

A SUPPORT FRAMEWORK FOR THE SURVIVALIST ENTREPRENEURS IN THE  
FREE STATE PROVINCE, SOUTH AFRICA

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BLOEMFONTEIN

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## **DECLARATION**

I declare that this thesis hereby submitted for the PhD in Business Administration at UFS Business School is my own independent work, and I have not previously submitted this work, either as a whole or in part, for a qualification at another university or at another faculty at this university. I also hereby cede the copyright to the University of the Free State.

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Kgantsho Adeline Ranyane

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## ABSTRACT

South Africa is faced with a challenge when it comes to the creation of jobs and the development of sustainable small businesses. The challenge is aggravated by the declining overall socio-economic profile and economic activities, which result in increasing unemployment rates. In an attempt to escape from these socio-economic conditions and/or to reduce their severity, individuals opt to start informal businesses which can be in the form of survivalist enterprises, that become a buffer, providing families with an alternative source of income.

Survivalist entrepreneurs are forced into business for survival due to an inability to find a job and increasing poverty levels, while operating in the informal sector of the economy. In theory, the South African government does recognise the existence of survivalist entrepreneurs, who are categorised as part of the micro-entrepreneurs amongst the small, medium and micro-enterprises (SMMEs). However, in practice, there is no evidence of the theoretical support being given.

The study was a qualitative and quantitative, exploratory multiple case study. The case study was conducted as a first phase, with 100 participants. The second phase of the study entailed a review of secondary documentation (policies and procedures) provided by finance development institutions (FDIs). The third phase of the study entailed interviews with the FDIs.

The study unpacked obstacles experienced by the survivalist entrepreneurs and further investigated the means of assisting them to become viable in their business activities. A conceptual framework on the existence of the survivalist entrepreneur was formulated using both theoretical and empirical results from the study. Changing global economic conditions were the underlying causes which lead to factors that directly or indirectly lead to the development of survivalist enterprises. These included a shrinking formal economy, increasing poverty rates, which directly increased dependency on the government for support. Government policies have also contributed in pushing people into survivalist entrepreneurship. These factors are referred to as the immediate causes that pushed individuals into survivalist entrepreneurship.

The study indicated the common motivational factors amongst survivalist entrepreneurs to be avoidance of poverty and unemployment. The need for independence and recognition of an

opportunity were categorised as pull factors. Regulations and laws by the South African government was a common obstacle that inhibited the growth of the survivalist businesses into an opportunity-driven business. Lack of finance and inadequate training were also mentioned as obstacles that inhibited the evolution of the survivalist businesses which participated in the study. However, lack of recognition and lack of support by the South African government were found to be of greater concern to survivalist entrepreneurs.

The study also highlighted similarities and contrasts between literature and empirical findings in relation to the survivalist entrepreneurs, thus suggesting the evolution of characteristics with the passing of time.

In conclusion, a support framework to assist the survivalist entrepreneurs to become viable in their business activities by becoming opportunity-driven was created.

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## **GLOSSARY OF TERMS, ACRONYMS AND ABBREVIATIONS**

ASGISA	: Accelerated and Shared Growth Initiative for South Africa
BEE	: Black Economic Empowerment
B-BBEE	: Broad-Based Black Economic Empowerment
CBD	: Central Business District
CSBP	: Centre for Small Business Promotion
DETEA	: Department of Economic Development, Tourism and Environmental Affairs
DTI	: Department of Trade and Industry
FDC	: Free State Development Cooperation
FDI	: Finance Development Institution
FS	: Free State province
FSMESP	: Free State Micro-Enterprise Support Programme
GDP	: Gross Domestic Product
GEAR	: Growth, Employment and Redistribution
GEM	: Global Entrepreneurship Monitor
HDP	: Historically Disadvantaged People
IDC	: Industrial Development Corporation
IFC	: International Finance Corporation
ILO	: International Labour Organization
IMF	: International Monetary Fund
NEF	: National Empowerment Fund
NEPAD	: New Partnership for Africa's Development

NGO	: Non-Governmental Organisation
OECD	: Organisation for Economic Co-operation and Development
QLFS	: Quarterly Labour Force Survey
RSA	: Republic of South Africa
SAMAF	: South African Micro Apex Fund
SAQA	: South African Qualifications Authority
SEDA	: Small Enterprise Development Agency
sefa	: Small Enterprise Finance Agency
SMME	: Small, Medium and Micro-Enterprise
SPSS	: Statistical Package for the Social Sciences
Stats SA	: Statistics South Africa
TEA	: Total Entrepreneurial Activity
UK	: United Kingdom
UN	: United Nations
UNDP	: United Nations Development Programme
USA	: United States of America
UYF	: Umsobomvu Youth Fund

# **A SUPPORT FRAMEWORK FOR THE SURVIVALIST ENTREPRENEURS IN THE FREE STATE PROVINCE, SOUTH AFRICA**

## **CHAPTER 1: INTRODUCTION**

### **1.1 Introduction**

*“The stimulation of SMME’s must be seen as part of an integrated strategy to take this economy onto a higher road – one in which our economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes” (RSA, 1995).*

Throughout South Africa, job creation and development of sustainable small businesses of any type remains the biggest challenge in all spheres. This challenge continues to be aggravated by the declining overall socio-economic profile and economic activities in South Africa that result in increasing unemployment rates. Concurrently, high unemployment rates hinder progress of poverty reduction programmes (Minford & Mahambane, 2005). The declining levels of economic activity further lead to increasing dependency on self-employment as a survival mechanism. In this case, self-employment has become a buffer, providing families with an alternative source of income, in the absence of social security mechanisms in South Africa.

Over the past decade, the South African government managed to create different macro-economic strategies such as Growth, Employment and Redistribution (GEAR) strategy and Accelerated Shared Growth Initiative for South Africa (ASGISA), with the common aim of creating sustainable jobs in an attempt to reduce poverty levels and dependency on government for survival. Furthermore, a proposal to strengthen the post-apartheid small, medium and micro-enterprises (SMMEs) was formulated as early as 1995, in the form of a White Paper on the National Strategy for the Development and Promotion of SMMEs (Herrington et al., 2010).

The above-mentioned White Paper highlights SMMEs as an important vehicle in addressing the challenges of job creation, economic growth and equity. The White Paper also confirms the presence of survivalist entrepreneurs amongst the SMMEs of South Africa and the urgent need for them to be assisted so as to improve their socio-economic conditions. Following this

was the formulation of an institutional infrastructure under the supervision of the Department of Trade and Industry (DTI). The aim of this was to address the objectives set out in the White Paper in order to “create an enabling environment for SMME growth” throughout the country.

Although not represented in the abbreviation “SMME”, survivalist enterprises are lumped together with micro-enterprises due to the similarities of some – but not all – of the obstacles they face. However, unlike the opportunity-driven micro-enterprises, survivalist entrepreneurs depend on their income for the basic survival of their families. Their income serves as a cushion from poverty-related issues. Furthermore, they are unable to compete for resources due to their informality. This creates an unfair scenario for the survivalist enterprises that have to compete with profit-orientated opportunity-driven micro-enterprises, according to their categorisation in the White Paper.

For the purpose of this study, survivalist enterprises are defined as micro-enterprises that depend solely on their daily income without external support “safety nets”. Over and above that, they are unregulated by the institutions of society and operate in a legal and social environment in which similar activities are regulated (Maes, 2003).

Survivalist entrepreneurs are forced into business for survival due to an inability to find a job and increasing poverty levels. They are described by the National Small Business Act as operating in the informal sector of the economy, mainly by unemployed persons, and generating an income below the poverty line of R620.00 per capita per month. They appear to be partly the consequences of the shrinking formal sector, which is shedding jobs continuously and has very limited opportunities for growth.

Nineteen years post the White Paper of 1995 on the National Strategy for the Development and Promotion of SMMEs, there is no change regarding the status of the South African survivalist entrepreneurs. Much emphasis has been placed on developing only the opportunity-driven micro, small and medium enterprises, thereby disregarding the survivalist enterprises. The survivalist enterprises are the most vulnerable segment to failure and require resources that they cannot access in order to become viable businesses. Therefore, they require appropriate support which will assist them to become opportunity-driven and profit-orientated enterprises that will contribute to the gross domestic product (GDP) of the country while reducing dependency on the government for support.

This study will focus particularly on the survivalist enterprises within the Free State province. The Free State is one of the provinces that are adversely affected by the shrinking formal economy. This has led to an increase in unemployment and poverty statistics, thus leading to increasing dependency on the government for support by the unemployed as well as observed increases in survivalist businesses within the Free State province.

## **1.2 Background to the study**

Lack of growth in formal employment is the main reason placing the South African government under pressure to implement job creation strategies in an attempt to reduce poverty, as it is unable to reduce the rising levels of poverty. This has put a spotlight on the importance of enabling the business environment to generate jobs.

The informal sector is becoming the norm, rather than the exception, in most of the developing countries, including South Africa. According to Jutting and Laiglesia (2009), more than half of all jobs in the non-agricultural sector can be considered informal, i.e. worldwide. The statistics are as high as about 80% in some regions, including the Sub-Saharan Africa and South East Asia. Furthermore, the informal sector is producing 30% of GDP worldwide, according to the United Nations Development Programme (UNDP, 2011).

Most of the informal employment is conducted on an own-account basis. In Sub-Saharan Africa, 70% of informal workers are self-employed – 62% in North Africa, 60% in Latin America and 59% in Asia. This signals informal work as a “hidden enterprise culture” (Williams & Nadin, 2010). South Africa is constrained by a vast number of mainly women (60.6%) who run survivalist businesses, which operate informally. These statistics are similar to the worldwide situation that indicates that women are more susceptible to informal employment (UNDP, 2011).

Despite South African legislation, the development finance institutions that were created with the aim of supporting small business development and the fact that the survivalist enterprises are dominant amongst the SMMEs in South Africa, they hardly benefit from any programmes that are being run by the government, due to their informality.

History indicates the existence of survivalist enterprises by the late 1970s in South Africa and 1930s in developed countries. Initially, these type of enterprises were recognised as an informal market outside the government’s formal structure and an epitome of

underdevelopment and backwardness, which would disappear with further economic development. History also highlights the lack of different governmental support and lack of growth even in developed countries for the survivalist entrepreneurs (Smith, 2006).

The post-apartheid government recognised the importance of SMMEs in job creation and in the empowerment of the disenfranchised communities by embarking on a national small business strategy in 1995. The strategy assumes that an enabling business environment will allow for the development and growth of SMMEs, which includes informal enterprises. This will be achieved through the following steps:

- Facilitation of the equalisation of income, wealth and economic opportunities, together with the strengthening of the labour-absorptive process in the micro-enterprises and survivalist segments. This would be achieved by redressing the discrimination of blacks and women's access to economic opportunities as well as facilitating growth in black and small enterprises in rural areas.
- Creation of long-term jobs which demand policy interventions in order to upgrade human resources and to strengthen the use of appropriate modern technologies. Stimulation of economic growth through the removal of obstacles and constraints that prevent SMMEs from contributing to overall growth.
- To strengthen the cohesion between SMMEs so as to overcome their isolation through the promotion of SMME networking, to build collective efficiency, to address development obstacles, and to take up opportunities.
- Finally, to level the playing field between large enterprises and SMMEs and between rural and urban businesses (Rogerson, 2004).

In order to achieve the above-mentioned points, development finance institutions facilitated by the DTI were established in order to avail critical resources such as finance, technology, training and infrastructure to the SMMEs in an attempt to sustain and grow the SMMEs of South Africa.

Provincial finance development institutions were later formed within different provinces. This initiative gave birth to the Free State Development Corporation (FDC), which is a statutory organisation established in terms of the Free State Development Corporation

Amendment Act of 2006. It is mandated to establish and develop sustainable SMMEs in the Free State by providing both financial and non-financial services (FDC, 2007).

The finance development institutions that were put into place have been unable to assist the survivalist businesses of the Free State province. These finance development institutions (FDIs) focused on the profit-orientated formal businesses, disregarding the existence and assistance required by the survivalist businesses operating within the Free State province.

### **1.3 Problem statement**

The difference between survivalist and micro, small and medium enterprises is that survivalist enterprises are the result of the increasing poverty and unemployment rates in South Africa. In many cases, the business ideas and activities of the survivalist entrepreneurs are not viable and at times generate less than enough money, upon which the survivalist entrepreneurs depend.

The increasing unemployment rates and poverty levels (socio-economic conditions) lead to increased needs for individuals to become survivalist entrepreneurs. However, the monetary assistance, support and policy frameworks that are provided by both government and non-governmental institutions are targeted towards the profit-orientated SMMEs only, thus disregarding the survivalist entrepreneurs who depend on the income generated through their business, which falls short of the minimum income standard for survival. Survivalists possibly can make an economic contribution when the government treats them in a specific manner and lets them in within the stream of enterprise development to become viable business entities.

### **1.4 Objectives of the study**

The primary objective of the study is to develop a support framework focused on assisting the survivalist enterprises within the Free State province to become viable in their business activities. In achieving this goal, the following secondary objectives are set:

- To explore survivalist enterprises as an income-generating alternative for unemployed people.
- To explore survivalist enterprises as a job-generating alternative for unemployed people.

- To investigate the characteristics that are essential to maintaining viability of survivalist enterprises.
- To investigate the need for assistance to the survivalist enterprises so as to become viable in their business activities.
- To develop a support framework to assist the survivalist enterprises within the Free State province to become viable in their business activities.

## **1.5 Delimitation of the study**

Information and statistics relating to survivalist enterprises are difficult to access. That being the case, the study will focus on the information that will be gathered from all the role players and the available secondary literature sources. Additionally, the reviewed literature indicates lack of recent research on survivalist businesses, especially focusing on South Africa. A majority of organisations that are carrying out research in entrepreneurship studies either do not have a stable pattern of reporting their statistics yearly so as to be able to study the trend in the reported statistics, or do not cover issues relating to survivalist businesses at all.

## **1.6 Research design and methodology**

### **1.6.1 Research design**

The study will be a qualitative and quantitative, exploratory study. The case studies will be conducted as a first phase of the study. The case study will indicate, if any, the type of support the survivalist enterprises of the Free State province are receiving and the problems that they are encountering in an attempt to survive, thus further identifying questions and types of measurement before commencement of the second phase of the study.

Yin (2009) presented one of the applications of a case study as “to explore those situations in which the interventions being evaluated has no clear set of outcomes”. This research will partly explore the existing Government’s National Strategy for the Development and Promotion of SMMEs in South Africa in order to prove that it has no clear set of outcomes for survivalist enterprises in particular.

The case study will be conducted in all five districts of the Free State province, namely, Motheo, Thabo Mofutsanyana, Lejweleputswa, Fezile Dabi and Xhariep districts. A replication and not sampling logic will be used when conducting the case studies. Yin (2009)

mentions that each case in a multiple case study must be “carefully selected so that it either predicts similar results or predicts contrasting results but for anticipatable reasons”.

The researcher will focus on interviewing a total of 100 survivalist entrepreneurs in the trade (sale) of goods and provision of services. These will include street vendors who sell fresh produce (vegetables and fruit), hair salon owners, street vendors who sell food and drinks, and *spaza* shop owners who usually operate in busy areas, such as taxi ranks, train stations and central business district (CBD).

The case studies will also highlight the existence of the survivalist enterprises in the different communities and will provide a comprehensive understanding of their daily operational challenges and reasons leading to their existence.

The results of the case studies will then be compared in order to identify similar and different characteristics within the different districts of the Free State province and carefully studied in an attempt to get a brief overview of the situations around which the survivalist enterprises operate.

The second phase of the study will entail a review of the secondary documentation (policies and procedures) provided by the FDIIs that are operating in the Free State province and a brief investigation and examination of the existing framework created within the Government’s National Strategy for the Development and Promotion of SMMEs in South Africa. The material from the individual FDIIs will be compared with the framework created within the Government’s Strategy for the Development and Promotion of SMMEs in South Africa in order to identify similarities and differences. This will provide guidance during the development of questions to be asked in the interviews with the FDIIs.

The third phase of the study will be to interview the FDIIs that are prominent in the Free State province in an attempt to investigate the type of support they are providing to survivalist enterprises within the Free State province. The questions posed during the interview will be based on the findings of the first and second phase of the study and will be asked in an unbiased manner.

The three phases will be concluded by the compilation of the support framework for survivalist entrepreneurs within the Free State province to become viable in their business activities.

## 1.6.2 Research environment

The multiple case studies will be conducted in the actual settings, i.e. the field setting (Cooper & Schindler, 2006). Because of the unavailability of a sample frame and the method used to sample for participants in the study, the researcher will be forced to collect data while in the actual field setting of the participant. Keeping in mind that some of the participants are forced to move around in order to get business, it makes it imperative for the researcher to be in the field setting in order to prevent duplication of information.

## 1.6.3 Data collection

### *1.6.3.1 Data collection instrument*

Communication methods will be used to gather data throughout the different phases of the study. Data collected during the case study will be collected using a structured questionnaire.

Face-to-face in-depth interviews will be held with the FDIs. The questions will be structured before the interview. The structured questions will be based on the findings from the first and second phase of the study. In other words, they will address specific issues that will be identified after the analysis of the multiple case studies and the review of the secondary documentation. The interviews will be guided conversations rather than structured queries. To put it differently, the researcher will follow his/her line of enquiry and ask questions in an unbiased manner (Yin, 2009). Responses of the FDIs will be recorded on a tape recorder for further analysis.

Therefore, multiple sources will be used for data collection (data triangulation), with the aim of corroborating the same facts. Data triangulation will address the potential problems of construct validity, as the multiple sources of data will provide multiple measures of the same phenomenon (Yin, 2009).

The collected data will be developed into a formal database, thus allowing other researchers to review it directly and not to be limited to the written reports. The case study database will increase the reliability of the entire case study (Yin, 2009).

### *1.6.3.2 Use of secondary documentation*

The revised literature review will be used first as a guide in creating the questionnaires and also to guide the direction of the face-to-face interviews with the FDIs. Recent information relating to survivalist enterprises in the province and the specific areas under study will also be vital in making the study a success.

### 1.6.4 Sampling design

For the purpose of the study, studying a sample of the population is more suitable than conducting a census, as the survivalist entrepreneurs operate informal businesses with low barriers to entry, thus making their businesses easy to start up. In other words, there is no sample frame.

#### *1.6.4.1 Target population*

The target population will be the survivalist entrepreneurs rendering services within the five districts of the Free State province. The study will focus on different types of survivalist entrepreneurs, ranging from street vendors who sell fresh produce (vegetables and fruit), hair salons owners, street vendors who sell food and drinks, and spaza shop owners who usually operate in busy areas, such as taxi ranks, train stations and central business district (CBD) of the areas under study.

#### *1.6.4.2 Sampling method*

A non-probability method of sampling will be used, as there is no sampling frame. Heterogeneity sampling method (sampling for diversity) will be utilised. According to Trochim (2006), heterogeneity sampling is used when the researcher wants to include all opinions or views without worrying about representing them proportionately. The aim is to get a broad spectrum of ideas, not worrying about average or modal instance ideas. This type of sampling will include a broad and diverse range of participants (Trochim, 2006).

## **1.7 Significance of the study**

To some extent, survivalist entrepreneurship is a means of escaping from increasing poverty, unemployment and reducing dependency on government for support. As such, any steps

towards a viable business for survivalist entrepreneurs will improve their socio-economic conditions in the long run.

Support provided to the survivalist entrepreneurs will also assist in reducing the poverty levels, which together with increasing unemployment rates are the main motivations for the existence of survivalist entrepreneurs. By providing support to the survivalist entrepreneurs, their businesses will evolve into registered opportunity-driven and profit-orientated businesses that will be able to contribute to the GDP of South Africa.

## **1.8 Chapter summary**

The chapter serves as guidance regarding why the particular topic was chosen and also how the study will be carried out. That is to say, it is the initial proposal for the study. Deviations from this initial chapter, which might occur during the study, will be documented as well as the reasons for their existence.

## **1.9 Structure of the study**

The study is divided into seven chapters. The following explains the outlay of the main aspects that will be part of the different chapters:

### **Chapter 1: RESEARCH PROPOSAL**

This chapter forms the foundation of the research. It narrates the topic to be discussed and the methodology which will be employed in the study.

### **Chapter 2: LITERATURE REVIEW: THE ROLE OF HISTORY AND FACTORS THAT CONTRIBUTED TOWARDS THE FORMATION OF SURVIVALIST ENTREPRENEURS IN SOUTH AFRICA**

Chapter 2 will focus on the role of history as well as the factors that contributed towards the formation of survivalist entrepreneurs in South Africa. Its aim will be to highlight the existence of survivalist businesses in different parts of the world. The impact of the Black Economic Empowerment (BEE) policy, poverty and unemployment in the formation of survivalist businesses in South Africa will also be discussed.

### **Chapter 3: LITERATURE REVIEW: CHARACTERISTICS AND MOTIVATION TOWARDS BECOMING A SURVIVALIST ENTREPRENEUR**

Chapter 3 will narrate the characteristics of the survivalist enterprises and their entrepreneurs. Motivation of the survivalist entrepreneurs into starting a business is also discussed. The theories found in literature to explain the existence of informal businesses are also mentioned in this chapter. The chapter will also cover the characteristics that are believed to be essential in maintaining the viability of survivalist businesses.

### **Chapter 4: LITERATURE REVIEW: OBSTACLES FACED AND SUPPORT PROVIDED TO SURVIVALIST ENTREPRENEURS**

Obstacles faced by the survivalist entrepreneurs in the daily operations of their businesses are mentioned. The support given versus the support needed will also be discussed in detail by looking into the Finance Development Institutions (FDIs) that are currently operating in the Free State province. The chapter will be concluded with a brief profile of the Free State province.

### **Chapter 5: RESEARCH DESIGN AND METHODOLOGY**

This chapter will explain the steps taken in order to achieve the results of the study. Therefore, the chapter will serve as a guiding blueprint that is responsible for articulating all the required methods of collecting data, analysing the collected data, and finally, answering the existing research question in a scientific manner.

### **Chapter 6: EMPIRICAL RESEARCH RESULTS**

Chapter 6 focuses on discussing the analysis of the results of the three phases of the study. Comparisons and contrasts found in the different districts will also be discussed in detail. A conceptual framework for the survivalist enterprises will be formulated based on the results of this chapter.

## **Chapter 7: RECOMMENDATIONS AND CONCLUSION**

This chapter serves as the final chapter of the study. It will consist of the recommendations made based on the results yielded by the empirical findings and the reviewed literature. Recommendations will be made to address each objective, and a support framework will be formulated in order to assist the survivalist enterprises of the Free State to be viable in their business activities.

## **CHAPTER 2: THE ROLE OF HISTORY AND FACTORS THAT CONTRIBUTED TOWARDS THE FORMATION OF SURVIVALIST ENTREPRENEURS IN SOUTH AFRICA**

### **2.1 Introduction**

The previous chapter gave an introduction to the study. This chapter puts the spotlight on the existence of survivalist entrepreneurs in different parts of the world and in both developed and developing countries. It also highlights the similarities and differences in characteristics of these survivalist entrepreneurs found in the different parts of the world. It further discusses possible roles played by the apartheid regime, the Black Economic Empowerment (BEE) policy, poverty and unemployment in the formation of the survivalist enterprises in South Africa, while comparing the South African scenario to the rest of the world.

### **2.2 Historical background of survivalist entrepreneurs**

Survivalist entrepreneurs are entrepreneurs that depend on their business for survival. They operate in the informal sector of the economy and depend on the little income they generate for survival. In South Africa, they are grouped together with opportunity entrepreneurs as part of the micro-entrepreneurs and are the least considered segment but the largest in numbers amongst the small, medium and micro-entrepreneurs.

The existence of survivalist enterprises in the developed world is made evident in a study conducted by Smith in 2006, in which the decline of subsistence entrepreneurship in a Scottish fishing community was explored over a 60-year period (1934-2004). The study shows that different terminology is used in different parts of the world to describe survivalist enterprises. In Britain, the terms peasant and subsistence entrepreneurs are used, while the Russians used the word “Muzhik”, which means little man. A study by Berner et al. (2008), who reviewed existing survivalist enterprises studies in an attempt to empirically assess graduation rates of the survivalist enterprises, refers to terminology such as “sub-subsistence production” as well as “informal proletariat”.

Berner et al. (2008) defined survivalist entrepreneurs as entrepreneurs who start their business due to lack of employment and not by choice, and they attempt to increase security

and smoothen consumption rather than maximising profit. The authors further indicate that these survivalist entrepreneurs find it difficult to accumulate capital.

According to Lener and Schoar (2010), survivalist entrepreneurship is a micro-business that does not grow beyond providing employment for the owner and/or family. Therefore, they provide limited employment opportunities. Serviere (2010) describes survivalist entrepreneurs as entrepreneurs that are pushed into entrepreneurship by factors which include unemployment, low income jobs, low educational levels and social marginalisation.

Despite the different connotations, the described characteristics of these entrepreneurs are similar to those of the survivalist entrepreneurs found in South Africa. These entrepreneurs are unable to find a paid job or get into an economic sector of their choice. The income they generate is too little, with little capital invested. At times, they have no skills training in the particular field. As a consequence, they are forced into this type of business by the poor socio-economic conditions which they live in. Despite the country of origin, the attempt to survive their poor living conditions, which have resulted in poverty, seem to be the core motivation of these entrepreneurs to start their business (Serviere, 2010).

Smith (2006) highlights that the British peasant and subsistence entrepreneurs existed at the lower spectrum of the entrepreneurial opportunity scale, which allowed them to “escape the glare of research scrutiny” as the existing research focused on “heroic elements of the enterprise culture and the link with big business”. The politicians and policymakers are also reported to have been least interested in the concept of peasant and subsistence entrepreneurship. This is mainly because of the associated recognition and money that comes with research into sustainable business.

The above statement is supported by Berner et al. (2008) when they indicate that the existing policy meant to assist the survivalist enterprises fails to meet its objective as it utilises characteristics of growth-oriented business as outcome indicators for their interventions. The statement is also supported by Lener and Schoar (2010), who state that most research in entrepreneurship has been conducted in developed markets, thus highlighting the need for a policy shift into accommodating the survivalist entrepreneurs, who depend on their businesses for their survival.

Carter et al. (2004) states that subsistence entrepreneurship, particularly in a rural setting, is about survival and utilisation of opportunities. “It is about tapping into multiple income streams, engaging in pluriactivity”.

At the same time, reviewed literature gives a clear indication of survivalist enterprises as buffers to poverty and dependency on government aid for many throughout the world. It further highlights how the survivalist business could positively lead to economic growth if given enough attention and support. This could be achieved first and foremost by changing existing policy on survivalist businesses so as to accommodate their needs and at the same time raise awareness of their urgent need for assistance in order to become viable businesses that will contribute towards the GDP in the area of existence.

Throughout the world, segmentation of survivalist enterprises is similar to the one used in South Africa, whereby the survivalist entrepreneurs are also located at the lowest spectrum of the South African SMMEs and receive minimal assistance from various governments. The lack of support from various governments creates a gap between the survivalist entrepreneurs and the rest of the SMMEs. Concurrently, survivalist enterprises are increasing in number, thus indicating a desperate need for various governments to put a spotlight on the existence and ways of supporting entrepreneurs of these enterprises to become viable in their business activities.

The South African GEM report of 2011 indicates the increasing numbers of survivalist entrepreneurs in South Africa. The rates increased from 28.5% in 2006 to 34.8% in 2011. Despite the available data on the growth of the survivalist segment, there is no clear indication of the possible recognition of the existence of the survivalist businesses.

The statistics given in the above paragraph are provided more than 15 years after the South African National Strategy for the Development of Small Business was compiled. The South African National Strategy for the Development of Small Business emphasised that the survivalist entrepreneurs, the majority of which are females, should receive support strategies in an attempt to help them to become successful and sustainable so as to address underlying socio-economic problems such as poverty and women empowerment.

Different connotations used in various literatures that have been reviewed describe survivalist entrepreneurs as entrepreneurs by force rather than by choice. The circumstances in which they live in, mainly poor socio-economic factors including poverty force them into this type

of business. Despite being entrepreneurs in an attempt to survive, their numbers are on a vast increase. Their growth in numbers is also stimulated by the shrinking formal employment, thus indicating a possible dependency of the growth in numbers of survivalist entrepreneurs to the availability of formal employment

Although recognised as being unsustainable businesses by varying literature, survivalist enterprises continue to offer employment (to the owner, at the least) and a source of income to many families, and therefore act as a buffer to poverty for many. Despite being categorised as generally unsustainable businesses, literature further indicates that some of them have been operating for many years and being run as family businesses.

Despite various governments' ignorance and lack of assistance for this type of business, survivalist enterprises, especially in Africa, are playing a crucial role in the economy of their respective countries as well as in uplifting women and are recognised as a norm by many families in various countries. With that said, it is vital for the governments to recognise their existence and assist them to shift towards becoming viable businesses that are formally registered and recognised as part of the formal economy.

However, the existing policies and frameworks that are aimed at assisting small businesses do not take into consideration the unique needs and characteristics of the survivalist enterprises. Consequently, these policies and frameworks continue to create a gap between survivalist entrepreneur development and the rest of the SMMEs' development, particularly in South Africa. Put differently, the survivalist sector, which comprises the majority of SMMEs, continues to grow without its entrepreneurs being successfully assisted to become viable in their business activities.

### **2.3 The impact of the apartheid regime on formation of survivalist entrepreneurs**

Morrison (2004) indicates that the history and resultant characteristics of a country can affect the outlook on entrepreneurship. The historical political systems in South Africa have served to promote an anti-entrepreneurial culture due to dependency on, or control of, the public by the state, which decreased interest in the private enterprise amongst the then suppressed groups that consisted mainly of black South African. The results of apartheid are unfortunately still evident amongst black South Africans who continue to look up to the government for assistance. Furthermore, apartheid also influenced the quality of education,

which even in the post-apartheid era fails to address the entrepreneurship needs of South Africa till today.

The anti-entrepreneurial culture and dependency on government for support by many South Africans is the main reason for the low early stage total entrepreneurial activity (TEA) in South Africa. According to the Global Entrepreneurship monitor report on African Entrepreneurship (2012) and as depicted in table 2.1, South African TEA rate is at 7%, which is a decline from 9% in 2011. In addition, it is below the average 28% for the Sub-Saharan African region and ranks as the eighth out of the 10 countries compared. The GEM further reports the pool of potential entrepreneurs to be at 36% of the adult population and 20% of the young population, which are the lowest in the Sub-Saharan African region, with an average of 76% for the young population. The established business ownership rate is estimated at 2% out of an average of 13% in the Sub-Saharan African region. Although the business discontinuation rate is 5% as compared to the 16% average in the region, thus suggesting the viability of South African businesses, the overall performance of the country in relation to TEA does not encourage employment creation through entrepreneurship and is a clear indication of the anti-entrepreneurial culture within South Africa.

**Table 2.1: Activity levels in the entrepreneurial pipeline in 10 Sub-Saharan African countries**

ECONOMY	Early stage entrepreneurial activity (TEA), %	Established business ownership rate, %	Discontinuation of businesses, %
Angola	32	9	26
Botswana	28	6	16
Ethiopia	15	10	3
Ghana	37	38	16
Malawi	36	11	29
Namibia	18	3	12
Nigeria	35	16	8
<b>South Africa</b>	<b>7</b>	<b>2</b>	<b>5</b>
Uganda	36	31	26
Zambia	41	4	20
Sub-Saharan Africa average (unweighted)	<b>28</b>	<b>13</b>	<b>16</b>

Source: African Entrepreneurship, Sub-Saharan African regional report (2012)

According to Statistics South Africa (Stats SA) (2013), the number of South Africans who depend on government for support in the form of grants is above 16 million, costing R113 billion for the 2013/2014 period. The current statistics are the result of a 544% increase from the 2.5 million beneficiaries in 1998. These statistics are worrying as they reflect increasing dependency on government in a country that is reported to have limitless opportunities.

The reported xenophobic attacks against foreign business owners in the townships throughout South Africa also indicate a lack of entrepreneurial culture. These types of businesses that are currently run by foreigners in these townships have been in existence even during the times of apartheid. Nonetheless, a majority of the formerly oppressed South Africans have failed to run their businesses successfully, thus opening a market for the foreigners to enter into and to operate with success.

Furthermore, the apartheid era created a wage gap between white and black workers. The Wage Act of 1925 specified the need to increase wages for white workers and to allow for a better standard of living for the white population of South Africa. The private sector in South Africa was subsidised by government so as to offer employment and acceptable wages to the working white South African population as a means of protecting them against the “non-white competition” (Qunta et al., 1995; Madi et al., 1997). This led to further financial pressures for the black population, which had to find means of survival, in the form of survivalist businesses.

According to Mensah and Benedict (2010), “the apartheid policy denied black South Africans the extensive exposure to small businesses that elsewhere, resulted in household traditions in entrepreneurial activities that span generations and breeds self-reliance”.

Boyd (2000) mentions that labour market handicaps may compel oppressed minorities to search for alternatives to wage/salary employment despite their need for entrepreneurial resources. Such resources include wealth, human capital, ethnic-group solidarity, and the cultural values and institutions that promote enterprises. When a group has less of these resources than do other groups “as a result of some current or past historical experience”, then it is a resource-disadvantaged group.

A modified version of the simple disadvantage theory of entrepreneurship, the resource constraint version, 'suggests that the members of such groups tend to respond to joblessness and to limited employment options by becoming petty entrepreneurs rather than by starting small business. According to the foregoing, the resource constraint group becomes small, unrecognised entrepreneurs that could be described as survivalist entrepreneurs, the majority of which are blacks and females in South Africa.

The above statement is supported by literature from Morris et al. (1996), who mentioned that survivalist entrepreneurship is mainly dominated by blacks whose economic activities were severely constrained throughout the apartheid era (1948 to 1994). These blacks were limited as to where they could live and work, land ownership, trading hours, employment, access to capital, credit from suppliers, and availability of education and training.

When focusing on other parts of the world, blacks have arguably been the most severely resource-disadvantaged group in American society. As a result, sociological literature has attributed their low rate of small business ownership to resource disadvantage – a problem caused by the absence of a tradition of enterprise – the poverty of black consumers, the social class divisions of black communities, the lack of informal methods of capital accumulation, and intense oppression by whites.

Accordingly, the resource-constraint version of the disadvantage theory holds that the entrepreneurial responses of blacks to labour market disadvantage will be concentrated in the informal economy – that peripheral sector of cash-based, unregulated, and irregular income-producing activities (Light & Karageorgis, 1994). Indeed, the resource-constraint version of the disadvantage theory implies that while blacks will be under-represented in small businesses, the need to find sources of non-wage income will cause their over-representation in the entrepreneurial pursuits of this peripheral sector. In other words, the disadvantage of blacks in the labour market will be unrelated to black entrepreneurship in mainstream businesses but positively associated with black entrepreneurship in marginal enterprises (Boyd, 2000). A scenario very common in South Africa is one where the black population is prominent in the lower spectrums of the SMMEs, namely micro-enterprises and survivalist businesses.

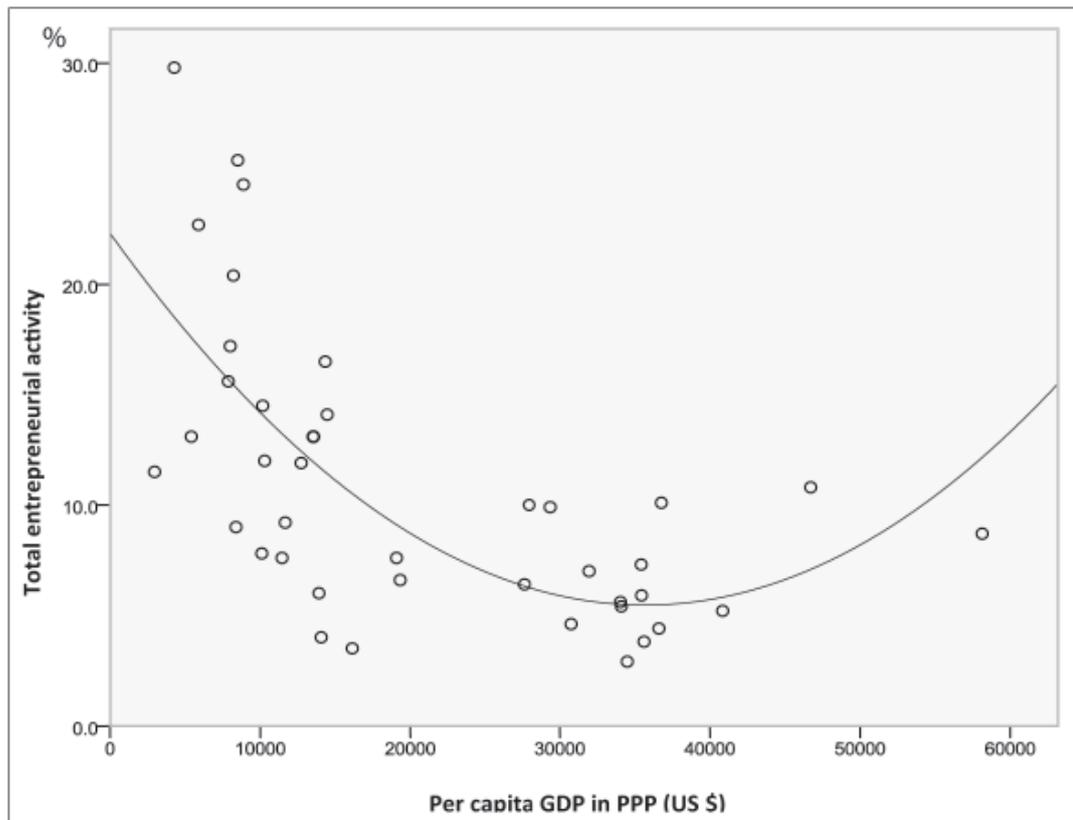
In South Africa, informal shops known as spaza shops, which originate primarily in the black homes, were formed during the apartheid era. This type of business operates in a section of

an occupied home where people live and involves families in the retail activities. Tuck shops are also a type of spaza that operates separately from residences. These are common around the busy sections of towns, such as at taxi ranks and bus stations. Informal taverns known as shebeens are also a type of informal business found in the black townships, commonly run from a yard or house of the owner. The type of aforementioned informal business activities form part of the South African black history, as they originated during the apartheid era; nevertheless, they are still present as forms of survivalist enterprises of today.

Similarly, in urban North American cities, black women depended on informal boarding and housekeeping, which created temporary affordable shelter for the tenants, during the great depression – an entrepreneurial pursuit which was practiced and is still being practised in South Africa as well.

Historical political systems such as apartheid and labour market handicaps have been documented as factors that force disadvantaged groups into survivalist entrepreneurship, mainly as a means of survival during low levels of economic activity.

As depicted by Ligthelm (2010) in figure 2.1, the U-shaped relationship between entrepreneurship and development indicates that dependency is relatively high on self-employment in relatively low levels of per capita income. This indicates that at low levels of economic activity, households are responsible for fending for themselves in the absence of formal employment and/or governments' social security benefits.



**Figure 2.1: Relationship between TEA and per capita GDP**

Source: Ligthelm (2010)

Apartheid led to economic disempowerment for the average black South African by creating low levels of per capita earnings in this particular group of people. This created a web of poorer people who were unable to start a better business, thus trapping them into survivalist enterprises in order to earn a survivalist living and to reduce poverty.

One can deduce that the apartheid era created different types of business markets in South Africa, namely distortions in the international business world, which led to big business isolation from SMMEs, especially those categorised as micro-enterprises which were found at the lower spectrum of the SMME spectrum. It also led to white business isolation from black business, which had a negative impact on the overall economic development and growth of the country, and development of survivalist enterprises as a cushioning effect from poverty.

Furthermore, the results from apartheid in South Africa impact heavily on the socio-economic status of South Africans. The system has also created a society that depends heavily on government for support.

#### **2.4 The role of the black Economic Empowerment (BEE) policy on formation of survivalist entrepreneurs**

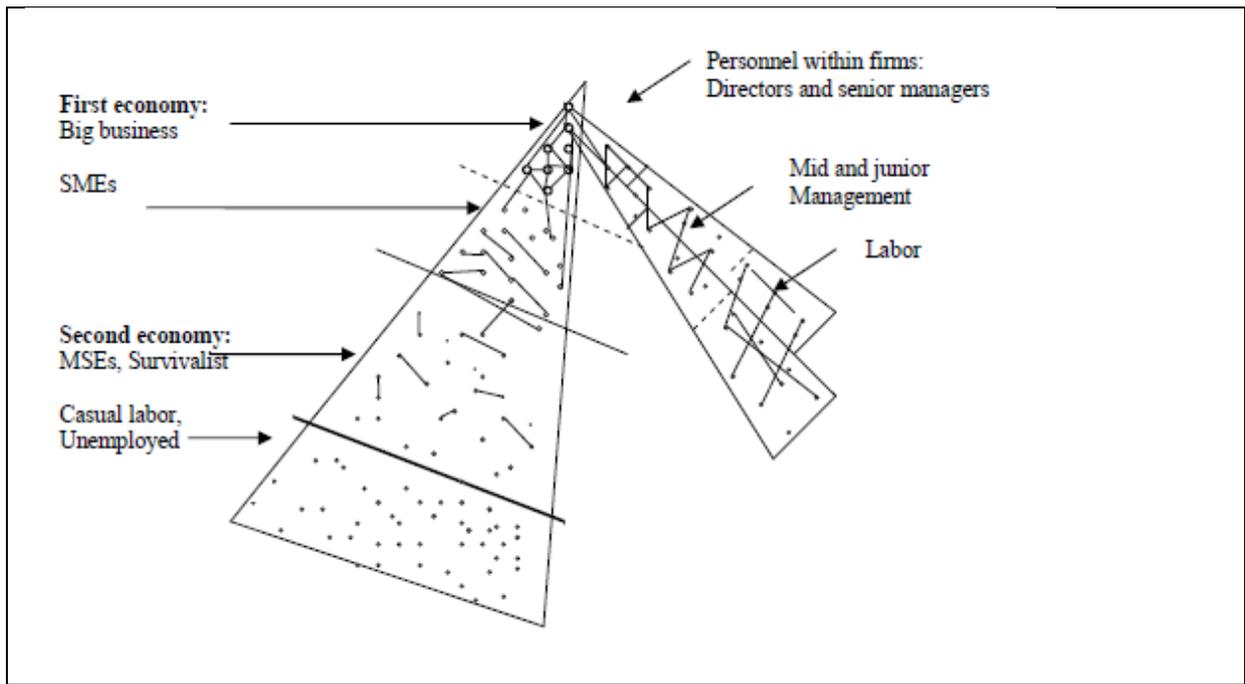
Post democracy, in 1994, the formal sector of South Africa shed jobs due to restructuring processes. This led to the growth of the informal sector mainly because of necessity rather than opportunity. This rapid growth in the informal sector of South Africa has been a major challenge for the government, thus making job creation and small business development an urgent priority. Table 2.2 indicates the percentage growth in entrepreneurial activity of the survivalist businesses in South Africa between the periods of 2002 up to 2013. The table indicates a 1.1% and 0.5% growth amongst the male and female survivalist entrepreneurs respectively.

