

UNIVERSITY OF THE  
FREE STATE  
UNIVERSITEIT VAN DIE  
VRYSTAAT  
YUNIVESITHI YA  
FREISTATA



**The effect of foreign owned small businesses on  
local small businesses in *Emthanjeni* Local  
Municipality**

**By**

**Leon Christo Oliphant**

**Student Number: 2014159830**

**A mini-thesis submitted in partial fulfilment of the  
requirements for the degree of**

**Masters in Development Studies [MDS]**

**Faculty of Economic and Management Sciences**

**Centre for Development Support**

**at the**

**University of the Free State**

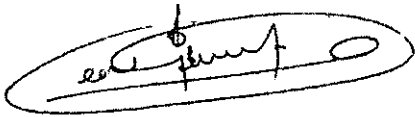
**Bloemfontein, Republic of South Africa**

**Supervisor: Dr Johan van Zyl, Ph.D.**

**January 2017**

## Declaration

I, Leon Christo Oliphant hereby declare that this thesis/dissertation for the Degree of Masters in Development Studies is my own work and that it has not been previously been submitted for assessment to another university or academic institution



Leon Christo Oliphant

31 January 2017

## **Acknowledgements**

First and foremost I would like to thank my Heavenly Father for giving me the strength, knowledge and ability to carry out this study. This work would not have been possible without the guidance of the Almighty.

I also would like to express my gratitude towards my supervisor, Dr Johan van Zyl for his guidance during this process.

A special word of appreciation goes to my wife, Madelein and my children, Jr and Mona-Lisa, whom I have neglected during the writing of this thesis. Thank you for your moral support, continuous prayers and sacrifices that you have made which has enabled me to pursue this course of study. Your role in this thesis is immeasurable.

A word of gratitude goes to Mr Philip Davids for your encouragement and much needed assistance. Thank you for editing this piece of work and for the academic input throughout this period.

Finally my heartfelt thanks go to my two friends, Orrissen and Deon for their words of inspiration and continued support. You are true friends indeed.

## **Abstract**

In recent years there has been a major influx of foreign nationals in the Republic of South Africa (RSA) from Eastern Countries and elsewhere in Africa. These foreign nationals settle themselves in the length and breadth of the RSA, and chose to live in informal settlements in black townships and small towns. It is difficult for most of these foreign nationals to find employment in the formal economy of RSA as a result of their foreign origins, and as a consequence they have capitalised on opportunities to set up small informal businesses to meet their livelihoods needs.

By virtue of their remarkable business prowess they have proven to establish reasonable successful enterprises, to the envy of RSA entrepreneurs, who functions within their chosen business sectors. This perceived success has opened them to unfair business rivalry, internecine criminality, and unwarranted violent attacks spurred on by xenophobic tendencies. This research study sought to determine whether these foreign-owned businesses have any positive or negative impact on locally-owned businesses in *Emthanjeni* Local Municipality.

The study found that the success of foreign-owned small businesses can be ascribed to their business ingenuity, their collective buying power, and their ability to intermingle with their host community members. The study also found that these foreign-owned businesses contribute considerably to the economies of *Emthanjeni's* constituent towns and provide much needed employment opportunities to local residents.

RSA small business entrepreneurs on the contrary do not feel the need to interact with one another and consequently cannot benefit from the collective buying of merchandise. They persist in the belief that foreign-owned small businesses threaten their business enterprises and take

their livelihoods away. It is recommended that this myth be dispelled through mentorship and business skills development programmes to strengthen the operations and viability of RSA small businesses in order to create pliable business relations with foreign-owned business enterprises. Furthermore, it is important that the economic contribution made by foreign-owned small businesses be recognised by the state and local government to render the necessary support through small business support agencies, in order for the total small business sector to prosper.

## **Key words**

*Emthanjeni* Local Municipality

Entrepreneurship

Foreigners

Foreign-owned small businesses

Indigenous Small Businesses

Formal and informal small businesses

Local economy

Republic of South Africa

Small Enterprise Development Agency

Xenophobia

## Abbreviations and Acronyms

ADBAG	African Development Bank Group
ACO	Aliens Compliance Order
BCEA	Basic Conditions of Employment Act
CBD	Central Business District
CC	Closed Corporation
CDW	Community Development Worker
CIPRO	Companies and Intellectual Property Registration Office
DRC	Democratic Republic of the Congo
ECOWAS	Economic Community of West African States
EEA	Employment Equity Act
ELM	<i>Emthanjeni</i> Local Municipality
GDP	Gross Domestic Product
IDP	Integrated Development Plan
ILO	International Labour Organisation
LED	Local Economic Development
LRA	Labour Relations Act
MDG	Millennium Development Goal
NSDPSB	National Strategy for the Development and Promotion of Small Businesses
RSA	Republic of South Africa
SADC	Southern African Development Community

SARS	South African Revenue Services
SBA	Small Business Act
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SLF	Sustainable Livelihood Foundation
SME	Small and Medium Enterprise
SMME	Small Micro and Medium Enterprise
SSA	Sub Saharan Africa
TEA	Total Entrepreneurial Activity
UIF	Unemployment Insurance Fund
UNECA	United Nations Economic Commission on Africa
UNHRC	United Nations Human Rights Commission
USA	United States of America
WB	World Bank
WDP	Ward Development Programme

## Contents

Declaration .....	ii
Acknowledgements.....	iii
Abstract .....	iv
Key words .....	vi
Abbreviations and Acronyms .....	vii
List of Tables.....	xvi
List of Figures .....	xvii
Chapter 1: Introduction to the study.....	1
1.1 Background to the study.....	1
1.2 The research problem.....	4
1.3 Primary Objective.....	5
1.3.1 Secondary Objectives.....	5
1.4 Literature Review .....	6
1.4.1 The impact and significance of the formal and informal small business sector. ....	6
1.4.2 An analysis of foreign owned small businesses operating in the South African economy. ....	7
1.4.3 The impact of Xenophobia on the RSA small business landscape.....	8
1.5 Research Methodology.....	9

1.5 Research Methodology.....	9
1.5.1 Research Design .....	9
1.5.2 Data Required and Unit of Analysis .....	10
1.5.3 Target Population .....	11
1.5.4 Sampling.....	11
1.5.5 Data Collection Strategies.....	12
1.6 Data Analysis Methods.....	14
1.7 Contribution of this study .....	14
1.8 Ethical Considerations .....	15
1.9 Organization of the study .....	15
Chapter 2: Literature review: Impact, significance and relevance of formal and informal small business sector.....	18
2.1 Introduction .....	18
2.2 Putting small businesses into context.....	18
2.3 Formal and informal small businesses .....	19
2.4 Formal and informal small businesses as important drivers of economic growth.....	21
2.5 Critical challenges facing the small business sector .....	23
2.5.1 Inadequate or no access to finance .....	23
2.5.2 Insufficient skills and business training.....	24
2.5.3 Burdensome Government regulations .....	25
2.6 Chapter Summary.....	26

Chapter 3: Literature review: An analysis of foreign owned small businesses operating in the South African economy.....	28
3.1 Introduction.....	28
3.2 Reasons why people migrate to other countries .....	28
3.3 Foreign-owned small businesses in South Africa .....	30
3.4 Contribution of foreign-owned business to the SA economy .....	32
3.5 Success Factors of Foreign-owned small businesses in SA.....	36
3.6 Critical challenges faced by foreign-owned small business owners .....	38
3.6.1 Socio-Environmental challenges .....	39
3.6.2 Financial challenges .....	41
3.6.3 Management challenges.....	42
3.7 Chapter Summary.....	43
Chapter 4: Literature review: The impact of xenophobia on the South African small business landscape .....	44
4.1 Introduction.....	44
4.2 Xenophobia contextualised.....	44
4.3 Theories of Xenophobia .....	45
4.3.1 Economic Theory of Xenophobia .....	45
4.3.2 Frustration-aggression theory relating to xenophobia.....	46
4.3.3 Conflict theory.....	46
4.4 Xenophobia – a global occurrence.....	47
4.5 Xenophobia – the African experience .....	48
4.6 Main causes of xenophobia in RSA .....	49

4.7 Political and Economic impact of xenophobia in RSA..... 51

4.8 Chapter Summary..... 52

Chapter 5: Research Methodology ..... 54

5.1 Introduction..... 54

5.2 Primary and secondary research objectives..... 54

5.3 Research Design..... 55

5.4 Sampling design..... 55

5.5 Target Population ..... 56

5.6 Sample Size..... 57

5.7 Methods of data collection ..... 58

    5.7.1 Interviews..... 58

    5.7.2 Content of the questionnaires ..... 59

5.8 Process of data analysis ..... 60

5.9 Validity and reliability ..... 60

5.10 Confidentiality of the research ..... 61

5.11 Ethical considerations..... 61

5.12 Some delimitations and limitations of the study ..... 62

5.13 Chapter Summary..... 63

Chapter 6: Research findings and analysis ..... 64

6.1 Introduction..... 64

    6.1.1 Local and Foreign small business used in the research ..... 64

    6.1.2 Gender ..... 65

6.1.3 Age.....	66
6.1.4 Nationality.....	67
6.1.5 Duration in the Country.....	68
6.1.6 Duration in Emthanjeni.....	69
70	
6.1.7 Education Levels.....	70
6.1.8 Reason for leaving your country of birth.....	71
6.2 Business Related Information.....	73
6.2.1 Business Ownership.....	73
6.2.2 Number of years in the business.....	74
6.2.3 Registration status of the business.....	75
6.2.4 Form of business.....	75
6.2.5 Business Activities.....	76
6.2.6 Premises Rental.....	77
6.2.7 Source of business finance.....	78
6.2.8 Trading hours.....	79
6.2.9 Relationship with other small businesses.....	80
6.2.10 Growth of the business and challenges experienced.....	81
6.2.11 Price comparison.....	82
6.2.12 Employment related matters.....	83
6.3 Entrepreneurial knowledge.....	83
6.3.1 Motivation for starting a small business.....	83

6.3.2	Previously owned a business.....	85
6.3.3	Business support .....	85
6.3.4	Business training .....	86
6.3.5	Type of training received.....	86
6.3.6	How did the training affected your business.....	87
6.4.	Summary of information obtained from Small Business Support Agencies in Emthanjeni Local Municipality .....	88
6.5	Chapter Summary.....	94
	Chapter 7: Discussion Recommendations and Conclusions .....	95
7.1	Introduction.....	95
7.2	Summary of the theoretical findings .....	95
7.2.1	Impact, significance and relevance of formal and informal small business sector .....	95
7.2.2	An analysis of foreign-owned small businesses operating in the South African economy .....	96
7.2.3	The impact of Xenophobia on the South African small business landscape .....	99
7.3	Discussion of the empirical findings .....	100
7.3.1	Descriptive information of the respondents .....	100
7.3.2	Business related information .....	102
7.3.3	Entrepreneurial knowledge and motivation .....	108
7.4	Conclusions of the Study.....	109
7.5	Recommendations.....	112

7.5.1 Recommendations regarding foreign-owned and local small businesses in ELM. ....	112
7.5.2 Recommendations for organisation supporting the growth and development of small in ELM.....	114
7.5.3 Recommendations for further Research .....	115
References .....	116

## List of Tables

TABLE 3.1 JOBS CREATED BY FOREIGN-OWNED BUSINESSES TO RSA AND NON RSA CITIZENS .....	33
TABLE 3.2: NO OF RSA CITIZENS ASSISTED BY FOREIGNERS TO ESTABLISH THEIR OWN BUSINESSES .....	35
TABLE 3.3: BUSINESS ACTIVITIES OF FOREIGN-OWNED SMALL BUSINESSES .....	37
TABLE 6.1: STATISTICAL INFORMATION OF RESPONDENTS .....	64
TABLE 6.2: GENDER OF RESPONDENTS .....	65
TABLE 6.3: REGISTRATION STATUS .....	75
TABLE 6.4: PREMISE RENTAL .....	79
TABLE 6.5: AVERAGE TRADING HOURS .....	80
TABLE 6.6: BUSINESS RELATIONSHIPS .....	80
TABLE 6.7: BUSINESS GROWTH AND OBSTACLES .....	81
TABLE 6.8: PRICING AND BENEFITS .....	82
TABLE 6.9: EMPLOYMENT CREATION .....	83
TABLE 6.10: PREVIOUS BUSINESS OWNERSHIP .....	85
TABLE 6.11: BUSINESS TRAINING .....	86
TABLE 6.12: IMPACT OF TRAINING .....	89
TABLE 6.13: ORGANIZATIONAL OBJECTIVES .....	89

## . List of Figures

FIGURE 6.1: AGE OF RESPONDENTS .....	66
FIGURE 6.2: NATIONALITY OF OWNERS .....	67
FIGURE 6.3: DURATION IN SOUTH AFRICA .....	69
FIGURE 6.4 : DURATION IN EMTHANJENI .....	70
FIGURE 6.5: EDUCATIONAL LEVELS .....	71
FIGURE 6.6: REASONS FOR COMING TO RSA .....	71
FIGURE 6.7: OWNERSHIP OF THE BUSINESS .....	73
FIGURE 6.8: NUMBER OF YEARS IN BUSINESS .....	74
FIGURE 6.9: NATURE OF BUSINESS .....	76
FIGURE 6.10: BUSINESS ACTIVITIES .....	76
FIGURE 6.11: FINANCE OF THE BUSINESS .....	78
FIGURE 6.12: REASONS FOR STARTING A BUSINESS .....	84
FIGURE 6.13: SUPPORT RECEIVED FROM SMALL BUSINESS SUPPORT AGENCIES .....	85
FIGURE 6.14: TYPE OF TRAINING RECEIVED .....	87

## **Chapter 1: Introduction to the study**

### **1.1 Background to the study**

Throughout the world small businesses are perceived as important drivers of economic growth and development and play a critical role in the prosperity of a nation and its inhabitants (Stan 2014:165). Small businesses have established themselves as the most dominant form of business organisations comprising 95% of all companies around the globe, and representing no less than 70% of the global labour force (Robu 2013:86). In recent decades the development and promotion of small businesses have become a focal point of many governments and international institutions across the world. We learn from Lekanya (2015:412) that governments in developed countries have introduced various incentives to reward small businesses for their contribution towards job creation, technological advancement and for raising the levels of productivity in these countries

The economic contribution of small businesses in developing nations has also become a topic of considerable debate amongst scholars and opinion makers in recent years. According to Gollin (2008:291) small businesses have become the engine of growth and development in emerging countries and have completely altered the economic landscape of these nations. The positive impact of small businesses on the advancement of developing countries is highlighted in a report released by the World Bank (WB), which indicates that these enterprises contribute more than 30% to the Gross Domestic Product (GDP) and up to almost 50% of total employment in emerging economies (WB 2015).

The importance of small businesses in RSA as a developing nation is also duly recorded in literature. Recognition for the critical contribution made by small businesses in respect of economic growth and job

creation is well documented in the National Strategy for the Development and Promotion of Small Business (NSDPSB) and the Small Business Act (SBA) 102 of 1996. The introduction of the latter two pieces of legislation has completely transformed the small business landscape in RSA from one of disempowerment to one that now enjoys the full support of government. The transformation of the SA small business context since 1994 has led to the introduction of critical institutional support structures to promote small business development in South Africa. Key amongst these interventions was the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA) (Rogerson 2004:767).

SEDA's main aim is to support and develop the growth, and long-term survival of small businesses by means of non-financial support. This support amongst others includes assistance with the development of business plans; financial management training; marketing support; company branding and business registration. SEFA, on the other hand, complements the above initiatives by offering financial incentives to SMME's, such as loans and the provision of grants to emerging and newly established businesses.

However, most of the above initiatives seem to have had little effect on the development, growth and expansion of small businesses in RSA since 1994, as indicated in the 2015/16 report released by the Global Entrepreneurship Monitor (GEM). Data obtained from the latter report indicates that Total Entrepreneurial Activity (TEA) in RSA for the period 2015 to 2016 has decreased by almost 50% compared to the same period in 2010, and is also 3.6 times lower than the African average. This high failure rate is due to the South Africa's unstable political and economic climate which is further exacerbated by escalating poverty and unemployment rates (Herrington, Kew & Kew 2015).

Supporting the above statement the Minister of Trade and Industry Mr Rob Davies stated in a press conference in 2013, that five out of seven

newly established small businesses initiated by RSA nationals collapse within its first year of operation while the global average is one out of two (Sowetan Live 2013). Similarly Botha and Esterhuizen (2013:332) observe that many small businesses in RSA fail within their infancy stages, and a larger percentage close shop before their second anniversary.

It is thus Peters and Naicker's (2013:13) view that this high attrition rate can be ascribed to a number of inhibiting factors which include, amongst others: low skills levels among entrepreneurs; an adverse legal environment; a lack of access to finance and credits; and a shortage of effective supportive institutions. Furthermore, Worku (2013:77) maintain that the long term survival and viability of small businesses are grossly constraint by a lack of entrepreneurial skills; a lack of supervisory and mentoring support; and the reluctance of newly established business owners to acquire the necessary vocational skills.

Masocha and Chiramba (2014:59) interestingly note that the rapid drop in the number of SMME's in RSA is further exacerbated by the escalating number of foreign nationals doing business in RSA small business sector. Supporting the latter statement Ntema and Marais (2010:1) reported a rapid increase in the number of foreign-owned informal traders joining the small business sector in RSA townships in recent years. The ubiquitous presence of foreigners in the RSA small business sector has also sparked a considerable outcry by various high profile people. For example, in a recent comment posted on her Facebook account the Minister of Water Affairs, Nomvula Mokonyane stated that the RSA small business sector has been infiltrated by people from foreign-descent and failure by government to effectively deal with this issue may have disastrous consequences (Wilkinson: 2015).

However, despite the anti-foreign sentiments, Kalitanyi (2007:106) points out that foreign-owned small businesses make a positive contribution to the RSA economy. He adds that these enterprises play a

significant role in job creation and improving the lives of ordinary South Africans on a daily basis. The latter observation is confirmed by Fatoki and Patswawairi (2012:135), who indicates that foreign-owned small enterprises make a critical contribution in the eradication of unemployment and poverty, particularly in RSA's rural communities.

However in spite of the contributions made by foreign small businesses as alluded to above Liedeman, Charman, Piper and Peterson (2013:1) indicated that the latter's presence in recent time have caused a considerable uneasiness amongst native small businesses. It is also the view of Barron (2011:8) that foreign-owned small businesses are increasingly being regarded as a threat by their local counterparts and are accused of taking over the business space which used to belong to black South Africans.

Moreover, the increasing numbers of foreign-owned businesses in townships across South Africa have led to serious tension between them and their local counterparts. This is confirmed in a study done by Ntema and Marais (2010:1) which indicated that South African small businesses are clearly not happy with the presence of foreign-owned small businesses. They add that South African small businesses frequently blame the government for failing to protect them against the uncontrolled influx of foreign traders. This research will thus pay particular attention to the prevalence of foreign-owned small businesses within the Central Business Districts (CBD's) and townships of the three constituent towns of *Emthanjeni* Local Municipality (ELM), and whether they hold any advantages or disadvantages for local small businesses in this particular area.

## **1.2 The research problem**

Since the dawn of democracy in 1994, RSA has been inundated by foreign nationals who had left their countries of origin because of the dire situations at home, and in pursuit of a better life. In order to

survive in a strange environment many of these foreigners saw opportunities to set up their own businesses, and in the process established themselves as an integral part of the South African small business landscape. The latter occurrence has led to a sharp increase in the number of foreign-owned small businesses all over the country and more particularly in poor rural areas such as *Emthanjeni* Local Municipality in the Northern Cape Province.

Moreover, the escalating presence of foreign-owned small business has increasingly been viewed as having a negative impact on the growth and development of indigenous small businesses in this area. This perception which is predominantly held by local small businesses owners, has led to the belief that this important economic sub sector has effectively been seized by business men from foreign countries. This view has resulted in considerable tension and antagonism between foreign and innate small businesses in this area. It raises the question whether or not foreign-owned small businesses impacts negatively on RSA's indigenous small businesses?

### **1.3 Primary Objective**

The primary objective of this study is to critically assess whether the operations of foreign-owned small businesses have an adverse or complementing impact on those of indigenously owned small businesses?

#### **1.3.1 Secondary Objectives**

The secondary objectives of the study include the following:

- To review theoretical studies on foreign as well as local small businesses in RSA.
- To gain a broad understanding on the economic activities of foreign owned small business operators in the *Emthanjeni* Local Municipality.

- To find out to what extent foreign-owned small business activities influence local RSA small businesses in a good or bad way.
- To explore whether the presence of foreigners holds any advantages or disadvantages for the local communities in *Emthanjeni*.
- To recommend possible strategies for intervention to strengthen the relationship between foreign-owned and indigenously owned small business in ELM.

#### **1.4 Literature Review**

The literature review seeks to establish a theoretical framework for analysing the activities of foreign-owned small businesses and its impact on the local communities in rural areas such as *Emthanjeni* Local Municipality, which consist of the small towns of Britstown, De Aar and Hanover. The literature information have been obtained from various publications including academic journals, books, legislation, government publications, the internet and various articles focusing on the relevancy and applicability of the phenomenon being studied.

For ease of reading the literature review has been subdivided into three broad topics relevant to the research question including;

- The impact, significance of the formal and informal small business sector.
- An analysis of foreign owned small businesses operating in the RSA economy.
- The impact of xenophobia on the RSA small business landscape.

What follows is an overview of the literature as outlined above.

##### **1.4.1 The impact and significance of the formal and informal small business sector.**

Small businesses are increasingly being recognised as important economic drivers that can play a critical role in the development, growth and prosperity of a nation. For example, Mnenwa and Maliti

(2008:2) point out that a study done by Birch (1979) has revealed that a staggering 80% of jobs created in the United States of America (USA) between the late 60's and 70's resulted from the activities of small businesses. Similarly Gebremariam (2004:20) observes that there is indeed a positive relationship between small business and economic growth and that small entrepreneurial activities has been the driving force behind the positive economic climate that were experienced in West Virginia in the USA the beginning of the 20<sup>th</sup> century. The significance of small business as an effective tool to improve poor people's lives, find further expression in a 2015 report of the WB, indicating that small business contribute 45% and 33% respectively to total employment and the GDP in developing countries (Bell and Teima 2015:321).

The importance of the small business sector is also duly acknowledged in the South African context. For example, as early as 1995 the post-apartheid government instituted a range of mechanisms to support the development of the South African small business sector. Key amongst these instruments was the passing of the 1996 SBA. This specific piece of legislation seeks, amongst other things, to create a conducive environment for small business development, improve access to finance and other infrastructural support, as well as establishing a preferential procurement system that will boost the growth of the small business sector (Mahembe 2011:27). However there seems to be a number of divergent views on the impact that formal and informal small businesses have on the economies of developed and emerging markets. The literature in respect of formal and informal small businesses will thus be duly explored in Chapter 2 of this dissertation.

#### **1.4.2 An analysis of foreign owned small businesses operating in the South African economy.**

Foreign-owned small business activities make an important contribution to the economy of their host countries (Faerlie 2012:3). In

validating his argument the latter author points out that foreigners living in the USA tend to outclass local citizens with regards to business formation and their businesses in general are more sustainable than their American counterparts. In addition foreign-owned small businesses contribution towards job creation and economic growth exceeds that of native US businesses by far. The positive impact of foreign entrepreneurs in the small business economy of European countries is also well recorded. For example, the retail and fast food industry in France are overwhelmingly controlled by small scale immigrant entrepreneurs originating from various African countries including Algeria, Morocco and Tunisia (Serrie 1998:214-215).

Foreign owned small businesses also have a strong foothold in the South African economy. In this regard Okem and Auselime (2015:45) observe that since the dawn of democracy, RSA experience a plethora of foreigners entering the country as migrants, asylum seekers and refugees. Many of these foreigners come to RSA searching for a better life and get themselves involved in the formal and informal small business economy of RSA. However, unlike in other countries around the globe, the presence of foreign entrepreneurs are not well received by innate RSA small business operators, and has in many instances resulted in violent clashes between RSA entrepreneurs and their foreign opposition as will be noted in Chapter 3 of this study.

#### **1.4.3 The impact of Xenophobia on the RSA small business landscape**

Xenophobia is a worldwide phenomenon and is loosely defined as a dislike or hatred of people from elsewhere. It finds expression in the politics of exclusion and is mainly associated with social, cultural and economic conditions within a particular country (Tshishonga 2015:163). Xenophobia is triggered by a number of factors such as the refusal of acceptance of people of foreign descent, a sense of entitlement amongst nationals, as well as a contestation for scarce resources (Okem

*et al* 2015:45). Not only does violence resulting from xenophobia instil fear, insecurity and material loss amongst foreign nationals, but it also has negative implications for the host nation. It portrays an image of intolerance of strangers by the host country and can become a deterrent to potential foreign investors. Furthermore, managing xenophobic related crimes tends to be an expensive exercise as governments are forced to spend large sums of money on extra security measures as well as providing alternative shelter for displaced foreign nationals (Matunhu 2009:98).

In recent years RSA has become known as the xenophobic capital of the world due to intense intolerance, hatred and attacks of foreign nationals on its soil. (Steenkamp 2009:441) The xenophobia related violence which erupted in January 1998 in Durban and other parts of the country was fuelled by the belief that foreigners from other parts of the African continent are depriving local people of much needed opportunities and also stealing customers from their businesses (Tshishonga 2015:164). In supporting this statement Oluwason and Olusola (2014:146) points out that xenophobia has become a widespread occurrence in South Africa, and has in recent years spread to various parts of the country, resulting in the looting and destruction of various foreign-owned businesses. The impact of xenophobia on RSA's small business landscape will be thoroughly examined in Chapter 4 of this study.

## **1.5 Research Methodology**

### **1.5.1 Research Design**

Sekeran and Bougie (2013:95) maintain that the research design is the “master plan” of one’s study and involves the gathering and analysis of data which is usually based on one’s research questions. Concurring with the above view, Saunders Lewis and Thornhill (2012:161) point out that a research design basically entails the overall plan of one’s

research. They add that it is extremely important for researcher's to familiarize themselves with the different types of research designs, before embarking on any kind of research.

For the purposes of this study, the researcher will pursue a combination of qualitative and quantitative research methods. This approach is also known as the mixed method approach. We learn from De Vos, Strydom, Fouche and Delpont (2005:269) that the mixed method approach involves a process of triangulation which can be successfully applied in a single or multiphase study. In defining triangulation, Padgett (1998) cited in De Vos *et al* (2005:361) describes it "as the convergence of multiple perspectives that can provide greater confidence that what is being target is being accurately captured". It is also Sekeran *et al* (2013:104) view that triangulation can be a very effective method, because in many instances the application of several methods of data collection often leads to better results.

