



Exploring the factors that prevent home based to grow in South Africa

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Abstract

This research explores the factors that impede the growth of retail home based enterprises in South Africa. The potential contribution of home based micro and small enterprises (MSEs), or Spaza shops to generating income and employment to people in the informal sector of the economy is becoming increasingly recognised.

This paper provides the primary data which consists of a non-random sample of 47 Spaza shop owners and managers in the four different areas (old establishments, new establishments, informal and reconstruction and development programme (RDP)) in the township of Mamelodi, applying a quantitative research methodology. The level of human capital, gender, and entrepreneurial mindset of the proprietor are found to have an inverse relationship to the firm's growth.

Key results of the research are that women owners tend to struggle to grow their businesses given the temptation to direct the earnings from the home based business to the needs of the household, and Spaza shops tend to sell the same, if not identical, products as competitors thereby gaining no competitive advantage necessary for growth.

Keywords

Informal business, home based enterprises, firm growth

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

.....
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Date

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This project is dedicated to the memory of someone who taught me the value of education. Someone who did not have an opportunity to go to school herself and yet she had a deep appreciation for education. Someone who's patient and self-less love sustained me. That person is my beloved mother, Kosi Anna Lerefolo. Time and circumstance did not allow for you to physically witness this momentous occasion. Your memory has been my primary motivation for the past two years to succeed. Until we meet again, one bright morning, God be with you!

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CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

The research is entitled “Exploring the factors that prevent home based enterprises to grow”.

Chapter One introduces the research topics and provides a detailed discussion on the motivation for the study. The research objectives are defined in terms of the primary and secondary objectives. This chapter also defines the scope of the study and presents the structure of the research report.

1.1 PURPOSE OF THE STUDY

Micro and small enterprises (MSEs) are recognised for their contribution to economic growth, employment, innovation and wealth creation (Bell, Crick, & Young, 2004). The widespread acknowledgement of the centrality of MSEs in the development process has led to a proliferation of projects and programs designed to assist and promote these businesses.

However, there is considerable lack of firm growth in the sector as many micro entrepreneurs are born out of necessity as a result of no available job opportunities and the need to eke out a living. They are survivalist in nature and therefore lack the knowledge and motivation to be growth led. Many micro enterprises in developing countries, however, lack both profitable business opportunities and capabilities such as skills, resources, and technology (Nichter & Goldmark, 2009).

The Global Entrepreneurship Monitor 2008 (Herrington, Kew & Kew, 2008) research has shown that South Africa lagged behind other developing countries in promoting Total early-stage Entrepreneurial Activity (TEA). In 2008, South Africa’s TEA entrepreneurial rate was 7.8% (Herrington *et al.*, 2008) – significantly behind the average of 13% for other middle to low income countries. The view of entrepreneurship in industrialised countries is remarkably positive. Entrepreneurs are generally regarded as creative and highly qualified individuals who

have abandoned the comfort of salaried positions to invent new products, production process, and distribution methods.

With the integration of the economy into the global trade and industry, the South African economy has had to adapt to these new realities. With more inflows of capital in the country post 1994, this meant that while the economy was growing at 4-5% annually, it was however, not able to absorb more people into formal employment. The unemployment rate is currently at 24% (Statistics South Africa, 2010). Instead more people started to lose their jobs as more capital intensive investments were made. Inevitably this exacerbated unemployment.

The South African government has recently launched a new economic strategy called the New Growth Plan (NGP) (Sunday Times, 2011). The overarching aim of the NGP policy is to grow the economy at about 7% over the next decade and create five million jobs during this period, mainly in six key sectors: infrastructure, agriculture, mining, manufacturing, tourism and a new sector, the green economy. The SMME sector contributes about 50% to the Gross Domestic Product (GDP) in South Africa and employs 60% of its labour force. In some developed countries small and medium-sized enterprises contribute up to 90% of the GDP (Booyens, 2011).

The eradication of poverty, unemployment, and under-development continues to be high on the government agenda. Unemployment in particular is seen as the main catalyst in the fight against poverty and under-development. Thus a budding entrepreneurial environment would go a long way in absorbing a high number of the unemployed population participating in the informal economy through MSE.

The effect of the global economy has among others caused big firms to concentrate on branding and marketing rather than production. Instead of increasing production, these firms prefer to source from smaller firms and thus provide growth opportunities for small firms (Nichter & Goldmark, 2009).

Given the centrality of small businesses in the creation of employment opportunities, it is necessary therefore, for government to create an enabling environment for these businesses to thrive and grow. This would also mean that the rate at which people in the informal economy migrate into the formal economy should increase, meaning special attention is paid to enterprises in the informal economy that have the potential to grow.

One of the enablers of growth in any entrepreneurial process is the access to finance. While it is easy for the entrepreneur to start an MSE with his or her own savings, or through borrowing from family and friends and colleagues, it is however, not always possible to secure funds from the same sources if and when there is a need for the business to expand.

On the other hand, financial institutions would need a proper financial statement in order to advance much needed help to the micro entrepreneur. Because MSEs are intrinsically linked to their owners (Rohra & Junejo, 2009), the lending criteria that financial institutions use should invariably look at the internal, external and motivational factors exhibited by the micro entrepreneur.

Home based businesses as a subset of the informal economy, offer a lot in terms of what financial institutions need in order to advance credit lines, hence the focus of this study will be based on home based businesses in general and Spaza shops in particular.

The rate at which MSEs graduate from the informal to formal economy is very low since little or no attention is paid to the success factors. This study aims to identify factors that can positively impact growth of MSEs be it internal, external, motivation factors and cognitive style associated with the micro entrepreneur involved. The research frame is limited to the Spaza shops in Mamelodi township in the Gauteng province.

1.2 DESCRIPTION OF THE PROBLEM AND BACKGROUND

Developing countries such as South Africa face a high rate of poverty, inequality and unemployment. This problem, if left unattended, may cause political instability in the country. The limited ability and difficulty of big businesses to create employment because of macroeconomic factors and maturity of product life cycle, among others, is well documented. Many big businesses are forced to become entrepreneurial in nature in order to attain growth by setting up new start-up ventures. The link between growth and entrepreneurship is beyond doubt.

Both in developing and developed countries MSE growth typically increases by at least a factor of two when compared to the GDP growth. The growth of jobs and the GDP in developing countries is heavily dependent on the growth and health of a country's small business sector. In 1994, the MSE sector employed one-third of all working persons in Kenya and was responsible for 13% of the GDP. In Ghana, approximately 40% of the gross national income is the result of informal sector activity (Benzing, Chu & McGee, 2007). In Pakistan, MSEs contribute over 30% of the GDP (Coy, Shipley, Omer & Khan, 2007).

The MSE sector is often characterised by a high failure rate (Nichter & Goldmark, 2009). New start-ups replace those that failed instantaneously given the low barrier to entry in the MSE sector.

1.3 MOTIVATION FOR THE RESEARCH

The success of entrepreneurial activities in the informal sector plays an important role in the upliftment of people from poverty and unemployment. The dominating view in entrepreneurial literature has classified entrepreneurship in the informal economy as necessity driven to the extent that few empirical studies have evaluated the success factors of informal entrepreneurship (Williams *et al.*, 2009).

The understanding of the factors that affect success of entrepreneurs in the informal would help both government and finance institutions to formulate policies and lending criteria that can enable much needed growth in the informal economy's entrepreneurship. Since World War II, small entrepreneurial firms have been responsible for half the innovation and 95% of all radical innovation of new technologies, products, processes and services in the USA (Timmons, 1999, p. 5).

1.4 RESEARCH SCOPE

The research focuses on the success factors in informal business in general and home based retail businesses (Spaza shops) in particular. A total of 100 Spaza shop owners or managers will be interviewed.

1.5 STRUCTURE OF THE REPORT

The research study is made up of the seven chapters. Chapter One provides the introduction, motivation and scope for the research. Chapter Two represents the literature review on the informal Business, micro and small enterprises; and survivalist entrepreneurs. A detailed analysis of theories and suggested findings of related topics will be explored. Chapter Three is where the research questions are formulated to direct the research. Chapter Four discusses the research methodology and design to be applied in the study, motivation, and the potential limitations of the study. Data analysis and research instruments are also discussed.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

This chapter presents the literature review of the main topics of the research study namely entrepreneurship, survivalist entrepreneurs, opportunity entrepreneurs, informal economy, micro and small enterprises.

2.2 ENTREPRENEURSHIP

Entrepreneurship is simply defined as the creation of new ventures (Nguyen, Bryant, Rose, Tseng & Kapasuwan, 2009). Further to that, it has been defined as the creation of an exploited market opportunity where none existed previously, by one or more individuals. It is the ability to perceive and act on these opportunities (Armstrong & Hird, 2009). While entrepreneurship is often equated with small business development in general, it however should only embrace businesses that have the propensity for growth and development (Ligthelm, 2008).

Following on the foregoing, Eckhardt & Shane (2003, p. 335) go further to define entrepreneurship opportunities as “situations in which new goods, services, raw materials, markets and organising methods can be introduced through the formation of new means, ends, or means-ends relationships”. The foregoing does emphasis the age of the firm and is in line with Gartner (1989) who also defined entrepreneurship as the creation of new ventures. McPherson (1996, p. 252) went further and combined the two schools of thought by defining entrepreneurship as the founding of new or young businesses.

Begley (1995, p. 251) warned against mixing entrepreneurial definitions such as company founder with entrepreneurial attributes such as risk-taking, need for achievement or prior

work experience in the same industry. He argued that the consistent presence of attributes make them “relevant entrepreneurial tendencies but their absence doesn’t necessarily preclude a person still being defined as an entrepreneur”.

Entrepreneurship can be classified into opportunity and necessity entrepreneurship. This is based on the differing motivation factors. Opportunity entrepreneurship is essentially driven by self-realisation as opposed to necessity entrepreneurs who are pushed into entrepreneurship because “all other options for work are not available” (Williams, Round & Rogers, 2009). The success criteria and motivation factors, being different from the usual entrepreneur, is what this report will endeavour to find.

It is important to note that to date, there is no consensus on the definition of entrepreneurship thus leading a lot of interpretation across disciplines. (Palich & Bagby, 1995) contend that entrepreneurship should be treated as a multidimensional phenomenon.

Coy *et al.* (2007) mention the following as the factors responsible for success in the MSE sector:-

commitment to service and quality, dedication, hard work, growth potential, innovation, emphasis on quality and operational efficiency, relevant managerial background and experience, competitive advantage, flexibility in operations, availability of labour, advanced training and risk taking behaviour, high quality products and services, and long working hours.

2.2.1. SURVIVALIST ENTREPRENEURSHIP

Survivalist entrepreneurship represents a set of activities undertaken by people unable to secure regular wage employment or access to an economic (in most cases, informal) sector of

their choice. Generally speaking, the incomes generated from these businesses, which tend to be run by women, usually fall short of even a minimum standard of income, with little capital investment, virtually no skills training and only constrained opportunities for expansion into a viable business (Rogerson, 2003). Overall, poverty and a desperate attempt to survive are the prime defining features of these enterprises. The majority of these low-growth firms are located at pedestrian concentrations such as train stations or bus stops and central business district areas (Ligthelm, 2008).

There are two versions of the theory of survivalist entrepreneurship namely, Simple Disadvantage and the Resource Constraint hypotheses (Light & Rosenstein, 1995). The former suggests that unemployment will lead to self-employment regardless of entrepreneurial resources, such as capital, while the latter holds that entrepreneurial resources do influence the response to unemployment. These two versions of survivalist entrepreneurship were observed during the great depression in the United States of America during the 1930's using race and gender to contrast the two hypotheses.

Boyd (2005, p. 331) stated that among the group of people who are "resource advantaged (e.g., whites and men) joblessness will stimulate survivalist entrepreneurship, so for them, the relationship between unemployment and self-employment will be positive". On the other hand, those that are "resource disadvantaged (e.g., non-whites and women), unemployment and self-employment will be unrelated". The main difference between the two groups is that resource-advantaged groups respond to long term unemployment by taking up survivalist entrepreneurship in the mainstream economy as opposed to the resource-disadvantaged groups who are more inclined to become self-employed in the informal economy.

Survival enterprises are found in segments of the market characterised by low barriers to entry, market saturation, price rather than quality-driven purchases and a low skill component. In a study in Zambia, Phillips & Bhatia-Panthaki (2007) found that as much as 50% of the entrepreneurs are survivalist in nature. These enterprises have only a limited capital base and their operators only have rudimentary business skills. Nonetheless, many micro enterprises have the potential to develop and flourish into larger formal small business enterprises.

In developing countries, women are more likely to start an MSE in order to earn a living since they in many cases lack other viable options such as education and job opportunity (Blumberg, 2001).

2.3. INFORMAL ECONOMY

Various scholars use different terms such as irregular, subterranean, underground, black and shadow economy to refer to the informal economy (Williams, Round & Rogers, 2009). The informal economy is defined “as the paid production and sale of goods and services that are unregistered by, or hidden from, the state for tax and/or benefit purposes, but are legal in all other respects” (Williams *et al.*, 2009, p. 62). Barring the fact that goods and services are not legally registered in order to escape government scrutiny, the activities in this sector are legal and therefore do not include activities such as prostitution and drug trafficking (Williams *et al.*, 2009). Because of the lack of abundant work opportunities in developing and to some extent transition countries, it is mostly people in these countries who are drawn to the informal economy as the only means of survival (Ligthelm, 2008).

The International Labour Organisation (ILO) defines the informal economy as “a way of doing things characterised by ease of entry; reliance on indigenous resources; family ownership; small scale operations; labour intensive and adaptive technology; skills acquired outside of the formal sector; and unregulated and competitive markets”. Pisani & Paga’n (2004a, p. 340) categorises informality as own-account workers (excluding professionals) and owners of firms with less than five employees belong to the informal sector. Montes-Rojas (2010) sees informality as those individuals working as own-account workers or owners of firms with less than 15 employees.

