immigrant respondents quit their informal sector jobs as soon as they had started their	This is an indication of preference for self-employment over other employment	This scale was kept under the entrepreneurial Action construct

businesses		
All immigrant respondents came to South Africa for the purpose of starting their own businesses	This is an indication of intention	This scale was kept under the entrepreneurial Action construct.
None of the respondents were willing to disclose their businesses incomes	This presented a challenge for the research as income was one of the main measures under the Entrepreneurial Performance construct. This undermined the validity of this measure.	Further literature revealed useful tactics to solicit this information and they were trialled during field one. Delaying the question about the income of the business till the end of the interview, after winning the trust of the respondent proved to be effective
Immigrant entrepreneurs struggled to understand the questions that were asked	This may be a consequence of the language barrier as immigrants are not familiar with the English language.	This required that time be taken to explain the questions in the questionnaire to enable immigrants to understand the questions

3.7.3 Reliability

Reliability, which is the assurance that procedures used in the measuring of variables would yield the same results (Slavec & Drnovsek, 2012) was ensured by using existing scales. The reliability of the source scales was relied on to a large extent for the reliability of the scales in the instrument of the study. Each of the scales that were used was adopted from previous studies where they had been vigorously subjected to factor analysis and found to score satisfactorily (Cronbach's Alpha > 0.6). Deprivation scales were adapted from Atkins (2014), Entrepreneurial Action Scales were adapted from Aliaga-Isla and Rialp (2013); Valliere (2015;) and Wennberg, Pathak, and Autio (2013), Social Capital scales were adapted from Lee, Tuselmann, Jayawarna, and Rouse (2011); and Rouse (2011), and Entrepreneurial Performance scales were adapted from Barrett, Jones and McEvoy (1996); Fatoki and Patswawairi (2012); Murphy, Trailer and Hill (1996); and Rehn et al. (2013).

- Chiesi (2014) found it hard to establish Spaza revenues from immigrants as they were suspicious of researchers. Suspicion by immigrants led to a low participation rate in Ishaq et al. (2010). This was confirmed in the pilot study and the actual study. This may have impacted the integrity of the study's data.
- Conduction of interviews was compromised by the language barrier that is a result of immigrants not having adequate English communication skills

because the immigrant sending countries in this study do not have English as a medium of communication.

- Closed ended questions are restrictive and therefore prevent the collection of insights that may contribute crucial information in the study. The cross-sectional methodology prevents the determination of causality.
- Data were collected in an environment that has seen tensions between the populations escalate to violence, as a result, respondents were reluctant to participate and those that did were careful about the information they were willing to share.
- Cronbach's Alpha tests, which are test for reliability, could not be calculated as the measures within constructs were not uniform. This could compromise the reliability of the instrument.
- The sampling method, which was carried out by scouting for Spaza shops on foot, moving from one to the next is similar to convenient sampling. As a result, the representativeness of the population may have been compromised.

3.8 ETHICS

The privacy of respondents was ensured by following the research guidelines prescribed by the university's research ethics code. Participation was voluntary and disclosure was done to ensure the informed consent of respondents. Names of respondents are not disclosed; instead they are referred to with a number. The follow considerations were also made to ensure the ethical conduction of the study;

- Research was only carried out when clearance had been obtained from the university
- Respondents were not incentivised to participate, instead, it was communicating to them that their participation was voluntary

- While conducting a survey, respondents were allowed to discontinue the interviews at any time.

3.9 CONCLUSION

The study was approached through a Positivist paradigm and quantitative data was collected from two equal samples of 242 immigrant and South African entrepreneurs. A survey instrument, whose scales were adopted from existing instruments, was used to collect cross-sectional data that was analysed quantitatively employing the best possible means of extracting information. Demographic data was analysed with descriptive statistics. Relationships were regressed through simple and multiple regressions. The next chapter presents the results of the data analysis.

4 PRESENTATION OF RESULTS

4.1 Introduction

Data collection was done with a researcher administered questionnaire which had five sections, four of which were for each of the variables of the study which are; Entrepreneurial Action, Entrepreneurial Performance, Deprivation and Social Capital. The other section was for demographics. 100 immigrant respondents gave 3174 data points while 99 South African respondents gave 3030 data points. This worked out to a total of 199 responses and 6204 data points. Thirteen responses from the immigrant data were removed because they lacked all the data points for deprivation. Data was capture on Microsoft excel and imported to SPSS where it was analysed. Descriptive analysis, correlations coefficients, simple and multiple regressions were used to analyse the data. The outputs of the analysis are presented below.

4.2 Demographic profile of respondents

The gender distribution of the respondents in the sample and the areas from which the respondents were sampled from is summarised in Table 4.1.

Table 4.1: Gender and Area

		South Africans (n=99)	Immigrants (n=100)
Gender	Female	33%	2%
	Male	67%	98%
Area	Duduza	36%	11%
	Kwa-Thema	33%	39%
	Tsakane	36%	50%

The Gender percentages are further compared in the graphs below to illustrate the apparent differences between the two populations.

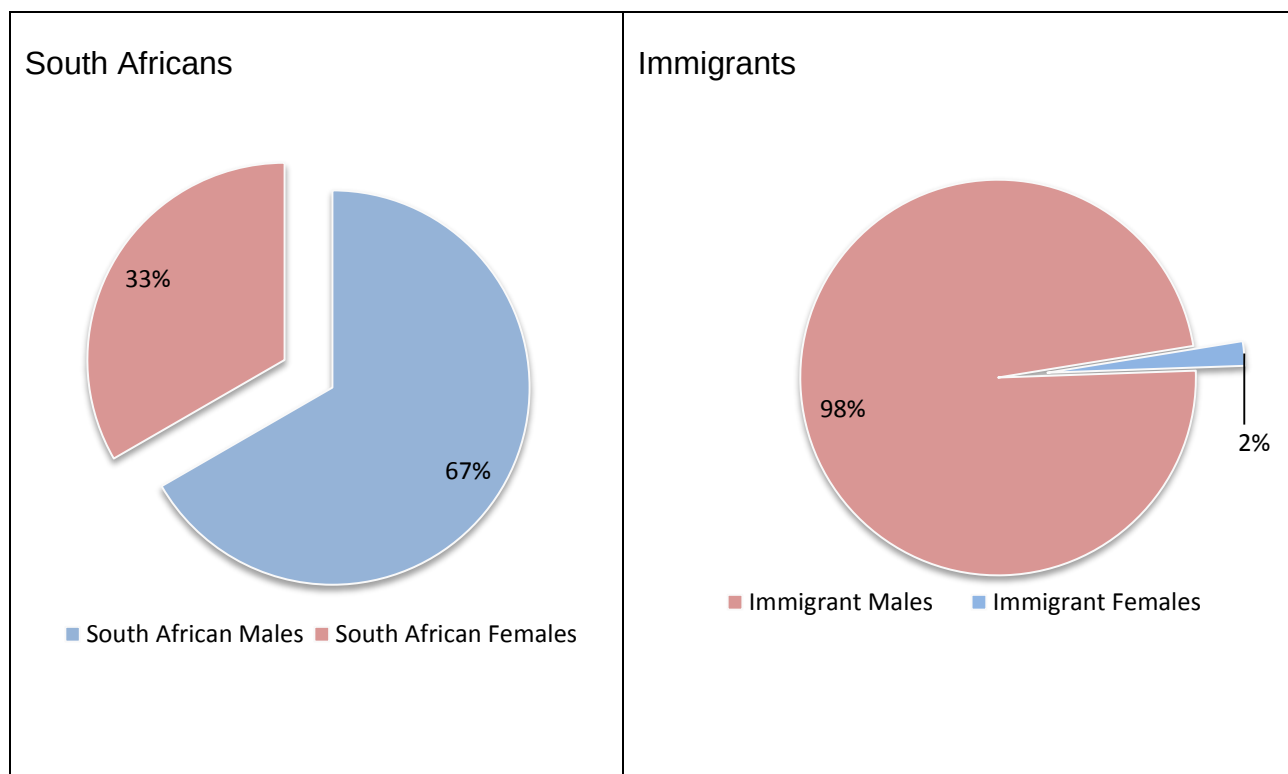


Figure 4.1: South African and Immigrant response data

Source: Developed by Author

There were a significantly higher proportion of males in the immigrant population compared to the South African population (98% and 67%).

The south African Entrepreneurs had been in business for an average 10.227 years compared to 3.8335 years for the immigrants and their average revenue was R 34 647 while that of immigrants was R 45 754

Table 4.2: Age and Number of years in business

Descriptive Statistics						
List		N	Minimum	Maximum	Mean	Std. Deviation
South Africans	Age	96	20	70	43.91	12.543
	Number of years in Business	78	0.167	52	10.06	10.394
Immigrants	Age	84	21	55	32.73	7.934
	Number of years in Business	81	0.5	25	4.14	3.527

Table 4.3: Population

Origin	Frequency	Percentage	Cumulative
Immigrant	100	50.25	50.25
South African	99	49.75	100
Total	199	100	

100 immigrant respondents gave 3174 data points while 99 South African respondents gave 3030 data points. This worked out to a total of 199 responses and 6204 data points. The responses are further classified according to the respondent's country of origin, in the table below.

Table 4.4: Nationality

Origin	Frequency	Percentage	Cum
Bangladesh	37	18.59	18.59
Ethiopia	35	17.59	36.18
Other	16	8.04	44.22
Pakistan	3	1.51	45.73
Somalia	9	4.52	50.25
South Africa	99	49.75	100

4.3 Descriptive Statistics and Pearson's Correlation

Table 4.5: Descriptive Statistics and Pearson's Correlation

South African Entrepreneurs						
	Descriptive Statistics		Correlation coefficients			
	M	SD	1	2	3	4
1. Deprivation	3.1	1	1			
2. Action	7.34	3	0.11	1		
3. Social Capital	0.51	0	0	0.11	1	
4. Entrepreneurial Performance	2.91	2	.21**	.33***	0.08	1
Immigrants Entrepreneurs						
	Descriptive Statistics		Correlation coefficients			
	M	SD	1	2	3	4
1. Deprivation	3.65	1	1			
2. Action	10.64	3	.19*	1		
3. Social Capital	0.94	0	-0.16	0.07	1	
4. Entrepreneurial Performance	3	1.47	0	.37***	0.13	1

The correlation analysis indicates that for the South African Entrepreneurs, Entrepreneurial Performance was positively correlated with Deprivation ($r = 0.21$, $p\text{-value} < 0.05$) and Entrepreneurial Action ($r = 0.33$ $p\text{-value} < 0.01$) but had an insignificant correlation with Social Capital ($r = 0.08$, $p\text{-value} > 0.05$). On the other hand, for immigrant Entrepreneurs, Entrepreneurial Performance was positively correlated with Entrepreneurial Action only ($r = 0.37$ $p\text{-value} < 0.01$) and had an insignificant correlation with each of Deprivation ($r = -0.16$, $p\text{-value} > 0.05$) and Social Capital ($r = 0.13$, $p\text{-value} > 0.05$).

4.4 Results pertaining to Hypothesis 1

Hypothesis 1

Entrepreneurial Action is positively related to the Entrepreneurial Performance among Immigrant and South African entrepreneurs (Beckers & Blumberg, 2013; Basardien et al., 2014; Frese et al., 2016; Krueger et al., 2013; Singer et al., 2014).

To assess the hypothesis above, a regression model was fitted with Entrepreneurial performance as the dependent variable and Entrepreneurial

Action as the independent variable for both South African Entrepreneurs and Immigrant Entrepreneurs. The results are shown below.

Table 4.6: Entrepreneurial Action and Entrepreneurial performance

	South African Entrepreneurs		
	Model 1: Intent > Entrepreneurial Performance		
Blank	B	SE	B
Intercept	1.14 ^{**}	0.6	
Intent	0.24 ^{***}	0.1	0.3
Social Capital			
F	5.74 ^{***}		
R ²	0.11		
	Immigrant Entrepreneurs		
	Model 1: Intent > Entrepreneurial Performance		
Blank	B	SE	B
Intercept	1.12 ^{**}	0.6	
Intent	0.19 ^{***}	0.1	0.4
Social Capital			
F	7.40 ^{***}		
R ²	0.15		
Notes for parameters: B = unstandardized parameters, β = standardized parameters, *** = p < .01, ** = p < .05, * = p < .10.			
Notes for differences: ^a Intercept differences expressed as % of raw difference if >5%, slope differences are for β s. [†] Small = < .05 for β s, < .03 for R ²			

The results for model 1 for South African Entrepreneurs shows that there is a significant relationship between Entrepreneurial Performance and Entrepreneurial Action (B = 0.24, Standardised better = 0.33, p-value < 0.01) since the p-value was less than 0.05. The model shows that variation in Entrepreneurial action explains 11% of variation in Entrepreneurial performance (r-square = 0.11).