### **1.5.2 Data Required and Unit of Analysis**

In order to ensure that the findings of this study are a true reflection of the *status quo*, it is important for the researcher to obtain both factual and opinion data. In this regard factual data would assist the researcher to express an opinion about the nature of foreign small businesses and how they relate to their South African counterparts and to the broader community in which they operate. Furthermore a literature check to determine the status of foreign and innate small businesses, the challenges they face and their contributions to society will form a critical part of the study.

Moreover an opinion from local institutions supporting the development of small businesses in the *Emthanjeni* area will also be sought. These, amongst other, would include SEDA, *Emthanjeni* Local Municipality and the *Emthanjeni* Small Medium and Micro Enterprise (SMME) Forum. The unit of analysis will therefore primarily be the owners or

managers of foreign-owned and local small businesses as well as the relevant individuals representing the different small business support organisations in *Emthanjeni*.

### **1.5.3 Target Population**

Babbie and Mouton (2006:173) defines the target population in research as “the theoretically specified aggregation of study elements”. For Saunders, Lewis and Thornhill (2013:261) the target population represent the total number of elements from which the sample is chosen. The target population for this study will be foreign-owned and indigenous small businesses operating within the *Emthanjeni* Municipal area.

The study will focus on different types of small businesses ranging from hair saloon owners, spaza shops, clothing and furniture shops, small enterprises selling fresh produce and electronic and cell phone repair shops. Furthermore, the target population will also include local organisations supporting small businesses. These amongst others will include the district offices of the Small Enterprise Development Agency (SEDA), *Emthanjeni* SMME Forum and *Emthanjeni* Local Municipality.

### **1.5.4 Sampling**

To obtain data from an entire population is not always possible and in such cases one only needs data from a representative sample of the target population. A sample can thus be described as a representation of all the elements from which it is drawn. We learn from Sekeran *et al* (2013:242) that by studying a sample rather than the entire population is more efficient contains fewer errors, and the end result is often very reliable.

For the purpose of this study, convenience sampling, which is a type of non-probability sampling, will be used. Convenience sampling according to Saunders *et al* (2012:290) involves a process where members of the population are selected haphazardly based on their

### **1.5.5.2 Semi-structured Questionnaires**

Sekeran *et al* (2013:147) maintain that a questionnaire is a document that contains a series of questions or closely defined alternatives to be answered by the respondent. They further observe that questionnaires are very much relevant and appropriate, particularly for exploratory and descriptive studies. Unlike other data collection such as interviews and observation, questionnaires proves to be more cost effective and less time consuming (Saunders *et al* 2013:419).

Semi-structured survey questionnaires to solicit information from small business support organisations had also been utilized in this study. This questionnaire consisted of a series of open-ended and close questions which sought to extract information on the relationship and interaction between small business and supporting institutions. It further sought to establish the type of support given, the impact of such support, as well as obtaining views on the main obstacles facing the local small business fraternity. Semi-structured survey questionnaires have been distributed amongst the small business support institutions operating in the *Emthanjeni* area. These institutions included SEDA, ELM and *Emthanjeni* SMME Forum.

### **1.5.5.3 Documentation**

In order to accomplish the research objectives or to develop an appropriate response to their research questions, it is essential for researchers to do further analysis of data which has already been collected for academic or some other purposes. Such data are referred as secondary data (Saunders *et al* 2012:304). Secondary data for this study was obtained through various sources such as books, academic journals, websites and government publications. This literature has enabled the researcher to obtain a better understanding of the status of foreign –owned small businesses and how it relates to communities in its broader context as well as locally.

## **1.6 Data Analysis Methods**

In describing the data analysis process, De Vos *et al* (2005:333) point out that the overarching purpose of data analysis is “to bring structure and meaning to a messy, ambiguous, time-consuming, creative and fascinating process”. For the purposes of this study both quantitative and qualitative data analysis methods will be used. Data will be divided into subgroups and be coded according to its meaning and relevance. Coding, according to Sekeran *et al* (2013:276) involves a process of assigning numbers or labels to participant’s responses to be entered into a user friendly and easy retrievable database. To draw meaning from the data that has been collected, the researcher will make use of various forms of quantitative analysis such as graphs, pie charts and tables followed by a written description of the data.

## **1.7 Contribution of this study**

This study is of particular importance because it will give a detailed account of the status and operations of foreign-owned small businesses in the *Emthanjeni* Local Municipality. It will provide greater understanding of the reasons why foreigners choose to do business in *Emthanjeni* and whether their businesses holds any benefits or disadvantages to innate small businesses in the area

This research will also give an insight into the factors that drives the perceived entrepreneurial success of foreign-owned small businesses in the area. It is the researcher’s view that important lessons can be drawn from the entrepreneurial wisdom of both foreign and RSA small entrepreneurs, which in turn could contribute to the body of knowledge of SMME development in the country.

It is also envisaged that the results of this research will inform local government’s Local Economic Development (LED) strategies and Integrated Development Plans (IDP’s) within *Emthanjeni* Local

Municipality and other initiatives aimed at creating an enabling environment for small business development.

### **1.8 Ethical Considerations**

“Research ethics is governed by the principle of what is right and what is wrong in the conduct of research” (Mouton 2014:238). Before embarking on any form of data collection the researcher had obtained ethical clearance from the Ethics Committee of the University of the Free State. In order to ensure that this study conforms to acceptable ethical norms, the researcher had ensured that the rights, privacy and identity of respondents were protected at all times. Participants have been thoroughly informed about the nature of the research and their written consent had been obtained prior to their participation. Participation in the study was voluntary and participants could withdraw at any time had they feel uncomfortable or compromised by the process. Participants were at liberty to ask questions for clarity and to question the conduct of the researcher at any time. Confidentiality of information and the anonymity of respondents were guaranteed.

### **1.9 Organization of the study**

The study consists of 7 chapters. What follows below is an outlay of the main chapters of the study.

#### **Chapter 1: Introduction to the study**

This is the introductory chapter of the study and gives a brief background of the phenomenon being studied and the importance and relevance thereof. It outlines the aims and objectives as well as putting the research problem into context. It also summarise the methodology to be used and concludes by explaining the overall contribution made by the study.

## **Chapter 2: Literature review: Impact, Significance and relevance of the small formal and informal business sector**

This chapter focuses on the key issues that affect small businesses around the world, in developing countries and specifically in RSA. It puts particularly emphasis on the economic contribution made by small businesses across the globe and especially in developing countries like RSA. It also looks at the main challenges which prevent these entities from making the desired impact.

## **Chapter 3: Literature review: An analysis of foreign small businesses operating in RSA.**

Chapter 3 puts the spotlight on foreign-owned small businesses and in particular look into their success factors which are perceived to have an impact on locally-owned small businesses.

## **Chapter 4: Literature review: The impact of Xenophobia on the small business landscape**

The aim of chapter 4 is to critically examine the reasons that have given rise to xenophobia in the world. It discusses the impact of xenophobia in RSA and its impact on the RSA small business economy.

## **Chapter 5: Research Methodology**

This chapter will explain the research methods used to collect and analyse the data.

## **Chapter 6: Research findings and Analysis**

Chapter 6 presents the findings of the research based on the evidence obtained from the interviews and survey questionnaires. It presents the data collected through graphic illustrations and tabular formats, followed by a brief discussion of each of the findings.

## **Chapter 7: Conclusions and Recommendation**

This chapter is the final chapter of this study. It summarises the findings and makes the necessary recommendations.

## **Chapter 2: Literature review: Impact, significance and relevance of formal and informal small business sector**

### **2.1 Introduction**

This chapter commence by putting small business in context and by providing an appropriate definition of what exactly constitute formal and informal small businesses. It highlights the importance and economic contribution of small businesses in both developed and emerging markets with an emphasis on the small business sector in RSA. It further discusses the challenges experience by the RSA small business sector. Furthermore, it critically assesses the support mechanisms put into place by the post-*apartheid* government to promote the growth and development of the formal and informal small business sector.

### **2.2 Putting small businesses into context**

In perusing relevant literature on this subject, it is the researcher's view that defining a small business remains a contentious issue amongst many authors, academics and policymakers. Like most social sciences it does not conform to a universally accepted definition (Adisa, Abdulraheen and Mordi 2014:3). The difficulty in finding an appropriate definition for small business happen as a result of the terminology used when referring to these entities. For example, in certain parts of the world small businesses are referred to as Small and Medium Enterprises (SME's) while in other parts they are known as Small, Micro and Medium Enterprises (SMMEs) and in other areas they are simply referred to as small businesses (Berisha and Pula 2015:18).

We are also informed by Lindner (2005:8) that when defining a small business, most European countries approaches it from a legal and statistical perspective. From a legal point of view a small business is defined in terms of number of employees, annual turnovers, annual balance sheet and registration status. When approaching a small

business from a statistical point of view, it simply deals with the number of employees and the amounts of money generated by these entities.

Adisa, *et al* (2014: 3) suggests that any definition that seeks to unpack the meaning of small businesses should bear in mind that these entities differs in terms of national context and is predominantly defined by the activities taking place within a country's national boundaries.

### **2.3 Formal and informal small businesses**

The small business sector comprise of two main components which are referred to as formal and informal business activities. Formal small businesses comprise of businesses that are recognised by the authorities of a country, while informal small businesses constitute those economic activities which are not regularised. Unlike their peers in the formal sector, informal small businesses are often subjected to various forms of critique and ridicule, and have at times been referred to as the black market, criminal underworld, undercover business and the hidden economy (Gerxhani 1999:5).

In explaining the difference between formal and informal small businesses, Leino (2009:2) points out that the majority of formal small businesses entrepreneurs are more experienced, and their businesses seems to be on a constant growth trajectory. Informal small businesses on the contrary, are lacking the necessary business systems, have lesser experience and in most instances do not conform to acceptable business practices. As a result thereof they take much longer to make their mark in the business world.

Running an informal small business is also much more challenging as they are hamstrung by a myriad of challenges which prevents them from making the desired impact (Willemse 2011:59). These challenges as pointed out by Jiyane, Ocholla, Mostert and Majane (2012:712)

include amongst other things; the provision of inferior products and services and an absence of entrepreneurial know-how, which as a consequence affects their profit levels negatively.

Despite being confronted with the challenges as alluded to above, a report by the United Nations Economic Commission for Africa (UNECA) indicates a sharp increase in the number of informal small business particularly in developing countries. For example, informal small business activities made up 70% of all business activities in Sub Saharan Africa (SSA) and accounts for more than 60% of total employment in Northern Africa (UNECA 2015). In expounding on the unprecedented growth levels in informal small businesses in Africa, Ligthelm (2006:35) asserts that it is primarily driven by necessity entrepreneurship as oppose to people joining it to exploit a thriving business opportunity. It is also Leino (2009:9) view that majority of informal small business arose because of a dearth of alternative employment activities or as a means to supplement the owner's income. However, Sibhat (2014:11) interestingly notes that the escalation in the number of informal small business happens as a result of complex government rules and regulations. He adds that operating an informal small business is often seen as a way to evading cost, time and the complexity of the formal registration processes.

Furthermore, the relevance and importance of the formal and informal small businesses sector have grown in leaps and bounds over the past few years, especially in developing nations. Benjamin and Mbaye (2012:664) observe that both these small business sectors have positioned itself in the forefront in respect of efforts aimed at improving the lives of the billions of inhabitants in emerging countries. For example a report published by the African Development Bank Group (ADBG) shows that nine out of ten of the labour force in SSA are employed by informal sector small businesses (ADBG 2013). Savloschi and Robu (2011:278) contend that the formal small business sector on

the other hand, remains a dominant force in both developed and emerging economies and are the drivers of overall economic growth. They add that formal small businesses also contribute the biggest percentage of GDP globally.

#### **2.4 Formal and informal small businesses as important drivers of economic growth**

Both formal and informal small businesses are important drivers of economic growth and play a critical role in achieving a country's macro-economic objectives, such as job creation, poverty eradication, and economic growth. If fully exploited these entities has the potential to eradicate most of the pressing problems confronting the world today (Ijeoma and Matarirana 2011:254).

It is also Spremo and Mičić's (2012:64) view that both these small businesses are now more crucial than ever before, because they are the only proven entities that has the ability to create new jobs and stimulate economic growth. They also have the aptitude to consistently raise the living standards of poor people, in both developed and emerging economies, a view which will be explored below.

The economic contribution of small business (both formal and informal) particularly in affluent countries is well-documented. For example, we learn from Wu and Huang (2003:2) that Taiwan's thriving economy is attributed to the contribution made by its small business sector. They maintain that over the past three decades small businesses in Taiwan have fully exploited the opportunities brought about by globalisation, to such an extent that many are now firmly established in the global market.

Similarly Cheng (2015:76) points out that small businesses have played a leading role in reforming China's once struggling economy into one of the world's fast growing economies. In quantifying the impact of small businesses in China, Cheng points out that small enterprises made up

90% of the business environment in China, and accounts for more than 50% to the country's GDP, 80% to employment and a further 60% in national business turnover.

Small businesses contribution to economic growth in emerging markets can hardly be overlooked. In this regard we are informed by Yoshino and Taghizadeh-Hesary (2016:18) that there are approximately 400 million small businesses in developing economies and are collectively responsible for almost 90% of employment opportunities in these markets.

Confirming the above statement Biekpe (2012:1) indicated that the small business sector in Africa continue to play an important role in the economic stability on the continent and contributes more than 90% of overall employment and around 60% of GDP. Citing Nigeria as an example, Adisa *et al* (2012:1) maintains that despite the many challenges experienced by small businesses in developing economies like Nigeria, these entities have established themselves as a major force with respect to economic growth and development. Small businesses in Nigeria account for up to 70% of employment opportunities.

Small scale entrepreneurial activities have also made a major contribution towards economic transformation of post-apartheid South Africa. According to Bischoff and Wood (2012:494) SA has just under three million small businesses, and they are a critical source of employment creation, particularly in a country where unemployment is said to have reached an all-time high of between 30 to 40 percent.

A recent report released by SEDA indicates that small businesses in South Africa remain critical and has made inroads in various industries, such as those with low start-up costs like accommodation and service related activities. Small business contribution to the South

African GDP has also increased significantly over the last seven years and is estimated to be just over 40% (SEDA 2016:1).

## **2.5 Critical challenges facing the small business sector**

Despite their enormous contribution to economic growth in their respective countries, small businesses are still severely compromised owing to their smallness of scale. Literature suggests that small businesses in developing economies are faced with more obstacles in comparison with their counterparts in the developed world. Some of the most common obstacles experienced by small businesses in developing countries are inadequate access to finance; onerous government regulations and a shortage of training (Ladzani and Netswera 2009, Mahembe 2011 and Bischoff and Wood 2013). What follows hereunder is a detailed discussion on each of the obstacles as identified.

### **2.5.1 Inadequate or no access to finance**

The high failure rate amongst small businesses, essentially in developing countries, can be attributed to a scarcity of capital. This sentiment is confirmed in the GEM 2016 report that the absence of finance is one of the major challenges hampering the growth of small businesses today. Supporting the latter statement Yoshino *et al* (2016:18) single out inadequate financial resources as the main reason for the poor performance, of small businesses in Asian countries such as Indonesia, Philippines and Bangladesh. These authors assert that the ineptitude of small business to build a sound credit record; failure to seize market opportunities; and a dearth of technological expertise, are some of the factors impeding them from obtaining the necessary financial support.

According to Adisa *et al* (2012:6) a similar situation is prevailing in Nigeria where lack of access to finance is said to have stifled the growth and performance of small businesses. The non-availability of financial

resources is often highlighted as the core reason why small businesses are perceived as adding no value to the Nigerian economy.

Despite being referred to at times as the economic powerhouse of Africa, South African small business is neither doing well, as indicated in a recent report released by SEDA. Similar to most of the findings as alluded to above, this report also highlights inaccessibility of finance as the single most important factor that hampers the growth and development of the small business sector. Securing a loan from one of the financial institutions in this country also proves to be quite a daunting task for many small businesses. The fact that many of them do not have the collateral to provide the necessary security as required by RSA banks renders them ineligible for such support. The latter challenge is further exacerbated by the conservative nature and general reluctance of the RSA financial sector to lend money to small businesses. Moreover, South African financial institutions tend to be urban biased when supporting to small business. They are inclined to avail financial resources to urban based small business while those in rural provinces such as Mpumalanga and Northern Cape are often overlooked (SEDA 2016).

### **2.5.2 Insufficient skills and business training**

Proper management skills and business training are essential to ensure the growth and profitability of any businesses. The importance of an educated workforce is duly highlighted by the GEM 2016 report that indicates a strong correlation between education and entrepreneurial innovation. The report added that a good quality education has a positive influence on the self-confidence and efficiency of entrepreneurs, which is critical to ensure the sustainability of particularly small enterprises (Herrington *et al* 2016). In highlighting the challenges faced by small enterprises in developing economies it is Adisa *et al* (2012:9) view that most businesses especially those in developing economies,

seem not to have the necessary skills needed to make a success of their businesses. These skills, as referred above, encompass amongst other things; interpersonal communication, assertive conducts, conflict resolution and negotiation. Similarly Karangu (2002:3) observes that South African small businesses are hampered more by a lack of business skills as opposed to finance, and the absence of the aforesaid skills impede their chances to obtain the necessary financial incentives to grow their business. It is the view of Olusola *et al* (2014:163) that the majority of small businesses has never attended any formal training and acquired most of their skills through experiential learning. A research done by Olusola *et al* (2014:163) to determine the impact of small businesses on poverty in the Eastern Cape Province show that although the majority of small businesses claim to have taught themselves, they are still very much in need of proper business training to manage their businesses. Many of the abovementioned enterprises still have a hand to mouth approach and find it difficult to distinguish between business related and personal activities. Supporting the latter observation, Worku (2016:139) asserts that a large number of small businesses in the Vaal Triangle Region in Gauteng Province have no formal business training and as a result thereof their activities are marred by poor management, improper decision making processes and low productivity. The absence of these skills has also resulted in the closure of many worthy small businesses in the aforementioned region.

### **2.5.3 Burdensome Government regulations**

There is no doubt that a healthy regulatory environment is absolutely vital for the growth and development of small businesses. However Ingle (2014:44) maintains that overburdened and intricate government regulations have the potential to stymie the growth of small businesses.

Supporting this view is Akinbogun (2008:667) who studied the impact of government policies on survival of small scale ceramic industries in South West Nigeria and has found that government policies are to be

blame for the demise of this small business sub-sector. He points out that the poor performance of the small scale ceramic industries and their inability to make the necessary impact largely happened as a result of onerous and unfavorable policy. We are also informed by Occici (2006:11) that complex business registration procedure in RSA remains a constant challenge for many small businesses. He adds that this unfavorable legislative environment which is further exacerbated by complicated tax procedures has resulted in various small businesses decision to remain in the informal sector of RSA.

Confirming the above view, Bischoff and Woods (2013:499) stress that RSA's labour laws, are an impediment and hampers the growth and development of small businesses. They further argue that RSA's hostile labour environment has often resulted in non-compliance on the part of many small businesses. The non-compliance with labour laws is particular evident in three areas, failure to pay workers the prescribed minimum wage, non-adherence to overtime provisions, and reluctance to register workers with the appropriate bargaining councils.

## **2.6 Chapter Summary**

As can be gleaned from the narrative above, a strong and healthy formal and informal small business sector is critical for the economic well-being of a country. Despite its critical contribution to economic growth and development, in developing economies, this business sector continues to face an uphill battle for survival. The literature suggests that the failure rate amongst small businesses in RSA's developing economy still remains to a major cause for concern. Although various obstacles as outlined in the narrative above has often been cited as the main reasons for the high attrition rate of South African business, scholars and opinion makers such as Masocha *et al* (2014:59) argue that the recent upsurge of foreign owned small businesses should also be borne in mind when dealing with the challenges experienced by the RSA small business sector.

What follows is a brief outline of foreign-owned small business activities and its impact on the local economy.

## **Chapter 3: Literature review: An analysis of foreign owned small businesses operating in the South African economy**

### **3.1 Introduction**

After examining the importance and relevance of the formal and informal small business sector and its impact on economic growth, this chapter seeks to take an in-depth look at foreign-owned small business operating in the South African economy. It starts by looking at some of the core reasons why people migrate to other countries. It further expounds on the factors that triggered foreign-nationals involvement in the small business sector and their contributions made to the country's economy.

The chapter also deals with the perceived notion that foreign-owned small businesses are more successful than their South African counterparts and delves into the reasons that lead to such perception. It also seeks to uncover the most critical challenges experienced by foreign-owned small enterprises and whether these differ from challenges encountered by indigenous small businesses.

### **3.2 Reasons why people migrate to other countries**

Ongoing migration of foreign migrants, asylum seekers, political and economic refugees is a world-wide phenomenon and has a major impact on the economy of all host countries. Kalitanyi *et al* (2010:377) observe that throughout the world, people are continuously on the move between continents in pursuit of a better life. Similarly Todaro (1969) cited in Solakoglu and Gurbuz (2015:779) maintain that rapid migration particularly in the 21<sup>st</sup> century happens as a result of "economic imbalances between the departure and arrival points and is further motivated by labour wages". This argument is also supported by Hikam (2013:4) who indicated that economic reasons seem to be the major trigger for immigration across the world.

It is Cumming, Pacitto, Lauro and Foresti (2015:7) view that people's decision to migrate is to a large extent influenced by their personal circumstances. In most cases people migrate voluntarily and because they have the financial muscle to do so. These authors add that the migrant's decision to migrate is also swayed by his/her interactions on social media such as Facebook, Twitter and Instagram. These internet platforms bring into contact different groups of people from different countries across the globe on a daily basis

We are further informed by Piesse (2014:2) that migration is predominantly driven by socio-political, economic and ecological factors. From a socio-political perspective migration happens as a result of ethnic, religious, and cultural oppression, including violent conflicts. In many instances people are forced to become asylum seekers because they have been subjected to various forms of oppression in their birth countries. For example Piesse points out that the scores of migrants from countries such as Afghanistan and Iran fled their countries because of increasing destabilising environments.

Piesse (2014:4) further observes that in recent years many individuals' decisions to migrate have also been affected by ecological factors. Climate change is arguably the most important reason why people choose to look for greener pastures in foreign territories. These individuals who are often referred to as 'climate refugees' usually opted to settle in countries that will be less affected by the impending climate extremes. Such individuals' decisions to migrate is further impacted by issues such as food and potable water supply which it is believed will be in short supply towards the middle of this century

Migration is also prompted by a variety of push-and-pull factors. Push factors are those factors that compels or push a person to leave his or her country of birth, whilst pull factors are usually associate with those

factors that attracts a person to a certain area (Kainth 2010:2). Foreign migrants are impelled by a number of push factors to leave their countries of origin such as a decline in employment opportunities; a rigid labour environment; an overall deterioration in the economic health of a country; political strife; and war. Pull factors to migrate includes amongst other things; employment opportunities for those of higher learning; higher wages; enterprise opportunities; and better government services. (Piesse 2014:3).

### **3.3 Foreign-owned small businesses in South Africa**

Since its reintegration into the world economy South Africa has been swamped with the presence of foreigners, especially from the rest of the African continent. Expounding on the reasons for the influx of these foreigners, Radipere (2012:126) holds that the scrapping of racial exclusionary policies by the post-*apartheid* government counts amongst the major reasons why many foreigners have descended upon South Africa.

Fatoki and Patswawairi (2012:135) observe that once these foreigners have settled in South Africa they are immediately drawn into entrepreneurial activities through further push-and-pull motivations. Kirkwood (2009:346) maintains that prolonged periods of unemployment and barriers to entry in the labour markets in RSA, have pushed many foreigners into entrepreneurship. The existence of an array of untapped entrepreneurial opportunities in RSA's small business sector, the latter author argues, has been amongst the major pull motivations.

Fatoki *et al* (2012:136) further note that push factors encompasses those factors associated with "necessity entrepreneurship" which usually compels one to engage into entrepreneurship as the only means of survival. The above statement is also supported by Acs (2006:101) who argues that "necessity entrepreneurship" is largely driven by the

circumstances forcing one to become an entrepreneur in the absence of better options.

Indicating the scale and prevalence of foreign-owned small businesses in South Africa, Hikam (2011:6) points out that foreign-owned small business have completely altered the face of the South African small business landscape over the past decade. In a study done to determine the impact of Somalian small businesses on the local communities, he found that the Motherwell Township in Port Elizabeth, a traditional South African small business hotspot, has been completely taken over by small businesses with owners of Somalian descent. Likewise Radipere (2013:126) observes that Johannesburg's Central Business District is overcrowded by foreign-owned small businesses selling anything under the sun.

Furthermore the growth of foreign-owned small businesses in South Africa is well recorded in literature. For example a study conducted by the Sustainable Livelihood Foundation (SLF) on 179 micro enterprises in Delft, a township in Cape Town, found that 50.3% of all spaza shops in this township belong to small business owners of foreign descent (SLF 2012) A similar conclusion was reached by Liedeman *et al* (2013:128) whose research revealed that not only did foreign owned small businesses grow over the past few years, but have also surpassed their RSA counterparts in many respects. In their study to understand the internal operations of the spaza sector in Cape Town, the last-mentioned authors discovered that ownership of this once proudly South African based small business subsector had indeed shifted and are now under the firm control of foreign-nationals. The results of this study also revealed that foreign-nationals enjoy more than 60% of the spaza market, and that the number of spaza shops owned by South African nationals is on a continuous downward spiral.

### **3.4 Contribution of foreign-owned business to the SA economy**

The contribution of foreign-owned small businesses to the South African economy, as can be observed in its larger cities, is well recognised in literature. Foreign-owned small businesses irrefutably make a positive contribution to the economy of RSA in many respects. This was confirmed in a study by Kalitanyi (2007:103) which sought to determine whether foreign businesses create employment for RSA citizens. The study which included 120 foreign small businesses in Cape Town shows that 98 out of 120 small businesses do employ RSA citizens. This essentially means that 82% of foreign small business owners in Cape Town have a penchant for employing local people. The study further revealed that foreign entrepreneurs regard the employment of local people as mutually beneficial and that their decisions have been influenced by the following reasons.

- South African labour is cheaper than those of foreigners who are also here to make money
- South Africans help them to overcome the language and cultural barriers
- They help South Africans to acquire the necessary business skills

Foreign small business contribution towards the South African labour market is also highlighted in a survey done by Tawodzera, Chikanda, Crush and Tengeh (2015:32). The results of this survey show that foreign-owned small business creates employment for both RSA citizens and foreigners as can be noted in Table 3.1 below.

