Growing Capacities of Sustainable Entrepreneurship in Townships: A Theoretical Perspective

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Abstract

Part of the current Township Economy Revitalisation (TER) campaign involves increasing the participation and success of township entrepreneurs to participate in their township economy. As with most developing countries, South Africa is a country full of possibilities, however, most people are not granted access to these opportunities, particularly the beginners in entrepreneurship. This prevents ordinary people from the township to actively participate and contribute to their own township economy. The purpose of this research paper is to explore how township entrepreneurs can play a participating role in their own economy. Data was gathered primarily through a literature review survey which directs the proposed model discussed in this paper. A qualitative research pilot study was conducted to gain insight into the understanding and thoughts of township entrepreneurs regarding their significant role in participating in the township economy. The key findings reveal the need for a continuous process to drive innovative sustainable development in townships. There have been numerous awareness initiatives to encourage people from townships to participate in growing their economy. In most instances, novice entrepreneurs’ success relies on the environment and support structures available. Both the public and private sector should remain committed, not only to ensure quality in training programmes and entrepreneurship skills but also to create an enabling environment in the township for people to participate in their economy.

Keywords: Development, Entrepreneurship, Township, Education, Training, Township Economy Revitalisation (TER), Self-employment, Urban residential suburb, Youth, Young people.

1. Background

Entrepreneurship development and sustainability efforts in townships have been hampered by a number of reasons including inequalities, level of education, and lack of adequate information. Because of inequalities observed, it is difficult for entrepreneurs operating in towns and townships to ‘catch-up' with their peers in the cities.

This research paper investigates the state of entrepreneurship in townships in South Africa. The paper focuses on young people in the township who are unemployed and looming on the streets. Issues relating to the development and sustainability of existing entrepreneurs in the townships are addressed. Over the past decades, townships have been a place called home for millions of people in South Africa (Hadebe, 2010). Townships have played an important role in most people in South Africa. Therefore, research that focuses on the context of townships is important.

Historically, townships were formed by people from rural areas coming to towns looking for work opportunities such as mining, industrial and domestic work. The government developed townships for people working close to towns to enable them easy access to and from work.

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According to UN-Habitat (2003, as cited in Hadebe, 2010), in the South African township context, which includes Alexandra and Tembisa, admission to land is difficult. For example, Tembisa consists of numerous rental back rooms in the back yards. Over the years, township property owners developed a philosophy of building backrooms and renting it out to make extra money.

This assisted people with big families in need of accommodation as well as those renting out the rooms. Recently, a growing trend of landlords renting to entrepreneurs to run businesses in their own yards, started to emerge. Townships can be described as previously underdeveloped living areas in the urban environment. However, over the past decade townships have been improved, for example, Ekurhuleni is extremely urbanised with 99.4% of the population living in urban settlements, ranging from informal settlements to elite urban residential suburbs, with a number of large urbanised townships (Statistics South Africa, 2011). South Africa has made substantial improvement in the living standards of townships areas (Ligthelm, 2010).

2. Literature review

2.1 The importance of education and training in developing and sustaining emerging youthful entrepreneurs in townships

The African Youth Charter (African Union, 2006) defines youth as people between the ages of 15 and 35 years, while the National Youth Policy 2009-2014 (The Presidency, 2009) describes youth as people falling in the age group of 14 to 35 years. The researcher therefore concludes that people categorised as the youth are people ranging from 14 or 15 years to younger than 36 years. It is disturbing that in all nine provinces of South Africa the rate of youth unemployment is more than double that of adults (Statistics South Africa, 2014). This should hint to political and governance bodies in South Africa that more needs to be done for the youth since the South African population consists of a high margin of young people compared to adults.

It is important to have inclusive policies that address the development of young people, especially post democracy in South Africa to assist in dealing with the gap among advantaged and disadvantaged people in townships, and youth affected by the pre-democracy system (The Presidency, 2009). The National Youth Policy 2009-2014 is an important document for South Africa. It has been developed as part of the international trend of formulating policies aimed at positively changing the conditions of people in the current century. Despite its importance, the national Youth Policy 2009-2014 has not been fully implemented. It is in the understanding of the researcher that often policy documents are not implemented due to changes in government administration. By the time a policy is ready for implementation, the government is under new administration, and the new administration spends years in reviewing before taking the decision to implement or enhance the policy document.

