



**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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Development (MRDV) Degree**

Institute for Rural Development

School of Agriculture



University of Venda

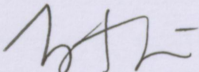
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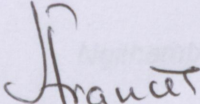
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DECLARATION

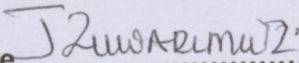
I, Butho Ndhlovu, hereby declare that this dissertation for Masters in Rural Development (MRDV) submitted to the Institute for Rural Development at the University of Venda has not been submitted previously for any degree at this or another university. It is original in design, in execution and all reference materials contained herein have been duly acknowledged.

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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 owning small-scale businesses. Yet, rarely are the youth's views considered when developing programmes that might enhance their 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 Makhelo Municipality. A mixed research approach was used. Triangulation was adopted and involved data collected through interviews and questionnaires that captured 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 of the business climate as viewed by female and male youth, in-school and out-of-school youth, and across the three Wards.

Ngithembele e Nkosini

The youth perceptions on the business climate were organised into four themes, namely: limited resources, entrepreneurship (knowledge and skills), access to resources and financial issues. It was observed that youth perceived the business climate under which rural 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 and start a business" ($P < 0.05$). Female youth agreed more with this issue than their male counterparts. The mean rank for the perception, "high crime rate hinders business 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" ($P < 0.05$) was lower than that for Ward 29. The perceptions of in-school and out-of-school youth, in-school and out-of-school youth, and 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 "black theft is high" was lower than that for Ward 1 ($P < 0.05$). Also, there were significant differences across the

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

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AU	African Union
BBBEF	Broad Based Black Economic Empowerment
CRDPA	Centre for Rural Development and Poverty Alleviation
DTI	Department of Trade and Industry
PANRPA	Food, Agriculture and Natural Resources Policy Analysis Network
GDP	Gross Domestic Product
IDP	Integrated Development Plan
ILO	International Labour Organization
IRD	Institute for Rural Development
ISRDS	Integrated Sustainable Rural Development Strategy
IYDS	Integrated Youth Development Strategy
LEGDP	Limpopo Employment Growth and Development Plan
LGDS	Limpopo Provincial Growth and Development Strategy
LBSA	Limpopo Business Support Agency
LMDEV	Limpopo Economic Development Enterprise
NEPAD	New Partnership for Africa's Development
NYDA	National Youth Development Agency
NYDS	National Youth Development Strategy
NYP	National Youth Policy
OECD	Organisation for Economic Co-operation and Development
TEA	Township Enterprise Development Agency
SMME	Small, Medium and Micro Enterprises
SPSS	Statistical Package for Social Sciences
SWAZI	Swaziland
UN	United Nations
UNIVEN	University of Venda
USA	United States of America
YES	Youth Enterprise Strategy

LIST OF ABBREVIATIONS AND ACRONYMS

ACV	Amplifying Community Voices Programme
ASGISA	Accelerated and Shared Growth Initiative of South Africa
AU	African Union
BBBEE	Broad Based Black Economic Empowerment
CRDPA	Centre for Rural Development and Poverty Alleviation
DTI	Department of Trade and Industry
FANRPAN	Food, Agriculture and Natural Resources Policy Analysis Network
GDP	Gross Domestic Product
IDP	Integrated Development Plan
ILO	International Labour Organisation
IRD	Institute for Rural Development
ISRDS	Integrated Sustainable Rural Development Strategy
IYDS	Integrated Youth Development Strategy
LEGDP	Limpopo Employment Growth and Development Plan
LGDS	Limpopo Provincial Growth and Development Strategy
LIBSA	Limpopo Business Support Agency
LIMDEV	Limpopo Economic Development Enterprise
NEPAD	New Partnership for Africa's Development
NYDA	National Youth Development Agency
NYDS	National Youth Development Strategy
NYP	National Youth Policy
OECD	Organisation for Economic Co-operation and Development
SEDA	Small-scale enterprise Development Agency
SMME	Small, Medium and Micro Enterprises
SPSS	Statistical Package for Social Sciences
STATSSA	Statistics South Africa
UN	United Nations
UNIVEN	University of Venda
USA	United States of America
YES	Youth Enterprise Strategy

CHAPTER 1 INTRODUCTION

1.1 Background of the Study

Establishing and expanding small-scale enterprises are crucial ingredients for sustainable economic development in rural areas. Such initiatives also promote both social and cultural development of rural areas (Warren-Smith and Jackson, 2004). However, limited attention has been paid to entrepreneurship and small-scale enterprise development as pillars of an all-inclusive transformation strategy for rural areas even though they are regarded as credible elements of rural development (Robinson, Dassie and Christy, 2004). Therefore, a wholesome and deep understanding of small-scale enterprises and their value in helping attain development is pertinent if they are to assist residents of rural areas to the fullest.

Despite the above-mentioned challenge, small-scale enterprises are pivotal in the development process in many countries (International Labour Organisation, ILO, 2003; Benzing and Chu, 2009). For example, there has been growing interest in the potential of small to medium enterprises to promote the economic development of rural areas in England since the early 1990s (North and Smallbone, 1996). Also, Wu, Song and Zeng (2008), quoting China's National Development and Reform Committee, acknowledge that small to medium enterprises represent 99 % of the registered businesses in China. They argue that the enterprises account for almost 56 % of China's gross domestic product (GDP), 62 % of exports, 46 % of tax revenues and 75 % of employment opportunities in cities and towns. In Latin America, Brazil's small business support agency (Sebrae) reveals that in 2011, small-scale enterprises contributed 20 % of the country's GDP (Timm, 2011). Pedersen (2005) underscores that small-scale enterprises play an integral role in African countries as well. This is confirmed by the fact that in Nigeria, small-scale enterprises provide 20-45 % and 30-50 % of full-time employment and rural household income, respectively (Liedholm, McPherson and Chuta, 1994).

Naidoo, Perumal and Moodley (2009) highlight that economic prosperity can be attained in South Africa if there is an increase in successful small-scale entrepreneurs. Participating in enterprise development and sustenance, particularly at the small-scale level, is pertinent if people are to attain economic independence for themselves and their communities. Therefore, the need for shielding rural area-based small-scale enterprises to enable them to thrive and expand is crucial, particularly given the fact that they face stiff competition from those in urban areas. Consequently, it is important to ensure that an enabling environment that creates and sustains the life of the rural area-based small-scale enterprises prevails.

Gordhan (2011) posits that enterprises which employ less than 50 workers account for 68 % of private sector employment in South Africa. The Annual Review of Small Business in South Africa of 2005-2007 reveals that micro, very small and small-scale enterprises accounted for 27-34 % of the country's GDP in 2006. In Mpumalanga Province, the Ehlanzeni Small, Medium and Micro-Enterprise (SMME) Development and Support Plan of 2009-2014 highlights that the sector plays a pivotal role in the South African economy. This underscores the view that small-scale enterprises positively contribute to the economic well-being of the country. For this reason, there is need for concerted efforts to support the establishment and sustainable growth of small-scale enterprises.

Since 1994, South Africa has been introducing policies and strategies aiming to promote the growth and development of small-scale enterprises. Among these are the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises and the National Youth Enterprise Strategy, which seek to stimulate youth participation in small-scale enterprise development (Department of Trade and Industry, DTI, 2005).

There are other various small-scale enterprise development initiatives in South Africa, all of them aiming to improve their operations. For example, Khula Enterprise Finance Limited identifies and facilitates small-scale enterprises' access to finance as one of its objectives (Khula, 2010a). This initiative involves liaising with financial and non-financial entities in the private and public sectors as part of its efforts to acquire support for small-scale enterprises in the country (Khula, 2010b). Apart from this, the Small Enterprise Development Agency (SEDA) seeks to improve the capacities of small-scale enterprises through organised services, projects and programmes. Both Khula Enterprise Finance Limited and SEDA are statutory bodies established to serve the interests of small-scale enterprises through developing and streamlining various initiatives and programmes.

The Limpopo Growth and Development Strategy (LGDS) of 2004-2014 identifies small-scale enterprise development as central to job creation and ensuring broader participation in economic activities. Similarly, the 2009-2010 Vhembe District Municipality Integrated Development Plan (IDP) reveals that opportunities for small-scale enterprise development per local Municipality would be promoted so that the gap between the current and potential levels of performance is bridged. All the policies and initiatives referred to above complement national efforts targeted at improving the establishment and sustainable growth of small-scale enterprises. In line with this, the Integrated Sustainable Rural Development Strategy (ISRDS) of 2000 states that agriculture is a major economic driver in most rural

areas. For this reason, agricultural activities should be included in efforts designed to improve youth participation in small-scale enterprises.

Apart from the initiatives mentioned above, there are others that seek to create thriving enterprises at the local Municipality level. For example, when delivering the 2010-2011 Budget Speech, the Mayor of Makhado Municipality committed to continued provision of technical and financial management support to small-scale enterprises that had the potential to create employment for young people. Furthermore, the reviewed 2010-2011 Makhado Municipality IDP shows that the promotion and development of the small-scale enterprise sector in its economic cluster developmental strategy is a top priority. This implies that Makhado Municipality has clearly defined policies and strategies geared towards promoting the formation and expansion of small-scale enterprises within areas under its jurisdiction. This is important and significant because the ISRDS of 2000 highlights that Makhado Municipality is home to 70 % of poor rural residents. Thus, the high poverty rate that is common in the Municipality demands that appropriate and sustainable solutions be found to counteract its effects.

Miller, Besser, Gaskill and Sapp (2003) allude to the fact that regardless of their numerical dominance and positive contributions to the economy, small-scale enterprises face unique challenges that make their survival problematic. Therefore, whilst the South African government pays considerable attention to small-scale enterprise development, there are certain environmental factors that hinder the success of such efforts (Mahadea and Pillay, 2008). For example, less than 50 % of the newly established small to medium enterprises in South Africa and the rest of the world exist for more than five years (Brink, Cant and Ligthelm, 2003). This is particularly true for rural area-based small-scale enterprises, mainly due to unfavourable location. Miller *et al.* (2003) emphasise that conducting business in rural parts of the United States of America (USA) predisposes one to the phenomenon of fewer customers who make fewer visits and spend less per visit. Moreover, the 'remote' and 'rural' image of such enterprises may make them get relegated to the periphery (Pettersson and Anderson, 2003). Therefore, there is need for constant efforts aimed at improving rural settings so as to boost the environment under which small-scale enterprises operate.

Rural areas are often neglected by virtue of their isolation and distance from towns and cities. In 2009, this situation compelled South Africa to elevate rural development to third out of the five most important priorities of government (Zuma, 2011). In the same realm, the KwaZulu-Natal Department of Community Safety and Liaison (2010) highlights that rural development is at the epicentre for fighting poverty and national development. Therefore,

establishment and expansion of small-scale rural area-based enterprises can be one of the strategies for achieving rural development. This is important because South Africa's National Youth Policy (NYP) of 2009-2014 states that young people in rural areas face more formidable challenges compared to their urban counterparts. This is particularly the case with respect to accessibility and availability of services and facilities, which often lead to fewer opportunities with respect to information and employment. Thus, it is imperative that youth-led small-scale enterprise development be promoted and enhanced in rural areas.

Furthermore, rural area-based small-scale enterprises in South Africa operate in less favourable and fragmented business climates compared to those in urban areas (Rijkers, Soderbom and Loening, 2010). The challenges that small-scale enterprises in the country face include difficulties in accessing start-up and expansion finance, markets, appropriate technology and lack of a suitable regulatory environment (Naidoo, Perumal and Moodley, 2009). Collectively, these challenges have led many small-scale enterprises to crumble and have simultaneously worsened unemployment and poverty rates. These problems affect vulnerable members of society such as youth, the most. The National Youth Development Network (2004) estimates that youth form 70 % of all the unemployed people in South Africa. As explained in the White Paper for Social Welfare of 1997, this is the state of affairs despite the fact that youth represent about 33 % of the potential economically active population. Therefore, as Boateng (2011) argues, a supportive business environment must be created to support the development of small-scale enterprises. Specifically, a supportive business climate targeted at rural area-based small-scale enterprises should be promoted. This would assist in creating a platform for youth in rural areas to create employment for themselves through managing and owning small-scale enterprises.

The situation presented above necessitated this study, which sought to examine youth perceptions on the business climate for small-scale enterprise development in some Wards of Makhado Municipality. According to South Africa's Youth Enterprise Strategy (YES) of 2006, youth are vital for social and economic development. It is important that their insights on the business environment in which small-scale enterprises operate are captured and used to make informed decisions. Knowledge of negative perceptions of youth regarding rural area-based small-scale enterprises business climate is important because it helps to build an understanding of the possible reasons why youth participation in entrepreneurial activities is not satisfactory. Positive perceptions on the business climate reveal what needs to be maintained and improved if the business climate is to be more conducive for small-scale enterprises to thrive.

This study must be understood in the context of the University of Venda's Institute for Rural Development (IRD), formally known as the Centre for Rural Development and Poverty Alleviation (CRDPA), under which this study was undertaken. It adopted rural enterprise development through incubating people's ideas as one of its strategic goals (CRDPA, 2011). It was envisaged that a study on youth perceptions on the prevailing environment for establishing and expanding small-scale enterprises in Makhado Municipality would help achieve this IRD goal.

In spite of public and private sector efforts to support the small-scale enterprise sector in South Africa, more youth are still not involved. This is true, especially for rural youth as rural areas face extra challenges in comparison to urban areas. The conceptual framework for this study (Figure 1.1), therefore, argued that for high uptake of policies and programmes that support the establishment and expansion of rural area-based small-scale enterprises, there is need for a supportive business climate. In this framework, an assumption was made that if the perceptions of youth on the business environment were known, it would be possible to introduce programmes with the potential to ensure their active participation in small-scale enterprise formation and development.

1.2 Statement of the Research Problem

Although small-scale enterprises are considered to be a vital component of rural development, they are beset with numerous obstacles that hamper their success (Mutambi, Byaruhanga, Trojer and Buhwed, 2010). Small-scale enterprises, which are mostly rural and agriculture-based, face unique challenges which include lack of access to credit, poor access to market information and a disabling regulatory environment (Boateng, 2011). In South Africa, various legislations, policies and support systems have been introduced to create an enabling climate for the establishment and expansion of rural area-based enterprises. However, most people (including youth) interested in establishing and expanding their own small-scale enterprises still face formidable challenges. Currently, there is inadequate knowledge on the nature of the business climate under which rural area-based small-scale enterprises in South Africa operate. This case study sought to fill this gap through examining the perceptions of youth on the prevailing business climate for establishing and expanding small-scale enterprises in some rural areas of Makhado Municipality. It was presumed that the results of this study would lead to informed policy making and also help craft more viable strategies for enhancing rural area-based small-scale enterprise development.

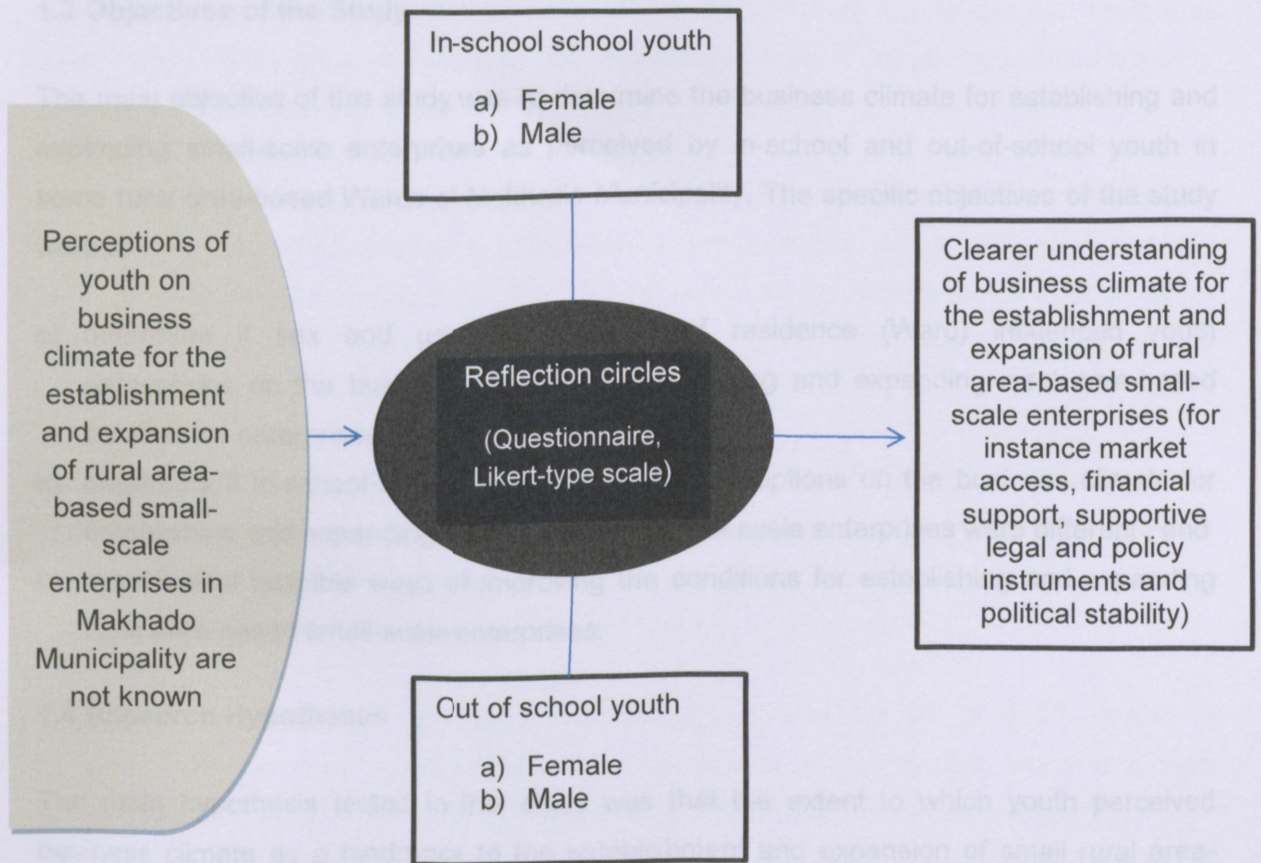


Figure 1.1 Conceptual framework for the study on youth perceptions on the business climate faced by rural area-based small-scale enterprises in Makhado Municipality

- a) There are no differences in responses of male and female youth regarding the business climate that rural area-based small-scale enterprises face;
- b) There are no differences in perceptions of youth across municipal wards regarding the business climate that rural area-based small-scale enterprises face; and
- c) There are no differences in perceptions of in-school and out-of-school youth with respect to the business climate that rural area-based small-scale enterprises face.

Decision Rule: For null hypothesis (H₀): P < 0.05, reject the hypothesis and accept the alternative hypothesis (H₁): P > 0.05).

