

A STUDY OF ENTREPRENEURSHIP IN THE BANGLADESH

AREA OF CHATSWORTH

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**A Study of Entrepreneurship in the Bangladesh Area
of Chatsworth**

by

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DECLARATION

I declare that 'A Study of Entrepreneurship in the Bangladesh Area of Chatsworth' is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

D. Ahmed

27-01-2003

Date

DEDICATION

*To my Mum, Naomi,
who travelled life's journey so patiently
with me and have been a
constant source of inspiration and encouragement to me
God Bless!*

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ABSTRACT

This study focused on a feasibility analysis of establishing entrepreneurs in the Bangladesh area of Chatsworth. The purpose of the research was to investigate strategies that would enable the development and promotion of entrepreneurship in the area.

The researcher has noted from experience, living in an area contiguous to Bangladesh, that there is a serious shortcoming with regard to entrepreneurial skills among people in depressed communities. The researcher needed to consider strategies of empowering them to earn a decent living. This research project looked at the Bangladesh area, which is indeed a very poor region in Chatsworth. Moreover, the statement of purpose was to examine theoretical constructs related to entrepreneurship which would enable and empower depressed communities to become economically self-sufficient. In addition, the key objective of the study was to undertake an empirical investigation in the area of Bangladesh to determine the needs of the community with respect to development of entrepreneurship and to make recommendations for the economic upliftment of the community.

The findings suggest that the people in the Bangladesh area want to embrace entrepreneurship. However, their main concerns are access to finance, education and training. The existing small businesses in the area need financial assistance to grow and the people who want to start businesses need to have access to affordable finance. The present Government policy is to encourage the development of entrepreneurship both at community level and in educational provision.

CHAPTER ONE

ORIENTATION

1.0 Introduction

Small businesses have a major role to play in the South African economy in terms of employment creation, income generation and output growth. Small, medium and microenterprises (SMMEs) account for approximately 60% of all employment in the economy and 40% of output in the country. This study, A Study of Entrepreneurship in the Bangladesh Area of Chatsworth, focuses on a feasibility analysis of establishing entrepreneurs in the Bangladesh area of Chatsworth.

The aim of this chapter is to introduce the research study and its purpose, identify the critical questions of the research, to provide a rationale for the study and to explore the possible significance of the research findings.

1.1 Definitions

Small business owner: A small business owner is an individual who establishes and manages a business for the principal purpose of furthering personal goals. The business must be the primary source of income and will consume the majority of one's time and resources. The owner perceives the business as an extension of his or her personality, intricately bound with family needs and desires (Gartner, 1989).

Entrepreneur: The term entrepreneur comes from the French and literally translated means 'between the taker' or 'go between' (Hisrich, 1994). The word *entrepreneur*, and the concepts derived from it such as *entrepreneurship* and *entrepreneurial process* are frequently encountered in discussions of the management of new, fast growing, innovative business ventures. The concepts are easily related. Entrepreneurship is what an entrepreneur *does*. Entrepreneurial refers to the *approach* they take. The entrepreneurial process is what the entrepreneur *engages* in (Wickham, 2001).

According to Gartner (1989), an entrepreneur is an individual who establishes and manages a business for the principal purposes of profit and growth. The entrepreneur is characterised principally by innovative behaviour and will employ strategic management practices in the business. As highlighted by Robert Hisrich (1994), entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks, and receiving the resulting rewards of motivation and personal satisfaction. *Venturing* means stepping out into the unknown and market intelligence provides some clues as to how to move forward into this unknown. The information obtained from these clues help to reduce the level of uncertainty and, therefore, assists in minimising the risks involved.

Deakins (1999:52) reminds us that *Small business* implies that the key focus is in relation to the size of the enterprise and the resources available to it, while the term *entrepreneur* suggests that the focus is more to do with the motives, behaviour, and composition of the management. The first metaphor suggests that these firms are handicapped, or limited by

their size, while the second suggests that those running such businesses are guided by entrepreneurial drives embracing growth and expansion.

In the small business, the management process is characterised by the highly personalised preferences, prejudices and attitudes of the firm's entrepreneur, owner and/or owner/manager. It follows, therefore, that one of the primary ingredients of small business success must be the managerial competence of the owner/manager. Despite the importance and growing recognition of small firms and entrepreneurial ventures and their contribution to economic vitality, employment generation, innovation and business development, the value and importance of strategic management and thinking to the small firm community have been recognised and acknowledged comparatively recently.

The *small firm* is independently owned and operated, not dominant in its field and does not engage in innovative strategic practices. In the small business, the owner-manager/entrepreneur is the principal stakeholder and ultimate strategic manager. Usually, there is little separation of ownership and control. Personal, family and life-style considerations dictate strategy, which may be at variance with conventional economic criteria. Managerial competence and independence may deliberately curtail business development (Deakins, 1999).

The *entrepreneurial venture*, by contrast, is any business whose primary goals is profitability and growth and can be characterised by innovative strategic management practices. In the large organization, strategic choices and actions are invariably driven by managerial motives and ambitions that may be at variance with preferred shareholder choice(s).

Both small business management and entrepreneurship are of critical importance to the performance to the economy. However, it is useful to draw a distinction between them since small businesses and entrepreneurial ventures serve different economic functions. They pursue and create new opportunities differently; they fulfil the ambitions of their founders and managers in different ways.

1.2 Entrepreneurship

Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment or provide value or some product or service. The product service may or may not be new or unique, but value must somehow be infused by the entrepreneur by receiving and allocating the necessary skills and resources (Ronstadt, 1984: 28). For the person who actually starts his/her own business, the experience is filled with enthusiasm, frustration, anxiety and hard work. There is generally a high failure rate due to things such as poor sales, intense competition, or lack of capital. The financial and emotional risk can be very high.

The role of entrepreneurship in economic development involves more than just increasing per capita output and income; it involves initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output, which allows more to be divided by the various participants.

The study of entrepreneurship has relevance today not because it helps entrepreneurs better fulfil their personal needs, but because of the economic function of the new ventures. More

than increasing national income by creating new jobs, entrepreneurship acts as a positive force in economic growth by serving as the bridge between innovation and application. The entrepreneur, who frequently lacks both technical and business skills, serves as the major link in the process of economic growth and revitalization.

The study of entrepreneurship and the education of potential entrepreneurs are essential parts of any attempt to strengthen this link so essential to our economic well being. The idea of bearing *risk* is included in many definitions, but this fails to distinguish the entrepreneur from the *investor* who personally accepts the financial risk of a venture. The entrepreneur's task goes beyond simply inventing something new. It also includes bringing that innovation to the market place and using it to deliver value to consumers. The innovated product or service must be produced profitably, in addition to being distributed, marketed and defended from the attentions of competitors by a well-run and well-led organisation.

1.3 Statement of Purpose

The study focused on a feasibility analysis of establishing entrepreneurs in the Bangladesh area of Chatsworth. The purpose of the research was to investigate strategies that would enable the development and promotion of entrepreneurship in the area. The researcher has noted from experience, living in an area contiguous to Bangladesh, that there is a serious shortcoming with regard to entrepreneurial skills among people in depressed communities. The researcher needed to consider strategies of empowering them to earn a decent living. The research looked at the Bangladesh area, which is a very poor region. Moreover, the statement of purpose was to examine theoretical constructs related to entrepreneurship, which would

enable and empower depressed communities to become economically self-sufficient. In addition, an empirical investigation in the area of Bangladesh was done to determine the needs of the community with respect to development of entrepreneurship and to make recommendations for the economic upliftment of the community.

1.4 Critical Questions

The critical questions are:

- What are the theories of entrepreneurship that would inform economic development of small communities?
- What are the models of small-scale entrepreneurship available from other countries for adoption in the Bangladesh area of Chatsworth?

1.4.1 Sub -questions.

- What are the obstacles to starting a small business in this area?
- What are the opportunities to starting a small business in this area?
- What factors contributed to starting small businesses that are in existence in this area?
- What are the socio-economic problems affecting the community in this area?
- How can entrepreneurial activity in this area enhance the lives of the community?

1.5 The Case Study: Bangladesh (a suburb in Chatsworth)

1.5.1 Chatsworth

Chatsworth has its origins and name from the country farm called Chatsworth in England. The Chatsworth we know today was originally farming land, which stretched from Umlaas River in the south to the existing main railway line in the north. To the west lay the Marriannahill monastery area with its German influence, and to the east lay Coedmore Farm owned for years by the Steinbank brothers. A hundred years ago Chatsworth was like most rural areas in KwaZulu-Natal. It was sparsely populated with a smattering of blacks and Indians. They earned a living by self-sufficient farming. Gradually Chatsworth became filled with more and more Indians coming from the outlying district of Clairwood, Merebank, Isipingo and Queensburgh. It was many years before there were any decent roads, piped water, or electricity in Chatsworth. There were no community services whatsoever.

There were no schools in Chatsworth in the early days. A few boys attended the schools in Malvern and Seaview. They had to walk all the way from Chatsworth. The Welbedacht School was the first to come into existence in the Chatsworth area in the late 1920s. The Chatsworth State Aided Indian School was built from funds donated by the Indian community in 1931. The total number of pupils in this school was around 50. They came from surrounding areas such as Cavendish, Buffelsbosch, Witterklip, Coedmore and Mount Vernon. Some pupils had to walk up to ten miles each way.

In the 1950s, vast acres of land were expropriated and 'looted' from the Indian farmer. The Durban Corporation began its systematic development of the Chatsworth Township. Chatsworth would become the new home for thousands of Indians uprooted from Clairwood, Cato Manor, Seaview, Riverside, Queensburgh and including municipal employees from the railways, and 'magazine barracks'. The lucrative market gardens and banana plantations disappeared as the Durban Corporation acquired them for a song.

Up to 1960 there were only four schools that serviced Chatsworth. By 1970 there were almost sixty schools serving a population of 300000. The Indian community in Chatsworth were deprived any community recreational and normal facilities for settled people. As always the resilience and determination of the people shone through their difficulties. The Durban City Council, which was responsible for resettling these displaced Indian communities, turned a blind eye to the pleas of the Indian leaders to provide regularly, needed amenities. They hid behind their hideous Group Areas Act and made a mockery of the governments much vaunted separate but equal development. There was nothing equal about the treatment of the Indian masses. The much-vaunted housing scheme saw impractical homes built without logic, which used third rate material and monotonous designs.

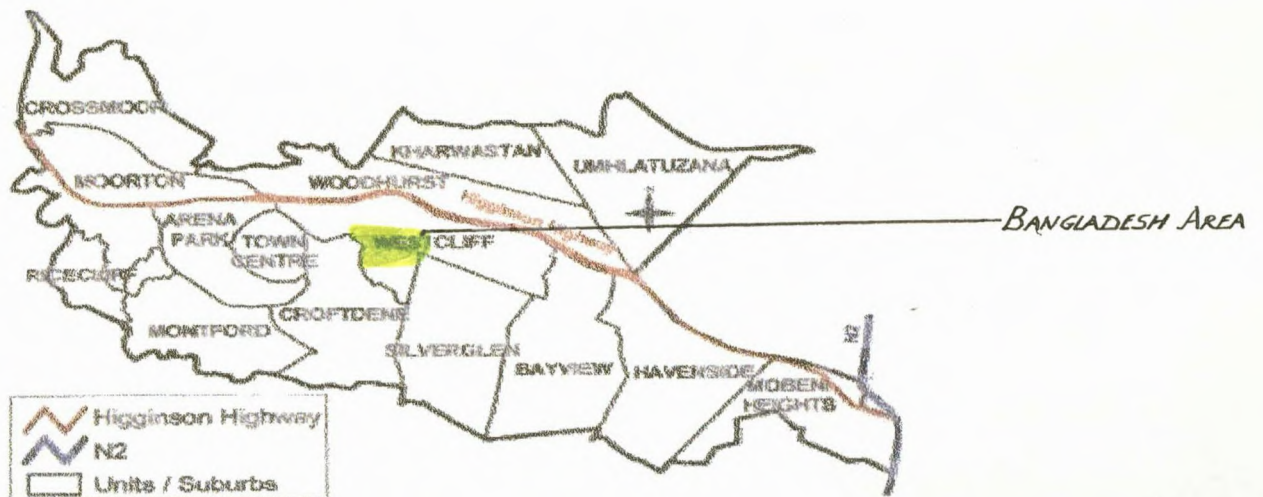
CHATSWORTH



CHATSWORTH CENTRE



AYSHA CENTRE



Chatsworth is a formerly Indian township in Durban. It is forty years old. Chatsworth was a creation of the apartheid-era Group Areas Act 1953. In the 1960s Indians from all over Durban were uprooted, displaced and resettled in Chatsworth. Today, Chatsworth is a thriving metropolis with a distinctive South African Indian ambience.

Today's Chatsworth is a far cry from those early dismal years. In the township Indians mobilised their own resources and soon temples, churches, mosques, community centres and businesses would sprout all over Chatsworth providing a new infrastructure. Bus operators displaced from other areas established new fleets and new routes to carry the community to the outlying industrial and city areas. Chatsworth is well served by many big business complexes. The Chatsworth Centre is the jewel in the crown. There are two hospitals, excellent medical facilities, law practices, police stations and growing rapidly are the informal trading centres. Chatsworth is a self-sufficient township with over 400 000 people, and it can truly be looked upon as a peoples township as it goes into the new millennium.

1.5.2 Bangladesh

The 'Bangladesh' area is part of Chatsworth and is regarded as one of the poorest areas in Chatsworth. It is situated in the heart of Chatsworth, 25 kilometres from the Durban City Centre. The vast majority of the people living in this area are estimated to be living below the Supplemental Living Level (SLL) poverty datum line, set at R220-10 per month (Poverty and Inequality in South Africa, 1998). Their standard of living is far lower than that estimated for the average Indian South African family which is R1 400-00 per month.

According to the *Sunday Tribune* (Perspective Section 05/08/10) 'you will almost certainly not see the desperate living conditions of South Africa's poorest Indian community in the council flats in Chatsworth's Unit 3, known because of its poverty, as 'Bangladesh'.

At the very bottom of the ridge, where the valley is formed, the semi-detached flats mutate into huge, bulky tenement blocks containing 6 families apiece. Rooms have no doors and roofs have no ceilings. Walls are bag-washed with coloured lime. The houses provided a far cry from cosy sanctuary. Under the slightest pressure, the hollow cement walls cracked, the door frames immediately fell apart and the absence of inter-leading doors meant that privacy was non-existent (Desai, 1999).

Mass produced standardised dwellings contribute to a sterile and monotonous environment. Also, recreational, educational and religious amenities in this area are rudimentary. Under these circumstances it is difficult for stable communities to emerge, and social problems in the form of alcohol and drug addiction, gangsterism and juvenile delinquency escalates alarmingly (Desai, 1999).

Nevertheless, besides the gloom and doom that prevails amongst the flatdwellers, Bangladesh boasts one of the busiest markets in the Southern Hemisphere. The Bangladesh Market, as it is popularly known, attracts traders from Chatsworth and surrounding areas from as far afield as Phoenix and Umlazi. The traders are responsible for fresh vegetables, fruits, fish and poultry and a variety of needs for the thousands that flock to it. However, the conditions at the market are appalling and the atmosphere is sad as people struggle to make 'ends-meet'. Traders have to brave the weather, be it sunshine, rain, wind or thunderstorms – just to put a plate of food on their table. From the bustling Bangladesh fruit and vegetable market to the upmarket Pavilion and Musgrave shopping malls of this world, from the very poor to the rich, the Indian community competes for a living (*Post* 15/11/2000).