**Table 2.2: Entrepreneurial activity in South Africa by gender amongst the survivalist entrepreneurs, 2002-2013**

	2002	2005	2009	2013	Ave SSA
MALE					
Survivalist	2.2%	1.9%	2.3%	3.3%	10.2%
FEMALE					
survivalist	2.6%	1.8%	1.6%	3.1%	12%

Source: GEM report (2013)

In an attempt to reverse the results of apartheid, a strategy termed Black Economic Empowerment (BEE) was introduced. The main aim of BEE was to create opportunities for the black majority in the economic mainstream.



**Figure 2.2: Summarising South Africa's economic structure**

Source: Andrews (2008)

Figure 2.2 indicates the position of survivalist entrepreneurs and their size in relation to the rest of the economy. The large group of entities below the second economy barrier in the figure is comprised of medium-sized enterprises and survivalist entities separated by significant barriers from the dominant economic action and players in bigger business. Business networks in this domain tend to be highly relational, limited by geography and the size of business, and also different to those that one finds further up the economy. Below these entities, one finds an even further isolated group – the unemployed and under-employed (Andrews, 2008).

Both BEE and the broad-based version (B-BBEE) are policies aimed at correcting the South African economic structure as depicted in the figure 2.2. This will be achieved through the restructuring of the private sector in order to create opportunities for previously disadvantaged individuals (PDIs), the majority of which fall under the survivalist entrepreneurs category (Andrews, 2008).

According to Meintjies (2004), BEE was something created and driven by the elite government and white business, which led to the widening of the structural gap between the elites and the outsiders. As a consequence, this led to increased empowerment at the top of

the economy and increased disempowerment at the bottom of the economy, presented by the widening income gap within the black population.

Putting a spotlight on the impact of BEE in South Africa's neighbouring country, Namibia. Although practised in the absence of a national BEE policy, BEE was viewed as an essential poverty reduction strategy in the fight against black disempowerment. According to Teek (2009), it has become controversial amongst the presently disadvantaged Namibians with regard to its implementation. "Criticisms on the implementation of BEE are based on the assumption that BEE has resulted in the self-enrichment of a small black elite as opposed to empowering the poor Namibians."

Naidoo (cited in Labour Resource and Research Institute & the National Union of Namibian Workers, 2003) points out that a misguided definition and implementation of B-BBEE allows vested interests to secure benefits for themselves, while in the process sidelining those who really need empowerment. Although defined as part of micro-entrepreneurs, survivalist entrepreneurs are currently not reaping the rewards from any kind of BEE.

It can be deduced that to some extent BEE has become a form of apartheid in the business world, as it benefited only certain groups of the South African society, mainly the elite, while oppressing those at the lower spectrum of business, especially the survivalist entrepreneurs. BEE was once again a policy not planned with the intention of attending to the needs of the survivalist enterprises within the South African border, as it aims to uplift the already established businesses and has proven to isolate the survivalist entrepreneurs even after its amendments.

Despite the recognition of the survivalist entrepreneurs on government documents, particularly the White Paper on the National Strategy for the Development and Promotion Of Small Business in South Africa, and the need for them to be assisted to become viable, the system did not recognise them as running a business worth recognition and assistance. They were simply termed as informal, unsustainable business, and no effort was taken to assist them in becoming formal and/or sustainable business. BEE focused mainly on developing the already formal business, and thus played a role in the further segregation of survivalist businesses from the rest of the SMMEs of South Africa. Unfortunately, it also contributed to the uneven distribution of wealth, thus creating an income gap within the society that was supposed to benefit from it, namely black South Africans.

## 2.5 The impact of poverty and unemployment towards the formation of survivalist entrepreneurs

Poverty and unemployment are the indivisible results of marginalisation and exclusion throughout the world. They are symptoms of an unequal distribution of resources both within countries and internationally.

Based on the United Nations (2008) report, *“poverty is a scourge affecting billions of people worldwide. Everyday fifty thousand people die needlessly as a result of extreme poverty. The gap between the rich and the poor is getting wider. Eradication of poverty, the aspiration of the Millennium Development Goals, is the overriding developmental objective of the 21<sup>st</sup> century”*.

Measuring poverty differs from country to country and will depend on the yardstick used by a particular country to assess the living standards of its people. Concurrently, poverty has become a political issue used by politicians to gather local votes, as it relates to resource allocation and distribution. It can also be viewed as a consequence of policy and or the governing law.

Poverty is a worldwide phenomenon affecting both developed and developing countries. However, the World Bank reports that poverty is significantly higher in developing countries when compared with developed countries, as depicted in table 2.3.

**Table 2.3: Poverty levels in selected African and developed countries**

Developing countries	% poverty level	Developed countries	% poverty level
South Africa	57	France	6
Cameroon	48	United Kingdom (UK)	14
Senegal	54	United States of America(USA)	12
Zambia	86	Australia	8

Source: World Bank Group (2008)

According to the World Bank Group (2008) report and as depicted in table 2.3, South Africa is regarded as a developing country despite its two-tiered economy, which is indicative of both globalisation as well as underdevelopment in one country. This is due to the poor social

indicators, the uneven distribution of wealth, and the high levels of poverty and unemployment.

For the South African government, eradication of poverty still remains a challenge which continues to grow. The poverty line is one of the indicators used by the South African government to measure the poverty level within the country, and it is defined as the minimum income an individual needs for survival, expressed in monetary terms. Presently, South Africa does not seem to have a standard definition of poverty that is appropriate for the South African situation and utilises the inflation-adjusted poverty lines created by Stats SA, which change on a yearly basis, thus making it difficult to study the poverty trend of the country. However, the Stats SA report of 2011 reveal that 70.4% of South Africans are living below the poverty line of R620.00 per capita per month (Stats SA, 2011). This suggests high poverty rates in a country associated with a growing GDP.

In support of the above-presented statistics, the Afro barometer survey (2012) highlighted that South Africa is amongst the African countries in which GDP growth does not lead to a systematic reduction in living poverty rates. This suggests that the growth in GDP exists; however, it fails to trickle down to the poor people of South Africa. Therefore, although the eradication of poverty remains on the South African government's policies and goals, not enough is being done in practice, as the poverty statistics continue to increase year-on-year. According to Sachs (2005), poverty eradication is a possible phenomenon that depends on collective efforts, supplemented by effective government provision of services that are essential in order to reach economic success.

In addition to the inflation-adjusted poverty lines, South Africa also uses the Gini-coefficient to measure its level of poverty. The Gini-coefficient is the measurement of the income distribution of a country's residents. A Gini-coefficient of 0 indicates a perfectly equal income distribution, while 1 stands for total inequality. Countries with a value between 0.2 and 0.35 are regarded as having a relatively equal income distribution (Gaomab, 2004).

South Africa's absolute levels of poverty have declined; however, the income of the rich is nearly 100 times that of the poor. With a Gini-coefficient of 0.58, South Africa is viewed as one of the most unequal countries in the world, as depicted in table 2.4. The most recent statistics from Stats SA (2012) indicate the South African Gini-coefficient to be 0.7, thus

suggesting a growing inequality of income distribution in South Africa as compared to the data of 2008 that is provided in table 2.4.

**Table 2.4: Comparison of Gini-coefficient in developing and developed countries**

Developing countries	Gini-coefficient	Developed countries	Gini-coefficient
South Africa	0.58	France	0.33
Cameroon	0.45	United Kingdom (UK)	0.36
Senegal	0.41	United States of America(USA)	0.41
Zambia	0.49	Australia	0.25

Source: World Bank (2008)

GEM (2011) report has established a consistent association between GDP per capita and the level and nature of entrepreneurial activity in an economy. In economies with a low GDP per capita, the TEA rates are reported to be high, with a relatively high proportion of survivalist entrepreneurs.

On the contrary, South Africa, which has a strong GDP per capita, presents an increasing rate of TEA percentage amongst the survivalist entrepreneurs, as depicted in table 2.5. What is more, the country's employment statistics reveal a 6.1% growth in informal employment and only 2% in formal employment year-on-year during the 2009 to 2010 period (Stats SA, 2011). Although not conclusive, these statistics indicate the growth in numbers of survivalist entrepreneurs.

**Table 2.5: TEA percentage amongst survivalist entrepreneurs**

Country	2006	2011
South Africa	28.5%	34.8%
Brazil	48.6%	30.7%
Russia	29.6%	26.9%
India	27.4%	n/a
China	38.7%	30.6%

Source: World Bank (2010)

In developing countries, a high rate of unemployment is highlighted as the single most significant impediment to poverty reduction (Minford & Mahambane, 2005). This is the main reason why considerable emphasis is placed on the contribution that the SMME sector can make towards relieving the high levels of unemployment. One of the major reasons for unemployment in South Africa is the disproportional dependence of labour market entrants on formal sector jobs, which are constantly dropping.

According to Kingdon and Knight (2006), South Africa has two definitions to unemployment, namely, the narrow and the broad definition. The narrow definition include unemployed people who want to work and who are searching for work, while the broad definition refers to all unemployed people who report to be looking for work but are not necessarily searching for it.

**Table 2.6: Comparison of unemployment rates between developing and developed countries**

<b>Developing countries</b>	<b>% unemployed</b>	<b>Developed countries</b>	<b>% unemployed</b>
South Africa	24*	France	8.8
Cameroon	30	United Kingdom (UK)	5.3
Senegal	48	United States of America (USA)	7.6
Zambia	50	Australia	5.1

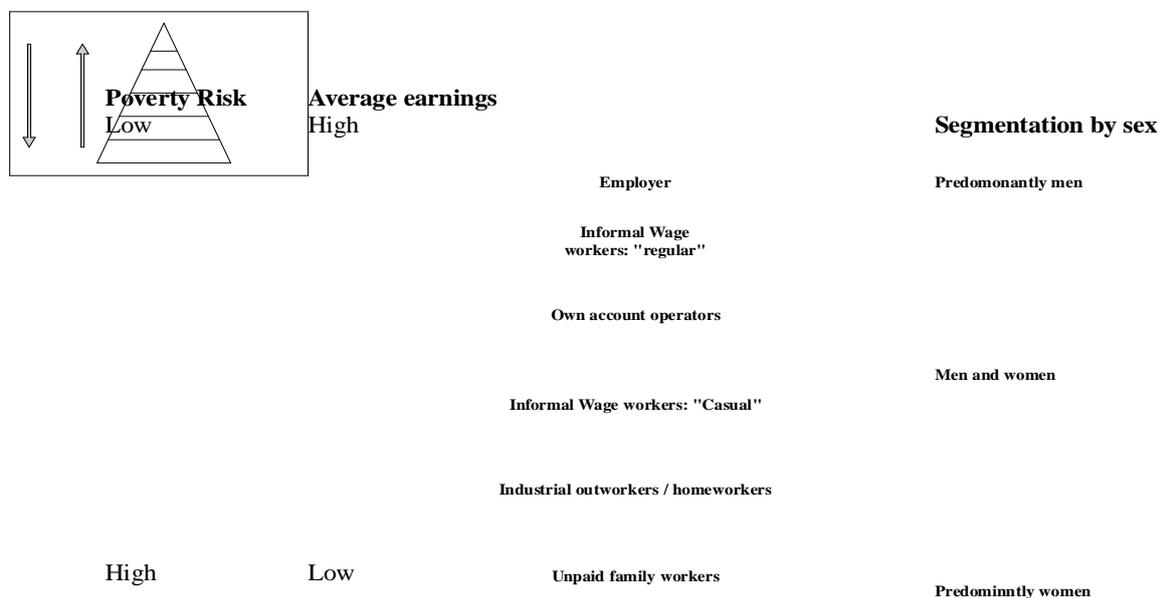
Source: World Bank Group (2010)

\*Narrow definition of unemployment

Akingunola and Onayemi (2010) indicate that the dropping formal sector employment and the increasing population in Nigeria has forced more Nigerians to turn to the informal sector in an attempt to survive. The situation is not different even in developed countries. Boyd (2000), who investigated the race, labour market disadvantages and survivalist entrepreneurship amongst black women in urban North America during the great depression, emphasises that competition in the labour market intensifies during periods of mass unemployment especially due to economic decline. Consequently, this pushes those at the bottom of the employment queue to self-employment as survivalist entrepreneurs in an

attempt to survive, as observed during the times of the great depression in urban North America.

Therefore, a consequence of the formal sector’s inability to accommodate new entrants is the establishment of survivalist businesses, often set up to escape the plight of unemployment rather than to exploit a promising business opportunity. This situation in the informal sector leads to high business mortality rates and peculiar business developmental problems that require very specific targeted policy approaches and measures to ensure higher levels of business survival and formalisation (Ligthelm, 2008). Therefore, this highlights the need to understand the needs of the survivalist businesses in order to draw up policies that are appropriate for them so as to assist them to be viable registered businesses.



**Figure 2.3: WIEGO Model of Informal Employment: Hierarchy of Earnings & Poverty Risk by Employment Status & Sex**

Source: Chen (2012)

A majority of the studies that have been carried out on the informal sector explain that those caught up in poverty resort to the informal sector as a survival strategy. A survey of the key factors shaping micro-enterprises in urban West Africa indicated poverty as the overriding factor that shaped the micro-enterprise sector in the area of study. This is because the response to poverty was the primary motivation for the micro-entrepreneurs in the study. “Although most micro-entrepreneurs in the informal economy are poor, the level of poverty

may not necessarily make an entrepreneur more or less successful in and of itself, but the constraints related to poverty do affect beliefs and behaviours and therefore indirectly shape the possibilities of his or her motivation and success” (Roy & Wheeler, 2006).

The informal sector provides an employment alternative for many, especially in countries without social security “safety nets”. However, this does not necessarily solve the problem of poverty, as the income generated is little, while the working conditions and other socio-economic indicators are poor.

It is deduced that although South Africa has a strong GDP, it is unable to benefit the people at the grassroots, thus creating an unequal distribution of income, as indicated by the current Gini-coefficient of 0.7. On top of that, the high unemployment rates as well as relatively high levels of poverty push the poor into survivalist entrepreneurs in order to buffer the effects of poverty and unemployment.

Therefore, in line with the existing statistics, which suggest growth in numbers of people who become survivalist entrepreneurs, the South African government should begin to recognise the need to offer assistance to these businesses. The benefit is that such assistance will contribute towards relieving dependency on government for survival and, in the long run, contribute to the growth of the South African GDP.

The imperative first step to be taken in order to assist survivalist businesses to become viable in their business activities is to study and understand the factors that affect these types of businesses and their owners. These factors include the characteristics associated with the type of business, the motivation that pushes the owner into becoming an entrepreneur, and the challenges associated with such businesses. These are essential factors to study and understand as they will provide imperative background that is essential in order to understand the factors that will influence the viability of these businesses going forward. The chapter that follows will discuss these factors in detail.

## **2.6 Chapter summary**

In South Africa, history has contributed to the formation of survivalist entrepreneurs mainly as a means of escaping from poverty by the formerly oppressed groups. Post apartheid, policies aimed at reversing the results of apartheid on South African disadvantaged groups, such as Black Economic Empowerment (BEE), have not been able to assist South African

survivalist businesses, the majority of which are owned by blacks and females who have not been able to get a formal job. Instead, BEE has managed to segregate the survivalist business further away from the rest of the SMMEs in South Africa.

With the rising unemployment rates, the unequal distribution of income (high Gini-coefficient of 0.7) and a consequent increase in the poverty rates of South Africa, there has been an increase in the number of survivalist enterprises, primarily in an attempt to escape and/or cushion themselves from poverty. To some extent, these survivalist enterprises – some of which have been in operation for many years – also offer employment opportunities to some in the community or family.

However, the rising numbers of South Africans who depend on government support in the form of grants and the low TEA rates in South Africa as compared to other developing countries within Africa that are even considered to be poorer than South Africa serve as an indication of lack of entrepreneurial culture and increasing dependency on government for support.

These statistics should motivate the South African government to look into changing the state of entrepreneurial culture as well as dependency on government, perhaps through restructuring of the educational system. Additionally, this change can be brought out by structuring policies that encourage improvement and growth of the SMMEs, especially focusing on the lower segment of the SMME segment, i.e. the non-profit-orientated survivalist businesses. The incentive for doing this would be for these businesses to move into the profit-orientated upper segment of the SMME sector and, therefore, contribute positively to the GDP of the country.

For that reason, it is becoming more important for the South African government to understand and support the survivalist businesses, which are supported in theory, but not in practice.

## **CHAPTER 3: CHARACTERISTICS AND MOTIVATION TOWARDS BECOMING A SURVIVALIST ENTREPRENEUR**

### **3.1 Introduction**

The preceding chapter considered the role of history and factors that contributed towards the formation of survivalist entrepreneurs in South Africa. This chapter narrates the characteristics of the survivalist entrepreneurs of South Africa in comparison to those found in the rest of the world. It further unpacks the characteristics of the survivalist enterprises and how they are operating. It then covers the possible reasons for starting up a business, by studying the different motivational factors. It goes on further to expose the different theories used to explain the existence of the informal sector and concludes by reviewing the different characteristics that could turn a survivalist enterprise into a successful enterprise.

### **3.2 Characteristics of the survivalist entrepreneurs and their enterprises**

The commonly known characteristics of survivalist entrepreneurs throughout the world include poor socio-economic backgrounds – with poverty and unemployment as factors that push them into business – inability of the owner to grow the business, lack or insufficient support from respective governments, and poor trading conditions in and around the trading environment. However, due to the global economic changes which affect individual countries differently, some of the characteristics that were commonly associated with survivalist entrepreneurs have evolved. As a result, there is a need to understand these characteristics from a South African perspective so as to be able to move towards an evidence-based policy formulation process that will assist the survivalist businesses to become viable in their business activities.

The characteristics will be discussed individually, focusing on both the international and the local perspectives drawn from the reviewed literature. These characteristics are as follows:

- *Low barriers to entry*

Barriers to entry refer to circumstances and/or conditions that restrict new entrants into a particular market, therefore, reducing competition within that particular market (GEM, 2011). For the survivalist businesses, barriers to entry are low. This makes it easy for the survivalist business owners to start their businesses. Although this sounds like an advantage to the survivalist business owners who cannot afford to run formal businesses at the time of their business conception, the low barriers to entry also lead to disadvantages that can eventually affect the success of the business at hand. In other words, in light of the increase in the number of survivalist businesses and as highlighted in the previous chapter, the low barriers to entry lead to increased competition, as it makes it easy for the new entrants to set up a new business. Unfortunately, the new business will be established in a radius close to its established competitor, thus leading to overcrowding and tight competition amongst the survivalist businesses in the trading environment. Berner et al. (2008) support the above notion by mentioning that survival entrepreneurs operate in an environment that is characterised by overcrowded market “niches”, unreliable institutions, negligent or even predatory government agents, and multiple but volatile sources of household income.

Von Broembsen (2005) further supports the notion by emphasising that the low barriers to entry also create a situation in which little skill or capital is required, thus making it easy to set up a business in oversaturated markets, which threaten the existence of existing businesses. This cycle whereby the birth of an enterprise leads to the demise of another is termed “involuntary growth” or churning. Also, in the absence of essential services and support from governments and as observed within the South African overcrowded markets of trade, the increased competition – due to low barriers to entry – always result in poor trading conditions in and around the trading environment.

Another disadvantage brought about by the low barriers to entry is the survivalist entrepreneurs’ market that is characterised by market saturation caused by price rather than quality-driven purchases and a low skill component. To the survivalist entrepreneur, the main aim is selling his items rather than the quality of the item being sold. There is also a lack of competitive edge amongst the survivalist entrepreneurs, as they tend to sell similar products in the same environment without worrying about uniqueness and/or the quality of the product being sold. In South Africa, the survivalist entrepreneurs are found to trade in

low value-added activities, with small profit margins and strong competition, resulting in earnings which are below the poverty line (Von Broembsen, 2005).

A study conducted by Phillips et al. in Zambia in 2007 revealed that about 50% of the entrepreneurs thought there was a market opportunity to develop a business just because they saw others in that particular activity. In other words, they perceived market saturation as a sign for a potential profit. This is partly the reason for the market saturation of survivalist entrepreneurs in their area of trade and is a negative impact brought about by the low barriers to entry into survivalist entrepreneurship.

In conclusion, studying and understanding the factors that are brought about by the low barriers to entry into the survivalist business will contribute towards assisting the survivalist entrepreneurs to become viable in their business activities. By avoiding the negative impact of the low barriers to entry such as increased competition in the overcrowded market, the business will be able to generate a better income, as well as improve the quality of the products being sold.

- *Survivalist versus opportunity for the survivalist entrepreneur*

Survivalist entrepreneurs are also referred to as necessity entrepreneurs. The term “necessity” is used to highlight the fact that they operate their business out of the need to survive from the poverty and/or unemployment that pushes them into starting a business in order to survive.

A study conducted by Lozano, in which she studied 50 dealers at flea markets in Northern California, revealed that 80% were involuntary entrants, while 20% were voluntary entrants, thus indicating a ratio of necessity-to-opportunity informal entrepreneurs (Williams, 2010). Involuntary entrants are similar to the survivalist entrepreneurs who are pushed and/or forced into their business in order to survive from poverty and/or unemployment. Being involuntary also emphasises their possible lack of interest in becoming an entrepreneur of any type at the beginning of their venture. Voluntary entrants are also referred to as opportunity entrepreneurs, as they have a vision and/or idea that propels and/or pushes them into a particular type of business, possibly with prior planning.

The widespread assumption about survivalist entrepreneurs has been that they are clustered in low-income populations (Galemba, 2008; Zuin, 2004). According to Williams and Nadin (2010), the aforementioned assertion appears to be reinforced by survey findings throughout

the world. However, with the global economic changes and reduced formal employment, this assumption might change, as even the high-income populations are feeling the effects of unemployment, especially amongst the youth. Hence, the documented move towards entrepreneurship serves for many as an alternative to unemployment.

In English localities, Williams (2010) identified a ratio of 3.3:1 opportunity-to-necessity informal entrepreneurs, which is approximately the same as the 3.6:1 for all UK early stage entrepreneurs. Still, the deprived areas had a ratio of 1.5:1, while the affluent areas had 4.9:1, thus indicating that informal entrepreneurship is more necessity-driven in deprived areas, but opportunity-driven in affluent areas. This could possibly indicate that the affluent areas are more prone to being pulled into the business as they have a better chance of access to resources as compared to the less affluent areas.

Literature indicates the existence of survivalist entrepreneurs throughout the world, even in developed countries. Literature also indicates the assistance provided to the opportunity entrepreneurs, who run profit-orientated businesses, thus suggesting ignorance towards the survivalist businesses and their need for assistance.

Having said that, if appropriate assistance could be given to the survivalist entrepreneurs, they would be able to mature into opportunity and profit-orientated businesses. Not all the survivalists have the potential to evolve. However, factors such as motivation into starting a business and educational background of the survivalist entrepreneurs should be understood in order to be able to measure whether or not the survivalist business has the potential to become an opportunity business which is profit-driven and thereby contributing to the GDP of the country.

- *Women as survivalist entrepreneurs*

Karim (2001) and Marcucci (2001) indicate that most of the survivalist entrepreneurs are women struggling to balance their productive and reproductive roles. “They are overworked in the household, uneducated and unexposed to markets” (Berner et al., 2008). This is a common fact throughout the world, whereby women turn to survivalist entrepreneurship in an attempt to survive and to cushion themselves and their families from poverty.

The Going for Growth project report of 2004 in South Africa further indicates that the majority of female survivalist entrepreneurs reside in rural areas, with limited access to markets, credit information, training, business development services, technology, business

networks and proper business premises, which are regarded as essential business resources. A study conducted by Lalthapersad-Pillay in 2004, in which the socio-economic analysis of African female street traders in the Johannesburg CBD were explored, indicated the dominance of poor African women who worked for themselves in precarious environments. This is attributed to the low chances of employment in the formal sector due to low levels of education and skills (Bhorat, 2002), ease of access, as well as heavy dependency burdens.

Throughout the African history and even currently, men from poor households often left their homes in search for jobs out of their family environments, thus leaving the wives to fend for the families and further creating the scenarios as highlighted in the previous paragraph.

A study conducted in Bangladesh, the Philippines, Zimbabwe and Tunisia by Marcucci in 2001 indicates that women-owned enterprises are smaller and younger, use less modern technology, and are concentrated in the low investment and less profitable sub-sectors. This is attributed to the fact that these women run a business because they are responsible for food security in their households and not as a result of entrepreneurial capabilities or personal choice (Mayoux, 1995). Furthermore, these women do not receive the support they require in order to access resources because many do not even have access to collaterals that are required in order to access resources essential in running and maintaining their businesses.

The importance and presence of women in survivalist businesses is further emphasised by literature, even in scenarios whereby there is a male figure. Morris et al. (2006) emphasise that the entrepreneur will rely on the family unit and family labour, as the wife is reported to be the driving force behind the business, providing skills, hard labour, stamina and a firm desire to keep the business going so as to maintain and advance her family.

Therefore, providing the survivalist woman entrepreneur with assistance so as to become viable in her business activities will also assist with reducing dependency on government for support of her family, while improving the overall life of the families that are under the care of the female owner. Keeping in mind that some women may not be able to handle the pressures that come with running a profit-orientated business, it is imperative that the motivation and inspirations of the owner, as well as her educational backgrounds, also be taken into consideration in order to measure whether the owner qualifies to be offered assistance so as to become viable in her business activities.

- *A buffer to unemployment*

Job creation potential of survivalist enterprises is very limited, as they first meet the basic needs of the owner-manager. That being so, they are reported to contribute mainly to the poverty alleviation objective rather than the job creation objective (Von Broembsen, 2005). However, being able to provide a job to even just the owner should be identified as a way of reducing the unemployment numbers and poverty rates, thus reducing dependency on government assistance by that particular individual and/or his family.

A prevalent type of survivalist operation in South Africa is one known as a *spaza* shop. It originates primarily in black homes, whereby a section of an occupied home is used as a shop. These *spaza* shops are run as family endeavours, involving family in the retail activities – primarily selling food, beverages and various essential consumer goods.

If operating away from a residential home, the micro-retailers are referred to as *street vendors*. These are commonly found around taxi ranks and public transit stations. These survivalist retailers play a key role in poor communities by facilitating trade through breaking bulk, stocking a product, providing the product in an accessible location, and adding more value to the goods they sell by reducing the transaction costs for customers (Rolfe et al., 2010). Therefore, they enable the consumer to buy as minimal as they want and at times at a price that they can afford, as prices are not always fixed.

According to Ligthelm (2006), South Africa's hawkers, who are regarded as survivalist entrepreneurs, have 261 000 outlets and an estimated total employment of 415 000. Spaza shops have 127 600 outlets and total employment of 320 000. This paragraph provides statistics that indicate that survivalist enterprises and entrepreneurs can act as a buffer to the unemployment scenario.

It is evident that survivalist entrepreneurs throughout the world share common characteristics. At the same time, these characteristics can evolve with changes in the global economy. Although not recognised by literature, survivalist entrepreneurship serves as a form of buffer to unemployment because it enables at least the owner to be self-employed, thus creating an income for him and his family. Therefore, as formal employment opportunities shrink, the government should focus on ways of supporting the survivalist entrepreneurship segment as it is absorbing more and more unemployed people.

### **3.3 Motivation for starting own business**

When analysing the literature on factors that motivate people to start a business and become entrepreneurs, a variety of reasons are identified. The reason that stands out from the rest is autonomy (independence and/or freedom). An exploratory research by Van Gelderen and Jansen (2006), which investigated autonomy as a start-up motive, revealed that many small business starters like autonomy for the sake of decisional freedoms.

However, people also need freedom as a necessary condition for the fulfilment of other motives. The motivation can be negative, such as an experience of a difficult boss and/or unpleasant rules at work. Others emphasise the fact that self-employment offers the opportunity to work with “one’s goals, values, and attitudes”. Reasons such as being in charge, directing, and leading instead of being lead were also mentioned. According to Van Gelderen and Jansen (2006), these are the main underlying sources of the autonomy motive.

An empirical research carried out by Shane, Kolvereid, and Westhead, cited in Badulescu (2010) on the basis of a questionnaire to investigate factors that determine why people become entrepreneurs identified four factors: labelled recognition, independence, learning, and roles. Birley and Westhead, cited in Badulescu (2010) instead identify seven factors: need for approval, need for independence, need for personal development, welfare considerations, perceived instrumentality of wealth, tax reduction, and following role models. On the basis of these findings, Carter, Gartner, Shaver and Gatewood have developed six categories of entrepreneurship reasons: innovation, independence, recognition, roles, and financial success, adding self-realisation as a sixth factor (Badulescu, 2010).

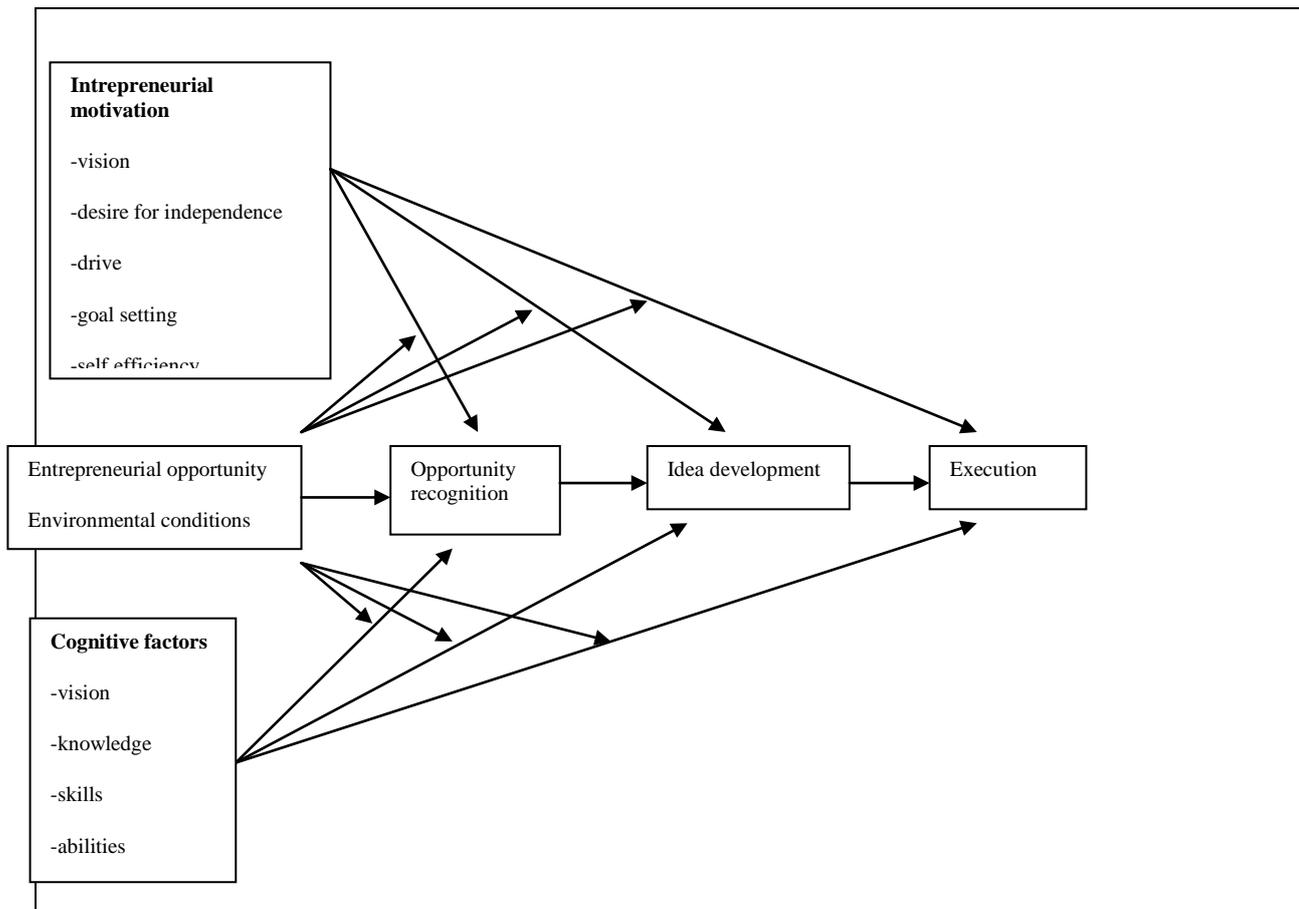
The Global Entrepreneurship Monitor (2011) proposes two categories of entrepreneurs according to their motivations: the “opportunity entrepreneurs”, who start a business based on finding a good opportunity on the market, and the “necessity entrepreneurs”, who start a business rather because they have no better choice or to avoid unemployment. Most of the reviewed literature on motivation for starting a business defines more the opportunity entrepreneur than the necessity entrepreneur. This also serves as evidence that a majority of studies on entrepreneurship are focused on the profit-making opportunity entrepreneurs, while disregarding the dominant necessity entrepreneur, who depend on their business for daily survival.

The GEM (2011) taxonomy focuses on the “pull-push” factors approach. The “opportunity entrepreneurs” are driven by classical pull motivations, such as the perception and exploitation of a market opportunity, of a better solution than the existing ones.

According to the taxonomy suggested by Carter et al. (2003), other pull motivations relate to motivations such as:

- Independence and willingness to be free of any control or to become one’s own boss.
- Recognition and gain of acceptance and appreciation by other people.
- Self-realisation – achievement of the entrepreneurial goals.
- Financial incentives – the desire to gain more and achieve financial success.

On the other hand, people’s willingness to pursue entrepreneurial opportunities depends on factors such as their opportunity cost, their stocks of financial capital, their social ties to investors, and their career experience (Badulescu, 2010).



**Figure 3.1: A model of the factors motivating the entrepreneurial process**

Source: Badulescu (2010).

Figure 3.1 applies to the opportunity entrepreneur who pursues business because of the pull factors as already mentioned. The opportunity entrepreneur has to have both entrepreneurial motivation and cognitive factors in order to pursue the recognised opportunity. The entrepreneurial motivation includes the owner's vision for his business and desires and interests, which shape his goals for his business. The cognitive factors will influence the entrepreneurial motivation according to the level of knowledge, skills and abilities of the owner. The third factor that influences the recognised opportunity is the environmental conditions in which the recognised opportunity will be pursued. The three factors will then influence the idea development phase of the owner, and finally, the execution of the idea will take place.

A study conducted by Dubini, who examined the motivation to start a business in different environmental settings in Italy, revealed that the dominant motivation factors were to have a sense of individual achievement, contributions to the welfare of a group, recognition from others, material incentives, work flexibility and identification with role models (Mitchell, 2003). These factors can be categorised as the underlying factors to autonomy. A sense of individual achievement will mainly be achieved when one is not dependent on others for employment.

For survivalist entrepreneurs, motivational factors will be different as they are pushed into their business activities. The survivalist entrepreneurs are driven by push factors, and their main motivations are as follows:

- Lack of other or better alternatives to unemployment.
- Lack of other income options in the case of unemployed persons facing the end of their unemployment benefits.
- Advice from other unemployed people to try self-employment as an alternative option to wage-employment and unemployment (Badulescu, 2010).
- In addition to the above, the need to survive and poverty reduction should also be added as direct push factors, as poverty rates are increasing worldwide.

Bowen et al. (2009), who focused on how business challenges of small and micro-enterprises were managed in Nairobi, Kenya, revealed that there are different motivating factors for starting a business, as summarised in table 3.1.

**Table 3.1: Motivation for starting a business versus the business performance**

	Business doing poorly		Business doing well	
	Number of respondents	% of respondents	Number of respondents	% of respondents
To make money	93	51.7	70	42.9
To have independence	7	30.4	16	69.6
Identified a gap in service offerings	9	75	3	25
Inspired/challenged by friends or families	6	66.7	3	33.3
Retrenched/lost job	2	13.3	13	86.7
To keep me busy	5	10.2	44	89.8

Source: Bowen et al. (2009)

Unlike “opportunity entrepreneurs”, whose businesses enjoy better development, survivalist entrepreneurs may suffer a high risk of failure, or if they survive, they may produce only marginal businesses, invest insignificant amounts of capital, fail to create further jobs, and earn minimal (Badulescu, 2010). In addition to this, their failure can be stimulated by lack of support by governments, as the available support is channelled toward the opportunity entrepreneurs.

Survival is reported by Serviere (2010) to be a factor that pushes an individual who is unemployed, having a low income job, and/or originates from an economically challenged environment into entrepreneurship, as it becomes the only survival option. According to the 2004 Global Entrepreneurship Monitor (GEM) report, necessity to survive was the motivational factor to start a business in 35% of individuals who became entrepreneurs.

Rosa et al. (2006) indicate that necessity is a primary motive for business start-ups in poor countries. In a study conducted in Uganda in 2005, the interviewees had aspirations of bettering their lives as reasons for starting their own businesses. Results from the Ugandan study were similar to those found in Sri Lanka, mainly because in both countries, the social status attached to business is low compared to paid permanent employment, especially in the form of government jobs, as government jobs serve as role models for the majority of rural people. Running a business is viewed as an option for school dropouts or for people who could not further their formal education; thus, they turn to business for survival.

South African history also depicts a survivalist business as that being run by an uneducated individual (school dropout). However, it is evident that with the increasing unemployment rates, there are increasing numbers of survivalist entrepreneurs.

Results of a study by Roy and Wheeler (2006) conducted in West Africa reveal that all of the survivalist entrepreneurs did not think thoroughly about the business activity they wanted to pursue. There was no market research or competitive analysis of the different markets in which they wanted to focus. Their selection was simply guided by their intuition, based on the personal interest in that particular activity, ease of work, past training, past financial capacity, and focused on making as much money as possible in the short-term.

Indeed, not one of the interviewees from the above-mentioned survey had conducted any formal investigation of options before starting their enterprise – not even to evaluate its feasibility. It was found that their selection was usually guided by intuition, based on a combination of personal interest in the activity, ease of work, past training and experience (both formal and informal), current financial capacity, and a somewhat rudimentary opportunity-cost evaluation which sought to answer the question: ‘How can I make the most money in the short-term, given my resources and capabilities?’ (Roy & Wheeler, 2006).

In South Africa, the main motive to start up a business amongst the survivalist entrepreneurs is necessity, with unemployment and poverty as the underlying causes of the necessity motive. Unemployment is reported to be very high and continues to rise in South Africa. Maas and Herrington (2007) estimated that two-thirds of the South African population between 18-35 years are unemployed.

In support of the above statement, the results of the South African survey conducted in 2005 indicated that 52% of spaza shop owners were unemployed when they started their own business. Similar results were found in the 2007 survey, which indicated that 58% of the participants were unemployed when they set up their retail ventures.

Similar results were revealed in another South African study based in Pietermaritzburg by Mayrhofer and Hendriks (2003). In the study, unemployment was stated by 98% of the participants as the primary motivation for starting a survivalist enterprise.

In both the opportunity entrepreneurs, who have a choice as to start a business, and the survivalist entrepreneurs, who are pushed into a business in an attempt to survive, autonomy seems to be the main reason of starting up a business. Although reviewed literature only

supports the preceding statement in the case of the opportunity entrepreneur, necessity which is identified as a push factor into business for the survivalist entrepreneur, can also be classified as an underlying source of the autonomy motive.

The striking differences between an opportunity entrepreneur and a survivalist entrepreneur are created mainly by the different socio-economic status of these two categories, which either pull or push them into business. Although both are categorised as micro-enterprises, the survivalist entrepreneurs are mainly associated with poverty and unemployment.

Both poverty and unemployment can serve as the reasons for a survivalist entrepreneur to start up a business, in an attempt to be freed from poverty and to generate income to survive, thus indicating a need to be freed from their poor socio-economic conditions. As a result, both poverty and unemployment are identified as the underlying sources of the autonomy motive for survivalist entrepreneurs.

In summary, both the opportunity and survivalist entrepreneurs are motivated by autonomy (freedom), with different underlying reasons, which are poverty and unemployment in the case of the survivalist entrepreneurs. The next section will explain the different theories that have been used during different periods to define survivalist entrepreneurship, as it evolved.

### **3.4 Theorising informal entrepreneurship**

Literature indicates various competing theories which have been adopted to explain informal entrepreneurship under which survivalist entrepreneurs are categorised. These competing theories define informal entrepreneurship as a leftover from a previous era that is disappearing (modernisation perspective), a survival practice (structuralism perspective) that is increasingly relied on by those in the formal economy, a choice/alternative to the formal economy (neo-liberal perspective) that is voluntarily pursued for social, redistributive, political or identity reasons and/or complement to participation in the formal economy that is pursued alongside a formal job (post-structuralism perspective) and reinforces, rather than reduces the disparities produced by the formal economy. These theories will be discussed briefly in an attempt to understand the theory that best explains the South African survivalist entrepreneur of today.

### 3.4.1 Modernisation perspective (dualist approach)

The widespread belief during the 20th century was that the formal economy was extensive and growing, while the informal economy was a small remnant. Informal entrepreneurs were perceived as “leftovers” from an earlier mode of production and not part of the modern economy, thus signalling “underdevelopment, backwardness and traditionalism”, while formal entrepreneurship signified “advancement, development and progress” (Packard, 2007).

This led to the assumption that with the right mix of economic policies and resources, low-income traditional economies could be transformed into dynamic modern economies. In the process, the traditional sector comprised petty trade, small-scale production, and a range of casual jobs which would be absorbed into the modern capitalist – or formal – economy and, thereby, disappear. Furthermore, Chen (2012) indicates that the above-mentioned perspective was reflected in the prediction by W. Arthur Lewis in the 1954 essay for which he received a Nobel Prize in Economics, that economic development in developing countries would, in the long-term, generate enough modern jobs to absorb surplus labour from the traditional economy. This would lead to a turning point where wages would begin to rise above the subsistence level – what is referred to even today as the “Lewis Turning Point”.

This belief was based on the assumption that goods and services would eventually be produced and delivered via the formal economy only, while the informal economy would disappear. This theory conceptualises formal and informal work as separate spheres and depicts formal as superordinate with positive attributes and informal work as a subordinate with negative attributes and impacts (Williams, 2010). It further perceived the informal sector as a remnant of traditional, pre-capitalist modes of production and subsistence strategies common to isolated rural peoples. The informal ones were trapped outside the modern economy because they lacked the proper education, skills, and value orientations.

‘The prescription by modernists suggests the idea that urban surpluses would eventually disappear with the rise of industrialization. That capitalists manipulate the reserve army confronting workers in the formal sector with the replacement by cheaper labour in the informal labour market (manipulation). Informality was seen as a quasi-evolutionary process, where the informal activities will conduct its actors to the formal sector’ (Yusuff, 2011).

Yusuff (2011) highlights the work of Rostow (1960), whereby he characterises this underdevelopment of the Third World as a “social problem internal to and caused by the backward socio-economic systems of individual countries”. He further suggested that these countries had to acquire “modern” legal institutions and political systems and “modern” capitalist economies. In this case, the word “modern” meant Western values. Therefore, he believed that the problem with underdevelopment (and by extension informality) was not one of capitalist exploitation and extraction (as argued successively by neo-Marxist, dependency, and world-systems theorists) but that these countries had not yet been sufficiently incorporated into the modern world or the international economy.

