

**Factors that limit the long-term survival and development of
micro and survivalist enterprises of a selected informal sector
in Durban, KwaZulu-Natal (KZN)**

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DECLARATION

I, **Maud Victoria Hutchinson**, hereby declare that the work in this dissertation is my own work and findings, except where otherwise stated. As far as I know and can ascertain, no other similar dissertation/thesis exists and all references have been accurately reported to the best of my ability.

Maud Victoria Hutchinson

Date

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DEDICATION

- It is my great honour to dedicate this dissertation to my dear parents who sacrificed all they had so that I could have an education.

ABSTRACT

This study explores the factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector in Durban, KwaZulu-Natal (KZN). Micro and survivalist enterprises play an important role in the South African economy, but despite their significance, several studies have shown that these enterprises fail within their first five years. The high failure rate is partially attributed to lack of support from external sources of support as well as the enterprises' own internal weaknesses.

The study was descriptive, exploratory and quantitative in nature. Questionnaires were used to gather data. The questionnaires were personally distributed at the business sites of the respondents. The respondents consisted of 108 micro and survivalist enterprises of a selected informal sector in Durban, who were selected by means of a non-probability sampling method.

The results obtained identified a number of limiting factors for the selected informal enterprises' long-term survival and development. The limiting factors, that are internal to the businesses, included: poor planning, lack of networking, insufficient business experience, poor pricing knowledge, managerial and business knowledge incompetence and lack of literacy, education and training. Those that are external to the businesses comprised of inadequate knowledge in terms of the institutional and supportive environment. Few respondents knew about financial and non-financial services and access to training and development programmes provided by government, semi-government and other institutions. As a result, recommendations to increase awareness of the different incentives available to micro and survivalist enterprises have been set.

Key words: Small, medium and micro enterprises (SMMEs), survivalist enterprises, informal economy, internal and external factors, long-term survival and development.

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ACRONYMS

%	Percentages
DTI	Department of Trade and Industry
FET	Further Education and Training
GEM	Global Entrepreneurship Monitor
ILO	International Labour Office
KZN	KwaZulu-Natal
Q	Question
SEC	Section
SMMEs	Small medium and micro enterprises
SPSS	Statistical Package for Social Sciences
TEA	Total early stage entrepreneurial activity
VAT	Value added tax
VSMEs	Very small and micro enterprises

CHAPTER ONE

OVERVIEW OF THE STUDY

1.1 INTRODUCTION

The factors that limit the long-term survival and subsequent development of micro and survivalist enterprises are explored in this study. The area selected for this study comprises of the informal sector in Durban, Kwa-Zulu Natal (KZN). In this chapter, the background to the research will be examined, leading to the problem statement. The aims and objectives of the study will be expanded, and the scope and delimitations of the study will be presented with the limitations placed on the study by the researcher. The research methodology, including validity and reliability, will be highlighted, together with the ethical issues, definition of key terms and the structure of the dissertation.

1.2 BACKGROUND OF THE RESEARCH

Various authors comment on the importance of informal micro and survivalist enterprises, including government policies and reports. The general consensus is that these enterprises are the backbone of many economies across the globe and that they improve the socio-economic conditions of a country. According to La Porta and Shleifer (2008), informal micro enterprises provide, on average, half of all economic activity in developing countries. This finding is in accordance with the 2009 estimates that show an overwhelming 74 percent of South Africans active in the economy were employed by small, medium and micro enterprises (SMMEs), with a contribution of 39 percent to the national output (The Business Place 2009).

In this view, McGrath (2005:1) brings to light the fact that very small and micro enterprises (VSMEs) in South Africa are seen as an important generator of employment and of poverty alleviation, as increasing numbers are likely to find

their future work in smaller and informal enterprises. Similarly, Devey, Skinner and Valodia (n.d.:234) maintain that the South African government sees the small business sector as the panacea for the country's employment and growth problems.

Despite the heightened relevance of micro and survivalist enterprises worldwide, this sector faces many obstacles that limit their long-term survival and development. The Durban Chamber of Commerce and Industry (2009) avers that 90 percent of these businesses do not survive beyond the first five years. Von Broembsen, Wood and Herrington (2005) affirm that, in South Africa, the possibility of a new small and medium enterprise surviving beyond 42 months is less likely than in any other Global Entrepreneurship Monitor (GEM) sampled country. Likewise, Simrie, Herrington, Kew and Turton (2011:26) also reported that only 2.3 percent of South African-owned businesses have been in existence for over 3.5 years, with South Africa ranked 41st out of 43 countries in the survival rate for established owner-managed business (Herrington, Kew and Kew 2008:4). It is further estimated that the South African economy lost more than R68 million over the period 1997 to 2000 as a result of the failure of 117246 small businesses (Streek 2001, cited in Van Eeden, Viviers and Venter 2003).

Given the poor sustainability of SMMEs in South Africa, it becomes vital to research the factors that limit the long-term survival and development of micro and survivalist enterprises in the informal economy. A significant contribution to the enhancement of the survival potential of micro and survivalist enterprises will be made through the understanding of these factors.

1.3 PROBLEM STATEMENT

According to Statistics South Africa's First Quarterly report (2012), entrepreneurship in the informal sector in South Africa is stagnant and, in some

areas, is falling. Informal sector employment remains volatile, with three successive quarterly declines observed since the third quarter of 2011.

From the comments made in the background explanation above and the contribution made to the South African economy, the following problem statement has been refined.

The question addressed in this study is, “What are the factors that limit the long-term survival and development of micro and survivalist enterprises in the informal economy?”

1.4 OBJECTIVES OF THE STUDY

The purpose of the study is to explore the factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector in Durban, KZN. Exploration is necessary to identify gaps in business knowledge and also promote the sustainability of informal enterprises.

In support of the main objective, the following underlying objectives are addressed:

- To establish and analyse the internal factors limiting the long-term survival and development of micro and survivalist enterprises of a selected informal sector; and
- To establish and analyse the external factors limiting the long-term survival and development of micro and survivalist enterprises of a selected informal sector.

1.5 THE SCOPE AND DELIMITATIONS OF THE STUDY

The study was conducted in the city of Durban, South Africa. It focused on micro and survivalist enterprises at the Early Morning Market. The geographical area

for the study is situated within the Warwick Triangle which is located in the eThekweni Metropolitan area, in the province of KZN. It is the entry point for commuters to the city centre and for traders who want to interact with buyers. It is also the transport hub of the city with many buses, taxis and trains entering and leaving the city.

Owing to time and cost constraints, the study was confined to the Early Morning Market informal settlement only. The study did not incorporate other informal sectors. Therefore, the results of the study cannot be generalised to all informal settlements in KZN or in the whole of South Africa. The results also cannot be taken to represent small and medium enterprises, but could be used as guidelines for sustaining micro and survivalist enterprises.

Not all factors that could limit the long-term survival and development of micro and survivalist enterprises were included in the study. The study only drew on micro and survivalist enterprises of the Early Morning Market and their characteristics in terms of the factors that limit the long-term survival and development in the selected informal sector.

1.6 LIMITATIONS OF THE STUDY

Although the research was carefully prepared, the study had a few limitations. Most of the respondents were not English speaking, therefore, the questions had to be interpreted in isiZulu. Another limitation was that some respondents were unable to read and write, and assistance had to be provided in order to complete the questionnaires.

The inferential analysis was a further limitation, the counts in some cells were too small (less than five), therefore, certain categories were eliminated, in other cases categories have been combined to ensure that results are valid. This

resulted in the chi-square tests not being able to be performed for all the variables in the study.

1.7 METHODOLOGY

The methodology covers the population, sample, nature of the research and validity and reliability of the study.

1.7.1 Population

The target population consisted of 150 male and female respondents who are business owners trading at the Early Morning Market. They own and run micro and survivalist enterprises and form a part of the informal economy of South Africa. The age groups of those selected ranged from 29 years and under to 50 years and older. The rationale behind selecting this group of the target population is that these individuals are representative of micro and survivalist enterprises at the Early Morning Market and are the most visible groups of people operating in the informal economy of Durban, KZN.

1.7.2 Sample

The study sample consisted of 108 micro and survivalist enterprises selected by means of a non-probability sample. The procedure used to select units for inclusion in this sample is much easier, quicker, convenient and cheaper when compared with probability sampling. Sekaran and Bougie (2010:295) indicate that, for the population of 150, a sample of 108 would be acceptable.

1.7.3 Nature of the research

An exploratory and descriptive study was conducted, entailing a quantitative empirical study using questionnaires. A personal distribution of the questionnaires to the respondents' business sites put them at ease and facilitated commitment.

1.7.4 Validity and reliability of the study

A specialist statistician scrutinised the measuring instrument to ensure the validity of the questions. Furthermore, a pilot study was done in order to ascertain the reliability and accuracy of the questions. The questionnaires were distributed to ten respondents at the Early Morning Market at the eThekweni metropolitan area as a pilot study to identify and rectify any unclear questions.

1.8 ETHICAL ISSUES

In order to protect the rights of human subjects and meet the standards of any scientific enquiry, there are certain ethical issues that should be considered when conducting a survey. The study required the participation of human respondents, specifically business owners of a selected informal sector in Durban, KZN, with whom certain issues were addressed.

Blumberg, Cooper and Schindler (2008:156) stress that when data is gathered in a survey, an observation, an experiment or interview, the respondent must be safeguarded. Research must be designed in such a way that respondents do not suffer any physical harm, discomfort, pain, embarrassment or loss of privacy. To safeguard against negative connotations, the benefits of the study should be explained, as well as the participant's rights and protection, and informed consent has to be obtained.

In ensuring that the respondent's rights are protected, it was necessary to focus on certain aspects, namely:

- Verbal and written permission to conduct the research was obtained from the Vice Chairperson of the Early Morning Market Traders' Association (Annexure 1);
- Permission was obtained from businesses to use their scores, through informed consent forms (Annexure 2);

- The respondents were treated with respect throughout the research process;
- Confidentiality was maintained throughout the study;
- The respondents were free to withdraw from the study at any point; and
- No risk towards respondents was identified at any stage of the research.

1.9 DEFINITION OF KEY CONCEPTS

The key concepts that are used in this study are briefly examined:

1.9.1 Survivalist enterprise

The White Paper (1995) defines survivalist as enterprises that engage in activities, carried out by people who cannot find a job or get into an economic sector of their choice. They generate income that falls far short of even minimum standards. Little capital is invested and there is virtually no skills training available in the particular field. Only limited opportunities are available for growth into a viable business. Van Vuuren (2002) pointed out that, although these businesses are relatively small in scale, limited in funds, and weak in structure, they make significant contributions to economic prosperity, create innumerable jobs and promote social stability.

1.9.2 Micro enterprise

They are 'very small' businesses, which consist of only the owner, some family members and, at the most, one or two paid employees are involved. They lack 'formality' in terms of business licences, value-added tax registration (VAT), formal business premises, operating permits and accounting procedures. Their operators have rudimentary or technical business skills. This type of enterprise advances into a viable small business (The White Paper 1995).

1.10 STRUCTURE OF THE DISSERTATION

The dissertation is structured as follows:

Chapter one: Overview of the study

The purpose of this chapter is to provide an overview of the study. This chapter starts by giving a background to the research, which is followed by the research problem. The aims and objectives of the study are also given, along with an outline of the scope and delimitations, as well as the limitations, the methodology of the study, ethical issues and the definition of key concepts used in the study.

Chapter two: Literature review

Chapter two provides the relevant literature, pertaining to the objectives of the study from academia and scholars. It begins with providing information regarding the internal factors followed by the external factors that limit the long-term survival and development of micro and survivalist enterprises.

Chapter three: Research design and methodology

The focus in this chapter is on the methodology that was employed in the study, through the determination of the research design, population, and sample, method of data collection and reliability and validity of the research study.

Chapter four: Findings and Analysis

The presentation of results gathered from the questionnaire is done in this chapter, in order for analysis and interpretation of the gathered data to take place.

Chapter five: Discussion of the empirical findings

The findings from the previous chapter are analysed, examined and discussed, as well as compared to the findings by other authors of similar studies.

Chapter six: Conclusions and recommendations

The final chapter of this study contains the conclusions that were drawn from the findings in Chapter four. It also includes recommendations for future research.

1.11 CONCLUSION

This chapter provided an overview of the background of the research, the problem statement, research objectives, scope and delimitations, limitations, methodology, ethical issues and the definition of key concepts. An outline of the chapters was also presented.

The next chapter will cover the literature review, where the internal and external factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector will be examined.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The previous chapter outlined the introduction, background, problem statement and the aims and objectives of the study. The scope and delimitations, limitations, methodology, ethical issues as well as the definition of key concepts of the study were also covered. An outline of the chapters was also provided.

The purpose of this chapter is to provide the reader with some background knowledge of the research objectives of the study. This will enable the reader to place this research study into context and develop an understanding as well as gain an insight into relevant previous research studies and emerging trends (Saunders, Lewis and Thornhill 2000:44). This chapter will cover the factors that limit the long-term survival and development of micro and survivalist enterprises in the informal economy. Particular attention will be paid to the internal and external factors since they are the key aspects in this study.