1.5 Operational Definitions of Key Terms and Concepts

Since there are many definitions of 'youth', it was crucial to indicate the one which was applicable in this study. Various countries have adopted the United Nations, UN, definition of youth (15-24 years) whilst others prefer the Commonwealth one with the age range of 15-29 years (Curtain, 2001). In South Africa, the White Paper for Social Welfare of 1997 defines

1.3 Objectives of the Study

The main objective of this study was to determine the business climate for establishing and expanding small-scale enterprises as perceived by in-school and out-of-school youth in some rural area-based Wards of Makhado Municipality. The specific objectives of the study were to:

- a) determine if sex and geographical area of residence (Ward) influenced youth perceptions on the business climate for establishing and expanding rural area-based small-scale enterprises;
- b) determine if in-school and out-of-school youth perceptions on the business climate for establishing and expanding rural area-based small-scale enterprises were different ; and
- c) recommend possible ways of improving the conditions for establishing and expanding rural area-based small-scale enterprises.

1.4 Research Hypotheses

The main hypothesis tested in this study was that the extent to which youth perceived business climate as a hindrance to the establishment and expansion of small rural area-based enterprises in Makhado Municipality of South Africa was not known. Sub-hypotheses of the study were:

- a) There are no differences in perceptions of male and female youth regarding the business climate that rural area-based small-scale enterprises face;
- b) There are no differences in perceptions of youth across municipal Wards regarding the business climate that rural area-based small-scale enterprises face; and
- c) There are no differences in perceptions of in-school and out-of-school youth with respect to the business climate that rural area-based small-scale enterprises face.

Decision Rule: For null hypothesis (H_0): $P < 0.05$, reject the hypothesis and accept the alternative hypothesis (H_A): $P > 0.05$).

1.5 Operational Definitions of Key Terms and Concepts

Since there are many definitions of 'youth', it was crucial to indicate the one which was applicable in this study. Various countries have adopted the United Nations, UN, definition of youth (15-24 years) whilst others prefer the Commonwealth one with the age range of 15-29 years (Curtain, 2001). In South Africa, the White Paper for Social Welfare of 1997 defines

youth as people who are 16-30 years old. For the purpose of this study, *youth* refers to people aged 14-35 years as defined in South Africa's National Youth Development Act 54 of 2008 and the National Youth Policy of 2009-2014.

According to the South African National Small Business Act 102 of 1996, a *small-scale enterprise* is an entity managed by one owner or more people, and it employs at most 50 workers in any sector of the economy. Use of *enterprise* to refer to small businesses is widespread (Bridge, O'Neill and Cromie, 1998). Therefore, in this study *small-scale enterprise* and *small business* are used interchangeably.

Business climate is a multifaceted term which includes policy, legal, institutional and regulatory conditions that govern enterprises. Administrative and enforcement systems established to implement government business policy are also included in this definition (Donor Committee for Enterprise Development, 2008).

The South African Local Government Municipal Systems Act 32 of 2000 defines a *Municipality* as an organ of state within the local sphere of government, which exercises legislative and executive authority in a certain area. This definition applies in this study.

The term *rural* refers to those areas or location which experience limited urbanisation, have a dispersed population and low economic activity when juxtaposed to urban areas (Grimes, 2000).

1.6 Organisation of the Dissertation

This dissertation is made up of six chapters. Chapter 1 introduces the study, covering the background and rationale, statement of the problem, hypotheses, objectives and operational definitions of key concepts and terms.

In Chapter 2, the literature on small-scale enterprises, youth and issues pertaining to the climate in which small-scale enterprises operate is reviewed. Apart from these, the summary of the review of literature is presented.

Chapter 3 is devoted to the research methodology. It presents a description of the study area, research design, sample selection as well as data collection and analysis.

In Chapter 4, the results of the study on youth perceptions on the business climate for the establishment and expansion of small-scale non-agricultural enterprises are presented and discussed.

Chapter 5 specifically focuses on agriculture-inclined results and discussion. Agriculture plays a critical role in Limpopo Province and youth can earn a living through agriculture. This explains why Chapter 5 is focused on agricultural issues.

The general discussion, recommendations and conclusions drawn from the study are covered in Chapter 6. References and appendices occupy the terminal pages of the dissertation.

This study focused on youth perceptions on the business climate for the establishment and expansion of small-scale enterprises in rural areas of Makhado Municipality. In this chapter, the following will be discussed: youth and their situation; youth development strategies; youth participation in small-scale enterprises; why rural youth were respondents in this study; defining small-scale enterprises; enterprise business climate; business climate from global, African and South African perspectives; small-scale enterprise development strategies; small-scale enterprises policy and legislative framework; the importance of a positive business climate to small-scale enterprises; significance of a positive business climate to rural area-based small-scale enterprises; perceived differences between male and female youth perceptions on the business climate; perceived geographical-based differences in business climate perceptions; geographical perspectives influencing perceptions on business climate and perceived differences between in-school and out-of-school youth perceptions on the business climate. The summary concludes this chapter.

2.2 Youth and their Situation

Throughout the world, youth face a plethora of challenges and youth poverty is a worldwide problem (Moore, 2005). Unemployment is also one of the major challenges that youth grapple with. For example, School (2006) submits that globally, there was only one adult for every three unemployed youth in 2003 and less than half of the youth capable of working were employed in 2004. This shows that unemployment acutely affects youth more than adults (Clemensson and Christensen, 2010). In addition, youth account for only about 25 % of the world's total working population, more than a third of the world's youth are seeking for employment, have given up on securing a job or are working but still live below the \$US0/day poverty line (World Bank, 2009). This dire situation as far as youth unemployment is concerned means that there are more idle youth with less or nothing much to do with their

CHAPTER 2 REVIEW OF LITERATURE

2.1 Introduction

Small-scale enterprises are increasingly entrenching themselves as sources and means of survival for many people around the world. More people presently view small-scale enterprises as important sources of employment and wealth creation (Sha, 2006). Moreover, small-scale enterprises have incontestable economic and social functions in any free-market economy (van der Walt, 2008). This shows the importance and value of small-scale enterprises. However, many small-scale enterprises contend with numerous challenges due to the unsupportive environment they operate in.

This study focused on youth perceptions on the business climate for the establishment and expansion of small-scale enterprises in rural areas of Makhado Municipality. In this chapter, the following will be discussed: youth and their situation; youth development strategies; youth participation in small-scale enterprises; why rural youth were respondents in this study; defining small-scale enterprises; enterprise business climate; business climate from global, African and South African perspectives; small scale enterprise development strategies; small-scale enterprises policy and legislative framework; the importance of a positive business climate to small-scale enterprises; significance of a positive business climate to rural area-based small-scale enterprises; perceived differences between male and female youth perceptions on the business climate; perceived geographical-based differences in business climate perceptions; geographical perspectives influencing perceptions on business climate and perceived differences between in-school and out-of-school youth perceptions on the business climate. The summary concludes this chapter.

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time. This predisposes them to indulging in ills like drug and alcohol abuse, prostitution and dropping out of school (Chigunta, Schnurr, James-Wilson and Torres, 2005).

Poverty, HIV/AIDS, social and economic instability in Southern and Eastern Africa are some of the challenges which force youth to assume adult responsibilities way too much early in their lives (Chigunta *et al.*, 2005). Some of the youth challenges reflected in Ghana's National Youth Policy (NYP) of 2010 include high vulnerability to sexually transmitted diseases, peer pressure, high vulnerability to hunger, unemployment and underemployment. In Kenya, many youth contend with crime, exploitation, dropping out of school, lack of participation in development initiatives and health-related problems (Ombati, 2010). It is common to find youth taking care of their siblings, their parents, paying household bills and even educating themselves. Thus, more young people are increasingly compelled to be economically active and innovative (Chigunta *et al.*, 2005).

In South Africa, youth face various challenges. Specifically, many South African rural youth experience high levels of disillusionment because they are unable to extract themselves from poverty stricken conditions they find themselves in (KwaZulu-Natal Department of Community Safety and Liaison, 2010). Youth constitute more than 70 % of the unemployed in South Africa and this is higher than other age groups (National Youth Development Agency, NYDA, 2011). Vulnerability to poverty is a concern for youth and youth facing hunger increased from around 16 % in 2007 to 27 % in 2009 (NYDA, 2011). Worse still, youth are treated as adults while their specific needs, entrepreneurial potential and contribution to the economy are overlooked (Schoof, 2006). The challenges they face are exacerbated by their relative infancy compared to adults around them who are more likely to be generally established and more experienced in life.

Youth have to contend with a lot of problems and challenges in their daily lives. A lot still needs to be done to ameliorate the situation in which youth find themselves. The high youth unemployment rate in South Africa is worrisome indeed. Youth unemployment is a multi-faceted challenge that needs to be addressed on a macro basis and governments are obliged to establish supportive surroundings in which youth can thrive and fruitfully partake in social, political, and economic growth (Ombati, 2010). Although solving the problem of youth unemployment is not a panacea to all challenges that youth face, it goes a long way in cushioning youth against other challenges they may be predisposed to as a result of being unemployed. These include dropping out of school, exploitation, poverty and partaking in criminal activities.

2.3 Youth Development Strategies

Youth development involves an assortment of community based youth initiatives that are anchored on supportive and empowering values designed to strengthen youth assets (Gallagher, Stamely, Shearer and Mosca, 2005). South Africa's NYP of 2009-2014, defines youth development as the provision of opportunities and support for youth to maximise their individual and collective energies for personal and broader society development. It is imperative that every country has plans put in place for the advancement of youth. Unfortunately, as Bennell (2007) noted, youth development is on the side-lines of most countries' development agenda. This has, however, not precluded various countries from enacting youth development strategies.

In New Zealand there is the Youth Development Strategy Aotearoa (2002). This strategy was passed to allow the government and the New Zealand society to support youth in the advancement of skills and mind-sets they need to positively partake in their society's activities. In addition, this strategy serves the purpose of providing a policy platform to various stakeholders who may want to partake in youth development initiatives. In the USA, educational, social, athletic, arts, church and leadership programmes exist to nurture and mould youth into responsible adults (Gallegher *et al.*, 2006).

In the African context, the African Youth Charter (2006) states that youth shall have the right to participate in all spheres of society and that youth should have the right to social, cultural political and economic development. The NYP of Ghana (2010) allows the Ghanaian government and other stakeholders to connect with youth and to develop necessary programmes and initiatives for youth development. The New Partnership for Africa's Development (NEPAD) recognises that youth are integral in Africa's development. Thus, it initiated the Strategic Framework for Youth Programme which obliged NEPAD to support youth empowerment (Ijeoma, 2009).

South Africa has youth development strategies of its own. It should be underscored that the youth development is of immense value for South Africa (Maluleke, 2011). The National Youth Development Strategy, NYDS, of 2007 was passed after wide consultations to ensure that there was national effort to improve the situation and well-being of youth in South Africa. The principles of the NYDS of 2007 are as follows:

- a) Integrated youth development with the aim of encouraging inter-departmental collaboration at local, provincial and national spheres of governance;

- b) Mainstreaming youth development by ensuring the integration of youth programmes within broader departmental programmes;
- c) Youth specific services to respond to youth's numerous and varied needs; and
- d) Building capacity of the youth sector for youth development to ensure that youth development organisations become partners in service delivery and that there are youth development programmes at all levels of government.

There is also the National Youth Development Agency (NYDA) which was established under the auspices of the NYDA Act 54 of 2008. The NYDA 2010-2011 annual report, reflects that the NYDA has programmes such as youth economic participation (job creation, youth entrepreneurship support, assistance with registration of youth owned companies), education and skills development, social cohesion of youth, national youth service and increasing of youth development access points where youth can get information and other youth development services.

The NYDA was instrumental in the promulgation of the Integrated Youth Development Strategy (IYDS) of 2012- 2016 in South Africa. Its key focus areas are:

- a) Encouraging youth to participate in economic activities with emphasis on youth unemployment and youth entrepreneurship;
- b) Education and skills development focusing on basic, higher education and training, skills development, out of school youth education and skills development opportunities and the link between education and skills to youth economic opportunities;
- c) Promoting health and well-being of youth focusing on mortality and morbidity, health behaviour and practice and attempt to provide specific interventions for HIV/AIDS, teenage pregnancy, nutrition and other primary health care issues affecting the youth;
- d) Stimulating social cohesion, national youth service and civic participation among youth through encouraging them to participate in social and development activities in communities including involvement in political process, sports and youth leadership;
- e) Supporting the infusion of sports and recreation in youth development and nation building and unravelling opportunities and strategies for economic and social benefit that youth can pursue in this field; and
- f) Viewing youth work as a profession and attempting to professionalise youth work in South Africa.

The IYDS of 2012-2016 pays particular attention to diverse categories of youth and these are: Unemployed youth, young women, youth in rural- areas, youth with disabilities, school-

aged-out-of-school youth, youth living and affected by HIV/AIDS, youth heading households and youth in conflict with the law.

The above strategies show that South Africa has well-articulated youth development strategies in place. However, their existence will be pointless if there is poor implementation. Moreover, different youth happen to have different kinds of challenge and needs. Thus, coming up with different youth categories to which special attention will be paid is commendable.

2.4 Youth Participation in Small-scale Enterprises

The South African NYP of 2009-2014 states that only a small portion of youth is self-employed and engaged in entrepreneurial activities. In fact, South Africa's IYDS of 2012-2016 reveals that youth ownership of businesses is as low as 33 % and this is unacceptable if the fact that youth constitute approximately 41 % of the total population of the country is taken into consideration. Therefore, the proportion of youth involved in small-scale enterprises and other businesses is unacceptably low. Youth also face numerous obstacles that include inadequate funding in their efforts to eke out a living through entrepreneurship (NYDA, 2011). This is the situation in spite of existence of initiatives, policies and strategies by the government and private sector aimed at increasing the number of youth involved in small-scale enterprises and other business schemes.

This state of affairs reveals that participation of youth in small-scale enterprises is minimal. Perhaps there is need to dispense entrepreneurship education to youth in South Africa (Kourilsky and Walstad, 1998; Mahadea, Ramroop and Zewotir, 2011; Maluleke, 2011) to promote their involvement in small-scale enterprises. Also, a more conducive business environment may help improve the number of youth managing and owning small-scale enterprises.

2.5 Why Youth in Rural Areas?

The focus of this study was on how youth perceive the business climate in which rural area-based small-scale enterprises in Makhado Municipality operate. Rural areas are associated with low economic activity (Grimes, 2000). However, Butt, Hassan, Sahi, Atiq, Jabbar, Ahmad, Luqman and Shafiqu (2011) postulate that rural youth play a pivotal role in the social, political and economic development of Pakistan, despite the fact that no formal organising and training systems for rural youth exist in that country. In trying to counteract the effects of the dire economic situation, rural youth tend to migrate from rural to urban

areas in search of better opportunities and they tend to be poorly educated in comparison to their urban counterparts (Bennell, 2007). This migration considerably alters the rural population make-up and it stifles entrepreneurship and education levels among the remaining population (World Bank, 2009). The Integrated Sustainable Rural Development Strategy (ISRDS) of 2000 also notes that many people live in poverty in rural areas of South Africa and they move to urban areas in search of better opportunities.

Rural areas tend to have similar features all over the world and they include political neglect, fewer resource mobilisation opportunities and less economic opportunities (ISRDS, 2000). Moreover, according to the Limpopo Employment Growth and Development Plan (LEGDP) 2009-2014, about 40 % family units are in rural areas and these are afflicted by extreme poverty and underdevelopment. It can be postulated that youth in Makhado Municipality, of Limpopo Province, do face an extra layer of challenges simply because they stay in peripheral settings.

The above situation shows that rural youth face a lot of challenges when compared to their urban counterparts. This is not to insinuate that urban youth have it easy. Sommers (2007), writes that marginalised urban youth get little attention from African governments. However, rural youth have to contend with more difficulties simply because of their surroundings. Mbedzi (2011) postulates that Limpopo Province is engulfed in high unemployment and rural poverty rates. Thus, this study focused on rural area-based small-scale enterprise business climate. It was undertaken in the hope that a supportive business environment would encourage more rural youth to partake in small-scale enterprise establishment and expansion in their areas for the betterment of their lives.

2.6 What are Small-scale Enterprises?

The terms “small-scale enterprise” and “small business tend” to be used synonymously (Bridge *et al.*, 1998). It is vital to state that there are numerous definitions of small-scale enterprises (Malhotra and Tamponi, 2010). The bases used for such definitions include quantitative parameters such as the number of employees, the annual turnover and the level of fixed investment among others (Osuagwu, 2009).

In France, a small-scale enterprise has 40-50 employees and in the United Kingdom, it has a maximum of 50 employees (Zhang, 2010). Tanzania’s Small and Medium Enterprise Development Policy (2002) defines small-scale enterprises as those having 5-49 employees. In the South African context, the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995) defines small-scale enterprises as those

business entities which are owner managed, operate from business or industrial premises, are tax registered, meet other formal registration requirements and have 50 or less workers. It goes on to state that the classification of small-scale enterprises in terms of assets and turnover is tricky because of differences in various sectors like retailing, manufacturing and construction. According to the National Small Business Act 102 of 1996, a small-scale enterprise has a total of 50 or less paid employees, whilst total revenues differ in accordance with different sectors.

2.7 Enterprise Business Climate

Business climate is a multifaceted term with a myriad of possible definitions. It can be said to be inclusive of, but not limited to, the following: entrepreneurship norms and values; policy legal and regulatory framework in which enterprises operate; administrative systems put in place to implement the aforementioned framework and institutions or organisations established to support and govern enterprises (Clemensson and Christensen, 2010). Morrison (2011) adds sociocultural environment; political environment; technological environment and financial environment as various dimensions of business climate. White (2004) supplements the definition by having organisational capacity and access to and cost of infrastructure as other elements of business climate. Therefore, it can be posited that business climate denotes the ambiance and conditions under which small-scale enterprises exist in any given country.

2.8 Business Climate from Global, African and South African Perspectives

The business climate of small-scale enterprises is a global focus area. This is influenced by the fact that small-scale enterprises are major sources of employment and are at the epicentre of development and economic activity in almost all states around the globe (Clemensson and Christensen, 2010). Therefore, it is critical that small-scale enterprises be supported by any means necessary, including ensuring that they operate in stimulating and positive climate.

Entrepreneurs involved in small-scale enterprises face generally volatile business environments worldwide (Ahmad, Ramayah, Wilson and Kummerow, 2010). Thus, numerous countries strive to have a positive business milieu wherein small-scale enterprises can thrive. They undertake various initiatives to attain positive business environments. This can be evidenced by the fact that Russia simplified the registration process for small-scale enterprises and set up the Russian Agency for small and medium enterprises support under the initiative of the Government of the Russian Federation (Volpe and Schenck, 2008). This

reveals international countries constantly work to build an environment where small-scale enterprises can flourish.

