



An investigation of key aspects in township economies that influences the rate of unemployment

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Mini-dissertation accepted in partial fulfilment of the requirements for the degree *Master in Business Administration* at the North-West University

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Graduation: August 2021

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ACKNOWLEDGEMENTS

First of all, I want to give all the glory to God, who waked me up every day, and gave me the gift of life, all the glory belongs to you Lord. I want to thank my supervisor Prof André Heymans, for his effort and time who guided me through this process. I want to thank Cecile van Zyl for the language editing she has maintained. I want to thank Prof Herman Linde, Prof has always been there for me through this time and supported me. I want to thank Mr. Johan Coetzee for his support, guidance, and mentor that he was; thank you for your willingness, for always giving a helping hand and advice in my times of need. I want to thank Prof Ronnie Lotriet for his insight, and introduction to this type of study. Mr. Andre Coetzee, CEO of the North West Chamber of Commerce and Industry, who supported this study. Thank you, mother Ansie Wessels, for your love, support, and encouragement when things were taught, you never left my side, and therefore, I will always be grateful to your teachings and thanks to my, brother who fulfil his role as a brother, thanks to my family, and friends; for your support. Last but not least, I want to thank my group, "Magic Squad". The MBA program was an incredible journey, and very challenging, where difficulties overwhelm my space, it was worth it, with all the knowledge that I have gained, and through my two year academic experience, I have learned a lot, and have so much to take with me.

"For I know the plans I have for you, declares the Lord, plans to prosper you and not to harm you, plans to give you hope and a future" **Jeremiah 29 verse 11**

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December 2020

ABSTRACT

In the context of South Africa, unemployment is an essential concept. Different aspects determine the unemployment rate. As the economy grows, the unemployment rate decreases, and one has to look at the SMMEs that play a significant role in the growth and sustainability of a country's economy and entrepreneurship. In South Africa, there are townships, which are located outside cities, which are formal and informal settlements engaged in legal and illegal activities. This study was done on the four municipality districts of the North West Province, where townships' economic activities are examined.

The purpose of this study is to determine which key aspects of the township's economy affect the unemployment rate. The research is focused on only the townships in the North West Municipality Districts. As for the problem, there is a perception that there may be a lack of entrepreneurial skills, and therefore foreigners are driving the township economies. The primary objective is how township economies are influenced by different influences, this study's secondary objectives are that the current state of township changes economically due to the high unemployment rate. The target population was business owners in the townships, where they answered selected interview questions. The study's delimitations were that not everyone understood English or Tswana and that the business owners are afraid that this study is linked to the Government.

The findings of this study support the problem statement, the findings indicates that the different demographic areas plays a significant role for influences the unemployment rate as well as the profile of the owners and the type of services that are provide in the townships of the four North West Municipality Districts. The value of this study also indicates the possible solutions for unemployment. This study aslo gave an input of how the future of SMMEs in South Africa will be and the important role of entrepreneurship for the development of a country. The limitations in this current study was that some population didn't want to complete the selected interview questions, because of the language, xenophobic attacks and there was a problem to get access to certain business owners, because of the high number of migrants.

This current study also indicates that there are areas for further research such as empowering woman entrepreneurship in townships as well as the need of sport and recreation in the townships. The state of approach for this study was done through selected interview questions that were sent to the four North West district municipalities to determine the key aspects in township economies that influence the rate of employment in South Africa.

Keywords: economy; entrepreneurship; small, medium, and micro-enterprises (SMMEs); township; unemployment; legal activities; illegal activities

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LIST OF ABBREVIATIONS

BEE	Black economic empowerment
GDP	Gross domestic product
NDP	National Development Plan
SMME	Small, medium and micro-enterprise
SPSS	Statistical Package for the Social Sciences
VAT	Value-added tax

CHAPTER 1: SCOPE AND NATURE OF THE STUDY

1.1 Introduction

Townships or ¹urban areas are enormous formal and informal settlements. In South Africa, these settlements, or townships as they are known, have the highest increase in unemployment and minimum economic development (Mbanjwa, 2018). South Africa's unemployment rate increased from 27.2% to 27.5% by the end of the third quarter of 2018. There are 16.4 million employed people and 6.2 million unemployed people in South Africa. The employment age is between 16 (with the permission of parents or guardians) and 64 years, which could differ depending on the type of industry, for example agriculture (Stats SA, 2019). The nature of townships has changed in the last few years, and the population has grown with national and international migrants seeking more effective economic sustainability.

Furthermore, in the history of townships, small, medium, and micro-enterprises in South Africa date back to the apartheid era during which people of colour were prohibited from owning businesses and faced judicial action for engaging in any business activity. Townships, were created for coloured communities and were usually beyond city limits. In general, every city has at least one or more townships associated with it (Bvuma & Marnewick, 2020). There is a general lack of business in townships, and the people living there experience segregation in housing, education, health, essential services, and libraries, leading to a lack of skills (Bvuma & Marnewick, 2020). The businesses that do exist are generally found in a narrow band and include tuck shops, hair salons, spaza shops, shebeens, taverns, and repair shops.

This research examined the economies of the townships as well as the different demographics, profile of the business owners and the type of services that are provide in the four North West district municipalities, namely Bojanala Platinum

¹ Urban areas are referred to as townships.

District, Dr Kenneth Kaunda District, Dr Ruth Segomotsi Mompati District, and Ngaka Modiri Molema District.

The mining industry is the largest sector in the North West Province. Although this sector is the mainstay for the local economy in the four North West district municipalities, it is not the only employment type. Over the past few years, various mining businesses in the four North West district municipalities had to retrench thousands of their employees due to the mining industry either closing old shafts or embarking on restructuring processes in legal and illegal ways (Kgajane, 2019). With the mines shutting down and employees losing their jobs, poverty levels increased in the townships of the North West.

The North West Province is further known for its migrants, who contribute to the growing migrant population, which does business activities formally and informally for a sustainable income. Stats SA (2011) indicates that the North West has the highest proportions of migrant households. There has been much speculation over the years about the high unemployment rate as well as the township economy in South Africa.

1.2 Background

1.2.1 Problem statement

According to Bwisa (2018), a problem statement is used in research to work as a claim that outlines the problem addressed by the study. Townships focus and provides for a specific target market, which differs in a sizeable population. There is a perception that the unemployment rate is high and currently increasing in South Africa. Foreigners drive the economy in townships and it seems that local citizens lack entrepreneurial skills.

For example, there are places for upskilling. The Cyril Ramaphosa Foundation purpose is, to empower society by fostering development. Most local entrepreneurs experience financial difficulties, and the lack of skills to start a business. This leaves local entrepreneurs with a disadvantage which might be, why foreigners are widespread in townships. The residents have small financial incomes and only buy a limited range of goods for their households.

1.2.2 Primary research question

Current economic conditions in townships located in the North West Province are adverse. This is mainly due to a lack of skills among the citizens in these townships and the reduced economic activity in ailing mining towns. For many years, people of South Africa have debated the unemployment rate. People think that the lack of skills is the reason for the high rate of unemployment. As mentioned in the introduction, the South African unemployment rate is 27.5%. The initial perceptions are failing, because the lack of skills is not the only reason why the unemployment rate is high in South Africa.

This research's primary question is, who or what are the key aspect(s) in the state of township economies causing unemployment and poverty?

1.2.3 Aim of the study

The aim of this study was to investigate the key aspects of township economies that influence the unemployment rate in four municipalities in the North West. Although municipalities should also be a source of income for small businesses, municipalities do not spend their budgets on their home bases. The space for businesses is small and has the minimum developing innovativeness –informal, formal and illegal businesses.

The study identified obstacles that small business owners in townships face and further aimed to assist them by compiling realistic measures and policies. After the township economies have been examined, the given reasons could support the fact that migrants own businesses and explain the reasons therefore. This led to another question: What are the backgrounds of the business owners or the origin of the businesses or SMMEs?

The given reasons would help determine which group forms part of the unemployment rate, which also leads to poverty in townships. This research paper aimed to facilitate an understanding of township economies in the North West. Data was gathered primarily through a literature review survey (Matli & Jordaan, 2016). The research question helped to provide an understanding of the research problem.

The next sub-section examines the study's research objectives, which will support why this study was essential.

1.3 Research objectives

Clear research objectives assist in determining the motivation behind relevant actions. According to van de Water (2020), the objectives drive all the aspects of methodology, including the instrument design, data collection, analysis and the recommendations. Having well defined objectives will narrow and bring focus to the research, which will ensure that the results in the research are appropriate for decision-making.

1.3.1 Primary objective of the study

The study's primary objective was to determine how township economies are influenced by different vital aspects that influence the unemployment rate. This research focused on the SMMEs in South Africa, because SMMEs support the economy; however, only SMMEs that are registered with legal papers support the economy.

1.3.2 Secondary objectives of the study

The secondary objectives of the study investigated the

- a) current state of the economic change in townships as key aspects that cause the high unemployment rate. Sustainable businesses in townships employ employees, which could decrease the unemployment rate.
- b) New township businesses require skills such as entrepreneurs. These business owners must get use to entrepreneurship, and business owners must be upskilled. Entrepreneurs can open new or more businesses. Entrepreneurs do not always open businesses out of desperation.
- c) There are various other reasons for starting a new business: the entrepreneur saw a business opportunity (gap in the market) or identified a good location.
- d) Other reasons include supporting family, earning a better income, or wanting skills and experience. Entrepreneurs contribute to their communities, and

township entrepreneurs are considered entrepreneurial because they use the local resources that are distributed to them.

1.3.3 Importance of the study

This study's importance is that townships in the North West Province and across South Africa are growing by the day, which can lead to poverty and higher levels of unemployment. Townships are low-income populations that are located outside cities. Township residents purchase their ordinary goods at spaza shops. This study revealed that there is no shortage of economic activities in townships. These activities happen in the streets and houses and include backyard businesses, such as spaza shops, metal fabricators, hair salons, and shebeens.

Despite the apparent dynamism, most township activities are trapped in a narrow band of informal activities. Returns and employment multipliers are low. The township economy will be discussed in the literature review (see Chapter 2) to understand how it functions. The study aimed to understand the level of unemployment by examining whether employers have employees working for them and whether these business owners are registered with their local municipality.

The study further enquired whether business owners are registered, and whether the business owners are members of an association. Once these answers were obtained, the study could benefit by understanding the reasons and levels of unemployment.

The chosen sample for this study is representative of the population of the four North West district municipalities. Therefore, this study focused on the four North West district municipalities. The results would assist to answer the primary research question.

Business owners sell a service or products to people. Although official figures reflect how many people in South Africa's labour force are unemployed but looking for work, there are various forms of unemployment.

The extended unemployment number(s) include people who do not have a job, want a job, and are not seeking for work. By the official count, 6.7 million people are jobless in South Africa, or persons that are not working; however, the extended

meaning states that more than 10 million people are unemployed, or 38.5% of people are working (Stats SA, 2019). This research further endeavoured to quantify the foreign representation of business ownership in townships.

1.3.4 Delimitations and assumptions of the study

With delimitations as well as assumptions of a study, a study is essential because it describes its meaning. The impact of the potential study must be convincing to the reader.

1.3.4.1 Delimitations of the study

Delimitations are features that limited the scope of the study as well as defining the limitations of a study. Delimiting features include the objectives, variables of interest, research questions, theoretical perspectives adopted (to what could have been adopted), and the population under investigation (Simon, 2011).

The proposed study's delimitation was based on the geographic aspects of township economies.

- a) Such as starting a business;
- b) The number of employees the business owner employs;
- c) The gender of the owners; scale of incomes; and the
- d) Nationality of the business owners limited to the scope.

The primary delimitation was the problem itself, indicating other related problems which could have been chosen, but were excluded or separated off from view. The purpose statement explains the intent that sets out the intended accomplishments and includes an implicit or explicit understanding of what the study will not cover (Simon, 2011).

For this study, the current state of the township economy in the North West municipal districts will be studied, because, as mentioned, this province has a high number of migrants, which makes it more difficult for locals to start and compete with immigrant entrepreneurs. The delimitations of this study were to get access to businesses in townships. The target population could be unwilling to complete these selected interview questions because of xenophobic attacks, which would limit the participants for this study.

1.3.4.2 Assumptions of the study

The study assumed that a survey would be conducted and that people would answer truthfully, which is why the specific study was based in the North West. According to Leedy and Ormrod (2010:62), assumptions are so fundamental that the research problem could not exist without them.

Although the type of business activity in townships is mostly informal and illegal, it is not true for all activities. While the informal economy does provide employment and entrepreneurship opportunities, it does not change the unemployment rate (Charman, 2016). Business owners sometimes purchase their stock from unknown suppliers, as for the numerous businesses, some entrepreneurs have various feelings about their businesses and its success.

The next section defines the terminology that supports the delimitations and the assumptions of this study.

1.4 Definitions of key terminology

Economy

Economy refers to an area where there is production, trademarks, and dissemination together with the consumption of goods and services. The economy is furthermore a system of trading things of value divided into services (people doing things) and goods (material things), the medium of exchange is a financial system, which makes trading possible. The economy is just a blanket term for how goods and services are bought and sold throughout the country (Widdison, 2017).

Entrepreneurship

An entrepreneur is a person who starts a new business to support or improve the local community. This person is furthermore known for taking risks and is mostly a single business owner. The entrepreneur is also seen as an innovator (Taborda, 2016).

Formal sector

The formal sector is the opposite of the informal sector, which means that this sector encompasses all activities practised within the usual hours and with payment of regular wages according to the law. Wages are recognised as income sources and income taxes must be paid.

Informal sector

The informal sector operates off the books (cash payments only and no coverage to the government) and is considered an informal economy element. Like drug dealing or importation, any criminality can occur within the informal economy (David *et al.*, 2016).

Poverty

Poorness refers to not having essential material possessions or support for a person's requirements. The term poorness conjointly includes the political, social, and economic climate. Starvation refers to the lack of an individual's basic desires such as consumer goods, water, food, shelter, and safety. Black South Africans are still plagued the worst by rising poorness, with many people being considered below Statistics South Africa's lower-bound poverty line, which the World Health Organisation outlines as people who have to sacrifice shopping for food for different necessities. Nevertheless, many white South Africans also live below this dire line (Chutel, 2017).

SMMEs

SMMEs is the abbreviation for small, medium, and micro-enterprises. These enterprises are perceived as being the key to success for job creation in a country,

especially in South Africa. These enterprises further play a critical role in the sustainability of an economy (Bhorat *et al.*, 2018).

Township

A township is a formally allocated piece of land, which hosts the site of a town/city. Legally, the word township refers to both industrial and residential sites. Townships further refer to the underdeveloped racial populations that were settled outside towns in the late nineteenth century (Scheba & Turok, 2019).

Unemployment

Unemployment refers to three factors: firstly, people who want to work, but cannot find jobs; secondly, people who want to work, but cannot work due to a medical condition; and thirdly, people who do not want to work, but can work. Unemployment further means lower economic output, but requires subsistence. The high rate of unemployment, which is a signal of economic distress; however, when the unemployment rate is insubstantial, it may be a signal of an overheated economy. Unemployed people refer to people who are above a certain age, who are not in paid employment or self-employment (entrepreneurs), and who are available for employment.

1.5 Literature review

1.5.1 The context of the South African economy

The South African economy has high inequality levels. According to Scott (2019), South Africa is the world's most unequal country and 25 years of freedom have failed to bridge the divide. The South African economy has been under immeasurable pressure and the country's performance is far behind the required goals as defined by the National Development Plan (NDP), as indicated in Table 1.1. This further has a significant impact on everyone in the economy. When a country's gross domestic product (GDP) growth is strong, more businesses can hire more employees and give higher wages and salaries. Businesses invest more when the growth is strong, which lays the foundation for future economic growth.

Table 1.1: Economic indicator targets against actual economic performance

Indicator	NDP 2015 target	Actual 2015	NDP 2020 target	Actual 2018
GDP	4.6%	1.3%	4.6%	0.8%
Employment	15.8 million	16.0 million	19.0 million	16.5 million
Unemployment rate	20%	25%	14%	27.1%
Poverty	35.7%	40.0%	21.7%	–
Inequality	0.68	0.66	0.65	0.63
Exports	1.6%	–3.3% (avg.)	6%	–0.7% (avg.)

Source: Stats SA (2019)

1.5.1.1 North West provincial economy

Compared with the country as a whole, the North West experiences economic challenges, such as poverty, inequality and unemployment. The mining sector is the main driver of the North West's economy and employs just over 30% of its workforce. Table 1.2 shows the contributors to the provincial economy over two years (2016-2017).

Table 1.2: North West percentage GDP contribution by industry

Industry	2016	2017
Primary industries	32.6	32.7
Agriculture, forestry and fishing	2.4	2.6
Mining and quarrying	30.3	30.1
Secondary industries	10.2	10.1
Manufacturing	4.7	4.7
Electricity, gas and water	3.1	3.2
Construction	2.3	2.2
Tertiary industries	45.9	46.7
Trade, catering and accommodation	10.4	10.5
Transport, storage and communication	5.7	5.7
Finance, real estate and business services	11.5	11.9
Personal services	6.7	6.9
General government services	11.6	11.7

Source: Stats SA (2019)

1.5.1.2 *The township economy*

Small and micro-businesses have systems that are represented in the township economy. Townships consist of formal and informal settlements. There are similar characteristics in townships' economies (Philip, 2018). These are the same purposes in townships' economies:

- Dual purposes for providing cheap labour.
- Poorly located in lower-income households.
- High travel costs to get to work.