2.2 FACTORS THAT LIMIT THE LONG-TERM SURVIVAL AND DEVELOPMENT OF MICRO AND SURVIVALIST ENTERPRISES

There is a plethora of research into the matter of why micro and survivalist businesses in the informal sector are not sustainable. The overriding reason for not being sustainable is believed to be due to the internal and external factors (Tushabomwe-Kazooba 2006:30; Titus n.d). According to Peterson (1998, cited in Van Scheers and Radipere 2007), internal factors were responsible for approximately 70 percent of small business failure. This finding is in accordance with Baldwin, Gray, Johnson, Proctor, Rafiquzzaman and Sabourin's (1997:23) research, who found that a large number of bankrupt enterprises, (71 percent), cited internal factors such as general and financial management knowledge as

the most significant cause for bankruptcy among small businesses. The results of empirical studies of small enterprises also show that failure and bankruptcy of enterprises is caused more by internal problems rather than by outside generated problems (Newton 2001). Likewise, Van Scheers and Radipere (2007) affirm that deficiencies in the internal factors are the major cause of small business failures. The cause for failure centres largely on the following: managerial skills, management behaviour and financial knowledge.

While Cant and Ligthelm (n.d.) also provide evidence that the internal factors give rise to problems resulting from lack of management skills, management actions and deficiencies in the functional areas, whereas the framework of Titus (n.d.) identifies external factors as one of the resources for business failure. Analysing the various research reports, it becomes clear that the most common reason for micro and survivalist enterprises not being sustainable is caused by the internal and external factors.

2.3 INTERNAL FACTORS THAT HINDER BUSINESS DEVELOPEMENT AMONG MICRO AND SURVIVALIST ENTERPRISES

According Ghani, Nayan, Ghazali, Shafie and Nayan (2010), internal factors are the strengths and weaknesses of an enterprise. They are controlled and influenced by management of the business and can affect how well a business meets its objectives. This section will highlight the endogenous factors that hinder business development of micro and survivalist enterprises.

2.3.1 Managerial incompetence

An overview of managerial incompetence such as poor business management, ineffective marketing management, poor financial management and human resource issues is provided in this section.

Poor business management

According to Van Niekerk and Labuschagne (n.d.), 80 percent of South African SMMEs fail due to poor business management. This finding closely mirrors the findings by Naidoo and Urban (2010) who postulate that the reason for high business mortality rates among small businesses is the entrepreneur's lack of managerial skills, which eventually impairs the business. They conclude that the high mortality rate indicates that there is a scarcity of business management skills.

In concurrence, Burke and Collins (2001, cited in Bezuidenhout and Nenungwi 2012) noted that managerial problems are among the primary reasons for the failure of small businesses in developing economies. Furthermore, they maintain that, in South Africa, these managerial problems arise from a lack of appropriate training. A study in a developed country like Canada also indicates that the lack of business management skills are seen as the prime reason why small businesses fail, and it is speculated that there is a general lack of awareness of management processes and tools in the small business sector (Strydom and Tustin n.d.).

In the same light, Pride, Hughes and Kapoor (2010:224) established that many entrepreneurs have insufficient business management skills required to run a business. This shortcoming makes them prone to failure. Nevertheless, Rowlands and Rowlands (2008:2) maintain that business skills are a huge advantage for the business and the owner. It is important and vital to understand the principle of business management.

Ineffective marketing

The lack of marketing skills among small businesses is a worldwide problem in both developed and developing countries. Research conducted by Murdoch,

Blackey and Blythe (2001:143) in Wales indicates that SMMEs show good customer orientation, but patchy understanding of competitive positioning and virtually no knowledge of strategic marketing thinking. Moreover, previous studies by Mackintosh and Tynan (1994; Dodge et al. 1994; Watkins and Blackburn 1986; Dunn et al. 1986, cited in Hill 2001) also provide evidence that marketing planning in small and medium enterprises is both under-utilised and misunderstood.

Roy and Wheeler (2006) further assert that very few micro entrepreneurs engage in promotion or advertising. The only form of marketing is displaying goods by the side of the road, in a market, or balanced on top of one's head. Moreover, they found that micro entrepreneurs lacked knowledge of the market for their products. For instance, more than two out of five of those interviewed rated their knowledge of the relevant market to be 'relatively poor' or 'poor'. In this view, Van Scheers (2010) found a positive correlation between lack of marketing skills and business failure and concludes that lack of marketing skills has a negative impact on the success of small businesses. Inadequate marketing skills create marketing problems for small business owners as potential customers are not aware of the products or services that the business offers.

In addition, a study by McCartan-Quinn and Carson (2003: 201-213) highlighted that the management style in small firms often means that there is little or no marketing planning and many small business failures result from deficiencies in marketing. Similarly, Carter and Jones-Evans (2000:296), in conducting their research found that small businesses engage in little or no marketing. Most small businesses have limited resources to devote to marketing and many entrepreneurs have no experience in marketing.

Poor financial management

Seeletse (2012) emphasises that poor financial management is detrimental to the sustainability of a business. Likewise Rankhumise and Rugimbana (2010) point out that it is a futile exercise to borrow money if it is not appropriately utilised. Poor utilisation is characterised by the fact that entrepreneurs acquire luxury cars instead of expanding the business operation. The authors further maintain that if funding is misappropriated, it will result in the business collapsing due to less income being generated and a probable inability to repay the loan as cash flow problems and funds may be depleted.

This statement is advocated by Van Aart, Van Aart, Bezuidenhout and Mumba (2008:249) who report that small business owners mismanage capital. The business capital is used to acquire personal assets, which result in the business being undercapitalised. Van Scheers and Radipere (2007) found that deficiencies in financial knowledge have a negative influence on the success rate of small businesses in South Africa, whereas Ligthelm (2004) maintains that micro business owners are unable to distinguish between household costs and business costs and mentions that operating costs include an element of household expenditure.

Tushabomwe-Kazooba (2006) reports similar results and believes that business owners are unable to separate their business and family/domestic situations. Business funds are put to personal use and thus used in settling domestic issues. The affairs of the business are not separate from their personal affairs. Devey, Skinner and Valodia (2003:158) also showed that informal operators frequently do not separate personal from business expenditure. As a result, these operators cannot calculate their profits.

Human resource issues

It is believed that micro businesses are largely plagued with difficulties and problems in relation to human resources management. Recruiting of employees is one of the biggest problems facing these informal enterprises. Tushabomwe-Kazooba (2006:32) elaborates that business owners employ family members simply because of kinship relations. He further maintains that, in some cases, the family members have turned out to be undisciplined and ineffectual, a factor that has led to eventual and, sometimes, rapid failure of businesses.

Van Aart et al. (2008:248) support this view and concur that there is a trend among business owners to employ unskilled acquaintances, friends and relatives in order to surround themselves with loyalty, but this tends to exacerbate the skills problem in the business. According to Mbogo (2011), small businesses pay insufficient attention to human resources management. Employees are mainly managed unsystematically by the business owner, and individual performances and knowledge are rarely measured using ad hoc systems. The main criteria used are informal and based on trust and feelings.

On the other hand, Seeletse (2012) feels that some small business owners fail to treat their employees in ways that would make them feel valuable. Owners tend to think that they can abuse employees, but are surprised by employees leaving the business without even other forms of income. A study by Van Eeden et al. (2003) also found human resource problems, referring to procurement problems in not finding suitable staff, poorly trained workers and poor labour relations practices as a problem encountered by South African small businesses in the three metropolises of Nelson Mandela, Cape Town and Egoli.

2.3.2 Lack of business knowledge

This section explains lack of business knowledge which includes inability to control inventory, poor record keeping, ineffective customer relations and poor cash flow management.

Inability to control inventory

Strydom and Tustin (n.d.) in their study, found lack of inventory control among small businesses and concluded that the medium to long-term survival rate of small business establishments that lack control of inventory is in jeopardy. According to Longenecker et al. (2003:514; Anesta et al. 2004:15; Busuttill 2007:4, cited in Mbonnyane and Ladzani 2011), poor inventory control delays the growth of small businesses. Similarly, Tushabomwe-Kazooba (2006:30) elaborates that inadequate control of inventory is a cause for small business failure. Likewise, Seeletse (2012) identified lack of competence in inventory control as the cause of small business failure. Further assertion is made by Strydom and Tustin (n.d.) who mention that lack of inventory control is a problem among small businesses in South Africa.

Poor record keeping

According to Seeletse (2012), small businesses do not keep financial records, mainly because the business owners claim to have not made significant profits. In concurrence, Okpara and Wynn (2007) note that inadequate recordkeeping is a major cause of small business failure. They further highlight that most business owners end up losing track of their daily transactions and cannot account for their expenses and profits at the end of the month. Likewise, Tushabomwe-Kazooba (2006:32) maintains that poor record keeping is a cause for small business failure. He believes that most business people end up losing track of their daily transactions and cannot account for their expenses and their profits at the end of the month. Similarly, Biryabarema (n.d. cited in

Tushabomwe-Kazooba 2006:32) emphasises the importance of proper record keeping in that it enables a small business to have accurate information on which to base decisions such as projecting sales and purchases or determining the break-even point and making a wide range of other financial analyses.

Ineffective customer relations

Mbonyane and Ladzani (2011), in trying to examine factors that hinder the growth of small businesses in South African townships, concluded that most small businesses fail because they do not have daily contact with their customers. Moreover, they lack special promotions and new product features. Likewise Strydom and Tustin (n.d.) also found that shortages in customer service are a problem for small businesses. Similarly, Seeletse (2012) validated that poor customer relations are the most common cause for small business failure as business owners do not know how to measure customer relations and they cannot remember exact ways of dealing with customers. As a result, clients fail to return after being served the first time. This is in line with the European Business review (2013) who found that nearly three quarters of consumers have ended relationships with businesses because of poor customer service.

Poor cash flow management

Looking at the argument put forward by Mishra and Nayak (2004), micro business owners find difficulties to start enterprises by themselves as it is extremely difficult for them to keep track of the flow of income in their enterprises. The inability to manage cash flow effectively limits micro and survivalist enterprises' sustainability. In conducting a study on business failure, Van Scheers (2011) found shortages in cash flow management among small and medium enterprises. Similarly, Willemse (2011) in determining opportunities and constraints facing informal street traders, also found severe cash-flow

problems which have a ripple effect on the ability to manage the businesses' profitably and maintain sufficient levels of stock.

2.3.3 Lack of literacy

Previous research by Strydom and Tustin (n.d.) found that more than a third of owners/managers of survivalist establishments are functionally illiterate. They maintain that illiteracy has implications for the long-term survival and prosperity of these establishments. Likewise, Devey et al. (2003:156) compared the owners' basic literacy in the informal and formal sectors, by examining the formers ability to read and write. They found that in the formal sector almost all workers can read and write, whereas 10.9 and 10.6 percent of informal workers do not have basic reading and writing skills.

The International Labour Office (ILO) (2002:99) observed that the illiterate have little or no choice but to work in the informal economy, because of their inability to read and write. Worthy of note here, as indicated by Mishra and Nayak (2004), is the fact that micro enterprises, that are not literate, are severely limited as they do not have access to information from the print media and cannot enter into written contracts. They often have to act on trust and cannot easily engage with the state and formal private sector who normally work with written documents.

Low literacy levels are reported to limit trainability and lead to modest skill levels. Basic literacy is important as a means of ensuring mobility and higher incomes within the informal sector, as well as a potential means of moving from the informal to the formal sector (ILO 2002:100).

2.3.4 Lack of education and training

A study by Van Scheers and Radipere (2007) on why so many managers are not “managing?” established that small businesses are constrained by lack of education which has a negative impact on the success and viability of small businesses. Similarly, Devey et al. (2003:161) found that the education levels in the informal economy are low. These findings concluded that informal economy workers are less skilled and have less education, unlike their formal sector counterparts.

ILO (2009:36) also confirms that the informal economy has the largest skills gap. In many African countries, the low level of education and vocational skills of informal workers result in a vicious circle of low productivity, low income and low investment in skills. Bamu and Theron (2012:16) also discovered that a large number of informal traders have not completed high school and have only completed Grade 8 or Grade 10. In concurrence, Statistics South Africa, in their quarterly labour force survey (2008:6), found the largest number of people in the informal economy to have education below matric.

On the other hand, Ghani (1995, cited in Selamat, Razak, Gapor and Sanusi 2011) argues that entrepreneurs with an elementary school education tend to be less receptive to new technologies and, therefore, make it difficult to transfer new technology and improve productivity. Nevertheless, a healthy and educated workforce is vital to an organisation’s competitiveness and productivity. A sound basic education system is one of the key imperatives for a competitive country. Higher levels of education are also strongly related to the probability that a business will survive beyond the initial start-up phase (Simrie et al. 2011).

2.3.5 Insufficient business experience and knowledge about the field of business

According to Tushabomwe-Kazooba (2006:32), small business owners are usually inexperienced in the type of business they operate. Moreover, these owners are not normally familiar with the condition of the products they purchase. Products, which do not suit the tastes of the customers, remain in stores tying up working capital which necessitates advertising and price reductions to attract more customers, which, in turn, leads to a potential reduction of profitability. This results in poor sales and negative cash flow, thus minimising the chances for most businesses to succeed.

