Constraints of young prospective tourism entrepreneurs in the semi-rural areas in KwaZulu-Natal

Kwethemba Good-present Mbele,
Department of Finance and Information Management
Durban University of Technology, South Africa
Email: kwethemba@mbele.dut.ac.za

Celani John Nyide,
Department of Finance and Information Management
Durban University of Technology, South Africa
ORCID ID: https://orcid.org/0000-0003-2883-0092
E-mail: nyidec@dut.ac.za

Abstract

Tourism is increasingly regarded as a potential catalyst for rural economic development. As it stands, the global economic situation and the progress of youth entrepreneurship in developing economies are leaving a lot to be desired. Cultural diversity, level of education, dire market standards, and grim socio-political environments are some of the factors that should be taken into consideration when aiming to create an enabling setting that will open tourism entrepreneurship opportunities for a developing country like South Africa. This study’s objectives are the investigation of the limitations that prevent young people from pursuing tourism entrepreneurial activities in a semi-rural area. This research was conducted in the Umdoni Local Municipal area, a semi-rural area in KwaZulu-Natal, South Africa. A sample size of 126 respondents from the selected semi-rural area was selected to participate in this study. This was achieved using a snowball sampling technique and the results were analysed using Statistical Package for Social Sciences. The study highlights that inability to secure financial support is one of the primary constraints for the setting-up of a new business. The study also found that youth support structures, such as National Youth Development Agency and the Department of Trade and Industry, that should stimulate and develop tourism entrepreneurship for the youth in the Umdoni Local Municipality area, are not accessible. This research recommends that finance for youth entrepreneurship initiatives in the tourism sector be introduced by financial institutions and access should not be tortuous. Government policies should be examined in terms of their effectiveness on entrepreneurship establishment, as well as their regulatory burden on new start-ups.

Keywords: Developing economy, entrepreneurship constraints, tourism entrepreneurship development, semi-rural areas

Introduction and background

Developing and developed countries have recognised the role and significance of entrepreneurship in creating employment and enhancing economic development. Tourism entrepreneurship is viewed as a considerable feature of rural economic development (Bosworth & Farrell, 2011). As such, Iversen and Jacobsen (2016) point out that there is a considerable amount of reported cases of travel-stimulated entrepreneurial migration to rural areas. However, the challenge is that many established businesses in Africa operate in an unfavourable policy and regulatory environment which also affect the new businesses as they have to comply with the same policy and regulatory environment (Jones, Maas, Dobson, Newbery, Agyapong, & Matlay, 2018). African countries have barriers in accessing credit for their established businesses, lack appropriate marketplace for their goods, use outmoded technology, lack acceptable working places, and have no business training facilities designed to meet their requirements (Okpara, 2011). Experience has indicated that the key to enabling an effective youth entrepreneurship development is a joining of factors linked to entrepreneurship development, such as access to financial assistance, corruption and crime.
elimination, infrastructure development, and the availability of business role models (Afolabi, Odebumi & Ayo-Oyebiyi, 2014); along with adequate entrepreneurship training and education, an enabling environment for business development, and the necessary support from public and private sectors (Olalwala & Garwe, 2011; Afrifa, 2013). The South African situation is the same and there is a wanton lack of tourism entrepreneurial activity. Young South Africans have an significant role to play in South Africa’s tourism industry. Government programmes are now seeking to assist the youth to develop their own tourism businesses. Tourism offers good prospects for entrepreneurship. For one, the low barriers to entry, make it conceivable for new participants, principally women and the youth, to get into a tourism business.

Faruk and Atobatele (2018) posit that young people engaging in entrepreneurial activities can be a very important source of business innovation and economic growth, and can also enable the country to enjoy an encouraging business environment. Therefore, focusing on rural or semi-rural areas that contain good entrepreneurial talent and on creating skills for young, prospective tourism entrepreneurs can definitely have a positive impact of minimising the challenge of high unemployment the country is experiencing (Cant & Wild, 2013). One of the major challenges in the developing countries is that young people from rural or semi-rural areas migrate to the cities in search for job opportunities (Tang, 2012) and this phenomenon is not new (Dorosh & Thurlow, 2014). This challenge places great stress on cities, particularly in countries like South Africa (De Brauw, Mueller & Lee, 2014). Literature asserts that the environment has to be conducive for young people to develop their entrepreneurial talent and skills, within their semi-rural or rural areas (Nagler & Naudé, 2016), since this has the potential to delay a major exodus of young people from such areas (Stull, Bell & Ncwadi, 2016). Currently, youth in rural areas encounter several challenges with respect to accessibility and availability of services and facilities that sharpen their entrepreneurial acumen (Brixiová, Ncube & Bicaba, 2015). According to the Singh and Bhowmick (2015), these challenges constrain innovation and hamper entrepreneurial opportunities in rural and semi-rural settings.