By providing their communities with goods and services, local entrepreneurs can earn a living while ensuring that capital is circulating in the local community. On the other hand, income earned by foreigners is remitted to families abroad. At the same time, the roll-out of township franchises by South Africa's most prominent shopping corporates (which in some municipalities is the preferred policy) results in a large portion of profits reverting to Johannesburg Stock Exchange-listed entities for distribution to shareholders.

President Cyril Ramaphosa acknowledged the importance of township and village economies in his State of the Nation Address in June 2019 (Ngobesi, 2019). The sub-sections that follow describe some of the services that townships contribute to the economy.

1.5.1.3 *Household/personal services*

Service delivery is a high-income aspect for locals in their economic system. Recycling provides an income for many households by people who work as waste pickers. Some people provide financial services, which also contribute a significant component to the service sector in townships. Financial services include accounting, bookkeeping, cash-loaning, funeral services and financial advice. These businesses have a tendency to be either home-based or located in rented office buildings within the townships.

1.5.1.4 *Transportation services*

The transport sector is crucial for township economies because of the need to be combined into the mainstream economy. Most township populations do not have private transport and depend on public transport to travel for work.

1.5.2 Township SMMEs in North West

SMMEs in South Africa are recognised as critical driving forces to reduce particular economic challenges. Challenges such as the alleviation of unemployment and poverty can also be addressed by policies to inspire the sustainability and development of SMMEs.

Due to the failure of most local-owned enterprises, poverty and unemployment are rising in the North West. The suspicion is that immigrants largely run the retail sector. Local entrepreneurs fail to compete with immigrants and most local-owned shops have been closed down. Therefore, immigrants dominate the economic space of townships, villages and small towns.

1.6 Research design

1.6.1 Research methodology

Prospected sampling was used to acquire the information necessary for this study. Sampling refers to the procedure of selecting units, for example, people from a population of interest. Reviewing the sample can simplify the findings back to the chosen sample out of the population. Because more or less types of sampling rely on quantitative prototypes, some statistical terms used in the sample will also be discussed. Lastly, the primary distinction between probability and nonprobability sampling methods will be explained, and each major will be worked through (Trochim, 2020). In other words, this is where the researcher uses steps and randomisation to ensure that all the population members will have a chance to be selected. In this study, random selection was used as the procedure for selecting the sample.

The type of collectable data was quantitative. Existing statistics and selected interview questions were analysed to determine whether this study's primary

research question could be answered. Quantitative data refers to the information about quantities; therefore, numbers and qualitative data are descriptive and regard phenomena that can be observed, but not measured, such as language (McLeod, 2019). Quantitative researchers aim to establish general laws of behaviour and phenomena across different settings/contexts (Bhasin, 2018). Research is used to test the theory and ultimately support or reject it (McLeod, 2019). This study was cross-sectional because different variables were compared simultaneously.

Semi-structured studies are observational and are known as descriptive research, not causal or relational research, meaning that it cannot determine something, such as a disease. Researchers record the information present in a population, but they do not manipulate variables (Cherry, 2019).

1.6.2 Target population

The target population of this study included a survey sampling of SMMEs in the North West. A sample of 105 selected interview questions was handed out throughout the four North West municipalities, namely

- Bojanala Platinum District.
- Dr Kenneth Kaunda District.
- Dr Ruth Segomotsi Mompati District.
- Ngaka Modiri Molema District.

The sample included different types of entrepreneurs. The purpose of including this particular population was to get as many different answers as possible by using the results to answer the primary research question. Qualitative information makes sense of how participants feel about a specific event or situation. Qualitative data is used to understand people's perceptions, attitudes, understanding, knowledge, values, feelings, and experiences to receive an estimated response to the event (Fallon & Maree, 2016).

1.7 Data collection

The type of collectable data was quantitative. This research data was gathered primarily through a literature review survey (Matli & Jordaan, 2016). The data collection process used was selected interview questions, handed out to the target population group.

There were 18 trained people who were facilitated by André Coertzen, the CEO of the Provincial Chamber of Commerce. There is a total of 18 sub-municipalities in the four district municipalities. However, the numbers of sub-municipalities differ among district municipalities; for example, Bojanala Platinum District has five sub-municipalities, and Dr Kenneth Kaunda District has only three sub-municipalities. The number of selected interview questions handed out in each district municipality depended on the number of sub-municipalities in each district municipality.

The trained interviewers met in each district with local business owners. The selected interview questions were explained to the owners so that the owners knew what was expected from them. To ease the information gathering process, the 18 trained interviewers declared that they were researchers and not government opponents. Foreigners are afraid of any form of the government-related scheme because, as foreigners, most do not have legal papers.

The population surveyed is very uncomfortable about xenophobic attacks that erupt sporadically. The language was considered a problem because many of the business owners do not understand English or Setswana.

The questions on the selected interview questions are the same questions for the entire target population, and they would hand the selected interview questions back to recover the data over a specified period. The questionnaire employed self-developed instruments, and results of the findings were used to determine the current state of the township (primary research question) and how it differed among the four North West municipal districts. Using this measuring instrument, selected interview questions gave a better understanding of the types of businesses that are operating in the townships.

The required information was treated confidentially to ensure that sensitive information would not be published in the public domain. The participants responded voluntarily, and they could withdraw at any time if they felt uncomfortable.

The content of the selected interview questions is given in Appendix A. Another data collection method is self-study about the primary research, where previous research will be examined and compared to the received data from the questionnaires.

1.7.1 Data analysis

The participants who were analysed were owners of different businesses in the North West's four municipality districts. The unit of analysis was considered a public institution because the study involved individuals (entrepreneurs) in the townships. It was a challenge to gain access to the unit of analysis because the sample group was afraid of answering the questionnaires.

Permission was asked before the selected interview questions were handed out. Once access and the answers of the business owners was gained, their answers would show whether there were problems related to the primary research question. With this information, the current state of the economy of the township could be cleared out.

There was another alternative unit of analysis that could be appropriate for the primary research question. The collectable data type is quantitative data. Previous data and selected interview questions would be analysed to determine whether the primary research question could be answered. Most countries, including South Africa, are made up of two distinct geographic areas, namely rural and urban. However, South Africa's landscape further includes townships and informal settlements, which make for large, underdeveloped communities with working-age people who are desperate for economic opportunity, but who are spatially disconnected from the urban centres that offer better economic prospects (Mahajan, 2014b).

The following methods were used to analyse the data: Firstly, in Microsoft Excel; and secondly, the statements and comments in the selected interview questions were analysed. As participants completed the questionnaires, they thought of

questions and problems, which were reflected in their statement/comments. These were noticeable things in themselves; their opinions were collected and conclusions were drawn.

Data collection is time-consuming and expensive. The data collection took place through 105 questionnaires. The sampling was a focused group, which were owners of the various shops in the townships.

1.7.2 Proposed chapter layout

The proposed layout for this research is (see Figure 1.1):

- Chapter 1: Nature and scope of the study
- Chapter 2: Literature review
- Chapter 3: Empirical investigation
- Chapter 4: Conclusion and recommendations

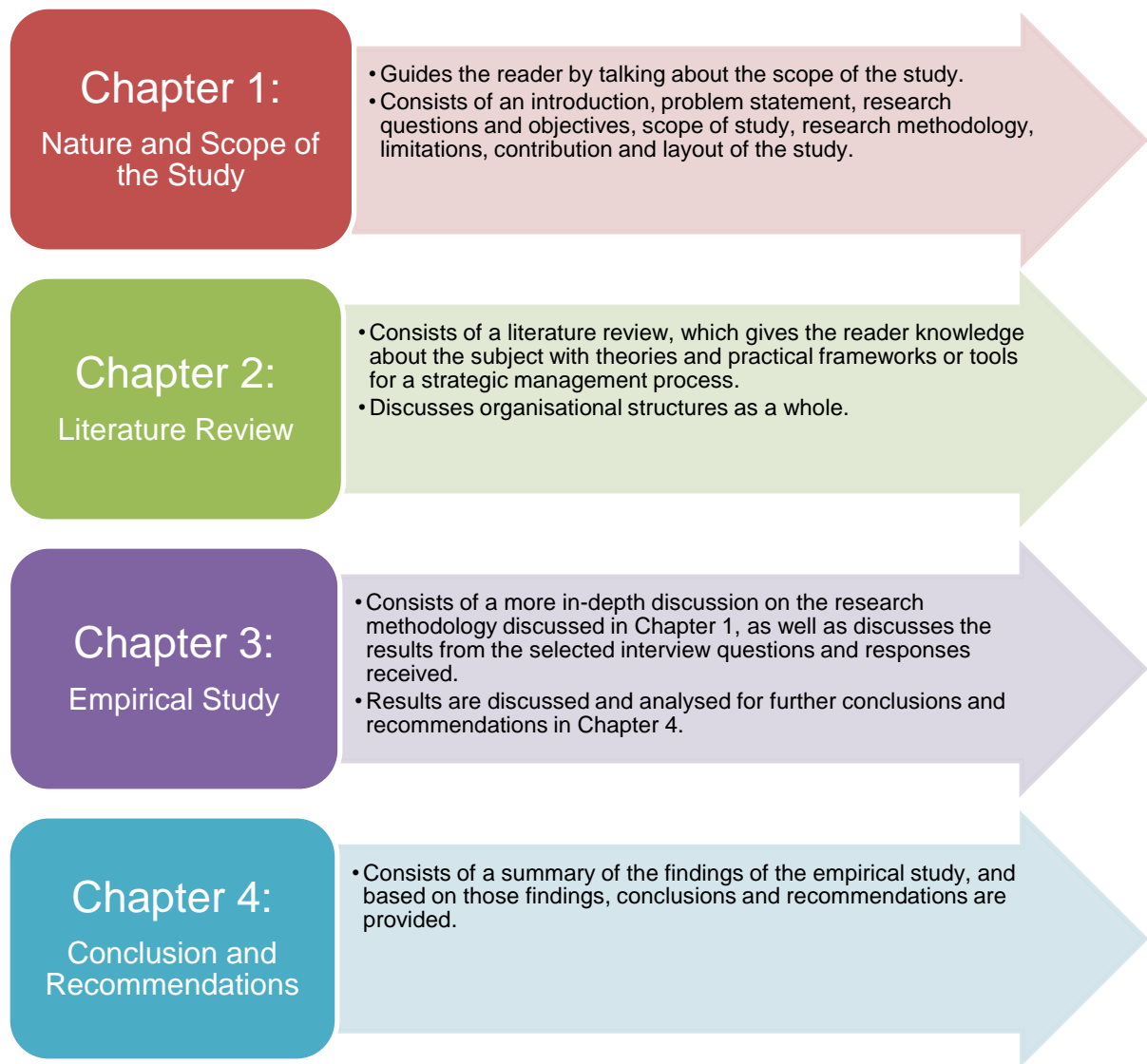


Figure 1.1: Layout of the study

Source: Maree (2016)

1.7.3 Proposed project plan for delivery

This study was done over two years. The selected interview questions were sent to participants' mid-2019, and the results were received at the end of January 2020. The proposed plan for completing this study was at the end of 2020, around the second week of November. There was only one phase of data collection in the four North West district municipalities through the questionnaires. Once the data was received, the analyses started, which involved converting the data into the final results and relating the received data with already published data in this study field so that the final data could be revealed.

1.8 Chapter summary

This chapter described the proposed study, which investigated selected aspects of SMMEs and the township economies of North West district municipalities. This research was necessary to determine the key aspects of the township economies that influence the unemployment rate and that lead to poverty and high unemployment in the four North West municipal districts. The chapter included what had to be done, the problem statement, the primary research question, and the study's objectives. Assumptions included that there is a lack of SMMEs in townships and that foreigners have the most businesses. If so, is it easier to start a business in South Africa than abroad?

The chapter explained that similar services delivered in townships are households or personal households and transportation services. Selected interview questions in this survey helped to examine the results. Why are unemployment and poverty high? Where there the level of education plays a role in the need for upskilling and to get used to the term entrepreneurship?

Chapter 2, which follows, accommodates the literature review and discusses the historical overview of townships and the associated challenges in detail.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Chapter 2 presents the theoretical framework of the purposed study and reviews what has already been written. The topic's development is "An investigation on selected aspects of SMMEs, townships economy in North West municipalities". The specific research problem is that foreigners drive the economy in townships because local citizens lack entrepreneurial skills. The study formulated the primary research question and secondary questions to support the design elements. 'Township economy' refers to enterprises and markets based in townships. These enterprises are operated by township entrepreneurs to primarily meet the needs within and beyond the townships. Therefore, they can be understood as 'township enterprises', which are distinguished from those operated by entrepreneurs outside townships. Township enterprises are diverse, with a high rate of informality. They provide a range of goods and services to meet the needs of township communities and beyond.

This chapter examines the literature review about the history of township development over the years and the characteristics of townships. While supporting previous studies, this chapter discusses the importance of SMMEs in South Africa, the profile of SMMEs, and the characteristics of SMMEs. This chapter further demonstrates the differences between the informal and formal sectors of economic activities, the role of governance, and the regulations. A stratified random sampling technique was applied to investigate a population of 105 business owners over the four North West district municipalities. A structured questionnaire was used to collect data regarding the number of employees the business owner employs; the gender of the owners; the nationality of business owners; the reasons for starting a business; and their average rate of income. Microsoft Excel was used to analyse the data and to determine frequency counts and percentages.

This chapter aims to gain knowledge from the researcher of the topic to understand every aspect to better interpret the data that will be presented in Chapter 3.

2.1.1 Historical background

In 1994 the South African nation became a democracy, but before then the non-whites were forced to relocate themselves outside cities in residential areas called townships. From 1948 to 1994, under social policy, townships were controlled bed-chamber communities, typically situated a long way from the 'white town'. Although in a few rare exceptions, such as Alexandra, an older township on the brink of white enclaves and separated solely by walls and fences, an enormous zone of unoccupied land separated in most places townships from towns. Travelling to work typically concerned an extended and expensive commute that could take three hours. Transport was restricted to state-owned buses and trains. The insufficiency of business development forced several administrative division residents to buy in faraway white-owned centres or accredited white-owned or Indian-owned outlets, which were distributed across townships (Findley & Ogbu, 2011).

The oldest administrative division in South Africa is Alexandra, Cape Town. According to South African History Online, Alexandra was initially built in 1912 and was the only place black people could get property. Today, the administrative division is home to over 179 700 people who live in mostly free-standing homes or shacks. Alexandra was additionally home to several of Africa's legendary leaders, such as former Mozambican President Samora Machel, and musician Hugh Masekela. Although the crime remains high, the streets of Alex square are vivacious and vibrant.

According to the World Bank, half of South Africa's urban population live in townships and informal settlements. Metropolises and their encompassing cities and districts are large. The metropolitan space within the country is boosted considerably by the full range of smaller cities that structure the mega-city as well as the city. Viewing townships, however, the most recent population knowledge shows that cities are the largest within the country, situated on the south-western space of the railroad (Mahajan, 2014b).

Informal settlements are generally enclosed as part of the administrative division economy. Figure 2.1 shows the apartheid categories defined by SACN and concrete LandMark (McGaffin *et al.*, 2015).

APARTHEID TOWNSHIPS	POST-APARTHEID TOWNSHIPS	INFORMAL SETTLEMENTS
<p>During Apartheid, townships were created as 'dormitory' settlements for black labour to serve white industries and businesses in the better located areas of the city. Economic activities in townships were largely prohibited. Layout was designed for residential purposes and infrastructure was basic.</p> <p>Examples include Tokoza (in Johannesburg) and Gugulethu (in Cape Town)</p>	<p>They have been shaped by the national housing programme, which resulted in mass delivery of free-standing RDP/BNG houses on cheap, peripheral land.</p> <p>Examples include parts of Tembisa (in Johannesburg) and Delft (in Cape Town)</p>	<p>Informal settlements can also be regarded as part of the township economy. Shacks have mushroomed across the country, both on formally developed land (within backyards in existing townships) and on informally occupied land not designated for residential purposes.</p> <p>Examples include Diepsloot (in Johannesburg) and Kosovo/Philippi (in Cape Town)</p>

Figure 2.1: Categories of apartheid

Source: McGaffin et al. (2015)

As seen in Figure 2.1, informal settlements in South Africa progressed through different phases. The first category was apartheid townships. These townships were created as 'dormitory' settlements, meaning that many commuters slept there overnight, but had to travel to work elsewhere during the day. These settlements were established for black labour to serve white industries and employers in the core urban areas.