In addition, Okpara and Wynn (2007) identified lack of business experience as one of factors that is responsible for small business failure in Nigeria, This finding concurs with the finding of Papulová and Mokroš (2007) who point out that small businesses do not have enough experience, knowledge or vision on how to run an enterprise. Moreover Van Aart et al. (2008:249) caution that lack of experience is a risk because it results in the inability to plan, acquire funds, read the business environment factors and run the business effectively and efficiently.

Nieman, Hough and Niewenhuizen (2003:33) also highlighted that most SMMEs lack sound business understanding and experience. In addition, Urban, Van Vuurren and Barreira (2008) cite that relevant experience limits entrepreneurship as well as the survival rate of new ventures. Moreover, entrepreneurs with limited experience may use simplified decision models to guide their venture start-ups, while the opposite is the case with experienced entrepreneurs. Likewise, Kuratko (2009:317) affirms that many entrepreneurs lack experience in business, they promote ideas they really have no true

knowledge about and they are doomed to fail simply because they are perceived as ignorant of the specifics in the proposed business.

2.3.6 Inadequate planning

Roy and Wheeler (2006) investigated the level of formal planning among micro enterprises and found that it is often inadequate, and, in some cases, non-existent. Furthermore, they state that most micro entrepreneurs go through informal decision making processes. However, it is often limited to one or two business cycles (the period from the time when a product is purchased, produced, or acquired, to the time it is sold to a consumer). These authors believe that the poor level of planning of most micro enterprises results in most of the enterprises not having a realistic vision for the future of their enterprises.

Further findings are made by Murdoch et al. (2001) who established that a number of businesses undertake no planning at all and operate on a purely reactive basis. They also found that the majority of businesses think about the future and discuss where the business is going. The process is informal and generally not documented. According to Longenecker et al. (2003:453-454, cited in Nieman 2006:19), small businesses plan to some degree, but the planning they do is less than ideal. Tushabomwe-Kazooba (2006:32) supports this view. He found that small businesses operate without plans. The focus is on immediate issues rather than on long-term ones. The businesses end up with no set goals or targets to meet.

Robbins and DeCenzo (2008:72) point out that businesses must engage in planning because it provides direction, reduces impact of change, minimises waste and redundancy and sets the standard to facilitate control. Planning is important in large and small organisations and in new and established companies. It is particularly more important for new and smaller enterprises to

plan because they rarely have the resources necessary to overcome major mistakes (Hitt, Black and Porter 2009:32). A micro business will not be successful unless the business owner is able to plan. New opportunities arise and changes take place in the business environment that make it necessary to adapt (Nieman 2006:30-31).

2.3.7 Ineffective networking

Nieman et al. (2003:33) are of the opinion that access to markets in the form of business linkages (networking), is another challenge facing SMMEs. A study by Fielden, Davidson, Dawe and Makin (2003) also found that lack of business networking and support groups were acknowledged to be a business barrier in the development of business opportunities. Likewise, Ssendaula (n.d. cited Tushabomwe-Kazooba 2006:31) lists the lack of networking, poor linkages and limited knowledge of business opportunities as factors that discourage banks from lending to small businesses.

Nevertheless, Abou-Moghli and Al Muala (2012) assert that networking can create a successful business by helping to overcome the lack of resources, the managerial and professional weakness of a business within a broader supportive external environment. Owing to a lack of resources, small businesses always need to maintain contacts with their external environment to acquire necessary resources. From the perspective of Menzies, Fillion, Brenner and Elgie (2007, cited in Urban 2011), entrepreneurs lack access to networks, highlighting the fact that entrepreneurs have less opportunity to utilise formal social capital features.

Parida, Westerberg, Ylinenpää, and Roininen (2010:1) believe that small and new enterprises' prominent challenge is overcoming scarcity of resources, which limits their development. However, scarcity of resources can be managed or

compensated through networking practices, as these may provide access to external resources and obtaining competitive advantage. Moreover, networks help to share information, good practices and pool resources to support skills development (ILO 2008:5).

2.3.8 Unsuitable costing/pricing policy and strategy

According Van Aart et al. (2008:256), the costing of products is an essential skill that most businesses ignore and lack. Mboniyane and Ladzani (2011) in the same light, argue that pricing presents a serious problem for small businesses. They conclude that most small businesses fail to stick to the correct mark-ups and have no idea how to adapt to the changing demand of a business. They simply do not know how prices should be determined. They further maintain that failure to adhere to the correct mark-ups delays growth in small businesses.

No matter how well a product is designed, it cannot help a business to achieve its goals if it is priced incorrectly (Pride et al. 2010:290). It is further postulated that the failure to do correct pricing will most definitely result in a situation of serious cash-flow shortages. Tushabomwe-Kazooba (2006:31) asserts that small business owners lack the capacity to ascertain best prices for their products or services and they tend to operate at high prices in relation to already existing businesses. This shortcoming leads to customers buying from competitors who are already in the business and maneuver at lower costs. Similarly, Beesley (2012) also provides evidence that many small businesses fail because they don't know how to price their products or services.

2.4 EXTERNAL FACTORS THAT HINDER BUSINESS DEVELOPEMENT AMONG MICRO AND SURVIVALIST ENTERPRISES

In this section, the external factors that hinder business development among micro and survivalist enterprises are explored. According to Bosch et al. (1998,

cited in Van Scheers and Radipere 2007), external factors are those factors whereby management exerts no control. These factors exist outside of the business and impact on the ability of the business to achieve its goals and objectives.

2.4.1 Institutional constraints

The institutional constraints, which include inadequate financing and lack of adequate non-financial support, form the basis of this section.

Inadequate financing

Lack of finance is often given as the primary reason for small business failure by popular literature and scholars. Despite the plethora of development finance institutions that exist in South Africa, research identified lack of access to finance as a major obstacle that limits the long-term survival and development of micro and survivalist enterprises in South Africa. Hussain and Yaqub (2010:25-26) cite that financial resources are a major problem for small businesses around the world.

Similarly, Okpara and Wynn (2007) also found that financial support is a major problem in managing and sustaining a small business in Nigeria. Businesses find it difficult to borrow money from banks because they lack collateral. The loans provided by micro-finance institutions are also small, with short repayment periods and high interest rates. Naidoo and Urban (2010) also provide evidence that SMMEs constantly experience shortages in capital which may help to employ skills.

Moreover, Simrie et al. (2011:44) reported that access to finance has remained one of the top three constraints for small businesses. They largely bemoan their relationships with retail financial institutions, citing procedures and qualifying

criteria among the major problems. Another key issue is the fact that, even when a small enterprise qualifies for debt instruments, loans are prohibitively expensive. One key problem area that remains is the lack of micro-finance at reasonable rates. Further assertion is made by Schoombee (2003), who argues that a problem faced by South African micro entrepreneurs in the informal sector is lack of access to formal bank credit.

According to ILO (2008:73), small enterprises have difficulty gaining access to finance from formal institutions because of banks' avoidance of risk, high transaction costs, complicated procedures and a lack of suitable collateral. These general constraints restrict investment in training and other investments that could improve productivity or lead to the uptake of new technologies or advances into new markets. They often have to borrow from family and informal sources, usually at high interest rates. This trend is shown in the rapid growth of microfinance initiatives in recent years that are directed at the needs of those working in the burgeoning informal economies (ILO 2006:70).

In concurrence, McGrath (2005:59) found that VSMEs have had very little support from formal financial or business development services in spite of the attention and funding that have been directed to such institutions in South Africa in the past decade. Roy and Wheeler (2006) believe that limited access to capital and credit may be one of the primary inhibitors of micro enterprises' growth and success. Likewise, Lund and Skinner (2005:19) conclude that lack of funds and/or access to credit is a significant constraint to growth for informal economy workers.

On the other hand, Skinner (2005:36), in her study of 507 informal business operators in the Durban area, found that only 3.9 percent had ever accessed a loan from the bank for business purposes. This finding demonstrates an

extremely low level for access to credit. Nevertheless, Bygrave and Zacharakis (2008:25) bring to light the fact that entrepreneurial activity and financing are correlated. Adequate financing is an essential support service for micro and survivalist enterprises' development.

Lack of adequate non-financial support

Much has been said about the level of difficulty associated with accessing government non-financial services for small businesses through government agencies. It is evident that lack of non-financial support is a major impediment to entrepreneurship in the informal economy. Rogerson (2004, cited in the Department of Trade and Industry (DTI) (2008) in his assessment of government's support programmes for SMMEs argues that, during the period 1994-2003, the DTI funding allocations for SMMEs have inevitably favoured and have been heavily biased towards support for established small and medium enterprises rather than emerging micro enterprises and the informal economy.

Rogerson (2004, cited in the DTI 2008) concludes that current national support programmes offer little in the way of support for survivalist enterprises. Likewise, Skinner (2005:42) also concurs that the informal economy is not supported by state small business support and training programmes. On the other hand, Devey, Skinner and Valodia (2006:13) point out that the focus of the enterprise promotion agency, Ntsikas programmes, is on assisting SMMEs to improve their market access and to improve their international competitiveness. Much of this focus is implemented by assisting SMMEs to access government contracts and to penetrate export markets. The authors believe that both of those objectives have little or no relevance to those working in the informal economy.

The African institute for Community Driven-Development (2005:57) highlight that there is a problem of inadequate coordination amongst a variety of agencies

interacting with and supposedly supporting the development of the informal sector. According to Budlender et al. (n.d., cited in DTI 2008), at national government level, the informal sector initiatives tend to be 'piecemeal'. There is a lack of coherence regarding policies and procedures which are reflected in the lack of a coherent programmatic approach to dealing with developments and supporting economic activity in the informal economy.

Devey, Skinner and Valodia (2003:159-160, cited in Skinner 2005:48) argue that most government small business initiatives have been of little value to the informal sector. The authors believe that training providers are often reluctant to service people working in the informal economy. The reasons include the lack of profitability, the assumption that workers cannot cover the costs, the low levels of education among the workers, the need to develop non-traditional methods, the mobility and the difficulties of accessing workers, and the fact that many trainers are afraid to enter the areas where people need to be trained.

Okpara and Wynn (2007) assert that corruption has devastating consequences on the implementation of public policy enacted to support small businesses. They believe that the federal office of small business advocacy, administered through the states, which is supposed to provide small loans and technical assistance to small entrepreneurs rarely reaches small business owners at the local level, because it is diverted by corrupt government officials.

2.5 CONCLUSION

This chapter reviewed the literature that underpins the current study. It elaborated on the internal and external factors that limit the long-term survival of micro and survivalist enterprises.

The following chapter will explain the research methodology that was used in the study. The population of the study will be defined and the sample and sampling methods will be explained. The method of doing the research will be chosen and covered, as well as that of the data collection.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

The internal and external factors that limit the long-term survival and development of micro and survivalist enterprises formed a major part of the literature covered in the previous chapter.

In this chapter, the research methodology that guided the research and enabled the researcher to collect and analyse the data is described. It covers the research objectives, type of study, sampling design, data collection procedure, pilot study as well as describing the data analysis technique. Reliability and validity issues are also addressed.

3.2 RESEARCH OBJECTIVES OF THE STUDY

The purpose of this study was to explore the factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector in Durban, KZN. The intention of such an exploration was to identify gaps in businesses' knowledge and also promote the sustainability of informal enterprises.

In support of the main objective, the following underlying objectives were addressed:

- Establishing and analysing the internal factors limiting the long-term survival and development of micro and survivalist enterprises of a selected informal sector; and
- Establishing and analysing the external factors limiting the long-term survival and development of micro and survivalist enterprises of a selected informal sector.

3.3 TYPE OF STUDY

This study is descriptive and exploratory in nature. These methods were used to gain an insight into the research problem and also identify the factors that limit the long-term survival and development of micro and survivalist enterprises. A brief account of these methodological concepts, as applied in the research, follows:

3.3.1 Descriptive: Descriptive research is aimed at casting light on current issues and problems through a process of data collection that enables the researcher to describe the situation more completely than was possible without employing this method (Fox and Bayat 2007:8). This method assisted in providing a description on the current factors that limit the long-term survival and development of micro and survivalist enterprises.

3.3.2 Exploratory: According to Struwig and Stead (2001:7), an exploratory study is a valuable means of finding out what is happening, to seek new insights, to ask questions and assess phenomena in a new light. The purpose of the study is to explore and gain insight into the internal and external factors that limit the long-term survival and development of micro and survivalist enterprises. A wide variety of secondary sources, such as accredited journal articles, academic sources from the internet and government articles and reports, as well as other sources, were accessed. Primary data was also collected. This data included information collected from the respondents in the form of a questionnaire, making the research exploratory in nature.

3.4 SAMPLING DESIGN

The sampling design sketches the population and sample as well as detailing the method of sampling and explaining the sample size.