By the mid-1960s, however, the optimism about the prospects for economic growth in developing countries began to give way to concerns about persistent widespread unemployment. This led development economist Hans Singer arguing in 1970 that he saw no sign of the “Lewis Turning Point” in developing countries. In sharp contrast with the historical experience in developed countries, unemployment and underemployment of various kinds were on the increase in developing countries, even those that were growing economically (Chen, 2012).

Singer (1970) attributed this trend to an imbalance resulting from technological advances: an imbalance between limited creation of jobs due to the extensive use of capital-intensive technology and significant growth in the population – and labour force – due to technological progress in health and disease control. He predicted a persistent “dangerous” dualism in labour markets with high levels of casual and intermittent employment, as well as disguised or open unemployment. He also warned of an employment crisis due to acute land shortage in overcrowded farming communities and an acute job shortage in overcrowded urban communities.

As early as 1972, the International Labour Organization (ILO) challenged the modernisation perspective and depicted the informal sector as a different way of doing things, rather than a strategy to manipulate the reserve army, as depicted by Rostow in 1960. The ILO supported a series of large multi-disciplinary “employment missions” to various developing countries conducted by Hans Singer and Richard Jolly as early as 1972 in Kenya. “The Kenya Mission found that the traditional sector in Kenya, which they called the ‘informal sector,’ included profitable and efficient enterprises as well as marginal activities” (Chen, 2012). The term “informal sector” had been coined the year before by a British anthropologist, Keith Hart, in

his 1971 study of low-income activities among unskilled migrants from Northern Ghana to the capital city, Accra, who could not find wage employment.

Both Keith Hart and the Kenya Mission were largely positive about the informal sector. Hart concluded that ‘although they faced external constraints and capitalist domination, most internal migrants in Accra were engaged in informal activities that had autonomous capacity for generating incomes’. The Kenya Mission stressed the potential of the informal sector to create employment and reduce poverty (Chen, 2012).

With the turn of the millennium, the informal economy became recognised in general (Charmes, 2009; Jutting & Laiglesia, 2009) with focus on informal entrepreneurship. New theorisations have been developed to explain the growing emergence of informal entrepreneurship, which shows different characteristics with changes in the global economy.

The modernisation perspective as described above is proof that informal work has always been considered as not been part of the global economy, even in the current developed countries. Therefore, the negative trend towards informal businesses spread with time, while the informal enterprises grew in numbers with time, thus leading to the current inevitable situation that persists especially in developing countries.

#### 3.4.2 Structuralism perspective

This theory was the first to recognise informal entrepreneurship as expanding and growing, and as part of a new emergent mode of production. Informal entrepreneurship was seen as “largely unregulated, low paid, precarious and insecure work conducted by marginalized populations excluded from the formal economy” (Davis, 2006) and, therefore, a survivalist practice for those who could not find formal employment.

The informal entrepreneurs were perceived as “unfortunate and unwilling pawns in an exploitative global economic system, cast out into the formal economy because of their inability to find formal work”. This highlighted informal entrepreneurship as a survival practice conducted out of necessity and as a substitute for formal employment and pursued due to absence of other opportunities (Williams, 2010; Valenzuela, 2001).

From the structuralism perspective’s point of view, formal and informal works are intertwined rather than separate. Informal work is viewed as growing rather than contracting, due to the emergence of the deregulation (neo-liberal) open-world economy, which

encourages a race to the bottom in terms of labour standards. In the post-Fordist era, small batch production and consumption are replacing mass production and consumption; permanent full-time labour is becoming a small portion of the overall labour force, and informal work is undertaken out of necessity to survive (Williams, 2010).

According to Yusuff (2011), the structuralism perspective made two main contributions to the informal economy discourse. The first contribution being that the informal economy's function is to support a capitalist structure, which is supported by globalisation in order to maintain market competitiveness as producers strive to reduce production costs, mainly wages. The second contribution is that the informal economy is growing without development as it retains a higher number of workers than the formal economy. This is because the use of income is higher in the informal economy and the existence of cheaply produced goods and services. As indicated in the first contribution, capitalists also employ informal labour to reduce their operational costs.

Therefore, the structuralism perspective views both the informal and formal economies as being intrinsically linked. Those who support these views see both informal enterprises and informal wage workers as subordinated to the interests of capitalist development and providing cheap goods and services. They argue that governments should address the unequal relationship between "big business" and subordinated producers and workers by regulating both commercial and employment relationships. Furthermore, this perspective highlights how the formal economy manipulates and benefits from the informal economy, as they depend on the informal economy, which provides cheap labour in an attempt to lower its operational costs. This scenario takes place without recognition of the informal economy.

### 3.4.3 Neo-liberal perspective

Unlike other perspectives, the neo-liberal perspective does not portray informal entrepreneurship as a survival practice conducted out of necessity by marginalised populations, but has instead contended that the growth of informal entrepreneurship signals how many are choosing to voluntarily exit the formal economy. Here, informal entrepreneurs are depicted as heroes rejecting the bureaucratic shackles of an over-regulated state, and the informal entrepreneurship is a direct response to the over-regulation of the market. They are said to choose to work informally to avoid the costs, time, and effort of formal registration (Biles, 2009; Perry & Maloney, 2007) and such informal entrepreneurship is a sign of the

popular resistance to over-regulation. It is a rational economic tactic voluntarily pursued by entrepreneurs stifled by state-imposed constraints (Packard, 2007).

Neo-liberalism is gaining acceptance as a political and economic philosophy worldwide (Muncie, 2005). There is less involvement from the government in the market economy and also diminishing social and economic safety net structures. There is also increasing unemployment and part-time vacancies, thus leading to increasing numbers of individuals struggling to sustain their lives and to remain socially viable.

While some argue that neo-liberal economic policies have led to increasing global inequalities between the rich and the poor (Jomo & Baudot, 2007), and even contributed to the economic recession, it still remains dominant. Neo-liberal policies are being imposed on developing countries through the World Bank and International Monetary Fund (IMF), who believe in free trade to open up markets to multinational corporations, often to the detriment of local production (Hursh & Henderson, 2011). However, critics believe that they offer neither practical solution on how to incorporate neo-liberalism into mainstream development nor do they have evidence which proves that the informal economy can overcome the problems of a weak government apparatus under market liberalisation (De Olarte, 2001).

Studies that challenge the neo-liberalism theory by different scholars highlight the consequences of neo-liberalism as leading to social exclusion. In Argentina, neo-liberalism led to the erosion of “safety net” programmes. Millions of people who depended on state provisions had to learn to rely on their own initiatives in order to survive, while reduction in state spending on social programmes meant less access by the people to decent public education, health care, urban infrastructural development, and state-subsidised housing.

While neo-liberalism can generate new jobs and open new markets, many of the jobs are not “good” jobs, and many of the new markets are inaccessible to small-scale or disadvantaged producers. This is because, in response to global competition, formal firms tend to hire all but a few core workers under informal arrangements or to outsource the production of goods and services to other firms and countries (Yusuff, 2011). Further, informal firms and small producers often lack the market knowledge and skills to compete with formal firms for export markets and often face competition from imported goods in domestic markets.

In Africa, neo-liberalism came with privatisation and commercialisation of public enterprises, which led to massive layoffs of workers and no economic growth and job creation. Furthermore, the employment created under neo-liberalism is not necessarily permanent, while the wages are not necessarily rewarding even if conforming to the labour regulations of a country. In addition, the retrenched workers have turned to the informal sector for survival, thus making the informal sector the primary medium for survival (Yusuff, 2011). Therefore, neo-liberalism promised increasing prosperity that resulted in increasing poverty for many (Harvey, 2005).

The South African situation is not different to the rest of the world. South Africa is described to be the most unequal society in the world. The poorest 20% of South Africans are reported to be receiving 1.6% of total income, while the richest 20% benefit from 70% of the total income (Fine et al., 2008).

#### 3.4.4 Post-structuralism perspective

This perspective signals informal entrepreneurship as conducted for closer social relations such as kin, neighbours, friends and acquaintances. It is pursued for social and redistributive reasons rather than purely financial gain. Also, it is viewed as a resistance practice that is a response to the exploitation of workers in the neo-liberal global economic system and the corruption and bribes that can be part and parcel of the formal economy. Additionally, it is seen as an alternative space in which participants can transform their work identity and/or reveal their true selves such as by establishing informal lifestyle businesses.

From this perspective, informal entrepreneurs are perceived as those conducting business for closer social relations such as neighbours, friends, and acquaintances. Such businesses are pursued for social and redistributive reasons rather than purely for financial reasons/gains and are therefore practised for “livelihood practice chosen for social, redistributive, resistance or identity reasons” (Persson & Malmer, 2006; Round & Williams, 2008; Williams, 2010).

The post-structuralism perspective describes informal enterprises as businesses that create an unfair competition for formal enterprises as they avoid formal regulations, taxes and other costs of production. The perspective further argues that informal enterprises should be brought under the formal regulatory environment in order to increase the tax base and reduce the unfair competition to formal businesses.

It views the self-employed as those who chose or volunteered to work informally in order to avoid registration and taxation, all in an attempt to reduce barriers to registration and related transaction costs that are associated with formal businesses. Further, much of the recent rise in informal wage employment is due to the informalisation of once-formal employment relationships. In many such cases, it is the employers, not their employees, who are avoiding regulation and taxation. Employers often choose to retain a small, core, regular workforce and hire other workers on an informal basis in order to avoid payroll taxes and employer's contributions to social security or pensions (Chen, 2012).

At times, payroll taxes and social security contributions are avoided by mutual consent of the employer and employee, for example, when employees prefer to receive greater take-home pay instead of employer contributions to social security. This may be the case when social security systems are managed poorly – or their terms and conditions are not transparent or well understood – with the result that employees do not expect any benefits in return for contributions.

In sum, some informal entrepreneurs choose – or volunteer – to work informally. Yet informal employment tends to expand during economic crises or downturns, suggesting that necessity in addition to choice drives informality.

One can deduce that the different theories explained above have all had an influence on the origin of and impact on the existence of the South African survivalist business. The origin of survivalist businesses dates back to the apartheid period. However, both the apartheid and post-apartheid governments failed to address the existence of this segment of the SMME by channelling their assistance towards other segments, which are profit-orientated (modernisation perspective), thus disregarding the survivalist business. As a result of the inability of the South African government to create formal jobs, the unemployed turned to survivalist entrepreneurship as a cushioning effect from poverty and unemployment (structuralism perspective). Moreover, the South African government adopted privatisation and commercialisation of public enterprises (neo-liberalism perspective), which further contributed towards the income gap between the rich and the poor. The effect of this is that it has contributed towards the set up of survivalist businesses by some who were employed formally so that they can be independent and avoid exploitation in formal jobs (post-structuralism perspective).

The next section will address the characteristics which are believed to be essential in order to maintain viability in the survivalist businesses.

### **3.5 Characteristics essential for maintaining the viability of survivalist enterprises**

Survivalist enterprises have become part of the global economy, especially in Third World countries. In Africa (excluding South Africa), survivalist enterprises are recognised and highly considered as part of doing day-to-day business. With shrinking formal employment, dependency on survivalist enterprises as a form of employment and a means of survival is fast becoming evident, although not documented.

However, there are other factors about these survivalist enterprises that reduce their ability to either grow into a more recognised enterprise or even survive. The primary reason that has been documented is that they are informal business enterprises. Despite this, there is increasing evidence of the constant increase in numbers of survivalist enterprises throughout the world.

Literature also highlights the importance of survivalist enterprises in alleviating poverty in communities and reducing dependency on governments for support, as discussed in Chapter 2. That being the case, their ability to either grow or survive should be nurtured and supported as they will have a positive impact on reducing poverty and unemployment within communities.

Viability of survivalist enterprises is the ability of these businesses to become successful by growing and/or surviving. Literature indicates that survivalist entrepreneurs remain in this type of business until they get a chance to be fully employed; therefore, this type of business is a temporary arrangement for them. Nonetheless, with the shrinking formal employment, the scenario is fast changing, as the survivalist entrepreneurs have to fully and at times solely depend on their business for their survival as well as the survival of their immediate families, with minimal hope of ever finding a job. Therefore, assistance offered to them should be targeted at shifting the businesses that qualify into the upper segment of the SMME, namely the registered micro-enterprise, which will be opportunity-driven and profit-orientated. Not only will the business benefit, but the government will also benefit, as this process will lead to an improvement in GDP. Furthermore, it will decrease the expected dependency on government for support as well as the poverty and unemployment statistics of the country.

Literature proposes various factors that affect the performance of micro-enterprises. However, this literature does not clearly indicate the type of micro-enterprise that it is referring to. Focus on particularly survivalist entrepreneurs is very limited in this regard. In South Africa, the survivalist entrepreneurs are grouped together with the opportunity entrepreneurs under micro-enterprises. Comparatively, in a majority of Third World countries, especially in Africa, the term micro-entrepreneurs refers to what is known as survivalist entrepreneurs in South Africa. What next follows are factors believed to have an impact on the degree of viability for a survivalist business.

- *Educational level and experience*

Okurut (2008) proposed that the viability of micro-enterprises is positively and significantly influenced by educational level, experience and business assets, but negatively influenced by being female-owned and rural-based. He further maintains that other than improving the level of education, the improvement of rural infrastructure is very crucial in enhancing the performance of rural-based micro-enterprises.

According to Hussain et al. (2012), the educational background of employees plays a big role in failure avoidance for SMMEs in developing countries. This is attributed to the fact that business efficiency is dependent on the abilities and know-how of the human capital of its employees. The human capital is said to consist of the education and training provided to its employees. Educated workers are explained as not only more productive but have more learning and innovative abilities. In light of that, low human resource capabilities which are found in survivalist enterprises are identified as a constraint in the development of SMMEs in developing countries.

King and McGrath (2002) support the above statement as they mention that education is one of the factors that impact positively on growth of SMMEs. This is the case because businesses with larger stocks of human capital, with regard to education and vocational training, can easily adapt to the changing business environment.

The results of a study by Bowen et al. (2009), in which the management of business challenges among small and micro-enterprises in Nairobi, Kenya were studied, revealed that small and micro-businesses are dominated by people with relatively low levels of formal education. From this study, 47% of the respondents had post-secondary school or vocational

training, while 28.8% had completed secondary (high) school. Only 4.5% had a university qualification.

Concurrent analysis to determine whether there was a relationship between business performance and the level of education failed to provide conclusive results. This was because 75.4% of the respondents who had received technical training reported that their business performance was deteriorating, therefore possibly implying that educational level is not a critical factor in business success.

Ajibefun and Daramola (2003), who investigated the efficiency of micro-enterprises in the Nigerian economy, support some of the findings of Okurut's as well as King and McGrath (2002). He contended that the level of education of enterprise owners is highly significant in affecting the level of efficiency of micro-enterprises. This implies that education is an important policy variable to improving technical efficiency. However, he also reveals that the rising age of enterprise owners has led to a decline in the mean efficiency, suggesting that more young entrepreneurs should be encouraged to put more efforts and therefore later would raise the level of efficiency.

Results contrasting Ajibefun and Daramola (2003) and King and McGrath (2009) were revealed in a survey conducted in West Africa, which investigated the key factors shaping the micro-enterprise sector (Roy & Wheeler, 2006). The level of experience and period of operation were perceived to be more important than the level of education in determining the success of the micro-enterprise. The reasons were that entrepreneurs with more experience had a better understanding of the market in which they operate, better contacts and supplier/customer relationships, and a better understanding of what sells well, when, and how.

Furthermore, Bowen et al. (2009) highlighted in his study that revealed that 68.3% of the owners that had been operating for less than a year reported their business as not performing well, thus indicating that new businesses seem to face hiccups within the first year. It was revealed that the micro-enterprises hit their peak in the fifth year, after which most of the owners experience entrepreneurial burnout, which eventually leads to the decline of the excitement. The above statement is also supported by Longenecker et al. (2006).

From the micro-entrepreneur's point of view, knowledge of the market for their products and services (i.e. customers, competitors, suppliers) was an important perceived success factor. Survey findings revealed that there was a significant correlation between the level of market knowledge and perceived success and growth of micro-entrepreneurs (Roy & Wheeler, 2006).

The role that educational background plays in the success of this type of business has become questionable due to the changing global economic conditions. With increasing unemployed graduates and shrinking formal employment, countries such as South Africa are experiencing growing numbers of survivalist enterprises that are still struggling to become viable. Perhaps the value played by the quality of education offered by a country can only be fairly measured in a scenario whereby there is support being offered to the survivalist business by government. In this case, the level of education could contribute positively to the success of the business, as it would influence the owners' cognitive factors as depicted in figure 3.1 (A model of the factors motivating the entrepreneurial process).

Dhiliwayo (2008) supports the above notion, as he highlights that there are too many graduates for few graduate jobs. With a rapidly growing economy desperately in need of skilled labour, unemployment – ideally among graduates – is supposed to fall. However, this is not the case as unemployment has risen among young and better-educated people. Increased enrolment at tertiary institutions has put more graduates into the labour market. Nevertheless, there has not been an increase at the rate at which graduates are employed, particularly in formal jobs.

In the case of South Africa, one would blame the educational system that does not motivate entrepreneurship, but rather dependency on government for formal employment. This educational system has led to a culture of dependency on government for employment and increasing numbers of graduates from university who do not seem to have an interest in self-employment opportunities, as proven by the low TEA rates of South Africa in comparison to other countries, and as discussed in detail in Chapter 2. According to Olufunso (2010), lack of business skills is attributed to failure of business owned by young people. The main reason for this failure is the poor quality and context of the educational system which does not promote the development of managerial competencies, even amongst university graduates.

According to Herrington et al. (2009), in 2008, South Africa ranked 23rd out of 43 countries, with a TEA below the average rate (10.6%) of all participating countries. The TEA is a primary measure of entrepreneurship used by GEM. South Africa's TEA rate of 7.8% is significantly lower than the average for all efficiency-driven economies (developed countries), which have 11.4% as well as the average for all middle to low-income countries, where South Africa belongs at 13.2%. In the GEMs Sub-Saharan African report (2012), South African TEA was ranked 10th out of the 10 countries in the Sub-Saharan African region. It had a TEA percentage of 7% out of the 28% average within this region. Therefore, one can conclude that the scope of the educational system in South Africa does not cover entrepreneurship appropriately and, thus, fails to improve the motivation into entrepreneurship, while creating dependency on government for employment. The positive role of educational level should not be confused with the poor scope of entrepreneurial education offered by the education system of a country.

- *Product differentiation*

Differentiation of products was a key success factor for micro-enterprises of West Africa (Roy & Wheeler, 2006). By way of partial corroboration, the study revealed that micro-entrepreneurs who continually try to differentiate their product tended to claim higher levels of success and growth. However, this correlation was not found to be statistically significant.

On a practical level, it was found that most products and services offered by these micro-entrepreneurs were largely undifferentiated in terms of price, quality, or other attributes. A significant number of micro-entrepreneurs sold exactly the same product, at the same price, in the same location. For example, in less than an hour in the grand market of Lome, there were no fewer than 16 leather-belt vendors, all selling essentially the same thing, at the same price, which can be negotiated, of course (Roy & Wheeler, 2006).

In the Dantokpa market in Cotonou, many women sell African dress fabrics, roughly of the same quality and at the same price. These observations were corroborated by the survey of micro-entrepreneurs, which revealed that less than 7% of those interviewed considered their products to be differentiated in terms of price, quality, or other attributes from those of their competitors. This was especially true of those involved in commerce and food-preparation sectors (Roy & Wheeler, 2006).

The foregoing scenario is no different in South Africa. South African entrepreneurs are also observed to be trading in a similar manner of negotiated pricing in an attempt to sell as many products as possible. They are also clustered in the same environment, selling similar products at the same prices, thus leading to market saturation.

In a study by Bowen et al. (2009), out of the 177 respondents who highlighted competition as a challenge, 71% mentioned it among the top three. Methods to deal with their competitors included good customer service by 32.2%, followed by discount offers by 18.3%, while 7.9% mentioned the use of price as a competitive edge, by selling more cheaply than their competitors. Selling a variety of products was mentioned by only 6.3% of the respondents. The factors are listed in table 3.2.

**Table 3.2: Strategies employed to counter the challenge of competition**

	<b>Number of respondents</b>	<b>%</b>
Good communication	38	30.2
Give discounts	23	18.3
Source our own customers	17	13.5
Do nothing, just accept it	12	9.5
We sell cheaper than them	10	7.9
Selling a variety of products	8	6.3
Give credit to customers	7	5.6
Sell quality/durable	5	4
Train and give incentives	4	3.2
Others	19	15.1

Source: Bowen et al. (2009)

The strategies employed to counter the challenge of competition enable a business to have a competitive advantage over its competitors. However, it can become hazardous if not well planned and implemented. Offering discounts can lead to profit losses if not appropriately planned. Reducing the prices of merchandise in order to win customers over from the competitor can also lead to profit losses, especially for a survivalist entrepreneur, as they often do not have a set profit mark-up.

- *Other characteristics essential in maintaining viability*

In Malaysia, Chu et al. (2007), Rosa et al. (2006), Kumar and Lim (2006) contended that personal initiative is the major key to success as an entrepreneur. They argue that entrepreneurs with high personal initiative will naturally overcome the disadvantages or weaknesses in them with their self-starting and proactive attitude. They also provided similar evidence to that of previous studies that level of education has also contributed to business growth.

Ligthelm (2008) groups the factors that may contribute to small business success into three categories. These include economic, industry-based, and firm-based factors. Economic factors are associated with national economic variables that are related to the state of the economy, such as the particular phase of the business cycle, growth policies, employment prospects and the economic environment created by the national government for business growth. Industry-based factors are associated with the sphere of the industry in which business operates and can include the supply and demand factors in the sector, ease of entry and degree of competitiveness. Firm-based factors are those factors that are internal to the business, such as availability and effective use of resources.

Beck and Demirguc-Kunt (2006) stress that it is vital to strengthen both the internal and external business environments in order for the business to grow. The internal environment include factors in a business environment that are controlled by the business, such as skills, education, internal finance, location and networking. The external environment include economic variables and markets, crime and corruption, labour, infrastructure, and regulations.

According to the micro-entrepreneurs in a study by Bowen et al. (2003), their business success was rated on discipline in finance management by 54.5% of the respondents, followed by the availability of customers by 53.4%, as well as the physical location of the business by 42% as the main reason for their business success. Skill of the workforce was mentioned by 38.6% of the respondents. The factors as captured in this study are summarised in table 3.3.

**Table 3.3: Factors that contribute to business success**

	Number of respondents	%
Disciplined financial management	48	54.5
Availability of market/customers	30	53.4
Location/accessibility of business	37	42
Skilled workforce	34	38.6
Good business networking	33	37.5
Competitive pricing/low cost	20	22.7
Selling variety of products/services	14	15.9
Availability of capital	6	6.8
Availability of credit from banks	4	4.5
No competition	4	4.5
Clear vision of what is required	4	2.3
Reading business magazines	2	1.1
Attending workshops/seminars	1	1.1
Focusing on niche market	1	

Source: Bowen et al. (2009)

It is deduced that viability in a business is dependent on various factors that can be either directly controlled by the owner or out of the owner's control. As indicated in table 3.3, educational background, especially entrepreneurship education, is vital. It is essential for the owner to have a financial management background in order to avoid running his business at a loss. A majority of survivalist business owners do not worry about profit mark-ups. Their focus remains on selling as many products as possible and making extra money to be able to support their families, thus losing out on the possibility of making more than what they expect.

The need for a product will determine the availability of customers. It is imperative for the owner to understand what his targeted clientele needs in order to succeed in his business. Furthermore, differentiation of the products sold could assist a survivalist business to gain competitive advantage over its competitors.

The location of the business is also a vital factor towards viability. It is important to establish a business in an area that is not saturated with competitors so as to be able to reap the rewards from the business. However, survivalist businesses are often established next to one another, thus increasing competition.

Understanding the characteristics of both the survivalist business as well as of the owner and the motivation behind the business start-up is essential as they provide an important background that influences the viability of these businesses going forward. This allows for an evidence-based policy that will assist the survivalist business to be viable by channelling appropriate support that is required so as to be able to trade as an opportunity-driven, profit-orientated, registered entity. The obstacles that the survivalist businesses experience should also be thoroughly studied and understood. Therefore, the following chapter will focus on the obstacles experienced by the survivalist businesses and the assistance they are currently receiving from the FDIs created by the government. The profile of the Free State province will also be briefly discussed in this chapter.

### **3.6 Chapter summary**

From the reviewed literature, it is evident that survivalist entrepreneurs are associated with poverty, poor education, lack of skills, and the majority are female-orientated and rural-based. The changing economic patterns throughout the world have resulted in insufficient formal employment as well as increasing informal employment over the years.

Chapter 3 focused on the characteristics that are associated with the survivalist entrepreneurs and their enterprises. It also emphasised the impact of the individual characteristics on the viability of the survivalist businesses. It is vital to study and understand these characteristics so as to be able to come up with appropriate interventions that will assist the qualifying survivalist businesses to become viable.

In addition to the characteristics associated with survivalist businesses and their owners, the motivation that pushes the owner into starting his business should also be taken into consideration. The motivation can be used as a measure of whether the owner requires assistance in order to evolve his business into a viable business. Both the characteristics of the owner and his business, and the motivation that pushes the survivalist entrepreneur into business are vital in order to determine whether the survivalist business has the potential to become viable in its business activities. Accordingly, by studying and understanding these issues, governments will be able to align interventions and policies with the existing needs of the survivalist businesses, thereby providing appropriate assistance to the survivalist business to become viable.

When reviewing the different theories used to explain the influence on the origin of survivalist businesses, a deduction that the four theories explained all had an influence on the origin of and impact on the existence of the South African survivalist business. The origin of survivalist businesses dates back to the apartheid period, but was never given attention. However, as already mentioned, both the apartheid and post-apartheid governments failed to address the existence of this segment of the SMME by channelling their assistance towards other segments, which are profit-orientated, thus disregarding the survivalist business (modernisation perspective). Because of the inability of the South African government to create formal jobs, the unemployed turned to survivalist entrepreneurship as a cushioning effect from poverty and unemployment (structuralism perspective). Furthermore, the South African government adopted privatisation and commercialisation of public enterprises (neo-liberalism perspective), which further contributed towards the income gap between rich and poor people. The result has been the contribution towards the set up of survivalist businesses by some who were employed formally in order to be independent and to avoid exploitation in formal jobs (post-structuralism perspective).

Therefore, as indicated in Chapter 2, the economic climate of a country affects the state of entrepreneurship in that particular country and, if negative, leads to the creation of survivalist businesses in particular. Thus far, the survivalist businesses have been in existence and surviving the changing economic climates within South Africa. This has allowed survivalist businesses an opportunity to evolve in their practices and experiences. However, in light of the absence of support to assist these businesses to grow into registered, opportunity-driven, profit-orientated businesses, their evolvment will continue to go unnoticed.

## **CHAPTER 4: OBSTACLES FACED AND SUPPORT PROVIDED TO SURVIVALIST ENTREPRENEURS**

### **4.1 Introduction**

The foregoing chapter discussed the characteristics and motivation towards becoming a survivalist entrepreneur. This chapter will cover the different obstacles that the survivalist entrepreneurs are faced with. It will also unpack the support that is currently being provided to survivalist entrepreneurs and the institutions within the Free State province that have the potential to assist survivalist entrepreneurs. The chapter will be concluded by a brief profile of the Free State province, which will also highlight the labour force characteristics of the province.

### **4.2 Obstacles faced by survivalist entrepreneurs**

The role of survivalist entrepreneurship as part of micro-enterprises is fast being recognised throughout the world, yet their full potential remains untapped. Empirical evidence shows that as part of the micro-enterprise, survivalist enterprises can contribute to the achievement of a wide range of developmental objectives, including the attainment of income distribution and poverty reduction, creation of employment, savings mobilisation and production of goods and services that meet the basic needs of the poor.

In South Africa, the role of small, medium and micro-enterprises (SMME) in poverty alleviation, income equality, employment and sustainable growth is documented in the Government's White Paper on the National Strategy for the Development and Promotion of SMMEs. This White Paper was formulated with the aim of strengthening the post-apartheid SMME economy in South Africa (RSA,1995).

In terms of employment generation, SMMEs generate employment capacity that contributes to the local and global GDP (Aina, 2007). Although not documented, survivalist enterprises in particular assist to reduce unemployment, while also playing a role of principal safety for those practising as survivalist entrepreneurs.

From the international arena, both the World Bank Group (2008) and the International Labour Organization (2008) highlight how SMMEs assist in enhancing productivity, while increasing the trade opportunities to and for the poor.

According to the New Partnership for Africa's Development (NEPAD) (2008), SMMEs in general have a role to play in increasing employment opportunities, reducing poverty and increasing utilisation of Africa's productive and intellectual resources. This is made evident in Ghana, where the small-scale agriculture was able to employ 60% of those in the rural Ghana (Agbeibor, 2006).

Despite their potential contribution to developmental objectives as mentioned above, survivalist entrepreneurs face various obstacles that prevent them from growing their businesses and prevent them from surviving as a business at times. The primary reason for the obstacles faced by survivalist entrepreneurs is reported to be their informality.

Literature also indicates that women survivalist entrepreneurs face more obstacles in their businesses when compared to men. In general, obstacles faced by both male and female survivalist entrepreneurs are partly caused by lack of support for this type of business (i.e. survivalist business) by many governments throughout the world. Obstacles that are commonly documented will be discussed in detail in the sub-headings that follows.

#### 4.2.1 Regulations and laws of a country

Lener and Schoar (2010) state that regulations and laws that allow established entrepreneurs to succeed and grow faster, such as financial and labour market deregulations, tend to have an opposite effect of reducing the chances of success for survivalist entrepreneurs. Laws and regulations created by government reduce the chances of survivalist enterprises to penetrate into a particular market, thus serving as a barrier to entry for the survivalist business. An example being the cost of registering the company into a legal entity – a process that is unaffordable for many of the informal businesses and that should be subsidised by the government. This forces the survivalist entrepreneurs to operate illegally outside government regulatory reach, thus compromising their access to human and financial resources.

According to Berner et al. (2008), existing policies for micro-entrepreneurs focus on the few entrepreneurs that have growth-oriented potential. In other words, the policies exclude survivalist entrepreneurs. Rogerson (2001) indicates that institutions that offer assistance to businesses focus on profit-orientated businesses as outcome indicators for their interventions, thus leading to a bias in the "income and employment generation" dimension for survivalist enterprises. Instead, these programmes should focus on contributing to poverty alleviation

interventions by supporting the role of survivalist enterprises as a way of reducing both poverty and dependency on government support.

Wood (2003) highlights that policies formulated with the aim of supporting survivalist entrepreneurs have to recognise the “destructive uncertainty” under which they operate, and primarily aim at increasing security in many dimensions. Put differently, such policies have to be structured in a way that is suitable for the survivalist entrepreneur so as to be able to bring practical, positive results for the survivalist segment within SMMEs. This will be accomplished through consideration of the unique needs and characteristics of the survivalist enterprises during the structuring of policies aimed at assisting these businesses to become opportunity-driven, profit-orientated businesses.

In support of the previous paragraph, different studies have revealed how regulations and laws in various countries are perceived as obstacles by the participants in the studies. A study conducted by Singh and Belwal (2008) in Ethiopia revealed that women entrepreneurs were mostly unaware of schemes for development of women entrepreneurship in Ethiopia. Eighty-four per cent of the study participants were unhappy with the method used by the government to roll out assistance focused on them. Of this 84%, 69% mentioned a gap between government’s policy and its implementation. Another issue that was highlighted was the government’s failure to involve the women entrepreneurs during the development of policies aimed at assisting this group.

In a study conducted by Chea (2008) in which the researcher aimed to discover the business practices that would be appropriate in helping women in starting and operating small businesses and to find government interventions that serve as a barrier in this regard, in Ghana, 27% noted high taxes and 29% reported red tape in government agencies and corruption in obtaining licences/registrations for start-ups as the barrier. Additionally, 31% mentioned institutional discrimination and sexism/prejudice as the barrier.

In the case of South Africa, one can insinuate that the government’s regulations and laws could be a contributing factor towards the formation of survivalist enterprises. With the changing economic climate, as well as the neo-liberalism practices that have led to privatisation of public enterprises – which have further contributed towards the reduction in formal employment rates – many South Africans who practice as survivalist entrepreneurs had to opt for this type of business as a survival mechanism. This is because procedures to follow during registration and start up of a business become too cumbersome and costly for

the survivalist entrepreneurs. This ends up making it easier to start up an informal business of this kind, which requires neither paperwork nor heavy capital during the start-up phase.

In other words, the South African survivalist entrepreneurs who are categorised as part of the SMMEs are not receiving any assistance with regard to starting up a business that is opportunity-driven and possibly profit-orientated. In fact, the country's regulations, laws and cost of registration contribute towards their decision to remain trading as survivalist entrepreneurs.

Once trading as a survivalist entrepreneur, it becomes difficult for them to register their business without any support, as they depend on every cent they make to survive and to cushion themselves from the effects of poverty and unemployment. In the light of that, support from government at this stage could possibly make a change to the survivalist entrepreneur who has the potential to become an opportunity-driven, profit-orientated entrepreneur. Furthermore, the South African White Paper on the promotion of SMMEs fully highlights that survivalist entrepreneurs in particular deserve to be assisted in their business development as they could play a pivotal role in the growth of the South African economy. Therefore, by providing the survivalist entrepreneurs with appropriate support that will include assistance with the registration of their businesses into a legal, opportunity-driven, profit-orientated enterprise, the South African GDP will be strengthened, thus benefiting the country and improving the socio-economic status of the survivalist entrepreneurs who are assisted.

An obstacle well documented to be a common problem for many survivalist entrepreneurs is their inability to access finances, which they require in order to either formalise their business or to grow it further. The issues pertaining to obstacles in accessing finances will be discussed next in detail.

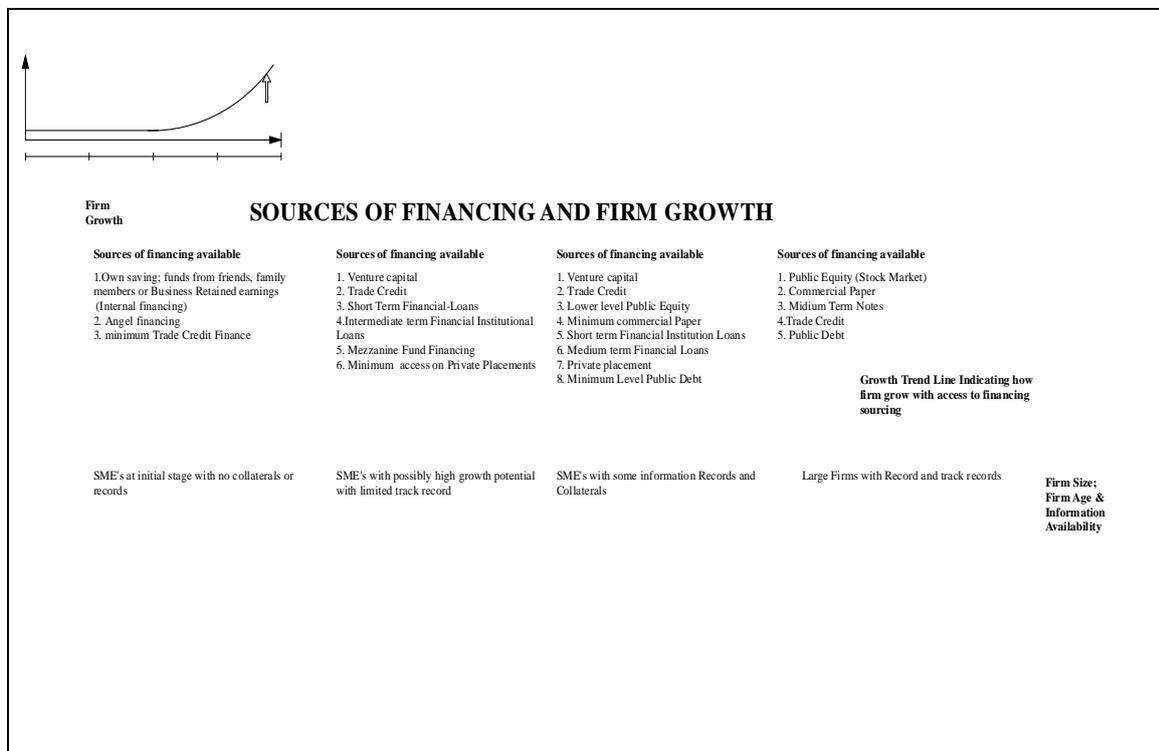
#### 4.2.2 Source of finance

The growth and development of micro-enterprises in developing countries is reported to be mainly inhibited by access of finance. From a global point of view, financing of businesses, especially micro-enterprises is considered a risk by many financial institutions – a situation that is worsening with global economic changes. This statement is supported by Yongqiang (2012), who stresses the fact that SMMEs have been reporting difficulties in accessing finance globally. The profit-orientated businesses within the SMME sector, namely micro-

enterprises which trade as legal businesses as compared to the survivalist businesses, are also reported to be struggling when it comes to access to finance. This puts further pressure on the financial institutions to rather assist the profit-orientated businesses as competition increases in an attempt to secure funding and assistance.

To support the preceding statement, Kira (2013) mentions that access for even the small and medium enterprises (SME) sector to finance has become a costly and impossible exercise as its accessibility has declined. Although considered an essential factor in order for business to grow and expand, the limitations to accessing the necessary finance continue to expand.

In general, businesses have a financial growth cycle in which financial options and needs change as the business grows and matures. This is depicted in figure 4.1. This figure depicts the micro-enterprises and other small business to be on the left-hand side, while the more developed businesses are on the right-hand side in figure 4.1. For the businesses on the left-hand side, sources of finance include funds provided by the owner, family members and/or friends – a concept that is common in informal businesses such as survivalist businesses. Other sources of finance include minimum credit finance and what is termed “angel” financing as well.



**Figure 4.1: Firm growth and access to finance**

Source: Kira (2013)

Therefore, lack of sound finance and financial assistance will paralyse the growth trend of a business in the long run. Because of this, there is a need for financial assistance that is suitable for the individual stages and segments within SMMEs. Simply put, finance should take into consideration the different characteristics of each segment within the SMMEs and assist them according to their specific needs. In the case of survivalist entrepreneurs, this scenario can even prevent their enterprises from developing further and becoming opportunity-driven, viable businesses due to their positioning at the lowest spectrum of the SMMEs and their lack of recognition by governments.

According to the World Bank Group (2010), difficulty in accessing finance is rated the biggest barrier to formalisation and growth of informal enterprises, as was listed by almost one in every four informal entrepreneurs. This is reported to be low by African standards, but very high as compared to the complaint rates among South Africa's formal micro-enterprises (World Bank Group, 2010). Ogawa and Suzuki (2000) pointed out that banks do not want to offer loans to micro-entrepreneurs because the nature of loans required is too small, and those banks find the logistics associated with offering such loans to be expensive. To stretch the problem further, most formal institutions regard low-income households as too poor to save, with no known track record of the business, and no business plans. Commercial banks, which were traditionally looked upon as powerful catalysts of economic development through mobilisation and the provision of credit to profitable ventures, do not offer credit to the rural poor or small businesses. Furthermore, stringent lending policies, collateral requirements, cumbersome procedures and their perception of small business and the rural poor often lead to exclusion of the survivalist entrepreneurs. Reviewed studies that highlight source of finance as a problem are further discussed below.

- *Studies that highlight source of finance as an obstacle for SMMEs*

Seventy-one per cent of the respondents in a study conducted in Ethiopia by Singh and Bewal (2008) reported a gap between the demand made for bank loans by SMMEs and the supply of funds by the banks. On the other hand, 62% of the respondents rated the banks as not good in terms of support provided to the SMMEs' day-to-day operations.

In a case study conducted in the Nigerian states of Ogun and Oyo, in which the role of informal finance in the development of women micro-businesses was investigated, it was

revealed that formal financial institutions were unable to assist the female micro-entrepreneurs because of the low income-yielding propensity of their business and their inability to provide acceptable collateral securities. Twenty-eight per cent of the participants in this study needed financial assistance in order to start new businesses, followed by about 31% who needed finance to expand the existing business, while 27% required finance as working capital (Akingunola & Onayemi, 2010).

Thirty per cent of the respondents in the study indicated that unavailability of sufficient collateral was the main reason given by the banks for not approving their loans. Twenty-five per cent were denied loans due to the risky nature of their business, while 17% blamed the protocols in loan processing as the stumbling block towards their loan applications.

- *Putting a spotlight on South Africa*

The results of a study by Christianson (2003), who investigated the South African regulatory issues and their impact on the growth of the export-orientated SMME sector, states that 27 out of the 30 participants indicated their relation with their banks as the main hurdle. As a result, many of the South African SMMEs, especially those belonging to the survivalist segment, have turned to the informal financial sector – which comprise money lenders and *stokvels* – for financial assistance.

*Stokvel* is defined as a rotating savings and credit association. It is commonly started by groups of African women from different socio-economic backgrounds and can be used as a source of finance in order to start a business (Verhoef, 2001).

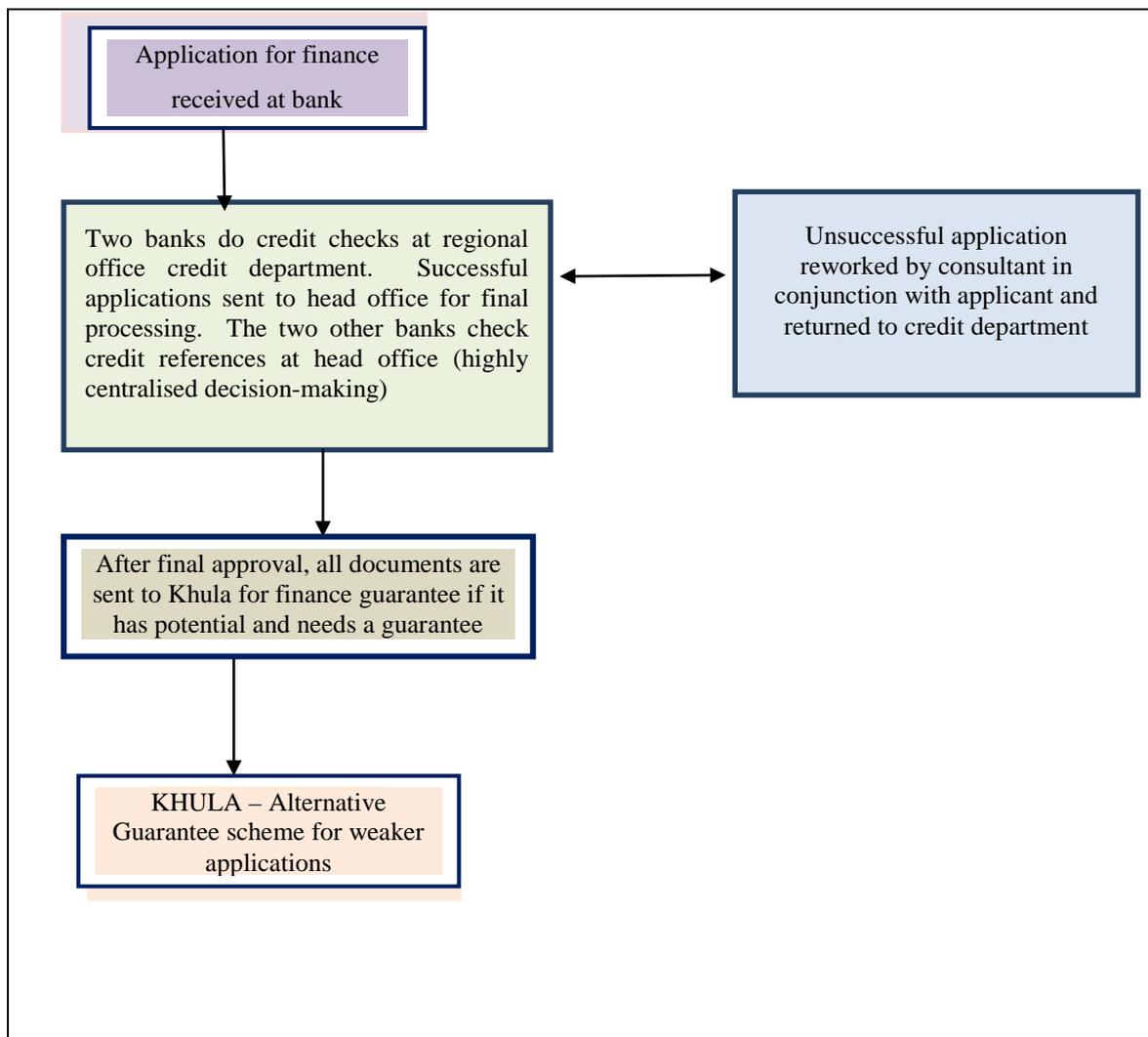
The South African government recognised the dilemma of financing small ventures and implemented a strategy for the development and promotion of SMMEs in 1995. Despite these efforts by the South African government, entrepreneurs, especially survivalist, still experience difficulties in obtaining the needed finance (Pretorius & Shaw, 2004).