For the immigrant entrepreneurs, there was also a significant relationship between Entrepreneurial Performance and Entrepreneurial Action (B = 0.19, Standardised better = 0.37, p-value < 0.01). The model shows that variation in

Entrepreneurial Action explains 15% of variation in Entrepreneurial performance ($r\text{-square} = 0.15$) since the $p\text{-value}$ was less than 0.05.

Since the $p\text{-values}$ for Entrepreneurial Action were less than 0.05 in both models and the coefficients of Entrepreneurial Action were positive, the null hypothesis for H1 is rejected in favour of the alternative hypothesis. It is concluded that Entrepreneurial Action is positively related to Entrepreneurial Performance among immigrant and South African Spaza shop owners in South Africa.

4.5 Results pertaining to Hypothesis 2

Entrepreneurial Action is positively related to social capital among immigrants and South Africans (Bähre, 2011; Beckers & Blumberg, 2013; Burt, 1993; Gebre et al., 2011). The third model in table below shows that there is no significant relationship between Entrepreneurial Action and social capital for both South African Entrepreneurs ($B = 0.01$, Standardised better = 0.11, $p\text{-value} > 0.05$) and Immigrant entrepreneurs ($B = 0.01$, Standardised better = 0.07, $p\text{-value} > 0.05$). This is because the $p\text{-values}$ were greater than 0.05.

Table 4.7: Entrepreneurial Action and Entrepreneurial performance

	South African Entrepreneurs		
	Model 3: Action > Social Capital		
Blank	B	SE	B
Intercept	0.45 ^{***}	0	
Intent	0.01	0	0
Social Capital			
F	1.13		
R ²	0.01		
	Model 3: Action > Social Capital		
Blank	B	SE	B
Intercept	0.86 ^{***}	0	
Intent	0.01	0	0
Social Capital			
F	0.39		
R ²	0.045		
Notes for parameters: B = unstandardized parameters, β = standardized parameters, *** = $p < .01$, ** = $p < .05$, * = $p < .10$.			
Notes for differences: ^a Intercept differences expressed as % of raw difference if >5%, slope differences are for β s. [†] Small = $< .05$ for β s, $< .03$ for R^2			

4.6 Results pertaining to Hypothesis 3

Deprivation moderates the relationship between Entrepreneurial Action and Entrepreneurial performance among immigrant and South African entrepreneurs (Burt, 1993; Loustel, 2011; Venter et al., 2015, p. 86)

To assess this relationship a multiple regression model was fitted with Entrepreneurial performance as the dependent variable, Entrepreneurial Action as the independent variable and deprivation as the moderating variable for both South African Entrepreneurs and Immigrant Entrepreneurs. The results are shown below.

Table 4.8: Deprivation moderating the relationship between Entrepreneurial Action and Entrepreneurial performance

South African Entrepreneurs						
Moderation Regressions						
	Model 1		Model 2		Model 3	
	B	B	B	β	B	B
Intercept	2.91***	0	2.91***	0	2.89***	0
Action	0.24***	0.33	0.23***	0.31	0.23***	0.31
Deprivation			0.52*	0.18	0.48*	0.17
Intent x Deprivation					0.08	0.07
R ²	0.11		0.14		0.14	
Immigrant Entrepreneurs						
Moderation Regressions						
	Model 1		Model 2		Model 3	
	B	B	B	β	B	B
Intercept	3.12***	0	3.12***	0	3.07***	0
Action	0.19***	0.37	0.19***	0.38	0.21***	0.4
Deprivation			-0.08	-0.04	0.01	0
Intent x Deprivation					0.13*	0.18
R ²	0.14		0.14		0.17	

Model 3 shows that the addition of the interaction variable (Action x Deprivation) on to the model that already had Action did not increase the r-square. The coefficients for the interaction variable ($B = 0.08$, $\beta = 0.07$, $p\text{-value} > 0.05$) for South African Entrepreneurs and ($B = 0.13$, $\beta = 0.18$, $p\text{-value} > 0.05$) for immigrant entrepreneurs were not significantly different from Zero. This implies that Deprivation does not moderate the relationship between Entrepreneurial Action and Entrepreneurial performance.

4.7 Results pertaining to Hypothesis 4

Hypothesis 4

Social Capital mediates the relationship between the Entrepreneurial Action and Entrepreneurial Performance of immigrant and South African entrepreneurs (Barrett et al., 1996; Burt, 1993; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006; Lee et al., 2011; Welter, 2012).

To assess the hypothesis above, a multiple regression model was fitted with Entrepreneurial performance as the dependent variable, Entrepreneurial Action as the independent variable and Social capital as the mediating variable for both South African Entrepreneurs and Immigrant Entrepreneurs. The results are shown below.

Table 4.9: Social Capital mediating the relationship between Entrepreneurial Action and Entrepreneurial performance

	South African Entrepreneurs								
	Model 1: Action > Entrepreneurial Performance			Model 2: Action + Social Capital > Entrepreneurial Performance			Model 3: Action > Social Capital		
Blank	B	SE	B	B	SE	β	B	SE	B
Intercept	1.14**	0.55		0.93	0.7		0.45***	0.1	
Action	0.24***	0.07	0.33	0.24***	0.1	0.3	0.01	0	0.1
Social Capital				0.47	1	0.1			
F	5.74***			11.35***			1.13		
R 2	0.11			0.11			0.01		
	Immigrant Entrepreneurs								
	Model 1: Action > Entrepreneurial Performance			Model 2: Action + Social Capital > Entrepreneurial Performance			Model 3: Action > Social Capital		
Blank	B	SE	B	B	SE	β	B	SE	B
Intercept	1.12**	0.56		0.73	0.7		0.86***	0.1	
Action	0.19***	0.05	0.37	0.18***	0.1	0.4	0.01	0	0.1
Social Capital				0.45	0.4	0.1			
F	7.40***			13.71***			0.39		
R 2	0.15			0.14			0.045		
Notes for parameters: B = unstandardized parameters, β = standardized parameters, *** = $p < .01$, ** = $p < .05$, * = $p < .10$.									
Notes for differences: ^a Intercept differences expressed as % of raw difference if >5%, slope differences are for β s. [†] Small = $< .05$ for β s, $< .03$ for R^2									

The first condition for testing for mediation is that the independent variable is significantly related to the dependent variable. The second condition is that the independent variable is significantly related to the mediator. The third condition is that the Mediating variable is significantly related to the dependent variable controlling for the independent variable. The final condition is that the addition of the mediator variable to a model with the independent variable will significantly

reduce the contribution of the independent variable to the prediction of the dependent variable.

The significant relationship between Entrepreneurial Action and Entrepreneurial Performance in model 1 satisfies condition 1 for both South African Entrepreneurs and immigrant entrepreneurs.

Condition 2 is not met since there is no significant relationship between Intent and Social Capital for both South African Entrepreneurs ($B = 0.01$, Standardised better = 0.11, $p\text{-value} > 0.05$) and Immigrant entrepreneurs ($B = 0.01$, Standardised better = 0.07, $p\text{-value} > 0.05$). Since condition 2 is not met, it can be concluded that Social Capital does not mediate the relationship between Entrepreneurial Action and Entrepreneurial performance among immigrant and South African Spaza shop owners.

4.8 Results pertaining to Hypothesis 5

Deprivation is positively related to Social Capital among immigrant and South African Entrepreneurs (Burt, 1993; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006).

To assess this hypothesis, a simple linear regression model was fitted with deprivation as the independent variable and social capital as the dependent variable for both South African Entrepreneurs and Immigrant Entrepreneurs. The results are shown below;

Table 4.9: The relationship between Deprivation and Social Capital

South African Entrepreneurs					
	Parameters		Statistical Significance		
Variable	B	β	SE	P	95% interval
Intercept	0.51 ^{***}		0.09	0	0.33 to 0.69
Deprivation	0	0	0.03	0.977	-0.06 to 0.06
F	0.01			0.977	
R ²	0				
Immigrant Entrepreneurs					
	Parameters		Statistical Significance		
Variable	B	β	SE	P	95% interval
Intercept	1.24 ^{***}		0.19	0	0.85 to 1.63
Deprivation	-0.08	-0.16	0.05	0.123	-0.19 to 0.02
F	2.43			0.123	
R ²	0.03				
Notes: B = unstandardized parameters, β = standardized parameters, ^{***} = p < .01, ^{**} = p < .05, [*] = p < .10.					

An r-square value of 0.03 for Immigrant Entrepreneurs shows that the deprivation explained 3% only of variation in social capital; this value is 0% for South African Entrepreneurs. The contribution of deprivation in predicting social capital is not significant for both South African Entrepreneurs (B = 0.000, β = 0.000, p-value = 0.977) and Immigrant Entrepreneurs (B = -0.08, β = -0.16, p-value = 0.123) since the p-values were greater than 0.05, it can be concluded that deprivation is not related to social capital.

4.9 Results pertaining to Hypothesis 6

Deprivation is positively related to Entrepreneurial performance among immigrants and South African Entrepreneurs (Adam & Moodley, 2015; Dassah, 2015; Hungwe, 2013; Katila & Wahlbeck, 2012; Paulose, 2011; Rauch et al., 2013; Wennberg et al., 2013; Zhang, 2010).

A simple linear regression model with Entrepreneurial performance as the dependent variable, and Deprivation as the independent variable was fitted for both South African and immigrant entrepreneurs. The results are shown below;

Table 4.10: Regression between Deprivation and Entrepreneurial performance

South African Entrepreneurs				
	Parameters		Statistical Significance	
Variable	B	β	SE	P
Intercept	1.02		0.906	0.263
Deprivation	0.609**	0.213	0.286	0.036
F	4.533**			0.036
R ²	0.046			
Immigrant Entrepreneurs				
	Parameters		Statistical Significance	
Variable	B	β	SE	P
Intercept	2.864		0.861	0.001
Deprivation	0.071	0.033	0.232	0.759
F	0.094			0.759
R ²	0.001			
Notes: B = unstandardized parameters, β = standardized parameters, *** = $p < .01$, ** = $p < .05$, * = $p < .10$.				

The results show for South African Entrepreneurs there is a significant positive relationship between Deprivation ($B = 0.609$, $\beta = 0.213$ p -value = 0.036) and Entrepreneurial performance. The relationship is positive since the coefficient for deprivation is positive and the relationship is significant because the P value for the coefficient was less than 0.05. An r -square value of 0.046 indicates that deprivation explains 4.6% of entrepreneurial performance among South African Entrepreneurs.

For Immigrant entrepreneurs, there is no relationship between Deprivation ($B = 0.071$, $\beta = 0.033$ p -value = 0.759) and Entrepreneurial performance. This is because the p -value was greater than 0.05. It can be noted that deprivation only explains 0.1% of variation in Entrepreneurial performance among Immigrant Entrepreneurs (as shown by an r -square of 0.001).

Thus hypothesis 3 is supported for South African entrepreneurs, but not supported for immigrant entrepreneurs.

4.10 Summary of the results

The results are summarised in the table below.

Table 4.7: Summary of results

	Hypothesis	Conclusion
H1	Entrepreneurial Action is positively related to the Entrepreneurial Performance among Immigrant and South African entrepreneurs (Beckers & Blumberg, 2013; Basardien et al., 2014; Frese et al., 2016; Krueger et al., 2013; Singer et al., 2014)	Supported
H2	Social Capital mediates the relationship between Entrepreneurial Action and Entrepreneurial performance among immigrant and South African Spaza shop owners (Bähre, 2011; Beckers & Blumberg, 2013; Burt, 1993; Gebre et al., 2011).	Not Supported
H3	Deprivation moderates the relationship between Entrepreneurial Action and Entrepreneurial performance among immigrant and South African Spaza shop owners. (Burt, 1993; Loustel, 2011), (Venter et al., 2015, p. 86)	Not Supported
H4	Social Capital mediates the relationship between the Entrepreneurial Action and Entrepreneurial Performance of immigrant and South African entrepreneurs (Barrett et al., 1996; Burt, 1993; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006; Lee et al., 2011; Welter, 2012).	Not Supported.
H5	Deprivation is positively related to social capital in that disadvantaged people are likely to cooperate with each other for the purpose of achieving common goals (Burt, 1993; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006).	Not Supported Not Supported
H6	Deprivation is positively related to Entrepreneurial Performance of South African entrepreneurs (Adam & Moodley, 2015; Dassah, 2015; Hungwe, 2013; Katila & Wahlbeck, 2012; Paulose, 2011; Rauch et al., 2013; Wennberg et al., 2013; Zhang, 2010).	Supported
H6	Deprivation is positively related to Entrepreneurial Performance of Immigrant entrepreneurs (Adam & Moodley, 2015; Dassah, 2015; Hungwe, 2013; Katila & Wahlbeck, 2012; Paulose, 2011; Rauch et al., 2013; Wennberg et al., 2013; Zhang, 2010).	Not Supported

4.11 CONCLUSION

The direct effects of Entrepreneurial action and Deprivation were tested on the performance of Immigrant and South African Entrepreneurs. The potential for Entrepreneurial Action and Deprivation to result in Social Capital, and the role of Social Capital in enabling the conversion of Entrepreneurial Action to Performance were also tested. The results indicate that Entrepreneurial Action are positively related to Entrepreneurial performance for both populations but that Deprivation only drives the performance of South Africans and not

immigrants. Although deprivation affects the performance of South Africa's, it does not moderate the relationship of their Action and Performance. Deprivation and Action fail to result in Social Capital for both populations with the result that Social Capital does not affect the performance of these entrepreneurs. The next chapter considers literature and gives possible reasons for the results that were obtained.