The Department of Higher Education and Training (DHET) has been established in May 2009 to administrate the post-school education and training system in South Africa (DHET, 2014b). There are fifty public Technical and Vocational Education and Training (TVET) colleges in South Africa (as at 2014) according to the Research Agenda 2014-2017 report (DHET, 2014a). DHET is faced with a huge responsibility in ensuring that access to education and training for South Africans meets the needs of the people. Post-school education and training emphasises the importance of expanding high quality education and training to people in rural areas and townships DHET (2013) to enable easy access.

Education is essential in the development of young people of any nation, and there is more that needs to be done. Progress in the past two decades has been measurable in South Africa. However, there are challenges that still continue to affect young people to become entrepreneurs such as challenges related to education and training which include inequalities in educational institutions as well as poor quality and lack of resources in township schools (Ngcaweni & Moleke, 2007). The current state of the South African educational system and strategies employed by the education and training sector to address challenges include quality of education and equipping students with the best information available (Ntombela, 2013).
2.2 Entrepreneurship in Townships

According to Hisrich and Peters (2002, as cited in Makhoba, 2010), entrepreneurship refers to a procedure that involves “creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks and receiving the monetary rewards as well as personal satisfaction and independence”. Therefore, entrepreneurs play an important role in creating employment in townships. Entrepreneurs in townships focus on providing services such as car wash, back room property rentals, salons, spazashops (also known as tuck shops) and taverns, among others, and products such as fast food (Ndabeni & Rogerson, 2005). These services, shops and products are readily available in townships.

It is difficult for entrepreneurs in the townships to secure funding because of their low credit worthiness (Makhoba, 2010). Financial institutions find it high risk to finance most entrepreneurs and aspiring entrepreneurs from townships. Subsequently, finding funding to start a small business is often the largest stumbling block.

People have different reasons motivating them to become entrepreneurs (Maas & Herrington, 2007). A large number of people in townships are not sufficiently skilled or educated to secure good employment opportunities; turning to entrepreneurship became a way of earning a living. While it is true that some of the entrepreneurs have the enthusiasm for growing the economy in their communities, many informal business entrepreneurs participate in informal businesses because of unemployment and poverty (Hadebe, 2010). Entrepreneurs in townships face numerous fundamental challenges, including support from the community, access to the right information, and receiving coaching or mentoring from successful entrepreneurs within their communities.

Makhoba (2010) highlights that in a study conducted in one of the Gauteng municipalities (i.e. Emfulweni), 42% of 60 small businesses entrepreneurs did not have Grade 12 (Matric), 56% matriculated, only 2% indicated they hold a Diploma qualification, and none of the participants had qualifications higher than a diploma. These results paint the picture of the educational level of most entrepreneurs in townships. The group who matriculated (56% of the 60 small businesses entrepreneurs), decided to go into business due to lack of funding to further their studies.

It is rare to find informal businesses in the township growing at the same pace as those in towns (Rogerson, 1996). There are more opportunities in towns compared to townships. However, to some extent it also depends on the product or service.

2.3 Youth unemployment in townships

The high number of unemployment in townships presents an opportunity to relevant stakeholders to increase entrepreneurial skills among the youth. Financial institutions and entrepreneurial initiatives have a role to play in making access to entrepreneurial information and opportunities easy for the youth (South African Government, 2014). The government and private entities must increase their capacity to enable beginners in entrepreneurship to succeed and operate to their full capacity, especially those in the townships.