A study conducted in South Africa by Ligthelm in 2002, whereby the business services required to facilitate the sustainable development of SMEs in the Tshwane metropolitan area were investigated, revealed that shortage of funds was a frequently mentioned serious constraint for the South African survivalist entrepreneur. Forty per cent of the participants in the study also indicated that access to loans would be one of the best ways to improve their survivalist businesses' profitability.

Financial institutions and finance development institutions require documentation that a survivalist entrepreneur does not have. The commonly required document is a business plan, which is needed by all institutions and is described by Pretorius and Shaw (2004) as “an essential document in setting codes and business relationships between parties” although it becomes obsolete as soon as it is printed (Timmons, 1999). The reason that all financial institutions require a business plan is reported by Shaw (2002) as to be able to assess and consider the risk and prime factor with management skills and expertise relating to the type of business before committing funds. However, Driver et al. (2001) confirm that financial institutions are often not able to interact effectively with entrepreneurs and do not want to take risks, however minimal the requested amount (Pretorius & Shaw, 2004).

The research by Pretorius and Shaw (2004) proved that the acceptance for financing of the business by banks is greatly dependent on creditworthiness and ability of an applicant to finance from own sources in order to limit the banks’ financial risk. Business plans play a secondary role when and if creditworthiness requirements are met.

In an attempt to amend this scenario, the South African government set up finance development institutions aimed at assisting SMMEs to access funding. Khula Enterprise Limited described further in section 4.4.1 is a development institution set up to assist SMMEs to access funding within South Africa.



**Figure 4.2: Generic route followed by application documents through the various banks**

Source: Pretorius and Shaw (2004)

Despite Khula’s (South African FDI) initiative of “being the risk underwriters to the banks, the banks are still extremely stringent in the checking of credit requirements, assets and liabilities and creditworthiness before forwarding an application to Khula for granting of credit” (Pretorius & Shaw, 2004). The process followed is indicated in the figure 4.2. It should be noted that the procedure followed in granting finance to the businesses has changed; however, figure 4.2 highlights the fact that the survivalist businesses were never accommodated, even in the past. For a survivalist entrepreneur, terms such as creditworthy, bank accounts, business plans, assets and liabilities which maybe be required, as indicated in figure 4.2, may be unknown or never heard of. This proves that the known financial institutions which were set up post apartheid never really took into consideration the

uniqueness in character of survivalist businesses, thereby not accommodating them during policy formulation.

Once again, the South African Constitution accommodates survivalist entrepreneurs on paper (the White Paper) but has not taken the time to make means to deal with the issue of financing the survivalist entrepreneurs, who are regarded as informal. The next section will focus on training as another obstacle that is experienced by the survivalist entrepreneurs.

#### 4.2.3 Training

*“The acquisition of relevant vocational, technical and business skills is generally regarded as one of the critical factors for success in small enterprises. In addition, literacy and entrepreneurial awareness are seen as particularly important to enable people to advance from survivalist activities into larger and better earning enterprises” (RSA, 1995).*

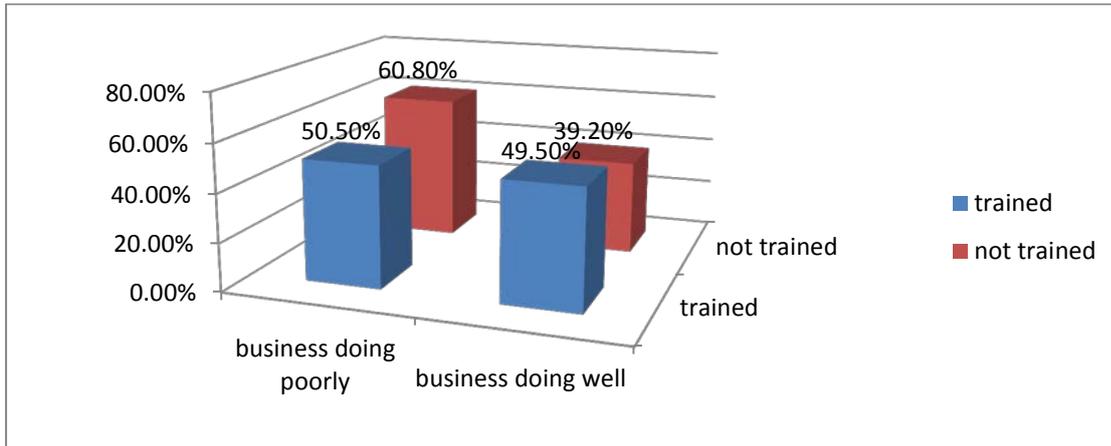
It has been documented that the development and growth of SMMEs can play an essential role in job creation, social stability and economic welfare worldwide. As indicated earlier, the South African government formulated policies, programmes and institutions in order to support this imperative growth of the SMMEs. The institutions which were set up had various responsibilities, some with multiple responsibilities. The responsibilities included training of the SMMEs as part of their development.

Mayrhofer and Hendriks (2003), who investigated the service provision for Pietermaritzburg street traders, highlight that training alone will not address the survival needs of many micro-enterprises. The authors indicate that entrepreneurship education and training may facilitate initiation and development of entrepreneurial activities, particularly in South Africa, where there is a “total absence of entrepreneurial education especially for the youth”.

Seventy per cent of the participants in the above-mentioned study did not associate training with business growth. This low support of training could be attributed to their lack of understanding and negative attitude towards training in business. The reasons given for not needing training included the experience they had in what they were doing (their business), the training being too advanced for their business, and their business being too small to benefit from training.

Bowen et al. (2009) determined whether there was a relationship between business performance and level of training in their study conducted in Nigeria amongst small and

micro-enterprises. Their study revealed that 49% of the 51% of participants who had received training in their areas of business were doing well in business. Sixty per cent of the participants who were not trained reported that their businesses were poorly performing, while only 39% reported their business to be doing well without training. This therefore indicates a negative relationship between lack of training and business performance as indicated in figure 4.3.



**Figure 4.3: Training versus business performance**

Source: Bowen et al. (2009)

A South African study by Mboniyane (2006), whereby the factors that lead to small business failure were investigated in the township of Kagiso, indicated lack of small business management education and training – which covers aspects such as budgeting, stock control and stock trading – as a factor that contributed towards business failure.

According to GEM (2002), most of the surveyed organisations that support SMMEs do not meet the training needs of their target market. Nieman (2002) also indicates that there is no clear dichotomy between the different aspects of entrepreneurship, as the different aspects such as business skills training and entrepreneurial training is confused, thus indicating wastage of resources. Perhaps the training needs should be a focus point that gives an indication of the type of training to be given to a particular group of entrepreneurs in order to avoid the above-mentioned scenario. However, the characteristics of both the business and its owner should also be taken into consideration when developing a training plan.

Roy and Wheeler (2006) found a statistically significant correlation between the levels of formal education/training and literacy and the perceived level of success and growth of the

micro-entrepreneurs who participated in their study. Training and literacy were perceived as indeed important determinants of success by all the micro-finance institutions that participated in the study. However, although training and literacy may increase the likelihood of success, they are not necessarily a guarantee of future success because even with a very good education, other entrepreneurial capabilities or 'key success factors' might be missing.

The training needs of SMMEs will vary due to the different characteristics of the SMMEs. Keeping in mind the trading conditions of the different types of SMMEs is vital, as the training needs of survivalist entrepreneurs will be different to those of small businesses.

Simply appointing an organisation to train the survivalist entrepreneurs will not resolve the training gap. However, assuring that the subject of the training is relevant to its audience will enable the audience to utilise the skills acquired during the training session. Furthermore, both theory and practical skills are essential to complete training; however, the educational level of the audience undergoing training should also be considered. Therefore, it is imperative that governments study and understand the unique needs of survivalist businesses before attempting to offer training so as to ensure efficient training that can be utilised in turning the survivalist business into a viable, profit-orientated, opportunity-driven business.

Contrary to all the mentioned obstacles, there is some support being provided to the survivalist business. The next section will look into the support that is provided to the survivalist entrepreneurs and whether the support is effective in contributing to the growth or improvement of the survivalist business or not.

### **4.3 Support given to survivalist entrepreneurs**

Support is the action of holding together or keeping intact in order to prevent breakage or the falling apart of an object or system. All types of businesses are supported in one way or the other to avoid failure. There are various ways of supporting businesses, with financial assistance and training as the most recognised and used forms of support in business.

According to Harper (2005), business support services are support services that are bought and used by the business. Furthermore, Mole (2002) conceptualises business support as an approach for the government to assist, improve, promote, and provide training to businesses. Business support services are defined by the International Finance Corporation (IFC) (2006)

as the non-financial services and products that are offered to entrepreneurs at the different stages of their business needs and that are primarily aimed at skills transfer and business advice. These services are also known as non-financial services and at times offered in conjunction with credit and other financial services. IFC further stresses the importance of these services as they can assist “entrepreneurs to run their business more effectively and if appropriately applied, can act as an enhancer of access to finance and as an alternative form of collateral”.

Business support services will entail various methods of holding any type of business together by supporting it with resources that the owner cannot access. It also allows/enables a business of any type to sustain itself and grow further. The growth of the business will be measured differently depending on the type of business and its genre. In other words, in a formal business, profits and growing clientele (customers) can be used to measure growth, while in the case of a survivalist business, measuring growth becomes complex, but would also depend on profit margins and growing clientele.

Despite the recognition of business support and development, there has been criticism as well. Six points of criticism in respect of the traditional approach to business support were documented by Schmitz (1998). The high level of subsidies requiring continuous public support was mentioned as a problem. The poor outreach by government institutions to the businesses requiring assistance, and the deficit spending and improper handling of substantial inflows of foreign aid were highlighted as factors that caused fewer businesses to be assisted. Partnerships with businesses were not properly supported as the interventions and the personnel of these interventions did not encourage partnerships. Poor quality of services became common in the industry, and low quality products were delivered at a low cost, or free of charge. Highly subsidised rates became common as there was an increase in the number of competitors, which resulted in market distortions and hampered the emergence of commercially viable service providers. Hence, the non-financial support was too supply-oriented and rarely sustainable (Meyer-Stamer, 2006).

In South Africa, support is channelled mainly towards the profit-orientated businesses. A possible reason why support of any form in business is channelled towards the profit-orientated businesses is because of their anticipated returns. However, this does not automatically equal to success in even the profit-orientated businesses. Offering support to survivalist enterprises which are perceived as non-profit businesses is a perceived risk;

however, it could improve the socio-economic conditions of the owners and their families and in the long run alleviate poverty in the communities, thus reducing various governments' responsibilities. The support to survivalist entrepreneurs should be structured differently to those of other types of businesses in order to meet the characteristics of the survivalist entrepreneurs.

The Committee of Donor Agencies for Small Enterprise Development of the International Labour Organization (ILO, 2000) highlight an assessment of the needs and perceptions of SMMEs as the critical starting point in the design of any intervention aimed at promoting the SMMEs, which includes the survivalist entrepreneurs. It is also believed that the performance of the SMMEs can be improved by changing the various factors affecting SMMEs, such as the demand-side factors (geographical situation, consumer attitudes, purchasing power, politics and governance) and supply-side factors (skills, networks, access to resources, infrastructure, availability of information and government regulations and policies) (Brijlal, 2008).

Furthermore, the ILO advocates for demand-based assistance programmes for urban, informal businesses. This will be aimed at clusters or groups of entrepreneurs instead of standardised assistance programmes to as many as possible (Mayrhofer & Hendriks, 2003).

The South African government created a policy framework for the promotion of all SMMEs, including survivalist, in 1995. The main aim of this framework was to create an enabling environment for small business development. Since then, the government has recognised that it should continue to assist small SMMEs by addressing their changing circumstances and finding ways to improve their conditions of operation. As a result, a blueprint for small business was replaced by a strategic framework in 2005.

In a review of the financial assistance programmes offered by the government through the DTI, Monkman (2003) indicated that there has been little apparent success despite the government's initiative in the promotion of SMMEs. The results just mentioned are supported by the results of a study on the impact of the government's SMME programmes, which concluded that the government's SMME programmes have been biased towards medium and small enterprises, while ignoring micro-enterprises, which constitute survivalist enterprises (Rogerson, 2004). In the next section, the different types of support will be discussed. These include both micro-finance support and non-financial support.

- *Micro-finance as a form of support*

Financial support to any business is crucial in order to allow growth and survival of the business. This fact implies to survivalist entrepreneurs as well. Therefore, financial assistance in the form of micro-finance could be a more appropriate form of financial support to the survivalist entrepreneurs.

Micro-finance is described as the provision of appropriate financial services to significant numbers of low income, economically active people with an end objective of alleviating poverty (Ledgerwood, 1998 cited in Adekunle (2011)). Micro-finance is recognised as an effective tool of fighting poverty by providing financial services to those who do not have access to or are neglected by the commercial banks and financial institutions. Financial services provided by the Micro-Finance Institutions (MFIs) may include one or any combination of savings, credit, insurance, pension/retirement and payment services (Chijoriga, 2000) in combination with provision of social and business development services such as literacy training, management or accounting.

Furthermore, micro-finance is suitable in the case of survivalist enterprises as it can be a critical element on effective poverty reduction strategy. Improved access and efficient provision of savings, credits and insurance facilities in particular can enable the poor to smooth their consumption, manage risk better, build assets gradually in order to develop micro-enterprises, enhance their income-earning capacity, and enjoy improved quality of life (Rubambey, 2001).

According to Adekunle (2011), micro-finance is more suitable for survivalist entrepreneurs as it is a substitute for formal credit which generally requires no collateral, with simple procedures and less documentation. It consists of easy and flexible repayment schemes and is flexible to assist members of the group in case of emergency. It also efficiently targets the most deprived segments of the population.

- *Non-financial support*

Ligthelm (2004) maintains that survivalist enterprises have limited growth potential and require support that may differ substantially from the traditional support given to the rest of the SMMEs. He further elaborates that this type of business should be supported with collective programmes aimed at improving the external business environment of operation such as shelter and basic infrastructure.

In South Africa, Durban was the first city to provide non-financial support to its survivalist entrepreneurs, who traded as street vendors. Since the end of apartheid, the city had spent more than R45 million on infra-structure, including shelter, water, storage and ablution facilities, for the street traders by the year 2003. Resources were also allocated for the maintenance and management of these facilities. This effort improved the environment of trade for the street traders, the majority of which were women (Skinner & Valodia, 2003). The South African government should compare and contrast the impact of the support provided to the Durban survivalist entrepreneurs with the performance of other entrepreneurs in other cities in order to be able to understand the benefits of non-financial support to the survivalist businesses.

The next section will focus primarily on the finance development institutions which are operating within the Free State province. It will give a description of the target groups and issues relating to how they provide support to the particular target group.

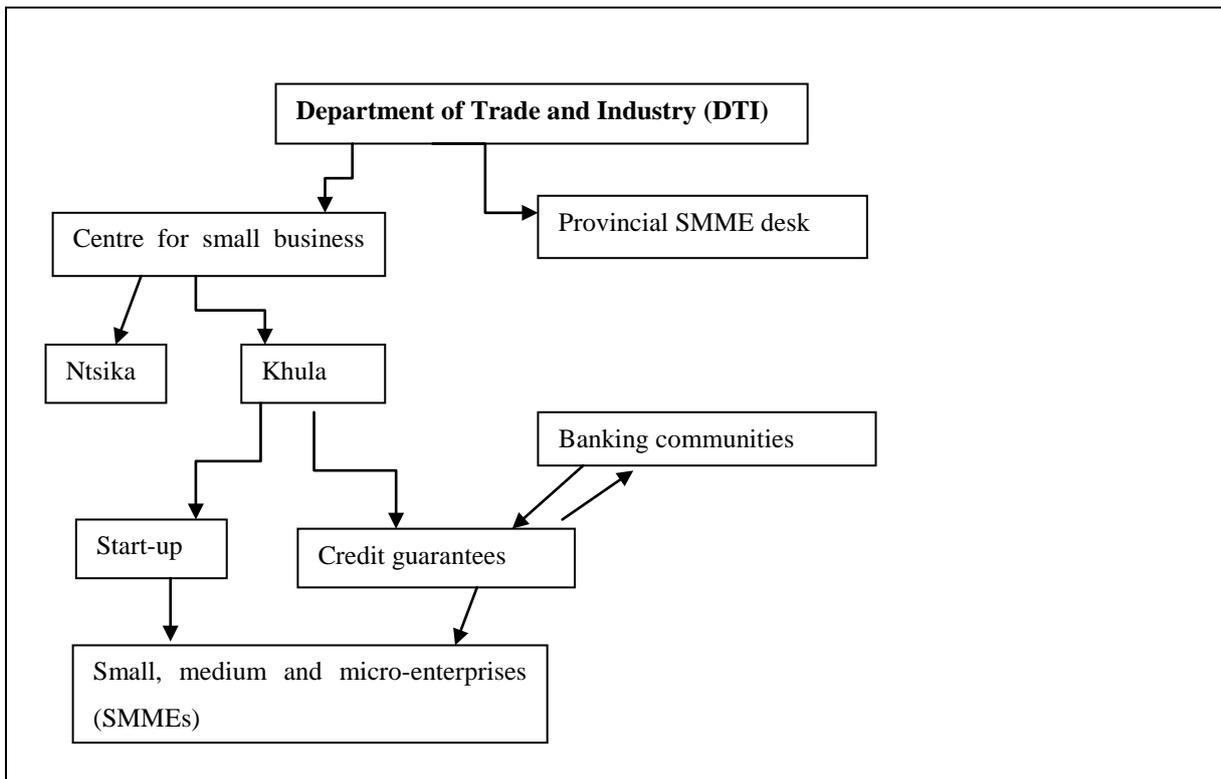
#### **4.4 Finance development institutions operating in the Free State province**

In an attempt to create an enabling environment for the South African SMMEs, the government formulated a National Strategy for the Development and Promotion of small, medium and micro-enterprises as set out in the White Paper. In this strategy, survivalist enterprises are also identified as part of micro-enterprises and as a segment that needs particular attention due to its growth patterns which were already visible in 1995.

The above-mentioned process led to the formulation of different objectives in an attempt to grow and develop the different segments within the South African SMMEs. The government further formulated institutions and programmes in order to achieve the set objectives. These institutions were aimed at improving access to resources, both financial and non-financial by the SMMEs in South Africa. The main difference between these FDIs was their targeted audience; nevertheless, the similarity amongst all of them was their inability to support the survivalist entrepreneur in particular, as they all focused on the returns expected from the profit-orientated businesses.

The South African DTI's Centre for Small Business Promotion (CSBP) in conjunction with the National Small Business Council (NSBC) together with Ntsika Promotion Agency and Khula Enterprise Finance Limited were established to drive the National Small Business Strategy. The main role of the CSBP was to coordinate, monitor and evaluate the

implementation of the government’s strategy. While both Khula and Ntsika were expected to build the financial and technical capacity of both non-financial and financial retail service providers, with time, various provincial helpdesks were also developed (DTI, 2007). The SMME support network developed under the National Small Business Act for the development and promotion of SMMEs in South Africa as depicted in the figure 4.2.



**Figure 4.4: Institutional framework structure of the South African National Strategy for the Development and Promotion of SMME sector**

Source: DTI (2005)

The South African government introduced finance development institutions with the aim of assisting the SMME sector. These FDIs operate in different parts of the country, some with branches in all provinces of South Africa. For the purpose of this study, only the FDIs operating in the Free State province will be covered in detail.

#### 4.4.1 Khula Enterprise Limited (

The South African Department of Trade and Industry (DTI) (2005) indicates that Khula Enterprise Limited is a limited liability company in which DTI is a major shareholder. Its mandate is to facilitate loan and equity capital to small, medium and micro-

enterprises. According to Khula Enterprise, it is dedicated to the development and sustainability of small business enterprises in South Africa. Its main objective is to bridge the funding gap in the SMME market that is not catered for by commercial banks. This will be achieved by providing a credit guarantee to a bank or financial institution on behalf of an SMME that cannot provide collateral (DTI, 2005).

In reviewing the criteria used in securing funding, first, the owner should have at least 10% contribution of own resources in the form of assets or cash to qualify. In some cases, commercial banks require 20% depending on the evaluation of the individual's risk. The agreement also requires that the borrower be a hands-on owner or manager of the business on a full-time basis. Moreover, the borrower should be the majority shareholder and a South African citizen. The borrower needs to be in possession of the required skills and training relevant to the industry within which the business will be operating. Secondly, the business should be registered in South Africa and should have other support systems such as financial and accounting systems as well as a business plan.

It should further be established with a profit motive, and the business should be sustainable. The sustainability is measured in terms of the applicant's ability to manage the business and the loan in order to reduce the risk to the bank. Finally, the business should not be operating in the agricultural sector or commercial building sector. This shows that even the government-subsidised financing must comply with stringent requirements to qualify for subsidies.

Lack of collateral is one of the stumbling blocks that disqualify borrowers from obtaining finance from financial institutions. In the case of survivalist entrepreneurs, collateral is a term that possibly does not exist. Therefore, survivalist entrepreneurs will not be able to be assisted by Khula Enterprise or rather Khula Enterprise does not take into consideration the uniqueness of survivalist entrepreneurs, who also form part of micro-entrepreneurs and are classified as SMMEs in South Africa.

#### 4.4.2 Ntsika Enterprise Promotion Agency

Ntsika was established after 1994. Its main aim was to identify SMMEs' priorities and further design interventions that were suitable in order to develop and promote SMMEs. This was achieved by provision of essential information to the relevant policymakers, business-development practitioners and emerging entrepreneurs, with the aim of creating an enabling

environment for the SMMEs. A service provider network was also set with the aim of delivering efficient service to the SMMEs. Despite its good service to the SMMEs, Ntsika failed to take into consideration the special characteristics of the survivalist entrepreneurs, who were and are still categorised as part of the SMMEs in South Africa.

#### 4.4.3 South African Micro Apex Fund (SAMAF)

SAMAF was launched by the DTI in 2006 in an attempt to build a vibrant micro-finance industry in SA, thus contributing to economic growth and poverty alleviation. Therefore, it is mandated to address poverty and unemployment through provision of affordable finance access to financial services, institutional and client capacity building and saving mobilisation (DTI, 2005). It is further highlighted that SAMAF was established to provide affordable and sustainable access to finance for poor South Africans.

The fund works through partnership with other organisations to carry out its mandate of reaching people from the disadvantaged communities. Partnering with other organisations assists SAMAF in its outreach programme to the communities. SAMAF partners with non-governmental organisations (NGOs), local entrepreneurial agencies and others who are selected using standard criteria. The fund offers three main products, which are micro-credit loan fund, institutional capacity building and savings mobilisation.

The micro-credit loan fund programme provides finance for loans of up to R10 000 to households. The loans are also offered to micro-entrepreneurs who depend on their business for survival. Therefore, SAMAF could possibly be the suitable financier of a survivalist entrepreneur who wants to develop his business. However, it requires that the business entity be legally registered in terms of the laws of South Africa and a minimum of 12 months trading as a registered business.

#### 4.4.4 Industrial Development Corporation (IDC)

Established in 1940, the IDC is a self-financing state-owned development financing institution. It aims at contributing to sustainable economic growth in Africa. It also promotes the economic propensity and entrepreneurs by building competitive enterprises based on sound business principles.

The IDC aligns itself with the goals of the “Shared and Accelerated Growth Initiative of South Africa” (ASGISA) (DTI, 2004). It provides financing that stimulates job creation,

investment activities and economic growth. However, its focus is mainly on the small and medium business, with no emphasis on the micro-entrepreneurs, who include the survivalist entrepreneurs.

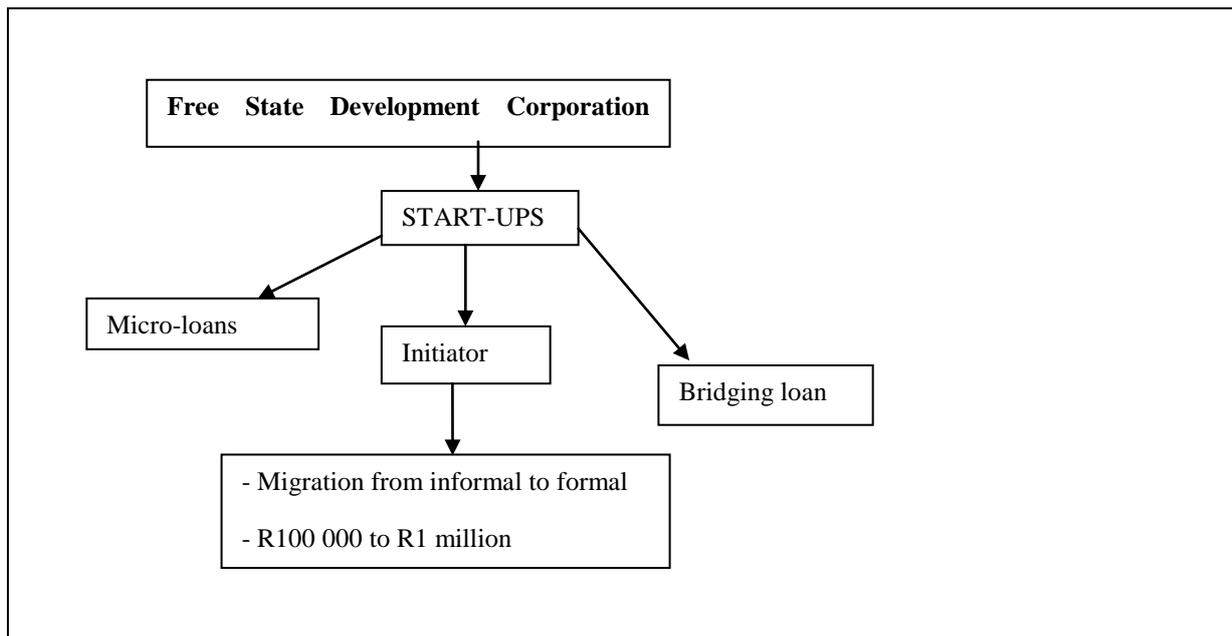
#### 4.4.5 National Empowerment Fund (NEF)

The NEF is a government set-up agency that was established in 1998 to provide capital for black economic empowerment transactions. It aims to promote a better universal understanding of equity ownership through promoting a competitive and efficient economy capable of generating employment opportunities, providing historically disadvantaged people (HDP) with opportunities to acquire shares in restructured state-owned assets and private enterprises. It also aims to encourage a culture of saving and investment among the historically disadvantaged groups and foster entrepreneurship, and achieve the goals of sustainable empowerment and transformation by developing business ventures pioneered and run by historically disadvantaged groups. NEF funds HDPs who want to start their own business, expand the existing ones or acquire shares in existing white-owned enterprises (DTI, 2005).

#### 4.4.6 Free State Development Corporation (FDC)

FDC is mandated to establish and develop sustainable SMMEs in the Free State province by providing financial and non-financial services. Its aim is to achieve provincial growth and to develop the strategic goal of promoting sustainable economic development. However, it issues finances to only qualifying entrepreneurs.

Its aim is to address finance gaps of “the qualifying entrepreneurs” brought by gender and age factors in the Free State (FDC, 2007). It also assists businesses that lack collateral by taking equity if there is an implication of potential for growth and profitability in the business. Furthermore, FDC offers business subsidies for tailored services such as “rent rates” for emerging entrepreneurs.



**Figure 4.5: FDC lending model**

Source: FDC (2007)

When putting a spotlight on the initiator in figure 4.3, the FDC is aimed at assisting with migration from informal to formal business. This statement contradicts the fact that FDC issues finance to only qualifying entrepreneurs. The informal business discussed in this category covers non-registered business entities that want to be assisted in becoming legalised. Interestingly, this type of business could have been initiated as a survivalist enterprise which later grew into a bigger entity.

#### 4.4.7 National Youth Development Agency (NYDA)

Formerly known as Umsobomvu Youth Fund (UYF), NYDA was established in 2001 in an attempt to address the needs of the South African youth and women who are seeking self-employment opportunities or business ownership.

Because of the economic slowdown, the influx of youth into the employment markets has brought with it acute problems in various countries including South Africa. Similar to other developing countries, especially in Africa, South Africa finds itself with a large population of youths between the ages of 14-35 (representing 42% of the total population), who end up unemployed (Stats SA, 2012).

The NYDA plays a role of ensuring that all stakeholders prioritise youth development. Since its inception, the NYDA has shifted its core function from financial assistance to education and skills development, therefore providing grants to young entrepreneurs. This is in order to provide young entrepreneurs an opportunity to access non-finance as well as financial assistance. The grant finance is said to start from R1 000 to a maximum of R100 000 for any individual or youth cooperative.

#### 4.4.8 Small Enterprise Development Agency (SEDA)

This section considers the role of SEDA in business support services. SEDA is the Department of Trade and Industry's agency for supporting small businesses in South Africa. It was initially established in 2005 in the provinces of the Eastern Cape, Western Cape, Limpopo and Mpumalanga. It became active in the Free State and other provinces a year later, in 2006.

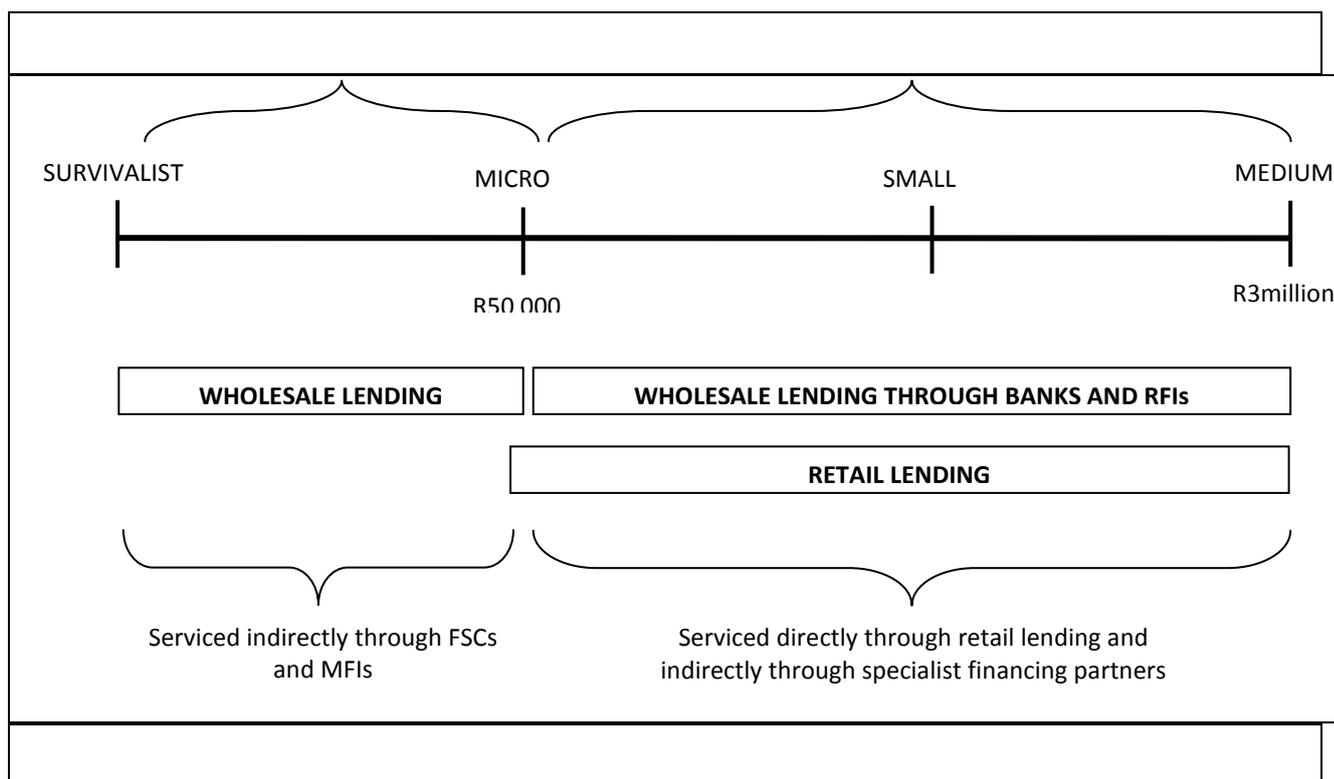
SEDA was established with a mandate of assisting entrepreneurs to start their businesses while also creating jobs (DTI, 2002, 2005). Seda was mandated to design and implement a standard national delivery network for South Africa, with the aim of providing support services to SMMEs, especially those in rural areas. The focus was on both existing and start-up enterprises. The support programmes offered included business plan development, mentoring and coaching of the SMMEs, training, and designing marketing material.

#### 4.4.9 Small Enterprise Finance Agency (sefa)

In 2012, sefa was established and launched. Sefa originates from the merger of Khula, the South African Micro-Finance Apex Fund (SAMAF) and the Industrial Development Corporation (IDC) small business funding portfolio.

The purpose of sefa is to respond to the challenge of access to finance for start-ups and expansion by small businesses. Sefa will do this by providing and facilitating access to finance for sustainable small business and ultimately contributing to economic development and employment creation. Sefa services are targeted to survivalist, micro, small and medium enterprises in South Africa.

Sefa indicates that the survivalist and micro-enterprises will be financed using the wholesale model. In other words, sefa will finance business loans, funding for joint ventures, non-financial support and institutional indemnities.



**Figure 4.6: Sefa lending model**

Source: Sefa (2012)

- *Microeconomic evaluation of SMME support programmes in South Africa*

The data in table 4.1 gives a comparison between the results of the programmes of Ntsika, Khula and the DTI. The awareness of the existence of support programmes to SMMEs is calculated as a percentage of the total number of respondents, while both the quality of assistance and the cost of funding are calculated as a percentage of those who received assistance under these programmes. Sixty-seven per cent of the 792 respondents in Gauteng were aware of the existence of the DTI programmes.

While only 36% of the 792 respondents were aware of Ntsika and/or Khula programmes, only 15% out of the 67% who were aware of the DTI programmes had actually asked for assistance from them, as compared to 19% of the 36% who were aware of programmes from Ntsika and Khula. Of all those who sought assistance from the DTI, 88% were assisted compared to 67% who were assisted by Ntsika and Khula. Respondents generally showed satisfaction with the quality of assistance offered by Ntsika, Khula and DTI programmes. This has been confirmed by 95 and 77% of the respondents who received assistance for DTI

and Ntsika or Khula programmes respectively. Above all, 85% of the respondents rated Ntsika or Khula's cost of assistance to be fair, while only 46% of the respondents voted the DTI to be offering assistance at a fair cost.

**Table 4.1: Comparison of the use of Ntsika, Khula and DTI programmes in Greater Johannesburg 1999**

	<b>Small business awareness of the programmes %</b>	<b>Required assistance %</b>	<b>Assistance received %</b>	<b>Quality of assistance %</b>	<b>Fair cost of assistance, funding received %</b>
Ntsika/Khula programmes	36	19	67	77	85
DTI programmes	67	15	88	95	46

Source: Chandra et al. in Berry et al. (2002)

Keeping in mind that Khula, Ntsika and DTI programmes focused on assisting already established businesses, it becomes evident that support even in the earlier days of inception has always been focused towards the profit-orientated businesses. This therefore highlights just how the survivalist businesses have been ignored over the years.

According to Kesper (2000) and Chalera (2006), the presented South African National Strategy for the Development and Promotion of SMMEs is not functional. This is mainly due to the heterogeneous nature of the SMME sector, which rather requires a "fine-tuned set of assistance" rather than the "generic" assistance which is provided. Furthermore, the survivalist enterprises have different characteristics as compared to the rest of the other segments which make up the SMME sector and therefore require a different approach of assistance which considers the unique characteristics of this segment and how these enterprises differ with the rest of the SMMEs.

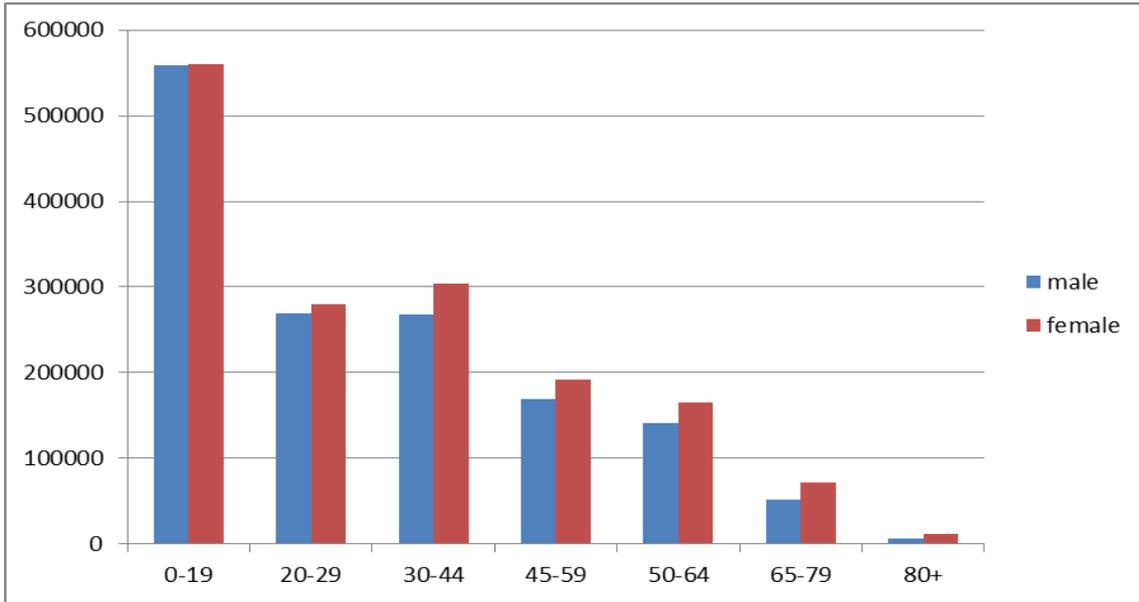
Not one out of the six existing FDIs which are operating in the Free State province have indicated assistance of survivalist enterprises as their core function. All of the FDIs focus on developed business which meet certain requirements (mainly that of being a registered, legal business), thus referring to other SMMEs with the exception of survivalist enterprises (United Nations Report, 2005).

This indicates fragmentation within the South African government's policy on the development of SMMEs. This therefore proves that the survivalist entrepreneurs' existence and their contribution is only documented as in need of urgent assistance, but without any practical and sustainable support. This study serves as a stepping stone towards addressing the issue of governmental support for survivalist entrepreneurs in South Africa, particularly with emphasis in the Free State province. Recognising the survivalist entrepreneur on paper and not in practice is not enough support for the survivalist entrepreneur, who requires practical support that is designed specifically to meet his needs in order to grow into an opportunity-driven, profit-orientated business.

The next section will briefly discuss the profile of the Free State province, with emphasis on the demography and economic climate of the province.

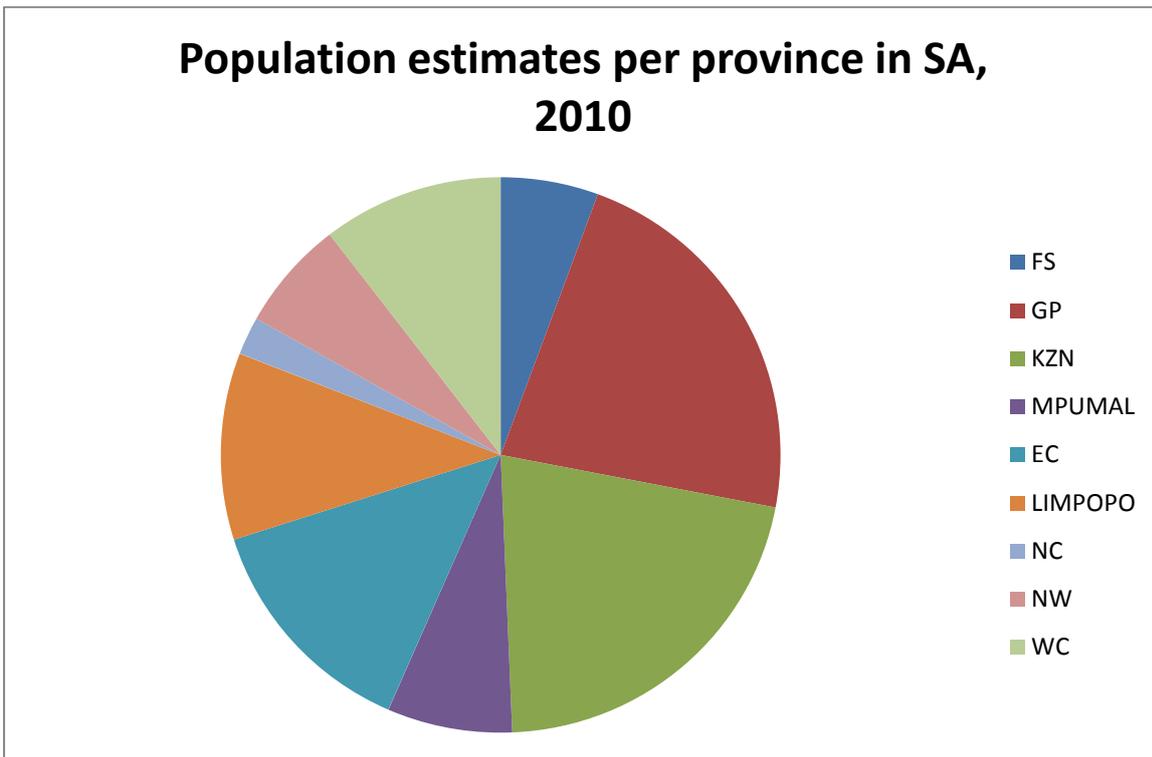
#### **4.5 Profile of the Free State province**

The Free State province lies in the heart of South Africa, with agriculture being central to its economy, and mining of the Goldfields reef as its largest employer. The province occupies 129 825 square kilometres of South African land, which is estimated to be 10.6% of the total South African land, thus making it the third largest province out of the nine provinces of South Africa. The population of this province was estimated at 2 824 500 people in the mid-2010s, thus contributing 5.7% to the total South African population (South Africa info, 2010). Women make up the majority at 51%, with men making up 49%, while the youth make up 30% of the population.