**Table 3.1 Jobs created by foreign-owned businesses to RSA and non RSA citizens**

	South Africans		Non-South Africans		Total	
	No.	%	No.	%	No.	%
Full Time	203	40.9	166	33.5	369	74.4
Part time	79	15.6	48	10.0	127	25.6
Total	282	56.9	214	43.5	496	100.0

**Source: Tawodzera et al (2015:33)**

Foreign-owned small businesses' contribution towards employment creation is quite evident as can be deduced from the information contained in the table above. Of the 496 employment opportunities created by foreign entrepreneurs a substantial number of 282 is occupied by RSA citizens. This thus supports the finding of Kalitanyi (2007:103) who indicated that foreigners would rather employ RSA citizens before providing jobs to people from their own countries. Moreover, Tawodzera et al (2015:33) interestingly observe that by providing employment to RSA citizens as oppose to their fellow countrymen is also beneficial for the local economy, as it put lesser pressure on RSA's overcrowding job market. This in essence eases the burden of competition for jobs between RSA citizens and job seekers from foreign descent.

It is also Phayane (2013:66) view that foreign-owned small businesses further contribute towards economic growth and development by ensuring a sustained flow of revenue into the coffers of local municipalities. He adds that the majority of foreign-owned small enterprises occupy rented buildings, and as tenants they are directly responsible for the payment of municipal services such as water, sanitation and electricity. Phayane (2013:56) study which focusses on the impact of foreign owned businesses on the local communities of Brits, found that foreign entrepreneurs in Brits pays between R700 and R1600 per month for municipal services. This indicates that the local

municipality in Brits generate a substantial income from the 90 foreign small businesses that are operational in the Brits area.

The preceding finding is also confirmed in a study done by Tawodzera, *et al* (2015:29) who found that as tenants, foreigners makes a massive contribution towards the personal and private coffers of RSA individuals, businesses and government departments. Their study which comprised 518 foreign entrepreneurs from 20 different countries, indicates that in total these businesses collectively pays a monthly amount of R805 000 or R9.66 million per annum for rent alone.

Furthermore, results of study done by Moyo (2015:130) ascertains that the presence of foreign entrepreneurs holds tremendous benefits for RSA suppliers, because the majority of them procure their produce and services from formal sector wholesalers and various local dealers. This in turn bodes well for the local economy and for the long terms sustainability and profitability of RSA businesses.

In addition Moyo (2015:141) also reveals that foreign entrepreneurs play a critical role in assisting RSA citizens to start their own businesses. He found that between the years 2000 and 2012, African immigrant traders in Johannesburg have assisted 76 South African nationals to start their own businesses, as shown in Table 3.2 below.

**Table 3.2: No of RSA citizens assisted by foreigners to establish their own businesses**

Nationality of foreign trader	Number of RSA citizens assisted	Nature of business
Somalia	50	Selling clothes
Democratic Republic of the Congo (DRC)	12	Cosmetics, retailing and selling vegetables
Zimbabwe	7	Cosmetics and selling vegetables
Nigeria	2	Selling clothes
Mozambique	2	Buying different assortment of goods for wholesale
Ghana	2	Making sandals
Tanzania	1	Beadwork

**Source: Moyo (2015:141)**

Moyo (2015: 142) also observe that the willingness on the part of foreign entrepreneurs to support local people as indicated in table 3.1 above, shows their proclivity for developing partnerships with RSA citizens on grassroots level. He argues that such actions augur well for local economic development as this type of collaboration is well aligned with Millennium Development Goal (MDG) 8, which specifically encourage the formation of business partnerships for global development.

The economic contribution of foreigners is also evident in RSA's financial sector. Tawodzera *et al* (2015:38) point out that foreign entrepreneurs frequently make use of RSA's formal money transfer services such as Moneygram, Westerngram and local Banks to send money back to their home countries. The aforementioned authors further observe that 60% of all foreign small business owners in Cape Town recurrently make use of local transfer agencies, while another 20% utilised the services of local bank to transmit money to their families at home. Tawodzera *et al* (2015:39) also found that about 20% of small entrepreneurs transfer money on a monthly basis followed by 40% who send money back home a few times a year. These transactions which are usually accompanied by significant transfer fees

holds tremendous benefits for local banks and money transfer services. This observation is particularly noteworthy, because the literature suggests that foreign small businesses are denied access to credit by RSA financial service providers, but in spite of that, they still continue to support these institutions.

### **3.5 Success Factors of Foreign-owned small businesses in SA**

In highlighting some of the reasons why foreign-owned small businesses are perceived to be more successful than their South African counterparts, Liedeman *et al* (2013:4) found that the majority of foreign-owned small businesses operate in clusters or networks as can be seen in Table 3.3 below. Functioning as networks give them access to a number of benefits, such as collective buying power, access to credits and shared marketing strategies, which eventually give them the competitive edge over their RSA counterparts.

The last observation is also underscored by Kalitanyi and Visser (2010:365) who indicated that foreigners are more involved in retail than in production. As can be gleaned from the information contained in the Table 3.3 below, the business undertakings of foreign-owned small businesses encompasses a range of activities which include amongst others; hairdressings saloons, motor repairs, nightclubs, restaurants and the selling of ethnic clothes. What is also interesting about these networks or clusters is that foreigners tend to work together with people from their own country as opposed to foreigners from other countries. This is quite interesting because it indicates a sense of solidarity amongst foreign-businessmen coming from the same country.

**Table 3.3: Business activities of foreign-owned small businesses**

Sector	Activity	Origin of business owner
Retail	Curio selling	Malawi, Mozambique and Zimbabwe
	Selling ethnic clothes	West Africa
	Food retail	West Africa
Service	Motor car Repairs	Mozambique and Zimbabwe
	Hairdressing	All
	Restaurants	West Africa
Production	Traditional clothing	West Africa
	Wedding dresses	West Africa
	General Tailoring	Malawi
Other business sector	Night clubs	West Africa
	Cafes	West Africa
	Imports/Exports	West Africa
	Traditional healing	Central Africa

**Source: Kalitanyi and Visser (2010:369)**

Kalitanyi (2007:36) also found that the driving force behind the success of foreign-owned enterprises is that they are cheaper and applying various discount strategies. These enterprises also have more products available, and their businesses are generally more attractive than their competitors. The latter observation is confirmed in a report of the SLF, which indicates that foreign small businesses apply product diversification strategies such as selling alcohol and installing games in their businesses, to attract customers from all over the spectrum, including children (Charman *et al* 2012:68).

According to Masocha *et al* (2014:650) the level of entrepreneurial skills being possessed by foreign small entrepreneurs are critical factors which contributes towards the success of their businesses. The above view seems to be in line with to the findings of an earlier study done by

Rogerson *et al* (2000:330) indicating that the majority of foreigners doing business in South Africa are well skilled and have previous business exposure in their countries of origin. These authors further maintain that the success of foreign-owned small businesses can also be ascribed to the relatively high education and literacy levels within their ranks. The high levels of education of foreign entrepreneurs were confirmed in a survey conducted amongst Johannesburg based foreign entrepreneurs by Rogerson *et al*. The results revealed that 43% of immigrant entrepreneurs from non-SADC countries hold a tertiary qualification, while 47% of entrepreneurs from SADC countries possess a high school qualification ranging from Grade 10 to Grade 12 (Rogerson *et al* 2000:331).

The location of their businesses has also been cited as one of the factors that led to the success of foreign-owned small businesses. The majority of foreign small businesses are located in the centre of most communities. This was confirmed in a study done by Charman *et al* (2012:59) who point out that the spatial distribution of foreign small businesses highlights the link between market share and physical location. Their study shows that 76% of customers in Delft in Cape Town, prefer to have their business services in close proximity to their place of residence, as this saves them time and money. Based on the foregoing statement, one can therefore conclude that business location is undoubtedly a pre-condition for the success of particularly small and emerging enterprises.

### **3.6 Critical challenges faced by foreign-owned small business owners**

Unlike their South African counterparts, foreign-owned small businesses operators are confronted with a range of obstacles inhibiting them from reaching their business objectives. According to Masocha *et al* (2014:61) the challenges experienced by foreign-owned enterprises can effectively be categorised as socio-environmental, financial and

managerial. What follows is a brief outline of these challenges as postulated by the aforementioned authors

### **3.6.1 Socio-Environmental challenges**

From a socio-environmental perspective foreign-owned small enterprises in RSA have to battle with a range of problems in the external environment including the economic state of the country, compliance with local legislation and inaccessibility to much needed services and resources. These challenges are further exacerbated by corruption and fraud in state and private institutions, and a constant change in business technology (Brink *et al* 2003 cited in Masocha *et al* 2014:61).

In expounding on the socio-environmental challenges it is Hickel (2014:105) view that crime and xenophobia should take centre stage when dealing with the difficulties that foreign-owned small businesses have to contend with. They point out that the recurrent spate of xenophobic attacks, (see discussion in next chapter) aimed at foreign nationals and the looting and destruction of their businesses stem from the erroneous belief by many local small business owners that foreigners are stealing their jobs and deprive them from critical economic opportunities. Similarly Khosa *et al* (2014:207) observe that xenophobia related attacks on foreigners and the destruction of their property is triggered by a sense of jealousy on the part of local business owners, towards the perceived success of foreign small business owners.

Furthermore Ezennia *et al* (2015:16) maintain that foreign small business owners in South Africa find it difficult to obtain new business permits or to renew their old ones. As a result thereof many of them are forced to operate in the informal sector where businesses are almost automatically flouted for certain of the legal requirements. However, the latter occurrence impacts negatively on the growth and expansion of

foreign owned small entities and effectively renounces their chances of taking advantage of “big opportunities” existing in the market.

The majority of foreign-owned businesses are also hamstrung by the exorbitant amounts charged for the rental of business premises. A study conducted by Ezennia *et al* (2015:15) to determine the challenges faced by foreign-owned small businesses in Durban revealed that these businesses are highly overcharged and in many instances pay for stalls and business premises that are not even properly constructed. Many of these so-called business premises are at times not even suitable for the business purpose. However owing to the shortage of alternatives, many foreigners have no other option but to take it.

In stark contrast with the popular perception that the majority of foreign-owned small businesses are self-sustainable, Ekpo *et al* (2012:1) argues that it is certainly not the case. They contend that many foreign-small businesses are faced with stiff competition from other foreign and local small businesses, having a negative impact on their bottom line. In support of the latter observation, Fatoki *et al* (2012:138) identified high competition amongst small businesses as a critical barrier that hinders the performance and long-term sustainability of foreign-owned small business in RSA. However a study done by Khosa *et al* (2014:212) interestingly reveals that foreign-owned small business operators view competition as necessary since it encourages them to constantly embark on innovative ways to improve their business operations.

The socio-environmental challenges that foreign-owned small business are contend with, would not be comprehensive without highlighting the impact that educational and linguistic challenges have on their businesses environment. Contrary to the view held by Rogerson *et al* (2000:330), that foreign-owned entrepreneurs are generally well skilled, Occici (2006:12) found that a substantial number of foreign-small business owners hold a primary school certificate or are school drop

outs. The tiny percentage who have managed to make it to university have no propensity for the particular business that they are engaged in, nor do they have the entrepreneurial insight to operate such businesses. The absence of entrepreneurial acumen amongst some foreigners has in many instances become a serious impediment hindering the growth of their enterprises. Moreover, incompetence to converse in the local languages poses a serious challenge for the day-to-day operations of many foreign small businesses. Khosa *et al* (2014:212) contends that many foreign-small business owners, especially those residing in Cape Town where Afrikaans and English are the dominant languages, cited lack of these regional languages as amongst their major challenges.

### **3.6.2 Financial challenges**

Access to financial support remains a critical issue for any business enterprise, since without it no business will ever be able to make the desired impact or develop into a viable and self-sustaining venture. As is the case with most small businesses, Fatoki *et al* (2012:139) points out that a substantial number of foreign-owned small businesses are struggling to get access to finance owing to their inability to provide collateral. Concurring with the latter view, Ezennia *et al* (2015:5) posits that inaccessibility to finance remains a critical challenge for many foreign-owned businesses and it seriously impedes their ability to make a positive impact on the country's economic growth.

According to Tengeh (2013:348) foreign-owned small businesses' financial woes are further exacerbated by the failure of South African small business support agencies and financial service providers to extend their services to foreign small business entities. They argue that in spite of the positive contribution made to the economy of RSA, foreign-owned small businesses are still discriminated against by government-led small business support agencies and commercial banks.

Expanding on the above outlook, Atieno (2001:1) maintains that commercial banks and the capital markets are often prejudice against foreign-owned small businesses. These institutions would rather part with their financial resources in favour of wealthy individual SA citizens and long established companies with a traceable credit track record. The latter situation undermines the capacity of foreign-owned small businesses to make a positive contribution to the economy of their host country. It also highlights the need for an introduction of a “needs orientated financial system”. (Atieno 2001:2).

In addition Berry, Von Blottnitz, Cassim, Kesper, Rajaratnam and Van Seventer (2002:69) maintain that funding small businesses are too much of a risk for many financial institutions. The reluctance on the part of financial institutions to support small businesses is further aggravated by the high failure rate amongst these entities in general. The fact that many foreign-owned small businesses are mainly newly established entities also counts against them when applying for funding. A firm’s age is an important determinant when applying for finance, as financial institutions are more comfortable in supporting older firms as opposed to newly established ones (Berry *et al* 2002:69).

### **3.6.3 Management challenges**

In spite of the fact that foreign-owned enterprises are perceived as out-performing their South African counterparts, they are still confronted with a number of management problems. As observed by Ligthelm *et al* (2003) cited in Masocha *et al* (2014:61), foreign-owned small enterprises doing business in South Africa are hamstrung by an array of critical business management skills, inability to set long term goals, and tardiness to adapt to the changing business environment. An over emphasis on making money is also one of their weakening factors.

Moreover a substantial number of foreign-owned small businesses do not have the necessary management plans in place, they are response

orientated, and as a result thereof stumbling from one crisis to the next (Occici 2006:12). Management knowledge such as planning, controlling and leading are necessary for the daily running and overall development of any small enterprise. The absence thereof will ultimately impact negatively on both the profitability and long-term sustainability of any small business, including foreign-owned ones.

Many foreign-owners also struggle with customers who refused to pay their debts. In their study Tawodzera *et al* (2015) found that more than 50% of foreign-owned small businesses are battling with repayment from customers. These non-payments have an extremely negative impact on the overall operations of their enterprises as the monies owed to them are meant to procure further stock in order to sustain their businesses.

### **3.7 Chapter Summary**

This chapter has examined the prevalence and relevance of foreign-owned small businesses in South Africa. The argument of this chapter is that foreign-owned small businesses are essential for the well-being and prosperity of the people of South Africa. The economic contribution made towards the South African economy has been one of the highlights of this chapter. From the literature we observed that foreign-owned small business indeed pull their weight as far as economic growth and employment creation are concerned. Furthermore the chapter has also delved into the perceived success factors of foreign-owned small businesses which have led to the belief that foreign-owned enterprises are more flourishing than their South African equivalents. This tense situation has in many instances manifested itself in various forms of xenophobia related violence directed at foreign small business owners. This research will thus be incomplete without taking a closer look at the impact and extent of Xenophobia in the South African small business sector.

## **Chapter 4: Literature review: The impact of xenophobia on the South African small business landscape**

### **4.1 Introduction**

As noted in the previous chapter, in recent years xenophobia has become a prominent issue of the South African landscape. However there seems to be many diverse views on whether the recent spate of violence directed at foreign nationals constitute xenophobia or whether or not it should be understood as mere criminal activities. In this chapter we will explore whether the attacks on foreign nationals in RSA are indicators of xenophobia or whether it happens as a result of internecine criminality. This chapter concludes by examining the economic impact of xenophobia on foreign-owned small businesses and the broader South African economy in general.

### **4.2 Xenophobia contextualised**

Xenophobia is as old as mankind itself and affects people from every culture and creed. Soyombo (2008:5) maintains that in spite of a divergence in opinions of what exactly constitutes xenophobia, at the end of it all boils down to “an intense hatred or dislike of people of foreign descent”. However, for Jones (2011:35) there is no straightforward definition for xenophobia, and it must be understood against the background of three interrelated but divergent forms of xenophobia which he describes as:

1. “Exclusive xenophobia” – meaning that one’s appearance and demeanour are different from the rest and can therefore not form part of a specific community
2. “Possessive xenophobia” – you do not belong here and are a threat to our job, and other benefits that only we as citizens are entitled to.
3. “Toxic xenophobia” – your presence are putting at risk our well-being, our values, beliefs and cultures

Citing from the work of Smelser *et al* (2001), Mathunu (2009:97) points out that the concept of xenophobia originates from the Greek words *xenos* – “foreigner, outsider, stranger” and *phobos* meaning- “fear”. Although concurring with the latter concept, Soyombo (2008:86) interestingly notes that xenophobia is not exclusively directed at “strangers” but in many instances targeted at long term and permanent immigrants. In differentiating between strangers and long term immigrants she argues that strangers are those who are not original or permanent occupiers of a particular location and significantly differ from the rest of the population. Permanent immigrants are those who hold citizenship and who live, interact and has been accepted by the dominant group in a particular society.

### **4.3 Theories of Xenophobia**

Theoretical discourses of xenophobia are very useful because it advances one’s understanding on the underlying reasons of xenophobia and the factors that trigger its occurrence or reoccurrence. Social and psychological theories on xenophobia are critical because it could assist in devising strategies to effectively deal with xenophobia related issues (Soyombo 2008:98).

#### **4.3.1 Economic Theory of Xenophobia**

From an economical theoretical perspective xenophobia is caused by economic factors of which poverty and unemployment are singled out as the two major causative elements. The economic theory of xenophobia suggests that poor people are most likely to become xenophobic when their well-being is threatened by those they perceived to be outsiders (Soyombo 2008:99). According to this theory xenophobia attacks seems to be most prevalent during economic melt downs and one can therefore argue that the recent spate of xenophobia related attacks being witnessed in South Africa in recent times, can thus be attributed to the effects of the 2008 global recession. In concurring with

this narrative, Krishna (2012:309) maintains that a decline in economic and material conditions have often been cited as the main reasons for the xenophobic attacks especially in RSA.

#### **4.3.2 Frustration-aggression theory relating to xenophobia**

In terms of the above theory as we learn from Soyombo (2008:99) xenophobia occurs when a certain group of people get frustrated by the action or inaction of another group. These frustrations often happen as a result of people blaming others when certain expectations are not met. In many instances the other group (in most cases people of foreign descent) are used as a scapegoat or a channel to express their frustrations. These frustrations often manifest itself in a violent manner as the frustrated group will do anything to express their anger or to get the necessary attention towards their plight. Moreover this frustration and aggression are usually aimed at groups or people who are more vulnerable and in most instances powerless or voiceless (Soyombo 2008:99).

#### **4.3.3 Conflict theory**

The conflict theory holds that xenophobia emerges when one group tends to dominate another. This theory in particular finds expression in the working class struggle where people are often alienated because of their socio-economic status. Alienation, which connotes powerlessness, is very much prevalent between groups in a capitalist system, where the capitalist tend to undermine and disregard the rights of the working class. It is said that when people's needs, namely those of the working class' are not met, they tend to express themselves in a deviant manner including xenophobia. In this instance Xenophobia thus arose out of conflict between the two parties, and foreign nationals have to bear the brunt as a way of putting the spotlight on the struggle of the indigenous working class (Soyombo 2008:100).

#### **4.4 Xenophobia – a global occurrence**

Xenophobia according to Mogeckwu (2005:7) is a world-wide phenomenon and is experienced in the rich and affluent countries of the West as well as the poor countries of the South. It is Soyombo's (2008:85) view that Xenophobic related incidents around the globe are fuelled by an increase number of foreign nationals having to migrate to other countries, as a consequence of the dire situation in their own countries of origin and in pursuance of a better live. In quantifying the extend and impact of migration as described above, Jolly *et al* (2014:464) points out that almost 200 million people across the world are international migrants with the greatest number of them based in Europe.

Mathunu (2009:464) maintains that this growing foreign population is increasingly being viewed as a "problem" by the locals, and as a result thereof have often become the targets of suspicion, hatred and xenophobia related violence. For example, Mayer (1995) cited in Jolly *et al* (2014:464), points out that in France the presence of foreigners are more and more being used as "scapegoats" for the increase in poverty and unemployment levels. They add that foreign nationals in France are increasingly being used by political parties as a strategy to garner votes, and as recently as 2012 the then French President Nicholas Sarkozy, called for a drastic reduction of foreign nationals in France.

Xenophobia has also been witnessed on Russian soil. In a study done by Mukomel (2015:37-51) to determine the factors that gave rise to xenophobic moods in Russia since 2000, the results indicated a considerable rise in the number of Russian citizens feeling a deep seated hatred and dislike of foreign nationals living in Russia. In elaborating on the latter issue, the author points out that the number of citizens who rallied behind the slogan "Russia for Russians" have increased from 45% to an alarming 66%. This in essence computes to almost two thirds of the Russian population harbouring feelings of

abhorrence and antipathy against people of other nationalities. In addition Mukomel (2015:38) maintains that Xenophobia in Russia finds expression in a number of dimensions, such as “ethnic (ethnophobia), migration (migrantophobia), religion and faith (Islamophobia in particular), and citizenship (the possession or absence of Russian citizenship)”.

Remaining on the international front, Xenophobic related violence and tendencies in Japan are also well documented. For more than 200 years Japan had promoted policies that effectively endorsed xenophobic tendencies, hatred and exclusion of foreign nationals. It is a well-known fact that during the period 1641-1853 people of foreign descent living in Japan were not allowed access to certain services, such as owning a house, nor could they enter in public facilities as a result of their physical appearance. During this period foreign nationals living in Japan were not allowed to live or to have close interaction with Japanese people by virtue of them not being “sons and daughters of the Japanese soil” (Manthunu 2009:95).

#### **4.5 Xenophobia – the African experience**

Since times immemorial, there have also been a number of reported incidents of xenophobia related occurrences on the African continent. Some of the most notable incidents of xenophobia related crimes, according to Soyombo (2008:94), took place in Ghana in 1969, when the Ghanaian government passed a law known as the Aliens Compliance Order (ACO), to forcefully remove all undocumented foreign migrants from Ghanaian soil. The consequent enforcement of this order had resulted in many foreign nationals being displaced and many families torn apart. In 1983 a similar situation took place in Nigeria when the government issued an expulsion order to remove all undocumented migrants from Nigerian soil. These expulsion orders coincided with the recession in Nigeria and there were widely held beliefs that people from foreign descent, coming from other African

countries, deprived Nigerians of job opportunities. In many instances these foreign nationals who refused to leave, were often met with great resistance by locals and at times in a violent manner. Many regarded Nigeria's expulsion of foreigners as an act of retaliation to the Ghanaian ejection of foreign nationals. The above situation has led to serious diplomatic tensions between these two African nations, with the matter being referred to the Economic Community of West African States (ECOWAS) for intervention and a possible resolution (Soyombo 2008:94). Xenophobia has also occurred in various other African states such as the campaign launched in 2008 by Angolan authorities to expel all migrants coming from the Democratic Republic of Congo (DRC), which was at times executed in a very violent and brutal manner (Neocosmos 2008 cited in Okem *et al* 2015:43).

#### **4.6 Main causes of xenophobia in RSA**

In recent years xenophobia has almost become a household name in RSA with this country being labelled as 'accused number one' with regard to the prevalence of xenophobia related incidents. Crush (2000:105) asserts that since the dawn of democracy in 1994 RSA experienced a radical upsurge in the variety and volumes of migrants and asylum seekers crossing its borders in search of a better life. Not only has this unprecedented influx of foreigners created the perception that RSA has lost control of its borders, but has also led to several clashes between RSA citizens and people of foreign descent.

Hemson (2011:70) points out that the xenophobia attacks that were recently witnessed on South African soil were sparked by various causes. These include among others, widespread unemployment, competition for resources, and the legacy of a system that identified people by the colour of their skin.

Adding to the causes as outlined above, Jacobs and Mc Donald (2005:305) argue that the media should also shoulder some of blame

for the escalation of the attacks on foreigners. They argue that the use of sensational headlines and negative metaphors such as, “*floods, hoards and waves*” when describing migration into this country, has created the perception that immigrants are a problem. In many of these instances foreign nationals have been associated with criminal activities, and were referred to as aliens and job stealers by the media.

Concurring with latter view, Okem *et al* (2015:44) opine that media coverage on violence and crime in RSA at times creates the impression that migrants are responsible for the escalating crime statistics and other social evils. It is also Ilesami’s (2008:289) view that the “continued perpetuation of negative stereotypes of migrants” portrayed by the media-houses in RSA could to a large extent be blamed for the anti-foreign behaviour and the xenophobic attacks that happened in RSA.

Moreover, the South African government’s handling of the Xenophobia induced incidents leave much to be desired. Crush (2001:105) points out that the actual number of people from foreign descent residing in RSA is constantly exaggerated by government officials, thus creating the impression that there are untold numbers of foreigners in the country depriving, South Africans of much needed services and jobs. Similarly Peberdy (2001:23) maintain that the post-*apartheid* government has become extremely negative in the use of language when commenting on issues pertaining to foreign migrants. In this regard, foreigners are constantly being referred to (by government officials and politicians) as “illegal aliens, “aliens” and illegal migrants, and as the latter author points out that this kind of rhetoric has had three important consequences.

- First, it creates the impression that people from foreign descent are “extra-terrestrial” which implies that they are from a different planet, other than the Earth.

- Second, these assertions led to the perception that all “migrants” (legal or illegal) are aliens who entered RSA in an illegally manner (border jumpers) with the intention of “disturbing the peace”.
- And third, it creates the impression that all “immigrants” came to the country with a criminal intent and therefore a threat to the country’s national well-being.

In this regard Crush (2000:105) asserts that it is important to note that press opinions and comments by political leaders have a profound impact on how events and occurrences of this gravity are interpreted by the general public. Not only does xenophobic related rhetoric by senior politicians lead to violence but also have far reaching implication on the internal stability of the country (Ilesanmi 2008:289).

