

# **Wholesale & Retail**

## **LEADERSHIP CHAIR**



*"Collaboration opens the window  
to a world of opportunities."*

**Project 2015/18:**

**The unique role of the  
survivalist retail  
entrepreneur:  
Job creation, poverty  
reduction and  
educational and  
training needs**

APPLIED RESEARCH  
LEADERSHIP DEVELOPMENT  
SERVICE TO RETAIL COMMUNITY

# **Project 2015/18**

## **The unique role of the survivalist retail entrepreneur: Job creation, poverty reduction and educational and training needs**

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## **CHAPTER 1 – INTRODUCTION**

The exclusions and imbalances of black South Africans from freely engaging in the country's economy under apartheid left a legacy with potential long-term effects from one generation to the next. Sound, well-implemented policies are needed to turn this around and to place South Africa on a more competitive footing in the world economy. Yet, while the South African government has expressed a commitment to supporting SMMEs, performance in this sector has been lagging.

This study, the first of its kind in Khayelitsha, explores the role of survivalist retail entrepreneurship in the context of Khayelitsha, a township on the outskirts of metropolitan Cape Town. Khayelitsha was chosen as an area of study because it is a developing community on the Cape Flats dominated by survivalist entrepreneurs. The community also has a rich history dating back to the 1980s when apartheid was at its peak, a factor that has a bearing on this study.

Survivalist entrepreneurs are those who operate on a small scale with the primary objective of supporting themselves and their families. They form a significant part of the informal sector and have a role to play in overcoming socio-economic challenges such as joblessness and poverty.

Statistics South Africa (2012) suggested that survivalist entrepreneurs were not generating jobs. The aim of the study, therefore, was to find out what the constraints were and to make recommendations to reverse this trend. Literature suggests that the government should pay extra attention to the key aspects that affect the SMME sector, including access to business funding. However, funding without the concomitant business skills is risky. Hence, training for the essential knowledge and business skills should take precedence

The report is a combination of two journal articles that were prepared from the research findings. The first article focuses on the role of survivalist entrepreneurs in creating jobs and reducing poverty in the Khayelitsha community. It is included as Chapter 2.

The second journal article focuses on the main interventions that were found to be of importance to survivalist entrepreneurs, namely the educational and training interventions needed to help survivalist entrepreneurs' businesses to survive and grow, and thus increase their capacities to create jobs and reduce poverty. This is included as Chapter 3.

## CHAPTER 2 – PAPER 1

### THE UNIQUE ROLE OF THE SURVIVALIST RETAIL ENTREPRENEUR IN JOB CREATION AND POVERTY REDUCTION

#### ABSTRACT

This is an applied study endeavour with the aim of exploring the specific role of survivalist retail entrepreneurship in job creation and poverty reduction. Two hundred (200) subjects were sampled using snowballing technique. Structured questionnaires as well as semi-structured interviews were employed to collect data. 182 usable questionnaires were analysed with the help of SPSS version 23. The results indicate that retail entrepreneurship is evolving in Khayelitsha, especially when one does not only focus on spaza shops, but looks at the entire survivalist retail industry. This sector is capable of creating jobs, reducing poverty and aiding economic growth of the country even more, should measures to boost motivation levels and self-efficacy of the entrepreneurs emerge. These among others could include selective programmes for survivalist entrepreneurial ventures that are showing greater potential for growth and job creation. Part of the support programmes should include business skills training (such as simple bookkeeping practices and human resource management). Importantly, this study is the first of its kind in community of Khayelitsha indicating a new vista for retail entrepreneurship research.

**Key words:** survivalist retail entrepreneurship, survivalist entrepreneurship, survivalists, employment creation and poverty reduction, entrepreneurship education, spaza shops



# 1. INTRODUCTION

## 1.1 Background

The exclusions and imbalances of Black South Africans from freely engaging in the country's economy during Apartheid left behind complexities that could transit from one generation to the next if proper measures to turn things around are not effectively and efficiently implemented (Human, 2006:2). This suggests that in order to remedy this, only good and well implemented policies can assist in shaping current unpleasant backdrop thereby placing South Africa in positive competitive stance in the world economy. Encouragingly, new and amended policies aimed at improving the business environment, particularly small, medium, and micro enterprises (SMMEs) (Nieman and Nieuwehuizen, 2009:197), have been announced since 1994. These interventions are no doubt intended to help create more job opportunities and reduce the poverty levels of the average Black South African.

Disappointingly, regardless of South African government's supposed commitment in supporting SMMEs, not much positive change has occurred regarding the latter's performance (Ligthelm, 2013:58; Mago and Toro, 2013:19). Ample evidence can also be found in 2012 Global Entrepreneurship Monitor report (Turton and Herrington, 2012:6-9). Perhaps, to fuel the performance levels of SMMEs in South Africa, government should include in its policies, a never-ending process of improvement. Co *et al.* (2006:175) maintain that the starting point of improvement is to determine the current performance and compare it against the organisation's performance standards/set objectives in order to understand which areas need improvement. This could be helpful rather than establishing numerous policies (allocated with large funds) carrying similar objectives that are unachievable. To this end, literature suggests that South Africa's government should pay extra attention to the key aspects that affect the SMME sector, such as access to proper education and training (including vocational skills and business training) and access to business funding. Many studies in the past, even today highlight access to business funding as major hindrance to business success. However, funding an individual with no business skills may be risky. Hence, training with the essential knowledge and business skills should precede other factors, including access to finance.

Whether a business venture operates within the formal or informal sector economy, most challenges in the business environment are similar, depending on the capacity (size and needs) of each business. Nonetheless, research reveals that large amount of business support services are directed towards growing SMEs, excluding the micro and informal survivalist enterprises. Could Banerjee and Duflo's (2011) assertion that most informal businesses are established primarily for the purpose of survival be the reason for such exclusions? Or is it because of Statistic South Africa's First Quarterly report (2012), which highlights survivalist entrepreneurs as being unable to create more job opportunities, sustain growth and alleviate poverty? If the answer to both questions is yes, would that constitute a fair discrimination against the micro and survivalist entrepreneurs? Perhaps unfair judging, from Rolfe, Woodward, Ligthelm and Guimaraes' (2010:1) admission that despite the discouraging impediments against the informal sector economy, potential for growth and prospects for job

creation opportunities exist, but need inspiring measures of motivation, especially from the government's side. Choto *et al.* (2014:100) add that survivalist retail entrepreneurs significantly contribute to the economic development of a country, including South Africa as most communities depend on the goods and services provided by them. Choto *et al.* further propose that survivalist retail entrepreneurs should not be discriminated upon with regard to entrepreneurship development programmes and support services. Rolfe *et al.* (2010:1) expand on this by affirming that some survivalist retail entrepreneurs may actively pursue available opportunities to transit their businesses into formal economy although others in the informal economy represent an unreliable, momentary means of survival among the country's poor citizens. Moreover, the fact that the informal sector entrepreneurs are not registered and ultimately untaxed (Rolfe *et al.*, 2010:1) should not diminish government's confidence in supplying them with the necessary resources that they need in order to be able to contribute to improving poverty conditions of a country.

Given the foregoing, this study seeks to explore the specific role of survivalist retail entrepreneurship on employment creation and poverty reduction.

## 1.2 Problem statement

After the fall of Apartheid in South Africa more interventions directed at paving the way for previously disadvantaged individuals to amply engage in the country's economy, whilst at the same time redressing the historical imbalances, emerged. These included new and amended policies such as the National Small Business Act of 1996, which laid grounds for the Department of Trade and Industry (DTI) to manage SMME development in the country (Nieman and Nieuwenhuizen, 2009:196). In fact, this Act was born just a year following the publication of the White Paper on national strategy for the development and promotion of small businesses in South Africa.

Nonetheless, research seems to suggest that survivalist retail entrepreneurs in South Africa are severely neglected in terms of small business development initiatives and support services. This could be linked to the negative performance of survivalist entrepreneurship in the country, which also affects job creation opportunities, growth and poverty alleviation (Statistics South Africa, 2012). It could also be linked to Nieman and Nieuwenhuizen's (2009) assertion that the motivation behind the startup of most survivalist businesses is to 'simply survive' thereby persuading many to ignore their unique contribution. This is somewhat disheartening, particularly when one looks at the essence of informal businesses, especially 'spaza<sup>1</sup> shops' (An isiZulu concept, which was used to define informal businesses that were secretly operated from home by Black South Africans selling petty goods/groceries to make a living as they were excluded from freely engaging in the country's economy (Bear *et al.*, 2005). The difference between now and then is that spaza shops are not as cagey. According to Choto *et al.* (2014:100), survivalist retail entrepreneurs are considerably contributing to the economic development of South Africa as most communities depend on the goods and services that they provide. It is also worth noting that most research on the

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<sup>1</sup> An isiZulu concept, which was used to define informal businesses that were secretly operated from home by Black South Africans selling petty goods/groceries to make a living (Bear *et al.*, 2005).

role of SMMEs as far as job creation is concerned has always excluded micro-size enterprises. Would the results of these studies change if micro-enterprises were partly distinguished as a separate component of the SMME group with unique characteristics? Additionally, it is assumed that in recent years the informal sector economy in South Africa is gradually growing, in particular the retail trade industry (South Africa Provincial Treasury, 2012:3). Therefore these positions should be good enough to capture South Africa's government and other business stakeholders' attention to recognise and value informal micro and survivalist entrepreneurship by including them as well in their endeavours for growth and sustainability.