Ramachandran, Gelb and Shah (2009) assert that the business climate in most African countries is characterised by ethnic divisions. They further state that most countries in the sub-Saharan Africa have poor road networks and are faced by crippling power shortages. Moreover, Osuagwu (2009) reveals that in Nigeria, small-scale enterprises operate in an unfavourable business environment because of issues like unstable government policies and intense competition. This puts across the fact that small-scale enterprises have to contend with negative business climates in most African countries. Worse still, small scale enterprises located in rural areas an extra layer of challenges since most of Africa's rural landscape suffers from lack of development.

South Africa has a relatively favourable small-scale enterprise business climate when compared to other African countries (Timm, 2011). This can be supported by the presence of quite a number of policies and legal instruments and the existence of entities like Small Enterprises Development Agency (SEDA) and Khula Finance to support small-scale enterprises. However, regardless of the country's relatively impressive small-scale enterprise support system, the small-scale enterprise climate still suffers greatly from the apartheid legacy and most people's lack of entrepreneurial mind-set (Timm, 2011). In addition, there is a belief that the tax system faced by small-scale enterprises is not favourable to them (Qabaka, 2011). More still needs to be done to ensure that the relative conducive business climate translates to establishment and enlargement of more small-scale enterprises especially in rural areas.

2.9 Small-scale Enterprise Development Strategies

One of the main issues underpinning efforts to promote rural area-based small-scale enterprises concerns the role of government. Governments pass policies and laws that should be adhered to by a myriad of entities established to promote small-scale enterprises and the broader economy (ILO, 2003). The development of small-scale enterprises is globally viewed as a vital strategy for economic growth, employment creation and poverty reduction (White 2004; Agupusi, 2007). It is imperative that a supportive business climate be created for small-scale enterprises to develop (Boateng, 2011). In addition, it should be borne in mind that small-scale enterprises have peculiar challenges and different opportunities compared to larger enterprises (Hallberg, 2000). Therefore, more effective and efficient small-scale enterprise development strategies should be devised and implemented

so as to have a positive environment which would predispose small-scale enterprises to success. Generally, the strategies may include passing of supportive policies, setting up private and public sector entities to promote small-scale enterprises, provision of market access information and formal registration of small-scale enterprises (Boateng, 2011).

2.9.1 International small-scale enterprise development strategies

Internationally, numerous countries have a significant desire to promote and develop small-scale enterprises including medium and micro-enterprises (Mahadea and Pillay, 2008). India passed the Small-Scale Industries policy, formed the Micro, Small and Medium Enterprises national ministry to support small-scale enterprises and also set up the National Small Industries Corporation (Timm, 2011). In Brazil, small-scale enterprise development is part of the national government's four-year-cycle mega plan known as Plano Plurianua (Timm, 2011). In China, the authors Yang, Lim and Kanamori (2008) suggest that improvement of the business climate is a noteworthy way of giving small-scale enterprises the platform to develop.

2.9.2 African countries' small-scale enterprise development strategies

African countries have set up different ways of improving their small-scale enterprises. Chisala (2008) states that there is the Fifth National Development Plan which recognises small-scale enterprises' potential and the Private Sector Development Programme of 2004 established to promote a positive business environment in Zambia. Tanzania's Small and Medium Enterprise Development Policy (2002) broadly seeks to develop small-scale enterprises through the creation of an enabling business environment, infrastructure development, strengthening financial and non-financial services and setting up institutions supportive to small-scale enterprises development. In the same pathway, Rwanda has the Small and Medium Enterprises Development Policy of 2010 which was passed to come up with a clear and homogenous small-scale enterprise policy to create a supportive climate for the sector.

2.9.3 South African national small-scale enterprise development strategies

South Africa has a number of small-scale enterprise promotion and development strategies. They include legislative instruments, national and provincial policy documents, entity or institutional strategies like SEDA and even IDPs of various Municipalities. The White Paper on National Strategy for the Development and Promotion of Small Business of 1995 set the foundation on which democratic South Africa was to build its small-scale enterprise

promotion and development strategies. It outlined the necessity of creating a supportive business climate and put systems in place to ensure that small-scale enterprises access financial and non-financial support (Timm, 2011).

As a small-scale enterprise development strategy, the legislature, one of the three arms of government, enacts statutes which promote the establishment and enlargement of small-scale enterprises. The Broad Based Black Empowerment (BBBEE) Act 53 of 2003 whose major goal was to ensure that disadvantaged members of society partake in economic activities was enacted in South Africa. The Act defines BBBEE as unshackling and enabling all black people, including women, workers, people living in rural areas and youth to partake in economic activities through diverse, but integrated, socio-economic strategies. The Act states that this can be attained if, among other initiatives, the number of previously disadvantaged people that manage and own enterprises is increased.

The Accelerated and Shared Growth Initiative of South Africa (AsgiSA) was enacted by the South African government in 2006 with the major aim of halving poverty and unemployment by 2014. This policy initiative acknowledged the difficulties faced by small-scale enterprises. AgsiSA was also envisaged to bring about economic growth through the BBBEE initiative. This initiative's major aim was to increase procurement of goods and services from small-scale enterprises.

The Department of Trade and Industry (DTI)'s Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises of 2005 is based on three strategic pillars targeted at supporting small-scale enterprises in South Africa. The pillars are: to increase financial and non-financial support services to small-scale enterprises; to create demand for small-scale enterprise goods and services and to reduce constraints or challenges faced by small-scale enterprises. It is encouraging to note that this strategy takes cognisance of the fact that there should special attention paid to designated target groups and geographical areas in economic development efforts. This shows that youth and enterprises based in rural areas have attention paid to them by the authorities.

The South African National Youth Enterprise Strategy (YES) of 2006 seeks to encourage youth to partake in small-scale economic activities. According to YES of 2006, youth are important and the promotion of youth managed and owned enterprises helps in job creation, youth development and youth empowerment. The YES of 2006 also calls upon a wide range of stakeholders including the national, provincial and local government, commercial banks, youth development organisations, the media, business community and training institutions to

ensure that they stimulate youth involvement in entrepreneurship. Thus, it implores these various stakeholders to support youth in managing or owning enterprises.

There are also institutions or agencies which were established for small-scale enterprise development. The Small Enterprise Development Agency, Khula Agency, South African Mirco-Finance Apex Fund, Industrial Development Corporation and the National Empowerment Fund all lend a hand in the development of small-scale enterprises in the country. They are entities whose major aim is to stimulate the small-scale entrepreneurship sector through provision of financial and technical support to the sector.

2.9.4 Provincial small-scale enterprise development strategies

The Limpopo Provincial Growth and Development 2004-2014 Strategy (LPGDS) was adopted at a summit held in 2004. Economic development was one of the strategies to be harnessed so as to realise the province's vision of being a peaceful, prosperous, united and transformed province (LPGDS, 2004). In addition, during the LPGDS adoption summit, a resolution was made to infuse the province's investment, poverty reduction and small SMME development initiatives into District Municipalities and Local Municipalities' IDPs. This is a praiseworthy undertaking as it ensures that provincial and local authorities promote and develop the economic wellbeing of the province in tandem. This eliminates duplicity of efforts to promote small-scale enterprises between the province's two spheres of government.

The Limpopo Employment Growth and Development Programme 2009-2014 (LEGDP) was enacted to, among other targets, promote and develop small-scale enterprises in the province. One of its strategic action programmes is the SMMEs and Cooperatives Development Programme. The aims of this programme are: to promote the development and transformation of the provincial economy by supporting the small-scale enterprise sector; and to ensure that small-scale enterprises in the province are able to add value to and gain from sustained economic growth by being more competitive, profitable and creating more job opportunities.

The Limpopo Business Support Agency (LIBSA) is an entity mandated with promoting economic participation of residents of Limpopo. According to LIBSA's 2008 annual report, 381 small-scale enterprises, including micro and medium ones, were assisted with various business opportunities to the value of R68 326 489 from both the public and the private sectors.

The Limpopo Economic Development Enterprise (LIMDEV) is another Limpopo province entity whose task is to develop small-scale enterprises in the province. According to LimDev's 2010 annual report, loans to the tune of more than R16 million were given in support of small (including micro and medium enterprises) enterprises under the auspices of its SMME Development Programme.

2.9.5 Municipal small-scale enterprise development strategy

The Makhado Municipality's 2011-2012 IDP document reflects that one of its economic priorities is job creation through rendering support to small, together with micro and medium, enterprises within the municipality's jurisdiction. This shows that the municipality took heed of one of LPGDS's resolutions of promoting small-scale enterprises within the province.

Therefore, South Africa has national, provincial and local small-scale enterprise development strategies. Unfortunately, small-scale enterprises in the country still grapple with a number of challenges in spite of the presence of an array of small-scale enterprise development strategies. According to LEPD 2009-2014, some of the challenges that small-scale enterprises have to contend with include, but are not limited to, lack of information, a poor business environment, poor access to SMME development services and a society with no entrepreneurial culture.

2.10 Small-scale Enterprise Policy and Legislative Framework

According to the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises of 2005, the advent of the new democratic dispensation saw the South African government taking measures to ensure that small-scale enterprise development becomes a key policy focus. Thus, South Africa has policies, statutes and municipal by-laws put in place to govern and promote the setting up and growth of small-scale enterprises. The promulgation of the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa in 1995 set the tone in as far as the promotion of small-scale enterprises was concerned. This was motivated by the urgent need for a systematic national framework under whose auspices various small-scale enterprise policies and programmes at national, provincial and local levels could be coordinated. Thus, it can be submitted that legal instruments and policies of any country are imperative in setting an enabling atmosphere for whatever they are aimed to govern.

The South African National Small Business Amendment Act 26 of 2003 was passed to enhance small-scale enterprises' situation and to provide for the establishment of the SEDA.

The National Framework for Local Economic Development in South Africa of 2006-2011 notes that many South Africans reside in rural areas and that these areas suffer considerably from underdevelopment. The same framework goes on to state that further than government investment, rural area residents should be vigorously encouraged to get involved in economic development and innovation. This encompasses the establishment and expansion of small-scale enterprises by rural area dwellers. South Africa's YES of 2006 was passed to specifically promote youth ownership of enterprises (small-scale enterprises included) so that they can fully participate in the economy.

The Minister of Finance, Pravin Godhan, mentioned, in his 2011 Budget Speech, that there are continuous efforts to strengthen small-scale enterprises and that there is need to take measures to ensure that young people can look forward to decent work in productive and competitive enterprises. This is evidenced by the fact that in the 2011 Budget Speech, R55 million was allocated to Khula Enterprises to test a new approach in lending money to small-scale enterprises.

Unfortunately, the existence of scores of policies, strategies and statutes in South Africa has not had the desired effect for establishing and developing small-scale enterprises (Timm, 2011). Thus, more should be done to coordinate national, provincial and municipal strategies and policies on the promotion of small-scale enterprises.

2.11 Importance of a Positive Business Climate for Small-scale Enterprises

Contextual factors such as the business environment play a pivotal role in small-scale enterprises growth (Nichter and Goldmark, 2009). Small-scale enterprises have the propensity to succeed in an encouraging and supportive environment (Ndabeni, 2008). It must be borne in mind that small-scale enterprises are susceptible to external market forces like changes in the competitive environment, macroeconomic situation, mergers and acquisitions, and regulatory environment (Malhotra and Tamponi, 2010). This reveals that the atmosphere in which any small-scale enterprise operates will always have an impact on it. Thus, if more small-scale enterprises, especially rural area-based ones, are to be instituted and enlarged, an enabling business climate is indispensable.

A positive business environment permits small-scale enterprise owners to enlarge their activities and allows them to formalise their enterprises (International Labour Organisation: ILO, 2007). The logical route for most small-scale enterprise owners is to expand their enterprises after setting them up. This is easily achievable if their enterprises are formally registered. Unfortunately, a lot of small-scale enterprise owners face great challenges in

trying to formally register their enterprises. In numerous cases, administrative and regulatory bottlenecks such as registration and the time it takes to register small-scale enterprises have a disproportionately negative impact on youth owned enterprises (Clemensson and Christensen, 2010). Further, only 595 000, out of a total of 2.4 million, small-scale enterprises are formally registered in South Africa (Timm, 2011). Thus, a positive business climate ensures that small-scale enterprise owners are able to expand and formalise their enterprises. Formal registration of small-scale enterprises enables small-scale enterprise owners to harness and take advantage of all strategies aimed at improving the business climate.

Small-scale enterprises' socio-economic function is broadly acknowledged in South Africa and worldwide (Viviers and Venter, 2008). Small-scale enterprises are likely to succeed in a climate that is encouraging and supportive (Ndabeni, 2008). Furthermore, it is important to note that a favourable political and economic environment for small-scale enterprises is important for economic growth (Volpe and Schenck, 2008). Consequently, the importance of a positive business climate in which small-scale enterprises can thrive cannot be more emphasised.

2.11.1 Significance of a positive business climate for rural area-based small-scale enterprises

In response to today's global economy, community activists and rural policy makers have started calling for development strategies that focus on small-scale enterprises and local entrepreneurs (Robinson, Dassie and Christy, 2004). Pederson (2006) submits that in 1998, 61 % of all small-scale enterprises in Zimbabwe were in rural areas, whilst in Kenya, 66 % of them were in rural areas in 1999. This shows the importance of having a positive business climate in rural areas so as to uplift these areas through small-scale entrepreneurship.

Furthermore, the National Framework for Local Economic Development in South Africa, 2006-2011, states that several people reside in rural areas and these areas still reel from underdevelopment. It also avers that initiatives to uplift rural areas should be anchored on innovative employment generation schemes and investment in these areas should be rooted on a new vision of sustainable rural economy. Small-scale enterprises play a major role in jobs creation (SEDA, 2009). Moreover, they play a significant role in the advancement of prosperity in various communities (Naidoo, Perumal and Moodley, 2009). Creating a healthy business climate, especially for small rural area-based enterprises, inculcates a sense of

self-reliance amongst rural folk and may increase rural youth participation in small-scale enterprises.

Small-scale rural enterprises have a role in the development of entrepreneurial ability and the indigenous expertise (Onugu, 2005). Rural areas are usually neglected because of their location. According to South Africa's ISRDS of 2000 rural economies should be stimulated and rural areas should be viewed as potential drivers for economic growth that contribute towards the national development agenda. The existence of an enabling business environment in rural areas helps mitigate against the remote location of most rural small-scale enterprises. A supportive business environment allows rural area-based small-scale enterprises to easily access markets and financial support needed for growth. As a result, this enables rural entrepreneurs to harness and take advantage of the uniqueness of their rural surroundings by coming up with innovative small-scale enterprises.

2.12 Perceived Differences between Male and Female Youth Perceptions on the Business Climate

Globally, men and women are involved in economic activities and small-scale enterprise ownership. It is imperative to note that gender and sex dynamics are engendered and entrenched in the small-scale enterprises landscape. Differences in gender roles and gender-related obstacles bring about a lot of hindrances in the fight against poverty and underdevelopment (World Bank, 2005; Bardasi, Blackden and Guzman, 2007; Halkias, Nwajiuba, Harkiolakis and Caracatsanis, 2011). A plethora of disadvantages are stacked mainly against women than men in economic and other walks of life. This is an unfortunate scenario as gender disparities not only handicap women but, the development potential of Africa (Bardasi, Blackden and Guzman, 2007). Being cognisant and proactive about gender issues is essential when envisaging ways of improving Africa's global competitiveness (Halkias *et al.*, 2011). It should be stressed that discrimination on the grounds of sex and gender disparities have no place in modern business landscape and other walks of life.

Beyond the incontestable fact that gender dynamics mostly favour men over women in the world of entrepreneurship, there is limited literature to suggest that women perceive business climate constraints fundamentally different to men's perceptions. Sandberg (2003) states that there were no gender differences in the way males and females perceived the local community business environment in the rural district of Ragunda, Sweden. Bardasi, Blackden and Guzman (2007) suggest that of all the business constraints that male and female participants responded to in the World Bank Enterprise Surveys 2002-2006, no

constraint appeared to be overwhelmingly suffered by women as men and women entrepreneurs equally agreed on the severity of various constraints. Further, in a study carried out by Halkias *et al.* (2011), in Lagos, Owerri, and Sokoto in Nigeria, insignificant differences were observed in the way female entrepreneurs perceived the opportunities available to both male and female entrepreneurs.

Women play a pivotal role in the economic expansion of many countries and, as such, numerous countries are awakening to the need to create a favourable environment for the establishment of women-owned enterprises (Roomi, Harrison and Beaumont-Kerridge, 2009). Moreover, overlooking or abandoning women in the development process creates a human waste (Halkias *et al.*, 2011). Thus, seeking whether male and female youth perceptions on the business climate differ assisted in determining whether there is need for gender-specific strategies of encouraging more young women to be actively involved in economic activities.

2.13 Perceived Geographical-based Differences of Youth Perceptions on the Business Climate

There is huge contention on whether location matters in as far as success or failure of small-scale enterprises is concerned. Porter (1998) argues that location of an enterprise is important in determining whether it has a competitive advantage over other similar enterprises or not. Keeble and Tyler (1995) highlight that accessibility to customers, suppliers and workers is a major success determinant for urban based enterprises over rural based ones. This is in contrast to Bennett and Smith (2002) who found that locational influences are minor for most small-scale enterprises.

Therefore, whilst diverse arguments are put forward on the impact of location on small-scale enterprises, Bennett and Smith (2002) stress that it is important to focus on rural area-based small-scale enterprises to assist them deal with barriers pertaining to market entry and cramping competition circumstances. This is necessitated by the fact that governmental and other support strategies for small-scale enterprises are mostly found in urban areas and not in rural areas (Schwartz and Bar-El, 2002). Rural areas' business environments are mainly characterised by small labour market, small markets, space constraints, poor transport and poor communication infrastructure (Smallbone, 2009). This shows that rural based small-scale enterprises face a peculiar set of challenges compared to those faced by their urban counterparts. This may predispose a number of people to have negative perceptions about the business environment in which rural based small-scale enterprises exist.

2.13.1 Geographical perspectives influencing perceptions on the business environment

The orthodox regional development theory thrusts on the fact that urban areas have favourable supply for resources (customers, finance and technology) aimed at the development of an enterprise (Keeble, 1997). Most rural area-based small-scale enterprises have to do with poor financial and enterprise development services when compared to those located in urban areas (Westhead, Ucbasaran and Brinks, 2004).

The regional competitiveness theory postulates that locational factors may influence mobilisation of local resources by small-scale enterprises, including medium ones (Westhead *et al.*, 2004). Concentrated competition may make urban enterprises more competitive through collaboration and working together to tilt the economies of scale in their favour (Keeble, 1997). This cooperation may encourage some small-scale enterprises to sell their goods and services in places beyond their locality (Westhead *et al.*, 2004).

