

**THE INFLUENCE OF AN ENTREPRENEURIAL MINDSET ON THE
PERFORMANCE OF SMALL MEDIUM AND MICRO ENTERPRISES
(SMEs) IN THE INFORMAL SECTOR**

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DECLARATION

I, Ndana Sesedzai Mudzamiri (student number: 2014155051), declare that the mini-dissertation hereby submitted for the Masters in Development Studies at the Centre for Development Support, Faculty of Economic and Management Sciences, University of the Free State, is my independent work and I have not previously submitted this work for a qualification at/in another university/faculty.

Signed -----

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Date -----

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ABSTRACT

The important relationship between an entrepreneurial mindset and the performance of small, medium, and micro enterprises (SMEs) operating in the informal sector is examined in this dissertation. This study aims to determine the degree to which informal SMEs operate with an entrepreneurial mindset in addition to evaluating the effect of an entrepreneurial mindset on the overall performance of these businesses. SMEs are essential to supporting regional growth and the overall economy in the modern economic environment. However given the particular difficulties that informal SMEs encounter, it is important to take a close look at how an entrepreneurial attitude affects their operations.

This dissertation attempts to offer insights into the characteristics of an entrepreneurial mindset and how these characteristics influence the operational and strategic decisions of informal SMEs through a thorough literature analysis and empirical research methodologies. The study aims to measure the effect of entrepreneurial thinking on key performance metrics, such as profitability, innovation, and sustainability, in the setting of informal SMEs by utilising both quantitative and qualitative analysis.

It is expected that the research's conclusions will make significant contributions to both academic research and useful policies, providing suggestions for encouraging and maintaining an entrepreneurial attitude among informal sector SMEs. To lay the groundwork for future studies and policy interventions, this dissertation aims to close the current knowledge gap regarding the interplay between an entrepreneurial attitude and the performance of small and medium-sized enterprises (SMEs) in informal sector areas.

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CHAPTER 1: INTRODUCTION AND BACKGROUND OF STUDY

1.1 INTRODUCTION

According to Mason and Brown (2014), Entrepreneurship is referred to as the foundation of various economies. Globally, governments in developed nations have changed industrial and company strategies over the past 60 years. This has led to a steady shift towards far greater emphasis on assistance for growth-oriented entrepreneurship, which varies across different countries. Furthermore, in an attempt to understand what makes an entrepreneur successful, several academic studies have been conducted. Studies have noted that deeper comprehension of a person's entrepreneurial mindset will progress the study of entrepreneurship and other associated fields (Daspit et al., 2023). The country's economic prosperity depends on entrepreneurship, which has long been acknowledged as a critical growth strategy. This is especially true when it comes to successful company initiatives and employment opportunities. (Diaka et al., 2018).

The fundamental goal of entrepreneurship is to assist individuals in improving their standard of living. Rural entrepreneurship is the establishment of new businesses that use new technology, open up new markets, and create employment within the rural community (Sancho, 2010). Puie (2019), further goes on to explain that rural development can be defined as “adding value and creating active participants in community development, as well as integrating individuals into society's economic development”. Compared to their urban counterparts, rural businesses are sometimes thought of as modest and frequently have fewer staff. In Zimbabwe, 99% of all MSMEs fall under the small and micro-entrepreneurial (SME) category, with 71% of these being individual business owners (Mtisi & Muranda, 2016). They further characterize rural businesses to be less growth-oriented because of the distinctively small rural market that results from the low population density. Additionally, there were over 2.6 million small and medium-sized enterprises (SMEs) in Germany in 2022. Most of these were small businesses, employing no more than nine people. There were roughly 363,462 small businesses, or those with 10–49 employees, and 55,518 medium-sized businesses, or those with 50–249 employees (Statista, 2023).

Africa's rural entrepreneurial environment is quickly changing due to the continuous socioeconomic, political, technological, and cultural changes spreading across the continent (Jones et al., 2018). The African Development Bank estimates that 22% of working-age Africans are beginning their enterprises. This is the world's greatest rate of entrepreneurship. Between 9% in Algeria and roughly 40% in Zambia and Nigeria (Panashe, 2021). The majority of African entrepreneurs are young people and women, who make up about 27% of the adult female population. African women are twice as likely to establish a business as women elsewhere in the world.

South Africa's unemployment has seen an increase from 32.7% in the fourth quarter of 2022 to 32.9% in the first quarter of 2023 (Statistics South Africa, 2023), with that said there has never been a more pressing need to solve social and economic problems than there is today. One would consider the current level to be alarming given that the South African government recognised the significance of entrepreneurship powered by small and medium enterprises as the solution to the high unemployment, underemployment, and post-apartheid economic redress as early as 1994 (Ayankoya, 2016).

The act of being an entrepreneur involves more than just starting a business. It is a distinct part of creativity, change, and vision (Vignesh & Yoganandan, 2020). Entrepreneurs face various challenges, in the running of their business, these challenges may include not having enough capital to start the business, or even developing a vision and mission for the business, however for this study we will be paying attention to the lack of having an entrepreneurial mindset.

An entrepreneurial mindset can be defined as the propensity to identify, assess, and seize opportunities (Bosman & Fernhaber, 2018). Connatser (2019), further explains an entrepreneurial mindset as a particular mentality that directs behaviour toward entrepreneurial actions and results. Lastly, Lynch (2020), describes an entrepreneurial mindset as a mindset focused on progress, in which people encourage adaptability, creativity, and ongoing innovation. The aforementioned makes it clear that there is a need to understand the internal elements that influence the performance of rural SMEs in an entrepreneurial mindset. As a result, this study will offer strategies for motivating and assisting SME owners who want to start their businesses.

1.2 PROBLEM STATEMENT

Globally, Denmark is regarded as one of the most inventive and creative nations in Europe due to its consistent leadership in business. Due to its small size and population of 5.7 million, Denmark's start-ups and businesses tend to be global in scope. The rural areas of Denmark contribute to the creation of food for human consumption as well as the preservation of cultural heritage, sceneries, and recreational opportunities. However, there are currently fewer people living in and working in Denmark's rural areas, which implies there are fewer enterprises there, whereas countries such as Norway make significant efforts to put rural development policies into place to persuade as many people as possible to reside in rural areas (Nastase & Lucaci, 2018)

In Ghana, small businesses and medium-sized enterprises (SMEs) have not produced adequate results or played the expected role in stimulating economic growth. Additionally, they have not made a significant difference in training programs designed to increase employment and combat poverty to advance the Ghanaian economy (Oppong et al., 2014). Furthermore, SMEs in Ghana still struggle to achieve the required growth despite an increasing reliance on informal funding. Due to this

circumstance, businesses are frequently looking for finance options beyond what is available through informal channels (Adjabeng and Osei, 2022)

Similar to Ghana, several economic methods and policies in Kenya intended to support SME development have not contributed to local economic expansion. Although the majority of Kenyans live in informal sector areas and the vast majority of enterprises are SMEs, these policies have mostly concentrated on supporting the growth of larger businesses and have an incline towards urban locations. The majority of SMEs appear to be decentralised and lack a proper institutional framework to handle their requirements (Ong'olo and Awino, 2013).

“To create jobs and grow the economy, the government has designated rural businesses which are mainly referred to as SMEs as a priority growth sector in South Africa” (Cant & Wiid, 2020). According to the SEDA report, SMEs account for 91% of formal enterprises in South Africa, and they contribute up to 57% of the country’s GDP. SMEs are becoming even more significant considering global economic conditions and the rising unemployment rate, particularly in South Africa (SEDA, 2021).

According to SEDA (2021), the most recent SME survey examines the state of the industry a full year after the pandemic began. It contrasts the situation in the first quarter of 2021 with that in the latter quarter of 2020 and more than a year earlier, before the epidemic reached South Africa. One significant finding from the most recent survey is that SME numbers overall have been declining. The level of 2.33 million is over 13% lower than the peak of 2.67 million recorded in the second quarter of 2019 and 11.1% lower than the level from a year ago (before the pandemic).

An entrepreneurial mindset can be referred to as the ability to find, assess, and take advantage of possibilities. When you start acting and thinking like an entrepreneur regularly, you have fully adopted the entrepreneurial attitude (Bosman & Fernhaber, 2018). Matekenya & Moyo, (2022), further state that SMEs are essential for the economic development and progress of any country, but maintaining their performance over the long term continues to be a significant challenge. The above-mentioned has shown that South Africa’s rural business sector has faced several challenges, mainly the lack of an entrepreneurial mindset. This study, therefore, aims to investigate the influence of an entrepreneurial mindset on the performance of rural SMEs.

1.3 RESEARCH QUESTIONS

1.3.2 Main research question

In what way does the growth and sustainability of small and medium-sized enterprises (SMEs) in informal sector areas depend on the owner's and managers' adoption of an entrepreneurial mindset?

1.3.2 Sub-research questions

- What are the fundamental components of an entrepreneurial mindset that have a major effect on informal sector SME success and competitiveness?
- How do external influences like legislation, infrastructure, and resource availability integrate with an entrepreneurial mindset to impact informal sector small and medium-sized enterprises' performance?
- What challenges and difficulties do informal sector SMEs overcome to nurture and maintain an entrepreneurial mindset, and how do these challenges and difficulties impact their performance as a whole?

1.4 OBJECTIVES

1.4.1 Primary Objective

- To assess the influence of an entrepreneurial mindset on the performance of informal sector SMEs.

1.4.2 Secondary Objectives

- To determine to what extent informal sector small and medium-sized businesses (SMEs) operate with an entrepreneurial mindset.
- To investigate the link between informal sector SME success and the adoption of an entrepreneurial mindset.
- To investigate various challenges and limitations that informal sector SMEs have when trying to foster and sustain an entrepreneurial mindset.
- To investigate how government support programs and other external factors impact the development of an entrepreneurial mindset in informal sector SMEs.
- To offer suggestions and strategies that informal sector SMEs can use to develop and enhance their entrepreneurial mindset to perform better.

1.5 CONTRIBUTION TO THE STUDY

According to Nooh (2022), an entrepreneurial mindset can be referred to as making decisions that can be used in challenging, unpredictable, and dynamic situations. Nooh (2022) further goes to states that an entrepreneurial mindset includes the ability to spot opportunities, a propensity for taking risks, a tolerance for ambiguity, and a sense of self-assurance. With that, more efforts to encourage more people to become entrepreneurs can assist with lowering unemployment and broadening business opportunities.

Furthermore, several countries see entrepreneurship as the primary driver of economic growth. In developing countries, it also catalyses social change. Therefore, addressing economic issues by fostering an entrepreneurial mindset can help lay the foundation for a strong economic recovery strategy (Makgeledisa, 2021).

This study will enrich the performance of informal sector SMEs by providing solutions that will assist informal sector business owners.

1.6 CHAPTER SUMMARY

Informal sector entrepreneurs need to bring new markets, jobs, and technology to informal sector communities. Being an entrepreneur is more than just launching a company; it also requires vision, innovation, and creativity. The study focuses on the absence of an entrepreneurial attitude among the many obstacles faced by entrepreneurs. This way of thinking entails seeing and taking advantage of possibilities. The study will go into more detail on how the entrepreneurial mindset influences informal sector entrepreneurship.