BANGLADESH MARKET



INFORMAL TRADERS AT THE BANGLADESH MARKET



1.5.3 Current issues in Bangladesh

In the 1950s, Indians from all over Durban were rounded up and dumped in Chatsworth. Thousands spent their lives working in clothing factories to try and stave off eviction from

their homes for rent arrears. Teenagers escaped the tiny homes for the relative privacy of the streets. Mandrax became the drug of choice and gangs proliferated. The violence of the system was turned inwards. Suicide, alcoholism and child abuse soared. By the 1980s, the corrupt police force seemed like just another gang.

However, Chatsworth has become more than just another place where the poor are still kept. Chatsworth has also become a struggle. The euphoria of the 1994 elections and the hopes for a better life did not last long. The clothing industry, traditional source of work for tens of thousands of people in Chatsworth, was in tatters. The State moved quickly to lower tariffs on imported clothes with the result that the local industry was decimated and tens of thousands of jobs were lost. There were 435 employers in the clothing industry in 1995. But in 1999 there were only 166. The human cost was staggering. The only other sources of income, grants and alms, also began decreasing. Countless mothers reported that their disability and child-care grants had been summarily stopped. Begging, on the other hand, had become so widespread throughout the city that there was simply not enough traffic-light benevolence to go around (Desai, 1999:10).

The state moved against the poor just as quickly. As early as July 1994, eviction notices were served on 950 tenants who were in arrears. Water and electricity cut-offs followed. By 1996, 40% of tenants were in arrears and the Durban council sent 50 men with guns and dogs to evict people from their flats (*Post*: 08/11/2000). People who didn't want to be next hurriedly pawned anything of value. Young daughters took up prostitution. In 1998, after the local government elections, the council stepped up the pressure. The council even evicted Ms Shinga and her daughter, both of whom were suffering from AIDS contracted after rape.

In May 1999 Professor Fatima Meer, local hero of the struggle against apartheid, arrived in Chatsworth with a small organization called the Concerned Citizens Group (CCG). Their mission was to persuade the 250 000 voters in this community to vote for the ANC rather than the white parties in the upcoming general elections. Meer discovered that unemployment was running at 70%, that children were not at school because their parents could not pay the fees and that disease was rife.

Contrary to government accusations, there was no culture of non- payment. There was simply no income in these areas. What had taken root was an *economics of non-payment* (Desai, 1999). Meer, the internationally recognised sociologist, biographer of Nelson Mandela, patron of Jubilee 2000 and persecuted anti apartheid activist argued that poverty was not grounds for eviction and disconnection (Desai, 1999). Meer stated that if people were too poor to pay rates and rent through no fault of their own, then she'll be damned if her movement and government would throw them out onto the streets or cut off their lights and water. Meer could not understand how, in the face of such obvious poverty, residents could be expected to come up with the approximately R400 a month that Council required for rent, lights and water. The disciples of a better life for all were behaving as if poverty itself was a crime (Desai, 1999).

Many Chatsworth residents especially those poor communities like Bangladesh, Bayview and Woodhurst were optimistic that their lives would improve after the 1994 elections, but had to grapple with large scale unemployment and increased rents and tariffs in their communities. Working class Indian women were among the worst-hit by unemployment because many had worked most of their lives in the shrinking textile, clothing and leather industries (*Post*:

08/11/2000). While the communities might not be involved in mainstream politics, political activity on a smaller basis was widespread in Chatsworth as residents attempted to build their lives through self-help schemes, counselling centres and the like.

There are a lot of internal problems in Chatsworth; women are being abused, children are molested. The rise of a gang culture coincided with the arrival of mandrax on the market. Bag ladies brought the drugs in from India. Some of the bag ladies were afforded mythological status, like Mother India who hailed from Unit 5. Buttons, the street name for mandrax came to replace dagga as the drug of choice. With it came a more lucrative market and violent territorial battles escalated. In 1980 an investigation by the Chatsworth Indian Child and Welfare Society found that mass unemployment, runaway fathers of illegitimate babies and an increasing divorce rate was accelerating the number of Chatsworth residents relying on state grants to find their next meal. The investigation found that one in every eight families living in the area relied on some kind of grant (*Post*: 15/11/2000).

By the end of the 1980s largely through the resident's own efforts and in the absence of the local and national apartheid state, residents had (re)built a sense of community. Places of worship, sports organizations and lift clubs and the like, gave Chatsworth an embryonic identity.

1.6 Background to the Study

There was a great expectation that the dawn of a democracy would bring some respite from the cruelty of those who ruled from the Durban City Hall earlier. It is deeply ironic that the

struggle of the flatdwellers to remain in dilapidated accommodation devoid of basic social amenities, without lights and water, is in itself a struggle as a threat to the state. The privatisation and/or cutting back of social services have meant that the flatdwellers are finding it difficult to stay out of debt (Desai, 1999).

This study is also concerned with the declining living conditions of the community of Bangladesh with a view to improve conditions of physical deprivation conducive to the emergence of a respectable social pattern. According to Desai (1999) the poor generally are having to fight to improve their quality of life in the ghettos to which apartheid consigned them.

1.7 Significance of the study

This research is necessary to develop strategies that would:

- Promote entrepreneurship especially amongst the poor and unemployed people with a view to uplifting this community economically; and
- Improve and develop existing small businesses as part of entrepreneurial strategies with a view to creating employment and fostering economic growth.

The information and data that will be derived from the literature surveys, interviews and other instruments of data gathering will hopefully enable the researcher to make recommendations orientated towards the economic upliftment of the community in Bangladesh. Further, the findings of this research could also be adapted for application to

other impoverished communities in South Africa and Africa with a view to attempting to develop the establishment of entrepreneurial initiatives and enterprises.

1.8. Research Methodology

The research methodology that was applied was the qualitative, descriptive methodology. Qualitative research allows the researcher to analyse the behavioural measure of groups, small communities and organisations, and in the development of theories on the functioning of such units. Qualitative research methods are designed to bring the researcher closer to social reality and social interaction. The methods enable the researcher to become a part of the research environment and experience interaction as the respondents experience it. In qualitative research, reality is seen as emerging from the interaction and communication of the members of the society in its natural setting. It aims to understand people, not to measure them. It aims to study reality from the inside not from the outside (Sarantakos, 1998:46).

1.9. Limitations of the Research

At the outset it must be stated that the research is targeted at the poor and unemployed. It is inevitable that the levels of illiteracy, the crime rate and gangsterism would impact on the research to some extent. Cars are highjacked, vandalism, petty crime and theft are common occurrences and are on the increase. Moreover, it is likely that because of fear, people may not talk openly because of victimization by drug lords and loan sharks that operate in the area. This research is deemed to be unique in this particular area because poor communities were forgotten when the history of South Africans was being related.

Consequently, because very little research has been done previously in the poor communities like Bangladesh, the body of the literature is limited. Time will also be a limiting factor because the research will be conducted during daylight hours in view of the crime rate in this area.

1.10 Outline of Dissertation

This dissertation is organised into five inter-connected chapters. The first chapter introduces the research topic, identifies the critical questions of the research, looks at the rationale of the study and offers possible benefits of the findings of the research. Chapter Two provides a synthesis of the literature around entrepreneurship as well as the theoretical and conceptual framework relevant to entrepreneurship. The literature also includes other background information such as poverty, unemployment and Human Immune Virus (HIV) aids and crime.

Chapter Three presents a rationale for the research design, description of the instruments used, samples used in the study, data collection plan and method of data analysis. Questionnaires were presented to the flatdwellers of Bangladesh and interviews were conducted with existing small businesses in the area. In Chapter Four a detailed analysis of the findings are presented and Chapter Five presents the recommendations and conclusion to this study.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

In the previous chapter the overall view of the study was presented. In this chapter an outline of entrepreneurship is provided as well as other important factors with regards to the poor, such as poverty, unemployment, Human Immune Virus (HIV) aids, crime and transport.

2.1 Definitions

There are perhaps as many definitions of entrepreneurs as there are entrepreneurs. The following are a further extension of the definitions that have been covered in chapter one.

Although the entrepreneur is usually associated with the management of small business, there is a difference between the entrepreneur and the small business manager in that:

Entrepreneur, by definition, conceive of, gather the resource for, organize, and run private businesses. They tend to be risk takers who are strongly motivated to achieve their goals, including profits. *Management*, by contrast, involves organising and running all kinds of organizations, but is usually not concerned with conceiving in owning them. Managers, therefore, are high level employees who identify more closely with other employees than with the owners (Megginson, Mosley and Piet 1991:15 as cited in Aardt 1997).

However, the current trend is to regard *entrepreneurship* not only as something that is limited to the smaller and medium-sized organizations, but also large organizations. It is for this reason that a new definition is emerging:

Entrepreneurship, in reality, is an approach to general management that begins with opportunity recognition and culminates with the exploitation of the opportunity (Sexton et al., 1991:12 as cited in Aardt 1997).

Entrepreneurship is an economic activity. It is concerned, firstly and foremost, with building stable, profitable businesses, which must survive in a competitive environment. Wickham (2001) highlights that if they are to thrive and prosper they must add more value more effectively than their competitors. The new world created by the entrepreneur must be a more valuable one than that which existed previously. Entrepreneurship is about bringing about change and making a difference.

Entrepreneurship is in the first instance about people who realise new opportunities. The starting point of *entrepreneurship* is a person who has the drive, passion and tenacity to move through the complex process of identifying a business opportunity, developing a business concept to meet that opportunity, acquiring resources and implementing the venture. This involves taking risks and persevering through unforeseen setbacks, personal financial difficulties and the attendant stress.

According to the Global Entrepreneurship Monitor (2001), *entrepreneurship* is about people who realise new opportunities. Entrepreneurs are persistent, passionate, adaptable and able to take risks. As a set of attitudes and behaviours, entrepreneurship can occur in a range of environments, including large companies and the public sector. However, at the core of entrepreneurship lies the creation of new business ventures by individuals or teams.

Kroon (1998:84) states that the most important reason why talented and ambitious individuals consider starting their own business is that entrepreneurs have more fun. It is very nice. They enjoy it. Of course it is hard work, long hours, risks, headaches, and even an ulcer, but this would also be true in any other successful occupation. The difference in the case of the entrepreneur is that the entrepreneur does it for himself. The business can be managed as the entrepreneur prefers and he/she is responsible for the results thereof. This is the case in the Bangladesh area where the poor are compelled to eke out a living for survival.

Entrepreneurship in its broadest sense is about the capabilities of people to combine scarce resources in new ways to respond to opportunities or provide solutions to problems. This is clearly evident in the Bangladesh area of Chatsworth, especially at the informal market that operates over weekends.

Entrepreneurship in the form of new business venture creation may involve innovation – the development of new products and services, or new ways of making or delivering old products and services. But the two are distinct; innovation does not necessarily involve the creation of a new business. The residents of the Bangladesh area may not possess the ability to start something new in the direction of innovation because they are poor and lack the relevant skills and knowledge. But they will certainly benefit from the ideas for future development of the community as a whole.

2.2 Entrepreneurship

The bustling Bangladesh market is filled with many entrepreneurs from the surrounding areas of Chatsworth. They are mostly poor people that are running survivalist type businesses to earn a living. They lack the necessary finance and basic education but have the experience, determination and will to survive in a third world country.

In a first world country, perhaps the decision on whether to start your own business is best considered in the light of the entrepreneurial process. Hisrich (1992) states that the actual process itself has four distinct phases; (1) identify the opportunity; (2) develop the business plan; (3) determine the resources required; and (4) manage the resulting enterprise created. Wickham's approach to the entrepreneurial approach is based on four interacting *contingencies* namely, the *entrepreneur*, a *market opportunity*, a *business organisation* and *resources* to be invested. The entrepreneur is responsible for bringing these together to create new value. The contingency is simply something which must be present in the process but can make an appearance in an endless variety of ways. The entrepreneur is the individual who lies at the heart of the entrepreneurial process, that is, the manager who drives the whole process forward.

An opportunity is the gap left in the market by those who currently serve it. It represents the potential to serve customers better than they are being served at present. The improved way of doing it is the innovation that the entrepreneur presents to the market. Hisrich (1994) argues that identifying and evaluating a good opportunity is a most difficult task. The evaluation process involves looking at the creation and length of the opportunity, its real and

perceived value; its risks and returns; its fit with the personal skills and goals of the entrepreneur; and its differential advantage in the competitive environment.

The market size and the length of the *window of opportunity* are the primary bases for determining risks and rewards. The risks reflect the market, competition, technology, and amount of capital involved. The amount of capital forms the basis for the returns and rewards. Finally, the opportunity must fit the personal skills and goals of the entrepreneur. It is critically important that the entrepreneur is able to put forth all the time and effort required to make the venture succeed.

A good *business plan* must be developed to exploit the opportunity defined. An entrepreneur within informal markets usually has never prepared a business plan and often does not have the resources available to do a good job. It is important to understand the basic issues involved in the business plan: the characteristics and the size of the market segment, the market plan, the production requirements, the financial plan, the organization plan, and the financial requirements. A good business plan is not only important in developing the opportunity but is also essential in determining the resources required, obtaining those resources, and successfully managing the resulting venture.

Wickham (1998) who defines a business plan succinctly as an entrepreneurial tool provides an authoritative and comprehensive account. He reminds us that the activity of creating a formal plan consumes both time and resources and that, if it is undertaken and undertaken well, there must be an appreciation of the way in which the plan can actually be made to

work as a tool for the business. He lists four mechanisms by which a business plan might aid the appreciation of a venture:

1. As a tool for analysis
2. As a tool for synthesis
3. As a tool for communication
4. As a tool for action

The essential value of a well-crafted business plan is that it enables small firms to plan formally and to plan long term (Joyce et al., 1996; Jennings and Beaver, 1997).

The resources needed for the opportunity must be assessed. Resources are the things that are used to pursue opportunity. They include *people, money and productive assets*. Entrepreneurs must be active in attracting resources to their venture such as suitably qualified employees, the people who contribute their efforts, knowledge and skills to it, financial backing in the form of investor's money, the support of customers and supplier, and *physical assets* such as productive equipment and machinery, buildings and vehicles. Resources also include intangible assets such as brand names, company reputation and customer goodwill. All these features can be subject to *investment*.

The people of the Bangladesh area are affected by the institutional setting, the state of the economy, and their differential access to such entrepreneurial resources as business education and training, information and capital. Besides these setbacks, entrepreneurship in the Bangladesh area is never static; it is developing all the time. Being poor is not a crime; it is regarded as a challenge to survive.

The entrepreneurial process starts with an appraisal of the entrepreneur's present resources a step that seems to be lacking among traders in the Bangladesh area. Any resources that are critical must be distinguished from those that are just helpful. Acquiring the needed resources in a timely manner is the next and indeed the most difficult step in the entrepreneurial process.

According to Wickham (2001), the entrepreneur plays a critical role in identifying opportunity, building and leading the organization, and attracting and managing resources. As the organization grows, it develops processes and systems and the people within it develop distinct roles. The entrepreneur must delegate responsibility within the organization and specialist functions may take over some aspects of the entrepreneur's role. For example, the marketing department may identify opportunities and innovate the firm's offering to take advantage of them; the finance department may take on the responsibility for attracting investment. In this way, entrepreneurial ventures quickly take on a life of their own. They become quite distinct from the entrepreneur who established them. Consequently, the entrepreneur must constantly address the question of his/her role within the organization.

The entrepreneurial process results from the *actions* of the entrepreneur. It can only occur if the entrepreneur acts to develop an innovation and promote it to customers. The entrepreneurial process is *dynamic*. Success comes from the contingencies of the entrepreneur, the opportunity, the organization and resources coming together and supporting each other over time. The entrepreneur must constantly focus the organization onto the opportunity that has been identified. He/she must mould the resources to give the organization its shape and to ensure that those resources are appropriate for pursuing the

particular opportunity. These interactions are the fundamental elements of the entrepreneurial process and together they constitute the foundations of the *strategy* adopted by the venture.

