

Assessing existing financing models amongst black entrepreneurs in the South African wine industry, case of Western Cape

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DECLARATION

I hereby certify that this dissertation is my original work and has not previously been submitted to another university for a degree. Where use has been made of the work of others, such work has been duly acknowledged in this text.

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DEDICATION

I would like to dedicate this dissertation to my family for their love, support and patience.

ABSTRACT

The South African Wine Industry is a significant component of the agricultural sector in the Western Cape and plays an important role in the province's economy and presents opportunities in terms of agricultural investment into the province. This study explores the existing financing models amongst Black wine entrepreneurs in the Western Cape, South Africa. This study was done to discover the significant contribution of agricultural funding support from both public and private sectors to promote wine sales growth within the wine industry.

The objectives of the study are, to describe the socio-economic characteristics of Black wine entrepreneurs, assess the existing financing models amongst the black wine entrepreneurs, to describe the trend analysis of market sales growth amongst the Black wine entrepreneurs, the perception of the Black wine entrepreneurs on the existing financing models, to determine the factors influencing the market sales growth amongst the Black Wine entrepreneurs and lastly, to determine the contribution of the existing financing models on the market sales growth amongst the Black wine entrepreneurs in the Western Cape Province.

Descriptive statistical analysis was used to describe the socio-economic characteristics of Black wine entrepreneurs, assess the existing financing models amongst the Black wine entrepreneurs, to describe the trend analysis of market sales growth amongst the Black wine entrepreneurs and to find out or measure the perception of the Black wine entrepreneurs on the existing financing models. The Linear Regression model was used to determine the factors influencing the market sales growth amongst the Black wine entrepreneurs and lastly to determine the contribution of the existing financing models on the market sales growth amongst the Black wine entrepreneurs in the Western Cape Province.

Descriptive statistics of the sampled data revealed that 24 of the females receive support throughout the grant funding and 20 of the males received the same support. Furthermore, the descriptive statistical analysis indicated that 81% of the farmers had positive perceptions, while 19% had negative perceptions. Based on descriptive

analysis, this study concludes that the existing financing models have a positive effect on the market sales growth.

Therefore, the study accepts the research hypothesis that *“Existing financing models such as statutory levy fund, private donors, credit and government support influence market sales growth amongst the black wine entrepreneurs in the Western Cape Province ”*.

The model results further revealed socio-economic variables such as gender of the farmer, educational level, market access, access loan from a bank or financial institution, financial management training, wine-making training, source of capital, access to private companies and interest from personal investment. BEE status and capital access proved to have a significant effect on the market sales growth. Therefore, it is relevant to conclude that in the Western Cape , the existing financing models play a vital role in increasing the market sales growth as well as improving the state of businesses amongst the Black wine entrepreneurs. Furthermore, this study recommends the collaboration between government and financial institutions such as Land Banks, First National Bank, Absa, Standard Bank and Nedbank as well as the Capitec Bank that are recently interested in supporting agriculture. This collaboration needs to ease the loan or credit acquisition pre-requisite so that Black entrepreneurs are not excluded and limited in accessing loan funds from these financial institutions.

Keywords: Black Wine Entrepreneurs; Financing business models; Linear Regression model; Access to market

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Based on socio-economic variables such as the gender of the farmer, educational level, market access, accessed loan from a bank or financial institution, financial management training, winemaking training, source of capital, access to private companies, interest from personal investment, BEE status and capital access proved to have a significant effect on the market sales growth. These findings have led to the acceptance of the hypothesis stating that “existing financing models such as statutory levy fund, private donors, credit and government support influence market sales growth amongst the black wine entrepreneurs in the Western Cape Province”. Based on the findings, the study concludes that the existing financing models such as statutory levy, private donors, credit and government support, have a positive significance on the market sales growth. The increase in the wine sales growth will add value in transforming the wine industry and thus, more employment, food security and poverty alleviation through improved income. 80	
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LIST OF ACRONYMS

CASP	Comprehensive Agricultural Support Programme
DAFF	Department of Agriculture, Forestry and Fisheries
IDC	Industrial Development Cooperation
LRD	Land Reform Programme
LRADP	Land Redistribution for Agricultural Development Programme
MAFISA	Micro Agricultural Financial Institution of South Africa
MLR	Multiple Linear Regression
NYDA	National Youth Development Agency
SAWIS	South African Wine Industry Information and Systems
SAWITU	South African Wine and Grape Industry Transformation Unit
SEDA	Small Enterprise Development Agency
SPSS	Statistical Package for Social Scientists
STATS SA	Statistics South Africa
WC	Western Cape
WCG	Western Cape Government
WOSA	Wines of South Africa

CHAPTER ONE INTRODUCTION

1.1 Background

The South African wine industry is a gradually transforming industry, encompassing both commercial white-owned and commercial black-owned businesses. The industry was recognised in the world markets in the early 1990s (Hira, 2013). According to Toerien (2010), the South African wine industry is expected to continue growing and increasing its share in the exports markets. Undoubtedly, there would be positive outcomes from the interventions by the commodity association of the wine industry, “Wines of South Africa (WOSA)” in creating the visibility of South African wine brands within international markets. Toerien (2010) attested that the South African wine industry is well positioned, looking at its major wine markets in the European Union and expanding in the North American countries. Noteworthy, distribution to their markets and transport logistics are not major challenges amongst the South African wine producers.

According to Nakana (2009), the diversity of agricultural enterprises in the Western Cape contributes to the sector’s general stability, hence its promotion as an attractive investment sector. Furthermore, the wine industry is a significant component of the agricultural sector in the Western Cape and plays an important role in the province's economy and presents opportunities in terms of agricultural investment into the province.

Drought is one factor shaping the South African wine industry. Vinpro (2019) indicated that the wine grape crop at 1 225 620 tonnes will be 1, 4% smaller than 2018’s drought-hit crop and the smallest crop since 2005. Pienaar *et al.* (2018) stated that the drought will have medium to long term adverse effects on perennial crops such as the orchards and vineyards in the province. The study emphasised that this will then place agricultural businesses at the risk of bankruptcy even after the expected end of the drought. Hence, it is of utmost importance for the farmers to sustain themselves through self-financing. In 2018 and 2019, the Western Cape Province has been vulnerable to the impact of drought and there was a smaller crop within the vineyards. As a result, the volume of wine produced declined from 918,6 million litres in 2017 to 824,3 million litres in 2018 (SAWI,

2018). The same impact has influenced wine prices to increase in the markets (Bulbulia, 2020). Below is the table indicating the economic impact of the drought on the Western Cape agricultural sector.

Table 1.1: The economic impact of the drought on the Western Cape agricultural sector

Industry	Total Production 2016/17	Estimated Total Production 2017/18	Drop in Production (%)	GVA Shock 2016/17 vs 2017/18 (R million)	Employment losses
Wine Grapes	1 599 728	1 279 782	-20.0	-591.21	-2 809
Table Grapes	186 772	153 000	-18.1	-787.36	-4 019
Pome Fruit	1 376 279	1 256 773	-8.7	-898.26	-9 635
Stone Fruit	319 424	293 288	-8.2	-458.26	-2 070
Citrus	311 955	287 887	-7.7	-259.24	-1 280
Alternative Fruit*	7 693	7 037	-8.5	-36.35	-220
Major Vegetables*	1 104 580	881 280	-20.2	-78.73	-2 716
Grains***	1 558 200	986 928	-36.7	-2 812.97	-7 482
Total	6 464 630	5 145 975	-20.4	-5 922.37	-30 230

Source: Pienaar *et al.* (2018)

Table 1.1 above indicates the economic impact of the drought on the Western Cape agricultural sector caused by drought. The production of wine grapes dropped by 20% from 2016/17 (1 599 728) to 1 279 789 litres produced in 2017/2018. This impacted the job losses of the population, whereby 2809 jobs were lost. The impact of drought not only affects the producers and workers but the whole Wine Industry sector because financial support needs to come in handy. As a result, both private and public funding sectors could not cover all the winemakers and sellers. The table grape also experienced massive job losses amounting to 4019.

The total production lost between 2016/17(186 772) to 2017/18 (153 000) was 18, 1%. The pome fruit was hit by the highest job losses, with 9635 people losing their jobs. This was caused by the 8,7% decrease in production from the 1 376 279 in 2016/17 to the

1 256 773 in 2017/18. Stone fruit and citrus categories experienced losses in production of 8,2% and 7,7% respectively. The stone fruit industry was hit by job losses amounting to 2070 whereas the citrus industry experienced job losses amounting to 1280. For the alternate fits category, the table indicates that 220 jobs were lost whereby the production loss was at 8,5%. Table 1.1 indicates that major vegetables also took a knock when it comes to jobs. A total of 2716 jobs were lost. The table further illustrates that 20,2% in production was lost from the 1 104 580 in 2016/17 to 881 280 in 2017/18 financial years. In conclusion, the table indicates that the grain industry was the industry that had a major 36,7% of production loss as compared to all the other commodities. The loss in production resulted in about 7482 jobs being lost.

1.2 Problem statement

The South African wine industry has been dominated by white families (Ewert, 2016; Moseley, 2018). A report undertaken by Vinpro (2019) stated that there are about 54 black owned winery farms and WOSA (2020) further indicated that the wine industry is dominated by approximately 1800 white owned farms. The study further indicated that only 60 black entrepreneurs own the wine brands. Nakana (2009) stated that the white male owners and managers have traditionally dominated wine farming in South Africa. Nakana (2009) further emphasised that this perception hypothesised that wine farms with whites will then do better than those without because of the strong business networks they have in the industry. However, post-apartheid, there has been an interest by many previously disadvantaged individuals in the wine industry. Unfortunately, the services required for a successful business within the wine industry come at a very high cost and cannot be catered for inside the small business models. A report undertaken by Sefoko and van Rooyen (2008) indicated that black businesses do not have the luxury or financial support to pay for services such as the marketing costs, customs export certification, trade agreements and marketing incentives. Some of the black businesses use commercial entities to provide these services but this is very high risk and very high cost, which drives their product cost.

A study conducted by van Rooyen *et al.* (2011) uncovered that through government support and policy, government plays a vital role in the sustainability of the smallholder businesses within the South African wine industry. Government helps smallholder businesses (Black wine Entrepreneurs) through policies that enhance effective funding mechanisms and provision of public goods to support them. Oertle (2017) indicated that although funding is available for black owned companies, however, it is mainly to promote export-oriented production while access to funds for the domestic market is considerably limited. According to Kriel (2019), the statutory transformation levy fund is becoming a backbone of transformation in the South African wine industry. On an annual basis, the wine industry Transformation Unit spends about R10 million from the statutory levy funds supporting black entrepreneurs within the wine industry. The activities supported are inclusive of capacity building through mentorship programmes, business plan development, legal assistance and the acquisition of liquor licenses.

Davidson *et al.* (2009) reported that black entrepreneurs need sufficient capital and be involved in other economic activities that will give them extra income. This will, according to Oertle (2017), boost their business capital as many black entrepreneurs do not succeed in terms of loan application for funding. The results from this study indicated that the black entrepreneurs do not succeed because they have no access to land, sourcing of grapes from third parties and in some instances, not having the fixed big market entry. This study sees the need for sufficient capital and involvement in other economic activities as a gap that requires an in-depth assessment to investigate the contribution of the existing financing models on sales growth amongst black wine entrepreneurs. This study would be an attempt to respond to the following critical questions; “Are black entrepreneurs wine sales growing under the existing financial support mechanisms?” A follow-up question that also needs an in-depth exploration is; “What is the perception of the Black wine entrepreneurs on the existing financing models?” and, Will the black wine entrepreneurs be sustainable if the existing financing models were to be ceased?

1.3 Objectives of the study

1.3.1 Broad objective of the study

The main objective of this study is to assess existing financing models and their influence on market shares and sustainability of the businesses amongst Black wine entrepreneurs in the Western Cape, South Africa .

1.3.2 Specific objectives are to:

- To describe the socio-economic characteristics of Black wine entrepreneurs in the Western Cape Province
- To assess the existing financing models amongst the Black wine entrepreneurs in the Western Cape Province
- To describe the trend analysis of market sales growth amongst the Black wine entrepreneurs
- To assess the perception of Black wine entrepreneurs on the existing financing models and their influence on the sales

- To determine the factors influencing the market sales growth amongst the Black wine entrepreneurs
- To determine the contribution of the existing financing models on the market sales growth amongst the Black wine entrepreneurs in the Western Cape Province.

1.4 Research questions

- What are the socio-economic characteristics of Black wine entrepreneurs in the Western Cape Province?
- What are the existing financing models amongst the Black wine entrepreneurs in the Western Cape Province?
- How is the performance trend of market share growth amongst the Black wine entrepreneurs?
- What is the perception of the Black wine entrepreneurs on the existing financing models and their influence on the sales?
- What are the factors influencing the market sales growth amongst the Black wine entrepreneurs?
- What contributions do the existing financing models have on the market sales growth amongst the Black wine entrepreneurs in the Western Cape Province?

1.5 Research hypothesis

- Existing financing models such as statutory levy funds, private donors, credit and government support influence market sales growth amongst the Black wine entrepreneurs in the Western Cape Province.

1.6 Purpose of the study

The main objective of this study is to assess existing financing models amongst Black wine entrepreneurs in the Western Cape, South Africa. This study was done to discover the contribution of agricultural funding support from both public and private sectors to promote inclusive growth within the wine industry.

1.7 Significance of the study

The profitability of the farming business has been a major topic of discussion by several scientific researchers. The profitability of an agricultural entity is associated with its competitiveness or survival in the market environment. Moreover, it is also a factor of production dependency, which encompasses a wide range of resources and the uniqueness of the business – technology and innovation included (Pappalardo *et al.* 2013). However, the lack of financial resources is the main constraint factor to the expansion of the small-scale entrepreneurs within the sector of agriculture. Therefore, small-scale entrepreneurs must manage their business finances and create their business finance model to address the short-run activities of the business.

In the interest of the transformation within the wine industry, this study finds it important to assess the existing funding models or instruments amongst the wine industry and also to find out if black entrepreneurs can be sustainable in the ceasing of the existing funding models. There is no doubt that this study will contribute to the body of knowledge but is limited to the wine industry business and its profitability. Interested stakeholders in the wine industry will be able to grasp what is happening within the wine industry about the Black wine entrepreneurs. It is also expected that the results from this study can serve as a piece of information for policy instruments for policymakers in formulating relevant policies and reviewing the existing ones while developing a system that will improve growth sales of the Black wine entrepreneurs through sustainable funding of the black business. This will enable them to better develop their funding mechanisms if the support from both government and private donors is to be seized. Most significantly, this study can give a better insight into the role of both public and private sectors in the transformation of the previously disadvantaged individuals within the agricultural sector.

1.8 Delimitations/Scope of the study

This study sought to assess existing financing models amongst Black wine entrepreneurs in the Western Cape, South Africa. The study focused on those entrepreneurs that produce grapes and process for wineries as well as those that

produce wine. The raisings and table grapes producing farmers were not considered for this study. Due to limited time, budget and the Covid-19 pandemic, the study focused only on 47 respondents from the West Coast, Overberg, Garden Route, Cape Winelands and City of Cape Town Districts of the Western Cape. This means the results and conclusions that will be made at the end of the study will be from those parts of the province and not entirely the whole province of South Africa.

1.9 Limitation of the study

The possible threats for the study were that the Black wine entrepreneurs would give biased information that would make them seem worse-off in anticipation of donor support. The key informants may also be biased when giving information to hide their inefficiencies and as a result of the Covid-19 pandemic.

1.10 Definition of Key Terms

a. Black wine entrepreneurs

The focus of this study is on historically disadvantaged individuals amongst a black society who are involved in the wine business. In this study, Black wine entrepreneurs will refer to those individuals who own wine brands and participate in the trade of wines either informal markets or formal market environment (Sefoko & VanRooyne, 2018).

b. Financing business models

Funding business models or funding instruments in this study will be referring to the use of personal means of funding business operations, private sector or commodity industry grant or any form of support from a public institution. This will involve the use of personal investment and interest, the use of credit cards, mortgage loans, credit purchases, family trust funds, income from other economic activities outside the wine business and the use of business profits (Peek, 2020).

c. Linear Regression model

According to Berger (2003), linear regression is a flexible method of data analysis that may be appropriate whenever a quantitative variable (the dependent or criterion variable) is to be examined in relationship to any other factors (expressed as independent or predictor variables). This model minimises the sum of squared distances between the observed responses in a set of data and fitted responses from the regression model.

d. Access to market

Access to market in this study will refer to both local and international markets i.e. secure and targeted market because wine is an export-oriented commodity and the majority of the wine producers took advantage of the unperishable shelf life of wine. There is no restriction on trading wine in the global world.