While the above mentioned theories seem to compare rural and urban enterprises' operational conditions, they were harnessed to convey possible locational or geographical factors which may influence perceptions of the business climate in this study. From these theories, one can aver that perceptions of the business climate are mostly negative in rural areas, where this study was carried out. However, this was, by no means, meant to suggest that there are no thriving small-scale enterprises in rural areas (Westhead *et al.*, 2004). The fact that there are some successful small-scale enterprises in rural areas may mean that there are some positive perceptions which may be attached to the milieu faced by rural area-based small-scale enterprises.

2.14 Perceived Differences between in and out of School Youth Perceptions on the Business Climate

Youth entrepreneurship is a relatively new research area and there is even less research done on the subject by developing countries (Clemensson and Christensen, 2010). Youth who are still in school are usually younger than those who have left school. Those out of school are usually drop-outs, are pursuing tertiary studies, employed or unemployed. Since they are older than those in school, they happen to have different and dipper perspectives on issues. Therefore, insights of youth of the business climate in their areas should be established from an early age.

This study also sought to establish whether there were differences in discernment of the business climate between in and out of school youth. This was done to see whether there would be need to have different programmes of improving the business climate to entice both groups to be involved in small-scale enterprises in rural areas.

2.15 Summary of the Review of Literature

The importance of the business climate, policy and legislative framework and various small-scale enterprise development strategies were discussed to further amplify and elaborate the business climate in which small-scale enterprises operate. This assisted in revealing the business climate under which small-scale enterprises in a number of countries, and South Africa in particular, operate.

From this review of literature, it can be discerned that the small-scale enterprises are well entrenched in the wellbeing of numerous countries. A negative business climate predisposes and sets up small-scale enterprises for failure, especially rural area-based ones, which already have the disadvantage of their remote location. Although South Africa is making strides to make the business environment faced by rural small-scale enterprises favourable, more still needs to be done. The existence of a positive business climate will eventually invoke positive perceptions from the people and this may plant an entrepreneurial spirit in them, especially young people.

This review of literature revealed that there is a dearth of literature which specifically focuses on rural area-based youth perceptions on the business climate that small-scale enterprises face. It also showed that more should be done to establish whether sex, geographical area of residence and in school or out-of school status influenced youth perceptions on the business climate in rural areas. This study envisaged to fill this lacuna.

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the blueprint and procedural plan on how a study is undertaken (Bak, 2004). In this chapter, the processes followed in this study are explained. First, the description of the study area is presented followed by the research design, population and sampling procedures, methods of data collection and how the data were analysed.

Scientific research is a form of human conduct and it is pertinent that it conforms to generally accepted norms and values (Mouton, 2001). Conformity to research ethics protects both the researcher and sources of data. One of the major reasons why social scientists are so concerned about ethics in research is that there have been many cases of abuse of people's rights through social studies (Bless, Higson-Smith and Kagee, 2006). Thus, how ethical issues were conformed to is infused in the various sections of this chapter.

3.2 Description of Study Area

This study was conducted in Makhado Municipality (Figure 3.1), which is situated in Vhembe District of Limpopo Province of South Africa. Limpopo Province is made up of five Districts, namely Capricorn, Mopani, Sekhukhune, Vhembe and Waterberg. According to the 2011 mid-year population estimates, Limpopo has a population of approximately 5 554 660 (Statistics South Africa: STATSSA, 2011). This represents about 11 % of the national population. STATSSA (2011) estimates that there are about 341 130 males and 343 010 females aged 15-19 years in Limpopo Province. Also, there are 296 430 males and 301 080 females whose ages range from 20-24 years old. The STATSA (2011) further estimates that there are 234 860 males and 264 510 females aged 25-29 years, with 30-34 year olds being 175 040 for males and 207 540 for their female counterparts. These statistics show that youth make up a considerable proportion of the people in Limpopo Province. The Makhado Municipality's IDP for 2011-2012 reveals that there are about 129 665 households and 495 260 people in the Municipality. Approximately, 54 % of the people in the Municipality are females.

Makhado Municipality has its headquarters in Louis Trichardt town. The national road, N1, runs through the town. Louis Trichardt is situated almost 100 kilometres south of the Beitbridge border post, which South Africa shares with Zimbabwe. The municipal area is a vital part of the Maputo sub-corridor and the Trans-Limpopo Spatial Development Initiative in co-operation with Zimbabwe.



Figure 11.2: Map of Limpopo province showing the water quality zones of the Limpopo province (Source: Department of Water and Sanitation, 2010)

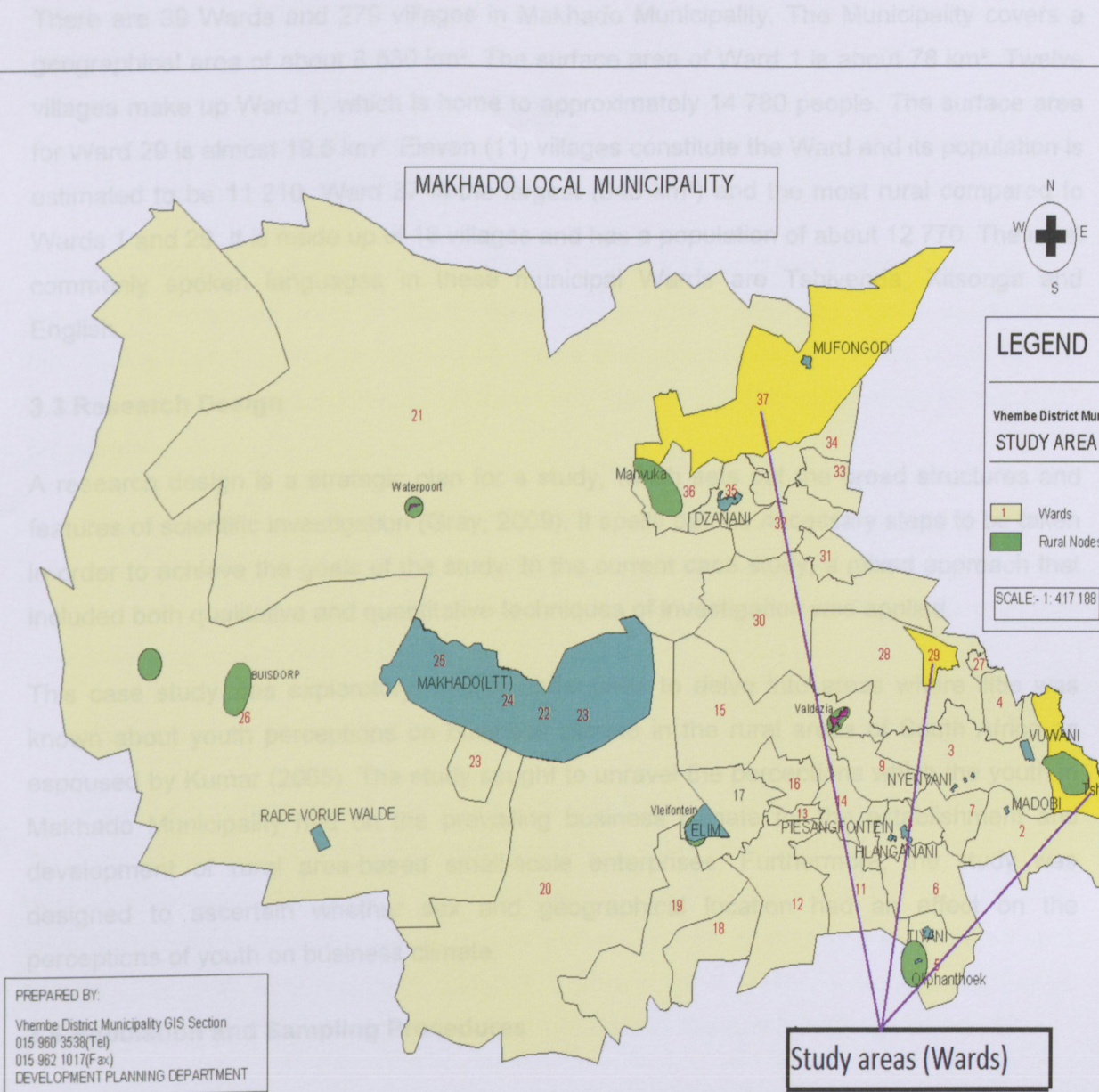


Figure 3.1 A map of Makhado Municipality (Source: GIS Section of Vhembe District Municipality)

that can be included in a study. Youth who participated in this study were drawn from those

The Institute for Rural Development (IRD) at the University of Venda (UNIVEN) implemented the ACV programme in partnership with Makhado Municipality. This programme was being implemented in Wards 1, 17, 29 and 37 of the Municipality since May 2006, with funding provided by the Y&K Kellogg Foundation (Francis *et al.*, 2010). There were 1 450 youth in Ward 1, 1 150 in Ward 29 and 1 200 in Ward 37, making a total of 3 800 in-school and out-

There are 39 Wards and 279 villages in Makhado Municipality. The Municipality covers a geographical area of about 8 530 km². The surface area of Ward 1 is about 78 km². Twelve villages make up Ward 1, which is home to approximately 14 780 people. The surface area for Ward 29 is almost 19.5 km². Eleven (11) villages constitute the Ward and its population is estimated to be 11 210. Ward 37 is the largest (343 km²) and the most rural compared to Wards 1 and 29. It is made up of 18 villages and has a population of about 12 770. The most commonly spoken languages in these municipal Wards are Tshivenda, Xitsonga and English.

3.3 Research Design

A research design is a strategic plan for a study, which sets out the broad structures and features of scientific investigation (Gray, 2009). It spells out the necessary steps to be taken in order to achieve the goals of the study. In the current case study, a mixed approach that included both qualitative and quantitative techniques of investigation was applied.

This case study was exploratory, mainly undertaken to delve into areas where little was known about youth perceptions on business climate in the rural areas of South Africa as espoused by Kumar (2005). The study sought to unravel the perceptions which the youth in Makhado Municipality had on the prevailing business climate for the establishment and development of rural area-based small-scale enterprises. Furthermore, the study was designed to ascertain whether sex and geographical location had an effect on the perceptions of youth on business climate.

3.4 Population and Sampling Procedures

Gray (2009) defines a population as the total number of possible cases, units or elements that can be included in a study. Youth who participated in this study were drawn from those participating in a community empowerment programme called *Amplifying Community Voices* (ACV). The ACV programme rallied and brought together people from various sections of society to actively partake in their own development through uniting to fight poverty (Francis, Dube, Mokganyetji and Chitapa, 2010).

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of-school youth in Wards 1, 29 and 37 of the Municipality participated in this study. The youth faced major challenges such as unemployment and poverty. Their perceptions regarding the existing business climate faced by small-scale enterprises in their respective Wards were sought in order to convey possible reasons why only an almost negligible number of them were involved in small-scale enterprises.

Purposive sampling was used to select Wards 1, 29 and 37 as the study areas. The fact that the ACV already undertook community development work in the three Wards necessitated this choice. For this reason, community entry and comprehension of the study by the respondents were easier because already they had a good understanding of the ACV programme.

Stratified sampling was used to select the participants (Table 3.1). This took into account the assumption that male and female youth had different perceptions on the business climate. Moreover, in-school and out-of school youth constituted distinct cohorts that deserved to be engaged separately.

3.4.1 Demographic information of the participants

The youth who participated in this study included the ones still in secondary school and those out-of-school. A total of 1 389 male and female youth were involved in the study. They were aged between 14-35 years old. Amongst the out-of-school youth, few of them were already involved in rural-area based small-scale enterprises as employees, managers and owners. The youth were residents of Wards 1, 29 and 37 of Makhado Municipality. Figure 3.2 shows that there were more participants from Ward 1 compared to Wards 29 and 37.

3.5 Data Collection

The University of Venda's Research Ethics Committee granted permission to undertake the study. Moreover, permission and approval to conduct the study were also sought from local community-based institutions, in particular traditional leadership and Ward Committees. The respondents who were engaged in this study were assured that their participation would not predispose them to any foreseeable forms of harm or danger.

Prior data collection, Ward-level preparatory workshops were held in the three respective Wards under the auspices of the ACV (Table 3.2). The workshops were held to orientate various stakeholders so that they understood and were prepared for what would take place until data collection was concluded.

Table 3.1 Numbers of male and female youth per Ward who participated in the study on the business climate for establishment and expansion of small-scale enterprises in Makhado Municipality

Municipal Ward	Number of youth who participated in the study		
	Males	Females	Total
1	322	273	595
29	210	125	335
37	209	250	459
All Wards	741	648	1 389

Figure 3.2 Respective proportions of youth in each Ward who participated in the study on the business climate for the establishment and expansion of small-scale enterprises in Makhado Municipality

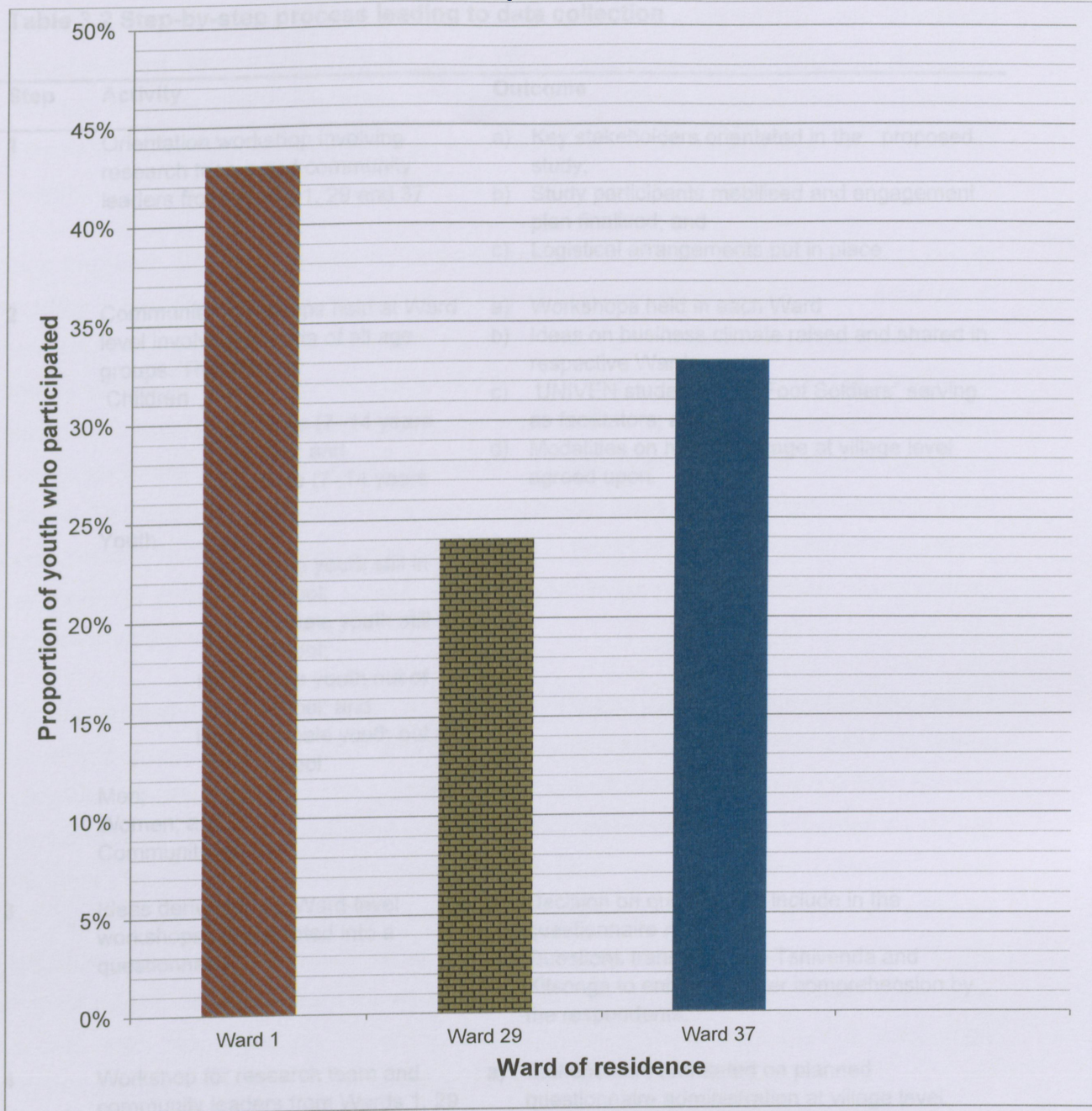


Figure 3.2 Respective proportions of youth in each Ward who participated in the study on the business climate for the establishment and expansion of small-scale enterprises in Makhado Municipality

- a) One workshop held in every village within each Ward;
- b) Data collected from male and female youth participating in reflection circles; and
- c) Two well-trained University students facilitated engagements together with some community-appointed residents of the villages.

Table 3.2 Step-by-step process leading to data collection

Step	Activity	Outcome
1	Orientation workshop involving research teams and community leaders from Wards 1, 29 and 37	<ul style="list-style-type: none"> a) Key stakeholders orientated in the proposed study; b) Study participants mobilised and engagement plan finalised; and c) Logistical arrangements put in place.
2	<p>Community workshops held at Ward level involving cohorts of all age groups. These were:</p> <p>Children</p> <ul style="list-style-type: none"> i. Boys (7–14 years old); and ii. Girls (7–14 years old). <p>Youth</p> <ul style="list-style-type: none"> i. Male youth still in school; ii. Female youth still in school; iii. Male youth out of school; and iv. Female youth out of school. <p>Men; Women; and Community leaders</p>	<ul style="list-style-type: none"> a) Workshops held in each Ward b) Ideas on business climate raised and shared in respective Wards; c) UNIVEN students and “Foot Soldiers” serving as facilitators; and d) Modalities on how to engage at village level agreed upon.
3	Ideas derived from Ward-level workshops consolidated into a questionnaire	<ul style="list-style-type: none"> a) Decision on questions to include in the questionnaire made; and b) Questions translated into Tshivenda and Xitsonga to enhance better comprehension by the respondents.
4	Workshop for research team and community leaders from Wards 1, 29 and 37 held. The team was made up of the Researcher, research assistants (UNIVEN students and Foot Soldiers) and Ward Councillors	<ul style="list-style-type: none"> a) Stakeholders orientated on planned questionnaire administration at village level. b) Plans on how to mobilise youth to participate in the study put in place.
5	Data collection-focused engagements held per village.	<ul style="list-style-type: none"> a) One workshop held in every village within each Ward; b) Data collected from male and female youth participating in reflection circles; and c) Two well-trained University students facilitated engagements together with some community-appointed residents of the villages.

Among the stakeholders who participated in the preparatory workshops were Traditional Leaders, Ward Councillors, members of the Ward Committee, Civic Association members, UNIVEN students and “Foot Soldiers.” Francis *et al.* (2010) describe “Foot Soldiers as community development agents who were active in implementing the ACV since its inception in 2006.