5 DISCUSSION OF THE RESULTS

5.1 Introduction

The population Kwa-Tsa-Duza is estimated at 333,528 and the contribution of the three townships is Duduza, 23%, Kwa-Thema, 33% and Tsakane, 43% (Statistics South Africa, 2015). The Ratio of the population to Spaza shops is, according to Basardien et al. (2014), 1:550. The required sample was calculated from this to be 242 for each population and it was split up as in the graph.

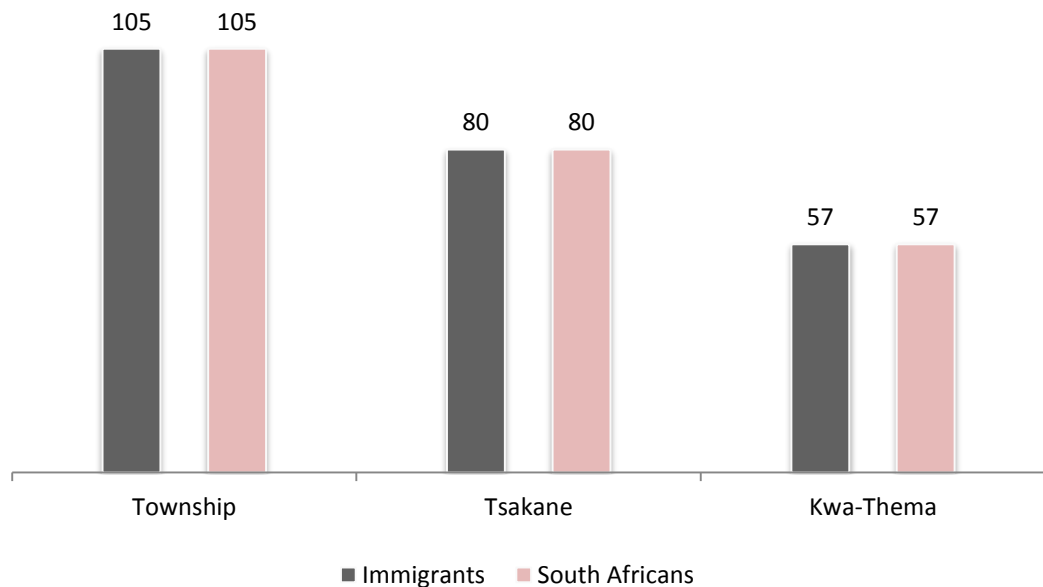


Figure 5.1: Sampling by township for Immigrants and South Africans

Source: Developed by Author

5.2 Demographic profile of respondents

The response rates of 40.9% and 41.32% for South Africans and immigrants respectively contradict those of the pilot study where a 70% response rate was achieved. This is attributed to the repeat visits that were done during the conducting of the pilot study. Unlike in the pilot study where there were repeat

visits to respondents who requested that they be interviewed at a later time, respondents were only given one chance to participate in the actual research. This may have led to the reduction in the response rate. This response rate is, however, similar to that of previous studies in the informal sector (Chiesi, 2014).

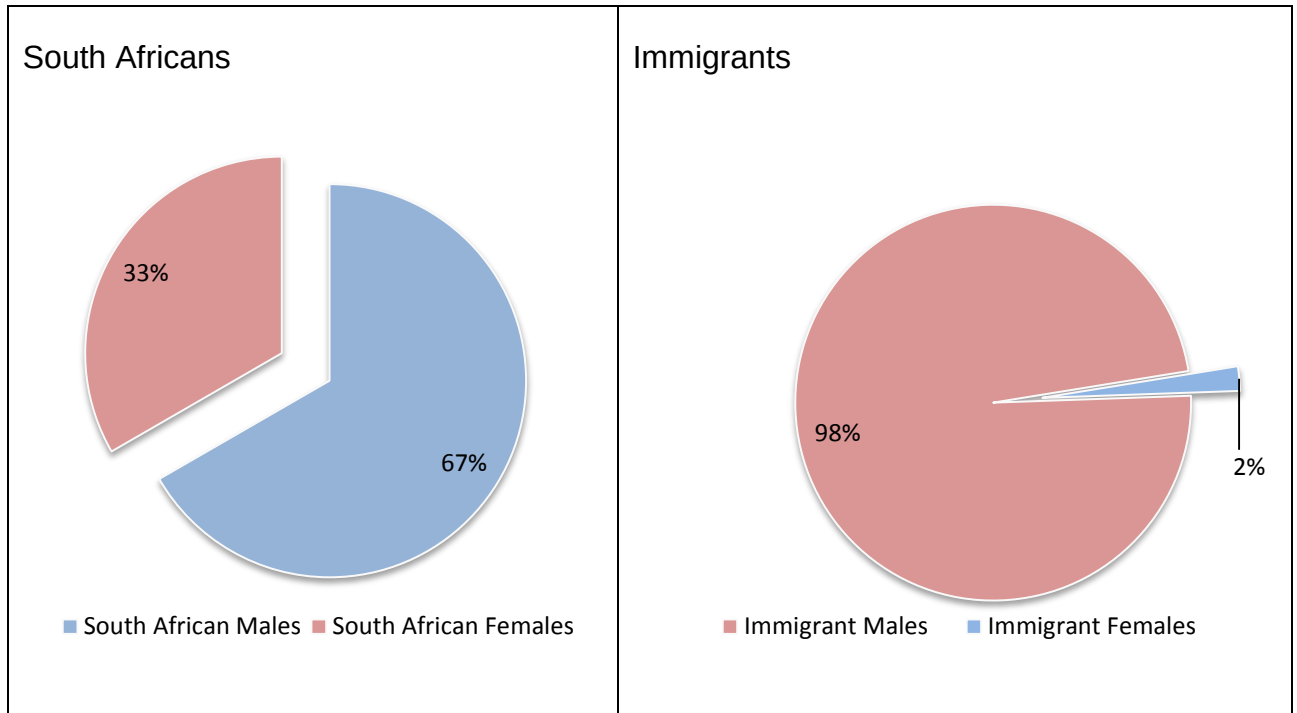


Figure 5.2: Ratio of males to females (South Africans VS Immigrants)

Source: Developed by Author

The over-representation of males in the immigrant population (98%) is a confirmation of prior findings, for example, Singer et al., (2015) report that Bangladeshi culture is a pro-male culture and prevents the participation of women in Entrepreneurship. This is also in line with the findings of the pilot study. Literature investigations revealed that entrepreneurship in countries in the Indian Sub-Continent is male dominated (Ishaq et al., 2010; Park & Rugunanan, 2010).

33% of the South African population was female. This is in line with Callaghan and Venter (2011) who found the same ratio in the population of informal

traders in Johannesburg. Burger et al. (2004) observed that women were under-represented in entrepreneurship.

The South African entrepreneurs were on average 43.91 ± 12.543 years old compared to an average age of 32.73 ± 7.934 among the immigrants.

Table 5.1: Age and Number of years in business

Descriptive Statistics						
List		N	Minimum	Maximum	Mean	Std. Deviation
South Africans	Age	96	20	70	43.91	12.543
	Number of years in Business	78	0.167	52	10.06	10.394
Immigrants	Age	84	21	55	32.73	7.934
	Number of years in Business	81	0.5	25	4.14	3.527

Peberdy and Rogerson (2000) and Tengeh (2011) reported that immigrant entrepreneurs are likely to be young males between the ages of 19 and 41. This is confirmed by the results of the study that show that immigrant entrepreneurs are of the average age of 32.73 years. on the other hand, due to low entrepreneurial activity in the South African population, the country's youth lacks entrepreneurial experience and this may be delaying their entry into entrepreneurship (Bezuidenhout & Buhlungu, 2011; Fairlie & Robb, 2007; Hout & Rosen, 1999). This may be the reason behind the higher average age of South African black entrepreneurs than that of immigrants (Herrington & Kew, 2016).

Preisendoerfer et al. (2014) found that the relationship between orientation and age is inversely (U) shaped and that is because of the lack of business experience, as well as the unavailability of financial resources required to start a business. Ligthelm (2004) reported that South Africans rely mainly on their own savings, instead of networks, for financial capital. This, therefore, means that one should have time to save before they can start their own business. The network reliance of immigrants, for start-up capital, differentiates them from

South Africans, early in the entrepreneurial process (Bähre, 2007; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006).

The South African entrepreneurs had been in business for an average 10.06 ± 10.394 years compared to 4.14 ± 3.527 for immigrants. The average revenue for South Africans was calculated to be R34, 647 while that of immigrants was calculated to be R46.754.

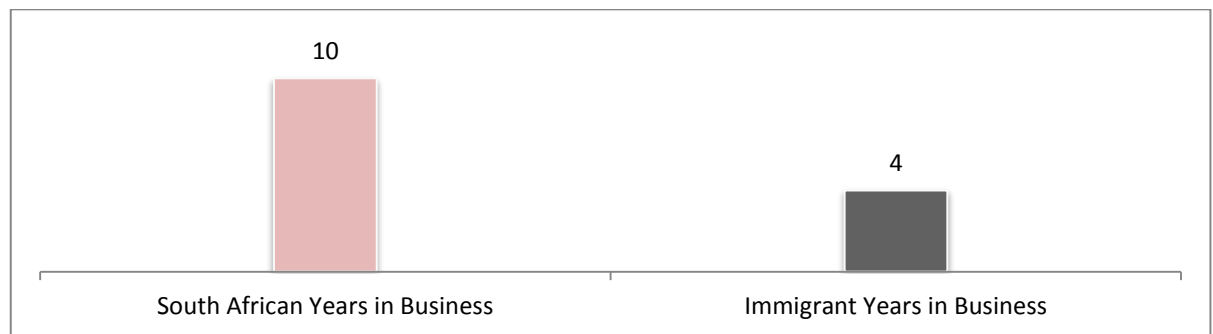


Figure 5.3: Number of years in Business (Immigrants VS South Africans)

Source: Developed by Author

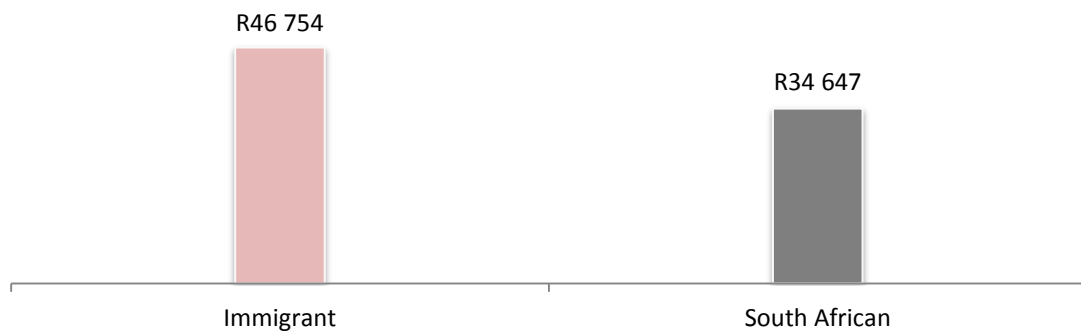


Figure 5.4: Revenues (South Africans VS Immigrants)

Source: Developed by Author

Despite South African entrepreneurs being in business longer than immigrants, the revenue was found to be lower than that of immigrants. This confirms prior study findings that immigrants are outperforming South Africans in the sector

(Basardien et al., 2014; Andrew et al., 2011; Mamabolo, 2015; Ntema & Marais, 2014). Yazdanfar et al. (2015) found significant differences between immigrant and native owned businesses. Charman et al. (2015) found that the refusal of South Africans to use economic methods of running businesses led to their out-performance by immigrants. Singh (2015) found that, as a result of immigrant superior performance, 70% of locally owned shops closed within a period of fourteen months after the setting up of a competing business by an immigrant. Ntema and Marais (2014) found that immigrants invest more in their businesses. They spend longer hours and have a wider range of goods in their businesses. This results in consumers preferring immigrant shops over those of South Africans.