#### **4.7 Political and Economic impact of xenophobia in RSA**

The recent spate of xenophobic attacks in RSA can be construed as a betrayal of RSA’s commitment to international bodies such as the United Nations Human Rights Commission (UNHRC), as well as the country’s pursuit to create an inclusive, non-racial and non-sexist and democratic society (Tshishonga 2015:171). Likewise Ilesami (2008:287) observes that these attacks are in stark contrast with Section 2 of the South African constitution that recognises and protects the fundamental human rights of anyone finding themselves in South African territory. It is Manthunu’s (2009:101) view that the xenophobic attacks did not only dent the image of RSA in the eyes of the rest of the world, but it has also caused severe strain between South African and its neighbouring countries.

Not only did the recent spate of xenophobia attacks have serious economic implication for the country, but it also had a negative effect on South African companies doing business elsewhere in the world. For example we are informed by Pillay (2015) that the xenophobic attacks that has been witnessed in Kwazulu Natal in 2015 has led to the closure of many South African firms on the African continent, and had

also put the lives of many South African citizens living in other countries at risk. In supporting the latter statement, Saleh (2015:305) points out that since the outbreak of the xenophobia attacks in South Africa, calls to boycott South African products has been intensified in various countries such as Malawi, Zambia, and Mozambique

Palmary (2004:6) maintains that the recent xenophobia related violence had placed severe strain on the local labour market and has resulted in several job losses for many South African citizens. It was even more devastating for the scores of poor South Africans who are dependent on foreigners for their livelihoods. He points out that foreign-owned small businesses in Johannesburg created an average of three jobs for South Africans per business, of which most of these jobs have been lost as a result of Xenophobia.

Furthermore the spate of xenophobia attacks has created the impression that RSA is a hostile and unwelcoming nation, especially for people from other African countries. In this regard Mabe (2015) points out that the 2014 Xenophobia related violence have resulted in countries such as Britain and Australia to advise their citizens to think twice before travelling to RSA. This view does not augur well for the tourism industry of RSA as many potential tourists are scared to come to this country in fear of becoming victims of xenophobic related violence.

#### **4.8 Chapter Summary**

As can be gleaned from the chapter above, xenophobia is not a new phenomenon and is as prevalent in first world countries as it is in developing nations. From the literature it is clear that Xenophobia has far reaching implications on a country's relationship with the rest of the world and can potentially lead to economic isolation. This chapter concludes the literature review having had expounded the theoretical

concepts of formal and informal small businesses, foreign-owned small businesses and xenophobia.

Following is a chapter on the research methodology applied in this study.

## Chapter 5: Research Methodology

### 5.1 Introduction

In the previous three chapters we looked at the theoretical aspects of foreign and locally owned formal and informal small businesses as experienced in RSA, including a treatise on xenophobia. This chapter explains the total research methodology applied in the study.

### 5.2 Primary and secondary research objectives

The primary objective of the study is to obtain an in-depth understanding of the business activities of foreign-owned small businesses operating within the *Emthanjeni* municipal area, and to compare these with the activities of local small businesses operating within the same area. The primary objective will be achieved through the attainment of the following secondary objectives.

- To review theoretical studies on foreign as well as local small businesses in RSA.
- To gain a broad understanding of the economic activities of foreign owned small business operators in the *Emthanjeni* Local Municipality.
- To find out to what extent foreign-owned small business activities influence local RSA small businesses in a good or bad way.
- To explore whether the presence of foreigners holds any advantages or disadvantages for the local communities in *Emthanjeni*.
- To recommend possible strategies for intervention in order to strengthen the relationship between foreign-owned and indigenously owned small business in ELM.

### **5.3 Research Design**

Sekeran *et al* (2013:94) maintain that a research design is basically a “blueprint for the collection, measurement and analysis of data and is based on the research questions of one’s study”. The choice of one’s research design is therefore an important determinant in whether one will be able to successfully execute the task at hand.

This study has pursued a combination of quantitative and qualitative research approaches. Sekeran *et al* (2013:104) further maintain that the application of a mixture of qualitative and quantitative approaches render itself very useful in the sense that it leads to greater confidence in the results obtained.

According to Babbie *et al* (2006:72) qualitative research is very much relevant if the objective is to gain a broader understanding of people’s behaviour and attitudes and more specifically in their natural settings. Qualitative data for this study was obtained through physical interaction with both foreign and local small business owners as they themselves give account of the operations of their businesses, the challenges encountered, and suggestions on how to improve the *status quo*. Quantitative data was obtained from organisations supporting and promoting the development of small businesses operating within *Emthanjeni* municipal area.

Furthermore the research is also explorative in nature. According to Saunders *et al* (2012:171) exploratory research is particularly useful if the overall aim of the study is to gain in-depth insights of the topic under investigation. By being explorative the researcher acquired invaluable knowledge of the nature of the phenomenon being studied.

### **5.4 Sampling design**

Saunders *et al* (2012:261) argue that in most instances it is practically impossible for researchers to obtain data from an entire population in order to effectively respond to the research question at hand, and

therefore the need for sampling. Studying a sample rather than the entire population is more efficient, contains fewer errors, and the end result is often very reliable (Sekeran *et al* 2013:242).

For the purposes of the study, the researcher opted to use convenience sampling which is a type of non-probability sampling. We learn from Sekeran *et al* (2013:252) that convenience sampling entails a process of collecting information from members of the population who are easily accessible and conveniently available to provide the required information. Convenience sampling also lend itself as the most preferred method for this study as no real data pertaining to foreign-owned businesses in the *Emthanjeni* area were available, and nor could the researcher trace any prior research done in the study area relating to the topic being studied.

### **5.5 Target Population**

The target population for this study consists of foreign-owned and innate small businesses operating within ELM area which encompasses the towns of De Aar, Britstown and Hanover. In talking to officials at the local Municipality, a firm number of small businesses in the ELM area could not be obtained. It is their guesstimation that there are 65, 25 and 30 small businesses in De Aar, Britstown and Hanover respectively, amounting to approximately 120 small businesses in *Emthanjeni* Local Municipality. In the absence of any other empirical evidence, these estimations were accepted as making up the total population of small businesses for the purpose of this research.

Local small businesses comprised only of South African owners while foreign-owned enterprises include those owners from Bangladesh, Pakistan, India, Ethiopia, China, Democratic Republic of Congo (DRC), Kenya and Uganda.

The foreign-owned and local small businesses used in this study include: cell phone repair shops, hair salons, clothing, furniture shops,

## **5.7 Methods of data collection**

Data for this study was collected mainly through secondary and primary sources. Saunders *et al* (2012:305) maintain that in order to reach their research objectives, it is extremely vital for researchers to analyse data that have already been collected by other researchers. These are known as secondary sources and include both raw data and data published through various academic publications. Secondary data, according to Sekeran *et al* (2013:116) are particularly advantageous because it provides critical information that assist researchers to solve complex problems. Secondary sources used in this study comprised articles from academic journals, text books, internet searches, published dissertations and government publications.

Hox and Boeij (2005:593) maintain that primary data are data that are collected to address a specific research problem and are drawn from first hand sources. They add that primary data are particularly important because it increase the existing pool of knowledge and serve as important sources for future research. For the purposes of this study personal face to face interviews were held with both foreign and local business owners. In addition, a questionnaire to solicit information from small business supporting organisations was used as the primary data collection tool.

### **5.7.1 Interviews.**

Interviews are the most preferred method of data collection and are mainly relevant to qualitative studies (De Vos *et al* 2005:287). Interviews are of significance for exploratory studies as it provide important background to the research problem and broaden the researcher's understanding of the context in which the problem manifests itself. Babbie *et al* (2006:288) point out that when choosing interviews as the primary data collection method, researchers should have a good idea beforehand of the respondent's whereabouts, such as

location and availability in order to obtain the most relevant information.

The interview questionnaires utilised in this study was in English and was designed in such a manner that it could address the objectives of the study. However, since the majority of South African business owners were Afrikaans speaking, some of the questions had to be put in their native language with their responses recorded in English. Despite having difficulties with English, the majority of respondents were reasonably comfortable to respond to the questions in English. However, one business owner from Bangladesh was unable to respond in English and the researcher had to use an interpreter to assist in translating the questions from English to Bengali and the responses *vice versa*. A similar situation arose in the case of an Amharic speaking Ethiopian business owner.

#### **5.7.2 Content of the questionnaires**

The interview questions for foreign-owned businesses revolves around several aspects including personal information such as their country of origin, reasons for choosing to do business in *Emthanjeni*, main products and services, educational background and entrepreneurial skills, as well as relations with local small businesses in the area. A similar set of questions, with only a few exceptions were posed to South African small business owners. These include issues of their perspectives on the presence of foreign-owned small business in the area, and the roles that government agencies have played in relation to their businesses.

The questionnaires were divided into three sections. Section 1 sought to obtain an insight into the personal information of the respondents. Section 2 dealt with the business operations of the respondents, while the aim of Section 3 was to probe the entrepreneurial knowledge and skills of the respective respondents. Each questionnaire was 3 pages long and consisted of 35 questions for foreign-owned small businesses,

while the questionnaire for local small businesses was shorter with 32 questions

As indicated in paragraph 3.7 above, a third questionnaire was presented to organisations supporting the development of small businesses in the *Emthanjeni* Municipal area. This questionnaire consisted of direct questions, open-ended questions, and multiple choice questions. The questionnaire sought to obtain information in respect of the core objectives of the supporting organisations, services rendered to small businesses, regularity of such services, obstacles faced by small businesses and the impact of small businesses on the economy of the *Emthanjeni*.

### **5.8 Process of data analysis**

Data analysis entails a process of making sense of the raw data collected during the research process. It is a “messy, time-consuming, creative and fascinating process” (De Vos *et al* 2005:333). We learn from Sekeran *et al* (2013:337) that qualitative data analysis should start with the reduction of data which involves a process of coding, selecting and the categorizing of the data. In order to make sense of the data collected during this study the data were categorised in related themes and analysed in accordance with the research question. Responses were recorded using various forms of quantitative analysis tools including tabular format, pie charts, bar charts, and graphs. Each section was concluded with a written narrative to further elaborate on the significance of the data collected.

### **5.9 Validity and reliability**

Reliability and validity are critical issues in measurement. In defining reliability, Drost (2012: 106) asserts that “reliability is the extent to which measurements are repeatable – when different persons perform the measurements, on different occasions, under different conditions”. Validity on the other hand deals with the credibility of the measuring tools and whether it has the ability to accurately measure what it is

supposed to measure (Saunders *et al* 2012:428). Validity and reliability of this study were drawn from existing literature. Much has been written about foreign-owned and local small businesses, their challenges experienced and their contribution to the South African economy. Various scholars (Rogerson 2004, Ligthelm 2010, Tengeh, *et al* 2012 and Fatoki 2014) have shown that both foreign-owned and local small businesses are critical drivers in the economic performance of a country. These scholars have utilised the same data collection tools as used in this study and the results of their studies have proven to be both valid and reliable and have made an enormous contribution to the existing pool of academic knowledge. The researcher has therefore no doubt that the methods applied in this study are credible, truthful and valid.

#### **5.10 Confidentiality of the research**

Confidentiality between the researcher and respondents forms a critical part of any research. The researcher has gone the extra mile to ensure that confidentiality of the information is secured. In this regard no names, addresses or any personal particulars of respondents have been recorded by the researcher.

#### **5.11 Ethical considerations**

When dealing with research ethics it is important for researchers to be aware that the protection of the respondent's dignity and the manner in which the information in the research is published should take central stage (Fouka and Mantzorou 2011:4). The aforementioned authors highlight informed consent, respect for privacy and anonymity and confidentiality as the three most important ethical issues that researchers should consider when carrying out their studies.

The importance and purpose of the study were thoroughly explained to the respondents and they have also been duly informed that their participation in this study is voluntary. It was also made clear to them that they are at liberty to withdraw at any point of the interview if they

so wished. Respondents were also informed that they are not obliged to answer any questions or give information that they are uncomfortable to disclose.

Furthermore all the information obtained from respondents was treated with great circumspection and confidentiality. The researcher remained objective throughout the course of the interviews and all the responses from participants were duly recorded, and all findings have been accurately reported. All sources used throughout the research process have been duly acknowledged in this report.

### **5.12 Some delimitations and limitations of the study**

This study has been delimited to the area of the *Emthanjeni* Local Municipality and the findings cannot be construed as reflecting the occurrence of the subject matter in the broader RSA context. Furthermore the focus of the study is directed at the impact of the business performance of foreigner-owned small businesses on innate ones, and does not reflect on other social variables that foreigner-owned small businesses have on the *Emthanjeni* society.

This study is limited by the fact that a number of foreign-owned small business owners were reluctant to participate. Many regarded the process as a ploy and feared that the information obtained could be used against them, which may ultimately lead to them being deported from the country. This reluctance and phobia may bring the veracity of their responses into question. Another limitation to the study was the language barrier between the researcher and some of the foreigner respondents which could bring the accuracy of the interpretations into doubt. Although the vast majority of foreign respondents were comfortable with English as the primary medium of communication, they however found it difficult to express themselves and at times the researcher had difficulty to understand what exactly they had to say. However the researcher must give credit to the respondent's fellow

countrymen who were very much helpful and willing to translate when required to do so.

The non-existence of a database of small businesses (both foreign and local) also proved to be a challenge. In this regard the researcher was forced to drive around the target area to locate the various businesses. The fact that most foreign small businesses operate from the premises of local home owners made it very difficult to locate their businesses and in the process the researcher may have missed a number of foreign-business owners who may have been willing to participate in this research. The latter occurrence may also have had a negative bearing on the sample size of this study.

### **5.13 Chapter Summary**

This chapter has dealt with the methodology used in this study and the approaches applied to the study using a combined quantitative and qualitative approach. The main focus point of this chapter was to explicate the methodology used including the validity of the topic and the ethical considerations applied. The delimitations and limitations of the study are also being explained.

The next chapter will discuss the empirical research results, data analysis and interpretation.

## Chapter 6: Research findings and analysis

### 6.1 Introduction

The previous chapter gave a detailed account of the methodology that was used during the research. The aim of this chapter is to present the main findings of the research. The data for this study was collected by means of personal interviews and structured questionnaires. The data is divided into three main sections. Section 1 focuses on the descriptive information of the two groups of small businesses which is South African and foreign-owned small businesses. Section 2 deals with the respondents' business activities and Section 3 gives a detailed account of the respondents' entrepreneurial knowledge.

It is important to note that the results of this study are compared with results from similar studies that have previously been conducted. The data is presented by means of tables and graphs, followed by a thorough explanation analyzing the information as depicted in the graphs and tables.

#### 6.1.1 Local and Foreign small business used in the research

**Table 6.1: Statistical information of respondents**

Target Area	Population Size	SMME's Approached		Nr of SMME's actual responses		Response Rate		Mean Rate
		Local	Foreign	Local	Foreign	Local	Foreign	
De Aar	65	16	31	16	22	100%	71%	85.5%
Britstown	25	5	13	5	7	100%	53%	76.5%
Hanover	30	5	11	5	6	100%	55%	72.5%
	120	26	55	26	35	100%	59.9%	78.1%

Table 6.1 above depicts the participation rate of both foreign and local small businesses in the research. As can be observed from the information displayed above, more than 50% of the entire population has been covered during the research. The information further indicates that there was full participation of local SMME's approached, while a fewer (59.6) of foreign small businesses took part in the research. Furthermore it can also be noticed that foreigners do not represent the totality of foreign-owned small businesses. The reason for the lesser participation rate is that foreign respondents viewed the research with trepidation. Therefore the veracity of information collected is skewed towards information obtained from local respondents as against foreign respondents.

### 6.1.2 Gender

Table 6.2: Gender of respondents

GENDER			
South Africans		Foreigners	
Male	Female	Male	Female
64%	36%	86%	14%

As can be gleaned from the information contained in Table 6.2 above, small business ownership in *Emthanjeni* is completely dominated by males with 86% of foreign small businesses owners being men followed by 64% of their RSA rivals. The results also show that women are significantly underrepresented in small business activities than men. This is particularly evident in the case of foreign-owned small businesses where only 14% of small businesses are owned by women. This could be explained by the fact that most migrants to RSA comes from Islamic countries where patriarchy is dominant. This cultural practice tends to replicate itself in business undertakings of foreigners.

This finding seems to coincide with the results of study by Kalitanyi (2007:63) which found that the non-participation of women particularly in foreign-owned businesses can be ascribed to cultural factors. In many foreign traditions, especially in African cultures females are responsible to maintain the household, while men have to go out and engage in various activities in order to support their families. Likewise RSA society has the tendency where males dominate economic activity in the business environment. In as much as major extensive progress has been made in respect of the inclusion of women in business, much still need to be done to equal the playing field between men and women in business.

### 6.1.3 Age

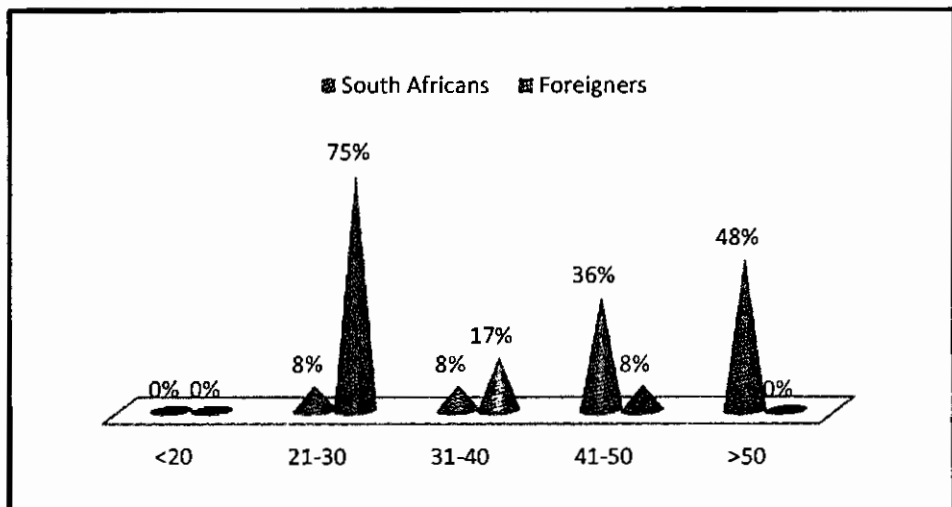


Figure 6.1: Age of respondents

The majority (75%) of foreign small business owners fall between the ages of 21-30 compared to the 8% of their local competitors. The information displayed above also show that foreign small business owners in general are younger than their South African counterparts. This is especially evident in the fact that none of the foreign small business owners are older than 50 years whereas 48% of South Africans fall in that specific age bracket. This phenomenon can be

explained by the fact that foreign youth coming to RSA are more disposed to migrate from their countries of origin, because of their youthful mobility and sense of searching for new opportunities. Many of these young foreign businessmen come to RSA as professionals and economic migrants. In their countries of origin there is high contestation for scarce resources and as a result thereof they find the RSA environment context providing them with numerous opportunities to embark on small business enterprises. The limited involvement of RSA youth on the other hand finds expression in the notion that local young people prefer to occupy a salaried position as oppose to starting their own business. This view seems to be consistent with the results of a study by Fatoki and Chindoga (2011:162) that the majority of SA youths are very reluctant to start their own businesses because of various social and cultural constraints and would rather play it safe by getting a paid job. These constraints amongst others include, but are not limited to RSA's historical and structural prohibition of black entrepreneurial enterprises, lack of business skills and endemic poverty.

#### 6.1.4 Nationality

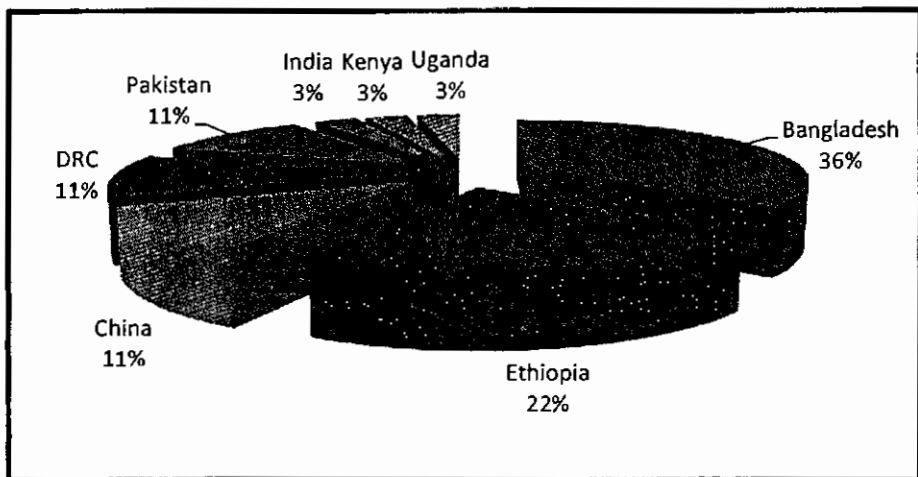


Figure 6.2: Nationality of owners

Figure 6.2 above depicts the nationality of the foreign small business owners doing business in *Emthanjeni*. As can be observed from the

information above, Bangladeshi's are the dominant group and made up 36% of the foreign respondents who own a small business in *Emthanjeni*. This finding is consistent with a study by Munshi (2013:124) which discovered a considerable growth in the number of Bangladeshi shops in townships and in small towns. For example the latter author found that in one community in the West Rand small businesses owned by Bangladeshis have increased from five to more than twenty shops in less than five years. This finding is also in line with the results of a study done by Owasim and Bhuyan (2015) which indicated that by 2015 there were approximately 80 000 Bangladeshi's in South Africa with the number increasing every year. It can therefore be concluded that Bangladeshis in particular have found for themselves a niche market in the South African small business sector and more specifically in rural towns like *Emthanjeni*. Figure 6.2 also revealed that small business owners from Ethiopia have effectively seized 22% of the small business market in *Emthanjeni* followed by entrepreneurs from Pakistan, China and Democratic Republic of Congo with 11% each. The final group of respondents emanated from countries such as India, Kenya and Uganda and each equals 3% of the total number of foreign small business owners covered during this research. The preponderance of Bangladeshis in *Emthanjeni* has the potential of this national group growing exponentially in numbers, with the consequence of snuffing out other foreign groups, and event overtaking local small businesses.

#### **6.1.5 Duration in the Country**

The above question was only posed to foreign small business owners. As can be observed from Table 6.3 below, 25% of foreigners have been in the county for less than 5 years, while the majority (61%) indicating that they are in RSA for between 6 -10 years. Eleven percent has been in the country for more than a decade, with only 3% of respondents indicated that they have been in RSA for more than 20 years.

Respondents also revealed that they are not sure how long they will be staying in RSA, but have no intention to stay here forever. Some said that they will return to their countries as soon the political climate has improved or as soon as they have made enough money to start a business in their countries of origin. The length of stay of these foreign businesses in RSA indicates that the majority of them proposes to entrench themselves in the local business environment, which may threaten the longevity of local business enterprises.

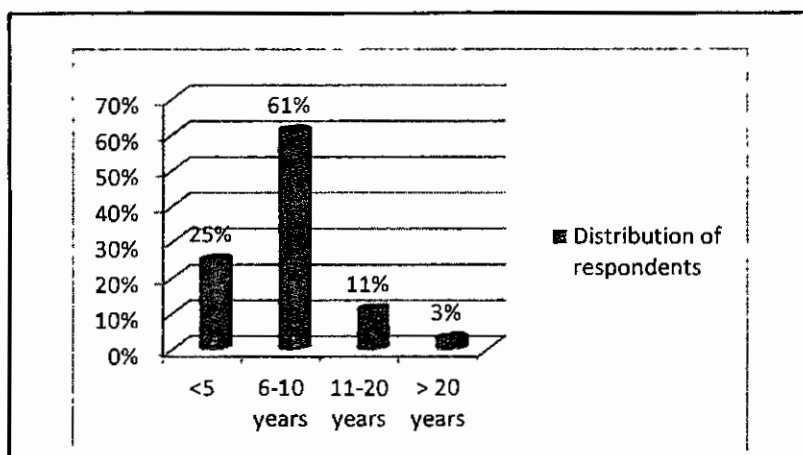


Figure 6.3: Duration in South Africa

### 6.1.6 Duration in Emthanjeni

Respondents were asked how long they are living in the *Emthanjeni* area. As can be noted from Figure 6.4 below, 80% of local small business owners were born in Emthanjeni. It can thus be assumed that most local businesses were previously owned by indigenous RSA citizens. The above figure also shows that 25% of foreign-owned small businesses reside in *Emthanjeni* for less than 5 years while 61% of them operate in the area for less than 10 years. Based on the latter percentages, it would appear that there was a cumulative encroachment by foreign-owned small businesses in the *Emthanjeni* area during the last decade. This increasing competition from foreigners

presents an obstacle to the performance of local small businesses based on their traditional *modus operandi*.

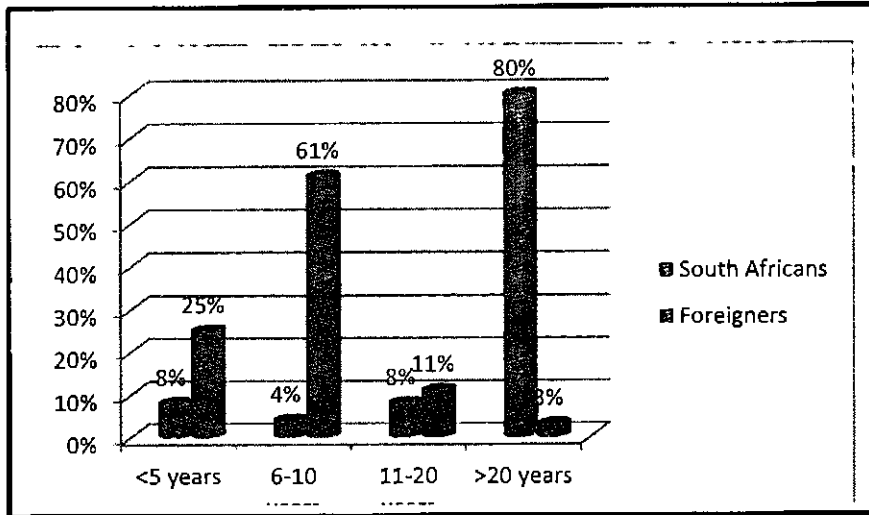


Figure 6.4: Duration in Emthanjeni

### 6.1.7 Education Levels

Figure 6.5 below reveals that foreign small business owners are more educated than their South African counterparts. As can be gleaned from the statistics below 40% of South African business owners haven't attained a matric qualification compared to 19% of foreigners who failed to make it to Grade Twelve. The information contained in Figure 6.5 also shows that 48% of South African small business owners have indeed complete their school career but are outdone by foreigners who managed to attain a matric pass rate of 61%. Only 3% of South African small business owners made it to tertiary level compared to the 17% of their foreign counterparts who managed to successfully obtain a tertiary qualification

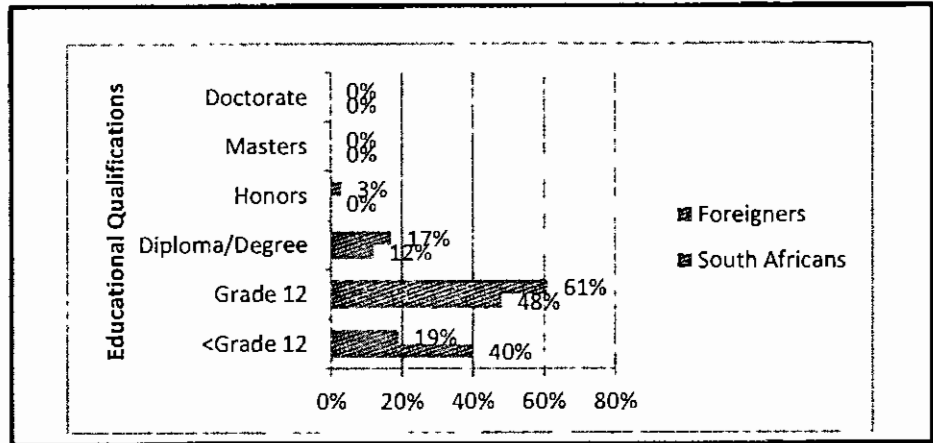


Figure 6.5: Educational Levels

Moreover, the information in Figure 6.5 also reveals that zero percent of RSA's small businessmen had obtain a post graduate qualification while 3% of foreign respondents indicated that they did obtain a post graduate qualification. This finding confirms the result of studies done by Rogerson and Peberdy (2000:330) and Radipere (2012:181) who found that immigrant small business owners in South Africa are relatively highly educated and that a significant number of them have obtained tertiary qualifications.