3.4.1 Population and sample

According to Lamb, Hair, McDaniel, Boshoff and Terblanche (2008:142), the population is the group from which the sample will be drawn and should include all the people whose opinions, behaviour, preference and attitude are of interest to the researcher. The target population consisted of 150 micro and survivalist enterprises.

An interview with the Early Morning Market Manager, Zulu, in 2011, indicated that there are 675 stalls in the area of the Early Morning Market. Initially the intention was to obtain the sample from the whole population in this area. However, the sample was reduced to a subpopulation or stratum of micro and survivalist enterprises only. This decision was taken after discovering, during the pilot study, that micro and survivalist enterprises have limited business and management skills among their operators and would, therefore, give a good indication of the factors that hinder business development (Nieman 2006:8). This sample was also chosen because it is costly and timely to survey the whole population.

Sekaran and Bougie (2010:296) maintain that the size of the population usually makes it impractical and uneconomical to involve all members of the population in a research study. Therefore, a sample of the population is usually taken. A sample refers to a group of representative individuals from a population. Maree (2007:79) maintains that a sample is defined as the process used to select a portion of a population of the study. The sample was drawn from a defined target population of 150 business owners of micro and survivalist enterprises.

3.4.2 Method of sampling

Sampling designs can also be divided into probability and non-probability sampling. Brym and Lie (2007:48) report that a probability sampling method is

any method of sampling whereby each member of the population has an equal chance of being selected. In non-probability sampling, a particular group is targeted and does not represent the population, and cannot be generalised beyond the sample (Somekh and Lewin 2008:218-219). A non-probability convenience sampling procedure was followed in this survey. Lamb et al. (2008:143) state that convenience sampling is whereby researchers use respondents that are readily and easily available and accessible. The reason for using this method is purely on the basis of availability and accessibility which satisfy speed in data gathering.

3.4.3 Sample size

The target population consisted of 150 micro and survivalist enterprises, with a sample size of 108 businesses. The calculation of Sekaran and Bougie (2010:295) shows that for a population of 150, a sample size of 108 is considered as representative of the population. However, although the sample size is considered to be representative of the population, the results cannot be generalised to the population due to the convenience sampling method.

3.5 DATA COLLECTION METHOD

To facilitate descriptive research, a questionnaire of 14 questions (Annexure 3) was used as a survey instrument, designed to explore the factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector in Durban, KZN. The main reason for using a questionnaire was to ensure that all respondents were asked the same series of questions and a rich array of information could be gathered. It also allowed for large amounts of information to be obtained quickly, as opposed to personal interviews, audio recording and observations. Babbie (2011:243) states that a questionnaire is an instrument designed to elicit information that will be useful for analysis.

3.5.1 Construction of the questionnaire

To reduce question design error during the construction of the questionnaire, the following descriptors were adhered to:

- Sensitive questions that might offend the respondents were avoided;
- The wording was adapted to the vocabulary that respondents could understand;
- Ambiguity, lack of precision or vagueness was avoided and jargon was kept to a minimum; and
- Assumptions were avoided, as were leading and hypothetical questions (Maree 2007:160).

The questionnaire covered three different types of questions:

- Dichotomous: The respondents were given two possible responses;
- Ranking: Respondents had to rank a range of items; and
- Multiple choice: The respondents were asked to pick the best answer or answers from among all the possible options.

The questionnaire consisted of 14 questions developed from a review of relevant literature on the area of research. The list of questions was designed to gain the most pertinent factors that limit the long-term survival and development of micro and survivalist enterprises in the selected informal sector. The questionnaire contained all the questions for which data were required for the topic of research. The business owners were interviewed to gain data on the following aspects:

- Literacy;
- Education;
- Experience;
- Formal planning;

- Support groups/Networking;
- Pricing;
- Business knowledge (customer relations, cash flow management, record-keeping and inventory control);
- Functional areas of management (business management, financial, marketing and human resources);
- Financial services; and
- Non-financial services.

Individual questions

The 14 questions are supported with explanatory narratives:

Question (Q) 1

Gender

The purpose of this question is to establish the respondent's gender. It was necessary to explore possible relationships between gender and other variables in the study.

Q 2

Ethnic group

Respondents were required to indicate their ethnic group. It was to find out if there was a positive or negative correlation between ethnic group and other variables in the study.

Q 3

Age

This question was to establish the age of respondents. An accurate profile of the sample can be determined through age, as information on whether the respondents are young, middle-aged, matured or old-aged, can be obtained.

Q 4*Size of the business venture*

The rationale of this question was to determine the size of the business venture. It provided information on the different sizes of businesses found in the selected informal sector.

Q 5*Literacy*

This question was to establish the level of literacy among the sample and related to the internal factors.

Q 6*Highest level of education*

Business owners were required to indicate their highest level of education. It linked to the internal factors. This question was posed to determine whether respondents are educated or have limited exposure to education.

Q 7*Previous work/ management/ entrepreneurial experience*

The objective of this question was to determine if the respondents have any previous work, management or entrepreneurial experience. It is related to the internal factors.

Q 8*Do you do any formal planning in your business?*

The question was used to determine whether respondents did any formal planning in their businesses, as the success or failure of any business, whether big or small, is largely dependent on the planning the business does. It links to the internal factors.

Q 9

Do you belong to any support group which may help with inter-business linkages?

The objective of this question was to establish if the respondents belong to a support group. The information provided by respondents indicated whether they have had any exposure to the different support groups available that may aid with inter-business linkages and help develop contacts and relationships to enhance knowledge. It is related to the internal factors.

Q 10

How do you establish your prices?

It was essential to identify how respondents establish their prices in their businesses and whether they have adequate pricing knowledge. This question relates to the internal factors.

Q 11

In which business knowledge area do you regard yourself as most skilled?

This question was designed to establish the business knowledge area in which the respondents regard themselves most skilled to least skilled. It is a ranking question and is related to the internal factors.

Q 12

Which functional areas of management do you find difficult?

This question helped to determine which business function would be selected among respondents, as being the most difficult in terms of running the business. This was deemed relevant as the different functions of a business are important when running any business effectively. It is a ranking question and is linked to the internal factors.

Q 13

In the last year, have you used the services of a financial service provider or providers? E.g. Commercial Banks

The information required was to establish respondents' access to financial service providers. It is related to the external factors. This reflects whether business owners have used the services of a financial service provider or providers in the past year.

Q 14

In the last year, have you used the services of a non-financial service provider or providers? E.g. the Department of Trade and Industry (DTI), Small Enterprise Development Agency (SEDA), National Youth Development Agencies (NYDA), and others.

The purpose of this question was to determine respondents' access to non-financial institutions and it links to the external factors. This information will help determine whether business owners had used the services of a non-financial institution or institutions, as there are a variety of non-financial service providers that offer retooling and upgrading opportunities, which may aid in business sustainability.

3.5.2 The measuring instrument

The questionnaire is divided into three sections (Sec), A, B and C. Sec A of the questionnaire (Q 1 to 4) followed the funnel approach where the biographical and business information was asked. This was designed to elicit information related to the background of respondents (Table 3.1).

Table 3.1: Questions relating to the biographical and business information

Q	Enquiry to this question
1	- established the gender
2	- determined the ethnic group
3	- used to find out the age of the respondents
4	- used to establish if the business is single-owned or it has employees

Sec B (Q 5 to 12) expanded on the internal factors (Table 3.2).

Table 3.2: Questions relating to the internal factors

Q	Enquiry of this question
5	- established the level of literacy among the respondents
6	- used to determine the highest level of education
7	- evaluated if the respondents have previous work/managerial or entrepreneurial experience
8	- explored if the respondents do any formal planning
9	- used to identify if the respondents belong to a support group, which may help with inter-business linkages
10	- evaluated the different pricing methods used by the respondents
11	- showed the aspect of business knowledge that respondents find themselves most skilled
12	- evaluated the functional areas of management that the respondents find most difficult

Sec C (Q 13 to 14) contained questions relating to the external factors (Table 3.3).

Table 3.3: Questions relating to the external factors

Q	Enquiry of this question
13	- analysed if respondents have used the services of a financial institution/ institutions during the last 12 months
14	- established whether respondents have used the services of a non-financial institution/ institutions during the last 12 months

3.5.3 Administration of the questionnaire

The questionnaire was designed in such a manner that it could be completed easily and within a relatively short time (12 minutes, on average). It was distributed at the business sites by visiting each respondent. The reason for personally visiting the respondents was to put them at ease and increase cooperation. Another reason for the personal visit was to clarify confusing questions and encourage the respondents to elaborate to clarify answers. This

was also done to ensure that every part of the questionnaire was completed, with no compromise on the quality of responses.

The questionnaire was further used to support the interview, in order to facilitate the limitations of illiteracy faced by some of the respondents. The respondents were questioned verbally, while responses were ticked on the questionnaire next to the respondent's selected answer. Most of the interviews were conducted in isiZulu and were then translated into English. The data was collected over a period of two weeks.

3.6 PILOT STUDY

A pilot study is a small scale research trial run project that collects data from respondents, to determine whether the research design and methodology are relative and effective. It checks for any problems and reduces the risk that the full study will be fatally flawed (Fox and Bayat 2007:102). A pilot study was done in this research. A questionnaire was used as an instrument for data collection during the pilot test to establish if this was the appropriate data collection tool for the study.

The questionnaire was pretested to a small sample which included ten micro and survivalist enterprises before it was finalised. The reason for the pretest was to improve the design of the research as well as to determine if the questions are understood by the respondents and to detect any possible flaws in the measuring instrument. It was also to identify ambiguous items in the questionnaire. These respondents were not included in the actual research.

The pilot study allowed for changes to be made, before the questionnaire was administered to the larger sample. Few changes were required and made before distributing the measuring instrument to the respondents. For example, some

questions were double-barrelled and the respondents could not provide the answers that were expected. Also, not many alternative responses were given. Hence, where applicable, 'the other, please specify' alternative was added. The researcher was available to assist the respondents with answering the questionnaire and to further elaborate to ensure that they understood the questions asked in the measuring instrument.

During the pilot study, the respondents were reluctant to answer the survey at first, thinking that it involved planned, structural changes that would result in the demolition of the Early Morning Market. The Traders' Association helped with further explanation and eased the process of collecting the data. After the initial reluctance, which was based on the suspicion of a hidden agenda, all the respondents were receptive to the study and showed a positive attitude to the research. They provided more information than expected, which was helpful for the study.

3.7 VALIDITY AND RELIABILITY ISSUES

3.7.1 Validity

Babbie (2011:131) refers to validity as the term describing a measure that accurately reflects the concept it is intended to measure. The following aspects were considered to ensure the validity of the questions:

- The wording of the questions was simple and easy to understand, in consideration of persons with limited education;
- Interviewees understood and answered the questions as required; and
- The questionnaire was made up of relevant questions and categories, soliciting only the information required for the research.

To ensure the validity of the measurement, the study applied face validity which helped to ensure that the measuring instrument measured what it was supposed to measure, e.g. factors that limit the long-term survival and development of

micro and survivalist enterprises. A specialist statistician scrutinised and judged the measuring instrument for suggestive feedback on the survey and helped eliminate researcher bias. This intervention ensured a high degree of face validity. Few questions required change following the testing of face validity.

3.7.2 Reliability

Lapan and Quartaroli (2009:62) explain that reliability relates to the consistency or dependability of a measure, and when it is used again with the same individuals, the results would be rated similar to the first time. A pilot study was conducted in order to ascertain the reliability of the study.

The following measures were taken for the purpose of attaining reliable data:

- The rationale of the study was explained to the respondents and an opportunity given to address any concerns and questions the respondents had before the survey began;
- The instrument was easy to administer. Therefore, the questions asked were mainly dichotomous, multiple choice as well as ranking questions;
- Clear instructions and detailed attention was given to the design and layout, which yielded a 100 percent response rate;
- The questionnaire was user friendly and ensured the anonymity of respondents; and
- A letter of explanation, containing the introduction and reason of the study, accompanied the questionnaire.

Neither confirmatory factor analysis nor Cronbach alpha values were used to test the reliability of the research instrument. They were not appropriate for use with this questionnaire as the questions did not warrant detailed, inter-item, correlation tests.

3.8 DATA ANALYSIS TECHNIQUE

The data obtained from the questionnaires were organised and analysed with the aid of a computer package called the Statistical Package for Social Sciences (SPSS). In order to draw conclusions from the data collected, two types of statistical tools were used, namely: descriptive and inferential statistics.

3.8.1 Descriptive statistics

Gray (2009:139), states that descriptive statistics are used for describing or summarizing a set of data. The descriptive statistics used in this study were frequencies/count and percentages (%).

Frequency/count

Frequencies/count were used to determine how often a respondent made a certain response to a particular question and allowed for the analysis of results and conclusions to be drawn. Gray (2009:203) explains that a frequency refers to the number of times that a word or phrase occurs and yields numerical data.

Percentages

Sapsford and Jupp (2006:240), point out that percentages are a standard form that allows unequal samples to be easily compared. Percentages were used for all the variables in the study.