CHAPTER 2: LITERATURE REVIEW - BUSINESS IN THE INFORMAL SECTOR

2.1 INTRODUCTION

The informal sector is a booming and frequently overlooked component of business and trade. Street vendors and freelancers are a few examples of businesses that make up the informal sector. These entrepreneurs are crucial to the economic survival of many communities and nations while being usually disadvantaged and operating in challenging conditions. In this study, we investigate the complex environment of business in the informal sector, providing light on the motivations, and challenges.

2.2 INFORMAL SECTOR

According to Akintimehin et al. (2019), the informal sector can be seen in terms of its ability to increase revenue and employment in the following ways: as business enterprises capable of contributing to national economic growth and wealth generation, as entities or families that participate in informal businesses for their sustenance, and as individuals who conduct informal business activities in addition to their formal employment.

In general, it has been assumed that women are more likely than males to work in the unorganised sector (Aguilar & Campuzano, 2009). Currently, the informal sector still accounts for about one-third of economic activity in low- and middle-income nations, while it accounts for about 15% of economic activity in advanced economies. The idea of informality spans a range of situations, both inside and between different countries, and it arises for a range of causes (Delechat & Medina, 2020).

2.3 THE INFORMAL SECTOR IN SOUTH AFRICA

According to Pillay & Rogan (2018), Statistics South Africa categorises an informal sector into two components, which are: Employees working for companies with fewer than five workers, where income tax is not deducted from their income; and Employers, independent contractors, and those helping out with unpaid domestic enterprises who are not registered for value-added tax or income tax. Furthermore, the apartheid laws and policies, alongside other contributing factors, contributed to the development of South Africa's socio-economic situation and ultimately hindered the availability of quality education, training, and the acquisition of entrepreneurial skills. As a result, a significant portion of the unskilled population turned to the informal sector as a means to secure their livelihoods and decrease their vulnerability (Thwala et al., 2023).

With a reported 32.9% unemployment rate in the first quarter of 2023, South Africa has one of the highest rates of unemployment worldwide. (StatsSA, 2023). However, considering that the formal sector usually demands higher skill levels, it might be expected that individuals unable to secure formal employment would seek opportunities in the informal sector. While the informal sector may not be the

preferred choice due to its lower pay, it presumably requires substantially fewer skills compared to the formal sector (Burger & Fourie, 2019).

In terms of the geographical distribution of the informal sector in South Africa, there is a significant degree of variation along spatial lines, particularly in provinces such as Limpopo, Mpumalanga, and the Eastern Cape. This indicates that these provinces, namely Limpopo, Mpumalanga, and the Eastern Cape, have relatively larger informal sectors compared to the more affluent provinces of Western Cape and Gauteng (Mashimbyi, 2021).

The informal sector encompasses individuals who are self-employed as well as those who work for informal businesses. However, it typically does not include individuals who are informally employed by formal firms. The South African government has been criticized for not making sufficient efforts to create a more attractive and convenient environment for small businesses, particularly concerning the costs and administrative procedures associated with formal business registration (Maduku & Zerihun, 2022).

Government policies and strategies in South Africa continue to perceive the informal economy as a social welfare issue. The lack of attention given to the informal economy and the millions of people who rely on it has resulted in a notably underdeveloped informal sector throughout the country. In South Africa, the requirements of survival for informal traders are frequently ignored by local government initiatives like the Local Economic Development framework, which is intended to support local companies and promote economic progress (Masuku & Nzewi, 2021).

2.4 CLASSIFICATION AND TYPES OF BUSINESSES IN THE INFORMAL SECTOR

If you stroll along any bustling street in South Africa, you will probably encounter various manifestations of informal businesses. South Africa boasts a diverse range of informal businesses, and while the informal sector encompasses any unregistered business, several types constitute this segment of the economy (SME South Africa, 2022).

Firstly, finding adequate employment is still the problem on a worldwide scale. People engage in informal work because of a lack of opportunities, unemployment, poverty, and other issues, according to the most recent literature. These include:

- The process of making a range of goods and services, such as clothing, gadgets, prescription drugs, fresh produce, and prepared meals, easily accessible in public spaces is known as street vending (Sapadi & Nkosi, 2022).
- Another type of informal business consist of Artisans and Craftsmen. Artisans play a significant role in developing economies because there is a strong correlation between entrepreneurship and the artisan sector (Fagbo, 2022).

- Domestic workers provide numerous services, such as cooking, shopping, cleaning, sweeping, washing clothes and dishes, taking care of children, the elderly, and those with disabilities, gardening, driving, and security (Women in Informal Employment: Globalizing and Organizing. n.d.).

2.5 CHARACTERISTICS OF BUSINESSES IN THE INFORMAL SECTOR

The informal sector exhibits several defining characteristics, but certain factors tend to be more prevalent than others. For instance, regarding ownership, a significant majority of informal SMEs are "own account workers," which refers to self-employed individuals who do not employ anyone else (ILO, Online, [Accessed 23 July 2023]). Moreover, limited or ambiguous workspace, hazardous and unhygienic working conditions, low productivity and skill sets, irregular or low pay, long work hours, and a lack of access to markets, information, funds, training, and technology are often characteristics of the informal sector. (ILO, Online, [Accessed 23 July 2023]). Furthermore, the informal economy might be difficult to measure. This challenge comes from the fact that the informal economy's activities are difficult to observe and that, for the most part, its members prefer not to be identified. However, given its importance and the fact that it employs some of the most disadvantaged people in the world, it is still vital to make an effort to gauge the size of the informal economy. (International Monetary Fund, 2021).

The informal sector encompasses characteristics such as convenient entry into the business environment, the use of locally sourced raw materials, small-scale product processing, labour-intensive operations, the use of suitable technology, skills often acquired outside formal educational systems, and engagement in unregulated, competitive markets. Typically, the informal sector exhibits growth potential and can be viewed as a pathway to small and medium-sized enterprises (SMEs) (Kilama, et.al, 2016). Additionally, in the informal sector, the employment arrangement, whether legally or practically, does not fall under labour regulations, income taxation, or social protection measures. This means workers within the informal sector often struggle to unite and collectively address their issues through associations or groups. They typically possess limited awareness about social protection programs, find it challenging to save money, and do not perceive the importance of obtaining insurance coverage for themselves (Raveendran, 2015).

Lastly, As opposed to being primarily the result of regulatory shortcomings, the informal sector is a result of the economy's inability to produce enough chances for meaningful work. It is crucial to recognise, however, that more effective rules might make it easier to incorporate informal activity into the modernization process. The gap between those who supported the oversimplified notion that merely making procedural or legislative changes can solve current problems and those who downplayed the significance of regulatory actions within the economic system has significantly narrowed throughout the last few years as a result of the evolution of this discourse (Tokman, 2001).

2.6 MOTIVES FOR START-UP (PULL VERSUS PUSH FACTORS)

Pull factors are what persuade people to establish a new business out of their desire, whereas push factors rely on outside variables unrelated to the individual's entrepreneurial traits to urge them to engage in entrepreneurship. Push forces are linked to unfavourable conditions like unemployment and discontent with the present, whereas pull factors come from positive motivations like a desire for success and possibilities for social advancement (Cañas et al., 2023).

An individual with a vision, who spots a new opportunity, and who has the drive to take action, and start a new endeavour, is said to be an entrepreneur. According to this perspective, entrepreneurship is seen as a dynamic process that manifests into opportunities as a result of the interaction between social and economic elements. The opportunity itself serves as a pull factor (Wasdani, & Mathew, 2014). Secondly, Entrepreneurship gives you complete control over your income in contrast to employment, when your pay is set by another party. As an entrepreneur, only your efforts can define your revenue. You have the chance to benefit from your hard work if your firm succeeds. It's critical to remember that entrepreneurship is distinguished by its high-risk, high-reward nature, where the possibility of significant earnings is coupled with a sizable level of risk and uncertainty (Kingston University, 2021).

When people start their businesses largely as a result of being unable to find other employment, it often means that they have no prior entrepreneurial aspirations. Instead, life circumstances and necessity push them towards entrepreneurship, making it a wise decision as opposed to a certain job path they had in mind (Rödén & Ståhle, 2017). Furthermore, in a society where 10 % of the people control more than 80 % of the wealth, South Africa is one of the most unequal nations in the world. Economic difficulties such as poverty, or low pay, can be push factors for people to start their businesses as a way to improve their financial situation (Hlogwane, 2022).

2.7 SUCCESS FACTORS OF INFORMAL SECTOR BUSINESSES

Running a small business among larger companies has its share of difficulties, there are also clear advantages that you may use to your advantage. Flexibility is a key advantage that small enterprises have over large corporate organisations. Large organisations frequently struggle with a lot of paperwork, bureaucratic procedures, and strict laws, which can make their operations far less flexible and rigid. This allows them to adapt quickly to changing market conditions and customer demands (Roth, n.d.).

According to Dodd & Keles (2014), another advantage of an informal sector business is local knowledge and networks. Engaging in welcoming and trustworthy connections with a wide range of people has several benefits for business owners. These results have been seen to have a significant effect when taken as a whole in supporting the survival and success of their endeavours. Additionally, Customer-centricity is the key to success in entrepreneurship since it centres on creating value for

customers. Adopting a customer-centric strategy requires business owners to have a full understanding of the wants and preferences of their target market and to work to meet those demands through the provision of goods and services (Bansal, 2023).

Lastly, informal sector entrepreneurs are often innovative which is an advantage because for businesses to provide unique and compelling services that are suited to their target audience, innovative entrepreneurship plays a crucial role in spotting emerging trends and understanding market demands. Businesses must continually embrace innovation if they want to stay relevant in a highly competitive world. This means developing innovative products and services as well as updating their brand. The value that innovation adds to goods and services is well-known to consumers. Entrepreneurial innovation offers enticing components that differentiate businesses, giving them advantageous attention and a unique selling position (F.Dieffenbacher, 2023).

2.8 CHALLENGES AND CONSTRAINTS FACED BY INFORMAL SECTOR BUSINESSES

One of the primary challenges confronting informal traders revolves around their operational conditions and the lack of designated trading spaces. Many of the locations where traders conduct their business are considered illegal because they have not been officially allocated for commercial activities and in situations where they are granted permission to operate, the spaces are typically regarded as temporary, and evictions can take place at the discretion of urban authorities.

Zogli et.al (2021), further state another primary challenge for Informal entrepreneurs is the obstacle of limited access to finance, as they require funding from banks and other financial institutions to grow their businesses. However, difficulties in obtaining capital are a common challenge encountered by many traders. Moreover, the requirements set forth by financial institutions act as barriers that hinder the informal sector from accessing funding. The absence of bookkeeping skills and vulnerability to crime are constraints that impede informal enterprises from advancing or moving into higher-value markets.

Limited access to information is another challenge business owners often struggle with. They do not have the time or resources for research. This is demonstrated by the fact that a sizable portion of entrepreneurs are unclear about the available institutional support or how to obtain it. Moreover, it may be difficult for business owners to obtain market data about client patterns and movements, so they must rely on their judgement and intuition to adjust to shifting market conditions. (Coetzer et al., 2022).