1.11 The outline of the study

Chapter 1 introduces the background of the study, problem statement, defines the objectives and specifies the research questions. It further focuses on the research hypothesis, purpose of the study, the significance of the study, delimitation of the study, limitation, definition of key terms and theoretical framework. Chapter 2 features a review of the literature related to the study. It mainly focuses on the socio-economic characteristics of Black wine entrepreneurs in the Western Cape Province, existing financing models and their impact on market sales growth amongst the black wine entrepreneurs in the Western Cape Province. It explores challenges relating to business finance faced by Black wine entrepreneurs in the Western Cape Province. The literature review continues by covering the overview of the South African wine industry. Furthermore, it looks into the overview of the factors that influence the economic performance of the wine firms. The chapter concludes with a summary of what was discussed. Chapter 3 explains the methodology that was used for data collection, presentation and data analysis. It also discusses the model that was used to analyse data. Chapter 4 presents and discusses the findings of the study and chapter 5 provides a summary, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Shuttleworth and Martyn (2009) define literature review as a critical and in-depth evaluation of previous research. It is a summary of a particular area of research, allowing anybody reading the paper to establish why one is conducting the research. Goddard and Melville (2001) note that any investigation, whatever the scale, will involve reading what other people have written about one's area of study, gathering information to support or refute one's arguments and writing about one's arguments and findings.

This chapter features a review of the literature related to the study. The literature review continues by covering the overview of the South African wine industry and the characteristics of the wine producers. The chapter follows by covering the existing financing models and their effect on market sales growth amongst the black wine entrepreneurs in the Western Cape Province. It explores challenges relating to business finance faced by black wine entrepreneurs in the Western Cape Province. The literature review continues by covering the overview of the South African wine industry. Furthermore, it looks into the overview of the factors that influence the economic performance of the wine firms. The determinants of wine market sales and the effect thereof of the funding models, focusing on evidence from other countries is also addressed in this chapter. The chapter concludes with a summary of what was discussed.

2.2 Overview of the South African wine industry

A report undertaken by Vinpro (2019) alluded that the South African wine industry is an export-oriented commodity with three priority markets that are the United States (US), China and Africa. South African wine industry is aiming to grow its exports market share to these countries while driving a high return on its wine products. It is important to note that these markets received about 11% of South African wine exports

in 2018, which was 19% of the total export value. However, drought has been also a key driver within the wine industry and the wine grape production in 2018 declined by almost 15% compared to the previous year. To date, South Africa produces approximately 952 million litres of wine. The total wine sales for 2019 were approximately R25.5 billion and in terms of quantity, 420 million litres were sold to export markets (which is 50.7% of the total produced volume) and 431 million litres were locally traded.

Noteworthy, the South African wine industry is heavily dependent on stakeholder collaboration and partnership that include both industry associations groups, governments departments and agencies. Importantly, government plays a significant role to unlock market opportunities relating to export and trade. It also plays an important role in terms of science and innovation, empowerment of the previously disadvantaged individuals, tax and excise duties as well as ensuring the availability of natural resources like the provision of land and its security amongst agricultural firms, water and water rights, human resources or labour relations within the sector and providing financial resources for the sector.

Moreover, the wine industry can be derived from the changes in macro-economic trends and international factors such as changes in currency values as well as a range of external factors impacting costs such as crime and health situations (Van Rooyen *et al.* ,2011).

2.3 Overview of the Financing Models

This section will concentrate on the most important components of winery or wine company financing models. The information gathered will help to understand the specific financing possibilities accessible to a new black winery. Various industry groups and their activities have been investigated to give the best financing solutions for this type of business.

There are three main sources of funding, which are loans, equity and grant funding. However, these sources of funding can be arranged in a variety of ways. Each source

has its set of advantages and disadvantages for both the financing and benefiting parties. Furthermore, several financial tools are specific to a circumstance that has been utilised to support wine farms and wine brand firms (VinPro and Nedcor Foundation, 2004). To ensure that the wine businesses achieve productivity, sustainability, transformation and empowerment within the wine industry; they have to make sure that risks such as the financial risk, exit plan and return on investment are met.

2.4 Grant Funding

Cash grants, which are often provided by different governmental agencies as well as non-profit sector organisations, are not loans because they are not returned. They are given to qualified recipients in the form of cash to be utilised to acquire land, buildings or agricultural farming equipment (Department of Treasury, 2015).

2.4.1 The Comprehensive Agricultural Support Programme (CASP)

The Department of Agriculture, Forestry and Fisheries (DAFF) through its provincial Departments of Agriculture provides support to previously disadvantaged black farmers. This is done through the government initiative programme, Comprehensive Agricultural Support Programme (CASP), that was initiated in the 2004/05 financial year. This is alluded to by a report by DAFF (2004), which indicated that one of the targeted beneficiaries includes the farm and business level activities to ensure agricultural food safety and development. It further states that CASP will help farmers through the stimulation of economic growth and improved access to financial services.

The Comprehensive Agricultural Support Programme (CASP) is an initiative by the then Department of Agriculture, Forestry and Fisheries, targeting the subsistence, smallholder and commercial farmers. It includes the Micro Agricultural Finance Initiative of South Africa (MAFISA), which is aimed at providing credit to aspiring black farmers and the working poor (Mthembu, 2010). Since its inception, R 14 238 billion has been injected by the National Treasury into CASP. During the financial year 2019/2020, about R 1 538 325 billion has been allocated by the government to DAFF,

with Western Cape alone receiving R 150 261 million as financial support to farmers (DAFF, 2019).

The main challenge faced by CASP financial mechanism is the way the programme's services are coordinated and rolled out, that is, implementation as indicated by Du Toit et al. (2011). Since its inception, 14 238 billion has been injected by the National Treasury into CASP. During the financial year 2019/2020, about 1 538 325 billion has been allocated by the government to DAFF, with Western Cape alone receiving 150 261 million as financial support to farmers (DAFF, 2019). CASP programme has been amongst other programmes that have been supporting the black entrepreneurs, especially with farm structures and mentorship amongst others.

CASP aims to provide effective agricultural support and to streamline the provision of services to the targeted different levels of clients within the farming community.

The purpose of the CASP is to establish financing mechanisms. The execution of the programme is at the provincial level where they prepare and submit a budget annually to give effect to the objective of the CASP programme. The programme delivers the financing mechanism and the alignment of support services that promote, support and facilitate agricultural development of targeted levels of clients within the six defined areas of support (*du Toit et al.*, 2011). The Black wine entrepreneurs also receive support from the provincial Department of Agriculture through the CASP programme.

2.4.2 The Statutory Levy Fund

SA Wine and Grape Industry Transformation Unit (SAWITU) is the South African wine industry transformation vehicle and recipients of the industry transformation monies. SAWITU has an enterprise development programme that is aimed at assisting entrepreneurs to grow and develop their businesses from small enterprises into commercially sustainable enterprises using the transformation levy as one of the funding models within the wine industry. SAWITU support includes funding, infrastructural development, capacity building and creating access to markets. The programmes focus on integration into the full value chain of the wine industry including

land and infrastructure. So, the Statutory Levy fund is administered under the SAWITU.

2.4.3 Wines of South Africa (WOSA)

WOSA is a wine industry organisation that represents all South African wine producers that export their products. It is an autonomous non-profit organisation that the government recognises as an export council. The mission of WOSA is to promote South African wine exports to worldwide markets. WOSA is supported by an export charge levied on each litre of the exported wine. The primary goal of WOSA is to encourage the growth of South African wines and to advertise Brand South Africa on a global scale. WOSA displays in major wine events such as ProWein in Germany, The London Wine Trade Fair and Vinordic in Stockholm on an annual basis (Wines of South Africa, 2016).

WOSA provides financial assistance to qualifying vineyards and brand owners including black-owned wine companies. Certain travel expenses and exhibiting fees at international wine events are covered. Export levies provide funds that are distributed to black-owned wine brands for the development of businesses, marketing activities and production expenditures.

2.4.4 Department of Trade and Industry (DTI)

The DTI provides funding support for qualifying enterprises in many sectors of the economy. Funding is offered for a wide variety of activities including manufacturing, export development and market access as well as foreign investment. The Export Marketing and Investment Assistance (EMIA) scheme within the DTI has a dual role. It is responsible for developing export markets for South African products such as wine and sourcing foreign investment into South Africa. The assistance is in the form of financial compensation for exporters with marketing activities at international wine shows. Costs covered for wineries include travel, accommodation, exhibition fees and

daily allowances. Funds are channelled through qualifying export councils such as WOSA.

Another DTI-sponsored programme is the Sector Specific Assistance Scheme (SSAS). It is a reimbursable cost-sharing initiative for organisations that contribute to the growth of exports while also supporting industry development (DTI Department of Trade and Industry, 2016). Emerging South African wine firms visiting foreign trade events, which are jointly sponsored by the DTI and WOSA, are an example of this sort of funding (Mbatha, 2016).

2.5 Loan Funding

Various banks and financial institutions make loans available to budding agricultural enterprises. The Land Bank, which is controlled by the government, is the largest in this industry, providing services to many businesses. Owning land makes it easier to acquire loans for more land or equipment but it is not a requirement for securing a loan. Due to the lack of land or assets, black-owned companies, who are wine dealers and marketers, may find it difficult to get loans for operating capital and costs.

2.5.1 The Land Bank

The Land Bank of South Africa is the country's most major agricultural specialty bank. It is a significant financial contribution to agriculture. The Land Bank's mission is to help commercial farmers and agribusinesses with financial support. The mission also offers new entrants into agriculture from previously disadvantaged backgrounds access to funding. Many loans are available for the purchase of land, equipment and operating capital for agricultural operations.

Farmers can obtain startup loans from the Land Bank for seasonal crops. Individual farmers, organisations or legal entities can apply for this loan. Loans are given to both big farms and small businesses. Instalment Sale Finance loans, which are medium-term loans, are also available. The goods acquired serve as collateral for the loan. This allows all farmers, particularly those with minimal funds, to expand their operations.

A unique mortgage loan is designed for previously disadvantaged South Africans with the capacity to start sustainable enterprises. Additional benefits include exceptional interest rates set at 10% and fixed for 24 months. The objective is to keep this percentage for as long as market conditions allow. At the special interest rate, the maximum borrowing amount is R500 000. If a loan exceeds R500 000, ordinary interest rates are applied to the amount above R500 000. The loan period is limited to a maximum of 25 years. The Land Bank assists in the development of cheap, feasible and fundable business strategies (Funding Connection, 2015).

2.5.2 Industrial Development Cooperation (IDC)

The Industrial Development Corporation (IDC) is a federal entity of the Department of Economic Development. The IDC's major goal is to fund industrial development projects for the manufacture of goods, foster cross-industry alliances and assist regional prosperity. It also actively supports employment creation by sponsoring industrialisation. The Western Cape wine sector used nearly R400 million in low-interest loans for cellars, machinery and equipment between 1994 and 1999 (IDC Industrial Development Corporation, 2016). Secondary roles of the IDC are to improve development in rural areas and promote entrepreneurial development in small to medium sized enterprises. Supporting transformation in communities also forms part of their role (IDC, 2016).

2.5.3 Small Enterprise Development Agency (SEDA)

SEDA is a federal agency that is part of the Department of Small Business Development. SEDA is a federal agency that is part of the Department of Small Business Development. SEDA's mission is to put the government's small business strategy into action, create a national standardised structure for small company growth and combine government-funded programmes. SEDA's mission is to create, assist

and promote small enterprises while also ensuring their long-term viability via collaboration with partners and stakeholders (SEDA Small Enterprise Development Agency, 2016). SEDA's mission is to put the government's small business strategy into action, create a national standardised structure for small company growth and combine government-funded programmes. SEDA's mission is to create, assist and promote small enterprises while also ensuring their long-term viability via collaboration with partners and stakeholders (SEDA Small Enterprise Development Agency, 2016).

2.6 Factors influencing the economic performance of the wine firms

A study conducted by Pappalardo *et al.* (2013) in Italy uncovered certain determinant factors for profitability within the wine grape farms. The study revealed that quality of the product and marketing related matters are the fundamental elements to boost the competitiveness and profit maximisation within the wine industry. In addition, the management efficiency within the businesses is vital for its success. Pappalardo *et al.* (2013) further highlighted the importance of monitoring and reduction of production costs amongst the wine businesses. Perhaps farmers need to ensure they produce high quality products that could make them profitable and financially-sound, as such, they could have access to the mainstream funding models.

Not all wine producers own the vineyards, which seem to be amongst the constraining factors to the growth of the small entrepreneurs within the wine industry. According to Sellers and Alampi-Sottini (2016), those who have the largest holding of wine grapes farms have the highest probability of being competitive and realise possible profit margin. The land crisis is not only a South African problem but a global challenge amongst the small-scale businesses within the agricultural sector. Like in the wine industry, farmers without land security cannot invest in new technologies and marketing systems such as testing rooms, packing facility and other infrastructure such as wine production units. As a result, small business becomes low market-oriented and visible in the market, hence they realise a low profit. Literature has shown that some of the Black wine entrepreneurs do not have access to international or big local markets, which then makes them to sell their products at a

very low value . The entrepreneurs need to apply for land access through the Department of Agriculture Land Reform and Rural Development . Municipaliets also offers offers long term (30 years) lease agreements to the farmers . This will enhance their access to finance .

According to Van Rooyen *et al.* (2011), production cost, quality and availability of technology as well as water availability and infrastructure are significant to the economic performance of agricultural firms – not only wine firms. According to Toerien (2010), the collaborative support from the wine industry role players has been playing a significant role in its success over time. The South African wine industry has the most dedicated viticulturists and winemakers who are creative and bring innovation within the industry. The commodity industry association plays a significant role in markets.

2.7 Characteristics of the wine producers

Although there is no one-size-fits-all business model, there are two primary types of winery models used by BEE wine companies in South Africa. These are wine producers and wine brand firms, respectively, which will be described in sections 2.7.1 and 2.7.2. Wine brand corporations and joint venture firms account for the majority of BEE wine companies, with only a few owning land and winery infrastructure (Mbatha, 2016).

2.7.1 Wine Producers

Wine production is a business with economic conditions that influence production methods. Winemakers must strike a balance between inventiveness, quality and profitability to prosper. Winemakers typically own land with vineyards, a cellar and winemaking facilities. To create their wine brand in their selected markets, winemakers must also have a deep awareness of the consumer market and its needs (Bisson *et al.* 2016). A small fraction of BEE wine companies holds their land and vines, accounting for only 1.5 percent of South Africa's total vineyards. There are no wineries in South Africa that are entirely owned by black people. However, there are ten BEE producers with ownership ranging from 25% to 60%. BEE partnership producers

account for 1.8 percent of the total number of producers (Bowes, 2016). Solms Delta in Franschhoek and Koopmandkloof Winery are two examples of black-owned wineries with equity in land and production (Business Day BD Live, 2015).

Table 2.1 Total number of Wine cellars South Africans in 2020.

Number of primary grape producers	Wine cellar which crush grapes			100% Black owned cellars
	Producer cellars	Private Wine cellars	Producing wholesalers	
2693	45	457	27	0

Source: SAWIS(2020)

Table 2.1 indicates the South African wine industry structure when it comes to wine producers. A wine producer is a person or company that processes grapes on their premises whether they are their own or purchased (i.e. they do not own a farm). Separate registration is not required if a role player processes grapes on the premises of another role player. This complies with SARS regulations. The above table indicates that there are 2693 primary grape producers.

The table further indicates that there are 45 producer cellars within the wine industry. A producer cellar is a role player/entity that receives and processes grapes on behalf of a group of wine grape growers, known as its members, into wine grape products for packaging or bulk selling. It can be seen from the table above that there are 457 private wine cellars. The private wine cellars are the role players/entities owned by a person or group that receives grapes, process them into wine grape products and sells them packaged or in bulk.

In conclusion, the above table indicates that there are 27 producing wholesalers. These are the companies that purchase wine in bulk in packaged form from wineries and/or other merchants as well as grapes for their own production. This entity does not have to have its location.

2.7.2 Wine brand companies

Wine brand firms buy wine from vineyards and label it under their names and labels. It is impossible to possess land or vineyard infrastructure. The winemaking process is contracted out. Crushing grapes, fermenting, winemaking, mixing, filtration, bottling and labeling are all part of this process. BEE wine brand firms have a small team, generally, only two or three people working for them. The outsourced process, finances, administration, marketing activities, branding and export logistics are the primary duties in this approach.

These businesses solely sell wine and act as wine dealers and marketers. After the value chain, specific parts of the wine industry are controlled (National Agricultural Marketing Council, 2008). African Roots Wines, with its Seven Sisters brand, is an example of such a firm (Oertle, 2017). SAWITU supports around 65 black-owned wineries and 60 wine vine growers. Mentorship programmes, market access options, show/exhibition support, financial aid, skills development and learning and technical assistance are all available to these businesses and farms.

In conclusion, the classic wine business plan entails owning land, vines and a well-equipped winery. However, due to the high cost of land and building, entering the wine industry is a huge obstacle. Wine entrepreneurs that establish 100 percent black-owned wine brands have a good chance of succeeding. The business strategy, however, must be properly implemented and wine industry partners and mentors as well as retail partners 33 must be identified. To ensure better quality, new businesses should create mechanisms to monitor the procurement of grapes or wines. To meet their objectives, black wine brand owners require flexible manufacturing partners. The existing business model of black-owned wineries is better suited to an emphasis on export, where capital and access to foreign markets are available (Oertle, 2017).

