

THE CONTRIBUTION OF NATURAL RESOURCE-BASED ENTERPRISE INCOME
TO RURAL LIVELIHOODS: A CASE STUDY OF IKHOWE CRAFT ENTERPRISE IN
ESHOWE, SOUTH AFRICA

by

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PREFACE

The work described in this mini-dissertation was carried out at the Centre for Environment, Agriculture and Development, University of KwaZulu-Natal, Pietermaritzburg, from September 2005 to January 2007, under the supervision of Mr. Duncan Hay and Professor Robert Fincham

This mini-dissertation represents original work by the author and has not otherwise been submitted in any form for any degree or diploma to any other University. Where use has been made of the work of others it is duly acknowledged in the text.

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ABSTRACT

Many believe that small and medium natural resource-based enterprises (NRBEs) provide a vision to reduce poverty in the Third World's rural communities and households. As a result, new rural enterprises should be created and existing ones reinforced within a framework of sustainable livelihoods that target all appropriate members in the communities. This study investigates the impact of the natural resource based enterprises income on the rural livelihoods in the households using a rural natural-based craft enterprise (using reeds, *Cyperus spp*, as raw material), as a case study, Ikhowe Craft Enterprise, situated in small town called Eshowe in northern KwaZulu-Natal, South Africa..

In designing this study, a combination of both qualitative and quantitative research methods was employed. This was influenced by the aim and the type of data required for the study. The said methods were (a) semi-structured interviews for producers (a questionnaire had a pre-determined mix set of both open-ended and closed-ended questions); (b) interviews for management were conducted with a purely qualitative questionnaire which consisted of only structured and open-ended questions; (c) field observations, and (d) a review of secondary materials (administrative records). Apart from how derived income impacts on the participants, data required also included performance of the enterprise, access to markets, support available, and livelihood analysis of the participants households which included issues such as households' economies and exploring extent of, and reasons for diversification, and challenges both the enterprise and participants' households face daily in relation to making a living.

The results show that there was a significant increase in business annual turnover and producers' earnings between 2003 and 2005. In 2003, about 50% of the producers earned less than R1000 per year, while in 2005 only 3% earned less than R1000 per year. Despite the total annual increase of earnings and the significant contribution of craft income to producers' households' incomes, individual earnings varied considerably amongst the producers and as a result the economic impact was also variable. Other than craft, strategies such as government grants enhanced livelihood diversification in the case study. However,

lack of understanding of basic business principles and skills amongst both the crafters and management posed threats to the sustainability of the enterprise.

The income derived from the NRBE activity, especially since it is based on natural resources with low economic value (reeds) was found to have both diversifying and supplementing effects on different producers' other strategies. Although, the enterprise is achieving growth, there is a concern and a need to measure the future sustainability of the enterprise. In addition there is a need to improve the producers' basic business skills and business management competency.

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CHAPTER 1- INTRODUCTION

Historically, rural livelihoods in Africa have been dependent on natural resources (Karki 2001; Slater & Twyman 2003). The use and consumption of natural resources by rural people have mainly been for subsistence (Sunderlin *et. al* 2005). Natural resources contributed significantly to the food security, fuel and medicines of rural families and communities. Their contribution to rural people made them elements of complicated and diverse rural livelihoods. However, once a complex cash economy becomes central to survival in Africa, rural people are not an exception to this reality. Therefore, dependence on the cash economy has forced rural communities to commercialise natural resources to generate both employment and income.

The commercialisation of natural resources, therefore, is considered a key factor in rural livelihood diversification and that its importance lies largely in offering poverty alleviation opportunities. Poverty alleviation is a central objective of international aid organisations, development experts, developing world governments and non-governmental organisations (NGOs), in both urban and rural communities. The essential expectation is for the income gained from these activities to be able to help participants to gain access to basic needs such as food, credit, education, healthcare and investments (Suich & Murphy 2002). A number of events occur which prevents people from achieving their desired prosperity, the rural poor and women in particular, and these events includes, *inter alia*, seasonality of employment opportunities, crop failures, livestock health shocks, and so forth. Therefore, the other expectation of commercialising natural resources is to minimise the effect of the aforesaid events to the livelihoods of the participants (Suich & Murphy 2002; DFID 1999).

Many of these natural resources offer the opportunity of income generating enterprises, especially in the form of small, medium and micro enterprises (SMMEs). An increasing number of studies show that significant proportions of rural populations are deriving income from natural resources such as wood, cane, grass and bamboo based activities (Arnold & Townson 1998; Odero 2004). Rural poor people are adopting strategies that will allow them to sustain themselves economically and thus to meet their basic needs. It is often not just monetary

earnings that are important to the rural dwellers, but the ability of their households to achieve better life (Suich & Murphy 2002).

1.1 Problem statement

In many countries, SMME development is a growing notion that is seen as an important element of non-agricultural sector. The popular belief is that SMMEs have a potential to create employment and generate income, especially for the economically marginalised rural communities and poor people (Fisher *et. al* 1997 & Ndabeni 2002). Many governments and international development agencies recognise SMME development as a key element in changing the economic landscape, particularly in developing countries (Ndabeni 2002). Similarly, in South Africa, achieving poverty alleviation, employment creation and increasing non-farm incomes are embodied into SMME development objectives set out by *the National Strategy for the Development and Promotion of Small Business in South Africa of 1995*, to liberate pressure from *inter alia*, formal economy and the agricultural sector (South Africa 1995 & Ndabeni 2002).

Specifically, rural entrepreneurship is seen as a significant element of rural development in both developing and developed countries. The aim of promoting rural entrepreneurship is to diversify people's livelihoods in rural areas. Scoones (1998:7) states that "...ability to pursue different livelihood strategies is depended on the basic material and social, tangible and intangible assets that people have in their possession". Therefore, rural people often depend on multiple strategies and sources of income to improve the well-being and that of their households, as well as ensuring their food security (DFID 1999). One may argue that most rural SMMEs, which are dependent on a natural resource for a raw material, are significantly linked to the exploitation of forests and biological diversity for commercial gain. In other words, a number of rural SMMEs and households activities which use a natural resource as a raw material for commercial purpose are growing rapidly, especially in developing countries (Arnold & Townson 1998).