Lastly, another major challenge faced by informal sector traders pertains to the presence of foreign nationals engaging in trade in informal sector and township areas. Local informal sector traders are uneasy about the expansion of foreign-owned retail establishments and their mode of operation. When foreign nationals go to informal sector and township areas, they quickly establish networks among

themselves. These networks enable them to collaborate and make large-scale purchases. Bulk buying provides foreign nationals with a significant advantage, as they can secure substantial discounts from various wholesalers (Monyebodi, 2021).

2.9 CHAPTER SUMMARY

In conclusion, many economies all around the world rely heavily on the informal sector. It is distinguished by several characteristics, including simplicity of entrance, reliance on local resources, small-scale enterprises, labour-intensive industries, and frequently a lack of institutional regulation. Although it gives a large section of the population employment options, informal workers frequently encounter difficulties with access to financing, lack of information, and foreign competition. Efforts to solve the issues and realize the potential of the informal sector should combine regulatory enhancements, financial services accessibility, and assistance with skill development. Understanding the significance of this industry and its potential for expansion can help many towns prosper economically and reduce poverty.

CHAPTER 3: LITERATURE REVIEW - ENTREPRENEURIAL MINDSET AND ITS IMPACT ON BUSINESS PERFORMANCE

3.1 INTRODUCTION

Success in today's dynamic work environment is usually ascribed to having an entrepreneurial mindset. This mindset goes beyond simple business knowledge; it incorporates a distinctive collection of traits and attitudes that inspire people and organisations to venture into unfamiliar territory, take up opportunities, and always be ready to adapt to change. This study is going to investigate, the impact of the entrepreneurial mindset on business performance.

3.2 DEFINE ENTREPRENEURIAL MINDSET

A "mindset" refers to the specific actions, attitudes, and thought patterns that shape our decisions. It includes our viewpoint on circumstances, difficulties, and our cognitive talents. A set of abilities that mainly rely on positive and resilient thinking make up an entrepreneurial mindset. A person with this mindset sees new opportunities while others would only see risks. They are always coming up with solutions to problems that arise in daily life, and they are not afraid to independently pursue their ideas or advocate for their points of view (Naumann, 2017).

Dinh et al., (2022) describe the term entrepreneurial mindset as a combination of motivations, traits, skills, and thought processes that affect both extra- and entrepreneurial accomplishments. Furthermore, they claim that having an entrepreneurial mindset is essential for overcoming setbacks and navigating difficulties, making it a key component of being successful in business.

Lastly, according to Myres & Makgeledisa (2021), a set of socioeconomic abilities and general business perspectives that are connected to the ability to recognise possibilities and one's potential as an entrepreneur can be described as an entrepreneurial mindset. Additionally, it is possible to employ business savvy and entrepreneurial creativity to inspire entrepreneurs and aid in their success. The path to fully acquiring an entrepreneurial mindset is to embrace the mindset of an experienced entrepreneur, both in action and thought.

3.3 SELF-THEORIES OF ENTREPRENEURIAL MINDSET

A fixed mindset refers to a way of thinking that leads one to feel that one's attributes are set in stone and unlikely to change. A growth mindset, on the other hand, is the idea that someone can develop a

mindset that allows for changes and growth via their work. In a nutshell, the growth mindset suggests that everyone may have a personal endeavour to accomplish change and growth (Kouakou et al., 2019).

Entrepreneurs with a fixed mindset believe that intelligence is something that either one has or one does not. They tend to live in an absolute universe and feel that fundamental elements like character and inventiveness are immutable traits that account for their success rather than hard work. These people think they should be naturally good at everything because it makes them doubt who they are at their heart, they cannot cope well with setbacks. While entrepreneurs with a growth mindset think they can improve their skills. They think that traits may change and that hard work, smart planning, and feedback from others can help them further develop their intelligence and skills. Challenges and setbacks are welcomed by those with a growth mindset since they are opportunities to learn and address problems (Miller, 2016).

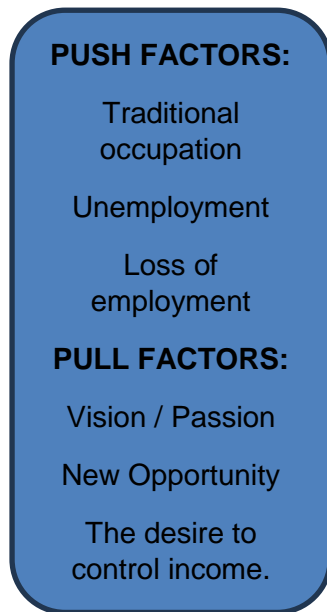
3.4. CONCEPTUAL FRAMEWORK LINKING ENTREPRENEURIAL CHARACTERISTICS TO BUSINESS PERFORMANCE

The framework that brings together the characteristics of an entrepreneur and business performance can be gained by understanding how specific traits and features of entrepreneurs affect the success of their enterprises. However, to get the link between the two, one has to understand the characteristics of an entrepreneur as well as the standard of measurement for businesses.

A variety of entrepreneurial attributes are necessary for company success. Firstly, being creative is fuelled by innovativeness, which is characterised by the capacity to conceive ideas and innovative solutions. Secondly, the ability to take calculated risks in the pursuit of chances, known as risk-taking, is what drives forays into new waters. Moreover, entrepreneurial ventures are built on the foundation of persistence, which emphasises unshakable drive and tenacity in the face of challenges. Lastly, the ability to flexibly adapt to changing circumstances and different market conditions is one quality that ensures long-term viability and relevance in the corporate world (Miller, 2020).

Conceptual Framework

Entrepreneurial Mindset



SME Performance



Independent variable

Dependent variable

Figure 1: Conceptual Framework

Source: Based on Literature

Scholars and policymakers are beginning to acknowledge that cultivating an entrepreneurial attitude is a critical component of small business success and economic expansion. The purpose of this conceptual framework is to examine how the performance of small and medium-sized businesses (SMEs) in informal sector areas is affected by an entrepreneurial attitude as an independent variable.

An entrepreneurial mindset is a collection of personal qualities and conduct that empowers business owners to spot possibilities, take measured risks, and launch new goods and services (Lynch, 2020). The literature identifies creativity, invention, opportunity recognition, initiative-taking, resilience, and future orientation as essential components of an entrepreneurial mindset (Bosman & Fernhaber, 2018; Connatser, 2019). Researchers have discovered that an entrepreneurial attitude is also shaped by a few personality traits, such as the drive for success, internal locus of control, and tolerance for uncertainty

(Daspit et al., 2023). Research highlights the ongoing process of cultivating an entrepreneurial attitude via education, trial and error, and experience throughout life (Vignesh & Yoganandan, 2020).

The concept of SME success is multifaceted, involving both financial and non-financial metrics. While competitive advantage, employee satisfaction, and innovation are examples of non-financial performance indicators, common financial measures used to analyse corporate performance include profitability, sales growth, and return on assets/equity (Cant & Wiid, 2020). Research has shown that long-term sustainability should be seen as a crucial component of SME performance, particularly in emerging nations that face various obstacles (Matekenya & Moyo, 2022).

Previous research offers solid theoretical foundations for the relationship between improved firm-level performance and individual entrepreneurial traits and actions. An inventive and opportunity-driven mindset, for example, enables business owners to launch new goods and services that satisfy consumer demands, enabling better financial and competitive performance in comparison to rivals (Vignesh & Yoganandan, 2020). Continuous innovation and refining of business models are fostered by creativity and initiative. Entrepreneurs who possess these qualities are better able to navigate obstacles and grasp new chances (Daspit et al., 2023). Setting long-term strategic priorities that are essential for sustainable venture growth is facilitated by a future-focused approach. Collectively, these entrepreneurial attributes are anticipated to have a major impact on several aspects of SME performance, as proposed by the conceptual framework.

Previous research suggests that cultivating an entrepreneurial mindset among informal sector business owners and managers is crucial for improving the performance, competitiveness, and long-term survival of small and medium-sized enterprises (SMEs). Important guidance for the empirical investigation of this important link is provided by the conceptual framework that summarizes the main conclusions from the body of existing literature. Future study opportunities may arise from an understanding of how external environmental influences may further strengthen or decrease this relationship.

The evaluation of business performance is based on several important indicators. To begin with, financial performance measures take into account important variables including revenue growth, profitability, and return on investment, providing insight into the stability and financial health of an organisation (Kotane & Kuzmina-Merlino, 2012). While market performance focuses on market share, customer growth, and brand awareness, it also provides information on a company's competitive stance and market presence (The Strategy Story, n.d.). Additionally, Innovation performance measures how successfully new products, services, or procedures are introduced (Zizlavsky, 2016). Lastly, the relationship between consumer satisfaction and customer loyalty is influenced by two key criteria. On the plus side, loyalty increases when satisfaction reaches a certain point. A company's success is linked to its customers (Khadka & Maharjan, 2017).

There is a web of interconnected linkages and dynamics that affect a business's overall performance within the context of entrepreneurial characteristics. For instance, innovation performance is directly influenced by innovativeness, but it also has an indirect impact on financial and market performance, which underpins the company's competitive advantage (Rajapathirana & Hui, 2018). While possibly affecting financial performance, more risk-taking entrepreneurs can perform better than less risk-taking ones (Ismail, 2022). Being proactive, which is characterized by acting quickly to seize opportunities, can result in first-mover advantages in marketplaces, having a significant impact on both financial and market performance. Proactive competitor orientation refers to a company's principles and beliefs that are focused on gaining an advantage over its rivals through actions that change the market's competitive structure and behaviour. Proactive businesses may gain an advantage by anticipating future competitive behaviour and altering the competitive landscape to their advantage (Schulze et al., 2022).

3.5. CHARACTERISTICS OF AN ENTREPRENEURIAL MINDSET

Various factors characterise an entrepreneurial mindset. Literature has identified quite a few of them; however, some are more prevalent than others. Levine (2023), states that having a comfort level with experimentation entails the capability to envision significant ideas and repeatedly test various aspects such as products, processes and outcomes, all without the burden of worrying about where the outcomes might take you. This is a fundamental component of an entrepreneurial mindset. While many individuals are at ease experimenting with new products or systems when there are only one or two possible outcomes, those possessing this essential trait can venture into the uncharted territory of experimentation.

Secondly, the production of unique and valuable ideas across a variety of fields is a key component of creativity. It refers to the ability to create original and helpful concepts, displaying employees' capacity for innovation and the development of fresh, practical concepts. Additionally, a person must be able to think creatively. In the entrepreneurial process, creativity is crucial. It symbolises an entrepreneur's capacity to investigate new business opportunities, release innovative items onto the market, open up new locations and branches, test out cutting-edge technologies, and grow into novel markets. (Diaka et al, 2018).

Furthermore, a characteristic of an entrepreneurial mindset that might be mentioned is having a growth attitude. It is believed that one's abilities can be developed with work and education rather than being fixed. A fixed mindset, on the other hand, is the conviction that one's abilities are inherent and unalterable. A growth mentality is supported by recent studies. Our minds may create new connections and strengthen old ones with effort and practice. (The entrepreneurial learning initiative, Online).

3.6. FACTORS INFLUENCING ENTREPRENEURIAL MINDSET

3.6.1. The personal side of an entrepreneur

Entrepreneurship is tightly linked with the personal qualities and experiences of the people who set out on entrepreneurial opportunities. It is not only about business strategy and financial decisions. Successful entrepreneurs understand that even the finest products or services require effective marketing and sales efforts. In their view, entrepreneurs who establish strong relationships and networks possess the capability to sell virtually anything (Lewis, 2021).