There is a scarcity of black winemakers who can be brand owners or act on behalf of black-owned brands. Domestically, black-owned brand enterprises lack marketing and distribution operations. Wine sourcing is difficult owing to a lack of industry relationships and understanding. Furthermore, financial constraints and limited cash flow limit the capacity to finance wines several months before they are marketed. Because of the government's and WOSA's backing and supply of incentive schemes, the export market is the favoured path.

2.8 Determinants of wine market sales – empirical evidence from other countries

Although South Africans are not primarily wine consumers, the business is looking for methods to increase the domestic market to balance exports. According to Ndanga (2010), the black middle class, also known as "Black Diamonds," has emerged as the most powerful marketing trend in the last ten years, as they have emerged as the economy's strongest purchasing influence and making inroads into understanding this market presents a good opportunity.

Ndanga (2010) further indicated that the primary characteristics impacting South African consumer behavior include age, gender, income, race and wine drinking history. The study also claims that the black middle class is distinct from the white middle class. The industry should pay special attention to marketing women and the "start-me-up" age group, as there is little consumer awareness about wines but a strong desire to experience.

According to Grace et al. (2008)'s study in Australia, three key determinants of family firms' internationalisation pathways are identified: the level of commitment towards internationalisation, the financial resources available and the ability to commit and use those financial resources to develop the required capabilities. Process innovations, according to Olmos (2011), are not a factor of internationalisation. The findings, however, demonstrate a positive and substantial relationship between a firm's marketing activity and its level of internationalisation.

Theoretical and empirical research has revealed that a wide range of factors impact exports in general and wine exports in particular. Aside from the gravity model, the literature indicates that there are other approaches to studying the performance of wine exports such as the export competitiveness of respective countries through indices of comparative advantage (Anderson, 2013), international diversification of firms through foreign direct investment (Outreville, 2016) and a historical perspective on the wine trade (Ayuda, Ferrer-Perez and Pinilla, 2019)

Ayuda *et al.* (2019) did a research indicating that France lost overseas markets in the ordinary wine industry as a consequence of challenges in sustaining exports caused by the phylloxera plague and increased competition from a rising number of producers who were more efficient at making these sorts of wines. However, in the high-quality wine market, French exporters saw significant success, growing their exports as a result of their efforts to deliver a product that was highly appreciated overseas and the application of sophisticated marketing and sales strategies. Exports benefited from lower transportation costs and French colonial expansion. However, both items' exports were badly harmed by a sequence of key events including World War I, the Russian Revolution, Prohibition in the United States and the Great Depression. It was determined that a case study of the wine business demonstrates that the initial globalisation's collapse was not the same for all goods.

According to Macedo *et al.* (2020), regardless of whether customs fees are higher, wineries and private and public organisations should concentrate their commercial and policy efforts on nations with strong purchasing power and/or high development potential. Furthermore, it was discovered that horizontal differentiation influences export determinants, meaning that, alternative internationalisation strategies should be available for different wine varieties.

According to Maurel (2009), french wine firms, usually SMEs, operate in a market where international competitiveness is critical. Because of the rapid rise of New World wines in foreign markets, this is becoming increasingly difficult. Furthermore, they must contend with home market saturation, which is exacerbated by a drop in domestic per capita consumption. Having a strong export performance may help them become more competitive. The study findings were that theoretically, export performance factors may be classified into internal, external and strategy related components. According to the empirical evidence, in the French wine sector, commercial alliances, innovation at a larger scale and a successful export commitment are associated with higher levels of export performance.

A study by Bruner *et al.* (2011) further alluded that lifestyle factors were successful in explaining much of the variance in the data that they got . Their study depicted that the export performances by businesses will improve the sales growth .The biggest predictors of wine consumption were knowledge about wine, drinking wine to relax and sociability. The strongest determinants of wine spending were shopping for deals, attending wine events and viewing wine as a nourishing beverage. These factors are useful to wine marketers since they may be used to target potentially lucrative consumers. They can also develop marketing strategies that are directly targeted at a certain variable, so increasing consumption, expenditure or both.

According to a report by Hussain *et al.* (2007), even informed or frequent wine customers buy at all price points. This means that the customers also depend on Furthermore, there is a considerable positive link between knowledge and the volume of wine drank. All three regression approaches used in the study show that knowledge is still the most important factor of wine intake. The findings highlight the need for US wineries to properly educate and connect with consumers by adopting complementary positioning strategies and marketing initiatives that are as instructive as they are enticing. The South African Wine Industry can follow the same suit and make sure that the newly market entering Black entrepreneurs aare also equipped with new strategies , in order to increase their sales .

2.9 The effect of funding models on sales – empirical evidence from other countries

Wine marketing is done to attract new markets and boost a brand's competitiveness. The European Union established the Common Market Organization Reform, which was first applied in 2008, to support wine producers with several initiatives, one of which is institutional financing for communication strategies in foreign countries (Mori, 2016-2017). The study demonstrated that the influence of funding on export was examined, with no discernible significant effects on final sales.

According to Ribeiro *et al.* (2021), the European Union has been deliberately developing mechanisms to increase its economic power and to provide tools and

financing to the Member States for them to develop, modernise and expand, not just economically but also socially. The programme, known as the MFF, set the European Union's development priorities for the period 2014-2020. A total of €960 billion was to be dispersed across the Member States for them to pursue common goals throughout that period. Portugal, like the other Member States, signed a Partnership Agreement with specified funds and goals. According to the study, this financing mechanism had a beneficial impact on the region, as €1 of funding created €1,34 of investment, directly contributing to value creation and value capture.

According to Adesiji *et al.* (2015)'s study in Nigeria, the group of beneficiaries supported was primarily made up of aged, less-educated, small-scale farmers with many years of farming experience. According to the research, the group's gains from the programme include input support, asset purchase, rural infrastructure, advisory services, capacity building, higher production and revenue. The group's main challenges were illiteracy, pests and illnesses, insufficient inputs and late financing.

2.10 Theoretical framework

2.10.1 Theoretical framework for a competitive wine business

There are several factors that enable businesses like wine entrepreneurs to be competitive. A study conducted by Rendleman *et al.* (2016) has uncovered certain determinants of wine business competitiveness that are inclusive of the growth in tourism of a country economy, innovation and the uniqueness of the services within the business. Other factors uncovered by the same study were that the information flow from the business to the targeted customers is significant to wine industry business competitiveness.

However, the lack of external financial support to achieve business activities has been a major challenge to many businesses within the wine industry. It is also important, according to van Rooyen *et al.* (2011), to determine how the business trades its

product to the market, both local and international, compared to another business trading the same products. This is another important factor that needs to be explored amongst the black entrepreneurs within the South African wine industry in terms of their performance in the market over time if their sales are increasing or not. Figure 1 below reflects a schematic framework with enablers of competitiveness of business within the wine industry.

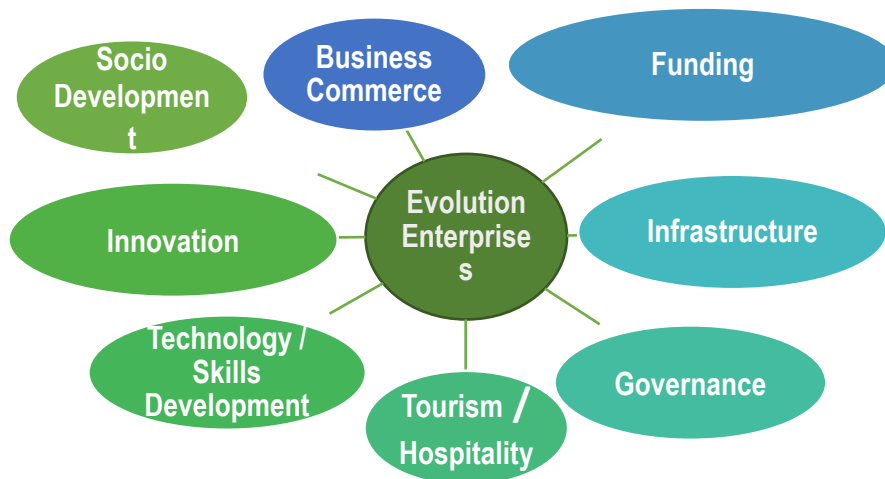


Figure 1: Summary of the theoretical framework activities for wine industry competitiveness. Source: Borolelo Ramahlalerwa, 2020

2.11 The conceptual framework of the funding models: funding opportunities with the South African Wine industry

According to Davidson *et al.* (2009), South Africa’s wine industry enjoys good access to finance since 1997 with Nedbank establishing itself as the provider of specialised financial. The same study further illustrates that Nedbank provides both direct (backing for farm purchases, specialised import services, debt finances) and indirect assistance (yearly donations to the industry associations).

These are some of the programmes that provide financial support to black entrepreneurs within the wine sector and will form part of the study assessment, particularly to evaluate their impact. Assessing programmes and funding mechanisms from institutions such as Land Bank, Capital Harvest, Small Enterprise Development Agency (SEDA), Vinpro, WOSA and Industrial Development Cooperation (IDC) will be thorough. If programmes

of this kind are to be ceased, black entrepreneurs within the wine sector will need to be able to sustain themselves.

A study was conducted in Mozambique by Hilmi (2009) but its main focus was on farmers' association to assess if the newly implemented model will be able to bring about greater sustainability or not. The findings of the study indicated that the farmers need to equip themselves and find ways to generate capital without the support of the financial institutions .

2.12 Chapter Summary

This chapter gave a background on the concept of financing models at different levels and their effect on market sales growth amongst the black wine entrepreneurs in the Western Cape Province. The overview of the South African wine industry and the characteristics of the wine producers were also discussed in this chapter. It further explored challenges relating to business finance faced by black wine entrepreneurs in the Western Cape Province. This chapter also gave an understanding of the overview of the factors that influence the economic performance of the wine firms, determinants of wine market sales and the effect thereof of the funding models, focusing on evidence from other countries. This chapter concluded that the financing models play a major role in attaining the sales market growth amongst the Black wine entrepreneurs, and those in other countries. The evidence clearly indicates that Black wine entrepreneurs in Western Cape rely on the financing models such as the statutory levy, SEDA , Land Bank and CASP to maximise the market sales growth.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section presents the description of the study area, research paradigm, approach and design of the study. It also gives a brief background of the population, sample and sampling techniques, data collection instrument and the data analysis. The type of data collected is also presented in this section. The reliability and validity/data trustworthiness to be applied for the study concerning the objectives are outlined, together with the ethical considerations of the study.

3.2 Description of the study area

This study was conducted in the Western Cape (WC) Province, South Africa. It was conducted in the Wine Regions through The West Coast, Overberg, Garden Route, Cape Winelands and City of Cape. These study areas were selected due to the availability of the targeted population. Western Cape is one of the nine provinces of South Africa, in the south-western tip of Africa. It covers an area of about 12 9462km² of the total surface area of South Africa. The Western Cape is characterised by beautiful restaurants, wide beaches and breathtaking scenery and historical landmarks. According to Stats SA (2019), WC is home to 6 844 272 people, which is equivalent to 11,6% of the national population. There are 30 municipalities in the Western Cape that are grouped by region into 1 Metropolitan municipality, 5 rural district municipalities and 24 local municipalities (Western Cape Government, 2019).

The Western Cape receives its rainfall during the winter season. However, for the past years, between the 2016 and 2019 seasons, the province has been hit by a severe drought. A Drought Relief Policy paper by Pienaar and Boonzaaier (2018) indicated that according to StatsSA (2007), Geostratics (2010) and StatsSA (2016), Western Cape is made up of around 6 653 large-scale commercial producers and 9 480 emerging farmers whilst another 50 000 poor farmers are dependent on irrigated backyard gardening for their subsistence. The wine industry makes the Western Cape be tourism attractive due

to its geographical wine regions, which are at the junction of the Indian and Atlantic Oceans.

A study by Tassiopoulos *et al.* (2004) indicated that wine tourism seems to revitalise and create jobs in rural areas with the benefits influencing a whole region and not just the wineries themselves. The production is handled by 2873 primary grape producers (SAWIS, 2018). Most of the wine grapes are produced in six regions (Stellenbosch 16.19%; Paarl 15.87%; Swartland 13.81%; Robertson 13.75%; Breedekloof 13.55%; Olifants River 10.42%) covering 83.59% of the total planted area.

Table 3.1: Geographic Distribution of South African Wine Grape Vineyards Per Wine Region During 2018 (Excluding Sultana)

Wine regions	Number of vines	% of total vines	Area hectares	% of total hectares
Stellenbosch	45 387 107	16.50	15 062	16.19
Paarl	44 548 911	16.20	14 766	15.87
Swartland	32 592 923	11.85	12 850	13.81
Robertson	42 961 230	15.62	12 790	13.75
Breedekloof	39 857 957	14.49	12 604	13.55
Olifants River	25 910 398	9.42	9 694	10.42
Worcester	19 915 815	7.24	6 505	6.99
Northern Cape	8 329 182	3.03	3 851	4.14
Cape South Coast	8 686 399	3.16	2 632	2.83
Klein Karoo	6 864 197	2.50	2 266	2.44
Total	275 054 119	100.00	93 021	100.00

Source: SAWIS, 2018

Table 3.1 above indicate the summary of the distribution of wine grape per wine regions in the year 2018. Stellenbosch and Paarl have more than 16% total of vines. On the other hand, Klein Karoo had the least (2,5%) of vines.

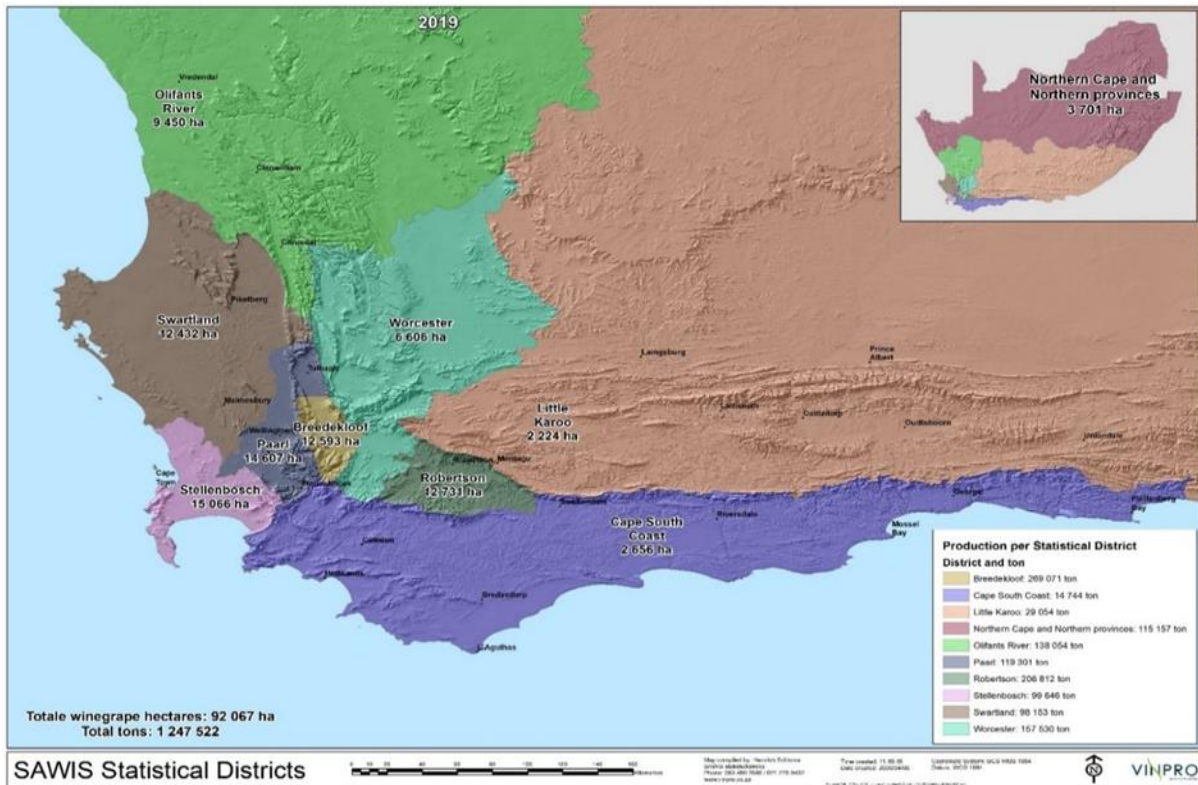


Figure 2: Map Showing Wine Production Per Statistical District

Source: SAWIS, 2019

3.3 Research paradigm

According to Krauss (2005), research paradigm refers to the ways of explaining the basic set of beliefs that you have at a philosophical level and influences how a researcher conducts research. The two important types of research paradigm are (i) positivist paradigm that is applied by most scientific or quantitative researchers as a conceptual framework for the search. Rehman and Alharthi (2016) attested that quantitative research always follows a positivist approach because positivists believe in empirical hypothesis testing. In pure sciences, positivism is preferred because of its empirical nature to study facts and (ii) on the other hand, the interpretivist paradigm is employed by most of the qualitative researchers in social sciences. Interpretivists believe that human behaviour is multi-layered and cannot be determined by pre-defined probabilistic models (Krauss, 2005). Against this explanation, this study will employ a mixed approach, that is, both positivistic and interpretivist paradigms.