Most people, even entrepreneurs, do not think of entrepreneurship as a career. A conceptual model for understanding entrepreneurial careers views the stages as dynamic ones, with each stage reflecting and interacting with other stages and events in the individual's life - past, present, and future. This life-cycle approach conceptualises entrepreneurial careers in nine major categories: educational environment, the individual's personality, childhood family environment, employment history, adult development history, adult nonwork history, current work situation, the individual's current perspective, and the current family situation (Hisrich, 1994).

Much research by the Global Entrepreneurship Monitor (2001) has gone into trying to determine what sort of people makes good entrepreneurs. Because of diverse business opportunities, diverse societies and diverse individual histories, entrepreneurs are at least as different from each other as they are similar. Nevertheless, certain characteristics stand out. These have to do with individual mindset. They include self-confidence, persistence, passion, the desire to achieve, adaptability and the ability to take risks.

Entrepreneurs are not necessarily born with these characteristics. They can be acquired through life experience, and even through the entrepreneurial process itself. Entrepreneurs need to have or to develop a robust psychological make-up because the task that they take on is invariably daunting. The role of entrepreneurs is distinctive from other business actors including employees and silent partners (investors who are not involved in the day-to-day

operations). This is clearly apparent at the formative stages of a venture. For the entrepreneur the endeavour starts before anyone else sees the venture as worthy of investment or as a potential employer. The venture may be beyond the imagination of most people. The work required to investigate the opportunity, prepare a business case and represent it to potential management team candidates and to investors, falls to the entrepreneur.

In doing so, entrepreneurs forgo alternative opportunities. This may mean giving up a job in order to devote sufficient time to develop the venture. It usually means foregoing sleep; either because of 'moonlighting' (pursuing an opportunity at the same time as holding a regular job) or simply because of the urgency of getting the venture launched as quickly as possible. It typically means sacrificing time with family and friends, often at personal cost. Entrepreneurs, therefore, face high levels of stress.

Entrepreneurs believe that their resources (financial, knowledge, experience, contracts, and reputation) are best focused on a single objective and managed directly by themselves. It is the ability of entrepreneurs to ensure satisfied customers, which is their only security. To do this, they must believe in themselves and their abilities and be single-minded in pursuing their objectives.

A substantial proportion of entrepreneurs, particularly in an environment such as South Africa, pursue a form of self-employment because of a lack of better work opportunities. Many of these people are genuine entrepreneurs. They are equally dependent on satisfying the demands of their customers as opposed to employers. The adversity faced is certainly no less. They are at risk; even the poorest have to manage stock and working capital. Survival-

driven entrepreneurship takes as much courage as opportunity driven entrepreneurship. This is typical in the Bangladesh area. Sometimes it demands even more ingenuity, given the lack of even the most basic resources that these entrepreneurs often face.

We may have businesses that have yet to pay salaries and wages, and so are captured as start-up's, but are actually several years old and have simply never been profitable enough to pay salaries or wages. This may be the case for survivalist businesses and other informal businesses, which contribute to the owner's livelihood but not through formal salary payments or drawings.

Many people have become successful entrepreneurs with little formal business education. Informal learning opportunities, for example, through contact with family members who are entrepreneurs, can play a key role in developing entrepreneurial capacity. Work experience is an excellent informal learning opportunity. Exceptionally high levels of unemployment that have persisted for decades mean that many South Africans are part of a long term unemployment group who have had no work experience (Global Entrepreneurship Monitor, 2001).

Entrepreneurs are motivated by a number of factors and although making money may motivate some, it is neither the only factor, nor necessarily the most important. A sense of achievement, of having created something, or of 'making an entire *new world*' is often a much more significant driving factor. The entrepreneurial venture can be an entrepreneur's way of leaving his/her mark on the world, reminding it of his/her presence. Entrepreneurs may also be motivated by the challenge that the competitive environment presents, namely, a

chance for them to pit their wits against the wider world. Driving their own ventures also gives entrepreneurs a chance to design their own working environment and instills a sense of control (Wickham, 2001).

Entrepreneurs operate within a wider society. In making an 'entire new world' they must, of course, have an impact on that society. They provide the society with new products and access to new services. They provide fellow citizens with jobs. They help make the economic system competitive. The entrepreneur must operate with a degree of social responsibility. In order to supply the innovation to the market, the activities of a number of different people must be co-ordinated. This is the function of the organization that the entrepreneur creates. It has been more productive to think in terms of the organization in the sense as being a *network* of relationships between individuals with the entrepreneur sitting at the centre. The idea of a network provides a powerful insight in how entrepreneurial ventures establish themselves, how they locate themselves competitively, and how they sustain their position in their markets by adding value to people's lives (Wickham, 2001).

According to Wai-Sum Sui (1996), senior citizens in China's fast growing economy undertake a venture to keep themselves occupied during retirement. In the Bangladesh area senior citizens operate a venture out of necessity to survive the onslaught of poverty.

2.3 Small, Medium and Micro Enterprises (SMME's)

South Africa's economy has historically been dominated by large corporations and a big public sector. There was a conspicuous absence of small businesses in the dormant sectors of the economy, and little attention paid to small enterprise promotion in public policy.

The 1995 White Paper on Small Business sets forth the national objectives for the post-apartheid SMME economy in South Africa. The goals proposed for the SMME economy target the spectrum of SMME activities, including the informal enterprise. The primary objective is 'to create an enabling environment' for national, regional and local policy frameworks. In addition to this basic goal, the Paper identifies several more specific policy objectives. Khula Enterprise Finance is to facilitate access to finance for SMME development. Overall, Khula Enterprise Finance functions as the national wholesale SMME funding facility, providing loans, grants and guarantees for retail banking institutions servicing the SMME market.

According to Beaver (2002), in economic terms, a small business is one that has a relatively small share market. It is managed by its owners or part owners in a personalised way and not through the medium of a formalised management structure. It is independent, in the sense that it does not form part of a larger enterprise and that the owners should be free from outside control and interference in taking their principal decisions. He argues that many small firms operate in niche markets where premium prices can be charged and superior business growth and performance displayed (see, for example, Storey, 1994 and 1998; Beaver and Ross, 2000).

There are a number of reasons why there is considerable interest in the creation, management, dynamics and contribution of small businesses:

- Small firms help to diversify a nation's economic base and provide it with the opportunity of responding to a variety of market conditions;
- Small firms assist in employment creation and provide a natural corrective to large corporations undergoing rationalisation programmes and downsizing;
- The establishment of a vibrant and healthy small business sector helps promote an element of local control and accountability;
- The creation of a new business venture provides an opportunity to transcend social inequality and the unemployment trap. Enterprise development provides a meaningful expression of meritocracy and opportunity;
- The presence of small firms in an economy is an expression of healthy and necessary competition against the excesses of 'big business' and monopoly power and exploitation;
- They effectively cater for niche markets which large corporations ignore through strategies of globalisation;
- Small firms assist in the development and dissemination of new forms of technology and innovation; and
- Small firms are the natural avenues for self development and individual achievement, being the natural expression of entrepreneurship (Beaver, 2002).

Small firms are different from large ones in that:

- Small businesses are frequently dominated and controlled by one person. Business decisions are often personal decisions and the logic of the balance sheet and rational economic criteria may not always apply;
- Many small firms are heavily reliant on a small number of customers. This means that they are particularly dependent on the performance and health of any one customer and vulnerable if that business turns elsewhere for its products;
- Most small businesses, because of their small market share are unlikely to exert much influence on their chosen sector;
- Many large organizations are indeed public companies and as such have access to the stock market in their desire to raise capital; and
- Small firms may choose to operate in a single market, or limited range of markets with similar customer requirements, i.e. they deliberately restrict their product/service offerings, often on the grounds of simplicity or focus (Porter, 1985)

The ingredients for small business success can be measured in their capacity to sustain a lifestyle business that has been established to provide a measure of independence with an acceptable income at a 'comfort level' of activity. Once that level of activity is reached, management becomes a routine; tactical operation designed to protect the existing business. The entrepreneurial business has a different agenda and a different perception of success that includes business growth attention to maximising profitability, turnover (or both), management development, innovation in the product-service mix, and so on. The family business may also have a very different success agenda that is understood only by the principal family members (Leach and Bogod, 1999; Scase and Goffee, 1987). If profitability

and growth are to be regarded as the principal measures of small firm success (i.e. wealth-creating firms), then there may well be generic factors that are transferable and which others would do well to heed.

At the centre of much of the interest in small business ownership are the questions of power, control, culture and patterns of decision-making. It is a common perception that power cultures are thought to decrease with an increase in the size of the firm, when formal delegation and structure become more important. Power and control also feature as an important issue with employees, especially those who do not enjoy some form of trade union protection.

Ownership and family issues are also very much in the vogue. The positives of family ownership tend to be captured in such things as the speed and the flexibility with which family-owned firms can make decisions without having to circumvent other stakeholders. The business could be the vehicle that exploits family relationships, overworking some members, thus raising the question of family first or business first, a problem which may well find expression in operational friction and value conflicts.

An organization may find that standards of performance are substituted for standards of satisfaction – the perennial problem of maintaining a lifestyle business rather than concentrating on the efficiencies and new methods that enhance profitability and competitive advantage and take the business forward. Lifestyle businesses provide the owner/manager with a means of economic survival within a desired style of living. There is a belief that small firms tend to be more labour intensive, and therefore, more likely to create jobs, while larger

organizations are more likely to utilise innovation and new technologies to achieve efficiencies and economies of scale, thus shedding labour (Beaver, 2002: 1-9).

In South Africa, the National Small Business Act classifies SMMEs according to five size categories, ranging from Survivalist enterprises, Micro enterprises, Very small enterprises, Small enterprises and Medium-sized enterprises. Each has particular financing requirements.

Survivalist enterprises are enterprises with no paid employees and minimal asset value. The enterprises generate income below the minimum income standard or the poverty line, and their main aim is to provide minimal subsistence means for the unemployed and their families. Most entrepreneurs in this category are involved in hawking, vending, subsistence farming, etc. The main sources of finance for the survivalist sector are family and friends, informal money-lenders, NGOs, and credits obtained from suppliers. Most survivalist enterprises have never had access to formal financial institutions. The greatest need faced by enterprises operating in the survivalist sector is for working capital to purchase supplies and inputs, often for periods of less than a week. Very little capital accumulation takes place in these enterprises, as most income is consumed by the family. As a result, survivalist enterprises have continual borrowing needs and run the risk of an excessive dependence upon sources of capital outside the business. This is the predicament that the people of Bangladesh find themselves in.

Micro enterprises have a turnover below the Value Added Tax registration limit (presently R150 000 per annum) and have less than 5 paid employees. Micro entrepreneurs are more likely to have had access to formal financial institutions than survivalist enterprises, but often

for purposes other than their business, since such businesses are usually too small to interest commercial lenders. Common sources of enterprise finance include family and friends, moneylenders, and NGOs.

The financing needs of micro enterprises are more complex than for survivalist enterprises. Generally, micro enterprises require small fixed asset loans for equipment, such as sewing machines, deep freezers, etc., as well as working capital for supplies and material inputs. Loan requirements are for longer periods, ranging from 3 months to 3 years.

Very small enterprises employ fewer than 10 paid employees. They operate on the formal market and usually have access to modern technology. The smallest of these enterprises are self-employed owners with no employee. Very small enterprises sometimes have access to formal financial institutions. The only equity in the business is, therefore, generally the owner's own contribution. Often, very small enterprises are established as a result of an entrepreneur's retrenchment package from previous employment.

Small enterprises have fewer than 50 paid employees and are more established with more complex business practices. Usually, the owner does not manage the enterprise directly, and a secondary co-ordinating mechanism has been put in place. Small enterprises are more established than very small enterprises and have greater capital needs, especially for equipment and working capital. They rely more upon leasing finance and factoring.

Medium-sized enterprises are enterprises with up to 100 paid employees. Thus the survivalist and micro enterprise sectors are largely reached only by NGOs and family-based financing.

Larger micro enterprises and very small enterprises, on the other hand, are most appropriately served through individual loans and more differentiated loan products.

Because SMMEs are often undercapitalised, the enterprises are particularly vulnerable to economic fluctuations and interest rate changes. This scenario has an adverse impact on the Bangladesh area because the people are poor. They are struggling to keep a shelter over their heads. To them being poor is a crime, as there is no income generation due to unemployment and they cannot afford to pay their rent and service charges.

2.4. Other Supporting Factors with regards to the Poor

Important supporting factors with regards to the poor include poverty, unemployment, HIV/AIDS, crime and transport.

2.4.1 Poverty

Poverty is characterised by the inability of individuals, households or communities to command sufficient resources to satisfy a socially acceptable minimum standard of living. Poverty is perceived by poor South Africans to include alienation from the community, food insecurity, crowded homes, usage of unsafe and inefficient forms of energy, lack of jobs that are adequately paid and/or secure, and fragmentation of the family (Poverty and Inequality Report in South Africa, 1998).

Poverty is not a static condition; individuals, households or communities may be vulnerable to poverty as a result of shocks and crises (uncontrollable events which harm livelihoods and food security) and long-term trends (such as racial and gender discrimination, environmental degradation and macroeconomic trends). Vulnerability to poverty is, therefore, characterised by an inability to devise an appropriate coping or management strategy in times of crisis. Poverty may also involve social exclusion in either an economic dimension (exclusion from the labour market and opportunities to earn income) or a purely social dimension (exclusion from decision-making, social services, and access to community and family support).

Poverty, according to the Poverty and Inequality Report in South Africa (1998), can be defined as the inability to attain a minimal standard of living, measured in terms of basic consumption needs or the income required to satisfy them. It is conventional to draw up a 'poverty line' reflecting the monetary value of consumption, which separates the 'poor' from the 'non-poor'. For South Africa, this cut-off point can be defined by considering the poorest 40% of households (about 19 million people or just under 50% of the population) as 'poor', giving a monthly household expenditure level of R353 per adult equivalent (Poverty and Inequality Report, 1998). Many Bangladesh residents were optimistic that their lives would improve after the 1994 elections, but instead had to grapple with large-scale unemployment and increased rents and tariffs in their community.

There is a very strong correlation between level of education and standard of living: the poverty rate among people with no education is 69%, compared with 54% among people with primary education, 24% among those with secondary education, and 3% among those with tertiary education. There is also a correlation between poverty and ill health, although this is

more difficult to measure, and access to effective health care is specific to particular social and environmental situations. However, it is clear that poor children suffer a much higher than average rate of stunting (Poverty and Inequality Report, 1998).

In South Africa, while many of the institutional requirements for efficient markets are present, institutional discrimination has meant that many markets remain strongly influenced by existing positions of power and influence. While economic growth contributes to poverty reduction, it may not necessarily reduce inequality. Further, there is evidence that countries starting off with significant inequality experience lower growth rates than others do because lack of access to physical, financial and human assets constrains poor people from participating effectively and efficiently in the economy. In contrast, wealth is perceived to be characterised by good housing, the use of gas or electricity, and ownership of a major durable good such as a television set or fridge (Poverty and Inequality Report, 1998).

Households use their assets to undertake a wide range of income-generating activities, and in doing so exercise a range of claims in many distinctive claiming systems. There are at least four broad categories of assets and claims: human capabilities, natural resources, social and institutional networks, and human-made capital. Household livelihood strategies typically include some combination of the following income-generating activities: agriculture and fishing; self-employment in small and micro enterprises; wage labour; legal claims against the state, such as pensions, unemployment insurance and state child maintenance; claims against employers, such as pensions; and claims against individuals such as private child maintenance. Several other types of income-earning or income-stretching activities are also often critical. They may include unpaid domestic labour, illegitimate activities (such as drug

trafficking, prostitution and petty theft), the sale of household assets, and use of the environment (such as for cultivation, grazing, fishing, and as a water source) (Poverty and Inequality Report, 1998).