**Figure 4.7: Free State province population estimates by age and sex, 2012**

Source: Stats SA (2012)



**Figure 4.8: Population estimates per province in South Africa, 2010**

Source: Stats SA

The common language of the Free State is Sesotho, the language of the neighbouring Kingdom of Lesotho, followed by Afrikaans and a sprinkle of isiXhosa.

Free State province has been referred to as the “food basket of South Africa” since 1989, as it is a producer of a large percentage of the country’s agricultural production. This includes more than half of the country’s sorghum, nearly half the sunflower and 32-37% of all wheat, maize, potatoes and groundnuts (Free State Business, 2010). The eastern parts of the province produce cherries, asparagus and livestock amongst other things.

The development priorities of the Free State province include economic development and job creation, people development, sustainable infrastructure, safety and security, and the promotion of good infrastructure (NDA). The development challenges include poverty, HIV/AIDS, brain drain, lack of appropriate skills, and environmental degradation. Centrally located and landlocked, the Free State lacks obvious regional assets and features a declining economy. It is the second lowest contributor to the South African GDP after Northern Cape. Historically based on agriculture and mining, the regional economy is on the decline as there has not been sufficient growth in industry or services.

Mining in the province remains the biggest employer within South Africa’s largest gold mining complex known as the Consolidated Goldfields. This area covers 330 square kilometres of the 400 kilometres long gold bearing reef (Free State Business, 2010). Manufacturing and industry contribute 12.6% to the province’s total value added at basic prices. However, the province’s 5.5% contribution to the GDP is the second lowest out of the nine provinces (NDA).

The effects of the global economic downturn reduced the ability of mines to keep in business due to the drastic drop in commodity prices, leading to declining returns from the gold mines. Already, by 2008 the mining (primary) sector comprised just 12% of the provincial economy. These results are expected to drop further as more mines are shedding jobs in this area (Free State Business, 2010).

Except for the petrochemical industrial base in Sasolburg, the province has struggled to substitute its resource dependence or to build on linkages between the primary and secondary sectors. The shift from primary sector employment has reduced the employment possibilities for the low-skilled population and resulted in an exodus from rural areas and townships.

The Free State lags behind the national averages in key education indicators, which, in turn, are significantly below the Organisation for Economic Co-operation and Development (OECD) average. The Free State educational attainment rates at all levels are mostly below the national averages, and participation levels to higher education are particularly low. The economic structure and the underinvestment in human capital development have resulted in low income levels, high poverty rates, underdevelopment and general social strife. In the South African context, although not the weakest performer, the Free State is a lagging and underperforming region.

#### 4.5.1 Free State District Municipalities



**Figure 4.9: The Free State district municipalities**

There are five districts within the Free State province. The Xhariep District, located in the south-west of the province, is a semi-arid area of open grasslands with extensive farming, mainly of sheep, and small rural towns. The southern border is the Orange River, called the Gariiep by the indigenous Khoi-khoi people – the Gariiep Dam being an important tourism and leisure attraction. The district hosted 5% of the Free State population in 2001, 135 245 inhabitants, and contributed that year to 2.8% of its GDP (Puukka et al., 2012).

The Motheo District, located in the central Free State, comprises mostly open grassland, with mountains in the most eastern parts. The main urban centre is Bloemfontein, the regional

capital, which has around 400 000 inhabitants and is known as the “City of Roses”. The city is also the seat of the Appeal Court of South Africa. To the east lies Botshabelo and Thaba Nchu. Motheo represented 26.9% of Free State’s population in 2001 (728 262 inhabitants) and contributed to 32.7% of regional GDP (Puukka et al., 2012).

The Thabo Mofutsanyana District, forming the eastern part of the province, borders on the Republic of Lesotho and KwaZulu-Natal. Farms in the area grow fruit, mostly cherries. It is also a major tourism destination in the Free State and is known for its scenic beauty of the Drakensberg and Maluti mountain ranges, Golden Gate Highland National Park, and quaint villages, such as Clarens, with its numerous art galleries. This district, where the urban agglomeration of Qwaqwa is located, represented 26.8% of the population in the Free State in 2001, with 725 939 inhabitants, and contributed to 11.7% of regional GDP (Puukka et al., 2012).

The Fezile Dabi District is an important agricultural production area, particularly for maize, and is known as the grain basket of South Africa. The main tourism attractions are the Vaal Dam – the main source of water for Gauteng – with sports and leisure facilities and the Vredefort Dome, the third largest meteorite site in the world and a UNESCO Heritage Site. The most important towns are Sasolburg, known for its chemical industry, and Kroonstad, an important agricultural centre. Fezile Dabi had 17% of the Free State population in 2001, with 460 315 inhabitants, but contributed to 32.2% of the regional GDP (Puukka et al., 2012).

The Lejweleputswa District contains the Free State Goldfields, which were discovered in the early 1940s, and is also a major agricultural area in maize production. Welkom is the main town in the area, a recent urban development linked to mining, followed by Bothaville, a maize centre. The district represented 24.3% of the Free State population in 2001, with 657 010 inhabitants, and contributed to 20.6% of regional GDP (Puukka et al., 2012).

#### 4.5.2 Welfare, poverty and access to public services

South Africa is regarded to have high poverty levels in general, while the Free State trends show even higher and increasing poverty levels. About 42.5% of the Free State population lived below the poverty level as compared to the national average of 40.7%. On the basis of the United Nations’ poverty indicator (USD 1 or less per day), 37.4% of South African households in 1996 and 49.4% in 2001 were below the poverty level, whereas the situation for the Free State was considerably worse: 45.8% and 57.1% respectively. Across the Free

State, in 2001, the lowest household poverty levels were registered in the Motheo District – 51.5% – while the highest were in Thabo Mofutsanyana – 65.5% – as indicated in table 4.2.

**Table 4.2: Household poverty levels in the districts of the Free State**

Area	% households earning < R800/month 1996-2001 prices	Number of households earning < R800/month 1996-2001 prices	% households earning, R800/month 2001	Number of households earning < R800/month 2001	% households earning < R800/month 2001	% of Free State population 2001
SA	37.4	377 030 723	49.4	5 810 058		
FS	45.8	286 731	57.1	432 579		
Xhariep district municipality (DS)	56.1	175 578	64.7	25 367	5.9	5
Motheo DS	38.1	65 178	51.5	108 446	25.1	26.9
Lejweleputswa DS	44.1	71 156	56.2	110 468	25.5	24.3
Thabo Mofutsanyana DS	55.7	87 364	65.5	121 859	28.2	26.8
Fezile Dabi DS	43.1	45 455	53.2	6 6439	15.4	17

Source: Stats SA (2003) \* no recent available data

**Table 4.3: Public service access in the Free State in comparison to South Africa**

Service	1996		2003		2008	
	SA	FS	SA	FS	SA	FS
Piped water in dwelling/on-site	60.4	70.2	68.3	84.3	70.5	92.5
Connected to electricity grid			78.3	84.1	82.3	90.7
Electricity as cooking energy source	47.1	41.9	59.1	57.5	68.2	77.9
Electricity as lighting energy source	57.6	57.3	78.7	85.9	82.9	90.9
Electricity as heating energy source	44.5	39	51.9	56.3	52.2	41.9
Flush/chemical toilet in dwelling/on-site	50.2	45.1	57.1	59.2	58.6	66.9

Source: Stats SA (2011) \* no recent available data

The unequal distribution of income between population groups in South Africa is also more pronounced in the Free State. In 2000, 30% of the Free State (compared to 31% of South African) households earned less than R48852 per year (R4 071 per month at constant 2006

prices), with startling interracial inequalities. For example, while 62% of African households in the Free State reported earning less than R4 071 monthly, only about 6% of white households reported their household income to be less than R4 071 per month.

For coloured and Indian/Asian households, these proportions were 36% and 14% respectively. By 2005/2006, there had been a moderate decrease in income inequality: 24% of Free State (18% South African) households reported that their household income was less than R53 249 per year (or about R 4 437.42 per month) (constant 2006 prices).

Racial inequalities in the distribution of household income also persist. For instance, in the Free State, while 50% of African households reported to be below the previous level, only 5% of white households, 9% of coloured households, and no Indian/Asian households, reported likewise (Stats SA, 2003). Since 1994, substantial progress has been made regarding the access that South Africans and the population in the Free State, especially Africans, have to a number of basic services or amenities such as electricity, water and sanitation (Puukka et al., 2012).

In the Free State, by 2008 there was a marked increase in the access rates to municipal basic services, far exceeding national averages (table 4.3). This is indicative of the great strides that the Free State local governments and also the provincial government have made in terms of basic service delivery or of providing access to electricity, proper sanitation and water facilities.

While the increase in access rates was mainly driven by rapid growth in the access that African – and to a lesser extent coloured – households have to these services, glaring inequalities persist. Between 1996 and 2008, a significant improvement occurred in respect of the type of dwelling in which Free State and South African households reside. In the Free State, almost a 20% increase was recorded in the proportion of households residing in formal dwellings: 80% by 2008, which is 5% higher than the national average, while the proportion of households residing in informal and traditional dwellings decreased by 11% and 7% (to 15% and 3%) respectively. Similarly, yet much less pronounced trends were observed on a national level (Puukka et al., 2012).

#### 4.5.3 Labour force characteristics of the Free State province

For the purpose of this chapter and as defined in the labour survey of Statistics South Africa (Stats SA, 2012), unemployment will refer to unemployed persons between the ages of 15 to 64 who were not employed in the reference week, actively looked for work or tried to start a business in the four weeks preceding the survey interview and were available for work. In a nutshell, it refers to those who would have been able to start work or a business in the reference week or had not actively looked for work in the past four weeks but had a job or business to start at a definite date in the future and were available. The expanded definition of unemployment will refer to unemployed persons between the ages of 15 to 64 who were not employed in the reference week and were available for work, i.e. would have been able to start work or a business in the reference week.

Unemployment in the Free State province decreased by 0.7 % between the year 2010 and 2011 and increased by 0.6% between the year 2011 and 2012 (Stats SA, 2012). According to the quarterly labour force survey (QLFS) as at 1 October 2013, 62.2% of the youth under 30 years of age who were unemployed had not obtained matric, while the youth unemployment rate remained high at 40.6%. Furthermore women's informal sector share in total employment is higher than that of the formal sector at 44.8%.

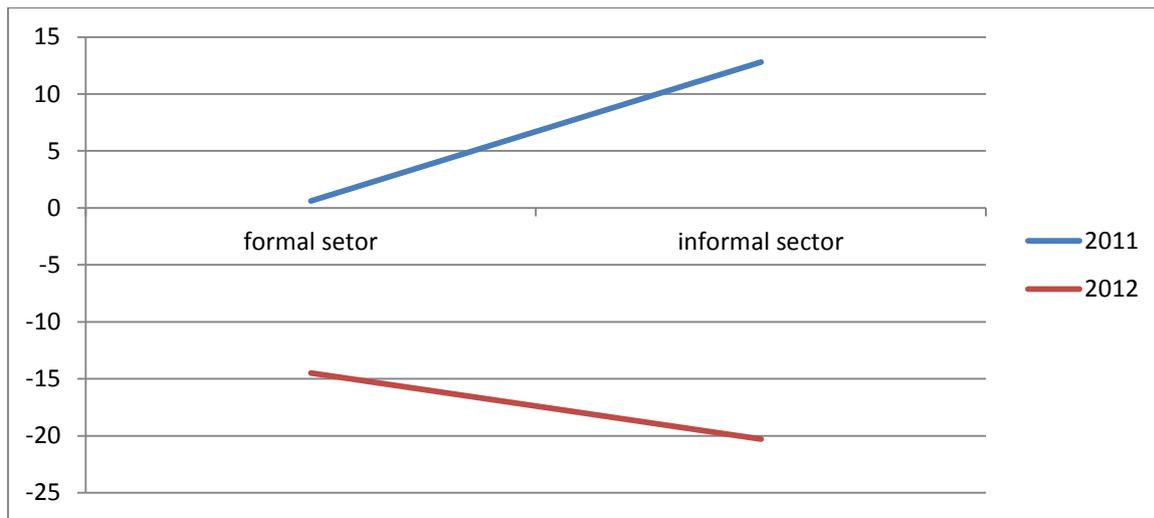
It should be noted that the statistics released by Statistics South Africa do not indicate whether the unemployment rates provided address the narrow or the expanded definition of unemployment.

**Table 4.4: Trend of unemployment rate in the Free State province compared to South Africa, 2009-2014 (%)**

	2009	2010	2011	2012	2013	2014
<b>Youth 15-34yrs</b>	36.1	40.5	39.7	44.4	43.4	48.2
<b>Adults 35-64yrs</b>	12.7	13.7	16.6	19.7	19	22
<b>Total FS</b>	24.8	26.7	27.9	31.9	31.2	34.7
<b>Youth 15-34yrs, SA</b>	33.7	35.7	36.1	35.8	36.2	36.1
<b>Adults 35-64 yrs, SA</b>	12.4	14.9	14.4	15.1	15	15.6
<b>Total SA</b>	23	25.1	24.8	25	25	25.2

Source: Stats SA (2014)

Table 4.4 is a trend of unemployment in the Free State province in comparison to that of South Africa as a whole, from 2009 to 2014. It shows the difference in trends between the youth (15-34 yrs) and the adult population (35-64 yrs). For both the youth and the adult population of the Free State, there is an increase in unemployment by 10% from 2009 to 2014. Additionally, the youth unemployment rate of 48.2% in 2014 calls for great concern as it is above the average 36.1% of South Africa as a whole. This table paints a clear picture of how the youth of the Free State province have been struggling to find employment over the years. On that account, it is imperative for the Free State government to understand how these unemployed youths have been surviving. One can insinuate that the majority of them have turned to survivalist businesses as a form of employment.



**Figure 4.10: Comparison of formal and informal sector growth between 2011 and 2012**

Source: Stats SA (2012) \* no recent available data

Furthermore, as indicated in figure 4.10, there was a 14.5% decrease in formal sector employment between 2011 and 2012 as compared to 0.6% growth between 2010 and 2011. Also, there was a 20.3% drop in the informal sector employment in 2011 to 2012 as compared to the 12.8% growth in 2010 to 2011 (Stats SA, 2011, 2012).

The socio-economic profile of the Free State is rather deteriorating. Because of this, there is a need to support individuals who opt for other means of survival instead of depending on the government for support, such as the survivalist entrepreneurs.

The next chapter will give a brief description of the methodology used in the study. The challenges encountered as well as the steps taken to meet the set objectives will be described in full.

#### **4.6 Chapter summary**

The common obstacles faced by the survivalist businesses, namely the regulations and laws of a country, inability to access finance, and insufficient appropriate training need to be addressed in order to be able to assist the survivalist businesses to become viable businesses. Support – whether finance or non-finance-orientated – also needs to be structured in a manner that addresses the needs of the survivalist businesses.

Finance development institutions operating within the Free State province are structured in a manner that serves only the profit-orientated businesses, while ignoring the survivalist businesses. This makes it imperative to formulate a finance development institution that will focus particularly on the survivalist businesses by taking into consideration their unique characteristics and working towards improving on the negative aspects, while strengthening the positive aspects of these businesses.

The Free State labour force statistics continued to change for the worst, resulting in a reduction of the employed and an increase amongst the unemployed population. This was partly caused by the drop in formal sector employment and signals a significant problem that even the government is battling to control. Although not conclusive, such negative impact on employment rates could lead to an increasing number of informal businesses such as those of survivalist entrepreneurs. As indicated by the reviewed literature, unemployment can push individuals into becoming survivalist entrepreneurs in an attempt to survive. Therefore, recognition and assistance of the survivalist businesses should be prioritised as it will assist in improving the socio-economic status of the survivalist business owners and their families. It will also create better employment for the owner, while reducing the increasing dependency on government for support by the unemployed people.

## **CHAPTER 5: RESEARCH METHODOLOGY AND DESIGN**

### **5.1 Introduction**

Research design is a guiding blueprint of a research. It is responsible for articulating all the required methods of collecting data, analysing the collected data and finally answering the existing research question. The research design describes in full each step taken to reach the anticipated conclusion of a study. It is precise to an extent that the problems and constraints encountered have to be declared in full.

The previous chapter considered the obstacles faced and support provided to survivalist entrepreneurs. In this chapter, the problem statement and objectives will be discussed in detail. The aim being to explain further the need to undertake the study and the expected outcome of each set objective.

Elaborating on each of the secondary objectives will further assist in understanding how the primary objective of ‘developing a support framework focused on assisting the survivalist enterprises within the Free State province to become viable in their business activities’ will be achieved. Furthermore, the chapter will outline the research methodology that will be used in reaching the set objectives.

There were three phases of data collection in the study. The first phase, which took place in the five districts of the Free State province, namely, Motheo, Xhariep, Thabo Mofutsanyana, Lejweleputswa and Fezile Dabi. In this phase, a total of 100 survivalist entrepreneurs were interviewed face to face; this was the most intensive phase.

It was then followed by phase 2, during which secondary literature was reviewed and compared with the results of phase 1. This process led to the final phase in which the different financial development institutions that operate in the Free State were interviewed. These three phases were concluded by a compilation of a framework based on the results from the three phases.

This chapter will give a full description of the methods and criteria used, the challenges that were met, the lessons learned and all the other encounters in each process taken towards fulfilling the primary objective of the study, which is to ‘develop a support framework

focused on assisting the survivalist enterprises within the Free State province to become viable in their business activities’.

## **5.2 Problem statement**

The literature that has been reviewed indicates how the South African history (apartheid), which contributed towards dependency on the government by particularly blacks, could have impacted on the formation of survivalist entrepreneurs within the black communities. It further highlights how poverty and unemployment can be linked to the formation of the survivalist enterprises in an attempt by the individuals to survive.

Additionally, as also depicted by the historical background of survivalist entrepreneurs around the world in Chapter 2 and the characteristics of survivalist entrepreneurs and their businesses in Chapter 3, the formation of survivalist businesses are the consequences of increasing poverty and unemployment rates. In many cases, the business ideas and activities of the survivalist entrepreneurs are not viable and at times generate less than enough money, which they depend on for survival.

With increasing unemployment, the South African government introduced the Black Economic Empowerment (BEE) policy, with the aim of increasing opportunities for black South Africans. However, as indicated in Chapter 2, BEE led to the widening of the structural gap between the elites and the outsiders. As a consequence, this led to increased empowerment at the top of the economy and increased disempowerment at the bottom of the economy, which was presented through the widening income gap within the black population and possibly contributing towards the formation of survivalist enterprises.

Therefore, the increasing unemployment rates and poverty levels (socio-economic conditions) lead to increased needs for individuals to become survivalist entrepreneurs. However, the monetary assistance, support and policy frameworks that are provided by both government and non-governmental institutions are targeted towards profit-orientated SMMEs, thus disregarding the survivalist entrepreneurs, who depend on the income generated through their business – which falls short of the minimum income standard – for survival.

### 5.3 Objectives of the study

The primary objective of the study is to develop a support framework focused on assisting survivalist enterprises within the Free State province to become viable in their business activities. This primary objective will be achieved through the following secondary objectives:

- *Objective 1: To explore survivalist enterprises as an income-generating alternative for unemployed people.*

Exploring whether an income is generated from a survivalist business is vital as it indicates the importance and level of activity of the business. Keeping in mind that the survivalist entrepreneurs are regarded as being in business for survival, it will be interesting to measure how many of these enterprises are profiting from the businesses they run and also how much in monetary value is being generated from the business. In gathering this data, the subjects will be asked in monetary terms the amount of money they make on a daily, weekly and/or monthly basis, depending on the type of trade.

A comparison of the monthly income generated in the survivalist businesses with the South African minimum wages as set out in the Basic Conditions of Employment Act No. 11 of 2002, particularly focusing on the amendments of sectoral determination 9: wholesale and retail sector in South Africa, will also be done. The number of years in this type of business will also indicate the survivalist entrepreneur's willingness and possibly the comfort in staying on as a survivalist entrepreneur, except for those that have no other options.

- *Objective 2: To explore survivalist enterprises as a job-generating alternative for unemployed people.*

With unemployment on a vast rise in South Africa, job-generating alternatives are essential in dealing with rising numbers of job losses. A survivalist enterprise automatically serves as a job-generating alternative for at least the owner or individual who is running it. However, it will be interesting to explore whether it can create employment for others.

The ability of the survivalist enterprise to create employment, even if it is just for the owner, is a characteristic that is similar to that of formal business and also serves as a job-generating alternative for the owner and at times for the family who also assist in the business.

- *Objective 3: To investigate the characteristics essential to maintaining viability of survivalist enterprises.*

Success of any business is vital. Nevertheless, the different characteristics of that particular business, together with the regulations within the country of existence, can affect whether or not the business becomes a success. At the same time, the motivation and characteristics of the owner in starting the business can affect whether the business becomes a success or failure.

Literature indicates factors that affect success of a business, with focus on formal business, and fairly indicates weakness in gathering data on informal businesses. This directly means that regulations are formulated in line with the documented characteristics of formal business and do not consider informal businesses such as those of survivalist entrepreneurs, which continue to grow in numbers.

With that said, investigating the characteristics that are considered vital in maintaining the viability of the business by the particular business owners, who are in this regard survivalist entrepreneurs, is vital. This is because they have the first-hand experience of the obstacles and challenges that come their way and may also have an idea of how they can be assisted in making their business a success. Moreover, the fact that they depend on their business can be a positive contributor towards the need for them to have a viable business.

- *Objective 4: To investigate the need for assistance to the survivalist enterprises so as to become viable in their business activities.*

As indicated under objective three, the personal experiences of the survivalist entrepreneurs in the study will serve as an eye-opener into the business world of survivalist entrepreneurs. Understanding their needs takes policymakers a step further in terms of how to assist them to become viable, keeping in mind their characteristics and environments. The South African government currently acknowledges the existence and need for assistance for the survivalist entrepreneurs, but only on paper, without interventions to further develop them and assist in making them viable.

When reviewing literature, Chapter 2 puts a spotlight on the existence of survivalist entrepreneurs in different parts of the world and in both developed and underdeveloped worlds as an income and job-generating alternative. It also highlighted the similar characteristics of these survivalist entrepreneurs in different parts of the world. It further discussed possible roles played by the apartheid regime, the BEE policy, poverty and unemployment on the formation of survivalist enterprises in South Africa, while comparing the South African scenario to the rest of the world.

Chapter 3 narrated the characteristics of the survivalist entrepreneurs of South Africa in comparison to those found in the rest of the world. It further unpacked the characteristics of the survivalist enterprises and how they are operated. It then looked into the possible reasons/motivations for starting up a business. It went on further to expose the different theories used to explain the existence of the informal sector and concluded by reviewing the different characteristics which could turn a survivalist enterprise into a successful enterprise.

Therefore, Chapters 2 and 3 focused on unpacking the first three objectives. The fourth objective was discussed in detail in Chapter 4. This chapter covered the different obstacles that survivalist entrepreneurs are faced with. It also put a spotlight on the support that is currently being provided to the survivalist entrepreneurs and the institutions within the Free State province that have the potential to assist the survivalist entrepreneurs.

Furthermore both the reviewed literature and the empirical results ( to be discussed in detail in chapter 6) will be utilized in order to answer to the set objectives.

#### **5.4 Type of study**

The study was qualitative and quantitative as it used both text and numbers as empirical material. It starts from the notion of the social construction of realities in the study and is interested in the perspectives of participants in everyday practices and everyday knowledge of issues under study (Flick, 2007). The study aimed to achieve an in-depth understanding of the problems experienced by survivalist entrepreneurs of the Free State province in their daily activities in order to come up with ways of assisting them to become viable in their business activities.

According to Flick (2007), qualitative research ‘is intended to approach the world out there and to describe, understand, and at times explain social phenomena from the inside in a

number of different ways'. This would be achieved by analysing the experiences of individuals and/or groups, by analysing interactions through observations, and by analysing documents in an attempt to uncover how a particular group constructs the world around it. The study depended on qualitative data from the survivalist entrepreneurs themselves, as they explained their situation, the problems they encountered in their business, the type of assistance they would have liked to receive, and how they would have liked to grow their business.

Secondary documentation was also analysed as part of the study. This was done in order to be able to compare theory with practical issues faced by the respondents in the first phase of the study.

Qualitative data from the FDI's operating within the Free State province was also collected. The reason for collection this was in order to understand and measure the FDI's understanding of the existence and problems encountered by survivalist entrepreneurs within the province.

Existing policies of the FDI's were also reviewed so as to understand the documented procedures and to compare them with the implementation of assistance to survivalist entrepreneurs, in particular, by the respective FDI's.

## **5.5 The degree of research question crystallisation**

The study was exploratory by nature. According to Cooper and Schindler (2006), exploration is useful when the researcher lacks a clear idea of the problems they will meet during the study. Hence, through exploration the researcher develops concepts more clearly and is also able to establish priorities and develop operational definitions.

This method was appropriate in this thesis as it aimed to address a subject with high levels of uncertainty and ignorance. In other words, survivalist businesses are not regarded as a business entity and not even part of the SMMEs by both many individuals and organisations in South Africa. However, their existence and need for support is well documented even as part of the South African government's objectives. That being the case, their existence could be assumed to be either not well understood or ignored, thus signifying a degree of ignorance by both individuals and organisations. Furthermore, there is very little existing research done

on them in South Africa. Therefore, an exploratory research explored further the existing gaps and boundaries while assisting to find possible solutions to the problem statement.

## **5.6 The topical scope of study**

A case study was adopted for the purpose of this thesis. According to Cooper and Schindler (2006), a case study is a powerful research methodology which combines individual with record analysis and observation. It allowed the researcher to extract information from organisational documents and combine them with interview data from participants, with the objective of obtaining multiple perspectives of a single situation at a point in time or over a period of time. It further allowed for the participants to explain their situation from their own understanding and experience and allows for an in-depth explanation. The flexibility that comes with the case study approach also allows for a “thick description” or richness of understanding.

Policies and procedures of the FDIs were reviewed and compared with the responses of the representatives of the respective FDIs and of the survivalist entrepreneurs within the province. This enabled the researcher to identify gaps in the implementation of FDIs’ policies and in the planning of the respective FDIs. It also indicated the type of assistance that was anticipated by the survivalist entrepreneurs, while comparing the actual anticipated assistance with the documented assistance to be provided. The comparisons allowed for an in-depth understanding of the situation surrounding the survivalist entrepreneurs and the gaps that exist between documented policy and the existing implementation of the policies.

During a case study analysis, one case study is analysed at a time before any cross-case analysis is conducted. This allowed emphasis on possible differences that occur, why and with what effect. Concurrently analysing one case at a time allowed the researcher to understand the uniqueness and idiosyncrasy of a particular case in all its complexity.

Yin (2009) presented one of the applications of a case study as “to explore those situations in which the interventions being evaluated has no clear set of outcomes”. This research explored the existing Government’s National Strategy for the Development and Promotion of SMMEs in South Africa in order to prove that it has no clear set of outcomes for survivalist enterprises in particular.

## **5.7 Study settings**

The study was conducted in the actual environment – the field setting (Cooper & Schindler, 2006). Because of the unavailability of a sample frame and the method used to sample for participants in the study, the researcher had to be present in the actual setting in order to collect data from the participants. Keeping in mind that some of the participants are forced to move around in order to attain business made it imperative for the researcher to be in the field setting in order to prevent duplication of information. The field setting also allowed the researcher to observe the surrounding environment of trade and to compare the given responses with the actual conditions at the time of the interview. In addition to this, the researcher was able to explain the questions further and interpret in a local language, when needed.

For the FDIIs, the actual setting enabled them to easily access policies and other documents relating to the organisation. It also assisted them to seek advice from colleagues, where assistance was required.

## **5.8 Time dimension of the study**

The study was cross-sectional in design, as it was not to be extended over a long period (Cooper & Schindler, 2006). It focused on the current obstacles and existing support that the survivalist entrepreneurs experienced. It unpacked the current existing scenario around the survivalist entrepreneurs and the existing FDIIs within the Free State province.

## **5.9 Sampling design**

The study focused on the sample of the population under study in phase 1 of the study. The sample consisted of the survivalist entrepreneurs within the five districts of the Free State province. A sample was more suitable as the population under study in phase 1 operated in a business with low barriers to entry, which made it easy to start up at any time and to operate from any point geographically. Therefore, it was impossible to draw up a sample frame.

The target population comprised the survivalist entrepreneurs who were rendering services within all the districts of the Free State province, namely, Motheo, Lejweleputswa, Thabo Mofutsanyana, Xhariep and Fezile Dabi districts. These survivalist entrepreneurs operated as street vendors selling food and drinks, street vendors selling fruit and vegetables, hairdressers and spaza owners, who were present at work during data collection. In addition, they were

situated in different locations which included taxi ranks, CBDs, and train stations and operated from a caravan, open space, building or vehicle at the time of data collection.

A non-probability method of sampling was utilised, as there was no sampling frame. A non-probability method was suitable in phase 1 of the study as the population under the study was not necessarily stationed in one area and could move around as they pleased. The characteristics of their type of business, such as being easy to start up, made it easy for them to enter and exit the business at any given time.

Heterogeneity sampling method (sampling for diversity) was the preferred method. This is because the researcher wanted to include all opinions and views without worrying about representing them proportionately but with the aim of getting a broad spectrum of ideas and not worrying about average or modal instance ideas, while including a broad and diverse range of participants.

During phase 3 of the study, the whole population was studied. Therefore, a census was conducted. A census is said to be feasible when the population is small and when the elements are quite different from one another (Cooper & Schindler, 2006). The population under study in this phase was made up of the finance development institutions rendering services within the Free State province. A sample frame of respondents was used. This consisted of only three finance development institutions, namely, Free State Development Corporation (FDC), Small Enterprise Finance Agency (sefa) and National Youth Development Agency (NYDA). These FDIs were chosen as they reported to be rendering their services to the micro-enterprises of the Free State province, as per their policy documents, which were reviewed before the interviews. The other finance development institutions focused their assistance on profit-orientated businesses.

### **5.10 Data collection**

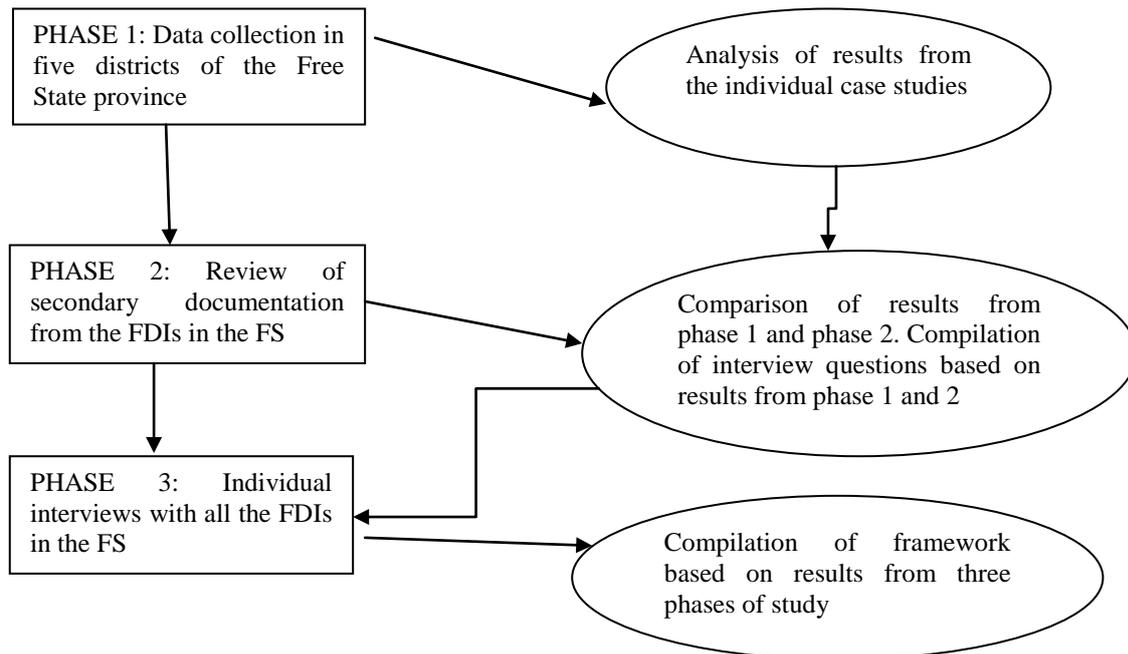
Communication and observation methods were used to gather data throughout the different phases of the study. A structured questionnaire was used to collect data in the first phase of the study, which was in the form of case studies conducted in the five districts of the Free State province. According to Wheather and Cook (2005), a questionnaire is a formalised set of questions that are used to gather information from the targeted respondents. A questionnaire is a tool that assists in ensuring that the information collected from different respondents is comparable.

The questionnaire consisted of closed-ended questions, which offered the respondent a selection of possible responses. The closed-ended questions were made up of mainly a 5-point Likert scale (summated) questions as well as dichotomous questions. Likert scale questions consist of a collection of statements in which the participants have to indicate the degree to which they agree or disagree with a statement, while dichotomous questions have only two possible answers or response categories (Peterson, 2000). The above type of questions were the preferred type as they were suitable for the type of data being collected, which included nominal, ordinal, interval, as well as ratio. Nominal data refers to data that can be grouped into two or more categories that are mutually exclusive and collectively exhaustive. Ordinal data, also known as rank order scale, has the same characteristics as nominal data, but also requires the respondents to rank the objects presented to them according to a given criteria. Interval data has characteristics of both ordinal and nominal but also incorporates the concept of equality of interval, while ratio data incorporates all the characteristics of nominal, ordinal and interval as well as the provision for absolute zero or origin (Cooper & Schindler, 2006).

Face-to-face in-depth interviews were used in the third phase of the study held with the FDIs. The structured questions were based on the findings from the first and second phase of the study, as they addressed specific issues that were identified after the analysis of the multiple case studies which were conducted in the four districts within the Free State province, as well as the review of the secondary documentation. The interviews consisted of questionnaires which had open-ended questions. The interviews were presented as guided conversations rather than structured queries. To put it differently, the researcher followed a particular line of inquiry and asked questions in an unbiased manner (Yin, 2009). The revised literature review was utilised as a guiding tool in formulating the questionnaire, and further guided the direction of the face-to-face interviews with the FDIs.

The study used multiple sources for data collection (data triangulation), with the aim of corroborating the same facts. Data triangulation addressed the potential problems of construct validity, as the multiple sources of data provided multiple measures of the same phenomenon (Yin, 2009).

## 5.11 The structure of data collection during the study



**Figure 5.1: Structure of data collection during the study**

The study was divided into three phases as depicted in figure 5.1.

### 5.11.1 Phase 1

The first phase was in the form of case studies conducted within the five districts of the Free State province, namely, Motheo, Xhariep, Lejweleputswa, Fezile Dabi and Thabo Mofutsanyana districts. Face-to-face interviews were conducted with the owners of the survivalist enterprises, who were present on the days of the interviews. It was vital that the owner be targeted for the data collection process in order to respond to questions that required their responses, such as those focusing on personal motivational factors, budgets and profits of the business, as well as obstacles encountered in the running of the business.

The questions posed to the owners of the survivalist entrepreneurs assessed the following:

- *Demographic information*

This section covered the location of the business, which was vital in recognising the district in which the business was located. The area from where the business was operating was also assessed so as to understand how factors such as climate could possibly affect business

performance. It also gave an indication of the support from local districts and/or municipalities in the case whereby shelter was allocated for business purposes.

The type of trade that the survivalist entrepreneur chose was also investigated. This was done in order to allow the researcher to be able to compare the challenges that came with a particular practice, as opposed to the other types of trade.

Furthermore, access to basic services such as clean water, sanitation and refuse removal was also investigated. These allowed for clarity regarding the safety and hygiene of services rendered, especially in the case of street vendors selling consumables, as well as the support provided to the survivalist entrepreneurs by their local districts and/or municipalities.

The gender, age group, ethnicity, as well as educational background of the survivalist entrepreneurs in the different districts was also investigated in order to be able to compare the results between the different districts with those in the reviewed literature after analysis.

- *General information*

The general information collected was collected using mainly 5-point Likert scale questions, as they represented an interval level of measurement. The Likert scale questions allowed the respondents to show the level at which they either agreed or disagreed with the statement/question presented to them.

The above-mentioned questionnaire included questions that measured the respondents' motivation into becoming a survivalist entrepreneur, i.e. whether he was pushed into starting a business by the need to become his own boss, to avoid unemployment and poverty, to survive, due to an opportunity he recognised, or due to advice he received from others. The respondent was able to rate the question from the one he agreed with the most to the one he disagreed with the most.

Source of business capital was also measured. The reason for measuring this was to understand the source of support for the individual survivalist entrepreneur and to compare the results with those found in the reviewed literature.

The reasons that could possibly lead the survivalist entrepreneur to stop operating his/her business were also measured. The results would paint a picture as to what the respondents thought was a better method of being supported.

The respondents' ideas of maintaining a successful business were also measured. These would enable the researcher to understand what the respondents believe and measure as a successful business. Such information was vital in making the study a success, as the views and opinions of the respondents were essential in making the study a success.

The support received from direct and extended family members was also measured. Such a measurement would enable the researcher to understand how family played a role in the running of the business, and to be able to compare this with the reviewed literature.

The obstacles encountered in the running and setting up of the business were also assessed. This once again allowed the researcher into the direct thinking of the respondents and enabled the respondents to express their views of obstacles from their personal experiences.

The expected support from government and non-governmental organisations was also measured. The question allowed the respondents an opportunity to express what they regarded as support which would be vital in their daily running of their businesses and in making their existing businesses a success.

- *Marketing information*

The reasons that lead the respondents to selecting a particular trade were investigated. The questions enabled the researcher to measure whether past skills and experience, personal interest, ease of activity or family business experience were the pushing factors into choosing a particular type of trade by the survivalist entrepreneurs.

Competition was also investigated. This was done by analysing the number of competitors in the trade vicinity of the individual survivalist entrepreneur.

Product differentiation, pricing criteria, stock days, profit made and years of experience were also measured.

Within all the districts, data was collected in various towns in an attempt to cover the popular business spots. In Motheo, Botshabelo and Thaba Nchu areas were covered. These towns were of particular importance as they are residential towns for many who travel daily to work in the Bloemfontein, Mangaung sub-district; therefore, it was vital to collect data from them as well as part of the Motheo district data. The researcher spent six days collecting data in this district.

In terms of Lejweleputswa District, mines are the dominating private sector in this district. Therefore, the three different towns, namely, Welkom, Virginia and Odendaalsrus, from which data was collected, represented the popular business spots within and around this district. Xhariep data was collected in Koffiefontein, Reddersburg and Smithsfield. In Thabo Mofutsanyana District, the researcher acquired data from participants in Senekal, Paul Roux and Bethlehem, while Fezile Dabi District data was collected in Kroonstad and Heilbron.

In all the districts, the chosen towns were also the most densely populated within the district. These were considered an important factor when choosing these towns, as it was an indication of business activities in their respective districts.

A total of 100 survivalist entrepreneurs were interviewed from different districts in this phase of the study. The type of trade that was given particular attention during data collection in the different districts was that of street vendors who sold vegetables; street vendors who sold food and drinks; hairdressers; and spaza owners. In all the districts, data was collected from survivalist entrepreneurs at taxi ranks and in the CBDs of that particular town. In Motheo, data was also collected from the train station as it is a popular, busy spot for survivalist entrepreneurs. These types of trade were given particular attention as their type of business was readily available in the different areas visited and also to allow for comparisons between the different districts. Another interesting factor was the level of activity within these businesses during data collection in the different areas, which suggested the need for their services in their respective areas of trade.

The first phase of the study aimed at addressing the four secondary objectives of the study, namely:

- To explore survivalist enterprises as an income-generating alternative for unemployed people.
- To explore survivalist enterprises as a job-generating alternative for unemployed people.
- To investigate the characteristics essential to maintaining viability of survivalist enterprises.
- To investigate the need for assistance to the survivalist enterprises so as to become viable in their business activities.

These objectives were addressed through the experiences and understanding of the survivalist entrepreneurs based on their daily operational obstacles and challenges and also on how they would like to be assisted.

The first phase furthermore highlighted the existence of the survivalist enterprises in the different communities and provided a comprehensive understanding of their daily operational challenges and reasons leading to their existence.

#### 5.11.2 Phase 2

The secondary documentation (existing policies, pamphlets and procedures) provided by the respective FDI was critically analysed by the researcher in order to identify similarities and gaps that existed between the secondary documentation and the Government's National Strategy for the Development and Promotion of SMMEs in South Africa. This procedure further guided the researcher as to how to structure the interview for the individual FDIs.

Acquiring internal policies from the FDIs being interviewed was difficult as the documents were regarded as internal, private documents, not accessible to the general public. Because of that, the researcher relied on other information that was accessible via the media.

#### 5.11.3 Phase 3

The third phase of the study entailed individual interviews with the FDIs that were operating in the Free State province. By the time the study was carried out, there had been unforeseen changes to the structures of some of the FDIs operating in the Free State province. At the inception of the study, the researcher aimed to interview representatives from the Small Enterprise Finance Agency (sefa), National Youth Development Agency (NYDA) and the Free State Development Corporation (FDC). However, by the time the study was carried out, changes had been made to the NYDA, which shifted focus towards training of SMMEs. What is more, both FDC and NYDA were not structured to support survivalist entrepreneurs despite documentation which indicated the need to support the survivalist entrepreneurs from the FDC.

Therefore, the interviews were reduced to sefa and the Free State Micro-Enterprise Support Programme, which was run by the Department of Economic Development, Tourism and Environmental Affairs (DETEA). The DETEA became an additional institution that

commenced with their programme at a later stage of the study, therefore, was not initially included in the list of FDIs to be interviewed. Additionally, it is a governmental department and not an FDI, which provides assistance in the form of grants to identified SMMEs.

The aim was to investigate the role they are playing in assisting the survivalist entrepreneurs within the province. Their understanding and awareness of the existence of survivalist entrepreneurs was also investigated during the interviews.

The three phases were concluded by the compilation of the support framework for the survivalist entrepreneurs within the Free State province, which will assist them to become viable in their business activities. This framework was based on data gathered during the different phases of the study.