However, in *Towards a Framework for Rural SMME Development in South Africa*, Rogerson (2001:276) points out the lack of clarification of the objectives of a rural SMME strategy in many countries. The author further expresses that "...efforts have focused on poverty alleviation with insufficient attention accorded to the long-run

profitability and viability of rural SMMEs". Moreover, Reinecke (2002) argues that the general assumption is that these enterprises cannot offer employment of high quality, especially micro-enterprises. Therefore, because income level is an essential element of employment quality, in these enterprises income levels are relatively low. Mead and Liehom (1998 cited in Reinecke 2002) argue that these enterprises are there to help very poor people become a little less poor. As Liedholm and Mead (1996) note that rural SMME development is simply an alternative initiative following failure of the formal economy to generate employment. As a result, people are forced to undertake activities that have fewer opportunities, and provide only subsistence support in order to survive. Similarly, a growing body of authors point out that these enterprises have not actually helped many people in need, and hence, people still live below the poverty line, in many cases living on less than \$1 a day (Liedholm & Mead 1996; Bennell 1999; Daniels 1999; Sood 2002).

Many authors acknowledge that many SMMEs often suffer from development problems such as lack of raw materials, lack of financial and information support, market failures and lack of marketing skills. These problems impact negatively on informal enterprises such as rural handicraft businesses and particularly on those households in which enterprise activity is the only source of income. Evidence of this is seen in the great number of enterprises that do not grow to reach a stage of maturity (Liedholm & Mead 1996; Rogerson & Sithole 2001; ECI Africa 2004; Lewis *et. al* 2004).

An analysis of the impact of rural SMMEs, natural resource-based enterprises (NRBEs) in particular, on rural livelihoods is a critical issue, given that the benefits from the enterprise initiatives vary from person to person. Poor support from government may not be only a fundamental determinant of the extent to which these enterprises perform, but may also be an indicator of the low levels of benefits derived from these initiatives. In fact, there is a suspicion by some that many rural poor households may be better off without these SMMEs. Based on the above discussion, NRBE term will be used, to refer to enterprises based on natural resources, in the rest of this study.

Increasingly, rural economic development initiatives in many developing countries in particular, encourage rural people to realise the opportunities that locally available natural resources hold for them to enhance their livelihoods. However, what the scale and nature of the supposed benefits are and how are they disseminated to various participants are unanswered questions that need to be adequately addressed. Moreover, in South Africa and other parts of the world, there is a tendency to assess benefits at a cash level only and neglect the bigger picture of participants' and their households' livelihoods (Ashley & Hussein 2000). The central question is: what impacts do rural NRBEs incomes have on rural livelihoods at the household level?

This question indicates the need for further research to understand the role of the income derived from SMMEs better, especially, from NRBEs for rural people, since rural poor communities are often regarded as the most vulnerable and economically marginalised segment of the population. The existing published literature on NRBEs, such as handicraft, is limited, especially in South Africa. In addition, the impact of these enterprises is often not discussed in relation to other households' livelihood strategies to measure the extent to which they contribute to households. This research gap serves to prompt this study and as a result is the topic for this dissertation.

1.2 The structure

This study is structured into six chapters. Chapter One is the introduction and includes the problem statement and it also highlight the aim of the study. Chapter Two presents the review of the literature and includes the research aim and the objectives of the study. Chapter Three describes the study area. It provides both a general overview of the case study and a description of the Ikhowe Craft Enterprise and it also presents the research methodology, information about the data collection methods, data analysis procedures and the limitations of the study. The findings are reported in Chapter Four and discussed in Chapter Five. Finally, chapter six provides the conclusion and revisits the aim and objectives of the study, as well as recommendations.

CHAPTER 2 - LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature and it discusses, first, the concept of NRBE in the rural livelihood diversification perspective in both local and international contexts. This is followed by the economic contribution or significance of NRBEs. This chapter also investigates the general craft sector as one of the examples of rural SMMEs and NRBEs in South Africa. It includes the craft sub-sector map that explains the distinctive channels of traders who access the markets. Economic contribution of this sector to the participants is also discussed in this chapter, and this includes illustration of rural income from craft business in KwaZulu-Natal province, South Africa, as well as the grass handicraft sub-sector. It further discusses the common difficulties facing rural SMME development in the developing world, as well as assessing the concept of Common Property Resources and the significance of regulating such resources. It then looks at the relationship between the natural resource-based activities and the sustainable livelihood approach. SMMEs are recognised to be contributing to the rural non-farm economy. Finally, it outlines the specific objectives the researcher needs in order to achieve the aim of this study.

2.2 Natural resource-based enterprise (NRBE) concept

In its 2000 discussion paper, “NGO’s Regional Natural Products Development Initiative,” SAFIRE explains that natural resource products are largely associated with wild resources. It provides that wild resources are understood to be flora (such as forest products, wood, grasslands and medicinal plants) and fauna (aquatic and wild animals) but not minerals. However, SAFIRE goes on to define natural products as all indigenous products (SAFIRE 2000).

The NRBE sector is increasingly becoming a popular trend in the developing world, particularly in African countries. Many authors refer to NRBEs in different ways, particularly those based on freely available natural resources. For example, NRBEs are often referred to as community forest enterprises, non-timber forest enterprises, wild resource-based enterprises, or plant-based enterprises (Kepe 2003; Odera 2004; Antinori & Bray 2005; Grieg-Gran *et. al* 2005). However, these NRBEs are all based on natural resources and the overriding attribute of these enterprises is that

they form an important aspect of many people's livelihoods, especially rural poor people such as women and economically marginalised people (Kepe 2003; Odero 2004; Antinori & Bray 2005; Grieg-Gran *et. al* 2005).

As it has been mentioned above, many rural households are increasingly turning to natural resources, as a means to achieve their livelihood needs, especially the poor. As a result, the majority of these SMMEs are household and family-level businesses (Short 2000). SMMEs, in fact, are known to improve rural livelihood diversification. Shackleton *et. al* (2000) state that since commercialising natural resources is anticipated to enhance poverty alleviation outcomes, policies and programmes that improve productivity output and incomes from natural resources are likely to tackle poverty and inequality while at the same time enhancing growth

However, there seems to be no consensus amongst authors concerning in which sector of the economy these activities best fit. For example, Davies (2002) argues that rural SMMEs, including those based on natural resources, are a component of the rural non-farm economy. The author further points out that in certain regions, natural resource inheritance determines the development of the rural non-farm sector. In contrary, Fisher *et. al* (1997) and Castel-Branco (2003) argue that, the notion of what constitutes non-farm sector appears to be difficult to define. Fisher *et. al* (1997) also argue that this sector is generally defined in negative terms, as the rural non-farm sector or non-agricultural sector. This negative definition emanates from the fact that the sector is not homogenous in terms of activities, unit sizes and geographical distribution and therefore it does not lend itself to a precise classification. Fisher *et. al* (1997) further point out that even though efforts are made to define this sector positively, the terms 'rural enterprises' and 'rural industries' are both insufficient. Gordon and Craig (2001) state that non-farm sector does, however, incorporate trade or processing of agricultural products (though, in the case of micro-processing activities, they occur on the farm). Nonetheless, rural enterprises are likely to exclude rural services, which in most countries provide more jobs than rural manufacturing (Fisher *et. al* 1997).