Over the years, the ACV programme hosted a series of thematic workshops involving people residing in the villages in the respective Wards of Makhado Municipality. Thus, after Ward-level preparatory workshops, men, women, youth and community leaders from Wards 1, 29 and 37 voluntarily came together to discuss and prioritise the issues relating to small-scale enterprise development. One of the issues was what they thought about the prevailing climate for the establishment and development of small-scale enterprises in their respective Wards. The participants in the workshops collectively interrogated issues affecting them. Local community institutions such as traditional leadership and Ward Committees mobilised the residents of their areas to participate in the workshops. The perceptions obtained from the workshops were consolidated.

The discussions took place in reflection circles. A reflection circle is an interrogative platform whereby a group of people sit in a circular set up to discuss issues and come up with a collective view on each one of them (Reilly and Bramwell, 2007). Taking a cue from Barnes, Ernst and Hyde (1999), the inputs of everyone in the reflection circle were treated as equally important. Thus, age and sex of individuals were taken into consideration (Moyo, Francis and Ndlovu, 2012). Men, women, youth and community leaders constituted different reflection circles. Each reflection circle chose its own scribe to write its deliberations and another person who presented its views during plenary presentations. Marker pens were used to write responses on flip charts. Plenary presentations were held to encourage members of each reflection circle to make further inputs.

The results of the Ward-level workshops were consolidated into a questionnaire (Appendix 1) which sought responses on a modified Likert-type scale of 1 (disagree) to 4 (strongly agree). The questionnaire was translated into Tshivenda and Xitsonga. This was done so as to ensure that respondents who could not understand, speak or read the English language effectively participated in the study. In addition, this helped to reduce errors in data collection due to misinterpretation of the meaning of the questions if only English had been used.

Village-level engagements were held to collect data using the questionnaire. Local community leaders invited and facilitated the mobilisation of in-school and out-of-school

youth in their respective villages. In-school and out-of school youth collectively responded to the questionnaires in reflection circles (Figures 3.3-3.6). Male and female youth constituted different reflection circles. Each reflection circle selected a member who wrote responses in the questionnaire and another one who then presented the results after data collection. Well-trained UNIVEN students and “Foot Soldiers” facilitated the data collection-focused reflection circles. The presence of facilitators ensured that every member of respective reflection circles actively and freely participated in the discussions and that decisions were made collectively.

In order to uphold research ethics and ensure that the study conformed to fundamental ethical requirements, the aims and purpose of the study, likely ramifications and possible risks associated with taking part in the study were communicated to the respondents to secure their informed consent. This was done before commencement of data collection. The respondents were also informed of the fact that they had the right to withdraw from the study at any time. In addition, it was revealed that doing so would not expose them to prejudice or criticism.

3.6 Data Analysis

After data had been collected, it was necessary to scrutinise and make sense out of it. This is the essence of data management which is a crucial precursor of analysis. Data analysis involves the use of various analytical methods with the aim of drawing informed conclusions, presenting it in tables, diagrams and pictures (Creswell, 2005). Qualitative data analysis refers to non-numerical examination and interpretation of data in order to discover meanings and patterns of relationships (Babbie, 2010). In contrast, quantitative data analysis involves numerical representation with the aim of enabling the researcher to describe and explain what the data shows.

In this study, questionnaires were inspected to establish whether each one of them was correctly and fully completed. The data were then coded and entered into the computer using the Microsoft Excel software package. Thereafter, the data were imported to the Statistical Package for Social Sciences (SPSS) version 19 for Windows (SPSS Inc: Chicago, IL, USA) for analysis. The use of SPSS was informed by the Bryman and Cramer (1996) argument that it makes it possible to score and analyse data quickly. Furthermore, it provides the opportunity to use a wide range of appropriate statistical techniques.

Descriptive statistics such as means and standard deviations were computed to present the overall trends that the nonparametric data displayed in addition to providing an

understanding of how varied the Likert-type scores were (Creswell, 2005). Mann-Whitney U tests were carried out to determine whether there were differences between male and female youth perceptions on the business climate under which rural area-based small-scale enterprises operated. Differences in youth perceptions across Wards were compared using the Kruskal Wallis test. Post hoc Mann Whitney U tests were then conducted to isolate the Wards that differed from each other. In order to ascertain whether there were differences between in-school and out-of-school youth perceptions, Mann Whitney U tests were also conducted.

Honesty and professionalism were strictly adhered to in the presentation and analysis of data. Data were not tampered with to suit the interests of the researcher or any other party. Data were presented exactly as the respondents said or indicated.

Figure 3.3 in-school male youth participating in a reflection circle on youth perceptions on the business climate for the establishment and expansion of rural small-scale enterprises in Makhado Municipality

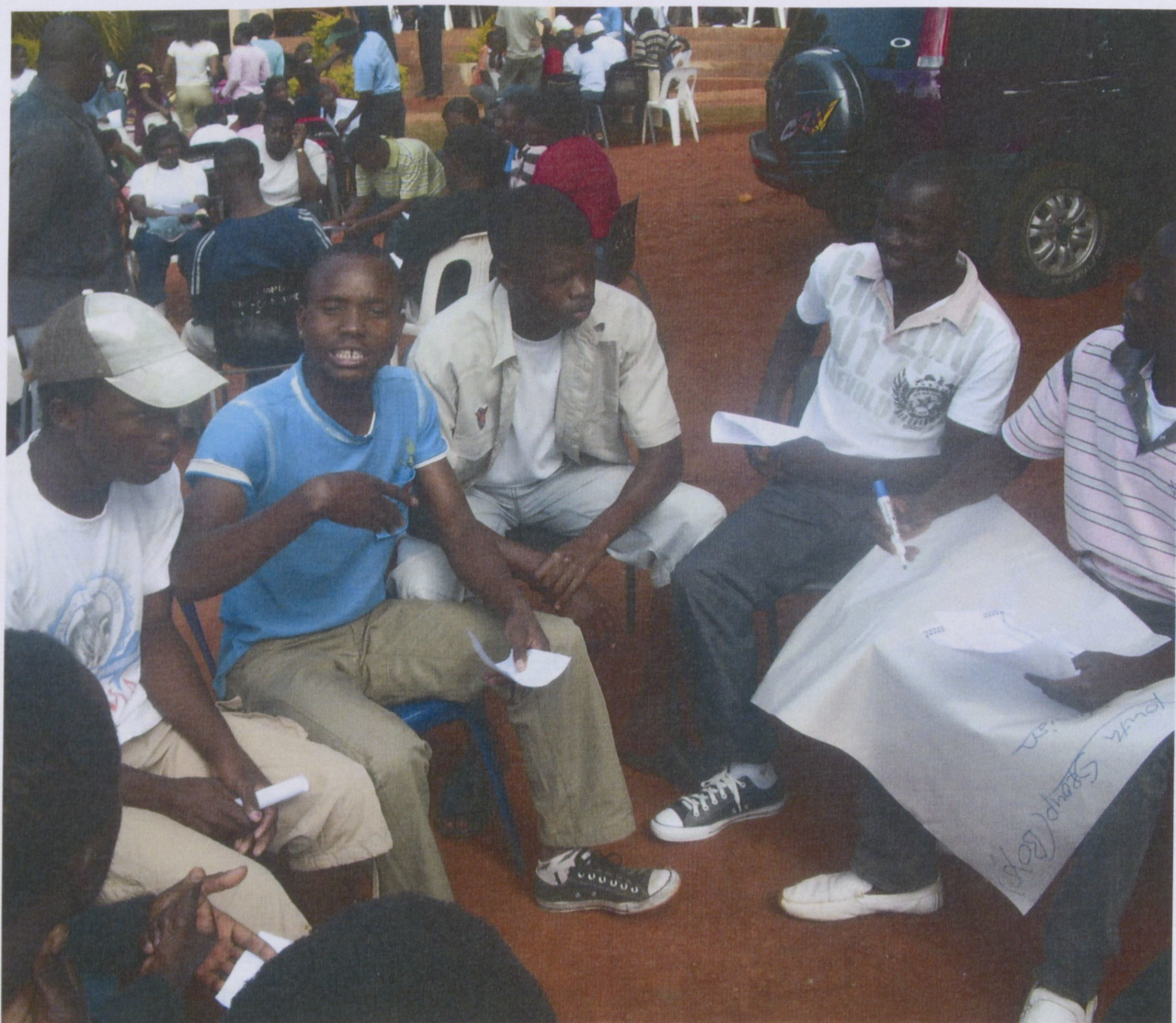


Figure 3.3 In-school male youth participating in a reflection circle on youth perceptions on the business climate for the establishment and expansion of rural small-scale enterprises in Makhado Municipality



Figure 3.4 In-school female youth participating in a reflection circle on youth perceptions on the business climate for the establishment and expansion of rural small-scale enterprises in Makhado Municipality

ing in a reflection circle on youth perceptions on the business climate for the establishment and expansion of rural small-scale enterprises in Makhado Municipality



Figure 3.5 Out-of-school male youth participating in a reflection circle on youth perceptions on the business climate for the establishment and expansion of rural small-scale enterprises in Makhado Municipality



more of them actively take part in rural area-based small-scale enterprises

Figure 3.6 Out-of-school female youth participating in a reflection circle on youth perceptions on the business climate for the establishment and expansion of rural small-scale enterprises in Makhado Municipality

to the study undertaken by Mahadea, Ramroop and Zeyvair (2011) which assessed entrepreneurship perceptions of secondary school learners in KwaZulu-Natal Province, South Africa. In that study, more female (69.9 %) than male (30.2 %) in-school youth took part. Moreover, conformity and obedience were considered as more important for females than for males (Ding and Hall, 2007). The latter authors posit that females are socialized to display these attributes to a greater degree than males. Therefore, one would have expected more in-school female youth to be involved in this study than their male counterparts. As highlighted in Chapter 3, data were collected after invitations had been sent out for the in-school and out-of-school youth to participate in community engagement workshops in their respective Wards and villages.

CHAPTER 4 YOUTH PERCEPTIONS ON BUSINESS CLIMATE FOR THE ESTABLISHMENT AND EXPANSION OF SMALL-SCALE NON-AGRICULTURAL ENTERPRISES

4.1 Introduction

In this chapter, the results of the study on the business climate for the establishment and expansion of rural area-based small-scale non-agricultural enterprises in Wards 1, 29 and 37 of Makhado Municipality are presented and discussed. The level of involvement by different youth interest groups is discussed first. Descriptive statistics on the various perceptions on business climate obtained from this study are covered. The findings on whether there were differences in youth perceptions due to sex, Ward of residence and interest groups (viz. in and out-of-school youth) are also presented and discussed.

4.2 Levels of Involvement of different Youth Interest Groups

Out of the 1 389 youth who participated in this study, 48 % of them were female while 52 % were still attending school. Figure 4.1 shows that the male in-school youth interest group outnumbered the rest.

Francis, Mamatsharaga, Dube and Chitapa (2011) aver that interventions that seek to tackle youth challenges should take into cognisance the viewpoints of the youth themselves. This alludes to the importance of youth participation in strategies or programmes aiming to improve their lives. This was the reason why youth were engaged in this study. It was envisaged that their discernment of the business climate would help unravel ways of making more of them actively take part in rural area-based small-scale enterprises.

Figure 4.1 shows that more in-school male youth (38 %) participated in the study than in-school female youth (14 %). This is in contrast to the study undertaken by Mahadea, Ramroop and Zewotir (2011) which assessed entrepreneurship perceptions of secondary school learners in KwaZulu-Natal Province, South Africa. In that study, more female (69.8 %) than male (30.2 %) in-school youth took part. Moreover, conformity and obedience were considered as more important for females than for males (Ding and Hall, 2007). The latter authors posit that females are socialised to display these attributes to a greater degree than males. Therefore, one would have expected more in-school female youth to be involved in this study than their male counterparts. As highlighted in Chapter 3, data were collected after invitations had been sent out for the in-school and out-of-school youth to participate in community engagement workshops in their respective Wards and villages.

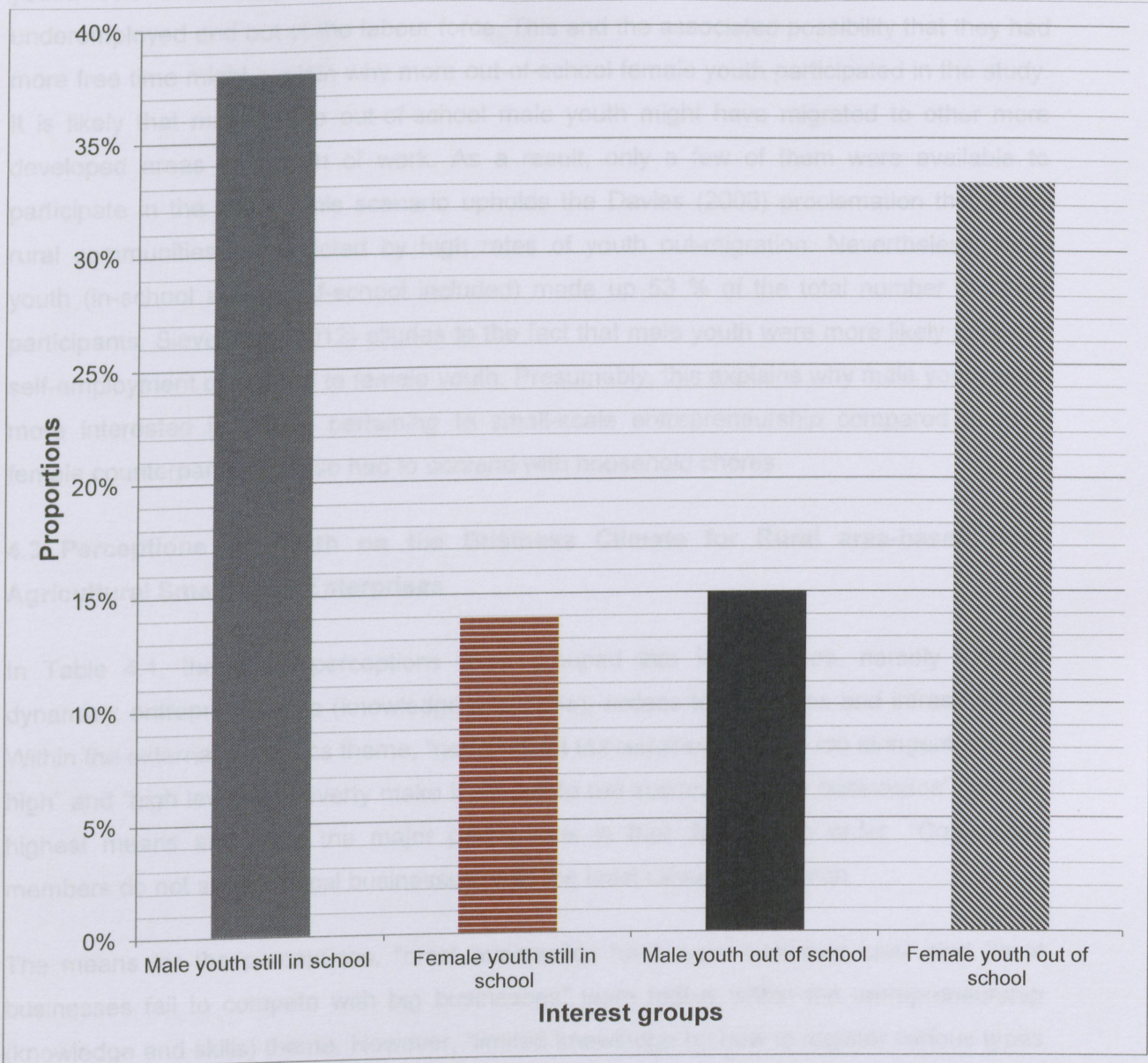


Figure 4.1 Respective proportions of youth who participated in the study on the business climate for the establishment and expansion of small-scale enterprises in some Wards of Makhado Municipality

More out-of-school female youth participated in the study compared to out-of-school male youth. The World Bank (2009) contends that young women are more likely to be underemployed and out of the labour force. This and the associated possibility that they had more free time might explain why more out-of-school female youth participated in the study. It is likely that most of the out-of-school male youth might have migrated to other more developed areas in search of work. As a result, only a few of them were available to participate in the study. This scenario upholds the Davies (2008) proclamation that many rural communities are afflicted by high rates of youth out-migration. Nevertheless, male youth (in-school and out-of-school included) made up 53 % of the total number of study participants. Sieverding (2012) alludes to the fact that male youth were more likely to prefer self-employment compared to female youth. Presumably, this explains why male youth were more interested in issues pertaining to small-scale entrepreneurship compared to their female counterparts who also had to contend with household chores.

4.3 Perceptions of Youth on the Business Climate for Rural area-based Non-Agricultural Small-scale Enterprises

In Table 4.1, the youth perceptions were grouped into four themes, namely external dynamics; entrepreneurship (knowledge and skills); access to resources and infrastructure. Within the external dynamics theme, “government tax requirements are too stringent and too high” and “high levels of poverty make it difficult to run successful local businesses” had the highest means and were the major perceptions in that descending order. “Community members do not support local businesses” was the least ranked perception.

The means for the perceptions, “most businesses have poor customer care” and “local businesses fail to compete with big businesses” were higher within the entrepreneurship (knowledge and skills) theme. However, “limited knowledge on how to register various types of businesses” ranked least.

There were only two perceptions constituting the access to resources theme. These were “lack of funds to support business ideas” and “lack of title deeds for small-scale enterprises makes it difficult to secure loans.” “Poor transport and cell phone network make it difficult to run viable businesses” was the only infrastructure-related issue.