The second category was post-apartheid townships. A post-apartheid township is a township that formed after apartheid and especially after the end of apartheid in South Africa. The national housing programme, access to land, and land use within townships were strictly controlled, which led to the formation of informal settlements, known as shantytowns. A shantytown is an area in or on the edge of a city where poor people live in small, cheaply built houses. Shantytowns are also known as townships in South Africa. The characteristics of shantytowns are overcrowding, lack of space, the danger of fire spreading, and poor infrastructure.

2.2 Economic environment of townships

2.2.1 Scope of economies in South Africa

Township economies comprise various activities in completely different industrial sectors and markets, entirely different technologies, and requiring completely

different skills sets. Although some activities are conducted by massive, formal enterprises, most administrative division enterprises are small and informal.

According to Mahajan (2014) townships are difficult areas for economic development and are quite different from rural areas despite the tendency to link them to recent policy statements. Previous studies advise a variety of barriers to the event of enterprises, and the physical setting for business, personal skills, capabilities, and access to finance.

2.2.2 Characteristics of townships

Many studies have examined the challenges faced by territorial division enterprises, together with restricted access to maintained land and premises, deficient infrastructure capability, inadequate human skills and capabilities, weak transport property, unfair competition from established corporations, and restricted access to external markets (Mbanjwa, 2018). One should even be careful not to overgeneralise due to townships having their individuality. According to Rogerson, (2019) some townships share the following characteristics such as low investment in individuals, places, and productive activities. There are also high monetary outflow levels and low resource retention for regional linkages with formal worth chains elsewhere. The poor economic infrastructure such as a lack of banks, business services, logistics, maintained land, industrial areas, business parks, and business incubators, with the low capability networked infrastructure such as electricity, water, and sanitation systems.

The local entrepreneurial traditions, business capabilities, and occupation skills. However, there are high population densities, with several low-income households possessing low buying power, due to high levels of bad economic conditions and social ills (crime, drug misuse, gangsterism, xenophobia, stigma against a non-public enterprise). Inadequate public facilities and social amenities (hospitals, schools, colleges, libraries). Hostile economic establishments and governance arrangements. Characteristics require modification over time. Because, in larger developed cities, the territorial division structure changes. However, in smaller cities, the established townships are underprivileged. This may happen due to townships having a higher potential for property economies and social opportunities.

2.2.3 Framework of townships

Over the past years, there have been increasingly more analyses of townships; for example, the research includes the historical development of townships, daily struggles of residents, social dynamics, civic protests, concrete governance, and infrastructure challenges. However, there is restricted literature on regional division economies specifically (Rogerson, 2019).

Money earned pays for services and products that are produced/sold in different places, which is also illustrated in Figure 2.2.

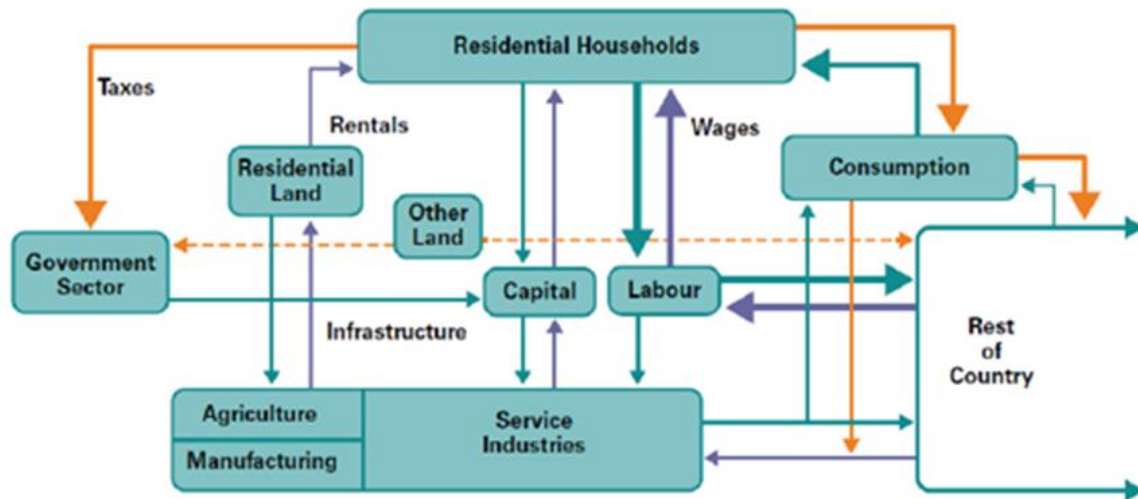


Figure 2.2: The territorial division economy framework

Source: McGaffin et al. (2015)

Figure 2.2 demonstrates how townships have joined the financial set-up. Chapter 1 explained that households deliver the most financial gain within the territorial division economy.

These conclusions are arguably too cautious concerning the potential for territorial division economies, bearing in mind their various circumstances and, therefore, the political imperatives to handle mass state and economic conditions in these places (Rogerson, 2019). A person should perceive South Africa's metameric past and potential dynamics conjointly. Therefore, the abstract framework is said to consist of analytical strands. Firstly, empirical analyses and theory show the expansion in regional division economies (Mahajan, 2014a).

Secondly, advanced economies do not proliferate, but insulated economies do. Therefore, the regional division economy will not only solely chug aboard the formal urban economy but could also probably become a vital driver of near-term growth (Mahajan, 2014a). South Africa's extremely metameric economic structure poses crucial questions about its development trajectory. As mentioned in Chapter 1, the target is to determine whether the territorial division economies comprise various nationalities of business owners and many smaller enterprises.

2.2.4 Economy of townships

According to Scheba & Turok (2019) this type of economy encompasses the assembly, distribution, exchange, and consumption of products and services. It is a particular construct, which in contrast to that of the informal economy, refers to unregulated economic activities no matter where their location.

The territorial division is generally accustomed to describing neighbourhoods that were deliberately designed, first under victimisation and then under social policy, to operate as unintegrated dormitories, and labour activity to economic centres elsewhere within the town.

Nowadays, the term 'townships' includes settlements developed through the democratic government's housing grant theme (Scheba & Turok, 2019).

2.2.4.1 Formal economy

A formal economy has an associated unionised employment system with clear written rules of accomplishment, agreement, and job responsibilities. There is furthermore a standardised relationship between the leaders or employers and employees, which is maintained through a formal contract. Employees work or deliver a service for a certain number of hours and then receive a salary at the end of a day, week, or month's work as summarised by the Law of Labour Relations of South Africa. As for the formal economy or sector, the main economic activities of townships are, among others, agriculture, production, and public and personal services such as nurses, accountants, hairdressers, and waiters.

2.2.4.2 Informal economy

The informal economy or sector refers to people who earn a living through self-employment and who do not seem to be on payroll and, therefore, are also not seen to be taxed. Several self-employed people have their businesses in unprotected and unsecured places all over the country (Darbi, 2016). These types of activities in an economy crop up outside of state regulation or record-keeping; for example, a person marketing a product or service for money on the side of the road. Operating off the books (cash and with no coverage to the government) is an element of an informal economy. Like drug dealing or importation, a variety of criminal activities can occur within the informal economy (David *et al.*, 2016).

2.2.5 Role of governance in the economic environment of townships

The political system is a representative democracy. Elected legislators make policy decisions and enact laws on behalf of people. The South African townships, which were created during apartheid to serve as labour reservoirs for the mainstream economies, remain largely the same after more than two decades of democracy. The NDP acknowledges that South Africa remains a divided society with such division being most pronounced in its spatial make-up.

Townships and their economies are not developing at the pace envisioned by the government at the dawn of democracy, which is mainly because the spatial divide continues to impair inclusive development. Over the last two decades, economic growth gains have rarely trickled down into townships; therefore, the social problems of poverty and unemployment remain prevalent.

2.2.6 Regulations

Regulations play a vital and necessary role in society. Government agencies create laws, which are licensed through acts of Parliament. The subdivision passes laws, which is the legal basis for establishing new governmental agencies (Swanson, 2019).

2.2.7 Social and economic importance

Townships are some of the most distinctive elements of the South African cityscape. After decades of economic neglect as dormitory settlements, the economic development of townships is emerging as an important policy issue (Pernegger & Godehart, 2007). This chapter examines the local economic development of townships that have been dominated by informal economies in the past and present. There are key themes of concern that surround the emergence of new economic bases for a formal economy, especially in the leisure and hospitality industry, informal economy, and national, government-led initiatives for enterprise formalisation.

Besides, controversies surrounding the involvement of international migrant entrepreneurs in township businesses are discussed. Overall, the economic development of townships is a critical research agenda for urban and economic geographers (Rogerson, 2019). Due to the historical, social compression in racially segregated areas, old townships are socially, culturally, and economically diverse. Many of them, especially the significantly larger townships, contain middle- and lower-income areas and, additionally, scattered middle-income houses. Nevertheless, socio-economic data clearly shows that most townships are inadequate and that the unemployment rate is very high (Pernegger & Godehart, 2007).

2.3 Aspects in township economies

2.3.1 Small, medium and micro-enterprises

2.3.1.1 Profile of small, medium and micro-enterprises

SMMEs are pivotal to advancing inclusive growth and development in the Republic of South Africa. This image of SMMEs in South Africa is more a result of the critical inhibitors of the enlargement of SMMEs.

Businesses that have a single employee, which is the owner, are referred to as own-account businesses. Businesses that have between one and four employees, excluding the owner, are considered micro-enterprises (Bhorat *et al.*, 2018). Businesses that have between five and nine employees are considered small enterprises. Businesses that have between 10 and 49 employees are considered medium enterprises. Lastly, businesses that have more than 50 employees are considered large enterprises.

Therefore, the term SMME refers to a mixture of own-account, small, medium, and micro-businesses with between zero and 49 employees (Bhorat *et al.*, 2018).

2.3.1.2 Characteristics of SMMEs

SMMEs are plentiful in the retail, wholesale, social services, and community industries. Although the construction and financial industries comprise a large proportion, these industries are not the most significant factor.

When breaking SMMEs down, it is seen that most of these businesses operate in service sectors. The breakdown to more disaggregated firm sizes reveals that more than 50% of own-account workers operate within the wholesale and retail sector. The number decreases as the size of the SMME increases. These SMME wholesale and retail jobs are typically categorised as low-skilled occupations, such as shop salespeople, petrol attendants, street vendors, and cashiers (Lilenstein, 2018).

Owner characteristics of SMMEs

Individuals who are most likely to own small businesses in South Africa are mostly self-employed. Meaning, SMME owners are own-account workers without any employees.

SMMEs have approximately three times more female owners than large businesses do, although males own most businesses in all cases (Bhorat *et al.*, 2018). Young owners have a bigger proportion of SMMEs. The racial profile indicates that the majority of SMMEs are black-owned businesses, whereas large businesses are white-owned businesses. Business owners of large businesses have an average of more than a secondary school education, whereas SMME owners, on average, did not complete secondary school. SMMEs are mostly located in rural areas, whereas larger businesses are mostly located in cities.

Lastly, the income rate is significantly lower for SMME owners than for large business owners. As previously noted, self-employed owners of SMMEs are more likely than large business owners to be young black females who have fewer years of education (Steenkamp & Bhorat, 2016).

Therefore, SMMEs are associated with much lower income levels than the remainder of the South African labour market. Overall, SMMEs have opposite characteristics to large businesses. Meaning, there are more opportunities for black females, young workers, and less educated workers to be self-employed than they would have in the formal labour market.

Together, the high proportion of young, less experienced business owners, low levels of education, and low income consequently reveal that SMME owners have relatively low levels of skills. Previous findings show that SMMEs generally operate in low-skill industries and occupations. This further suggests provisionally that skills development for small business owners may be an essential factor for the growth and success of SMMEs, as suggested by Steenkamp and Bhorat (2016).

Employee characteristics of SMMEs

In SMMEs, 58% of workers are employed, who are mostly found in medium-sized businesses with between 10 and 49 employees (Lilenstein, 2018). Overall, SMMEs and large businesses tend to have similar employee characteristics: they employ more males; they employ black people in almost equal proportions than white people or Indian people, according to the black economic empowerment programme; and they employ few young employees. However, SMME employees working for SMMEs earn a lower income than employees working for large firms, which could be due to their lower average years of education and higher rural employment in SMMEs. This further indicates that SMMEs employ more low-skilled workers than larger businesses do.

2.3.1.3 Factors constraining SMMEs in South Africa

Individuals face many challenges when starting and growing their businesses. The challenges are considered and divided into two categories: The first category is endogenous and exogenous obstacles to entry and growth. Endogenous barriers include those that are internal to individuals who wish to start a business. There are challenges concerning the availability and access to resources, both physical and non-tangible, at an individual level. The second category comprises constraints and exogenous obstacles.

These include all external economic and political factors that create an environment that is not conducive to entry and the development of SMMEs in South Africa (Bhorat *et al.*, 2018).

These external constraints can further be divided into two main areas of concern: firstly, access to markets in the economic environment; and secondly, regulation and governance, which refer to the policy environment as defined in section 1.4: Definitions of Key Terminology. As noted, there is a significant degree of interaction between the endogenous and exogenous factors. Challenges that emanate from the macro-level impact the access to resource problems that individuals encounter at the micro-level. This interaction is particularly strong in a country such as South Africa that exhibits high levels of inequality. Furthermore, the history of apartheid still exerts enormous influence on socio-economic outcomes that are still observed today.

2.3.1.4 Challenges faced by SMMEs

According to Small Enterprises at Standard Bank, although statistics vary, an average of 50% of all start-up businesses in South Africa fail at 24-month intervals because of the shortcomings and ignorance of their business owners. Most SMMEs that fail prematurely started out as individual ventures. It is nearly inevitable for them to fail due to the business owner's inability, expertise, or resources to create a sustainable business (Govender, 2016). Entrepreneurs obsessed with doing business with capital are accessible; however, they still struggle to create property enterprises. There is a high rate of business failure in the Republic of South Africa due to many common reasons, some of which are described below.

Poor planning

Some entrepreneurs with business potential have no coaching; therefore, they do not develop a proper business arrangement when starting the business. Moreover, as a result, there is no real grasp of money aspects, medium-/long-term needs, and the business's responsibilities.

Access to finance

Although friends and family give financial backing, entrepreneurs do not plan their finances properly. For this reason, many SMMEs fail.

Lack of expertise

There is a lack of management and coaching for new entrepreneurs who want to start a business.

Scarcity of monetary experience

Several entrants do not perceive the money needs that form part of business, for instance, value-added tax (VAT), tax, costing, money controls, and money obligations.

Inadequate stock and income management

If there is no correct control over stock and cash flow, it results in disabling pressures that affect the business negatively. The bottom line is that entrepreneurs enter the business environment to create cash. However, they are not adequately equipped with the necessary data needed to manage the flow of money in and out of business. This results in errors and business failure. According to Govender (2016), filling the data gaps within, and taking steps to bring operation prices, the dominant payment terms as well as the tight management of credit down, will go an extended way to reversing this business failure rate.

2.3.1.5 Important role of SMMEs in the South African economy

SMMEs play a vital role in the associated economy. They are critical drivers of the economic process, innovation, and job creation. In the Republic of South Africa, the government recognises the importance of these enterprises, which led to the Ministry of Small Business Development was established in early 2014. The Ministry aims to facilitate the promotion and development of small businesses. These enterprises contribute considerably to the national GDP and have aimed to be significant contributors to job creation.

Table 2.1: SMMEs as per the National Small Business Act (no. 102 of 1996)

Enterprise Size	Number of Employees	Annual Turnover in South African Rand	Gross Assets, Excluding Fixed Property
Medium	Fewer than 100 to 200, depending on industry	Less than R4 million to R50 m, depending on industry	Less than R2 m to R18 m, depending on industry
Small	Fewer than 50	Less than R2m to R25 m, depending on industry	Less than R2m to R4.5 m, depending on industry
Very Small	Fewer than 10 to 20, depending on industry	Less than R200,000 to R500,000, depending on industry	Less than R150,000 to R500,000, depending on industry
Micro	Fewer than 5	Less than R150,000	Less than R100,000

Source: SA (1996)

The definition of SMMEs encompasses a comprehensive variation of corporations, several of which are registered formally or informally, and are non-VAT registered organisations. Small businesses vary from medium-sized enterprises, such as established ancient family businesses employing over 100 individuals, to informal micro-enterprises. According to the small- and medium-sized enterprises phase found in developed countries, the latter includes human freelance persons from the most reduced layers of the population.

2.3.2 Entrepreneurship

2.3.2.1 The concept of social entrepreneurship

The idea of social businesspersons or social entrepreneurs consists of two approaches: firstly, being socially minded, and secondly, being an entrepreneur. The question is how to relate these two ideas. The author's understanding is that the main focus of 'social' is on addressing social considerations, whereas the 'entrepreneur' element is additionally double-gearred towards generating profits or making wealth. Dees (1998:4) outlines the entrepreneurial side of social entrepreneurship as (1) the popularity and relentless pursuit of new opportunities, (2) continuous engagement in innovation and modification, and (3) bold action undertaken while not accepting existing resource limitations.