### **1.3 Research question**

What is the specific role of survivalist retail entrepreneurship in job creation and poverty reduction in the township of Khayelitsha in South Africa?

The relevance of the research question can also be found in Hutchinson and de Beer's (2013:237) study where the authors stated that across the globe including South Africa, the informal micro and survivalist retail entrepreneurs have been identified as the cornerstone for recuperating socio-economic challenges such as joblessness and poverty. Munyaradzi's (2011) report also indicated that the contribution made by informal micro and survivalist retail entrepreneurs in the national gross domestic product (GDP) of South Africa was estimated at approximately nine percent (9%). This could be very low in comparison to other developing economies in the African continent, such as Nigeria (Ogbuabor and Malaolu's (2013:100). Hence, exploring the unique role of survivalist retail entrepreneurs in job creation and poverty reduction is important.

### **1.4 Objective**

To understand the specific role of survivalist retail entrepreneurship in job creation and poverty reduction in Khayelitsha, South Africa.

### **1.5 Delineation of the study**

Although this study focused on informal retail entrepreneurs (namely the producers and distributors), informal service providers are also included. This strategic approach will help in exploring the sort of business activities that are carried out in the selected township, Khayelitsha. This township was selected for a number of reasons. Firstly, because it is among communities that are still developing in the Cape Flats. It is also dominated by survivalist entrepreneurs that the study focused on. And thirdly, this community has a rich history, which dates back to the early 1980s while Apartheid was at its peak. 200 hundred subjects were selected for the study. Typically, the subjects of the study did not necessarily have to be affiliated to any business organisation, since they operate in the informal sector economy. Survivalist businesses that operate on a very small scale such as hawkers (those who sell petty goods such as sweets) on the train or near the train/bus stations were excluded as they were perceived to be highly unlikely to transit to the formal sector economy.

Evidence of this is that some have been hawkers for more than a decade. Furthermore, foreign nationals/immigrant entrepreneurs were also excluded in this investigation.

### **1.6 Significance of the study**

The impact of SMMEs in improving not only the lives of entrepreneurs themselves but also their employees and by so doing alleviate poverty and contribute to the country's economic growth is somewhat enormous. Entrepreneurship is a powerful mechanism which can deal with the socio-economic difficulties of the SMME sector including survivalist retail entrepreneurs who should be treated fairly and without prejudice (Choto *et al.*, 2014:100). Therefore, exploring the specific role of survivalist retail entrepreneurship in job creation and poverty mitigation is vital, particularly since Statistics South Africa (2012) established that survivalist entrepreneurship in the country is not doing much to create more employment opportunities, improve the economy and alleviate poverty.

## **2. LITERATURE**

To provide a clear picture of the key concepts, theories and the relevant data to the research topic secondary sources were employed. Bloomberg and Volpe (2008:46) label such process as a literature review. Multiple sources of information that have been used for this study comprise published books, journals, electronic articles, and government publications.

It is assumed that survivalist retail entrepreneurship gained some limelight with its inclusion in the business lexicon of the informal sector in the 1970's after a publication of the International Labour Office/United Nations development Programme (ILO/UNDP) report, which was launched in Kenya (Nieman and Nieuwehuizen, 2009:40). Charman, Petersen and Piper (2012:49) describe the informal economy as the existence and activities of informal business (including their employees) outside legal and institutional regulatory framework. Rolfe *et al.* (2010:5) briefly describe informal business sector as the business environment in which informal businesses that are non-taxed and unregulated carry out economic activities. Essentially, informal survivalist retail entrepreneurs have been identified as the backbone of socio-economic development of a country (Hutchinson and de Beer, 2013:237).

### **2.1 Theoretical framework**

This study was anchored on two prime theoretical frameworks namely the seminal work of Albert Bandura (1997) as well as Locke and Latham's (1968/90) Goal Theory.

Albert Bandura's self-efficacy model is characterised as an individual's self-belief in being capable of performing a particular task (e.g. certain entrepreneurial activities) to attain the set (business) goals. Research indicates that individuals with low self-efficacy could sell-out to self-doubt and as a result stop trying to do what is required. Alternatively, such individuals may stop trying because they are anxious that their efforts will not produce the right output due to indifference, prejudice, or challenging environment (Bandura, 1982:140). People who are uncertain about their self-efficacy envision failure scenarios, and with such negative contemplations, many things are likely go wrong in their setting, and vice

versa (Bandura, 1993:118). This could also be observed as a fear of failure. These remarks suggest that entrepreneurs with high sense of self-efficacy are likely to put greater efforts in their entrepreneurial activities to ensure that their businesses achieve their higher set goals, as opposed to those who possess low sense of self-efficacy who may set easier goals to achieve. Again, it may as well be argued that individuals who lack capabilities (in terms proper education and skills training) are most likely to have low self-efficacy as opposed to those who have proper education and or skills training. Hence, personal goal setting is influenced by one's self-efficacy.

When one speaks of goals setting, whether in a personal or managerial capacity, s/he should consider Edwin Locke and Gary Latham's (1968, 1990) goal-setting theory, as it carries greater relevance till date. Lunenburg (2011:1) highlights that goal-setting theory reveals a significant link between goals and performance. To expand on this, Locke and Latham (2006) state that the higher the predetermined goals, the higher the level of task performance, and the scenario may be reversible in case of easy/vague goals. We define goal-setting as a plan indicating what needs to be done, when and how much effort needed to be put in to perform a particular task. Even though goal-setting theory can be used by natural persons within their respective settings, Yearta *et al.* (1995:237) however affirm that it is highly applicable in the business/organisational setting. It is assumed that most optimal performance can be achieved if the following features are considered in the organisation: goals are clear and specific; goals are accepted by members; goals are realistic and challenging; goals are used to evaluate performance; employees' participation in goal-setting; and feedback on results is provided to employees. It is assumed however that goal setting has a few limitations, which may be challenging. For instance, difficult goals may stimulate riskier behaviours, employees' lack of skills to perform certain essential tasks.

## **2.2 Survivalist entrepreneurship: South Africa's perspective**

Entrepreneurship in the informal sector economy is much broader than it might be viewed by many. This is because it comprises two categories of the SMME sector, namely micro and survivalist entrepreneurs, which also have different levels of entrepreneurial sophistication, based on the nature of their entrepreneurial activities (Nieman and Nieuwehuizen, 2009:30). The two categories also differ according to the size of the business, i.e. the turnover it is likely to generate per month and the number of employees the business has. In the informal sector businesses that have a labour legislation turnover, which is below VAT registration level of R300 000 per year and have about five employees are regarded as micro-entrepreneurs (Entrepreneurstoolkit, 2015). On the other hand businesses that generate any amount that is below the predetermined threshold mentioned above are regarded as survivalist entrepreneurs. Hence, there is a notion that their income levels are below minimum poverty lines and require minimal capital to start or expand as they normally lack training and experience. Ligthelm (2013:60) maintains that these sub-categories of entrepreneurs are mainly dominant in developing communities, where several small-scale business activities take place. Generally, retail entrepreneurs operate in the informal sector economy, where they are non-taxed and unregistered (Rolfe *et al.*, 2010:1).

Interestingly, while others prefer to differentiate these two kinds of informal economy entrepreneurs despite their loose characterization as micro-enterprises, Jesselyn (2006) regards them as 'survivalist entrepreneurs'. Therefore, for the purpose of this study, Jesselyn's concept of 'survivalist entrepreneurs' is adopted to refer to both micro and survivalist retail entrepreneurs. This concept is categorised thus:

- (i) Producers - shoemakers, dressmakers, tailors, and subsistence farmers.
- (ii) Distributors - hawkers, vendors, street traders and shebeens.
- (iii) Service providers - repair of goods and backyard mechanics.