3.4 Research Approach

This study employed the pragmatic approach of “mixed methods”. According to Salkind (2010), pragmatic researchers, therefore, grant themselves the freedom to use any of the methods, techniques and procedures typically associated with quantitative or qualitative research. They recognise that every method has its limitations and that the different approaches can be complementary. Therefore, this study will employ both quantitative and qualitative kinds of research approaches.

3.5 Research Design

To achieve the purpose of this study, both quantitative and qualitative research designs were used, that is, “a mixed method convergent design” (Demir & Pismek, 2018). The mixed method will ensure a better understanding of the problem as compared to using either quantitative or qualitative approaches (Creswell, 2013). Qualitative data were used mainly for complementing the quantitative approach. Creswell and Plano Clark (2011) argued that convergent mixed method design gives a complete understanding of the matter in question and also enables corroboration of results from different methods. This design also enables the comparison of data from multiple levels of different respondents. As such, this method was used for this study. In this study, equal weight was placed on both the quantitative and qualitative strands.

3.6 Population, sample and sampling techniques

3.6.1 Sample and sampling technique

A database obtained from the commodity group association as claimed by Vinpro (2019) indicated that there are about 59 wine brands businesses owned by black individuals and 54 wine grape farms owned by black individuals in the Western Cape Province. In this study, using a purposive sampling technique, 50 wine brands businesses were targeted as respondents. According to Foley (2018), researchers select the use of purposive sampling techniques because of their judgement when choosing a sample

from the population to participate in their study. Noteworthy, according to Foley (2018), purposive sampling is extremely time and cost effective because a researcher selects a unit from the population that fits the information requirements of the study. This would allow the study to collect sufficient information and draw a conclusion based on a representative sample of the existing population of the respondents. Furthermore, a researcher normally has a prior understanding of the purpose of their studies. However, the 47 existing black entrepreneurs within the wine industry were purposively selected as participants in this study. These entrepreneurs were selected because they fit the purpose of the study and provided the information relating to smallholder entrepreneurship business within the wine industry environment and will express their views on the funding models used.

Table 3.1 indicates the selected regions due to the availability of the target population or sample and businesses. Stellenbosch, Worcester and Paarl are some of the famous areas that attract tourists. The first six regions account for over 70%. Furthermore, the wine brand entrepreneurs' locations and contact details are readily available on the website(database) as indicated in WOSA (2018).

3.7 Data collection instrument

Primary data were collected using structured interview questionnaires that were administered face to face with the respondents ,through the online survey and sending of questionnaire through the email because of the Corona Virus pandemic. The questionnaire included both open ended and closed questions collecting both quantitative and qualitative information. According to Miller and Brewer (2003), the respondents may not always be honest in answering a particular question in a structured face-to-face interview and such gaps may easily be identified and addressed in the in-depth approaches to data collection methods. For an example, respondents may lie regarding the pricing of their wine though this can be easily confirmed on their website.

Section A included questions on the demographic information of the Black Wine Entrepreneurs. Section B comprised questions on production and marketing information and lastly, Section C was about the challenges faced by the Black Wine Entrepreneurs

within the Wine Industry. Secondary data, which related to the topic, were collected from different literature sources such as previous studies carried out in the area and reports on the performance of the South African Wine Industry.

3.8 Data capturing, processing and analysis

Data capturing was done using SPSS and descriptive statistics were used to analyse the data. The Linear Regression model was used to determine the contribution of the existing financing models on the market sales growth. The same LRM was again used to determine the factors influencing the market sales growth amongst the Black wine entrepreneurs. The information of this study was analysed using the descriptive statistical analysis.

3.8.1 Description Analysis

Bless and Smith (2000) define descriptive statistics as the science of quantitatively defining the major characteristics of variables. They are important for analysing the features of entrepreneurs as well as the relationship between the variables that are used to summarise data collection. For the following major parameters, descriptive statistics (cross tabulation) were used in this study to describe and compare the major Black wine entrepreneurs participating and non-participating Black wine entrepreneurs' characteristics within the study area: Black wine entrepreneurs characteristics (gender, age, marital status, education, land ownership, etc.

The variables to be described are the farmer's age, gender, educational level, district municipality, growth sales before financial support and Business Final Decision Maker. Also, they include the mode of transport, market access, access to loan from the bank or financial institution, access to international fund or donation, business experience, business mentorship, financial management training and winemaking training. Besides, they include source of capital, funded by transformation levy budget, funded by the government, access to private companies, access to credit inputs purchases, received a donation from input suppliers, accessed credit card for business purposes and interest from personal investment. In addition, they include grape variety, grapes

production at farm level, BEE Status, average delivery distance travelled, transportation cost added to the produce, production litres (2017-2019) and sale market growth (after financial support). The graphs were drawn using Microsoft Excel 2016 with the results obtained from the frequency run by Statistical Package for Social Sciences (SPSS). The SPSS was further used to describe the perception of the Black wine entrepreneurs on the existing financing models.

3.9 Primary data collection

All the information collected from the respondents of this study were primary data.

3.9.1 To describe the socio-economic characteristics of black wine entrepreneurs in the Western Cape Province

This information was provided by the Black wine entrepreneurs in the Western Cape Province of South Africa. These farmers were randomly selected from a population and a sample of 47 entrepreneurs was chosen. A structured questionnaire was used to collect information. Due to the impact of Covid-19, the questionnaire was administered in the following ways:

- Face-to-face interview with the entrepreneurs who were available and
- Other questionnaires was administered through emails.

Most of the respondents participated in the study through emails and face-to-face interview as they were minimising the risk of spread of the Covid-19.

The data that were collected include gender, age and level of education, capital access, stock availability, listing fees, liquor licenses, marketing incentives, marketing cost, access to market, negotiating powers, importing barriers, trade credit terms business experience, business mentorship, financial management training and winemaking training. The data for this objective were analysed using descriptive statistics.

3.9.2 To assess the existing financing models amongst the black wine entrepreneurs in the Western Cape Province

The business funding mechanisms in this study refer to the use of personal means of funding business operations, private sector or commodity industry grants or any form of support from a public institution. This involves the use of personal investment and interest, the use of credit cards, mortgage loans, credit purchases, family trust funds, income from other economic activities outside the wine business and the use of business profits (Peek, 2020). They were thoroughly assessed under chapter 2. The descriptive statistics were also used to find out which of the funding models (grant or credit/loan) are the Black wine entrepreneurs getting support from or not.

3.9.3 To describe the trends or patterns of market sales growth amongst the Black wine entrepreneurs

Under this objective, the descriptive statistics were used to analyse the data from the survey. All the entrepreneurs that participated in the study were asked about their average revenue from 2017, 2018 and 2019. The revenue was then used through the descriptive analysis to come up with the average between 2017-2018 and 2018-2019. This was then used to plot the chart which was explained in chapter 4.

3.9.4 To determine the perception of the Black wine entrepreneurs on the existing financing models

Descriptive statistics such as the percentages were used to analyse the financing models and their contributions to Black wine entrepreneurs. This was to find out the perceptions that the Black wine entrepreneurs have on the funding models from government and private sectors. The bar chart was used to illustrate the results.

3.9.5 To determine the factors influencing the market sales growth amongst the Black wine entrepreneurs

This information was provided by the Black wine entrepreneurs in the Western Cape Province of South Africa. These farmers were randomly selected from a population

and a sample of 47 entrepreneurs. A structured questionnaire was used to collect data. This was done as face-to-face interview questioning and through sending the questionnaire via emails. In the questionnaire, respondents were asked if they had access to the following key variables of the study: market access, loans accessed for business, accessed international fund and business experience, stock availability, listing fees, liquor licences, marketing incentives, marketing cost, access to market, negotiating powers, importing barriers, trade credit terms business experience, business mentorship, financial management training and winemaking training. In general, respondents were responding “yes’ when they had accessed the respective variables and “No” if they had not accessed the concerned variables before the time the data were collected. These data were analysed using descriptive statistics and the multiple linear regression model.

Linear regression analysis using Ordinary Least Square (OLS) was used to determine factors influencing average market sales for wine amongst the black entrepreneurs within the South Africa wine industry. The idea was to predict if the existing financing models have significant contributions in the business sales within the wine industry. Linear regression analysis was used because it allows one to discriminate between the effects of explanatory variables. The dependent variable defined as market sales per annum was a continued or scale variable that fits well in the Multiples Linear regression model (Owambo *et al*, 2012)

The linear regression model is specified below:

$$Y=f(\beta_0 + \beta_1 x_1+ \beta_2 x_2+ \beta_3 x_3+ \beta_4 x_4+ \beta_5 x_5 +\beta_6 x_6+ \beta_7 x_7+ \beta_8 x_8 \dots\dots\dots \beta_{15} x_{15} + e)$$

Y= Market sales

β_0 = intercept

β_1 = regression coefficient

e= Error term

X=set of explanatory variables

Table 3. 2: Specification of explanatory variables for Linear Regression model

Variables	Specification	Expected Sign
Dependent variable: Average market sales per annum (Scales variable: Number of litres sold)		
Independent variables		
X1=market access	Dummy; 0 = No; 1 = Yes	+
X2=Loan accessed for business	Dummy; 0 = No; 1 = Yes	+
X3=Accessed international fund	Dummy; 0 = No; 1 = Yes	+
X4=Business experience	Dummy; 0 = No; 1 = Yes	+
X5=Business mentorship	Dummy; 0 = No; 1 = Yes	+
X6=Funded by transformation levy income	Dummy; 0 = No; 1 = Yes	+
X7=Funded by government	Dummy; 0 = No; 1 = Yes	+
X8=Credit purchase for inputs	Dummy; 0 = No; 1 = Yes	+
X9=received donation from input suppliers	Dummy; 0 = No; 1 = Yes	+
X10=Accessed credit card for business purposes	Dummy; 0 = No; 1 = Yes	+
X11=Interest from personal investment	Dummy; 0 = No; 1 = Yes	+
X12=Liquor Licences	Dummy; 0 = No; 1 = Yes	+
X13=Marketing Incentives	Dummy; 0 = No; 1 = Yes	+
X14=Gender	Dummy; 0 = No; 1 = Yes	+
X15=Age group	Dummy; 0 = No; 1 = Yes	+

3.9.5.1 Justification of the econometric model

The Linear regression model also known as the Ordinary Least Squares Regression (OLS) is the most widely used modelling method for data analysis and it has been successfully applied in most studies (Montshwe, 2006). Gujarati (2003) pointed out that the method is useful in analysing data with a quantitative (numerical) dependent variable as in this study, that is, the household income per capita. Moreover, linear

regression analysis is more statistically robust in practice and is easier to use and understand than other methods.

3.9.6 To determine the contribution of the existing financing models to the market sales growth amongst the Black wine entrepreneurs in the Western Cape Province

Under this objective, the researcher attempts to measure the contribution that the funding models have on the market sales growth. Furthermore the Linear Regression Model was used to run the independent variable in order to check the contribution that these factors have on the market sales growth amongst Black wine entrepreneurs in the Western Cape. In this case, the funding models, which include grant and credit or loan funding, were the dependent variable. The Linear Regression model is well explained in Section 3.9.5 above.

3.10 Ethical considerations

In an endeavour to abide by the code of ethics in research, the researcher obtained informed consent from the participants before the research began. Participants were enlightened on the aims and objectives of the research and the benefits that the study has to them and the procedures to be used. Participants were assured of the absence of physical or emotional harm. The researcher also undertook to offer answers to questions about any research procedures and indicated to participants that they had the right to withdraw from the research at any stage. Participants were also assured that personal information would be kept as confidential as possible and that the study would not be used for commercial purposes but for the advancement of the discipline of agricultural studies and the quality of people's lives.

3.11 Summary

In this chapter, the methods that were used to analyse data were reviewed. Data were collected from 47 Black wine entrepreneurs in the Western Cape. The research focused mainly on the entrepreneurs who were involved in grape production from the farm level, those that buy end products and rebrand as well as those that were only buying wines directly from the farmers. Non-probability purposive sampling was applied to select a sample from Black wine entrepreneurs. To collect the data, a questionnaire was administered to the respondents through face-to-face interviews, online survey and sending of questionnaires through emails. To analyse data, the multiple linear regression model was chosen and their advantages have been highlighted. The results of the research will be presented in Chapter four (4).

Table 3.3: Summary of objectives, research questions, data required and analytical tools

Research objectives	Research question	Analytical tools
To describe the socio-economic characteristics of black wine entrepreneurs in the Western Cape Province;	What are the socio-economic characteristics of black wine entrepreneurs in the Western Cape Province?	Descriptive statistical analysis
To assess the existing financing models amongst the black wine entrepreneurs in the Western Cape Province	What are the existing financing models amongst the black wine entrepreneurs in the Western Cape Province?	Descriptive statistical Analysis
To describe the trend analysis of market sales growth amongst the Black wine entrepreneurs	How is the performance trend of market share growth amongst the Black wine entrepreneurs?	Descriptive statistical Analysis
The perception of the Black wine entrepreneurs on the existing financing models	What is the perception of the Black wine entrepreneurs on the existing financing models?	Descriptive statistical Analysis
To determine the factors influencing the market sales growth amongst the Black Wine entrepreneurs	What are the factors influencing the market sales growth amongst the Black Wine entrepreneurs?	Linear Regression Model
To determine the contribution of the existing financing models to the market sales growth amongst the Black wine entrepreneurs in the Western Cape Province	What contribution do the existing financing models have on the market sales growth amongst the Black wine entrepreneurs in the Western Cape Province ?	Linear Regression Model

CHAPTER 4

DESCRIPTIVE RESULTS AND DISCUSSIONS

4.1. Introduction

This chapter presents the results, interpretations and discussions of the findings of a survey conducted in the Western Cape. The socio-economic characteristics of the sampled Black wine entrepreneurs are provided. Descriptive results present information about the current financing models amongst the Black entrepreneurs in the study area. The data were analysed in tabular forms, charts and were further discussed in terms of percentages and means.

This section will provide the results included only during data collection utilising the structured questionnaire. This survey only included Black wine entrepreneurs from Western Cape. It is also worth noting that only Black wine entrepreneurs that are available at specific times or by appointment were considered. Some surveys that were returned were not fully and thoroughly filled. This reflected the desire of the concerned winery owners to participate while others had no desire to fully participate in the poll. This also implies that all the respondents who returned completed surveys felt at ease giving all the information required in the questionnaire. The following sections describe the social and economic characteristics of Black wine entrepreneurs in the Western Cape Province.

4.1.1. Socio-economic characteristics of the Black wine entrepreneurs

According to Lionberger (1960), socioeconomic factors are among the causes that favour or discourage change in rural people's attitudes towards agriculture. A research study has revealed a strong correlation between individuals, their socioeconomic level and their interest and participation in agricultural growth (Kongolo, 2002).

The variables described are the farmer's age, gender, educational level, district municipality, growth sales before financial support and business final decision maker.

Also, they include the mode of transport, market access, accessed loan from the bank or financial institution, accessed international fund or donation, business experience, business mentorship, financial management training and winemaking training. Besides, they include the source of capital, funded by transformation levy budget, funded by the government, access to private companies, access to credit inputs purchases, received a donation from input suppliers, accessed credit card for business purposes and interest from personal investment. In addition, they include grape variety, grapes production at farm level, bee status, average delivery distance travelled, transportation cost added to the produce and production litres (2017-2019). Graphs were drawn using Microsoft Excel 2016 with the results obtained from the frequency ran by Statistical Package for Social Sciences (SPSS).

4.1.1.1 Respondents by district location

This shows the location where the business is located. The results in Table 4.1 show that the majority of the respondents in this study are in the Cape Winelands District (53,2%). Some of the respondents mentioned during the interview that the soil characteristics, climatic conditions and the district location are some of the major factors contributing to a higher number of entrepreneurs doing their businesses in the Cape Winelands. A small proportion (2,1%) of entrepreneurs indicated that their businesses are on the Garden Route and 6,4% indicated that their businesses operate in the Overberg District. The City of Cape Town and West Coast Districts are the second and third Districts where more of the respondents of this study live, 21, 3% and 17, 0% respectively.

Table 4.1: Business locations of the Black wine entrepreneurs in the Western Cape

District name	Frequency	Percent
West Coast	8	17.0
Overberg	3	6.4
Garden Route	1	2.1
Cape Winelands	25	53.2
City of Cape Town	10	21.3
Total	47	100.0

Source: Results from SPSS (Version 20) generated from field survey, 2020.