2.3.2.2 *Types of entrepreneurship*

All booming businesses have fairly typical lifecycles with entirely different stages that they go through over time. Every stage requires utterly different leadership, communication, and entrepreneurial skills. Often times, even different types of workers are interested in corporations at varied stages. According to Ponder (2014), there are usually three different kinds of entrepreneurs: the creator, the builder, and the operator. The sub-sections that follow discuss the general characteristics of every type of entrepreneur (Ponder, 2014).

The creator

A creator is full of enthusiasm for a selected product or plan. This person has a right and inventive mind and continually spins with new concepts. A creator usually has the thoughts of many different corporations. A creator might not merely target one project at a time and will get tired of only a single project.

The builder

A builder takes a reputable plan or product and builds an organisation around its flexibility to grow the business. Builders are usually brilliant employees. A builder motivates workers to push the expansion of the company.

The operator

An operator organises a business by getting processes and procedures in order. This person is commonly detail-oriented to search out enhancements to be created within the company. Operators keep things targeted and heading in the right direction with semi-permanent growth goals in mind. Apart from the different types of entrepreneurs described above, there are also environmental factors that play a part in the types of entrepreneurship.

2.3.2.3 *Environmental factors of entrepreneurship*

This section incorporates the environmental factors that attract or pull people into entrepreneurial activities in South Africa. The first part highlights the political environment issues of this country and how it affects the engagement in entrepreneurship activities.

The second part discusses the social environment where people establish their enterprises and how they cope with the high rate of business robberies in townships and their perception of their freedom of movement. The third part focuses on the economic environment and whether the economy of South Africa is what pulls people to come here and engage in the informal sector.

Political environment

Many people are encouraged to leave their homelands due to political unrest, natural disasters, and wanting to seek a better life. At the end of the apartheid rule, many African migrants sought refuge and economic opportunities in South Africa. Johannesburg attracted many migrants because of its bustling economy and diverse population of migrants (Jinnah & Lowe, 2015).

Social environment

Within the social context, migrants establishing their small businesses are significantly affected by xenophobia, crime and business robberies. Gastrow (2013) found that business robberies mainly affect informal grocery shops located in townships, and foreign national traders are commonly targeted.

Economic environment

A host country's economic environment plays a critical role in attracting many migrants. South Africa attracts many migrants because of its bustling economy and diverse migrant community. South Africa draws many refugees and asylum seekers from many other parts of the continent and beyond (Jinnah & Lowe, 2015).

The sub-section that follows discusses the different drivers for these types of entrepreneurship environments.

2.3.2.4 Social and cultural drivers of entrepreneurship

Social and cultural factors are the foundation for migrants establishing and developing enterprises, within the sociocultural drivers for entrepreneurship, some factors related to individual dispositions and those related to the social capital that derives from common historically influenced cultural factors.

Social and cultural issues

Immigrant communities have substantial social capital and are likely to be more successful when establishing small businesses and more developed than those who do not. Immigrants are often welcomed as members and so get assisted with employment opportunities.

Individual culturally influenced dispositions

The competitive business advantage of Somalis in South Africa is their dedication and hard work. They try to work long hours in order to maximise their profit as much as possible.

Enforceable trust

Another factor that accounts for the entrepreneurship among Somali migrants is the enforceable trust within the community.

Human capital

Human capital is often considered to be central to entrepreneurship. It is broadly argued that knowledge is fundamental for entrepreneurs to increase their ability to produce more efficiently and effectively.

Ethnic resources

Ethnic resources are the resources that co-ethnic business groups provide to one another, which include labour market information (for example, the kind of business that can be established in a particular area and has good profit); relatives or family labour; and credit without formal contractual agreements (Yoo, 2014). The social and cultural drivers in entrepreneurship show that it is more difficult for the local population to be entrepreneurial than it is for migrants.

2.3.2.5 Important role of entrepreneurship

Entrepreneurship is known as being vitally necessary to the success of any economy. The fact that entrepreneurs can contribute to employment creation and the alleviation of the economic condition has been well documented. A contemporary businessperson, Sir Richard Branson, eloquently sums up entrepreneurs by stating: "...entrepreneurs are the propulsion for growth in countries around the world. Their ability to check opportunities, check order amongst chaos wherever others see problems, problems solely, and disorganisation, has helped remodel communities and economies" (Taborda, 2016).

People with flexibility can spot a chance and, through innovative thinking and lack of resources, take action concerning the opportunity to feature price to prevailing economic conditions and society. With this in mind, allow us to examine the current idea of social entrepreneurship. Entrepreneurial capital is drawn as a country's benefaction with factors contributory to the creation of new businesses and it exerts a positive impact on a region's economic output.

The result of entrepreneurial capital is substantially more than that of data capital. There is proof that entrepreneurial capital plays a significant role in the production operational model. According to Shobhit (2019), entrepreneurship is important to the economy, because entrepreneurs ads national income, which creates innovative capital. Hayes (2020), add the following are reasons why entrepreneurial capital is vital to the economy:

Entrepreneurs produce new businesses

The stimulation of related businesses or sectors that support the new venture boosts any economic development.

Entrepreneurs raise value

According to Hayes (2020) entrepreneurial ventures generate new wealth. Existing companies could stay confined to the scope of existing markets and hit a cap in financial gain. New and improved offerings, products, or technologies offered by entrepreneurs modify new markets to develop and create new wealth.

Entrepreneurs additionally produce the social amendment

Entrepreneurs amend the social environment through their distinctive offerings of new products and services. They break from tradition and indirectly support freedom by reducing dependence on obsolete systems and technologies. Overall, this improves the standard of life, increases morale, and leads to more economic freedom.

Entrepreneurs develop the economy

Entrepreneurs invest in the community and supply backing to native charities.

The opposite facet of entrepreneurs

For entrepreneurs, there is an area where high self-employment levels have been well-tried to be inefficient for economic development.

The role of regulations

Regulations play an essential role in nurturing entrepreneurship. However, the law needs a fragile levelling act on the part of the regulatory authority. Unregulated entrepreneurship could result in unwanted social outcomes, unfair market practices, pervasive corruption, money crises, and even criminal activity.

2.4 Unemployment

Chapter 1 defined the term unemployment to include people who can work and look for a job but are unfortunately unable to find a job. 'Unemployed' further includes people who have been dismissed and who are waiting to return to work.

The unemployment rate is calculated by dividing the number of unemployed people by the number of people in the workforce. As such, unemployment is one of the indicators of economic status. There are many types of unemployment, which are described in the sub-sections that follow.

2.4.1 Types of unemployment

Unemployment is one of the biggest concerns in economics all over the glob. To determine if your economy is stable, governaces make use of the unemployment rate to determine the stablility as well as the satisfaction of citizens. According to Krugman (2020) there are five types of unemployment.

2.4.1.1 Demand deficient unemployment

Demand deficient unemployment includes cyclical unemployment. This type of unemployment is the most vital reason for unemployment, which occurs mainly due to a recession. When the demand for a business product or service decreases, the business will presumably reduce production, thereby creating a call for the retention of the comprehensive personnel of the business. In effect, as for the employee's area unit, there are also retrenchments.

2.4.1.2 Frictional unemployment

Frictional unemployment refers to employees who are employed, but who are in-between jobs. For example, when a person quits or was fired from a job and is now seeking a job in an economy that does not experience a recession. Frictional unemployment is not unhealthy because this type of unemployment is created by persons who are seeking employment offers that suit their skills the best.

2.4.1.3 Structural unemployment

Structural unemployment happens when a worker's skillset does not match the skills demands of the jobs available or if the worker cannot reach the geographical location of a job. An example is a teaching job that requires relocation to China, but the worker cannot secure a work visa due to certain visa restrictions. Structural unemployment could occur when there is a technological change in the organisation, such as workflow automation.

2.4.1.4 Voluntary unemployment

Voluntary unemployment occurs when an employee decides to depart employment because it is not financially fulfilling anymore because their remuneration is less than their value of living.

2.4.1.5 Seasonal unemployment

Seasonal unemployment is created due to specific industries or parts of the labour market being available during different seasons. For example, unemployment increases in the winter months because many agricultural employments end once the crops are harvested in autumn, and those employees are left to find new jobs.

2.4.2 Long-term unemployment vs. short-term unemployment

According to Krugman (2019), long-term unemployment lasts longer than 27 weeks, even when the person has sought employment in the last four weeks. The effects of long-term unemployment are worse than the effects of short-term unemployment. The list below discusses some of the dire effects of long-term unemployment:

- Financial discomfort: 56% of people reported a decrease in income.
- Strained family relationships: 46% of people reported that their family relationships are strained. This figure is higher than the 39% of people who have only been unemployed in the short term.
- Inability to achieve career goals: 43% of people reported long-term unemployment to have an enormous effect on their ability to achieve their career goals.
- Loss of self-respect: 38% of people reported that they lost their self-respect and 24% reported seeking help from professionals.

As seen from the above notes mentioned by Krugman (2019), long-term unemployment is a bad situation on a personal level and for the state of a country's economy.

The sub-section that follows discusses the causes of the different types of unemployment.

2.4.3 Causes of unemployment

Unemployment is caused by numerous reasons. The demand aspect is caused by high interest rates, a world recession, and a monetary crisis. From an availability aspect, frictional and structural employment plays the right role.

2.4.4 Effects of unemployment

The impact of unemployment is felt both by people and the national economy, which creates a ripple effect. Unemployment causes financial discomfort to people, which leads to emotional destruction. When this happens, consumer shopping, which is also one of the economic drivers for economic growth and a decrease in growth, leads to recession or depression. It creates a continuous cycle.

The psychological results of unemployment are seen as necessary for the discussion, which creates an understanding of people's experiences and responses to being unemployed. Although the nature of unemployment differs among countries, the nature of unemployment in South Africa has an enormous impact.

2.4.5 The nature of unemployment in South Africa

Unemployment in South Africa has an associated real structural or general character. The structural state implies the associate economy's general inability to produce employment for the full (or potential) labour force, even at the height of its economic cycle. Because of its nature, the structural state is the hardest to handle. Unemployment is further significantly higher among the poor with the four poorness traps inherent within the socio-economic scenario since 1994. Although the South African economy has matured quickly since adopting a neoliberal financial set-up, it has not generated employment.

The adoption of neoliberal globalism and free-trade policies exposed the import of low-cost merchandise. The well-intended labour legislation contributed to the unemployment state in South Africa. Although unemployment is a severe social and economic issue, which has an extraordinary impact on everything, it usually goes unnoticed. A more robust system of assessing the unemployment state ought to be placed *in situ* to work out its causes and handle it better.

2.5 Chapter summary

SMMEs are a crucial part of advancing inclusive growth and development in African countries. This chapter described the profile of SMMEs because of the critical inhibitors to the growth of SMMEs. The chapter provided a comparative perspective of SMMEs and the role of entrepreneurship, whereafter it profiled the landscape of SMMEs by evaluating the characteristics of SMMEs across three dimensions, namely firm, owner, and worker characteristics. This chapter distinguished between formal and informal SMMEs to focus on the distinctive nature of informality in African countries. This chapter further conjointly evaluated the endogenous and exogenous impediments to growth faced by South African SMMEs. Endogenous challenges are internal to a firm, whereas exogenous challenges are external to a firm. In summarising these findings, we tend to gift the main challenges inhibiting the expansion of SMMEs in African countries.

The administrative division economy could be a high impact focus space because the majority of poor South Africans stay in townships and informal settlements. Townships are places of high aspiration, upward quality, and a concentration of bottom of pyramid entrepreneurship (Sekhaolelo, 2019). As zones of economic convergence, townships are considered as possible growth drivers for the economy. The township economy has been in the spotlight with both the general public and private sector launching initiatives to develop township-based entrepreneurs, from government initiatives such as the administrative division Economy Revival Strategy and Tshepo One Million to international giants such as MasterCard and Airbnb conjointly financing the creation of investments (Sekhaolelo, 2019).

Chapter 3 presents literature about the empirical investigation as guidance to the data analysis. The questionnaire was developed to analyse each part of the township economy within the four North West municipal districts in South Africa. The questionnaire was structured in such a way to assess and reveal what businesses look like in the townships and find out where improvement is needed.

CHAPTER 3: EMPIRICAL INVESTIGATION

3.1 Introduction

This study's objective was to investigate key aspects in township economies that influence the rate of unemployment. Chapter 1 and Chapter 2 gave an introduction and discussed the literature review relevant to township economies and the key aspects influencing the unemployment rate. The purpose of this chapter is to describe the research methods and results of this research.

3.2 Research methodology

The approach of this study was based on qualitative research. As mentioned in Chapter 1, quantitative data refers to information about quantities; McLeod (2019) states that the qualitative data are descriptive and regard phenomena that can be observed but not measured, such as language.

3.2.1 Research design

The research design for the current study, is qualitative research design. Making use of this research design is to establish answers for the questions as well as the hows of the phenomenon in the questions. Qualitative research also refers to subjective research. For research, a structure is needed before data collection or data analysis can happen. The research design does not refer to a work plan, although a work plan is added to the research design. The researcher's primary function in research design is to ensure that the gathered results or data answer the primary research question unambiguously. In this study, a research questionnaire was created with three sections and the different questions corresponded to the different sections.

The selected interview questions were handed out to the target population. The North West Chamber of Commerce and Industry issued a letter of permission to conduct the research project in township economies in the North West. After data collection, the data was sent for capturing, and it was determined whether the data was reliable and/or valid. A conclusion was drawn after the results were interpreted.

3.2.1.1 Target population: Sampling

In this research, the target population included respondents of colour in urban areas in the four municipal districts in the North West. As mentioned in Chapter 1, this research had 105 questionnaires. The target population included different types of entrepreneurs; in other words, random sampling. Using random sampling gave the random participants equal opportunities to give various answers, and the results were used to answer the primary research question (described in Chapter 1).

3.2.1.2 Measuring instrument

A questionnaire was created to establish how the township economy environment operates. With the open questions in each section, the participants knew exactly what was requested from them, and if participants felt uncertain about the questions, they could ask for guidance so that the provided information could be as accurate as possible.

Before the selected interview questions were handed out, participants were asked for permission. It was communicated that participating in the research process would be voluntary and that participants could withdraw at any time should they feel unhappy or uncomfortable to continue making their contributions.

Appendix A contributes an example of the questionnaire that was used in this study. The questionnaire structure was created so that the results or findings could be categorised into the three sections (as indicated in the sub-sections below). Data capturing was done using Microsoft Word and Microsoft Excel.

Section A: Demographic

The demographic section in the questionnaire aimed to gather information about the business environment, including the types of businesses and whether the businesses delivered a service or a product to the local community.

The business profile section enquired about the business being a family business or entrepreneurship and businesses being part of or a member of a business

association. If the business was not a member of a business association, the participant had to provide a reason.

Section B: Profile of the owner

Section B of the questionnaire dealt with the profile of respondents. This section enquired about the respondents' personal information in terms of their gender, age, and nationality status. Thereafter, participants were asked how they started their business – whether they self-started or bought the business. When a person starts a business, there is always a reason for starting the business, which the questionnaire enquired about. The last question asked about the average monthly income and owners had to indicate their specific average monthly income category.

Section C: Support services

Section C concluded the questionnaires by enquiring about the support services for the business environment, namely: whether the business is registered with the local municipality and whether the business receives any services from the municipality. When business owners are financially sustainable, they add infrastructure or renew their businesses to grow. The aim of the questions in this section was to determine the feelings of participants towards their businesses.

3.2.1.3 Ethical considerations

Research ethics involve a human factor, namely the participants, which brings about legal, social, and political issues (Walton, 2018). As mentioned previously, the following ethical aspects were considered in this study:

- Ensure that participation in this study is not government-oriented.
- Ensure that the research process is voluntary.
- Treat the information given as confidential.
- Do not enquire about sensitive information as it is not required.
- Communicate with participants and give them the opportunity to make their discomfort known and immediately end their participation should they feel uncomfortable at any point during the completion of the open-ended questionnaire.

- Ensure that the confidentiality, anonymity, and privacy of participants are guaranteed.

3.2.1.4 Data collection

The selected interview questionnaires were distributed to the 18 sub-municipalities in the four North West municipal districts. The sub-municipalities are not equally divided in the four municipal districts, and therefore each sub-municipality received different quantities. The North West Chamber of Commerce and Industry provided support. This questionnaire aimed to investigate the critical aspects of township economies that influence the rate of unemployment.

3.2.1.5 Response rate to the questionnaire

Respondents were approached by 18 trained interviewers who were assisted by the North West Chamber of Commerce and Industry. The selected interview questions were handed out in the four North West municipal districts. The 18 trained interviewers explained why this study was voluntary and then handed out the selected interview questions to be completed in full and handed back.

3.2.1.6 Limitations of the study

The study limitations were that the sample population could be uncomfortable about xenophobic attacks and that because the respondents do not always understand English or Setswana, the language was also a problem. A strategy used to convince the people is that we made sure that they know we were not government-related, but only for research. Furthermore, as the research process was voluntary, respondents could decline to participate in this research, as mentioned on the questionnaires.

Another limitation was that some respondents did not want to participate in this research, and some participants did not give back the questionnaires, which made the target population smaller.