High levels of informality and low productivity in the salaried sector reduce the entrepreneurial ability threshold for entering self-employment. This thus leads to higher entry and exit rates. Moreover, high informality rates exacerbate liquidity constraints.

The World Bank estimates that the informal economy generates 40% of the GDP of low-income nations and 17% of the GDP of high income countries (Ligthelm, 2008). In developing countries, the informal sector is an important source of employment. The World Bank also claims that between one third and three quarters of total employment in most developing countries is in the informal sector (Roy & Wheeler, 2006).

Many governments in developing countries rely heavily on the informal sector for job creation activities. In Kenya, of the 459,000 jobs created in 2005, 90% (414,000) were created in the informal sector. As of 2004, 77% of the workforce was employed in Kenya’s informal sector (Benzing, Chu & McGee, 2007). The informal economy accounts for over 70% of urban employment in Nigeria . In West Africa, the informal sector makes up more than 80% of all enterprises, accounts for 50% of all employed persons, and generates 20% of the regional GDP (Roy & Wheeler, 2006).

FinScope (2010) estimates that there are close to six million small businesses in South Africa, 67% of these businesses employ no more than the owner themselves, 6% of all entrepreneurs employ five or more people. A further 1.5 million or 27% employ one to four people. DTI (2008) estimates 2.4 million small enterprises in 2007. Of these, 1.39 million were in the informal sector. A further 59 000 people above 65 years old were running a business and a further 431 000 were involved in subsistence farming. Small and micro enterprises contribute between 27% and 34% of South Africa's GDP.

The characteristics of the informal economy according to Williams *et al.* (2009) are as follows:-

- Legal versus illegal (Selling legal goods but violating some non-criminal laws such as not adhering to labour laws).
- Cash as common medium of exchange.
- Unreported wages and income.
- Conditions of labour.

Roy & Wheeler (2006) went further to contrast the characteristics of formal and informal sector enterprises. Although the informal sector is subject to the same laws and principles of economics and markets (i.e. supply and demand) as the formal sector, it has a number of different characteristics. Table 1 summarises the differing characteristics of the formal and informal sectors.

Table 1: Characteristic differences between formal and informal-sector enterprises

Characteristics	Formal sector	Informal sector
Entry barriers	High	Low
Technology	Capital-intensive	Labour-intensive

Management	Bureaucratic	Individual or family-based
Capital	Abundant, accessible	Scarce, not accessible
Work hours	Regular	Irregular
Wage labour	Normal	Limited
Inventories	Large	Small
Diversification	Often	Limited
Differentiation	Significant	Limited
Prices	Often fixed	Typically negotiable
Financial services	Banks	Personal, informal
Customer relations	Impersonal	Personal
Sales locations	Dispersed and multiple	Local (often next/close to home)
Fixed costs	Necessary	Negligible
Advertising	Often large	None
Government subsidy	Often large	None
Markets	Often export	Rarely export
Barriers to exit	High	Low
Level of co-operation among production units	High	Low

Source: (Roy & Wheeler, 2006)

2.4. MICRO AND SMALL ENTERPRISES

MSE are defined as firms with up to 50 workers that engage in non-primary activities and sell at least half of their output as shown in Table 2. It is unlikely that they would be “engaged in

formal contractual agreements with banks, suppliers, customers, or other stakeholders” (Roy & Wheeler, 2006, p. 453). In both developing and developed countries, the vast majority of firms are MSEs (Nichter & Goldmark, 2009). In South Africa, the National Small Business Act of 1996 differentiates between micro enterprises, (which includes survivalist enterprises), very small, small and medium enterprises. The basis of this differentiation is assets, turnover and number of employees and the type of ownership.

Table 2: Definition of Small to Medium Enterprises (SMME) sub-sectors

Category	Definition
Survivalist	Informal micro enterprises, operated out of necessity to secure a minimal income with little capital and skills and scant prospect for upward growth.
Micro	Very small enterprises which involve the owner, some family members and at most one to four employees and whose turnover is below R150 000. Many of the these enterprises lack formality in terms of licences or formal premises, but many have the potential to make the transition into viable formal small businesses.
Small	5 to 100 employees; owner-managed; formalised.
Medium	100 to 200 employees; owner-managed; formalised.

Source: (Roy & Wheeler, 2006)

There are some important nuances in the relationship between MSE growth in developing countries and the business cycle: the overall MSE sector often expands during economic downturns due to an increase in survivalist-type activities, although individual MSEs may stagnate or contract (Mead & Liedholm, 1998). In severe economic crises, MSEs may be more

resilient than their larger counterparts. During the East Asian economic crisis, many small-scale firms fared better than larger companies in Indonesia (Berry, Rodriguez & Sandee, 2002), and MSEs were the most likely to repay their loans to Bank Rakyat Indonesia (Patten, Rosengard, & Johnston, 2001).

Macroeconomic and relative price volatility is also an important issue for MSE growth, as experience has shown in Latin America and Sub-Saharan Africa (Tybout, 2000). A recent survey of 500 MSEs in Ghana found that entrepreneurs perceived their three greatest problems to be inflation, high interest rates, and the depreciation of the local currency (Robson & Obeng, 2008).

An econometric study found evidence of a push-and-pull dynamic in Nicaragua: individuals become self-employed and established start-up MSEs during bad economic times, and then leave them for salaried jobs when the economy is strong (Pisani & Paga'n, 2004b). Research in Zambia found that as much as half of the enterprise owners saw their business as a survival effort and did not show any entrepreneurial capabilities (for an example, risk taking or plans for expansion), while another 30% saw their micro-enterprise as a temporary activity while a market gap existed or until they could find regular work (Phillips & Bhatia-Panthaki, 2007).

According to (Rohra & Junejo, 2009) MSEs can be divided into three broad categories:-

- Those likely to cease trading in the near future.
- Those likely to survive, but which will stay very small.
- Those which will not only survive but will also grow rapidly.

Growth is often defined as an increase in the number of employees over time. This metric is frequently employed in research on MSEs primarily because using employment levels is

believed to yield the most accurate and comparable data. MSE owners are typically able to remember their number of employees over time, even if they fail to maintain reliable written records (Mead & Liedholm, 1998).

Firms that combine profitable business opportunities and appropriate capabilities, referred to as “Gazelles” in Table 3, have the propensity to grow and surpass their peers. “Ponies” on the other hand have identified profitable business opportunities but lack the requisite capabilities to sustain growth in the medium to long term (Nichter & Goldmark, 2009).

Table 3: Typology of MSE growth profiles

Opportunities	High	<p>“Ponies”</p> <p><i>Lack Capabilities to Harness Existing Opportunities</i></p>	<p>“Gazelles”</p> <p><i>Fast Growth Enabled by Opportunities and Capabilities</i></p>
	Low	<p>“Tortoises”</p> <p><i>Lack Opportunities and Capabilities</i></p>	<p>“Caterpillars”</p> <p><i>Lack Opportunities to Apply Existing Capabilities</i></p>
		Low	High
		Capabilities	

The vast majority of MSEs in developing countries never expand beyond a few employees. But a few high performance MSEs experience rapid and substantial growth; their expansion drives most of the aggregate growth in the MSE sector. This study will explore factors (internal, external, and motivational) associated with small firm growth.

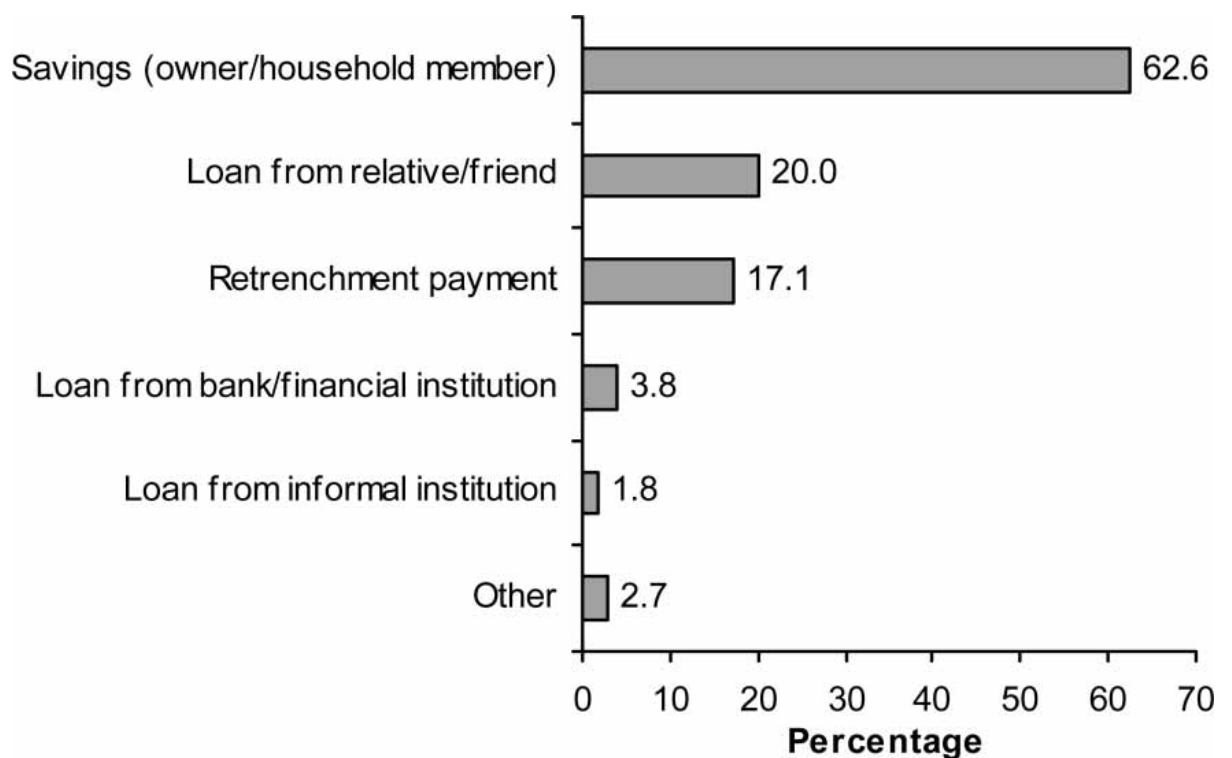
2.5. HOME BASED ENTERPRISES (Spaza shop)

Home based enterprises (HBEs) are generally viewed as enterprises where trade takes place “in or very close to the home” (Tipple, 2005, p. 613). While renting rooms out to others is an acceptable method of generating income, however, it is not seen as part of the HBE per se as there would not be an exchange of use of the property. Ligthelm (2008, p.371) defines a Spaza shop or tuck shop “as a shop or business operating in a section of an occupied residential home or in any other structure on a stand in a formal or informal township which is zoned (or used) for residential purposes and where people live permanently”. Translated into isiZulu, Spaza literally means “imitation” to “not real” and refers to the small shops operation from the front room of a house (Napier & Mothwa, 2001, p.340).

While businesses in the informal sector embrace all sectors ranging from manufacturing to personal services and trade, a Spaza shop would be in the retail trade space. Spaza shops are typically involved in the “purchasing of manufactured consumer goods from manufacturers, wholesalers, other retailers and private individuals and selling these goods to consumers” in their surrounding neighbourhoods. Spaza shops can also be classified as family-run businesses since the combined percentage of both full-time and part-time employees are more than 80% and are more likely to be household members (Ligthelm, 2008).

A recent study in South Africa showed that contrary to popular belief, the majority of Spaza shops finance their start-up capital through personal savings and loans from friends and relatives and through borrowings from mainstream financial institutions. Figure 1 shows that for the majority of Spaza shops, private savings were used as the main source of start-up capital.

Figure 1: Main sources of finance for starting informal businesses



Source: (Ligthelm, 2008)

Men and women hold dialectically opposed views of the home. Since the period of industrialisation, men saw the home as a place of retreat and ease distinct from the workplace, while the feminine idea of the home was a combination of work and ease (Di Domenico, 2008). Women are more likely to start HBEs than men. Research in both Ecuador and the Dominican Republic has found that up to 80% of women’s MSEs to be operated out of the home

(Blumberg, 2001). Further to this, HBEs are most likely to employ next of kin as labourers. Men would involve their spouses whereas women were most likely to use their children's labour.

There are three broad proprietor categories comprising of female sole proprietors, copreneurial couples and male sole proprietors involved in the running of home based businesses. "Female proprietors run their businesses on their own although they are often married. Typically, their spouses are involved in salaried employment outside the home and do not participate significantly in commercial home activities. Copreneurial couples engage in running the home based hospitality enterprise as a unit, but tend to do so according to traditional gender-based roles mirroring those found in the private home. The third category comprises the male sole proprietors with spouses engaged in employment outside the home. These men are generally conservative in terms of their assignment of traditional roles and do not attempt to shield their wives from the intrusive nature of their businesses" (Di Domenico, 2008, p. 326). The above supports the view that says traditional, gender based roles in MSEs is apparent in an HBE. This is attributed to the overlap between business and home sphere attendant in an HBE. In South Africa a local survey found that just over 6% of Spaza shop owners had chosen to start their business after they perceived a market opportunity (Ligthelm, 2005).

2.6 FIRM GROWTH

Growth of employment is most often used since reliable data are more commonly available and reliable. A labour-based measure is preferred over sales or profit given the lack of record-keeping that is attendant in the informal economy. "Firm growth rate of a firm is defined as the percent change in employment from the time the enterprise was started until the time of the survey, and is inclusive of the proprietor" (McPherson, 1996, p. 257). McPherson (2004)

posited that the macroeconomic factors in developed economies such as high level of education, low inflation rates and well developed banking sectors have had an impact on the growth of HBEs. Furthermore, in order to be more competitive, Spaza shops need to increase their product range.