The most commonly identified motivation in the emergence of informal businesses is the inability to secure employment in the formal sector economy (Morris *et al.*, 1997 in Rolfe *et al.*, 2010:1; Jesselyn, 2006). Many of these informal businesses operate in the form of spaza shops (Bears *et al.*, 2005). In the context of this study, spaza shops are described as small grocery shops/convenience stores that are mainly located in the developing communities/townships, but may vary in size.

### **2.3 The dominance of retail spaza shops in the informal economy of South Africa**

It is assumed that informal sector economy in South Africa has experienced a persistent growth in the retail trade industry over the past few years (South Africa Provincial Treasury, 2012:3). Evidence can also be traced in Spaza News (2010), which cited an approximation of more than 100 000 spaza enterprises with a collective turnover of about R7 billion in the country. The drivers of this industry include entrepreneurs and businesses that trade finished goods either directly or indirectly to end-users/consumers. Therefore it is safe to say that informal survivalist businesses share a larger slice of market share than other informal entrepreneurs such as service providers.

According to Chebelyon-Dalizu *et al.* (2010:3), the informal sector economy has recently become the topic of debate among scholars. Could this be as a result of the so-called xenophobic attacks by the indigenes against foreign nationals/immigrant entrepreneurs who operate spaza shops? Liedeman *et al.* (2013:1) believe this is indeed the key reason that has recently triggered researchers' attention in the retail informal economy. They add that the fierce competition between foreign and indigenous spaza entrepreneurs in South Africa started a decade ago. Foreign nationals/immigrants who are likely to be directly affected by these attacks are apparently from Somalia, Egypt, Ethiopia, Rwanda, Tanzania, Pakistan and Bangladesh (Charman *et al.*, 2012:48). Somali entrepreneurs are considered the ones who dominate the informal economy and making most incursions into South African townships and presenting fiercer competition to local spaza shop owners. This bears enough testimony that their entry into South African townships is effective, besides attacks, from indigenes that occur occasionally. Apparently, their capabilities to operate successfully are attributed to their clan-based social networks, which design and implement a more competitive business model than locals (Liedeman *et al.*, 2013:4).

Liedeman *et al* further point out that these clan-based social networks yield the following business catalytic aspects in their businesses:

- Access to cheap labour, which is recruited from their country of origin.
- Facilitating micro-finance by organising investments and business partnerships.

- Contractual agreements by the network with clan elders that oversee the business deals.
- Strategic moves into geographical areas such as Khayelitsha to establish Somali strongholds.
- Group/bulk purchasing to secure discounts and operational economies of scale, hence they charge lesser prices than local businesses.

In contrary, the local retail spaza entrepreneurs are characterised by poor socio-economic backgrounds (Nieman and Nieuwehuizen, 2009:41) and have little or no access to business support, as opposed to their counterparts (who have access to funding, cheap labour, business networks, coordinating purchases with others, and so on.). Therefore, they are likely to be wrestled out of business by immigrant businesses that use similar strategies such as clan-based networks. On the basis of South Africa's historical socio-economic atmosphere, one can say that government is failing local informal entrepreneurs. Strategic measures to equip those who are taking the initiative to create self-employment; escaping the army of the unemployed should emerge, through skills development and business funding. The fact that the South African informal sector environment is characterised by poor people who are less-literate and lacking skills and training (Charman *et al.*, 2012:50), as well as the fact that immigrant businesses have yet to reduce the depressing unemployment in the country should be what captures government's attention to prepare the locals for the real world. Otherwise, Charman *et al.* (2012:48) caution that unnecessary behaviours against foreign business operators, such as xenophobic attacks, shop lootings and other general criminal activities as a way of survival or disturbing the peace might be seldom to witness.

#### **2.4 Do survivalist entrepreneurs face unique impediments as opposed to those who operate in the formal economy?**

Disturbingly, the fact that in spite of the heightened relevance of the informal economy's survivalist entrepreneurs across the globe, including South Africa, there are a number of impediments that limit its long-term survival and development (Hutchinson and de Beer, 2013:237). Choto *et al.* (2014:94-95) highlight the following as general entrepreneurial hindrances in South Africa: access to finance, education and training, government regulations, and so on. In case of obtaining financial support, survivalist entrepreneurs experience a hard time from financial institutions such as banks, mainly because they lack collateral and therefore are perceived as risky (Hutchinson and de Beer, 2013:238). Also as mentioned earlier on, competition, especially from immigrant entrepreneurs is very high. Nonetheless, The Business Place (2009) identified lack of skills development as the major problem that minimizes chances of survivalist entrepreneurship from becoming a sustainable vehicle of wealth creation in the country.

Similarly, Banerjee and Duflo (2011) argue that most informal survivalist entrepreneurs have no talent and or necessary skills and eagerness for risk-taking, which are some of the essential qualities that are needed to successfully transit an informal business into a well-established formal one (Ligthelm, 2013:60). This position seems to connect with that of Turton and Herrington (2012:12) who contest that South Africa's education system is unable to effectively develop individuals with skills and confidence that are needed in the competitive and dynamic business world. Perhaps these are some of the reasons why

Statistics South Africa (2012) established that survivalist entrepreneurship in the country was not doing much to create more employment opportunities, growth and alleviate poverty. McGrath (2005:59) and Skinner (2005:42) also identified business support and training programmes for encouraging the sustenance and development of survival entrepreneurs as lacking in South Africa.

Therefore, in brief, the impediments that are depressing the survivalist entrepreneurs include the following:

- Skills development.
- Ineffective education system.
- Access to business finance from financial institutions.
- Talent/necessary skills and eagerness for risk-taking.
- Access to business support and training programmes.
- Government regulations such as business registration and taxes.
- High competition, especially from immigrants, in case of spaza shops.
- Lack of collateral to secure business funding from financial institutions.

These kinds of hindrances seem to be relatively similar to those of other entrepreneurs who operate within the formal sector economy. Evidence can also be found in Nieman and Nieuwenhuizen (2009:35; 2011) as well as Choto *et al.* (2014:95-96). The emergence of better strategic interventions to address some of these hindrances are of utmost importance, particularly considering that the impoverished socio-economic landscape of South Africa is owed to the exclusions and imbalances of the Apartheid regime, which prevented Black South Africans from freely engaging in mainstream economy. Should this not be tackled correctly, the poor shall remain poorer while poverty will reproduce itself from one generation to the next among Black South Africans.

## **2.5 Summary**

An improved informal sector - specifically survivalist retail entrepreneurs - will no doubt alleviate poverty and contribute to South Africa's economic growth. Rolfe *et al.* (2010:) and Guimaraes (2010:1) affirm that survivalist entrepreneurship thrives in a number of endeavours, yet the potential for growth and generating more job opportunities is visible. Literature shows merely positive prospects for growth and development in survivalist retail entrepreneurship, which should be enticing enough to engage in endeavours that will see the sector prospering. The unique role of the survivalist entrepreneurship in job creation opportunities in the informal sector economy is explored.

## **3. METHODOLOGY**

This study is both descriptive and exploratory in nature. Mixed methods (quantitative and qualitative) were employed to gain profound understanding of the subject matter. The employed mixed methods comprised structured questionnaires and semi-structured interviews. Jointly, these methods are capable of attaining responses from different angles. Choto *et al.* (2014:97) briefly expand on this by saying that, whilst a questionnaire may be



limiting and therefore fail to present an extensive opportunity for explanation, interviews on the other hand are able to close such gaps.

### **3.1 Research population and sample**

A population can be described as a full set of elements (individuals, groups, organisations, human products and events) from which a sample can be drawn to generalize findings for an entire population (Fox and Bayat, 2007:51). The targeted population for this study comprised informal survivalist entrepreneurs who operate businesses within different industries in the informal sector economy of the township of Khayelitsha.

Given that the subjects did not necessarily have to be affiliated to any organisation since they operate in the informal economy, a sample was drawn. 200 subjects were selected with the help of snowballing method (one of nonprobability sampling methods). Fox and Bayat (2007:59) point-out that in this method of sampling the researcher approaches one subject of the study who in turn refers the researcher to another suitable member to be studied. For instance it could be the subject's relative, friend, acquaintance, competitor, and or anyone else who may be known to the subject and considered to be capable of adding value to the research process.

The sampling approach suited this study because of the following reasons. The subjects did not need to belong to any organisation to become a participant; survivalist entrepreneurs from different industries could be found in the research setting; while the location was more accessible to the researchers using most transportation modes.

