

CHAPTER THREE OVERVIEW OF STUDY AREA

3.1 INTRODUCTION

The central region of the Eastern Cape, which is the focus of this study, has important nodal points, amongst which are: - East London-Mdantsane, King William's Town-Bisho, Zwelitsha, Alice, Dimbaza, Middledrift etc. (Fig 3.1). The study concentrated mostly on these nodal points. This chapter provides an overview of the study area using information obtained from Horn *et al* (1995). It also looks at role incentives and the need to achieve as a motivational force in the promotion of entrepreneurship.

3.2 LOCATION

The Eastern Cape is located on the South Eastern seaboard of South Africa. It encompasses the traditional East Cape, the former Ciskei and Transkei (Fig 3.1). The Northern boundaries are Lesotho and the Free State. The western boundaries are the Western and Northern Cape and the South is bounded by the Indian Ocean. The region has a land area of 170,616 square kilometres or 13,6 % of the total area of South Africa.

3.3 TOPOGRAPHY CLIMATE AND AGRICULTURE

The region has a heterogeneous topography which limits development in a number of ways e.g. tillage is restricted by steep slopes, two parallel escarpments pose a serious traffic obstacle in terms of road development, it also has a share in the uneven distribution of rainfall.

However, rainfall is not adequate for staple grain crops; shortage of rain and occurrence of frost in the interior limit production of certain crops and hailstorm in the North East, makes agricultural production a risky business.

Soils are generally shallow and susceptible to erosion though there are scattered. There are small areas covered by alluvium and dolerite soils. There are seasonal droughts and periodic disaster droughts in the north and north-western parts.

Important rivers as sources of water include, the Fish, Sundays, Kei, Kat, Gamtoos, Keiskama, Tyume and Orange. Water from the Orange River via Fish River is an important perennial source.

The coastal areas occasionally experience floods, especially in the Gamtoos and Langkloof river valleys, which hamper farming. Irrigation potential in the region is fairly high but insufficient water prevents the realisation of developing this to its full potential. The region stretches from the coastal (with high agricultural potential) into grassland and Karoo landscape in the west. This results in different agricultural facets being found.

The contribution of agriculture to the gross geographic product of the region (excluding Transkei and Ciskei) has varied between 6% and 20% over the past twenty years (Levin, *et al*, 1992). According to Antrobus, *et al*, (1994) agriculture has over the same period.

consistently maintained its ranking as sixth most important sector behind manufacturing; community services; transport, storage and communication; trading and financial services. The region is not a great cropping area although it is important for specific horticultural crops in particular districts. The majority of vegetable production takes place in the Gamtoos river valley. Vegetables are also grown on large irrigation projects in Tyefu in the Ciskei and Ncora and Qamata in the Transkei. Increased production in the region in the future is predicted in the areas of citrus and vegetables (Antrobus, *et al*, 1994). This is supported by findings from a study of irrigation potential of the region by (Kassier *et al.*, 1988). They predict that by the year 2010 the area for production of vegetables and citrus under irrigation would increase to 28 060 ha. Predicted increase in production in fruits and vegetables in the region is an indication of constant supplies and probable increase in number of traders in this sector.

3.4 GENERAL

Using the yardstick of those having attained a standard 5 qualification, the literacy level of Blacks and Coloureds is lower than that of Whites though considerable increase has been experienced in recent times, and there is indication that it will improve in future to increase the supply of skilled labour. This would however, have to go with the creation of jobs to accommodate new entrants, bearing in mind that education has a very significant impact on the employability of workers. The relatively young Black population implies future rapid population growth and more job seekers entering the labour market annually (Horn *et al* 1995).

Agriculture, mining and trade sectors are responsible for about 50 % of employment, with service sectors taking about 37 %. Supply of highly skilled labour in the region is low; furthermore, the region reflects a high percentage of unemployment compared to the general picture in South Africa. The high level of unemployment could be ascribed to the Todaro effect, that perceptions regarding availability of jobs may induce approximately 3 workers to migrate to an area for every single job available. Above average unemployment rates are due to high population growth and lack of economic expansion. The region has comparative advantages in agriculture, manufacturing and transport, implying that they are the major employment creators. However, the absorption capacity of the economy is low, i.e. it is unable to provide for all its workers (both local and migrant workers) - (Data D 1995).

Income and health are interrelated and reinforce one another. People's main income sources are formal and informal sources, pensions and other social transfers, remittances and unreliable marginal sector income (Data D 1995). Per capita income of R1 400 is the second lowest to that of Northern Transvaal (i.e. R725) and below the national average. From the foregoing, fewer strengths and more weaknesses of the region have been highlighted.

According to (DBSA, 1994) the Eastern Cape has for long been at the bottom of the scale in terms of human development in South Africa. This is especially visible in the former Ciskei and Transkei (most parts are in the present central region of Eastern Cape) where there is evidence of deteriorating socio-economic conditions, which inevitably adversely affect economic and human development.

It is therefore not strange from the above premise that the majority have taken the initiative to develop themselves.

According to Horn *et al*, (995) people should be able to participate fully and decisively in the creation of better life chances for themselves. Before this is achieved, entrepreneurship must be stimulated as it is an important factor of production and an often-neglected need of development. People who decided not to wait for manna from heaven need to have a string of unique qualities amongst which are: willingness to take risks, make decisions and manage the production process as well as an innovative approach to problems to produce new and successful products. But socio-economic conditions play an important role in the emergence of entrepreneurs e.g. low income, poor health and inadequate education are abundant in the region. How to turn this around in favour of emerging entrepreneurs is an integral part of this work. With incentives these vendors can succeed in their business.

3.5 SUMMARY

The climate, despite its limitations allows the cultivation of a variety of agricultural crops including fruits and vegetables. Expansion in the production of fruits and vegetables is predicted. This will ensure constant supplies and a probable increase in the number of traders in the future.

Unemployment is a big problem in the region. More Blacks are getting educated but the job market is not expanding. This has disastrous consequences for the region in the future. The main income sources are government welfare grants, remittances and unreliable formal and informal sources.

Self-initiated income-generating ventures (e.g. hawking in fruits and vegetables) are needed as a partial solution to the unemployment problem. The initiative found in these vendors has to be encouraged, improved and increased. With this achieved, their relevance in the marketing chain would be more enhanced to impact favourably on the region's economy.