Jovanovic (1982) posited that the initial size and age of the firm should be inversely related to its growth. In a study of MSEs in an island of East Java, McPherson (2010) found that access to credit was not a determinant of growth. The results suggested that human capital played a role in the way businesses were ran. Human capital is “measured by the entrepreneurs’ level of education, prior management experience and industry specific experience” (Acs, Armington & Zhang, 2007, p. 370). While acknowledging the fact that there were studies which found no evidence between human capital and the likelihood of a business to survive, the authors posited that broadly education influences the probability of a new firm’s growth.

CHAPTER 3: RESEARCH PROPOSITIONS

3.1. INTRODUCTION

A proposition is a statement concerned with the relationships between concepts, an assertion of a universal connection between events that have certain properties (Zikmund, 2003). The research propositions presented in this chapter help translate the objectives as outlined in Chapter One.

3.2. RESEARCH PROPOSITIONS

The research problem led to the formulation of the following research propositions:

3.2.1 Proposition One

A home based enterprise is established in order to provide regular income.

3.2.2 Proposition Two

The more the number of products sold and the more competitive the business becomes the more likely it is to grow.

3.2.3 Proposition Three

Entrepreneurs with a high level of human capital are more likely to have the business skills to adapt their Spaza shop to constantly changing business conditions.

3.2.4 Proposition four

Women are more likely to be managers of Spaza shops since these are home based businesses.

3.2.5 Proposition five

A Spaza shop managed by a woman has a less propensity to grow than one managed by a man.

CHAPTER 4: RESEARCH METHODOLOGY

4.1. INTRODUCTION

Chapter Four focuses on the research methodology and its application to the research objectives and questions outlined in Chapter Three. The research design, unit of analysis, population, sampling techniques and description are described in this chapter.

Research methodology refers to the methodology, techniques and procedures that are used in the process of implementing the research design (Hill & Lewicki, 2006). A quantitative survey will be used in this study. Quantitative research involves the collection and analysis of numerical data and the application of statistical tests to the data set (Zikmund, 2003). The aim of this study is to understand which factors; internal, external and motivational affect the success of the entrepreneurs in the informal economy in the form of home based businesses called Spaza shops. The success of the Spaza shops will be analysed by the following constructs:-

- Internal (to the entrepreneur) factors that pertaining to the entrepreneur (age, gender, educational level, work experience).
- External (to the entrepreneur) factors in which the firm is operating (age of firm, type of business).
- Motivational factors (the drive to succeed, desire for independence).

The success factors that are positively related to MSEs will be assessed using primary data that is to be collected via a standard questionnaire.

4.2. POPULATION AND SAMPLE

4.2.1. POPULATION OF RELEVANCE

Zikmund (2003) states that a population includes all the elements of interest in a study. This study was limited to the Spaza shops. HBEs like Spaza shops provide a stable source of information better than other forms of informal enterprises such as hawkers given that Spaza shops are in a fixed location.

4.2.2. UNIT OF ANALYSIS

Zikmund (2003) defines the unit of analysis as the elements of the population. The unit of analysis used was owners or managers of Spaza shops that are located in the Mamelodi township. Given that Spaza shops are non-juristic entities, it became needful to obtain information from either the owner or manager of the business.

4.2.3. SAMPLE AND SAMPLE SELECTION

The sample frame was the Spaza shops in the Mamelodi township. Selecting the sample frame from the target population in Mamelodi helped provide easy access for the researcher to individuals available for the study.

4.2.4. SAMPLE METHOD

The population of Spaza shops in Mamelodi is not known given the high failure rate in the sector and the ease with which new entrant emerge as such random sampling was not possible. Zikmund (2003) proposes that convenience sampling be used for this type of study because it refers to obtaining units or people who are most conveniently available. The sampling technique therefore would be a non-probability convenience sampling which is based on subjective judgements, based on the access to owners or managers of Spaza shops.

A combination of convenience and judgement sampling further enhances the study as it allows the researcher to select the sample based on his or her judgement about the appropriate

characteristic required of the sample members. This type of sampling allows the researcher to use samples that would best answer the research question and meet the objective of the study in the best way.

The sample size is rarely determined in advance and knowledge about the group from which the sample is taken is limited. However, a sample of 100 Spaza shop owners or managers was drawn. It is important to note that the township of Mamelodi is broken down into three distinct segments based on income, namely the old establishment, slightly affluent establishment and the informal development. In order to represent these three major segments within the Mamelodi township, a non-proportional quota sampling was used to properly represent characteristics of the population. The researcher collected the data for a period of three weeks or until such time the required number of responses was received. Given the limitations on time and cost, it can be assumed that sample was not representative of the population.

4.3. THE RESEARCH DESIGN

The objectives of the study determined during the early stages of the research must be included in the research design to ensure that the data collected is appropriate for solving a research problem (Zikmund, 2003). This study is exploratory in nature and descriptive in design. The researcher will not have control over the variables (Blumberg, Cooper, & Schindler, 2008). The purpose of the study will be causal as it will measure factors that could positively affect the success of MSEs.

The study will be cross sectional as it will be carried out once and represent a snapshot at one point in time. The topical scope will be a statistical study where a generalisation about the findings will be inferred from the sample characteristics.

Secondary data was presented by a literature study related to the constructs of entrepreneurship, informal economy, micro and small enterprise, necessity entrepreneurs, home based enterprises, and firm growth. Thus primary data was collected using a questionnaire and data collected and analysed using the interrogation using a paper based questionnaire at the premises of the firm (field conditions).

A five point attitudinal (Likert) scale will be utilised with 1 indicating the negative end of the scale and 5 indicating the positive end.

4.3.1. PURPOSE OF THE RESEARCH

The aim of this study was to explore the underlying factors of why organisations struggle to attract and retain talent using the employer brand. While the challenges of talent management are well known and are applicable to all players, there is a possibility that there are other drivers at play and therefore warrant the need for exploration.

4.3.2. RESEARCH APPROACH

When it comes to the collection of empirical data, there is a distinction between quantitative and qualitative data. Zikmund (2003) explains that in exploratory research, qualitative data will provide a greater understanding or crystallise the concept of employer branding. On the other hand, quantitative data will provide the researcher with precise measurements. Leedy & Ormrod (2005) advised that quantitative researchers seek explanations and predictions that will generalise to other places and provide confirmation. The advantage of this is that different methods can be used for different purposes in the study. Triangulation is the process of using multiple data collected methods with the hope that they will all converge to support a particular hypothesis or theory (Leedy & Ormond, 2005).

4.4. DATA COLLECTION

Data will be collected from Spaza shops owner-managers by means of a paper based questionnaire. One hundred (100) questionnaires will be completed in a three week period in Mamelodi by the author of this research. The data collection would be limited to paper based questionnaires due to the limited access to email and internet of Spaza shop owner-managers. An individual was also hired to issue and collect questionnaires during weekdays over a period of three weeks. A total of 100 questionnaires were distributed. The questionnaires were distributed in batches and each respondent was given a week to complete it before it was due to be collected.

A pilot study was conducted to adapt the questionnaire to the target population. The completion of the questionnaire was done at the premises of the Spaza shop by the author.

The construction of the questionnaire took the following into account:

- Educational level
- Language barrier
- The sensitiveness of some of the information from owners.

4.4.1. PROCESS AND DATA CAPTURING

A paper based survey was developed for primary data collection given the perceived lack of access to both email and internet of most Spaza shop owners and managers. Participants received a letter requesting their participation in the survey. The correspondence provided some background information about the survey to allow them to participate.

4.4.2. INTRODUCTORY LETTER

An introductory letter was sent to the selected research assistants to advise them about the nature of the research. This was essential to establish the legitimacy of the survey, and to gain the required assistance of owners or managers of Spaza shops. Apart from expressing appreciation for showing an interest in the research, it contained a promise that the results

would be treated with utmost confidentiality in terms of maintaining the anonymity of the organisation and the individual participants.

4.5. QUESTIONNAIRE DESIGN

The questionnaire is included in Appendice 1. There are 32 questions in total. The first four cover demographics. The questionnaire consisted of three parts: the first, to extract the demographic information about the respondents; the second, to extract business information; and the third, to extract personal factors of the respondents. Every question included blocks that each respondent was required to tick off as preferred choices, with certain open questions such as age, years that the business had been in operation and number of employees.

The demographic section of the questionnaire involved the following areas:

- Personal details
- Gender of the respondent
- Age of the respondent

Closed questions were used to assess the questions on the nature of the industry and gender.

The closed questions were characterised by a number of alternative answers, which were provided and from which respondents could select one or more answers (Zikmund, 2003).

An open question was used to assess the age of the respondent. The question pertaining to the nature of the industry of the business was adapted from FinScope Small Business Survey 2009. Permission was obtained from FinMark (the organisation which commissioned the FinScope Small Business Survey 2009).

The business information section of the questionnaire involved the following areas with the corresponding question numbers on the questionnaire:

- Academic qualification (B1)
- Length of time the business was owned (C4)
- Growth in the number of employees
- How the respondent came to be the owner of the business (C3)
- Sources of finance for the start-up (D1)
- The degree of reliance on family support to run the business
- The degree to which the respondent understood the market in which the business operated
- The management time spent on the various managerial functions of running a business (A2)
- An understanding of the customer needs (E6)

The personal factors section (E6) of the questionnaire involved the following areas:

- Personal characteristics of achievement, risk propensity and achievement
- Motivational factors for starting a business
- Importance of skills relating business linkages in the industry, computer skills, human resource management, financial management, quality management, role models and good supplier networks.

A five point likert scale was used to assess the responses to the questions regarding personal factors.

QUESTIONNAIRE PRE-TEST

The pretesting of the questionnaire was essential in order to refine it so that both researcher and interviewee find it easy to work with. Pre-testing not only ensures that the questions are understood in the right way, it also plays a role in ensuring that the research instrument

functions and the results of the study have the desired format. For the purpose of the survey, it was crucial that respondents would understand the intended meaning of the questions.

It also helps the researcher to assess the soundness of the questions. The questionnaire was tested on two respondents.

Some of the questions were slightly modified as a result. Based on these findings it should take no more than 20 minutes to complete.

The raw data was checked for omissions, legibility and consistency before being coded for analysis. The data was copied from the questionnaires into a Microsoft Excel (2003) spreadsheet with specific headings for each of the variables used. Each respondent received a number starting with '1' for reference purposes. The raw data was appropriately coded for the statistical analysis. The following statistics were used to describe the data:

- Mean
- Standard deviation
- Range
- Frequencies

4.6. DATA ANALYSIS

Data analysis refers to analysing the pattern of distribution of attributes on one or more variables. Descriptive and inferential research was used during the research study. Descriptive research is designed to describe characteristics of a population through analysis techniques that transform data into a form that is easy to understand and interpret (Zikmund, 2003). The survey responses were manually captured into a Microsoft Excel spreadsheet for analysing and reporting on the data.

4.6.1. MEASUREMENT AND SCALES

The variables used for the survey questionnaire were scaled as either nominal for demographic details or ordinal for all preference ranking scales. The dependent variable is the success of factors of necessity entrepreneur in the informal economy. The independent variables will be depicted by the following:-

- The proficiency of the Spaza shop owner or manager in the self-motivational skills.
- The proficiency of the Spaza show owner related to business growth opportunities.
- The contribution of the internal factors to the success of the firm.
- The contribution of external factors to the success of the firm.

4.6.2. Significance and meaningfulness

Statistical results which conclude that an item is “significant” indicate the likely probability that the result is true. Significance is a statistical measure of the occurrence of chance in determining the result. Significance is a measure of the existence of a relation between variables, not a comment on the strength or meaningfulness of the relation. Larger sample sizes can result in significant results, which may not necessarily be meaningful because of the number of data-points analysed. To calculate the strength or size, the Contingent C or Phi can be calculated mathematically. Thus, statistics scale the chi-square output to a value between 0 (no association) and a value approaching 1 (maximum association).

4.6.3. Data storage

Data was collated and captured electronically and stored in a central database that was only accessible to the researcher. A back-up copy was held on a memory stick and stored at the Gordon Institute of Business Science.

4.6.4. Validity

Zikmund (2003) defines validity as the ability of a scale to measure what it purport to measure.

According to Ray (2007), there are four different types of validity tests that can be employed

to test for validity namely:-

- Nomological validity;
- Convergent and discriminant validity;
- Criterion validity;
- Content validity.

Factor analysis, which combines convergent and discriminant validity was used in this study to check the validity of the research instrument.

4.6.5. Reliability

Reliability refers to the consistency with which a measuring instrument yields a certain result when the entity being measured has not changed (Leedy & Ormond, 2005). According to Bland & Altman (1997) items used to forma scale need to measure the same thing and should correlate to another. A Cronbach Alpha of 1 signifies that all items are the same whereas 0 signifies items not related. That said, a Cronbach Alpha of between 0.7 and 0.8 is considered reliable enough (Bland & Altman, 2007).

4.6.6. Assumptions

An assumption is “a condition that is taken for granted, without which the research project would be pointless” (Leedy & Ormrod, 2005). Several basic assumptions underlay the research:-

- The population is literate, fluent in English, and will be able to complete the questionnaire;

- Participants will provide correct and truthful answers to the questions asked in the survey due to the acknowledgement of confidentiality;
- A mixed methodology research is an appropriate means to explore the employer brands.

The following statistical tests were performed on the data:-

- Nonparametric tests
 - chi-square.
 - *t-test* using the Satterthwaite-test approach

The collection and analysis of data and the generation of results was done by a qualified statistician.

Mean standard deviation

The mean or average is a measure of central tendency of a data set. The standard deviation is the quantitative index of a distribution's spread or variability, which is the square root of the variance (Zikmund, 2003).