#### 6.1.8 Reason for leaving your country of birth

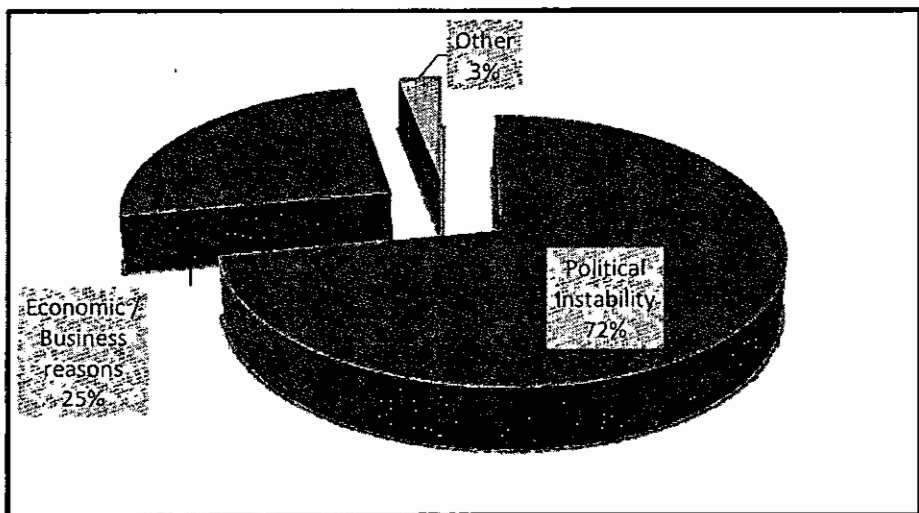


Figure 6.6: Reason for coming to SA

Respondents were asked what triggered their decision to leave their country of origin. As can be observed from Figure 6.6, 72% of respondents indicated that political instability were their primary reason for leaving their countries of birth. This finding is consistent with a similar study done by Rogerson (1997:8) who indicates that many of immigrants coming to SA had left their countries for political reasons and tribal wars. This latter finding was particularly evident in the case of respondents from Uganda, DRC, Kenya and Bangladesh who all cited political turmoil in the home countries as their paramount reason for coming to South Africa. Similarly a study done by Munshi (2013:122) also found that high unemployment and political instability are the two core reasons why South Africa has become the preferred destination for the scores of immigrants from Bangladesh. Furthermore, 25% of the interviewed foreign respondents indicated that their decision to leave their countries of origin was purely informed by business and economic reasons. This was particularly apparent in the case of Chinese respondents who cited excellent diplomatic and economic relations with South Africa as their core reasons for coming to this country. This latter finding is also compatible with a study done by Meibo and Peiqiang (2013:9) who found that the number of Chinese businesses in South Africa has grown tremendously since 1998, after the establishment of diplomatic ties between South Africa and China. These authors point out that by 2012 a number of 160 Chinese firms were already registered and operational in SA, which clearly indicates that the Chinese indeed regard SA as an excellent business and investment destination. Only a small percentage (3%) of respondents indicates that their decision to come to SA has been informed by family related reasons.

## 6.2 Business Related Information

The following section deals with the business activities of the respondents and is aimed at obtaining information about issues pertaining to ownership, number of years trading, registration status, nature of business activities and most importantly aspects related to the finance of the business.

### 6.2.1 Business Ownership

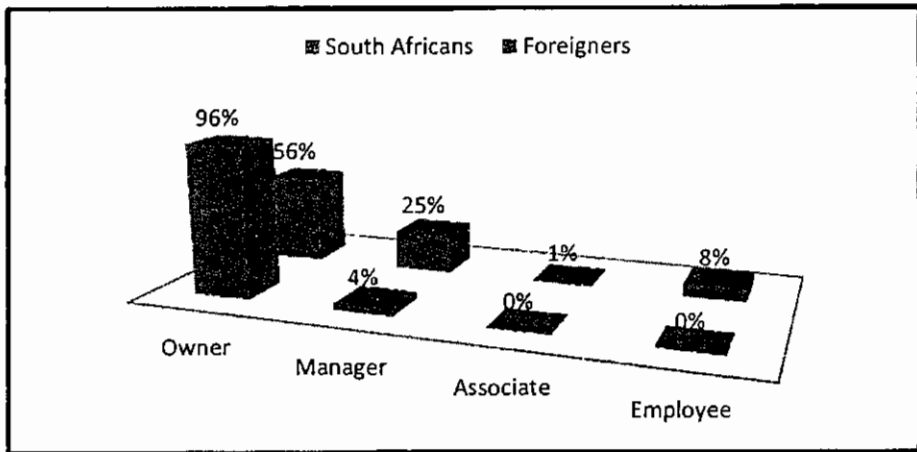
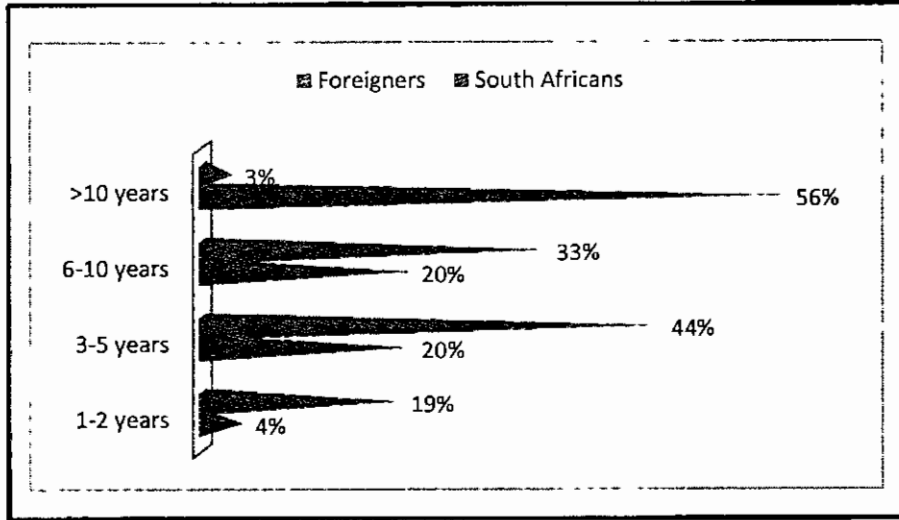


Figure 6.7: Ownership of the business

Figure 6.7 display that 96% of South African small business entrepreneurs are the owners of their businesses compared to the 56% of foreigners. The study reveals that almost one quarter (25%) of the foreign respondents are managing the business on behalf of somebody else. This situation was mostly evident among Bangladeshis where a number of businesses are being managed by individuals other than the owner. These individuals who include managers, associates and employees are responsible for the day to day operations of the business, while the owners would be responsible for capital funding and the statutory compliance of the business. An interesting observation is that no South African citizens are employed in a managerial position in any of the foreign small businesses. In a question related to the employment

status, 8% of the foreign respondents refer to themselves as mere salaried employees with no employment benefits. Further particulars in respect of their employment status were not probed as it falls beyond the scope of this study.

**6.2.2 Number of years in the business**



**Figure 6.8: Number of years in business**

Respondents were asked how long they have been involved in their respective businesses. The majority of foreigners have operated their businesses for less than 5 years compared to the 56% of South African respondents who indicated that their engagement in their businesses extend over ten years. It would appear that most of the locally-owned small businesses are in a reasonably stable state judge from the length of time (10 years plus) in business. However the fact that foreigners only came in the economy of *Emthanjeni* in the last decade of which 77% are in operation for between 3-10 years, indicates that foreign small businesses are stealthily creeping up against previously viable local businesses. This essentially implies that that the share of the small business market in *Emthanjeni* is more and more being taken over by foreigners leaving less and less for small businesses to contend with. The latter manifestation may eventually threaten the future

existence of local small businesses since very few (4%) local owned businesses came into being in the recent two year period.

### 6.2.3 Registration status of the business

Table 6.3: Registration Status

Registration Status	South Africans	Foreigners
Registered	92%	39%
Not registered	8%	61%

The majority (92%) of RSA small businesses are registered compared to the 39% of foreigners. In relation to a question as to why they are not registered, most foreign respondents are of the view that business registration is too much of a complicated process which could bring them into conflict with the authorities, which they consider to be undesirable. This observation is consistent with a study done by Ocici (2006:11) who found that the complexity of business registration is a major obstacle inhibiting foreign-owned small businesses to make meaningful contributions to the progression of local economies. The latter author also confirmed that complex business registration and legal requirements have in many instances stymied the growth of many small businesses. This, amongst other things, has resulted in many local businesses' decisions to remain in the informal unregulated sector.

### 6.2.4 Form of business

Figure 6.9 below contains information pertaining to the form and nature of the small business. The majority (44%) of small businesses owned by local people operates as Closed Corporations (CC's) followed by 22% that are registered as companies and a further 22% indicated that they are sole traders. An interesting finding is that zero percent of

As can be noted from the information as presented in Figure 6.10 above both groups of small business owners are involved in a variety of activities. The business activities contained in the latter figure have been chosen based on their prevalence and accessibility within the study area. As can be observe RSA small businesses top the grocery sector with 84% while foreign-owned small businesses make up 58% of this specific small business sub-sector. Foreign-owned small businesses out-perform their RSA rivals in the clothing retail with 25% while the latter's involvement in this category is 7%. Foreigners also have the edge in the furniture and electronics categories with 2% and 6% respectively, while the involvement of local small businesses in this category is relatively low.

#### 6.2.6 Premises Rental

**Table 6.4: Premise rental**

Business Premises	South Africans	Foreigners
Rent from property owners	20%	92%
Own premises	80%	8%

80% of the South African small businesses owners have indicated that they own their business premises compared to the 8% of foreigners. The majority (92%) of foreign-owned small businesses rent their premises from private people. The study also finds that none of the respondents are hiring their premises from government. An interesting observation is that many foreign small businesses operate from residential properties or informal structures as opposed to the local small businesses that operate from a formal business premises. What is also noteworthy is the fact that a larger part of foreign small businesses are located within black communities while a significant proportion of local

small businesses function mainly from the Central Business District (CBD).

### 6.2.7 Source of business finance

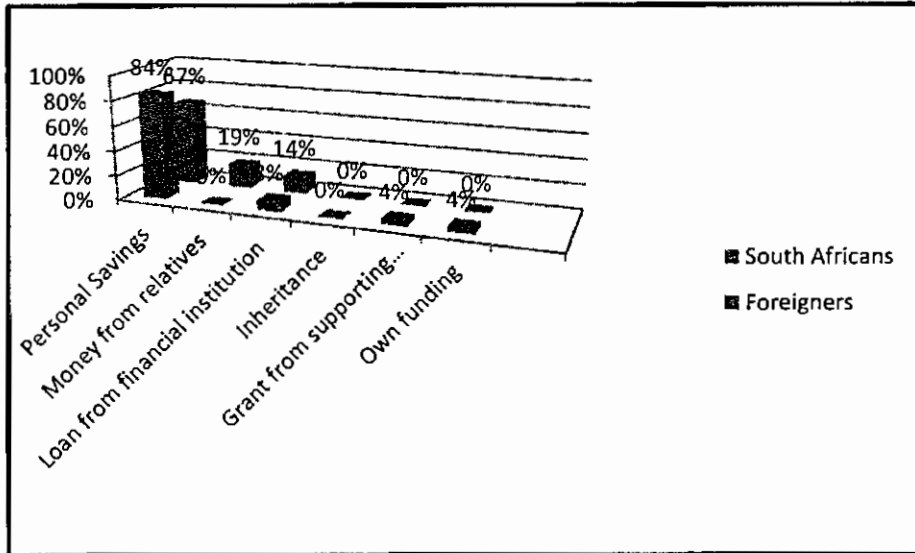


Figure 6.11: Finance of the business

The majority of respondents have utilised their personal savings to finance the operations of their businesses. A total of 84% of South African respondents compared to the 67% of foreigners have revealed that owing to the non-availability and inaccessibility of capital to kick-start their businesses, they had no other option but to invest large amounts of their personal savings in their business ventures. 19% of foreign respondents have indicated that they have been financially supported by relatives and friends to start their business, compared to the zero percent of South African respondents. In respect of obtaining a loan from a financial institution 14% foreigners have obtained such loan compared to the 8% from South Africa. However 4% South Africans have managed to get financial support through local support organisations and another 4% have used their own sources of funding. The findings in Figure 6.11 correspond with studies done by Tengeh *et al* (2012:4673) and Phayane (2013:50) who found that the majority of foreign entrepreneurs in South Africa are using their personal savings

and investment to start their own businesses. Relatives and close friends remain critical sources of funding, especially for foreign small businesses.

### 6.2.8 Trading hours

Table 6.5: Average trading hours

Average trading hours	South Africans	Foreigners
<12 hours	68%	44%
>12 hours	32%	56%

Respondents were asked to indicate their average number of trading hours per day. Sixty eight percent of South African small businesses operate for less than 12 hours of which the majority of them open their doors between 7h00 and 08h00 in the morning and close at 17h00 in the afternoon. The average working hours of SA small businesses are 9-10 hours per day. It can therefore be concluded that the majority of local small businesses function mainly within their traditional trading hours. Foreign small businesses on the other hand are open for much longer than their SA counterparts starting as early as 5h00 in the morning and close at 10h00 in the evening. The average working hours of foreigners are between 15-16 hours. This in essence implies that foreigners working longer hours than their RSA equivalents. It can thus be assumed that with these longer hours foreign small businesses are more readily available to their target clientele, which is likely to improve their daily revenue streams.

### 6.2.9 Relationship with other small businesses

Table 6.6: Business relationships

Business Relations	South Africans		Foreigners	
	Yes	No	Yes	No
Relationship between SA and foreigners	28%	72%	17%	83%
Business relationship amongst foreigners			56%	44%
Business relationship amongst SA small businesses	24%	76%		

In response to the question whether they have any relationships amongst one another, 83% of foreign respondents indicated that they do not have any relationship with RSA small businesses. However, 17% of foreigners disclosed that they have informal business relationships based on the fact that they sometimes acquire stock from each other. A total of 72% of RSA respondents indicated that they have no businesses relations with their foreign competitors, while 28% said that they have some form of understanding. A striking difference between the respondents is that the majority of foreign businesses (56%) work together especially those coming from the same country. On the other hand 76% of South African small businesses indicated that they have no relationship with fellow RSA small businesses and prefer to work by themselves. Networking among foreigners is stronger than among locals, resulting in foreigners benefitting substantially from joint bulk purchases of merchandise.

### 6.2.10 Growth of the business and challenges experienced

Table 6.7: Business growth and obstacles

Growth/Challenges	South Africans		Foreigners	
	Yes	No	Yes	No
Is your business growing	68%	32%	61%	39%
Do you experienced any challenges	96%	4%	61%	39%

The vast majority from both groups indicated that their businesses are indeed growing. This finding seems to be inconsistent with the views proffered in literature that local small businesses seem not to be growing. The evidence shows that local small businesses in *Emthanjeni* are indeed growing. One of the reasons for this upward trajectory in local businesses could be explained by the fact that most of them are long established and have the capacity to retain most of their clientele. In response to a question on how do they measure their business growth, 68% of the local respondents cited increases in their profit margins as their major indicator to determine their business viability. An increase in clientele serves as the main barometer for the 61% foreign small business owners. On the question whether they experienced any challenges, 96% of local respondents said that they do experience challenges. These challenges include, amongst others, ranging from non-support from small business supporting agencies, to competition from foreign small businesses. Foreign respondents, on the other hand, cited hostility from local businesses, xenophobic utterances and rampant crime as their core challenges. The above findings are also confirmed in a study done by Fatoki and Patswawaira (2012:136) that

found that crime in particular, has a negative impact on the bottom line of foreign-owned businesses, as they are forced to invest in expensive security measures to safeguard their business ventures. However, an interesting finding is that 39% of foreign small business owners indicated that they don't experience any challenges compared to the 4% of RSA respondents.

### 6.2.11 Price comparison

Table 6.8: Pricing and benefits

Pricing and Services	South Africans		Foreigners	
	Yes	No	Yes	No
Are your prices lower than your counterparts	16%	84%	92%	8%
Are you service benefitting the people of <i>Emthanjeni</i>	100%	0%	100%	0%

The findings in Table 6.7 above display the views of respondents in relation to their prices and whether their services are of any benefit to the people of *Emthanjeni*. What is interesting about this particular finding is that the majority of RSA small business owners are of the view that their prices do not compare well to that of their foreign rivals. An alarming 84% indicated that their prices are higher than those of foreign-owned small businesses. In response to the same question 92% of foreign respondents indicated that their prices are indeed lower than their RSA rivals. This finding is supported by research done by Charman and Piper (2016:342) who found that foreign-owned *spaza* shops are on average cheaper than local shops.

## 6.2.12 Employment related matters

Table 6.9: Employment creation

Do you create any employment	South Africans	Foreigners
Yes	76%	83%
No	24%	17%

Respondents were probed on whether their businesses contribute towards job creation. 83% of foreign respondents claimed that they are indeed creating employment for RSA citizens compared to the 61% of local respondents. Of significance is that foreign-owned small businesses create employment to both South Africans and foreigners, while South African small businesses employ mainly local people. It was found that the 38 foreign-owned small businesses covered in this study, employ 61 people comprising 33 SA citizens and 31 foreigners. The finding concur with a study done by Kalitanyi (2007:103) who found that immigrant entrepreneurs make important contributions toward job creation in RSA and that they prefer to employ local people as opposed to their own compatriots.

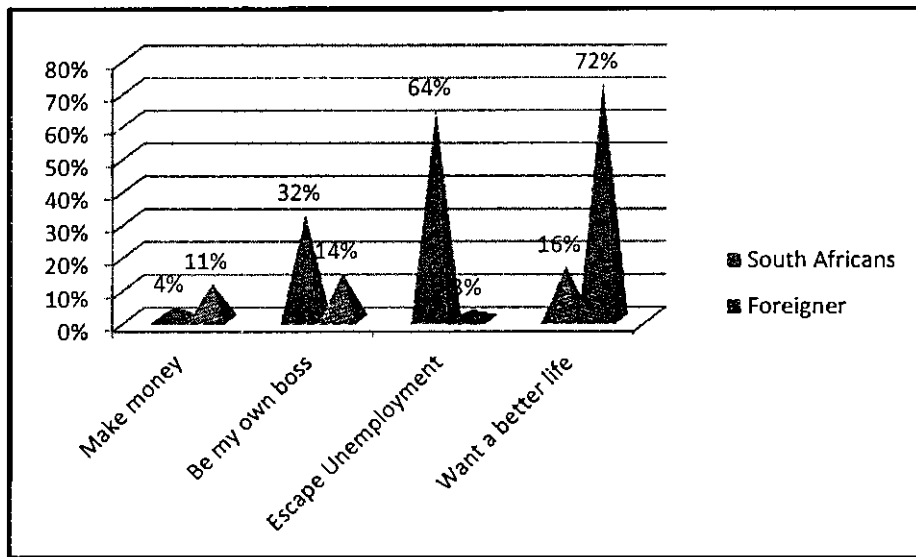
## 6.3 Entrepreneurial knowledge

The purpose of the next section is to obtain more information about the respondent's entrepreneurial motivation, previous business experience, assistance given by small business support agencies as well as assessing the respondents training qualification.

### 6.3.1 Motivation for starting a small business

The results in Figure 6.12 below show that the majority of the interviewed respondents indicated that their primary motivation for starting a business was triggered by their desire to create a better life. Seventy two percent (72%) of foreign respondents revealed that they

. started their businesses to take better care of their families, followed by 14% who indicated that they wanted to be their own bosses. Another 11% went into businesses to make money, while the remaining 3% wanted to escape unemployment. Evading the unemployment trap is the main reason why 64% of SA small business owners started their business ventures. A further 32% claim that they have always been desirous to be their own bosses, followed by 16% who were motivated by the aspirations for a better life. An interesting finding is that only 4% of SA respondents cited making money as the core reason for starting a business.



**Figure 6.12: Reasons for starting a business**

### 6.3.2 Previously owned a business

Table 6.10: Previous business ownership

Previously owned a business	South Africans	Foreigners
Yes	0%	31%
No	100%	69%

As can be observed from the information contained in Table 6.10 above, 31% of foreign respondents have owned a business before in their countries of origin compared to zero percent of RSA respondents, who stated that the current business is their first enterprise. However, 69% of foreign respondents said that it is also the first time that they are involved in a business of their own. Based on the above finding, one can deduce that foreign small business owners are slightly ahead of their RSA counterparts in respect of starting and owning a business.

### 6.3.3 Business support

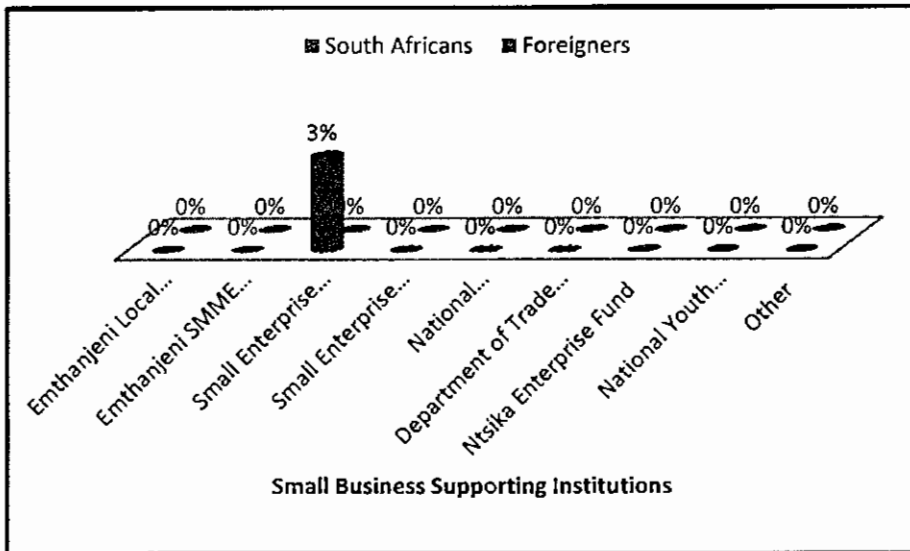


Figure 6.13: Support received from small business support agencies

Respondents were asked whether they have ever been supported by any of the small business support agencies in SA. Only 3% of SA

respondents indicated that they have received support from SEDA. The latter respondents also claimed that the support were only limited to material development and branding. As can be gleaned from the information contained in Figure 6.13 above, none of the foreign-owned small businesses interviewed have ever received any support from small business support agency in South Africa. This finding is consistent with the results of similar studies (Fatoki and Patswawairi 2012:139, Fatoki 2013:214,) which indicated that support for foreign-owned small businesses, particularly from government-led support agencies, is not forthcoming. It can thus be concluded that SA small businesses are struggling to get the necessary assistance from small business support agencies, while foreign-owned businesses are totally overlooked.

#### 6.3.4 Business training

**Table 6.11: Business Training**

Formal Business Training	South Africans	Foreigners
Yes	28%	22%
No	72%	78%

According to the information as displayed in Table 6.11 above, 28% of local small business owners have received some form of formal business training. This is slightly higher than the 22% of foreign respondents who said that they had attended a business related training course before. Seventy two percent (72%) of South Africans indicated that they had no formal business training, compared to the 78% of foreign respondents.

#### 6.3.5 Type of training received

As a follow-up question in relation to paragraph 6.3.4 above, respondents were asked to indicate the type of business related training that they have undergone. Sixteen percent of SA respondents had

attended a course on entrepreneurship, followed by 12% who received training in each of financial management, employment relations, product development, leadership skills and customer care. Eight percent of the respondent attended a training course in each of business management and marketing. The majority (14%) of foreign respondents revealed that they have attended a course in customer care followed by 11% who have had financial and business management, bookkeeping and entrepreneurship training. Marketing related training made up 3% of training received by foreign respondents.