Table 4.1 Youth perceptions on the rural area-based small-scale business climate for the establishment and expansion of small-scale enterprises in Makhado Municipality

Rank	Perceptions	Mean	Standard Deviation
External dynamics			
1	Government tax requirements are too stringent and too high	3.05	0.850
2	High levels of poverty makes it difficult to run successful local businesses	3.02	0.899
3	High prices of goods make it difficult to run profitable businesses	3.00	0.904
4	High crime rate threatens local investment	2.93	0.981
5	Unlicensed businesses are offering stiff and unfair competition	2.93	0.943
6	Business people believe too much in ritual murders	2.63	0.988
7	Community members do not support local businesses	2.45	1.022
Entrepreneurship (knowledge and skills)			
1	Most businesses have poor customer care	2.96	0.943
2	Local businesses fail to compete effectively with big businesses	2.93	0.844
3	Very few people are running income generating projects	2.89	0.883
4	People lack entrepreneurial skills and do not take advantage of opportunities available to them	2.83	0.850
5	Business people lack knowledge on how to access lucrative markets	2.79	0.839
6	Lack of reliable and usable information for business owners to make decisions	2.72	0.906
7	Business people do not have unity of purpose due to selfishness	2.71	0.944
8	Limited knowledge on how to register various types of businesses	2.60	0.862
Access to resources			
1	Lack of funds to support business ideas	2.89	0.973
2	Lack of title deeds for small-scale enterprises makes it difficult to secure loans	2.73	0.796
Infrastructure			
1	Poor transport and cell phone network make it difficult to run viable businesses	3.14	0.809

Key: Rank=position per theme

Mean=the higher the mean score, the stronger the agreement

The youth mostly agreed that the business climate in Makhado Municipality was not conducive for the establishment and expansion of rural area-based small-scale enterprises. The perceived negative view of the business climate can be explained by taking into account the White (2004) argument that small-scale enterprise development continues to challenge governments around the world. Also, Bailey (2007) reveals that it is difficult for entrepreneurial spirit and activities to flourish in a climate that is not conducive for the establishment and development of new enterprises. The youth who participated in this study might have felt this way because they saw small-scale enterprises operating under difficult circumstances in their respective Wards. Some youth were already involved in small-scale enterprises as workers and proprietors, implying that they were drawing from their own personal experiences as they appraised the business climate under which rural area-based small-scale enterprises operated. The KwaZulu-Natal Department of Community Safety and Liaison (2010) raises that rural area residents are perceived as homogenous. Thus, most people get to know each other and socialise with one another in rural settings. This might have also fuelled experience sharing and some youth are likely to have heard about the unsupportive business climate and got to view it negatively themselves.

It should be underscored that the negative discernment of the business climate under which rural area-based small-scale enterprises operated hindered optimum establishment and development of such enterprises. Positive discernment of the business climate might have had a huge role in inclining more youth in the rural areas to actively get involved in small-scale enterprises as employees and owners. This is critical since the existence of a supportive business climate is widely acknowledged as integral in enhancing various countries' competitive urge (Birsan and Gordan, 2007). For example, youth entrepreneurship plays a major role in South Africa's attempts to stimulate a business environment conducive for sustainable economic and social development (Steenekamp, van der Merwe and Athayde, 2011). Therefore, it is imperative that the business climate faced by rural area-based small-scale enterprises be improved to make the enterprises perform better and have more youth coming on board.

External dynamics as a factor of the business climate

Youth of Wards 1, 29 and 37 of Makhado Municipality agreed (Table 4.1) that the business milieu and ambience in their respective Wards was not conducive for the establishment and expansion of small-scale enterprises. This supports the observation of Bailey (2007), who suggests that the African business climate is less favourable when juxtaposed to other regions which contend with Africa for business opportunities. This must be viewed in light of

the Bosworth (2006) contention that a healthy local economy is an essential element of sustainable rural development. However, rural areas are commonly associated with low and weak economic activities. Furthermore, economic development in rural settings has its own peculiar difficulties as a result of low population density and periphery location (The Pew Partnership, 2002 in Atherton and Hannon, 2006). Therefore, the youth in Wards 1, 29 and 37 of Makhado Municipality could also have perceived the business climate negatively because of limited economic activities in their areas. Moreover, it could have been as a result of low youth involvement in rural area-based small-scale enterprises and the fact that their Wards are distant and isolated from more developed areas.

Bailey (2007) also argues that taxation and regulation of commercial activities are more punitive in Africa than in other regions. This observation agrees with what the youth expressed in this study (Table 4.1). This highlights the need for ensuring that small-scale enterprises are made to pay taxes that enable them to be competitive and operate within the confines of the law. Issues such as environmental volatility, high interest rates and inconsistent regulations stifle growth of small-scale enterprises and this has been found to contribute to the existence of large numbers of informal and unregistered entrepreneurs (Ojala and Isomaki, 2011). Perhaps, there have not been enough efforts specifically and exclusively channelled towards rural area-based small-scale enterprises to assist them to counteract the extra challenges brought by their peripheral location in South Africa. Taking this in the context of this study, this fact is likely to have contributed to the youth feeling that challenges such as high taxes, exorbitant prices of goods and unlicensed small-scale enterprises created a negative business climate in their respective Wards.

In addition, the youth agreed that high levels of poverty made it difficult to run profitable local small-scale enterprises. Poverty is a huge challenge in South Africa (Steenekamp *et al.*, 2011). The Education Policy Consortium and the Human Sciences Research Council (2005) point out that poverty is part of the lives of most people living in South Africa's rural areas. Poverty is more pronounced in rural than in urban areas (National Planning Commission, 2011). Furthermore, Gopal (2006) alludes to the fact that poverty has afflicted South African rural areas for a long time. Thus, it is not surprising that the youth perceived poverty as a hindrance to the establishment and expansion of small-scale enterprises. Presumably, this emanated from a belief that prices of goods sold in local rural small-scale enterprises were too high. Enterprises operating in areas characterised by high levels of poverty are unlikely to thrive due to lack of significant disposable incomes of the market base. This implies that any intervention that effectively combats poverty, especially in rural areas, might assist in stimulating the establishment and expansion of small-scale enterprises. In addition, the

inculcation of an entrepreneurial spirit among the youth is important in the fight against poverty in South Africa (Mahadea *et al.*, 2011). Therefore, more youth should be drawn into being involved in entrepreneurship through making the business environment supportive for small-scale rural area-based enterprises.

The high crime rate is a major challenge in South Africa (Fan, Reis, Jarvis, Beath and Frauscher, 2008). This may explain why the youth agreed that crime threatened local investment. Probably, this is the reason why the youth viewed the prevailing business climate in the areas of Makhado Municipality where this study was undertaken as not conducive enough to promote the establishment and expansion of small-scale enterprises. Importantly, drawbacks such as drug abuse, dropping out of school, delinquency and crime arising from joblessness among youth can be mitigated by swaying more youth towards entrepreneurship through instilling relevant entrepreneurial skills in them (Mahadea *et al.*, 2011). The latter authors go on to stress that the South African schooling system ought to arm youth with entrepreneurial attitudes, knowledge and skills. This will attain intended results if the rural area-based small-scale enterprise business climate is conducive for more rural youth to be drawn towards entrepreneurship.

Knowledge and skills of entrepreneurship as factors of the business climate

In this study, the youth agreed (Table 4.1) that there was a problem of shortage of knowledge on rural area-based small-scale entrepreneurship in Makhado Municipality. This was the case regardless of the fact that entrepreneurs are often viewed as sources of advancement and application of innovative ideas (Bailey, 2007). Since this study was undertaken in rural settings, this might be the reason why it was felt that there was inadequate understanding of entrepreneurship because of scarcity of sources of information. Also, it is possible that the situation was worsened by the fact that most of service providers who offered training and advice on small-scale enterprise establishment and expansion were usually located in urban areas (Venter, Urban and Rigwema, 2008). Nonetheless, there is need to promote rural area-based entrepreneurship as this is known to enhance social and economic development in rural areas (Warren-Smith and Jackson, 2004). One way of making this a reality is to develop better policies and strategies that make it possible to address the distress brought about by rural areas' disadvantaged geographical isolation.

Access to resources a factor of the business climate

This study also ascertained (Table 4.1) that the shortage of financial resources impeded the establishment and expansion of rural area-based small-scale enterprises in Wards 1, 29 and

37 of Makhado Municipality. In a study undertaken in Egypt, 84.9 % of youth participants indicated lack of finance as the reason they were not involved in business (Sieverding, 2012). However, the value of financial resources in stimulating rural area-based small-scale entrepreneurship cannot be overemphasised. Zhang and Si (2008) show that adequate financial support and a good entrepreneurial culture result in the expansion of small-scale enterprises. Most importantly, youth entrepreneurship can be enhanced if collateral and surety requirements are relaxed for youth aspiring to be involved in small-scale enterprises and those already running them (Clemensson and Christensen, 2010). In addition, availability of favourable ways of acquiring financial support ensures that small-scale enterprises expand and offset the effects of harsh economic times (Fan *et al.*, 2008). Consequently, inadequate funding strikes at the core of any enterprise operation. This suggests that financial support is indispensable if rural area-based small-scale enterprises are to thrive. More should be done to avail financial resources to promote youth entrepreneurship.

It is interesting to note that the findings of the present study contrast what Fan *et al.* (2008) asserted. The latter authors argue that small-scale entrepreneurs do not view either access to or cost of finance as serious obstacles to their operations and growth in South Africa when compared to Brazil, India and other developing countries. However, it should be borne in mind that this study was undertaken in rural settings of South Africa. In general, rural areas are associated with poor service provision. Therefore, youth might have felt that the distant location of financial service providers and advisors of small-scale enterprises in more developed areas such as Thohoyandou and Louis Trichardt made it difficult for small-scale enterprises operating in Wards 1, 29 and 37 of Makhado Municipality to access finance and other resources.

Lack of infrastructure as a factor of the business climate

Lack of appropriate infrastructure is a major determinant of the development of the local economy in rural South Africa and the rest of Africa (Herselman, 2003). According to the Rural Transport Strategy for South Africa of 2007, rural areas are characterised by poor infrastructure such as poor roads. The business environment embraces the access that small-scale enterprises have to the infrastructure they require to do business (White, 2004). In this study, youth expressed (Table 4.1) the view that poor transport and cell phone network made it difficult to run viable small-scale enterprises in their respective areas of Makhado Municipality. This observation supports the Smallbone and Rogut (2005) view that in Poland, modern information and communications technologies are only utilised by small-

scale enterprises to a limited extent. Yet availability of such infrastructure enables small-scale enterprises to receive inputs and deliver goods more effectively (Fan *et al.*, 2008). Moreover, access to a reliable mobile phone network enables communication between entrepreneurs and their customers (Smallbone, 2009).

Based on the results of this study and elsewhere, the importance of infrastructure as a primer for the establishment and expansion of rural area-based small-scale enterprises cannot be overemphasised. Adequate and relevant modern infrastructure is required as it contributes to the creation of a more conducive business climate for the establishment and expansion of rural area-based small-scale enterprises.

4.4 Effect of Sex on Youth Perceptions

Table 4.2 shows that the sex of respondents did not influence most of the youth perceptions on the business climate prevailing in Wards 1, 29 and 37 of Makhado Municipality ($P > 0.05$). However, for “limited knowledge on how to register various types of businesses,” the mean rank for female youth was lower than that of their male counterparts ($P < 0.05$).

The observed similarity in the perceptions of male and female youth with respect to the business climate that rural area-based small-scale enterprises operated in confirms the conclusions in other studies that there were no profound differences among them (Sandberg, 2003; Bardasi *et al.*, 2007; Halkias *et al.*, 2011). However, female youth agreed more than male youth that lack of knowledge on formal registration of small-scale enterprises was a major challenge for one to establish and expand small-scale enterprises. Males are, in general, more likely to start a business than females (Kourilsky and Walstad, 1998; Bosma and Harding, 2006). This probably explains why female entrepreneurs are fewer than their male colleagues in most countries (Organisation for Economic Co-operation and Development: OECD, 2012). Presumably, males probably tend to go out to find out more on how to start and register their enterprises than their female counterparts. For this reason, they gathered considerable knowledge in the process.

Besides finding it difficult to access skills, savings and credit, many females find it more challenging access to business networks and sources of information (World Bank, 2009). This may also explain why female youth concurred with the perception “limited knowledge on how to register various types of businesses” more than male youth. Overall, the study established that male and female youth view the business climate that small-scale enterprises face similarly.

Table 4.2 Comparisons of male and female youth perceptions on rural area-based small-scale business climate in Makhado Municipality

Rank	Perceptions	Mean Rank		Level of Significance
		F	M	
External dynamics				
1	Government tax requirements are too stringent and too high	61.44	60.53	ns
2	High levels of poverty makes it difficult to run successful local businesses	61.53	60.44	ns
3	High prices of goods make it difficult to run profitable businesses	59.57	62.50	ns
4	High crime rate threatens local investment	61.53	60.44	ns
5	Unlicensed businesses are offering stiff and unfair competition	64.85	56.95	ns
6	Business people believe too much in ritual murders	59.84	62.22	ns
7	Community members do not support local businesses	60.53	61.49	ns
Entrepreneurship (knowledge and skills)				
1	Most businesses have poor customer care	66.56	55.15	ns
2	Local businesses fail to compete effectively with big businesses	57.28	64.91	ns
3	Very few people are running income generating projects	61.18	60.81	ns
4	People lack entrepreneurial skills and do not take advantage of opportunities available to them	65.13	56.66	ns
5	Business people lack knowledge on how to access lucrative markets	61.62	60.35	ns
6	Lack of reliable and usable information for business owners to make decisions	60.67	61.35	ns
7	Business people do not have unity of purpose due to selfishness	61.66	60.31	ns
8	Limited knowledge on how to register various types of businesses	54.40	67.94	*
Access to resources				
1	Lack of funds to support business ideas	60.20	61.84	ns
2	Lack of title deeds for small-scale enterprises makes it difficult to secure loans	55.53	66.75	ns
Infrastructure				
1	Poor transport and cell phone network make it difficult to run viable businesses	64.34	57.49	ns

Key: F=female youth

M=male youth

ns=not significant

* =P < 0.05

Note that mean ranks with different superscripts are statistically different from each other

In addition to the explanation given previously, there is limited information on what female youth think about entrepreneurship (Kourilsky and Walstad, 1998). This is the situation despite the attention paid to the importance of women in economic development of many countries that strive to create an environment conducive for the establishment of female-owned enterprises (Roomi, Harrison and Beaumont-Kerridge, 2009). This underscores the assertion of Gopal (2006) that development of rural women is critical for the growth and advancement of rural areas. Thus, more should be done in providing in-school female youth and those out of the schooling system with more and better information on the importance of entrepreneurship as a way of survival (OECD, 2012). This shows that the business climate for the establishment and growth of rural area-based small-scale enterprises should be improved. This will encourage and make it easier for both male and female youth to actively take part in small-scale enterprises.

4.5 Effect of Ward of Residence on Youth Perceptions

In Table 4.3 it is shown that the mean rank for the perceptions of youth with respect to “high crime rate threatens local investment” in Ward 37 was far much lower compared to that for youth in Ward 1 ($P < 0.001$). The mean ranks between Wards 1 and 29 youth and those between Wards 29 and 37 youth were not significantly different with regards to the same perception ($P > 0.05$). The mean rank for Ward 37 youth was lower than that for Wards 1 and 29 for the perception “business people believe too much in ritual murders” ($P < 0.05$). With respect to “lack of reliable and usable information for business owners to make decisions,” the mean rank for Ward 37 youth was lower than that for Ward 29 ($P < 0.01$). There were, however, no significant differences ($P > 0.05$) in mean ranks between Wards 1 and 29. Nor were the perceptions of youth in Wards 1 and 37 different with respect to the same perception ($P > 0.05$).

Entrepreneurs regard some localities as favourable and beneficial than others (Zang and Si, 2008). Nevertheless, in this study there were, in the main, no Ward-based differences in the way youth perceived the rural area-based small-scale enterprises business climate in Makhado Municipality. However, the youth from Ward 37 mostly viewed the scourge of crime as a significant hindrance to the existence of a supportive business climate for small-scale enterprises in their area. Apart from this, youth from Ward 37 agreed more with the fact that the issue of ritual murders was a major challenge in their Ward.

Table 4.3 Ward of residence-based youth perceptions on rural area-based small-scale enterprises business climate in Makhado Municipality

Rank	Perceptions	Ward Mean Ranks			Level of Significance
		1	29	37	
External dynamics					
1	Government tax requirements are too stringent and too high	66.24	61.25	57.67	ns
2	High levels of poverty makes it difficult to run successful local businesses	68.03	59.60	57.22	ns
3	High prices of goods make it difficult to run profitable businesses	70.53	63.10	54.28	ns
4	High crime rate threatens local investment	75.35 ^a	65.50 ^{ab}	50.35 ^b	***
5	Unlicensed businesses are offering stiff and unfair competition	63.05	58.44	60.76	ns
6	Business people believe too much in ritual murders	67.03 ^a	72.06 ^a	51.70 ^b	*
7	Community members do not support local businesses	64.77	67.00	56.28	ns
Entrepreneurship (knowledge and skills)					
1	Most businesses have poor customer care	64.66	66.92	56.38	ns
2	Local businesses fail to compete effectively with big businesses	69.85	60.54	55.72	ns
3	Very few people are running income generating projects	68.03	64.06	55.44	ns
4	People lack entrepreneurial skills and do not take advantage of opportunities available to them	55.11	64.79	63.12	ns
5	Business people lack knowledge on how to access lucrative markets	60.34	63.29	60.49	ns
6	Lack of reliable and usable information for business owners to make decisions	61.61 ^a	76.35 ^{ab}	54.48 ^{ac}	**
7	Business people do not have unity of purpose due to selfishness	69.41	64.38	54.47	ns
8	Limited knowledge on how to register various types of businesses	67.93	60.19	57.05	ns
Access to resources					
1	Lack of funds to support business ideas	61.27	66.19	58.76	ns
2	Lack of title deeds for small-scale enterprises makes it difficult to secure loans	68.46	63.85	55.26	ns
Infrastructure					
1	Poor transport and cell phone network make it difficult to run viable businesses	56.95	52.46	66.92	ns

Key: ns=not significant *= $P < 0.05$ **= $P < 0.01$ ***= $P < 0.001$

Note that mean ranks with different superscripts are statistically different from each other

According to the KwaZulu-Natal Department of Community Safety and Liaison (2010), high levels of crime pose a serious threat to rural area-based communities and crimes such as murder, robbery, hijacking theft and rape are committed in these areas. The Department goes on to reveal that policing is a challenge in most of South Africa's rural areas because they are isolated. Moreover, Vincent (2008) postulates that South Africa is recording high levels of murders with the purpose of harvesting body parts for use as traditional medicine and as much as 250 ritual killings are recorded in Limpopo Province in a single year. Munthali (2006), further points out that ritual killing is entrenched in Venda and is mainly committed with the belief that it makes one's business to thrive. Ward 37 was the most rural and remote compared to Wards 1 and 29 where this study was undertaken. Probably, this explains why youth in Ward 37 had the strong belief that ritual murders were a major problem. The characteristically thick bushes and mountains densely covered with vegetation in Ward 37 seemed to provide sufficient cover for criminals who committed the ritual murders.

Lack of relevant information to make intelligent business decisions was also regarded as an obstacle to the existence of a positive business climate. In most instances, rural areas have poor communication infrastructure (Warren, 2000). The rural areas in South Africa have poor access to information and communication technologies (Fourie, 2008). As was the case with other perceptions in earlier sections of this dissertation, youth in Ward 37 agreed more that this was a huge challenge, probably because the area was far away and isolated compared to the other relatively 'less rural' Wards 1 and 29. In order to offset this challenge, it seems advisable for small-scale enterprise development-focused entities such as Small Enterprise Development Agency (SEDA), Limpopo Business Support Agency (LIBSA) and Limpopo Economic Development Enterprise (LIMDEV) to embark on intensive information campaigns that benefit prospective youth entrepreneurs and those already involved in small-scale enterprises.