### **5.12 Data analysis**

Data analysis is one of the steps that need to be followed when conducting a research study. During this step, data collected using various methods is evaluated by using both analytical and logical methods in order to make sense of it.

The data collected in phase three of study was qualitative in nature. Qualitative data is data which consists of a variety of meanings, interpretations and attitudes found in each question. It can also include raw data such as direct quotations from the study participants, which will be further analysed into particular categories.

Qualitative analysis of data is less influenced by biases and theoretical assumptions of the researcher. It further allows an understanding of the study participants in their social context. Nonetheless, qualitative data can lead to unreliable data as it can be subjective and impressionistic, thus leading to different interpretations by different researchers.

In order to make sense of the data collected, it was first coded in order to facilitate its analysis. In this study, SPSS (statistical package for the social sciences) program was used to analyse the coded data. SPSS is a Windows-based program that can handle large data. It can further use the coded data to provide analysed data in the form of tables and graphs.

Various tests were run during data analysis. These tests include:

- *Correlation tests.* These provide a measure of the degree of the linear relationship between two variables that are both measured on the same group of people (Wielkiewickz, 2013).
- *Analysis of variance (ANOVA).* It is used to compare differences among more than two means.
- *Chi-Square tests.* They are useful for analysing whether a frequency distribution for a categorical or nominal variable is consistent with expectations or whether two categorical variables are related or associated with each other.
- *T-test.* It is used for testing differences between two means.

### **5.13 Chapter summary**

To some extent, survivalist entrepreneurship is a means of escaping from increasing poverty, unemployment and reducing dependency on government for many. As such, any steps towards a viable business for the survivalist entrepreneurs will improve their socio-economic conditions in the long run. Support provided to survivalist entrepreneurs will also assist in reducing poverty levels, which together with increasing unemployment rates are the main motivation for the existence of survivalist entrepreneurs. The benefits to the country include reduced dependency on government for support as well as a possible contribution towards the country's GDP.

The next chapter will discuss the empirical results after the collection and analysis of data.

## **CHAPTER 6: EMPIRICAL RESEARCH RESULTS**

### **6.1 Introduction**

The study was focused on the survivalist entrepreneurs who are operating within the Free State province of South Africa. The main aim of the study was to understand survivalist entrepreneurs in order to be able to come up with ways of assisting them to have opportunity-driven and profit-orientated businesses. In other words, the primary objective of the study was to develop a support framework focused on assisting the survivalist entrepreneurs operating within the Free State province to become viable in their business activities.

Different aspects of the survivalist businesses were investigated in order to understand both the external and internal factors that could contribute towards the formation of the support framework. The results were also compared with the results found in the reviewed literature.

The preceding chapter was a discussion of the research design and methodology employed in this study. In this chapter, the results of the three phases of the study will be discussed in detail. The results will be discussed while focusing on comparisons and contrasts found in the different districts of the Free State, namely, Motheo, Thabo Mofutsanyana, Xhariep, Fezile Dabi and Lejweleputswa. The secondary objectives as spelt out in the previous chapter will also be addressed using the collected data. This will be followed by an analysis of the results of the second phase of the study, which consisted of the individual interviews with the finance development institutions rendering services in the Free State province. The chapter will be concluded with a conceptual framework formulated from the empirical and theoretical data, thereby serving as a summary of the gathered data.

The next section will cover the analysis of the empirical results gathered in the first phase of the study, i.e. the case studies within the five districts of the Free State province.

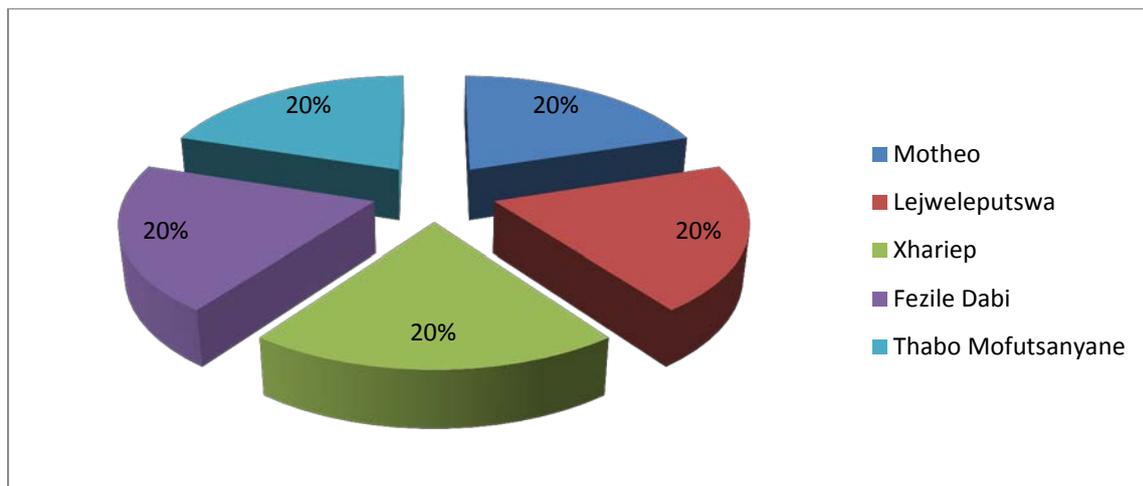
### **6.2 Analysis of the case studies**

The individual case studies took place in the first phase of the study within the different districts of the Free State province. The results will be narrated in different categories.

The results of these case studies are as follows:

### 6.2.1 Demographic information

The study comprised a total of 100 participants from five districts of the Free State province. These participants were made up of a total of 20 participants from each district, namely, Motheo, Lejweleputswa, Fezile Dabi, Xhariep and Thabo Mofutsanyane respectively, as indicated in figure 6.1.



**Figure 6.1: Percentages of participants in the different district municipalities of the Free State**

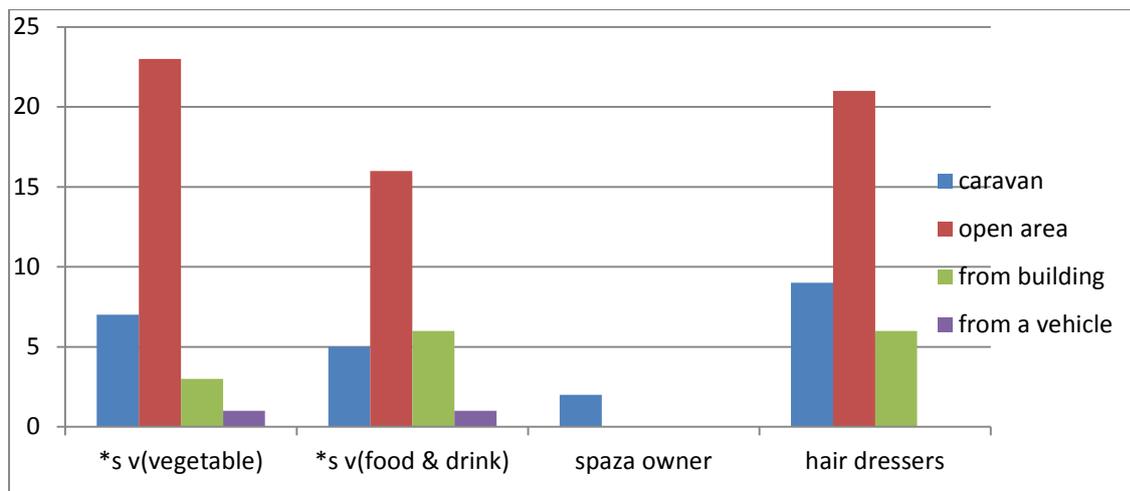
The different types of businesses that participated in the study were sourced in various parts of the towns from which data was collected. The most popular locations for the types of businesses were identified as the CBDs, taxi ranks, train stations and the townships (locations) of these different towns.

The most popular locations as described above were the busy areas of town where many people gathered, particularly in the mornings, afternoons and evenings. The taxi ranks and train stations were particularly crowded during the early mornings and evenings, as the masses arrived to work and travelled back home. On the other hand, the CBDs were busy during the day, especially during the lunch hours and after work, as the masses travelled back home.

Within the different locations of business, different types of trade were investigated, the majority of which ranged from street vendors who were selling vegetables or food and drinks,

spaza owners and hairdressers. These business owners operated under different conditions, as some were in a building, open area, car or caravan.

The area of operation is an aspect that contributes towards the quality of the product being sold, especially in the case of vendors who sell food and vegetables. It also has an impact on the ability to trade on a day-to-day basis, even in bad weather, as it will be impossible for a vendor operating in an open area to trade on a rainy, windy and/or cold day, thus placing him at a competitive disadvantage. Figure 6.2 highlights the area of operation for the different types of trade that participated in the study.

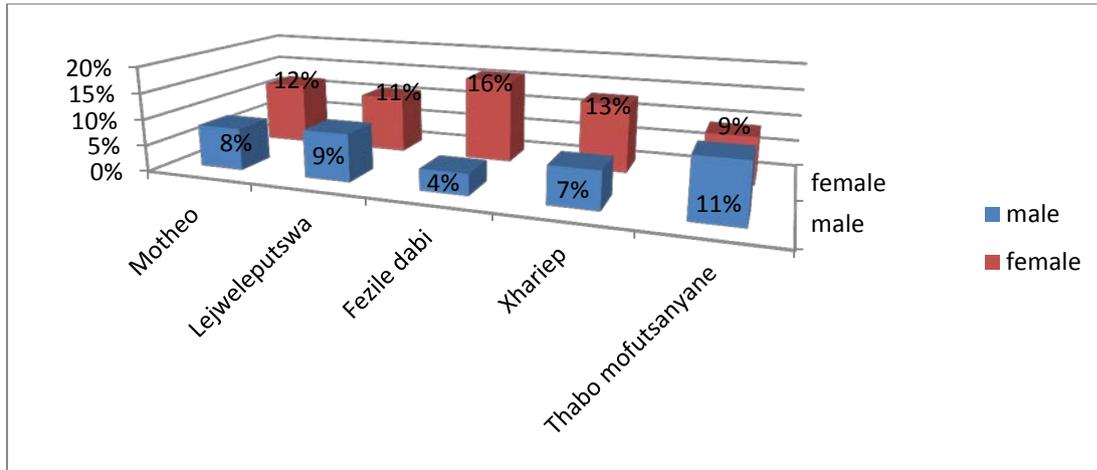


**Figure 6.2: Type of trade versus area of operation, district municipalities, Free State**

\*sv refers to street vendors

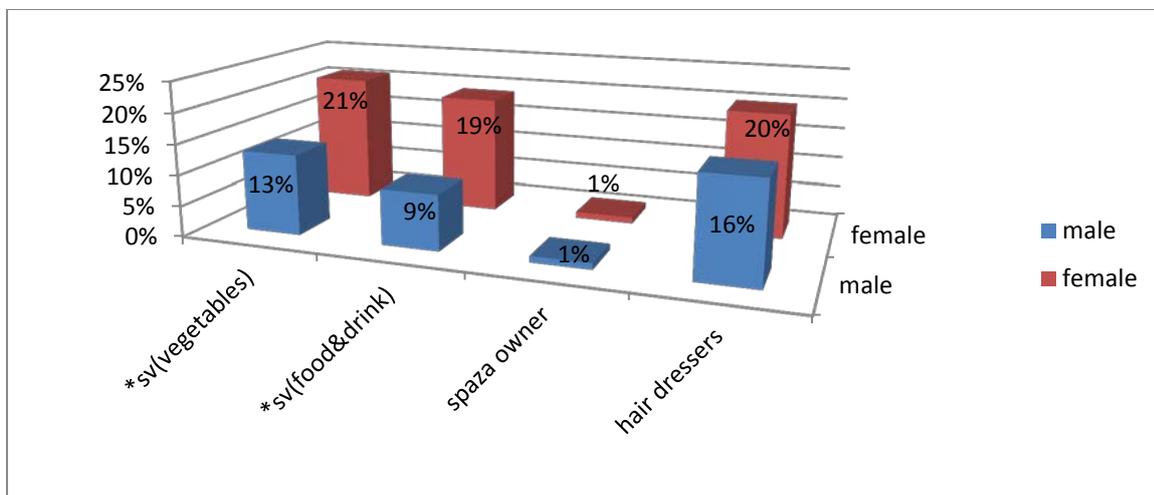
A total of 60 participants out of the 100 who participated in the study were operating in the open area. This figure comprised 23 out of 34 vendors who sold vegetables.

The majority of the participants who traded in the open area without shelter highlighted that they are at times instructed to leave the area by the authorities, who inform them that they are not legally placed in those particular areas. This was an obstacle that prevent them from operating fully at times, as they do not know when they will be removed from the area they are occupying.



**Figure 6.3: Gender according to district municipalities, Free State**

Sixty-one per cent of the participants were females. The high ratio of female survivalist entrepreneurs as compared to male survivalist entrepreneurs correlates with the reviewed literature, which emphasises females to be the domineering gender amongst the survivalist entrepreneurs, especially in developing countries. This indicates their need to work in order to survive and to provide food for their offspring.



**Figure 6.4: Gender according to type of trade in the district municipalities, Free State**

\*sv refers to street vendors

When analysing the gender according to the type of trade, the hairdressers were made up of both males (44%) and females (66%). The street vendors who were selling vegetables were made up of 62% females (13 out of 21), while the vendors selling food were made up of 68% (19 out of 28) females as depicted in figure 6.4.

The participants were grouped into five categories, namely, those younger than 15 years, 15 to 20-year olds, 21 to 30-year olds, 31 to 40-year olds and above 40 years of age, during the data collection process. Table 6.1 shows the age group distribution of the participants in each district. In general, the group of 15-20 years dominated the sample (43%). Interestingly, some of the survivalist entrepreneurs were younger than 15 years; this group comprised mainly of school dropouts and constituted 13% of the total population.

**Table 6.1: Age group per district municipalities, Free State**

	Age groups					Total
	≥ 15yrs	15-20 yrs	21-30 yrs	31-40yrs	Above 40yrs	
Motheo	1	9	6	3	1	20
Lejweleputswa	3	4	5	4	4	20
Fezile Dabi	5	6	5	3	1	20
Xhariep	3	8	7	1	1	20
Thabo Mofutsanyana	1	16	3	0	0	20
<b>Total</b>	<b>13</b>	<b>43</b>	<b>26</b>	<b>11</b>	<b>7</b>	<b>100</b>

The majority of the participants were found in the CBD (38%), followed by 30% of the participants who were found at the taxi ranks as depicted in table 6.2. This is mainly due to the fact that the survivalist entrepreneurs target the busy areas within their respective towns. The CBDs are extremely busy areas of business, especially in the mornings and after work, as their potential customers travel to and from work. Taxi ranks are also a good area to trade in, as the potential customers are also commuters using taxis and buses to travel to and from work.

**Table 6.2: Age groups according to location of business within the district municipalities, Free State**

	Age groups					Total
	≥ 15 years	15-20 yrs	21-30 yrs	31-40 yrs	Above 40yrs	
CBD	6	14	11	4	3	<b>38</b>
Location	1	8	6	2	2	<b>19</b>
Taxi rank	4	16	6	3	1	<b>30</b>
Train station	2	5	3	2	1	<b>13</b>
<b>Total</b>	<b>13</b>	<b>43</b>	<b>26</b>	<b>11</b>	<b>7</b>	<b>100</b>

Operating as street vendors who sell vegetables appeared to be the preferred type of trade by the various age groups as depicted in table 6.3. Hairdressing also seemed to be preferred by many, as the majority of the participants were hairdressers. Their activities are mainly plaiting hair without any water and chemical usage. This suggests that these two types of trade are presented with lower barriers of entry as compared with the other types. This could be attributed to the ease of entry into these types of activities, which do not require specialised machinery such as those required mainly by the dressmakers, shoe repairers and street vendors who sell food and drinks.

**Table 6.3: Age group according to type of trade in the district municipalities, Free State**

	Street vendor (vegetable)	Street vendor (food + drink)	Spaza owner	Hairdresser	<b>Total</b>
≥ 15 yrs	4	7	0	2	<b>13</b>
15-20 yrs	14	6	0	23	<b>43</b>
21-30 yrs	11	9	0	6	<b>26</b>
31-40 yrs	2	6	1	2	<b>11</b>
Above 40yrs	3	0	1	3	<b>7</b>
<b>Total</b>	<b>34</b>	<b>28</b>	<b>2</b>	<b>36</b>	<b>100</b>

The majority of the participants were blacks – 70% as compared with the 30% coloureds who also participated in the study as depicted in table 6.4. Therefore, the study comprised only blacks and coloureds.

**Table 6.4: Ethnicity according to age groups in the district municipalities, Free State**

	Age groups					<b>Total</b>
	≥ 15 yrs	15-20 yrs	21-30 yrs	31-40 yrs	Above 40yrs	
Black	10	32	19	6	3	<b>70</b>
Coloured	3	11	7	5	4	<b>30</b>
<b>Total</b>	<b>13</b>	<b>43</b>	<b>26</b>	<b>11</b>	<b>7</b>	<b>100</b>

The majority of the participants (38%) operated in the CBDs of the different towns that were visited during data collection. The next location from which the participants operated was the taxi ranks, with 30% of the participants stationed in different taxi ranks within the various towns that were visited. Nineteen per cent of the participants were sourced from the locations (townships) of various towns, while 13% of the participants were stationed at train stations

within the various towns. Thirty per cent of the participants were of coloured origin, while the rest were of black origin (table 6.5).

**Table 6.5: Ethnicity according to area of operation in the district municipalities, Free State**

	Location of business				Total
	CBD	Location	Taxi rank	Train station	
Black	28	14	21	7	<b>70</b>
Coloured	10	5	9	6	<b>30</b>
<b>Total</b>	<b>38</b>	<b>19</b>	<b>30</b>	<b>13</b>	<b>100</b>

As depicted in tables 6.6 and 6.7, the majority of the participants had obtained matric, which is considered a school-leaving qualification in South Africa (60%), followed by those with a national certificate (21%). Participants who had dropped out of school before completing matric made up 18% of the total participants. The results are a contrast to the reviewed literature which stereotyped the survivalist entrepreneurs as mainly school dropouts who could not access a formal job due to their poor educational qualifications.

**Table 6.6: Educational background per type of activity in the district municipalities, Free State**

	Type of trade				Total
	Street vendors (vegetables)	Street vendors (food + drinks)	Spaza	Hairdressers	
School dropout	10	12	0	7	<b>19</b>
Matric	17	13	2	21	<b>60</b>
National Certificate	7	3	0	8	<b>21</b>
<b>Total</b>	<b>34</b>	<b>28</b>	<b>2</b>	<b>36</b>	<b>100</b>

The high rate of matriculants and those with a national certificate (total of 81%) who work as survivalist entrepreneurs in the study is in contrast to the reviewed literature. Literature reviewed highlights a survivalist entrepreneur as having a poor educational background, which could possibly be the reason why they cannot find employment and end up opting into survivalist business as a form of survival. However, the results in this study indicate a changing trend due to the rising unemployment levels, which push even the educated masses

into survivalist business in order to survive and to cushion themselves from unemployment and the effects of poverty. This indicates that educational background in the case of survivalist entrepreneurs has evolved with time for the better, thus possibly suggesting a better background and understanding of issues pertaining to business management.

**Table 6.7: Educational background according to gender in the district municipalities, Free State**

	Gender		Total
	Male	Female	
School dropout	9	20	<b>18</b>
Matric	23	30	<b>60</b>
National Certificate	7	11	<b>21</b>
<b>Total</b>	<b>39</b>	<b>61</b>	<b>100</b>

Sixty-seven per cent (12 out of 18) of those who were school dropouts were females. Sixty-two per cent (13 out of 21) amongst the participants who had a national certificate were females, while 58% of the participants with matric were females (table 6.7). These results correlate with the reviewed literature, which indicates that the survivalist entrepreneurs are mostly females, but is in contrast with the reviewed literature regarding the qualifications of these female, as the empirical data suggests that they are not necessarily all school dropouts. Nevertheless, it should be noted that the empirical data also indicated higher dropout rates amongst females as compared to men.

The reasons mentioned by participants as contributing to the high dropout rate amongst females as compared to males included:

- pregnancy at an early age
- the need to support family
- unavailability of funds to complete matric

Throughout the different age groups in the study, the majority of the participants in a particular age group had attained a matric certificate (a school-leaving qualification in South Africa). Reviewed literature categorises a survivalist entrepreneur as one without formal education and possibly a dropout. However, the results as depicted in table 6.8 contradict the literature, as 81% of the study participants had attained either a matric certificate or a national

certificate. This therefore indicates that educational background is no longer a determining factor as to whether one operates in the formal or informal sector. As also indicated earlier, the educational qualifications of the survivalist entrepreneurs seem to be evolving as indicated by the empirical data (table 6.8).

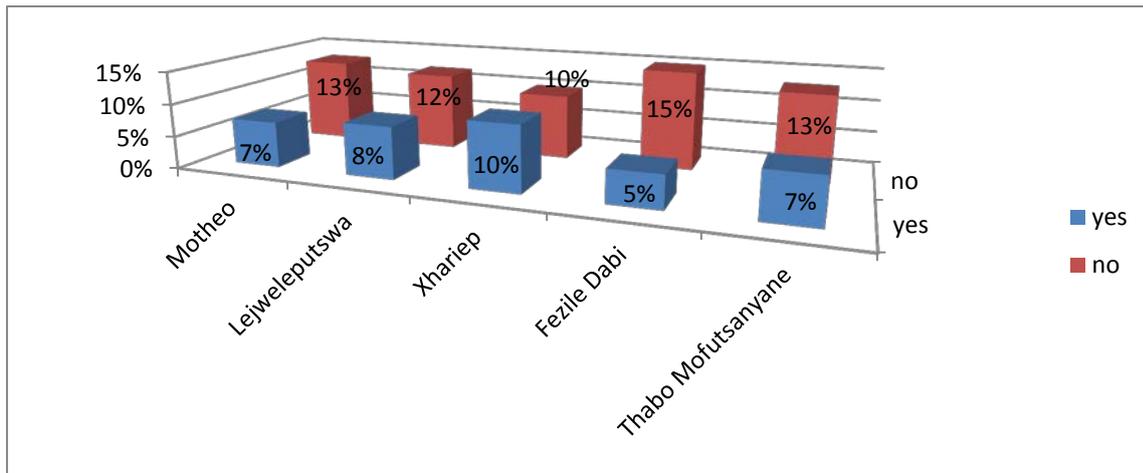
**Table 6.8: Educational background according to age group in the district municipalities, Free State**

	Age group					Total
	≥ 15 yrs	15-20 yrs	21-30 yrs	31-40 yrs	Above 40 yrs	
School dropout	13	8	5	2	1	<b>18</b>
Matric	0	26	14	8	5	<b>60</b>
National Certificate	0	9	7	1	1	<b>21</b>
<b>Total</b>	<b>13</b>	<b>43</b>	<b>26</b>	<b>11</b>	<b>7</b>	<b>100</b>

Another aspect that was investigated as an important factor in the viability of survivalist enterprises was the availability of resources essential in the day to day running of these businesses. These factors are discussed in the next section.

### 6.2.2 Access to resources

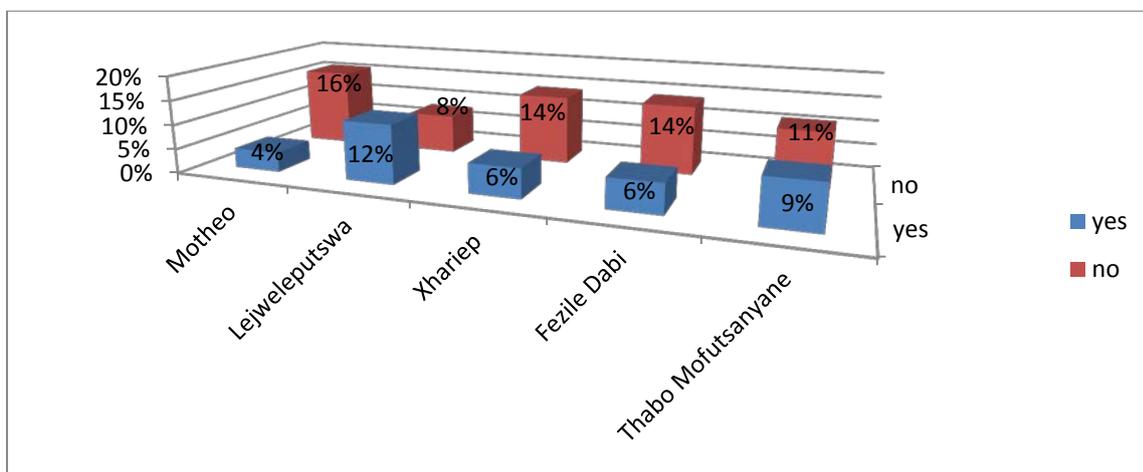
Access to essential services and resources around the area of operation was also investigated. These resources and services contribute to the quality of the final product, as they determine the hygiene standard and quality of the final selling product for many of the participants who partook in the study, especially those trading in food and vegetables. By access, the researcher focused on the vital resources, which included access to safe, clean water; access to sanitation; refuse removal services; and access to storage facilities and/or areas.



**Figure 6.5: Access to refuse removal in the district municipalities, Free State**

On average of 63% of the participants had no access to refuse removal within the different districts of the study. In Motheo, 65% (13 out of 20 participants) had no access to refuse removal, whereas in Fezile Dabi District, it was 75% of the participants (15 out of 20) (figure 6.5).

Concurrently, some of the participants who had access to the refuse removal service reported ease of access as a problem for them, as they had to walk a distance in order to access this service.

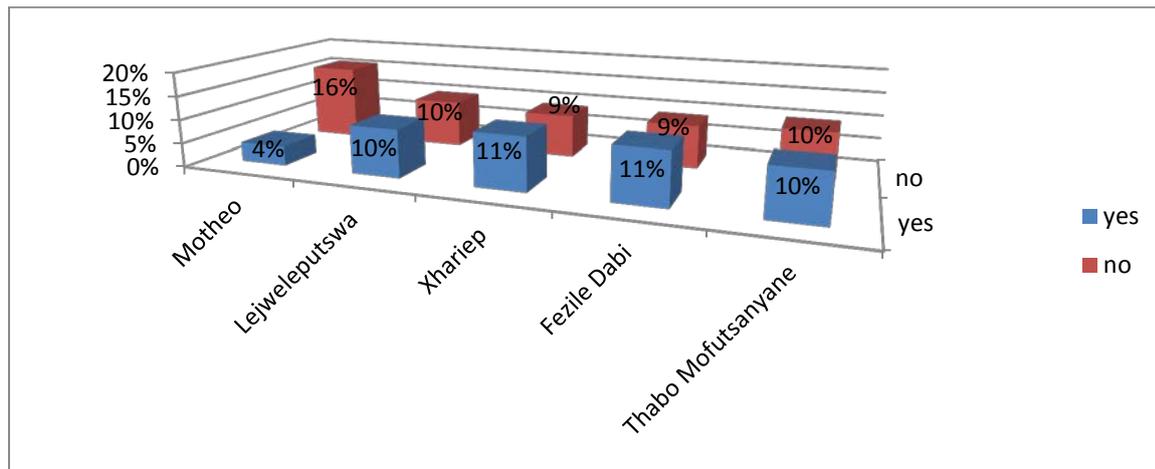


**Figure 6.6: Access to sanitation in the district municipalities, Free State**

A total of 63% of the participants had no direct access to sanitation. Some reported having to leave their business for 30 minutes in order to access a toilet. This meant loss of business to a competitor for many who could not afford to have assistants, especially the hairdressers.

Once again, Motheo district is presented with a high percentage, i.e. 80% (16 out of 20), of participants without access to sanitation as indicated in figure 6.6.

Both Fezile Dabi and Xhariep had 70% (14 out of 20 participants) of those who did not have access to sanitation. In Lejweleputswa, 60% (12 out of 20 of the participants) reported having access to sanitation, thus making Lejweleputswa the district with the highest access to sanitation for its survivalist entrepreneurs.

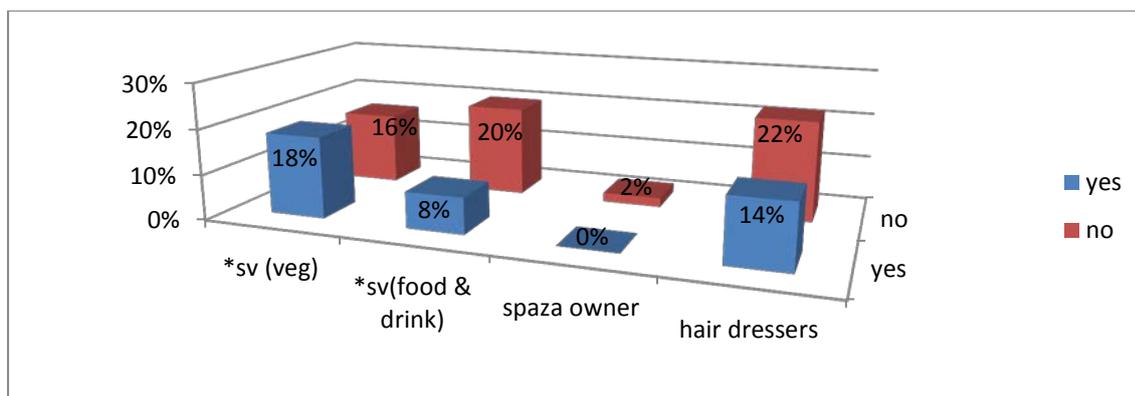


**Figure 6.7: Access to storage facilities within the district municipalities, Free State**

One of the biggest obstacles reported by the participants and emphasised continuously during data collection was the unavailability of storage facilities in the different districts. This affected particularly the vendors' businesses, as they had to travel daily with their stock and products. It also made it difficult for them to buy raw products in bulk, thus disadvantaging them in economies of scale.

On average, 54% of the participants had no access to storage facilities. Motheo District is presented with the majority of participants without storage facility made up by 80% of the participants as depicted in figure 6.7.

Some of the participants from the 46% who had access to storage facilities were unhappy about the conditions of these storage facilities, which included walking long distances to access them and having to pay the owners of the facilities even on days when there was no business.



**Figure 6.8: Access to clean water according to type of activity in the district municipalities, Free State**

\*sv refers to street vendor

On average, 60% of the participants could not access clean water as indicated in figure 6.8. Out of this 60%, some reported having to buy water from surrounding shops, to walk far to access water, and even to use water sourced from the bathrooms.

For some of the participants, clean water is a priority in order to run a service effectively and hygienically. The street vendors who sell vegetables reported the need of clean water to sprinkle on some of their leafy vegetables such as spinach, while the vendors selling food needed the clean water during the cooking and washing up process. In general, all the participants reported clean water as an essential resource. However, only 47% (16 out of 34) of the participants who sold vegetables had access to the safe water, while 71% (20 out of 28) of the vendors who sold food reported having access to clean water.

The next section will discuss the reasons that the survivalist entrepreneurs emphasised as the driving force or motivating factor/s that pushed them into starting their own businesses.

### 6.2.3 Motivation to start business

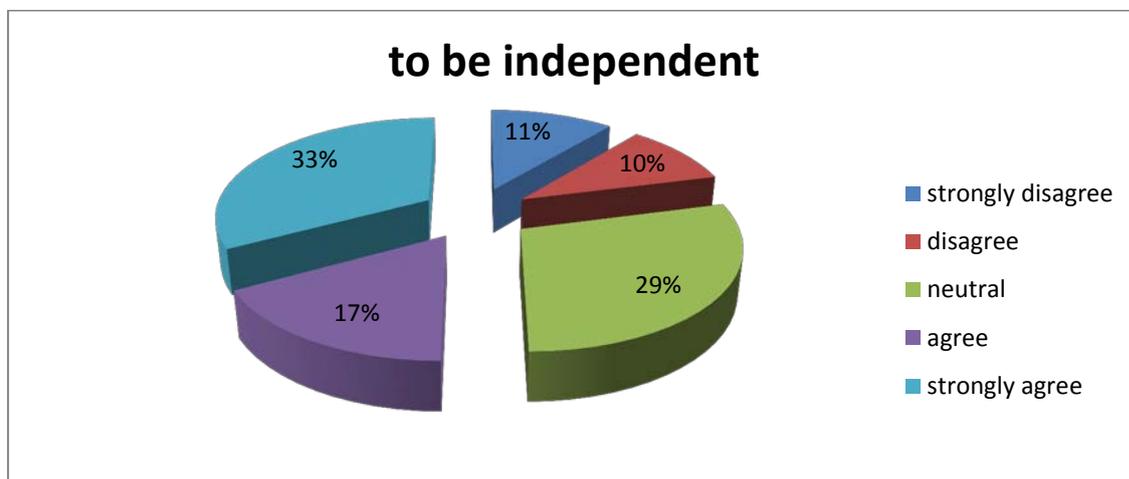
Motivation to start own business differs from one owner to the other and within the different segments of the SMMEs, keeping in mind that the South African SMMEs include micro-entrepreneurs. In this category of micro-entrepreneurs, one finds two different segments, namely, micro-entrepreneurs and survivalist entrepreneurs. Although lumped together due to some similar obstacles they encounter, they do not share the same characteristics and have different needs.

The factors that push them into business also differ. Currently, micro-entrepreneurs are believed to be those who recognise an opportunity and push themselves in acquiring business. Furthermore, they are legally registered as businesses in South Africa. On the contrary, the survivalist entrepreneurs are those that are pushed into business, at times by factors that are beyond their control, such as poverty and unemployment, and consequently the need for them to survive. Moreover, they fully depend on the money they make, leaving no hope for expansion of their unregistered businesses.

The push factors that were tested in the study include:

- the need to be independent
- avoidance of unemployment and poverty
- advice taken from others
- the need to survive
- recognition of an opportunity

Analysis of the motivational factors that push the entrepreneur into business revealed the results that follow.



**Figure 6.9: Motivation: independence**

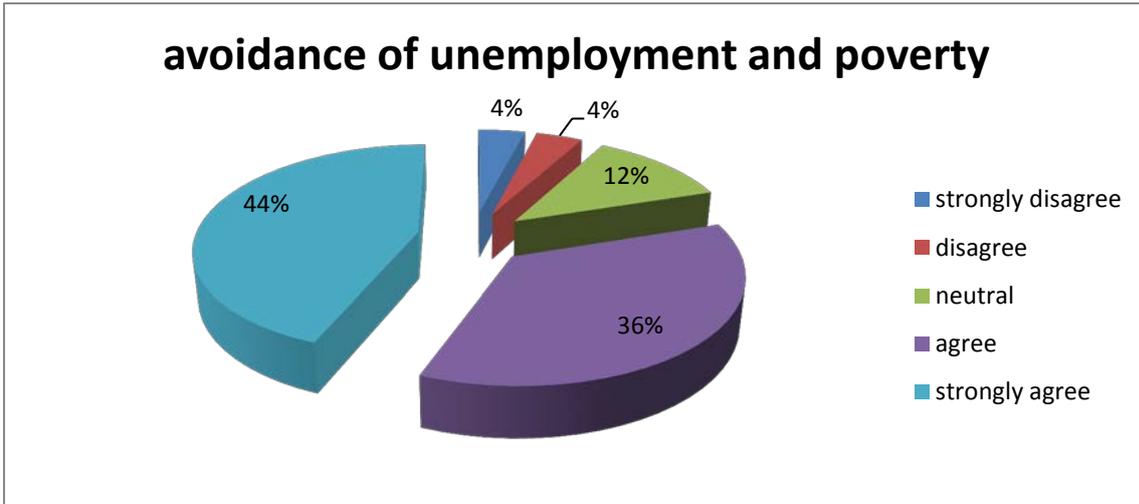
As shown in figure 6.9, 33% of the participants strongly agreed that they wanted to be independent (own boss) when they started their survivalist businesses. A further 17% agreed, with a total of only 23% disagreeing. When analysing the 50% of participants who agreed and strongly agreed by age group, 6% (3 out of 50) of them was made up of those younger than 15 who had been employed by others in the past. Thirty-six per cent (18 out of 50) was

of the 15 to 20-year olds, 14% (7 out of 50) was of the 21 to 40-year olds and 12% (6 out of 50) from the above 40-year olds group.

When analysing the same group while focusing on their educational background, 22% (11 out of 50) were school dropouts, 58% (29 out of 50) had finished matric, while 20% (10 out of 52) had a national certificate. It seems that the majority of those who indicated the need to be independent as the main motivation towards starting their business were entrepreneurs with school-leaving qualifications and a national certificate. This group is probably the group which is struggling to find formal employment even though those who belong to it have suitable qualifications; therefore, they opt to turn to survivalist entrepreneurship as an answer to their unemployment.

Comparing the results above with those of a study by Bowen et al. (2009), whereby the different motivational factors were assessed amongst businesses that were either doing poorly or well, in Nairobi, Kenya, independence was one of the motivational factors that pushed the participants into business. However, literature stereotypes independence to be a pull factor that does not affect the survivalist entrepreneurs, as they are perceived by literature to be pushed into their businesses mainly by their poor socio-economic status. Therefore, independence as a motivational factor should also be considered a factor that can be applied to the survivalist entrepreneurs. Furthermore, this indicates the evolution of a characteristic that was used to classify this type of business, i.e. survivalist entrepreneurship, in the past.

Avoidance of unemployment is the next push factor that was tested in the study and will be discussed in the next section.

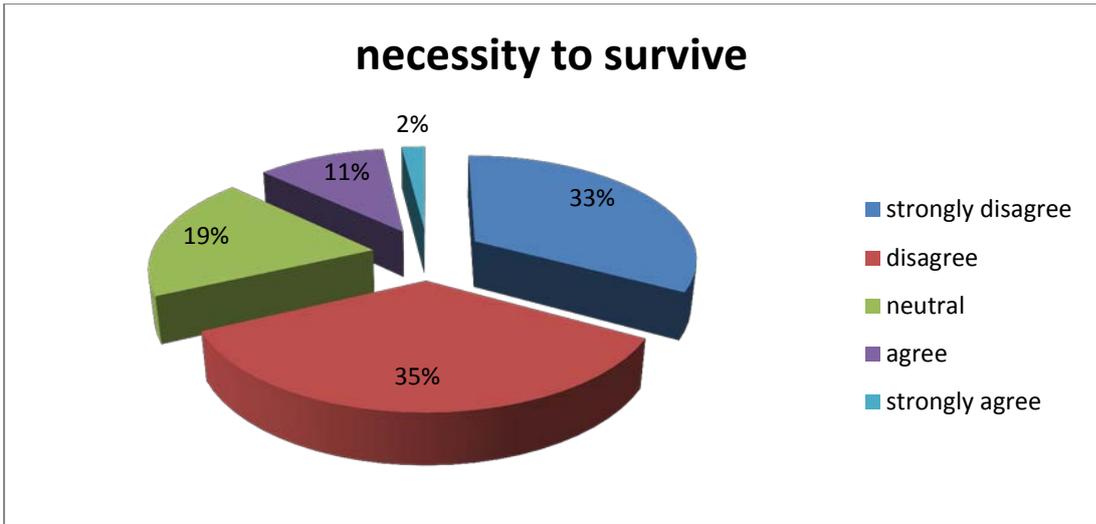


**Figure 6.10: Motivation: avoidance of unemployment and poverty**

A total of 80% of the respondents agreed that they started their business in order to avoid unemployment and poverty. Only 8% disagreed, while 12% remained neutral. From the 80% that agrees, the majority were females (69%), and 33% of the 80% were school dropouts. In the preceding study mentioned by Bowen et al. (2009), 86.7% of the participants who opened their businesses to avoid unemployment and poverty were doing well in business (figure 6.10).

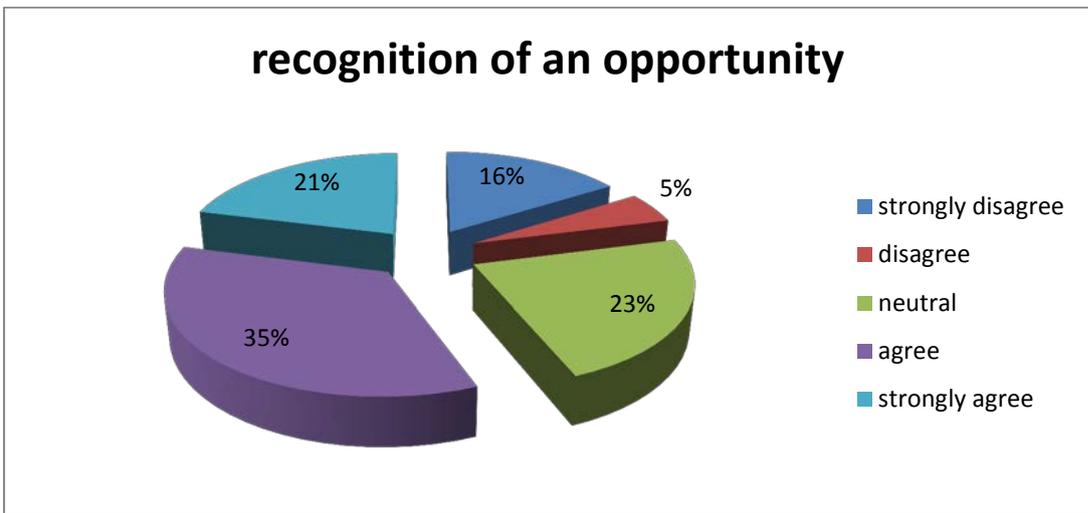
Avoidance of unemployment and poverty is a motivational factor which is considered to be the main factor that pushes the survivalist entrepreneurs into their businesses by the reviewed literature. Accordingly, the results of the empirical data correlated with those of the reviewed literature in this case.

Figure 6.11 is a graph that summarises the empirical data results with regard to necessity to survive as a motivational factor.



**Figure 6.11: Motivation: necessity to survive**

A total of 13% of the respondents agreed that necessity to survive was a motivating factor for them to start their businesses. A total of 68% disagreed, while 19% chose to remain neutral. Necessity to survive can be associated with avoidance of unemployment and poverty as an underlying issue caused by the existence of unemployment and poverty. Figure 6.12 highlights the results found when recognition of an opportunity was tested as a motivational factor that pushes the survivalist entrepreneurs into their businesses.



**Figure 6.12: Motivation: recognition of an opportunity**

The majority (56%) of the participants recognised an opportunity before starting their business. Recognition of an opportunity refers to recognition of a gap for a particular type of

trade in their market. To put it differently, the survivalist entrepreneur recognises an unavailability of a particular service in his area and decides to trade in that particular trade.

Some of the motivational factors that push the survivalist entrepreneurs into their businesses are also pull factors that pull the registered micro-entrepreneurs into business. Recognition of an opportunity and independence, which are categorised by literature as motivational pull factors, have been proven by the study to apply to businesses which are believed to be influenced by only push factors.

The next section will focus on reasons given by the participants as those that would lead to closure of their businesses.

#### 6.2.4 Reasons to stop operating as a survivalist entrepreneur

Literature highlights unavailability of employment as a factor that keeps the survivalist entrepreneurs in their business. With the decreasing numbers in formal employment and the increasing statistics in unemployment and unregistered businesses, the above statement seems to have become a reality. Policies such as BEE and Broad-Based Black Economic Empowerment (B-BBEE), which were meant to create economic opportunities for the black majorities, also contributed towards the reduction of the creation of formal jobs by the South African government. It is a neo-liberal practice that introduced privatisation of public enterprises, which offer employment that is not fully permanent and with salaries that are just above the minimum wage set by the government but below the rate that government would have offered.