3.8.2 Inferential statistics

Inferential statistics are used to make inferences from the sample chosen to a larger population (Leedy and Ormrod 2005:274). The inferential statistics was used to measure inferential statements about the population of this study. This technique was used to justify if the representative sample of this study was accurate or correct. It was further used to determine whether the findings in this study are due to chance alone or whether the factors under this study result in

statistically significant and important differences. The inferential statistics used in this study was chi-square test.

Chi-square test

The chi-square test of independence was used to test whether any statistically significant relationship exists between two cross tabulated variables. According to Lapan and Quartaroli (2009:127) the chi-square test is used to test whether the observed frequencies show a true difference from the frequencies expected if all categories are equal. It is one of the most commonly used techniques to explore relationships, whether they are dependent or independent of each other. This was aimed at gaining an understanding on how different items interrelate and used to examine the influence of the biographical variables (gender, ethnic and age) on the study dimensions (internal factors).

3.9 CONCLUSION

This chapter described the research methodology of the study, explained the sample selection, depicted the procedure used in designing the instrument and collecting the data, and also provided an explanation of the statistical procedures used to analyse the data.

Chapter four will present the analysis of data obtained from the questionnaires completed by the 108 respondents.

CHAPTER FOUR

FINDINGS AND ANALYSIS

4.1 INTRODUCTION

The research methodology and the methods used to acquire the relevant data were outlined in the previous chapter. In order to understand how the data was gathered, details and an explanation on the research design were provided.

This chapter focuses on highlighting the findings of the empirical research, which were analysed with the aid of SPSS. The results of the survey are presented by means of both descriptive and inferential statistics. Descriptive statistics are addressed in section 4.2 followed by the inferential statistics in section 4.3.

4.2 DESCRIPTIVE STATISTICS

Descriptive statistics in the form of frequencies/counts and percentages was used in order to ascertain the biographical and business information of the sample as well as the internal and external factors. These statistics are presented in tabular form.

4.2.1 Biographical and business information (Q1 – Q4)

The first part of this chapter is concerned with the biographical and business information of the respondents. This section allowed for the development of a profile of the respondents.

a) Gender (Q1)

The results of the gender distribution are shown in Table 4.1.

Table 4.1: Percentages of the gender groups

		Count	%
Gender	Male	37	34.3%
	Female	71	65.7%
	Total	108	100.0%

The gender distribution of the business owners represented in this study consisted of 108 business owners. Almost two thirds of the respondents (65.7%) are female and a third (34.3%) is male. Based on the findings, the gender depicts an unequal distribution of the sexes, with the dominant gender among the respondents being female.

b) Ethnic group (Q2)

The findings of the ethnic groups are reflected in Table 4.2.

Table 4.2: Percentages of the ethnic group

		Count	%
Ethnic group	Black African	70	64.8%
	Asian/Indian	38	35.2%
	Total	108	100.0%

The research showed that most of the respondents (64.8%) in this study are Black African and the rest (35.2%) are Asian or Indian. This indicates that Black Africans have a larger representation in the selected informal sector. Given the historical background of South Africa, with regard to discriminatory legislation, blacks were restricted to employment in the informal economy.

c) Age (Q3)

The results of the age groups are shown in Table 4.3.

Table 4.3: Percentages of the age groups

		Count	%
Age	29 and under	13	12.0%
	30 – 39	25	23.1%
	40 – 49	33	30.6%
	50+	37	34.3%
	Total	108	100.0%

The analysis shows that a small number (12.0%) of the respondents are 29 years and under, while more than a fifth (23.1%) of the respondents are between 30 and 39 years old. Respondents aged between 40 and 49 years make up almost a third (30.6%) of the total respondents. Lastly, a large number (34.3%) of the respondents are 50 years and older. The study shows diversity in the age of respondents and the results indicate that the main business owners, who dominate the selected informal economy are matured.

d) Size of the business venture (Q4)

The results of the size of the business venture are shown in Table 4.4.

Table 4.4: Percentages of the size of the business venture

		Count	%
Size of the business venture	Micro enterprise (1 – 5 employees, including owner)	25	23.1%
	Survivalist enterprise (1 person)	83	76.9%
	Total	108	100.0%

The research results show that of the sample of 108 businesses, three quarters (76.9%) are survivalist, with more than one fifth (23.1%) being micro enterprises. The results indicate that survivalist enterprises form a larger part of the informal economy in South Africa, because of most people unable to secure a job in the formal economy.

4.2.2 Internal factors (Q5 – Q12)

The objective of the questions 5 - 12, based on sub-objective one, was to establish and analyse the internal factors limiting the long-term survival and development of micro and survivalist enterprises of a selected informal sector. The intention of this sub-objective was to identify gaps in business knowledge as well as promote the sustainability of informal enterprises. The responses to these questions provide insight into these gaps.

a) Literacy (Q5)

The results of the literacy level are shown in Table 4.5.

Table 4.5: Percentages of the literacy level

	Count	%
Literacy		
I am unable to read and write	4	3.7%
I am able to read and write to some extent	53	49.1%
I am able to read and write fairly well	51	47.2%
Total	108	100.0%

The results indicate that a small number (3.7%) of the respondents were illiterate and unable to read and write. A large number (49.1%) were able to read and write to some extent. Respondents that were literate and could read and write well were almost half (47.2%). It can be concluded that there is a low level of proficiency in both writing and reading among the respondents. Furthermore, the writing and reading gaps could contribute to the short lifespan of many micro and survivalist enterprises and threaten the ability of these informal enterprises to be sustainable.

b) Education (Q6)

The results for the highest level of education are shown in Table 4.6.

Table 4.6: Percentages for highest level of education

		Count	%
Education	No formal education	4	3.7%
	Foundation phase (Grade R – 3)	5	4.6%
	Intermediate phase (Grade 4 – 6)	15	13.9%
	Senior phase (Grade 7 – 9)	30	27.8%
	Further Education and Training (FET) (Grade 10 – 12)	50	46.3%
	Certificate or Diploma	2	1.9%
	Bachelor's Degree	2	1.9%
	Post graduate degree	0	0.0%
	Other	0	0.0%
	Total	108	100.0%

Respondents were asked to indicate their highest educational level in a system where Grade R is the lowest and Post graduate degree is the highest level of education. The research showed that a small number (3.7%) have no formal education, with Grade R to Grade 3 indicated for only a few (4.6%). Above one tenth (13.9%) had completed Grades 4 to 6, while Grades 7 to 9 had been achieved by more than a quarter (27.8%), with most of the respondents (46.3%) having done further education and training (FET). Participants, with either a Certificate/Diploma or a Bachelor's degree, were limited to only a few (1.9%). The findings suggest that there is a lack of adequate education among respondents. It is believed that education is needed as it provides the basis for intellectual development required by entrepreneurs in business to be sustainable and successful.

c) Experience (Q7)

The results for experience are shown in Table 4.7.

Table 4.7: Percentages for experience

		Count	%
Experience	No experience	51	47.2%
	Work experience	44	40.8%
	Management experience	1	0.9%
	Entrepreneurial experience	12	11.1%
	Total	108	100.0%

Of the all businesses sampled for the research, a large number (47.2%) have no previous work, management or entrepreneurial experience. About two fifths of the respondents (40.8%) have prior work experience, a few less (0.9%) have management experience, while a small number (11.1%) of the sample have previous entrepreneurial experience. It is of concern that a third of the respondents have no prior work, management or entrepreneurial experience. Inexperience is a disadvantage as businesses may not have knowledge of how the industry works, which may make it harder to identify and exploit opportunities.

d) Formal planning (Q8)

The results of formal planning are shown in Table 4.8.

Table 4.8: Percentages for formal planning

		Count	%
Formal planning	Yes	34	31.5%
	No	74	68.5%
	Total	108	100.0%

The survey required respondents to indicate whether they do any formal planning in their businesses. It was very discouraging to note that two thirds (68.5%) of business owners do not believe in formal planning, while almost a third (31.5%) do make use of planning in their businesses. The ability to plan properly is an important function and tool for a business since it contributes to

the efficient running of a business and controlling and managing time better. Planning also helps in monitoring the extent to which plans are successful in terms of materialisation. Most businesses fail because of the fundamental shortcomings in their business planning. Entrepreneurs in the selected informal sector do not seem to understand the importance of planning. It is emphasised that planning is needed in a business to achieve predetermined goals and objectives.

e) Support group (Q9)

The results for support group are shown in Table 4.9.

Table 4.9: Percentages for support group

		Count	%
Support group	Yes	4	3.7%
	No	104	96.3%
	Total	108	100.0%

The findings show that almost the whole population (96.3%) in this study do not belong to a support group. The results indicate that there is poor linkage between these informal enterprises since they do not interact with small, medium or similar businesses. Both formal and informal networking is not common among the selected micro and survivalist enterprises.

f) Pricing (Q10)

The results for pricing are shown in Table 4.10.

Table 4.10: Percentages for pricing

		Count	%
Pricing	Cost plus profit	4	3.7%
	Cost plus expenses	6	5.6%
	Competitive pricing (selling equal or more cheaply than competitors)	98	90.7%
	Other	0	0.0%
	Total	108	100.0%

The vast majority of respondents (90.7%) use the 'competitive pricing' option, only a small number (5.6%) use the 'cost plus expenses', while the rest (3.7%) use the 'cost plus profit' option. The results demonstrate lack of costing knowledge among the respondents as expenses (salaries or wages, overhead costs etc.) are not taken into account when establishing prices. In addition, using price to compete may translate into higher volume sales but low profits as businesses may barely cover costs of their businesses.

g) Business knowledge (Q11)

The results of business knowledge are shown in Table 4.11.

Table 4.11: Percentages of business knowledge

	Most skilled		2		3		Least skilled		Total	
	Count	%	Count	%	Count	%	Count	%	Count	%
Cash flow management	0	0.0%	17	15.7%	73	67.6%	18	16.7%	108	100.0%
Customer relations	71	65.7%	35	32.4%	2	1.9%	0	0.0%	108	100.0%
Inventory control	33	30.6%	57	52.8%	17	15.7%	1	0.9%	108	100.0%
Record-keeping	4	3.7%	0	0.0%	15	13.9%	89	82.4%	108	100.0%

The findings show that the respondents were mainly skilled in customer relations (65.7%). This was followed by inventory control (30.6%) and then cash flow

management (15.7%). The respondents regarded themselves less skilled in record keeping (82.4%). There appears to be a lack of emphasis on record keeping and cash flow management. This is a huge disadvantage, especially in a competitive and changing business environment. It is apparent that micro and survivalist enterprises need to absorb proper business knowledge skills in order to remain sustainable and competitive.

h) Functional areas of management (Q12)

The results for the functional areas of management are shown in Table 4.12.

Table 4.12: Percentages for functional areas of management

	Easiest		2		3		Most difficult		Total	
	Count	%	Count	%	Count	%	Count	%	Count	%
Finance	2	1.9%	48	44.4%	16	14.8%	42	38.9%	108	100.0%
Business management	103	95.4%	4	3.7%	0	0.0%	1	0.9%	108	100.0%
Marketing	3	2.8%	35	32.4%	67	62.0%	3	2.8%	108	100.0%
Human resources	0	0.0%	21	19.4%	25	23.1%	62	57.4%	108	100.0%

The survey required respondents to indicate the area of management that they find most difficult. The average scores reflect that the respondents' greatest difficulty lies in human resource management (57.4%). The second most difficult aspect of the business is finance (38.9%), followed by marketing (2.8%). The easiest aspect of running the enterprise is the business management side (95.4%).

There appears to be a low priority when it comes to human resources and finance, although this appears typical among micro and survivalist businesses, as they may not see human resource management as a value-adding resource. These informal enterprises may not also have access to micro finance

institutions and most banks may be reluctant to avail credit facilities to these enterprises unless they have acceptable collateral. Hence the results in the study show the respondents to find the finance area of management to be difficult.

4.2.3 External factors (Q13 – Q14)

The objective of the questions 13 - 14, based on sub-objective two, was to establish and analyse the external factors limiting the long-term survival and development of micro and survivalist enterprises of a selected informal sector. The intention of this sub-objective was to identify gaps in business knowledge as well as promote the sustainability of informal enterprises. The responses to these questions provide insight into these gaps.

a) Financial services (Q13)

The results of the financial services are shown in Table 4.13.

Table 4.13: Percentages of financial services

	Yes		No		Total	
	Count	%	Count	%	Count	%
Applied for credit	4	3.7%	104	96.3%	108	100.0%
Was granted credit	2	1.9%	106	98.1%	108	100.0%
Other	0	0.0%	108	100.0%	108	100.0%

- **Credit application**

It is evident that respondents did not exploit the external options presented to them, as the vast majority (96.3%) had not applied for credit from financial institutions in the past 12 months. Most respondents were often only vaguely aware of financial service providers. They had little knowledge of how to apply for credit. It can be concluded that the respondents may not have knowledge regarding the different institutions available at their disposal. They may also be

discouraged from applying for credit by the perceived or high collateral requirement, high cost of borrowing, ineligibility, or concern about their repayment ability.

- **Granted credit**

Out of the 108 businesses, almost the whole population (98.1%) had not been granted credit in the past year. Collateral constraint, inadequate business plan, state of the economy and bureaucratic procedures in applying for loans/finances could be the major factors that constrain the attainment of funding from financial institutions. Access to finance is a major bottleneck for the sustainability of micro and survivalist enterprises.