4.1.1.2 Gender, age and educational level attained by the respondents

Marty *et al.* (2012) stated that the socio-economic characteristics of farmers are crucial for smallholder commercialisation. The results in Table 4.2 present some socio-economic characteristics from the sample comprising gender, age and educational level of the respondents concerning the Black wine entrepreneurs in the Western Cape.

Table 4.2: Gender, age and educational level of the Black wine entrepreneurs in the Western Cape

		Frequency	Percent
Gender	Male	21	44.7
	Female	26	55.3
	Total	47	100.0
Age	< 35Years	5	10.6
	35-40Years	14	29.9
	41-50Years	11	23.4
	51-60Years	12	25.5
	>60years	5	10.6
	Total	47	100.0
Educational Level	<grade 11	3	6.4
	Grade12	5	10.6
	College or Technikon	13	27.7
	University degree	11	23.4
	Postgraduate qualification	15	31.9
	Total	47	100.0

Source: Results from SPSS (Version 20) generated from field survey, 2020.

From the results above, many entrepreneurs that participated in the study were females (55, 3%) ranging between the ages of 35-40 years (27, 7%), 41-50 years (23, 4%) and 51-60 years (25, 5%). The participation of youth (10, 6%) is the same as the participation of elders, also at 10, 6%. A substantial proportion (31, 9%) has attained postgraduate qualifications with a proportion (27, 7%) of respondents that attended technikon or college and 23, 4% that attained University degrees.

A small proportion (6, 4%) has either reached grades 11 and (10, 6%) have reached grade 12 . From the table, it can be concluded that the youth participate in Wine Entrepreneurship and all people of all ages showed interest in the industry. Ortmann

and King (2006) also noted that there are fewer male participants in agriculture because of their involvement in non-agricultural activities such as manufacturing, mining, brick making, car repairs, etc. This might be because the male counterparts prefer to work in towns instead of being employers themselves and be on farms.

4.1.1.3 Production Information

The production information of the Black wine entrepreneurs entails information such as the number of years the entrepreneur has been in wine production, the objectives of the shareholder if the owner is the final decision maker, land ownership, business status and wine varieties.

Table 4.3: Access to land, grapes production at farm level and grape variety by the Black Wine Entrepreneurs in the Western Cape

		Frequency	Percent
Years in Wine Production			
	No	10	21.3
	Yes	37	78.7
Access to land	Total	47	100.0
Grapes production at farm level			
	No	31	66.0
	Yes	16	34.0
	Total	47	100.0
Grape variety			
	No	31	66.0
	Yes	16	34.0
	Total	47	100.0

Source: Results from SPSS (Version 20) generated from field survey, 2020.

From the above table 4.3, it is indicated that a lot of the study participants (78,7%) have access to land whereas only 21,3% indicated that they do not have access to land. Some of the entrepreneurs indicated that although they have access to land, it is not entirely theirs since they are either on long- or short-term lease agreements. Regarding land, it is important to note that most black wine entrepreneurs do not have

land where they produce grapes. However, they outsource grapes from the commercial farmer and a commercial framer who has a wine cellar/ processing infrastructure produce wine liquid for them. Following the latter challenge of land, black wine entrepreneurs bottle wine of their brand in their respective rented buildings. Some of them indicated that the land they have where they produce the wine grapes is state-owned through the RECAP programme. The remaining 21.3% of the participants indicated that they are also leasing the premises for business transactions whilst others do not have land access because they are sourcing out the grapes from grape producers at the farm level.

The entrepreneurs indicated that the reason they do not have access to land is that they do not have enough capital to purchase the land in the market and simply that most of the land in the Western Cape already is under production. This leads to a greater percentage (66.0%) of the entrepreneurs not being able to produce the grapes at the farm level. They either purchase the grapes directly from the producers or buy the wines and brand-bottle them. Then, 34.0% indicated that they produce grapes at the farm level. These entrepreneurs include those that are leasing either from private or government departments.

The wines that are sold by the Black wine entrepreneurs differ from one individual to another. A greater proportion (66.0) indicated that they are selling different wines ranging from Chardonnay, Merlot and Ruby Cabernet to name a few. However, 34.0% opted to focus on one grape variety. Some of them indicated during the interviews that this is because they make a lot of profit from just focusing on one variety. They further indicated that they are still emerging to expand and include many other varieties.

Table 4.4: Access to water, mentorship, training in managing finance and BEE status of the Black Wine Entrepreneurs' Water scarcity

		Frequency	Percent
Water Scarcity	No	46	97.9
	Yes	1	2.1
	Total	47	100.0
Mentorship Access	No	13	27.7
	Yes	33	70.2
		1	2.1
	Total	47	100.0
Wine Production Training	No	6	12.8
	Yes	41	87.2
	Total	47	100
Training in managing farm finance	No	13	27.7
	Yes	34	72.3
	Total	47	100.0
BEE Status of the Business	Level 1	33	70.2
	Level 2	3	6.4
	Level 3	2	4.3
	Level 4	1	2.1
	10.0	8	17.0
	Total	47	100.0

Source: Results from SPSS (Version 20) generated from field survey, 2020.

The above table 4.4 indicates that 97.9% of the entrepreneurs do not have water problems. Although clean drinking water is scarce in the Western Cape, farmers use water from catchments such as dams for irrigation. There is also a big canal of running water that most of the farmers on the West Coast use for their irrigation. This is because some of them do not need water for irrigation since they buy grapes from grape farmers and others buy final wine products from other Wine Cellars and do the branding. The remaining percentage of entrepreneurs (2.1%) indicated that they have water scarcity. Some of them indicated that they do not have water rights.

Most of the Black wine entrepreneurs (70.2%) indicated that they have mentors who coach, guide and help them through wine Industry. They mentioned mentors such as commercial wine entrepreneurs and Wine Industry such as VINPRO as their force to sustainability and growth. 87.2% have wine production training whereas 12.8% indicated that they do not have training. Most of those that do not have training are those entrepreneurs that just buy the final products and brand them their way. This was observed during the interviews with some entrepreneurs.

the findings about training in the management of farm finances are indicated in above Table 4.4. It indicated that 72.3% of the Black wine entrepreneurs have trained in the management of finances. This is because most of the entrepreneurs have acquired post-graduate qualifications. However, 27.7% of the entrepreneurs indicated that they do not have training in managing farm finances.

Some of these entrepreneurs are those that have mentors in their business, that is, mentors who manage all the production and or financial activities of the business. The findings regarding the BEE status of the business are shown in table 4.4. Many entrepreneurs (70.2%) have acquired Level 1 whereas the other levels are all below 7% of the status acquired by the businesses. In conclusion, all the factors mentioned in Table 4.4 such as access to land and production at the farm level, have a significant relationship with one another.

4.1.1.4 Market Support Services amongst Black Wine Entrepreneurs

Market Support Services are the economic activities that are very vital in making sure that the Black wine entrepreneurs will in future be able to develop their funding mechanism in cases where both the private and government funding were to be ceased. Table 4.4 below represents the distribution of respondents according to findings relating to the stock availability, pricing structures, access to market, capital access, listing fees, marketing incentives, marketing cost, liquor licences, negotiating powers, importing barriers, trade credit terms and mode of transport.

Table 4.5: Stock availability, pricing structure, access to market and capital access by the Black Wine Entrepreneurs

		Frequency	Percent
Stock Availability	No	42	89.4
	Yes	5	10.6
	Total	47	100.0
Pricing Structure			
	No	41	87.2
	Yes	6	12.8
	Total	47	100.0
Access to market			
	No	41	87.2
	Yes	6	12.8
	Total	47	100.0
Capital Access			
	No	37	78.7
	Yes	10	21.3
	Total	47	100.0

Source: Results from SPSS (Version 20) generated from field survey, 2020.

From the above Table 4.5, a greater percentage (89.4%) of respondents indicated that they do not have a challenge with stock availability. This means that their market is secure because they never run out of stock. Some respondents indicated that they always produce more of what they could have sold in the previous year because of having new customers every year.

A smaller percentage (10.6%) indicated that they encounter stock availability challenges because they source out grapes from producers. They indicated that most of the time, they do not have fixed contracts with the grape wine producers. As a result, they cannot produce. Some of the entrepreneurs indicated that sourcing out final products from commercial wine producers comes with challenges such as having to pay more interests and sometimes the stock is just unavailable because of the higher demand.

Most of the entrepreneurs (87.2%) indicated that their marketing structure is not affected by the pricing structures whereas (12.8%) indicated that the pricing structure affects them. The fewer entrepreneurs that have pricing difficulties indicated that they experience this because of third-party involvement. They indicated that their wines enter the market because of the help of the commercial entrepreneurs who have the pricing structures.

Most of the Black wine entrepreneurs (87.2%) indicated that they have access to the market. The access to the market, in this case, relates to the international market access, secure market access and targeted market. Some entrepreneurs indicated that they encounter problems in accessing international markets because of tariffs and trade agreements amongst other things. However, their local market is secure. Most of the entrepreneurs indicated that they market their products locally with the help of the Wine Industry and Government intervention. This group of entrepreneurs includes those who have access to land, leasing long term from the government and those that their business has entered the international market.

Only 12.8% of the respondents indicated that they do not have a secure market, targeted and access to an international market. They further indicated that their market is insecure because most of the consumers prefer the products that have been on market for a longer period and are internationally recognised brands.

The findings reveal that the majority (78.7%) of the entrepreneurs had no challenges in accessing capital against the 21.3% of entrepreneurs who did not have access to capital. Most(44 of the 47 respondents) of the businesses receive financial support from government departments through their grants such as the Comprehensive Agricultural Support Programme. They also receive funding from the Transformation Unit as a way to transform the Wine Industry so that the Black Wine Entrepreneurs can also dominate the industry. The remaining 21.3% has challenges in capital access and indicated that this is because the financial institutions do not offer start-up capital to the newly established businesses that do not have a credit record.

Table 4.6: Challenges relating to listing fees, marketing incentives, marketing cost and liquor licences faced by the Black Wine Entrepreneurs

		Frequency	Percent
Listing Fees	No	40	85.1
	Yes	7	14.9
	Total	47	100.0
Marketing Incentives	No	40	85.1
	Yes	7	14.9
	Total	47	100.0
Marketing Cost	No	38	80.9
	Yes	9	19.1
	Total	47	100.0
Liquor Licences	No	45	95.7
	Yes	2	4.3
	Total	47	100.0

Source: Results from SPSS (Version 20) generated from field survey, 2020.

The sampled data illustrated in Table 4.6 revealed that a greater percentage (85.1%) of the respondents does not have challenges with listing fees associated with marketing their products. Some respondents indicated that they avoid the listing fees by not taking their products to the restaurants but sell directly from the business operations or selling to the supermarkets. Those entrepreneurs that take their products directly to the restaurants indicated that it is easier paying. They further indicated that they do not overprice their products to avoid higher listing fees.

With the challenge relating to marketing incentives, most of the respondents (85.1%) indicated that they do not encounter any difficulties. Some respondents indicated that they run special offers during the public holidays and increase their brand awareness.

These factors make it easy for them to reach consumers. The respondents indicated that they sometimes use the buy 1 get 1 free strategy and free testing of their wines to customers. However, 14,9% of the respondents indicated that they encounter challenges relating to marketing incentives. They hinted that no access to credit limits them to run specials or go around advertising their brand.

Many respondents (80.9%) indicated that they do not encounter challenges relating to costs they endure during marketing. This is because their sales grow, as a result, they make a profit. However, 19.1% of the respondents indicated that they encounter marketing costs challenges.

During the survey, the respondents indicated that advertising, agency fee, gifts to customers, the printing of flyers and so forth have a great negative impact on them.

The majority (95.7%) of the respondents indicated that liquor licensing is easy for them to acquire against the 4.3% of the respondents who indicated that they encounter problems when they have to acquire liquor licences.

Table 4.7: Challenges relating to Negotiating powers, Importing Barriers, Trade Credit Terms and Mode of transport faced by the Black Wine Entrepreneurs

		Frequency	Percent
Negotiating powers	No	42	89.4
	Yes	5	10.6
	Total	47	100.0
Importing Barriers	No	43	91.5
	Yes	4	8.5
	Total	47	100.0
Trade Credit Terms	No	38	80.9
	Yes	9	19.1
	Total	47	100.0
Mode of transport	Road	35	74.5
	or Courier	12	25.5
	Not indicated		
	Total	47	100.0

Source: Results from SPSS (Version 20) generated from field survey, 2020.

Most of the respondents (89.4%) said that they do not encounter challenges relating to negotiating or maybe having the listing fees decreased, putting their products on shelves or selling internationally. However, (10.6%) indicated that they encounter challenges with negotiating with banks for credit, especially when they do not have a good credit record.

Many of the Black Wine Entrepreneurs indicated that they are not selling their products internationally. As a result, importing barriers barriers such as long-term supplier

contracts export documentation and customs export certification indirectly affect them. From the study conducted, 91.5% of these entrepreneurs indicated that they do not encounter any challenges; they are importing because their brands are still transforming. Only 10.6% of respondents indicated that they encounter challenges because of tariffs, exporting documentation and legalities amongst others.

A significant percentage (80.9%) of the respondents indicate that they do not encounter challenges relating to credit terms. This is because they do not sell their wines on credit to the consumers. However, 19.1% indicated that since they sell their wines on credit; they encounter challenges of late payment, if not non payment at all. Most of the respondents that indicated trade credit as a challenge were those that are producing at farm level and have farm workers like the ones that mostly take goods on credit including the local communities.

The mode of transport that the entrepreneurs use to transport their wines is key to the success of the business. A reliable and secure fixed transport will ensure that the consumers receive the products at their convenient time and will not divert to other suppliers. Table 4.7 above shows that 74.5% of the entrepreneurs transport their wines using the road, which is personal vehicles or couriers. A significant 25, 5% of the participants did not indicate the mode of transport they use. However, some respondents indicated that they supply the international market. This means that they also make use of rail, water and air transportation modes.

4.1.1.5 Business Funding Mechanisms amongst the Black Wine Entrepreneurs

The business funding mechanisms in this study refer to the use of personal means of funding business operations, private sector or commodity industry grants or any form of support from a public institution. This involves the use of personal investment and interest, the use of credit cards, mortgage loans, credit purchases, family trust funds, income from other economic activities outside the wine business and the use of business profits (Peek, 2020).

Table 4.8: Business Funding Mechanisms associated with the Black Wine Entrepreneurs in the Western Cape

		Frequency	Percent
Access to loan	No	32	68.1
	Yes	15	31.9
	Total	47	100.0
Access to international funding			
	No	41	87.2
	Yes	6	12.8
	Total	47	100.0
Transformation Levy Funding			
	No	10	21.3
	Yes	37	78.7
	Total	47	100.0
Government Funding			
	No	6	12.8
	Yes	40	85.1
	2.0	1	2.1
	Total	47	100.0
Private Companies Services			
	No	31	66.0
	Yes	16	34.0
	Total	47	100.0
Purchase Inputs through credit			
	No	41	87.2
	Yes	6	12.8
	Total	47	100.0
Donations from input suppliers			
	No	44	93.6
	Yes	3	6.4
	Total	47	100.0
Interest from personal investment			
	No	46	97.9
	Yes	1	2.1
	Total	47	100.0

Source: Results from SPSS (Version 20) generated from field survey, 2020.

Access to loans proved to be a challenge to entrepreneurs as only a few could acquire loans from financial institutions such as banks. The results in Table 4,8 show that 31,9% had access to loans from financial institutions such as banks..

Some entrepreneurs indicated that they do not want to take loans from the banks because they do not have their land and cannot produce title deeds as collateral. The respondents also indicated that they do not have access to the loan because of not having long lease agreements or title deeds. They indicated that not being in the market for a long time also makes the financial institutions distrust them to offer loans.

Access to international funding is directly proportional to having access to the international market. Most (87.2%) of the Black Wine Entrepreneurs indicated that they do not have access to international funding. The respondents indicated that issues such as market access difficulties are the ones that hinder them from getting international funding. This is because international donors do not want to fund what is not on their shelves. However, 12.8% of the respondents indicated that they have access to international funding.

The finding regarding the Transformation Levy on whether the Black Wine Entrepreneurs have access to it or not is shown in Table 4.8. The Transformation Levy is a unit within the South African Wine Industry whose mandate is to support black entrepreneurs within the wine industry. The activities supported by this statutory levy funds were inclusive of capacity building through mentorship programmes, business plan development, legal assistance and the acquisition of liquor licenses. From the above Table 4.8, it is indicated that many entrepreneurs (78.7%) get support from the Transformation Unit. However, 21.3% indicated that they do not have access to the funds.

One mandate of the Government is to encourage women to participate in the agricultural sector and see the South African Wine Industry transforming. There are programmes like CASP, LCP and LRADP that have been introduced and implemented in rural areas by government and non-governmental organisations to support and develop farming in rural areas. This grant is evident within the Black Wine Entrepreneurs interviewed for this study.