The debate about SMMEs is not limited to which sector of the economy they belong to, but it also includes its definition. Fisher *et. al* (1997) and Castel-Branco (2003) argue that there is no international standard definition for rural SMMEs. Often the

definition is in line with the scale of the economy concerned, its level of development and the economic institutions that are present (Castel-Branco 2003). However, in the South African context, a SMME development is seen as a separate and unique unit that is not a component of a group of corporations. An enterprise should be managed by its owner or owners, which can be an individual, a partnership or a legal entity such as a closed corporation (Ntsika 1997 & Alberts 2004).

2.3 Economic significance of NRBES

The Department for International Development (DFID) (1999) states that economic growth is the primary means of creating income and employment opportunities, and where there is high demand for products, poor people are able to create better livelihoods for themselves either by improving their existing production and introduce new products to the markets, or by creating employment opportunities with new or growing enterprises (DFID1999).

2.3.1 Employment and income creation

In general, rural areas of developing countries require SMME development as another type of economic activity other than agricultural economy (Harper & Vykarnam 1988). In land-restricted conditions, such as in developing countries, the rural non-farm sector is usually considered as a key source of income for the rural households (Adams 1999). Davis and Bezemer (2004:01) state that “the rural population in developing countries derives important share of its income from rural non-farm activities”. Therefore, income and employment generation potential of SMMEs has been seen to be increasing with time (Mead 1994; Liedholm & Mead 1996).

The proponents of this SMME initiative, especially governments in developing countries, behold the potential of this initiative as a positive factor in empowering rural poor communities, due to opportunities presented by the functional markets (Fisher, *et al* (1997). For example, in rural India, it is estimated that the employment created in SMME sector over the period 1981–91 was approximately 1.7 million jobs (Fisher, *et al* 1997). Moreover, research show that small-scale enterprises are more labour-intensive than bigger firms (Reinecke 2002). Shackelton *et. al* (2000) states that approximately 1 billion people in Asia and the Pacific are solely dependent on

non-timber forest products such as wild fruits, grass, and others, for part of their income, while in other parts of the world, the number is close to 200 million. Thus, trade in natural resources, non-timber forest products in particular, makes a significant contribution to the realisation of daily needs and creates employment as well as income for a large number of rural poor people worldwide.

Although NRBEs have the potential to create employment, lack of comprehensive information on how natural resources are used, especially non-timber forest products, makes it difficult to estimate the total and relative levels of their domestic and commercial use (Liedholm and Mead 1996 & Reinecke 2002). Commercially, only a small fraction of products that has the potential to generate important cash income and employment generation. Nevertheless, non-timber forest products (particularly those used for handicraft activities) largely have low cash values and are usually used for consumption purposes rather than for trade (Liedholm and Mead 1996). In the Southern African context, research shows that the majority of these enterprises are owned and operated by women and are often home-based (Liedholm and Mead 1996). Enterprises that are owned by women tend to represent the small fraction of the whole sector, especially, activities such as beer brewing, weaving or handicraft, dressmaking, crocheting, cane work and retail trading. Liedholm and Mead (1996) further mention that the home-based and low-risk nature of these enterprises is likely to have negative results since they often generate limited returns.

2.3 Handicrafts as a NRBE

In view of the fact that crafts are amongst the preferred output products from the rural natural resource based activities, it is therefore important to understand some of the characteristics of the craft sector in which many NRBEs that are craft based operate, especially in South Africa. The craft sector is an important sphere of rural non-farm employment and it turns out to be a component of sustainable livelihoods (Jongeward 2001). Rural handicrafts are seen as the main source of income that adds to the economic feasibility of rural families and communities. Rural handicraft activity largely constitutes a category of home-based work, especially for the poor and women (Jongeward 2001).

However, the development of sustainable income generating opportunities within rural communities in South Africa is one of the fundamental challenges facing the country. For example, in most rural areas in South Africa, SMMEs may be seen as survivalist enterprises as opposed to urban enterprises (Rogerson 2000), especially in the craft sector.

2.3.1 Segments of the handicraft sector in South Africa

In trying to unpack and understand the immense range of items captured by the term 'rural handicrafts' in South Africa. This will also help to understand what type of items produced in the case study and the ones discussed in this section. The Cultural Strategy Group (1998) and Rogerson and Sithole (2001) provide a useful categorisation of five different segments of production as follows:

- 1 **Traditional art products:** this category consists of cultural items, which symbolises meaning and significance of a specific community. Items produced are often for domestic purposes and small fraction is put in a market. This segment includes items such as clay beer pots.
- 2 **Designer goods:** in this category items are defined by traditional art but also with a slight taste for the international market. Examples would include Ndebele beadwork and decorative ornaments.
- 3 **Craft art:** items in this category are mainly hand crafted and also dominated largely by indigenous skilled crafters. Examples of products would include grass mats, hats and baskets.
- 4 **Functional wares:** in this category, items such as pottery, furniture and home-ware are hand crafted in large quantities in small workshops or factories-like setups.
- 5 **Souvenirs:** items produced in this category are primarily influenced by the memories of particular places, and they are often inexpensive, universal trinkets or simplified crafts.

2.3.2 The handicraft sector channels

Amongst the more recent research initiatives on handicrafts in South Africa is the useful work undertaken by ECI Africa (2004) for the Tourism Enterprise Programme and the Department of Trade and Investment. The research was a sub-sector

analysis of the KwaZulu-Natal craft sector. In the analysis of the findings, ECI Africa derived ‘a sub-sector map’ (see Figure 1).