The main aim of this study is to explore inhibiting factors affecting young, prospective tourism entrepreneurs in the semi-rural areas. In order to address the main aim of this study, the following objectives have been formulated:

- To identify the constraints for the development of youth tourism entrepreneurship in the semi-rural areas.
- To establish the level of young prospective tourism entrepreneurs’ exposure to entrepreneurial training and development in the semi-rural areas.

**Literature Review**

**The current state of tourism entrepreneurship in rural South Africa**

The key to operative tourism entrepreneurship development is a joining of factors applicable to entrepreneurship development. These include access to financial assistance, corruption and crime elimination, infrastructure development, and availability of business role models, along with adequate entrepreneurship training and education, an enabling environment for business development, and necessary support from public and private sectors (Okpara & Kabongo 2009; George, Corbishley, Khayesi, Haas, & Tihanyi, 2016; Faruk & Atobatele, 2018). In South Africa, as is true for most developing nations, there is a lack of established rural tourism entrepreneurs (Jones et al., 2018), hence the absence of entrepreneurial activity in rural areas in a developing economy (Iversen and Jacobsen, 2016). This results in low rates of innovation, unused profit opportunities and risk-averse attitudes (Lombard, 2014; Nagler & Naudé, 2016). Sustainable growth can create more opportunities for black people, especially those residing in rural areas, and for women, the youth and also for people living with
disabilities. Tourism ventures can help lead the country in its needed economic and social transformation drives.

The South African economy does not have sufficient people who have the inspiration and abilities to establish tourism entrepreneurial activities and this has led to the poor performance of the state economy which is a result of the fact that only a limited number of people grow as prosperous tourism entrepreneurs (Malebana, 2014). Black South Africans would prefer the security of a full-time job rather than the risk of generating an income from establishing their own business (Isaacs, Visser, Friedrich, & Brijlal 2007; Ngorora & Mago, 2013). Prospective entrepreneurs in South Africa are faced with various factors inhibiting the pursuit of entrepreneurial activities. Literature maintains that these factors point to lack of business role models at community level and a poor enabling business environment, which at times, requires an exercise of much documentation filling, in order to start a business (De Brauw et al., 2014; Fatoki, 2014; Singh & Bhowmick, 2015).

The number of youth in South Africa who trust they have the abilities to establish entrepreneurial activities has been shown by the 2005 Global Entrepreneurship Monitoring (GEM) report as significantly lower than that of other emerging nations (Von Broembsen, Wood & Herrington 2005). Hikido (2018) assert that nothing has changed drastically to avert the situation. The author maintains that young people in South Africa need to be provided with opportunities that enable them to contribute towards the economic development. They need to be able contemplate self-employment as a pathway to self-empowerment, rather than looking for wage employment (Hikido, 2018).

Youth Entrepreneurship

There is no commonly agreed definition of the term youth entrepreneurship in the literature yet. For that reason, the definition of youth entrepreneurship differs because of the opinion of different people (Steenekamp, 2013). For the purpose of this research, youth entrepreneurship is about ensuring that, from a relatively early age, young people are instilled with ideas and values to develop their own businesses, with the financial support of grooming them, to establish sustainable and successful business activities (Dzomonda & Fatoki, 2019). In addition, it refers to young men and women aged between 18 and 35 years who are able to enter into a business contract independently without consent of the next of kin (Dzomonda & Fatoki, 2019).