2.4.2 Unemployment

Poverty and unemployment are closely related: 55% of people from poor households are unemployed, compared with 14% of those from non-poor households (Poverty and Inequality Report, 1998). Poor households are characterised by a lack of wage income, either as a result of unemployment or of low-paying jobs, and typically rely on multiple sources of income, which helps reduce risk. Access to basic services such as electricity, toilets and piped water is also closely correlated with poverty.

Time is an important cost associated with many of the livelihood plans constructed by the poor, especially for women, who are often singly responsible for child-care, cleaning the house, fetching and heating water, washing and ironing, shopping, collecting firewood, cooking and washing dishes.

Access to quality employment is an essential way of achieving sustainable livelihoods, which in turn is a crucial means of reducing poverty and inequality. Poor people face the problems both of unemployment and the low quality of the jobs which they otherwise occupy. Those in the informal sector tend to remain in poverty while still being in employment, since the informal sector consists predominantly of workers involved in survivalist activities. It can be

argued that the informal sector represents those who, while being employed, are severely disadvantaged in the labour market.

According to the Southern Africa Labour Development Research Unit (SALDRU) survey, the average monthly net return to the self-employed was R826, while the median monthly income was much lower at R200. By contrast, the mean monthly wage across all sectors is R1 900, which is the main reason the informal sector has been identified as a second-best option relative to formal employment. A minimum of 45% of the self-employed are earning an income lower than the Supplemental Living Level (SLL) poverty line, set at R220.10 per month (Poverty and Inequality in South Africa, 1998).

Faced with this outlook, government formulated the Growth, Employment and Redistribution (GEAR) strategy. GEAR reiterated government's commitment to the existing economic policy framework, identified many of the structural weaknesses inhibiting economic growth and employment, and focused attention on market-based policies to address them. The strategy recognises that a sustained reduction in inequality requires accelerated job creation, which, in turn, requires structural transformation to achieve higher and more labour-absorbing growth within the economy. GEAR focuses its strategy for higher growth rates on several related elements.

GEAR advocates a social agreement to facilitate wage moderation, underpin accelerated investment and employment and enhance public service delivery. A social compact is precisely the type of instrument that can be used to mitigate the negative impact of labour market flexibility and increased international competitiveness on vulnerable groups such as

the Bangladesh area. GEAR starts from the assumption, strongly supported by international evidence, that the most successful strategy for reducing poverty and promoting equity is one that emphasises growth and job creation.

Current policies aimed at the SMME (small, medium and micro enterprise) sector need to be better targeted at the most vulnerable segments of the informal sector. The policy recommendations in this regard are similar to those proposed for the private, community and personal services sector, as there is significant overlap in the characteristics of the two sectors. (Poverty and Inequality in South Africa, 1998).

2.4.3 HIV/ AIDS

South Africa is currently experiencing one of the most rapidly progressing HIV epidemics in the world. The impact of HIV/AIDS on the gross domestic product is incremental. Already, there is a marked impact on individuals, households and communities. The effects on the health service are multiple, including the rapid rise in new cases of tuberculosis, about half of which are attributable to HIV infection. The public sector health service is having to cope with rapidly rising AIDS-related admissions to hospitals, compounded by increasing absenteeism and a fast-rising tuberculosis incidence rate among the poorer people.

The impact of the HIV/AIDS epidemic often leads to stigmatisation, discrimination and isolation from traditionally supportive social networks. The secrecy that surrounds HIV/AIDS in many communities compounds efforts to deal with the infection. The poorest households are the hardest hit. In extreme cases, people take risks with their lives in the

struggle to make a living and provide for their families. Women in poor communities lack both the information and the power to insist on safe sexual practices with their migrant partners. Among the populations in urban areas, the number of younger sex workers is rising in the face of poverty and lack of economic opportunities. Few among them are in a position to insist on safer sex (Poverty and Inequality Report in South Africa, 1998). The Bangladesh area is presently experiencing the very same predicament i.e. prostitution and sexual abuse are impacting negatively in this area and the surrounding areas of Chatsworth.

Deprivation, in terms of lack of access to basic social services and economic opportunities, increases vulnerability to HIV and AIDS. Poverty and inequality limit the capacity of millions of South Africans to translate awareness into effective behaviour change. Gender inequality and abuse of women, with its roots in the multiple burdens imposed on women and their lack of power, even in stable relationships, are major contributors to the spread of HIV infection. Continued violations of the human rights of infected and affected people present a major obstacle to human development. HIV infection has attracted discrimination on so great a scale that, for many, it constitutes a new form of apartheid, unfairly robbing them of the chance to participate as equals in the reconstruction and development of South Africa (Poverty and Inequality Report in South Africa, 1998).

Inevitably, poor communities will be least able to cope with illness and the loss of livelihood. This is increasingly apparent from declining productivity, rising rates of absenteeism, loss of skilled and experienced labour – over time it may result in higher labour costs and weakened economic performance.

2.4.4 Crime

South Africa has among the highest rates of violent crime in the world. Poor people are far more at risk from personal crime than the affluent, and violent crime is one of the more severe shocks that can cause vulnerable households to become impoverished. This is clearly evident in the Bangladesh area of Chatsworth.

While the wealthy tend to be victims of property crime such as burglaries, armed robbery and hijacking, poor people are at risk from personal crime. Poverty, high unemployment and marginalisation of men increase the risk of violence against women, and the poor women are often trapped in abusive relationships due to dependence on partners for food, shelter and money. Areas inhabited by the poor are less likely to have infrastructure such as proper street lighting and telephones, safe public transport and decent roads that facilitates crime prevention. Poor people are unlikely to be able to supplement the services of the police by purchasing private security (Poverty and Inequality Report in South Africa, 1998).

2.4.5 Transport

Transport is a significant factor in the development of health and education programmes, and is essential in stimulating and maintaining small enterprise and commercial activity. In addition, the length of time spent commuting daily robs the poor of one of their most valuable commodities - time which could be spent in income generation or other productive activity. Due to the spatial distances resulting from apartheid planning, the Bangladesh area being a typical example, the working poor spend a large amount of time and money on transport. Few

households have access to a private car. Accessibility of transport services for the poor is limited in the extent and location of services provided, and poorer groups are often required to use more than one mode of transport to reach their destination. People with disabilities are a particularly vulnerable group, as lack of efficient transport effectively excludes them from most economic activities. In addition, the safety and security of passengers differs according to the modes of transport available (Poverty and Inequality Report in South Africa, 1998).

2.4.6 Conclusion

This chapter was introduced by the definitions of the term's *entrepreneur*, a discussion on *entrepreneurship* and *small businesses* as well as other important factors that affect the poor, such as poverty, unemployment, (HIV) aids, crime and transport. In the next chapter, the research methodology used in the study is discussed.

CHAPTER 3

METHODOLOGY

3.0 Introduction

The purpose of this chapter is to explain and justify the design of the study. The researcher used the qualitative method of collecting data to undertake a feasibility analysis of establishing entrepreneurs in the Bangladesh area of Chatsworth. In this study, the term "method" refers to the range of approaches to gather data as a basis for inference and interpretation, explanation and prediction (Cohen & Manion, 1996: 38). The chapter begins with the research design, describing the questionnaire and interview. It also provides justification for the use of the above instruments in the study. The data collection plan is provided with a description of the samples used in the study.

3.1 Research Design

The researcher proposed that the present study be conducted within the qualitative paradigm. One of the major distinguishing characteristics of qualitative research is the fact that the researcher attempts to understand people in terms of their own definition of the world.

Surveys imply collecting and recording data. The researcher translates a research problem into questionnaires. Surveys enable researchers to collect evidence in a standardised format from numerous respondents (the sample), in such a way that it is possible to make generalisations applicable to the population from which the sample was drawn.

In social surveys the data is most often obtained by means of interviews, telephonic conversations and questionnaires. The researcher developed a way to ensure that the data was

standardised by using an appropriate scaling design. As questionnaires were completed they were checked for completeness, possible biases or other inadequacies. The wording of questions is a crucial factor in survey research. Questions had to be carefully worded so that a given answer did not imply two different things and so the respondents with varying amounts of formal education could answer them equally.

The questionnaire consisted of a number of standardised, preset questions designed to collect the information required. It was important to conceptualise and operationalise the variables, such as the factors affecting the impoverished people of Bangladesh, that were being studied in order to develop the measuring instrument. The questions served to collect the information needed to test the hypothesis, which is to establish entrepreneurs in the Bangladesh area. The researcher had to pay careful attention to the reliability of the responses and the validity of the findings in the survey because of the nature of the instrument e.g. ensure that the questions were relevant to the study, the questions were carefully worded, the respondents understood the question, the respondents were not influenced by the wording, etc.

This study also utilised qualitative interviews as described by Rubin and Rubin (1995:31); their model of qualitative interviewing emphasises the relativism of culture, the active participation of the interviewer, and the importance of giving the interviewee voice.

3.1 Research Instruments

3.1.1 Questionnaire

The questionnaire was prepared especially by the researcher. The questionnaire is the most widely used technique for obtaining information from subjects. It helps the researcher obtain data in a fairly easy manner. The information from questionnaires is coded with a certain degree of ease. According to McMillan & Schumacher (1993:238) a questionnaire is relatively economical, has standardised questions, can assure anonymity and questions can be written for specific purposes. According to Birley & Moreland (1998:45) the major disadvantage of a questionnaire is that it often has a poor response rate and much emphasis is on writing ability. The researcher took into account the above-mentioned disadvantages when the research instruments were designed and used.

The questionnaire (Appendix A) was to be administered to the flatdwellers in the Bangladesh area of Chatsworth to elicit their responses to establishing entrepreneurs. The questionnaire was divided into two parts. Section A was the biographical background, while Section B focused on the various aspects of entrepreneurship. Most of the questions required categorical responses, while others required Likert ratings as follows:

- Strongly agree
- Agree
- Don't know
- Disagree
- Strongly disagree

Field workers were engaged for the distribution and collection of the questionnaires. They were also given specific instructions to assist respondents who experienced difficulty in completing the questionnaires due to lack of education and illiteracy.

A letter was addressed to the respondents explaining the reasons for the current investigation and the purpose of the study. The questionnaire ended by thanking the respondents for their participation.

3.2.2 Interviews

Interview schedules (Appendix B) were prepared for people running small businesses. The semi-structured interview allowed the researcher to probe initial responses. The researcher took into account ethical issues such as confidentiality and trust. According to Bailey (1978) one major advantage of the interview is its flexibility. Interviewers can probe for more specific answers and can repeat a question when the responses indicate that the respondent misunderstood the question. In contrast to a questionnaire, many respondents simply feel more confident of their speaking ability than of their writing ability.

Given that the study of small businesses is a relatively new branch of social science research (Churchill et al., 1986; Brockhaus, 1987; Bygrave, 1989) and the relative lack of understanding of small businesses, it was argued that emphasis should be placed on empirical research of a phenomenological nature. The phenomenologists are concerned with understanding social and psychological phenomena from the perspectives of the persons involved. The phenomenologist is thus, not concerned with the description of phenomena as

if these exist independently of the participant's experience of it, but with his or her experience of the phenomena (Huysamen, 1994: 167). This points to a qualitative approach where the aim is to explain rather than predict phenomena (Leavy, 1994) and to understand things rather than measure them (Gordon and Langmaid, 1988). Furthermore, qualitative methods were considered to be particularly suitable for gaining an understanding of decision-making in small and medium-sized firms (Carson et al., 1998).

Qualitative research offers a variety of methods to gather information. Based on the specific aims of this research, semi-structured interviewing was deemed to be one of the most appropriate means of collecting the relevant data. Semi-structured or unstructured interviews have been found to be particularly effective for collecting data from owner-managers of small enterprises (Curran and Blackburn, 1994).

In semi-structured interviews, the interviewer should keep to the previously formulated questions contained in the interview schedule to prevent interviewers from collecting information, which is not comparable (Huysamen 1994: 174). Semi-structured interviews allow room for revealing feelings and beliefs of individuals that a structured interview does not allow. Thus unlike structured interviewing, the interviewer in semi-structured interviews simply suggests the general theme of discussion and poses further questions as these come up in the spontaneous development of the interaction between interviewer and the research participant (Huysamen 1994: 174).

All the interviews were audio-taped if permission for this could be obtained. These recordings were transcribed verbatim and the resulting texts analysed. In cases where permission for tape recordings was not granted, extensive notes were taken.

3.2 Validity and Reliability of the Data

Validity refers to the extent to which an empirical measure adequately reflects the real meaning of the concepts under consideration (Babbie, 1975: 130). Reliability does not ensure accuracy any more than precision does. Validity tests how well an instrument developed measures the particular concept it is supposed to measure. Reliability tests how accurately and consistently a measuring instrument measures whatever concept it is measuring. In other words, validity is concerned with whether the right concept is being measured, and reliability is concerned with the stability and consistency in measurement. To create reliable measures the researcher has to ask people for information. Factual information of the *status quo* of establishing entrepreneurs in the Bangladesh area is the data required.

3.3 Research Sample

Researchers seldom observe a total population, but usually gather data on a part sample. They then try to specify something about the population from the knowledge of the sample. A sample is representative to the degree to which it reflects the characteristics of a population (Labovitz and Hagedorn, 1976: 44). According to McMillan & Schumacher (1993:163) the researcher must determine the size of the sample that will provide sufficient data to answer the research question. Therefore, use was made of sampling techniques to bring the survey

within the time and financial constraints of the researcher. For the purpose of the questionnaire, the researcher used the simple random sampling technique. In this type of sampling, elements are selected randomly from the sampling frame. Each element is listed separately and only once, therefore, every element has an equal and independent chance of being selected as a member of the sample. The population consists of approximately 600 households in the Bangladesh area.

For the interview process, the researcher used the purposive sampling technique. This type of sampling is based on the researcher's knowledge of the research area and the important opinion-makers available within the research area. Business people are usually too busy to grant interviews during business hours. Therefore, appointments have to be made to accommodate them at their convenience. This could be frustrating and problematic because of non-availability of the interviewees at mutually agreed times.

3.5 Data Collection Plan

3.5.1 Questionnaires

Questionnaires were given to a sample of 100 flat-dwellers in the area. It was the assumption that these people were the poor and unemployed living in the area. The questionnaire looked at whether these people considered starting a business and what kind of business; what skills, personalities, support structures and finance do they possess?

Field workers were carefully selected and given specific instructions to assist the respondents in completing the questionnaires. Part of this was based on the assumption that illiteracy was

prevalent in the area. Field workers were employed to facilitate the distribution and collection of questionnaires and also to assist the respondents where necessary.

The researcher received a 100% response during the data collection, which is considered excellent, and this has positively influenced the validity of the study. This was mainly due to the fact that well-trained and dedicated field workers were engaged under the supervision and guidance of the researcher to properly administer the process. Much resistance was not experienced, as the field workers were familiar with the area. In fact, they reported that the response was overwhelming, accompanied by co-operation and a willingness to participate

3.5.2 Interviews

Interviews were conducted with a sample of 10 people in the area who were already running small businesses. Semi-structured interviews were used to collect data. The interviews consisted of open-ended questions drawn from a review of relevant literature on the topic. The interview questions probed the initial start-up of the business, their prior working experiences, motivation and adaptability to the development of the business. It also examined the support structures available and their access to finance and resources available to them. The questions searched for information on skills, training, problems and obstacles for future development. Respondents had the opportunity to express their views freely and to expand on questions. This approach influenced the scope and sequence of the interviews for the different respondents.