Entrepreneurs frequently have a strong sense of passion for their businesses or ideas. They are motivated by a clear vision of what they want to accomplish and are prepared to put in the time and effort necessary to make that goal a reality (Lavery & Little, 2020). Additionally, being an entrepreneur means taking risks, and successful business people are frequently known for their willingness to do so. They are aware that not every endeavour will be successful, but they are prepared to deal with risk and difficulty (Wharton Online, 2020).

Establishing a network of connections and fostering relationships with clients, partners, and mentors are essential for business owners. These connections may offer opportunity, support, and direction (Nexford University, 2023). Moreover, according to Houston (2023), Entrepreneurs must be financially savvy and have a solid grasp of financial management, including budgeting, cash flow, and investment choices. Making wise business decisions requires having a solid understanding of finances.

3.6.2. The personal characteristics of the entrepreneur

Several characteristics are associated with an entrepreneur. These individual traits differ among entrepreneurs, and not all entrepreneurs exhibit them to the same extent. The following are some key personal characteristics:

Passion can be described as some sort of persistent tendency to engage in certain types of activities. Entrepreneurs are motivated by a strong sense of passion for their concepts, goods, or services. Even in the face of difficulties, their commitment and zeal are motivated by this desire (Obschonka et al., 2019). Secondly, entrepreneurship is a path that presents countless prospects for development and achievement. It is a path that is paved with uncertainty and undergoes constant change. Entrepreneurs nowadays need to be able to adjust quickly to the ever-changing business landscape. By developing

adaptability, entrepreneurs may successfully handle uncertainty, seize opportunities, and grow robust companies (Rawal, 2023).

Furthermore, Self-motivation is the inner force that propels us to move towards an objective. Even when we don't want to, it keeps us moving forward. Entrepreneurship demands self-motivation as well as discipline. Entrepreneurs set their objectives, successfully manage their time, and remain committed to them (Etough, 2022). Lastly, an entrepreneur should make a thorough assessment of your current assets before looking for outside help to decide which of your network, knowledge, skills, and physical resources can be used. Consider how these resources might be strategically used to meet your company's needs. Utilising what you already have to its fullest will reduce wasteful spending and speed up development (Tiyu, 2023).

3.7. FOSTERING ENTREPRENEURIAL MINDSET

Fostering an entrepreneurial mindset entails developing a range of attitudes, mannerisms, and abilities that support entrepreneurial action and thought. A proactive and creative approach to problem-solving, a readiness to take reasonable risks, and the capacity to recognize and seize opportunities are the hallmarks of this attitude.

To develop a growth mindset it's important to emphasize the belief that skills and intelligence can be improved through work and learning. This mindset encourages individuals to embrace challenges persist in the face of obstacles and consistently seek opportunities, for growth. By fostering this mindset we can better prepare learners to adapt, acquire skills, and thrive in fast-paced and ever-changing work environments. Additionally, we should teach them how to identify and analyse problems encourage creative thinking, and come up with innovative solutions. These skills are highly valuable in a world where complex challenges require individuals who can approach problems, from different angles and create effective long-lasting solutions (Alzarooni, 2023).

In the modern, fast-changing world, change happens quickly and occasionally unpredictably. Entrepreneurs need to remain flexible to react quickly to shifting trends and changing customer needs. When faced with challenges or unanticipated changes to your business strategy, you must embrace change rather than reject it and develop a solution-oriented approach. It's critical to remember that every obstacle offers a chance for you to develop and learn (Livolsi, 2022).

Entrepreneurship often involves leveraging relationships and partnerships for success. The process of networking is mutual. It must be advantageous to both parties for it to genuinely succeed. One advice that is usually given is to not rely on anything other than self-assurance when interacting with people. Prioritizing the creation of solid relationships is crucial for maximizing your networking efforts; this process requires focused time and dedication (Vyas, 2023).

3.8. IMPACT OF ENTREPRENEURIAL MINDSET ON BUSINESS PERFORMANCE

Business performance can be significantly impacted by an entrepreneurial mindset. Here are some of the ways it may affect a company's development and success:

Entrepreneurs with an innovation-focused mindset are more likely to come up with fresh concepts for goods or services. The capacity to address changing client wants and gain a competitive edge in the market can result from this innovation (Mazla et al., 2020). A similar view was held by, Tiyou (2023), business owners with a resourceful mentality are resourceful, making the most of the resources at hand and coming up with innovative solutions even when funds are tight.

Furthermore, an entrepreneurial mindset promotes flexibility and the capacity to change course in response to unforeseen events. This adaptability is essential in volatile markets or during unplanned disruptions (The Strategic Advisor Board Team, 2023). Moreover, Farida & Setiawan, (2022), are also of the opinion that by having an entrepreneurial attitude a business can get a competitive edge by being able to recognise and seize opportunities, adjust to changes, and continuously innovate.

Lastly, being vigilant in business plays a significant role in enhancing business performance. Ultimately it has been confirmed that these qualities were positively correlated with performance and had a considerable impact on how well small and medium-sized businesses (SMEs) performed. Being vigilant is the ability to spot business chances. This implies that making significant use of creativity is essential for achieving one's goals (Jemal, 2020).

3.9 CHAPTER SUMMARY

In conclusion, having an entrepreneurial mindset can significantly improve business performance. Entrepreneurs give their businesses the life and resilience they need by being innovative, risk-takers, proactive, and persistent. These entrepreneurial qualities also promote creativity and the exploration of new opportunities. The entrepreneurial mindset can serve as a pillar for long-term success and a competitive advantage in the fast-paced business environment of today.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

Goundar (2012), states that Research methodology is a systematic strategy to perform research. The goal of research methodology is to provide information on the following topics: why a study was carried out, how the research problem was identified, how and why the hypothesis was developed, what data was gathered, what particular approach was used, and why a certain data analysis technique was employed.

4.2 RESEARCH APPROACH

“The procedures for collecting, analysing, interpreting, and reporting data in research studies are known as research designs” (Boru, 2018). When conducting research, the researcher has a choice to make on which research design they employ for the study. The kind of research topic or issue being addressed, the researcher's own experiences and the study's target audiences are all taken into consideration when choosing a research design (Creswell, 2003). The three types of research designs include qualitative, quantitative, and mixed methods. This study used the quantitative approach, which produces hard statistical data to describe trends, test hypotheses and answer questions about relationships between variables among a sample population. It also helps quantify attitudes and opinions from a broad segment.

The questionnaire that was given to SME owners was quantitatively approached utilizing a quantitative research methodology. The Likert scale was employed in this process, allowing for statistical analysis of the data. Quantitative research methods, according to Maxwell (2016), provide a rational and adaptable methodology that can be used to obtain a thorough understanding of vast populations. Stated differently, the utilization of quantitative research methodologies facilitates the collection and analysis of data, hence enabling the production of conclusions that may be applied to other situations or the entire population. The potential to extrapolate the results to a larger population is enhanced by the use of a large sample.

According to Xiong (2022), given that quantitative research uses larger sample sizes and makes it easier to reach precise, standardised conclusions by applying scientific methodologies for data collection and analysis, its findings can be extrapolated to a wider population in a variety of contexts. Furthermore, using quantitative research makes data collecting and analysis more efficient and quicker.

4.3 RESEARCH DESIGN

Goals, uses, purposes, and tactics within the limitations of resources like time, money, location, and the researcher's availability are the main concerns of design. The researcher's concepts are illustrated through the research design. Bringing the study together through a well-organized design that demonstrates how all of the significant components of the research collaborate to try to answer the research questions, eliminates discontent (Asenahabi, 2019).

For this study, the case study design is going to be used. A case study is an empirical investigation that investigates a phenomenon in its genuine real-world situation. A variety of data collection techniques are used in case study research since it necessitates a thorough analysis of a phenomenon. It is crucial to emphasise that a case study is not a tool for gathering data; rather, it is a framework or research strategy for examining a particular social group or phenomenon (Priya, 2021). Given that this study is aimed at analysing entrepreneurs within informal sector SMEs the use of case studies can give real-life data specific to the influence of having an entrepreneurial mindset.

4.4 POPULATION AND SAMPLE

According to Baran (2016), a sample is a group of people, objects, or things selected for measurement from a large population. The research sample must be typical of the population for us to be able to apply the sample's findings to the full community. A sample is needed since a census of the complete population is rarely feasible or economical.

The population for this research study comprises all Small and Medium-sized Enterprises (SMEs) operating within the area of Hammanskraal, located in the Gauteng province of South Africa. Hammanskraal is a small rural town situated in the Gauteng province of South Africa, approximately a half-hour drive from Pretoria. It functions as a significant commercial hub for the nearby rural regions and primarily comprises farms and small properties (South Africa Info, n.d.). This population includes all registered and unregistered informal sector SMEs engaged in various economic activities, such as agriculture, agribusiness, handicrafts, retail, and services, within the geographic boundaries of Hammanskraal. The population encompasses a diverse group of entrepreneurs, business owners, and operators from different sectors and backgrounds. This study aims to investigate the influence of an entrepreneurial mindset on the performance of these informal sector SMEs, with a focus on this specific geographic area.

In October and November of 2020, field research was done in Hammanskraal to obtain a brief overview of the commercial activity institutional facilities and major commercial areas and spatial possibilities. A total of 429 businesses, including microenterprises, small and medium-sized organisations (SMEs), as well as bigger corporations, were surveyed by the research team. They also listed 34 institutional services and 27 key commercial locations. 366 (85%) of the 429 recognised businesses were micro-

enterprises, 56 (13%) were SMEs, and 7 (2%) were corporations (National Treasury, 2021). Due to there not being a list of SME entrepreneurs, this study targeted all the 56 SMEs that were identified in 2020 based on the report. According to Cooper and Schindler (2016), the researcher's knowledge informs the selection of sampling units. Using Cochran's equation at a 95% confidence level and a 5% precision level on a target population of 56 people, the sample size was determined to be 49. SMEs from all business sectors meet the requirements for this sample size. The researcher was able to do a more complete and accurate study because of this sample size.

4.4.1 Inclusion and Exclusion Criteria

Inclusion:

- **SME Owners/Managers:** Include individuals who own or manage small and medium-sized enterprises (SMEs).
- **Different Stages of Growth:** Include SMEs at various stages of growth (e.g., start-ups, established businesses) to assess how the entrepreneurial mindset impacts them differently.
- **Variety of Industries:** include SMEs from various industries or sectors to capture diverse perspectives.

Exclusion:

- **Non-SMEs:** Exclude large corporations or enterprises that do not fall within the definition of SMEs.
- **Unwilling Participants:** Exclude individuals who are not willing to participate in your study or provide the necessary information.
- **Language or Communication Barriers:** If language or communication barriers hinder effective data collection.

4.5 SAMPLING DESIGN AND TECHNIQUE

The selection of an informant based on their traits is known as purposive sampling, also known as judgment sampling. After deciding what data is needed, the researcher looks for sources who, given their knowledge or experience, can and will provide it (Tongco, 2007). While snowballing is a sampling technique that involves current study participants selecting potential study participants from their social

networks, (Naderifar et al., 2017). The researcher will also be referred to other rural entrepreneurs, by the respondents taking part in the study.