Youth entrepreneurship has an imperative part to play in South Africa’s efforts to inspire an entrepreneurship environment contributing to maintainable growth and development, as well as economic and social prosperity. Given the large number of unemployed young people in South Africa, a very plausible way is entrepreneurship development (Brijlal, 2011). This has the potential to see a large number of young people integrated into the South African economy, by developing skills that can be transformed into a meaningful living (Brijlal, 2011). The tourism department launched a new Enterprise Development Programme which delivers incubators to small businesses at strategic tourism nodes. It also created a tourism information portal as a conduit for information gap between entrepreneurs and business opportunities. In addition, business development and market access support has been offered to hundreds of enterprises countrywide. Youth entrepreneurship is not merely a job creation device opportunity or a means of addressing social exclusion, but Meyer and Synodinos (2019) hold that an enabling entrepreneurship environment can also act as a channel that prepares youth with knowledge that will empower them to actively contribute in their communities, in turn, contributing towards a stronger civil society. Entrepreneurship as a career choice is a lifetime goal and not a decision taken in seclusion, even though certain aspects can affect the decision to become an entrepreneur (Beeka & Rimmington, 2011).


Entrepreneurship Constraints

Lots of fledgling entrepreneurs turn out to be risk averse because of their social environment, hence a favourable environment to entrepreneurship encourages the establishment of young entrepreneurs (Radebe, 2019). The location itself does not provide safety and stability of the entrepreneur (Nagler & Naudé, 2016). However, Chimucheka (2012) indicates that the unbalanced and unpredictable political and economic environment are factors that cause an additional influence discouraging youths to start and develop their own entrepreneurial activities. Young people in entrepreneurship but working in the semi-rural areas, point out that poor business environment is a big challenge because it affects the sales and the performance of their businesses (Chimucheka, 2012). Inadequate demand for the goods and services offered on the marketplace by the majority of young people, together with high production costs are also stated as an obstacle for youth entrepreneurship in semi-rural areas (Nagler & Naudé, 2016).

Ladzani, Nieuwenhuizen and Nhlapo (2011) point out that neither provincial nor local government bother with the reconstruction of roads and dams, which would attract entrepreneurial activities in the rural areas. Apart from the roads not being well kept, there is a shortage of water reserves and in turn that discourages investors, since water is an important resource in businesses (Hilson, 2016). Lack of infrastructural developments in rural areas exacerbates unemployment and hinders rural entrepreneurship. A typical example is a study conducted by Ladzani et al. (2011) which established that young prospective entrepreneurs in semi-rural areas assert that although national government is trying to promote entrepreneurship, provincial and local government are not doing much to promote entrepreneurship. As such, young aspiring entrepreneurs apportion blame the provincial and local government, for not supporting small business development initiatives. Chimucheka (2012) adds that even though there are support structures in place that encourage youth entrepreneurship, there is still a need to evaluate the level to which their contribution can lead to sustainable entrepreneurship, which generates jobs for the active population.

Young people in semi-rural locations are not short on desire or tenacity to engage in entrepreneurship, they are, however, short on financial support (Lombard, 2014; Faruk & Atobatele, 2018). Access to finance is significant for all individuals to attain their business objectives, mainly for start-ups and businesses that seek out to invest and grow (Bosire & Nzaramba, 2013). This is observed as one of the foremost obstacles for young people to establish their own entrepreneurial activities (Radebe, 2019). The limitation of sufficient financial support is the most imperative obstacle, more so than administrative hurdles or uncertain investments, and entrepreneurs face complications to access funds because of a lack of resources, lack of substantial credit history, and acceptable security to obtain loans (Radebe, 2019; Bosire & Nzambara, 2013; Brixiová et al., 2015; Uddin, Chowdhury & Ullah, 2015).

Research Methodology

A quantitative research method was used as a point of departure in this study. This was guided by the aim of this study which was to establish factors affecting young, prospective entrepreneurs in the selected semi-rural municipal area. A non-probability sampling method was used in this research study, following the snowball sampling technique and a sample size of 126 participants was established. The Statistical Package for Social Sciences (SPSS) was used to interpret the responses. The reliability of the questionnaire was evaluated based on the Cronbach’s Coefficient Alpha as this measure has the most utility for rating scales. The Cronbach’s Coefficient Alpha coefficient for the rating scales used in the questionnaire was 0.791 which is shown in Table 1.
Table 1. Reliability Statistics using Cronbach's Coefficient Alpha

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.791</td>
<td>0.721</td>
<td>7</td>
</tr>
</tbody>
</table>

A coefficient of 0.791 indicates that internal consistencies of the scale items have been satisfied and that the questionnaire was reliable. The data can therefore be used confidently for analysis and interpretation.