- **Other**

The fact that respondents do not make use of financial service providers became increasingly apparent, as the findings showed that the whole population had not received any other services from financial institutions. The long-term survival and development of these informal enterprises will be impeded because of the absence of finance.

b) Non-financial services (Q14)

The results of non-financial services are shown in Table 4.14.

Table 4.14: Percentages of non-financial services

	Yes		No		Total	
	Count	%	Count	%	Count	%
Applied for non-financial support such as business training	1	0.9%	107	99.1%	108	100.0%
Was granted non-financial support such as business training	0	0.0%	108	100.0%	108	100.0%
Other	0	0.0%	108	100.0%	108	100.0%

- ***Applied for non-financial support***

There appears to be a general breakdown with regard to accessing non-financial services, as the greater majority of respondents (99.1%) have never applied for non-financial support, which includes business training and support, in the past 12 months. From the findings, it would appear that the respondents seem to not have the expertise and knowledge to apply for non-financial support or there could be lack of marketing or clear government policy with regard to promoting micro and survivalist enterprises.

- ***Granted non-financial support such as business training***

All respondents (100%) indicated that they were not offered any kind of non-financial support. Services such as business training and support, which form a major part of non-financial services, may be the key ingredients for the sustainability of these informal enterprises. Smaller businesses are receiving significant attention and more support in the form of skills training and assistance with market access. Overall, the responses seemed to be extremely negative in this regard.

- ***Other***

Respondents were required to indicate any other non-financial support that was provided by non-financial institutions. According to the respondents, it is clear that non-financial support is a foreign word, as none of the respondents ever sought assistance of any type from non-financial institutions.

4.3 INFERENCE STATISTICS

Inferential statistics in the form of chi-square with cross tabulations was used to gain knowledge about the relationship between variables. Cross tabulation tables were used to indicate different relationships between two or more categorical variables. Cross tabulation is a technique that allows the researcher

to look at the response of one variable in relation to the response of one or two other variables (Lamb et al 2008:144).

The chi-square test was also applied to ascertain whether a relationship exists between the two cross tabulated variables. According to Robson (2011:446) the point and purpose of relationship testing is to find out if there are any significant results, if $p < 0.05$, then the results are considered to be statistically significant. Several chi-square with cross tabulations were done and examined.

a) The biographical variables (gender, ethnic group and age) and size of the business (micro and survivalist enterprise)

The results of the cross tabulation and chi-square are shown in Tables 4.15 and 4.16.

Table 4.15: Cross tabulation - The biographical variables (gender, ethnic group and age) and size of the business (micro and survivalist enterprise)

		Size of the business					
		Micro enterprise (1 – 5 employees, including owner)		Survivalist enterprise (1 person)		Total	
		Count	%	Count	%	Count	%
Gender	Male	17	15.7%	20	18.5%	37	34.3%
	Female	8	7.4%	63	58.3%	71	65.7%
	Total	25	23.1%	83	76.9%	108	100.0%
Ethnic group	Black African	13	12.0%	57	52.8%	70	64.8%
	Asian/Indian	12	11.1%	26	24.1%	38	35.2%
	Total	25	23.1%	83	76.9%	108	100.0%
Age	29 and Under	4	3.7%	9	8.3%	13	12.0%
	30 – 39	7	6.5%	18	16.7%	25	23.1%
	40 – 49	4	3.7%	29	26.9%	33	30.6%
	50+	10	9.3%	27	25.0%	37	34.3%
	Total	25	23.1%	83	76.9%	108	100.0%

- From the cross tabulations, it shows that for gender the majority of females (58.3%) operate a survivalist enterprise. A large number (18.5%) of males also operate a survivalist enterprise compared to those (15.7%) in a micro enterprise;
- For ethnic group the majority of Black Africans (52.8%) and Asian/Indians (24.1%) operate a survivalist enterprise;
- In the age groups, a large number of the respondents in the 40 – 49 group (26.9%) are in a survivalist enterprise.

Table 4.16: Chi-square - The biographical variables (gender, ethnic group and age) and size of the business (micro and survivalist enterprise)

		Size of the business
Gender	Chi-square	16.443
	df	1
	P	0.000*
Ethnic group	Chi-square	2.342
	df	1
	P	0.126
Age	Chi-square	3.324
	df	3
	P	0.344

*The Chi-square statistic is significant at the 0.05 level.

The results show that gender and size of the business are related.

- For gender the chi-square equals 16.443; df equals 1 and $p < 0.05$.
- However ethnic group and age are independent.
- For ethnic group the chi-square equals 2.342; df equals 1 and $p > 0.05$;
 - For age chi-square equals 3.324; df equals 3 with $p > 0.05$.

b) Biographical variables (gender, ethnic group and age) and formal planning

The results of the cross tabulation and chi-square are shown in Tables 4.17 and 4.18.

Table 4.17: Cross tabulation – Biographical variables (gender, ethnic group and age) and formal planning

		Formal planning					
		Yes		No		Total	
		Count	%	Count	%	Count	%
Gender	Male	17	15.7%	20	18.5%	37	34.3%
	Female	17	15.7%	54	50.0%	71	65.7%
	Total	34	31.5%	74	68.5%	108	100.0%
Ethnic group	Black	23	21.3%	47	43.5%	70	64.8%
	Indian	11	10.2%	27	25.0%	38	35.2%
	Total	34	31.5%	74	68.5%	108	100.0%
Age	29 and Under	6	5.6%	7	6.5%	13	12.0%
	30 – 39	13	12.0%	12	11.1%	25	23.1%
	40 – 49	9	8.3%	24	22.2%	33	30.6%
	50+	6	5.6%	31	28.7%	37	34.3%
	Total	34	31.5%	74	68.5%	108	100.0%

- Cross tabulation results show that for gender more males (15.7%) in this study did formal planning while a large number (50.0%) of females did not do formal planning.
- For ethnic group the majority of Asian/Indians (25.0%) do not plan in their businesses with a large number (43.5%) of Black Africans indicating that they do also not plan in their businesses.
- For age a large number of participants (28.7%) in the 50+ age group do not do any formal planning. The 30 – 39 age category is where the majority (12.0%) of respondents plan in their businesses.

Table 4.18: Chi-square - Biographical variables (gender, ethnic group and age) and formal planning

		Formal planning
Gender	Chi-square	5.459
	df	1
	P	0.019*
Ethnic group	Chi-square	0.175
	df	1
	P	0.676
Age	Chi-square	10.445
	df	3
	P	0.015*

*The Chi-square statistic is significant at the 0.05 level

Chi-square results show that gender and age are related.

- For gender chi-square equals 5.459; df is 1 and $p < 0.05$;
- For age chi-square equals 10.445; df is 3 with $p < 0.05$.

But ethnic group is independent.

- For ethnic group the chi-square equals 0.175; df is 1 and $p > 0.05$.

4.4 CONCLUSION

This chapter presented the findings of the study, using both descriptive and inferential statistics. The statistical tools used to analyse the data included cross tabulations and chi-square test. The findings further identified relationships and some differences between variables in the study. The analysed results showed that the selected informal sector is predominantly made up of matured females, who are Black Africans. The size of the business venture also showed that a large proportion of businesses in the selected informal sector are survivalist enterprises.

There appears to be low literacy and educational levels among the respondents. Almost half of the sample had not completed high school and writing and reading scores were minimum. When looking at the previous experience of the

businesses, almost half of the respondents did not have prior work, management or entrepreneurial experience.

As far as planning is concerned, only a small number (31.5%) engaged in formal planning. The level of networking with other business associates is extremely low and there appears to be a lack of pricing knowledge among the respondents. In terms of business knowledge as well as the functional areas of management, the results show low levels in various management and business knowledge disciplines. The findings further indicate that business owners of a selected informal sector tend to be more limited in their borrowing practices, as they seldom sought external assistance from financial and non-financial institutions.

The next chapter will focus on the discussion of the findings of the empirical research.

CHAPTER FIVE

DISCUSSION OF THE EMPIRICAL FINDINGS

5.1 INTRODUCTION

In the previous chapter, data collected from the field was analysed using descriptive and inferential statistics and presented in tabular form. It was found that the sample was made up of predominantly Black Africans who are matured females, with low educational and literacy levels. There was evidence of limited reading and writing skills among the sample. Most of the respondents operated a survivalist enterprise and had no previous business experience before starting their businesses.

A large number of the respondents did not make use of financial and non-financial services, formal planning, as well as support groups. Moreover, the majority of the respondents had unsuitable costing/pricing policies and strategies. They were also found to be adverse to record keeping, cash flow management, financial management and human resource management.

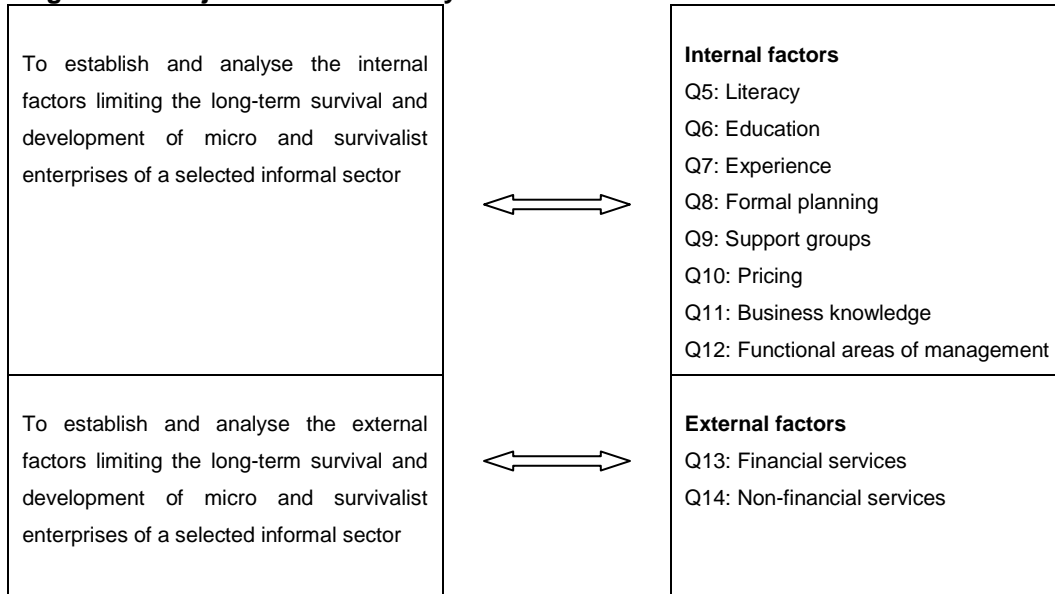
The aim of this chapter is to discuss the empirical findings as established in the previous chapter. For this discussion it was necessary to review the objectives of the study. The structure of this chapter follows a sequence similar to that of the measuring instrument, with the biographical and business information leading and then followed by the internal and external factors.

5.2 OBJECTIVES OF THE STUDY REVIEWED

The overall objective of this study was to explore the factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector in Durban, KZN. The intention of this objective was to identify gaps in businesses' knowledge and also promote the sustainability of informal

enterprises. In order to achieve the main objective of the study, the following underlying objectives were developed: To establish and analyse the internal and external factors that limit the long-term survival and development of micro and survivalist enterprises. This objective is shown in Figure 5.1, together with the relevant question numbers for each sub-objective.

Figure 5.1: Objectives of the study



5.3 BIOGRAPHICAL AND BUSINESS INFORMATION

The questions on gender, ethnic group, age and size of the business venture were asked in order to identify the biographical and business information.

5.3.1 Gender (Q1)

It was found in the research that a large number (65.7%) of the respondents were female. This, to some extent, correlates with research undertaken by the ILO (2009:6), which showed that in sub Saharan Africa, the greater majority (84%) of women are engaged in informal employment. ILO further maintains that it is a larger source of employment for women than for men in developing

countries. The results are further supported by Simrie et al (2011:27) who maintains that men are still involved in entrepreneurial activities, however in recent years research has shown that female entrepreneurial activity has been a key contributor to economic growth in a number of countries, especially in developing nations. Furthermore Scarborough (2011:34) echoes this sentiment, stating that many women are discovering that the best way to 'break the ice', which at times prevents them from obtaining top management positions, is to start their own business. From this, it seems the female advantage is seen throughout the world, as many women enter the male dominated world of work.

5.3.2 Ethnic group (Q2)

Black Africans were found to own and operate a large proportion (64.8%) of businesses in the selected informal sector, with only one third (35.2%) being Indian or Asian. It can therefore be argued that the reason for these results is because Black Africans make up the majority of the population in KZN. The results of the study show there is a high correlation with the findings established by Statistics South Africa (2007:24), that the Black African population holds the majority in all provinces, with the exception of the Northern Cape and Western Cape. The results are also in accordance with Devey et al. (2006:233) who point out that the majority of those working in the informal sector are Black Africans.