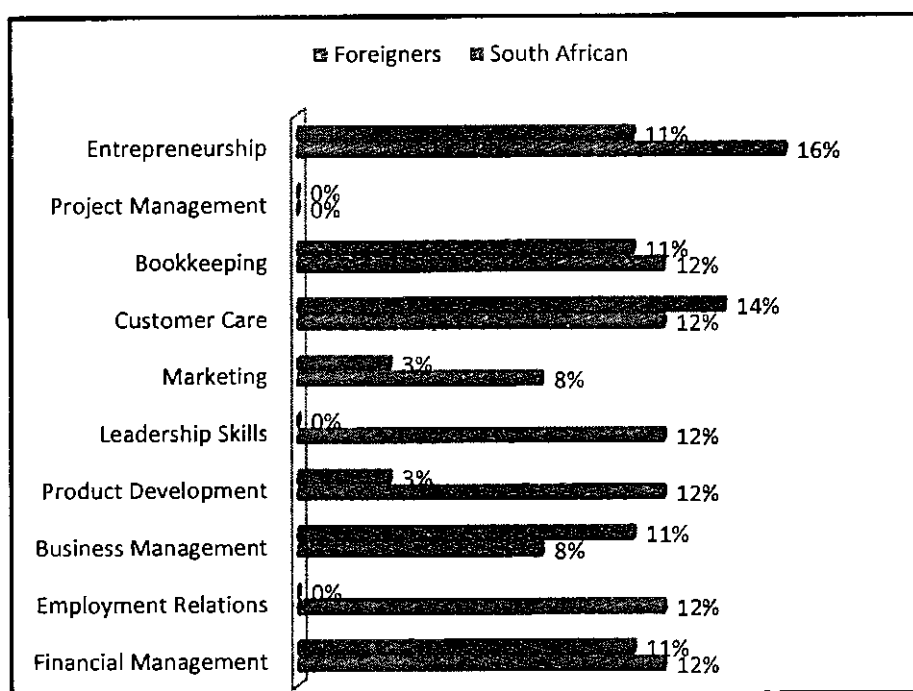


Figure 6.14: Type of training received

### 6.3.6 How did the training affected your business

Table 6.12 deals with the effect that the training have had on the business of the respondents. Both groups of respondents said that the training have resulted in improved relationships with their customers. Bookkeeping and management skills had also improved as indicated by 11% of both groups of respondents. The finding also shows an

improvement in the financial management as pointed out by 8% of respondents. Eight percent of local respondents said that management and controls are better, followed by 4% who reported an overall improvement in the resource management of their businesses.

**Table 6.12: Impact of the training**

Training Category	South Africans	Foreigners
Improved Bookkeeping Skills	12%	11%
Better Management skills	11%	11%
Healthier employment relations	11%	0%
Improved customer care	16%	14%
Enhanced marketing skills	4%	0%
Improved financial Management	8%	8%
Improved management and control	8%	0%
Better resource management	4%	0%

**6.4. Summary of information obtained from Small Business Support Agencies in Emthanjeni Local Municipality**

Organisations supporting the growth and development of small businesses in the *Emthanjeni* Local Municipal area also participated in this study by completing of a questionnaire. These organisations were the *Emthanjeni* SMME Forum, ELM and SEDA. What follows is a summary of the data collected by completing of a questionnaire.

#### 6.4.1 What are the core objectives of your organisation?

Table 6.13: Organizational objectives

	<b>Emthanjeni Municipality</b>	<b>Emthanjeni SMME Forum</b>	<b>SEDA</b>
Objectives	To create an enabling environment for, and self-reliance amongst small businesses	Support the growth and development of small businesses in Emthanjeni by acting as their official mouthpiece and medium of communication	To promote the growth and sustainability of small enterprises through various support and training interventions.

The objectives of the local small business support agencies do not differ significantly. As can be gleaned from Table 6.13 above, they all seek to advance the interest of small businesses in ELM. However the only notable difference is that *Emthanjeni* SMME Forum disclosed that they are membership based organisation, while SEDA and ELM reveal that they serve all local businesses irrespective whether they belong to a membership organisation or not.

#### 6.4.2 “Briefly describe the types of service rendered to small business in ELM?”

Services rendered by the small business supporting organisations include amongst other things; business development support, training interventions, business registration, advice and referrals. All three organisations indicated that most of these interventions are rendered by recognised and accredited service providers. The interventions are aimed at strengthening the internal capacity and long term sustainability of local small businesses. *Emthanjeni* SMME forum

specifically indicated that part of their service is to protect their members from exploitation from big businesses and government institutions and foreign-owned enterprises. Protection in this regard happens through training, information sharing, awareness raising and vigilance about the vicissitudes of the immediate SMME environment.

#### **6.4.3 Are there any requirements that small businesses must meet in order to access your service?**

Only *Emthanjeni* SMME Forum stated that in order to access their service it is compulsory for one to be a member of their organisation. However they indicated that they won't turn anyone away but would strongly encourage them to take up membership. They also point out that although their membership is free; members are urged to make a voluntarily financial contribution to support the ongoing operations of their organisation.

SEDA on the other hand indicated that they have no requirements, but strongly encouraged businesses to have at least an idea of the kind of business they intend venturing into. ELM revealed that they have no requirements.

#### **6.4.4 “Did you render any of the above services in the last twelve months?”**

All three institutions indicated that they had indeed rendered a combination of the services to small businesses in the past twelve months. SEDA and *Emthanjeni* SMME Forum for example, indicated that they render business support service on a daily basis. Various training interventions to local small businesses were also conducted throughout the year. ELM revealed that although they aim to have at least one small business support intervention every quarter, they did not conduct any small business support intervention over the last twelve months.

mandate. They also indicated that they have never been approached for assistance by any foreign-owned small business in the past few years.

*Emthanjeni* SMME Forum explicitly states that they have no business with foreign-owned small enterprises. On the contrary they disclosed that their core mandate is to protect their members from what they referred to as an “encroachment” of foreign small businesses in *Emthanjeni*. Supporting them would be a violation of their mandate as well as an injustice towards their members. They revealed one of the core purposes is to lobby for greater protection for local businesses against foreign-owned businesses.

As far as ELM is concerned, they maintain that their mandate is to create an enabling environment for all businesses (including foreign-owned enterprises) within their jurisdiction. However they have never been approached for support by any foreign-owned enterprises but they would first look after the interest of local small businesses before attending to the needs of their foreign counterparts.

#### **6.4.7 What do you regard as the biggest obstacles facing small businesses in the vicinity?**

Some of the key obstacles experienced by small businesses in *Emthanjeni* as raised by the three organisations includes; lack of vision and failure to grow beyond their current position, absence and inaccessibility of finance and a dearth of appropriate business skills. A sense of individualism particularly amongst local businesses has in particular been emphasized as a critical obstacle. An increase in the number of foreign-owned small businesses in *Emthanjeni* has also been identified as an impediment for local businesses. All three organisations cited complex regulatory procedures and red tape as being a major hindrance for small businesses in ELM.

#### **6.4.8 How would you rate the contribution of small businesses towards Local Economic Development?**

This question was only addressed to the ELM who indicated that small businesses indeed contribute towards LED in respect of job creation. Payment of rates and taxes and rental payment especially by foreign small business owners were also cited as a critical contribution towards LED.

#### **6.4.9 Any suggestions on how the contribution of small businesses operating in Emthanjeni Local Municipality can be further enhanced?**

Responses to this question were quite diverse. For example *Emthanjeni* SMME Forum holds the view that greater control should be exercised to minimize the spread of foreign small business activities. They revealed that local small business contribution can only be enhanced if “foreign-small business invasion” is effectively regulated. They add that more resources should be avail to promote the development of local small businesses.

SEDA on the other hand suggests that foreign-owned small businesses through their respective networks, lobby government for inclusion in their various small business support schemes. The further suggests that the creation of a united front amongst local small businesses will go a long way in strengthening their business activities and contributions made to the local economy.

It is the ELM’s view that small businesses (both foreign and local) should organize themselves under one umbrella and institute regular discussion forums on how to take maximum advantage of the opportunities presented by the local market. Cooperation and understanding between local and foreign-owned small businesses is also vital to ease the tension that exists between these two business entities.

## **6.5 Chapter Summary**

The purpose of Chapter 6 was to discuss and present the empirical findings of this study. The findings show that there are some notable differences between the personal and business characteristics of South African small business owners and their foreign counterparts.

In respect of the information obtained from small business support agencies operating in ELM it is clear that all three organisations do not have a relationship with foreign-owned small businesses. Therefore they indicated that in as much as they acknowledge the contribution made by foreign small businesses, their key priority remain the sustainability and prosperity of local small businesses.

The next chapter will present a summary on the theoretical and a detailed discussion of the empirical findings as well as the conclusion and recommendations of this study.

## **Chapter 7: Discussion Recommendations and Conclusions**

### **7.1 Introduction**

The primary purpose of this study is to determine whether foreign-owned small businesses hold any advantages or disadvantages for indigenous small businesses operating within the area of *Emthanjeni* Local Municipality. This is the final chapter of the study that reviews the literary evidence, seeks to provide a detailed discussion of the empirical field research findings, draws conclusions from the evidence found, and makes some recommendations based on the research study findings.

### **7.2 Summary of the theoretical findings**

Chapters 2 to 4 have taken in-depth looks into the literature pertaining to local and foreign owned small businesses with a specific emphasis on the impact of formal and informal small businesses on the local economy, a critical look at the operations of local and foreign-owned small businesses, and the effects of xenophobia on the small business sector.

#### **7.2.1 Impact, significance and relevance of formal and informal small business sector**

As it has been noted in the literature review, both formal and informal small businesses play a cardinal role in the economies of emerging and developed countries. The literature revealed that small enterprises make substantial contributions to the GDP of all countries, and are collectively responsible for more than 90% of total employment, especially in developing countries. It has also been observed that in spite of their economic contribution, very little recognition is given to the important developmental role of informal small businesses throughout the world. It has been found that informal small businesses are most of the time neglected, and greater recognition and incentives are given to the development of formal small businesses.

In assessing the overall impact of small businesses on the economies of countries, the literature further reveal that small businesses in developing countries such as RSA, continue to fail in great numbers, although much resources are allocated to them. The attrition of small businesses which is, further exacerbated by decreased new entrepreneurial activity in RSA has been highlighted as a major concern for economic growth in the 2015/16 RSA GEM report. An interesting observation disclosed in the literature is, government-led small business support agencies in RSA have added very little value towards the promotion and development of small businesses in this country. This has been highlighted as a major concern, as large amounts of government funding channeled through these agencies, seem not to have reached the intended beneficiaries.

The literature further shows that formal and informal small businesses experience numerous challenges, ranging from the lack of access to capital, to burdensome bureaucratic requirements. The theoretical evidence suggests that unless decisive actions are taken by the respective governments, small businesses in RSA and other developing countries will continue to face uphill battles. Furthermore, failure to deal with the aforementioned challenges will have a negative impact on economic growth levels in these countries, which in turn will further intensify the ever increasing poverty and unemployment levels that countries in the developing world are known for.

The chapter on the formal and informal business sector was followed by a review of the literature that sought to provide greater understanding on the operations of foreign small businesses in the economy of RSA.

### **7.2.2 An analysis of foreign-owned small businesses operating in the South African economy**

The escalation of foreign-owned businesses across the globe happens as a result of people who had left their countries of origin in pursuit of a

better life elsewhere. Immigration is a world-wide phenomenon triggered by various push-and-pull factors. The literature suggests that violent conflicts, tribal wars, and persistent levels of poverty and unemployment have pushed many foreigners out of their countries of origin. It has also been observed that foreigners' decision to migrate has largely been influenced by various pull factors, such as improved living conditions, better education and employment opportunities, and an array of untapped entrepreneurial opportunities in foreign countries. However it has been found that the majority of migrants struggle to find their feet in their new host countries, which leave them with no other option than to engage in some sort of entrepreneurial activity as their only means of survival.

This has led to an increase in the number of foreign small businesses on the small business landscape of various countries. The unprecedented growth in foreign small business activities has also been witnessed in the RSA in the last ten years. The increased presence of foreign small businesses in RSA has sparked considerable tension among foreign and local small businesses owners. Existing literature shows that local small businesses blame their foreign competitors for the decline in their business activities, while foreigners on the other hand accuse RSA small business owners of being jealous of their success. It was also found that the tensions existing among foreign and local small businesses have often culminated into violent attacks during which many foreigners have been killed, and many foreign small businesses had been looted.

The reviewed literature also indicated that the success of foreigners can be attributed to their ability to work together. The majority of foreign-owned small businesses operates in networks and clusters, and harnesses their collective buying power when purchasing merchandise. The theory further suggests that foreign-small businesses are cheaper and they apply various price reduction strategies to outwit their local

competitors. It was also found that foreign entrepreneurs are better educated than local ones. The literature disclosed further that a number of foreign businessmen hold secondary school and tertiary qualifications.

The economic contribution of foreign-owned small business has been thoroughly scrutinized and it was found that they significantly contribute to the RSA economy in many ways. They create much needed employment to scores of RSA citizens. The reviewed literature also suggests that most foreigners prefer to employ local citizens opposed to other foreigners, as the employment of local people is considered to be beneficial for their business enterprises. The economic contribution of foreigners is also evident in the considerable amounts of money spent on monthly rental for residential and business accommodation. Foreign-owned small businesses are also contributing significantly toward the well-being of RSA supermarkets and wholesalers, as well as contributing to the revenue base of various local municipalities.

In spite of their contribution to the local economy and its accompanied benefits to local people, foreign-owned small businesses are confronted with an array of challenges. These amongst others include: inadequate business infrastructure; corruption, fraud and intimidation by government officials; no access to credit facilities; and the inability to comply with government regulations. Xenophobia related crimes aimed at destabilizing foreign-owned small businesses have been highlighted as a key challenges facing foreign-owned small business in RSA. The foregoing discussion point has highlighted the need for a literature search on xenophobia and how it affects the small business environment in RSA.

### **7.2.3 The impact of Xenophobia on the South African small business landscape**

Xenophobia denotes an intense dislike or hatred for people of foreign descent and has been practiced for ages in societies across the world. According to the theoretical evidence, xenophobia is spurred by a combination of socio-economic challenges and is particularly evident in countries where poverty and unemployment is high. It can therefore be concluded that the recent spate of xenophobia related attacks recently witnessed in RSA, happened as a result of contestation between local residents and foreign nationals for scarce resources. The thousands of migrants and refugees in RSA have often been accused of taking away much needed resources meant for RSA citizens.

The literature has also revealed that the xenophobia related violence, predominantly plays itself out in the small business sector in RSA. Xenophobia related attacks against foreign businessmen are instigated by the perception that foreigners are responsible for the closing down of many RSA local businesses. Foreigners operating in the small business sector of RSA are also accused of applying dodgy tactics to lure customers away from their RSA competitors.

The theoretical evidence further suggests that the media, politicians and government officials are often at the centre of fueling xenophobic tensions. At times media reports paint a bleak picture of RSA's economic prospects and highlight the influx of foreigners into the country as one of the causative factors of economic decline. Politicians and government officials on the other hand make outrageous public utterances suggesting that foreign small businesses are to be blamed for the deteriorating socio-economic conditions of many of RSA's cities and towns.

The impact of xenophobia related crimes on the RSA economy has also been highlighted in the literature review. It is suggested that the recent

spate of xenophobic violence had a negative impact on the economy as many tourists had cancelled their planned visits to the country. The prevailing situation has also put many RSA companies doing businesses in other African countries at risk, and many had to return home in fear of violent retaliation to their enterprises in these countries. Various calls to boycott South African products in foreign markets had repeatedly been raised. The literature also shows that xenophobia related crimes have also left a great number of people unemployed, since many foreign businesses that provided jobs to RSA citizens, have lost everything owing to these crimes. Relations between RSA and various countries in Africa have taken a severe knock as many governments across Africa have called upon the RSA government to send their nationals home, if RSA could not guarantee their safety.

The above three subsections have summarized the main points of the literature review, and what follows is a brief look into the empirical findings of the study.

### **7.3 Discussion of the empirical findings**

As it has been explained in Chapter 6 above, the questionnaires for small business respondents have been divided into three parts. The discussion that follows is based on the findings and is presented in line with these questionnaires and will focus on the descriptive information of respondents, business related information, and their entrepreneurial knowledge and motivation.

#### **7.3.1 Descriptive information of the respondents**

The results of this study indicated that the small business landscape in *Emthanjeni* is dominated by males. Less than 50% of women own a small business and their involvement is predominantly restricted to that of hairdressing salons. There is also a huge gap as far as the ages of the two groups of respondents are concerned, with foreign small business owners almost half the age of their SA counterparts. The

findings show that 90% of foreign-owned small business owners can be classified as youth, as they fall within the age bracket of 20-35 years. RSA small business owners, on the other hand, can be described as middle aged and older men as 36% of them are older than 40 years, followed by 48% who are older than 50 years. This finding is in line with a study by Phayane (2013:64) which indicate that a large majority of foreign entrepreneurs in RSA fall within the age bracket of 21-35 years. They are typically young males who had left their countries of origin in search of a better live for them and their families at home. This finding reinforces the results of a study done by Kalitanyi (2007:63) which indicated that foreign-owned businesses in Cape Town are mainly run by young men who left their home countries, in search of better opportunities to sustain their families back home, regardless of the risk involved.

The sample results also revealed that foreigners owning a small business in *Emthanjeni* arrived in RSA from a variety of countries across the world. The majority of them (36%) emigrated from Bangladesh, followed by 22% Ethiopians. Entrepreneurs from China, DRC and Pakistan accounts for 33% (11% each), while the remaining 9% come from India, Kenya and Uganda. In respect of the reasons why they left their countries of origin 72% came to SA owing to political instability in their home countries. Kalitanyi (2007:102) confirms that political volatility in African and other countries are often the main reason why scores of immigrants come to RSA and start a business as a means of making a living for themselves.

An analysis of the duration of stay of foreigners in RSA shows that 44% of those interviewed are in RSA for longer than 5 years, followed by 38% who are living in SA for more than ten years. The findings also revealed that 66% of foreign-owned small businesses operate in *Emthanjeni* for more than five years. This means that the majority of foreign small businesses is established in the *Emthanjeni* small business landscape

and is therefore conversant with the variables of the business milieu of this area. This knowledge therefore puts them in a position to develop a competitive edge over locally owned businesses.

It was also established that a significant part of both RSA and foreign small business owners managed to obtain their Matric certificate, scoring 48% and 61% respectively. However, the results indicate that 40% of the South Africans interviewed have failed to make it to Grade 12, compared to the 17% of their foreign competitors. Foreign-owned small business owners are also in the lead as far as tertiary qualifications are concerned, out-competing their RSA counterparts with 17% against 3%, with a further 3% of foreigners also boasting with a post graduate qualification. This finding aligned itself with the outcome of a study done by Gwija, Eresia, and Iwu (2014:172) who discovered a positive correlation between a business owners' education level and the successful operation of his/her enterprise. They found that although academic education is critical, it does not necessarily guarantee the success of a small business enterprise. It nonetheless puts an entrepreneur in a better position to deal with and overcome the various constraints that would otherwise inhibit the growth of their businesses.

### **7.3.2 Business related information**

This study also found that most of the foreign-owned business owners are not the legitimate owners of the businesses, but managed them on behalf of fellow countrymen. This implies that many foreigners in *Emthanjeni* own more than one small business, or it is owned by someone resident outside ELM. The findings also indicate that foreigners do not employ RSA citizens as managers nor do they co-own a business with local people.

RSA small business owners on the other hand only have one business which in most instances is managed by the business owners themselves.

This is evident by the fact that only 4% of the interviewed local small businesses have managers compared to the 96% that are run by the owners themselves.

Although many of the interviewed foreign respondents indicated that they have been in *Emthanjeni* for more than 5 years, the results show that a significant segment of the foreigner cohort are newly established small enterprises. A total of 44% have started their business less than 5 years ago. This finding suggests that many foreigners started working as managers or employees in the business of their compatriots, and after a few years opened a business of their own.

With regard to the registration status of the respondents businesses, it was found that the majority of SA local small businesses are registered as closed corporations with the Companies and Intellectual Property Registration Office (CIPRO). On the contrary, 61% of the interviewed foreign small businesses are not registered at all. This finding is consistent with the outcome of a study done by Occici (2006:11) which revealed that immigrant entrepreneurs view RSA business registration procedures as being too cumbersome and complex to engage with. Many foreign small business owners also cited corruption, fraud and exploitation by RSA government officials as some of the contributing factors discouraging them to register their businesses. The non-registration of foreign-owned small businesses could have a negative impact on the RSA economy as this may result in them circumventing important statutory requirements, such as paying income tax and failure to adhere to acceptable labour practices. The non-payment of business income tax also impacts positively on their profitability, compared to the registered RSA small business who significantly contributes to the coffers of the RSA Revenue Service (SARS) and the Unemployment Insurance Fund (UIF), to cite but two examples.

Both RSA and foreign small businesses are involved in a variety of business activities as indicated in the findings in Chapter 4 above. The

grocery retail sector absorbs most of the small businesses with a participation rate of 85% and 61% for foreign and local small businesses respectively. The clothing sector in *Emthanjeni* is dominated by foreigners with 35% compared to the 15% of locals. RSA local businesses are well represented in the hairdressing sector with 15%, but features as a small part in the electronic and household furniture sectors. A critical observation is that small scale entrepreneurs involved in other industries such as, vehicle sales and repairs, restaurants and manufacturing are non-existent within the ELM area. This could possibly be ascribed to a lack of skills in respect of vehicle repairs. The fact that sectors such as, restaurants and manufacturing require substantial cash investment also make these no-go sectors for many small businesses.

In respect of the ownership of their business premises, it was discovered that 82% of local respondents are owners of their business premises compared to the 92% of foreigners who have a rental agreement in place. The findings also reveal that foreigners pay an average amount of between R1000 and R5000 per month, which some of them said was extremely high and impacts negatively on the cost efficacy of their businesses. This finding confirms the results of a study done by Ezennia *et al* (2015:15) who revealed that most foreign small businesses are charged exorbitant amounts for renting weakly erected stalls, and dilapidated buildings which are not suitable for business activities. However 8% of foreigners indicated that they are the owners of the business premises which they currently occupy. This finding is interesting, because it suggests that some foreign small business owners have brought extensive amounts of capital from outside the country which enabled them to acquire these buildings. This undoubtedly bodes well for the local economy. This finding endorses the results of Kalitanyi's study (2007:106) that many immigrants come into RSA with enough capital to open their own businesses and to seize important business opportunities.

In relation to the sources of their start-up finance, it was ascertained that 84% locals and 69% foreigners have utilised their personal savings to start their businesses. This corroborates the findings of a study done by Tengeh *et al* (2012:4673) who established that private and family savings are the major sources of funding utilised by small business owners to get their business activities off the ground. Furthermore, 19% of the interviewed foreign small business owners have been financially assisted by relatives and close friends to fund the initial operations of their businesses. What is also noteworthy is the fact that none of the RSA respondents have been assisted by family or friends to help establish their businesses.

Obtaining a business loan from a financial institution or a business support agency, has been a constant struggle for both groups of respondents. This finding coincide with the outcome of a study done by Fatoki and Patswawairi (2012:139) who found that a lack of equity, and the high failure rate amongst small businesses in RSA make them too much of a risk to be funded by reputable financial institutions. However, a surprising finding is that 14% of foreign small business owners managed to obtain a loan from a financial institution. This is in contrast with the results of studies by Khosa and Kalitanyi (2014:213) that highlight the fact that immigrant small businesses never get access to financial resources provided by banks and other financial service providers in RSA.

The results of this study also found that foreign-owned small businesses trade for much longer hours than their RSA counterparts. They start earlier and close later, recording an average of 16 trading hours per day, compare to the 10 hours of local small businesses. This finding authenticates the outcome of a study done by Masocha and Charamba (2014:67) which revealed that immigrants are perceived to be more successful than local small businesses because they work harder and put in longer hours than RSA businesses.

It was also established that there are very little interaction between local small businesses and their foreigner counterparts. The results of this study indicate that the majority of foreign small businesses own prefer to work together with their fellow countrymen. This is particular evident in the case of the Bangladeshis and the Ethiopians who revealed that they are part of a local network and usually stock merchandise together as a cluster. In this regard the *modus operandi* of foreigners is very much different to that of local small businessmen who tend to operate as individuals and don't see the need for co-operation with their fellow business compatriots.

Foreigners also displayed a willingness to establish and maintain a mutually beneficial relationship with local small businesses. They revealed that nurturing such a relationship can go a long way in eliminating the sense of antagonism amongst them. Local small business owners prefer not to co-operate with their foreign counterparts as the latter's presence put the former's growth and profitability in jeopardy.

The results showed that both groups of small businesses experience serious problems, which inhibit the growth of their enterprises. 98% of the interviewed RSA small business owners cited inadequate support from small business support agencies and unwarranted competition from foreign small business as their major obstacles. A significant number of local businesses revealed that foreign-owned small businesses apply dubious tactics to rob them of deserving business opportunities. This finding relates with the outcome of a study of Tshishonga (2015:172) who found that foreign-owned businesses are perceived as a threat because they unfairly reduced their prices and compete for the same limited resources with their RSA counterparts. Crime seems to be the major obstacle confronting foreign-owned businesses. The majority of them have to contend with burglaries on a regular basis. Many foreign shop owners are also robbed of their

personal belongings and don't feel secure at all. A significant part has been exposed to some forms of xenophobia harassment. Foreign small business owners are referred to by locals as "*Makwerekwere*", which is a derogatory term for mainly black immigrants. Xenophobia related threats seem to be order of the day and many foreign small business owners indicated that they indeed fear that the xenophobic violence occurring in the big cities can also flare up in *Emthanjeni*. However the study could not find any foreign-owned small business that have been looted or owners killed as a result of xenophobic attacks.

Foreign-owned small businesses are indeed cheaper than local small businesses that operate in their comparative sectors. This was confirmed by the majority of both foreign and local small business owners. A possible explanation for the disparity in pricing could be that foreigners tend to buy collectively, as opposed to the individual buying practices of local small businesses. It can also be argued that collective buying in many instances lead to significant discounts at the point of purchase, thus placing foreign small business owners in a position to reduce their asking prices. However, it is also possible that foreigners apply price reduction methods, as a strategy to oust their local competitors from the market.

The findings indicate that the majority of small businesses operating in *Emthanjeni*, indeed have impacted positively in terms of job creation. Both foreign and local small businesses employ an average of 2-3 workers in each enterprise. What is interesting about this finding is that foreigners prefer to employ more local people as opposed to people from their own countries. This supports the finding of a study by Kalitanyi (2007:103) who indicates that foreigners are more inclined to hire locals because of the resulting benefits. These benefits, amongst others, include locals' superior knowledge of the area and their ability to fluently converse in the indigenous languages.

A stark difference in the employment patterns of the two groups is that local small business owners are not keen on employing foreign nationals.

### **7.3.3 Entrepreneurial knowledge and motivation**

Both foreign and local small business owners were enthused into starting a business by a desire to improve their lives. Family responsibilities and the need to secure a better future, served as the main motivating factors. An interesting finding is that 64% of local small business owners started their businesses to avoid being unemployed. This is of significant interest as it can serve as example for the numbers of unemployed RSA youths, that starting a business of one's own is an optional effective remedy for unemployment.