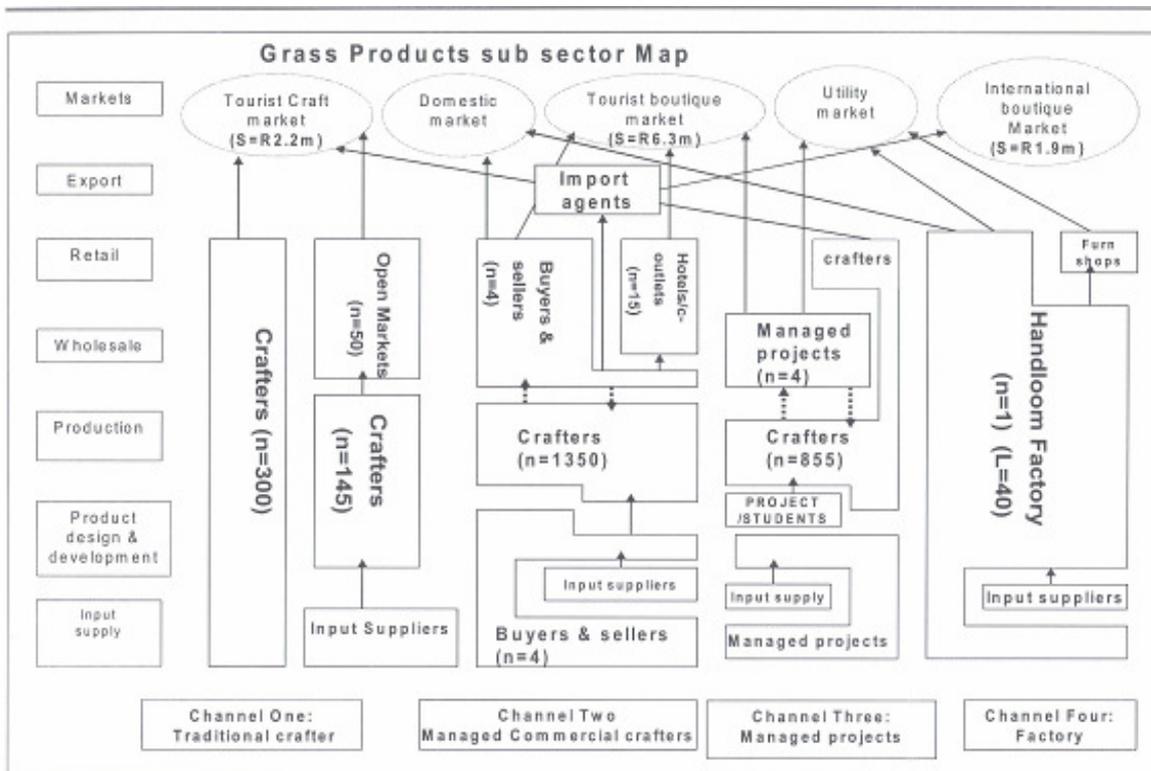


Figure 1: Products sub-sector map (ECI Africa, 2004)

“The sub-sector map is a visual presentation of the way a product flows through different channels from production to markets” (ECI Africa 2004:14).

ECI Africa (2004) states that the major aim of the sub-sector map is to analyse the link between the different participants such as wholesalers, retailers, craft producers and local and international designers in the sector, in order to recognise distinctive channels of buyers and sellers, who access the markets (ECI Africa 2004). As the Food and Agriculture Organization of the United Nations (FAO) (1995:138) put it, that sub-sector analysis “...helps identify who sells, who buys, and how the products flow through the market”. Therefore, in the context of this research, the sub-sector map helped the researcher determine and put into perspective as to in which channel and where on the map is the case study in this research best fit. The map

also helps one to determine whether the enterprise is progressing in terms of growth as it is interpreted in Figure 1 that enterprises move across the respective channels in the sector. ECI Africa (2004) discusses respective channels as follows:

Channel 1: Traditional crafter

This channel comprises two groups of enterprises. The first group operate in an open market as wholesalers/retailers of which domestic and international tourists are their targets. The traders purchase craft products and re-sell them in open urban markets. In the second group, all the work (for example, in-put and designs; creating and retailing of products) is done by the producers from the on-set. Items are sold at the roadside to the passing tourists (domestic and international). However, purchased in-put supplies negatively affect the quality of the products and the influx of the neighbouring countries' products creates a very high competition for the producers.

Channel 2: Managed Commercial Channel

Channel 2 involves the private designers and buyers who have business ties with both domestic and international boutique outlets. In this channel crafters are often subcontracted to produce according to the pre-approved designs given, and in-puts are also provided to them to meet demands in time. The business in Channel 2 takes place in three models.

Model 1: the designs and selling of products are the private designer's responsibility, whereas sourcing of inputs and manufacturing of these products are the crafters' work. In addition, crafters train each other on the new designs provided to them.

Model 2: this involves the interaction of urban designers with crafters. The designers provide designs, inputs and a workplace for the crafters. The crafters' job is to produce crafts and they are paid according to the number of products made and the crafters have extremely limited market information. Thus, crafters depend on the designers' ability to access markets and to generate new designs.

Model 3: this involves a partnership between an international wholesaler and international designers. In this model, designers provide designs and developmental information directly to the craft groups. Inputs are provided together with the designs and crafters produce work to fulfil orders.

Channel 3: Managed project

In this channel, projects specifically funded and in-puts are solely crafters' effort. However, there is an interaction between crafters, project implementers, designers concerning designs and product development. Certain business skills are provide to the crafters and products are fine tuned to divert from the tourist market to produce utility items (e.g. conference bags, blinds) and home décor products (e.g. decorative products, placemats, lampshades, etc). Therefore, this divergence is likely to reduce seasonality and unpredictability in the business cycle and creates a more stable income.

Channel 4: Manufacturing business

Channel 4 shares the same vertical integration as channel 1. However, this channel has industrial characteristics where production is extensive; producers are permanently employed, as well as skilled in more than one function. The target market of this channel is both domestic and international.

2.3.3 Economic contribution of handicrafts in South Africa

It is difficult to quantify the economic contribution of the craft sector (both locally and internationally) due to the unavailability of complete hard data regarding economic contribution (Cultural Strategy Group 1998; Rogerson & Sithole 2001; ECI Africa 2004). However, studies undertaken by the Cultural Strategy Group (1998) and ECI Africa (2004) provide estimates in terms of handicraft economic contribution and both groups pay attention to the South African craft industry (both urban and rural). Despite the lack of statistical economic data, the groups concluded that the size of the craft economy is fluid; it expands and contracts in reaction to seasonal trade and tourism conditions, inconsistent periods of income opportunities and the existing economic situation. Furthermore, the spatial distribution of the craft industry extends across the country, but retailing is slanted towards the urban areas, whilst production of goods is concentrated in the rural areas (Cultural Strategy Group 1998 & Rogerson & Sithole 2001).