3.3 Research findings

3.3.1 Data validity and reliability

With the data received during the research, it pointed out that this well is reliable and valid. With the literature study, it has also been modified that these studies are essential. The validity and reliability were addressed by the assumptions of the study as well as the problem statement. Chapter 1 explained that this data is valid because it investigates the critical aspects of township economies that influence the unemployment rate, especially in the South African economy. The data was regarded as reliable and was collected upon working with various groups with their consent.

3.3.2 Section A: Frequencies – demographics

The results in this section were captured and analysed in the form of descriptive statistics. Inferential statistics were used to convert the results and generate the tables relating to the population sample, numerical calculations, and graphs. The details of the results are displayed for each relevant question in the section using pie charts, bar charts, and tables that show frequencies and percentages.

Unless otherwise stipulated, the main percentage in data tables is the valid percent rate of this investigation. Some respondents did not respond to all questions, which therefore count as missing values, whereas some respondents responded as 'not applicable'. Only the answers of respondents who did respond could be used (Flom, 2017).

3.3.2.1 Frequency analysis: Products and services

Respondents were asked whether they provide a service or a product. Table 3.1 and Figure 3.1 describe the data that was gathered. The given results indicate the sample that was used over the four North West municipal districts. The total sample size that was used to gather the data was 105 respondents, as indicated in Table 3.1.

Figure 3.1 shows that the type of businesses that form part of the township economy in the four North West municipal districts manufacture rather sell products (87.6%) than deliver services (12.4%). With this finding, it indicates that the results agree with Chapter 2.

Table 3.1: Frequency analysis: What products/services do you produce/sell?

Category	Frequency	Percentage
Product	92	87.6%
Service	13	12.4%
Total	105	100%

(Source: own compilation)

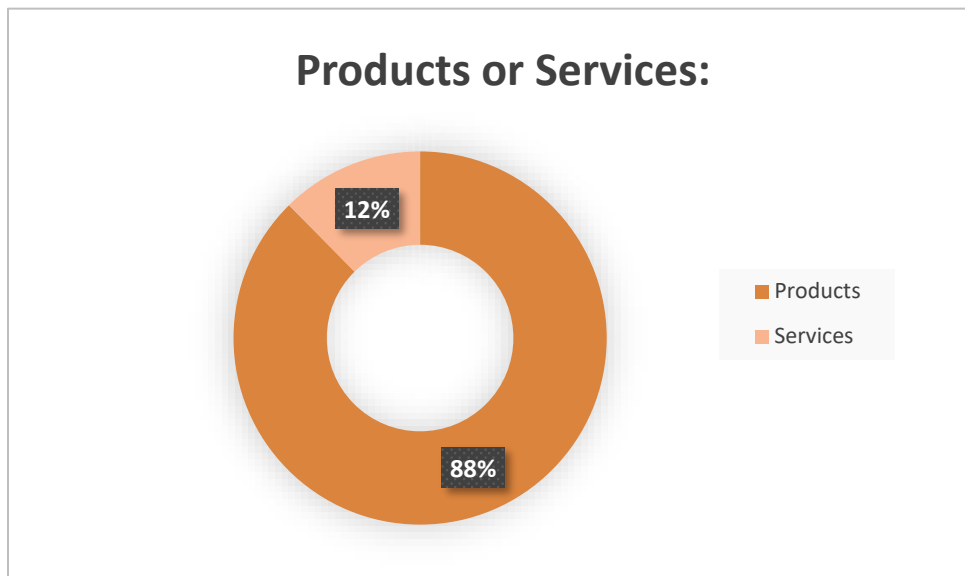


Figure 3.1: Frequency analysis: What products/services do you produce/sell?

3.3.2.2 Frequency analysis: Number of employees

The respondents were asked to indicate how many employees they employ. The findings in Table 3.2, Table 3.3 and Figure 3.2 indicate that the respondents over the four municipalities had between zero and 15 employees. These employees were categorised into groups. Respondents with zero employees made up the fourth-largest group at 17.1%.

The third-largest group comprised 20% of respondents who indicated they had three employees. The second-largest group, 23.8%, employed two employees, whereas

the largest group at 26.7% employed only one employee in the business. This group segment was very small, as indicated by Table 3.2, Table 3.3 and Figure 3.2. The findings do not agree with Chapter 2, because most of the owners do employ employees. This finding does not correspond with the unemployment discussion in Chapter 2.

Table 3.2: Frequency analysis: How many employees do you employ?

No. of employees	Frequency	Percentage
0	18	17.1%
1	28	26.7%
2	25	23.8%
3	21	20%
4	5	0.05%
5	4	0.04%
6	1	0.01%
8	1	0.01%
9	1	0.01%
15	1	0.01%
Total	105	100%

(Source: own compilation)

Table 3.3: Frequency analysis: How many employees do you employ?

North West Municipality Districts	Number of employee(s) in the business									
	0	1	2	3	4	5	6	8	9	15
Bojanala Platinum District	5	12	4	5	1					
Dr Kenneth Kaunda District	4	1	7	5	1	1				
Dr Ruth Segomotsi Mompoti	4	1	2	5	1	1				1
Ngaka Modiri Molema District	5	14	12	6	2	2	1	1		
Total employee(s)	18	28	25	21	5	4	1	1	1	1

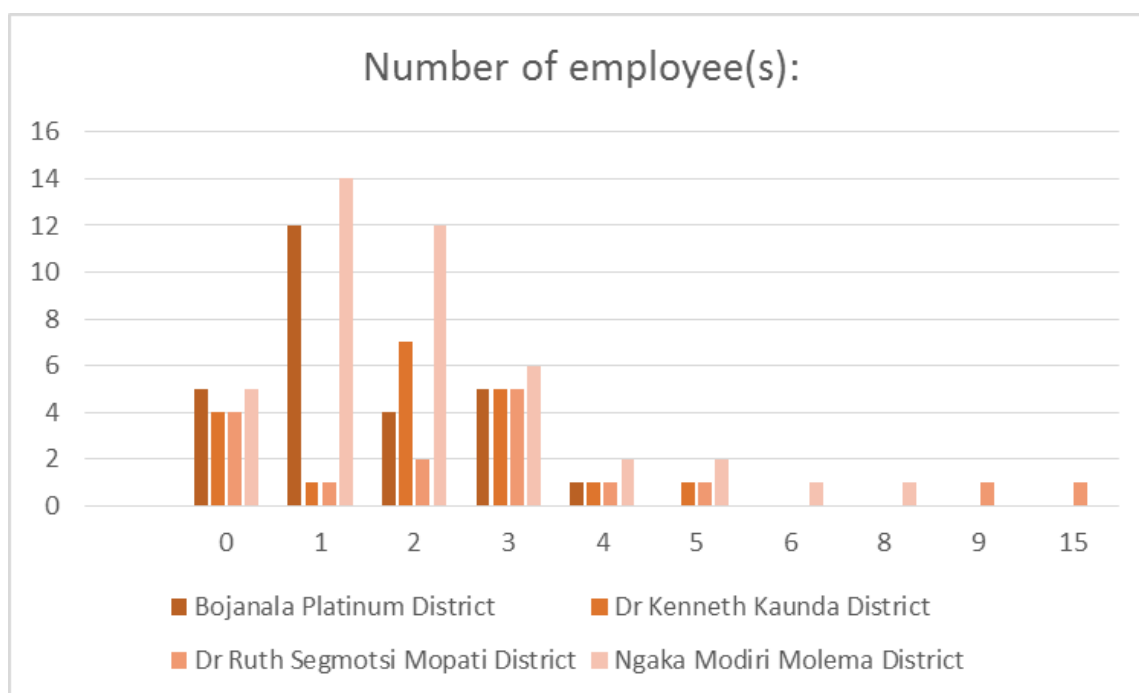


Figure 3.2: Frequency analysis: How many employees do you employ?

3.3.2.3 Frequency analysis: Family business

This question asked respondents whether their business is a family business. The findings shown in Table 3.4 and Figure 3.3 indicate that 52.4% of respondents confirmed that their business is a family business, whereas 46.7% indicated that their business is not a family business, and therefore they are entrepreneurs who started their own business or they indeed buy the business. One respondent indicated that this question was not applicable. The findings that were found do agree with Chapter 2, as mentioned, whereas for SMME's are playing an important role in the economy.

Table 3.4: Frequency analysis: Is this a family business?

Is this a family business?	Frequency	Percentage
Yes	55	52.4%
No	49	46.7%
Not applicable	1	0.9%
Total	105	100%

(Source: own compilation)

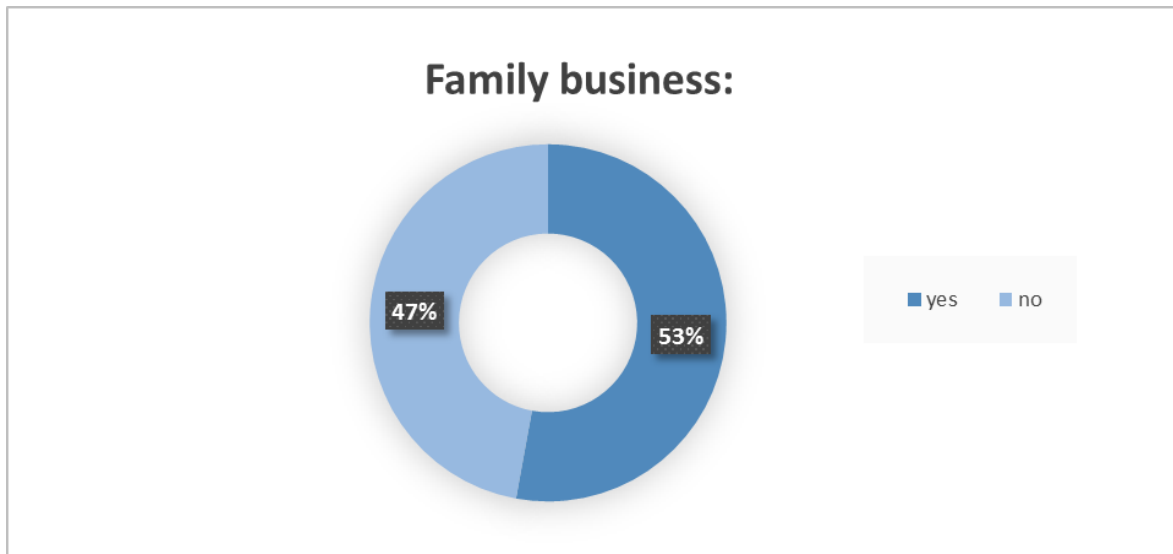


Figure 3.3: Frequency analysis: Is this a family business?

3.3.2.4 Frequency analysis: Member of a business association

The next question to respondents was whether their businesses are part of a business association. The findings in Table 3.5 and Figure 3.4 indicate that only a minority of respondents belonged to a business association (31.4%), which means that these businesses have partnerships or joint ventures. However, 64.8% of respondents answered that their businesses were not members of business associations, and 3.8% indicated the question as not applicable. As indicated in the previous Chapter, for the sustainability of the economy SMMs are important. With the following findings as mentioned, there are more non-members of a business association, meaning the businesses are not registered. If they are become registered, the businesses support the social and economic importance as mentioned in Chapter 2. This finding associate with Chapter 2. The reason for that is because the findings indicate the important role of governance in township economies.

Table 3.5: Frequency analysis: Are you a member of a business association?

Business association member	Frequency	Percentage
Yes	33	31.4%
No	68	64.8%
Not applicable	4	3.8%
Total	105	100%

(Source: own compilation)

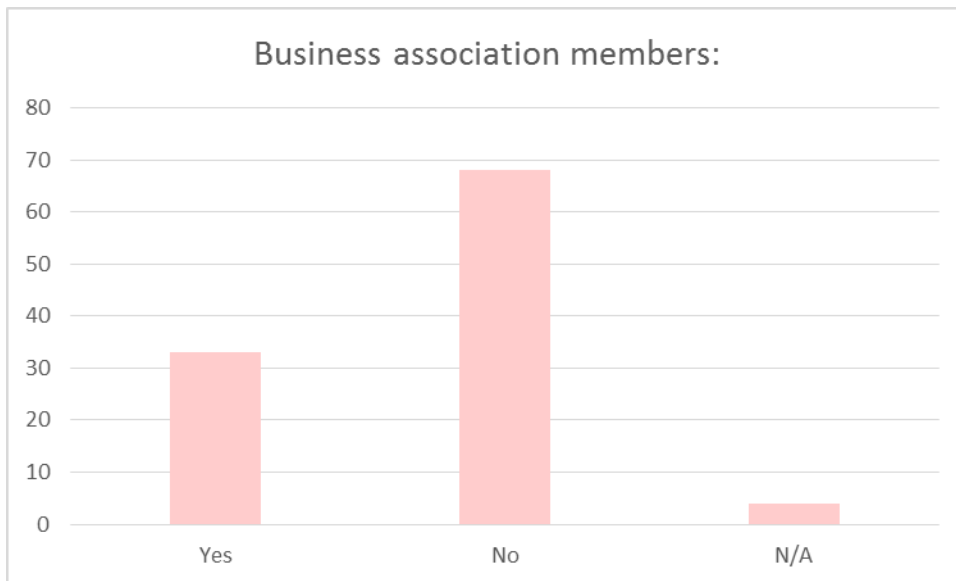


Figure 3.4: Frequency analysis: Are you a member of a business association?

3.3.3 Section B: Frequencies – Profile of owner

Section B established the profile of the business owners. The following categories formed part of the owners' profiles: gender; age; nationality; how respondents started their businesses; reason for starting the business; and monthly income category.

3.3.3.1 Frequency analysis: Gender

Respondents were asked to indicate their gender. The results in Table 3.6 and Figure 3.5 are divided into two groups, which show the gender of the respondents. The results show that 86.7% of respondents were male, and 13.3% were female. This indicates that there are more males than females who own businesses. For empowering women entrepreneurship in townships, the findings indicate a shortage of women entrepreneurship in townships.

Table 3.6: Frequency analysis: Gender

Gender of respondents	Frequency	Percentage
Male	91	86.7%
Female	14	13.3%
Total	105	100%

(Source: own compilation)

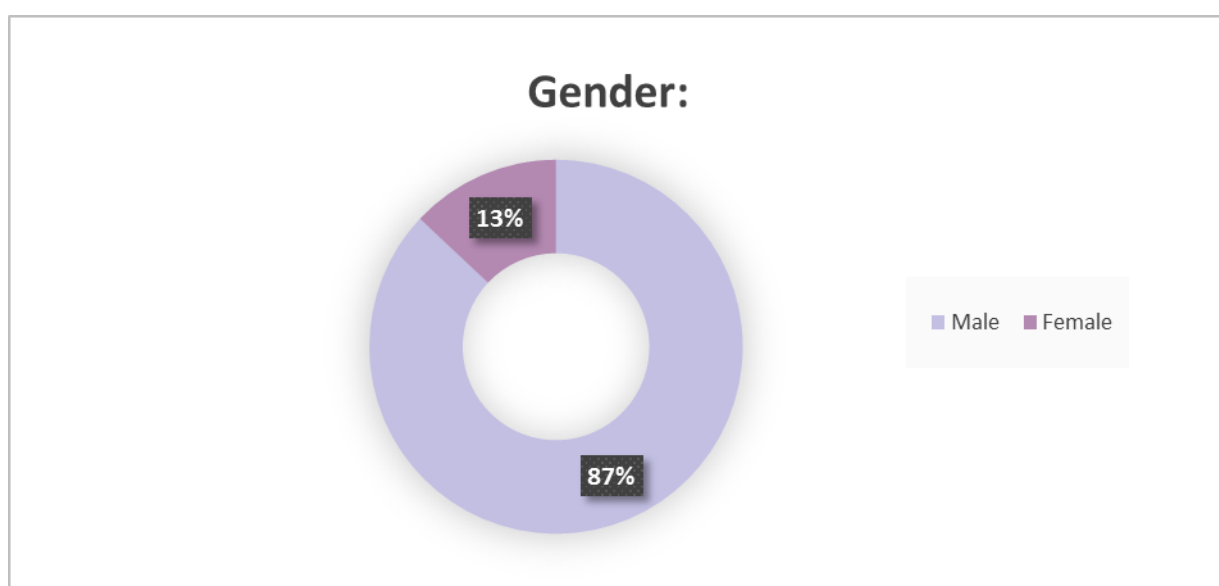


Figure 3.5: Frequency analysis: Gender

3.3.3.2 Frequency analysis: Age

Respondents were asked to select their age category. Table 3.7 and Figure 3.6 show the different age categories of the respondents in this study. The age category between 20 and 30 years old had the second-most respondents (35.2%), whereas the age category between 30 and 40 years old had the most respondents (37.1%). In this study, it seemed that the older the respondents, the fewer business owners there are, as illustrated by Table 3.7 and Figure 3.6. In the concept of unemployment also mentioned in Chapter 2, the findings demonstrate that as age increase, people are less likely to own their own businesses. Although there are many reasons for that, one reason can be that they are retired or the family took over the business. The findings do not corroborate the correlation between the unemployment rate and age.