Technology enables information to be transmitted to a high margin of youth in townships (Rakib, 2011). Technology and its innovations must be used as a communication channel to inform the youth of different opportunities available for those interested in entrepreneurship. Figure 1, adopted from Rakib (2011), is an example illustrating the use of technology devices in a ubiquitous environment where users in a remote area can use internet connectivity on their smart devices to interact with other people and objects not in the same demarcated area.
According to Okafor (2011), young people from townships should be important participants in the ever changing labour market and the world influenced by technology. The youth of today are the adult generation of tomorrow and should therefore be absorbed into the market at a young age. Okafor (2011) further remarks that it should be worrying to nations with a low margin of young people in their organisations and businesses as this will affect their sustainability and smooth running in the long run (Okafor, 2011). The high number of unemployment of young people will have a negative impact on the advancement of sustainable development in the future.

The South African government and policy makers must fuel the worrying challenge of youth unemployment, especially since young people constitute more than 41% of the national population, and less than 6% of these participate actively in entrepreneurship (DTI, 2013). The unemployed people in townships are often those with less experience and skills in the economic mainstream fields. About 86% of unemployed young people do not have post-school education. Work experience is another challenge for the youth (DTI, 2013). The labour market prefers people with a sufficient educational background and experience, which is a serious challenge for students who possess post-school education but do not have work experience.

South Africa is not the only developing country experiencing unemployed and unemployable young people on the African continent. Another country with similar challenges is Nigeria. The prolonged problem of youth unemployment in Nigeria is disturbing, especially for thousands of graduates from higher education institutions who find it stressing having graduated, yet cannot find a job (Okafor, 2011).

Young people on the African continent are experiencing frustrations as a result of poverty and unemployment, including those with university qualifications (African Union, 2006). It is tough times for young people of this generation. Graduates are not absorbed by the markets and industry. Young entrepreneurs are frustrated as they face stringent red-tape when attempting to secure funding for their businesses. Corruption is another challenge for youth to successfully benefit as small and medium business entrepreneurs (African Union, 2006).

World unemployment is moderately increasing and people without employment was at 6.3% in 2007 (ILO, 2007). There has not been much change in economic growth from 2007 to 2011. It is the understanding of the researcher that the rate of unemployment has increased further since the 2007 percentage rate. The number of unemployment in South Africa has increased by 6.1 million from 1994 to 2014 (Statistics South Africa, 2015). Regardless of the current state of unemployment, the National Planning Commission (2011), South Africa, plans to grow the economy and reduce poverty by 5.4% to reduce the unemployment rate by 6% by 2030.
The Gauteng provincial government had to re-engineer their economic development section. This led to the merger of Blue IQ Investment holdings (Pty) Ltd and the Gauteng Economic Development Agency (GEDA) to form the Gauteng Growth Development Agency (GGDA) in 2012 (Gauteng Growth Development Agency, 2016). The Gauteng provincial government pledged to take up the challenge to change the perception of townships being the reservoir of labour to towns. Through entrepreneurial support and enabling assistance, the provincial government is positive this will contribute to grow the economy in the townships (Gauteng department of economic development, 2014).

3. Methodology

It is difficult to pose research questions until the researcher has a firm understanding of the focus area (Gerring, 2007). It is important for researchers, particularly novice researchers, not to take for granted the research findings and recommendations by other researchers in the related focus area (Oliver, 2010). For this study, the literature that has been consulted—which includes the findings of other researchers—assisted the researcher in supporting the findings and recommendations stated in this research paper.

For this study, the researcher primarily conducted desktop research to gain in-depth knowledge on developing and sustaining existing and prospective entrepreneurs in townships. This paper relates to the neo-liberalism theory because it is a theoretical discussion paper that looks at sustaining and developing young people as entrepreneurs in townships. The theory of neo-liberalism entails the ethical responsibility of people to position and re-engineer their lives to ensure that the participation of people in economic development is maximised (Harvey, 2005; Okafor, 2011).

Secondary data that broadened the researcher’s understanding of the state of entrepreneurship was collected through observations and social discussions which the researcher conducted with a group of young people owning a car wash service in one of the townships in the Metropolitan Municipality of Ekurhuleni. The researcher observed the process and/or lifestyle of how some of the car wash entrepreneurs run their businesses. The observation method is described as data collected whereby the observer attempts to generate relevant data from a perspective of the individuals being studied (Wiersma & Jurs 2009). In this paper, the observer refers to the researcher, the individuals refers to the car wash entrepreneurs, and what is being studied refers to how these young people run their enterprises. Wiersma and Jurs (2009) indicate that observation is relatively unstructured.