Frequency distribution

Frequency distribution refers to a data set that is organised by summarising the number of times a particular value of the variable occurs. These are converted into percentage values and then organised into a table or graph (Zikmund, 2003). Frequency analysis was calculated for each of the demographic variables.

4.6.7. Cross-tabulation

Cross-tabulation is a technique that aims to organise data by groups, categories or classes to facilitate comparison (Zikmund, 2003). The main purpose of cross-tabulation is to summarise

the data contained in two or more categorical variables in a meaningful way that can allow for comparisons and associations to be identified through visual inspection.

To add a statistical measure to the underlying differences and relationships contained within the contingency tables, a T-test of equal proportions assuming equal variance was carried out comparing all categories within specific demographics to each other. Significant results were indicated by a letter corresponding to the category or categories that differed.

4.7. DEFENCE OF METHODS

Data collection via a questionnaire is one of the relatively cheapest ways of conducting a survey study. Questions are customised to the education levels of the research objects.

Another advantage would be that the researcher would be able to measure the responsiveness of the research objects (Leedy & Ormrod, 2005). (

This was chosen because of the ease with which the researcher can collect data. Spaza shops offer the distinct advantage of permanence of location as opposed to street vendors.

Primary data is used as responses which will be easier to summarise than when using secondary data (Blumberg *et al.*, 2008). This will afford the researcher time to collect as many as a hundred responses which will translate into a large volume of data.

The population of Spaza shops in Mamelodi is not known given the high failure rate in the sector and the ease with which new entrants emerge as such random sampling will not be possible. A convenience sampling technique will be used instead, given that this study will be measuring the concepts like motivation, which does not have a common scale.

4.8. LIMITATIONS OF THE STUDY

4.8.1. SAMPLING METHOD

Convenience sampling is a non-probability sampling method that poses limitations to the results of the study. The use of a combination of non-probability sampling techniques is not without disadvantages. There could be a potential bias due to the researcher's beliefs that may make the sample unrepresentative and the sampling error unable to be assessed, resulting in a limitation of the precision of the estimates.

4.8.2. TIME AND BUDGETARY CONSTRAINTS

The project is self-funded and the author grew up in Mamelodi, Pretoria and therefore would have intimate knowledge of the area and a fair number of the research objects and their location. A limited sample of Spaza shops in Mamelodi was considered.

4.8.3. SENSITIVE INFORMATION

Given the sensitive nature of some of the questions in the questionnaire, it is possible that respondents may choose not to disclose some information. It is conceivable that some owners and managers would understate their income to avoid scrutiny to avoid possible taxation and to qualify for relevant government social grants where possible.

4.8.4. INTELLECTUAL CAPACITY

There is a limit to the depth of the information this study can deduce from the research object given the lack of record keeping generally present in the informal sector, the low educational level and intellectual capacity of some of the research objects.

4.9. CONCLUSION

The research design and methodology were intended to meet the objectives of the research report. A mixed research methodology was deemed appropriate and selected. Themes from focus group interviews were used to inform the web-based questionnaires which were used as

the data collection method. This allowed the researcher to perform the necessary analysis to gain insights into the research topic results.

PROJECT TIMELINE

Approximate timelines with key milestones and activities is provided in Table 4 below.

Table 4: Research Timelines

Task/Deadline	From	To
20 – page Proposal submission	27 April	
Proposal marked by Supervisor	03 May, Tue	
1 st Meeting with Supervisor	22 May, Tue	22 May, Tue
Elective: The Expert Negotiator	31 May, Tue	03 June, Fri
Finalise questionnaire with statistician	06 June, Tue	06 June, Tue
Pilot Questionnaire	13 June, Mon	17 June, Fri
Finalise Chapters 1 – 4	03 July, Sun	03 July, Sun
Supervisor sign off Chapters 1 – 4	11 July, Mon	11 July, Mon
Elective: Advanced Entrepreneurship	11 July, Mon	14 July, Thurs
Complete and Submit ethical clearance	25 July, Mon	25 July, Mon
Workshop –Chapter 4 - 5	22 Aug, Mon	22 Aug, Mon
Workshop – Chapter 5- 7	26 Sept, Mon	26 Sept, Mon
3 rd Meeting with supervisor	30 Sept, Fri	30 Sept, Fri
Elective: Corporate Governance	08 Sept, Thurs	11 Sept, Sun

Elective: Introduction to Micro Finance	18 Aug, Thurs	21 Aug, Sun
Elective: Moral Leader	14 Sept, Thurs	18 Sept, Sun
Elective: Global Strategy	01 Oct, Sat	02 Oct, Sun
Global elective: West Coast	10 Oct, Mon	21 Oct, Fri
Complete conclusion write up	31 Oct, Mon	02 Nov, Wed
Final Submission	09 Nov, Wed	

CONSISTENCY MATRIX

Exploring the factors that prevent home based enterprises to grow			
Research Proposition	Literature Review	Data Collection tool	Analysis
A home based enterprise is established in order to provide regular income.	(Barba-Sánchez & Martínez-Ruiz, 2009).	Question E4	t-test
The more the number of products sold and the more competitive the business becomes and the more likely it is to grow.	(Napier & Mothwa, 2001).	Questions E1, E2 & E3	Cronbach's alpha and correlation

Entrepreneurs with a high level of human capital are more likely to adapt their Spaza shop to constantly changing business conditions.	(McPherson, 2010); (Mead & Liedholm, 1998); (Acs <i>et al.</i> , 2007)	Questions B1, B2, B3 & E5	Chi-square
Women are more likely to be managers of Spaza shops since it is home based businesses.	(Di Domenico, 2008), (McPherson, 2010), (Blumberg, 2001)	Question 1 (Section A)	Descriptive statistics, Correlation
A woman Spaza shop manager has a less propensity to grow.	(McPherson, 2010)	Questions E1 & Section A Question 1	Correlation

CHAPTER 5: RESULTS

5.1. INTRODUCTION

The previous chapter presented the research design of the study which included the method, measuring instruments, research procedures and data analysis methods used. This chapter describes the results of the analysis conducted on the data in order to provide answers to the research propositions that defined this research. The aim of the research was to explore the factors that prevent micro and small enterprises to grow.

In this chapter results are presented separately for each of the five research questions. Forty seven Spaza shops owners participated in the survey. Detailed tables of the results are presented in the body of the text and in the Appendices. This chapter is in three sections:

- The first section summarises the demographic profile of the sample.
- The second section summarises the responses obtained from measure firm growth.
- The third section reports on the results of the five research propositions.

5.2. DEMOGRAPHIC PROFILE OF THE OWNERS AND MANAGERS

The geographic area included was Mamelodi township, east of Pretoria and the population was represented by owners of Spaza shops within the township. The demographic characteristics of the participants included gender, age and area.

5.2.1. Gender Distribution

The gender distribution of the Spaza shop owners is shown in Figure 2 and Table 5 below. Overwhelmingly there were more male respondents than there were female.

Figure 2: Breakdown of Spaza shop owners according to gender

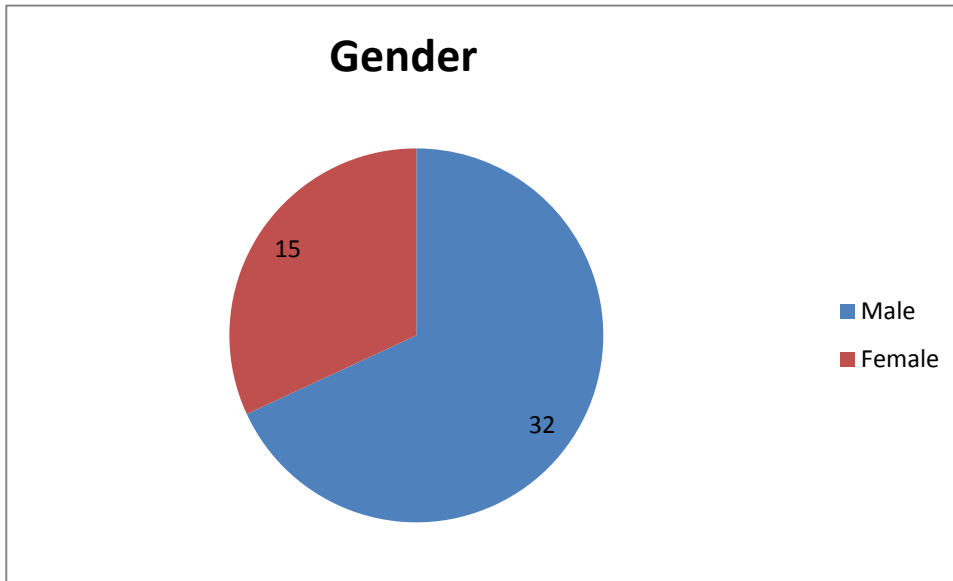


Table 5: Gender classification

		Frequency	Percent
Valid	Male	32	68
	Female	15	32
	Total	47	100

5.2.2. Human Capital

The majority of respondents did not have a Matric qualification as shown in Figure 3 and Table 6. This was to be expected given the high level of poverty and under development in the township. Precisely because of expected low human capital, the researcher opted for a paper based survey in order to reach the intended respondents. Given the low educational level of the respondents, the researcher decided to divide the responses into either pre or post Matric. The results as shown in Figure 4 still show slightly more respondents without Matric than post Matric.

The distribution of the highest level of formal education is shown in Figure 3.

Figure 3: Highest formal educational qualifications

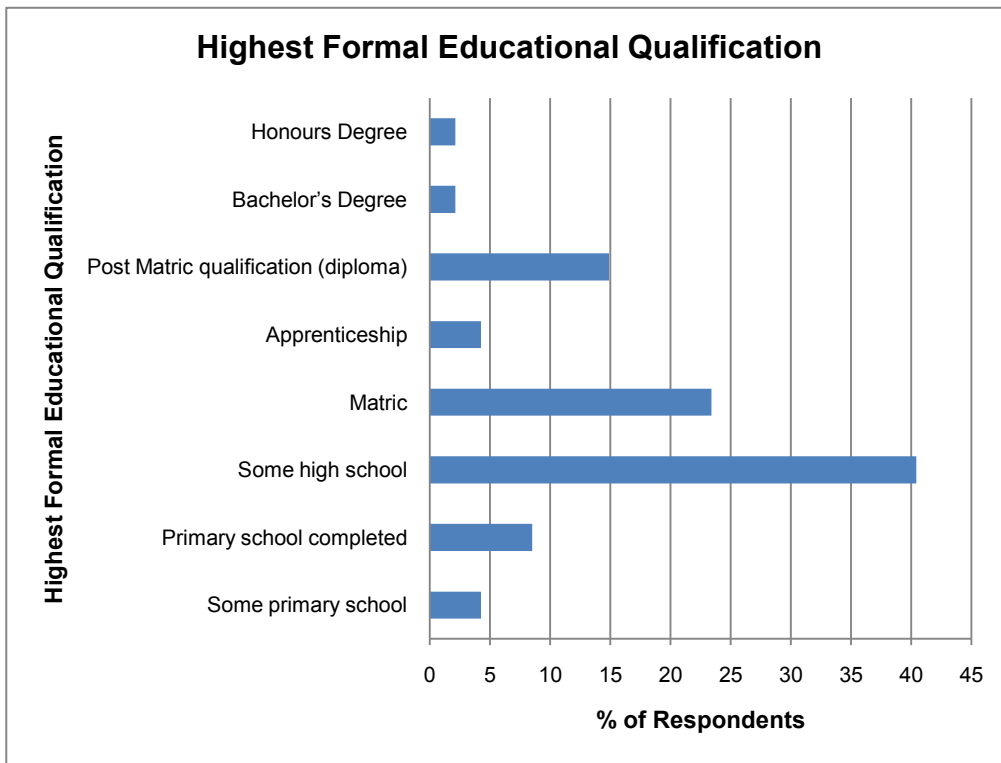


Table 6: Highest formal educational qualification

	Frequency	Percent
Valid		
Some primary school	2	4
Primary school completed	4	9
Some high school	19	40
Matric	11	23
Apprenticeship	2	4
Post Matric qualification (diploma)	7	14
Bachelor's Degree	1	2
Honours Degree	1	2
Total	47	100

The highest level of formal education was grouped into two broad categories namely “below Matric” and “Matric and above”. The majority of the respondents had their highest level of formal education as “Below Matric” (53%) and 47% had “Matric and above”.