### **3.2 Data collection and analysis**

Apart from the use of secondary sources relevant to the subject matter, primary sources were also utilized to collect data. Owing to the assumption that most of the survivalist entrepreneurs in the research setting were not well educated, during the investigation process, the researchers initially briefed the subjects about the study and also explained the questionnaire in isiXhosa<sup>2</sup>. Afterwards, the researchers asked the subjects to do skim-reading in their presence before leaving the questionnaire with the subject or alternatively would fill out the questionnaire while the subject responded to the questions/statements from the survey. This was useful to the study as discussions were random, on the basis of the business activities/industry, and business size. The data collection process took a period of about one month. Repeat visits were made more than twice in some instances. Some of the subjects complained that they did not have the time to complete the questionnaire. Some did not show any interest in participating in the investigation when the researchers introduced themselves and what the research was all about; they asked what exactly it was that they would get out of the exercise. Some were simply reluctant to have anything to do with 'government and their businesses'. While three (3) questionnaires were unusable and 15 not returned, 182 of usable questionnaires were obtained.

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<sup>2</sup> isiXhosa is one of the official languages of South Africa. Most of the participants in the study were isiXhosa speakers.

To statistically analyse the data collected, a computer software known as the Statistical Package for Social Sciences (SPSS) version 23 was employed with the help of a statistician. In endeavours to help draw constructive conclusions from the data collected and electronically captured, tables, charts and other descriptive statistic methods were used. Nuzzo (2014), Asendorpf *et al.* (2013), and Nosek *et al.* (2012) also encourage the use of descriptive statistics when presenting research findings, whilst they criticise inferential statistics for a lack of reproducibility effect and hypothesis testing methods.

## 4. FINDINGS AND DISCUSSION

The accompanying sections highlight the findings with the utility of previous studies.

### 4.1 Types of survivalist entrepreneurial ventures studied

The different survivalist retail entrepreneurs that participated in the study are listed below (Table 1) along with their rankings (for instance rank 1 represents the type of businesses that received the most responses among other types).

**Table 1: Types of survivalist businesses**

Type of product/industry	Rankings
Spaza shops	1
Restaurant/food business	2
Braai-meat (tshisa-nyama)	3
Fruit & vegetable	4
Ttshisa-nyama,	5
Taxi operators	6
Shebeens	7
Clothing stalls	8
Fisheries	9
Furniture upholstery	10
Barber shop	11
Hair salon	12
Beds-manufacturing	13
Motor mechanics	14
Hardware timber & used-building materials	15
Bath and kitchen materials and corrugated metals	16
Car wash	17
Tailor	18
Sub contractor	19
Welding gates & burglar proofs; tents-for-hiring; mini-scrap yard; and car trailer manufacturing;	20

## 4.2 Gender

The results of the study show that men (55.5 percent) are more entrepreneurially active than women (44.5 percent), which is contrary to popular belief that female entrepreneurs (Nieman and Nieuwehuizen, 2009:37; Mandipaka, 2010:127) are predominant in the informal sector economy. Even though this finding was not contemplated, we consider the difference to be insignificant



Figure 1: Gender

## 4.3 School level and skills training

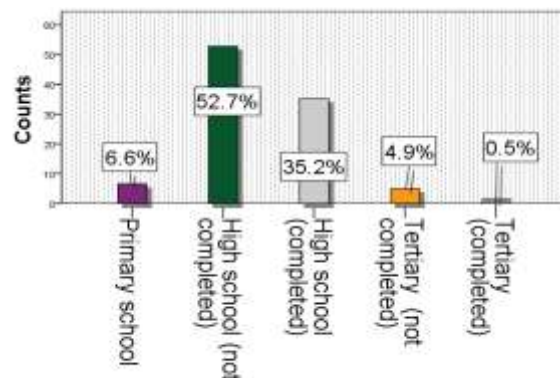


Figure 2: School level

Assuming that primary school education, not completing high school can be described as limited education, it can be drawn from Figure 2 that the overwhelming majority (59%) of survivalist entrepreneurs have limited education and training. This finding synchronizes with Nieman and Nieuwehuizen's (2009:41) view that most survivalist entrepreneurs have low level of education. This weakness needs extra attention especially since the age of the subjects between 36 and 45 years was the largest at, 42.9 percent, with the youth (age between 23 and 35 years) at 19.2 percent. A particular significance of this result is the emphasis it places on education and training as critical to the growth of survivalist entrepreneurs. To this end we are concerned that their lack of education and training may significantly restrain creativity and innovation potential. This is against the backdrop that education and training, as well as previous experience are seen as factors that can enhance one's self-efficacy (Hollenbeck and Hall, 2004). Lower self-efficacy may reduce an entrepreneur to self-doubt and succumbing to a challenging environment (Bandura, 1997).

The other finding of the study on skills training indicated that a substantial proportion (63.7 percent) of the subjects lack formal skills training.

On a qualitative side, the owner of a car-trailer manufacturing business was asked how and where he learnt to assemble car-trailers, and his answer was:

*“...I took a welding course. Afterwards I used my good skills to design my first car trailer and now I make and sell them to my customers. And I am working with my son and his two friends now.”* This subject’s industry is rare to find. Another business owner (furniture upholstery), was asked how he obtained such skills, he said:

*“I took a short course at Learn-to-Earn in iLitha Park, Khayelitsha. Now I have six guys that I work with. ... What I need now is a place with more space.”*

#### 4.4 Range of employees in the business

**Table 2: One-way analysis of variance - Descriptive Statistics**

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Nil	84	2.43	.471	.051	2.33	2.54	1	4
1 - 5	88	2.65	.512	.055	2.54	2.76	2	4
6 and above	10	3.13	.586	.185	2.71	3.54	2	4
Total	182	2.58	.523	.039	2.50	2.65	1	4

Table 2 carries a list of means, standard deviations and individual sample size of each mix, on the range of employees in the business.

This is one of the most important findings of this study, as it shed some light on whether survivalist entrepreneurship in the research setting is capable of creating jobs and by so doing help in reducing poverty for both entrepreneurs and their employees. Forty-six percent (46%) of the subjects indicated happily that they do not have employees. These entrepreneurs get assistance from their family members when their businesses are very busy. Their types of businesses include spaza shops, fisheries, fruit & vegetable stands, shebeens, clothing stalls, and hair salon. Businesses that have between one and five employees managed to secure 48.4 percent, the largest of the sample. These types of businesses indicate reasonable potential in absorbing more jobs, should they sustain growth opportunities in the market. These entrepreneurial ventures include such businesses as tshisa-nyama, restaurant/food business, motor mechanics, taxi operators, and car trailer manufacturing. 5.5 percent was the smallest sample with noticeable impact in terms of employing a large number of employees. This sample consisted of business ventures such as restaurants/food businesses that operate in busy areas such as taxi terminals, furniture upholstery, beds-manufacturing. As few as they are, they are able to employ more than six employees. It can be argued that with some tangible support (in the form of funding, book-keeping), these businesses can grow bigger and employ more people.

## 4.5 Management of business finances

**Table 3: Business finances**

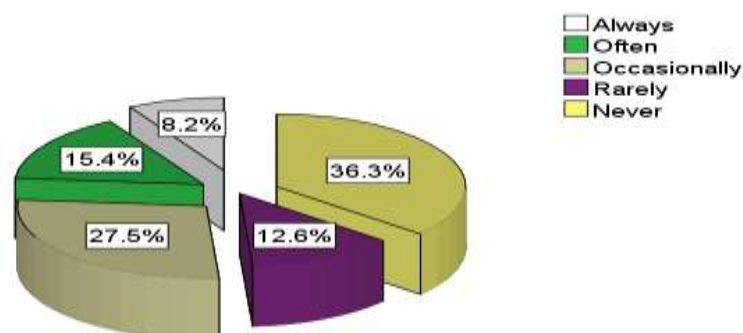
	Response category	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	15	8.2	8.2	8.2
	Often	28	15.4	15.4	23.6
	Occasionally	50	27.5	27.5	51.1
	Rarely	23	12.6	12.6	63.7
	Never	66	36.3	36.3	100.0
	Total	182	100.0	100.0	

Research suggests that poor management of business finances may result in liquidation of the business, which commonly happens to new entrepreneurial ventures that are managed by individuals with inadequate knowledge and experience (Co *et al.*, 2006:210). This underlines the huge responsibility of the survivalist entrepreneur (as s/he may be a single point of responsibility in the business) in ensuring that cash flows in and out of the business, in order to meet the business goals. Of interest in these findings is that, 12.6 percent of the subjects confirmed that they rarely encounter financial management issues in the running of their businesses, while 35.7 further indicated that they never encounter such financial management issues. Approximately twenty-eight percent (27.5%) admitted to occasionally experiencing some problems with managing the business finances. Furthermore, while 15.4 percent of the subjects affirmed that they always encounter such challenges, 8.2 percent said they often face financial management issues in their businesses. In a conversation with one of the subjects (a spaza shop owner) as to how she had coped with managing her business, she said:

*“...Eish, to be honest with you I am not doing well in managing money for my business. I wish I can get a proper training, maybe a short course and learn how to manage the business finances.”*

Again, the fact that most of these survivalist entrepreneurs have dependants at home to support with the little they earn from the business brings a different spectre of challenge, which seems to encourage them to bounce back each day.