Research Findings

Figure 1. Biographical information

Although the intention of this study is to treat prospective youth entrepreneurship as a collective and not so much by their age and gender, in this study some information is provided to see if there were any particular differences between the age categories and gender. Figure 1 shows that in respect of gender, participants of this study are composed of 56.7 percent males and 43.3 percent females. As far as the age factor is concerned, the group between 20 – 24 years makes up 41.7 percent of the respondents, while the age group between 25 – 29 years of age accounts for 27.5 percent, with the 14 – 19 years of age group at 15.8 percent, and slightly less at 15.0 percent, for the age group between 30 – 35 years of age.

With regards to the question of employment, 40.0 percent of the youth indicated that they are unemployed, 27.5 percent is employed, 20.8 percent is still studying, 10.8 percent is self-employed, and 0.8 percent did not specify their status. Given the small percentage of self-employed, it does point to the possibility that entrepreneurship could be the answer to South Africa’s unemployment levels, provided that adequate support and assistance is given to those
unemployed. This view is reinforced by Mahadea et al. (2011: 67) who state that, “young people need to be able to contemplate self-employment as a path to self-empowerment, rather than looking for wage employment”.

In respect of education levels, the results show that 46.7 percent of the respondents indicated having grade 12 certificates, 22.5 percent have achieved grade 1 – 11, 18.3 percent obtained a diploma/degree, while 10.8 percent indicated having a postgraduate degree, and 1.7 percent did not specify their level of education.

Table 2. Responses on Survey Questions

<table>
<thead>
<tr>
<th>Survey Questions</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 I can develop a small business plan.</td>
<td>13.4</td>
<td>20.0</td>
<td>65.9</td>
</tr>
<tr>
<td>1.2 Learners were encouraged by teachers to engage in entrepreneurial activities.</td>
<td>7.5</td>
<td>16.7</td>
<td>75.8</td>
</tr>
<tr>
<td>1.3 Support and assistance from the local municipality has made it easy to open a tourism business in my area.</td>
<td>71.7</td>
<td>15.8</td>
<td>12.5</td>
</tr>
<tr>
<td>1.4 Tourism business information and assistance are easily available for young entrepreneurs from various government and private agencies.</td>
<td>38.3</td>
<td>36.7</td>
<td>25</td>
</tr>
<tr>
<td>1.5 I have attended entrepreneurship training.</td>
<td>73.4</td>
<td>6.7</td>
<td>16.7</td>
</tr>
<tr>
<td>1.6 Financial assistance is available to young people to start a business in Umdoni local Municipal area.</td>
<td>62.5</td>
<td>24.2</td>
<td>10.8</td>
</tr>
<tr>
<td>1.7 Environmental factors like crime prevent young people from opening businesses.</td>
<td>20.9</td>
<td>10.0</td>
<td>68.3</td>
</tr>
</tbody>
</table>

Discussion of results

The study participants were asked to indicate whether support and assistance from the Local Municipality has made it easy to open businesses in the area (Table 2). The results of this survey point out that the levels of knowledge and information found in the semi-rural areas, regarding possible assistance by Local Government and other agencies to prospective entrepreneurs, are rather weak. A significant percentage (71.7) of respondents indicated that they do not know of sources of support and assistance being provided by the local Municipality that could be of assistance to them in pursuing entrepreneurial activities. A further 15.8 percent of the respondents were unsure about this assistance. According to Faruk and Atobatele (2018), the sources of assistance for individuals play a vital role in the entrepreneurship development process.