Table 3.7: Frequency analysis: Age

Age	Frequency	Percentage
20-30 years	37	35.2%
30-40 years	39	37.1%
40-50 years	28	26.7%
50-60 years	1	1%
Total	105	100%

(Source: own compilation)

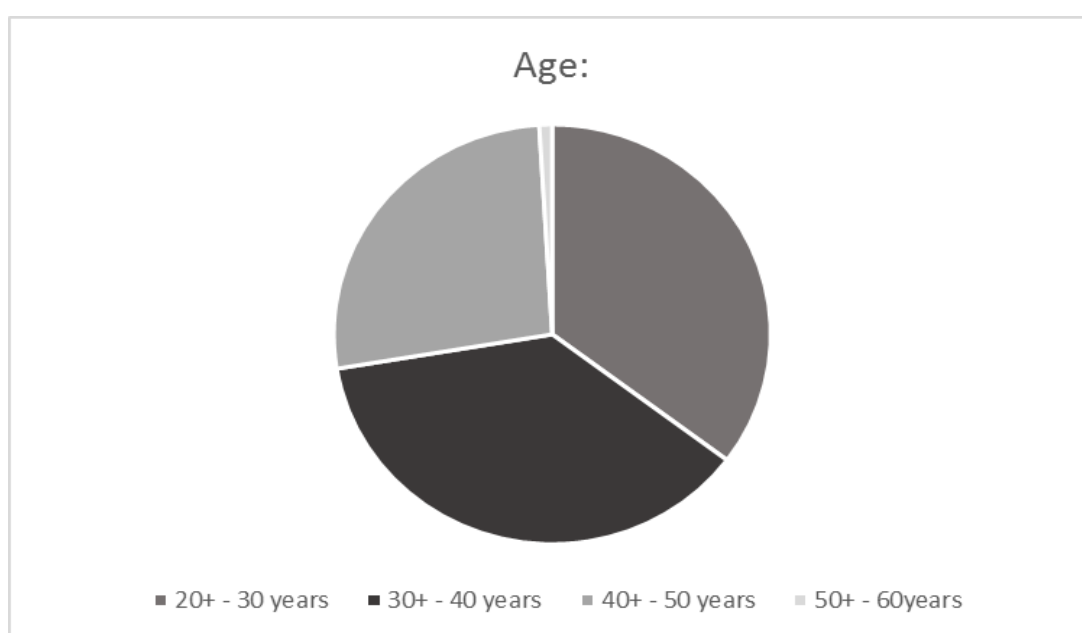


Figure 3.6: Frequency analysis: Age

3.3.3.3 Frequency analysis: Nationality

Respondents were asked to indicate their nationality. The results in Table 3.8 and Figure 3.7 show that most respondents originated from Bangladesh (40%), the second-highest nationality response was from South Africa (24.8%), which was followed by Ethiopia (20%), Mozambique (5.7%), Somalia (3.8%), Zimbabwe (0.9%), China (2.9%), and Senegal (1.9%), as illustrated by Table 3.8 and Figure 3.7. The population in the survey results, which were done, forms a small part of the North West population, although it indicates how twisted the ownership of business ownership in townships is.

There are many reasons why foreigners come to South Africa, it can be because of unstable political factors and even to escape poverty in their own countries. Zimbabweans are a foremost population in South Africa, but for this study which were taken place only in the four North West Municipality Districts, the findings indicates that only (0.9%) nationality are Zimbabweans. As for the Bangladesh who owns (40%) of the businesses in townships. As for this study, the findings support the drivers of unemployment. Only (24.8%) of businesses in these townships are owned by South Africans.

Table 3.8: Frequency analysis: Nationality

Nationality	Frequency	Percentage
South Africa	26	24.8%
Bangladesh	42	40%
Ethiopia	21	20%
Mozambique	6	5.7%
Somalia	4	3.8%
Zimbabwe	1	0.9%
China	3	2.9%
Seneca	2	1.9%
Total	105	100%

(Source: own compilation)

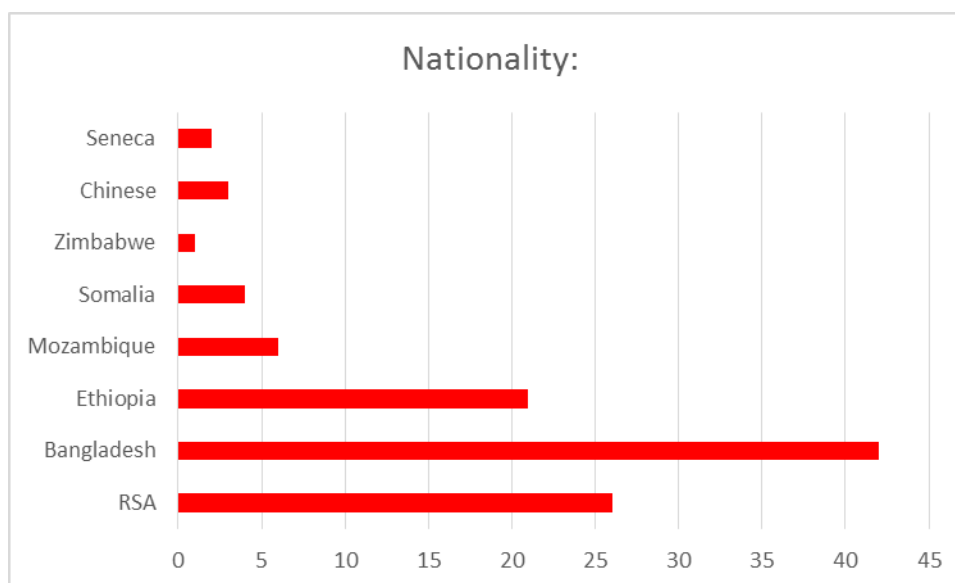


Figure 3.7: Frequency analysis: Nationality

3.3.3.4 Frequency analysis: Business start-up

Respondents were asked to describe how they started their businesses. The results in Table 3.9 and Figure 3.8 indicate that 66.6% of business owners started their businesses themselves, whereas 21.9% bought their businesses, and 9.5% rented the business from someone else. Two respondents (1.9%) indicated this question as not applicable.

Table 3.9: Frequency analysis: How did you start your business?

	Frequency	Percentage
Self-started	70	66.6%
Bought	23	21.9%
Rented	10	9.5%
Not applicable	2	1.9%
Total	105	100%

(Source: own compilation)

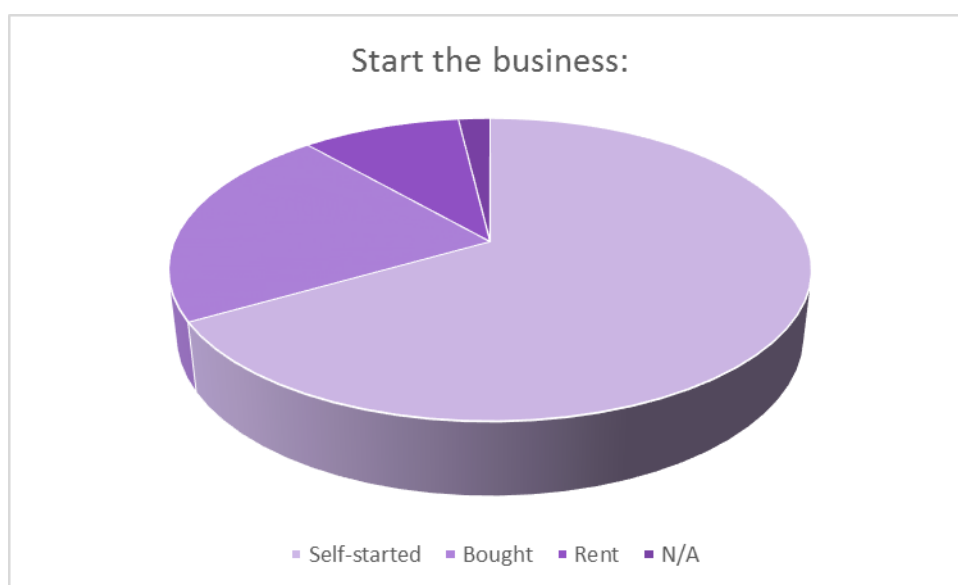


Figure 3.8: Frequency analysis: How did you start your business?

3.3.3.5 Frequency analysis: Reasons for starting the business

The next questions enquired about the reasons for starting businesses. Table 3.10 and Figure 3.9 show that there are various reasons why respondents started a business.

The gathered results show that 43.8% of respondents started a business for a better life, whereas only 17.1% responded that they were motivated because they were unemployed, while 11.4% stated that they started a business to support family. The other respondents gave the following reasons: 9.5% entrepreneurs, 6.6% income, 5.7% business opportunity, 1.9% bought the business, and only 0.9% indicated political problems. These captured results are displayed in Table 3.10 and Figure 3.9. In the results, we can conclude that most people (17.1%) started their businesses because they were unemployed, which refers to the goal. A feeling must be created among people of "I do not want to be unemployed anymore." It is going to help reduce unemployment. The study aims to determine the key aspects in township economies that influence the unemployment rate, as discussed in Chapters 1 and 2. With the findings, it can be shown that there are many types of reasons why people start a business. The finding illustrates that if you own a business, you support job-creation. Job creation eliminates unemployment. Unemployment is a big problem in the social and economic environment, as mentioned in Chapter 2. Another way to resolve the problem is that people must be cultivating self-respect and pride in what they do to make a living.

Table 3.10: Frequency analysis: Reasons for starting the business?

Reasons	Frequency	Percentage
Unemployment	18	17.1%
Political problems	1	0.9%
Business opportunity	6	5.7%
Support family	12	11.4%
Better life	46	43.8%
Income	7	6.6%
Bought	2	1.9%
Entrepreneurial	10	9.5%
Self-employed	1	0.9%
Good location	1	0.9%
N/A	1	0.9%
Total	105	100%

(Source: own compilation)

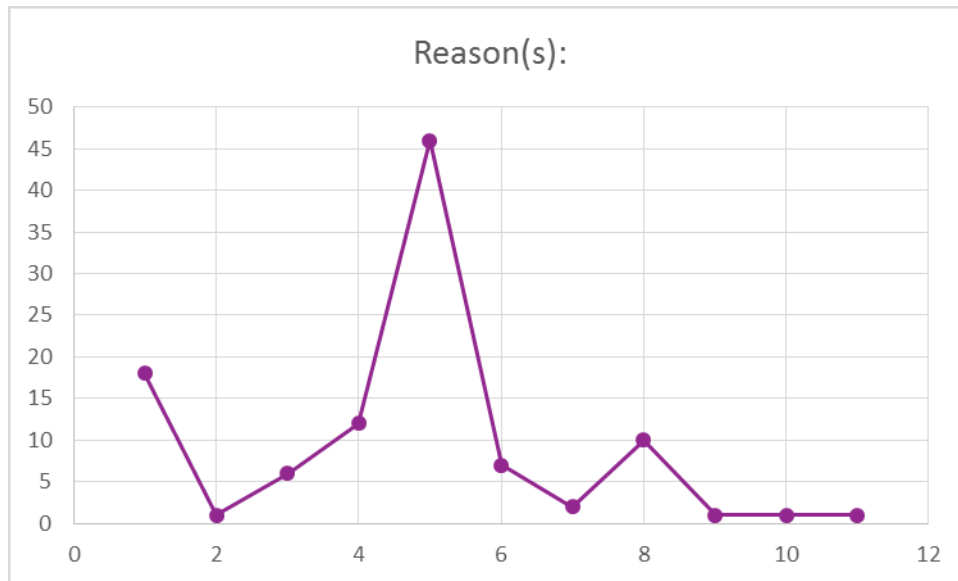


Figure 3.9: Frequency analysis: Reasons for starting the business?

3.3.3.6 Frequency analysis: Average monthly income

Respondents were asked to select their average monthly income category. 11 and Figure 3.10 indicate that 41.9% of respondents had an average monthly income of between R1 000 and R5 000, 25% had an average monthly income higher than R5 000, 21.9% had an average monthly income of between R500 and R1 000, and 10.5% had an average monthly income of between R1 and R500. The results of the business owners indicate the average monthly income is in a lower class, because only (25%) has an average income of R1 000 and R5 000. The findings also stress the fact that entrepreneurship is important.

Table 3.11: Frequency analysis: Average monthly income

Income	Frequency	Percentage
R1-R500	11	10.5%
R500-R1 000	23	21.9%
R1 000-R5 000	44	41.9%
> R5 000	27	25.7%
Total	105	100%

(Source: own compilation)

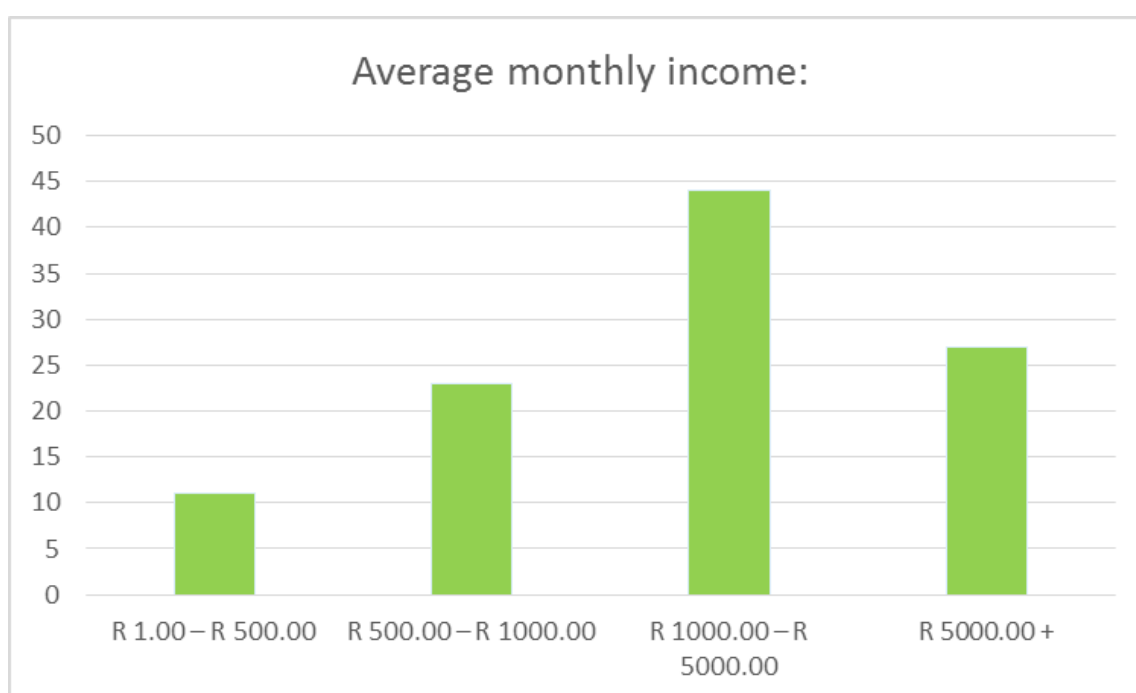


Figure 3.10: Frequency analysis: Average monthly income

3.3.4 Section C: Frequencies – Support services

Section C in the questionnaire enquired about the support services for businesses and their owners. This section asked whether businesses were registered with the local municipality and whether the respondents received any municipal services. This section further enquired whether respondents added any infrastructure to upgrade their business, how the business owners felt about their business, and whether they were unhappy with their business. Respondents were also asked whether they intended to formalise the business.

Section C furthermore queried where owners purchased their stock and whether these stock purchases were done in group format or as part of a consortium.

3.3.4.1 Frequency analysis: Municipal registration

Respondents were asked whether they were registered with the local municipality. The findings in Table 3.12 and Figure 3.11 indicate that 58 respondents, or 55.2% of respondents, were not registered with the local municipality and that 46 respondents, or 43.8%, were registered with the local municipality. Only one respondent, 0.9%, answered that this question was not applicable. See the results in Table 3.12 and Figure 3.11.

Table 3.12: Frequency analysis: Are you registered with the local municipality?

Registration	Frequency	Percentage
Yes	46	43.8%
No	58	55.2%
N/A	1	0.9%
Total	105	100%

(Source: own compilation)



Figure 3.11: Frequency analysis: Are you registered with the local municipality?

3.3.4.2 Frequency analysis: Municipal services

The next question enquired about services such as water and electricity that respondents received from local municipalities. Table 3.13 and Figure 3.12 indicate the services that respondents receive from their local municipalities. The responses illustrate that 57.1% of respondents received water and electricity from the local municipality, 6.6% received only water facilities, 7.6% received only electricity, whereas, 28.5% did not receive any services from their local municipality. See Table 3.13 and Figure 3.12 for the detailed results.

Table 3.13: Frequency analysis: What services do you get from the municipality?