At the same time, governments have adopted differing methods to reduce poverty in the households, such as payments of grants to the affected parties and/or families. The study tested the following factors as factors that could lead a survivalist entrepreneur to stop operating his/her business:

- becoming employed on a temporary basis
- becoming employed permanently
- a member of the family being employed
- assistance from government (grant)
- assistance from family members/extended

From a South African context, the definition of employment has continued to evolve post apartheid in the democratic government. Government employment has been partly absorbed by private companies introduced under the BEE and B-BBEE code as already mentioned. Therefore, it was vital to differentiate between being employed on a temporary or permanent basis in the questionnaire.

On a scale of 1-5, using a 5-point Likert scale questionnaire, finding permanent employment appeared to be the number one reason why the survivalist entrepreneurs that participated in the study would stop operating as survivalist entrepreneurs. Eighty-two per cent of these respondents who agreed to this notion had completed their matric and national certificate qualifications, while 29% were school dropouts. Finding permanent employment had a mean (average) score of 4.9.

The above-mentioned mean score was followed by finding temporary employment, which had a mean score of 3.81, with 70% of the respondents with matric and national certificates and 29% of them being school dropouts. Other reasons included a member of the family being employed, with a mean score of 2.9. Receiving a grant from government had a mean score of 1.92, and lastly assistance from family members, with a mean score of 1.45.

It is evident that employment source of any type (whether permanent, temporary or that for a family member) is the main reason why the survivalist entrepreneur would stop operating his/her business. This indicates that the survivalist entrepreneur depends on his/her business as an income and job-generating alternative for as long as he/she is not employed. However, due to the absence of employment, most of the participants reported to have given up in looking for employment, which has resulted in them focusing on making their businesses a success. Furthermore, some participants indicated that they would still continue to operate their businesses even if they were employed, as the salaries offered are not enough to meet their families' needs.

During the interviews, many of the participants emphasised the insecurities that came with temporary employment and emphasised government employment to be the best employment as compared to full-time employment offered by the private sector. Factors that were mentioned as reasons for choosing government employment over private sector employment were similar to those mentioned regarding the insecurities that came with employment offered by privatised business.

The next section focuses on the characteristics that are believed to be essential in order for the survivalist business to be viable, as reported by the owners of these businesses.

#### 6.2.5 Characteristics that are believed to be essential in becoming viable

Literature on characteristics that make survivalist enterprises viable differs from one author to another. Some of the factors believed to be important in making these businesses viable include the educational background of the owner, product differentiation, knowledge about the needs of the customers and the market in general, and availability of infrastructure that is needed by the owner.

In the study, viability was measured using the following factors:

- the survivalist enterprise being formally registered as a company
- knowledge of the market the survivalist entrepreneur is trading in
- level of education of the owner
- product differentiation
- number of years in business

Being registered formally as a company was a characteristic that was believed to be essential by the survivalist entrepreneurs that participated in the study. On a scale of 1 to 5, it had a mean (average) score of 4.3. Ninety-one per cent of the participants had agreed that formal registration is an important factor in order for their business to be viable. To the participants, formal registration meant recognition from the government, which they believed would assist them in their journey towards being viable. They further emphasised that being registered would allow them to access resources that are being offered, which range from training to business improvements.

Knowledge of the market in which the entrepreneur is trading was considered the second best characteristic in becoming viable, with a mean score of 4.27. Seventy-nine per cent of the respondents agreed that knowledge of the particular market they were trading in was an important characteristic in becoming a successful business. To the participants, knowledge of the market included knowledge about the products being offered, the current needs for the products in that particular area, and the needs of the customers.

Furthermore, the survivalist entrepreneurs rated the higher level of education of the owner as the third best characteristic, with a mean score of 2.77 (with only 21 out of 100 respondents

agreeing), followed by differentiation of the product being sold, with a mean score of 2.14. While some of the respondents did not understand the concept, others saw it as a waste of time and resources and believed that a product will be sold whether differentiated or not.

There are contrasting results regarding the role of the educational background of the owner in making his/her business viable. While Okurut (2008) believed that educational background was vital in making a survivalist business a success, Roy and Wheeler (2006) believed that experience (number of years in business) was more important than the level of education of the owner.

The participants highlighted that educational background is not essential in their type of business. Over and above that, the results of this study support those of Roy and Wheeler (2006), which favoured experience over educational background. The results also reveal that the participants favoured knowledge of the market, which is believed to be acquired through experience in business (Roy & Wheeler, 2006) over educational background as a better factor in making them viable.

The next section discusses the obstacles that the survivalist entrepreneurs reported to be common obstacles in their businesses.

#### 6.2.6 Obstacles experienced

Obstacles experienced by survivalist entrepreneurs are not all addressed by literature, as there is not enough literature on survivalist businesses. The reviewed literature highlights the regulations and laws of the different governments to be the main obstacle for the survivalist entrepreneur, by imposing barriers to entry into a particular market. Regulations and laws include the need for a business to be registered as a legal entity under the laws of a particular country. Because of lack of registration, governments do not recognise the survivalist businesses as a business, thus leading to loss of recognition and support by the respective governments. Both lack of recognition and support come with lack of access to resources that are essential for the viability and growth of such businesses.

On the other hand, literature also addresses lack of training as an important aspect which is identified as an obstacle. However, the training being offered does not address the unique and particular needs of the survivalist entrepreneurs. This could be attributed to the lack of thorough understanding and knowledge by governments regarding the survivalist segment of

the SMME. The study investigated the following obstacles that possibly affected the survivalist entrepreneurs:

- regulations and laws of the government
- source of finance
- insufficient training
- insufficient support by government
- lack of recognition by government

Lack of recognition by government and supporting institutions was considered the biggest obstacle, with a mean (average) score of 4.08, when scored amongst other possible obstacles. When analysed individually, 73% of the respondents agreed that this was the biggest obstacle. Forty-two percent out of the 73% was made up of survivalist entrepreneurs who were operating in an open area without shelter.

Lack of support by government was the second obstacle with a mean score of 4.07. When assessed individually, 73% of the respondents agreed that it was an obstacle.

Regulations and laws were rated the third biggest obstacle, with a mean score of 3.5 and 47% of the respondents agreeing, when it was assessed individually. Insufficient training and financial assistance followed with a mean score of 1.77 and 1.58 respectively. The respondents further mentioned that the training to be provided had to be in line with their needs and how they run their business. Some indicated having attended training sessions that were inappropriate for their business and its settings.

#### 6.2.7 Essential assistance from government

The ideas and views of the participants are important in making a difference in their businesses and in making the study a success. Therefore, it was imperative to understand what they consider and regard as needed assistance from their government in order to be able to assist them in becoming viable. With a mean (average) score of 4.34, registration of the business into a formal entity was considered to be a needed assistance from government. When assessed individually, 82% of the participants agreed.

To the respondents, it seems the legally registered businesses are receiving all the recognition and assistance which allows them to prosper and grow further. That being so, the survivalist entrepreneurs believe that if they could be registered, they would be able to access the so-

called “comforts” that are associated with legally registered businesses. However, the costs that came with such procedures were reported to be too high for them to afford, as they depended on their money for survival.

New idea generation was also mentioned as a concept with which the entrepreneurs need assistance from government, with a mean score of 3.78. New idea generation was also considered crucial for the viability of the survivalist businesses, as it would reduce competition. Currently, the survivalist competitors sell the same products at more or less the same price, at times not even breaking even in an attempt to sell all the stock on hand. Just like mentoring, generation of new ideas adds value to the business while assisting to grow it. Generation of ideas include ideas that improve the already rendered service and that improve the quality of the sold product in order to improve customer satisfaction while attracting new customers. Moreover, new ideas would assist the survivalist to reduce the existing competition, perhaps through product differentiation as well.

Financial assistance was rated third, with a mean score of 2.64, followed by training, with a mean score of 2.29. Contrary to the reviewed literature which indicates finance as the first and biggest need for the survivalist businesses, the participants of the study rated finance as a third need after business registration and idea generation. This is another contrast to reviewed literature that suggests a change in the characteristics of the survivalist entrepreneurs.

In the next section, assistance that is perceived by the survivalist entrepreneur to be essential in order to be registered as a legal business in South Africa will be discussed.

#### 6.2.8 Assistance needed in becoming legal

As emphasised earlier, becoming a legal entity seems to be of importance and a need for the majority of the survivalist entrepreneurs. When asked about the assistance they believe they required in becoming legal, the majority of the survivalist entrepreneurs who took part in the study mentioned financial assistance as a need to become legal, with a mean (average) score of 4.13. They emphasised the lack of knowledge as to how to become legal as well as the cost associated with becoming legal as the major reasons that they have not yet attempted to register their businesses.

Registration of business followed, with a mean score of 4.04. It was emphasised by the participants that registration of their businesses was partly halted by the unavailability of financial resources that are required during the registration process. Partnerships came in third, with a mean score of 3.01. Participants emphasised that partnering with an already existing and legal business would allow them to learn better than through training. To them, partnering would serve as an in-house training that allows them to experience everything first-hand and be able to take the experience back into their own businesses.

Training was also considered as the last essential service in order to become legal, with a mean score of 2.05. The respondents associated training with higher education levels. However, they also emphasised the need for the training to meet their particular requirements and to be suitable for their trading conditions and environments.

The next section focuses on the reasons by study participants that influenced their choice of trading area, an essential aspect in becoming a viable business.

#### 6.2.9 Reason for selecting a particular area of trade

The reasons that push a survivalist entrepreneur into a particular type of trade differ from one survivalist to another. Nevertheless, the high saturation in particular types of trade, which lead to increased unregulated competition within that type of trade, indicate similarities in their reasons for choosing a particular trade.

The types of trade that appear to be common in all the cities include street vendors who either sell fresh produce (vegetables and fruit) or food and drinks, hairdressers, spaza owners and shoe makers. Interestingly enough, not one of the participants were trading in more than one area. However, the competition level was intense in all the cities where data was collected, mainly due to the low barriers to entry into the survivalist business.

Personal interest in a particular trade was one of the reasons that led participants to consider a particular area of trade, either becoming a street vendor selling vegetables, street vendor selling food and drinks, spaza owner or hairdresser, with a mean (average) score of 4.07. Personal interest included past experience and/or knowledge which has not been tapped into.

Ease of activity referred to the easiness and reduced obstacles in setting up and running the business. This could be due to various reasons such as ease of entry into the market, no capital requirements, availability of needed material, and other similar reasons.

Compatibility with skills and past experience also played a role in choosing a particular trade, with a mean score of 3.48. Compatibility with skills and experience included past experience as a part-time employee or in a family business. During data collection, some participants highlighted that they had been either working on a part-time basis for someone prior to opening their own businesses. This meant that the participant would have an idea as to operational issues relating to his business, thus possibly making it easier for him to cope with obstacles that might be present during both the planning and the running of the business.

#### 6.2.10 Summary of the case study analysis

When summarising the results obtained within the five different districts of the Free State, there was no significant difference, thus creating a similar pattern of obstacles and conditions surrounding the running of the survivalist enterprises. Interestingly enough, the survivalist entrepreneurs traded in similar types of businesses in all the districts within the Free State province.

The results of the empirical data indicate that some of the characteristics that were believed to be associated with particularly the survivalist businesses have changed. These characteristics include educational background, motivational factors and finance as the main obstacles for the survivalist businesses. This suggests the evolution of these characteristics with time, perhaps due to the changing global economic conditions as indicated in Chapters 1 and 2 of the study. Therefore, it is imperative that further research be carried out on a continuous basis in order to be able to understand the changes in characteristics and eventually contribute towards fresh evidence-based literature on survivalist entrepreneurs.

Section 6.3 will address the secondary objectives, as set out in Chapter 5, that assist in achieving the primary objective of assisting the survivalist businesses to become viable in their business activities.

### **6.3 Addressing the objectives**

This section will address the secondary objectives using the empirical data collected.

6.3.1 Objective 1: To explore survivalist enterprises as an income-generating alternative for unemployed people

To explore whether survivalist enterprises are income-generating alternatives for the unemployed populace, a one sample t-test was used to test the assumption of the null hypothesis that the sample mean income earned by survivalists is equal to the minimum wage rate set by the government to be earned by employees working as shop assistants, as stipulated in the South African Basic Conditions of Employment Act No. 11 of 2002, particularly focusing on the amendments of sectoral determination 9: wholesale and retail sector in South Africa ( $H_0: \mu_1 = R2\ 254.03$ ). The null hypothesis was tested against the alternative hypothesis, which states that the sample mean income earned by survivalist entrepreneurs does not equal to the minimum wage rate set by the government to be earned by employees in the domestic sector ( $H_0: \mu_1 \neq R2\ 254.03$ ).

The empirical results tabulated in table 6.10 show that the p-value associated with the t-test is less than the 0.05 level of significance ( $t = 4.581, p < 0.000$ ).

**Table 6.9: Mean monthly income earned by survivalist entrepreneurs**

Variable	Observation	Mean	Std. Err.	Std. Dev.
Mean monthly Income earned by survivalist entrepreneurs (Rand)	100	2 633.00	82.720	827.196
Null hypothesis				
	Minimum wage rate (MWR) = 2 254.03			
t-statistic	4.581			
Degrees of freedom	99			
Alternative hypothesis (Ha)	MWR < 2 254.03	MWR = 2 254.03	MWR > 2 254.03	
	Pr(T < t) = 1.000	Pr(T > t) = 0.000	Pr( T  >  t ) = 0.000	

The calculations as set out in table 6.9 suggest that there is supportive evidence that the mean monthly income earned by survivalist entrepreneurs is different from the hypothesised government minimum wage rate of R2 254.03. Thus, the null hypothesis is rejected, and the alternate hypothesis remains valid. This implies that the mean income earned by survivalist entrepreneurs significantly differs from the minimum wage. In this context, the survivalists actually earn slightly more money (R2 633.00) on a monthly basis as compared to those employed in the wholesale and retail sector of South Africa as shop assistants. This argument can ardently be explained by the number of years people have been indulging in this kind of

businesses. For instance, more than 80% of the respondents (survivalists) (of whom women accounted for 48%) had spent more than a year while running their enterprises (*see table 6.10*).

**Table 6.10: T-test on years of experience between males and females**

Period in current business (years)		Frequency
More than 1 year	Male	48
	Female	35
Less than 1 year	Male	4
	Female	13
Mean period in business (years)	Male	3.51
	Female	2.84
t-test		1.981* (0.05)

\* denotes significance at the 0.05 level (2-tailed)

Table 6.10 implies that such enterprises generate an income of some sort that individuals use to sustain their families. Otherwise, many of the respondents would have closed business within the shortest possible time in a bid to look for other avenues of acquiring an income.

A comparison of the mean period (years) that males and females had spent in the current period also shows that there exists a statistically significant difference between the two groups at the 5% level of significance. Men had spent a longer period in running survivalist enterprises as compared to females. This finding may be attributed to the fact that females tend to have more domestic responsibilities as compared to males.

Therefore, males tend to have more years of experience in the survivalist businesses as they are faced with the heavy burden of supporting their families, while attempting to avoid unemployment and poverty. Although more women as compared to the men were survivalist entrepreneurs – both in the study and in the reviewed literature – the results of this study revealed that women had fewer years of experience in this type of business, thus indicative that they tend to leave business at an earlier stage.

Furthermore, the observed results may also be explained basing on reasons for which these individuals embark on running survivalist enterprises. Table 6.11 of correlation matrix results suggests that there exists supportive evidence for the existence of a positive ( $p =$

0.011) relationship between the need to avoid unemployment and poverty and the need to survive.

**Table 6.11: Pearson’s correlation matrix between the various reasons for indulging into survivalist enterprises**

Variable (n = 100)	Mean	Standard error	A	B	C	D	E	F
<b>A</b> To be an independent/ own boss (Freedom)	3.48	1.38	1					
<b>B</b> To avoid unemployment and poverty	4.05	1.06	-0.532* (0.000)	1				
<b>C</b> Advice from other people	1.90	0.86	-0.194** (0.053)	-0.041 (0.687)	1			
<b>D</b> The need (necessity) to survive	2.18	1.07	-0.044 (0.667)	-0.253** (0.011)	-0.139 (0.168)	1		
<b>E</b> Recognition of an opportunity	3.40	1.36	-0.461* (0.000)	-0.021 (0.838)	-0.215** (0.032)	-0.480* (0.000)	1	
<b>F</b> How long have you been in current business (years)?	3.17	1.69	-0.018 (0.856)	0.022 (0.829)	-0.198** (0.048)	-0.148 (0.141)	0.231** (0.021)	1

\* and \*\* denote that correlation is significant at the all levels and 0.05 level respectively (2-tailed)

Table 6.11 implies that the majority get involved in doing such business to generate an income on which to survive. Otherwise, if such business enterprises were not income generating, many would see no reason to venture their meagre resources into them. Looking at the educational perspective, descriptive statistics further suggest that these enterprises are indeed income generating given that even the educated with matric and a national certificate actively operate such enterprises.

Table 6.12 shows the educational level of respondents who ventured into survivalist business so as to avoid unemployment and poverty. Concurrently, table 6.12 indicates that lower educational status is no longer a characteristic that is only attributed to the survivalist entrepreneurs, who are characterised by literature as school dropouts.

**Table 6.12: Educational level**

Education level	Frequency (n = 100)	Percentage (%)
Matric	53	53
School dropout	29	29
National Certificate	18	18
		<b>100</b>

Within the South African employment framework, a matric graduate and a National Certificate holder meets the minimum formal employment requirements. However, a good proportion of these graduates and national certificate holders are grounded in operating survivalist enterprises.

This argument may be attributable to the fact that survivalists earn tax-free incomes as compared to their counterparts with the same educational qualification. Imagine a formally employed matric graduate who earns say the minimum wage of about R2 254.03 per month but subjected to tax deductions. After the deduction of taxes (UIF), the individual will earn less as compared to a colleague earning the same amount from operating a survivalist enterprise but does not pay the taxes. Therefore, some of the educated individuals running survivalist enterprises may not necessarily be indulging in such ventures because of unemployment but because they can compare and contrast the costs and benefits associated with formal employment as compared to their survivalist enterprises.

All in all, given the fact that survivalist entrepreneurs on average earn slightly more income as compared to employees receiving the minimum wage stipulated in the South African Basic Conditions of Employment Act No. 11 of 2002, particularly focusing on the amendments of sectoral determination 9: wholesale and retail sector in South Africa, many had spent a plausible amount of time (years) while running these enterprises. This is coupled with the fact that even the educated are involved in such businesses. With all considered, it is imperative to conclude that survivalist enterprises are indeed income-generating alternatives for the populace.

### 6.3.2 Objective 2: To explore survivalist enterprises as a job-generating alternative for unemployed people

Literature highlights survivalist entrepreneurs as those running business activities that do not generate employment. Because of this notion, they are perceived as not assisting with reducing unemployment rates.

With unemployment on a vast rise in South Africa, job-generating alternatives are essential in dealing with the rising numbers of job losses. A survivalist enterprise automatically serves as a job-generating alternative for at least the owner or individual who is running it.

The aim of this objective is to explore whether survivalist business should be regarded as a job-generating alternative. The exploration of survivalist enterprises as a job-generating alternative for unemployed people was based on two indicators: *(i)* the educational level of the survivalist entrepreneurs, and *(ii)* the period spent in running the business. As earlier mentioned, analytical results reveal that more than 80% of the respondents had actually spent more than a year in operating their business and that the educational background of the individuals venturing into survivalist business did not play a role in their decision. It was rather the envisaged opportunities, particularly income generation, that such businesses would provide in order to avoid unemployment and poverty, and most importantly to be able to provide for their families

That being mentioned, survivalist enterprises may be perceived as job-generating entities in a sense that they bring on a number of actors/players along the entire value chain of a specific business. For illustration purposes, a case will be considered of street vendors selling food and drinks. A series of jobs that may be created include casual labourers who support the principal entrepreneur at various levels along the value chain. The involvement of family members in the business, which is also highlighted in the reviewed literature, is also proof that others are involved in the business. Despite the fact that all actors along the value chain get a small payment at the end of the day, that particular survivalist enterprise will have contributed towards enabling its causal labourers to get a small income. The key issue to observe in this case is the level of operation of these enterprises. If they can be financed to roll out on a bigger business scale, each of the actors will inevitably earn much more money that is probably commensurate to the minimum wage.

In a similar way, as survivalist entrepreneurs struggle to keep their business afloat, they also indirectly enhance job creation in other sectors/segments of the economy. At a micro-level, take an example of hairdressers who may be operating their business in either a building or a caravan (*see table below*) as depicted by study results.

**Table 6.13: Place of business operation**

Type of business	Place where they operate business from			
	Open area	Caravan	In building	In mobile vehicle
Street vendor (vegetables)	23	7	3	1
Street vendor (Food & Drink)	16	5	6	1
Spaza owner	0	2	0	0
Hairdressers	21	9	6	0
<b>Total</b>	<b>60</b>	<b>23</b>	<b>15</b>	<b>2</b>

For the smooth running of their business, hairdressers will need electricity, water and cosmetics, to mention but a few. The industries responsible for making/supplying such products/services will have to formally employ individuals so as to be able to sustainably meet the demand from customers (hairdressers inclusive). Otherwise, if the sectors do not ably recruit individuals (thereby creating jobs), the grass-root business will fail. In a nutshell, survivalist enterprises are job-generating entities, except that they offer very little wages to the actors.

### 6.3.3 Objective 3: To investigate the characteristics essential to maintaining viability of survivalist enterprises

In order to ascertain the various characteristics required to viably sustain survivalist enterprises, a number of factors/aspects (*viz.* motivation to do that kind of business, availability of financial support, governance issues, and individuals' past experience in running small businesses among others) were taken into consideration. Each of these factors will be explained in detail to reflect how they are vital in enhancing the viability of a given survivalist enterprise.

Correlation results presented in table 6.14 divulge that a sound reason for establishing a survivalist enterprise will greatly play a pivotal role in keeping the business viable despite ups and downs along the way. For instance, although insignificant, results in table 6.14 show

that there is a positive correlation between the period respondents have spent in the current business and the reason for which the business was established to avoid unemployment and poverty.

**Table 6.14: Pearson’s correlation matrix between the various reasons for indulging into survivalist enterprises**

Variable (n = 100)	Mean	Standard error	A	B	C	D	E	F
<b>A</b> To be an independent/own boss (Freedom)	3.48	1.38	1					
<b>B</b> To avoid unemployment and poverty	4.05	1.06	- 0.532* (0.000)	1				
<b>C</b> Advice from other people	1.90	0.86	- 0.194** (0.053)	-0.041 (0.687)	1			
<b>D</b> The need (necessity) to survive	2.18	1.07	- 0.044 (0.667)	-0.253** (0.011)	- 0.139 (0.168)	1		
<b>E</b> Recognition of an opportunity	3.40	1.36	- 0.461* (0.000)	- 0.021 (0.838)	- 0.215** (0.032)	- 0.480* (0.000)	1	
<b>F</b> How long have you been in current business (years)?	3.17	1.69	-0.018 (0.856)	0.022 (0.829)	- 0.198** (0.048)	- 0.148 (0.141)	0.231** (0.021)	1

\* and \*\* denote that correlation is significant at all levels and 0.05 level respectively (2-tailed)

Literally, the results in table 6.14 suggest that if a business is opened up without a clearly laid out motive, chances are high that it may fail (become invariable), hence transforming into a very short period of existence. In this instance, the surveyed survivalist enterprises had been in existence for about three years, an indicator that such enterprises were to some extent viable. The correlation matrix also shows that one’s ability to recognise a business opportunity is a key factor in ensuring the viability of a survivalist enterprise.

A statistically significant Pearson’s correlation value ( $r = 0.231$ ,  $p = 0.021$ ) evidently suggests that a survivalist enterprise is bound to be viable if it is established upon identification of a business opportunity which inevitably transforms into that business surviving for more years of existence. Otherwise, if a survivalist enterprise is opened up in an area or product with demand (opportunity), it will fail to take off, thus being rendered unviable. That being said, recognition of a business opportunity and one’s desire to avoid

unemployment and poverty will in most cases enhance the viability of survival enterprises if the initiators/entrepreneurs have the passion (personal interest in that particular venture).

Empirical findings based on educational background presented in table 6.16 reveal that more than 60% of the respondents concur that personal interest is very essential in ensuring viability of survivalist enterprises.

**Table 6.15: Educational background**

		Educational background		
		Matric	School dropout	National Certificate
<b>Personal interest</b>	Strongly Agree	27	15	11
	Agree	7	6	3
	Neutral	10	5	2
	Disagree	9	3	1
	Strongly Disagree	0	0	1
	<b>Total</b>	<b>53</b>	<b>29</b>	<b>18</b>

Personal interest as a key factor in ensuring the viability of survivalist enterprises may be attributed to the fact that such businesses are conducted under very tough conditions which indeed call for determination and much zeal for the entrepreneur to persevere. Otherwise, without passion, it has been more often seen that individuals give up and let the business collapse.

Notably, matric graduates registered the highest proportion (34%) of respondents agreeing to the relevance of personal interest as a key characteristic, followed by school dropouts (21%) and lastly national certificate holders (14%). The high proportion of matriculants as compared to certificate holders may be attributed to the fact that certificate holders stand a higher chance of being enrolled for formal employment. This probably gives the room to imagine that they (national certificate holders) can move on at any one point in time and do other jobs; hence, this renders survivalist businesses as temporary ventures that could be a foundation for bigger jobs.

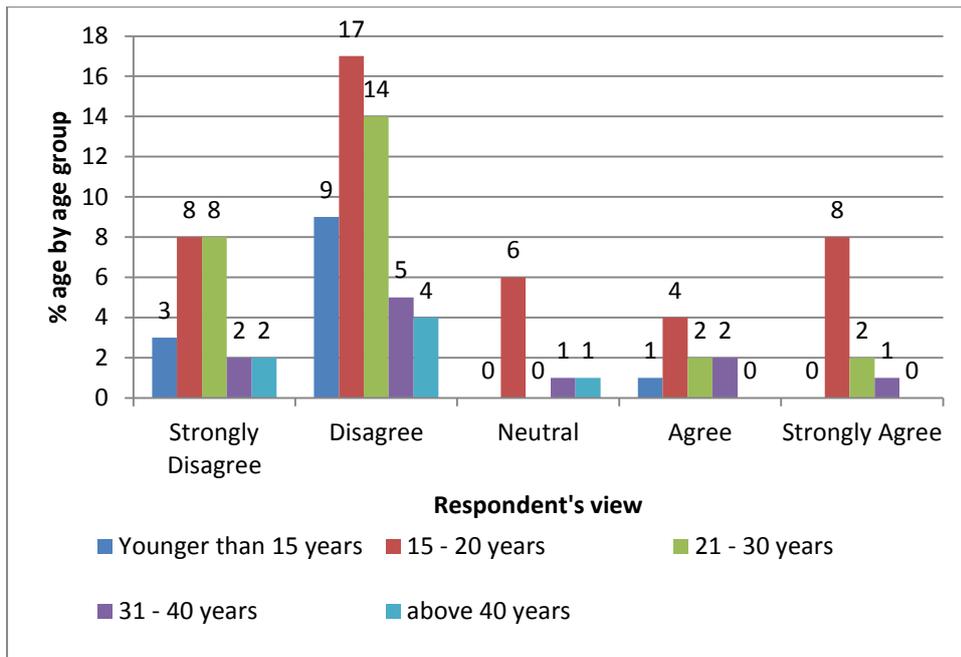
On the other hand, analytical results also reveal that the compatibility of the entrepreneurs' skills and related past experience have a great influence on ensuring the viability of a survivalist enterprise. According to the table 6.16, this argument was well articulated among the matriculants (17%), followed by the school dropouts (10%) and the holders of a national certificate (6%) in that order. This trend can be further explained by the fact that school dropouts and matriculants solely rely on their skills for survival unlike the national certificate holders who could be formally employed on technical grounds.

**Table 6.16: Compatibility of entrepreneurs' skills and related past experience**

Compatibility of the entrepreneurs' skills and related past experience		Educational level		
		School dropout	Matric	National Certificate
Agree		10	18	6
Neutral		18	32	11
Disagree		1	3	1

On the contrary, results presented in figure 6.13 show that the establishment of a viable business may not necessarily be influenced by the family's prior experience in business. Forty-five per cent of the participants reported that a family's exposure in doing business does not matter, probably because many of these survivalist enterprises operate so informally.

It is a common practice to find that a majority of them do not keep business records, a key practice in a formal business. Given that some survivalist enterprises have been viable for some years without necessarily taking into account basic business practices (such as record keeping) that could have been built over time through family exposure, it is reasonable to note that it has little connotation to the viability of a survivalist enterprise.



**Figure 6.13: Respondents' views about the role a family's prior experience in influencing the viability of a survivalist enterprise**

Other factors identified by the respondents include access to financial services through which a survivalist business could be supported. Although most of the respondents had an operational bank account, only 6.25% of these had actually acquired funds from financial institutions to support their enterprises as reflected in table 6.17.

**Table 6.17: Business financed through financial institutions against availability of bank accounts**

		Do you have a personal bank account?		Total
		Yes	No	
Financed business through financial institution	Yes	5	1	6
	No	75	19	94
Total		80	20	100

About 31.3% of the respondents with bank accounts reckoned to have obtained financial assistance for their enterprises from a stokvel. On the other hand, an estimated 12.5% of the respondents mentioned having accessed financial support from family members.

The largest proportion of respondents with bank accounts (66.3%) indicated that they used their own funds to establish their survivalist enterprises. It should however be noted that in some cases, there was an overlap in the sources of funds (some respondents used more than

one source of financing), hence the total percentage slightly exceeds 100 as shown in table 6.18.

**Table 6.18: Self-financed business against availability of bank account**

		Do you have a personal bank account		Total
		Yes	No	
Financed business with own money	Yes	53	10	63
	No	27	10	37
Total		80	20	100

The low proportion of respondents that acquired funds from financial institutions could be attributed to the prohibitive high interest rates charged on bank loans, coupled with the short repayment period during which the loan must be settled and the paperwork associated with acquiring such funding. Otherwise, availability of affordable financial services would greatly boost the viability of survivalist enterprises.

6.3.4 Objective 4: To investigate the need for assistance to the survivalist enterprises so as to become viable in their business activities

There are two angles in tackling the issues of assistance to survivalist entrepreneurs. The first angle is the understanding of assistance to entrepreneurs in such type of survivalist businesses based on what has been documented in the literature. The second angle is the understanding of what these businesses need and require based on their individual experiences; in other words, what they report as required assistance.

Using the former method to assist these businesses has not yet been documented to be effective. The reason for this could be due to the fact that it is only documented on paper and hardly put into practice.

However, adopting the latter method allows for a further understanding on the unique problems that the survivalist entrepreneurs encounter and does not cluster their problems with

those of other segments of the SMME, such as micro-enterprises. As emphasised in reviewed literature, survivalist entrepreneurs require assistance that is different, but urgent.

The study investigated the perceptions of the survivalist entrepreneurs regarding the need for the assistance they require from government and FDIs. Such assistance is needed in order to grow their businesses into opportunity-driven micro-enterprises (discussed in section 6.2.5) and to become legal entities (discussed in section 6.2.6).

When comparing the two, it is clear that financial assistance and registration of the business were considered imperative by the survivalist entrepreneurs, as they were rated as the most important aspects in becoming a legal entity. It was further emphasised that the costs associated with business registration were considered to be unaffordable, thus leading to the need for financial assistance.

The next section will discuss the results of data collected from the finance development institutions operating in the Free State province.

## **6.4 Analysis of data collected from the FDIs in the Free State province**

Sefa was the only FDI that came close to meeting the needs of the survivalist entrepreneurs. The other FDIs that were interviewed did not focus on survivalist entrepreneurs, but focused on assisting profit-orientated businesses. Therefore, the result of the interview with sefa will be discussed in detail below.

### **6.4.1 Small Enterprise Finance Agency (sefa)**

Sefa is relatively new in the industry, as it was established and launched in 2012. Nevertheless, it was formed from the amalgamation of other finance development institutions, namely, Khula, the South African Micro-Finance Apex Fund (SAMAF) and the Industrial Development Corporation's (IDC's) small business funding portfolio, which had all been in existence for many years and therefore have had vast experience in the finance development industry. Sefa's reviewed information was obtained via the Internet and documents collected at the sefa offices in Bloemfontein.

Thus far, sefa is the only FDI which indicates assistance to all SMMEs, including survivalist entrepreneurs. Therefore, sefa recognises the survivalist entrepreneurs as part of the SMMEs in South Africa.

During the review of sefa's secondary literature, the following issues which were marked as critical were identified by the researcher:

- The lack of clarity on lending products targeted at survivalist entrepreneurs. Comparison of the information supplied under the "direct lending products", which was clearly explained on both their brochures and particularly targeted at the micro, medium and small business (which excludes the survivalist entrepreneurs), and the "wholesale lending products", which are targeted at the survivalist entrepreneurs, highlighted lack of clarity about what the "wholesale lending products" entailed.
- Marketing of the available service to the survivalist entrepreneur is considered by the researcher to be poor. This is simply because the information is accessible on the Internet and pamphlets provided at the offices. On that basis, it is not easily accessible to the survivalist entrepreneurs in their area of operation. Furthermore, the

language used to explain what sefa and how sefa can assist the survivalist entrepreneur is not easy to understand.

- Sefa does not further elaborate on the procedure to be followed by particularly the survivalist entrepreneur in accessing the financial assistance. This means that it is not clear as to what documentation is required from the survivalist entrepreneur, the entry and exit criteria used in allocating funding, and the duration of funding.

#### *Outcome of the interview with sefa*

The interview took place at the sefa offices in Bloemfontein. Three officials employed by sefa were interviewed for clarity. It became clear to the researcher that the term “survivalist entrepreneur” was differently interpreted by the three officials. Sefa offers support to micro-enterprises only if they are registered, thus indicating that it does not necessarily accommodate survivalist entrepreneurs who are regarded as operating informal businesses. Furthermore, the assistance provided to the micro-entrepreneur comes in the form of a loan, which has to be repaid with interest within a set time period.

#### 6.4.2 Free State Micro-Enterprise Support Programme (FSMESP)

Although not part of the study, the Free State Micro-Enterprise Support Programme is a programme that is run by the Free State Department of Economic Development, Tourism and Environmental Affairs. It was set up towards the finalisation of the research study. Its main aim is to provide assistance to micro-enterprises within the Free State province in the form of grants. However, the assistance and/or support is not provided in monetary terms but through the purchasing of essential equipment needed to keep the micro-enterprise viable.

The above-mentioned programme is said to target “the micro-enterprise sector, as well as cooperatives. It also caters for the youth, women and people living with disabilities who are micro-entrepreneurs”. The rationale for this programme is “premised upon the challenges that micro-enterprises face when trying to access finance”.

During the review of the FSMESP's secondary literature, the following issues which were marked as critical were identified by the researcher:

- The programme targets both survivalist and opportunity micro-entrepreneurs. However, there is no distinction as to the difference in characteristics of the two segments.
- There is lack of clarity pertaining to the entry and exit criteria for the grant receiver. No clear structure as to how the field workers are to identify the parties who qualify for the grant.
- Not a clear indication of how the monitoring and evaluation will be carried out.
- No clear set of expected outcomes from the programme.

#### *Outcome of the interview with the Free State Micro-Enterprise Support Programme*

This programme is currently the only programme that supports the survivalist entrepreneurs within the Free State province. However, it seems to have many loopholes as to its rolling out and implementation.

During the interview, it became clear to the researcher that the issues identified in the reviewed literature prior to the interview are indeed issues that the programme is not attending to. However, it is the only programme that offers support to the survivalist entrepreneurs within the province and does not require repayments. However, it had not yet been rolled out and there was no evidence of it being effective.

The next section consists of a formulated conceptual framework. The conceptual framework is formulated from the summary of both the empirical and theoretical data that has been collected during the process of the study. A conceptual framework is defined as “an analytical tool with several variations and context. It is used to make conceptual distinctions and/organize ideas. Strong conceptual frameworks capture something real and do this in a way that is easy to remember and apply” (World Bank Group, 2008). In other words, it is a theoretical structure of assumptions, principles and rules that hold together the ideas comprising a broad concept. A conceptual framework will assist in indicating how one issue led to another, thus making it easier to understand the factors that contribute towards the characteristics of the survivalist entrepreneurs and their businesses, therefore making it easier to identify ways of assisting them.

## 6.5 Conceptual framework of survivalist entrepreneurs

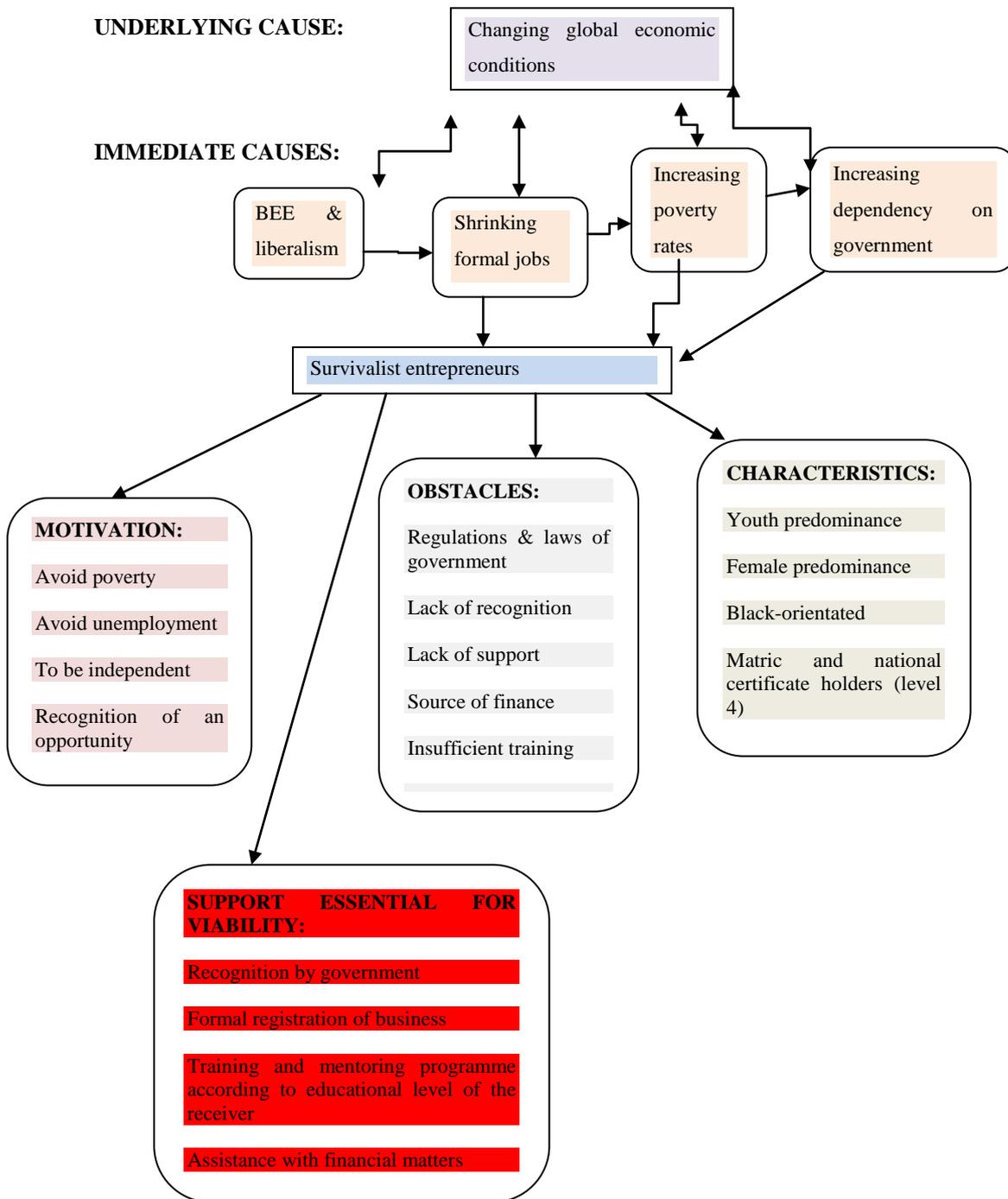


Figure 6.14: Conceptual framework for survivalist enterprises

The formulated framework for the survivalist entrepreneurs is based on the findings from the study. It highlights the major issues and how they have an effect on one another, thus influencing the survivalist entrepreneur and their activities.

The changing global economic conditions are the underlying causes which lead to various factors that directly or indirectly lead to the development of survivalist enterprises. These include the shrinking formal economy and increasing poverty rates, which both directly increase dependency by the people on their government for support in order to survive.

Literature has indicated informal sector growth of 12.8% against formal sector growth of only 0.2%, particularly in the Free State province (Stats SA, 2011). This indicates the vast growth of informal business against the weakening formal employment by sectors such as government.

The Free State unemployment rate has increased over the past years and is at 39% according to Free State Treasury report of 2013. Furthermore, 50% of people in the province rely on government grants (Free State Treasury report, 2013).

Policies such as BEE have also played a role in pushing the less fortunate people into survivalist entrepreneurship, as they catered for the already established businesses, thus creating a bigger gap between the formal and informal businesses. These factors are referred to as the immediate causes that push an individual into survivalist entrepreneurship.

The study also highlighted that the characteristics of the survivalist entrepreneurs as indicated by reviewed literature have evolved with time. This is proved by the fairly educated youth predominance in this type of business (53% with matric, 18% with a national certificate and only 29% of school dropouts).

Reviewed literature highlighted the uneducated masses as the predominant group in this form of business; however, the study revealed that the educated (level 4 as per the South African Qualifications Authority) have also with time become survivalist entrepreneurs, mainly pushed by the lack of formal employment. Youth predominance in this type of business is another factor that is on the vast increase due to lack of formal employment. Of the study participants, 82% was made up of those under 30 years of age.

Being majority black owned (70% of the study participants) and female run (60% of the study participants) are characteristics that are found to be common with the reviewed literature. This is an indication of the need by majority females to support their families and to cushion them from the effects of increasing poverty rates.

The study supported the reviewed literature in terms of motivation. It indicated the common motivational factors amongst the survivalist entrepreneurs to be avoidance of poverty, avoidance of unemployment, and the need to survive. These three factors are seen as push factors that are similar to the immediate causes that push an individual into survivalist entrepreneurship.

The need for independence and the recognition of an opportunity, which are the other two motivational factors revealed by the study, are regarded to be the pull factors. However, these pull factors only apply in formal business as per reviewed literature.

Regulations and laws by the government which was a common identified obstacle has over the years not changed, as it is also documented in the reviewed literature. The study highlighted the registration into a formal business to be time-consuming and expensive. However, lack of recognition and lack of support by the government were found to be of greater concern by the survivalist entrepreneurs.

Source of finance and inadequate training were also mentioned. However, the source of finance was not prioritised as a main obstacle, as the businesses required little capital.