The findings also indicate that 31% of foreigners owned a business before coming to RSA. The study could not find any RSA who previously owned a business other than the one they currently possess. This, to a certain extent, gives foreigners the upper hand in terms of the experience needed to run a business.

Foreign small businesses do not have access to business support services. The study could not find a single foreign small business that has ever been assisted by any of the small businesses support agencies such as, SEDA, Emthanjeni SMME Forum or the Local Municipality. Despite the fact that business support agencies have been set up to promote the development of local small businesses, only 3% of indigenous small businesses interviewed, have had access to such services. The rest (97%) of local small business have revealed that they have never been assisted by any small business support agency. Local small business owners also cited red tape, tedious application procedures, and long turnaround times as some of the factors discouraging them from seeking assistance from these institutions.

The results of this study show that both groups of small business owners scored very low in terms of business training received. Only 28% RSA respondents and 22% foreigners indicated that they have attended a formal business training course. This result confirms the findings of a study done by Worku (2016:139) that most RSA small businesses are non-viable because they lack critical entrepreneurial skills, necessary to ensure the success of their business enterprises. Furthermore this result also explains an earlier claim made by South Africans, that they do not receive adequate services such as training, from the small business support agencies. The lack of entrepreneurial training amongst foreign-owned small business, confirms the findings of Fatoki *et al* (2012:138) study which identified low levels of business skills as a critical obstacle impeding their performance.

#### **7.4 Conclusions of the Study**

As indicated in the literature review in Chapter 2 of this study, small businesses in small towns such as *Emthanjeni*, are extremely important and continue to play a crucial role in the local economic growth and the general prosperity of a town's inhabitants. However, the literature has also pointed out that the high failure rate amongst indigenous small businesses remains a critical area of concern, despite the establishment of a plethora of small business support agencies. Access to finance has been cited as a major concern that inhibits the successful operation of the majority of small businesses. As shown in the literature, banks and other financial service providers are concerned about the high failure rate amongst small businesses which is exacerbated by the absence of appropriate business systems and technical skills in these enterprises. It can thus be concluded that small business in *Emthanjeni* do not have access to financial resources provided by banks and other small business financial services providers, and have to rely mainly on their own and/or external financial resources for start-up capital.

Most of the local and foreign entrepreneurs have established their businesses as the only way of making a living, especially during the vexing economic times in RSA, where almost everybody is fighting for their own survival. Low educational attainment in both groups makes it hard to find a job, and starting a small business has often been their only hope. These livelihoods impediments make of them necessity entrepreneurs borne out of their dire quest for survival. This cannot be said of all small businesses since a reasonable number of them are business speculators.

Furthermore, the presence of foreign-owned small businesses remains to be critical obstacles in the eyes of indigenous small businessmen. They are incorrectly regarded by local businesses as hampering the growth and development of indigenous small businesses and should not be allowed to trade in the ELM area. As a consequence, this outlook held by innate small businesses had led to a considerable amount of tension and resentment between local and foreign business operators.

Despite the perception held by local small business as explained above, the study has found that foreign small businesses are making important contributions toward the local economy of ELM. Not only have they made services accessible for community members in the remote areas of *Emthanjeni*, but their services and products are affordable for the ordinary man in the street. This is extremely advantageous for the communities of ELM where poverty is endemic, and unemployment is estimated to be as high as 28%. The fact that the prices of foreign-owned small business compares lower to their RSA counterparts has resulted in many long standing customers to move away from RSA businesses in favour of foreign ones. Consequently foreigner- owned shops are now enjoying a significant part of the small business market in ELM.

The perceived success of foreign-owned small businesses can be ascribed to their attitude towards their own businesses. It has been

found that foreign business owners work twice as hard as their local competitors. This is evident in the number of hours which they applied to their business. Their preparedness to assist community members long after their normal business hours, also attests to their propensity for hard work. Foreign business owners' behaviour towards clients, and the manner in which they treat their customers, have also lead to a sense of mutual respect and trust amongst foreign-owned businesses and their clientele. This trust has in many respects led to a great degree of acceptance of foreigners in their host communities. Further attributes which give rise to the success of foreign-owned small businesses includes; being better resourced, better managed and participation in a professional network. Considering the previously mentioned factors it can thus be concluded that foreign-owned small business have outclassed their RSA counterparts.

It was also established that foreign small businesses apply various financial austerity methods to ensure the long term sustainability of their businesses. For example, many foreign small business owners also utilise their business premises as residential space in order to reduce payment of extra rental for separate residential accommodation. They also hire their fellow countrymen as managers and in many instances pay them a mutually agreed upon, non-market related salary as a way of keeping their overheads to a minimum.

Foreign owned small businesses owners are confronted with a myriad of challenges, of which crime and xenophobia related tensions seem to stand paramount above the rest. Many foreign small businesses have been burgled more than once, and the owners have been robbed of their personal belongings. Although xenophobia violent attacks are not occurrences within the ELM area, there is an element of fear amongst foreign-owned small businesses since it seems to be simmering under the surface.

The study also found that foreign-owned small businesses make important contributions towards job creation and have employed more local people as opposed to people from their own respective countries. They regard the employment of local people as beneficial to their businesses, as it also leads to a greater degree of acceptance, security and safety offered by the host community. These mutually beneficial relationships stand foreigners in good stead and thus enhance their prosperity in RSA.

It can also be deduced that the successful operations of foreign small businesses, are based on the extreme necessity for operating a small business which is their only means of survival in a new country. As it has been noted in Chapter 3, many foreigners had emigrated from their countries of origin owing to political turmoil and economic necessity. It is therefore imperative for foreigners to succeed in business in foreign countries, to be able to send money home in order to make life easier for their families in their countries of origin.

It can be concluded that foreign-owned small businesses undoubtedly hold great economic benefits for the community of ELM. They are more helpful and at times go the extra mile to help community members in need. It is thus critical that the survival, security and long term sustainability of small businesses, including foreign-owned ones, must be guaranteed and it is along these lines that the following recommendations are made.

## **7.5 Recommendations**

Having had arrived at the conclusions stated above, the following recommendations are proffered.

### **7.5.1 Recommendations regarding foreign-owned and local small businesses in ELM.**

- It is recommended that networking and cooperation amongst local small business is encouraged. In as much as competition remains a

reality on the business front it is advantageous that small businesses operating in the same sector consider bulk purchasing of merchandise as collectives.

- It is recommended that foreigners be encouraged to share their business strategies and good practices with local small businesses. To dispel the damning misunderstanding amongst local small businesses on the role of their foreign counterparts, it is important that co-operative relations be developed between these groupings. The sharing of information will go a long way to ameliorate these damning perceptions.
- It is recommended that the contributions made to the economic growth of ELM by foreign-owned small businesses be acknowledged by the local municipality and other small business support agencies. This will encourage them to comply with statutory requirements and to contribute to the country's revenue base.
- It is further recommended that business support services be extended to include foreign small businesses by providing them with necessary training and required business skills. It is critical that the survival, security and long term sustainability of small businesses (including foreign-owned ones) be guaranteed. Like many of their RSA competitors some of the foreign small businesses also fall short of the necessary knowledge and skills to operate a business, meaning that training programmes including them will be appropriate.
- It is also recommended that foreign-owned small businesses contribute towards local economic development initiatives by way of a separate local development fund. By contributing towards local economic development will substantially refute the notion that the money generated by foreign small businesses is all sent back to their home countries.
- It is recommended that foreign small businesses owners register their businesses to ensure that they meet their statutory

requirements. By regularising their businesses with the appropriate authorities could also put foreigners in a better position to open bank accounts which will enable them to keep their money safe. This in turn will certainly ease their losses as a result of crime and theft, since smaller amounts of cash will now be kept on the business premises.

- It is recommended that mentorship programmes be established aimed at strengthening the operations of small businesses for the continued existence and growth of the local small business sector. It is important that small businesses, so much so the emerging ones, be mentored by established businesses from within and outside *Emthanjeni*. However, it is important that the mentors to be appointed do not share the same product and target market as the mentees in order to avoid unfair competition and tension between the two parties.

### **7.5.2 Recommendations for organisation supporting the growth and development of small in ELM**

#### **7.5.2.1 SEDA**

- It is recommended that the individual training needs of all small businesses in ELM be assessed and the necessary training programmes be designed to their needs, and consequently rolled out.
- It is further recommended that SEDA develop a tailor-made training programme in partnership with the Northern Cape FET college, to be rolled out on an ongoing basis.

#### **7.5.2.2 *Emthanjeni* SMME Forum**

- It is recommended that ELM SMME Forum extend its membership to include foreign-owned small businesses and facilitate their mutual interrelations. The establishment of informal business relationships can only be mutually beneficial

for both groups and can go a long way in eliminating the current tension and antagonism existing between these two groups. Understanding each other's cultures, and in particular the reasons why foreigners are in the RSA, will serve as a resolving mechanism to ease xenophobia related tensions.

#### **7.5.2.3 *Emthanjeni* Local Municipality**

- It is recommended that ELM adopts a pro-active role in promoting small business development within its borders, by providing incentives to emerging businesses and providing the necessary infrastructure for this sector to ply their businesses.
- It is also recommended that ELM provides the necessary infrastructure through the creation of small business hubs. It is believed that small business hubs will go a long way in reducing the exorbitant and sometimes ridiculous amounts of rental charged by landlords. This provision of adequate infrastructure for small businesses will go a long way in boosting the revenue of the local municipality.

#### **7.5.3 Recommendations for further Research**

- It is recommended that further research be conducted into why state-owned sponsored small business agencies fail to inject the necessary economic growth in the small businesses sector of RSA.
- It is further recommended that research be conducted into how the benefits of foreign-owned small businesses in RSA can be formally acknowledged as a key economic driving sector, as well as their contribution in respect of holistic economic development of RSA.

This chapter concludes this research report.

## References

- Acheampong, K. and Tichaawa, T. 2015. Sustainable tourism development in the Eastern Cape Province, South Africa. *The informal operators perspectives. African Journal for Physical, Health Education, Recreation and Dance.* 111-124
- Acs, Z. 2006. How Is Entrepreneurship Good For Economic Growth? *Innovations*, 97-107
- Adcorp Employment Index. 2012. Analysis: The crisis in South Africa's small business. sector. [online] Retrieved from <http://www.adcorp.co.za> [Accessed on 29 March 2015].
- Adisa, T., Abdulraheen, I., and Mordi C. 2014. The Characteristics and Challenges of Small Businesses in Africa: An Exploratory Study of Nigerian Small Business Owners. *Economic Insights*, 1-14.
- African Development Bank Group. 2013. Recognizing Africa's informal sector. [online]. Available at <http://www.afdb.org/en/blogs/afdb-championing-inclusive-growth-across-africa/post/recognizing-africas-informal-sector-11645/> [Accessed on 14 August 2016].
- Akinbogun, E. 2008. The Impact of Nigerian Business Environment on the Survival of Small-Scale Ceramic Industries: Ceramic Industries: Case Study, South-Western Nigeria. *Journal of Asian and African Studies.* 43(6): 663-679.
- Atieno, R. 2001. Formal and Informal Institutions' Lending Policies and Access to Credit by Small Enterprises in Kenya: An Empirical Assessment. *African Research Consortium (AERC) Research Paper.* 3: 1-45.
- Babbie, E. and Mouton, J. 2006. *The Practice of Social Research.* South African edition. Oxford University Press.

Bell, S. and Teima, G. 2015. Small and Medium (Enterprises) Finance. [online] Available at <http://www.worldbank.org/en/topic/financialsector/brief/smes-finance> [Accessed on 01 August 2016].

Benjamin, C. and Mbaye, A. 2012. The informal Sector, Productivity, and Enforcement in West Africa. *A firm level Analysis. Review of Development Economics*. 16(4), 664–680.

Benjamin, N.C. and Mbaye, A.A. 2012. The informal Sector, Productivity, and Enforcement in West Africa: A Firm-level Analysis. *Review of Development Economics*. 16(4), 664-680.

Benzing, C., Chu, H.M. and Kara, D. 2009. Entrepreneurs in Turkey: A factor analysis of motivation, success factors and problems. *Journal of Small Business Management*. 47(1): 58-91.

Berisha, G. and Pula, J. 2015. Defining Small and Medium Enterprises: A critical review. *Academic Journal of Business, Administration, Law and Social Sciences*. 1(1): 17-28.

Berry, A., Von Blottnitz, M., Cassim, R., Kesper, A., Rajaratnam, B. and Van Seventer D. 2002. The Economics of SMMEs in South Africa. Trade and Industrial Policy Strategies (TIPS), Johannesburg.

Berry, T. 2009. Challenges and coping strategies of female street vendors in the Informal Economy. Masters Thesis. Gordon Institute of Business Science, University of Pretoria.

Biekpe, N. 2012. AGI's on small business development in Africa. *Afrigrowth Agenda*.

Bischoff, C. and Wood, G. 2013. Selective informality: The self-limiting growth choices of small businesses in South Africa. *International Labour Review*. 152 (3): 494-505.

- Blignaut, J.N. and Demana, T. 2002. Does it Profit SMMEs to Care about the Environment? 2002 Annual Forum at Glenburn Lodge, Muldersdrift.
- Botha, M. and Esterhuyzen, E. 2013. The perceived capabilities and willingness of South African small business owners to act as business mentors. *African Journal of Business Management*. 7(5): 331-343.
- Charman, A.J.E., Petersen, L.M. and Piper, L.E. (2012) From local survivalism to foreign entrepreneurship: the transformation of the spaza sector in Delft, Cape Town, *Transformation* 78.
- Charman, A., Petersen, L. and Piper, L. 2013. Enforced informalisation: The case of liquor retailers in South Africa. *Development Southern Africa*. 30, (4-5), 580-595.
- Cheng, Y. 2015. The Rapport Management of Sellers: Exploring the Seller-Buyer Relationship in Small and Medium-sized Enterprises of China, *China Media Research*. 11(3): 73-86.
- Chirisa, I. 2014. The Role of the Informal Sector in African Regional Integration: Scope and Limits. *Insight on Africa*. 6(2):131-144.
- Choto, P., Tengeh, K. and Iwu, C. 2014. Daring to survive or to grow? The growth aspirations and challenges of survivalist entrepreneurs in South Africa. *Environmental Economics*. 5(4): 93-101.
- Chrysostome, E. and Lin, X. 2010. Immigrant entrepreneurship: Scrutinizing a promising type of business venture. *Thunderbird International Business Review*. 52(2):77-82.
- Coad, A. and Tamvada, J. 2008. The Growth and Decline of Small firms in Developing Countries. *Papers on Economics and Evolution*.
- Comney, P. 2013. Xenophobia: South Africa's lingering time bomb. *New African*. 530: 16-19.

- Crush, J. 2000. The Dark Side of Democracy: Migration, Xenophobia and Human Rights in South Africa. *International Migration*. 38 (6): 103-133.
- Cumming, C., Pacitto, J., Lauro, D. and Foresti J. 2015. Why people move: Understanding the drivers and trends of migration to Europe. Working Series 431. Overseas Development Institute.
- De Jager, S. 2013. Xenophobia 'has roots in jealousy'. *The Herald*: 06, May 13. [online] <http://www.peherald.com/news/article/14755> [Accessed on 20 July 2015].
- Department of Trade and Industry. 2015. Drop in small biz failure rate. Small Business Connect. 20.
- Drost, E. 2012. Validity and Reliability in Social Science Research. *Education Research and Perspectives*. 3 (1): 105 -123.
- Ekpo, I. and Umoh, O. 2012. The Informal Sector. [Online] Available from: <http://www.onlinenigeria.com/economics/?blurb=495> [Accessed 12 September 2016].
- Ezennia, J., Mutambara, E. and Inderman, V. 2015. Challenges faced by Foreign-owned Informal Small Businesses in Durban, South Africa. *Journal of Sustainable City and Society*. 1(2):1-21.
- Faerlie, R. 2012. Immigrant Entrepreneurs and Small Business Owners, and their Access to Financial Capital. [online]. Available at <https://www.sba.gov/sites/default/files/rs396tot.pdf> [Accessed on 02 August 2016].
- Fatoki, O. and Patswawairi, T. 2012. The Motivations and Obstacles to Immigrant Entrepreneurship in South Africa. *Journal of Social Science*. 32(2): 133-142.

- Fatoki, O. and Chindoga, L. 2011. An Investigation into the Obstacles to Youth Entrepreneurship in South Africa. *International Business Research*. 4: 161-169.
- Fouka and Mantzorou . 2011. What are the Major Ethical Issues in Conducting Research? Is there a Conflict between the Research Ethics and the Nature of Nursing? *Health Science Journal*, 5 (1), 3-14.
- Gërkhani, K. and Feige, E.L. 1999. Informal Sector in Developed and Less Developed Countries: A Literature Survey. Tinbergen and University of Amsterdam.
- Groepe, F. 2015. The role of small business in local government and local economic development. South African Reserve Bank, Pretoria.
- Gumbo, T. and Geyer, M. 2011. 'Picking up the pieces': Reconstructing the informal economic sector in Bulawayo, Zimbabwe. *African Journal Online*. 53-64.
- Gwija, S., Eresia, C. and Iwu, C. 2014. The Link between Entrepreneurship Education and Business Success: Evidence from Youth Entrepreneurs in South Africa. *Journal of Economics*. 5(2):165-175.
- Hadland, A. 2008a. Violence and Xenophobia in South Africa: Developing Consensus, Moving To Action. Pretoria: HSRC Press.
- Hemson, C. 2011. Fresh grounds: African migrants in a South African primary school. *Southern African Review of Education*. 17: 65 85.
- Herrington M., Kew J. & Kew P. 2014. South Africa: The crossroads – A Gold mine or a timebomb. 2014 South Africa Global Entrepreneurship Monitor (GEM) report. [online] available at <http://www.gemconsortium.org/report> [ Accessed on 14 June 2015].
- Hickel, J. 2014. Xenophobia in South Africa: Order, Chaos and the Moral Economy of Witchcraft. *Cultural Anthropology*. 29 (1), 103–127.

- Hikam, A. 2013. An exploratory study on the Somali Immigrant's involvement in the informal economy of Nelson Mandela Bay . Masters in Development Studies, Nelson Mandela Bay Metropolitan University, Port Elizabeth.
- Horn A. 2011. Who's out there? A profile of informal traders in four South Africa city central business districts. [online] Available at [www.ajol.info/index.php/trp/article/download/77211/67662](http://www.ajol.info/index.php/trp/article/download/77211/67662) [Accessed on 10 May 2016].
- Horn, G., Levin, M. and Sofisa, T. The informal sector in Mamelodi and Kwazakhele. *Africa Insight*. 23(3): 168-175.
- Hox, J. and Boeij, R. 2005. Data Collection; Primary vs Secondary. Encyclopedia of Social Measurement Netherlands.
- Hristova, S. and Tast, J. 2015. The emergence and significance of Local Economic Development. *Economic Development Journal*. 3: 379-398.
- Hungwe, C. 2014. Zimbabwean Migrant Entrepreneurs in Kempton Park and Tembisa, Johannesburg: Challenges and Opportunities *Journal of Enterprising Culture* 22 (3): 349-373.
- Ijeoma, E. and Matarirano, O. 2011. Government Subsidised financial assistance to small scale business: A comparative analysis of Namibia, South Africa and Zimbabwe. *Journal of Public Administration*. 46: 854-867.
- Ilesanmi, O. 2008. Xenophobic Attacks and other Violence in South Africa. A challenge to World Peace" *IFE Psychologia*. 16: 274-295.
- International Labour Organisation. (2006). A Local Economic Development Manual for China. Geneva: ILO.
- Ingle, MK. 2014. The rise of the informal sector in the international development discourse. *Politeia*. 33 (1): 50-65.

- Jacobs, S. and Mc Donald, D. 2005. (Re)writing Xenophobia: Understanding Press Coverage of Cross-Border Migration in South Africa. *Journal of Contemporary African Studies*. 23(3): 295-325.
- Jiyane, G.V., Ocholla, D.N., Mostert, B.J. and Majanja, M.K. 2012. Contribution of informal sector women entrepreneurs to the tourism industry in eThekweni Metropolitan Municipality, in KwaZulu-Natal: Barriers and issues. *African Journal for Physical, Health Education, Recreation and Dance*. 18(4):709-728.
- Jolly, K. and DisGuisto, G.M. 2014. Xenophobia and immigrant contact: French public attitudes toward immigration. *The Social Science Journal*. 51: 464-473.
- Jones, R.B. 2011. Intolerable Intolerance; Toxi Xenophobia and Pedagogy of Resistance. *The High School Journal*. 95(1):34-45.
- Joubert, C.S., Schoeman, N.J. and Blignaut, J.N. 1999. Small, Medium and Micro-sized Enterprises and the housing construction industry: A possible solution to South Africa's socio-economic problems. University of Pretoria.
- Kainth, G.S. 2010. Push and Pull factors of migration. A case study of Brick Kiln migrant workers in Punjab. *Munich Person Repec Archive*. 1-33.
- Kalitanyi, V. 2007. Evaluation of employment creation by African Immigrant Entrepreneurs for unemployed South Africans in Cape Town. A thesis submitted in partial fulfilment of the requirements for the degree of Magister Commercii (M. Com.), University of the Western Cape
- Kalitanyi, V. & Visser, K. 2010. African immigrants in South Africa: job takers or job creators? *South African Journal of Economics and Management Sciences*. 13(4): 376-390.

Karangu, D.R. 2002. Access to finance [Online] Available from: [www.apdf.co.za/conferencepapers](http://www.apdf.co.za/conferencepapers) . [Accessed on 19 May 2016].

Karangu, P., Marabwa, E, and Stettler, M. Evaluation of the ODA to the SMME Sector. International Development [online]. Available at [http://www.treasury.gov.za/publications/other/devco-op/section\\_2/10.pdf](http://www.treasury.gov.za/publications/other/devco-op/section_2/10.pdf) [Accessed on 22 May 2016],

Khosa, R. and Kalitanyi, V. 2014. Challenges in Operating Micro-Enterprises by African Foreign Entrepreneurs in Cape Town, South Africa. *Mediterranean Journal of Social Sciences*. 5(10): 205-215.

Kirkwood, J. 2009. Motivational factors in a push-pull theory of entrepreneurship: Gender in Management. *An International Journal*. 24(5): 346 – 364.

Kritizinger, A.S. 2011. Towards a conceptual framework of local economic development. *Skills @ Work: Theory and Practice*. 4: 67-74

Ladzani, W. and Netswera, G. 2009. Support for rural small businesses in Limpopo Province, South Africa. *Development Southern Africa* 26 (2):225-239.

Leigh. N; and Blakely, E. 2013. Planning Local Economic Development, Theory and Practice 5<sup>th</sup> edition. SAGE Publishers.

Leino, J. 2009. Formal and informal microenterprises. *Enterprise Survey*. 5: 1-9.

Lekhanya, M. 2015. Public outlook on Small and Medium Enterprises as a strategic tool for economic growth and job creation in South Africa. *Journal of Governance and Regulation*. 4(4): 412-418.

Lidner A. 2005. SME statistics towards more systematic statistical measurement of SME behaviour. [online] Available at [www.http://unstats.un.org/unsd/industry/meetings/eg2005/AC105-22.PDF](http://unstats.un.org/unsd/industry/meetings/eg2005/AC105-22.PDF) [Accessed 25 November 2016].

Liedeman, R., Charman, A., Piper, L. and Petersen, L. 2013. Why are foreign-run spaza shops more successful? The rapidly changing spaza sector in South Africa. Sustainable Live Foundation.

Ligthelm, A. 2006. Size estimate of the informal sector. *South African Business Review*, 10(2):32-52.

Mabe, M. 2015. SA braces for economic backlash from xenophobic attacks. Times Live. Retrieved from <http://www.timeslive.co.za/local/2015/04/26/sa-braces-for-economic-backlash-from-xenophobic-attacks>.

Mahembe, E. 2011. Literature Review on Small and Medium Enterprises' Access to Credit and Support in South Africa. National Credit Regulator. Pretoria South Africa

Maliti, E. and Mnenwa, R. 2008. The role of Small Business in Poverty Alleviation. The case of Dar es Salam, Tanzania. Research Report 08.2, Dar es Salam, REPOA.

Masocha, C. and Chiramba, R. 2014. Challenges and Key Success Factors of African Descent Foreign-Owned SMES in the Eastern Cape Province of South Africa: A case of selected towns. *Mediterranean Journal of Social Sciences*. 5(4): 59-68.

Meibo H. and Peiqiang, M. 2013. A study on the employment effect of Chinese businesses in China. Discussion Paper, Centre of Chinese Studies, University of Stellenbosch

Mogekwu, M. 2005. African Union: Xenophobia as poor intercultural communication. *Ecquid Novi*. 26(1): 5-20,

Mouton, J. 2014. How to succeed in your Master's and Doctoral Studies. A South African Guide and Resource Book. Van Schaik Publishers, Pretoria South Africa.

- Moyo, I. 2015. African immigrant traders in Johannesburg inner city, South Africa: Deconstructing the threatening other. Master Thesis, University of South Africa. Pretoria.
- Mukomel, V. 2015. Xenophobia as a Basis of Solidarity. *Russian Social Science Review*. 56 (4), 37-51,
- Munshi, N. 2013. Lived experiences and local spaces: Bangladeshi migrants in post-apartheid South Africa. *New Contree*. 67. Special Edition.
- Muske, G., Woods, M. and Swinney, J. 2007. Small Businesses and the Community: Their Role and Importance Within a State's Economy. *Journal of Extension* 45(1): 102-112.
- Ntema, L. and Marais, L. 2010. "Trade is in our blood": Reflections on trends and conflicts in township trade. CDS Research Report, LED and SMME Development. University of the Free State (UFS), Bloemfontein.
- Okem, A.E and Asueleime, L. E. 2015. An Insight into South Africa's Xenophobia: Impacting on African Reintegration. *Journal of African Union Studies*. 4(2-3):35-53.
- Olusola, A. and Oluwasola, O. 2014. The impact of Small Business on Poverty Eradication in Eastern Cape Province, South Africa. *Mediterranean Journal of Social Sciences*. 5(15):156-164.
- Oluwason, T. and Olusola, O. 2014. Hegemony of Survival. South Africa's Soft Power and the Challenge of Xenophobia. *Africa Insight* 44(3):145-163
- Owasim, M. and Bhuyan, U. 2015. Bangladeshis in South Africa: Scores killed by miscreants. *New Age* [online]. Available at <http://archive.newagebd.net/178295/bangladeshis-in-south-africa-scores-killed-by-miscreants/> [Accessed on 22 December 2016]

Palmary, I. 2004. Refugees, Safety and Xenophobia in South African Cities: The Role of Local Government, CSVr.