4. Pilot study discussion

The population in townships is on the rise and people are increasingly stuck in poverty. Young people, probably unemployed yet potential entrepreneurs, are looming on the township streets. There is a serious need for government and the private sector to invest in township revitalisation and focus on growing the economy in townships.

The observations made by the researcher are discussed below. The social nature of the observations, i.e. collecting data in a group setting, posed a challenge in terms of reporting on the outcomes sequentially. In addition, during the data collection process it was necessary for the researcher to revert to using a language these young entrepreneurs could best relate to referred to as ‘ghetto’ language.

Car washing is one of the services that young people in the townships have penetrated. It is almost impossible to drive for five kilometres in a township without coming across a car wash service. The researcher engaged entrepreneurs that run a car wash service as they are young people in townships offering a service to people. Through data collection by means of observations and engaging the car wash owner, the researcher attempted to gain an understanding of how young entrepreneurs feel about township development as whether they are provided with sufficient information to participate and be developed as entrepreneurs.

When the researcher addressed these young people as entrepreneurs, one of them mentioned with a smile that they are not entrepreneurs; they are simply trying to make a living. The discussion with the car wash participants brought the researcher to the realisation that many young people have lost hope with making a success of their lives. One entrepreneur indicated that he wanted more from life; however, he stopped receiving support from his family after failing Grade 11 as his family was struggling financially. He made the decision not to return to school, but rather find a way of earning an income to assist his family.
There are young people in townships that dropped out of school and subsequently have no skills. Training programmes need to be developed to upskill these young people so that they can contribute to the economy.

Upon inquiring whether the entrepreneurs have a bank account for their car wash service, they indicated that they do not make enough money to bank. They furthermore indicated that taking money to the bank will inconvenience them when having to purchase the products needed for their business. When asked what happens to the money they generate on a daily basis, the answer was simply that they use it to survive, i.e. buying food to eat and products for the business. The researcher observed that most of these young people smoke and consume alcohol. This can be attributed to poverty and stressful situations in the townships. It is however important not to generalise by stating that all young entrepreneurs providing car wash services waste their income on alcohol and smoking.

Further important information collected by the researcher is the indication from the young entrepreneurs that they have not registered their business as they do not see any benefits in this, and the cost of registering a business is simply unaffordable to them.

A critical discussion point during the data collection survey was what could or should be done to support entrepreneurs in the townships. The core opinions and/or perceptions of the entrepreneurs can be summarised as follows:

- Government should release funding opportunities to everyone and not only to a selected few who have “connections”. Young people in townships are so discouraged by this that they do not even attempt to seek assistance from government.
- Not much (or enough) is done to assist entrepreneurs in townships due to government being so busy concentrating on “alleviating negativity” that they forget to focus on growth and development.

The data collection session conducted with the group of car wash entrepreneurs brought the realisation that government and the private sector need to encourage young people to participate in mainstream economic projects. Young people must be encouraged to provide services and/or products in scarce skills areas. A question that remains is whether township entrepreneurs will embrace opportunities presented to them by government and the private sector.

Over the past few years townships have experienced a number of foreign people from other African countries coming to establish businesses. They seek better socio-economic opportunities which they seem to find in townships, but at the expense of local people. To a great extent, foreign businesses such as ‘spaza shops’ in townships started affecting ‘spaza shops’ owned by South Africans. This contributes to the xenophobia in townships. Local businesses in the townships cry foul because they are losing business.

5. Findings

5.1 Development of entrepreneurship in townships

Inequality is a major problem affecting people in the townships, even after more than two decades of democracy in South Africa. Most young people in townships are uniquely different in nature, with different capacities and abilities. It is therefore important that programs developed for entrepreneurs in townships focus on the various unique capabilities of the youth living in these townships.