## 4.6 Regular payday issues between employers and employees



**Figure 3: Payday issues**

A payday in an organisation/business is probably one of the most exciting days for employees, and a taxing one for the employers as they must pay what is due to their employees. This result can be associated to the previous one (Table 3), as it tried to find out whether survivalist businesses encounter financial difficulties to cover their costs, including their staff when it is pay-day. Given this, this variable was a necessity in the study. Only a few subjects (for instance 5.5 percent indicated always; and 5.0 percent said often) admitted the fact that they do experience some financial problems seem to affect their employees on a regular basis. While 14.3 percent admitted to experience financial difficulties occasionally, 13.2 percent of the subjects indicate that such financial issues seldom transpire. Encouragingly, the overwhelming 61.5 percent of the subjects say that they never struggle to pay their employees on time. This signals that most of the survivalist businesses are capable of making enough income to cover the business costs, including paying wages.

#### **4.7 The business goals**

Of interest is that almost all the entrepreneurs share a common goal, which is to make more profit and grow their businesses. Some even have a vision of creating job opportunities for the unemployed in the township. Other entrepreneurs' goals included acquiring more assets such as bakkies, mini-trucks, more inventory, equipment, finding a secure/bigger place from which to operate, and so on. In fact one of the car-trailer manufacturers said: *"I want to create my own car brand one day."* For a survivalist entrepreneur that resides in a poor township such as Khayelitsha to have this kind of skill and have such vision is quite inspiring.

The result of the study show that business goals may vary from one another, depending on the size, type of industry and resources needed to convert inputs into outputs. Nonetheless one cannot escape the fact that the main goal of the business is find ways to reduce costs and capitalise the productivity to generate more profits repeatedly. In the current study motivation is seen as a personal drive in achieving a certain goal. This seems to connect with Ufuophu-Biri and Iwu's (2014:191) assertion that motivation activates and directs one's behaviour to perform a particular activity. Without the motivation to perform certain tasks, goal-setting would not be as effective. Edwin Locke and Gary Latham's (1968, 1990) goal-setting theory links goals and the level of performance. Locke and Latham (2006) further add that the higher the set goals, the higher the level of task performance to achieve such goal, and vice versa. Personal goal setting is no doubt influenced by self-efficacy of an individual (Bandura, 1993), and judging from the results of this study, one can say that there is evidence of the keenness of the subjects to push for higher performance of their businesses. In fact, one can further argue, on the basis of McClelland (19610) that the subjects have a high need for achievement and could go to great length if appropriate support systems are in place. Therefore, it appears that the level of an entrepreneur's self-efficacy motivates the level of goal-setting, and subsequently their performance to achieve such goals.

## **5. CONCLUSION AND RECOMMENDATIONS**

### **5.1 Conclusions**

Survivalist retail entrepreneurship is more evolving and capable of creating jobs for the unemployed individuals. This way, both the entrepreneurs and employees are able to provide for themselves. Unfortunately, the study has revealed that despite the motivation to improve their businesses, there is a lot more they need to do to transit to a significantly stable business. No doubt, these entrepreneurs are able to provide for themselves and their families, while some are able to create job opportunities indicating the unique role of survivalist entrepreneurs in providing self-employment and reducing poverty. Of interest though is that some are progressing to the upper level of the pyramid (the growth needs stages). Evidence can be observed from the results (the range of employees, pay day issues, and business goals). Goal-setting is important, as it affects the level of performance in the business. Literature hints that the trick is to set higher goals that are clear, specific, accepted by teams and realistic. The high need for achievement is also linked to individuals who dare to take calculated risks in business. Also, the level of entrepreneurs' self-efficacy influences their level of motivation and goal-setting, and subsequently determines the level of performance to be put to achieve their goals. As Tengeh (2012: 254) puts it, the primary goal of a survivalist entrepreneur is to provide an income for himself and immediate family. As such, providing work for others becomes a bonus: something that could be easily generated if entrepreneurs are provided with access to the vital resources.

### **5.2 Recommendations**

Overall, the informal sector economy of Khayelitsha is rich in diversity of entrepreneurial activities, but requires vigorous interventions from stakeholders of business development, particularly from government's side. That could increase their levels of self-efficacy and subsequent achievement of goals.

Without proper education or skills training, and short courses on fundamentals of business management competencies, the odds to become actualised will be in vain. Also, the survivalist retail entrepreneur's level of motivation, self-efficacy, goal-setting and performance can be negatively affected. To turn this around requires a mix of interventions. We recommend the government working together with the communities to set up infrastructural facilities (in the selected schools) tailored to prepare the survivalist entrepreneurs with much knowledge and skills they need to make their business a success. Beyond setting up facilities, it is equally important that the establishments are made visible so that local entrepreneurs can be aware of their existence (Gwija *et al.*, 2014).

Survivalist entrepreneurs do not operate in a vacuum. South Africa's government and other private stakeholders should also establish business support platforms tailored to address the business needs of the informal sector economy. This is a very important issue as the traditional means of conducting business are no longer of much value today. Furthermore, this could help the entire informal survivalist entrepreneurs to easily achieve their goals, and subsequently create more jobs in the community of Khayelitsha.

Moreover, this study is the first of its kind in community of Khayelitsha indicating a new vista for retail entrepreneurship research.

### 5.3 Scope for future research

The researchers recommend that future research should look at the influence of level of education on the survivalist retail entrepreneurs' propensity to transition to a formal (micro) business. The biasness of this research can be attributed to the fact that it only focused on informal survivalist entrepreneurs in Khayelitsha, and excluded those entrepreneurs who were operating on relatively very small scale (majority of which seems to be female entrepreneurs), as well as immigrant informal businesses.

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## CHAPTER 3 – PAPER 2

### THE NECESSITY FOR EDUCATION AND TRAINING WITHIN THE SURVIVALIST RETAIL ENTREPRENEURSHIP SECTOR

#### ABSTRACT

Adopting an exploratory research technique, using a snowballing sampling approach, this paper investigates the necessity for education and training within the survivalist retail entrepreneurship sector in Khayelitsha, in the Western Cape Province of South Africa. Research tools such as a structured questionnaire, informal interviews and observations were employed to collect data. To analyse the collected data, Statistical Package for the Social Sciences (SPSS version 23) was employed. A total of 150 questionnaires were distributed, but only 128 usable completed copies were returned. The key findings were twofold: (1) an admission by the majority of the subjects that their businesses are not doing particularly well owing to their lack of basic business skills; and (2) the subjects' admission that competitive practices of the immigrant retail entrepreneurs in the township can be counteracted if they had adequate business skills. Therefore, should survivalist retail entrepreneurs in Khayelitsha be expected to add greater value to the economy by creating employment opportunities, it is essential that they are provided with skills training on a regular basis by government agencies and other stakeholders such as the Wholesale and Retail Sector Education and Training Authority (W&RSETA). This finding is based on our consideration that investing financial resources to optimally improve the performance of a business without a commensurate investment in the owner's business management skills is even riskier. This paper has its origin in the considered intention of the Wholesale and Retail Leadership Chair of CPUT<sup>3</sup> to assist in developing the retail sector of the community of Khayelitsha.

**Key words:** *Informal survivalist retail entrepreneurs, education, skills training, informal sector economy, networking*

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## 1. INTRODUCTION

Since 1994, South Africa has ‘enjoyed’ democracy. However, there have been displays of unhappiness through protest actions mostly as a result of what can be described as unsatisfactory social and economic issues - insufficient public utility and growing levels of unemployment - that urgently demand government attention. More than anything else, access to proper education (either formal or non-formal) is crucial, not just for an individual but the country as well (Arko-Achemfuor, 2014:607). Worryingly, the quality of education in South Africa is not satisfactory (Herrington, Kew & Kew, 2009; Turton & Herrington, 2012), probably as a result of the segregated educational system of the apartheid era (Bhorat, 2001), which deliberately subjected Blacks to a second-class education (Levinsohn, 2008). In addition Levinsohn continues, labour laws were promulgated to impede the advancement of Black people, while business policies prohibited them from profitable participation in mainstream economic practices. And no doubt this situation ‘created an unequal distribution of wealth and a high rate of unemployment and poverty across the country, leaving those who struggled throughout the apartheid era to excessively bear the price of unemployment and live below the poverty line’ (Levinsohn, 2008). So those who are unable to access employment, perhaps as a result of the quality of education they possess, then resort to self-employment in the form of selling petty goods in the marketplace so as to provide basic necessities such as food and clothing. Nieman and Nieuwenhuizen (2009:34) regard reasons behind such behaviours as push factors, i.e. such individuals started businesses on the basis of necessity-, as opposed to opportunity, based reasons. This epitomises how informal survivalist entrepreneurship may emerge in society.