These results do suggest that, while the youth may largely be interested in becoming entrepreneurs, there is a lack of sources of support and assistance that can stimulate entrepreneurship development in the area surveyed. One conclusion that could be reached, is that the respondents might lack the ability or the know-how to network with relevant officials from the local Municipality, whom could possibly provide the appropriate relevant information on sources of support and assistance for entrepreneurial activities. A similar study indicated that only 16.6 percent of 96 respondents had complete knowledge of sources of support and assistance provided by local government and government-related organisations or agencies (Faruk & Atobatele, 2018).
Table 1 also shows that the respondents were asked if factors, such as crime, prevent them from opening businesses. Only 20.9 percent indicated that it does not prevent them and 63.8 percent agreed and strongly agreed that it does prevent them from opening businesses. It can be assumed that the high unemployment rate in local communities tends to influence young and adult people to engage in criminal activities, such as theft and burglary, which in turn has an impact on the development of entrepreneurial activities, as well as inhibiting the community entrepreneurial spirit and culture.

A study conducted by Ladzani et al. (2011) shows 25 percent of the respondents mentioning crime as escalating, thus affecting the success of business in semi-rural areas. In addition, one respondent disclosed that the escalating crime is caused by unemployment, as people do crime to obtain food for themselves. One solution to strengthening entrepreneurial activities is for the legal system to be more effective, so that illegal cases against established businesses can be dealt with promptly. There is also a need for a well-publicised campaign against criminality. Effective and improved policing is necessary, with quick response times.

In respect of financial assistance in the selected municipal area (Table 1), 10.8 percent of respondents indicated that financial assistance is available, while 62.5 percent strongly disagreed/disagreed that financial assistance is available to start business activities in the area. This view is line with a study conducted by Okpara and Kabongo (2009), where results confirm assisting entrepreneurs financially is a constraint in terms of supporting entrepreneurial activities. The success of entrepreneurial activities is dependent on the availability and accessibility to finance; the requirements of collateral by banks as means of securing a loan, makes it difficult or rather restricts the borrowing of money from financial institutions which is one of the major reasons for lack of financial assistance. Hence, it may be concluded that it is a lot more challenging for young people in semi-rural areas to raise capital for businesses, where poverty levels continue to be higher than in urban areas.

When the availability and accessibility of information for prospective entrepreneurs is considered as per Table 1, 25 percent of the respondents indicated that they had complete knowledge of various government and private agencies, however, 38.3 percent strongly disagreed/disagreed, with 36.7 percent being unsure about their level of knowledge, concerning various government and private agencies supporting such endeavours.

A study conducted by Chimucheka (2012), indicates that, insufficient and unreliable entrepreneurship information being provided by government is said to be another obstacle to youth entrepreneurship. Close to 50 percent of the respondents specified that the government fails to provide entrepreneurship information to young people in local communities. Respondents emphasised that the government, instead, encourages young people to partake in other government programmes, such as indigenisation and black empowerment, as opposed to encouraging youth entrepreneurship.

Government can perhaps consider the recognition of youth entrepreneurship in local communities, if youth in rural, township, and urban areas are encouraged to ‘get out of their comfort zones’ and make it a priority to visit those government departments that deal with entrepreneurship programmes. This will certainly assist these youths in obtaining the necessary entrepreneurship information and opportunities available for entrepreneurial activities.

Training and education remains an important factor in assisting to stimulate entrepreneurship development in local communities. When respondents were asked whether they have attended entrepreneurial training courses, only 16.7 percent (Table 1) indicated that they have attended, while 73.4 percent strongly disagreed/disagreed, with 6.7 percent being unsure. In
their findings, Ladhani et al. (2011) indicate that 10 percent of 20 respondents indicated they had attended entrepreneurial training; the study was conducted in the semi-rural area. The authors further go on to describe the content that entrepreneurial training should include, which is comprised of creativity and innovation, risk-propensity, a need for achievement, leadership, and the ability to inspire others. Herrington, Kew, Kew, and Monitor (2010) state that, a lack of entrepreneurial training is considered as one of the major constraints of entrepreneurship development.

Since few respondents (16.7 percent) had attended entrepreneurial training in the studied area, this points to a real opportunity to be addressed. However, it does require training providers that are also qualified and well-trained in different facets of entrepreneurship and business start-ups, as the training would need to include self-assessment, new business idea generation, screening of business opportunities, and drafting of business plans, along with how-to start and grow a business enterprise.

