

Entrepreneurship

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HIGHLIGHTS

The proportion of current business owners among respondents fell from 11% in 2011 and 2013 to 9% in 2015



Group Strategy Policy
Coordination and
Relations

National, provincial and local governments have been promoting small and medium enterprise (SME) entrepreneurship to boost economic growth and provide employment opportunities. Recently there has been a particular policy focus on growing businesses in the township economy. Yet results from the 2015 Quality of Life (QoL) survey found that the proportion of current business owners among respondents fell from 11% in 2011 and 2013 to 9% in 2015. The proportion of respondents who had ever tried to start a business similarly fell from 18% in 2013 to 15% in 2015. Most concerning, of those who had tried to start a business 45% said that their business had failed, up from 34% in 2013 (**Table 1**).

These statistics confirm trends detected in the most recent Global Entrepreneurship Monitor (GEM) survey. According to GEM, South Africa's 'Total early-stage Entrepreneurial Activity' (TEA) – the percentage of the 18-64 year old population who are either a nascent entrepreneur or owner-manager of a new business – dropped to 7% in 2014, down from 11% in the previous survey.

The 2015 QoL survey provides a range of insights into the challenges faced by formal and informal entrepreneurship in the province, as well as dynamics in the township economy and the impact of government labour-market intermediation programmes. Only initial findings are presented here.

	2013	2015
Respondents who have tried to start a business	18	15
Of these respondents who tried to start a business the following breakdown applies:		
Too early to tell	21	15
My business failed	34	45
My business is a success	28	27
My business was a success and I sold it / stopped running it	4	6
My business brings in some money, but not enough, so I have to do other things to earn an income	12	7

Table 1: Business success and failure (2013 & 2015)

The proportion of entrepreneurs operating in the informal sector remained stable at 59% in both the 2015 and 2013 QoL surveys. Not surprisingly, informal businesses tended to be less well established.

51% were less than 4 years old, compared to 36% of formal businesses. 7% of African respondents owned a business, down from 10% in 2013; 10% of white respondents owned a business, down from 15% in 2013. While this spread is not wide, white-owned businesses tended to be more formalised and larger.

74% of the businesses owned by African respondents were in the informal sector compared to only 45% of those owned by whites; 60% of African owned businesses were single-employee operations compared to only 23% of those owned by whites.

Business constraints



Business owners in the survey identified access to **start-up capital** as a problem. Personal savings were the first named primary source of start-up capital for 70% of formal sector and 81% of informal sector entrepreneurs. Bank loans were the primary source of capital for only 14% of formal sector and 5% of informal sector business owners. Remarkably, only 4% of African business owners said that their primary source of start-up capital was a bank loan, compared to 20% of white owned business.

Lack of access to finance was a main constraint to business for 11% of informal and 10% of formal sector entrepreneurs while the cost of borrowing was the main constraint for 9% and 4% respectively.

Crime was reported as the largest constraint to the businesses by both formal (15%) and informal sector entrepreneurs (16%). Business regulations (3% of informal and 6% of formal) and labour regulations (2% each for both categories) did not feature significantly as

main constraints. **Competition from foreign owned business** was cited as a constraint by 6% of informal and 7% of formal sector business owners.

Township Economies

The 2015 QoL survey asked respondents a set of questions about the economy in their local area. For example respondents were asked whether any of a range of economic services were within easy walking distance of their home. The question reflects both on whether those wanting to conduct economic activity in a local area have easy access to key goods and services, and also whether economic activity is present in an area, bringing local jobs. Indicatively, 37% of respondents said hardware/building supplies were within easy walking distance, 41% said banks were, and 42% said internet services were. Only 28% could reach business services easily on foot. By contrast 66% said they could easily walk to supermarkets and 51% said they walk to a liquor store. How far someone is prepared to walk, and therefore what is an 'easy walking distance' is of course a subjective measure.



- **Job creation programme**

The 2015 QoL survey also asked respondents whether they had worked in any government job creation programme – such as Jozi@work, the Expanded Public Works Programme (EPWP) or the Community Works Programme (CWP) – in the previous 12 months. 4% said they had done so, rising to 5% in Johannesburg.