Peberdy, S. 2001. Evaluating South African Immigration Policy after Apartheid. *Africa Today*. 48(3): 15-32.

Peberdy, S. and Rogerson, C. 2000. Transnationalism and Non-South African Entrepreneurs in South Africa's Small, Medium and Micro-Enterprises (SMME) Economy. *Canadian Journal of African Studies*. 34 (1): 20 -40.

Peters, R. & Naicker, V. 2013. Small medium micro enterprise business goals and government support: A South African case study. *South African Journal of Business Management*. 44(4): 13-24.

Phayane, N. 2013. Impact of Small Businesses owned by immigrant entrepreneurs on the local community of Brits. Masters Thesis. Tswane university of Technology, South Africa.

Piesse M. 2014. Factors Influencing Migration and Population Movements – Part 1. A Strategic Analysis. *Future Directions International*, 1-6.

Pillay D. 2015. Xenophobia impacts country's economy. The Herald Live. [online]. Available at <http://www.heraldlive.co.za/opinion/2015/04/22/xenophobia-impacts-countrys-economy/> [Accessed 05 December 2016]

Piper, L. and Charman, A. 2016. Xenophobia, Price Competition and Violence in the Spaza Sector in South Arica. *African Human Mobility Review* (2) 1: 332-361

Radipere N. 2012. An analysis of Local and Immigrants Entrepreneurship in the South African Small Enterprise Sector (Gauteng Province) Doctoral Thesis. University of South Africa, South Africa.

Raynard, P. and Forstater, M. 2002. Corporate Social Responsibility. Implication for Small and Medium Enterprises in Developing Countries. [online]. Available at [http://www.unido.org/fileadmin/import/29959\\_CSR.pdf](http://www.unido.org/fileadmin/import/29959_CSR.pdf) [Accessed on 18 May 2016]

Republic of South Africa. 1995. National Strategy for the development and promotion of small business in South Africa. White Paper of the Department of Trade and Industry. Pretoria: Government Printer.

Republic of South Africa. 1996. National Small Business Act, (Act 102 of 1996). Pretoria: Government Printer.

Robu, M. 2013. The dynamics and importance of SMES in the economy. *The USV Annals of Economics and Public Administration*. 1(17): 84-89.

Rogerson, C. 1997. International migration, Immigrant entrepreneurs and South Africa's small enterprise economy. IDASA.

Rogerson, C. 2004. The impact of the South African government's SMME programmes: a ten-year review (1994–2003). *Development Southern Africa* 21, (5), 765-784.

Saleh, I. 2015. Is it Really Xenophobia in South Africa or an Intention Act of Prejudice? *Global Media Journal African Edition*. 9(2), 298-313.

Saunders, M; Lewis, P. and Thornhill, A. 2012. Research methods for Business Students. 6<sup>th</sup> edition. Pearson.

Schuchard, H. 1979. Informal Sector Development. *South African Journal of African Affairs*, 9(2) 98-103

SEDA. 2016. The Small Medium and Micro Enterprise Sector of South Africa. Research note 2016 (1).

Sekeran, U. and Bougie, R. 2013. Research Methods for Business. A skill- Building Approach 6<sup>th</sup> edition. Wiley, United Kingdom.

- Serrie, H. 1998. Immigrant entrepreneurs, ethnic networks and family. *Review in Anthropology*. 27(3):213-223.
- Sibhat, E. 2014. Cause and Effect of Informal Sector: the case of Street vendors in Addis Ababa, Ethiopia. Masters Thesis. University of Nordland, Bodø. Norway.
- Savloschi, L. and Robu, N. 2011. The role of SME's in the modern economy. *Economia, Seria Management*. 14(1): 227-281.
- Solakoglu, O. and Gurbuz, S. 2015. Anti-Immigrant attitudes in a developing country: Turkey. *International Periodical for the Languages and History of Turkish or Turkic*. 10(10): 771-792.
- South African Catholic Bishops Conference (SACBC). 2014. Small Business in South Africa: What the Departments of Small Business Development can do to stimulate Growth. Occasional Paper 35
- South African Department of Trade and Industry (2013). "SMME Development" [online]. Available at [http://www.thedti.gov.za/sme\\_development.jsp](http://www.thedti.gov.za/sme_development.jsp) [Accessed on 31 August 2016].
- Soyombo, O. 2008. Xenophobia in a contemporary society. A Sociological Analysis. *African Journals Online*. 16 (2):85-104
- Spremo T; and Mičić J, 2012. Small enterprises: Key source of employment and economic growth. Proceedings of the Faculty of Economics in East Sarajevo. 11: 63-73.
- Stan, S. 2014. The role of small business in economic development of European economy. *Studies and Scientific Researches. Economics*. 19:165-170.
- Steenkamp, C. 2009. Xenophobia in South Africa. What does it say about trust. *The Round Table*. 98 (403): 439-447.

- Strauss, S. 2006. Government's role in encouraging small business. *Economic perspectives*. 1-29.
- Street, J. 1994. Political culture – from civic culture to mass culture. *British Journal of Political Science*, 24(1): 95-113.
- Sustainable Livelihood Foundation (SLF). 2012. The informal economy of township spaza shops. [online]. Available at [www.livelihoods.org.za](http://www.livelihoods.org.za) [Accessed on 29 July 2016].
- Tawodzera, G., Chikanda, A., Crush, J. and Tengeh, R. 2015. International migrants and refugees in Cape Town's informal economy. *SAMP Migration Policy Series*, 70.
- Tengeh, R.K. 2013. Advancing the case for the support and promotion of African immigrant- owned businesses in South Africa. *Mediterranean Journal of Social Science*. 4(2): 347- 359.
- Tengeh R.K., Ballard, H. and Slabbert, A. 2012. Financing the start-up and operation of immigrant owned businesses: The path taken by African immigrants in the Cape Town metropolitan area of South Africa. *African Journal of Business Management*. 6 (12): 4666-4676,
- The DTI. 2008. Annual review of small business in South Africa 2005-2007. Pretoria: Department of Trade and Industry
- Thwala, W. and Mvubu, M. 2008. Current challenges and problems facing small and medium size contractor in Swaziland. *African Journal of Business Management* 2 (5), 093-098,
- Tshishonga, N. 2015. "The impact of Xenophobia-Afrophobia on the informal economy in Durban CBD, South Africa". *Journal for Transdisciplinary Research in Southern Africa*, 11(4), 163-179
- Wilkinson, K. 2015. Are foreigners stealing jobs in South Africa [online] Retrieved from <http://africacheck.org/2015/02/08/analysis-are-foreigners-stealing-jobs-in-south-africa/> [Accessed 28 March 2015].

Willemse, L. 2011. Opportunities and constraints facing the informal street traders: Evidence from South African cities. Centre for Regional and Urban Innovation and Statistical Exploration (CRUISE), University of Stellenbosch.

Worku, Z. 2016. Barriers to the growth of small, micro and medium-sized enterprises in the Vaal Triangle region of South Africa. *African Journal of Scienc, Technology, Innovation and Development*. 8 (2):214-141.

Worku, Z. 2013. Analysis of Factors That Affect the Long-Term Survival of Small Businesses in Pretoria, South Africa. *Journal of Data Analysis and Information*. 1: 67-84

World Bank. 2015. Small and Medium Enterprises (SME's) finance. [online] available at <http://www.worldbank.org/en/topic/financialsector/brief/smes-finance>. [Accessed on 15 September 2016]

Wu, R.I. and Huang, C.C. 2003. Entrepreneurship in Taiwan: Turning point to restart. [online] Available at [http://www.mansfieldfdn.org/programs/program\\_pdfs/ent\\_taiwan.pdf](http://www.mansfieldfdn.org/programs/program_pdfs/ent_taiwan.pdf), [Accessed 18 May 2016].

Yoshino, N. and F. Taghizadeh-Hesary. 2016. Major Challenges Facing Small and Medium-sized Enterprises in Asia and Solutions for Mitigating Them. ADBI Working Paper 564. [online] Available: <http://www.adb.org/publications/major-challenges-facing-small-and-medium-sized-enterprises-asia-and-solutions/> [Accessed on 12 August 2016]

## Appendix 1: Cover letter to questionnaire

UNIVERSITY OF THE  
FREE STATE  
UNIVERSITEIT VAN DIE  
VRYSTAAT  
YUNIVESITHI YA  
FREISTATA



UFS·UV

ECONOMIC AND  
MANAGEMENT SCIENCES  
EKONOMIESE EN  
BESTUURSWETENSKAPPE

CENTRE FOR LEVEL 1 COMMUNITY SUPPORT  
SENTRUM VIR ONTVANKELIKHEITSTEUN

### INFORMED CONSENT

Dear Participant

My name is Leon Christo Oliphant and I am a Masters Student at the University of Free State. I am kindly invited you to participate in a study aimed at determining the effect of foreign-owned small businesses on local small businesses in *Emthanjeni* Local Municipality

We would like to obtain your views and input as a small business owner doing business in this particular community. Please note that you are regarded as a key informant based on your first-hand experience of the central phenomenon. You will therefore be able to purposefully inform an understanding of the research problem of the study.

The purpose of the research is purely academic in nature and your participation is entirely voluntary and you are under obligation to participate in this study. You are also at liberty to withdraw at any point of time if you wish. Should you agree to take part in this research I would appreciate your honest and sincere responses to the questions below. The interview questionnaire is designed for quick reference and won't take more than 15 minutes of your time.

Please note that all information obtained during this interview will strictly be confidentially and no personal details of anyone will be revealed in the research report.

Kind regards

Leon C Oliphant  
Primary Investigator  
Cell 076 868 1862

**APPENDIX 2:**

UNIVERSITY OF THE  
FREE STATE  
UNIVERSITEIT VAN DIE  
VRYSTAAT  
YUNIBESITHI YA  
FREISTATA



**UFS·UV**

ECONOMIC AND  
MANAGEMENT SCIENCES  
EKONOMIESE EN  
BESTUURSWETENSAPPE

CENTRE FOR DEVELOPMENT SUPPORT  
SENTRUM VOOR ONTWIKKELINGSSTEUN

**INTERVIEW SCHEDULE - SA SMALL BUSINESS OWNERS**

**SECTION 1: DESCRIPTIVE INFORMATION OF THE BUSINESS/ENTREPRENEUR**

(PLEASE MARK WITH AN X )

**1.1 Gender**

MALE	1	FEMALE	2
------	---	--------	---

**1.2 Age**

<20	1	21-30	2	31-40	3	41-50	4	>50	5
-----	---	-------	---	-------	---	-------	---	-----	---

**1.3 How long have you been in Emthanjeni?**

>5 yrs.	1	5-10 yrs.	2	11-15 yrs.	3	16-20 yrs.	4	<20 yrs.	5
---------	---	-----------	---	------------	---	------------	---	----------	---

**1.4 Educational Level**

Matric	1	Degree	2	Honours	3	Masters	4	Doctorate	5	Other	6
--------	---	--------	---	---------	---	---------	---	-----------	---	-------	---

**SECTION 2 – DETAILS OF RESPONDENTS BUSINESS ACTIVITIES**

**2.1 Are you the Owner of this business?**  Yes  No

**2.2 If no, what is your position in the business?**

Business Associate	1	Employee	2	Manager	3	Other	4
--------------------	---	----------	---	---------	---	-------	---

**2.3 How long are you involved in this business?**

1-2 years	1	3-5 years	2	6-10 years	3	<10 years	4
-----------	---	-----------	---	------------	---	-----------	---

**2.4 How would you describe the life cycle phase of your business at the moment?**

Start-up	1	Growing	2	Matured	3	Declining	4
----------	---	---------	---	---------	---	-----------	---

2.5 Is the business registered?  Yes  No

2.6 If yes, what is the registration status of the business?

Sole Trader	1	Private Company	2	Close Corporation	3	Other	4
-------------	---	-----------------	---	-------------------	---	-------	---

2.7 How would you describe the business activities?

Clothing	1	Hair saloon	2	Manufacturing	3	Vehicle Repairs	4
Services	5	Traditional healing	6	Furniture	7	Groceries	8
Electronics	9	Others	10				

2.8 On what basis do you occupy the premises?  Owner  Renting

2.9 If renting, how much rent do you pay per month?

> R1000	1	R1000-R5000	2	R5001 - R10 000	3	< R10 000	4
---------	---	-------------	---	-----------------	---	-----------	---

2.10 How did you finance the start-up of your business?

Personal Savings	1	Money obtain from relatives	2
Loan from a financial institution	3	Personal inheritance	4
A grant from a supporting organisation	5	Other (specify)	6

2.11 What are you average trading hours per day?

More than 12hours	1	Less than 12hours	2
-------------------	---	-------------------	---

2.12 At what time do you open your business? \_\_\_\_\_

2.13 At what time do you close your business? \_\_\_\_\_

		Yes	No	Comment
2.14	Do you have any relationship with foreign-owned business in the area (if yes what's the nature of such relationship)			
2.15	Do you have any relationship with other SA small business in the area (if yes what's the nature of such relationship)			
2.16	Would you consider your business as growing, If yes. How?			
2.17	Do you experience any challenges. If yes what are they?			
2.18	Do you consider your prices to be lower than your foreign counterpart			
2.19	Do you have any employees? If yes. How many? Are they foreigners or South Africans			
2.20	Do you think your service is benefitting the people of Emthanjeni? If yes. How?			

**2.21 How often do you buy stock for the business?**

Daily	1	Weekly	2	Fortnightly	3	Monthly	4	Other	5
-------	---	--------	---	-------------	---	---------	---	-------	---

**SECTION 3 – RESPONDENTS ENTREPRENEURIAL KNOWLEDGE**

**3.1 What were your reasons/motivations for becoming an entrepreneur?**

Make Money	1	Be my own Boss	2	Escape Unemployment	3	Want a better life	4
------------	---	----------------	---	---------------------	---	--------------------	---

**3.2 Have you ever been supported by any of the following institutions?**

Yes  No  If yes, please indicates the ones that supported you.

Emthanjeni Local Municipality	1	Small Enterprise Development Agency (SEDA)	2
Small Enterprise Finance Agency (SEFA)	3	Department of Trade and Industry (DTI)	4
National Empowerment Fund (NEF)	5	National Youth Development Agency (NYDA)	6
Ntsika Enterprise Fund	7	Other	8

**3.3 What type of support did you received?**

Funding	1	Skills Development	2	Material & Branding	3	Training	4	Other
---------	---	--------------------	---	---------------------	---	----------	---	-------

**3.4 Do you have any formal business training?**

Yes  No

**3.5 If yes. Briefly explain what type of training did you received?**

Financial Management	1	Employment Relations	2	Business Management	3	Product Development	4
Leadership Skills	5	Marketing	6	Customer Care	7	Bookkeeping	8
Employment relations	9	Project Management	10	Entrepreneurship	11	Other	12

**3.6 How did the training help you in the running of your business?**

Improved Bookkeeping Skills	1	Better Management Skills	2
Better Employment Relations	3	Improved Customer Care	4
Enhanced Marketing Skills	5	Better financial Management	6
Improved Management and Control	7	Improved Resource Management	8
Better networking	9	Other	10

**THANK YOU FOR YOUR TIME**

**APPENDIX 3:**

UNIVERSITY OF THE  
FREE STATE  
UNIVERSITEIT VAN DIE  
VRYSTAAT  
YUNIVESITHI YA  
FREISTATA



**UFS·UV**

ECONOMIC AND  
MANAGEMENT SCIENCES  
EKONOMIESE EN  
BESTUURSWETENSKAPPE

CENTRE FOR DEVELOPMENT SUPPORT  
SENTRALE VIR ONTVIKKELINGSSTEUN

**INTERVIEW SCHEDULE - FOREIGN-OWNED SMALL BUSINESSES**

**SECTION 1: DESCRIPTIVE INFORMATION OF THE BUSINESS/ENTREPRENEUR**

**PLEASE MARK WITH AN X**

**1.5 Gender**

MALE	1	FEMALE	2
------	---	--------	---

**1.6 Age**

<20	1	21-30	2	31-40	3	41-50	4	>50	5
-----	---	-------	---	-------	---	-------	---	-----	---

**1.7 What is your nationality?**

**1.8 How long have you been in South Africa?**

>5 yrs.	1	5-10 yrs.	2	11-15 yrs.	3	16-20 yrs.	4	<20 yrs.	5
---------	---	-----------	---	------------	---	------------	---	----------	---

**1.9 How long have you been in Emthanjeni?**

>5 yrs.	1	5-10 yrs.	2	11-15 yrs.	3	16-20 yrs.	4	<20 yrs.	5
---------	---	-----------	---	------------	---	------------	---	----------	---

**1.10 Educational Level**

Matric	1	Degree	2	Honours	3	Masters	4	Doctorate	5	Other	6
--------	---	--------	---	---------	---	---------	---	-----------	---	-------	---

**1.11 Why did you leave your country of birth?**

Political instability	1	Economic/Business reasons	2	Other (Specify)	3
-----------------------	---	---------------------------	---	-----------------	---

**SECTION 2 – DETAILS OF RESPONDENTS BUSINESS ACTIVITIES**

**2.1 Are you the Owner of this business?**  Yes  No

**2.2 If no, what is your position in the business?**

Business	1	Employee	2	Manager	3	Other	4
----------	---	----------	---	---------	---	-------	---

Associate							
-----------	--	--	--	--	--	--	--

**2.3 How long are you involved in this business?**

1-2 years	1	3-5 years	2	6-10 years	3	<10 years	4
-----------	---	-----------	---	------------	---	-----------	---

**2.4 Is the business registered?**  Yes  No

**2.5 If yes, what is the registration status of the business?**

Sole Trader	1	Private Company	2	Close Corporation	3	Other	4
-------------	---	-----------------	---	-------------------	---	-------	---

**2.6 How would you describe the business activities?**

Clothing	1	Hair saloon	2	Manufacturing	3	Vehicle Repairs	4
Services	5	Traditional healing	6	Furniture	7	Groceries	8
Electronics	9	Others	10				

**2.7 On what basis do you occupy the premises?**  Owner  Renting

**2.8 If renting, how much rent do you pay per month?**

> R1000	1	R1000-R5000	2	R5001 - R10 000	3	< R10 000	4
---------	---	-------------	---	-----------------	---	-----------	---

**2.10 How did you finance the start-up of your business?**

Personal Savings	1	Money obtain from relatives	2
Loan from a financial institution	3	Personal inheritance	4
A grant from a supporting organisation	5	Other (specify)	6

**2.11 What are you average trading hours per day?**

More than 12hours	1	Less than 12hours	2
-------------------	---	-------------------	---

**2.12 At what time do you open your business?** \_\_\_\_\_

**2.13 At what time do you close your business?** \_\_\_\_\_

		Yes	No	Comment
2.14	Do you have any relationship with other foreign-owned business in the area (if yes what's the nature of such relationship)			
2.15	Do you have any relationship with SA small business in the area (if yes what's the nature of such relationship)			
2.16	Would you consider your business as growing, If yes. How?			
2.17	Do you experience any challenges. If yes what are they?			
2.18	Do you consider your prices to be lower than your SA counterpart			

2.19	Do you have any employees? If yes. How many? Are they foreigners or South Africans		
2.20	Do you think your service is benefitting the people of Emthanjeni? If yes. How?		

**2.22 How often do you buy stock for the business?**

Daily	1	Weekly	2	Fortnightly	3	Monthly	4	Other	5
-------	---	--------	---	-------------	---	---------	---	-------	---

**2.24 Do you prefer to employ South Africans or foreigners?**

South Africans	1	Foreigners	2
----------------	---	------------	---

**2.25 Please give reasons for your preference above?**

-----  
-----

**2.28 What advice would you give to South African small business entrepreneurs?**

-----  
-----  
-----

**SECTION 3 - RESPONDENTS ENTREPRENEURIAL KNOWLEDGE**

**3.1 What were your reasons/motivations for becoming an entrepreneur.**

Make Money	1	Be my own Boss	2	Escape Unemployment	3	Want a better life	4
------------	---	-------------------	---	------------------------	---	-----------------------	---

**3.2 Did you previously own a business in your country of origin?**  Yes  No

**3.3 Do you have any formal business training?**  Yes  No

**3.4 If yes. Briefly explain what type of training did you received?**

Financial Management	1	Employment Relations	2	Business Management	3	Product Development	4
Leadership Skills	5	Marketing	6	Customer Care	7	Bookkeeping	8
Employment relations	9	Other	10				

**3.5 How did the training help you in the running of your business?**

Improved Bookkeeping Skills	1	Better Management Skills	2
Better Employment Relations	3	Improved Customer Care	4
Enhanced Marketing Skills	5	Better financial Management	6
Improved Control and Management	7	Improved Resource Management	8
Better networking	9	Other	10

**THANK YOU FOR YOUR TIME**

**APPENDIX 4**

UNIVERSITY OF THE  
FREE STATE  
UNIVERSITEIT VAN DIE  
VRYSTAAT  
YUNIBESITHI YA  
FREISTATA



**UFS·UV**

ECONOMIC AND  
MANAGEMENT SCIENCES  
EKONOMIESE EN  
BESTUURSWETENSAPPE

CENTRE FOR DEVELOPMENT SUPPORT  
SENTRUM VIR ONTWIKKELINGSBESON

**Structured Questionnaire to the Small Enterprise  
Development Agency (SEDA)**

1.1 What are the core objectives your organisation?

---

---

---

---

1.2 Briefly describe the type of services that your organisation renders to small businesses in Emthanjeni?

---

---

---

---

1.3 Are there any requirements that an organisation must meet in order to get access to your services

Yes  No

1.4 If yes, briefly explain those requirements?

---

---

---

---

1.5 How would you rate small businesses compliance with your requirements?

Excellent		Fair	x	Weak	
-----------	--	------	---	------	--

1.6 How often do you render a service to small businesses in the area?

Monthly		Quarterly	
Twice a year		Other (Specify	

1.7 Do you provide a follow-up/after care service to your clients?

Yes  No

1.12 If yes, how often do you do a follow-up?

Once a month		Once per quarter	
Twice a year		Other (Specify)	

1.13 How would you rate the implementation of the knowledge/skills acquired through your service?

Excellent		Fair		Weak	
-----------	--	------	--	------	--

1.10 Do your organisation render any services to foreign-owned enterprises in the Emthanjeni Municipal area?

Yes  No

1.11 If yes, briefly describe the type of services rendered?

---

---

---

What do you regard as the biggest obstacles facing small businesses in Emthanjeni?

---

---

---

Any suggestion on how the contribution and development made by small businesses in Emthanjeni can be further enhanced

---

---

---

---

**THANK YOU VERY MUCH FOR YOUR TIME**

**APPENDIX 5**

UNIVERSITY OF THE  
FREE STATE  
UNIVERSITEIT VAN DIE  
VRYSTAAT  
YUNIVESITHI YA  
FREISTATA



**UFS·UV**

ECONOMIC AND  
MANAGEMENT SCIENCES  
EKONOMIESE EN  
BESTUURSWETENSKAPPE

CENTRE FOR DEVELOPMENT SUPPORT  
SENTRUM VIR ONTWIKKELINGSLEWEN

**Structured questionnaire to the *Emthanjeni* SMME Forum**

1.1 What are the core objectives your organisation?

---

---

---

1.2 Briefly describe the type of services that your organisation renders to small businesses in Emthanjeni?

---

---

---

1.3 Are there any requirements that an organisation must meet in order to get access to your services

Yes  No

1.4 If yes, briefly explain those requirements?

---

---

---

1.5 How would you rate small businesses compliance with your requirements?

Excellent		Fair		Weak	
-----------	--	------	--	------	--

1.6 How often do you render a service to small businesses in the area?

Monthly		Quarterly	
Twice a year		Other (Specify)	

1.7 Do you provide a follow-up/after care service to your clients?

Yes  No

1.14 If yes, how often do you do a follow-up?

Once a month		Once per quarter	
Twice a year		Other (Specify)	

1.15 How would you rate the implementation of the knowledge/skills acquired through your service?

Excellent		Fair		Weak	
-----------	--	------	--	------	--

1.10 Do your organisation render any services to foreign-owned enterprises in the Emthanjeni Municipal area?

Yes  No

1.12 If yes, briefly describe the type of services rendered?

---

---

---

What do you regard as the biggest obstacles facing small businesses in Emthanjeni?

---

---

---

Any suggestion on how the contribution and development made by small businesses in Emthanjeni can be further enhanced

---

---

---

**THANK YOU VERY MUCH FOR YOUR TIME**

**APPENDIX 6**

UNIVERSITY OF THE  
FREE STATE  
UNIVERSITEIT VAN DIE  
VRYSTAAT  
YUNIVESITHI YA  
FREISTATA



**UFS·UV**

ECONOMIC AND  
MANAGEMENT SCIENCES  
EKONOMIESE EN  
BESTUURSWETENSAPPE

CENTRE FOR DEVELOPMENT STUDIES  
SENTRUM VOOR ONTWIKKELINGSSTUDIE

**Structured Questionnaire to *Emthanjeni* Local Municipality**

1.1 What is the Municipality’s vision in respect of the development and support of small businesses in the communities of Emthanjeni?

---



---



---

Do you render any programmes/services (other than basic services) to local small businesses in the area?

Yes  No

1.3 If yes, can you briefly explain the type of service rendered?

---



---

Did you render any of the above service to small businesses in the last twelve months.

Yes  No

1.4 If yes to 1.2 above, how often did you provide this service?

Once a month	<input type="checkbox"/>	Once per quarter	<input type="checkbox"/>
Twice a year	<input type="checkbox"/>	Other (Specify	<input type="checkbox"/>

1.5 If yes to 1.2 above, are these programmes/services part of your Integrated Development Plan (IDP)?

Yes  No

1.6 If yes, briefly explain

---

---

---

What in your view are the major obstacles confronting the small business sector in Emthanjeni?

---

---

---

1.7 Do you render a service (other than basic services) to foreign-owned small businesses based in Emthanjeni?

Yes  No

1.8 If yes, briefly explain what type of service are you rendering?

---

---

---

---

1.9 How would you rate the performance of small businesses (both local and foreign) in respect of their contribution to Local Economic Development (LED) in Emthanjeni?

Excellent		Fair		Weak	
-----------	--	------	--	------	--

1.10 Any suggestions on how the contribution of small businesses operating in Emthanjeni can be further enhanced?

---

---

---

---

**THANK YOU FOR YOUR TIME**