Services	Frequency	Percentage
Water and electricity	60	57.1%
Water	7	6.6%
Electricity	8	7.6%
None	30	28.5%
Total	105	100%

(Source: own compilation)

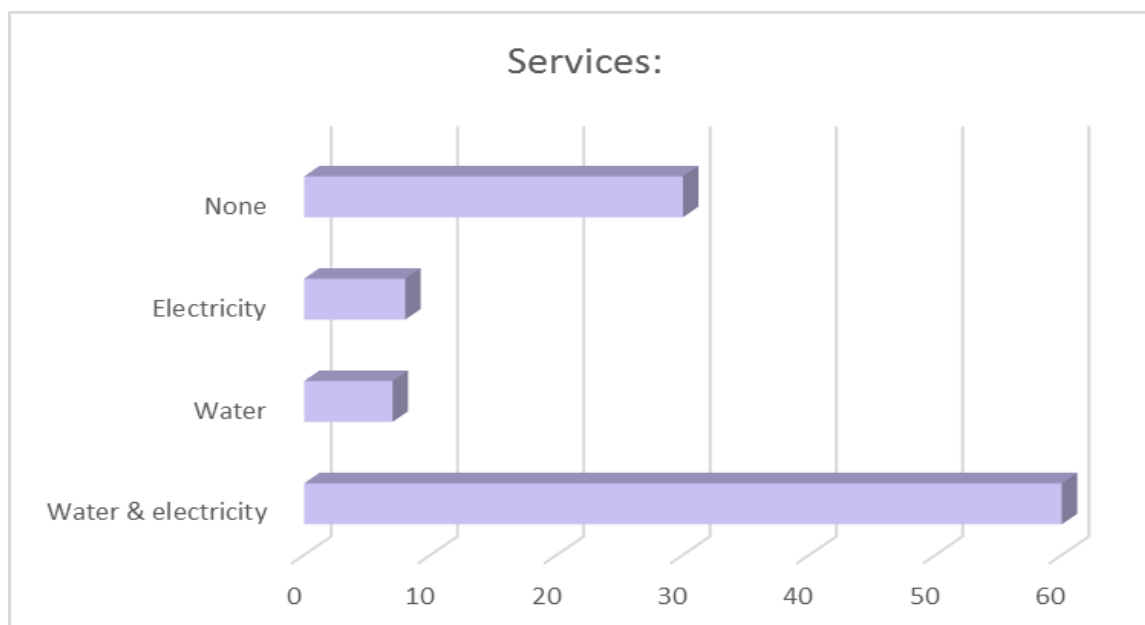


Figure 3.12: Frequency analysis: What services do you get from the municipality?

3.3.4.3 Frequency analysis: Infrastructure

Respondents were asked whether they have added any infrastructure to their sites or businesses. Table 3.14 and Figure 3.13 indicate that 56.2% of respondents affirmed that they did add infrastructure, whereas 43.8% responded indicated no, that they have not added any infrastructure to their sites or businesses. To understand the importance of this particular question is that, when you add any type of infrastructure, it means that the business is growing. If the business is growing, business owners can create job opportunities, and support the decreasing of the unemployment rate. As indicated in Chapter 2, the findings support the Literature Review, because entrepreneurship is important as well as SMMEs. Business owners must intend of growing their businesses.

Table 3.14: Frequency analysis: Did you add any infrastructure to your site?

Infrastructure	Frequency	Percentage
Yes	59	56.2%
No	46	43.8%
Total	105	100%

(Source: own compilation)

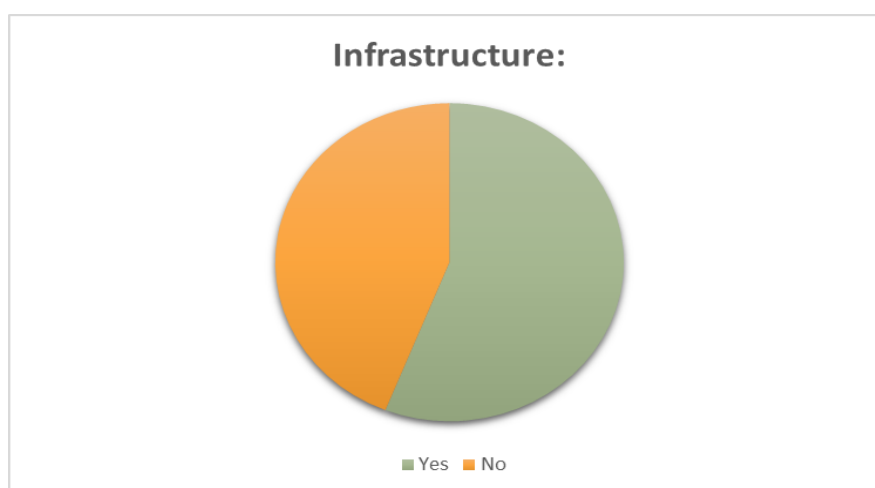


Figure 3.13: Frequency analysis: Did you add any infrastructure to your site?

3.3.4.4 Frequency analysis: Business satisfaction

Respondents were questioned about their general satisfaction with their business. Table 3.15 and Figure 3.14 describe the reasons for respondents being unhappy.

The results were categorised into nine categories of business satisfaction. Crime was listed by most respondents (29.5%) as the main reason for being unhappy, which was followed closely by business being slow (26.7%). Other reasons for business dissatisfaction included unavailability of basic services (9.5%), theft (8.6%), incorrect location (3.8%), and regulations (2.8%). Note that the third-largest group (16.2%) reported that they were satisfied with their businesses and 2.9% of respondents further affirmed that nothing made them unhappy. As indicated in Chapter 2, the importance of governance in township economies, the local governance is the closest to the people, meaning the governance must make sure that the external environment is well-ordered. In these findings, respondents gave reasons why they are unhappy with their businesses and it is local governance to take care of it, because (29.5%) indicates that in their business environment there are crime. What local governance can do, giving their support in townships is to make use of social approaches in a proactive manner. These approaches can be, as mentioned in Chapter 2 entrepreneurship, woman empowering, and education. Local governance can also make use of police support to make the township environment safer for the business owners. For national governance must support the local governance with programmes for upskilling in education, sport and entrepreneurship.

Table 3.15: Frequency analysis: What makes you unhappy with your business?

Unhappiness Type	Frequency	Percentage
Crime	31	29.5%
Nothing	17	16.2%
Slow business flow	28	26.7%
Incorrect location	4	3.8%
Regulations	3	2.8%
Theft	9	8.6%
No basic services	10	9.5%
Everything is okay	3	2.9%
Total	105	100%

(Source: own compilation)

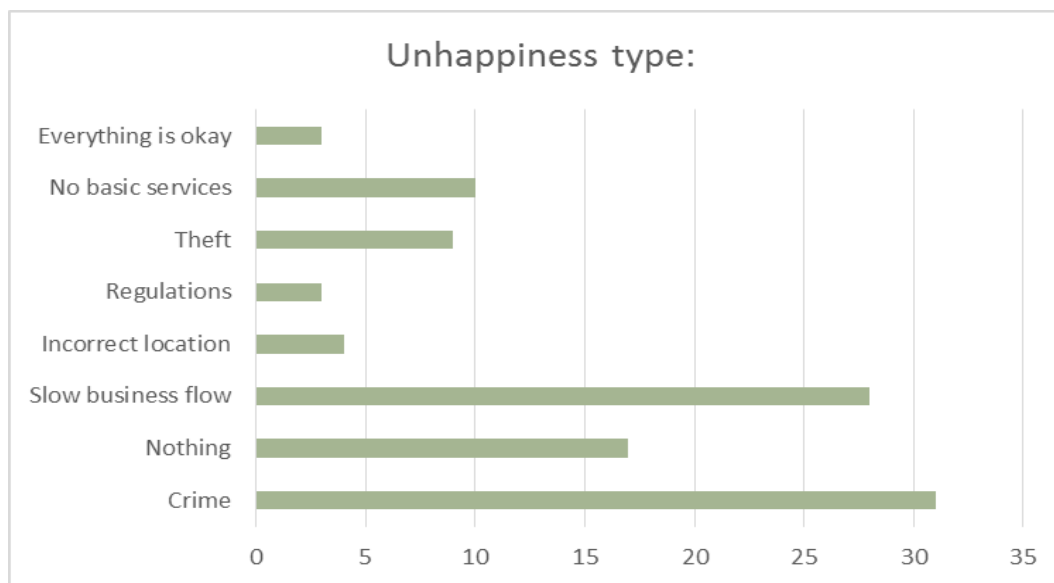


Figure 3.14: Frequency analysis: What makes you unhappy with your business?

3.3.4.5 Frequency analysis: Business formalisation

Respondents were asked whether they would formalise their business. Table 3.16 and Figure 3.15 indicate that 64.8% of respondents answered that they intended to formalise their business, whereas 32.4% responded that they did not intend to formalise their businesses. Only 2.8% responded that this question was not applicable, as illustrated in Table 3.16 and Figure 3.15.

Table 3.16: Frequency analysis: Do you intend to formalise the business?

Formalisation	Frequency	Percentage
Yes	68	64.8%
No	34	32.4%
N/A	3	2.8%
Total	105	100%

(Source: own compilation)

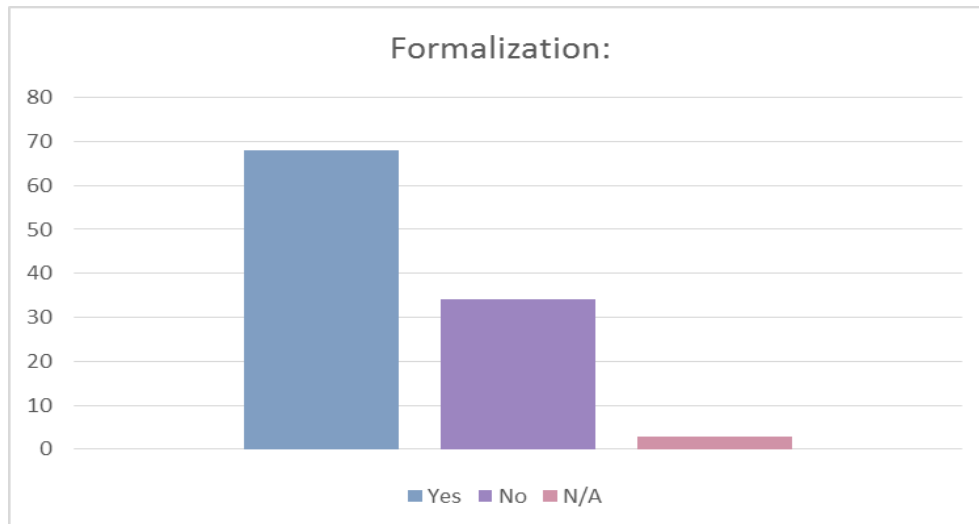


Figure 3.15: Frequency analysis: Do you intend to formalise the business?

3.3.4.6 Frequency analysis: Origin of stock

Thereafter, respondents had to describe where they obtained their stock for their businesses. The results in Table 3.17 and Figure 3.16 indicate the 19 places where respondents purchased stock. Most respondents obtained stock from Gauteng (28.5%), wholesalers (13.3%) or Vryburg (11.4%). Other respondents purchased stock from various other towns in the area, bought locally, or imported items. Three respondents (2.8%) did not want to disclose the origin of their stock. As for the findings, it illustrates that it is important to be near bigger cities, because the respondents indicate they purchase stock for, big places, like wholesalers, online, overseas and big cities in the four North West Municipality Districts. As for SMMEs it is better to be allocated in smaller cities, because there are opportunities for entrepreneurs.

Table 3.17: Frequency analysis: Where do you buy stock from?

Places	Frequency	Percentage
Vryburg	12	11.4%
Mozambique	1	0.9%
Gauteng	30	28.5%
China	3	2.8%
Online	3	2.8%
Wholesalers	14	13.3%
Local	5	4.7%

Places	Frequency	Percentage
N/A	2	1.9%
Confidential	3	2.8%
Rustenburg	7	6.6%
Brits	2	1.9%
Swartruggens	2	1.9%
Zeerust	1	0.9%
Hartswater	3	2.8%
Kimberley	2	1.9%
Overland	6	5.7%
Klerksdorp	5	4.7%
Potchefstroom	0	0%
Boss dealers	4	3.8%
Total	105	100%

(Source: own compilation)

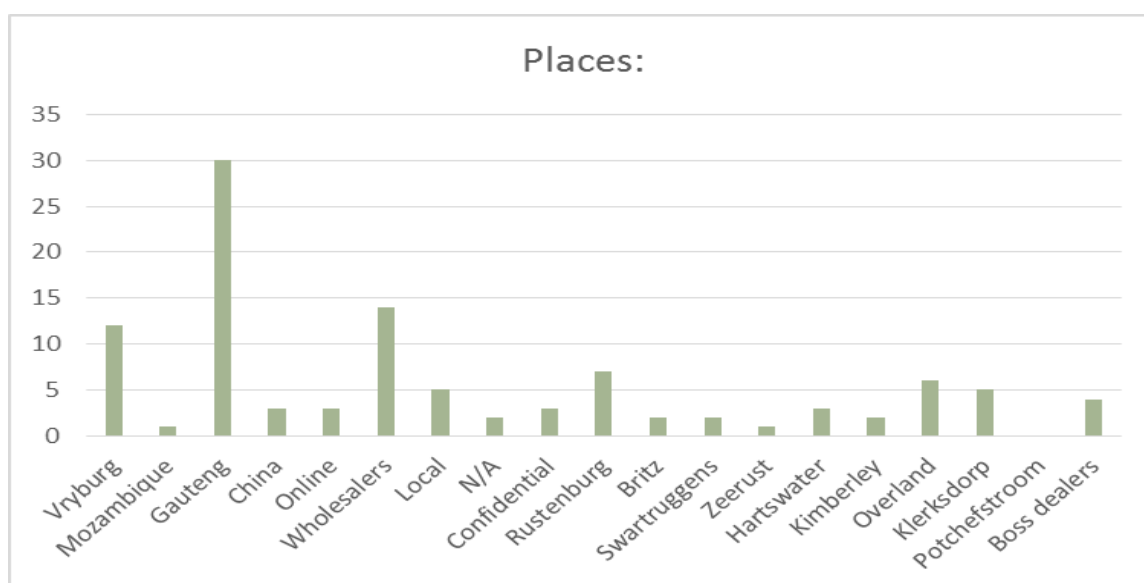


Figure 3.16: Frequency analysis: Where do you buy stock from?

3.3.4.7 Frequency analysis: Purchasing as group or consortium

The last question enquired about how business owners purchased their stock. These results were divided into four groups, namely consortium, group, not applicable, and confidential. Table 3.18 and Figure 3.17 indicate that 38.2%

responded that they bought stock as a consortium, 44.7% bought stock as a group, 5.7% replied that the question was not applicable, and 11.4% wanted to keep their purchasing behaviour confidential. Although governance has supportive programmes for SMMEs, business owners must make use of those support. Governance can create a council of free advising of how to improve your business, do more research about the different township economy environment, support business owner's financially so that they do not have to purchase their stock in groups or consortiums. As indicated in Chapter 2 as well as mentioned in Chapter 3 the role of governance is important in the township economy and these findings agree with the Literature Review.

Table 3.18: Frequency analysis: Do you buy in consortium or group?

Type	Frequency	Percentage
Consortium	40	38.2%
Group	47	44.7%
Not applicable	6	5.7%
Confidential	12	11.4%
Total	105	100%

(Source: own compilation)

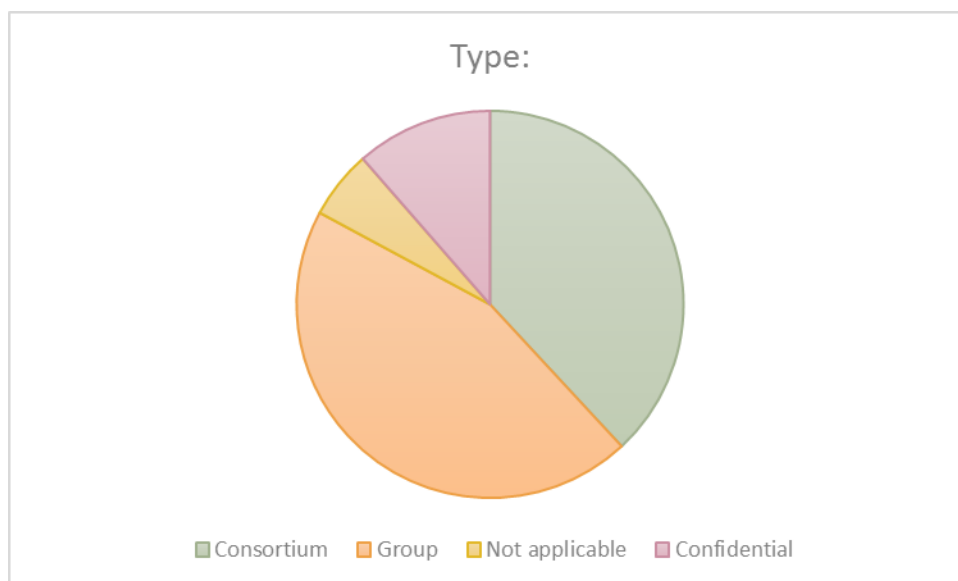


Figure 3.17: Frequency analysis: Do you buy in consortium or group?