Support that was perceived by the survivalist entrepreneurs as essential for their business viability included assistance with the formal registration of the business, which was reported to be expensive and time-consuming. Knowledge of the market in which one is trading was considered vital in becoming a viable business and eliminating competition.

The number of years in business, i.e. years of experience, was also rated imperative in becoming a viable business. This is because it meant knowledge of the environment as well as of clients.

The level of education was also seen as an important aspect towards viability by the survivalist entrepreneurs who participated in the study. Product differentiation was also mentioned as an important aspect to reduce competition by some of the participants; it was however not regarded as essential by the majority of the participants.

## 6.6 Chapter summary

The empirical results have enabled the researcher to identify some characteristics that were normally associated with survivalist entrepreneurs to have changed. This is an indication that the characteristics of survivalist entrepreneurs have evolved with time into characteristics that were particularly associated with opportunity-driven businesses in the past. Examples being independence as a motivational factor and the educational backgrounds of the survivalist entrepreneurs who took part in the study.

From the researcher's perspective, this can serve as proof that the characteristics associated with survivalist businesses have improved with time and/or also that they have been under-reported over the years. This indicates lack of enough research in this field of study.

However, the empirical results concerning the characteristics of the survivalist entrepreneurs could not be categorised according to their level of importance. In other words, the researcher was not able to measure the support required according to their level of importance in order for the survivalist business to be viable. Therefore, it is deduced that recognition by government, formal registration of business, training and mentoring according to the level of education and assistance with financial issues are all equally important in assisting a survivalist business to become a viable, opportunity-driven, profit-orientated business. Further studies in this regard are also recommended as being essential.

Recommendations and the conclusion are discussed in detail in the next chapter. The recommendations and conclusion will be established from all the factors discussed in all the past chapters of the study, including both theoretical and empirical data, and using it to develop a support framework which will assist the survivalist businesses to become viable in their business activities.

## **CHAPTER 7: RECOMMENDATIONS AND CONCLUSION**

### **7.1 Introduction**

The study focused on understanding the survivalist entrepreneurs and entrepreneurship within the Free State province. The uniqueness of the study was being able to understand all the factors affecting survivalist entrepreneurs in their businesses, as indicated by the survivalist entrepreneurs within the province.

The main aim of the study was to be able to understand what assistance the survivalist businesses need in order to become viable businesses. This would be achieved by assisting a survivalist business to become a formal, registered, opportunity-driven, profit-orientated business. By understanding their needs and comparing with literature, the gaps could be established and ways of filling the gaps suggested.

The penultimate chapter expounded on the empirical research results of the study. The aim of this chapter is to give a summary of the main theoretical and empirical findings and then recommend ways of filling the gaps that were identified within the study.

This was achieved after analysing and comparing the results of the study with the reviewed literature, thus allowing new information to fill the gaps and coming up with recommendations as to how the primary objective of the study could be met. In other words, the idea is to develop a support framework focused on assisting the survivalist enterprises within the Free State province to become viable in their business activities.

### **7.2 Summary of the theoretical findings**

The reviewed literature describes a survivalist entrepreneur as an uneducated individual (a school dropout) who is pushed into business by unemployment and poverty. The survivalist business is described as unprofitable, informal, unsustainable and as a buffer to poverty and unemployment. Put differently, the business is a means of just providing for a family, while it generates minimal income and no contribution to the economy as such.

Furthermore, the barriers to entry for such a business are described to be low, thus making it easy to start up a survivalist enterprise that is unfortunately exposed to poor trading conditions and environment. The environment of trade is also overcrowded and exposed to increased competition by business owners who sell similar products to the same customers

without even worrying about the quality of the product sold and/or differentiating their products in order to become more competitive.

Government recognition of such businesses is extremely low, as these businesses are seen as left over from the previous era that is disappearing (modernisation perspective). Their role in absorbing poverty and unemployment, as well as reducing dependency on government for support, is not recognised. Their ability to provide an employment opportunity to the owner as well as their contribution to the local GDPs of their respective countries is also ignored.

The foregoing paragraph formed the main reason for the study to be undertaken. This was achieved by investigating factors that influenced the survivalist business from the owners' perspective. The study results revealed findings that differed from the reviewed literature, and thus contributed towards emerging information that will update the existing literature.

### **7.3 Summary of the empirical findings**

The results of the empirical findings indicated that the youth with level 4 qualifications as per the South African Qualification Authority (SAQA) have also begun to trade as survivalist entrepreneurs due to lack and/or insufficient formal employment. The study comprised 81% (60% matric and 21% national certificate holders) of participants with level 4 qualifications, which are regarded as the minimum entry requirements for formal employment in South Africa.

Additionally motivational factors that are regarded as pull factors which apply only to formal business were identified as factors that motivated some of the participants to start their own survivalist enterprises. These are "recognition of an opportunity and the need to become independent (own boss)". This is indicative that some of the survivalist entrepreneurs might have the characteristics associated with those of formal business owners.

In South Africa, support provided to survivalist businesses that are characterised according to the theoretical literature is only documented on paper, and not available in practice. These informal businesses continue to be run in poor trading environments, with low barriers to entry. Of the study participants, 63% had no access to refuse removal, 80% had no access to sanitation and 60% had no access to clean water.

The results also indicated that the majority of the participants chose to trade in sectors that they had accumulated experience in. This suggests possible background knowledge about the service they are rendering.

Factors that addressed issues pertaining to competitive advantage of an individual business such as product differentiation and quality of the products being sold were also practised by some of the participants, although not considered to be essential by the majority of the participants. Product differentiation and product quality consideration are characteristics that are associated with formal business by the reviewed literature.

Furthermore, the businesses had been operating for long periods and the owners were adamant to keep them running as they were able to generate an average income that is more or less in line with the set minimum wage for the wholesale and retail sector in South Africa as per Basic Conditions of Employment Act No. 11 of 2002, particularly focusing on the amendments of sectoral determination 9. These were other findings that contradicted reviewed literature, which highlighted a survivalist business as a short run business that does not yield much as its income is reported to be below the set poverty levels and standard of living of a respective country.

The contradictions found between the reviewed literature and the empirical findings are an indication of a gap in research in this type of business. In other words, there is not enough research in the survivalist enterprise segment particularly focusing on the changes in trends and characteristics of these businesses with time.

Table 7.1 is a comparison of the theory and empirical findings from the study. It highlights the similarities and differences in findings from the reviewed literature and the study results. The new information discovered during the study serves as new information that can be used to update the existing literature, and thus contribute by providing information that will enhance assistance towards survivalist enterprises.

**Table 7.1: Comparison of the theoretical and empirical findings**

	<b>THEORETICAL FINDINGS</b>	<b>EMPIRICAL FINDINGS</b>
<b>Educational background</b>	School dropouts	Majority with matric and national certificate (level 4 qualifications)
<b>Age group</b>	Older persons	Youth predominance
<b>Motivation</b>	<i>Push factors:</i> increasing poverty and unemployment rates	<i>Push factors:</i> increasing poverty and unemployment rates <i>Pull factors:</i> recognition of an opportunity and to become own boss
<b>Characteristics of business</b>	<ul style="list-style-type: none"> <li>• Lack and/or insufficient support by respective governments</li> <li>• Low recognition of existence</li> <li>• Poor trading conditions in and around trading environment</li> <li>• Low barriers to entry, which lead to easy-to-start-up businesses</li> <li>• Operating in overcrowded market “niches”</li> <li>• Little capital requirements due to low barriers to entry</li> <li>• Mainly female owned and run</li> <li>• Price-driven without worrying about quality of products sold</li> <li>• Increased competition in trading areas</li> </ul>	
<b>Differentiation</b>	No product differentiation	Some product differentiation, although not considered essential
<b>Income</b>	No income. Living below the set poverty rate and minimum wage standards of their respective country	Average above the set minimum wage for wholesale and retail sector in SA
<b>Experience</b>	No prior experience	Prior experience available, but not considered essential
<b>Theorisation</b>	Modernisation perspective, which resulted in low recognition by governments	A combination of the structuralism and neo-liberal perspective
<b>Reason to stop business</b>	Any type of employment (permanent and temporary)	Will continue to trade even if employed

Table 7.1 indicates similarities in some of the characteristics of the survivalist enterprises between the then (theoretical findings) and now (empirical findings). As further highlighted by the study, the similar characteristics are those mainly pertaining to the trading

environment as well as those influenced by the trading environment, such as increased competition and poor quality of the products being sold. Most importantly, these are characteristics that cannot be changed by the owner without government's intervention, hence the need to assist these businesses. Through assistance, these characteristics will improve for the better.

The spotted differences between the theoretical and empirical findings indicate changes in trends and characteristics of the survivalist business over time. Fortunately, the changes have been positive, thus indicating the ability of the survivalist enterprises to change for the better if provided with the right assistance.

The evolution of the survivalist enterprises with regard to the educational qualifications of the owner, the ability to generate an income, as well as the positive motivational factors into starting a business, should be recognised as factors that can contribute positively in the process of assisting the survivalist enterprises to become viable in their business activities.

#### **7.4 General recommendations**

The recommendations to follow are based on a combination of the theoretical findings and the empirical findings. The recommendations are formulated and discussed in order to assist in improving the identified obstacles and perhaps the ignored factors that pertain to the survivalist entrepreneurs. This is done in order to assist the businesses of the survivalist entrepreneurs to become viable business entities while recognising their impact and contribution to the GDP.

The recommendations will be subdivided and discussed according to the order of the set objectives, discussing objective one and two simultaneously, followed by objective three, four and five. The general recommendations to the local municipalities, the government and finance development institutions will also be mentioned.

##### **7.4.1 Objectives 1 and 2**

- To explore survivalist enterprises as an income-generating alternative for unemployed people.
- To explore survivalist enterprises as a job-generating alternative for unemployed people.

When analysing objectives one and two in the previous chapter, it became evident that some of the survivalist enterprises have the potential to be classified as a form of business. Despite being ignored by the government, these businesses are currently generating both income and jobs for those who are running them.

The above facts, which have been proven by this study, are in contrast with the reviewed literature, which highlights the survivalist enterprise as a business that is unable to either generate income or jobs. Despite the misinterpretation by literature, this type of business allows at the least the owner to have a job, which means an opportunity to have a source of income in order to support their families and to cushion them from the adverse results of poverty and unemployment. This has resulted in the gradual increase in the number of individuals who opt to become survivalist entrepreneurs. Naude and Havenga (2007) also indicate that there is an opportunity to make income and to have a job in this type of business, i.e. survivalist business.

Furthermore, the study also highlights the role of family in assisting with the running of the business. This is fact that has been highlighted by reviewed literature, which pointed out that survivalist enterprises are mostly family run businesses and therefore have a positive contribution towards the cushioning of family members from unemployment and poverty, even if not on a permanent basis.

The concept of being able to generate a job for an individual owner should have been recognised even in literature. However, it is constantly slammed by literature, perhaps in order to discredit survivalist enterprises as a form of business. Concurrently, the presence of different theories on the formation of survivalist enterprises could have possibly influenced the literature as many viewed the survivalist enterprises as either an old informal practice that originated in the previous era and is disappearing (modernisation perspective).

However, the results of the study point out that the survivalist businesses are more prone to be influenced by a combination of mainly the structuralism perspective, which views the survivalist business formation as growing rather than contracting, due to the emergence of the deregulation (neo-liberal) open-world economy that affects the current labour standards. The neo-liberal perspective simply implies that the survivalist entrepreneur would choose his business as an alternative to a formal business. In other words, they are pushed into their business as an alternative to formal employment due to the shrinking numbers of formal employment.

The mean monthly income earned by survivalist entrepreneurs as depicted in table 6.9 is R2 633.00 per month, which is slightly more than the average minimum wage rate of R2 254.03, which is stipulated in the Basic Conditions of Employment Act No. 11 of 2002, especially when focusing on the amendments of the sectoral determination 9 for wholesale and retail sector in South Africa (Department of Labour, SA, 2014).

Furthermore, the Pearson correlation matrix between various reasons for indulging into survivalist enterprises as depicted in table 6.12 concludes by indicating that the majority of survivalist entrepreneurs are generating income by which they survive and by which they are able to avoid and/or cushion themselves and their families from poverty and/or unemployment.

The findings mentioned above are supported in a study conducted in South Africa by Rolfe et al. (2010). The study investigated the viability of informal micro-enterprise in South Africa. It proved that the survivalist businesses allowed the owner to reach a minimal standard of living. The average salary of the participants in the study was close to the urban minimum wage of R1 067.00 and above the R866.00 minimum wage set for rural areas.

The findings of both the current study and the study highlighted above contradict the reviewed literature. Reviewed literature refers to survivalist entrepreneurs as living below the set poverty rate levels of their respective countries and unable to have a minimal standard of living.

The fact of the matter remains that despite the various theorisations of survivalist enterprises as well as contrasting literature, survivalist enterprises are contributing to the local GDP and growing in numbers. Most importantly, they are in need of assistance in order to become viable in their business activities. Therefore, ignoring their existence will not make them disappear, but will lead to misinterpretations about their contribution to the South African economy at large.

Having said that, it is recommended that survivalist enterprises be recognised by the South African government for their contribution to reducing unemployment and poverty and their role in the local GDP. Government's recognition should be in the form of methods to assist the survivalist businesses into becoming legally registered enterprises which are viable in their business activities.

#### 7.4.2 Objective 3

- To investigate the characteristics essential to maintaining viability of survivalist enterprises.

The study focused on the survivalist entrepreneurs, a segment of business which is not recognised by the government and all established institutions. Therefore, literature pertaining to the survival of the businesses of survivalist entrepreneurs is hard to come across. However, in the study, information was gathered from the survivalist entrepreneurs so as to be able to assist them in a manner that would address their current needs and have a positive impact on their businesses and the growth thereof.

From the perspective of the survivalist entrepreneurs, characteristics that are considered to be essential in order to maintain viability included, most importantly, to be legally registered as a business in South Africa. However, this process was regarded as an unaffordable and time-consuming procedure.

Although formal registration was emphasised as imperative, some of the survivalist entrepreneurs believed it would not assist them as it was meant for businesses that are “ear-marked” to benefit from the black economic empowerment policy.

In order to address the above issue, it is recommended that assistance with regard to the registration of a business be provided by government and/or allocated institutions. Financial assistance with regard to registration of a business is vital as it was reported by the participants to be an expensive and time-consuming process (Van Zyl, 2014).

The cost associated with such a process is termed compliance cost. According to the Department of Trade and Industry, SA (2012), compliance costs are costs charged towards a business in order to comply with the regulations and administrative procedures within South Africa. This will include the time spent on understanding the rules and complying with them as well as the fees that have to be paid to service providers. Therefore, for a survivalist entrepreneur, this process becomes a time-consuming, expensive exercise that they cannot afford to undertake (Van Zyl, 2014).

An FDI that would exclusively deal with issues pertaining to survivalist businesses should be established. The aim of this institution should be to assist these businesses to become viable through legal registration procedures and also addressing issues that affect such businesses as

depicted in figure 7.1. The FDI would also serve as a liaising office between the survivalist business and other institutions such as the municipalities in which the business operates.

Matters such as location of the business and provision of essential resources should be communicated with the local municipalities by the affiliated FDI on behalf of the survivalist business. This will allow for proper record keeping of activities (steps) that are essential in assisting the survivalist business to be viable in its business activities, which will be utilised in further research in survivalist business and to measure progress of the survivalist businesses going forward.

Knowledge of the market as well as differentiation of products, which were also considered by the survivalist entrepreneurs to be important characteristics in maintaining the viability of a business, should be handled strictly through a training programme for survivalist businesses. The training should be suitable for the target group and address the needs of the group thoroughly. Furthermore, mentoring should continue even after the business has been legally registered and set up. The recommendations for training will be given in detail when discussing the recommendations under objective four.



**Figure 7.1: Recommended responsibilities of the Finance Development Institution (FDI) for survivalist businesses**

Research into survivalist businesses is imperative in order to understand how these businesses are evolving and their needs in particular in order to improve the viability of the survivalist business and to maintain survival of the newly converted legal business. This would also fall under the responsibilities of the established FDI as depicted in figure 7.1.

#### 7.4.3 Objective 4

- To investigate the need for assistance to the survivalist enterprises so as to become viable in their business activities.

The survivalist entrepreneurs regarded legal registration, training and financial assistance as areas that they require assistance in, in order for them to become viable in their business activities.

As indicated in the discussion of objective three, it is recommended that one FDI be set up that will deal exclusively with survivalist entrepreneurs. This institution would also attend to the registration process as well as the costs associated with this registration process. The FDI would also keep record of the numbers of survivalist businesses that are legally registered and their progress going forward, hence building a database of information.

Training in aspects that affected the survivalist entrepreneurs directly was also an issue that could secure viability of their businesses. This training should incorporate both theoretical and hands-on training. According to Orford et al. (2004), entrepreneurship teaching is a way of improving the individual capabilities and skills needed to start a business. The degree of entrepreneurship is dependent on innovativeness, risk-taking and proactiveness (Isaacs et al., 2007). Therefore, the training provided to the entrepreneurs should address all three of these issues.

When addressing training, it is imperative that the topic/subject of training be suitable and, most importantly, be structured in a manner that is understood by its audience. In addition, it should cultivate an entrepreneurial outlook and enable the entrepreneurs to operate viable businesses. According to Luthje and Frank (2002), there should be a positive correlation between the training and business creation.

Survivalist entrepreneurs who undergo training should be divided into two groups: those with either matric or a national certificate (level 4) and those who do not have. According to Rolfe et al. (2010), the business owner's educational attainment can influence both the start-up rate

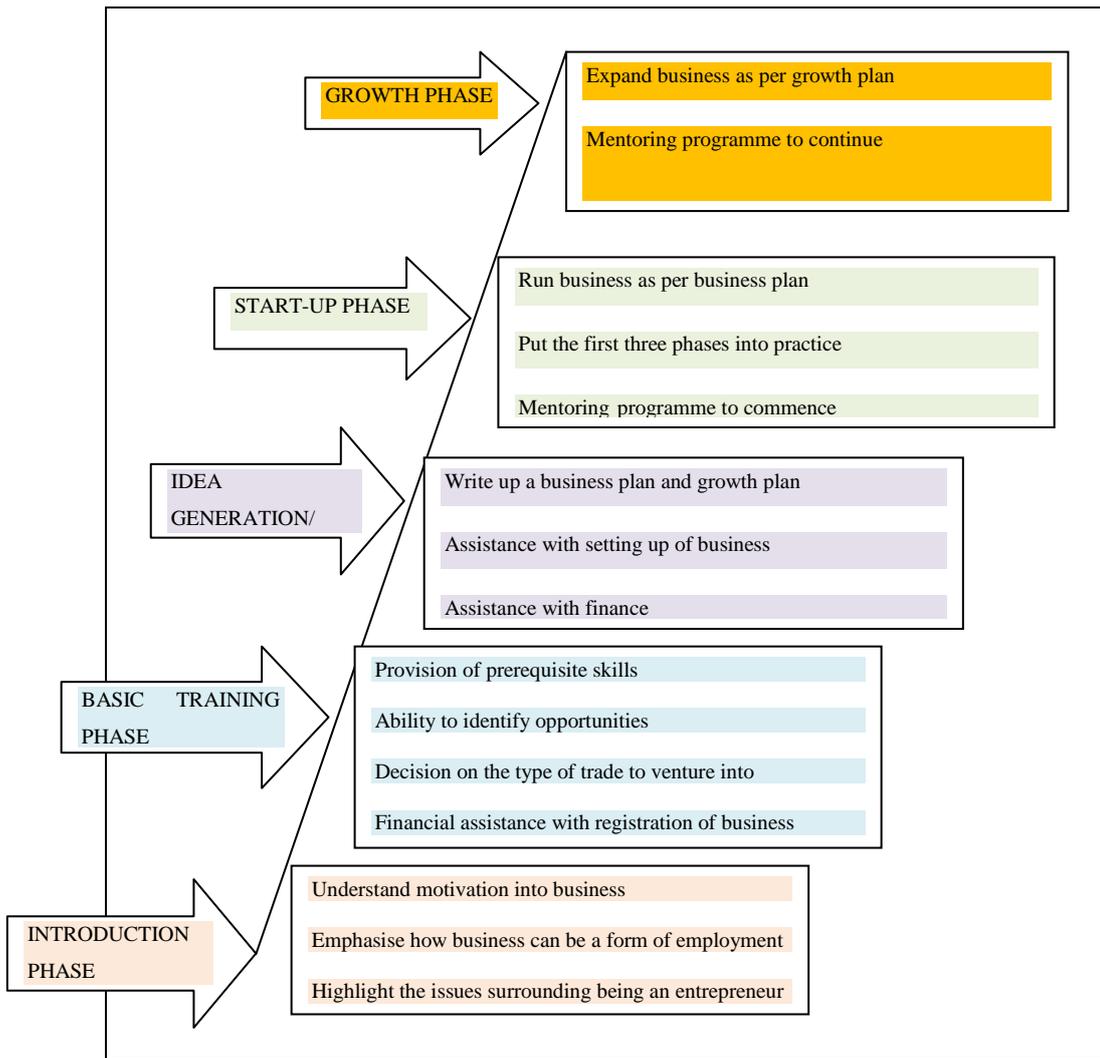
as well as the success of the business. In their empirical analysis, the minimal education variable assigned a value of one to owners without level 4 qualifications, thus suggesting that those without level 4 qualifications are unlikely to have the ability to nurture success in their businesses.

Orford (2004) indicates that higher levels of education correlate with business survival; therefore, the training provided to the group with level 4 qualifications should be recognised by SAQA as part of further training. It should be structured in a manner that will allow them to expand their business at a later stage.

Training for the other group without level 4 qualifications should be structured with the aim of expanding on the knowledge that is essential in their current businesses. This will increase confidence in their business and reduce chances of closing businesses. In other words, it should consist of a practical application and common sense approach to acquiring the necessary skills to grow the business successfully (Bolton & Thompson, 2004).

Training should be continued in the form of a mentoring programme once the registered business is running. This will assist in keeping the business viable by addressing problems that might be encountered post registration.

Figure 7.2 is a presentation of the recommended phases of training for the survivalist entrepreneurs in order to assist them in becoming viable in their business activities.



**Figure 7.2: Recommended training phases for the survivalist entrepreneur to become viable in the business activities**

The training should be separated into five phases:

#### I. Introduction phase

The aim of this phase will be to introduce all the survivalist enterprises into the training programme. Their motivation into becoming entrepreneurs will be understood in order to assist them towards their set goal. Emphasis will also be placed on how business can be a form of employment. The positive and negative factors that affect entrepreneurs will also be highlighted. Ladzani and van Vuuren (2002) highlight that motivational factors of the entrepreneurs should also be looked into during their training session as not all business owners are keen to become entrepreneurs.

#### II. Basic training phase

Provision of the prerequisite skills in entrepreneurship such as creativity, budget, pricing, ability to identify opportunities and competition will be emphasised. They will also be linked to business skills so as to emphasise the role of the entrepreneur in the economy and how their activities contribute to the country as a whole. During this phase, the entrepreneur will also be assisted in making a decision as to the type of trade they want to focus on. Financial assistance with the registration of their business will also take place during this phase. According to Ndendi (2009), entrepreneurship training can complement the early stage awareness-raising function of entrepreneurship by providing skills required when ready to set up a business.

#### III. Idea generation/creativity phase

The business plan will be drawn up. It is vital that the entrepreneur fully becomes part of this process, as he/she will have to adhere to the plan. Amongst the group who have level 4 qualifications, a growth plan will also be included, which will indicate the direction they want to grow their business in once it starts running. The entrepreneur will be assisted to set up a business and to acquire funding. According to Bolton and Thompson (2004), entrepreneurship training should cover the areas from economic development to business plan preparation; entrepreneurship should be taught as an activity with the main focus on the preparation of a viable business plan,

and the potential of the potential entrepreneurs should be enabled/enhanced by the training (creativity).

#### IV. Start-up phase

The business will be run according to the business plan. Information gathered in phases 1, 2 and 3 will be put into practice while mentoring the newly formed businesses.

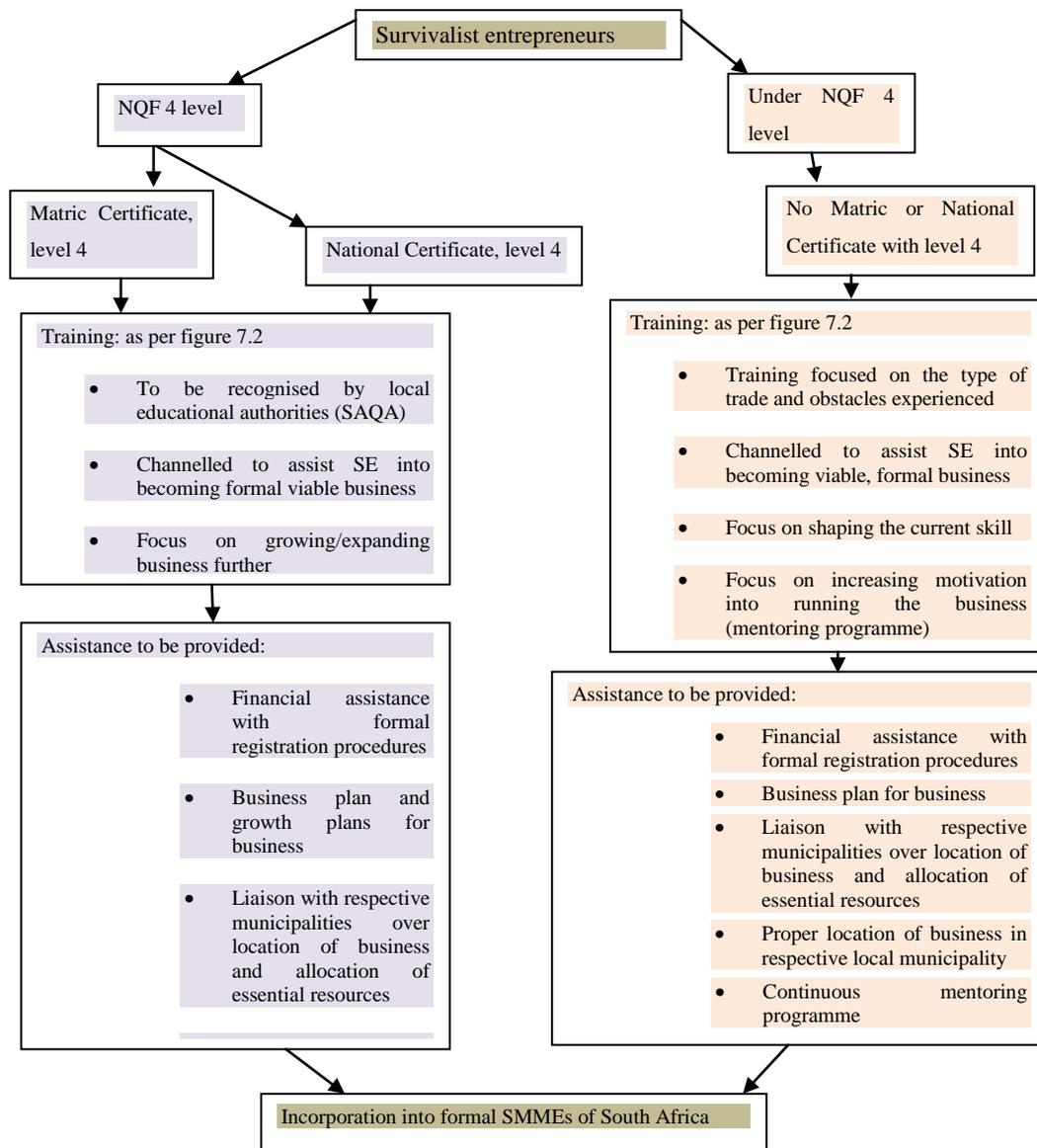
#### V. Growth phase

This phase will apply for the group with level 4 NQF qualifications. They will be assisted to grow their business according to their growth plan. The mentoring process will continue into the growth phase as well.

#### 7.4.4 Objective 5

- To develop a support framework to assist the survivalist enterprises within the Free State province to become viable in their business activities.

## RECOMMENDED SUPPORT FRAMEWORK FOR SURVIVALIST ENTREPRENEURS



**Figure 7.3: Support framework to assist the survivalist enterprises within the Free State province to become viable in their business activities**

The support framework is a developed guideline that can be used in order to assist the survivalist enterprises within the Free State province to become viable in their business activities. It was developed based on the results of the study and is the final step in meeting the main objective of the study.

The study indicated that survivalist entrepreneurs have varying needs according to their age groups and educational background. Therefore, they should be assisted independently from the rest of the SMMEs of South Africa.

The formulated support framework needs to address the needs of these groups separately in order to assist them to become viable businesses. Moreover, the survivalist entrepreneurs are subdivided into two groups based on their educational backgrounds.

The subdivided groups would include the group with matric and national certificates or above, weighing level 4 according to SAQA and the group with less than level 4 qualifications. Further segmentation according to educational background is vital as it will allow for training to be developed according to the level of understanding in order to have a positive, valuable impact. Furthermore, the training provided to the group with level 4 qualifications should be recognised by the local educational authorities as part of further training.

Training provided to the group without level 4 qualifications should focus on their current training needs. In other words, they can focus on improving on the particular type of trade. However, the training should be structured in a way that will enable them to run a formal business.

The government should also provide financial assistance with the registration procedure of these businesses. Furthermore, a well-structured and comprehensive business plan should be compiled. The compilation of this business plan should mainly be the responsibility of the owner of the business. The owner should be able to understand the procedures as set out in the business plan and most importantly own the business ideas and plan.

The group with level 4 qualifications should also compile a growth plan, a plan of how they plan to grow their business. Once again, this plan should be fully owned and understood by the owner of the business. Once both the business and growth plan have been compiled by the youth segment, the government should assist them financially to bring their plan to live. Concurrently, continuous monitoring should be put into place even after the business is up and running.

Collaboration with local municipalities is essential in order to place the various businesses in different locations within their respective districts so as to reduce competition and to ensure availability of resources such as clean water and sanitation in the area of trade. This will spread trade in one product and prevent increased competition in one area, while allowing the owner to benefit from the sales made.

These proposed improvements will allow the newly registered entrepreneur to be recognised as an opportunity entrepreneur within the SMME sector of South Africa, thus increasing the number of survivalist entrepreneurs who mature into legally registered business. The benefit of this is that this entrepreneur will contribute to the GDP of his/her respective municipalities and South Africa.

#### 7.4.5 Recommendations to the district municipalities

The findings indicated similarities within the five districts with regard to the conditions surrounding the business of the survivalist entrepreneurs, such as access to essential services, types of trade, motivation, characteristics and obstacles. This uniformity of results from all the five districts under study allows for uniformity in assistance to be provided within the various districts.

Lack of access to essential resources by survivalist entrepreneurs is regarded in literature as one of the issues which lead to failure of the business. In this study, 60% of the participants were trading in an open space, which meant that they were disturbed by various circumstances including unforeseen weather conditions.

Unavailability of storage facilities for the survivalist entrepreneurs (54% of the participants) is an obstacle that can also be dealt with through the local municipalities. By availing storage facilities for the entrepreneurs who are known and registered by the municipality, it will allow for better stock keeping and reduce wastage.

Providing a properly structured area of trade for the survivalist entrepreneurs will benefit both the survivalist business as well as the government. This will simply ensure that trading is not halted on bad weather days, while also ensuring better interaction with the respective customers. Competition amongst the survivalist entrepreneurs could also be reduced by placing similar trades in different areas.

The local government will also benefit as they will be able to keep order around the trading areas. Furthermore, and most imperative, they will be able to keep record of the survivalist entrepreneurs who are trading in a particular area of trade. It is of paramount importance to be able to keep the statistics of the survivalist entrepreneurs so as to be able to understand and know their numbers, keep record of their obstacles, understand their trading patterns, and also understand how they contribute to the respective local GDPs.

This will also enable further research in the field of survivalist entrepreneurs, as information will be easily accessible through the records of the local government. Currently, information pertaining to survivalist entrepreneurs is very limited and varies from one party to another. Therefore it is vital for local governments to organise the information so as to allow further research and to assist the existing survivalist entrepreneurs.

#### 7.4.6 Recommendations for the South African government

The White Paper on the Development and Promotion of SMMEs in South Africa emphasises the existence of the survivalist entrepreneurs as a segment of the South African SMMEs, as well as their urgent need for assistance. Moreover, various institutions were developed in an attempt to assist the SMMEs within South Africa. Nonetheless, the assistance has become focused on the profit-orientated SMMEs, thus discarding the survivalist entrepreneurs who depend on their business for survival with little hope of generating a profit. Additionally, the assistance to the SMMEs in general seems to be scattered, and because of that, it duplicates itself. Another issue is its lack of proper coordination mainly due to lack of understanding of the needs of the survivalist in particular.

In institutions that cater better for the survivalist entrepreneur, there seems to be inadequate monitoring of the running of the programme. This is coupled with performance standards that are not yet thoroughly established.

As indicated in objective three, it is recommended that an institution with the sole aim of assisting the survivalist entrepreneur in particular be created. This institution should be allocated adequate resources to perform its functions throughout the country, with a mandate of formulating policies that are suitable for the characteristics of the survivalist entrepreneurs and enterprises and with the main aim of assisting the survivalist business to become a more viable business by shifting it into a registered, legal business.

The institution should be able to incorporate both financial and non-financial assistance in their mandate. This has to be carried out in both the pre- and post-assistance stages. To put it differently, the survivalist entrepreneurs that are assisted should be thoroughly and regularly monitored to allow for proper growth into a viable, registered business.

Furthermore, the institution should also perform the function of further research into the survivalist businesses in order to understand and to be up to date with the changing trends of these types of businesses.

#### 7.4.7 Recommendations to the FDIIs

None of the finance development institutions of the Free State cater for the survivalist enterprises in particular. Moreover, as mentioned earlier, this is an indication that the policies formulated with the aim of developing the SMMEs of the country remain fragmented. What is more, it indicates that the role of provincial and local government in developing, particularly the survivalist entrepreneur, is not clear.

The further ignorance of survivalist enterprises as a segment within the SMMEs could possibly lead to worsening poverty rates, while their contribution to GDP is undermined. In addition, supporting this segment would directly lead to an improvement of the local business environment and to become an enabling environment.

### 7.5 Conclusion

Survivalist enterprises are increasing in numbers due to the shrinking formal economy as well as the low barriers to entry into this type of business which operates in an unregulated economy. They are historically known to be formed in order to survive from poverty and unemployment, a characteristic that has been proven by this study as well.

Although documented as a practice that is growing and needing assistance, the South African government has been unable to recognise the existence and contribution of these enterprises to the GDP. This raises the need to assist the survivalist entrepreneur to be recognised and to grow into formal businesses.

With time, the majority of the FDIIs have begun to recognise the existence of the survivalist enterprises. This is indicated by the changes that have been initiated with regard to entry criteria into the support programmes offered by the different FDIIs. Such an indication from the majority of FDIIs is commendable.

However, there is a general indication of lack of understanding of the needs of the survivalist by most of the FDIIs, thus leading to lack of knowledge as to how to assist these survivalist

entrepreneurs. Over and above that, there is lack of integration amongst the FDIIs themselves, as most are providing similar services to similar segments of the market.

It is recommended that one institution aimed at assisting particularly the survivalist businesses be initiated. This will enable thorough monitoring and evaluation of the needs against assistance offered to the survivalist entrepreneurs. Furthermore, it will allow the local governments to keep track of the survivalist business within their borders, as well as their contribution to their respective GDPs.

This will increase the confidence of the survivalist entrepreneurs in their local governments, as it will indicate their acceptance and recognition by government as a segment of the SMMEs. Additionally, it will allow for supervised growth of the survivalist enterprises into registered, legal enterprises – from being a survivalist business to a formal, registered business.

Concurrently, this will in future allow for thorough research into the characteristics which are unique to the South African survivalist entrepreneur. This is of vital importance as the current literature on South African survivalist entrepreneurs is insufficient, thus creating a dependency on the literature from other countries, which do not necessarily have the same characteristics and history as South Africa. This has been proven in this particular study, which does not necessarily indicate similarities in documented characteristics of the survivalist business and/or its owner. The global economic changes also lead to continuing changes of the socio-economic conditions, which will be absorbed differently by the different countries.

Therefore, it is critical that survivalist entrepreneurs of South Africa be recognised and given an opportunity to grow into viable businesses through the provision of proper and thorough assistance in order for them to be formally registered, appropriately trained and mentored, and properly assisted by providing them with essential resources.

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## APPENDIX 1: QUESTIONNAIRE

Questionnaire no. \_\_\_\_

Collected by \_\_\_\_\_

Date. / /2013

Analysed by \_\_\_\_\_

### STUDY TITLE: A SUPPORT FRAMEWORK FOR SURVIVALIST ENTREPRENEURS IN THE FREE STATE PROVINCE, SOUTH AFRICA

#### INTRODUCTION:

Good day. My name is K. Ranyane. I am conducting an interview for a PhD thesis and would highly appreciate your views on the subject.

#### WHO TO INTERVIEW:

Survivalist entrepreneur: \_\_\_\_\_

#### DEMOGRAPHIC INFORMATION

1. District/municipality:

Motheo	1
Lejweleputswa	2
Fezile Dabi	3
Xhariep	4
Thabo Mofutsanyana	5

2. Location of business:

CBD	1
location	2
taxi rank	3
train station	4

3. From where are you operating?

caravan	1
in open area	2
in a building	3
in a vehicle	4

4. Type of trade (activity):

street vendors (vegetables)	1
street vendors (food & drink)	2
spaza owners	3
hairdressers	4

5. Do you have access to the following:

	yes	no
clean water		
sanitation		
refuse removal		
storage facility		

6. Sex:

Male	1
Female	2

7. Age group:

younger than 15 yrs	1
15-20 yrs	2
21-30 yrs	3
31-40	4
above 40 yrs	5

8. Ethnicity:

black	1
white	2
coloured	3
Indian	4

9. Educational background:

school dropout	1
matric	2
national certificate	3
diploma	4
degree	5

**GENERAL INFORMATION**

SD	D	N	A	SA
strongly disagree	disagree	neutral	agree	strongly agree

10. On a scale of 1-5, give reasons that motivated you to become a survivalist entrepreneur.

	SD	D	N	A	SA
	1	2	3	4	5
to be independent/own boss (freedom)					
to avoid unemployment and poverty					
advice from other parties of the unemployed people to try self-employment as an alternative option to wage-employment and unemployment					
the need (necessity) to survive					
recognition of an opportunity					

11. For how long have you been in your current business: \_\_\_\_\_

SD	D	N	A	SA
strongly disagree	disagree	neutral	agree	strongly agree

12. How did you finance your business when you started it?

	yes	no
own money		
family member		
financial institution		
stockvel/society		
friends		

13. Do you have a personal account at a bank (do you have a bank account)?

Yes	1
No	2

14. Dependants under you at home?

children	1
adults	2
both children and adults	3

15. On a scale of 1-5, give reasons that could stop you from operating business further.

	SD	D	N	A	SA
	1	2	3	4	5
becoming employed on a temporary basis					
becoming employed permanently					
a member of the family being employed					
assistance from government (grant)					
assistance from family members/extended					

16. On a scale of 1-5, provide characteristics essential for maintaining viability (success) of your business.

	SD	D	N	A	SA
	1	2	3	4	5
being formally registered					
higher level of education (non-business)					
male vs. female (gender)					
knowledge of the market of trade					
differentiation of products					

SD	D	N	A	SA
strongly disagree	disagree	neutral	agree	strongly agree

17. On a scale of 1-5, rate the assistance received from family members.

	SD	D	N	A	SA
	1	2	3	4	5
operations					
idea generations					
finances					
management					
planning					

18. On a scale of 1-5, please rate the obstacles that you come across as a survivalist entrepreneur.

	SD	D	N	A	SA
	1	2	3	4	5
regulations and laws					
source of finance					
insufficient training					
insufficient support by government					
lack of recognition by government and institutions					

19. Is business/owner registered for the following:

	yes	no
tax clearance		
UIF		

20. What assistance (government and FDI) is essential in order to mature business into an opportunity micro-enterprise?

	SD	D	N	A	SA
	1	2	3	4	5
financial assistance					
training					
mentoring					
new idea generation					
registration of business					

21. Would you like to legalise/register your business?

yes	1
no	2

SD	D	N	A	SA
strongly disagree	disagree	neutral	agree	strongly agree

22. On a scale of 1-5, please rate the kind of assistance (government and FDIs) you would require should you want to become legal.

	SD	D	N	A	SA
	1	2	3	4	5
financial					
training					
mentoring					
partnership					
registration of business					

23. Have you requested assistance from government and/or FDIs before?

yes	1
no	2

24. Have you ever heard of the following, give description and type of assistance in yes.

	y	n	Description	Type of assistance to you
FDC				
NYDA				
Khula				
SAMAF				
IDC				
NEF				
sefa				

SD	D	N	A	SA
strongly disagree	disagree	neutral	agree	strongly agree

MARKETING:

25. On a scale of 1-5, give a reason for selecting a particular trade (activity).

	SD	D	N	A	SA
	1	2	3	4	5
personal interest					
ease of activity					
compatibility with skills and past experience					
similar to family business experience					
no specific reason					

26. How many competitors (how many others are selling the same products as you) in your area of trade?

1	1
2-3	2
4-5	3
More than 5	4

27. How much money do you make in a week? \_\_\_\_\_

THANK YOU

**APPENDIX 2: QUESTIONNAIRE**

Questionnaire no. \_\_\_\_

Collected by \_\_\_\_\_

Date. / /2013

Analysed by \_\_\_\_\_

**STUDY TITLE: A SUPPORT FRAMEWORK FOR SURVIVALIST ENTREPRENEURS IN THE FREE STATE PROVINCE, SOUTH AFRICA**

**INTRODUCTION:**

Good day. My name is K. Ranyane. I am conducting an interview for a PhD thesis and would highly appreciate your views on the subject.

**WHO TO INTERVIEW:**

FDC	SAMAF + KHULA = sefa	IDC	NYDA	NEF
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Address: \_\_\_\_\_  
\_\_\_\_\_

Respondent interviewed: \_\_\_\_\_

Respondent's position: \_\_\_\_\_

1. Are your policies aligned with the National Strategy for the Development and Promotion of Small Business?

Yes                      No

2. How do you define a survivalist entrepreneur?

\_\_\_\_\_

3. Do you recognise survivalist entrepreneurs as part of the SMMEs in South Africa?

Yes                      No

Elaborate on the above answer

\_\_\_\_\_

4. Do you see the survivalist entrepreneur as contributing to the economy of the country?

Yes                      No

Elaborate on the above answer

\_\_\_\_\_

5. Do you have the recent comparisons (statistics) of the existence of different segments of the SMMEs?

Yes                      No

If yes, what are the statistics, and how do you incorporate them into your yearly planning?

6. How many survivalist entrepreneurs have you managed to assist? \_\_\_\_\_

7. What kind of assistance was offered?

\_\_\_\_\_

8. Do you believe that assistance of survivalist entrepreneurs could have a positive impact on the economy of the province?

Yes                      No

Elaborate on the above

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