

**YOUTH PERCEPTIONS ON BUSINESS CLIMATE FOR THE ESTABLISHMENT AND
EXPANSION OF RURAL-BASED SMALL-SCALE ENTERPRISES IN MAKHADO
MUNICIPALITY OF SOUTH AFRICA**

By

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ABSTRACT

Small-scale enterprises are invaluable in most countries' economies. A positive and supportive business environment enables them to succeed. However, rural area-based small-scale enterprises are beset with many challenges. For instance, in South Africa there is inadequate knowledge on the nature of the business climate under which they operate. This is particularly significant given that there are persistent calls for youth to create jobs through running small-scale businesses. Yet, rarely are the youth voices considered when developing programmes that might enhance youth participation, in particular, in rural areas. Thus, this case study was conducted to characterise the business climate as perceived by in-school and out-of-school youth in Wards 1, 29 and 37 of Makhado Municipality. A mixed research methods approach was used. Triangulation was adopted and involved data collection through reflection circles and questionnaires that required responses on a Likert-type scale of 1 (Disagree) to 4 (Strongly agree). Data were analysed using the Statistical Package for Social Sciences (SPSS) version 19.0 for Windows (SPSS Inc: Chicago, IL, USA). Kruskal-Wallis and Mann Whitney U tests were carried out to determine whether there were significant differences in the perceptions on business climate as viewed by female and male youth, in and out of school youth and across the three Wards.

The youth perceptions on the business climate were organised into four themes, namely external dynamics; entrepreneurship (knowledge and skills); access to resources and infrastructure. It was observed that youth perceived the business climate under which rural area-based small-scale enterprises operated negatively. In general, the perceptions of male and female youth were the same ($P > 0.05$) except for "limited knowledge on how to register various types of businesses" ($P < 0.05$). Female youth agreed more with this issue compared to their male counterparts. The mean rank for the perception, "high crime rate threatens local investment" as perceived by youth in Ward 37 was far much lower than that for Ward 1 youth ($P < 0.001$). Furthermore, youth in Ward 37 agreed most with the perception "business people believe too much in ritual murders" ($P < 0.05$), followed by youth in Wards 1 and 29, respectively. Also, the mean rank for Ward 37 with respect to the perception, "lack of reliable and usable information for business owners to make decisions" ($P < 0.01$) was lower than that for Ward 29. The perceptions of in-school and out-of-school youth regarding all the dimensions of business climate considered in this study were the same.

The mean rank for the perceptions of youth in Ward 37 with respect to "stock theft is high" was lower than that for Ward 1 ($P < 0.05$). Also, there were significant differences across the

Wards on "unplanned and uncontrolled veld or forest fires" ($P < 0.05$). It was observed that the lowest mean rank in perceptions of youth was that for those in Ward 37 followed by Wards 29 and 1, in that respective order. However, there were no significant differences ($P > 0.05$) in the perceptions of male and female youth, and in-school and out-of-school youth regarding their perceptions on the business climate that rural area-based agricultural small-scale enterprises faced.

The results presented above reveal that youth were of the view that in general, the prevailing business climate was not conducive enough to promote the establishment and expansion of rural area-based small-scale enterprises. Overall, the results of this study justified the general acceptance of the null hypotheses that gender did not determine the youth perceptions on business climate across the Wards and between in-school and out-of-school youth. The challenges that rural area-based small-scale enterprises faced demanded that multiple stakeholders collaborated as they attempted to address the prevailing business climate. The need for improving the business climate within both the agricultural and non-agricultural sectors was evident. An in-depth, all-encompassing rural area-based small-scale enterprise business climate improvement strategy that is specifically aimed at the youth should be developed. There is scope for research that clarifies the business climate prevailing in other rural area-based Wards of Makhado Municipality and beyond. This would make it possible to make more informed decisions on the appropriate action that might improve the climate for the establishment and expansion of small-scale enterprises.

Key Words: Youth, perceptions, business climate, small-scale enterprises