Loustel (2011) reported that individuals that are marginalised and relegated to lower forms of earning a living, end up amassing expertise and skills that enable them to outperform others that seek to enter the same space. This, therefore, means that the inability of immigrants to access other forms of earning an income has resulted in them perfecting the art of earning income through informal sector entrepreneurship, and that the South African ability to earn income in the informal sector is undermined by the perceived availability of options.

5.3 Discussion pertaining to Hypothesis 1

Entrepreneurial Action is positively related to the Entrepreneurial Performance of Immigrant and South African entrepreneurs (Beckers & Blumberg, 2013; Basardien et al., 2014; Frese et al., 2016; Krueger et al., 2013; Singer et al., 2014).

A significant relationship between Entrepreneurial Action and Entrepreneurial Performance was found for both South African and Immigrant Entrepreneurs.

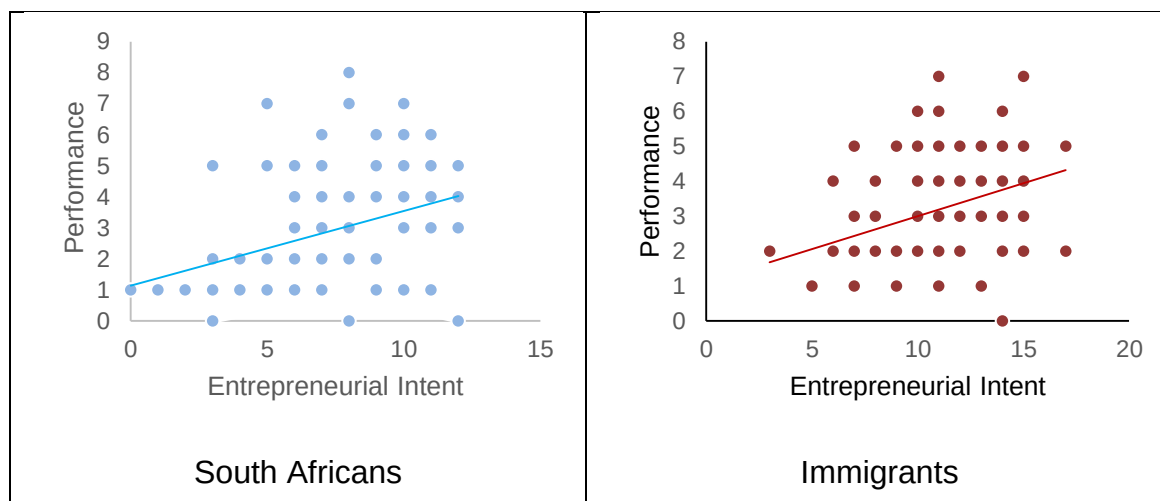


Figure 5.5: Relationship between Entrepreneurial Action and Entrepreneurial Performance

Source: Developed by Author

Being a self-starter and proactively exploiting opportunities instead of being reactive and passive is a trait that has been positively linked to business performance (Friedrich et al., 2006). Frese et al. (2016) observed that Personal initiative increased business performance by up to 65%. It is, therefore, not surprising to see a positive relationship between Entrepreneurial Action and Performance.

5.3.1 Differences in Performance

The effect of Actions on performance between the populations is not the same as shown in the graph below. The Beta for South Africans (0.24) is higher than that of immigrants (0.19). A unit increase in Action results in a 0.24 units increase in performance among South Africans while an equal increase in immigrant Action results in a 0.19 units Increase in their performance.

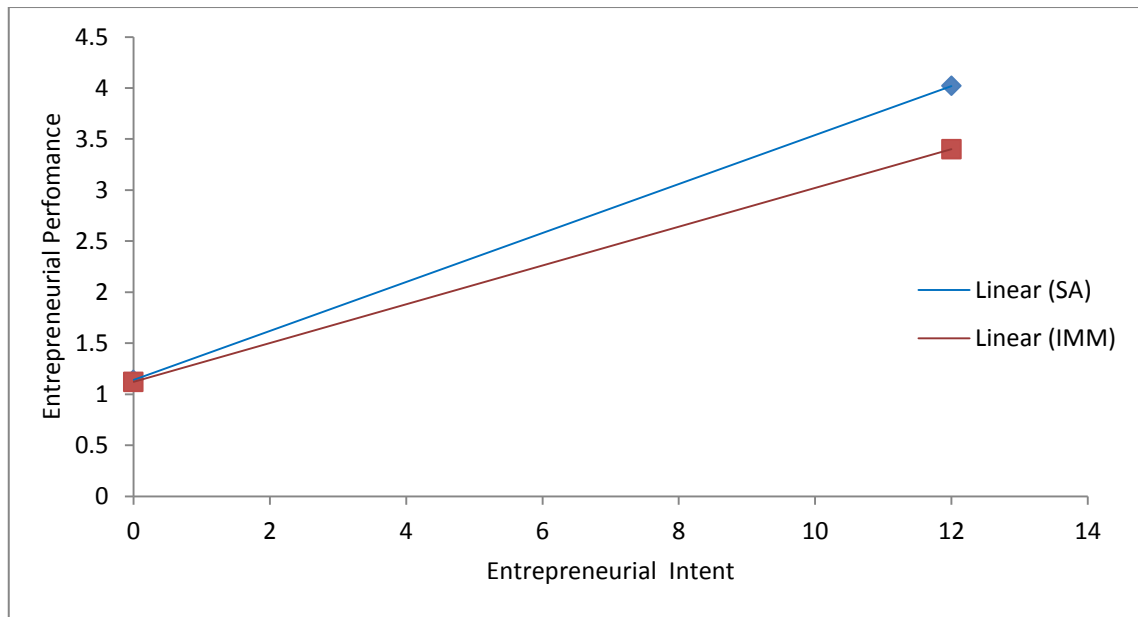


Figure 5.6: Relationship between Entrepreneurial Performance and Entrepreneurial Action (Immigrants VS South Africans)

Source: Developed by Author

This difference can be linked to the inherent differences between the two populations. Studies indicate that there are differences between the self-employment rates of immigrants and natives (Hout & Rosen, 1999). South African attitudes towards entrepreneurship differ from those of immigrants; therefore their Entrepreneurial Action may not be similar to that of immigrants. Basardien et al. (2014) compared differences between foreign and local owned businesses to check if they had an impact on the group's entrepreneurial performance and found that differences were at start-up, where immigrants invested 30 times more than locals, and in operations, where immigrant revenues are eight times more than those of locals.

The propensity of immigrants to self-employ is said to be higher than that of locals (De Jager, 2015). They are also more innovative and quicker to exploit market opportunities than locals. According to the cultural theory, this is a result of differences in cultures which impact attitudes of people towards entrepreneurship (Beckers & Blumberg, 2013; Krueger et al., 2013; Singer et

al., 2014). Peberdy and Rogerson (2000) reported that immigrants express expectations of success and always seek opportunities to expand their businesses. This is a demonstration of high Entrepreneurial Action (Baumeister et al., 1998).

Despite the stronger Action > performance relationship in the South African population than in the immigrant population, the performance of South Africans is lower than that of immigrants as illustrated in the table below.

Table 5.2: Entrepreneurial Performance (South Africans VS Immigrants)

Measure	South Africans	Immigrants
Monthly Revenue	R34, 647	R46, 754
# of businesses	1.75	2.86
# of employees	1.57	1.68

The graph below shows that the average Performance of the immigrant sending countries is higher than that of South Africa. The low entrepreneurial performance of the South African population can be attributed to their low entrepreneurial Action (Herrington & Kew, 2016).

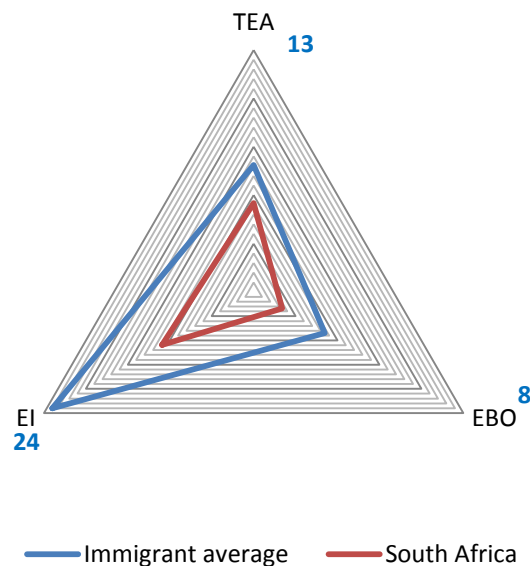


Figure 5.7: Entrepreneurial Performance South Africa VS Immigrant Average

Source: Developed by Author

Basardien et al. (2014); Omeje and Mwangi (2014); and Urban (2011) attributed differences in Entrepreneurial Action to the different backgrounds of entrepreneurs. Hungwe (2013) pointed out how, even among immigrants themselves, some perform better entrepreneurially than others. Those with strong business heritage have an advantage over others in managing businesses and they are most likely to succeed and survive longer in entrepreneurship (Loustel 2011; Seaman, Bent & Unis 2016). Herrington & Kew (2016) reports that South African entrepreneurial performance is further undermined by a high sense of entitlement which is fuelled by the expectation for the government to provide for citizens. Individuals are not inclined to hard work and do not have a good work ethic; they instead chase quick wins and put little effort in authentic entrepreneurship. Frese and Fay (2001) assessed the South African dominant logic to be more reactive than proactive and attributed the failure of local entrepreneurs in the informal sector, in the face of immigrant competition, to this. They concluded that low Personal Initiative, in South Africa, was inherited from the legacy of working under an oppressive environment.

From the findings, it can therefore be concluded that the Entrepreneurial Action of the two populations positively affects their performance and that the Actions of the two populations are not the same.

5.4 Discussion pertaining to Hypothesis 2

Entrepreneurial Action is positively related to social capital among immigrants and South Africans (Bähre, 2011; Beckers & Blumberg, 2013; Burt, 1993; Gebre et al., 2011).

No significant relationship was found between Entrepreneurial Action and social capital in both populations, with the result that the alternative hypothesis was rejected in favour of the null.

Bahre (2007) explained how even though Xhosa migrants in Cape Town created financial mutuals that were relied on to finance the repatriation and burial of members, there was jealousy and distrust in these networks and that these networks were held together by the fear of the imminence of death. These networks were a necessity and people would avoid them if they could. Bahre (2007) later concluded that cohesion could not be expected from poverty. The same argument may be applied as informal sector businesses operate at the margins and therefore are more survivalist than income generating. The same factors that affected networks in Bahre (2007) may be at play here. The competition for survival cannot be expected to lead to cooperativeness.

5.5 Discussion pertaining to Hypothesis 3

Deprivation moderates the relationship between Entrepreneurial Action and Entrepreneurial performance among immigrant and South African entrepreneurs (Burt, 1993; Loustel, 2011; Venter et al., 2015, p. 86)

This hypothesis was rejected for both populations on the grounds that the addition of the interaction variable (Action x Deprivation) to the model which already had Action did not increase the r-square. The coefficients for the interaction variable ($B = 0.08$, $\beta = 0.07$, $p\text{-value} > 0.05$) for South African Entrepreneurs and ($B = 0.13$, $\beta = 0.18$, $p\text{-value} > 0.05$) for immigrant entrepreneurs were not significantly different from Zero implying that Deprivation did not moderate the relationship between Entrepreneurial Action and Entrepreneurial performance.

This finding contradicts existing literature that suggests that being disadvantaged by lack of access to economic opportunities may reinforce the translation of entrepreneurial Action to Entrepreneurial performance. The disadvantage theory explains how a harsh economic environment that deprives people of economic opportunities may force them into self-employment (Paulose, 2011; Zhang, 2010). In the case of South Africa, deprivation does not only apply to immigrants but to locals as well, as they find themselves among the most unemployed population in the world (Central Intelligence Agency, 2016e). Among locals, the deprivation theory was used to examine the effects

of poverty, unemployment and inequality on the dominant logic of South Africa's poor (Dassah, 2015) and it was found that Entrepreneurial Action is reinforced by disadvantage (Davidsson, 1995). Having found that Entrepreneurial Action is positively related to Entrepreneurial performance, it should follow that Deprivation would moderate the relationship between Entrepreneurial Action and Entrepreneurial Performance. The results show this not to be the case. These results can be explained as follows.