3.4 Chapter summary

The overall data analysis indicated that the data collected from the research questionnaire aided in answering the primary research question given in Chapter 1. The objectives from Chapter 1 will be answered and discussed in Chapter 4 using the gathered information in Chapter 3.

The primary objective was to investigate the key aspects in township economies that influenced the rate of unemployment. The secondary objective was to examine the current state of the economic change in townships.

The objectives relating to the township economies were broken down in Chapter 2 and the data was discussed in Chapter 3. The findings in Chapter 3 were linked to the gathered information in Chapter 2. The research design was regarded overall as suitable for research purposes. The collected data was captured and was regarded as a good sample due to the size and diversity of the business owners in townships involved. The obtained information may provide some clarity on the key aspects in township economies that influence the rate of unemployment.

The data was collected, where after the researcher captured and analysed the data. The collected data will be expanded further in Chapter 4. The following aspects will be considered:

- The future of SMMEs.
- Possible solutions for unemployment.
- Roles of entrepreneurship in the economic development of a country.

CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

4.1 Introduction

Chapter 4 concludes and discusses the findings of the literature review done in Chapter 2 and the empirical study covered in Chapter 3. The research objectives have been assessed critically and evaluated.

4.2 Main findings of the study

4.2.1 Literature review

A thorough understanding of the literature was required to draft the questionnaire used in the study for the data collection presented in Chapter 3. The literature review assessed the key aspects of township economies that could influence the rate of unemployment in the four North West municipal districts. Unemployment is a topic that has been discussed over the years.

4.2.2 Empirical investigation

Chapter 3 explained that the target population included respondents of colour in urban areas in the four municipal districts in the North West. Of the 105 selected interview questions distributed, 105 were answered by business owners.

The sub-sections that follow summarise and discuss the research results.

4.2.2.1 Demographic information

Demographic information refers to the types of businesses activities and whether businesses produced products or delivered services. The research revealed that most respondents (87.6%) produced and sold products. The findings from this section indicated that 20 to 26.7% of business owners employed employees. (52.4%) indicated their businesses are a family business. As for (46.7%) that are not a family business and (17.1%) do not employ any employees.

As discussed in Chapter 3, 68.4% were not members of a business association. Meaning if these business owners are registered at and a member of a business association, they can get support from the local governance and these businesses

can support the South African country's economy. Whereas SMMEs are important for the sustainability of the economy.

4.2.2.2 Profile of the owner

Respondents were representative of a diverse spectrum in terms of gender, age, method of starting the business, reasons for starting the business, and average monthly income. Regarding gender, the findings indicated that 86.7% of the business owners were males, whereas only 13.3% of business owners were female. As for the first quarter of 2020, related to gender unemployment, Stats SA (2020) indicates that 32.4% of females are unemployed, whereas 28.3% of males are unemployed. The findings of this study illustrate a lack of female entrepreneurship and that only (13.3%) females in the four North West Municipality Districts own businesses.

The research questions about age demonstrated that 37.1% of business owners were between 30 and 40 years of age. The findings in Chapter 3 indicated that this age group included people who owned businesses in the townships; however, the results indicated that the older the respondent, the lower the percentage of people owning businesses was. As mentioned in previous chapters, there are many foreigners (both legal and illegal) in South Africa. The research finding correlated with this statement and indicate that 40% of businesses in townships were owned by people originally from Bangladesh. This finding supports one of the key aspects of township economies that influence the rate of unemployment. Only 24.8% of business owners are South Africans.

The findings indicated that 66.6% of respondents started their businesses themselves, meaning that entrepreneurship is important to start a business, whereas 21.9% bought their businesses. Chapter 3 further established that although there were many reasons for starting a business, most people (43.8%) wanted to start a better life.

As for the last finding of section B, the profile of the owner, the results revealed that 41.9% of respondents had an average monthly income between R1 000 and R5 000.

4.2.2.3 Support services

The last section of the empirical investigation discusses the support services for businesses. The findings indicated that 55.2% of respondents did not register their businesses at the local municipality, which means that these businesses could be illegal. When a business is registered at the local municipality, the business owner receives a permit or licence depending on the local municipality and the type of business activity. The research findings indicated that only 43.8% of respondents were registered at the local municipality. Furthermore, the findings showed what type of services businesses received from the local municipality: 57.1% received both water and electricity facilities, whereas 28.5% did not receive any facilities from the local municipality.

In terms of infrastructure, the findings revealed that 56.2% of business owners did indeed add infrastructure, which could lead to bigger businesses supporting the local economy and even influencing the unemployment rate. However, 43.8% indicated that they had not added any infrastructure to their businesses. With any business, there is always something that makes the owner unhappy. The findings in Chapter 3 indicated that the biggest reason for business dissatisfaction was crime (29.5%), with slow business flow being another significant reason as indicated by 32.4% of respondents.

When people own businesses, they intend to formalise their businesses – a trend that was confirmed by this research, with 64.8% of respondents affirming that they wanted to formalise their businesses. Formalising a business improves the consistency of products as well as service delivery. However, 32.4% of owners did not want to formalise their businesses. Businesses purchase stock from traders, which was confirmed by the findings of this research. Chapter 3 indicated that of the various different places where owners purchased stock, Gauteng had the highest rate for buying stock at 28.5%.

The questionnaire further investigated the purchasing behaviour and whether business owners bought in groups, as an individual or in consortiums. The findings indicated that 44.7% bought in a group format, whereas 38.2% bought stock in consortiums.

4.3 Contribution of the study

The findings of this study reflect the benefits of the township economy that play an important role in the unemployment rate. The greater demand for employment for specific genders and ages will need effective, life-changing teaching approaches. The purpose of this research was to investigate the key aspects in township economies that influence the rate of unemployment because the township population in South Africa is big, and the unemployment rate is high. As indicated in the problem statement in Chapter 1, there is a lack of entrepreneurial skills and financial support; therefore, foreigners are widespread. It should be noted that this study was exploratory in nature and for academic research purposes only.

4.4 Evaluation of the study objectives

4.4.1 Primary objective

The primary objective was to investigate the key aspects in township economies that influence the rate of unemployment. The primary objective of this study was met through the compilation of the literature review and the data analysis presented in the empirical study. The empirical study mentioned in Chapter 3 assessed the different aspects that influence the unemployment rate as well as focused on SMMEs and township economies. The results are discussed in detail.

4.4.2 Secondary objectives

The following secondary objectives were investigated:

- Unemployment
- SMMEs
- Entrepreneurship

An assessment of the secondary objectives revealed that each objective was comprehensively addressed as follows:

- Secondary objective 1: Achieved with questions 2, 4, 5, 6, 7, and 10 in the questionnaire (see Appendix A) and discussed in detail in the empirical study.

- Secondary objective 2: Achieved with questions 1, 11, 12, 14, 16, and 17 in the questionnaire (see Appendix A) and discussed in detail in the empirical study.
- Secondary objective 3: Achieved with questions 3, 8, 13, and 15 in the questionnaire (see Appendix A) and discussed in detail in empirical study.

4.5 Objective support theories

4.5.1 Possible solutions for unemployment

Solving unemployment is a difficult topic that is debated often, and economists do not agree on one straightforward solution. According to Omarjee (2018) explains potential resolutions for South Africa's unemployment.

Boost the economic growth

For sustainable economic growth, the country must generate job-creation opportunities, which will reduce the socio-economic differences.

Retain jobs

To retain jobs, it must become more innovative so that there is no need for retention.

Overhaul of policy

The policy must be reformed so that it can reduce unemployment and increase the rate of economic growth rate.

Support SMME's and entrepreneurs

People must sell product or services by enabling an environment for creating and supporting SMME's and entrepreneurship.

Concrete targets and deadlines

The government must invest in the different economic sectors to drive job-creation.

The study highlighted the following solutions for unemployment as found in the results. There is a need for woman business owners in townships. Local governance

must acknowledge a good environment by supporting business owners. The creating of employment programmes, job creation, financial support to business owners so that they can improve their productivity as well as employ more employees. With better education, people learn soft skills which will help them to become better business owners in the townships. Another solution for unemployment is to be more innovative because SMMEs are adaptable for innovation, reducing poverty.

4.5.2 The future of SMMEs in South Africa

As known, SMMEs are the hope of an ailing South African economy with low growth prospects and high unemployment. SMMEs are positioned to supply job opportunities and contribute considerably to the GDP. Furthermore, SMMEs are the key to job creation and are conjointly known globally to be the mechanism to get new jobs in society. Globally, over 95% of enterprises are SMMEs that use 60 to 70% of the operating population (Vuba, 2019). However, the present reality is that the SMME sector provides a thorny and largely untapped market chance for South Africa's economic process through funder opportunities and company provider development.

The NDP planned unrealistically that, by 2030, SMMEs could contribute 60 to 80% to GDP increase and generate 90% of the proposed 11 million new jobs in South Africa. In 2018, a study by the Small Business Institute leveraged IRP5 tax returns and company revenue enhancement knowledge provided by the South African Revenue Services (SBI, 2018). SMMEs in South Africa, are accounting for merely 28% of formal jobs within the economy. This is often despite SMMEs accounting for nearly 98.5% of the number of legal corporations within the marketplace.

The Republic of South Africa additionally incorporates a concentration of power sitting in many employers (mostly government and huge corporates), resulting in 56% of jobs provided by just 1 000 employers – and these jobs are growing at a quicker rate than what SMMEs are contributing (Vuba, 2019). For small businesses to thrive, they need to be versatile, adaptive, well-versed in skills and have access

to funding and mentorship. Small businesses have to be hungry for innovation and learn to adapt in a dynamic era.

The hard-line business landscape of these days needs entrepreneurs to be agile and freed from any unnecessary operational and body issues, thereby permitting them to direct their business towards the application of information, implementation of systems, and profit.

4.5.3 Roles of entrepreneurship in economic development of a country

Entrepreneurship plays an influential role in the country's economic process and customary living. Start-up founders or small business owners assume that they are simply operating arduously to do their own business and support themselves and their families. Here is a square measure; the highest seven essential roles of entrepreneurship in the economic development of a country are wealth creation and sharing; create jobs; balanced regional development; GDP and per capita income; the standard of living; exports and community development.

4.5.3.1 Wealth creation and sharing

By establishing a business entity, entrepreneurs invest their resources and attract capital in the form of debt, equity, etc. from investors, lenders, and the public. With wealth creation and sharing, it can improve people's lives by training, developing, creating values, and investing in the local communities.

4.5.3.2 Create jobs

Entrepreneurs are naturally and by definition job creators, even when they themselves are critical jobseekers. The straightforward explanation is that after a person becomes a businessperson, there is one fewer jobseeker within the economy; therefore, entrepreneurs offer multiple jobseekers' employment. Job creation is the solution for unemployment. If there is an entrepreneurial environment, people can start their own businesses, and this will lead to employment.

4.5.3.3 Balanced regional development

Entrepreneurs who start new businesses and industrial units facilitate regional development by locating in less developed and backward areas. The expansion of industries and companies in these areas results in infrastructure enhancements such as roads and rail links, airports, stable electricity, facility, schools, hospitals, malls, and other public and personal services that might not be on the market.

4.5.3.4 GDP and per capita income

India's MSME sector, comprising 36 million units that use over 80 million individuals, currently accounts for over 37% of its GDP. Every new addition to those 36 million units uses even more resources such as land, labour, and capital to develop merchandise and services that augment the value, national product, and per capita financial gain of the country. This growth in GDP and per capita financial gain is once more one of the essential goals of economic development.

4.5.3.5 Standard of living

Another crucial goal of economic development is to increase the standard of individuals' conventional living in a community. Entrepreneurs once more play a key role in increasing the quality of living in communities. However, entrepreneurs not only increase the living standard by creating jobs, but also by developing and adopting innovations that enhance the quality of life of their staff, customers, and different stakeholders within the community. For example, automation that reduces production prices and allows quicker production can make a business unit significantly more productive and thereby provide its customers with a similar product at lower costs.

4.5.3.6 Exports

Any growing business could eventually wish to start exporting to expand their business to foreign markets. Exports can be an essential ingredient of economic development since it provides access to many important markets. The result of exports is currency inflows and access to the most recent fashionable technologies and processes used in additional developed foreign markets.

Another essential benefit is that this enlargement results in substantial stable business revenue throughout economic downturns within the native economy.

4.5.3.7 Community development

Economic development does not invariably translate into community development. Community development requires infrastructure for education and coaching, healthcare, and different public services. For example, extremely educated and masterful employees in a community draw in new businesses if they are instructional establishments, technical coaching faculties, and billet opportunities, which facilitate a pool of educated and masterful employees.

Therefore, the crucial role of entrepreneurs is to spark economic development by beginning new businesses, creating jobs, and contributing to the improvement of varied key goals such as the GDP, exports, quality of living, skills, and community development.

4.6 Recommendations and managerial implications

Recommendations and managerial implications are highlighted based on the findings and observations of the study:

- The findings indicated that the self-started business rate is high. To sustain the rate and improve it, more support must be offered to self-employed people. These people can engage in small industries.
- The findings in Chapter 3 showed that most people who owned businesses originated from Bangladesh. To shift the ownership model to South Africans, the education system must change so that the youth can go to colleges or universities to improve themselves with the needed skills.
- The findings further indicated the various reasons for starting a business. However, to become an owner of a business, there must be more employment programmes; for example, internships or seasonal work. Local municipalities and government can embrace the importance of employment programmes, which leads to creativity of entrepreneurship that will eliminate the unemployment rate through a high rate of capital formation. Supporting SMMEs

by advising programmes for business owners, give mentorships and provide financial support.

- Businesses should increase production. When business production increases, the business can employ more people in the township, industries and agricultural. This will lower the unemployment rate as well as giving the needed skills for people.
- The findings further indicated that many businesses are not registered with local municipalities. If business do register, new opportunities are created; for example, investors, partnerships, and better finance support.

4.7 Recommendations for further research

Research topics can always be explored and researched further. There is room for improvement and finding new ways of doing things. Suggested further research topics relating to the key aspects in township economies that influence the rate of unemployment include:

- The need for sport and recreation in townships.
- Development of new businesses in townships, for example construction.
- Empowering woman entrepreneurship in townships
- More efficient job-creation in townships
- Creates an entrepreneurship environment in townships

4.8 Conclusion

The final chapter concluded the findings observed in the literature review in Chapter 2 and the empirical research in Chapter 3. Regarding the key aspects in township economies that influence the unemployment rate, recommendations and a conclusion were made based on the results of the research. The primary and secondary objectives were reviewed critically to ensure that the aim of the study was achieved. Suggestions were made for future research topics. The collected and analysed data emphasised what has been assumed from the beginning within in the South African context. The question regarding nationality did indicate that South Africans do not own the most businesses in townships. The evidence in these rating averages was discussed in the sub-section. This research highlighted that township economies still require learning and considerable attention according to the importance of SMMEs for economic growth, entrepreneurial environment whereas for empowering woman entrepreneurship and education for upskilling.

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APPENDIX A: SELECTED INTERVIEW QUESTIONS

The questions are about an investigation of key aspects in township economies that influence the rate of unemployment in the North West Province:

This survey aims to establish the state of the township economics in the North West Province. This will enable a better understanding of other types of businesses that operate in our townships, employment generated, and the business support requirements from this study.

The information required here will be treated confidentiality, and the names and sensitive information that may link back to participants of this research are not required and will also not be used in any reports that are to be generated after that.

Your participation in the research process is voluntary, and you may withdraw at any given time should you feel unhappy to continue making your contributions. Where you are not clear, please do not hesitate to ask clarity seeking questions so that the information you provide is as accurate as possible.

Demographic:

- 1) What products/services do you produce/sell?
- 2) The number of employees you employ?
- 3) Is this a family business?
- 4) Are you a member of a business association? If yes, which? & if no, why not?

Profile of owner:

- 5) Gender
- 6) Age
- 7) Nationality
- 8) How did you start your business?
 - a. Self-started
 - b. Bought the business

9) Reasons for starting the business?

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.....

10) Average income monthly?

- a. R1 to R500
- b. R500 to R1 000
- c. R1 000 to R5 000
- d. R5000+

Support services:

11) Are you registered with the local municipality? Why & why not?

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12) What services do you get from the municipality?

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13) Did you add any infrastructure to your site?

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14) What makes you unhappy with your business?

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15) Do you intend to formalise the business? Why or why not?

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16)Where do you buy your stock from?

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17)Do you buy in a consortium or group?

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End of questions

APPENDIX B: LETTER OF APPROVAL

6 March 2020

To whom it may concern

This communique serves to give permission to Ms EMC Wessels, an MBA student of the North-West University Business School, to use the information gathered as well as the selected interview questions in the research project into the township economy in the North West Province.

Her study is: An investigation of key aspects in the township economies that influence the rate of unemployment.

We hope that you find the above to be in order. Any queries can be directed to the CEO, André Coertzen, on 082 492 6321 or via email bernardcoertzen@gmail.com.

Kind regards



ANDRÉ COERTZEN

CEO