Table 1: Grass sub-sector generated sales in a year (ECI Africa 2004)

Organisation	Number of crafters involved	Total sales in 2003
Channel 1	445	no data
Channel 2	1350	R5.3 million
Channel 3	515	R2.23 million
Channel 4	40	R1, 9 million
Totals	2350	R9, 43 million

In KwaZulu-Natal, it is estimated that all the craft sub-sectors generate R994 million per annum from all markets combined, namely, wire-ware, beadwork, ceramics and grass sub-sectors. The grass sub-sector, for example, in 2003 (Table 1) generated approximately R9, 43 million. However, the ECI Africa (2004) emphasises that this amount is not a true reflection of sales, since businesses in channel 1 were excluded and if these figures were included, the total would rise. The exclusion was due to the fact that channel 1 businesses are largely informal and most crafters are found in the city of Durban close to the beach and on the roadside market stalls (ECI Africa 2004), therefore, it is difficult to quantify their proceeds.

The Cultural Strategy Group (1998) gives emphasis to economic contribution and employment creation as primary aspects of the South African craft industry. However, improved economic benefits are seen more from industries that arise out of craft production and retailing, and those in which crafters have been supported by training in formal business skills, and they are commonly based in urban areas. The Cultural Strategy Group further reveals that there are limited economic benefits for rural craft producers and retailers. It draws this conclusion from the findings of the two studies it conducted in the KwaZulu-Natal and Eastern Cape Provinces.

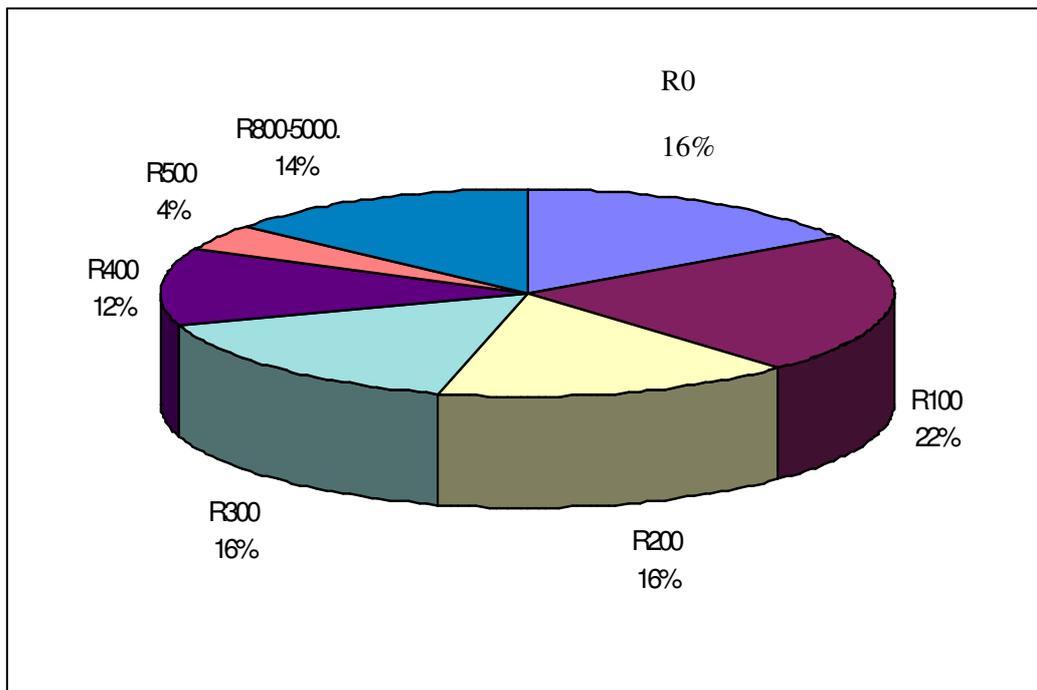


Figure 2: Income earned by crafters in Eastern Cape survey (adopted from Cultural Strategy Group 1998)

According to the findings of the Eastern Cape survey, the monthly earnings for the craft producers ranged between zero and R5000 (Figure 2). Almost 16% did not receive any income; about 22% received approximately R100; nearly 16% received between R100 and R200; another 16% received between R200 and R300; 12% received between R300 and R400; and just 4% received between R400 and R500 per month. The last 14% earned between R800 and R5000 per month. In addition, the micro-survey revealed that although average monthly income for the crafters was almost R450, their monthly profit (subtracting all the costs) was only R143. Within the same group of crafters, most had no alternative income (about 74%), 10% relied on pension grants, 10% did not disclose their alternative income, while 5% relied on parental support. In addition, more economic benefits are related to sales of ready-made goods than the retailing of self-made products (Cultural Strategy Group 1998).

The above findings indicate that some sub-sectors are neither growing at all nor maturing to another level of business (in particular the Channel 1 groups). Lack of growth in these sub-sectors is attributable to different development problems. In the developing world, the limitations on rural handicrafts and entrepreneurs reflect the common problems of rural SMME development (these common problems are

discussed in section 2.4). Therefore, multiple set of interventions are vital in addressing problems that are limiting growth in order to support rural handicrafts as a livelihood strategy (Rogerson 2000; Rogerson & Sithole 2001).

2.4 Constraints affecting rural SMMEs

As indicated in section 2.3, there are several obstacles that often prevent rural SMMEs from realising their growth. In addition, most obstacles originate from the economic and business system surrounding entrepreneurs (Gordon 1999; Hubner 2000; Whitehead 2003). Therefore, this section discusses common challenges affecting most rural SMMEs, including those based on natural resources.

2.4.1 Lack access to markets and marketing

In the business sector, marketing of micro businesses is as important as it is for larger businesses. It is the fact that effective marketing increases the future success of the business. To the contrary, many SMMEs, especially rural, lack effective marketing, and hence marketing is one of the serious concerns in the development and promotion of rural SMMEs (Alberts 2004 & Ndabeni 2002).

Onchan (2001) articulates in his article *Promoting Rural Non-Farm Enterprise for Employment Generation and Rural Development* that in many cases, it is necessary for a business to ascertain what is being bought, where, and at what price as well as types of products that suit the market opportunities. Basically, a business must stay in contact with market trends, especially, where markets are far from the rural producers (Onchan 2001). The information flow involving the producers and the consumers is of critical importance for allowing these enterprises to determine profitable areas of economic gain. For example, products designs often change quickly in the market. Therefore, their ability to access the market information also encourages innovation to design and produce products that are in line with market demands (Onchan 2001).

2.4.2 Lack of access to information

Another constrain to SMME development initiative is lack of access to information (CSM 2004). Technology and information is increasingly becoming the heart of the modern economy, therefore access to information is also essential for the success of rural SMMEs (Ndabeni 2002). A useful study by Onchan (2001) revealed that in

Asia, many rural producers experience technical problems and lack the necessary information to solve them. Importantly, they need information about, for example, availability and prices of various types of raw material. Furthermore, lack of access to information inhibits both rural and urban small enterprises from entering foreign markets and it restricts their ability to establish foreign partnerships (Hubner 2000).