4.6 Effect of School Attendance Status on Youth Perceptions

Table 4.4 shows the perceptions of in and out-of-school youth regarding the business climate faced by rural area-based small-scale enterprises in Makhado Municipality. The perceptions of the two categories of youth on the business climate for the establishment and expansion of rural area-based small-scale enterprises were the same ($P > 0.05$). The out-of-school youth were expected to have more and different insights from those still in school by virtue of the fact that some of them might have attempted or had already ventured into running small-scale enterprises.

In contrast, the youth in-school were likely to be still thinking of getting formal jobs rather than starting their own enterprises. The youth resided in Wards located in the same Municipality and were relatively in close proximity to each other. This might be the reason why there were no differences between the two groups.

6.1 Introduction

4.7 Conclusion

Agriculture is an integral activity that is involved food security. Moreover, rural residents can Youth discernment of the business climate faced by rural area-based small-scale enterprises was discussed in this chapter. In general, there were no sex and Ward-based differences in the perceptions on the business climate that rural area-based small-scale enterprises in Makhado Municipality faced. In addition, the perceptions of in and out of school youth were the same. The youth were of the view that the business climate in which rural area-based small-scale enterprises operated did not make it easy to establish and expand such enterprises.

5.2 Perceptions of Youth on the Business Climate for Rural area-based Small-scale Agro-enterprises

In total, youth raised eleven issues that hindered the establishment and performance of small-scale agro-enterprises. As shown in Table E.1, "inadequate water supply is limiting effective dry land farming", "livestock feed shortage which limits animal productivity" and "diseases are killing cattle and other livestock" were the major issues that the youth singled out as requiring attention. In general, the youth agreed that the business climate in Wards 1, 29 and 37 of Makhado Municipality was not conducive for the establishment and expansion of agriculture-based small-scale enterprises.

Water is an inadequate resource in Africa (African Union, AU, 2008). Specifically, according to the LEGDP of 2009-2014, Limpopo Province in South Africa is water-stressed. Taking the latter fact into account, it is not surprising that youth acceded to the fact that inadequacy of water supply negatively affected dry-land farming. A study undertaken in Northern KwaZulu-Natal also revealed that water shortage was one of the major challenges that hindered agricultural production (Lewin and Azeala, 2009). Makhado Municipality, especially Ward 37, is located in one of the most dry and arid parts of South Africa. In this regard, the fact that the youth highlighted that lack of water had an adverse effect on dry-land farming was not surprising.

CHAPTER 5 YOUTH PERCEPTIONS ON BUSINESS CLIMATE FOR THE ESTABLISHMENT AND EXPANSION OF AGRICULTURE-BASED SMALL-SCALE ENTERPRISES

5.1 Introduction

Agriculture is an integral contributor to improved food security. Moreover, rural residents can earn a living through selling agricultural produce. When deliberating on the business climate faced by rural area-based small-scale enterprises in Makhado Municipality, the youth raised many agriculture-related issues. These issues painted a picture of the prevailing business climate that small-scale agro-enterprises grappled with. This chapter was presented to ensure that the perceptions of youth on the business climate in which rural area-based small-scale agro-enterprises operated in Makhado Municipality stood out more vividly.

5.2 Perceptions of Youth on the Business Climate for Rural area-based Small-scale Agro-enterprises

In total, youth raised eleven issues that hindered the establishment and performance of small-scale agro-enterprises. As shown in Table 5.1, “unreliable water supply is limiting effective dry land farming”, “livestock feed shortage which limits animal productivity” and “diseases are killing cattle and other livestock” were the major issues that the youth singled out as requiring attention. In general, the youth agreed that the business climate in Wards 1, 29 and 37 of Makhado Municipality was not conducive for the establishment and expansion of agriculture-based small-scale enterprises.

Water is an inadequate resource in Africa (African Union: AU, 2008). Specifically, according to the LEGDP of 2009-2014, Limpopo Province in South Africa is water-stressed. Taking the latter fact into account, it is not startling that youth acceded to the fact that inadequacy of water supply negatively affected dry-land farming. A study undertaken in Northern KwaZulu-Natal also revealed that water shortage was one of the major challenges that hindered agricultural production (Lewu and Assefa, 2009). Makhado Municipality, especially Ward 37, is located in one of the most dry and arid parts of South Africa. In this regard, the fact that the youth highlighted that lack of water had an adverse effect on dry-land farming was not astounding.

Table 5.1 Youth perceptions on the business climate for agricultural rural area-based small-scale enterprises in Makhado Municipality

Rank	Perceptions	Mean	Standard Deviation
Agricultural perceptions			
1	Unreliable water supply is limiting effective dry land farming	3.33	0.850
2	Livestock feed shortage which limits animal productivity	3.30	0.715
3	Diseases are killing cattle and other livestock	3.10	0.793
4	Grazing land for livestock is inadequate	3.05	0.902
5	People want to form agricultural cooperatives but lack knowledge	2.95	0.865
6	Shortage of land makes it difficult to venture into meaningful agriculture	2.91	0.894
7	Long distance travelled to markets and this reduces profits	2.88	0.988
8	Stock theft is high	2.84	1.057
9	Shortage of people well trained in agriculture makes it difficult to take full advantage of agricultural potential in the ward	2.83	0.823
10	Unplanned and uncontrolled veld or forest fires	2.80	0.980
11	Farmers manage their farms poorly as they do not treat them as businesses	2.59	1.022

Key: Rank=position per theme

Mean=the higher the mean score, the stronger the agreement

Although irrigation can be relied upon as a solution to this challenge, plans to adopt this strategy are not likely to succeed because the Department of Agriculture lacks the financial resources needed to effectively run irrigation pumps (Lewu and Assefa, 2009). Therefore, agro-based small-scale enterprises in Makhado Municipality should be encouraged to grow water tolerant crops and other forms of agriculture such as livestock rearing which have a relatively low demand for water.

In this study, shortage of resources (Table 5.1) was cited as another challenge affecting agro-based small-scale enterprises. Shortages of stock feed, grazing land and financial support often dissuade people from venturing into animal rearing as a business. According to Mapiye, Chiminyo, Dzama, Raats and Mapekula (2009), feed shortage is a major constraint in livestock rearing, particularly in rural areas of South Africa. This is the case even though feed availability is a major requirement in livestock production (Khan and Usmani, 2005). Therefore, it can be argued that livestock rearing in rural areas would never thrive as long as there is inadequate feed for animals. Undernourished livestock cannot yield the desirable commercial returns, implying that inadequate feed creates a negative business climate which hinders the performance of livestock-based enterprises. The youth agreed that the shortage of stock feed negatively affected agriculture-related small-scale enterprises in rural areas. This situation presents a business opportunity that youth can take advantage of, and provide livestock feed to farmers and other stakeholders in Makhado Municipality and beyond.

The state of affairs highlighted above may have resulted from the shortage of land in addition to low levels of resource ownership. In this study, youth said that shortage of land was a problem that militated against establishing and expanding agro-based rural area-based small-scale enterprises (Table 5.1). This mirrors the situation in Shirur Anantpal Taluka, India where Jadhav Gaikwad, Wagalgave and Kamble (2012) report that many farmers do not own land. Worse still, land ownership by small-scale farmers is still a contentious issue in South Africa (Lewu and Assefa, 2009). Thus, shortage of land in Makhado Municipality for farming purposes is a sad reality. In order to offset this challenge, it is advisable that youth in Makhado Municipality organise themselves and form cooperatives. It is possible to secure land for their cooperatives through the on-going government-run land reform programme.

The youth indicated that diseases were a major impediment to livestock farming in Wards 1, 29 and 37 of Makhado Municipality. This might have emanated from the fact that the youth believed that there was insufficient vaccination of cattle (Khan and Usmani, 2005). In

support of this view, Ndebele, Muchenje, Mapiye, Chimonyo, Musemwa and Ndlovu (2007) report that tick-borne diseases are amongst the major impediments to cattle rearing in communal areas. The negative impact of diseases can be greatly reduced if the relevant authorities implement preventative measures to contain the spread of livestock diseases. Such a move would ensure that livestock remain healthy and productive.

With respect to skills and knowledge, the youth agreed that lack of entrepreneurial and marketing skills, inadequate training in farming as a business and poor management of farms required serious attention. These findings confirmed the observation of Groenewald and Jooste (2012) that the management skills of smallholder farmers were underdeveloped. With respect to farm animals, Jadhav *et al.* (2012) postulate that most farmers are not keen to take up veterinary services and do not have adequate scientific knowledge of livestock rearing. Moreover, lack of breeding and animal production skills are some of the constraints experienced in the communal areas of South Africa (Mapiye *et al.*, 2009). Therefore, many small-scale farmers in rural areas lack the capacity to effectively run their enterprises. However, this status quo deserves special attention that helps in addressing it. Farming is a financially risky undertaking and the implications of decisions or events are often not known with certainty until long after the latter have come to pass (Harwood, Heifner, Coble, Perry and Somwaru, 1999). Thus, information, knowledge and support are important with respect to running agro-based small-scale enterprises by farmers in rural areas.

It was observed that lack of adequate infrastructure afflicted the establishment and expansion of agricultural small-scale enterprises in the rural areas of Makhado Municipality. The youth acknowledged that farmers had to travel long distances to get their produce to markets. This affirms the view that seclusion of many rural areas presents transportation challenges to small-scale enterprises (Barkema and Drabescott, 2000). In addition, Lewu and Asssefa (2009) assert that "limitation to market access can only make matters worse for an already struggling farming population." Small-scale enterprises in rural areas may also have to contend with the scourge of poor roads to use when ferrying their goods to larger markets and this diminishes their effectiveness (White, 2004). Thus, the peripheral location of most rural area-based small-scale agricultural enterprises in Makhado Municipality meant that farmers and other stakeholders faced difficulties when trying to access markets.

The youth agreed (Table 5.1) that stock theft contributed to creating a negative business climate for livestock farming in Makhado Municipality. Dzimba and Matoone (2005) indicate that stock theft is prevalent in Lesotho and other Southern African states. Groenewald and Jooste (2012) confirm that stock theft is one of the major challenges faced by cattle farmers

in most parts of South Africa. Constant loss of livestock to thieves presents a bleak and gloomy picture in animal agriculture as it has financial repercussions. Moreover, other livestock owners tend to use animals such as cattle for ploughing. This makes it difficult for the families to plough crops for consumption and selling. Thus, the youth felt that stock theft negatively impacted on small-scale farming enterprises in Makhado Municipality.

5.3 Effect of Sex on Youth Agriculture-inclined Perceptions

Table 5.2 shows that there were no significant differences ($P > 0.05$) between the perceptions of male and female youth with respect to the business climate that rural area-based small-scale agro-enterprises in Makhado Municipality faced. Blackden, Canagarajah, Klasen and Lawson (2006) point out that women are discriminated against when they try to access to agricultural resources such as land, fertiliser, financial support and seeds. This problem hinders their ability to contribute to increased productivity rates in sub-Saharan Africa. Given this reality, the male youth were expected to express the view that the business climate that small-scale agro-based enterprises faced was more favourable to them compared to their female counterparts.

In this study, male and female youth were unanimous in negatively perceiving the business climate that rural area-based small-scale agricultural enterprises operated in. This might have been precipitated by the fact that most youth (both males and females) do not have skills in farming or own land and other resources needed in rural area-based agriculture (Sulo, Chepng'eno, Chumo, Tuitoek and Iagat, 2012). It is important for the South African Department of Agriculture to play a role in promoting agriculture among the youth of Limpopo Province (Mmbengeni and Mokoka, 2002). This is because most youth view agriculture negatively and this fuels a shortage of critical skills such as agricultural production, engineering, economics and veterinarians in South Africa (Department of Agriculture, 2003). Therefore, agricultural skills need to be readily bequeathed to those youth who are interested in acquiring them. Youth are the future and it is important that they get involved in mainstream agriculture and small-scale agro-enterprises for food security and economic independence. The value of agriculture cannot be overstressed for the well-being of the human race. Thus, it is critical that young people play active and vigorous roles in agriculture for it to prosper in South Africa and beyond.

Table 5.2 Sex-based youth perceptions on the business climate for the establishment and growth of agricultural rural area-based small-scale enterprises in Makhado Municipality

Rank	Perceptions	Mean Rank		Level of Significance
		F	M	
Agricultural perceptions				
1	Unreliable water supply is limiting effective dry land farming	61.51	60.47	ns
2	Livestock feed shortage which limits animal productivity	60.98	61.03	ns
3	Diseases are killing cattle and other livestock	63.05	57.78	ns
4	Grazing land for livestock is inadequate	61.34	60.64	ns
5	People want to form agricultural cooperatives but lack knowledge	59.84	62.22	ns
6	Shortage of land makes it difficult to venture into meaningful agriculture	62.50	59.42	ns
7	Long distance travelled to markets and this reduces profits	62.50	59.42	ns
8	Stock theft is high	64.47	57.36	ns
9	Shortage of people well trained in agriculture makes it difficult to take full advantage of agricultural potential in the ward	59.86	62.19	ns
10	Unplanned and uncontrolled veld or forest fires	65.43	56.35	ns
11	Farmers manage their farms poorly as they do not treat them as businesses	60.14	61.91	ns

Key: F=female youth M=male youth ns=not significant *= $P < 0.05$

Note that mean ranks with different superscripts are statistically different from each other

5.5 Effect of School Attendance Status on Youth Agriculture-Related Perceptions

Table 5.4 shows that there were no significant differences ($P > 0.05$) in the perceptions of in-school and out-of-school youth regarding the business climate for the establishment and expansion of small-scale agricultural enterprises. Probably, this resulted from the fact that all the youth who participated in this study resided in rural parts of Makhado Municipality and thus viewed agriculture through the same lenses. What was of great concern, however, was the fact that the youth believed that the business climate was not conducive for agriculture-related small-scale enterprises to thrive.

5.4 Effect of Ward of Residence on Youth Agriculture-inclined Perceptions

In Table 5.3, it is shown that the mean rank for Ward 37 regarding the perception “stock theft is high” was lower than that of Ward 1 ($P < 0.05$). According to Davids (2004), crime is high in rural farming areas of South Africa because of lax policing. This may partly explain why the youth in the predominantly rural Ward 37 agreed that stock theft was a more significant problem for them compared to Wards 1 and 29 youth. This observation suggests that there is need for improved policing for livestock-based farming is to succeed in rural areas of South Africa.

Significant differences were also observed across the Wards with respect to the perception that “unplanned and uncontrolled veld or forest fires” ($P < 0.05$) hampered agriculture. The mean rank for the perceptions of youth was highest for Ward 1 followed by those for Wards 29 and 37 respectively. General agricultural and livestock practices and burning of vegetation by hunters are some of the causes of unplanned veld fires (Nkomo and Sassi, 2009). The fact that Ward 37 was more rural and had more open spaces compared to the other two might explain why the youth from there agreed more with the perception that “unplanned and uncontrolled veld or forest fires” posed a serious challenge to agricultural enterprises. This burnt the grazing land for the livestock. These results suggest that the fire and ambulance services department of Makhado Municipality should target its fire prevention and fighting awareness campaigns pay particular attention to the more rural areas such as Ward 37. Positive results from such efforts are likely to promote the establishment and expansion of agro-based small-scale enterprises in the usually fire-ravaged areas.

5.5 Effect of School Attendance Status on Youth Agriculture-inclined Perceptions

Table 5.4 shows that there were no significant differences ($P > 0.05$) in the perceptions of in-school and out-of-school youth regarding the business climate for the establishment and expansion of small-scale agricultural enterprises. Probably, this resulted from the fact that all the youth who participated in this study resided in rural parts of Makhado Municipality and thus, viewed agriculture through the same lenses. What was of great concern, however, was the fact that the youth believed that the business climate was not conducive for agriculture-related small-scale enterprises to thrive.

Table 5.3 Ward-based youth perceptions on the business climate for the establishment and growth of agricultural rural area-based small-scale enterprises in Makhado Municipality

Rank	Perceptions	Ward Mean Ranks			Level of Significance
		1	29	37	
Agricultural perceptions					
1	Unreliable water supply is limiting effective dry land farming	66.18	54.46	60.42	ns
2	Livestock feed shortage which limits animal productivity	67.09	58.81	58.12	ns
3	Diseases are killing cattle and other livestock	60.80	55.17	62.48	ns
4	Grazing land for livestock is inadequate	62.91	58.33	60.89	ns
5	People want to form agricultural cooperatives but lack knowledge	58.53	62.60	61.88	ns
6	Shortage of land makes it difficult to venture into meaningful agriculture	66.24	62.15	57.31	ns
7	Long distance travelled to markets and this reduces profits	62.07	55.94	62.37	ns
8	Stock theft is high	72.59 ^a	56.21 ^{ab}	55.77 ^{bc}	*
9	Shortage of people well trained in agriculture makes it difficult to take full advantage of agricultural potential in the ward	68.35	67.35	53.92	ns
10	Unplanned and uncontrolled veld or forest fires	82.58 ^a	62.85 ^b	46.95 ^c	*
11	Farmers manage their farms poorly as they do not treat them as businesses	67.15	63.92	56.04	ns

Key: ns=not significant *=P < 0.05 **=P < 0.01 ***= P < 0.001

Note that mean ranks with different superscripts are statistically different from each other

Table 5.4 Comparisons of in-school and out-of-school youth perceptions on agricultural rural area-based small-scale enterprises business climate in Makhado Municipality

Rank	Perceptions	Mean Rank		Level of Significance
		In Sch	Out of Sch	
Agricultural perceptions				
1	Unreliable water supply is limiting effective dry land farming	62.35	59.80	ns
2	Livestock feed shortage which limits animal productivity	58.04	63.63	ns
3	Diseases are killing cattle and other livestock	62.69	58.52	ns
4	Grazing land for livestock is inadequate	59.86	62.02	ns
5	People want to form agricultural cooperatives but lack knowledge	61.72	60.36	ns
6	Shortage of land makes it difficult to venture into meaningful agriculture	57.68	63.96	ns
7	Long distance travelled to markets and this reduces profits	55.04	66.31	ns
8	Stock theft is high	60.04	61.85	ns
9	Shortage of people well trained in agriculture makes it difficult to take full advantage of agricultural potential in the ward	61.05	60.95	ns
10	Unplanned and uncontrolled veld or forest fires	51.71	69.27	ns
11	Farmers manage their farms poorly as they do not treat them as businesses	58.36	63.35	ns

Key: In Sch=in school youth Out of Sch=out of school youth

Level of significance at $P > 0.05$

Therefore, it is crucial to introduce programmes that create awareness and also educate the youth on the potential of agriculture in personal, local community, provincial and national development. If the programme also targets youth still in school, it would build a deeper sense and belief in the value of running agro-enterprises. One way of doing this would be to provide intensive information on various aspects of agriculture through infusing them into the school curriculum, especially for schools based in rural areas.