5.3.3 Age (Q3)

The research showed that people of all ages opened up a business at the selected informal sector. This exhibits an element of diversity and supports the view that entrepreneurship knows no age limits (Byrd and Megginson 2009:6). However a survey done by Rowlands and Rowlands (2008:2) indicates that many successful businesses have been started by people in their 30's that have management experience. They maintain that people over the age of 50, often called 'third-age entrepreneurs' are also responsible for many business start-

ups. This may be due to a change of career direction after taking early retirement. The research supports the findings by Rowlands and Rowlands as a large number of participants (34.3%) in this research was made up of people who are 50 and above, which showed maturity among the business owners.

According to research conducted by Simrie et al (2011: 22-23) entrepreneurship has no age limits, but there may be slight differences with the older and younger entrepreneurs. It is said that older entrepreneurs can add value to the business in terms of experience, contacts and capital, whereas younger entrepreneurs are more likely to have fresh ideas and new approaches, which can bring about innovation and change, and are likely to have a bigger appetite for risk. Although the most notable difference is the fact that the largest contribution to the total early stage entrepreneurial activity (TEA) in South Africa comes from the 35 - 44 year old age group, whereas the 25 - 34 year old group drives early-stage entrepreneurial activity in efficiency-driven economies on average.

5.3.4 Size of the business venture (Q4)

The study concluded that survivalist enterprises make up a large number (76.9%) of the businesses in the selected informal sector. This may be caused by shedding of jobs in most industries and therefore people unable to secure a job in the formal sector may join the informal sector as a source of survival and pecuniary motives and become survivalist entrepreneurs. Only a small number (23.1%) have a micro enterprise that employs between one to five people. According to Nieman (2006:8) the entry point for most people into the business world begins with a micro and survivalist enterprise.

5.4 INTERNAL FACTORS (Q5 – Q12)

The questions on literacy, education, experience, formal planning, support groups, pricing, business knowledge and functional areas of management were

asked in order to identify the internal factors. These questions were used to satisfy the first sub-objective.

5.4.1 Literacy (Q5)

A few (3.7%) of the respondents in this research were not able to read and write. Moreover, a large number (49.1%) were able to read and write to some extent and less than half (47.2%) were able to read and write fairly well. According to Nieman (2006:18), low literacy is a disadvantage as it makes it more difficult for collective bargaining with trade unions and add to the inability to deal with the complexity of labour legislation, as well as the drafting of employment contracts.

Furthermore, a basic competence in literacy is fundamental for conducting business and it is a key constituent of the human capital needed for business success. It is argued that strong literacy skills are closely linked to the probability of a sustainable business. ILO (2002:99-100) affirms that literacy plays a very important role in any business. Business owners, who are literate, are more likely to succeed in business than those who are not.

5.4.2 Education (Q6)

The findings of this study show the educational level of the respondents to be low, as half of the respondents had not done FET. A further lack of emphasis was shown with regard to tertiary education, only a few had a Certificate/Diploma (1.9%) and Bachelors Degree (1.9%). According to Nieman (2006:8), for greater economic empowerment, micro and survivalist enterprises need to acquire educational skills necessary to compete effectively in the labour market. Furthermore, he maintains that the level of formal education in the informal sector is very low. Most business owners reach Grade nine and then drop out, resulting in many people not being able to understand the legislation

placed before them. Consequently, every document, relating to their businesses has to be interpreted for them.

These findings were corroborated with anecdotal observations from the survey that showed that written documents need to be interpreted at the selected businesses. Therefore, Monahan, Shah and Mattare (2011:122) point out that education is beneficial to understanding the need for additional capital for future business growth. People with more education are potentially able to see the broader picture of revenue sources coming from internal operations as opposed to relying on exterior capital requirements. On the other hand, research carried out by Statistics South Africa, in their community survey (2007:28); indicate that education remains an important factor in the development of a country. Through education, individuals are prepared for future engagement in the labour market, which directly affects their quality of life, as well as the economy of the country.

5.4.3 Experience (Q7)

It was found that almost half of the enterprises in this study had no prior business experience before starting their businesses. This shortcoming is a risk as experience is needed before the establishment of a business in order to help with management problems and assist in overcoming problems in the start-up phase. According to Wiklund (1999, cited in Urban et al 2008), experience is needed because it results in greater success with start-up problems such as generating sales, developing marketing strategies and tactics, obtaining external financing, dealing with internal financial and general management issues. The author further indicates that experience can be interpreted as providing unique knowledge and may be considered a real asset to a business.

5.4.4 Formal planning (Q8)

The ability for a small business to plan formally is important in today's competitive and global business environment. Byrd and Megginson (2009:128) believe that planning should be the first step in performing a series of managerial functions. Likewise, Nieman (2006:19) argues that planning is the roadmap that will guide the small business to achieve its objectives. The findings in this study, however, show that most (68.5%) of the respondents do not plan formally in their business. It was found that the business owners in this study plan only day-to-day activities and not long term. Daft (2008:8) states that poor planning can hurt an organisation's performance, while Perry (2001:205) found that a relationship exists between business failure and lack of planning. It can be concluded that a primary reason for small business failure can be attributed to the lack of planning.

5.4.5 Support group (Q9)

The majority (96.3%) of the respondents in this study do not belong to a support group that could help with inter-business linkages and knowledge enhancement. The results are not supported by Rowlands and Rowlands (2008:14), who emphasise that business owners should join or create a network to build relations and do the best to help others or the organisation. Nevertheless Carter and Jones-Evans (2000:369) maintain that networking is an important entrepreneurial tool that contributes to the establishment, development and growth of small firms.

It is held that networking forms the basis of business relationships and they assist entrepreneurs to access crucial information from knowledgeable people. Micro and survivalist businesses rely heavily upon effective networking practices to win important investors and customers. The ability to network well is one of the factors that could ensure the sustainability of most micro and survivalist

enterprises. Networking is an essential ingredient in entrepreneurial competence.

5.4.6 Pricing (Q10)

The research showed that a large number of respondents (90.7%) use the 'competitive pricing' option, with only a small number (5.6%) using the 'cost plus expenses' option, while the rest (3.7%) use the 'cost plus profit' price option. It is evident that direct and indirect costs seem not to be taken into account when determining the price of a particular product or service. Respondents seem to determine the price that the competition is charging instead of considering their own expenses before establishing their selling price. The results support the literature that pricing presents a problem to micro and survivalist enterprises.

According to Roy and Wheeler (2006), a significant number of micro businesses have no price differentiation. They sell the same product at the same price, mostly negotiated with customers. Strauss (2008:202) highlights that selecting the right price in business is important, as this could mean the difference between the success or failure of an enterprise. The wrong price can put an owner out of business and one needs to find the correct pricing which requires careful thought and planning.

5.4.7 Business knowledge (Q11)

The respondents regarded themselves least skilled in record-keeping. Tushabomwe-Kazooba (2006:32) supports the results. He believes that the low priority that is attached to record-keeping is caused by a lack of the basic business management and skills. Skinner (2005:34), in conducting her research also found that informal economy workers did not keep any written records or accounts in order to monitor their businesses as they did not think it was necessary or important to keep records. However, record keeping is essential in

a business as records help analyse business profitability and maintain positive relationships with customers and suppliers.

Cash flow management was rated by the respondents as the second least area where they were skilled. There is agreement with the literature that micro and survivalist enterprises have poor cash flow management skills (Van Scheers 2011). The shortage of cash flow management skills affects these informal enterprises negatively. It is, however, vital for business owners to be able to make and receive payments. Moreover, cash flow management skills are needed to make the business more viable and sustainable.

5.4.8 Functional areas of management (Q12)

Greene (2011:128) reports that for a business to succeed, it will have to hire people. This process is known as human resource management. However, it was discovered that most of the respondents in this study found the human resource area of management to be the most difficult. This finding may be attributed by the enterprises' informal and small nature and respondents often feeling that human resource is a hindrance.

According to Nieman (2006:18), small businesses face human resource constraints. This is because of their small size, which often does not warrant hiring people and cannot deal with the complexity of the labour legislation in the country. However, labour is an important factor of production and businesses need a good labour force, no cutting costs and employing cheap labour in the form of relatives and friends. No business owner can work in isolation and the most dominant sustainable resource is the quality of people a business has, according to Scarborough (2011:45).

The finance area of management was also found to be the second most difficult. Financing is one of the barriers that face micro and survivalist businesses in the informal sector. As a business owner, one must be able to handle finances for the business to remain sustainable. The difficulties of finance cannot be overlooked since finance is one of the major functions in the business. The lack of emphasis on these managerial skills and business knowledge could lead to business stagnation and eventually the collapse of the business (Van Scheers and Radipere 2007).

5.5 EXTERNAL FACTORS (Q13 – Q14)

The questions on financial and non-financial services were asked in order to identify the external factors. These questions relate to the second sub-objective of the study.

5.5.1 Financial services (Q13)

- ***Applied for credit***

Inadequate capital, scarcity of financial resources and access to financial markets is the first constraint that various authors mention as a limitation for micro and survivalist enterprises (Okpara and Wynn 2007; ILO 2008:73; Naidoo and Urban 2010). An overwhelming majority (96.3%) of the respondents in this study have not applied for credit in the past 12 months. The findings support the views of Ronan (2005, cited in Mears and Theron 2006: 24) who found that most SMMEs are not utilising the services of the micro finance institutions, either because of the high interest rates or just a lack of knowledge and/or information.

Likewise, Clow and Baack (2004:474) established that one of the difficulties faced by small businesses, when compared to larger businesses, is the limited availability of financial resources. This finding suggests that the application for finance presents a serious problem for micro and survivalist enterprises and

financial service providers need to introduce innovative ways to cater for micro and survivalist enterprises. According to Kuratko (2009:280), access to finance remains the principle factor that enables a business to be run successfully.

- ***Granted credit***

Almost the whole population in this study (98.1%) had not been granted credit in the past year. The inability of businesses at the selected informal sector to secure funding is of a serious concern. It can be argued that financial institutions fail to cater for micro and survivalist enterprises. This failure may, however, be caused by the financial institutions lending terms and conditions. According to Clover and Darroch (2005) SMMEs frequently lack the ability to present convincing business plans to lending institutions, while Nieman et al. (2003:32) add that financial institutions reject applications because the style and presentation of the business plan is not clear and does not provide all the required information. Moreover, the business plans submitted are not researched and presented properly.

In addition, Chimucheka (2012) holds that unavailability of business plans or poor presentation is one of the common and main reasons for failure and inaccessibility of funds by SMMEs. Likewise, Scarborough (2011:140), cites that lenders and investors use a set criteria to evaluate the creditworthiness of entrepreneurs seeking finance. It is, therefore, apparent that the financing of micro and survivalist businesses may be a problem for several reasons. First, it may stem from the lack of collateral, bad or no credit history. Secondly, the businesses may have a poorly prepared business plan which does not provide an adequate justification as to why the business will succeed. Thirdly, for many micro and survivalist businesses, the financing needs are so small that it may not be economically feasible for financial institutions to finance them because the returns will not cover the fixed paper work costs.

Lastly, discrimination on the basis of race and gender, may be also a reason for the lack of credit being granted. Nevertheless, financing is believed to stimulate business productivity and credit is one of the many infrastructural needs of micro and survivalist enterprises. Therefore, support programmes need to be well marketed and co-ordinated. Furthermore, finance has been identified as the most important factor determining the sustainability of these informal enterprises.

- ***Other***

None of the respondents used any other services from financial institutions. During the 2012/2013 Budget speech in the National Assembly, the Finance Minister explained that fees for many products in the financial sector remain too high (Gordhan 2012). This may be the cause for the respondents in this study to not have accessed any other services from financial institutions.

5.5.2 Non-financial services (Q14)

- ***Applied for non-financial support***

A large proportion (99.1%) of the respondents had not applied for non-financial support. It could be concluded that there are complexities and bureaucracy involved in obtaining non-financial support or the respondents are unaware of non-financial institutions. It further suggests that the enterprises do not have a viable business idea. Hence, they do not apply for non-financial support. This means that a relationship between micro and survivalist enterprises and non-financial institutions could be strengthened to make the process of obtaining non-financial support easier.

- ***Was offered non-financial support, such as business training***

None of the respondents in this study were offered non-financial support, such as business training, by various non-financial institutions. The findings show that

government could improve the limited information and knowledge regarding non-financial services within the selected informal sector.

- ***Other***

Of all the respondents in this study, none were offered other non-financial support. It can be argued that there is a lack of emphasis on applying for non-financial support services.

5.6 CONCLUSION

This chapter interpreted and analysed the findings of the empirical research. It included an examination of variables such as biographical and business information and internal and external factors. It is clear from the analysis of the results that the businesses at the selected informal sector are characteristically owned mostly by females, which conforms to international trends. The traders are also predominantly Black Africans and found in different age categories; nonetheless, remarkably mature adults who are 50 years and above were dominant in this study. Most of the respondents (76.9%) had a survivalist enterprise, whereas a small number (23.1%) operated a micro enterprise, which employs between one and five people.