It is clear from the above Table 4.8 that 85.1% of the respondents receive government funding with 12.8% indicating that they do not receive support from the government. Most of the government grant support requires lease agreements to be over 30 years, especially with funding that requires infrastructure. This might be one of the reasons why the government does not give support for agro-processing winery machines since most entrepreneurs indicated to be leasing for a short period.

From the above Table 4.8, it is shown that 66.0% of the Black Wine Entrepreneurs do not have access to Private Company Services and 34% indicated to have received support through the private companies. The private companies require security for them to offer any financial support to farmers or any entrepreneur. The interest rate of private companies is unrealistic.

Purchase inputs through credit is when the client buys directly from the supplier but do not pay at the same time, rather have their name put in the credit book. In this case, the Black Wine Entrepreneurs purchase final or end product wine from the commercial winemaker for rebranding. After buying the wine, they package and brand to the company's name. From the above Table 4.8, 87.2% of the respondents indicated that they do not have access to purchase inputs through credit whereas 12.8% indicated that they do have access to credit from suppliers.

The findings in table 4.8 show that the input suppliers do not donate to 97.9% of the sampled data whereas only 6.4% get donations from the input suppliers. Most of the Black Wine Entrepreneurs (97.9%) do not use their investment to fund their businesses whereas 2.1% do use their interest from personal investments to fund their businesses.

4.1.1.6 Average delivery distance travelled

The results in Table 4.9 below show that the average delivery distance travelled by the sampled respondents in the Western Cape Province ranged from 30 km to 8000 km with an average distance of 1607.0213 km and a standard deviation of 1901.6. The wine production litres produced by the Black Wine Entrepreneurs in the Western

Cape ranged from 1759 litres to 412000 litres with mean litres of 92941.38 and a standard deviation of 113690.34 litres.

Table 4.9: Descriptive statistics of distance and production litres

	N	Minimum	Maximum	Mean	Std. Deviation
Average delivery distance travelled	47	30.00	8000.00	1607.0213	1901.60220
Production litres (2017-2019)	47	1759.00	412000.00	92941.3830	113690.33560
Grapes production at farm level	47	.00	1.00	.3404	.47898
	47				

Source: Results from SPSS (Version 20) generated from field survey, 2020.

4.1.2 Discussion of results

This section presents the descriptive analysis carried out to assess the existing financing models amongst the Black Wine Entrepreneurs to increase their ability to grow in market sales. The results for both descriptive analyses are discussed and compared to other literature or previous studies, both nationally and internationally. These results are discussed separately as follows: The Linear regression model was used to analyse the contribution of the funding models to market sales growth, perception of entrepreneurs on funding models as well as assessing the existing funding models amongst the Black wine entrepreneurs. The following sections present the empirical results and conclusions.

4.1.2.1 Describing the socio-economic characteristics of black wine entrepreneurs in the Western Cape Province

According to Lionberger (1960), socioeconomic factors are among the causes that favour or discourage change in rural people's attitudes towards agriculture. Recent

research has revealed a strong correlation between individuals, their socioeconomic level and their interest and participation in agricultural growth (Kongolo, 2002). According to Bembridge (1987), the human element is the most important aspect in agricultural and rural development because of their decision-making abilities, which are critical for improving their livelihoods. Farming is a human activity but socioeconomic conditions impact men's complexity and, as a result, their success and advantages from agriculture.

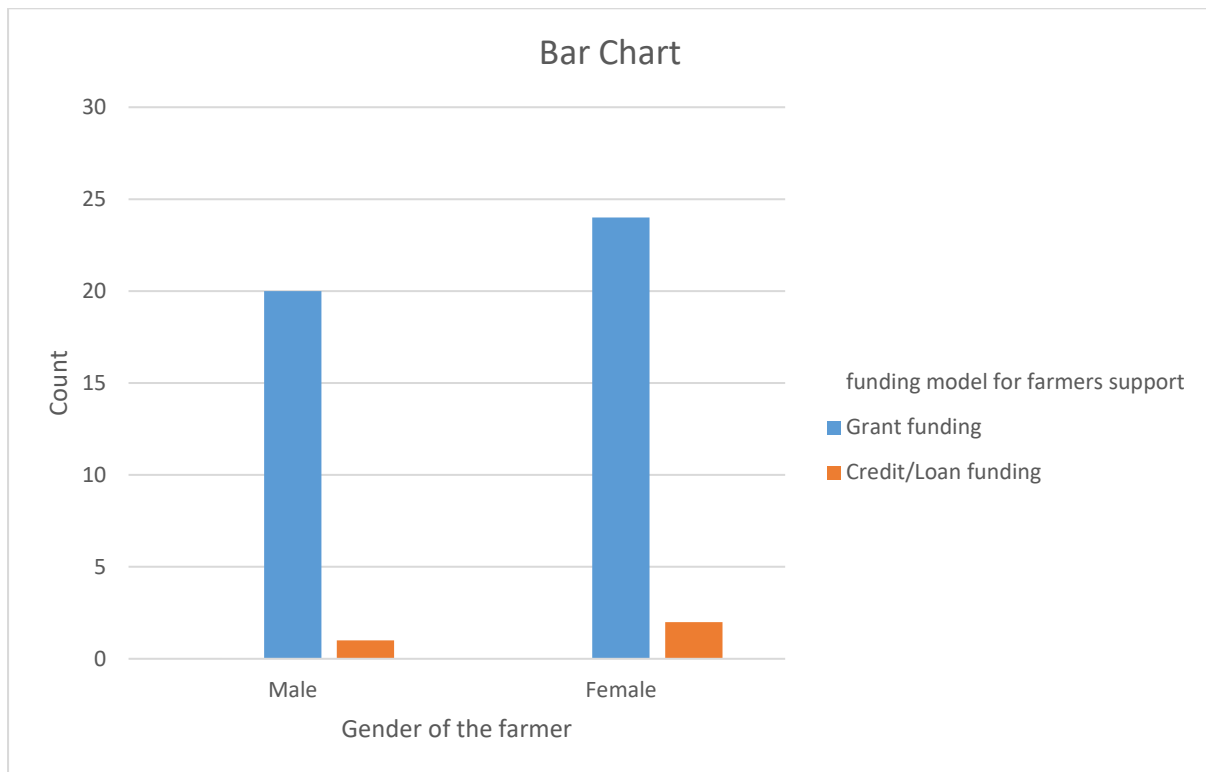
The socio economic characteristics may be major predictors of business engagement in Black wine entrepreneurs Cape . There are a variety of socio-economic factors that describe the funding models amongst the Black wine entrepreneurs. This chapter will solely cover the socio-economic elements that were examined and addressed in the preceding chapter.

4.1.2.2 Gender of the Black wine entrepreneurs versus funding models

Most financial institutions put gender as one of their fundamental requirements to provide support. Youth, women and people with disability are the ones that usually have upper hands for financial support as compared to men. Rural women, according to Kehler (2001), have historically played an important part in agriculture as food producers to better their level of life. Being a Black Wine entrepreneur is also part of the agro-processing component.

This is especially noticeable in emerging nations such as Nigeria, South Africa, Ghana and others where female producers account for more than half of agricultural labour (Manuh, 1998). Mushunje (2005) said that the gender of the household head has the potential to influence the household's capacity to source revenue and access to assets like land and capital, all of which had a direct impact on agricultural output and livelihoods. For this study, the gender of the Black wine entrepreneurs was examined using a sample of 47 participants and the findings are given in figure 3 below.

Figure 3: Bar chart showing funding models for farmers support



The results in figure 3 above show that amongst Black wine entrepreneurs that participated in the study, there were 24 females and 20 of male-entrepreneurs that received support through the funding models. The funding models that the study focused on were grant funding and credit or loan funding. The grant funding in the context of this study included CASP, WOSA and Statutory Transformation Levy. On the other hand, the credit or loan funding includes Land Bank and SEDA.

The findings of this study indicate that sampled Black wine entrepreneurs that received financial support are dominantly female. Out of the 26 female entrepreneurs that received the support, 24 of them received financial support through grant funding whereas the remaining 2 received support through credit/loan funding. The rationale for this finding could be that their male counterparts migrated to cities for job opportunities and better wages. Ortmann and King (2006) also noted that there are fewer male participants in agriculture due to their involvement in non-agricultural activities such as manufacturing, mining, brick making and car repairs to mention a few.

The second might be due to the requirements of these financial institutions that push female entrepreneurs to get financial support. However, the affordability, compliance and other required certifications cannot be ruled out.

4.1.2.3 Assessing the existing financing models amongst the black wine entrepreneurs in the Western Cape Province Socio-Economic characteristics of the Black Wine Entrepreneurs

The financing models were explained in chapter two under literature review and also analysed under the contribution objective in section 4.1.2.6.

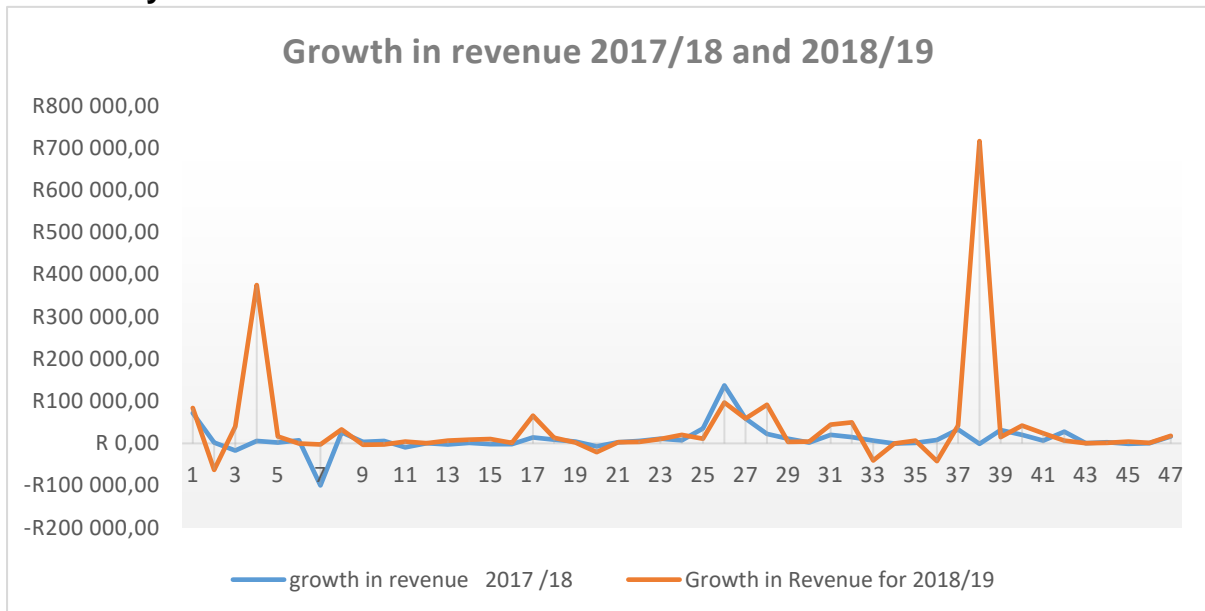
4.1.2.4 Describing the trend analysis of market sales growth amongst the Black wine entrepreneurs

Czoli *et. Al.* (2019) described trend analysis as a graphical depiction of data through time that is used to forecast the future. Trendlines are used to anticipate future values by extrapolating the data beyond the present data. The benefits of employing trend analysis are its simplicity, ease of implementation and the ability to compute findings fast. Trend analysis in the context of business, strategy and development focuses on several aspects impacting the market and market segments such as consumer behavior patterns, population, sales growth, geographical areas, product demand and technical innovation, among others.

In this study, the market sales growth of the wine business is dependent on the consumption of the wine by the consumers. The revenue growth is dependent on the consumption by the consumers. A study conducted by Foxcroft (2009) indicated that several variables influence wine consumption and it is frequently the unique mix of circumstances rather than individual elements, that has the most impact. The study further revealed that economic, political, marketing and social characteristics are the most important elements influencing wine consumption. The chart below illustrates the

growth in revenue amongst the Black wine entrepreneurs in the financial years 2017/18 and 2018/19.

Figure 4 Growth in revenue amongst the Black wine entrepreneurs in the financial years 2017/18 and 2018/19



The above-illustrated figure 4 shows the growth in revenue between 2017/18 and 2018/19 amongst the Black wine entrepreneurs. It is evident from the graph that most of the entrepreneurs had an upper increase in revenue in the financial year 2018/2019. Entrepreneur 1 experienced an an increase in revenue in the first year (2017/18) from R71 889 00 to R84 181 00 in the second year (2018/19). Also, from the graph above, entrepreneurs 17,18,24,28,37,38,41 and 46 have all done very well in terms of their growth on revenue. The revenue growth might be due to many factors. From the data collected In this study, having a secure and fixed market as well as yearly financial support also contributed to the entrepreneurs having the growth in revenue as compared to others.

This might be because drought was no longer affecting most of the entrepreneurs, especially those in the Cape Winelands District and Cape Town meaning there were significant rainfall occurrences. The revenue growth is projected to grow due to the improving economy as well as the rain that has been filling up the dams in the Western

Cape over the past two years. As a result, the disposable incomes of the entrepreneurs are predicted to increase as well.

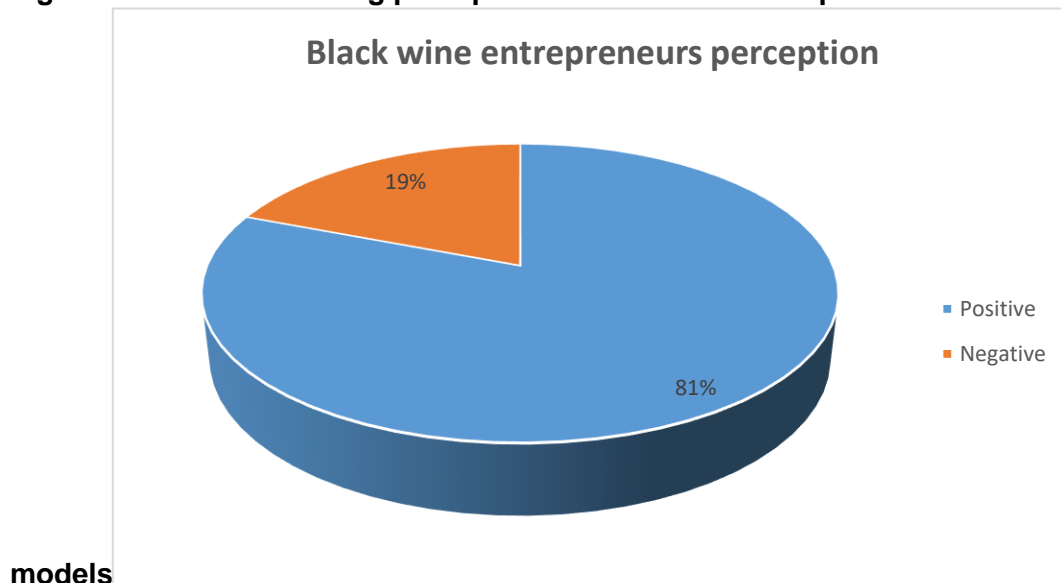
However other entrepreneurs saw a massive loss of revenue in the first and second years of their production. Entrepreneurs such as entrepreneur 2,29, 33, 39 and 42 experienced a loss in revenues. Looking at the results of the study, some of the entrepreneurs were in the West Coast whereby the impact of a drought is still felt. Another reason is that those entrepreneurs buy the grapes from the producers, who experienced higher input costs.

It can be depicted from the above graph that entrepreneurs 07, 201 and 34 have experienced a loss of revenue in both years of their operation. The data collected from this study indicated that the entrepreneurs without a fixed market, supply of grapes, loss of customers, financial support and of course the impact of drought saw a decline in growth revenue. As a result, the Black wine entrepreneurs will have to continuously evolve and come up with more innovative products to keep customers on their toes, literally. As wine is never going to be out of fashion, people will continue to invest part of their income on drinking wine.

4.1.2.4 The perception of the Black wine entrepreneurs on the existing financing models

Farmers' attitudes or perceptions, according to Sidibé (2005), are the degree of farmers' favourable or negative sentiments towards participation in on-farm activities. Individuals' perceptions and attitudes may have an impact on their day-to-day decision-making, including whether or not to engage in certain activities such as subsistence farming. Personal restrictions, according to Prokopy (2009), refer to an individual's genuine availability to engage due to other commitments such as employment and family. Financing models and their contributions to Black wine entrepreneurs' wine sales growth were discussed with the respondents. The distribution of the entrepreneur's perceptions of financing models is shown in figure 5 below.

Figure 5: Pie chart showing perception of Black wine entrepreneurs on funding



The Pie chart 4.1 above further reveals a positive perception among 81% of Black wine entrepreneurs participants while a small portion, about 19%, had a negative perception. Amongst the participants who have a positive perception, a smaller portion had a negative perception towards the wine sales growth. These findings indicate that entrepreneurs' perceptions play significant roles in influencing the wine market sales growth. A negative attitude has a direct bearing on wine sales growth while a positive attitude increases the market sales growth in any business.