Informal micro and survivalist entrepreneurs seek to improve their lot and those of their families as well. For instance, the basic needs (such as food, water and electricity, clothes, school fees and transportation fare for their children, and so on) largely depend on the profits that the business generates, especially if there is no other source of income in the family. This means that the livelihood of households owning a survivalist enterprise depends on the success of that business. One can imagine the pressure that is on such a business to be profitable. The truth of the matter is that micro and survivalist entrepreneurs do not operate in a vacuum, and therefore are affected by most of the business environmental factors that their counterparts in the formal economy encounter (Co, Groenewald, Mitchell, Nayager, van Zyl, Visser, Train & Emanuel, 2006:13).

Of interest is that Hutchinson and de Beer (2013:237) maintain that informal micro and survivalist businesses are expressions of the discontent with the unfriendly socio-economic state of a country. Co et al. (2006:121) note that although the informal survivalist and micro-enterprise sector is large in South Africa, it continues to wrestle poverty with little success.

It is against this background that this study poses this important question: Can education and training be the long awaited remedy for a struggling informal survivalist retail entrepreneur in a less advantaged township such as Khayelitsha? The objective of this important research is

to understand if there is a necessity for education and training for survivalist retail entrepreneurs in a less-advantaged township such as Khayelitsha.

### **1.1 Problem statement:**

Despite the establishment of the National Small Business Act of 1996 and other government pioneered interventions that are aimed at facilitating the business environment in South Africa, the informal survivalist retail sector has remained largely underdeveloped. On one hand they are excluded from government's small business support services, while on the other, the pressures of family/households and stringent competitive practices of formal businesses can be stifling. The dynamics posed by globalisation are also problematic in the informal sector economy, as the sector is dominated by individuals with limited education. Unesco (2012) sees an urgent need for skills development among young people and adults, irrespective of their backgrounds, to unleash their potential and engage fully in the country's economy through finding a better job or engaging in an entrepreneurial activity. In fact, it is uninspiring to witness young and energetic people hanging around in the townships on a daily basis, whereas they are capable of adding value in society. These exigencies can be limiting to the survivalist retailer's growth, yet they try their best to survive and make a difference in their communities with the very limited resources that they have. One can only imagine how far these determined survivalist entrepreneurs could progress should they access the support systems that they need the most. Such support systems could be in the form of capacity building or knowledge of how to successfully grow a business. Therefore, improvement of knowledge and creative thinking, in a competitive setting such as Khayelitsha, should be seen as a worthwhile investment. The present gaps do not only hold back these enterprises from transiting to the formal sector economy, but influence the entrepreneurs' standards of living as well.

## **2. LITERATURE REVIEW**

### **2.1 Informal survivalist entrepreneurship in South Africa**

In the South African context, when one converses about small businesses one refers to firms that have 50 or fewer employees, whereas in some countries such as Europe and USA the construct 'small business' implies firms that have employees ranging from 100 to 500 (Nieman, 2006). Again, in the South African context, small businesses are classified into micro, very small and small enterprises. Among these classifications of small businesses, micro-enterprises are dominant particularly in the informal sector economy, and are mostly family owned and operate in previously disadvantaged communities. Rolfe et al. (2010:5) describe the informal sector economy as the business environment in which informal businesses that are non-taxed and unregulated engage in economic activities. Nieman (2006:8) cites DTI (2003:28) which notes that most entrants into the business world start as micro-entrepreneurs for survival, with zero up to ten employees. Hence the term 'survivalist' is used to refer to informal businesses (including micro, and very small enterprises). This paper adopts the concept of 'survivalist' when referring to either micro or very small

enterprise. Also, for the purpose of the study, the term ‘survivalist’ was adopted to refer to ‘informal retail survivalist entrepreneurs’ which forms the unit of analysis. Even though survivalists can be found in the formal economy, what sets them apart from the formal businesses is that as informal enterprises they carry unique features that include the following: they operate as small-scale, very small businesses; mostly only the owner, with some family members and at most a couple of paid employees; inadequate formality in terms of business licensing, VAT registration, formal business premises, and accounting procedures; limited capital; and they lack technical or business skills among others (Nieman, 2006:8). Hutchinson and de Beer (2013:237) contend that informal survivalist entrepreneurship is the backbone of socio-economic development in any economy. Choto, Tengeh and Iwu (2014:93) concur that survivalist enterprises have a significant impact in the country’s economic growth.

## **2.2 Necessity for improved skills for the survivalist retail entrepreneur**

Herrington, Kew and Kew (2009:12) have noted that inadequate skills and education are the key impediments to the development of entrepreneurship in South Africa. Daniel and Sifuna (2007:689), Modisaotsile (2012), as well as Gyan, Mabefam and Baffaoe (2014:409) assert that proper education is critical to human development and maintenance of a socially responsive economic and political system. Gordhan (2012:21) also points out that the unpredictable and competitive global environment has forced many governments across the world to prioritise investment in their education. The types of education offered in many institutions (of either lower or higher learning) focus largely on the theoretical rather than the practical (Arko-Achemfuor, 2014). This limits learners from practically applying what they have learned in class. In general, education is aligned to processes that are involved in acquiring knowledge, attitudes and values from public or private schooling environments. In the current study, we argue that formal education may not be suitable for survivalist retail entrepreneurs as they are unlikely to adapt to the rigour of teaching and learning practices of formal educational systems.

Contrary to formal education, informal education in the form of vocational/skills training, would be a viable route for improving the informal sector economy. This type of education can be associated with what Arko-Achemfuor (2014) refers to as hands-on practical training including, computer literacy, delivered in the form of short courses. With access to such courses, the survivalist entrepreneur can be exposed to new and worthwhile business ideas, as well as opportunities to access other networks. Albert Bandura’s theory of social learning explains that people can learn by associating and/or observing the behaviour of others and the results of such behaviours. Through observation one is able to acquire large, integrated units of behaviour without having to build up the behavioural patterns regularly by tedious trial and error (Bandura, 1971:2).

Burke (2006:96) suggests another recipe for business success, which could outweigh any portfolio of academic degrees and certification. Burke calls this networking with helpful contacts, who can give advice, information and resources that can facilitate the entrepreneur’s

business venture. Regarding the informal sector, networking skills are very important for survivalist retail entrepreneurs. Evidence of the use of the right networks can be indicated by the success of foreign nationals who operate spaza<sup>4</sup> shops in the South African townships (Liedeman et al., 2013:4). Nieman and Nieuwenhuizen (2009:192) describe networking as the art of making and using the right contacts, which may include communication and exchange of information between parties of interest (e.g. friends, family members, customers, suppliers, bankers, professional associates, support structures, internet, business advisors, and so on).

### **3. RESEARCH METHODOLOGY**

The research design for this study was exploratory in nature. To reinforce and balance the reviewed literature a structured questionnaire, unstructured interviews and observations were used to gather the necessary information. The combination of these methods is capable of fulfilling the intended purpose of the study. This is because they complement one other: where one is not strong enough to dig deeper to the crux of the phenomenon, the other compensates.

#### **3.1 Population and sample size**

In the context of research, population does not only refer to individuals, but also includes elements such as groups, organisations, human products, and events (Fox & Bayat, 2007:51). Fox and Bayat describe population as a full set of any of these elements from which a sample can be drawn for interrogation. In this study the population comprised informal (unregistered and non-taxed) retail entrepreneurs from the selected township (known as Khayelitsha) in the Western Cape province of South Africa. The informal retail industry has gained some limelight recently owing to fierce competition between local (indigenes) and foreign (immigrant) informal retail entrepreneurs who own spaza shops in the townships. The informal retail industry in this township is large and varied, not only constituting spaza shops. Khayelitsha was thus selected as it is one of the largest townships in Cape Town with a large number and variety of informal, survivalist enterprises, who are operating in an unusually competitive environment.

With the help of snowballing, one of the nonprobability sampling techniques, 150 subjects were selected. According to Fox and Bayat (2007:59), in this sampling technique the researcher approaches one subject of the study who in turn refers the researcher/s to another suitable member/s to be studied. Therefore this sampling method is suitable, especially considering the enormous size of Khayelitsha and the need to capture a willing and representative sample.