For this study, purposive sampling was used. Purposive sampling deliberately involves selecting specific SMEs that meet certain criteria or characteristics of interest which will be useful as it is a targeted research. On-probability sampling was used in the investigation. Non-probability sampling is often associated with case study research designs and qualitative research methodologies. Concerning the latter, case studies frequently focus on small samples and seek to examine a real-world event as opposed to making statistical inferences about the entire population (Bryman, 2016). A sample of participants or cases does not have to be representative or random, but there needs to be a valid explanation for why certain cases or people should be included but not others (Taherdoost, 2016). Convenience sampling was used in the study. Convenience sampling involves choosing participants based on their frequent availability and ease of usage (Saunders et al., 2015).

4.6 DATA COLLECTION METHODS

Depending on the study's objectives, many approaches might be used to gather data. The act of obtaining and measuring information on variables of interest in a systematic and defined manner to test hypotheses, evaluate findings, and respond to specific research questions is known as data collecting (Kabir, 2016). Data collection can be divided into two parts, mainly primary data collection and secondary data collection. According to Mazhar et al., (2021), data that is new, original, and freshly obtained is referred to as primary data and secondary data is data that has already passed the statistical analysis and was previously collected by someone else. Examples of primary data include observations and surveys.

This research made use of surveys that came in the form of questionnaires. A typical questionnaire with closed-ended questions is rated using a Likert scale (ranging from 1 to 5) to gauge the management's response. Likert-scale questionnaires allow for the fairly quick collection of data from a large number of participants, the delivery of highly reliable individual best estimates by respondents, the recognition of the validity of the interpretations drawn from the data through a variety of methods, and the useful comparison, contrast, and fusion of the data with qualitative data-gathering techniques like participant observation, open-ended questionnaires, and interviews (Nemoto & Beglar, 2014). This questionnaire was distributed to the chosen participants within Hammanskraal. The researcher analysed the questionnaires. The use of questionnaires served as an advantage to the researcher as they are cheaper and the respondents can access them either physically or electronically.

Secondary data is going to be obtained through government publications, newspapers, and business records. The secondary data was easy to obtain as the collection methods are easily available and accessible to the public, therefore the researcher does not have to request permission to access these

4.7 VALIDITY AND RELIABILITY

The term "validity" describes how the data measure what they are intended to measure (Creswell, 2013). The degree to which a data collection technique or procedure accurately measures what it is intended to measure and the degree to which study findings are truly about what they seem to be can be defined as validity (Nawi et al., 2020: 21). The two fundamental components of validity in research are internal (credibility) and external (transferability).

Internal validity assesses whether the study's findings are valid in light of the methods used to choose the study's groups, record the data, and conduct analysis. The researcher used a triangulation technique, comparing data from document analysis, participant feedback from surveys and interviews, and literature, to ensure it. Triangulation is an effective method that makes it easier to validate data by cross-referencing information from two or more sources (Honorene, 2017). The research supervisor also examined whether the research design was adequate and whether there were enough questions on the research instruments to address the study's objectives.

The study's external validity indicates if the findings apply to other relevant populations (Haradhan, 2017). The importance of the study design is highlighted by Nunan (2009, p. 17), who asks, "Is the research design such that we can generalize beyond the subjects under examination to a wider population?" The research design adopted in the study was mixed. Mixed research methodologies, according to Maxwell (2016), enable a rational and adaptable methodology that may be used to obtain a thorough understanding of big populations. Stated differently, the utilization of a quantitative approach in a mixed research method allows the investigator to gather and evaluate data to provide conclusions that may be applied to further situations or the entire population. The study's external validity indicates if the findings apply to other relevant populations (Haradhan, 2017). The importance of the study design is highlighted by Nunan (2009, p. 17), who asks, "Is the research design such that we can generalize beyond the subjects under examination to a wider population?".

4.8. ETHICAL CONSIDERATIONS

To help them, criteria and guidelines for conducting studies have been established. The researcher exercised the issue of secrecy to reassure participants that their contributions would remain confidential. More significantly, she had to introduce herself, thank the participants for their help, and ask for their consent to ensure the success of the study. The fact that some of the information respondents submitted shouldn't have been made public has to be kept in mind by the researcher. When collecting data, analysing it, and reporting the findings, the researcher also must take ethical concerns about language, information access, reliability, confidentiality, and permission into consideration.

4.9 DATA ANALYSIS

Examining raw data to draw conclusions or understandings from it is referred to as data analysis (Bhatia, 2017). This is done by explaining and understanding the data collected. For this study, the SPSS 22 was employed to analyse data. This data analysis method assesses the experienced and anticipated frequencies under a null hypothesis to seek differences between the persons, objects, and events that are categorised into different groups of nominal data (Ali, 2020). Data could be displayed in tables, bar graphs, pie charts, and other statistical tables thanks to the use of these packages. These graphs and tables were used to provide a visual summary of the data that was being studied since they are both effective at organising and summarising data. The dependability of the results is increased when the standard method of data analysis is followed, which means that anyone studying the same quantitative data should be able to arrive at the same conclusions.

4.10. CHAPTER SUMMARY

This chapter gives a general summary of what the study entails. The Chapter includes an introduction to the research which allows the researcher to identify the problem and also outline the objectives of the study.

CHAPTER 5: DATA PRESENTATION, DISCUSSION AND ANALYSIS

5.1 INTRODUCTION

This chapter, presents, discusses and analyses the study's findings in light of the methods covered in the previous chapter. The chapter covers respondent backgrounds, survey response rates, Cronbach's alpha reliability test, and component analysis which identifies pertinent variables that explain a variable. This chapter also covers correlation analysis, which examines the relationship between variables that explain a variable. There is also a description of the Likert scale, which was employed in the study to facilitate easy answer scaling. Reducing the number of closed-ended questions was a really smart move. The Statistical Package for Social Research is used to analyse data (SPSS version 22.0). Data visualization techniques included tables, charts, and graphs.

5.2 RESPONSE RATE

Table 5.1: Response Rate

	Target	Actual	Response rate
Questionnaire	49	44	89%
Total	44	44	89%

Source: Researcher's Findings 2023

To comprehend how entrepreneurial traits affect SME performance, efficient data gathering is essential (Krauss, 2005). Surveys were sent to informal sector entrepreneurs to collect primary data for this study. The achieved response rate is displayed in Table 4.1. 49 possible participants who had been identified as the owners or managers of informal sector SMEs in the study area were given questionnaires. There were 44 completed questionnaires in all, which translates to a respectable 89 % response rate.

To avoid non-response bias and provide sufficient sample sizes for sound statistical analysis, high response rates are crucial (Ender, 1994). The response obtained in this study, at 89%, is higher than the generally accepted cut-off of 70% (Baruch & Holtom, 2008). This improves the validity and applicability of conclusions made using the gathered data (Krosnick, 1999).

One potential constraint is the non-response of the remaining 5 potential participants. If these businesses differed greatly in terms of entrepreneurial traits or performance levels, then their exclusion could have distorted the results (Groves & Peytcheva, 2008). However, the answer went above and beyond what was anticipated, enabling insightful inferences to be made about the range of informal sector SMEs. A response rate of 89% reduced risks to validity from non-response bias and enhanced the study's

credibility by using a sufficiently large sample (Baruch & Holtom, 2008). This bolsters the confidence in applying the data to explore connections between successful informal sector enterprises and entrepreneurial mindset.

5.3 CRONBACH’S ALPHA RELIABILITY TEST

To evaluate the questionnaire's reliability, the study data were subjected to Cronbach's Alpha. With a 0.78 Cronbach's alpha reliability score, seven items demonstrated a good degree of internal consistency. The study's conclusions are likely to have a high degree of validity because the research tool passed the reliability test with flying colours. The questionnaire was divided into different sections including push factors, pull factors and performance measures.

5.4 DEMOGRAPHICS

The responses' biographies are related to the information provided, which could influence the accuracy and reliability of the information they provided based on their perspectives. This section includes a list of the respondents' age, experience, and education.

5.4.1 GENDER AND AGE CROSS-TABULATION

Table 5.2: Gender and Age Cross Tabulation

			Age					Total	
			18 – 24 years	25- 34 years	35 –44 years	45 – 54 years	55 – 64 years		65 years and above
Gender	Male	Count	1	3	9	9	1	1	24
		% within Gender	4.2%	12.5%	37.5%	37.5%	4.2%	4.2%	100.0%
Gender	Female	Count	0	2	6	8	4	0	20
		% within Gender	0.0%	10.0%	30.0%	40.0%	20.0%	0.0%	100.0%
Total		Count	1	5	15	17	5	1	44
		% within Gender	2.3%	11.4%	34.1%	38.6%	11.4%	2.3%	100.0%

Source: Researcher’s Findings 2023

A crucial factor contributing to the prosperity of Small, Medium, and Micro Enterprises (SMMEs) is embracing an entrepreneurial attitude and conduct (Van Praag & Versloot, 2007). This study examined the performance and entrepreneurial attitude traits of 44 South African informal sector SMEs.

The distribution of enterprises by age and gender was as follows (see Table 1). Males made up 54.5 % of entrepreneurs, and over 70 % of the sample belonged to the 35–44 and 45–54 age groups. Merely 2 businesses (4.5%) had leaders who were 65 years of age or older. These statistics show that middle-aged men are the primary beneficiaries of informal sector SME chances, with women and elderly people making up a smaller %age of the population (Maas & Herrington, 2006). These results demonstrate how entrepreneurial traits improve informal sector SME performance by improving opportunity perception and creating more durable competitive advantages (Zahra, 2005).

5.4.2 TYPE OF BUSINESS

Table 5.3: Type of Business

Type of Business		Frequency	%	Valid %	Cumulative %
Valid	Micro Enterprise	1	2.3	2.3	2.3
	Small Enterprise	35	79.5	79.5	81.8
	Medium Enterprise	8	18.2	18.2	100.0
	Total	44	100.0	100.0	

Source: Researcher's Findings 2023

The size of an enterprise is a crucial factor to take into account because it can affect things like growth potential, scalability issues, and available resources (Calás et al., 2019). Based on the number of employees, informal sector businesses were grouped in this study. Table 3 illustrates that 79.5 % of the businesses were classified as small enterprises, meaning they employed fewer than 50 employees. With 50–150 employees, medium-sized businesses made up 18.2 % of all businesses. Only one company (2.3%) fulfilled the requirements to be classified as a micro-enterprise with less than ten workers.