3.6 CONCLUSION

In this chapter the research methodology, research design, research instruments, research context and research sample were discussed. A brief justification for the use of each research instrument was provided. According to Mouton & Marais (1990:91) and Cohen and Manion (1996:223), researchers ought to accept as a general principle that the inclusion of multiple sources of data collection in a research project is likely to increase the reliability of the study.

In the next chapter the data analysis and evaluation will be presented and responses to the critical questions will be discussed.

CHAPTER FOUR

KEY FINDINGS AND ANALYSIS OF DATA

4.0 Introduction

In the previous chapter, the research methodology was discussed. This chapter would present the analysis of data produced in response to the following critical questions:

- What are the theories of entrepreneurship that would inform economic development of small communities?
- What are the models of small-scale entrepreneurship available from other countries for adoption in the Bangladesh area of Chatsworth?

Sub-Questions:

- What are the obstacles to starting a small business in this area?
- What are the opportunities to starting a small business in this area?
- What factors contributed to starting small businesses that are in existence in this area?
- What are the socio-economic problems affecting the community in this area?
- How can entrepreneurial activity in this area enhance the lives of the community?

Information relevant to the study from the interviews and questionnaires was extracted. Thereafter the researcher requested a statistician to analyse the data using the Statistical Package for the Social Sciences (SPSS).

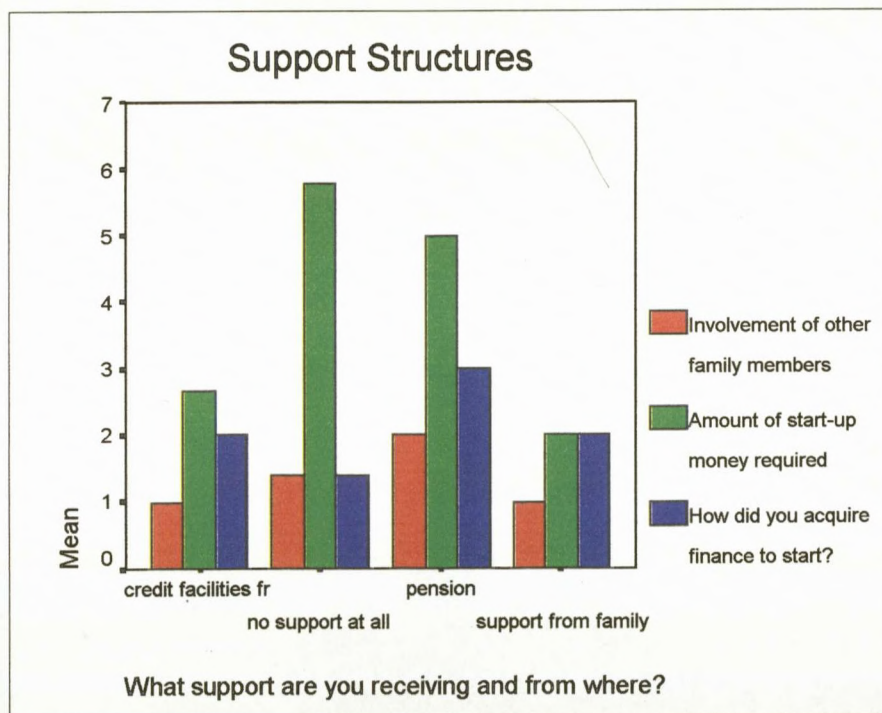
4.1 Findings

The findings start with a presentation and discussion of the interviews with people who are already running small businesses in the area. It is followed by a presentation and discussion of the questionnaire to the flat dwellers of the Bangladesh area.

4.1.1 Interview Analysis

A. Support Structures

Figure 1. (Scale maximum = 6)

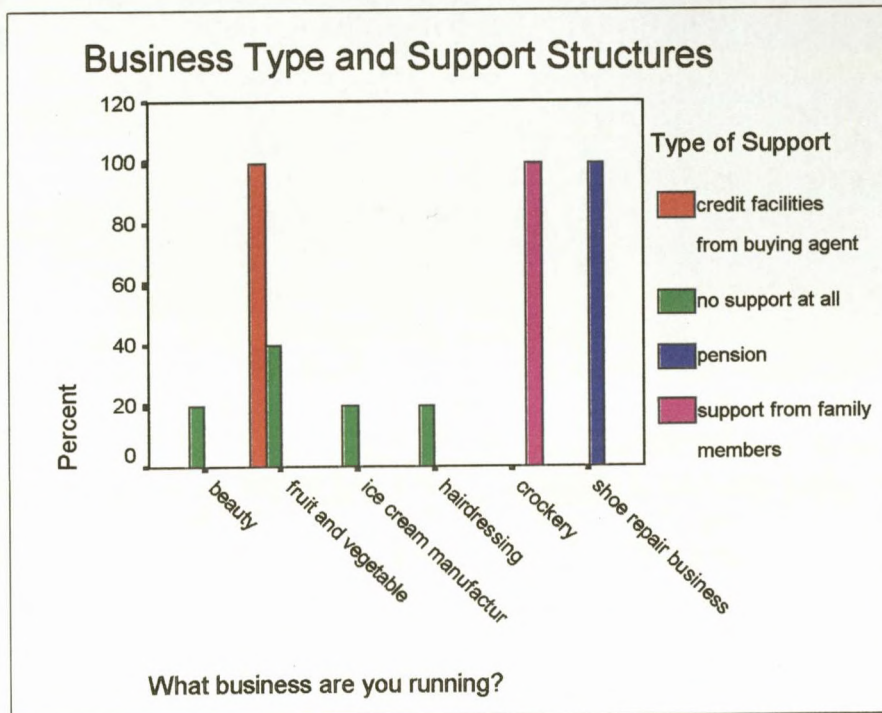


It is evident that money was obtained by respondents mainly from pension payouts or, without any structured financial support. This indicates that retired/elderly people were involved in business. They were using their acquired knowledge, experience and skills. It is

implied that people really needed to, or were desperate to start a business, as the income was not sufficient (not keeping pace with the cost of living).

B. Business Type and Support Structures

Figure 2.



It is evident that the labour intensive projects like beauty therapy, ice cream manufacture and hair dressing, and materials intensive businesses, for example, fruit and vegetable sale, crockery and shoe repair had to resort to funding from credit facilities, loans from family members, or by accessing reserves in the form of pension. Most of the businesses are people oriented, that is, there is a great deal of interaction between supplier and consumer. Almost all of these businesses would have required skilled labour at start-up. Due to financial constraints, most owners would have had to rely on their own acquired skills.

C. Influential Factors over Time

Figure 3. (Scale maximum = 10)

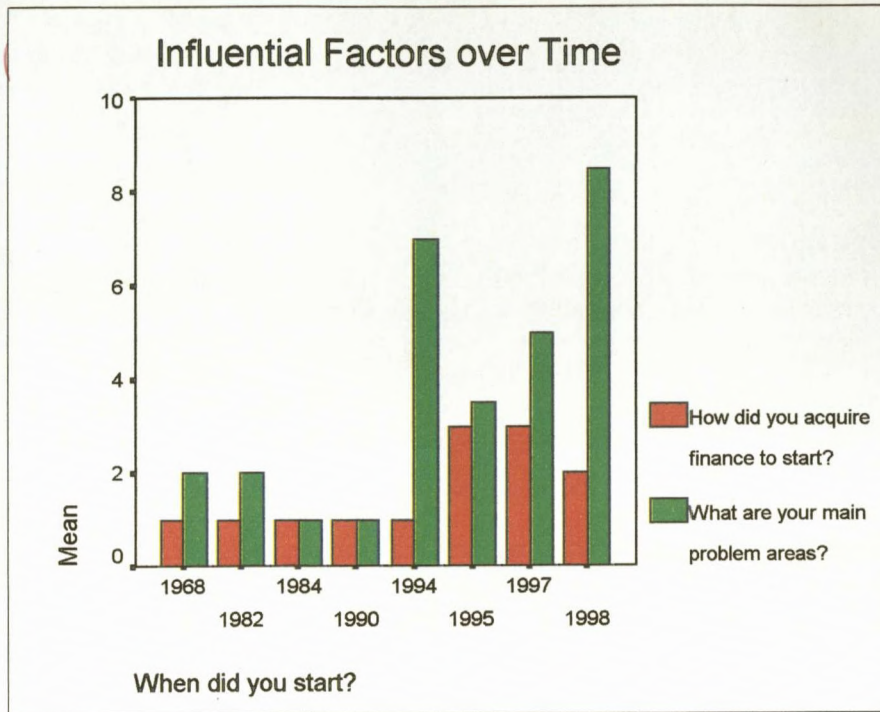
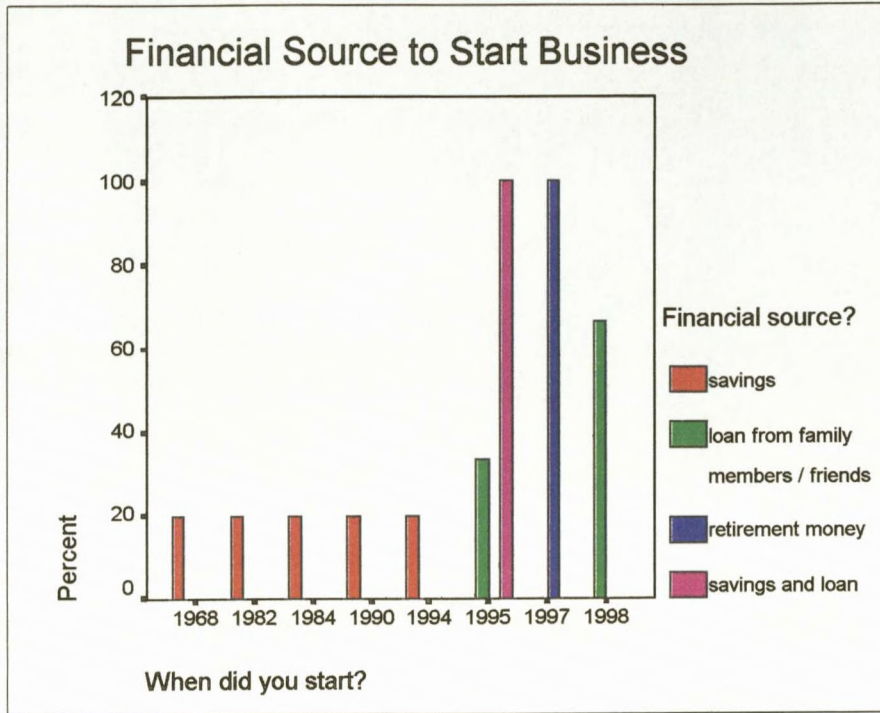


Figure 3 reveals that, prior to 1994, finance was obtained mainly from savings. Figure 4 (page 56) also indicates the extent to which this has occurred. Since then, finance has mainly been obtained from loans and retirement money. Problems associated with the business have also increased dramatically since 1994. The main concerns being finance, honest manpower and competition. A more detailed breakdown regarding the main concerns is shown in Figure 5 (page 57).

D. Financial Source to Start Business

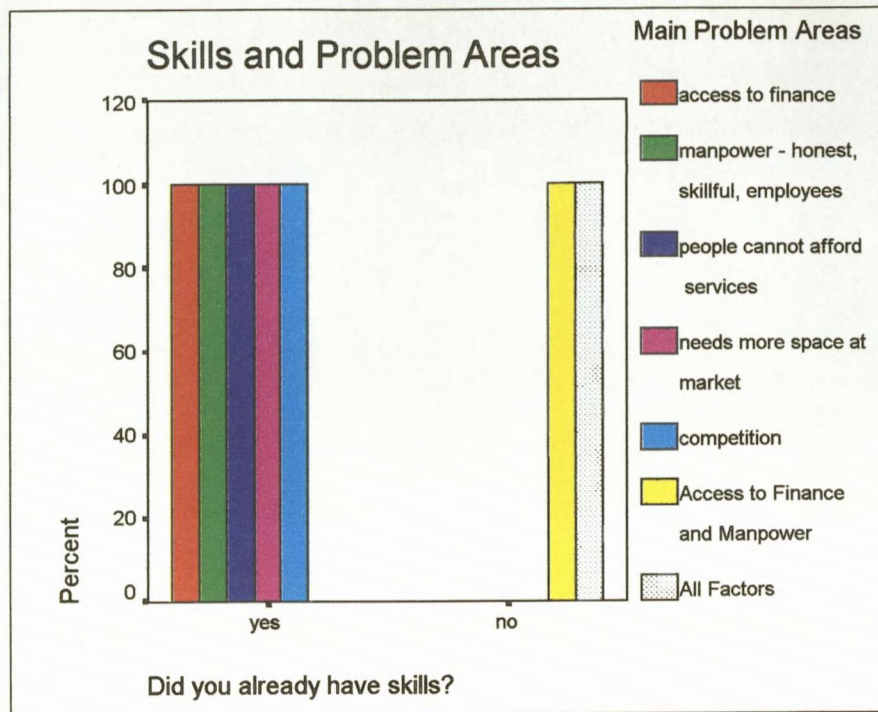
Figure 4



Prior to 1994, people had opened their businesses by tapping into their savings. It indicates that due to the state of the economy, people were able to save. However, since 1994, this has disappeared completely and the major sources of finance are loans from family and friends (30% in 1995; which had doubled to 60% by 1998) and retirement money (100% in 1997). With the rising cost of living, people do not have sufficient savings and are forced into borrowing money. Generally, people have become poorer. It is also indicated that finance has become a major stumbling block in businesses trying to expand.

E. Skills and Problem Areas

Figure 5.



Irrespective of whether respondents had skills or not, all (100%) indicated that the following factors and combinations of these were affecting the running of their business:

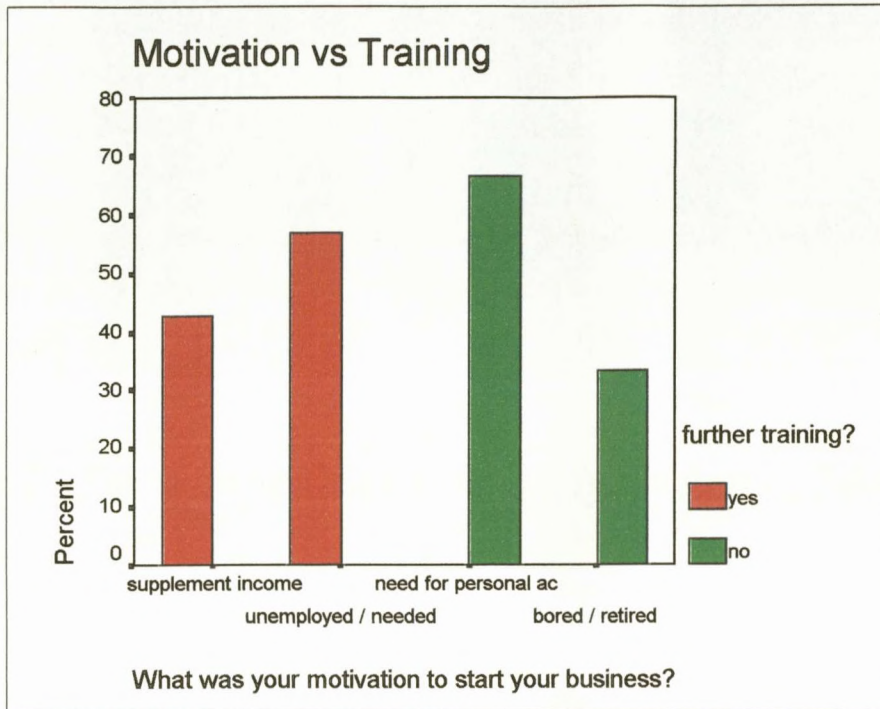
- access to finance (100%);
- honest manpower (100%);
- affordability of service (100%);
- more space was required (100%);
- competition (100%).