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<sup>4</sup> An isiZulu concept, which was used to define informal businesses that were secretly operated from home by Black South Africans selling petty goods/groceries to make a living (Bear et al., 2005) .

### 3.2 Research instruments, procedure and data analysis

A standardised questionnaire containing closed-ended (Likert scaled) and open-ended questions was designed. The questionnaire items were scrutinised by an ethics committee of a faculty of business in an institution of higher learning in South Africa. Following a pre-assessment of the study area (Khayelitsha), the researchers considered it necessary to appoint interpreters who are fluent in isiXhosa (the dominant language of the subjects). This approach was helpful as it facilitated faster data collection. We also obtained data by conducting informal (unstructured) interviews with some of the participants. The interview questions were primarily devoted to gaining insight into the participants' perception of the significance of education and training in their retail businesses. In line with research ethics, subjects were informed of their rights: they were at liberty to discontinue with the process; they did not have to disclose their identities; and they were at liberty not to respond to any questionnaire item that they were uncomfortable with. As far as we were concerned, we viewed the appointment of interpreters as helpful as we did not have the 'space' to influence the subjects' responses. 128 usable questionnaires were returned. For analysis, use was made of SPSS (version 23) for the quantitative data, which assisted in the descriptive presentation of results. Information obtained through the informal interviews was used to draw inferences and to support our interpretation, findings and conclusions.

## 4. RESULTS AND DISCUSSION

This section is dedicated to displaying and discussing the results of the study.

### 4.1 Informal survivalist retail entrepreneurs

Table 1 explicitly shows a variety of businesses owned by the subjects.

**Table 1: Variety of informal survivalist retail entrepreneurs**

<b>Business category</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Braai-meat	5	3.9	3.9	3.9
Dress-making	10	7.8	7.8	11.7
Timber & used-building material	5	3.9	3.9	15.6
Car-trailer producer	1	.8	.8	16.4
Clothing stall	5	3.9	3.9	20.3
Fishery	3	2.3	2.3	22.7
Fruit & Vegetables stall	7	5.5	5.5	28.1
Furniture upholstery & bed makers	4	3.1	3.1	31.3
Posters & mirrors	1	.8	.8	32.0
Kasi restaurant	29	22.7	22.7	54.7
Shebeen	33	25.8	25.8	80.5
Spaza shop	25	19.5	19.5	100.0
<b>Total</b>	<b>128</b>	<b>100.0</b>	<b>100.0</b>	



The Kasi restaurants supply more of South African traditional food with a mix of Western food and soft drinks. The term Kasi generally means township, and is popularly used in such communities, especially by young people. Therefore, to emphasise the difference between township and up-market restaurants such as MacDonald, KFC, and Spur, the term Kasi restaurant was necessary. We categorise them within the retail industry as most of them operate in the form of a take-away eatery due to a lack of space in the business premises. In fact, most of these eateries are operated from shipping containers.



**Figure 1: A Kasi restaurant in Khayelitsha**

It was observed that there are still some locally-owned spaza shops (especially in the informal-settlements) regardless of the tough competition posed by other rivalries, including the foreign nationals who are known for dominance in the category of informal spaza shop businesses. Shebeens are also among popular businesses in the informal settlements. It is illegal to sell alcohol without a liquor license in South Africa, yet there are many operating without licences in the townships. Perhaps the reason for this is that it is not easy for the Police to access such areas due to the clutter of shacks and the inaccessible vehicular access. The level of alcohol consumption is high in the townships, and therefore it can be argued that shebeens are viable businesses in the townships.

#### **4.2 Level of education achieved**

The results in Table 2 are crucial in the study, as they show levels of schooling among the subjects in a cross tabulation.

**Table 2: Level of education acquired**

Item		School Level					Total
		Primary school	High school (not completed)	High school (completed)	Tertiary (not completed)	Tertiary (completed)	
Gender	Male	6	24	25	4	1	60
	Female	2	46	19	1	0	68
Total		8	70	44	5	1	128

What can be drawn from these findings is that the levels of schooling among the subjects are very low, especially among females. This relates to what the literature maintains regarding survivalist retail entrepreneurs' low levels of formal education (Nieman & Nieuwehuizen, 2009:41). Herrington, Kew and Kew (2009:12) point out that inadequate skills and education are the key impediments to the development of entrepreneurship in South Africa. Gordhan (2012:21) also highlights that the unpredictable and competitive global environment forces many governments across the world to prioritise investment in their education. Arko-Achemfuor (2014) asserts that the types of education offered by many institutions of lower and higher learning largely focus on the theoretical angle rather than the practical side, which limits a learner's ability to apply the lessons learned. Hence, in this study we propose a broader investment in informal education (because it specialises in practical training) for the survivalist retail entrepreneur. Equipping survivalist retail entrepreneurs with more customised and lucrative skills for business will not only nurture their businesses, but will also attract more entrants to entrepreneurial businesses. Through observation one is able to acquire large, integrated units of behaviour without having to build up the behavioural patterns regularly by tedious trial and error (Bandura, 1971:2). This means that an individual who learns by observation has a greater chance of success when applying whatever behaviour s/he has learnt from others.

### 4.3 Creativity to improve business products/services

In the context of business, creativity is all about the capability to generate a wide range of different ideas (Booyesen, 2015:46). One however cannot escape the fact that ideas need to be correctly implemented at the right time. Table 3 indicates the frequency with which respondents felt that they used creative ideas to improve their businesses.

**Table 3: Creativity to improve business products/services**

Response category	Frequency	Percent	Valid Percent	Cumulative Percent
Always	10	7.8	7.8	7.8
Often	52	40.6	40.6	48.4
Occasionally	28	21.9	21.9	70.3
Rarely	16	12.5	12.5	82.8
Never	22	17.2	17.2	100.0
<b>Total</b>	<b>128</b>	<b>100.0</b>	<b>100.0</b>	

Looking at the results in Table 3, one will notice that most of the subjects admit that creative ideas to improve their business concept are not in place (for instance 52.6% of respondents said they used creative ideas ‘occasionally’, ‘rarely’ or ‘never’, with only 7.8% saying ‘always’). Research shows that creativity and innovation are some of the key personal traits of an entrepreneur. Creative behaviour and thinking may result in better performance and innovative outputs (Nieman & Nieuwehuizen, 2009:55). We also argue that skills training is key to creative and innovative behaviour. Nieman (2006:11) further connects innovative behaviour to access to technological systems, which suggests that through more customised training a survivalist retail entrepreneur individual can advance his business through creativity.

#### 4.4 Rivalries

McDaniel and Terblanche (2004) categorise competitive advantage in a business venture as the quality of service, customer value, customer satisfaction, customer-orientated personnel, well-trained employees, employee empowerment, and teamwork. Without this, the ability to handle competitive rivalry is limited. Table 4 provides the respondents opinions with regard to the level of competitiveness in their markets.

**Table 4: Competition to the business**

<b>Response category</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Always	91	71.1	71.1	71.1
Often	9	7.0	7.0	78.1
Occasionally	9	7.0	7.0	85.2
Rarely	14	10.9	10.9	96.1
Never	5	3.9	3.9	100.0
<b>Total</b>	<b>128</b>	<b>100.0</b>	<b>100.0</b>	

An overwhelming majority of 71% admit that competition is always high in the marketplace. This implies that the business environment is very competitive; as a result businesses can emulate competitors’ product/service offering, whereas customer’s buying decisions are based on rational reasons. Customers avoid other businesses selling similar products/services to buy from a business of choice because of competitive advantage (McDaniel & Terblanche, 2004). Therefore, for as long as these enterprises continue to operate without this special ingredient, competition will remain a challenge. Survivalist retail entrepreneurs seem to lack fundamental business skills, and rather rely more on what works for them. Burke (2006:96) insists that networking is another useful tool, if one meets helpful contacts, who can give advice, information and resources that can facilitate his/her business venture. Facing competitive rivalry, networking skills are vital. Evidence of the use of the right networks, can be traced to the success of foreign nationals who successfully operate spaza shops in South African townships (Liedeman et al., 2013:4).