Entrepreneurship development in townships should be a continuous process whereby young people are encouraged to become entrepreneurs. This will enable them to participate in job creation and growing the economy in their local townships. Making entrepreneurship ‘fashionable’ in townships will encourage the unemployed youth to consider becoming involved in entrepreneurial activities.

Township entrepreneurial development programmes should focus primarily on equipping interested youth with the necessary management and leadership skills, providing a clear understanding of the entrepreneurial development process, and enabling people in the township with the relevant knowledge and skills to set up and proficiently run enterprises of their own, meeting the demand for services in their townships.
5.2 Initiatives to support entrepreneurs

Although there is currently traceable evidence (e.g. initiatives lead by the IDC and Gauteng Provincial government) that the government is presenting opportunities to people on the ground, more awareness programmes in townships are needed. These programmes should ensure that people in townships are aware of existing entrepreneurial development organisations, programmes to encourage young people in townships to develop entrepreneurial characteristics and comradeship, and centres that provide opportunities to current and aspiring entrepreneurs with a ‘one-stop-for-all’ service for people to obtain advice and display their creativity and skills.

Provision needs to be made for township projects to be led by NGOs involving people in the townships. This will promote over-all development in the townships.

Exchange programmes for entrepreneurs from townships with highly developed countries and/or cities will provide opportunities for people to gain knowledge from various experts. In the long run this will encourage the youth in townships to show interest in entrepreneurship.

5.3 The role of government and the private sector in uplifting emerging entrepreneurs in townships

There seems to be insufficient policies and legislature that relate to township development, especially in the area of youth development. This needs to be addressed, and development of the youth in townships should become a primary objective. Young people need be motivated and supported to establish their own businesses, and the government should focus more on giving more business to SMMEs. It is important to develop youth with skills that grow the GDP of the economy. This includes engineering, artisans, law and finance, among others.

There is a need for government and the private sector to support small and medium businesses so that services within townships can be expanded. In the process, more staff will be employed, which will in turn contribute to the growth of the economy. In a similar manner, entrepreneurs, especially those who were previously disadvantaged, should be encouraged and equipped with the necessary skills to understand the business process mechanisms.

The tendency from well establish companies to obtain tenders and then outsourcing all the work is a bad business practice because the person/business which was awarded the tender does not learn any new skills and knowledge, but only generate money. The government should be in a position to guide well established companies to adopt and/or outsource part of the work to SMMEs that are not well established. For example, if there is a project to build a bridge in the township, the company that has been awarded the project uses an emerging local construction company to conduct part of the project. This will enable the emerging company to gain in-depth experience from working with the larger construction company, and money flows into the township through job creation.

5.4 The role of education and training centres in the development of entrepreneurs

Many (or most) young people in South Africa believe they need to go to university in order to be successful in life. This is a mindset that needs to be changed. It is not necessary or compulsory hold a university degree to become a successful entrepreneur. One way of changing this instilled belief is through continuous awareness. Educational and training centres in townships have an important role to play in changing current mindsets and equipping the youth with the necessary entrepreneurial skills and knowledge, thus affording them a better opportunity to be absorbed by the private sector. Sustainable development depends on the ability of growing the economy and allowing a sufficient number of people in the community to participate.

Most youth lack confidence and cannot communicate their ideas. Educational programmes offered by training centres in townships need to motivate the youth to aspire becoming entrepreneurs from an early age. This includes teaching them the importance of saving money and not being afraid to take calculated risks in establishing a business. The entrepreneurship curriculum system must prepare students to have the willingness to start their own businesses and sustaining them (Ntombela, 2013).

The provision of training centres offering programmes related to viable projects in townships will enable novice entrepreneurs to gain a better understanding of what services and/or products are feasible in their townships. Research needs to be conducted to determine which services and/or products are workable in townships based on locally available resources.
Training centres and higher education institutions based in the townships should be made more inviting and effective to prospective students. Training centres should provide programmes that aim to harness the skills of people within townships and enable them to promote self-employment opportunities.