The respondents were also found to be semi-literate with many not having completed high school. Moreover, reading and writing scores were low. A large number of the businesses appear to have no previous business experience and this could be a disadvantage to the respondents. Most of the respondents do no formal planning in their businesses, nor do they belong to a support group. These findings indicate that the respondents need to put more emphasis on planning and networking. It was also found that the vast majority of the respondents do not consider the business expenses when determining their pricing. Record keeping, cash flow management, human resources and finance

appeared to be an area of concern among the respondents, as these management areas and business knowledge were not seen as important.

The research further indicated that most of the business owners at the selected informal sector did not use the services of financial and non-financial institutions. It can only be assumed that the reason for not accessing these providers is due to the fact that the respondents are not aware of the different financial and non-financial institutions.

The next and final chapter will revisit the main research objectives and the findings, as well as focus on the conclusions and recommendations for future research.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

In the previous chapter, the findings of this study were discussed. This chapter concludes the research study by reviewing the major findings of the factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector in Durban, KZN. This chapter also indicates how the research objectives have been addressed. Recommendations, based on the findings for future areas of research, are also made.

6.2 OBJECTIVES OF THE RESEARCH REVISITED

The main objective of the study was to explore the factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector in Durban, KZN. The intention of this objective was to identify gaps in businesses' knowledge and also promote the sustainability of informal enterprises. Therefore, it was necessary to establish and analyse the internal and external factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector.

The objective of this research has been satisfied, as it was possible to identify a number of factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector. An extensive literature review and the results described in chapter four clearly demonstrated and highlighted these factors, which include poor planning, lack of networking, poor pricing knowledge, managerial and business knowledge incompetence, lack of literacy, education and training, insufficient business experience, inadequate financial resources and lack of adequate non-financial support.

6.3 MAIN CONCLUSIONS BASED ON THE RESEARCH OBJECTIVES

Internal factors

It was established that there was a deficiency in both writing and reading skills among the respondents. The educational level was also low with half of the respondents having not done FET. This conclusion is supported by Nieman (2006:8) and Statistics South Africa (2008:6). Education is needed as it plays an important role on the confidence levels of entrepreneurial efforts. The respondents could use education as a platform to obtain the required business training. Limited education reduces the ability for these business owners to make a decent living for themselves and their dependants and to combat their exposure to poverty. In terms of business experience, almost half of the businesses examined indicated that they had no previous experience before starting their businesses. This finding is similar to previous findings by Nieman et al. (2003:33).

The long-term survival and development of micro and survivalist enterprises is also inhibited by deficits in planning, networking and pricing. In terms of managerial and business knowledge, the general conclusion is that record keeping, cash flow management, financial management and human resource management were found to be limited among the majority of the respondents surveyed. This finding is correlated closely to previous research by Nieman (2006:8). The low managerial and business knowledge skills are an indication of a lack of business training. According to Naidoo and Urban (2010), the lack of skills hinder the improvement of production capacity, which makes it necessary to continuously better production strategies with customised products and process-focused operations. Nevertheless, the development of management skills is needed in order to empower the majority of informal sector operators to remain sustainable. ILO (2008:71) argues that the training and development of

skills are important factors in improving the conditions of employment for most workers and enterprises in the informal economy.

External factors

Very few respondents had used the services of either a financial or a non-financial institution in the past 12 months. An overwhelming majority of the respondents had not applied for credit. It appears that respondents had already assumed that their applications would be rejected. It was found, however, that those who applied for credit were not successful. This finding is similar to that of their counterparts in other countries, as cited by ILO (2002:115). It was also established that very few respondents applied for non-financial services and none were granted any non-financial services, a phenomenon which is supported by authors such as Devey et al. (2006).

6.4 RECOMMENDATIONS THAT EMERGED FROM THE STUDY

Based on the findings, the following recommendations are made:

Education and training

It is recommended that micro and survivalist enterprises should receive the necessary education before starting a business, as education has been identified as the most important factor inhibiting entrepreneurial activity. In order for these business owners to be sustainable, grow and develop, they need to be educated. It is further recommended that these informal enterprises receive educational support, as education beyond primary and secondary levels facilitates better business opportunities and results in sustainable and successful businesses.

To be effective, educational programmes need to be tailored to the needs and livelihoods of micro and survivalist enterprises in the informal economy.

Moreover, educational programmes should also focus on innovation and technology, as these are important drivers of business sustainability. The development of basic literacy is also recommended as respondents with such competence are more likely to attend business-related educational and training programmes, which eventually may lead to more sustainable and profitable businesses.

Experience

Business owners need to obtain adequate business experience before establishing their enterprises in order to avoid failure in the long run. Practical experience will assist in applying theory to real life situations as well as give insight into the business world. The knowledge gained from previous experience is essential in the sustainability of micro and survivalist enterprises.

Financial and non financial services

There should also be an increasing awareness and expansion of financial services provided by financial institutions. For micro and survivalist enterprises to be sustainable, grow and increase productivity and efficiency, it is essential that they have access to sufficient financial services. Moreover, policymakers need to take all measures to ensure that entrepreneurs know of the different government incentives available to business owners, particularly services regarding enterprise support programmes. Therefore, marketing should be given due importance towards the provision of support services.

Regular evaluations by non-financial support institutions should be carried out to ensure the effectiveness of their programmes. It was also clear from the findings that policymakers need to understand the constraints faced by entrepreneurs in the informal sector and find ways to encourage sustainability in this sector. For instance, there should be improvement of incentives and support given to micro

and survivalist enterprises in fields such as finance, training and education, innovation and information provided by the public and private sectors. Also, there should be effective communication in place to ensure that support mechanisms are received by entrepreneurs.

Enabling environment and training and consulting centres

An enabling environment should be created to provide the required services that they may help these enterprises to thrive on inter-business linkages. Micro and survivalist consulting centres should be established to deal specifically with micro and survivalist entrepreneurs in the informal sector, which are within easy reach of the entrepreneurs, with other cities and provinces to assist them with their challenges such as price establishment. Training of entrepreneurs in functional areas is needed. The government needs to subsidise such training more comprehensively and also increase its funding to this sector. Furthermore, development of managerial skills and business knowledge, such as record keeping, human resources, finance and cash flow management should be encouraged to aid planning.

6.5 FUTURE RESEARCH AREAS

For this research, the respondents were limited to the Early Morning Market. Future research should incorporate a wide range of business owners from a large selection of informal sectors to determine whether the study will yield similar results. Future research may be required in investigating the increase in capacity of human capital, as far as skills are concerned. To further aid the long-term survival and development of micro and survivalist enterprises, the proximity of formal markets should be investigated.

An inclusion on small and medium enterprises is also recommended, to find out if they also experience similar operational issues. Only micro and survivalist

enterprises formed part of this study. The measuring instrument could be expanded in order to determine an in-depth picture of the internal factors. Additional information regarding external factors could also be obtained.

6.6 VALUE OF THE STUDY

Prospective and current micro and survivalist enterprises will benefit from this study, as the findings presented will put these informal enterprises in a better position to overcome the mistakes that limit their long-term survival and development. The different financial and non-financial institutions will also benefit from the study, as the results will assist with their planning of financial and non-financial programmes aimed at assisting micro and survivalist business owners. The responses received from the study will help policymakers to identify problems with the allocation of programmes offered by stakeholders. This study will contribute to entrepreneurial academic literature and non-academic beneficiaries, and extend theories investigating factors that limit the long-term survival and development of micro and survivalist enterprises of the informal sector in Durban.

6.7 CONCLUSION OF THE RESEARCH

In this final chapter, the major findings of the study have been set out. This chapter also presents recommendations for future research, as well as the value of the study. The sample design, with 108 respondents, was satisfactory. The personal delivery of the questionnaire ensured a higher response rate, more detailed responses and ensured commitment, as opposed to what a postal and email survey would have achieved. The receptiveness of the respondents, as well as the accessibility to the selected informal sector, eased the process of collecting the data.

The study attempts to contribute to the existing knowledge regarding factors that limit the long-term survival and development of micro and survivalist enterprises, which various authors have touched on, as opposed to depending on anecdotal evidence. It is hoped that the research findings will inspire financial and non-financial institutions, as well as government and the private sector, to increase cooperation and innovation so as to fill gaps in knowledge regarding micro and survivalist enterprises, in the informal economy of the province, and the country as a whole.

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PERSONAL INTERVIEW

Manager. Early Morning Market. Zulu, L. November 2011.

ANNEXURES

Annexure 1 – Written permission from the Vice Chairperson of the Early Morning Market Traders Association to conduct the study

100 Warwick Avenue
Early Morning Market
Durban
4000
10 December 2011

Miss Maud Hutchinson
Lancaster Road
Durban North
4051

Dear Miss Hutchinson

This letter is to inform you that the Early Morning Market Traders Association has reviewed and supports your research study titled, “Factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector in Durban, Kwa-Zulu Natal”. It is our understanding the project will begin on December 12, 2011.

We support the study and will provide any assistance necessary for the successful implementation of this study.

If you have any questions or need further assistance, please contact me at 073 168 0351

Continued/.....

Sincerely

Million K. Phehlukwayo (Vice Chairperson of the Early Morning Market Traders Association)

Annexure 2 – Informed consent forms from the respondents



Lancaster Road
Durban North
4051
15 December 2011

Letter of information and consent

Factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector in Durban, Kwa-Zulu Natal (KZN)

Dear respondent

I am a student at the above mentioned University, in the Department of Entrepreneurial Studies and Management. I am currently registered for a Masters of Technology degree in Business Administration and currently undertaking a research project that aims to explore the factors that limit the long-term survival and development of micro and survivalist enterprises of a selected informal sector in Durban, KwaZulu-Natal (KZN).

There is no right or wrong answers in this survey. Please answer the survey as honestly and accurately as possible. Would you agree to be interviewed in this study? The interview will take approximately 10 to 12 minutes to complete.

Continued/.....

Your participation is voluntary and highly appreciated. You are free to withdraw from the study at any time. The information provided by you will remain confidential and will only be used for research purposes and will be pooled together and not linked back to you in any way. Your name and identity will also not be disclosed at any time.

Available sources of information

If you have any further questions you may contact my supervisor (Dr Marie de Beer) Department of Entrepreneurial Studies and Management at the Durban University of Technology, telephone 031 373 6746 during office hours.

Your assistance is of great help and I thank you in advance.

Yours sincerely

Maud V Hutchinson

Contact telephone number: 076 702 3636

Continued/.....

Authorization

Kindly complete the following as consent of your willingness to participate in this research project:

I, _____, have adequately discussed the study with the researcher and understand that I may withdraw from it at any time without giving reasons and voluntarily agree to participate by being interviewed.

Signature: _____

Date: _____

Annexure 3 – Questionnaire survey instrument

SURVEY INTERVIEW SCHEDULE SAMPLE

Please indicate with an X against your selected answer

Section A: Biographical and business information (Questions 1 to 4)

1. Gender

- Male
 Female

2. Ethnic group

- Black African
 Asian or Indian

3. Age

- 29 years and under
 39 - 39
 40 - 49
 50 years or more

4. Size of the business venture

- Micro enterprise (1 – 5 employees, including owner)
 Survivalist enterprise (1 person)

Continued/....

Section B: Internal factors (Questions 5 to 12)

**5. Which of the following statement describes your level of literacy
(Please tick only one from the list below)**

- I am unable to read and write
- I am able to read and write to some extent
- I am able to read and write fairly well

6. Highest level of education completed/passed

- No formal education
- Foundation phase (Grade R – 3)
- Intermediate phase (Grade 4 – 6)
- Senior phase (Grade 7 – 9)
- Further Education and Training (FET) (Grade 10 – 12)
- Certificate/Diploma
- Bachelors Degree
- Post graduate degree
- Other (Specify) _____

**7. Do you have any previous work/ management/ entrepreneurial
experience?**

- No experience
- Work experience
- Management experience
- Entrepreneurial experience

Continued/...

8. Do you do any formal planning in your business?

Yes

No

9. Do you belong to any support group which may help with inter-business linkages?

Yes

No

10. How do you establish your prices? (Please tick only one from the list below)

Cost plus profit

Cost plus expenses

Competitive pricing (selling equal or more cheaply than competitors)

Other (Specify) _____

11. In which business knowledge area do you regard yourself most skilled.

Please rank these from 1 to 4, i.e. 1 = most skilled to 4 = least skilled.

You may use each number only once.

Cash flow management

Customer relations

Inventory control

Record keeping

Continued/...

12. Which functional areas of management do you find most difficult?

Please rank these from 1 to 4, i.e. 1 = easiest to 4 = most difficult. You may only use each number once only.

- Finance
- Business management
- Marketing
- Human resources

Section C: External factors (Questions 13 to 14)

13. In the last year, have you used the services of a financial service provider or providers? E.g. Commercial Banks (Tick all that apply)

- Applied for credit
- Was granted credit
- Other (Specify) _____

14. In the last year have you used the services of a non-financial service provider or providers? E.g. Department of Trade and Industry (DTI), Small Enterprise Development Agency (SEDA) and National Youth Development Agencies (NYDA) and other. (Tick all that apply)

- Applied for non-financial support such as business training
- Was granted non-financial support such as business training
- Other (Specify) _____