Morris et al. (1996) found that 37% of local entrepreneurs indicated that they would abandon their businesses if they secured formal employment. Kelley and Singer (2015) report that South African job an expectation are comparable to the likes of Switzerland and Canada and indicates that South Africans are hesitant about self-employment because of hopes of finding formal employment. As a result, deprivation may not drive them into more entrepreneurship; it instead forces them, if self-employed, to stay self-employed until formal employment is obtained.

South African laws make it hard to employ refugees and asylum seekers in South Africa (Kavuro, 2015). South to South Migrants are experienced in informal sector entrepreneurship and need no further reason to engage in this type of entrepreneurship in host countries (Rauch et al, 2013; Wennberg, Pathak & Autio, 2013). Deprivation, therefore, does not influence their entrepreneurial performance since they come from poorer countries whose environments are harsher than South Africa's (Rauch et al., 2013; Wennberg et al., 2013). 71% of the immigrants in the study agreed with the statement "I came to South Africa to start a business". This is an indication that entrepreneurial entry and performance are not a function of deprivation. The rejection of the hypothesis with regards to immigrants is, therefore, valid.

5.6 Discussion pertaining to Hypothesis 4

Social Capital mediates the relationship between the Entrepreneurial Action and Entrepreneurial Performance of immigrant and South African

entrepreneurs (Barrett et al., 1996; Burt, 1993; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006; Lee et al., 2011; Welter, 2012).

No relationship was found between the independent variable (Entrepreneurial Action) and the mediating variable (Social Capital) in both populations, resulting in the rejection of the alternative hypothesis in favour of the null.

Even though previous studies report strong reliance of immigrants on networks for information, resources, jobs, training and resources, among others (Aliaga-Isla and Rialp, 2013; Khosa & Kalitanyi, 2015; Park & Rugunanan, 2010), this reliance is limited to the start-up phase and diminishes once entrepreneurs have established themselves (Katila & Wahlbeck, 2012). This is attributed to the bonding nature of social capital that is prevalent among ethnic groups (Behtoui & Neergaard, 2010; Katila & Wahlbeck, 2012). The reliance of entrepreneurs to bonding capital has been found to be limited to the start-up phase (Katila & Wahlbeck, 2012; Peberdy & Rogerson, 2000).

The mediation relationship in this study was hypothesised as an on-going process where entrepreneurs would continuously be calling on their networks for the sustenance of their existing business. The absence of this mediation relationship in both populations is not surprising since the entrepreneurs that were surveyed were past the start-up phase.

5.7 Discussion pertaining to Hypothesis 5

Deprivation is positively related to Social Capital among immigrant and South African Entrepreneurs (Burt, 1993; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006).

The contribution of deprivation in predicting social capital was found to be insignificant in both populations resulting in the conclusion that Deprivation is not related to Social Capital. This indicates that the harsh economic environment that is characterised by high unemployment and inequality does

not lead to cooperativeness in South Africa and the reasons for this are explained below.

The cooperation of network participants towards the formation of businesses is not granted for every network but depends on the behaviours of individuals and the characteristics of the networks, some networks may be vast yet resources in them may be limited due to the behaviours of its members (Xu & Palmer, 2011). South African network structures are affected by a number of factors. Bähre (2011) reported how the country has a massive redistributive sector, and how this undermines cooperation among neighbours and kin in the community. The country's population is said to be social capital deficient (Liedemanet al., 2013) and the following factors, whose effect is such that no reason is good enough to foster cooperation among South Africans, are listed as the reasons behind this;

- **Distrust**

This was found to be a main part of South African public life and was blamed on the country's dark political past that saw the oppression of the black race by whites (Bähre, 2007, Mosoetsa, 2004, Preisendörfer et al., 2012). This was confirmed in the study by the majority of the South African entrepreneurs indicating that, even though they knew networks were helpful, they were reluctant in forming them because they could not trust fellow black entrepreneurs. Distrust is further worsened by violence and crime which have eroded the social fabric that would enable cooperation in the community (Bähre, 2007; Bruce, 2016; Dugard, 2001; Lomme, 2008; Singh, 2015).

- **Poverty and social exclusion**

Bähre (2007) observed how, even though the majority black population is poor, they exhibited a deep hatred for poverty and how the shame associated with poverty led to the exclusion of the poor. This led to the poor keeping to themselves and not cooperating with each other to fight poverty. The prioritisation of money over everything and the weak values in the community undermine cooperation among Africans leaving them with little or no foundation for social capital (Bähre, 2011). The social capital deficiency of the black

population is in Venter (2013) stifling the taxi industry where taxi operators have failed to leverage economies of scale in their favour (Venter, 2013).

Welter (2012) maintains that sharing the same hardships in a foreign setting reinforced the national identity of immigrants, fostering cooperation among them. However, the environment in South Africa may not be as harsh as the environment in the countries of origin meaning that immigrants are instead well-off rather than deprived in South African (Park & Rugunanan, 2010). As a result, social capital may not be an outcome of deprivation in this population. The rejection of the hypothesis in both populations is in line with the factors listed above.

5.8 Discussion pertaining to Hypothesis 6

Deprivation is positively related to Entrepreneurial performance among immigrants and South African Entrepreneurs

(Adam & Moodley, 2015; Dassah, 2015; Hungwe, 2013; Katila & Wahlbeck, 2012; Paulose, 2011; Rauch et al., 2013; Wennberg et al., 2013; Zhang, 2010).

The results show that for South African Entrepreneurs there is a significant positive relationship between Deprivation ($B = 0.609$, $\beta = 0.213$ p-value = 0.036) and Entrepreneurial performance. For Immigrant entrepreneurs, there is no relationship between Deprivation ($B = 0.071$, $\beta = 0.033$ p-value = 0.759) and Entrepreneurial performance. The results are in the graph below.

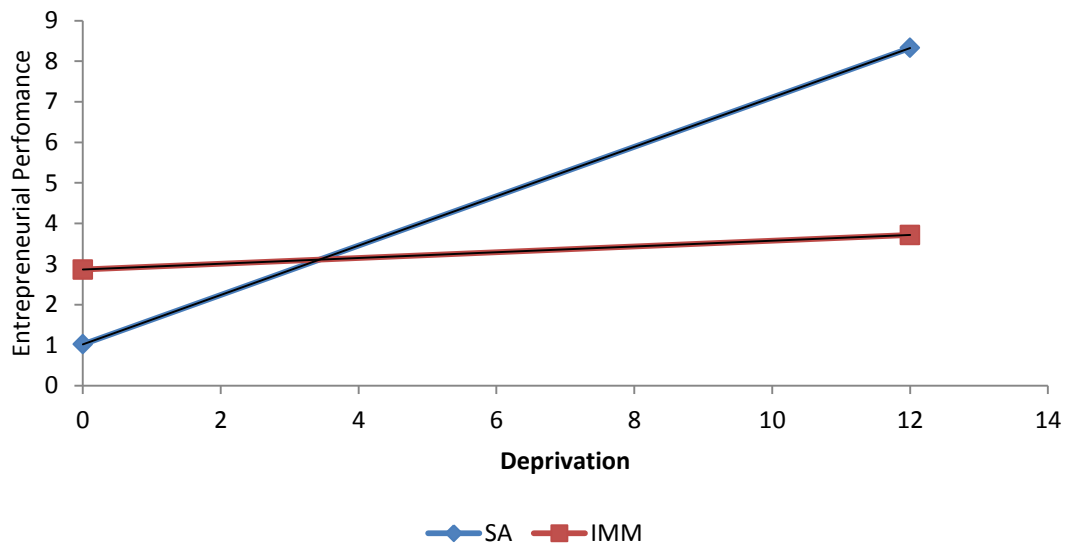


Figure 5.8: Deprivation and Entrepreneurial Performance (South Africa VS Immigrant Average)

Source: Developed by Author

This indicates that locals are forced into entrepreneurship by deprivation. The local population is therefore more deprived than the immigrant population. This is not surprising considering literature findings that, with the exception of Somalia, where reliable statistical data cannot be obtained, South Africa's unemployment rate is higher than that of the immigrant countries in the study (Central Intelligence Agency, 2016a, 2016b, 2016c, 2016d, 2016e) yet South Africans are reluctant to enter entrepreneurship (Kingdon & Knight, 2001). Kingdon and Knight (2001) failed to explain why self-employment among South Africa's unemployed was not comparable to that of other developing countries. This indicates that South Africans may have an ambivalent relationship with self-employment.

5.9 Conclusion

Immigrant entrepreneurs' average revenues are 1.63 times those of South African Entrepreneurs, they have 0.09 more businesses than their local

counterparts and employ 0.28 more people than local entrepreneurs. This is an indication of superior performance of immigrants than that of locals.

Entrepreneurial Action is the main variable affecting Entrepreneurial performance among South African and Immigrant entrepreneurs. Social Capital is not the variable that gives immigrant entrepreneurs an edge over their local counterparts; instead it appears that the informal sector efficacy of immigrants, that is a product of the prominent informal sectors in their host countries, is what enables them to out-perform local entrepreneurs. Most Immigrants indicated that they came to South Africa with the intention to enter entrepreneurship and this means that their entrepreneurial entry and performance is not a function of Deprivation.

Deprivation was, however, found to positively affect South African Entrepreneurial performance, indicating that locals are forced into entrepreneurship by deprivation. This may indicate that the local population is more disadvantaged than the immigrant population.

5.9.1 Summary of results

The results are summarised in the table below.

Table 5.3: Summary of results

	Hypothesis	Conclusion	Discussion
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H1	Entrepreneurial Action is positively related to the Entrepreneurial Performance among Immigrant and South African entrepreneurs (Beckers & Blumberg, 2013; Basardien et al., 2014; Frese et al., 2016; Krueger et al., 2013; Singer et al., 2014)	Supported	Entrepreneurial success has been linked to Entrepreneurial Action in Friedrich et al., 2006), with Personal initiative increasing business performance by up to 65% Frese et al. (2016). Differences Entrepreneurial Performance of the two populations may be attributed to the high propensity of immigrants to self-employ (De Jager, 2015), which is result of their culture and background (Beckers & Blumberg, 2013; Krueger et al., 2013; Singer et al., 2014). South African Entrepreneurial Action has been consistently reported as low (Herrington & Kew, 2016).
H2	Social Capital mediates the relationship between Entrepreneurial Action and Entrepreneurial performance among immigrant and South African Spaza shop owners (Bähre, 2011; Beckers & Blumberg, 2013; Burt, 1993; Gebre et al., 2011).	Not Supported	Social capital deficiency of South Africans has been observed to be strong (Bahre, 2011). The nature of networks between the two populations is such that Social Capital may only be relied on at start-up hence Social Capital was not present in the study because entrepreneurs were already in practice.
H3	Deprivation moderates the relationship between Entrepreneurial Action and Entrepreneurial performance among immigrant and South African Spaza shop owners. (Burt, 1993; Loustel, 2011), (Venter et al., 2015, p. 86)	Not Supported	Conditions for moderation were not met in both populations.
H4	Social Capital mediates the relationship between the Entrepreneurial Action and Entrepreneurial Performance of immigrant and South African entrepreneurs (Barrett et al., 1996; Burt, 1993; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006; Lee et al., 2011; Welter, 2012).	Not Supported.	Reliance on bonding networks is limited to the start-up phase and diminishes once entrepreneurs have established themselves (Behtoui & Neergaard, 2010; Katila & Wahlbeck, 2012). The absence of Social capital is not surprising since mediation relationship in this study was hypothesised as an on-going process on already practicing entrepreneurs

H5	Deprivation is positively related to social capital in that disadvantaged people are likely to cooperate with each other for the purpose of achieving common goals (Burt, 1993; Gastrow, 2013; Gebre et al., 2011; Kalnins & Chung, 2006).	Not Supported	Social Capital is not a necessity for immigrant entrepreneurial success possibly because the south African environment may not be as harsh, to immigrants, as imagined and popularly reported; in fact Park & Rugunanan (2010) indicates that immigrants may be well off in South Africa than in their home countries. For South Africans, however, factors like Distrust, Poverty may be at play in preventing the formation of business networks (Bähre, 2011, 2007; Bruce, 2016; Dugard, 2001; Lomme, 2008; Singh, 2015; Mosoetsa, 2004, Preisendörfer et al., 2012) Venter, 2013) despite suffering one of the highest unemployment rates in the world (Central Intelligence Agency, 2016e)
H6	Deprivation is positively related to Entrepreneurial Performance of South African entrepreneurs (Adam & Moodley, 2015; Dassah, 2015; Hungwe, 2013; Katila & Wahlbeck, 2012; Paulose, 2011; Rauch et al., 2013; Wennberg et al., 2013; Zhang, 2010).	Not Supported	Most immigrants indicated that they came to South Africa to start their own business. They also seem not to be influenced by disadvantage in their Entrepreneurial performance possible because they are relatively well off in South Africa than in their home countries (Park & Rugunanan, 2010)
H6	Deprivation is positively related to Entrepreneurial Performance of Immigrant entrepreneurs (Adam & Moodley, 2015; Dassah, 2015; Hungwe, 2013; Katila & Wahlbeck, 2012; Paulose, 2011; Rauch et al., 2013; Wennberg et al., 2013; Zhang, 2010).	Supported	South Africans would not self-employ in the informal sector if it were not for deprivation. Rife unemployment is one of the factors that forces South Africans to informal sector self-employment (Central Intelligence Agency, 2016a, 2016b, 2016c, 2016d, 2016e; Kingdon & Knight, 2001).