F. Motivation vs Training

Most people needed to start a business mainly because of unemployment and the need for personal achievement. The retired people felt that they did not require further training. This

implies that they were satisfied with the experience that they had gained prior to retirement. The younger business-people were willing to undergo training, as they would not have had the same opportunities or experience as the retired people.

Figure 6.

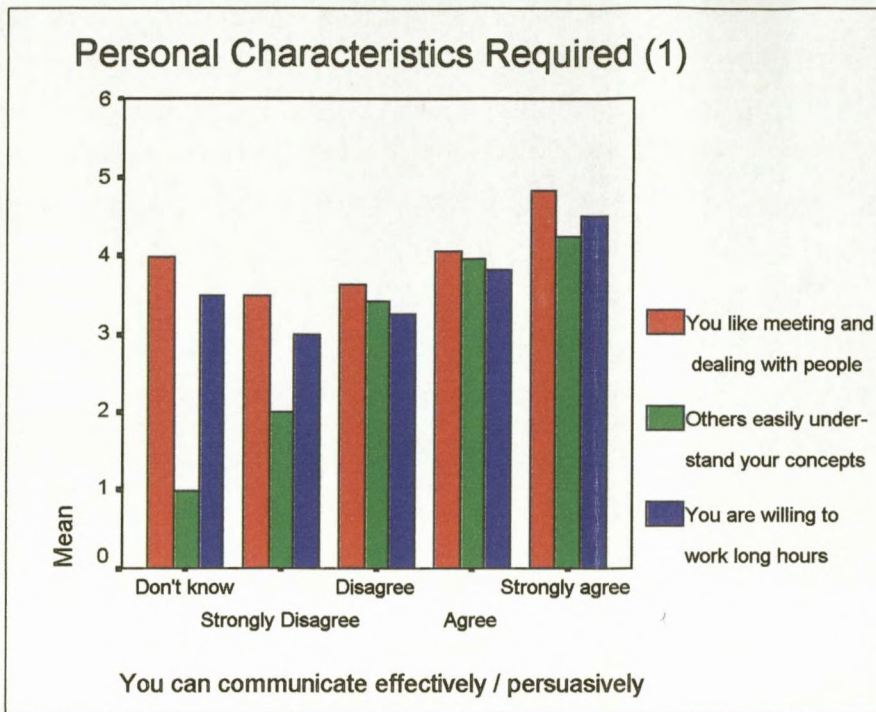


4.1.2 Questionnaire Analysis

A. Personal Characteristics Required (1)

Most business ideas required a high degree of people skills, as they were highly interactive. Approximately 85% of the respondents were confident that they had a sufficient degree of communication skills to successfully conclude transactions.

Figure 7. (Scale maximum = 5)

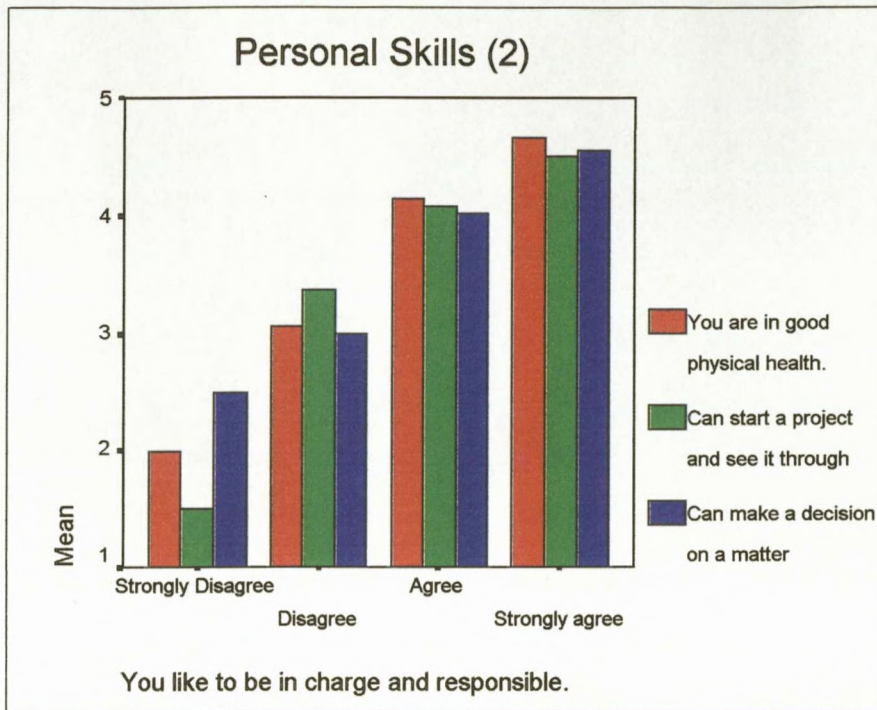


The type of characteristics one needs to be an entrepreneur requires one to have the drive, passion and tenacity to move through the complex process of identifying a business opportunity, developing a business concept to meet that opportunity, acquiring resources and implementing the venture. This involves taking risks and persevering through unforeseen setbacks, personal financial difficulties and the attendant stress. Most respondents agree with the sacrifice but very few disagree with people skills required to be an entrepreneur.

B. Personal Skills

This verifies the results in Figure 7, as approximately 90% of the respondents indicated that a high degree of self-confidence was required in addition to good communication skills. Further, more than 90% indicated that good physical health was necessary in this venture.

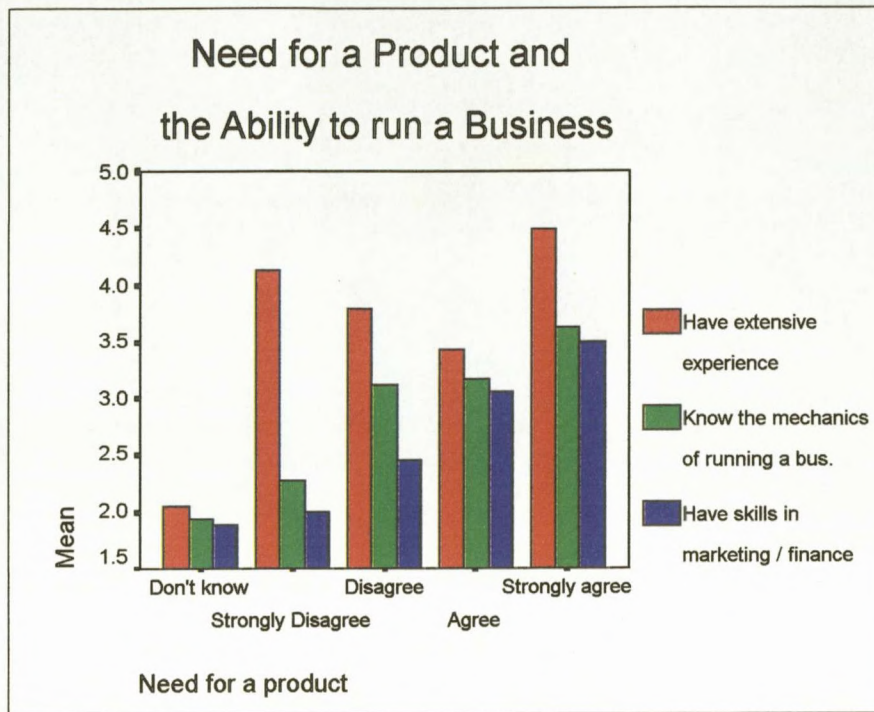
Figure 8. (Scale maximum = 5)



C. Need for a Product and the Ability to run a Business

Having the necessary people skills, the respondents were able to identify the need for a product in the area, or at least, they had a marketable idea. Nearly 90% of respondents associated this with skills and experience that they had previously acquired. However, a major drawback (70%) was the lack of knowledge in running a business, and the associated marketing and financial skills. This is specifically the know-how of running a business, marketing, financial skills, and mechanics of running a business and experience in the type of business. Most people agree (on average 70%) that to be able to run a business one would need to have the above skills in addition to literacy and numeracy.

Figure 9. (Scale maximum = 5)

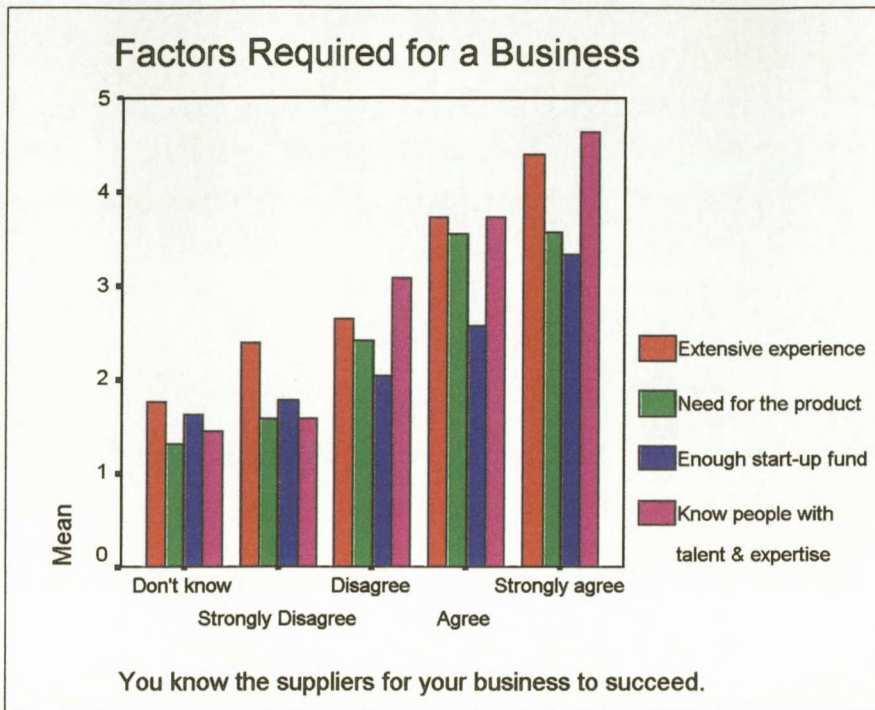


This study focused on a feasibility analysis of establishing and developing entrepreneurship among the poor and unemployed people in the Bangladesh area of Chatsworth. The purpose of the study was to investigate strategies that would empower the people to earn a decent living. This would thereby make them economically self-sufficient and the consequence would be the economic upliftment of the community.

D. Factors Required for a Business

In spite of the inhibiting factors (Figures 8 and 9), respondents were approximately 80% confident that they knew the people who could assist in their venture. However, only about 65% indicated that they would have some sort of finance (whether personal or via a loan) to get their business off the ground.

Figure 10. (Scale maximum = 5)

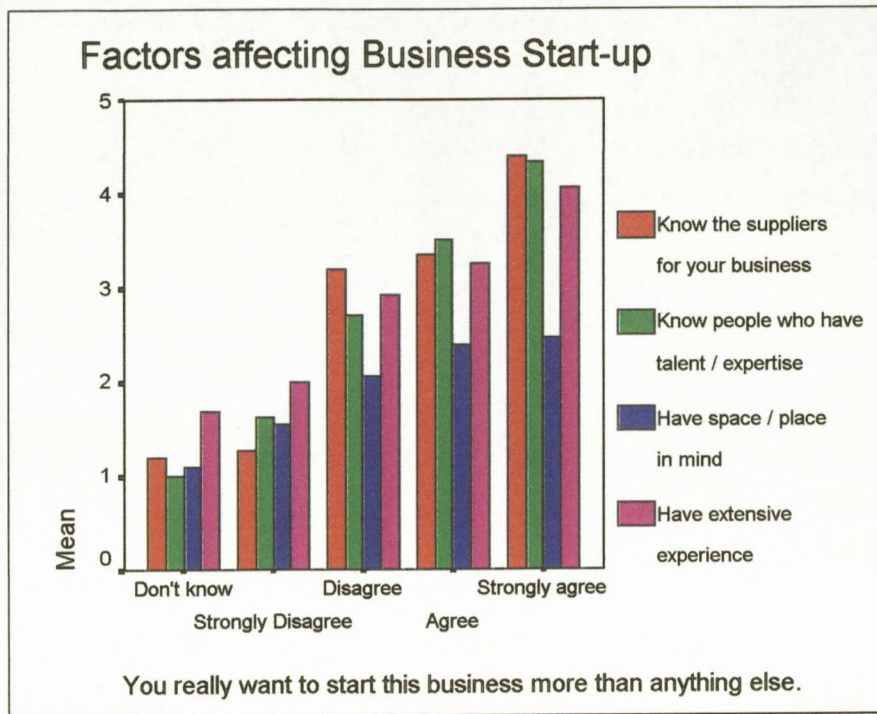


As per figure 9, most respondents agree (80%) that the ability to run a successful business would depend on the experience, finance and the need for the product in addition to having a sound networking base (that is knowing suppliers). Marketing by networking is done through personal contact, carried out with people with whom one has had a relationship, either in the past or currently. Networking would also include professionals in the fields of finance, personnel, transport etc.

E. Factors affecting Business Start-up

To complement the results in Figure 10, respondents firmly want to start a particular business. As in the previous figure, (Figure 10) approximately 80% of the results corresponded with respondents wanting to start a business.

Figure 11. (Scale maximum = 5)

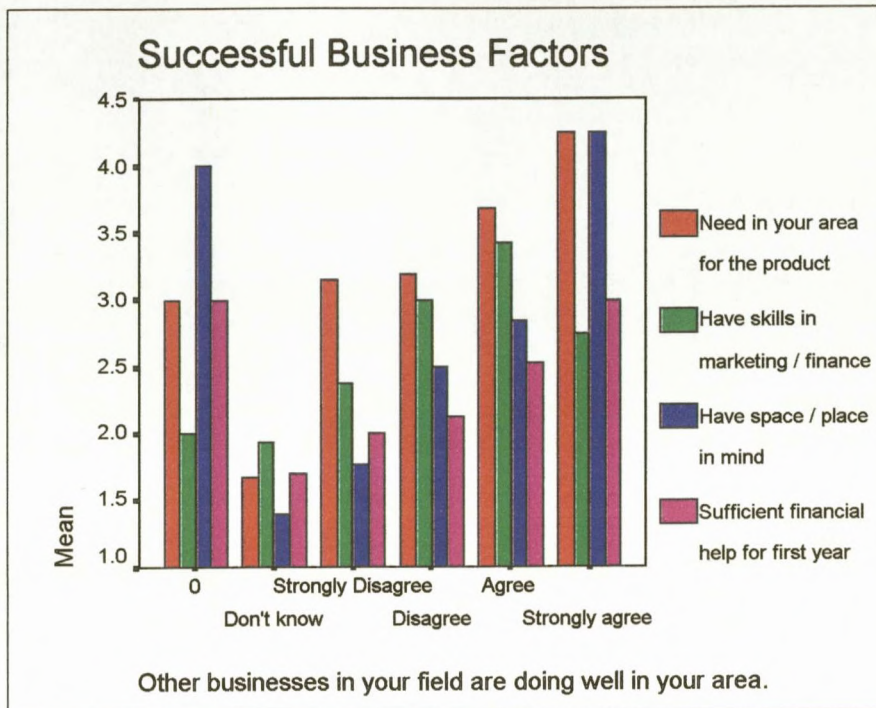


The graph clearly indicates that respondents agree that the following factors are essential to start a business:

- Know the suppliers for your business - basically business people have to know from where they are getting their stock/supplies. The point here is that they must know for certain, they cannot go around looking for the stocks. They must be able to identify good and reliable suppliers;
- Know people who have talent and expertise - they must be able to identify professionally trained personnel and suppliers;
- Have a space in mind that they must be able to identify as a location for the business; and
- Have extensive past experience as an essential component in the running of a business.