The drafting of a business plan is a critical beginning step for prospective entrepreneurs. The respondents’ exposure to drafting of a business plan (Table 1) is indicated by 13.4 percent that strongly disagreed/disagreed that they can develop a small business plan, while 20 percent was unsure. The majority of respondents (65.9 percent) who indicated that they can develop a business plan, pointed out that school education helped them to acquire the necessary skills needed to formulate a business plan. Respondents were also asked about exposure to entrepreneurship at school and whether teachers encouraged them to engage in entrepreneurial activities (Table 1). The foundation for entrepreneurial zest comes from a schooling or home environment, where there is greater exposure to the choices for careers, including becoming a business person. A large percentage (75.8 percent) of the respondents strongly agreed/agreed that they were exposed to entrepreneurship at school, while 7.5 percent indicated that they were not, with 16.7 percent being unsure.

Uddin et al. (2015) state that school education is an important aspect that assists young people in building of entrepreneurial knowledge, abilities, behaviours, and perception, to cope with changes, the consideration of entrepreneurship as a career option. Education provides learning of those qualities, skills, and features to young people that will benefit them to be creative, adaptive, and proactive, to identify and assess business opportunities, and to manage resources. Entrepreneurship education is found to have a substantial influence on risk-taking, starting new business, and the probability of self-employment. Moreover, there is better chance of success for entrepreneurship graduates than those graduates who did not study entrepreneurship.

Limitations

The following limitations were identified:

- The study focused on young, prospective tourism entrepreneurs in a particular geographic area and the results can therefore neither be regarded to be representative of all young, prospective entrepreneurs in the semi-rural areas in South Africa.
- The study did not involve stakeholders such as local businesses, non-profit organisations, and other relevant Government departments.

Recommendations

An access to private institutions, such as banks and other financial institutions, should be made flexible. It is also recommended that youth tourism entrepreneurship finance initiatives be introduced by financial institutions and access should not be tortuous. Government policies should be examined in terms of their effectiveness on tourism entrepreneurship establishment,
as well as their regulatory burden on new start-ups. The school education should serve as a main contributor in preparing young people with entrepreneurial and management skills.

A forum constituted by both the Local Government and businesses in the community, where its primary role is to investigate all issues that need to be dealt with for entrepreneurship development in local communities, this would include issues, such as attracting investment, establishing and maintaining infrastructure and curbing crime. This forum must be granted the power to make all decisions that would enable it to collate all expertise and resources that could be used for the economic benefit of in that area. The forum could also consider all business opportunities that need to be focused on in the area, business retention and expansion, trade promotion, as well as lending and assisting a new business with funding.

Organisations, such as Khula and the SEDA, should vigorously promote their services to people in local communities, rural areas in particular. They should have road shows, radio talk shows and agents who would cover every ward of the community, by disseminating significant information for entrepreneurship development. Business role models play a significant role of eliminating one of the stumbling blocks in the process of new business establishment because they assist to identify business success or sustainability and encourage the next stage of shaping and establishing the business idea and also recognising the right opportunity.

Recommendations for future research

This research was only limited to the Umdoni Local Municipal area, therefore, further researcher could also include young, prospective entrepreneurs from other Municipalities in the province of Kwa-Zulu Natal, nationally and abroad. Future research needs to also explore motivations for rural tourism entrepreneurship amongst the youth.

Conclusion

We cannot act oblivious to the fact that promotion of youth tourism entrepreneurship in semi-rural areas is a field that requires public-private partnership and collaboration. Therefore, bringing various partners closer together on a national, regional and local level may be of assistance in unshackling red tape for youth tourism entrepreneurship development in rural areas. Potential nascent entrepreneurs need to be able to identify role models, where they come from and how they were successful. An environment conducive to entrepreneurship assists in fostering the creation of business people because many entrepreneurs become risk averse, due to their unconducive social environment. For an environment to be conducive, safety and security are involved, as this is imperative for the firmness and sustainability of business activities taking place in the area. Youth entrepreneurship has an important role to play in South Africa’s exertions to stimulate an entrepreneurship environment contributing to sustainable growth and development, as well as economic and social prosperity. Given the huge number of unemployed young people in South Africa, a conceivable way is via the route of entrepreneurship development. This will serve the needed purpose of integrating a large number of young people into the South African economy. Thus it is essential to develop the skills of the youth so that their endeavours can add to transformation of society.

References