6 CONCLUSIONS & RECOMMENDATIONS

6.1 Introduction

The conclusion chapter is an outline of the study's purpose, findings and their implications. It starts with the literature that was used to develop the variables and relationships that were tested, proceeds to the findings of the research and ends with the implications and recommendations that may help enrich literature and advance this field of study.

6.2 Summary of Literature

The study considered two main relationships; Entrepreneurial Action and Entrepreneurial performance, and Deprivation and Entrepreneurial Performance. Literature suggested that it was inadequate to consider this relationship in isolation, but that other factors, like environmental factors are considered. Literature behind each of these variables is summarised below.

6.2.1 Entrepreneurial Action

Entrepreneurial Action was derived from culture and understood to differ between populations because of the differences in culture. These differences result in some groups having better entrepreneurial traits than others and this leads to their superior performance (Basardien et al., 2014; Charman et al., 2012; Omeje & Mwangi, 2014; Seaman et al., 2016). This led to the hypothesisation of the positive relationship between Entrepreneurial Action and entrepreneurial performance. Entrepreneurial Action was found to vary according to the developmental status of the country because high income countries provide economic options that lessen the need for citizens to start their own businesses, while low income country economies necessitate self employment because of the unavailability of jobs. This results in a trade off between EEA and TEA (Singer et al., 2015). The main differences between South Africans and immigrants was understood to be that South Africans have

an employee conditioning while immigrants have a self employment conditioning (Preisendörfer et al., 2012).

6.2.2 Deprivation

Deprivation was derived from the position of disadvantage that afflicts people forcing them to provide for themselves through self employment (Dassah, 2015; Kavuro, 2015). It was found that the magnitude and perception of deprivation to which the two populations are exposed, are not the same as citizens do not suffer the labour market discrimination that immigrants are exposed to, and immigrants do not share the background of oppression that South Africans have, which limited their economic options in the past (Hungwe, 2013; Rauch et al., 2013). Exposure to deprivation may heighten or dampen Entrepreneurial Action, and may necessitate the creation of networks in a harsh environment (Basardien et al., 2014; Bähre, 2007; Burt, 1993; Gastrow, 2013; Gebre et al., 2011; Wennberg et al., 2013;). This information was used to hypothesise a moderating effect on the relationship between Entrepreneurial Action and entrepreneurial performance as well as a positive relationship between Deprivation and Social Capital.

6.2.3 Social Capital

Social Capital is a product of culture (Behtoui & Neergaard, 2010; Van der Berg et al., 2010) that enables entrepreneurial entry and performance (Aliaga-Isla & Rialp, 2013; Katila & Wahlbeck, 2012; Venter et al., 2015). It is one of the key factors in immigrant entrepreneurship (Katila & Wahlbeck, 2012; Ntema & Marais, 2014) while it is one of the missing ingredients among South Africans (Bähre, 2011; Liedeman et al., 2013). The socio-economic context of a country influences social relations in ways that may enhance or undermine cooperativeness. South African social Capital deficiency is linked to the country's dark past, where divisions were used to undermine the unification of the black population (Bähre, 2011; Dugard, 2001; Xu & Palmer, 2011).

Determined entrepreneurs were found to be cooperative (Hared et al., 2014; Seaman et al., 2016; Yazdanfar et al., 2015). Social Capital is categorised to closed (bonding) and long (bridging capital) ties, structural (resource driven) and cognitive (values driven). Bonding capital is the most popular among ethnic networks (Katila & Wahlbeck, 2012; Von Broembsen, 2010) and it is effective at start-up while bridging capital enables expansion and the creation of systemic businesses (Katila & Wahlbeck, 2012; Ntema & Marais, 2014)

This information was used to hypothesise a mitigation effect of social capital on the relationship of Entrepreneurial Action and entrepreneurial performance as well as positive relationships between Entrepreneurial Action, deprivation and social capital.

6.2.4 Entrepreneurial Performance

The rate of change in the magnitude of an entrepreneur's business can be measured in sales, number of employees, and number of businesses owned by the entrepreneur (Fatoki & Patswawairi, 2012; Rehn et al., 2013). It is affected by the character traits of entrepreneurs (Charman et al., 2015; Mamabolo, 2015). South African entrepreneurs in the informal sector are of an inferior quality hence their low performance in comparison to immigrants (Basu & Virick, 2008; Singh, 2015). It appears that the experience in home country informal sectors may be putting immigrants at an advantage over South Africans in the informal sector (Bezuidenhout & Buhlungu, 2011; Bond, 2015; Yazdanfar et al., 2015). The history of oppression undermines black entrepreneurship in countries like the USA and South Africa where the oppression of black people was sanctioned by law (Adam & Moodley, 2015; Basardien et al., 2014).

This information was used to hypothesise a positive relationship between Entrepreneurial Action and Entrepreneurial Performance. Moderation of this relationship by Deprivation, and its mediation by social capital were also hypothesized.

6.3 Summary of Findings

A response rate of 41.11%, from the two populations, was achieved and this was in line with previous research findings in the space (Chiesi, 2014). The number of immigrants and South Africans was almost the same (99 and 100). The population was skewed in favour of males in both populations; Immigrants had 98% males while South Africans had 67 % males. This was in line with previous research findings for both populations (Burger et al. 2004; Callaghan & Venter, 2011; Ishaq et al., 2010; Park & Rugunanan, 2010). The impact of xenophobic violence was noticed in one of the Townships, Duduza, where a low proportion of immigrants were found. Some sections were 'no go' areas for immigrant entrepreneurs.

The average age of South African (43.91) entrepreneurs was higher than that of immigrants (32.73). The ages were, however, within the interval reported in previous literature (Herrington & Kew, 2016 and Preisendoerfer et al., 2014). The high age of South Africans was attributed to their late entry to entrepreneurship than immigrants (Gastrow, 2013; Gebre, 2011; Kalnins, 2006). Despite South African entrepreneurs being in business longer than immigrants, 10.394 years compared to 4.14 years, their revenue was lower than that of immigrants confirming previous study findings that immigrants are outperforming South Africans (Andrew et al., 2011; Basardien et al., 2014; Mamabolo, 2015; Ntema & Marais, 2014).

Entrepreneurial Action was found to be positively related to Entrepreneurial Performance in both groups and this relationship was found to be steeper in the South African population. This collaborated previous findings that have linked Entrepreneurial Action to Entrepreneurial Performance (Beckers & Blumberg, 2013; Frese et al., 2016; Rauch et al., 2013; Wennberg et al., 2013). The low Entrepreneurial Performance of South Africans could only be attributed to their low Entrepreneurial Action as reported in Basardien et al. (2014), De Jager (2015); and Hout and Rosen (1999).

Social Capital was found to have no effect on the relationship of Entrepreneurial Action and Entrepreneurial Performance and the reason behind this was found

to be the bonding type of social capital that is common in ethnic networks (Behtoui & Neergaard, 2010; Katila & Wahlbeck, 2012) which is useful at the start-up phase (Katila & Wahlbeck, 2012; Peberdy & Rogerson, 2000). The absence of Social capital was attributed to the established business phase of the entrepreneurs. Entrepreneurial Action was also found to have no relationship with Social Capital for the same reason. The Social Capital deficiency of South Africans was evident as many indicated that cooperation among them would help in the progress of their businesses, but were unwilling to engage in such cooperation, citing distrust in the black population as the deterrent. This was in line with findings from Dugard (2001); Liedeman et al. (2013); and Venter (2013).

Deprivation was found not to be effective in the relationship of Entrepreneurial Action and Entrepreneurial Performance in both populations. The decision for most immigrants, to enter entrepreneurship, was found to have been made in advance and not related to the harsh South African environment. The process with which immigrants enter the country, coming in through fellow immigrants, securing jobs with them where they get on-the-job training until they are ready to set up their own businesses (Gebre et al., 2011), is such that they do not get exposed to the harsh environment of the country, hence deprivation has no effect on them.

Immigrant superior performance was linked to their experience in the informal sector. This was in line with findings in studies like Beckers and Blumberg (2013); Rauch et al. (2013); and Wennberg et al. (2013) who observed that some immigrants exported themselves for the purpose of entering entrepreneurship in host countries. Deprivation was found to have a direct relationship with Entrepreneurial performance in the South African population. This relationship was absent in the immigrant population. This was an indication that South African entrepreneurial activity is driven by necessity rather than opportunity, an observation that has been made in other studies (Dassah, 2015; Kelley, & Singer, 2015; Morris et al., 1996).

Other factors like the massive redistributive public and private sector were found to give black South Africans a false sense of independence that prevents them from cooperating with each other (Van der Berg et al., 2010; Bähre, 2007).

Persisting economic exclusion leads to poverty which further prevents cooperation because of the shame associated with poverty (Bähre, 2011, 2007).

Hostilities between the two populations were evident to the researcher during the collection of data, with immigrants exhibiting fear of participating as they were suspicious of the researcher despite his effort to blend in to the environment. Some local entrepreneurs refused to participate in the study after learning that immigrant entrepreneurs were part of the study. They hinted that the study's purpose was the promotion of immigrant entrepreneurship. The study also coincided with a recent campaign by the local government to get informal businesses registered (Qondisishishini lakho) which has not been well received by some of the South African entrepreneurs. A number of times the researcher was mistaken as an agent of the government and it took a bit of explanation to convince South African entrepreneurs that this was not the case.

The findings of the study indicate that there are differences in the antecedents of Entrepreneurial Performance of the two groups. Immigrants seem to come into the country to engage in entrepreneurship and they use their previous business knowledge to out-perform locals, most of whom are driven into the space by the lack of economic options. South Africans have an ambivalent relationship with entrepreneurship and this prevents them from exerting the same effort in the process that immigrants are exerting. This limits their ability to compete.

6.4 Implications

Poverty and informal sector activity are positively related. This therefore strengthens the case for policy, geared to alleviate poverty, to be focused on the informal sector (Rogerson, 2008). Experts argue against the elimination of the informal sector as it is evident that it provides the majority of employment in the world. They instead recommend that ways be found to accommodate this sector in the economic settings of urban planning (Chirisa, 2014). Government policy can facilitate the transition of micro enterprises into SMEs, by addressing

factors that constrain the growth of informal sector enterprises (Callaghan & Venter, 2011; Tustin, 2004; Riley, 1993).

The importance of the SME sector in economic development and job creation cannot be over-emphasised. These businesses accelerate pro-poor development by generating employment and distributing the fruits of growth equitably (Arif, 2013). SME's are the main drivers of economic activity and job creation in developed countries. In the European Union, SME's account for over 90% of the jobs (Gupta, Guha, & Krishnaswami, 2013; Ramli, 2015) and over 40% of the GDP contribution (Jacobs, Kotzé, van der Merwe, & Gerber, 2011). The US's workforce is made up of over 13% people who created their own ventures. SME's are drivers of the economy (Kalnins & Chung, 2006). They also provide some form of economic insurance against global economic shocks because they are less prone to the effects of the global economy (Ramli, 2015).

The South African government should consider creating an environment that will make it easier for small and medium sized business to thrive (Herrington & Kew, 2016). This should start by promoting informal entrepreneurs and enabling them to transition to the level of SME's. Creating an enabling environment for young entrepreneurs would encourage self-efficacy and the self-enabling perceptions among potential entrepreneurs creating a pool from which future entrepreneurs will be drawn according to (Herrington & Kew, 2016; Walstad & Kourilsky, 1998). This has practical as well as policy implications. They are discussed below.