## 5. CONCLUSION AND RECOMMENDATION

Two very important findings have emerged from this study. The first relates to an admission by the majority of the subjects that their businesses are not doing particularly well owing to their lack of basic business skills. The second relates to the subjects' admission that the competitive practices of the immigrant retail entrepreneurs can be successfully competed against if they had adequate business sense, knowledge and abilities. Evidence is found in the statements by some of the subjects. For instance, one of the subjects said 'I have no doubt in my mind that if I went for simple business lessons, I am able to submit applications for funding and confidently defend the submission when I am called upon to do so'. Another subject indicated a willingness 'to participate in any form of training that will help me grow my business'. However, what was quite interesting to the researchers was the concern shown by the owners of a local eatery in Khayelitsha. These subjects questioned the significance of teaching style '....as though they were in university'. The subjects disclosed that they attended some training programs organised by a certain agency where they were subjected to 'too much talk (theory)'. When pressed further to share their overall assessment/perception of the training they attended, they said that they were lost and could not connect with the trainers. We infer from this statement that the facilitators of the programme may not have engaged the subjects practically. With regard to competitive muscle, we infer that if the subjects understood competitive practices, they are better able to come up with creative ways of keeping their businesses going instead of playing second fiddle to immigrant retail entrepreneurs in the townships. In fact, recent entrepreneurship literature suggests the need for cooperation and/or collaboration with identified competitors. Xesha, Iwu and Slabbert (2014) are of the opinion that collaborative relationships enable the growth of businesses, as participants share information as well as other resources. In the case of Khayelitsha, immigrant retail entrepreneurs should not be viewed as monsters but as partners who can be beneficial to the growth of businesses in the township. We suggest that instead of antagonizing immigrant retail entrepreneurs, local business owners should embrace them, learn from them and possibly become partners in their wholesale/bulk buying practices.

In the light of the above interpretations, we are of the view that the survivalist retail entrepreneur is able to transit to a much bigger enterprise if he is exposed to a skills programme that focuses on providing practical training in entrepreneurship. The package should include hands-on lessons on business management incorporating simple bookkeeping practices, proposal writing and presentation, and so on. The facilitation should take place in a simulated business environment with experienced and highly skilled staff to develop learning material and conduct such training. Sustainability of the programme is only possible if credible partnerships with critical funding and support agencies are in place; if a range of assessment tools that align with the objectives of a programme as well as the participants' abilities are available. We insist that such training should take a hands-on approach because of the value we find in Brush, Neck and Greene (2015), Maritz and Donovan (2015), and Karia, Bathula and Abbott (2015) who have consistently argued for practice based learning

owing to its potential to excite learners and reduce the risk of learners not turning up for lessons.

Should survivalist retail entrepreneurs in Khayelitsha be expected to add value to the economy by creating employment opportunities, it is essential that they are provided with skills training on a regular basis by government agencies and other stakeholders such as the W&R SETA. It is, judging by the participants' responses, possible that their businesses will blossom, thus requiring extra capacity in the form of employees. Interestingly, although Eresia-Eke and Rath (2014) found no statistically significant relationship between business owners' financial literacy and enterprise growth, an estimated 33% who were financially literate revealed that they increased their number of full time employees. While we do not consider this number large enough, we are equally adamant that investment in business literacy of a business owner is a worthwhile investment. In fact, in Jordan, Magableh, Kharabsheh, and Al-Zubi (2011) found improved performance in SMME profit, revenue and employment as a result of training. Elsewhere, Malaysia, Yahya, Othman, and Shamsuri (2012) found a 'significant and positive relationship between training and SMEs' performance.' We conclude that survivalist retail entrepreneurs in Khayelitsha can create jobs if they have the right opportunity (i.e. skills development) to grow their businesses.

### **5.1. Scope for future research:**

This paper only focused on the informal survivalist retail entrepreneurs, in a large township in the Western Cape Province of South Africa. South Africa has nine Provinces. This alone underscores the necessity for further relevant studies around the subject of informal survivalist retail entrepreneurship and its development in other geographical settings of the country.

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## **CHAPTER 4 – SUMMARY AND CONCLUSION**

This study showed that the survivalist entrepreneurship sector has the potential to create jobs, thereby reducing poverty and aiding the economic growth of the country, but that this will not happen without specific interventions and support.

Targeted programmes might include basic business skills training (such as simple bookkeeping practices and human resource management) and be aimed at boosting motivation levels and self-efficacy.

The impact of SMMEs in improving not only the lives of entrepreneurs themselves but also their employees is considerable. Entrepreneurship is a powerful mechanism that can help deal with the socio-economic difficulties such as unemployment and poverty. This includes survivalist retail entrepreneurs who should be treated fairly and without prejudice. The primary goal of the survivalist entrepreneur is to provide an income for themselves and their immediate family. Providing work for others is a bonus, but many of those interviewed for this study expressed ambition and the desire to grow their businesses. In other words, many survivalist entrepreneurs want to go beyond just being survivalist entrepreneurs, and to move into the formal economy.

To achieve such sustainability and growth requires vigorous interventions from various business development stakeholders, including government. Without proper education or skills training, and short courses focusing on the fundamentals of business, the odds of survivalists developing and growing will be poor.

Survivalist entrepreneurs struggle to obtain financial support from institutions such as banks because they lack collateral and are perceived as risky. Informal sector entrepreneurs are generally not registered and do not pay tax, but this should not diminish government's support of this group with the necessary resources to help them grow, as this will be in the interests of overall economic development.

This study recommends that government work together with the communities to set up supportive infrastructural facilities (maybe in selected schools), tailored to prepare the survivalist entrepreneurs with the knowledge and skills they need to make their businesses sustainable and successful. Survivalist entrepreneurs do not operate in a vacuum. The government and other private stakeholders should also establish business support platforms tailored to addressing the business needs of the informal sector economy.

The impoverished socio-economic landscape of South Africa is partly owed to the exclusions and imbalances of the apartheid regime, which prevented black South Africans from freely engaging in the mainstream economy. Should this not be tackled correctly, the poor shall remain poor, while poverty will reproduce itself from one generation to the next.



## APPENDICES

### Appendix A – Ethics approval



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Symphony Road Bellville 7535

Office of the Chairperson Research Ethics Committee	Faculty: BUSINESS
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At a meeting of the Research Ethics Committee on 17 June 2015, Ethics Approval was granted to DR CHUX IWU for research activities Related to the: WRLC (Wholesale & Retail Leadership Chair) within the RETAIL BUSINESS MANAGEMENT DEPARTMENT, Business Faculty at the Cape Peninsula University of Technology

Title of Project:	The unique role of the survivalist retail entrepreneur in job creation and poverty reduction  Supervisor: Prof R Mason
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Comments:

Decision: APPROVED

 Signed: Chairperson: Research Ethics Committee	17 June 2015 Date
Signed: Chairperson: Faculty Research Committee	Date

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Clearance Certificate No | 2015FBREC305

## Appendix B – Draft questionnaire



Dear Sir/Madam,

The main objective of this survey is to **understand the specific role of survivalist retail businesses in employment creation, and the extent to which they contribute to community development and poverty alleviation in South Africa**. I invite you to participate in this study by answering the questions that follow objectively. To guarantee the anonymity of your responses I do not need to know your name as well as the name of your business.

I truly appreciate your taking part in this survey. Thank you very much.

Sincere regards,

**Chux Gervase Iwu**

**021 460 9038**

1. What is your gender?
  - a. Male
  - b. Female
2. How old are you?
  - a. Between 23 and 35
  - b. Between 36 and 45
  - c. Between 46 and 55
  - d. Between 56 and 65
3. What is your level of schooling?
  - a. Primary school
  - b. High school (not completed)
  - c. High school (completed)
  - d. Tertiary (not completed)
  - e. Tertiary (completed)
4. What kind of business are you into? [Tick the applicable option(s)]

Spaza shop/grocery store	
Restaurant/Food business	
Shoe making	
Tailor/fashion design/dress making	
Shebeen/tavern	
Motor mechanic/ Motorcycle/bicycle repairs	
Taxi operator	
Other	

5. How many years have you been in this business?
  - a. 0 – 3 years
  - b. 4 – 7 years
  - c. 8 – 11 years
  - d. 12 – years and above

Please turn to the next page

6. How many employees do you have in this business? [Tick the applicable option]

None	1-5	6 and more
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7. Do you have any skills training, from which you can repair/fix or create your own product?

- a. Yes
- b. No

8. Read the following statements and express the extent to which you agree by placing X in the appropriate block.

Position	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
I need to grow and register my business formally this year					
I make more than R6 250 per week in my business					
I have more than five employees in my business					
I need to employ more people than I already have					
Government/private support services are helpful to my business					
I know exactly which institutions to get business help from					
I have approached the bank/s and government support services before, for business funding to grow my business					
I keep record of every money that comes in and out of my business					
I have loyal customers in my community who use my products/services					
My products/services are unique					
I have vocational training skills that I can use to create my own products/services					

9. List below the future goals for your business.

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10. How often do you face the following challenges in meeting the business goals?

Obstacles to business success/ goals	Always	often	Occasionally	Rarely	Never
Attracting more customers to the business					
Managing business cash flows/money					
Ideas to improve my business, products/services					
Having to pay my employees including myself at the end of the week/month					
Competition with other businesses					