F. Successful Business Factors

Figure 12. (Scale maximum = 5)



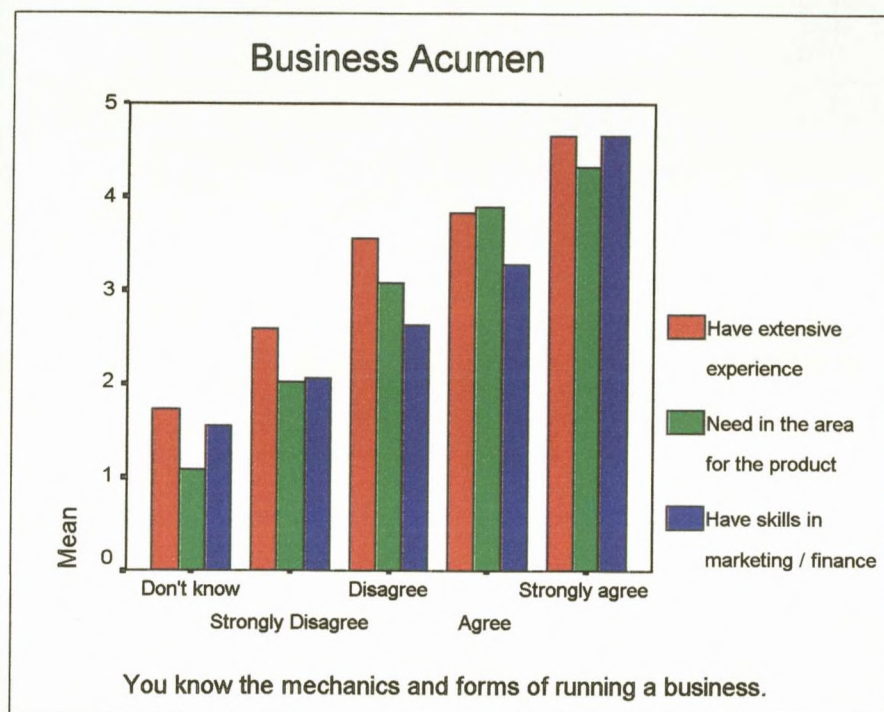
Respondents are able to observe the successes that other businesses are achieving in the area. They believe that their ideas/products can be just as successful. However, financial factors are greatly inhibiting with only about 60% indicating a source of financial assistance. In addition, a lack of marketing and financial skills is reflected in the poor educational qualifications that respondents have (approximately 50%).

G. Business Acumen

The interesting factor here is that respondents, who have sufficient experience and/or skills, also believe that they would be able to market the product effectively. This contradicts results in the previous figures, namely figures 9, 11 and 12. The respondents (flatdwellers) to the questionnaires depict a positive attitude towards entrepreneurship due to the fact that they are

unemployed and poor. They want to embrace entrepreneurship to earn a decent living. Also, the respondents (existing small business owners) to the interview revealed problem areas such as access to finance, honest manpower, space and competition, that were affecting the running of their business.

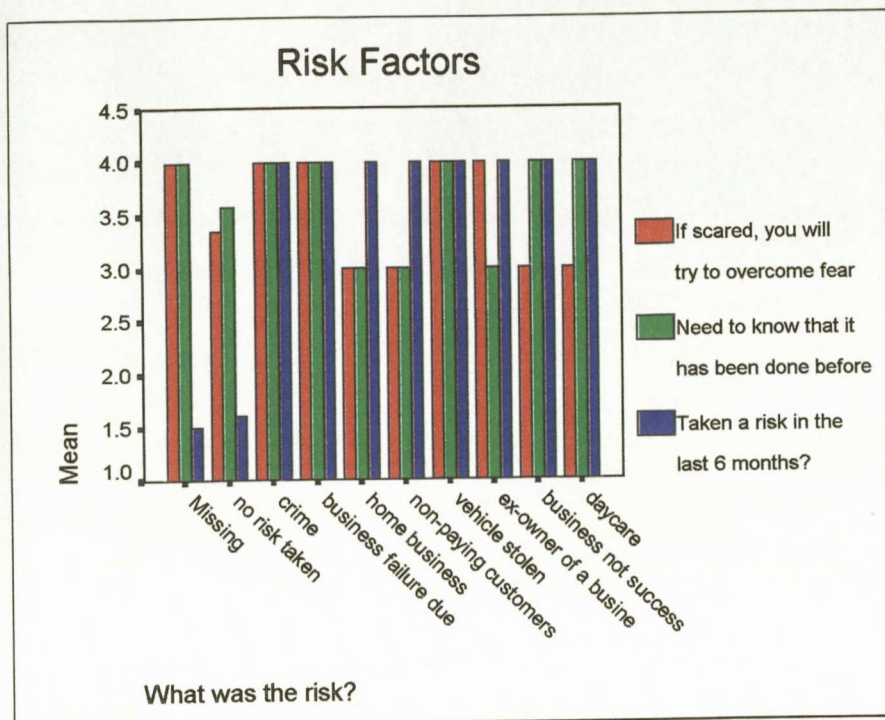
Figure 13. (Scale maximum = 5)



H. Risk Factors

More than 60% of the respondents are scared that their business would not succeed because of crime (80%) and non-paying customers (80%). Hence, as indicated in the above figure, most seek assurance that the venture has been successful (approximately 75%). However, due to the dire circumstances in which people find themselves, approximately 75% would be willing to still take a chance on starting the business.

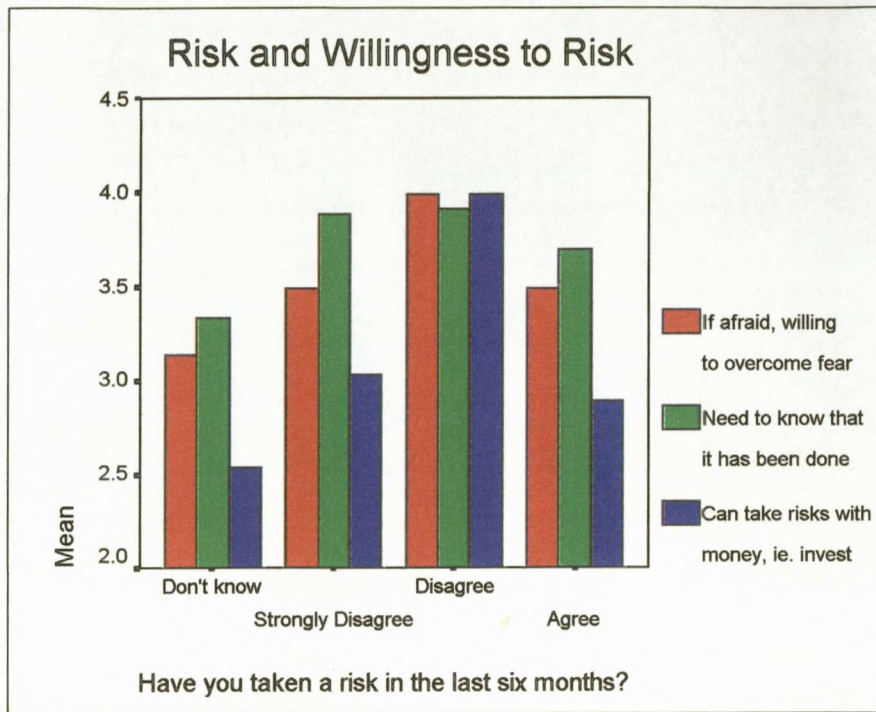
Figure 14. (Scale maximum = 5)



I. Risk and Willingness to take Risks

The previous results (Fig 14 – risk factors) are further borne out by the results of Figure 15, indicating that people do not want to try an untried product. Less than 30% had taken a risk with money in the last six months. The reasons are probably they don't have money, or they have little money to take a risk or they lack entrepreneurship skills/business know how.

Figure 15. (Scale maximum = 5)



4.2 Overall Observations

The financial gap (Figures 11 and 12) reveals that existing businesses need financial assistance to grow. People wanting to start businesses need to have access to affordable finance. A bridging mechanism needs to be established to enable this.

With regards to personal skills both the existing and budding entrepreneurs were confident and people friendly. Considering the types of businesses that are in existence (and similar ones under consideration), these personal traits would be important in concluding successful transactions with customers and suppliers, leading to a successful business.

The business gap (Figure 13) clearly shows that budding entrepreneurs lacked the necessary business know-how. Training is essential to ensure success. This would include improvement in the level of education.

4.3 Documentary Analysis

A substantial proportion of entrepreneurs, particularly in an environment such as Bangladesh, pursue a form of self-employment because of a lack of better work opportunities.

From observations in the area, entrepreneurship is alive and well. Various survivalist activities are currently taking place. These include people selling sweets, chips, juices and chocolates on the roadside, tuck shops in houses selling basic necessities to the immediate community and also people using their acquired skills to run small businesses such as welding and motor mechanics from home. Illegitimate activities such as drug trafficking, prostitution and petty theft are also taking place. Shebeens serve as a lucrative source of income. Policing is ineffective as a blind eye is being cast to social excesses. Many drug lords are perceived to be linked to the local police. According to Desai (2002: 33), often the community finds it difficult to tell the difference between the gangsters and the police.

The researcher was surprised at just how desensitised the youth are to violence. Most women suffer abuse quite regularly, either from fathers, elder siblings, lovers or rivals (Desai, 2002: 60). Adults, particularly men, according to the youth, are a big disappointment. They are drunks, fools, abusers, and cheats. The police aren't to be trusted, politicians are sellouts, teachers are 'in it for the money' and preachers care more about the collection plate than the

flock (Desai, 2002: 59). And since most women are forced - or allow themselves - to be defined in relation to the men, there is a vague sense of disgust towards many 'aunties', particularly from young girls themselves.

4.4 Finance

All the respondents (100%) identified problems with financial support as one of the main inhibitors of entrepreneurial activity in the Bangladesh area (see fig.5). Many expert informants, like existing business owners, noted that for entrepreneurs or would-be entrepreneurs who do not have access to resources in the first place, it was extremely difficult to access business finance. They may also be intimidated by financial institutions, especially if they are not confident about their language and numeracy skills.

Micro enterprise finance was lacking. It was difficult to get a micro-loan for a business, on the basis of a business plan. However, there were examples of innovative approaches to micro enterprise finance at the community level that have had great success. They were informal business supporters, they were relationship based, risk was managed through personal and community linkages and local reputations, and their success relied on particular individuals who drove the initiative.

The necessary entrepreneurship levels were lowest among those with lower levels of education, poor and unemployed. This is clearly evident in the Bangladesh area of Chatsworth. Markets are too constrained, the skills base is too limited and the obstacles, even

for the most determined entrepreneur, is overwhelming. Work experience is an excellent informal learning opportunity as one informant explained.

A overarching concern is that previously disadvantaged individuals do not have adequate access to formal financial institutions and, therefore, are forced to seek relatively expensive (and often inadequate) amounts of credit from alternative financial intermediaries, sometimes illegally. Several reasons account for the lack of access to finance. These include lack of collateral, bad or no credit histories, an exaggerated risk perception of previously disadvantaged borrowers, discrimination on the basis of gender and race, and inability to afford the current high levels of interest rates.

A large number of previously disadvantaged entrepreneurs have bad credit records registered with the Credit Bureau. This is largely a historic situation, resulting from collective political action, such as rent boycotts (hence leading to arrears on rents and services) and violence in townships which made living in many areas unsafe. At present, there is no effective mechanism for credit rehabilitation. Moreover, since full client credit information is not often shared between banks and other credit institutions (e.g. retailers), bankers cannot assess the true level of indebtedness of potential borrowers and thus the level of risk in extending further credit. Credit records are, as a result, not a very effective mechanism for verifying credit histories. While credit checks are still performed by banks in evaluating loan applications, it is increasingly recognized by banks that a bad credit record in itself is not sufficient cause to reject an application.

Often, applications are also rejected because the style and presentation of the business plan is not clear and does not provide all the required information. However, as bankers have little experience and training in SMME lending, business plans are also rejected because of their own lack of understanding of the sector and their inability to accurately assess the level of risk.

One reason for the inadequate access to finance is that South Africa has not, unfortunately, generated large-scale success stories to inspire confidence in micro-enterprise lending.

Internationally, in countries such as Bolivia, Bangladesh and Indonesia, the stimulation of the micro lending sector occurred largely as a result of one institution achieving significant success. Employer-based micro lenders have found cost-effective and relatively secure ways to make small loans, accompanied by the fact that some charge extremely high interest rates.

The demonstration effect of a few Non-Governmental Organization programmes has led to increased private sector interest in the sector.

4.5 CONCLUSION

In this chapter an analysis of the data was undertaken and the findings presented. The findings reveal that the people of the Bangladesh area want to embrace entrepreneurship. However, their main concerns are access to finance, education and training. In the next chapter recommendations will be posited flowing from the findings.

CHAPTER FIVE

RECOMMENDATIONS AND CONCLUSIONS

5.0 Introduction

In Chapter four the analysis of the data and the key findings were presented. In this chapter a synthesis of the findings is presented and limitations, recommendations and conclusions are offered.

5.1. Entrepreneurship

Entrepreneurship development has become recognized as a functional means of tackling South Africa's socio-economic challenges of slow the growth rate, rapidly increasing unemployment, and racially inequitable distribution of income. Undoubtedly, the key explanatory factor for the establishment of informal economic enterprises is the slow expansion rate of the formal economy and its absorption of new work seekers.

Recessionary economic circumstances and the slow pace of expansion in the formal economy explain the surge of survivalist enterprise in the often 'overtraded' income niches such as informal home-based retailing and hawker operations.

The weakness in South Africa's formal economy has meant that much of the growth occurring in the informal economy is a result of supply-push rather than demand-pull. In other words, much growth is a product of individuals searching out informal activities to sustain themselves rather than a consequence of the needs for new enterprises to fill observed market demands (Rogerson, 2000).

According to the *Global Entrepreneurship Monitor: 2001 South African Executive Report*, South Africa lags behind in the growth of small enterprises of the kind likely to drive economic growth. Nevertheless, present Government policy is to encourage the development of entrepreneurship both at community level and in education. The distinction between 'opportunity' and 'necessity' entrepreneurship recognises that some entrepreneurship is survival-orientated, the last resort of the poor, and is unlikely to generate economic growth. The type of entrepreneur likely to make a difference is the passionate risk-taker with not only a marketable idea but the determination to create circumstances that make success possible, including funding (either from savings, family or investment) and the ability to recognise a market niche, produce a business plan, etc.

5.2 Education

The findings suggested that a lack of adequate general education is for some sectors of the community a major inhibiting factor in the growth of entrepreneurship in the Bangladesh area of Chatsworth. There are specific ways in which current provision might systematically be improved. These include the recognition that cultural factors have substantially inhibited attempts to teach 'mind-set' in schools and that the notion cannot easily be taught in isolation but needs to infiltrate the curriculum at a number of points. It was also recognised that Government policy and appropriate injections of finance would continue to be necessary. Government also needs to respond, listen, analyse and develop a strategy.

Vast numbers of people missed out on the opportunity for a decent education because of socio-economic factors like poverty. General basic education is poor for a large proportion of

the population of the Bangladesh area. Expert informants, such as small business owners, noted that informal learning opportunities, for example through contact with family members who are entrepreneurs, can play a key role in developing entrepreneurial capacity. Adult education may be an option where many older people did not receive any basic formal education.