4.1.2.5 Determining the factors influencing the market sales growth amongst the Black Wine entrepreneurs

On the basis of this study, as an attempt to assess the existing financing models amongst the Black wine entrepreneurs, the Linear regression model was used to test the socio-economic factors that influence the increase in market sales growth or revenue. The Linear regression then offers a model for determining whether existing

financing models contribute to the increase in market sales growth/growth revenue or not. As a result, the dependent variable is the funding model which was measured using the Linear regression model as described in chapter three. The socio-economic factors listed in the below table were considered for the model and tested for their significance at 10%, 5% and 1% level. Table 4.10 below further shows the relationship between the dependent and independent variables, estimated coefficients, standard error and significance values.

Table 4.10: The relationship between the level of wine market sales (dependent variable) and thirty two predictor variables.

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1,356	0,577		2,349	0,035
Age of the farmer	-0,079	0,078	-0,201	-1,007	0,332
Gender of the farmer	0,541	0,165	0,544	3,274	0,006
Educational level	-0,214	0,071	-0,479	-2,999	0,010
District Municipality	0,084	0,049	0,278	1,733	0,107
Business Final Decision Maker	-0,150	0,197	-0,140	-0,763	0,459
Mode of transport	-0,030	0,060	-0,106	-0,505	0,622
Access to market	-0,407	0,179	-0,399	-2,274	0,041
Accessed loan from bank or financial institution	-0,691	0,248	-0,658	-2,792	0,015
Accessed international fund or donation	-0,438	0,367	-0,300	-1,194	0,254
Business experience	0,109	0,071	0,234	1,543	0,147
Business mentorship	-0,125	0,149	-0,112	-0,843	0,414

Financial management training	-0,676	0,182	-0,603	-3,718	0,003
Wine making training	1,191	0,343	0,753	3,477	0,004
Source of capital funded by transformation levy budget	0,568	0,130	0,577	4,371	0,001
funded by government	-0,197	0,249	-0,165	-0,792	0,442
Access to private companies	-0,065	0,182	-0,046	-0,354	0,729
Access to credit inputs purchases	0,652	0,289	0,631	2,259	0,042
received donation from input suppliers	0,270	0,240	0,185	1,124	0,281
Interest from personal investment	-0,449	0,336	-0,225	-1,334	0,205
Grape variety	2,485	0,884	0,736	2,811	0,015
grapes production at farm level	-0,278	0,182	-0,269	-1,523	0,152
BEE Status	0,115	0,167	0,109	0,689	0,503
Average delivery distance travelled	-0,082	0,025	-0,562	-3,275	0,006
Transportation cost added to the produce	3,435E-05	0,000	0,132	1,004	0,334
Production litres (2017-2019)	-0,757	0,246	-0,708	-3,079	0,009
Access to land	1,220E-06	0,000	0,280	1,814	0,093
Capital Access	0,115	0,200	0,097	0,577	0,574
Listing Fees	-0,555	0,267	-0,447	-2,081	0,058
	-0,057	0,175	-0,042	-0,327	0,749

Liquor Licences	-0,764	0,432	-0,316	-1,770	0,100
Acess to market	-0,257	0,171	-0,176	-1,500	0,157
water scarcity	-0,397	0,386	-0,118	-1,028	0,323
Model Summary	R	R Square	Adjusted R Square	Std. Error of the Estimate	
	.953 ^a	0,908	0,682	0,281	

Significant at 1%* , 5%** 10%* probability level;**

R Square =0.908; Adjusted R Squared = 0,682; depended variable = Growth Revenue

Source: Results from SPSS (Version 20) generated from field survey, 2021.

Table 4.10 above provides the parameter estimates for the Linear Regression model. The estimates of R indices, defined by R squared and Adjusted R Squared, are 0,908 and 0,682 respectively. The R Squared value of both indices lies between 0 and 1, confirming the goodness-of-fit of the model. This implies the likelihood of the entrepreneurs being able to have market sales growth is strongly explained by the independent variables.

The results of the regression model on the socio-economic factors influencing the market sales growth amongst the Black wine entrepreneurs are presented in Table 4.10 above and the following section presents results and a discussion of each of the significant variables. The model results indicated that out of thirty two (32) variables included, only thirteen (13) variables were significant and the remaining nineteen (19) were insignificant.

The results indicate that gender of the farmer, educational level, access to market, accessed loan from the bank or financial institution, financial management training, winemaking training, source of capital, access to private companies, interest from personal investment, BEE status, transportation cost added to the produce, production litres (2017-2019) and capital access significantly influence the growth in revenue or the market sales growth amongst the Black wine entrepreneurs. Below is a discussion on the variables that the model found to be significant.

4.1.2.5.1 Gender of the farmer

Gender was a relevant factor for market sales growth amongst the Black wine entrepreneurs. The factor was significant at 99% with an odds ratio ($B=0.541$). These findings show that the businesses headed by females are likely to get funding and increase their revenue as compared to the businesses headed by males. However, rural women have historically played an important role in agriculture in terms of food production and food security, according to Ojogho (2010). This is noticeable in emerging nations such as Nigeria, South Africa, Ghana and others (Manuh, 1998). According to Karki (2009), rural women alone handle up to 50% of the world's food production and they also contribute 60 to 80% of output in several developing nations. Based on the findings, the study suggests that female-headed businesses are more likely to have increased market sales than male-headed ones.

4.1.2.5.2 Educational level

The education level of the Black entrepreneurs was 99% significant across, as indicated in the table above. However, the relationship between education and revenue growth is inversely related. This means that it is not entirely true that if the entrepreneur has attained postgraduate of a higher level of education, then, their market sales will grow. The entrepreneurs can succeed through experience in winemaking, training and of course, financial support. On contrary, Amaza *et al.* (2009) suggested that education improves food security and lowers poverty (revenue growth) by assessing the many chances available to improve livelihood strategies. Bashir *et al.* (2012) further confirmed that rural families headed by people with up to an intermediate level of education were more likely to be food secure. This corroborates the favourable impact of entrepreneur head education on market sales growth.

4.1.2.5.3 Access to market

The results show that access to the market influences the growth in market sales/revenue and it is significant at 95%. A study conducted by Oerlet (2017) attested to the access in market and indicated that although the funding is available for the black owned wine companies, it is hindered because its main focus is for export and not the domestic market. Similarly, BFAP (2008) asserted that there was a serious

lack of supporting services for small-scale irrigation farmers in most developing countries. Ojo *et al.* (2009) in Nigeria emphasised that access to input markets enables farmers to purchase seeds, fertilisers, pesticides and other inputs, which aid production whilst access to credit provide farmers with capital to purchase these inputs. Output markets enable farmers to sell their produce to get income, which would enable them to improve their sales growth. Therefore, it can be concluded that the availability of market access and services is crucial in the wine industry business.

4.1.2.5.4 Accessed loan from bank or financial institution, source of capital and capital access

Access to loans from a bank or financial institutions influences the market sales and it is highly significant at 99%. This implies that entrepreneurs need financial capital to buy inputs such as grapes, labelling, bottling and other inputs that they require in production. This is in line with the study conducted on irrigation by Machete *et al.* (2004) who argue that one of the most critical problems threatening the viability of smallholder irrigation is the absence of credit. Access to credits need collateral security mostly as land right, which some Black wine entrepreneurs possess. Credit is very important because it helps entrepreneurs acquire all the inputs in the right quantities and qualities at the right time. Adequate credit could help adopt better new technologies. Ayele (2011) added that one means of overcoming financial constraints is improving access to credit because credit access has a direct effect on investment in irrigation. Therefore, it provides start-up capital to begin a more profitable business to generate higher income and business growth.

Source of capital has a positive impact on the market sales growth and was found to be statistically significant at 99%. This implies that a unit increase in the source of capital results in an increase in market sales by 56.8%. This means an entrepreneur with a source of capital has an advantage of increased market sales. The study results further revealed that capital access has a negative effect on market sales growth and is significant at 90% level.

4.1.2.5.5 Financial management training and winemaking training

The study results revealed that the financial management training is significant at 99% level. This implies that training is of vital importance so as to improve what the entrepreneurs already know and to also learn of any innovations in wine making business. This is because technology changes every day and the entrepreneurs need to keep up to speed with the new ways of winemaking that might be available in the market. Provision of agricultural extension services such as financial management training on improved wine production techniques helps Black wine entrepreneurs to increase their know-how and access to information which will, in turn, improve their production levels.

On the other hand, the wine-making training also affected the market sales growth and is significant at 99%. This implies that those entrepreneurs that attain the wine-making training possess the skills of not wasting time making wine and are pro-active. Ayele (2011) revealed that inadequate information, education and training are significant barriers to attaining food security. Therefore, the role of extension agents in providing improved varieties of wine and practical training to innovative entrepreneurs was crucial. The more entrepreneurs have access to extension services, the more they become competitive and profitable. Extension services equip entrepreneurs with knowledge and technical skills of winemaking and that could result in improved productivity. According to Heger *et al.* (2018), extension services assist in improving production efficiency and income.

4.1.2.6 Access to private companies

Access to private companies was tested and found to be positively significant at 95%. This implies that those entrepreneurs that have access to input suppliers do not want to take loans from the banks because they do not own land and cannot produce title deeds as collateral. The respondents also indicated that they do not have access to the loan as a result of not having long lease agreements or title deeds. They indicated that the issue of not being in the market for a long time also makes the financial institutions distrust them in terms of offering loans. These findings are attested by Ojo

et al. (2009) in Nigeria who emphasised that access to input markets enables farmers to purchase seeds, fertilisers, pesticides and other inputs, which aid production whilst access to credit provides farmers with capital to purchase these inputs. Output markets enable the entrepreneurs to sell their produce to get income, which would enable them to increase their market sales growth. Therefore, it can be concluded that the availability of supporting institutions and services is crucial in wine entrepreneurship. However, some of the entrepreneurs indicated that they have access to funding through the government and the transformation levy unit.

4.1.2.7 BEE status

The findings of the study found that the BEE status was 99% significant. The results obtained during data collection indicated that the majority of the Black wine Entrepreneurs know about the compliance regarding the BEE legislation. The findings are, however, against the ones by Nakana (2009), which indicated most of the respondents that participated in the study did not know about the BEE legislature because the Wine Industry Transformation Charter had just been introduced. He further indicates that most of the wine farms (this can include the brand owner) said they are non-compliant. However, currently, the entrepreneurs are aware of the legislatures as one of the prerequisites when applying for financial assistance. All of the aforementioned variables were found to be negatively significant to the level of market sales. This means that when they increase the market, sales of wine decrease. This differed from the Heckman two-stage estimation conducted by Grimm & RichterEWERT (2007) in India that indicated that secondary education was the most significant factor in livelihoods.

4.1.2.6 Determining the contribution of the existing financing models on the market sales growth amongst the Black wine entrepreneurs in the Western Cape Province

Agriculture and rural development are priorities for the government. Based on the significance of farming and rural development, Dranqolli *et.al.* (2020) attempted to

determine whether grant applications and subsidies contributed to an increase in the production of benefitting farmers or not. The study established that direct subsidies have had a favourable influence on the yields of farmers who have benefited from them. Furthermore, the findings of this study support the Government of Kosovo's commitment and financial help as well as those of numerous European Community contributors, in improving farm performance and overall growth of the farming sector in Kosovo.

A study conducted by Berger *et. Al.* (2016) on the difference in contribution of future migration to old age financing; existing general equilibrium estimates of migration's contribution to public finance, derived from various models, are incomparable between nations and can differ even in sign. The study concluded that the aging of the population places a strain on the funding of pensions and other social security costs. This means the more people give birth and increase the population, the more the dependency on financial support from the government and other private institutions.

Table 4.11 that follows gives regression results on the influence of financing models and other socioeconomic factors on the revenue and market sales growth amongst the Black wine entrepreneurs in the Western Cape.

Table 4.11: The contribution of the existing financing models on the market sales growth amongst the Black wine entrepreneurs in the Western Cape Province

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1,586	0,558		2,844	0,015
Age of the farmer	-0,049	0,075	-0,126	-0,653	0,526
Gender of the farmer	0,649	0,168	0,654	3,872	0,002

Educational level	-0,216	0,067	-0,483	-3,230	0,007
District Municipality	0,102	0,047	0,338	2,187	0,049
Business Final Decision Maker	-0,199	0,187	-0,186	-1,065	0,308
Mode of transport	-0,007	0,058	-0,023	-0,116	0,909
Access to market	-0,419	0,168	-0,411	-2,498	0,028
Accessed loan from bank or financial institution	-0,805	0,242	-0,767	-3,332	0,006
Accessed international fund or donation	-0,492	0,345	-0,336	-1,424	0,180
Business experience	0,084	0,068	0,180	1,237	0,240
Business mentorship	-0,169	0,142	-0,151	-1,194	0,256
Financial management training	-0,620	0,174	-0,553	-3,569	0,004
Wine making training	1,227	0,322	0,775	3,814	0,002
Source of capital	0,603	0,124	0,612	4,880	0,000
funded by transformation levy budget	-0,178	0,233	-0,149	-0,765	0,459
funded by government	-0,130	0,175	-0,092	-0,742	0,473
Access to private companies	0,760	0,278	0,735	2,735	0,018
Access to credit inputs purchases	0,225	0,226	0,154	0,995	0,339
received donation from input suppliers	-0,641	0,335	-0,322	-1,912	0,080

Interest from personal investment	2,927	0,869	0,867	3,368	0,006
Grape variety	-0,244	0,172	-0,236	-1,415	0,183
grapes production at farm level	0,206	0,165	0,196	1,247	0,236
BEE Status	-0,078	0,024	-0,536	-3,318	0,006
Average delivery distance travelled	1,856E-05	0,000	0,071	0,556	0,589
Transportation cost added to the produce	-0,779	0,231	-0,728	-3,377	0,005
Production litres (2017-2019)	1,094E-06	0,000	0,251	1,726	0,110
Acess to land	0,158	0,189	0,132	0,836	0,420
Capital Access	-0,384	0,270	-0,309	-1,423	0,180
Listing Fees	-0,081	0,165	-0,059	-0,493	0,631
Liquor Licences	-0,970	0,423	-0,402	-2,296	0,040
Acess to market	-0,183	0,166	-0,125	-1,103	0,292
water scarcity	-0,375	0,362	-0,111	-1,038	0,320
funding model for farmers support	-0,424	0,253	-0,213	-1,678	0,011
Model Summary	R	R Square	Adjusted R Square	Std. Error of the Estimate	
	.962 ^a	0,926	0,721	0,263	

Significant at 1%*** , 5%** 10%* probability level;

R Square =0.926; Adjusted R Squared = 0,721; depended variable = Growth Revenue

Source: Results from SPSS (Version 20) generated from field survey, 2021.

Table 4.11 above provides the parameter estimates for the Linear Regression model. The estimates of R indices, defined by R squared and Adjusted R Squared, are 0,926 and 0,721 respectively. The R Squared value of both indices lies between 0 and 1, confirming that the goodness-of-fit of the model. This implies the likelihood of the

entrepreneurs being able to have market sales growth is strongly explained by the independent variables. For the contribution part of the model, only the funding model will be focused on together with the gender of the entrepreneurs concerning the funding models.

The above table further shows that the funding models were also tested for their significance on the market sales growth. The funding models tested to be significant at 99% on the market sales growth. This implies that those entrepreneurs that received support through financial institutions are likely to have more revenue as compared to those who did not receive the support. It was evident from the study that the entrepreneurs who received more in terms of financial support could attain a growth in market sales.

The cross-tabulation below shows the relationship between the gender of the entrepreneurs and the funding models. As thoroughly explained in section 4.1.2.2, the female counterparts seem to be the ones receiving more support from the grant funding as compared to the males in relation to the data obtained during this study. However, there seems to be a few of the entrepreneurs receiving support through the loans or credit financial institutions. This finding regarding the dominance of the female entrepreneurs is appreciated as it is in line with the government policy of women empowerment and emancipation (Alunga & Wiliam, 2013).

Table 4.12 Gender of the farmer * funding model for farmers support cross tabulation

Gender of the farmer * funding model for farmers support cross tabulation				
Count				
		funding model for farmers support		Total
		Grant funding	Credit/Loan funding	
Gender of the farmer	Male	20	1	21
	Female	24	2	26
Total		44	3	47

4.1.3 Conclusion

The chapter has discussed the different Black wine entrepreneurs' socio-economic characteristics of the study population. Generally, the results indicate that some of the socio-economic factors tested in this study influence the market sales growth. The results indicate that gender of the farmer, educational level, access to market, accessed loan from a bank or financial institution, financial management training, winemaking training, source of capital, access to private companies, interest from personal investment, BEE status, transportation cost added to the produce, production litres (2017-2019) and capital access significantly influence the growth in revenue or the market sales growth amongst the Black wine entrepreneurs. This implies that these variables influence the market sales growth's ability to increase or decrease.