2.4.3 Lack of access to finance

Lack of financial support is a challenge facing SMMEs everywhere (Bayene 2002). In developing countries, SMMEs rely on governments for financial support. However, this trend has not produced the expected results for a considerable number of these enterprises. In the South African context, private banks are hesitant in helping micro-scale enterprises especially those operating in the informal sector of the economy or from home (Schoombie 2000). However, if they do become interested of helping these enterprises, these commercial banks demand assurances that rural people cannot afford (Ndabeni 2002 & CSM 2004). For example, a small to medium scale business with a turnover in excess of roughly R5 million is can access bank credit. However, those with a turnover of about, for instance, R150 000 per year, are mainly restricted and dependent on loan finance or private loans from the informal sector (Lewis *et. al* 2004).

As we all know that many poor rural households do not own land and are therefore unable to use land as collateral to access loans. The above implies that most of the emerging entrepreneurs who are struggling to establish their enterprises as a result, are even more disadvantaged (Lewis *et. al* 2004). The problem of lack of financial support compels the operators of the enterprises to end up seeking help from the informal financial sector (moneylenders, *stokvels*, and so forth) and credit-granting non-governmental organisations (Schoombie 2000).

2.4.4 Lack of training and capacity building

In the South African situation, success or failure of rural SMMEs also depends on the access to training, since it is a critical factor in the operation of these enterprises. In addition, because of South Africa's history of poor education and the isolation of rural communities, a large number of rural people still have low levels of education (Rogerson 2001). As result, most rural entrepreneurs still have limited or no formal occupational training in the areas of their business. The privileged are those who

had a chance to gain the skills needed from their previous formal work (Rogerson 2001). In reality, capacity building of local entrepreneurs and workers is the primary part of training concerning the operation of small and micro enterprises. The key point is to upgrade both the skills of workers and the management capability of operators (Rogerson 2001). Moreover, different levels of government and development institutions such as the International Labour Organisation (ILO) are increasingly identifying the significance of rural home-based enterprises and the requirements for education and training for their operators, especially those operated by poor and women (Saeng-Ging 2000 cited in Jongeward 2001). Thus, the lack of business skills contributes negatively to the success of these rural SMMEs.

2.5 Common property management

“A common pool resource is a valued natural or human-made resource or facility that is available to more than one person and subject to degradation as a result of overuse” (Odero 2004: 07).

Odero (2004) points out that a definition ‘common pool natural products’ or ‘community based natural resources emanates from the fact that natural resources are essentially valued as a common pool resource and accessible to the community. However, some authors refer to such resources as ‘common property resources’ (Adhikari 2001; Karki 2001; Murphy & Suich 2003; Antinori & Bray. 2005).

As it has been alluded to earlier, poor people in rural areas of the developing countries depend heavily on natural resources. The exclusion from vital resources may therefore lead to increasing deprivation and vulnerability of poorer households. However, the truth is, if these natural resources are over extracted; a greater environmental degradation is inevitable. Therefore, their sustainable use is essential for securing livelihoods (Odero 2004; Adhikari 2001; Karki 2001).

Based on the above argument, it is apparent that the degradation of common property resources poses serious threat to the survival means of the rural poor (Karki 2001). As a result, property rights regimes were put in place to enforce the sustainable use of livelihood supporting natural resources. Such regimes have become prominent in developing world, especially in Africa. The function of such

regimes is tailored to determine the far-reaching economic and ecological sustainability of the common property resources as well as the social sustainability of the people reliant upon the resources (Murphy & Suich 2003). Therefore, common property resource management regimes are commonly practiced in the communities living around protected areas and conservancies (Murphy & Suich 2003). In this case community resource monitors are put in place to teach resource users sustainable methods of harvesting these resources (Murphy & Suich 2003; Adhikari 2001). Arnold & Townson (1998) report that lack of access to raw materials in several countries especially in the southern and eastern Africa, causes an inconvenience for people participating in several forest activities, meanwhile the scarcity of these resources is negatively affecting producers' plans for growth. Therefore, the aspiration to support the community resource management is its ability to liberate the 'landless' and 'the rural poor' from poverty (Karki 2001).

In contrast, while the proponents of common property systems advocate this system for their remarkable work of sustaining common pool natural resource, there is another school of thought that criticise these systems to have done local communities and the environment injustice. The argument is that in many areas natural resources and environment have deteriorated even further since the inception of the said systems. During pre-colonial times, traditional systems through which local people managed their own resources on a sustainable basis were regarded to be ineffective, and hence they replaced with common property systems. Incorporation of local communities into national macro-economic systems resulted in many traditional authorities being replaced by politically orientated systems. Thus, this resulted in insufficiency and continued pressure on the resources (Bromely & Cernea 1989; Karki 1994 & FAO 1998 cited in Karki 2001). However, in their study of individual returns from common property resources in Namibia, Murphy and Suich (2003) revealed that traditional authorities still exist and to some extent, authorities accept small monetary contributions from the users in return for maintaining the safety of resources from non-members.

There is a strong believe that any local community has better understanding of their local environment than anyone else (Slater & Twyman 2003). Therefore, Community Based Natural Resource Managements (CBNRMs), as a common property regime based concept, allows for collective management of a valuable resource by the local

communities as they have the right to use and benefit from it. This helps to regulate the access to and use of the particular resource, especially if the aim is to commercialise the resource and generate profit from the activity (Odero 2004).

Open-access regimes provide a contrasting view of the common property management concept. Bromley (1991, cited in Adhikari 2001) views the open-access situation as a regime where there are no property rights. In essence, there is no specific group of users or owners and everyone benefits from the common property resource (Adhikari 2001). In a study of use, control and value of craft material (*Cyperus textiles*) in the Eastern Cape, South Africa, Kepe (2003) found that grass was harvested in local streams, that the demand was increasing, and as a result, it was over-exploited. Similarly, Adhikari (2001) argues the rate of resource regeneration is largely affected by the relationship between the size of the community and the need for the resource. In other words, if the size of the community increases, so does the need for the resource, and hence, the regeneration rate decreases. Therefore, because of a lack of management systems or authorities regulating access and the use of such common property in open access regimes, the extent of the impact on the environment or the particular resource is adverse (Adhikari 2001).