6.4.1 Policy Implementation

Riley (1993) recommended that the country develop policies that have strategies for the promotion of black enterprises as it was found that the black informal sector plays a critical role in poverty alleviation. It is also a foundation for entrepreneurship which can create and distribute wealth to the marginalised

population. Riley (1993) argued that the sector needs to be supported through policies that will enable it to continue providing for the poor while other policies enable entrepreneurs within the sector to upgrade into the formal sector. The political narrative favours the promotion of black entrepreneurship. This means that the basics required for the expansion of entrepreneurship exist in the country. However, the country lacks the processes required to turn entrepreneurial ambitions into action (Preisendoerfer et al., 2014). The major concern is that South Africa seems to be mimicking most African countries where, even though there is hype about entrepreneurship, it is more talk than deed (Preisendoerfer et al., 2014).

Policy must be relevant (Schneider, 2002). Implementation must be streamlined and the national government's goals and objectives should filter down to the local government. Local authorities should then be given the power to plan and implement their own programmes for enterprise development, as long as they are aligned to those of the national government (Van Rooyen & Antonites, 2007). Apartheid left the nation scarred and the post-apartheid government has taken it upon itself to right past wrongs. Unfortunately, some of the processes employed to achieve this are not fit for purpose, for example, in an effort to foster social cohesion and advance the interests of the previously disadvantaged, the government has intervened in sports and imposed quotas that overlook merit in the selection of athletes. This does not only fail to consider the wishes of spectators who have to suffer the humiliation of supporting consistent losers, it also has the effect of lowering performance standards and teaching the population to accept mediocrity (Adam & Moodley, 2015). Policies like these, that deliver the opposite of desired results, have led to relevant policies, like affirmative action, being associated with low standards and mediocrity (Adam & Moodley, 2015). The government should, instead, address inequality at grassroots by laying the foundation for the development of the previously disadvantaged and marginalised, thereby levelling the playing field and ensuring a continuous supply of talent from all communities (Adam & Moodley, 2015).

It is important that the effectiveness of processes used to address problems or to achieve desired goals is assessed on a regular basis. Enterprise development policies that are being implemented in the country need to be assessed by tracking the growth and progression of the targeted constituency. Feedback must be gathered and corrective measures should be taken to ensure that results are aligned with objectives. Strategy implementation must end with monitoring and evaluation to ensure effectiveness. Incompetence of officials in government agencies, that are supposed to promote entrepreneurship undermines, Enterprise Development programmes in the country (Herrington & Kew, 2016).

6.4.2 Supporting informal sector entrepreneurs

The informal sector is entrepreneurship at grassroots and that is where government policy should be focused. Ligthelm (2013) provides ample evidence that informal sector entrepreneurs can upgrade into productive, opportunity driven entrepreneurship if given the necessary tools and support. This study builds on the recommendations by Ligthelm (2013) and provides a list of steps that can be taken to achieve this. Getting entrepreneurs to formalise would grow the economy and expand the tax base (Basardien et al., 2014). Support must be given to make entrepreneurship possible and a viable option for the local population, as it was found that knowledge of entrepreneurial support drives entrepreneurship (Malebana, 2014).

Business support and advice must be provided to survivalist entrepreneurs because they lack the attitude, skills, talents and appetite needed to turn unproductive businesses into productive ones. This is the reason behind low levels of Personal Initiative among local Spaza owners, which is demonstrated by them failing to counter competition from immigrant entrepreneurs (Ligthelm, 2013). Spaza shops are an integral part of the South African economic set up and, even though they are survivalist in nature, they are resilient and look set to become a permanent feature of the economic arena of South Africa (Du Plooy et al., 2012). Their spatial distribution makes them an excellent tool for driving

economic development and redistribution of wealth amongst the country's previously disadvantaged.

Policies must build on existing schemes and prioritise quality jobs. The identification of opportunities must be emphasised and programmes must be put in place to facilitate opportunity exploitation (Heinonen & Hytti, 2016). Identifying qualifying individuals for government programmes should be robust but not impossible. It should be designed to ensure that the right candidates are supported and should make such initiatives effective (Loustel, 2011). Enterprise development policy must target entrepreneurs that have business acumen as these will be able to identify high growth opportunities and establish innovative businesses that can result in employment creation and economic growth (Ligthelm, 2013). Access to capital must be opened through micro finance. This will help entrepreneurs as it has been found that financial capital is a major impediment to business growth.

With the eradication of informality an impractical prospect, policy makers should accept this reality and help make informal entrepreneurship a viable option by increasing the earning potential of informal entrepreneurs (Steyn, 2008). Designing urban areas that are considerate of informal enterprises will help address poverty. Informal entrepreneurs should be incorporated into the urban landscape through friendly regulation (Chirisa, 2014).

6.4.3 Stakeholder participation

Entrepreneurship must be driven from many fronts and in a manner that cultivates and nurtures an entrepreneurial spirit (Ligthelm, 2004). It is critical that this is done in South Africa, considering the “de-entrepreneurilization” of the black population by colonialism and the apartheid government. The skills and expertise of immigrants must be harnessed by enabling the transfer of skills to the South African population. The skills of Immigrants cannot acquired form formal institutions, but from experience in their home country environments and by virtue of this it would be impossible for locals to acquire these skills in any other way than learning from the immigrants themselves (Singh, 2015).

Encouraging interaction between immigrants and local entrepreneurs would give them an opportunity to amass rare skills that may not be accessed anywhere else. The different skills, talents and competencies that manifest in the different groups should be recognised and harnessed rather than envied and stifled (Collins, 2012). This leads one to the conclusion that there are benefits that may be derived from ethnic entrepreneurship and that governments need to find ways to harness ethnic business skills for the benefit of their own citizens.

Singh (2015) recommends, to the poor, that they learn from immigrant entrepreneurs as this would equip them with the tools to break out of the poverty trap. Understanding immigrant entrepreneurship would also make it easier to design immigration integration programmes and help immigrants to contribute to the economies of host countries (Ranja, 2003). This may also help mitigate the ever present threat of xenophobic violence.

(Southall, 2004) felt that Black business was hungry for a body that would bargain for its collective interest. The networking of small informal retailers into a bigger unit would enable them to use their influence on suppliers (Ravhugoni & Ngobese, 2010). The Spaza industry boasts a membership of over 100,000 (Basardien et al., 2014). This makes it a significant part of the South African economic setting. The industry is, however, highly fragmented and this prevents players in it from using their buying power to their advantage with the result that the formal sector has a dominant power relationship with the informal sector (Ngiba et al., 2009). State intervention may help foster cooperation. Working together through cooperatives and community investment schemes that enable the pooling of resources that can be reinvested in existing businesses would enable micro enterprises to grow. This would also make Private Public Partnerships possible and make it profitable for the formal sector businesses to interact directly with micro enterprise through a single body, instead of a fragmented number of small businesses.

6.4.4 Entrepreneurial ecosystems

According to (Urban, 2011, 2012), Africa severely lacks industrial clusters. Innovation driven economies have robust entrepreneurship ecosystems while factor economies have almost none (Herrington & Kew, 2016). Policy interventions should align and coordinate processes that support entrepreneurship ecosystems in a country (Herrington & Kew, 2016). Creating clusters that encourage business interactions increases business's transactional opportunity resulting in more revenue (Reeg, 2013).

6.4.5 Facilitating Formal and Informal sector interaction

The facilitation of linkages with established sectors and the emerging sector can also help here (Van Rooyen & Antonites, 2007). It is worth mentioning that the South African government has voiced the need to connect the formal and informal sectors (Du Plooy et al., 2012). Micro enterprises can be integrated into the mainstream economy through value chains. Existing linkages between the sectors have contributed to the survival of informal retailers by opening access to products and reducing stock procurement costs (Ligthelm, 2004). Policies that promote the expansion of existing linkages and the creation of new ones would help informal sector entrepreneurs and drive SME development in the short term. However, they should not be solely relied on; instead micro enterprises should be taught to sustain themselves through the identification and exploitation of high growth opportunities (Loustel, 2011; Von Broembsen, 2010).

Linkages would increase the chances of micro enterprises growing by enabling the weak to benefit from the economic capacity of the strong, while ensuring the quality of products and services in the chain and sharing the value created among all the participants. Micro enterprises would benefit by plugging into the robust systems of big organisations while big organisations would benefit from the low costs that are inherent with SMEs (Edakkandi, 2012). Private Public Partnerships can facilitate the development of the informal sector in South

Africa and increase its contribution to employment and economic development (Uys & Blaauw, 2006).

6.4.6 Training of existing entrepreneurs

Entrepreneurs can only exploit market opportunities if they have the competencies required by the market (Garnsey, 1998), hence the requirement to train existing entrepreneurs with skills that would enable them to identify and exploit high value opportunities. Venturing into business is an indication of preparedness to seize opportunities (Walstad & Kourilsky, 1998). Those who are already self-employed are good targets for Enterprise Development as they have demonstrated Entrepreneurial Action by engaging in entrepreneurship. Focusing on them increases the success of Enterprise Development policy.

As most early stage entrepreneurship is concentrated in the retail industry where low levels of skills are required, policy makers should assess the needs of the economy and encourage entrepreneurial activity in the industries that match the strengths and needs of the economy (Herrington & Kew, 2016). This may start with identifying high potential entrepreneurs in the informal retail sector and channelling them to other sectors of the economy. Training that will instil an entrepreneurial mind-set in the indigenous population is required. Bond (2015) found that developing the entrepreneurial mind-set of the trainee should be the focus of a training programme.

The action regulation theory explains that people learn by carrying out tasks within the discipline that is being taught. This, therefore, means that teaching must be in the environment and it should follow a practical sequence that involves; goal setting, acquisition of knowledge, executing plans, monitoring action and lastly, seeking feedback. It also should emphasise Personal Initiative, a builder of the capacity and capability of people to enter entrepreneurship, and a key trait that enables entrepreneurs to deal with challenges and obstacles in the entrepreneurship process (Bond, 2015). In a study conducted in Uganda, the effectiveness of personal initiative training was demonstrated when the business performance of the trained group was found

to have improved when compared to that of the control group. It was also found that training that provides mastery experience in start-up activities enhances businesses efficacy (Bond, 2015). Existing entrepreneurs are ideal for action oriented training programmes (Bond, 2015). This implies that the entrepreneurs in the retail informal sector should be targeted by the government for enterprise development programmes. Policy makers that seek to empower informal entrepreneurs may start by increasing the Entrepreneurial orientation of these entrepreneurs by providing them with training and education (Callaghan & Venter, 2011).

Training should take a lifecycle approach that starts with the setting of goals, their implementation and the assessment of the execution process through a feedback mechanism. This enables continuous improvement of the training process and ensures effectiveness of training. This is learning by doing and it is more effective than theoretical learning (Friedrich et al., 2006). Training programmes should address the identified weaknesses in black entrepreneurial culture: mind-sets, role models, Social Capital and mistrust among others. The social welfare sector's closeness to the poor may be leveraged to reach this constituency (Preisendörfer et al., 2012).

6.4.7 Entrepreneurial Education

Increasing the country's human capital would improve the population's entrepreneurial performance. The right education and skills should be made available to the people (Herrington & Kew, 2016). Education is singled out as the most important tool a man can have (Washington, 1986). Education must be holistic as theory alone is not enough. Industrial education must be taught and productive labour must be emphasised (Washington, 1986); this would help reverse the effects of the inferior education that was given to the black population under oppression (Kumalo, 2008). The global entrepreneurship monitor recommended that South Africa introduce entrepreneurship education at all levels after assessing the grass roots entrepreneurial skills gap that is rampant in South Africa (Herrington & Kew, 2016). This is one way a nation like South Africa can transition from welfare to a Schumpeterian workfare state

(Peters, 2009). This means that entrepreneurship must be included in the curriculum of the country's education (Malebana, 2014). Education programmes should enable students to experiment with business ideas. This will strengthen their Entrepreneurial Actions and efficacy (Malebana, 2014). The country needs to move away from emphasising the sharing of existing wealth to creating new wealth as sharing what is existing is no different from uplifting the poor by making the rich poorer. This does not mean that those who have must not participate in the process, but that their resources are used to drive incremental growth.

6.4.8 Copying best practice

Adopting another country's model of policy should not be done without evaluating the mistakes and challenges that were encountered. Policy should address local priorities and needs (Riley, 1993). Heinonen and Hytti (2016) advocate for the copying of best practice from other countries and argue that learning from other countries can help South Africa design effective entrepreneurship policies and programmes. In Ireland, for example, the government realised that women were lacking business networks and set out to address this by enabling women to increase Entrepreneurial Performance (Herrington & Kew, 2016). In Malaysia, affirmative action was combined with wide-scale poverty eradication strategies and only then did it become effective (Southall, 2007). Propping up the informal sector is a possibility that is being looked at by governments in Latin America where it has been realised that the sector can play a significant role in poverty alleviation. Here, ways are being sought to incorporate the informal sector into the mainstream economy by modernising it (Tokman, 2007).