Figure 4: Split between pre and post Matric level

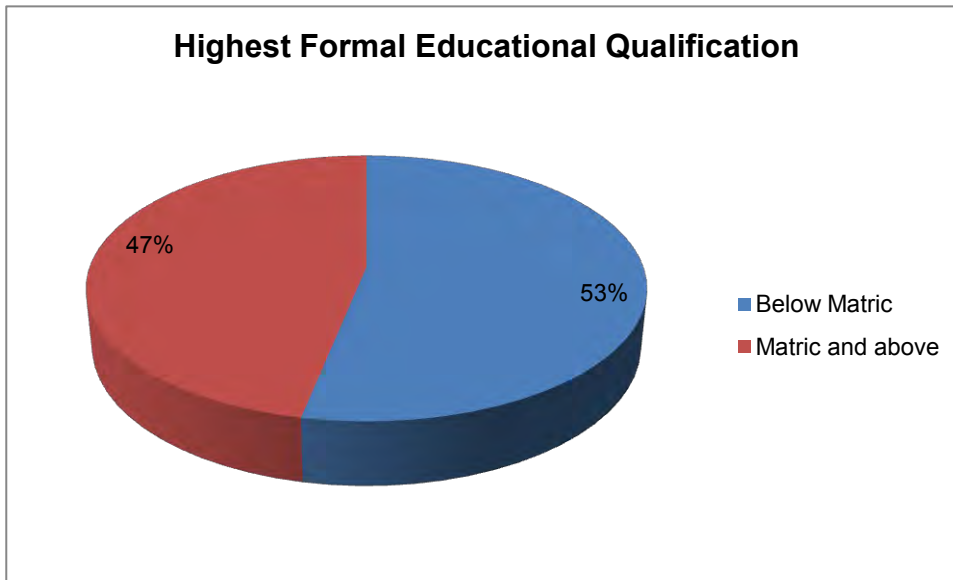


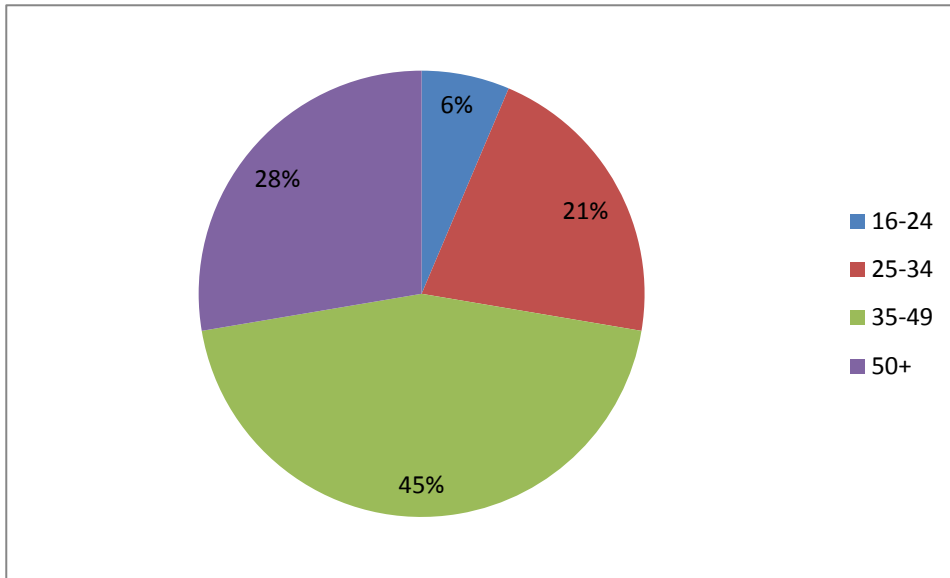
Table 7: Revised highest formal educational qualification

	Frequency	Percent
Valid Below Matric	25	53
Matric and above	22	47
Total	47	100

5.2.3. Age

The highest proportion of Spaza shop owners were 35-49 years old (45%), followed by those above 50 years old (28%), then the 25-34 age group (21%) and the least proportion were those in the 16-24 age groups (6%) (See Figure 5 below).

Figure 5: Breakdown of respondents according to age



5.2.4. Ethnicity

To further understand the nature of the sample, the ethnic grouping of the sample was elicited from the respondents. This has been summarised in Figure 6. The largest proportion of the interviewed Spaza shop owners were North Sotho/Pedi speaking (43%), followed by Tsonga/Shangaan speaking (13%) (See Figure 6).

Figure 6: Frequency of home language

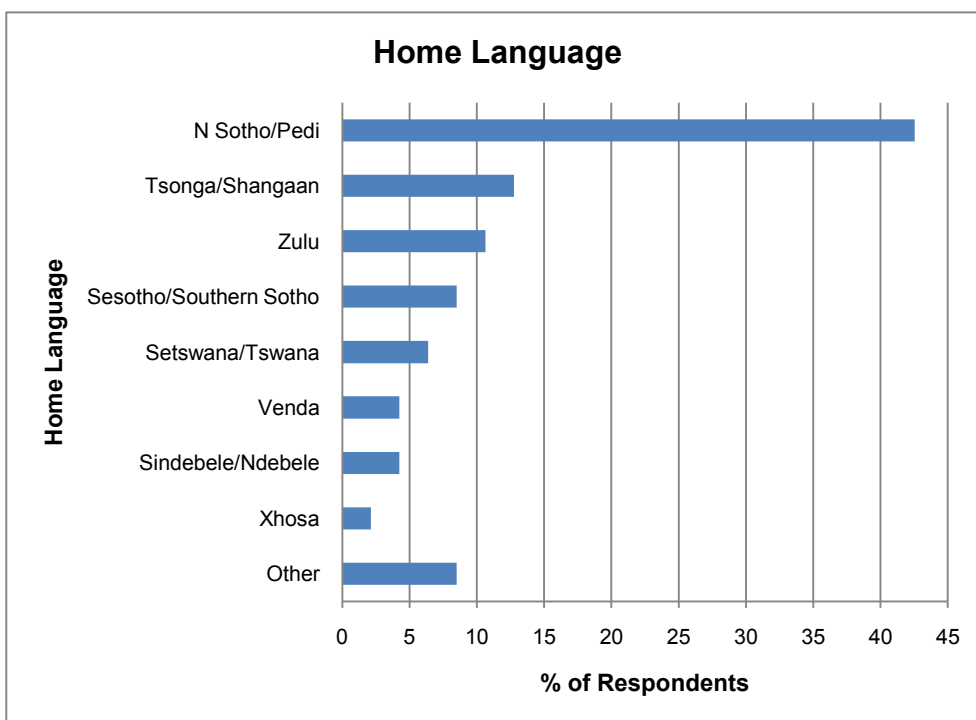


Table 8: Home language

	Frequency	Percent
Valid N Sotho/Pedi	20	43
Sesotho/Southern Sotho	4	9
Setswana/Tswana	3	6
Sindebele/Ndebele	2	4
Xhosa	1	2
Zulu	5	11
Tsonga/Shangaan	6	13
Venda	2	4
Other	4	8
Total	47	100

5.2.5. Mamelodi Township

Mamelodi township is divided into four different type of dwellings namely, old establishment, slightly more affluent new establishments such as Mamelodi Gardens, RDP and the informal settlements also known as squatter camps. Since all the above mentioned areas each have a fair share of Spaza shops, the researcher deliberately targeted all four areas so as to make the sample more representative and to reflect the diverse nature of Spaza shops within the township. The sample was made up of 36.2% of respondents from old establishments, 8.5% from informal settlements and the RDPs and the new establishments had 27.7% apiece (See Figure 7 and Table 9 below).

Figure 7: Breakdown of respondents according to area

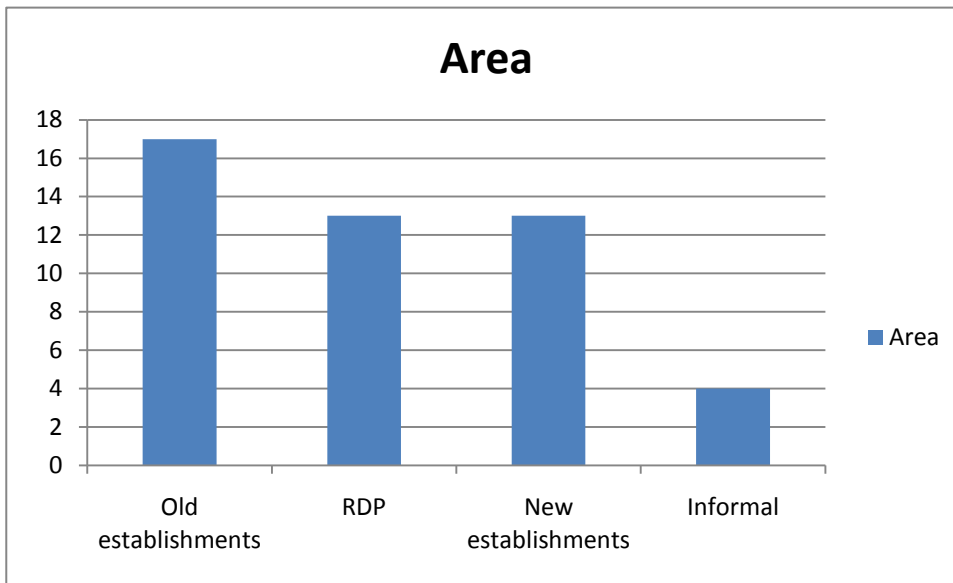


Table 9: A breakdown of the Spaza shops per area

		Frequency	Percent
Valid	Old establishment	17	36
	RDP	13	28
	New establishment	13	28
	Informal	4	9
Total		47	100

5.3. Status of Business and entrepreneurial motivation

5.3.1. Number of Products

The number of products sold (as shown in Figure 8) in a Spaza shop often reflects the growth or otherwise of the shop. The more products sold in the shop, the more likely it is for the firm to grow. In almost all shops surveyed, the number of products sold is four. The wider the product range, the more competitive the firm and therefore the more likely it is for it to grow.

5.3.2. Business Success

The majority of respondents (53%) perceived their businesses as growing as shown in Figures 8 and 9.

Figure 8: Pie chart of entrepreneurial mindset (Business Success)

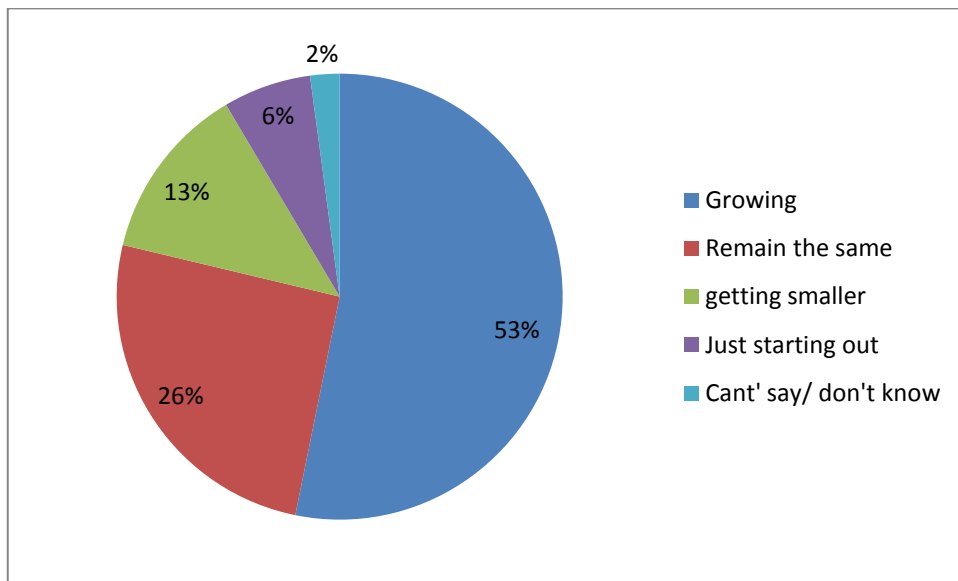
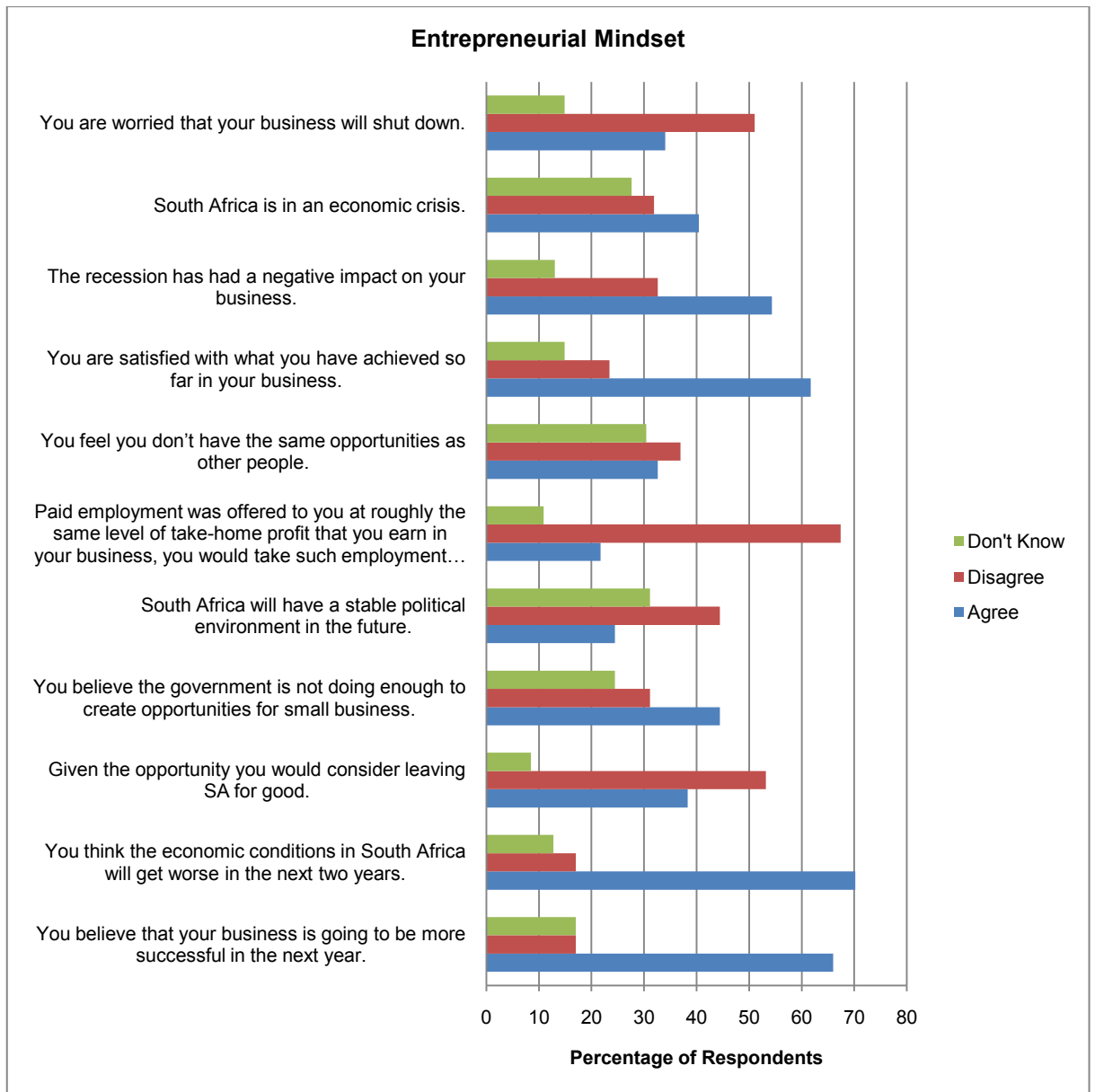


Figure 9: Entrepreneurial mindset



A cross-tabulation was carried out between Completed any other Business Training in Addition and Business Status in the past 12 months. The results are shown in Table 10.