2.6 Sustainable livelihoods and NRBEs

This study is basically structured around the concept of sustainable livelihood framework and income derived from a livelihood activity. "A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for means of living..." (Chambers and Conway 1992:07). This implies that a livelihood is a blending of the resources or assets (natural, physical, human, financial and social capital, outlined in Figure 3) used and the activities adopted with the intention of making a living. (Ellis, 2000 cited in Davis and Bezemer 2004).

Excluding the materials and financial resources, the well-known meaning of assets include degree of skills and experience within the household (human capital) and networks and 'connectedness' are able to form during desperate times within the surrounding communities (social capital), such as reliance on friends or kin, support from trade or professional associations, and political claims on chiefs or politicians to

offer assistance (Scoones 1998; DFID 1999; Khanya 2000; Woodhouse *et. al* 2000; Davis and Bezemer 2004).

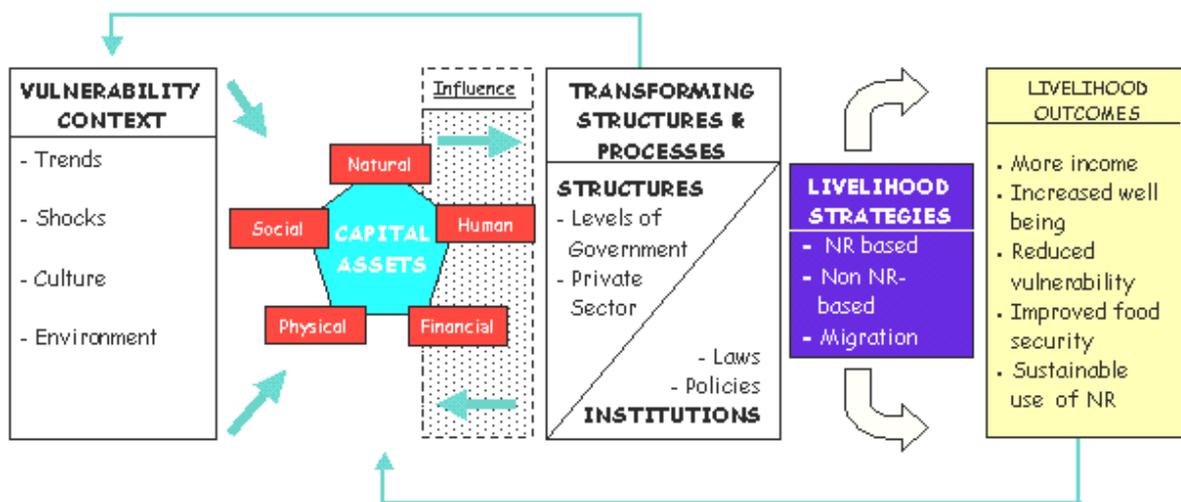


Figure 3: A sustainable livelihoods framework (adopted from DFID 1999)

Activities sometimes referred to as ‘livelihood strategies’ (Figure 3), and they cover a range of choices open to rural people to support their livelihoods (Scoones 1998; Woodhouse *et. al* 2000; Davis and Bezemer 2004). When the definition of activities is expanded, it includes “work and care, employment and entrepreneurship, agricultural production and trade, and a range of other dichotomies” (Davis and Bezemer 2004:7). All of the above collectively (assets and activities) are means for households to achieve their desired outcomes, such as improving their well-being (Davis and Bezemer 2004) and some of these desires are depicted under ‘livelihood outcomes’ in Figure 3.

However, the significant process that rural households go through to achieve their livelihood desired outcomes is often subjected to barriers (referred to as ‘vulnerability context’ in Figure 3) that are likely to prevent them from realising their goals. A vulnerability context identifies aspects that may influence, often negatively, the livelihood strategies that households undertake; namely, the trends, shocks, culture and environment (Scoones 1998; DFID 1999; Khanya 2000).

Therefore, putting the natural resource based activity (natural capital as raw material) such as handicrafts into sustainable livelihood perspective, firstly, it would be that, rural crafters draw on customary skills and knowledge (human capital) other than vocational education to make craft items. Physical infrastructure such as

electricity, communication, adequate roads and transport infrastructure (physical capital) will be needed for the enterprise to operate. It is widely known that to establish an enterprises, one would need start-up capital and financial backing where needed (financial capital), and often rural entrepreneurs often draw this capital from other household resources such as pensions, selling household assets or, in other cases, from government support. Entrepreneurs also have formal support institutions or informal support networks in their disposal (social capital).

Finally, the rural NRBE sector is dominated mainly by a survivalist nature of enterprises with no hope of maturing to big businesses (Rogerson 2001). Lack of growth is attributable to issues related to access to raw materials and markets, shortage of entrepreneurial skills and the seasonality of these enterprises (vulnerability context) (Rogerson 2001). The impact of these shocks will differ from household to household (Soussan, *et al* 2003). For instance, the wealthier the entrepreneur's household, and especially the more assets it owns, the more able it is to survive or recover from effects and trends exerted in its livelihood foundation (Soussan, *et al* 2003).

2.7 Summary of the literature review (Rewrite this summary – it is full of mistakes and poor English usage.

According to the survey of the literature, the rural NRBE concept has gained popularity in Africa and beyond in recent years. The commercial potential of the freely available natural resources is increasingly recognised as an answer to liberate rural poor from poverty. Although authors like Liedholm and Mead (1996) already pointed out that rural NRBEs are often home-based and generate limited returns, particularly; those based on forest products with low cash values such as handicraft activities. It is evident that developing countries' governments, especially in Africa realise the commercial potential of these natural resources, for example, the NRBEs' their ability to create employment and generate income.

The research showed that economic performance of rural natural resource-based handicrafts in South Africa, specifically in KwaZulu-Natal and Eastern Cape provinces, crafters in rural areas benefit little as opposed to their urban counterparts. SMME development policy and planning in South Africa has emphasised the means of poverty alleviation by supporting existing coping strategies or by providing options

of livelihoods for those participating in the informal sector (South Africa 1995). However, many rural SMMEs, including NRBEs as part of this initiative, have been experiencing growth and prosperity limiting factors to date. In this context, the noted common limiting factors included lack of information, access to markets and financial support, training and capacity building. ILO (1995 in Rogerson 2001) notes that efforts of numerous approaches have concentrated on the poverty alleviation with limited focus on the long term prosperity and feasibility of rural SMMEs.

Despite the limited returns derived from NRBE initiatives, poor local communities are still able to contribute to the welfare of their families to some extent. However, enterprises such as handicrafts are amongst the few available entry points for communities presently struggling to enter the formal economy. This study therefore aims to determine how the income derived from NRBE initiative impacts on the entrepreneurs' livelihoods in the case study, and also measured in the context of diversity i.e. measured against other livelihood activities other than the NRBE activity at the household level.