While it is frequently stated that entrepreneurs are less educated than the general population, the research findings also indicate that this is clearly the case. Education was important in the upbringing of the entrepreneurs. Its importance is reflected not only in the level of education obtained, but in the fact that it continues to play a major role in helping to cope with problems confronted and correcting deficiencies in business training. Although a formal education is not necessary for starting a new business, as reflected in the success of entrepreneur who were high school dropouts such as Andrew Carnegie, William Durant, Henry Ford, and William Lear, it does provide a good background (Hisrich, 1994). Both male and female entrepreneurs have cited an educational need in areas of finance, strategic planning, marketing (particularly distribution) and management. The ability to deal with people and communicate clearly in the written and spoken word is important in any entrepreneurial activity.

5.3 Limitations

There are largely three identifiable limiting factors that can be argued for this research study. It must be stated that the research was targeted at the poor and unemployed. The first is situational. The data is limited to the Bangladesh area of 'Unit 3' Chatsworth. Since the target

population is based in one area, it is not appropriate to generalise the findings. However, according to Anderson (1993:184), the fundamental principle in sampling is that one can generalise from the population from which the sample was drawn.

The second limitation is that of policy implementation where there is a dysfunction between policy formulation and its implementation. According to Davidoff, Parker, Graaff, Collett & Kabali-Kagwa (1997) a possible gap between policy formulation and implementation is that, even with a policy in place and with the government pushing for changes, it is not being realised because existing small businesses and the flatdwellers find new circumstances difficult, threatening and strange. The complexity of implementation of government programmes to support entrepreneurs has tended to be underestimated. Not only are the needs of entrepreneurs varied and complex, but government officials often have no business experience and little understanding of what it takes to be an entrepreneur.

The third is that this research project is deemed to be unique in this particular area. Consequently, because very little research has been done previously, the body of the literature is limited. It was inevitable that the levels of illiteracy, the crime rate and gangsterism had an impact on the research to some extent. Moreover, it was likely because of fear, people did not talk openly. Time was also a limiting factor because the research was conducted during daylight hours in view of the crime rate.

5.4 Development Strategies and Programmes

In the design of small enterprises, development strategies to improve economic performance and roles of the largely forgotten people of the Bangladesh area, the following must be taken into account:

1. The essential components of the assistance and relevant issues arising from alternative approaches to their provision must be identified;
2. Strategic guidelines for addressing specific local issues require public input; and
3. Implementation modes most sensitive and responsive to the situation in which people find themselves must be identified and delineated.

Small Medium Enterprise assistance programs are generally comprised of three components: credit, skill training and physical infrastructure. The extent to which each may be required would depend on the level of sophistication of the target group, the managerial and financial capabilities of the implementing institutions and resources available for the overall programme implementation. Banking facilities for people lacking access to them and wanting to be self-employed should be investigated more closely in South Africa, to give access to credit to the poor and simultaneously make productive use of loans.

It is evident that a new institutional infrastructure of SME development programming in post-apartheid South Africa is in place. However, the path of transition has not been smooth. In launching the implementation of the programmes proposed in the White Paper on Small Business, the national Government severely under-estimated several vital institutional issues. First, it underestimated the problems of quickly establishing a set of new support institutions for small business development.

Overall there are four clusters needed by emerging informal entrepreneurs: access to finance and credit, inadequacies in the content and delivery of education and training, business infrastructure and service provision, and the critical question of expanding market opportunities. Access to loans for working capital stands out as a priority issue. The informal finance system in South Africa has been a reluctant partner in support of developing informal enterprise. As a result, the majority of informal entrepreneurs rely on savings, loans from family or friends, or informal credit sources. The nature and scale of existing finance support institutions is inadequate to match the needs in the micro-enterprise economy.

A second important policy intervention focus relates to education and training for entrepreneurship and the imperative to improve human capital, as well as access to financial capital, for the successful development of growing micro-enterprise. In an era of globalisation and heightened competition, there is a need for informal entrepreneurs to be 'smart,' that is, to have the necessary entrepreneurial skills to compete effectively in the market. Although there are an abundance of entrepreneurs, the educational standards of existing entrepreneurs in informal markets are often low, thus undermining their ability to adapt and compete. Moreover, as a result of the legacy of apartheid education, the majority of the population is, in general, neither socialised nor educated to become entrepreneurs but rather trained to enter the labour market as employees. The majority of informal entrepreneurs come from a background where their predecessors were marginalised and precluded by apartheid from ownership of property, businesses and the capacity to create wealth. A mass of new training programmes for business skills has been initiated since 1994 in order to address the problems

of entrepreneurs. However, the impact of these programmes and of wider changes that have taken place in national education and training will be felt only in the long-term.

A third policy focus relates to infrastructure provision and service support. When publicly provided infrastructure is deficient, informal entrepreneurs may be forced to undertake significant expenditures to substitute or make up for these shortcomings. For survivalist informal enterprise, key infrastructure needs are for well located permanent markets or the planning of periodic markets to provide access to selling spaces for relatively immobile home-based enterprises (Rogerson, 2000). In addressing these needs for infrastructural improvement, the major responsibility often falls on the municipal or local government in South Africa.

5.5 Other Factors

Other factors include poverty, employment creation and HIV/ AIDS,

5.5.1 Poverty

One key issue for the reduction of poverty and inequality is targeting of government expenditures to the poor: the richest and middle quintiles have been largely the beneficiaries of public spending in the past, although recent policies are likely to change this situation quite rapidly. In order to address inequality, sectoral policies must continue to target the poor, as well as address racial, gender and spatial imbalances in access to basic services.

Poverty is about a lack of access, lack of power, lack of income and resources to make choices and to take advantage of opportunities. The human face of poverty is often a woman or child's face. People-centred strategies to fight poverty must directly involve the poor in finding solutions to their problems. The energy, creativity and assets of the poor are the key human and social resources. Investing in women's empowerment is critical to the war on poverty. As the Copenhagen Declaration states, 'the most productive policies and investments are those that empower people to maximise their capabilities, resources and opportunities'.

Priorities in the war against poverty require responding to the challenges of globalisation, both its opportunities and its dangers. Necessary steps include fighting unemployment and landlessness, increasing access to credit for the poor and encouraging small-scale production and entrepreneurship in the formal and informal sectors. The wage/salary gap between high-income earners and low paid workers must be addressed as well as the situation of the working poor. Children in poverty, the disabled, older persons and other vulnerable groups need special attention.

Government strategies must sustain pro-poor growth and wealth distribution through specific and co-ordinated cross-sectoral programmes and infrastructural development. Government at all levels must create the democratic space and effective governance that will help empower the poor and give support to initiatives on the ground. Community organisations, the religious sector, non-governmental organisations, trade unions, women, youth and business need to mobilise against poverty.

The majority of relevant research studies provide a convincing case that many of the distortions and dynamics introduced by apartheid have the potential to become self-perpetuating, and would, therefore, continue to reproduce poverty and perpetuate inequality. The poverty traps set by apartheid remain an important explanation for the persistence of poverty in South Africa. These refer to the absence of complementary assets and services and a poverty of opportunity whereby people are unable to take full advantage of the few assets that they do have. With the contraction of the South African economy, the Bangladesh area households previously dependent upon wage income now find themselves with neither the wage, nor the assets from which to generate an income.

As a consequence of apartheid, urban settlements like Bangladesh are extremely dysfunctional and do not serve the needs of the majority of the poor. The design of South Africa's urban areas is wasteful, inefficient, inequitable and costly to manage and maintain (Poverty and Inequality in South Africa, 1998). Metropolitan areas, secondary cities and even small towns are characterized by separation of residential areas by race and income levels, peripheral development and urban sprawl, with corresponding unequal access to amenities, infrastructure and livelihood opportunities. The Bangladesh area is a direct consequence of the Group Areas Act of 1953 and separate development under apartheid that created racial divide based on the colour of skin and income levels of people.

5.5.2 Employment Creation

Much is said about job creation in the present economic situation in South Africa, where a large number of people are unemployed and where there is a low and even negative growth

rate. Although the emphasis on the creation of small businesses will have an impact on encouraging people to create jobs for themselves and even for their close relations, it is only when these small businesses are aiming toward high growth that real job creation becomes a reality.

Access to quality employment is an essential way of achieving sustainable livelihoods, which, in turn, is a crucial means of reducing poverty and inequality. Poor people face the problems both of unemployment and the low quality of the jobs which they otherwise occupy. The challenge is, therefore, not only to create jobs, but also to create better quality jobs.

Those in the informal sector tend to remain in poverty while still being in employment, since the informal sector consists predominantly of workers involved in survivalist activities. For the long-term unemployed with no labour experience, the problem may be particularly intractable. Education, training, and intensive support to assist them in finding and keeping employment will be required; however, without significant growth in employment, their position will not change significantly.

5.5.3 HIV/ AIDS

The enormous task of planning for and dealing with the impact of the impending HIV/AIDS catastrophe must be undertaken with urgency. In doing so, South Africa must recognize the tragic links between poverty and the spread and impact of HIV/AIDS. It must address the HIV/AIDS pandemic and debilitating poverty together and as a matter of course. The

mutually reinforcing relationship between these two diseases is no accident. The sooner this is realized, the more successful will be the efforts to arrest the swift-spreading disaster. The response to HIV/AIDS must be part of a broader strategy of access to basic services, infrastructure and opportunities.

Creativity and responsiveness are the key to addressing the epidemic. What is required is, above all, imagination – the ability to respond as a society. What is needed is the ability to design creative alternatives and to address the fundamental causes and contributory factors of HIV infection, including the tragic legacy of economic, social and political exclusion. The objective of human development is that all citizens participate in and benefit from economic growth and social progress. To the degree that this objective is achieved, South Africa will be able to respond effectively to the HIV epidemic. HIV prevalence is already high in poor settlements like the Bangladesh area, and is on the increase. There is an urgent need to give much higher national priority to issues of prevention, to improved care and support for the growing numbers of those affected and to the increasing levels of HIV-related morbidity and death.

The poorest households in the Bangladesh area are the hardest hit with the HIV/AIDS pandemic. The secrecy that surrounds the HIV epidemic in this area compounds efforts to deal with the infection. In extreme cases, people take risks with their lives in the struggle to make a living and provide for their families. Women in the poor Bangladesh community lack both the information and the power to insist on safe sexual practices with their partners. Among the population in this area, the number of younger sex workers is rising in the face of poverty and lack of economic opportunities.

5.6 Conclusion

The challenge of upgrading the informal economy and of addressing its support needs will require the implementation of a range of policies at different levels of government. A useful start has been made by the changed national policy environment, which provides a framework for post-apartheid initiatives to assist the informal economy including the SMME's. Nevertheless, the needs, especially in the Bangladesh area of Chatsworth, of the survivalist enterprises in the informal economy have been, to some extent, bypassed by the greater emphasis placed upon promoting growing micro enterprises and assisting formal and medium enterprises. In other words, the policy focus has been in favour of initiatives directly supporting informal economy growth rather than simply dealing with poverty alleviation. The people of the Bangladesh area want to embrace entrepreneurship but they need finance.

In order to counter the existing Government support intervention bias and improve the general environment for South Africa's informal entrepreneurs, certain policy shifts are also necessary. There are a number of support needs that must be provided in order to enhance the capacity of the informal economy. For example, supply-side interventions are required, inter alia, to improve training opportunities and the human resource base for entrepreneurship, to assist with expanding access of informal entrepreneurs to finance and credit and to augment an often weak infrastructural base.

At the local government level, there is a need to improve local institutional structures and economic development interventions towards the informal economy. In particular, for addressing the support needs of groups of survivalist enterprise, the activities of both local

and national Government will be of critical importance to ensure that South Africa's informal economy develops successfully.

Overall, in the wider African context the experiment and innovations for supporting the SMME economy as applied in post-apartheid South Africa are of considerable interest. In particular, as a latecomer to the issue of small enterprise support, South Africa's programs for upgrading the country's SMME economy sought to embody key elements of the best practices of international policy experience drawn from both developing and developed countries. Accordingly, lessons that emerge out of the South African policy experience may be of considerable relevance to future programs for small enterprise support and development, including informal enterprise, across the African continent.

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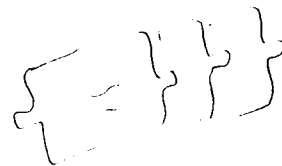
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**APPENDICES
QUESTIONNAIRE (Appendix A)**

Place a tick (✓) in the appropriate box of your choice

SECTION A

1. What is your gender?

Male	Female
------	--------

2. Are you the head of your household?

Yes	No
-----	----

3. Marital Status

Married	
Living Together	
Unmarried	
Divorced	
Widow/Widower	
Separated	

4. How many people comprise your household?

--

5. How many adults (over 18) live in your dwelling?

--

6. How many children (18 or under) live in your dwelling?

--

7. Are you employed?

Yes	No
-----	----

8. How many children are attending school?

--

9. How many people are in your household?

Employed	
Unemployed	

10. How many people in your household receive a

Pension	
Disability Grant	
Other grant	

11. What is your average income per month per household?

--

12. Do you own this house
OR
Are you a tenant

Yes	No
-----	----

Yes	No
-----	----

13. What is your highest school qualification?

Primary School
High School
Matric

14. Do you have any tertiary education?

Yes	No
-----	----

If Yes, :-

Diploma	
Nat. High. Diploma	
Other	

15. How much formal working experience do you have?

Years

16. Do you possess any business or trade skills?

Yes	No
-----	----

If yes, what are your skills :-

SECTION B

Place a cross (x) in the appropriate box of your choice

To what extent do you agree or disagree with each of the following statements.

	Strongly agree	Agree	Disagree	Strongly Disagree	Don't Know
1. You are in good physical health.					
2. You can start a project and see it through to completion in spite of problems.					
3. You can make a decision on a matter and then stick to the decision even when challenged?					
4. You like to be in-charge and responsible.					
5. Other people you deal with respect and trust you.					
6. You are willing to work long hours with little immediate compensation.					
7. You like meeting and dealing with people.					
8. You can communicate effectively and persuade people to go along with your dream.					
9. Others easily understand your concepts and ideas					
10. You have had extensive experience in the type of business you wish to start.					
11. You know the mechanics and forms of running a business (tax records, payroll records, income statement, balance sheets)					
12. There is a need in your area for the product or service you are intending to market					
13. You have skills in marketing and/or finance.					
14. Other businesses in your field are doing well in your area.					
15. You have a space/place in mind for your business.					

	Strongly agree	Agree	Disagree	Strongly Disagree	Don't Know
16. You have/had enough money to fund the start-up of your business or have/had access to it through family or friends					
17. You know the suppliers necessary for your business to succeed.					
18. You know individuals who have the talents and expertise you lack.					
19. You really want to start this business more than anything else.					
20.1 You can take risks with money, that is, invest, and not know the outcome.					
20.2 If you are frightened of safety, you will try to overcome the fear.					
20.3 You need to know that its being done already before you're willing to try it.					
20.4 You can walk up to a total stranger and strike up a conversation.					
21.1 You want the approval of others.					
21.2 You want to be financially independent.					
21.3 You are afraid to be different.					
21.4 You'll speak up for an unpopular cause or injustice if you believe in it.					
21.5 When you know you're in charge, you don't apologise, you just do what has to be done.					
21.6 Have you taken a risk in the last six months?					
21.7 What was the risk?	<hr/> <hr/> <hr/> <hr/> <hr/>				

INTERVIEW SCHEDULE (Appendix B)

Interview - Small Businesses

1. What was your motivation to start your business?
2. When did you start?
3. Did you already have skills?
4. Did you acquire these skills; If so, HOW, WHEN and WHY.
5. Are other family members involved in your business?
6. What amount of money did you need to start up
7. How did you acquire finance to start the small business?
8. What support are you receiving and from where?
9. What business are you running?
10. Is there room for expansion of your business and what are the implications?
11. What are your main problem areas?
12. Are you interested in receiving more training in your particular business?