Table 10: Cross-tabulation between business status in the past 12 months and completed any other business training in addition

	Completed any other Business Training in	Total

				Addition		
				Yes	No	
Business status in the past 12 months	Growing	Count	5	20	25	
		% within Business status in the past 12 months	20.0%	80.0%	100.0%	
	Remain the same or Getting smaller	Count	1	17	18	
		% within Business status in the past 12 months	5.6%	94.4%	100.0%	
	Total		Count	6	37	43
			% within Business status in the past 12 months	14.0%	86.0%	100.0%

No chi-square was carried out since some cells were having expected frequencies less than five and thus the chi square values will not be reliable.

A cross-tabulation was carried out between Business same or similar as your Previous Work Experience and Business status in the past 12 months. The results are shown in the Table 11.

Table 11: Cross-tabulation between business status in the past 12 months and business same or similar as your previous work experience cross-tabulation

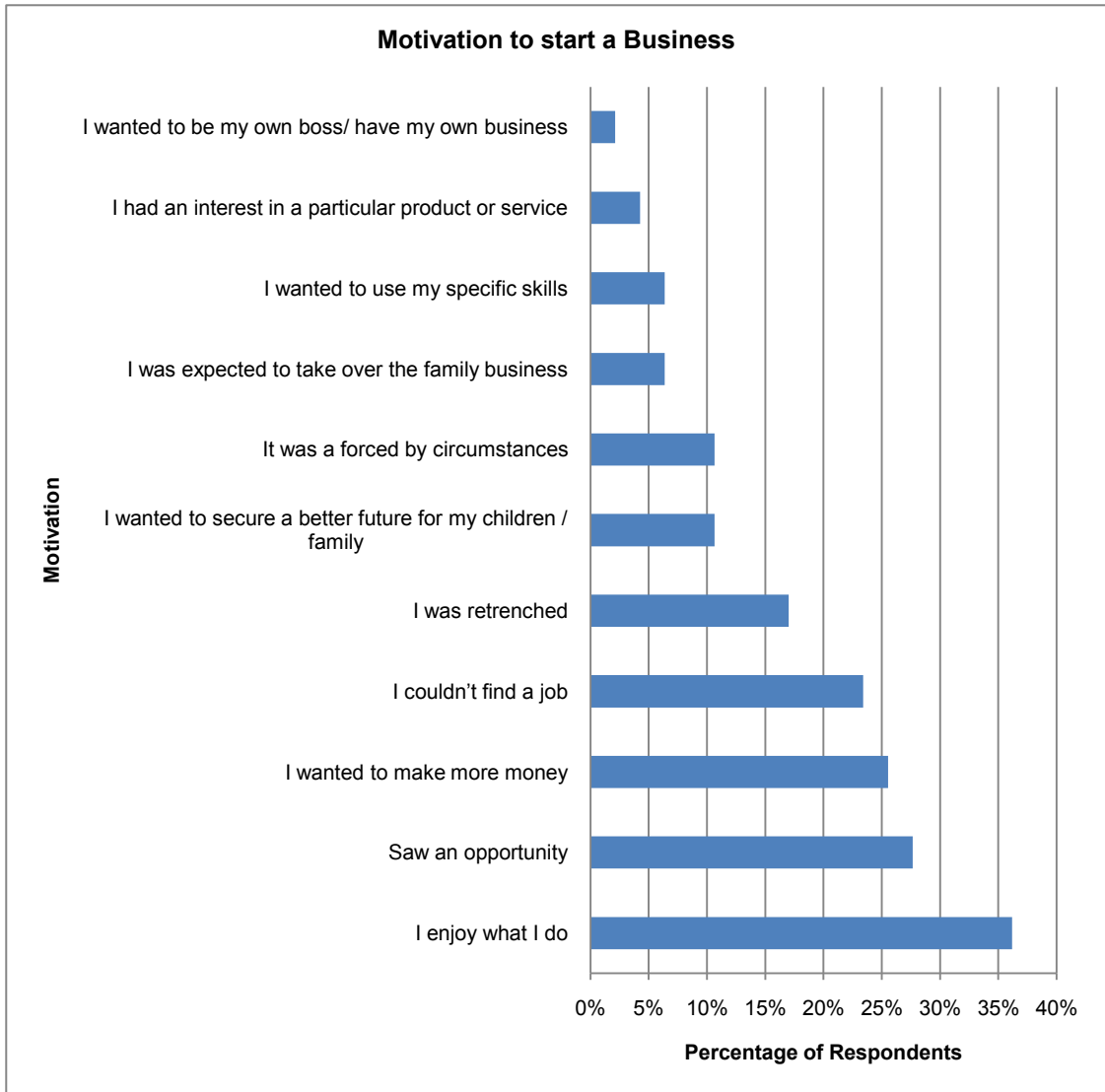
		Business same or similar as your	Total

				Previous Work Experience	
				Yes	No
Business status in the past 12 months	Growing	Count	2	23	25
		% within Business status in the past 12 months	8.0%	92.0%	100.0%
	Remain the same or Getting smaller	Count	3	15	18
		% within Business status in the past 12 months	16.7%	83.3%	100.0%
Total		Count	5	38	43
		% within Business status in the past 12 months	11.6%	88.4%	100.0%

No chi-square was carried out since some cells were having expected frequencies less than five and thus the chi-square values will not be reliable.

The motivation to start a business was explored and the results are presented in the graph below:

Figure 10: Motivation to start a business



Most businesses started the businesses by themselves (79%), 17% started with partners and the remaining 4% either bought, took over or inherited an already operating business.

Figure 11: How business was started

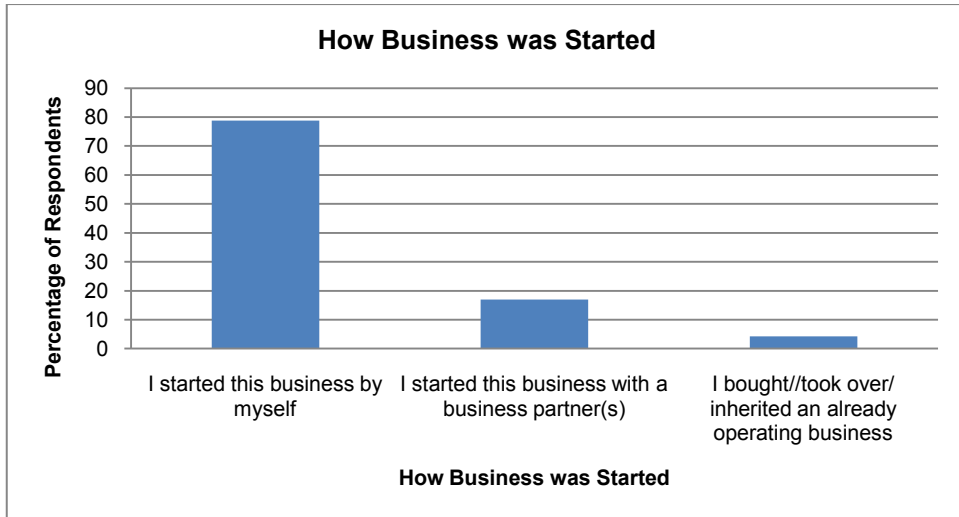


Table 12: How business was started

	Frequency	Percent
Valid I started this business by myself	37	79
I started this business with a business partner(s)	8	17
I bought/took over/ inherited an already operating business	2	4
Total	47	100.0

The cross-tabulation below shows the association between Save or Put Money Away for Business Purposes and Business status in the past 12 months. The results are shown in Table 13.

Table 13: Cross-tabulation of save or put money away for business purposes against status of business

	Status of Business in the last 12 months	Total

			Growing	Remain the same or Getting smaller	
Save or Put Money Away for Business Purposes	Yes	Count	21	11	32
		% within Save or Put Money Away for Business Purposes	65.6%	34.4%	100.0%
	No	Count	4	7	11
		% within Save or Put Money Away for Business Purposes	36.4%	63.6%	100.0%
Total		Count	25	18	43
		% within Save or Put Money Away for Business Purposes	58.1%	41.9%	100.0%

No chi-square was carried out since some cells were having expected frequencies less than five and thus the chi-square values will not be reliable.

Table 14 and Figure 12 below show the how the entrepreneurs bank, 33% have a business bank account in the business' name, 16% have another account which is not a business account that they use, 33% use their personal accounts for business purposes and the remaining 19% do not have a bank account.

Figure 12: Number of Spaza shops with a bank account

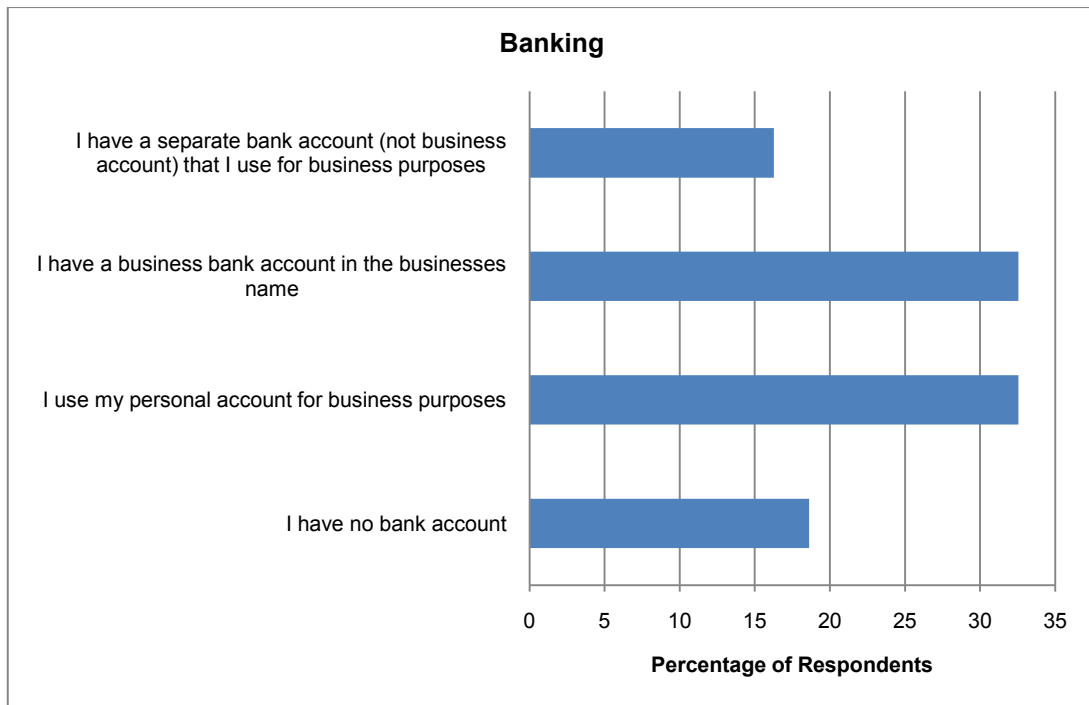


Table 14: Number of Spaza shops with bank account

	Frequency	Percent
I have no bank account	8	19
I use my personal account for business purposes	14	33
I have a business bank account in the business' name	14	32
I have a separate bank account (not business account) that I use for business purposes	7	16
Total	43	100

5.4. Statistical Results

Proposition One

A home based enterprise is established in order to provide regular income.

To test this proposition a t-test was carried out for the mean of the rating question “I’m running this business in order to have a regular income” against the mean of the scale, which is 3. The results are shown in Table 15 below.

Table 15: Results of the t-test of question E4

One-Sample Statistics				T- Test against the Mean of scale = 3		
	N	Mean	Std. Deviation	T-value	df	p-value
Running Business in Order to have a Regular Income	47	1.745	0.642	-13.413	46	0.000

The scale ranges from 1 -5, where 1 is strongly agree, 3 is neither agree nor disagree and 5 is strongly disagree. The mean rating of 1.745 is significantly lower than the mean of the scale (3) since the p-value of the t-test is 0.000 which is lower than 0.05. This means that a significant proportion of respondents were agreeing with the statement that “I’m running this business in order to have a regular income”. Thus, the proposition that a home based enterprise is established in order to provide regular income is supported.

Proposition Two

The more the number of products sold then the more competitive the business becomes the more likely it is to grow.

To test this proposition a Spear man’s correlation coefficient was computed between the “number of products sold” (Question E3) against whether the business was growing or not within the last 12 months (Question E1). Four respondents who were just starting out, or those who could not tell whether their businesses were growing or not were excluded from the analysis (see Table 16).

Table 16: Status of business in the past 12 months

	Frequency	Percent
Valid Growing	25	53
Remain the same	12	26
Getting smaller	6	13
Just starting out	3	6
Can't say / Don't know	1	2
Total	47	100.0

The correlation, as shown in Table 17, between the number of products sold (Question E3) against whether the business was growing or not within the last 12 months (Question E1) is not significant. This is because the p-value of the t-test is greater than 0.05. From these results it can be concluded that there no sufficient evidence to suggest that the more the number of products sold and thus more competitive the business becomes, the more likely it is to grow.