5.6 Conclusion

This chapter focused on the importance of agriculture in the economic landscape of some rural area-based Wards of Makhado Municipality in Limpopo Province of South Africa. In general, there were no gender and Ward-of-residence differences in the way youth perceived the business climate for the establishment and expansion of rural area-based agricultural small-scale enterprises. Similarly, there were no differences between in-school and out-of-school youth regarding the extent to which they perceived various aspects of the small-scale agro-enterprises business climate in their areas. This understanding was vital because it has provided the ingredients for producing an appropriate intervention programme that might result in an improved business climate for the establishment of agro-based small-scale enterprises. Presumably, when the business climate improves more youth would become active participants in the small-scale farming sector in the studied rural areas of Makhado Municipality. The fact that these results were obtained through a case study implies that they cannot be generalised.

CHAPTER 6 GENERAL DISCUSSION, RECOMMENDATIONS AND CONCLUSIONS

6.1 Introduction

This study focused on youth perceptions on the business climate under which rural area-based small-scale enterprises in Makhado Municipality operated. A high number of youth participated in this study. This is despite that it is believed that youth are not interested in participating in studies and other interventions meant for attainment of development. Therefore, space is devoted in this chapter on how the methodological approach employed in this study helped in galvanising a high level of youth participation. Also, in this chapter, the major results are synthesised and used to make succinct recommendations for development practice, policy making or review and research. This is used as a basis for making conclusions on the fundamental dimensions of the study.

6.2 Methodological Issues

Youth participation in development can help achieve community and national advancement (Cornwall, 2010). Unfortunately, it is widely averred that mobilising large numbers of youth to participate in development initiatives is a huge challenge (Effiong, 2012). Nonetheless, quite a large number, 1 389 out of 3 800 youth in Wards 1, 29 and 37 of Makhado Municipality participated in this study. As revealed in Chapter 3, this case study was conducted under the auspices of the *Amplifying Community Voices* (ACV) programme. One of the fundamental pillars of the ACV programme is the engagement of various categories of interest groups in grassroots communities in platforms where they contribute to mapping their development in a democratic manner. This practice actualises the philosophy of Maathai (2010) and other proponents of participatory democracy such as Chambers (1993; 1994). Moreover, as also acknowledged by the United Nations (UN), the ACV programme recognises that youth are an integral part of the human resources needed for multidimensional development to take place (UN and Restless Development, 2010). This is the reason why various stakeholders such as traditional leaders, Ward Councillors, Civic Association, men, women and the youth took part in preparatory workshops targeted at orientating and creating an enabling environment for youth to discuss and prioritise the issues militating against the establishment and expansion of small-scale enterprises.

It is imperative to highlight that participants in this study were in reflections circles as they deliberated on small-scale enterprise business climate issues in their areas. This ensured that everybody's voice was heard and contributed to the deliberations. This allowed the youth to construct relationships through which they educated one another and were viewed

as assets by their communities (Harbour, 2012). Further the concept of learning communities as settings where people with different levels of knowledge exchanged ideas on issues that affected them was cultivated and promoted (Kransy, 2005). Therefore, the methodological approach utilised in this study arguably assisted in spurring a high level of youth participation.

This study delved into the perceptions of in-school and out-of-school youth on the business climate encountered by small-scale enterprises in Makhado Municipality. It dispelled the myth that there is inability in Africa's growth quest to focus on development that benefits the African people (Maathai, 2010). Supporting rural area-based small-scale enterprises can go a long way in alleviating some of the economic and social challenges that rural residents face in South Africa. This study revealed that the youth had vital opinions on the business climate in Makhado Municipality. Also, active participation empowers the youth to play a critical role in their own progress (UN and Restless Development, 2010). Consequently, it is cardinal that the Municipality and other stakeholders rigorously seek the youth's viewpoints and implore them to be actively involved in local economic development initiatives.

6.2.1 Possible shortcomings of the approach

This case study sought to gather perceptions on small-scale business climate only from youth in Wards 1, 29 and 37 of Makhado Municipality. Time permitting, youth from other Wards in the Municipality would have participated in the study.

The youth responded to the questionnaires in reflection circles. It would have been interesting to go a step further and let youth respond to the questionnaire as individuals. This would have assisted in discerning whether there would have been variations in results emanating from response to questionnaires in reflection circles and as individuals. However, it should be underscored that this study was undertaken within the ambit of public participation. It sought to show that the youth can work collectively for their development. This is the reason why the youth responded to questionnaires in reflection circles.

6.3 Major Results of the Study

The main objective of this study was to determine the business climate for establishing and expanding small-scale enterprises as perceived by in-school and out-of-school youth in some rural area-based Wards of Makhado Municipality. The specific objectives of the study were to:

- a) determine if sex and geographical area of residence (Ward) influenced youth perceptions on the business climate for establishing and expanding rural area-based small-scale enterprises;
- b) determine if in-school and out-of-school youth perceptions on the business climate for establishing and expanding rural area-based small-scale enterprises were different ; and
- c) recommend possible ways of improving the conditions for establishing and expanding rural area-based small-scale enterprises.

The main research hypothesis, that the extent to which youth perceived business climate as a hindrance to the establishment and expansion of rural area-based small-scale enterprises in Makhado Municipality of South Africa was not known, was rejected. The youth in Wards 1, 29 and 37 of Makhado Municipality agreed that the business climate was not conducive for establishment and expansion of rural area-based small-scale enterprises. In general, the following sub-hypotheses were accepted:

- a) There are no differences in perceptions of male and female youth regarding the business climate that rural area-based small-scale enterprises in Makhado Municipality face;
- b) There are no differences in perceptions of youth across municipal Wards regarding the business climate that rural area-based small-scale enterprises face; and
- c) There are no differences in perceptions of in-school and out-of-school youth with respect to the business climate that rural area-based small-scale enterprises face.

6.3.1 Non-agricultural results of the study

In this study, it was established that the youth perceived the business climate under which rural area-based non-agricultural small-scale enterprises operated negatively. There were no significant differences ($P > 0.05$) between male and female youth perceptions on rural small-scale enterprises business climate except for the perception “limited knowledge on how to register various types of businesses” ($P < 0.05$). The mean rank for the perception of female youth was lower than that for male youth. Female youth might have agreed more with this perception since past studies have suggested that they are still discriminated against more than their male counterparts (Sommers, 2007). This state of affairs just has no place in the modern era. The youth should all be equally and equitably supported in their endeavours to manage and own small-scale enterprises regardless of their sex.

The youth in Ward 37 had a lower mean rank than the ones of Ward 1 regarding “high crime rate threatens local investment” ($P < 0.001$). Ward 37 was more rural. The National Planning Commission (2011) highlights that challenges such as communal, open toilets or shortage of

toilets precipitate sex-based violence, for instance rural women walking alone in thick bushes are vulnerable to sexual attacks. Thus, policing should be improved in rural areas.

There were also significant differences ($P < 0.05$) across the Wards regarding the perception “business people believe too much in ritual murders.” Ward 37 youth agreed more with this issue, followed by Wards 1 and 29 respectively. Some business people commit ritual murders because they believe they will make their enterprises successful (Vincent, 2008). Thick, isolated forests present a fertile ground for such crimes to be committed. Probably, this explains why the youth in Ward 37 concurred more with the fact that ritual murders hindered the establishment and expansion of small-scale enterprises in their locale.

The youth in Ward 37 agreed more than those in Ward 29 with the perception that “lack of reliable and usable information for business owners to make decisions” ($P < 0.01$) limited the business climate for the establishment and expansion of small-scale enterprises. Rural areas in South Africa have poor access to information and communication technologies (Fourie, 2008). The fact that Ward 37 was more rural and isolated than Ward 29 might have made the youth from the former Ward to feel more strongly about the challenge of lack information needed to effectively run small-scale enterprises in the area.

The perceptions of in-school and out-of-school youth on the business climate that non-agricultural rural area-based small scale enterprises faced were similar ($P > 0.05$).

6.3.2 Agricultural-inclined results of the study

The youth raised many issues that hindered the establishment and performance of rural area-based small-scale agro-enterprises. They agreed that the business climate that small-scale agro-enterprises in Makhado Municipality faced was not conducive enough to promote their establishment and expansion. Agriculture is important for sustainable rural livelihoods in South Africa (Gwanya, 2010). Therefore, there is need to improve the business climate that rural area-based small-scale agricultural enterprises face so that more youth can become more actively involved in managing them.

There were significant differences ($P < 0.05$) between Wards 1 and 37 youth on “stock theft is high”. The mean rank for Ward 37 was lower. The National Planning Commission (2011) envisages that, in the near future, rural economies will be mainly supported and driven by agriculture in South Africa. This shows that there is need for multi-stakeholder efforts aimed at eradication of livestock theft in rural areas to ensure that livestock production thrives.

Also, there were significant differences across the Wards on “unplanned and uncontrolled veld or forest fires” ($P < 0.05$). Ward 37 youth had the lowest mean followed by Wards 29 and 1 respectively. Ward 37 is characterised by thick densely populated forests and it is easy for uncontrolled fires to start and spread. However, there were no significant differences ($P > 0.05$) in the perceptions of in-school and out-of-school youth with respect to their perceptions on the business climate faced by rural area-based agricultural small-scale enterprises.

6.3.2.1 Importance of agriculture to youth in rural areas

Most of the youth perceptions on the business climate that rural area-based small-scale enterprises faced related to agriculture. This suggested that rural area-based small-scale agricultural enterprises were commonplace in Makhado Municipality. This might explain why the youth raised so many agriculture-focused perceptions of the business climate. In Africa, agriculture significantly contributes to national economies, employment and food supplies (African Union: AU, 2008). Rural areas in South Africa most often rely on agriculture and livestock farming (Fourie, 2008). Therefore, agriculture is a critical avenue through which many people, especially those in rural areas, can attain economic satisfaction and independence. For example, animal agriculture improves people's lives (Schwalbach, Groenewald and Marfo, 2001; Chawatama, Mutisi and Mupawaenda, 2005). Also, most rural area-based farmers in Africa continue to see the importance of farming as a source of food (Bryceson, 2002). Therefore, agriculture helps cushion most people against hunger.

Apart from the facts highlighted above, the Organisation for Economic Co-operation and Development, OECD, (2005) identifies diversified agro-industries as a potential focus area for rural development in Europe. In South Africa, the Limpopo Employment, Growth and Development Plan (LEGDP) of 2009-2014 identifies agriculture and rural development as the key action programmes for Limpopo Province. This builds upon the Integrated Sustainable Rural Development Strategy (ISRDS) of 2000 assertion that agriculture is one of the major economic drivers in most of South Africa's rural areas. In the same breadth, the Limpopo Growth and Development Strategy (LGDS) of 2004-2014 states that agriculture is one of the areas in which the province is competitive and thus, it is a principal economic mainstay. All this projects the value of agriculture and how it can be harnessed in order to uplift the livelihoods of young people in South Africa's rural areas, for example in Makhado Municipality where this study was undertaken.

The results of this study revealed that youth were, in general, not fascinated with smallholder farming. This observation supports the contention of Bennell (2007) that youth were mostly not interested in agriculture. This might be as a result of the fact that most young people perceive the African agriculture landscape as unappealing because of limited access and low earnings (Food, Agriculture and Natural Resources Policy Analysis Network: FANRPAN, 2011). It is interesting to note that this was the case despite the fact agriculture played a prominent role in the economic wellbeing of residents of Makhado Municipality and even Limpopo Province. Therefore, it can be concluded that activities that seek to change the youth mind-sets about participating in the agro-economy of Makhado Municipality through running agriculture-based small-scale enterprises are required. Agricultural inputs, financial, human and information resources should be made available so that they stimulate the interest of youth in agriculture.

6.4 Recommendations

Clemensson and Christensen (2010) posit that many countries are supporting youth entrepreneurship through passing laws, policies and programmes as they believe this is essential in addressing economic challenges. Existence of a supportive business climate goes a long way in ensuring that more youth start and expand rural area-based small-scale enterprises. This would alleviate the adverse effects of youth unemployment and challenges they face. However, it is fundamental that programmes and strategies aimed at improving the business climate to get more youth in rural areas to be involved in small-scale enterprises be efficient and effective. Therefore, the following recommendations were made:

For development practitioners

- a) There is need for the private and public sectors to combine and make concerted efforts to improve the business climate under which rural area-based small-scale enterprises operate;
- b) Efforts to improve the business climate should also involve improvement of rural agriculture as it is integral in giving rural residents a means of survival;
- c) More should be done in the provision of information and communication technologies in rural areas so as to counteract disadvantages brought by the peripheral location of rural areas;
- d) There is need to inculcate entrepreneurial spirit in young people from primary school level by providing entrepreneurship education earlier on in their academic ladder;

- e) Business training and advice targeting vulnerable groups, such as rural youth, should be extensively dispensed in rural areas;
- f) Networking gatherings should be extensively hosted between aspiring young entrepreneurs and established entrepreneurs in rural areas. This will allow the mentoring of youth who are interested in establishment and development of rural area-based small-scale enterprises to take place.

For policy makers or reviewers

- a) An in-depth all-encompassing rural area-based small-scale enterprise business climate improvement intervention programme specifically targeting all youth (male, female, in school, out of school from different Wards in rural Municipalities) should be developed as part of the local economic development strategy. This is vital if more youth are to be involved in establishment and expansion of rural area-based small-scale enterprises as employees, managers and owners in South Africa.

For researchers

- a) Further research should be undertaken focusing on youth perceptions on the business climate faced by small-scale enterprises in other Wards of Makhado Municipality, other Municipalities in Limpopo Province and in other rural areas located in other Provinces in South Africa. This would not only bring about in-depth understanding of the rural business climate, but will also allow for generalisation of results of a wider study since this case study only focused on Wards 1, 29 and 37 of Makhado Municipality;
- b) A study that compares the business climate prevailing in rural and urban areas will help mount a more solid intervention strategy for the entire Municipality;
- c) Similar studies focusing on stakeholders such as traditional leaders, Ward Councillors, adults and rural area-based business people will build a more wholesome and comprehensive understanding of the business climate in rural areas.

6.5 Conclusions

This study established that the youth were of the view that the business climate prevailing in their areas was not conducive for the establishment and expansion of rural area-based small-scale enterprises. Apparently, the youth had some eloquent insights on the business climate in which the enterprises operated. Their discernment of the business climate was invaluable and should be taken into consideration if more of them are to be actively involved in small-scale enterprise establishment and development. This would allow the youth,

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External Dynamics	
1	Governmental interventions are too stringent and too high
2	High levels of poverty makes it difficult to run successful local businesses
3	High prices of goods make it difficult to run profitable businesses
4	High crime rate deters local investment
5	Unlicensed businesses are offering stiff and unfair competition
6	Business people behave too much in their own interests
7	Community members do not support local businesses
Entrepreneurship (Knowledge and Skills)	
8	Most programmes have poor curricula/cats
9	Local businesses fail to compete effectively with big business
10	Very few patents
11	People do not leverage
12	Businesses are not innovative

APPENDICES

Appendix 1: Questionnaire used for data collection

Youth Perceptions on Business Climate for the Establishment and Expansion of Rural-based Small-Scale Enterprises in Makhado Municipality of South Africa

Ward _____ Village _____ Social Group _____

Number of male participants in the group _____ Number of female participants in the group _____

UNIVEN Facilitating Student(s) _____

Statements		Please tick where appropriate			
		Disagree (1)	Somewhat agree(2)	Agree (3)	Strongly Agree (4)
External Dynamics					
1	Government tax requirements are too stringent and too high				
2	High levels of poverty makes it difficult to run successful local businesses				
3	High prices of goods make it difficult to run profitable businesses				
4	High crime rate threatens local investment				
5	Unlicensed businesses are offering stiff and unfair competition				
6	Business people believe too much in ritual murders				
7	Community members do not support local businesses				
Entrepreneurship (Knowledge and Skills)					
8	Most businesses have poor customer care				
9	Local businesses fail to compete effectively with big businesses				
10	Very few people are running income generating projects				
11	People lack entrepreneurial skills and do not take advantage of opportunities available to them				
12	Business people lack knowledge on how to access lucrative markets				

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8	Most businesses have poor customer care				
9	Local businesses fail to compete effectively with big businesses				
10	Very few people are running income generating projects				
11	People lack entrepreneurial skills and do not take advantage of opportunities available to them				
12	Business people lack knowledge on how to access lucrative markets				

13	Lack of reliable and usable information for business owners to make decisions				
14	Business people do not have unity of purpose due to selfishness				
15	Limited knowledge on how to register various types of businesses				
Access to Resources					
16	Lack of funds to support business ideas				
17	Lack of title deeds for small-scale enterprises makes it difficult to secure loans				
Infrastructure					
18	Poor transport and cell phone network make it difficult to run viable businesses				
Agricultural Perceptions					
19	Unreliable water supply is limiting effective dry land farming				
20	Livestock feed shortage which limits animal productivity				
21	Diseases are killing cattle and other livestock				
22	Grazing land for livestock is inadequate				
23	People want to form agricultural cooperatives but lack knowledge				
24	Shortage of land makes it difficult to venture into meaningful agriculture				
25	Long distance travelled to markets and this reduces profits				
26	Stock theft is high				
27	Shortage of people well trained in agriculture makes it difficult to take full advantage of agricultural potential in the ward				
28	Unplanned and uncontrolled veld or forest fires				
29	Farmers manage their farms poorly as they do not treat them as businesses				

Appendix 2: Letter accompanying the questionnaire used to collect data

Dear Respondent

You are kindly invited to participate in a research entitled: *Youth Perceptions on the Business Climate for the Establishment and Expansion on Rural-based Small-scale Enterprises in Makhado Municipality of South Africa*. This study seeks to unravel in and out of school youth's perceptions of the business climate based on gender, Ward of residence. This study is funded by Kellogg Foundation. Attached to this letter is a questionnaire which requests youth to indicate their levels of agreement with rural area-based small scale enterprises business climate statements.

You are at liberty to choose not to participate in this study. It is your right to decline if not interested. The results of this study will assist in suggesting and designing a program or strategy aimed at improving the business climate under which rural area-based small-scale enterprises operate in Makhado Municipality. It is envisaged that this will assist in promoting youth active participation in rural area-based small-scale enterprises. The results are also to be published in a scientific journal.

Anonymity and confidentiality are guaranteed during your participation in this study. It is for this reason that you are advised not to capture your name on the questionnaire. No harm will befall you during your participation in this study. All information pertaining to this study will only be accessible to me and the Institute for Rural Development (IRD).

For further enquiries about the questionnaire or study, please feel free to call me on 073 795 4168. This study has been approved by the University of Venda's Research Ethics Committee. For further clarity, you can contact IRD office on 015 962 8680/1 or send an email to joseph.francis@univen.ac.za.

Sincerely,

Butho Ndhlovu

Masters in Rural Development Student