China's population is 25 times that of South Africa (Central Intelligence Agency, 2016). A lot can be learned from the ability of this nation to pull a quarter of a billion people out of poverty, through economic reforms that moved the country from a state driven economy to a market driven economy (Xu & Palmer, 2011). The Chinese case is a demonstration of how innovation centred entrepreneurship is relevant for rapid economic growth (Loustel, 2011).

Onerous procedures inhibit business formalisation in South Africa. As government contracting is one of the means with which the South African government is actively driving entrepreneurship amongst blacks, it can copy the Korean government's e-procurement system that has opened access to government contracts, reduced the bidding time and increased the participation of SMEs in government contracts by 20%. This would be ideal in South Africa where tendering for a government contract is a lengthy process that is fraught with corruption (Herrington & Kew, 2016). If this was copied and adapted to South Africa, it would enhance Black Economic Empowerment initiatives and broaden redistribution.

6.4.9 Promoting Youth entrepreneurship

The youth should be a focus of entrepreneurship programmes and schools are better positioned to instil entrepreneurial human capital on learners (Burger et al., 2004). The country's youth are a pool from which future entrepreneurship will be drawn. They must be supported to ensure a constant supply of entrepreneurs to the economy (Burger et al., 2004). A culture of entrepreneurship should be instilled in the young population so that they can self-employ as the economy cannot match the growth of the labour force. They should also be enabled to acquire human capital and increase their employability chances (Burger et al., 2004). It is critical that self-enabling perceptions are developed in black youths as they are the most entrepreneurially handicapped due to the lack of role models and the unavailability of opportunities to experience entrepreneurship (Walstad & Kourilsky, 1998).

6.4.10 Empowering the citizenry with rights and responsibility

Washington (1986) advocated for the full transfer of power and responsibility to individuals to make them accountable for their actions. He argued that this made them grow to become better people. The South African culture of dependency needs to be changed to a culture of responsibility through the

responsibilizing of the black self (Peters, 2009). Protectionist laws will not help the local population as these have failed in a number of countries, a classical example of this being Idi Amin's expulsion of the Asian population (Collins, 2012). Welfare may also not be the most appropriate tool as it is not sustainable in the long run (Lombard, 2008). This was seen in the failure of welfare strategies from the 1930s to the 1970s in the USA (Peters, 2009). The best way to deal with poverty is through helping the poor to participate in the economy by educating them to be entrepreneurial and building an environment that is friendly for business (Peters, 2009).

6.4.11 Driving regional economic growth

The socio-economic development of the region as a whole will address immigration into South Africa and help curb xenophobia (Tshishonga, 2015). It is therefore advisable for other African countries to help ease this burden by taking it upon themselves that economic development is diffused across the continent to make other regions as equally attractive as South Africa thereby smoothing the population density across the continent (Olukoju, 2008).

6.4.12 Development of IT infrastructure and Skilling of the people

When firms access resources, they grow (Garnsey, 1998). Information Technology (IT) infrastructure is one of those resources that would enable firms to access the market and grow. Science and technology are educational disciplines that should be prioritised as they drive innovation and lead to economic growth and global competitiveness (Herrington & Kew, 2016). Innovation is the key to sustainable economic growth and global competitiveness of countries (Peters, 2009). In this internet age where South Africa should be riding the cyber wave and producing human capital in this space, the country has a major shortage of skilled programmers. This retards entrepreneurial activity in the IT space (Herrington & Kew, 2016).

6.4.13 Business development services

Training alone will not guarantee that informal entrepreneurs upgrade to the formal sector. Complementary programmes that open the economic environment for their participation are required. Knowledge of entrepreneurial support was found to be significantly related to Entrepreneurial Action (Malebana, 2014). This means that policy makers should go beyond lip service and demonstrate their commitment to entrepreneurship by engaging in conspicuous and effective entrepreneurial support activities. Entrepreneurship campaigns intended to spread awareness of entrepreneurial support would be helpful in combatting the low entrepreneurial orientation and performance of South Africans (Malebana, 2014).

There are a number of ways to achieve this, one of them is the provision of services that entrepreneurs require to run efficient and successful businesses, and these have been found to help strengthen Enterprise development efforts. Business development services range from market access, technology and finance assistance, training and input supply among others (Reji, 2013). The work done by Non Government Organizations, like the Triple Trust Organisation, demonstrates that this is not impossible. The Triple Trust Organisation has endeavoured to improve the business skills of informal retailers, as well as enable their direct interaction with formal sector business (Riley, 1993). This has earned this organisation the confidence of informal sector entrepreneurs. The relationship that it has with informal sector entrepreneurs can be leveraged for policy intervention.

6.4.14 Adaptation and flexibility

Tokman (2007) recommends that local informal entrepreneurs adapt to changes in the market, to stay in business. This would require a change from their individualistic culture to a more cooperative culture that will allow them to pool resources and approach the market as a united front. Their current ways prevent them from meeting the demands of a challenging market.

6.4.15 Consultative engagement

Poverty limits the ability of people to provide for themselves, hence the need for state involvement. However, solutions targeted at this market should consider their needs and these needs may only be determined through their involvement (Von Broembsen, 2010). Solutions should therefore be designed with this population's input (Molobi, 2014). The success of Grameen bank in this constituency is attributed to its consultative approach (Herrington & Kew, 2016; Von Broembsen, 2010).

6.5 Limitations

Conducting research in the informal sector, especially under the prevailing conditions of tensions between South African and Immigrant entrepreneurs, is challenging. This appears to have increased suspicion of strangers by respondents of both populations. The reluctance of the respondents gave an indication that the responses may not be honest.

6.6 Recommendations for further research

The findings of the study may provide information that would enable informal sector entrepreneurship to provide a solution to the country's unemployment challenges. The findings necessitate considerations that are beyond the scope of this study and they are listed as recommendations for future research below.

6.6.1 Investigating poverty alleviation initiatives in other countries

Entrepreneurship is relevant to the economic success of the country as the economy has proven its inability to absorb the supply of labour in South Africa. Current policies have not been effective in enabling the economic participation of the country's poor (Central Intelligence Agency, 2016e). This necessitates radical changes in policy and one way of doing this is studying the processes that have been employed by other countries. Further research should seek to determine similarities between South African micro entrepreneurship and similar

entrepreneurship in countries like China and Malaysia, where the tides have been successfully turned against poverty (Kingdon & Knight, 2001). This will help advance literature that may help in the development of policy targeted at entrepreneurs in this space.

6.6.2 Assessing the potential for opportunity driven entrepreneurship in the informal sector

Rauch et al. (2013) and Wennberg et al. (2013) observed how some groups immigrate solely for the purpose of setting up businesses in host countries. This was confirmed by 71% of the immigrants in the study agreeing to the statement “I came to South Africa to start a business”. This may be an indication of them perceiving entrepreneurial opportunities in a space that is considered a domain of survivalist entrepreneurship (Ligthelm, 2013). This potential for opportunity driven entrepreneurship in the immigrant population needs to be studied.

6.6.3 Investigation of potential abuses of the immigration process

Most immigrant entrepreneurs indicated that they were asylum seekers and that, as a result, they could not expand into the formal sector because of the limitations of being an asylum seeker. This needs to be investigated as this may be preventing entrepreneurship that would be beneficial to the country. Immigrants quoted access to banking services as a major obstacle and that; as a result, managing cash is a challenge as it exposes them to crime. They also mentioned that their businesses were funded by their families who are left in their home countries. The flow of money in and out of the country needs to be investigated to understand its effect on the country's economy. As these businesses operate outside the formal structures that enable tax collection, understanding the flow of money in them would help in the development of regulations that may enable these businesses to contribute to the country's taxes.

6.6.4 Investigation of the employment benefits of immigrant entrepreneurship

The employment generated by immigrant businesses needs to be understood, especially the nationalities of the employees. This would help mitigate the potential harmful effects of immigrant entrepreneurship, like the exploitation of vulnerable illegal immigrants which was reported in Lyon et al. (2007), and other illegal activities that may be practiced in the sector that is enabled by its autonomy from government scrutiny (Omeje & Mwangi, 2014).

6.6.5 Investigating the potential for learned helplessness in the South African Population

The low personal initiative of South Africans is a manifestation of symptoms similar to those of learned helplessness (Abramson et al., 1989). The potential that the South African population may be suffering from this condition must be investigated so that the appropriate measures are put in place to mitigate it and set the local population on a path that will enable self-employment.

6.7 Conclusions of the study

The poor should cease to be viewed a helpless ward of the state, instead their contribution to the economies of developing countries must be recognised and promoted (Du Plooy et al., 2012).

The post-1994 advancements of South Africa do not consider the high costs under which they have been achieved, especially at the expense of the poor (Moodley & Adam, 2000). The South African Black man was racialized, oppressed, dehumanised and coaxed into a position of servitude that has stripped him of certain capabilities, rendering him helpless in many aspects, including intellectually, to the point that he has unconsciously accepted his position as a second class citizen in a country that is supposed to afford him equal rights. As a result, members of this population perform below their natural capabilities and this has had the effect of limiting their ability to provide for

themselves (Bähre, 2007). Even though apartheid has ended, the inferiority of the black man persists in access to economic opportunities and other aspects that impact livelihood. The fact that black people are comfortable living in squalor where other races are visibly absent indicates their implicit acceptance of their position as second class citizens.

Low South African entrepreneurship may not be a result of limited entrepreneurial opportunities, as demonstrated by immigrant entrepreneurs making a success of entrepreneurship in the informal sector, but a result of the population's inferior entrepreneurial qualities. This leaves South Africans helpless and unable to counter the competition posed by immigrants in the informal sector. Learned helplessness can be treated through competency development training which has been found to increase personal effectiveness (Abramson et al., 1989).

In the global economy, protectionist laws that seek to prevent the participation of immigrants in entrepreneurship are no longer valid. It is also not in the best interest of citizens to protect them from external competition as this limits their global competitiveness. For South Africa, opposing immigrant self-sustenance is hypocritical because it is the country's policies that have led to the influx of immigrants.

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APPENDIX A

Actual Research Instrument

Research Instrument									
Entrepreneurial Intent and Entrepreneurial Performance, – A comparative study between immigrant and South African Spaza Shop owners in Kwa-Tsa-Duza									
Section 1					Deprivation				
I feel that I am entitled to welfare assistance from the South African government. Please Select correct answer below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
I am capable of providing for myself without government assistance. Please Select correct answer below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
I have sufficient access to resources and opportunities as other people in South Africa. Please Select correct answer below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
I have a good opportunity of getting a job. Please Select correct answer below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
I am treated the same way as everybody else in South Africa. Please Select correct answer below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
My social status Limits my chances to access resources and opportunities. Please Select correct answer below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
Section 2					Intent				
My business is going to become more successful. Please Select correct answer below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
Have you ever looked for a job in South Africa?								Yes	No
Did you quit a job in order to start your business?								Yes	No
I would leave my business if I got an equally paying job. Please Select correct answer below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
Did you invest your own money to start this business?								Yes	No
I have always wanted to run this kind of a business. Please Select correct answer below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
I have plans to expand my business in the near future. Please Select correct answer below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
I came to South Africa to start a business. Please Select correct answer below							Yes	No	
I was forced by unemployment to become self-employed. Please Select correct answer below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
I am planning to settle permanently in South Africa. Please Select correct answer below									

Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
Section 3						Social Capital			
How did you earn a living before starting your business? Please Select correct answer below									
Formal Employment				Informal Employment				Unemployed	
If you were employed, was it in the same industry as your current business									No
If you were employed, were you employed by a member of your ethnic group?									No
My employer helped me to start my current business. Please select below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
Did you come to South Africa with enough money to start a business									
Whose vehicle do you use to transport your stock? Please select below									
Own		Rented		friends		Pool		Public	
Did you raise start-up capital from your employment?									No
Are you a member of a buying group?									No
If I stopped my membership in the buying group, this would affect my business. Please select below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
Do you know any none South Africans who are members in your buying group?									No
I would not have been able to start my business if it were not for the help I received from my friends. Please select below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
I would not have been able to start my business if it were not for the help I received from my family. Please select below									
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
Section 4						Entrepreneurial Performance			
Please select the interval that represents your monthly revenue						R0 – R1000			
						R1001 – R5000			
						R5001 – R10000			
						R10001 – R15000			
						R15001 – R20000			
						R20001 – R25000			
						>25000			
Has the business increased, decreased or stayed the same compared to the same time last year. Select correct answer below									
Increased				Stayed the Same				Decreased	
Do you have another similar business?									No
If so, how many more businesses do you have?									
How many employees do you have?									
Section 5						Demographics			
Country _____ of _____ origin: _____ Age: _____									
Gender _____									