Table 17: Correlation between number of products sold against status of business

	Spearman's rho	Products categories offered in shop
Status of Business in the Past 12 months	Correlation Coefficient	-.127
	P-Value	.418
	N	43

Proposition Three

Entrepreneurs with a high level of human capital are more likely to have the business skills to adapt their Spaza shops to constantly changing business conditions.

To test this proposition a chi-square test of association was carried out between Highest Formal Education qualifications and the number of business skills. The null hypothesis is that there is no association between “Highest Formal Education qualification” and the “number of business skills”.

For chi-square test to be reliable for the expected value for all the cells in the contingency table should be greater than or equal to 5. Thus, “Highest Formal Education qualification” was grouped into “Below Matric” and “Matric and above”. On the other hand number of skills were grouped into “0 – 3 skills”, “4 – 5 skills”, and “6 – 7 skills” as shown in Table 18. The results of the chi square test are shown in Table 19.

Table 18: Cross-tabulation between education and number of business skills

			Number of Business Skills			Total
			0 - 3	4 - 5	6 - 7	0 - 3 Skills
Highest formal Education	Below Matric	Count	9	10	5	24
		% Highest formal Education	37.5%	41.7%	20.8%	100.0%
	Matric and above	Count	5	3	14	22
		% Highest formal Education	22.7%	13.6%	63.6%	100.0%
Total		Count	14	13	19	46
		% Highest formal Education	30.4%	28.3%	41.3%	100.0%

Table 19: chi-square tests for education against number of business skills

	Value	df	P-Value
Pearson Chi-Square	9.106(a)	2	.011

The chi-squared p-values of 0.011 to three decimal places is less than 0.05 which indicates a significant relationship and thus, the number of business skills is positively related to highest formal education qualifications.

A chi-square test of association was carried out between the “Number of people working in the business” against whether there is a “Formal record keeping” was carried out. A Null Hypothesis is that there is no association between “Number of people working in the business” and whether there is a “Formal record keeping” within the business. The results are shown in Table 20.

Table 20: chi-square tests for formal record keeping against workers including the owner

	Value	df	P-Value
Pearson Chi-Square	9.057(a)	2	.011

The chi-squared p-value of 0.011, which is less than 0.05, indicates a significant relationship. This implies that there is an association between recording keeping and the Number of people working in the business.

Proposition Four

Women are more likely to be managers of Spaza shops since these are home based businesses.

To test this proposition the null hypothesis that there is an equal proportion female and male Spaza shop managers against the alternative hypothesis that the proportions are different was tested, using the chi- square test. The results are shown in Table 21.

Table 21: Gender test statistics

	Gender
chi-square	6.149
Df	1
p-value	.013

The chi-square test statistic is 6.149 and the p-value for the test statistic is 0.013, which is less than 0.05 and thus the gender distribution of managers is not an equal split. The cross-tabulation shows that there were more males than females and thus the proposition that women are more likely to be managers is not supported as males were found to be significantly more than females.

Proposition Five

A woman Spaza shop manager has a lower propensity to grow.

To test this proposition a chi-square test of association was carried out between Gender and the Business status within the last 12 months. For a chi-square test to be reliable the expected value for all the cells in the contingency table should be greater than or equal to five. Thus, “Business status within the last 12 months” was grouped into “Growing” and “Either Remain the same” or “Getting smaller”. The results of the chi-square test are shown in Table 22.

Table 22: Cross-tabulation of gender and business status in the last 12 months

		Business Status in the last 12 months		Total	
		Growing	Remain the same or Getting smaller		
Gender	Male	Count	19	9	28
		Expected Count	16.3	11.7	28.0
		% within Gender	67.9%	32.1%	100.0%
	Female	Count	6	9	15
		Expected Count	8.7	6.3	15.0
		% within Gender	40.0%	60.0%	100.0%
Total		Count	25	18	43
		Expected Count	25.0	18.0	43.0
		% within Gender	58.1%	41.9%	100.0%

Table 23: chi-square gender and business status in the last 12 months

	Value	df	p-value
Pearson chi-square	3.114	1	.078
No. of valid cases	43		

The chi-square test statistic is 0.311 and the p-value of this at 5% significance level is 0.78 as shown in Table 23. The p-value is greater than 0.05 and thus it can be concluded that there is no association between gender and the propensity to grow. The proposition is not supported.

A higher proportion of males tend to agree with the statement, “You believe that your business is going to be more successful in the next year” more than their female counterparts.

A higher proportion of females do not know whether their businesses are going to be successful or not than males.

Figure 13: Entrepreneurial mindset by gender

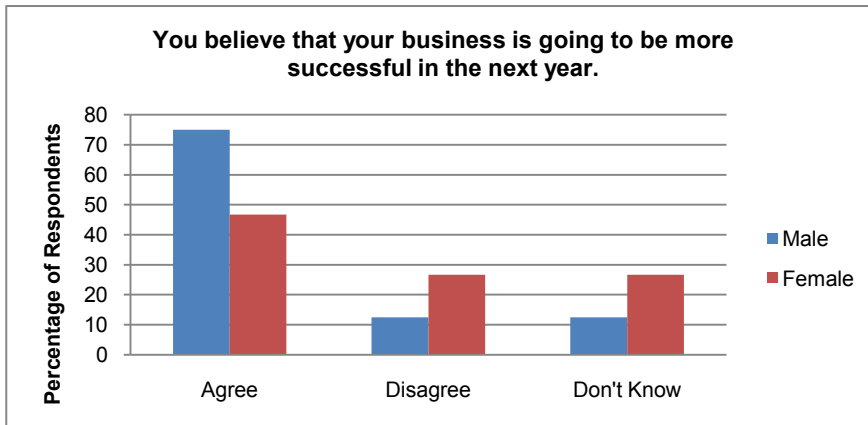


Table 24: Entrepreneurial mindset by gender

You believe that your business is going to be more successful in the next year.		
	Male (%)	Female (%)
Agree	75	47
Disagree	13	26
Don't Know	13	27
Total	100	100

Respondents were asked if they had certain entrepreneurial attributes and the number of attributes per respondent was recorded. Of all the 47 entrepreneurs, 23% had between 0 – 3 attributes, 28% had 4-7 attributes and the remaining 49% had 8 attributes or more. The results are illustrated in Figure 14.

Figure 14: A bar chart of the entrepreneurial mindset

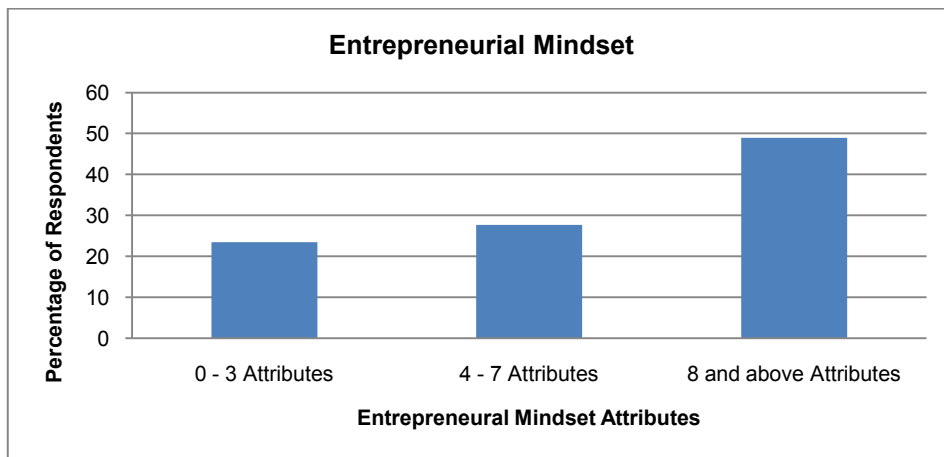


Table 25: Entrepreneurial mindset

	Frequency	Percent
Valid 0 - 3 Attributes	11	23
4 - 7 Attributes	13	28
8 and above Attributes	23	49
Total	47	100

CHAPTER 6: DISCUSSION OF RESULTS

6.1 INTRODUCTION

This chapter discusses in detail the research findings of Chapter 5. These findings are compared with the literature review in Chapter 2 and the research propositions outlined in Chapter 3. The semi-structured in-depth interviews with Spaza shop owners provided relevant insights that assisted in highlighting themes to inform the questionnaire. An analysis of the 47 responses achieved in the survey questionnaire provided further insights about the factors that prevent micro enterprises to grow. The results discussed in this chapter will contribute to an improved understanding of the literature regarding the factors that impede micro enterprises to grow.

6.2 Key Findings of the research

6.2.1 Discussion of Research Proposition One

Research Proposition one: A home based enterprise is established in order to provide regular income.

The majority of respondents agreed with the proposition that their motivation was to generate regular income in order to survive. This is supported by the theory as presented by authors Williams *et al.* (2009). The authors stated that predominately, the informal economy tend to attract survivalist entrepreneurs for whom surviving was the main motivator in starting their business.

The study also found that while the motivation to start a business might have been to survive, most respondents seem to have revealed the “fluidity over time displaying the need for a more dynamic representation of motivations” (Williams, *et al.*, 2009, p. 8). Entrepreneurial motivation tended to move towards opportunity driven entrepreneurship. Other factors that

might explain this shift in motivation are the need to achieve, internal locus of control, propensity of risk taking tolerance for ambiguity.

Conclusion

Many Spaza shop owners lack the motivation to want to grow their business partly because of lack of profitable business opportunities, skills and capabilities such as offering goods and services that other Spaza shops cannot copy and replicate. These factors invariably lead their owners to focus instead on firm survival. Despite their lack of growth, these Spaza shops play important social and economic roles such as locus of control and sustenance respectively.

6.2.2 Discussion of Research Proposition Two

Research Proposition two: The more the number of product categories sold the more competitive the business becomes and the more likely it is to grow.

The majority of Spaza shops tends to specialise in selling cigarettes, beers, cold drinks, paraffin or ice blocks which result in a limited diversity of activities. Thus the level of competitiveness is reduced (Napier & Mothwa, 2001). This is made worse by the lack of price differentiation strategies among Spaza shops. The same product offerings are being sold and more or less at the same prices as competitors.

The results found that there was a correlation between the number of product categories sold and the growth of the business as shown in Table 9. The lack of differentiation is often linked to the capital requirement necessary to innovate which leads owners to focus instead on necessities in terms of products sold to customers. Agreements with buyers however, can decrease the risks and costs associated with entering new markets by providing a guaranteed flow of orders, critical information about market requirements, and in some cases, a reduced need for capital investments (Nichter & Goldmark, 2009).

Conclusion

The results above revealed a lack of differentiation across the number of Spaza shops surveyed and as such no clear competitive advantage. Douglas, Douglas & Davies (2010) posited that small family businesses such as Spaza shops should develop a clear competitive advantage in order to be sustainable and robust. The researcher is of the firm view that if Spaza shop managers were to compete using different pricing strategies and product offering, then the probability of the firm to grow would be greatly improved given price sensitivity of the market under discussion.

6.3.1 Discussion of Research Proposition Three

Research Proposition three: Entrepreneurs with a high level of human capital are more likely to adapt their Spaza shop to constantly changing business conditions.

Acs, Kallas & Zhang (2007) stated that entrepreneurs in developing economies who start businesses without among others education and the requisite skills were likely to fail. Acs *et al.* (2007, p. 388) found out that “a key variable for the firm survival rate is educational attainment”. Acs, Kallas & Zhang (2007, p. 28) argued that “entrepreneurship is function of need, opportunity and environmental, and more often than not, triggered by negative occurrences that may include a loss of a job”.

The foregoing discussion indicates a positive association between the level of education and the number of business the entrepreneur will have in order to adapt his or her business to changing business conditions. This finding is supported by other research findings such as McPherson (2010) and Mead & Liedholm (1998) who suggested that education provides a

basis for intellectual development and is therefore an essential constituent of the human capital needed for business success. Brush, Edelman & Manolova (2008) concluded that a higher level of human capital will affect the way resources are assembled in order to grow a business.

Conclusion

Human capital including educational level and previous work experience will stand entrepreneurs in good stead in terms of success of setting up, running and even growing a business venture. The demographics of the respondents unequivocally indicate few people with a post Matric education. Tellingly most owners and managers of Spaza shops do not appear to have sufficient knowledge to neither do record keeping nor draw up a business plan. A lack of record keeping impedes proper financial control and leads to inappropriate responses to changing business cycles.

6.3.2 Discussion of Research Proposition Four

Research Proposition four: Women are more likely to be managers of Spaza shops since it is home based businesses.

Blumberg (2001) posited that whereas men are more likely to be involved in the woman's businesses, women are prone to use their children's labour. "So women may be more likely to start a home based business because they lack other viable options, whereas men may do so because their other options offer them less autonomy" (Blumberg, 2001, p. 278). Di Domenico (2008, p. 315) argued that "the home's everyday spaces reflect inescapable, external socio-cultural norms and socially approved constructions of femininity". Strassman (1987) concurred with the above findings by stating in one study in Sri Lanka, India and Zambia that home based businesses tend to be run by women. Women own and operate the majority of MSEs in many

developing countries, “in part because of the ease of entry and their limited access to alternate opportunities” (Nichter & Goldmark, 2009, p. 1455).

The pie chart in Figure 2 however contradicts the above research result. An overwhelming majority of respondents are men. This could be as a result of a small sample size. This finding necessitates the need for further research to illuminate the underlying reasons why it would seem that men outnumber women in the home based micro enterprise activities. The other reason for the unexpected outcome would be assimilation of women into formal employment as a result of government backed affirmative action. Indeed the lack of access to jobs pushes women to run Spaza shops even when they are not profitable.

Conclusion

Given prevalence of structural unemployment in South Africa, and an increase in transfer income in the form of government social grants predominantly targeted towards women in the form of child support grants, it would appear that these factors may have influenced the lack of participation of women in entrepreneurial activities. Structural unemployment would suggest that a lack of women Spaza shop owners and managers would not necessarily mean that women would have entered formal employment given the skills shortage in South Africa. Thus the author suggests further analysis of why there are less women participating in the Spaza shop business.