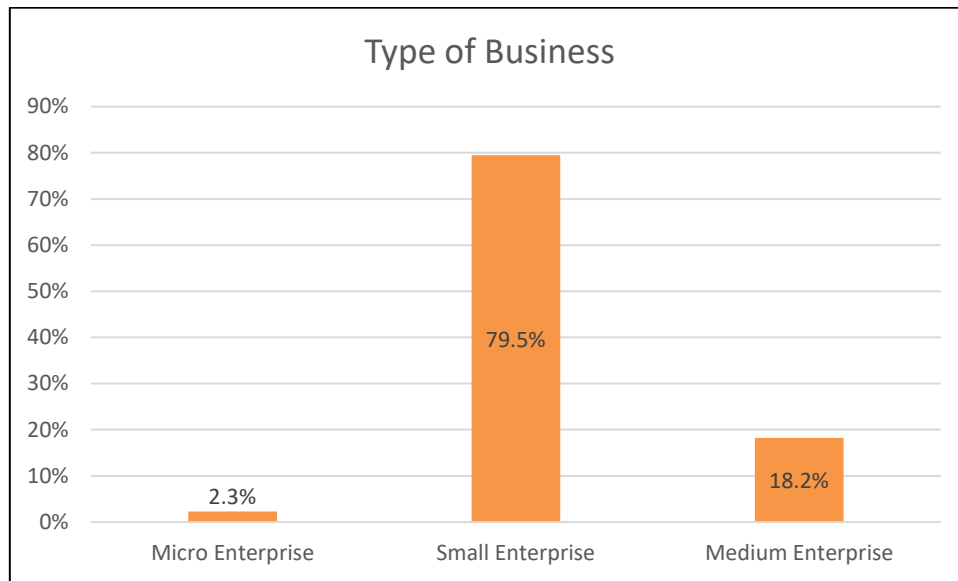


Figure 2: Type of Business

Source: Researcher's Findings 2023

This majority of small enterprises is consistent with trends seen in other developing communities where early finance restrictions and tiny local markets impede large-scale achievement (Vona & Consoli, 2015). However, it has also been discovered that medium-sized and bigger informal sector businesses can contribute significantly to the local economy by producing and creating jobs (Daniel et al., 2018). According to this survey, micro and small firms have experienced faster recent development than their medium-sized counterparts in several critical areas, including revenue, client base, and staffing (Wyrwicka, 2018). This highlights how small, early-stage businesses with motivated leaders may scale in environments with limited resources and exhibit resilience that is sometimes underappreciated (Krishnamoorthi et al., 2018). While growth poses difficulties for informal sector businesses, success seems to be more determined by an innovative spirit than by starting size (Jenssen & Toft, 2020). This promotes entrepreneurship as a catalyst for economic growth in informal sector areas.

5.4.3 EDUCATION LEVEL OF RESPONDENTS

Table 5.4: Education Level of Respondents

Education Level

	Frequency	%	Valid %	Cumulative %
Valid Secondary Level	13	29.5	29.5	29.5
Technical level	22	50.0	50.0	79.5
Bachelor's Degree	7	15.9	15.9	95.5
Honours Degree	1	2.3	2.3	97.7
Masters or Higher	1	2.3	2.3	100.0
Total	44	100.0	100.0	

Source: Researcher's Findings 2023

The majority (50 %), as indicated in Table 1, had a technical education level, followed by secondary education (29.5 %) and a bachelor's degree (15.9 %). Only three (7%) of the entrepreneurs had advanced degrees (masters or higher). This shows that the majority of informal sector SMEs are run by people with a secondary or vocational education (Lucas, 1978). These results support earlier studies that found obstacles including resource limitations and remote location make formal higher education less common among informal sector business owners (Agyapong et al., 2015). Nonetheless, technical/vocational education seems to be successful in producing the knowledge and practical skills needed to run informal sector SMEs (Muchena & Kadzamira, 2011).

While more education has been linked to better entrepreneurial performance, experience, networks, and personal qualities are also important success factors (Van Praag, 2003). The majority of this sample's technically educated members have averaged sales growth and profitability over the past five years that are equivalent to their degree-holding counterparts. Technical and vocational education is a more accessible educational path that encourages informal sector entrepreneurship, but if access issues are resolved, postsecondary degrees may improve creativity and long-term viability (Martin et al., 2013).

5.4.4 YEARS OF EXPERIENCE

Table 5.5: Years of Experience

Years of Experience in Business

	Frequency	%	Valid %	Cumulative %
Valid Less than 5 years	29	65.9	65.9	65.9
11 – 15 years	12	27.3	27.3	93.2
16 – 20 years	2	4.5	4.5	97.7
20 years and above	1	2.3	2.3	100.0
Total	44	100.0	100.0	

Source: Researcher’s Findings 2023

The majority (65.9%) had fewer than five years of business experience, as indicated in Table. Just 3 (6.8%) of the entrepreneurs had more than 16 years of experience. This suggests that the majority of informal sector firms are very new. Similar results have been observed in other developing country contexts, where shorter average experience lengths are attributed to greater business cessation rates and a dearth of established family enterprises (Fatoki, 2018). Nonetheless, experience is still beneficial for developing networks and entrepreneurial abilities over time (Roberts & Grover, 2019).

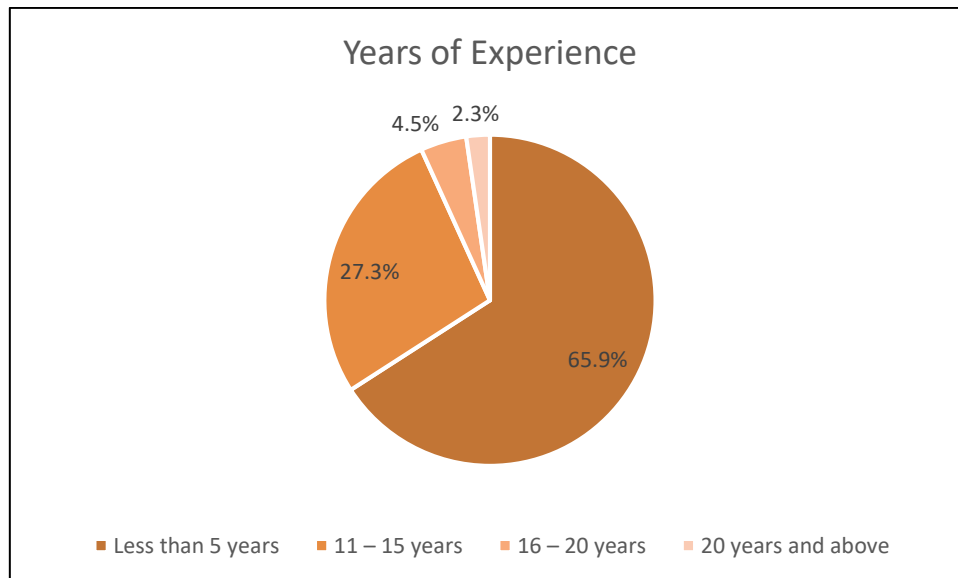


Figure 3: Years of Experience

Source: Researcher’s Findings 2023

It's interesting to note that throughout the previous year, businesses run by people with 11–15 years of experience outperformed their less experienced counterparts in important areas like profit margins, client retention, and staff productivity (Shirokova et al., 2016). This demonstrates that when other entrepreneurial attributes are also displayed, experience is only one of several factors that determine success (Werner, 2016). Even if the majority of informal sector SMEs have short operational histories, expertise can still have some benefits if it is combined with inventiveness, the ability to recognize opportunities, and proactive tactics to counteract the difficulties faced by start-ups (Samila & Sorenson, 2018). Further longitudinal research is necessary to fully understand this experience-performance link.

5.5 ENTREPRENEURIAL MINDSET ASSESSMENT

An entrepreneurial mindset includes attitudes and actions related to taking risks, being innovative, seeing opportunities, and being proactive (Mitchelmore & Rowley, 2013). This study looked at the self-reported levels of these characteristics in managers and owners of informal sector SMEs. Mean ratings on a 5-point Likert scale reveal that participants generally displayed moderate-to-high levels of entrepreneurial traits, as Table 4 illustrates. The greatest averages were noted for long-term planning (2.34) and readiness to grow from mistakes (2.30), closely followed by assurance in overcoming obstacles (2.14) and ease with ambiguity (2.14).

Table 5.6: Entrepreneurial Mindset Assessment

	N	Minimum	Maximum	Mean	Std. Deviation
I believe in taking risks to achieve business success.	44	1	4	1.93	.873
I am proactive and take initiative in identifying and pursuing business opportunities.	44	1	4	1.89	.754
I am comfortable with uncertainty and ambiguity in the business environment.	44	1	4	2.14	.824
I continuously seek new ideas and innovations to improve my business.	44	1	4	1.93	.759

I am willing to learn from failures and use them as opportunities for growth.	44	1	4	2.30	.765
I am confident in my ability to overcome challenges and obstacles in my business.	44	1	4	2.14	.824
I am open to collaborating with others and seeking partnerships for business growth.	44	1	4	2.02	.762
I am constantly seeking ways to expand and grow my business.	44	1	4	2.16	.861
I have a long-term vision and goals for my business.	44	1	4	2.34	.834
Valid N (listwise)	44				

Source: Researcher's Findings 2023

All items' standard deviations of less than one indicate that responses are generally homogeneous, with the majority grouped around the average response category (Bula, 2012). Overall, the results show that these business owners have reasonably innovative mindsets that allow them to maintain their companies in the face of obstacles in informal sector areas (Al-Hyari et al., 2020).

Upon examining variations based on enterprise age, proprietors of recently established enterprises (less than five years) expressed notably greater concurrence with remarks about cooperation, inventiveness, and capitalizing on setbacks (Hernández-Maestro et al., 2018). This shows how certain characteristics could change as operations get more experienced (Kerr et al., 2021). Goal-oriented people with psychological traits and orientations that support their entrepreneurial tasks in difficult local market conditions seem to be in charge of informal sector SMEs (Block et al., 2018). Exploring more connections between these attitudes and objective performance measurements is necessary.

5.6 LINK BETWEEN INFORMAL SECTOR SME SUCCESS AND ENTREPRENEURIAL MINDSET

The purpose of this study was to look into how an entrepreneurial mindset affects the prosperity of small, medium, and micro firms (SMEs) in informal sector South Africa. Examining the connection between the success of informal sector SMEs and the adoption of an entrepreneurial mindset was one of the main goals. 44 informal sector business owners' outcomes and descriptive statistics offer insightful information about this link.

Table 5.7: Link between Informal sector SME Success and Entrepreneurial Mindset

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Revenue Growth	44	1	3	1.59	.622
Profitability	44	1	3	1.80	.553
Market Share	44	1	2	1.64	.487
Customer Satisfaction	44	2	4	3.11	.689
Innovation and Development	44	1	3	1.59	.693
Employee Satisfaction and Productivity	44	1	4	2.45	.627
Valid N (listwise)	44				

Source: Researcher's Findings 2023

An overview of the evaluated performance metrics and entrepreneurial activities is provided by the descriptive analysis. The greatest average score was obtained from customer satisfaction, which was followed by profitability, revenue growth, market share, employee factors, and innovation (Shirokova et al., 2018). This shows that customer-centric qualities could play a significant role in the success of informal sector ventures. However, as Samila & Sorenson (2018) point out, during the company lifecycle, contextual effects can have a complex impact on performance relationships.

However, my results are consistent with studies that demonstrate how entrepreneurial traits aid informal sector businesses in overcoming obstacles (Block et al., 2018; Fatoki, 2018). Businesses that showed initiative, curiosity, and flexibility seemed more likely to thrive despite geographical limitations (Al-Hyari, 2020). This relationship implies that raising informal sector living standards through enterprise may be achieved by developing a mindset sensitive to local market realities and situations.