The results further indicate that entrepreneurs have social and economic reasons behind their perception of funding models. The results also revealed that gender plays an important role in acquiring financial support. It was found that the females were considered for grant and credit/loan support (26) as compared to males at 21.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides summary of the study and draws conclusions on the main findings of the study. It further evaluates the initial study objectives and hypothesis concerning the results. Lastly, the chapter captures recommendations on the basis of the research findings.

5.2 Summary

The study aimed to assess the existing financing models amongst the Black Wine Entrepreneurs in the South African industry, case of Western Cape. The study had the following objectives:

- To describe the socio-economic characteristics of Black wine entrepreneurs in the Western Cape Province
- To assess the existing financing models amongst the Black wine entrepreneurs in the Western Cape Province
- To describe the trend analysis of market sales growth amongst the Black wine entrepreneurs
- The perception of the Black wine entrepreneurs on the existing financing models
- To determine the factors influencing the market sales growth amongst the Black wine entrepreneurs
- To determine the contribution of the existing financing models to the market sales growth amongst the Black wine entrepreneurs in the Western Cape Province.

Primary data were collected through face-to-face interviews using a structured questionnaire. Some entrepreneurs were sent questionnaires via emails and others participated through an online survey. These data were collected from a sample of

fourty seven Black wine entrepreneurs (N=47). The study used a set of analytic techniques from the statistical package for social science to analyse the data. The descriptive statistical analysis was used to describe the trend analysis in measuring the perception of the Black wine entrepreneurs on the funding models. Furthermore, the Linear Regression model was used to determine the contribution of the existing financing models on the market sales growth amongst the Black wine entrepreneurs in the Western Cape Province. The Linear Regression model was also used to determine the factors influencing the market sales growth amongst the Black wine entrepreneurs.

Data from the sampled 47 Black wine entrepreneurs obtained through questionnaire were analysed using the Linear Regression model where the dependent variable from the first model was the funding model and as the dependent variable in the second model. Several socio-economic variables were used as explanatory variables. The results show that majority of the respondents were females (55,3%) and males at 44,7%. However, the participation of youth was not that encouraging considering that they only constituted 10% of the sampled data compared to 89,3% of the adult population. About 31,9% of the sampled participants had postgraduate qualifications. This minimal but good participation of youth and higher educational background could impede the transformation and sustainability of Black wine entrepreneurs in the Western Cape.

The finding regarding land access indicated that most of the respondents (78,7%) have access to it. However, this land is as short term leases. This means that some entrepreneurs cannot get loans or credit because of issues relating to security by the financial institutions. For governmental grants, they also do not give infrastructural support where there are no lease agreements. This means that even if the entrepreneurs can have land, they will not have agro-processing structures.

Socio-economic factors such as gender of the farmer, educational level, market access, accessed loan from a bank or financial institution, financial management training, winemaking training, source of capital, access to private companies, interest from personal investment , BEE status and capital access showed a significant effect

on the growth in revenue or the market sales growth amongst the Black wine entrepreneurs in the Western Cape.

5.3 Conclusion

The conclusion of the study is based on the hypothesis that was set by the researcher. The research hypothesis is: existing financing models such as statutory levy fund, private donors, credit and government support influence market sales growth amongst the Black wine entrepreneurs in the Western Cape Province. Based on the results of the inferential analysis, some existing financing models were tested for their significance in influencing the ability to grow on market sales.

The descriptive analysis showed that the main reason behind the increase in market sales growth and revenue was due to the support from the existing financial institutions such as the CASP, WOSA , Statutory Levy, Land Bank and SEDA. Therefore, the study concludes that socio-economic reasons are the rationale behind the increase in market sales in the Western Cape.

Based on socio-economic variables such as the gender of the farmer, educational level, market access, accessed loan from a bank or financial institution, financial management training, winemaking training, source of capital, access to private companies, interest from personal investment, BEE status and capital access proved to have a significant effect on the market sales growth. These findings have led to the acceptance of the hypothesis stating that “existing financing models such as statutory levy fund, private donors, credit and government support influence market sales growth amongst the black wine entrepreneurs in the Western Cape Province”. Based on the findings, the study concludes that the existing financing models such as statutory levy, private donors, credit and government support, have a positive significance on the market sales growth. The increase in the wine sales growth will add value in transforming the wine industry and thus, more employment, food security and poverty alleviation through improved income.

5.4 Recommendations

The finding that most entrepreneurs were females is highly commended, especially looking into the policy about empowering women. This means that black women are represented in the Western Cape Wine Industry. The revelation in this study that most Black wine entrepreneurs depend on the transformation levy and government grants should be considered as a matter of concern needing immediate intervention. There should be relaxation of the import barriers laws, licensing fees, marketing cost and extensive training on how to apply for the funding mechanisms and the required documents and obligations. The increase in land ownership, productivity and relaxed importing laws could increase wine sales.

Again, it is a matter of concern that the majority of respondents did not have access to loans and has not been funded by statutory levy income that is meant for transformation within the South African wine industry. SA Wine and Grape Industry Transformation Unit (SAWITU) is the South African wine industry transformation vehicle and a recipient of the industry transformation monies. SAWITU has an enterprise development programme aimed at assisting entrepreneurs to grow and develop their businesses from small enterprises into commercially sustainable enterprises using the transformation levy as one of the funding models within the wine industry. SAWITU support includes funding, infrastructure development, capacity building and creating access to markets. The programmes focus on integration into the full value chain of the wine industry including land and infrastructure. However, SAWITU as an industry body cannot transform the South African wine industry alone but requires additional support from the government and other directly affected groups or role-players within the wine industry such as banks. There is a need of strengthening partnerships and centralising the use of financial resources available to support Black entrepreneurs within the South African wine industry.

Furthermore, this study recommends the collaboration between government and financial institutions such as Land Banks, First National Bank, Absa, Standard Bank and Nedbank as well as the Capitec Bank that are recently interested in supporting agriculture. This collaboration needs to ease the loan or credit acquisition pre-requisite

so that Black entrepreneurs are not excluded and limited in accessing loan funds from these financial institutions. If the issue of financing these entrepreneurs be harmonised, the success of Black entrepreneurs within the South African wine industry will have positive significance to the growth of the economy by job creation, quality production, poverty alleviation, food security and higher sales growth. There are other existing funding mechanisms such as MAFISA and NYDA that farmers should be exposed to and they can be more effective in servicing youth projects in the wine industry.

5.5 Suggestions for future research

The following issues require further investigation:

- The effectiveness of transformation levy funds in empowering smallholder Black entrepreneurs within the South African wine industry. Transformation levy funds are not a common funding model with the South African agricultural sector and there is limited literature on this concept of transformation and statutory levy funds and their utilisation in South Africa.
- Many banks seem to be interested in funding agriculture recently. This could be an opportunity for future researchers to assess the available funding mechanisms/models applied by banks in supporting smallholder business commercialisation in the wine industry.
- Furthermore, there should be research on the identification of factors that need to be considered to improve positive outcomes in the application of funding models.
- There is also a need to investigate the extent to which black wine entrepreneurs invest in their business from the profit generated.
- There should be research on Equity schemes focusing on the Western Cape
- A study on the development of the self-financing model by the wine entrepreneurs or any other agricultural entrepreneurs also needs to be conducted.

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Appendix A: Ethical Clearance Certificate

Ethical Clearance Certificate



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ETHICS APPROVAL LETTER OF STUDY

Based on approval by the Faculty of Natural and Agricultural Sciences Ethics Committee (FNASREC), the Faculty of Natural and Agricultural Sciences Ethics Committee hereby approves your study as indicated below. This implies that the North-West University Senate Committee for Research Ethics (NWU-SCRE) grants its permission that, provided the special conditions specified below are met and pending any other authorisation that may be necessary, the study may be initiated, using the ethics number below.

Study title: Assessing existing Financing Models amongst Black Entrepreneurs in the South African Wine Industry: Case of Western Cape				
Study Leader/Supervisor: Dr M Christian				
Student: BP Ramahlalerwa				
Ethics number:	N	W	U	- 0 1 5 8 5 - 2 0 - A 9
	Institution	Study Number		Year Status
<i>Status: S – Submission; R – Re-Submission; P – Provisional Authorisation; A – Authorisation</i>				
Application type:	Single	Risk Category:	Minimal	
Commencement date:	01/02/2020			
Expiry date:	01/04/2021			
Approval of the study is initially provided for a year, after which continuation of the study is dependent on receipt and review of the annual (or as otherwise stipulated) monitoring report and the concomitant issuing of a letter of continuation.				

Special in process conditions of the research for approval (if applicable):

- The following documentation are archived by FNASREC and should be complete and kept up to date:
 - Research proposal
 - Signed approval from the scientific committee indicating the proposed risk category
- All researchers involved in the study should submit signed NWU code of conduct statements annually.
- All researchers of low risk studies should submit proof of relevant ethics training every two years.
- All researchers that take part in activities that pose a safety and security threat to the researchers or the environment should submit a risk assessment form annually.
- All research involving human interaction should follow best ethical practice and keep documents as proof. This includes informed consent, questionnaires, incorporation of risk-benefit, and responsible data management.
- Any research at governmental or private institutions, permission must still be obtained from relevant authorities and provided to the FNASREC. Ethics approval is required BEFORE approval can be obtained from these authorities.

General conditions:

While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, the following general terms and conditions will apply:

- The study leader/supervisor (principle investigator)/researcher must report in the prescribed format to the FNASREC:
 - annually (or as otherwise requested) on the monitoring of the study, whereby a letter of continuation will be provided, and upon completion of the study; and
 - without any delay in case of any adverse event or incident (or any matter that interrupts sound ethical principles) during the course of the study.
- The approval applies strictly to the proposal as stipulated in the application form. Should any amendments to the proposal be deemed necessary during the course of the study, the study leader/researcher must apply for approval of these amendments at the FNASREC, prior to implementation. Should there be any deviations from the study proposal without the necessary approval of such amendments, the ethics approval is immediately and automatically forfeited.
- Annually a number of studies may be randomly selected for an external audit.
- The date of approval indicates the first date that the study may be started.
- In the interest of ethical responsibility, the NWU-SCRE and FNASREC reserves the right to:
 - request access to any information or data at any time during the course or after completion of the study;
 - to ask further questions, seek additional information, require further modification or monitor the conduct of your research or the informed consent process;
 - withdraw or postpone approval if:
 - any unethical principles or practices of the study are revealed or suspected;
 - it becomes apparent that any relevant information was withheld from the FNASREC or that information has been false or misrepresented;
 - submission of the annual (or otherwise stipulated) monitoring report, the required amendments, or reporting of adverse events or incidents was not done in a timely manner and accurately; and / or
 - new institutional rules, national legislation or international conventions deem it necessary.
- FNAS-REC can be contacted for further information or any report templates via Roelof.Burger@nwu.ac.za 018 299 4869

The FNASREC would like to remain at your service as scientist and researcher, and wishes you well with your study. Please do not hesitate to contact the FNASREC or the NWU-SCRE for any further enquiries or requests for assistance.

Yours sincerely,



Prof Roelof Burger

Chairperson Faculty of Natural and Agricultural Sciences Ethics Committee (FNASREC)

Appendix B: Questionnaire

Questionnaire



FACULTY OF NATURAL AND AGRICULTURAL SCIENCES

SCHOOL OF AGRICULTURAL SCIENCE

MASTER OF SCIENCE IN AGRICULTURAL ECONOMICS

Purpose of the questionnaire is to collect data that would help in assessing the influence of existing financing models on the growth of market sales in the wine industry. A case of Black Entrepreneurs in the Western Cape, South Africa

Researcher: BOROLELO RAMAHLALERWA

Tel (work): 0272013515

Mobile: 0725585055

E-mail: bramahlalerwa7@gmail.com

Questionnaire No:

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SECTION A: DEMOGRAPHIC INFORMATION

Area/location of business/project: _____

Local Municipality: _____

District Municipality: _____

Date of interview: _____

Instructions: Mark the appropriate block with an X or write your answer in the provided space where applicable.

1. Gender: Male/Female	2. Age: <35	35-40	41-50	51-60	61>
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3. Highest educational qualification obtained	< Grade11	Grade 12	College or Technicon	University degree	Postgraduate qualification
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SECTION B: WINE PRODUCTION AND MARKETING INFORMATION

4. How long have you been in wine grape production/entrepreneurship?	Less than 5 years	More than 5 years, but less than 10 years	More than 10 years, but less than 20 years	More than 20 years
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5. What are the main objectives of the owner or the shareholder?	Resource productivity	Staying productive	Excellent customer service	Others
5.1. If other, please state:				

6. Is the owner the final decision maker of the business?	Yes	No
6.1. If no, who else makes the decisions?		

7. What is the main source of capital for the business?	Farm	Non-farm
7.1. Is the source local or international?	local	international

8.1 Do you receive business mentorship?									Have mentor	No mentor
8.2. What is the BEE status of your business?										
Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Non-complaint	Have no idea	

9. Are you involved in grapes production at farm level?									Yes	No
9.1. If no, how do you get the grapes for wine production?										
9.2. If yes, specify your cost per annum and average income:										
9.3. Are the grapes of same variety?									Yes	No
9.4. Please indicate your varieties										
Red grape varieties					White grape varieties					
Cabernet Sauvignon			Yes	No	Chenin blanc			Yes	No	
Shiraz			Yes	No	Colombar(d)			Yes	No	

Pinotage	Yes	No	Sauvignon blanc	Yes	No
Merlot	Yes	No	Chardonnay	Yes	No
Ruby Cabernet	Yes	No	Muscat d'Alexandrie	Yes	No
Cinsaut	Yes	No	Semillon	Yes	No
Pinot noir	Yes	No	Muscat blanc	Yes	No
Cabernet Franc	Yes	No	Viognier	Yes	No
Other	Yes	No	Other	Yes	No

10. Wine sale growth for average years 2017-2019			
Production Volumes	Quantity Sold(L)	Price per Litre	Revenue(Price*Quantity)

11. Do you have access to market	Not guaranteed	Guaranteed
11.1. If guaranteed, how is the transaction situation?		
supply to clients	they come to buy	both
11.2. If you supply to the clients, what is the average distance from your business?		
11.3. Which mode of transport do you use?		
11.4. Have you ever participated in the international market?	Yes	No
11.5. Do you add transportation cost to the value of your produce to share such cost?	Yes	No

12. Do you have access to financial support	Have access	No access
12.1. If you have access, please indicate which of the following are applicable	Yes	No
Local/Government departments	Yes	No
Private companies	Yes	No
External institutions such as banks	Yes	No
Transformation levy budget	Yes	No
Credit Input purchases	Yes	No
Donation from input suppliers	Yes	No
International fund or donation	Yes	No
Other:		

Other:	
13. Do you have access to wine production and marketing training?	Yes No
13.1. If yes, please indicate which of the following have you received :	
Winemaking	Yes No Other:
Basic pruning principles (short, half-long bearer and Guyot systems)	Yes No
Maintenance of pruning shears	Yes No

Prevention of trunk diseases	Yes	No	
Correct planting techniques of young vines	Yes	No	
Young vine development	Yes	No	
Financial management	Yes	No	

14. What are the main financial challenges that you face being a black wine entrepreneur?.....

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15. How do you think government or NGOs can assist to deal with such challenges?.....

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Thank you for your time and cooperation!

Appendix C: Time Frame

Time frame

ACTIVITY/PHASE	DURATION	RESOURCES REQUIRED
1. Submission of the first research proposal draft and addressing supervisor comments	March 2020 to April 2020	Computer
2. Final/Second Draft research proposal and Addressing the comments from the supervisor were necessary	April to May 2020	Computer
3. Final Research Proposal Presentation	July 2020	Computer
4. Submission of Ethical Clearance	August to September 2020	Computer
5. Collection of Data	October to November 2020	Computer and Vehicle
6. Data Analysis	December 2020 to February 2021	Computer
7. First Draft Dissertation and Submission	March 2021 to April 2021	Computer
8. Final Thesis Submission and Language Editing	May to June 2021	Computer

Source: Own 2020

Appendix D: Budget

Budget

<i>Activities</i>	<i>Item</i>	<i>Quantity</i>	<i>Unit cost</i>	<i>Total</i>
Travel	Travel to the research site (≈450km/ single journey)	8 trips	R3.24/km	R11 664
Accommodation	Accommodation at research site x 2 research assistants	5 days	R800	R8 000
Administration	Stationery :Bond papers	13 rims	R45	R 585
	Printing(drafts, questionnaires and final copies),	1100 pages	R2.50/copy	R2 750
Data Collection	Research assistants	2 assistants x 8hrs/ day for 10 days	R30/ hr.	R4 800
Data analysis	Data cleaning, coding and capturing	2 assistants x 8hrs/day for 10days	R30/hr.	R4 800
	Proofreading of final copy	110 pages	R25 /page	R2 750
	Binding of the final report	6	R250.00	R1 500
	Contingency			R420
Airtime and Data				R2 000
TOTAL				R44 069

Source: Own 2020