6.3.3 Discussion of research Proposition Five

Research Proposition five: A Spaza shop with a woman as manager has a lower propensity to grow than one with a male manager.

McPherson (1996) posited that female-generated income is likely to be used to cover the family's basic needs which mean women will be less likely to take risks involved in the expansion of the business. Due to entrenched social factors such as patriarchy especially in most developing countries, women tend to run small scale, under-capitalised businesses (Di Domenico, 2008). This view was challenged by Longstreth, Stafford & Mauldin (1987) who observed that women have the same motivation to make money, to grow their businesses and be independent as men. Women also have to transcend the social and institutional barriers. Longstreth *et al.* (1987) did however concede that married female entrepreneurs with children are often conflicted between the needs of the family and business.

Women Spaza shop owners, for example, may be especially likely to use business proceeds to purchase household necessities, to invest in parallel enterprises, or to assist their offspring in launching new firms (Nichter & Goldmark, 2009)

The researcher submits that the above findings could be as a result of the sample consisting entirely of urban women. The studies referred to above were both based on data from peri-urban to rural samples. Urban respondents will generally have better access to information and support as compared to their rural counterparts. The research however found that a higher percentage of males tend to agree with the statement "You believe that your business is going to be more successful in the next year" more than their female counterparts.

CHAPTER 7: CONCLUSION

7.1. INTRODUCTION

The intent of this study was to develop a deeper understanding of what prevents Micro enterprises from growing by applying a quantitative method. This chapter summarises the findings of the research with reference to its achievement of the original aim, and assesses if the research objectives have been met. In addition, the chapter offers recommendations to enable the growth of micro and small businesses.

By comparing Spaza shops in four different parts of in a township, the researcher was able to gain insight into the factors that impede growth in the sector.

7.2.Original aims of the study

The aim of the study was to gain insights into MSE in order to enable both government and MFI to better respond to the needs of this important, albeit informal, sector of the economy. It set out to explore the factors that impede growth of Micro and Small Enterprises in a township setting.

The results of the study seem to concur with previous research in the main, as all but one proposition corroborated the findings in the literature review.

7.3.SUMMARY OF KEY FINDINGS

The empirical findings and discussions have revealed that there are changes that can be made in order to improve the likelihood to grow for micro and small enterprises. The research also highlighted human capital as a very important ingredient for success in an irregular, non-linear process of enterprise growth. Furthermore it identified that differentiation by way of product

offering and the development of services that cannot easily be imitated by competitors would also give a competitive advantage.

As discussed in the results, unexpectedly, there were significantly more men than women who owned or managed Spaza shops. The research found that gender representation was out of step with the overwhelming majority of the literature on the subject. The study also found that the entrepreneurial mindset of respondents was positively linked to the propensity to grow with the majority of respondents wanting to grow their businesses. Very few respondents wanted to leave their businesses in order to join formal employment.

The study also found that given the push factors towards survivalist entrepreneurship, Micro and Small Enterprises seem to attract people with a low human capital. The study for instance found the majority of Spaza shop owners and managers with some second high education and limited work experience.

7.4.RECOMMENDATION

7.4.1 Managerial implications

Most micro and small enterprises such as Spaza shop operate in the informal sector of the economy and as such are normally self funded. This leads to micro entrepreneurs not being afforded the services that financial institutions make available to small businesses that had their capital financed by these financial institutions. These services include enterprise development, financial literacy and business plan writing skills. Thus Spaza shop owners are left to fend for themselves without any proper support.

Given the vibrant micro finance industry in South Africa as a result of the four big banks actively playing in the micro and small enterprise sector by providing basic banking capabilities such as cash deposit and withdrawal, it is recommended that the Micro Finance Institutions (MFI) should adapt their group lending product, as aligned with the Grameen Bank in Bangladesh, to specifically target Spaza shop owners. Once adopted into groups and each group being assigned a relationship manager from the MFI, the owners would get an opportunity to interact with other owners for knowledge sharing, skills transfer, motivation and coaching.

The model would also help owners to negotiate with suppliers on account of bulk buying by the groups. This will help Spaza shop owners to formulate strategies in order to gain competitive advantage in order to grow. The MFI can help Spaza shops by encouraging owners to save, by offering them business support, funding and financial skills.

7.4.2 Government

The results of this research unexpectedly found the number of women managing or owning a Spaza shop is less than that of men. The majority of the 18 million recipients of the government social grants program are women, particularly the child support grant. This is possibly one of the unintended consequence of the child support grant.

7.5.RECOMMENDATION FOR FUTURE RESEARCH

- The results revealed a lack of differentiated product offering which in turn diminish the possibility for one Spaza shop to have a competitive advantage over the other. This absence of a competitive advantage among Spaza shops needs to be investigated. Future research could also focus on what products Spaza shop customer really need.

- Recently the formal financial institutions decided to adapt their product range to include the once informal Stokvel sector. This has largely proven to be successful in formalising an informal financial product. The viability of developing financial product development to include the Spaza shop owners needs to be investigated. This would help Spaza shops to grow by offering business support, financial training and skills.
- This study was limited to one township of Mamelodi. It would be desirable to extend the reach of this study to other townships and rural areas in order to see if the same findings will be obtained.
- This study was done by using a quantitative method of data collection and analysis. A qualitative approach would help in understanding the underlying causes of the factors that impede Spaza shop growth.

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Appendix 1 (Research Questionnaire)

Consent

I am doing research on Factors that prevent Micro Enterprises to grow. To that end, you are asked to participate in this paper based survey. This will help us better understand factors such a human capital of the owner or manager that have a bearing on the growth or lack of growth of Micro Enterprises, and should take no more than 20 minutes of your time. Your participation is voluntary and you can withdraw at any time without penalty. Of course, all data will be kept confidential. By completing the survey, you indicate that you voluntarily participate in this research. If you have any concerns, please contact me or my supervisor. Our details are provided below.

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Interviewer to produce his/her ID number {interviewer to have a general discussion with respondent before conducting the interview to get the respondent to be at ease.}

Questionnaire

Section A: Demographic Information

1. What is your gender?

1. Male	
2. Female	

2. How are old are you?

1. 16 – 24
2. 25 – 34
3. 35 – 49
4. 50+

3. Area

1. Old establishment
2. RDP
3. New establishment
4. informal

Section B: Business Information

1. For how many years have you own this business?

Number of years

2. Do you have any other business, if yes please indicate.

1. Yes
2. No

3. How many people including yourself, are working in the business?

1. 1
2. 2
3. 3+

4. Do you have a formal record keeping system?

1. Yes
2. No

A DEMOGRAPHIC INFORMATION		
A1	ASK ALL: What is your home language?	<ol style="list-style-type: none"> 1. Afrikaans 2. English 3. N Sotho/Pedi 4. Sesotho/Southern Sotho 5. Setswana/Tswana 6. Sindebele/Ndebele 7. Siswati/Swazi 8. Xhosa 9. Zulu 10. Tsonga/Shangaan 11. Venda 12. Other
A2	ASK ALL: How many hours a week do you run this business?	RECORD ACTUAL NUMBER _____ INTERVIEWER RECORD
B SKILLS OF THE BUSINESS OWNER		
B1	What is your highest formal educational qualification?	<ol style="list-style-type: none"> 1. No schooling 2. Some primary school 3. Primary school completed 4. Some high school 5. Matric 6. Apprenticeship 7. Post Matric qualification (diploma) 8. Bachelor's Degree 9. Honours Degree 10. Masters Degree 11. Doctorate Degree
B2	Did you complete any other business training in addition to the formal education you have received?	<ol style="list-style-type: none"> 1. Yes 2. No
B3	Is the business you are running now the same or similar as your previous work experience?	<ol style="list-style-type: none"> 1. Yes 2. No
C. STARTING YOUR BUSINESS		
C1	What year did this business start?	RECORD YEAR Don't know

C2	<p>What motivated you to start running this business?</p> <p>MULTIPLE MENTIONS POSSIBLE</p> <p>INTERVIEWER NOTE: SPONTANEOUS MENTION. DO NOT PROMPT</p>	<ol style="list-style-type: none"> 1. I was retrenched 2. I couldn't find a job 3. Saw an opportunity 4. I enjoy what I do 5. I was expected to take over the family business 6. I had an interest in a particular product or service 7. I wanted to be my own boss/ have my own business 8. I wanted to make more money 9. The previous owner/manager was too old/passed away 10. I wanted to use my specific skills 11. I wanted to secure a better future for my children / family 12. It was a forced by circumstances
C3	<p>How did you start this business? Did you start by yourself, with a partner or take over an already operating business for example?</p> <p>SINGLE MENTION ONLY</p>	<ol style="list-style-type: none"> 1. I started this business by myself 2. I started this business with a business partner(s) 3. I bought/took over/ inherited an already operating business
D	SAVINGS AND BANK ACCOUNT	
D1	<p>Do you save or put money away for business purposes? SINGLE MENTION ONLY</p>	<ol style="list-style-type: none"> 1. Yes 2. No
D2	<p>Which of these might apply to you:</p> <p>MULTIPLE MENTIONS POSSIBLE</p>	<ol style="list-style-type: none"> 1. I have no bank account 2. I use my personal account for business purposes 3. I have a business bank account in the businesses name 4. I have a separate bank account (not business account) that I use for business purposes
E.	BUSINESS SUCCESS	
E1	<p>Thinking about the last 12 months, what would best describe your business?</p> <p>READ OUT</p> <p>ONE ANSWER ONLY</p>	<ol style="list-style-type: none"> 1. Growing 2. Remain the same 3. Getting smaller 4. Just starting out 5. Can't say / Don't know
E3	<p>How many products categories do you offer in your shop?</p>	<ol style="list-style-type: none"> 1. 1 – 4 2. 5 – 9 3. 9 – 14 4. 15 – 19 5. 20 – 24 6. 25+
E4	<p>I'm running this business in order to have a regular income.</p> <p>READ OUT</p>	<ol style="list-style-type: none"> 1. Strongly agree 2. Agree 3. Neither agree nor disagree 4. Disagree 5. Strong Disagree
E5		

IDENTIFYING THE ENTREPRENEURIAL MINDSET					
<p>I am going to read you a number of statements. I'd like you to think about yourself and answer each one as truthfully as possible. Just tell me yes or no or if you don't know.</p>					
	<ol style="list-style-type: none"> 1. Business is about creating opportunities 2. Having drive is more important than doing careful research on the business 3. You don't network enough with other business people 4. Taking calculated risks is not a problem for you 5. You are happy to take charge of and see things through 6. If you make up your mind to do something you don't let anything stop you 7. You don't like to act on impulse 8. You follow tried and tested ways in running your business 9. You actively look for advice to help you improve your life situation 10. You completed a business plan prior to starting your business 11. You regularly analyse your competitors 12. You would easily consider venturing into a new business 	Yes	No	D	
E6	<p>ASK ALL</p> <p>I am going to read you a number of statements. Please tell me if you agree, disagree or don't know with each statement.</p> <p>READ OUT EACH STATEMENT AND RECORD AGREE, DISAGREE OR DON'T KNOW</p>				
		<i>Agree</i>	<i>Disagree</i>	<i>Don't know</i>	
	1. You believe that your business is going to be more successful in the next year.				
	2. You think the economic conditions in South Africa will get worse in the next two years.				
	3. Given the opportunity you would consider leaving SA for good.				
	4. You believe the government is not doing enough to create opportunities for small business.				
	5. South Africa will have a stable political environment in the future.				
	6. Paid employment was offered to you at roughly the same level of take-home profit that you earn in your business, you would take such employment and close your business.				
	7. You feel you don't have the same opportunities as other people.				
	8. You are satisfied with what you have achieved so far in your business.				
	9. The recession has had a negative impact on your business.				
	10. South Africa is in an economic crisis.				
	11. You are worried that your business will shut down.				
F.	Motivation and Skills				

Motivational & Entrepreneurial skills		Agree	Disagree
1.	I know how to motivate/inspire myself to do better everyday.	1 <input type="checkbox"/>	2 <input type="checkbox"/>
2.	I can solve problems in my business easily.	1 <input type="checkbox"/>	2 <input type="checkbox"/>
3.	I know how to manage the risk in my business easily.	1 <input type="checkbox"/>	2 <input type="checkbox"/>
4.	I have ability to identify opportunities.	1 <input type="checkbox"/>	2 <input type="checkbox"/>
5.	I am able to develop and maintain relationships with suppliers.	1 <input type="checkbox"/>	2 <input type="checkbox"/>
6.	I am able to develop and maintain relationships with customers	1 <input type="checkbox"/>	2 <input type="checkbox"/>
Business Skills		Agree	Disagree
1.	I know how to draw up a business plan	1 <input type="checkbox"/>	2 <input type="checkbox"/>
2.	I know how to plan, control, and coordinate all the activities in my business,	1 <input type="checkbox"/>	2 <input type="checkbox"/>
3.	I have a full understanding of financial statements and day to day financial management and bookkeeping.	1 <input type="checkbox"/>	2 <input type="checkbox"/>
4.	I know how to determine the prices of my products.	1 <input type="checkbox"/>	2 <input type="checkbox"/>
5.	Marketing my products is not a problem	1 <input type="checkbox"/>	2 <input type="checkbox"/>
6.	I am able to manage my stock effectively	1 <input type="checkbox"/>	2 <input type="checkbox"/>
7.	Managing my personnel on a daily basis is not a problem	1 <input type="checkbox"/>	2 <input type="checkbox"/>
<p>Thank you for your assistance. In line with international standards, will it be acceptable to you if someone give a back check on this interview?</p> <p>1. Yes 2. No</p> <p>Name: Address: Mobile Number:</p>			