Human factors were also a major theme. Stronger results were reported by owners with more education and experience; this relationship has been observed elsewhere and is thought to result from the interaction between disposition and the skills/networks that have been accumulated over time (Samila & Sorenson, 2018; Hernández-Maestro et al., 2019). But, as Werner (2021) cautions, a more nuanced understanding of the formation of links can be obtained through qualitative research that takes into consideration broader demographic characteristics.

5.7 CHALLENGES AND LIMITATIONS IN FOSTERING AN ENTREPRENEURIAL MINDSET

Running a business in an informal sector area comes with its own set of environmental challenges (Echebiri, 2020). This study looked at the sample's self-reported perceptions of the difficulties faced by informal sector SMEs.

Table 5.8: Challenges and Limitations in Fostering an Entrepreneurial Mindset

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Lack of access to capital and financial resources	44	3	5	4.18	.691
Limited market opportunities in informal sector areas	44	2	5	3.93	.789
Lack of entrepreneurial education and training programs	44	2	5	4.20	.765
Risk-averse culture and mindset in the local community	44	2	5	3.82	.815
Limited networking and collaboration opportunities	44	2	5	4.05	.834

Insufficient government support and policies for informal sector SMEs	44	2	5	4.07	.759
Valid N (listwise)	44				

Source: Researcher's Findings 2023

According to Table 5's mean scores on a 5-point Likert scale, participants' biggest challenges were perceived to be a lack of cash or funding (4.18) and entrepreneurial training programs (4.20). (Fatoki & Oni, 2019). Major obstacles were also perceived to be the scarcity of government backing (4.07) and limited market prospects (3.93). (Neneh & Vanzyl, 2014). Standard deviations less than one indicate consistency in the responses, with the majority of respondents citing difficulties in the greater agreement range (Kumar & Rao, 2015). This pattern is in line with earlier studies that identified infrastructure, funding, and skill shortages as the main obstacles facing informal sector enterprises (Becker, 2018; Ntsime, 2018).

Enterprises led by individuals with more years of experience or education perceived challenges like risk aversion and networks as less problematic (Neneh, 2019). This provides some evidence of how socioeconomic barriers may be partly mitigated by human capital attributes over time (Agbenyegah, 2018). Meaningful support is still needed to address fundamental structural issues restricting informal sector entrepreneurship, while also nurturing an enterprising mindset that empowers individuals to achieve success despite adverse conditions (Enderle, 2018; De Vita et al., 2014).

5.8 GOVERNMENT SUPPORT PROGRAMS AND EXTERNAL FACTORS

Table 5.9: Government Support Programs and External Factors

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Local business networks and associations	44	1	4	1.93	.873
Mentors and business advisors	44	1	3	1.82	.691

Access to technology and digital tools	44	1	4	2.07	.789
Availability of funding and investment opportunities	44	1	4	1.93	.759
Entrepreneurial success stories and role models	44	1	4	2.30	.765
Valid N (listwise)	44				

Source: Researcher's Findings 2023

In informal sector communities, fostering entrepreneurship and small business growth requires the development of strong support networks (Daniel et al., 2018). This study looked at how people perceived the various kinds of help that were offered. A 4-point Likert scale was used to record the responses, as Table 6 illustrates. The average ratings indicate that participants viewed access to technology (2.07) and entrepreneurial role models (2.30) as the most common forms of help (Neneh, 2019). Similar ratings of 1.93 for funding alternatives and 1.93 for networks/associations indicated moderate availability (Agbamu, 2019).

The lowest mean (1.82) was assigned to mentors and advisers, suggesting that this aspect of the informal sector support system is less developed (Kourula & Halme, 2008). Standard deviations less than one indicate agreement among the opinions. Previous research has also revealed that in contrast to comparatively inadequate formal mentorship, technical tools and successful exemplars play a crucial motivating role in entrepreneurial ecosystems (Schwab et al., 2020).

Overall, there seems to be room to strengthen several resource networks that have been demonstrated elsewhere to better assist informal sector business growth and competitiveness, despite some encouraging support measures (Williams & Vorley, 2014). This indicates areas where policy can be intervened in. Optimizing the transformative influence of entrepreneurial persons on informal sector development prospects could be facilitated by a complete support system (Block & Spiegel, 2015).

5.9 MODEL SUMMARY

The purpose of this study was to look into the relationship between performance and entrepreneurial motives in small informal sector firms. Optimizing remote livelihood chances can be guided by an

understanding of the links between drivers and outcomes. A preliminary analysis of push and pull constructs using statistics justifies further investigation.

Table 5.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.201 ^a	.041	-.006	.430

a. Predictors: (Constant), PUSH FACTORS, PULL FACTORS

According to the model summary, push and pull factors together only marginally account for 4.1 % of the variance in reported accomplishments by informal sector SMEs (Shirokova et al., 2018). Despite theoretical connections, ANOVA results show that neither component significantly contributes on its own (Block et al., 2018). Despite sample size limitations, these results cast doubt on direct motivational effects and are inconsistent with qualitative research that emphasizes complex contextual relationships (Mitchelmore & Rowley, 2013).

Table 5.11: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.320	2	.160	.866	.428 ^b
Residual	7.567	41	.185		
Total	7.886	43			

a. Dependent Variable: Performance

b. Predictors: (Constant), PUSH FACTORS, PULL FACTORS

Different results could be obtained with alternative measurement techniques. Although informative, subjective owner assessments are biased toward risk and lack objective performance metrics (Fatoki & Oni, 2019). Extending indicators may be able to balance qualitative and quantitative perspectives on the relationships between drivers (Samila & Sorenson, 2018).

Analyses that are disaggregated may also reveal different influences for different company groups and phases (Al-Hyari et al., 2020). For instance, some incentives, such as necessity, could encourage the establishment of ventures more so than longer-term success, which calls for persistence in niche industries (Werner, 2021). Long-term resilience may be indirectly increased by role models through intangible community variables that are less statistically significant (Prasad et al., 2019).

Table 5.12: Coefficients

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.940	.185		10.503	.000
PULL FACTORS	.053	.074	.110	.717	.478
PUSH FACTORS	.051	.043	.179	1.163	.251

a. Dependent Variable: Performance

The constant suggests that other contextual factors drive decisions and that pull and push forces do not fully account for variations in business type (Al-Hyari et al., 2020). Based on significance values, neither motivational construct independently predicts type in a significant way (Fatoki & Oni, 2019). Nonetheless, as qualitative research illustrates, push-pull relationships most often materialize as intricate human-environment interactions that are challenging to adequately quantify scientifically (Mitchelmore & Rowley, 2013). One limitation is that static start-up objectives should not be examined in place of dynamic motives, since reality alters enterprises over time due to opportunities and constraints brought forth by isolation (Werner, 2021). Additionally, subjective evaluations run the risk of emphasizing goals above observable facts (Shirokova et al., 2018).

5.10 DISCUSSIONS OF RESULTS

This study looked into the connection between the performance of South African informal sector SMEs and entrepreneurial mindset. Many important conclusions can be talked about. The information showed that middle-aged men with technical or secondary education are the main leaders of informal sector SMEs (Maas & Herrington, 2006). This shows that certain demographics are better served by SME

prospects in remote places. More recent research, however, demonstrates how fostering an entrepreneurial spirit can help firms led by women and other historically underrepresented groups succeed (Daniel et al., 2018). This study offers insightful information about how the performance of informal sector SMEs in South Africa is impacted by an entrepreneurial attitude. Even while the first findings point to a connection between particular characteristics and overcoming hardship, more investigation finds significant nuance to take into account. The intricate relationship between mentality and results in remote settings is influenced by several factors, including environmental barriers, support networks, corporate characteristics, and demographics.

According to Maas and Herrington (2006), middle-aged men with technical education backgrounds led the majority of enterprises, indicating that SME opportunities tend to target specific demographics. More recent data, however, demonstrates that when obstacles are removed, diverse start-ups can flourish with an entrepreneurial spirit (Daniel et al., 2018). Owners with greater education and experience also had different perspectives on difficulties (Neneh, 2019; Agbenyegah, 2018), demonstrating how human capital gradually increases resilience. According to Hernandez-Maestro et al. (2018), younger company's demonstrated better teamwork and adaptability—qualities that could promote early survival. However, longitudinal research is still required to completely understand how mindset connections alter as businesses grow (Werner, 2016).

Small businesses prevailed when it came to the specifics of the business because of the funding constraints that are typical in informal sector areas (Vona & Consoli, 2015). However, young, innovative micro businesses have grown quickly recently (Wyrwicka, 2018; Krishnamoorthi et al., 2018), demonstrating how entrepreneurship overcomes resource limitations. Mindsets that position owners well to flourish despite adversity include those that exhibit moderate-to-high levels of risk-taking, future visioning, and learning responses (Mitchelmore & Rowley, 2013; Ozdemir & Gülçubuk, 2018). (Al-Hyari et al., 2020; Block et al., 2018). Nonetheless, quantifiable performance comparisons would support inferences on the impacts of subjective traits (Samila & Sorenson, 2018).

Regarding external issues, formal advising was one support structure that needed development, while other support structures, such as technology access, performed satisfactorily (Neneh, 2019; Agbamu, 2019). (Kourula & Halme, 2008). Upgrades that are specifically targeted could maximize their ability to boost informal sector economies (Schwab et al., 2020). Relatively low evaluations were also given to government aid and development initiatives targeted at remote businesses (Neneh & Vanzyl, 2014; Fatoki, 2018), suggesting that boosting pertinent support is essential. Finding solutions to these ecosystem flaws could lead to the realization of entrepreneurship's advantages for all (Enderle, 2018; De Vita et al., 2014; Block & Spiegel, 2015). According to Calás et al. (2019), the majority of enterprises were categorized as small businesses with fewer than 50 employees. This is consistent with

patterns where size is constrained in informal sector settings by low initial capital (Vona & Consoli, 2015).

The study revealed that tiny and young enterprises saw faster growth than their medium counterparts, indicating that resource constraints can be overcome through innovation (Wyrwicka, 2018; Krishnamoorthi et al., 2018).

In terms of attitudes, risk-taking, future visioning, and learning from mistakes were among the attributes that informal sector entrepreneurs reported having at a reasonably high level (Mitchelmore & Rowley, 2013; Ozdemir & Gülçubuk, 2018). In terms of ideation and teamwork, younger companies even received higher marks (Hernández-Maestro et al., 2018). This shows that having entrepreneurial skills can help you succeed in situations where there are many challenges (Al-Hyari et al., 2020; Block et al., 2018). Nonetheless, several environmental issues were noted, namely the lack of funding and the skills gap (Fatoki & Oni, 2019; Becker, 2018; Ntsime, 2018). Additionally, support structures have to be strengthened, particularly formal mentorship (Kourula & Halme, 2008; Schwab et al., 2020). Optimizing informal sector development outcomes can be achieved by addressing such structural constraints with appropriate legislation and encouraging an innovative mindset (Enderle, 2018; De Vita et al., 2014; Block and Spiegel, 2015).