TVET centres based in townships should engage meaningfully with the community in order to re-engineer training programmes if needed to ensure that the needs and demands of their respective townships are met. Business seminars and short courses could be offered. TVET centres have a wonderful opportunity to offer education and training to young people who dropped out of school, thus not completing their basic education, as well as to those who dropped out of post-school education due to various reasons. Furthermore, unemployed graduates could be offered continuous training to enhance their knowledge and skills while they are seeking to be absorbed by the market.

TVET centres in townships have the opportunity to offer training in entrepreneurial skills to young people who are passionate about becoming entrepreneurs. It is through the success of prospective entrepreneurs that other unemployed people could be absorbed within SMMEs, thereby reducing unemployment and contributing to the growth of the economy.

Young people need to be taught how to become entrepreneurs and employers, not employees. From the data collected, it is the researcher’s opinion that some graduates hold qualifications that are not in demand in the workplace and therefore do not offer scarce skills. Education and training programmes have to be aligned with the needs and demands of industry to ensure that graduates are competitive in the workplace. The education and training centres in the townships can play a role in enhancing the knowledge and skills of graduates by offering unemployed graduates short course training that will better their chances to gain the needed skills for the workplace and/or becoming a successful entrepreneur. Programmes offered in townships must be of the same quality than those offered in towns.

6. Recommendations

Much of the literature consulted in this paper indicates that more needs to be done to develop and support existing entrepreneurship in townships. There is not much literature available on growing entrepreneurship among young people in the townships. This paper opens the door to other researchers for further exploration into entrepreneurship in the townships.

Based on the findings in this paper, the researcher recommends the following:

- Increase programmes that will encourage entrepreneurship among young people in townships.
- It is important for young people in townships to be exposed to training programmes at an early stage of their lives to address life skills and adolescent development. There is a need for interventions that will create a culture of distilling confidence in young people, especially before going through the adolescent stage. Much still needs to be done in this regard to support entrepreneurship and eradicate poverty.
- Provide services in townships that disseminate information on entrepreneurial and training opportunities.
- Support and mentorship for emerging SMMEs in the townships is critical because most entrepreneurs do not succeed within the first five years of operations and subsequently drop out. The success of developing entrepreneurs in townships lies in these young people availing themselves to opportunities provided.
- The issue of little or no internet connections a major problem, not only to people in the townships but also in rural areas. Many young people can simply not afford internet access on their communication devices. During the Gauteng ICT Summit in 2012 hosted by the Gauteng Finance Department, it was discussed how the province plans to develop sustainable ICT infrastructure and build a connected province. Government acknowledged the internet challenges in the province and is attempting to address this. The province is working on a strategy to provide 100% broadband access to its citizens by 2020 (Gauteng ICT Summit 2012). This will offer young people in townships easy access to information.
7. Conclusion

Poverty and a high rate of unemployment and unemployable young people in townships across South Africa are not surprising given the challenge of young people being born in poverty and struggling to rise above these circumstances. The researcher is of the opinion that motivation is very important in townships. There should be initiatives motivating young people in the townships to dream despite their current challenges. Hope for a better future needs to be instilled.

Due to continuous movement and relocation in townships, it is not an easy task to determine statistics such as demographics, numbers and pass rates of young people in school, employed youth and unemployed youth. Young people mostly move from their villages in rural provinces to provinces such as Gauteng with better opportunities. This calls for greater development and awareness of entrepreneurship opportunities in townships. Education and training centres in townships should be re-organised to meet the needs of the respective individual townships.

It is critical for governmental policy makers to involve young people when drafting and adopting policies that affect the youth. It is furthermore important that the involvement of the youth in policy making constitute not only of young people from political offices, but also from other spheres such as churches and academia.

The government should offer incentives to the young people they want to educate and train in scarce skills. Often youth want to know “what is in it” for them whenever they need to undergo training in a field that is not of interest to them, and incentives could be a motivation. As much as there are mixed feelings on whether entrepreneurship can be viewed as a calling, it is important that opportunities are presented to young people in townships to participate as entrepreneurs.

References

DHET see Department of Higher Education and Training.
DTI see Department of Trade and Industry.
ILO see International Labor Organization.