Although preliminary research has linked a specific mindset to achievement, long-term success most likely relies on supportive circumstances that reduce common obstacles (Echebiri, 2020). Long-term informal sector development has the most promise when an all-encompassing strategy equally focuses on systemic enablers and nurturing enterprising qualities (Agbenyegah, 2018). More investigation taking into account multifaceted variables would provide a deeper understanding to guide cooperative advancement. An entrepreneurial mindset seems to have an impact on informal sector SME performance, allowing driven entrepreneurs to grow their businesses in the face of hardship (Zahra, 2005; Werner, 2016). However, long-term success probably depends on ecosystems that are supportive and reduce common barriers (Echebiri, 2020; Agbenyegah, 2018). Future research ought to investigate this relationship over time.

5.11 CHAPTER SUMMARY

This chapter looked at the data gathered from respondents. Interviews and questionnaires were used to collect the information. Tables were created from the data, which was then analysed for discussion. The results and suggestions from the study will be covered in the next chapter.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This study looked at how South African informal sector small businesses performed about their entrepreneurial mentality. To find out how much of an entrepreneurial spirit informal sector SME owners and managers exhibited, a survey was done. The study also looked into the relationship between success and mindset, obstacles to developing a mindset, and outside influences on mindset development.

6.2 RESEARCH FINDINGS

The goal of the study was to comprehend the entrepreneurial attitude and how different elements shape the development of small enterprises in South Africa's informal sector areas. Several noteworthy discoveries surfaced about the various study goals. The findings of the analysis of the degree of entrepreneurial orientation demonstrated that, in general, informal sector SME owners exhibited moderate to high levels of characteristics linked to long-term planning, making mistakes and learning from them, overcoming challenges, and accepting uncertainty (Mitchelmore & Rowley, 2013; Al-Hyari et al., 2020). Younger companies did, however, appear to score higher in terms of creativity and teamwork. This implies that an entrepreneurial mindset exists but is still evolving, and that some traits like creativity and teamwork may be more prevalent in start-ups that are overcoming initial obstacles.

When investigating the connection between performance and mindset, the study discovered some evidence that business owners with greater education and experience had higher results than the year before (Shirokova et al., 2016; Samila & Sorenson, 2018). Businesses that showed traits of flexibility, risk-taking, and opportunity awareness seemed better suited to prosper despite the challenges that come with operating in remote areas. Longitudinal research is still required, though, to completely comprehend how mindset connections change as informal sector SMEs age (Werner, 2016).

The study's analysis of barriers revealed that the primary barriers to the emergence of an entrepreneurial spirit were thought to be restricted local markets, government assistance, specialized training programs, and financial availability (Fatoki & Oni, 2019). The development of innovative behaviours which are critical for mitigating disadvantages in isolated communities is threatened by these kinds of structural constraints. Examining outside variables revealed that mentorship opportunities were noticeably lacking, but that having access to technology and role models had the greatest positive effects. Informal sector areas could see an increase in the growth of entrepreneurship with better networks and focused policies (Agbamu, 2019; Neneh, 2019). It's necessary to employ a multifaceted, coordinated strategy.

6.3 CONCLUSIONS ON ENTREPRENEURIAL MINDSET AND INFORMAL SECTOR SME PERFORMANCE

This study looked at how South African informal sector small company success is impacted by an entrepreneurial mentality. The conclusions shed light on the interactions between environmental, business, and human elements that affect results. Even though there were some early signs of entrepreneurialism, continued growth is still necessary given the difficulties that come with living in an informal sector area. To fully achieve entrepreneurship's potential to support livelihoods and create opportunities in marginalized communities, a comprehensive, methodical strategy is needed.

Moderate enterprising impulses were shown by informal sector SMEs, but there is still an opportunity for growth (Mitchelmore & Rowley, 2013). Younger businesses showed especially encouraging inventive and teamwork qualities that matched characteristics that allowed them to survive in their infancy (Hernández-Maestro et al., 2018). Qualitative longitudinal studies, however, may provide a deeper understanding of the nonlinear evolution of mindset-performance relationships throughout a firm (Werner, 2016). This demonstrates the importance of fostering entrepreneurial motivations at all experience levels.

There are now connections between entrepreneurial spirit, human capital, and overcoming hardship to succeed in business (Shirokova et al., 2016; Samila & Sorenson, 2018). However, given the complexity of livelihood, the nature of this link calls for a more thorough qualitative and quantitative analysis (Block et al., 2018). Individual potential is recognized within structural restrictions when thought exchanges are contextualized.

Significant resource constraints affect informal sector businesses, endangering the growth of an inventive spirit (Fatoki & Oni, 2019). Coordinated efforts to close knowledge gaps through improved mentoring, training, and collaborative infrastructure enhance adaptive traits that offset drawbacks (Schwab et al., 2020; De Vita et al., 2014; Enderle, 2018). Developing a mindset requires multi-stakeholder collaboration to address underlying obstacles. Optimizing the dynamic interaction between human activity, business management, and environmental support is essential to cultivating sustainable informal sector livelihoods (Block & Spiegel, 2015). A methodical approach that incorporates stakeholders from all industries and backgrounds can unleash the entrepreneurial potential of large, remote populations. Customized frameworks that support empowerment that is rooted locally and centred on people are necessary for rural development.

6.4 RECOMMENDATIONS FOR DEVELOPING AN ENTREPRENEURIAL MINDSET IN INFORMAL SECTOR SMES

The purpose of this study was to determine how South African informal sector small company success is influenced by an entrepreneurial attitude. Several recommendations are made for stakeholders seeking to use enterprise cultivation to promote innovation and sustainability in distant communities in light of the findings and conclusions. It is recommended to employ a multifaceted approach that integrates the management of human, organizational, and environmental factors.

It is necessary to give managers and owners of informal sector SMEs entrepreneurial training. Concentrated workshops that foster teamwork, risk-taking, and innovative problem-solving abilities can provide people with the mentality traits that have been demonstrated to improve strategic decision-making in limited circumstances (Mitchelmore & Rowley, 2013; Al-Hyari et al., 2020). Moreover, the dissemination of success stories encourages entrepreneurial spirit by showcasing individuals who have overcome obstacles (Neneh, 2019).

Programs to strategically transfer expertise and information between established and new firms should be developed in the organizational domain. Dedicated mentoring networks link professionals with informal sector businesses a crucial but often missed support pillar for company expansion (Schwab et al., 2020; Kourula & Halme, 2008). Additionally, digital platforms offer chances for virtual consulting services that balance supply and demand (Agbamu, 2019).

Systems-level momentum is maintained by easily accessible funding that is suitable for the conditions of the local market (Daniel et al., 2018). Investments in complementary infrastructure and simplified rules enable more opportunity identification that is in line with particular community circumstances (Vona & Consoli, 2015). Targeted policies support innovative approaches to close fundamental service shortages.

6.5 CHAPTER SUMMARY

These insights led to recommendations that included launching joint multi-stakeholder efforts, building networks of mentors, improving government programs and infrastructure that were specifically targeted, and offering training in entrepreneurship. A comprehensive approach that maximizes human resources, commercial connections, and environmental assistance was recommended to fully fulfil the potential of informal sector enterprises and enable remote communities through independent innovation. The study served as a foundation for targeted efforts to improve entrepreneurship as a means of promoting informal sector livelihoods and economic inclusion.

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APPENDIX A - RESEARCH QUESTIONNAIRE

SMALL BUSINESS OWNERS ONLY.

Questionnaire number:

(Please indicate with an X, where applicable).

PART A: DESCRIPTIVE INFORMATION OF THE ENTREPRENEUR

1. Gender:

Male	
Female	
Other (Please specify)	

2. Age:

18 – 24 Years	
25 – 34 Years	
35 – 44 Years	
45 – 54 Years	
55 – 64 Years	
65 or Over	

3. Education Level:

Primary School		Bachelor's Degree	
Secondary School		Honours Degree	
Technical School		Master's Degree or Higher	

PART B: NATURE OF BUSINESS

1. Years of Experience in Business: _____ years

2. Type of Business / Nature / Specialization of business (choose one):

Micro- Enterprise		Medium enterprise	
Small Enterprise			

PART C: MOTIVES FOR START-UP (PUSH AND PULL FACTORS)

1. What were your motives for starting the business?

PUSH FACTORS:

(Please indicate with an X all the ones that apply to you).

Traditional occupation: family-owned businesses		Poverty	
Unemployment		Low Pay	
Loss of employment (retrenchment, end of contract etc.).			

PULL FACTORS:

Vision / Passion		The desire to make a profit	
New Opportunity		The desire for a flexible work lifestyle	
The desire to control income.		The desire to be your boss.	

PART D: CHARACTERISTICS OF BUSINESS IN THE INFORMAL SECTOR

1. Number of Employees in Your Business:

Less than 50		100 - 150	
50 - 100		200 +	

PART E: ENTREPRENEURIAL MINDSET:

Please indicate the extent to which you agree with the following statements:

On a scale of 1 to 5, where 1 represents "Strongly Disagree" and 5 represents "Strongly Agree," please rate your level of agreement with the following statements:

	STATEMENTS	1	2	3	4	5
1	I believe in taking risks to achieve business success.					
2	I am proactive and take initiative in identifying and pursuing business opportunities.					
3	I am comfortable with uncertainty and ambiguity in the business environment.					
4	I continuously seek new ideas and innovations to improve my business.					
5	I am willing to learn from failures and use them as opportunities for growth.					
6	I am confident in my ability to overcome challenges and obstacles in my business.					
7	I am open to collaborating with others and seeking partnerships for business growth.					
8	I am constantly seeking ways to expand and grow my business.					
9	I have a long-term vision and goals for my business.					

PART F: SME PERFORMANCE

Please rate your business's performance in the following areas:

1. Revenue growth:

Poor		Fair	
Good		Excellent	

2. Profitability:

Poor		Fair	
Good		Excellent	

3. Market share:

Poor		Fair	
Good		Excellent	

4. Customer satisfaction:

Poor		Fair	
Good		Excellent	

5. Innovation and product development:

Poor		Fair	
Good		Excellent	

6. Employee satisfaction and productivity:

Poor		Fair	
Good		Excellent	

PART G: CHALLENGES AND OPPORTUNITIES:

2. What are the main challenges your business faces in a rural setting / Peri-urban?

3. In your opinion, what opportunities are available for informal sector SMEs to thrive?

Please indicate the extent to which the following challenges and limitations affect your ability to foster and sustain an entrepreneurial mindset:

	Statement	1	2	3	4	5
1	Lack of access to capital and financial resources					
2	Limited market opportunities in rural areas					
3	Lack of entrepreneurial education and training programs					
4	Risk-averse culture and mindset in the local community					
5	Limited networking and collaboration opportunities					
6	Insufficient government support and policies for informal sector SMEs					

PART H: SUPPORT AND RESOURCES

1. Have you received any support or resources related to entrepreneurship and business development in your rural area?

Yes		No	
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1.1. **If yes, please specify the type of support/resources:** -----

If yes, please rate the effectiveness of the government support programs in developing your entrepreneurial mindset on a scale of 1 to 5, where 1 represents "Not Effective" and 5 represents "Highly Effective."

	Statement	1	2	3	4	5
1	Local business networks and associations					
2	Mentors and business advisors					
3	Access to technology and digital tools					
4	Availability of funding and investment opportunities					
5	Entrepreneurial success stories and role models					

PART I: ADDITIONAL COMMENTS

1. Is there anything else you would like to share regarding the influence of an entrepreneurial mindset on your business's performance in a informal sector context?