2.8 Research aim and objectives

The aim of this dissertation is to assess the contribution of NRBEs' income to rural livelihood opportunities at a households' level in the case study.

To achieve the ultimate goal, the study is dependent on the following objectives:

- 1) Identifying the success of the enterprise in terms of:
 - level of sales;
 - income levels;
 - access to markets and marketing; and
 - training and capacity building
- 2) Identifying the existing livelihood strategies and available assets other than crafts undertaken by participants and their households.
- 3) Assessing the contribution that craft income makes to the livelihoods of the participants at the household level, in particular, regarding long-term investments, school, and health and food affordability.

- 4) Identifying the difficulties or problems that participants encounter in their households in relation to achieving their living and their business in relation to business prosperity.

CHAPTER 3 – THE CASE STUDY AND METHODOLOGY

3.1 Introduction

To recap, the overall aim of this study is to determine the significance of NRBE's income contribution at the household level in the case study. This chapter discusses the background to the case study. It examines the physical location, employment and economic issues and the historic background of the Ikhowe Craft Enterprise. The background provides the researcher with the opportunity to understand the context within which rural NRBEs operate, as well as a chance to predict the extent of cash making strategies Eshowe could present to its poor communities. This chapter also outlines the research approach and methods employed in the study for collecting and analysing the body of information presented in this study.

3.2 Study area

Ikhowe Craft Enterprise is located in Eshowe, a small town on the north coast of KwaZulu-Natal province in South Africa (Figure 4). It falls within the uMlalazi Local Municipality with a population of 231 023. Only 17.8% live in urban areas with the remaining population living in rural areas. uMlalazi Local Municipality is part of uThungulu District Municipality, which consists of six districts. uThungulu District is located roughly 100 km from eThekweni District and is on both sides of the N2 highway on the north coast. Although a rich urban municipality dominates the district, poor rural areas are found at the peripheries of this district (uMlalazi Municipal Integrated Development Plan 2002; Trotter 2003; Colvin, *et. al* 2005).

According to an HIV/AIDS and Development study conducted in 2005, approximately 58% of the district is potentially economically active. However, because of the negative impact of HIV/AIDS, the economically dependent population is at present approximately 42%. The study indicates that a large number of people have not received adequate education (about 140 000), with very few with education higher than grade 12 (between 20 000 and 25 000 people) in this District in 2001. uMlalazi Municipality has the second highest number of illiterate people (approximately 40 000) in the District and people with higher education slightly above 3 000. Given the small number of people with higher education, the District's skill base is quite low (Colvin *et. al* 2005).

Low levels of education are strongly linked to low levels of income (Colvin *et. al* 2005). The HIV/AIDS and Development study showed that more than 20 000 people were employed, whereas about 26 000 people were unemployed in 2001 within the uMlalazi municipality. In addition, in this district, many employment opportunities are created in the Community/Social/Personal sector. The Agriculture/Forestry and Fishing sector also contributes considerably to employment generation. This sector is often characterised by low-level skills and low-income generation. Moreover, other sectors such as Financial, Insurance, Real estate, Business, Wholesale/Retail and Manufacturing sectors are also economically important in this District. However, employment in this sector is strongly correlated to high value jobs and it requires skilled people (Colvin *et. al* 2005).

In the case of the Eshowe area, the economy has been, and still is strongly dependent on the agricultural sector. This sector dominates in terms of employment absorption (about 53%) and contributes most to local economy. Hence, local development is critical to this area, particularly in the surrounding rural areas. Rural development is characterised by a high unemployment rate and lack of access to adequate services (Trotter 2003).

In response to high levels of unemployment, the Ikhowe Craft Enterprise was formed in 2000. The enterprise is located next to one of the suburbs, less than one kilometre from the town centre of Eshowe. Ikhowe Craft Enterprise operates from the Zululand Agricultural Credit Union Centre (ZACUC), which was established in



the early 1970s and is subsidised by the Catholic Church. The main function of ZACUC is to provide financial and technical support for

the poor communities. However, due to high technology failure and natural disasters, established agricultural projects were rarely successful. Therefore, catering, craft and sewing became the new focus of the centre. However, the limiting factor was the lack of business knowledge, i.e. how to access markets, technical support, sufficient financial support and lack of understanding one's own rate of creativity. Through the intervention of the Institute of Natural Resources (INR) in 2000, additional skills brought into the business include business skills, designer skills and marketing skills. UKZN subsequently took over the facilitation of the project from the INR in 2004.

(You need to sort out the layout of these pages as something has gone crazy – put the figure number and title in a text box and group it with the map.)

Figure 4: The location of the case site (Eshowe) in KwaZulu-Natal, South Africa (adopted from Knowledge Factory 2006)

The enterprise comprises a group of women with a membership of 30. Of these, there are 24 active producers. The management consists of three office bearers (manager, treasurer and secretary) and one project facilitator from UKZN. Most producers reside outside Eshowe in uMlalazi, eLzindophi, Mombani, Mpumazi, Mncongwe and Mamba. Most of the women are unemployed and hence established the business to create employment and to generate income. The women use their indigenous skills to weave craft items from grass. The type of grass is a wetland reed (*Cyperus spp.*) called *induma* in *isiZulu* and it is used to create conference bags, beach bags, folders and file covers. Traditionally and culturally, rural people were known to use *induma* as one of the grass species suitable for items such as sleeping mats (Ikhowe Craft Enterprise management 2005 *pers. com*).

3.3 Research Methods

3.3.1 Quantitative and qualitative survey research

After carefully considering the nature and area of focus of the study, it was decided that this study will engage both qualitative and quantitative methodologies. A livelihood study can be a descriptive or a qualitative study; however, it does also require certain quantitative techniques to assess certain relevant aspects, for example, monthly income and expenditure of a household.

In social research, whilst many authors acknowledge that quantitative and qualitative research techniques differ, they also acknowledge that they may complement each other in numerous ways. Increasingly, researchers employ both qualitative and quantitative techniques in their studies; a qualitative researcher, for

instance, would collect data qualitatively and adjust it to meet the criteria of quantitative research (Trotter 2003).

The above suggests that “more often than not, a combination of qualitative and quantitative methods will do the task best” (Flyvbjerg 2004:432). In addition, this is regarded as the third research method paradigm emerging strongly in the field of research called mixed research approach. Mixed research approach may be defined as “the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study” (Johnson and Onwuegbuzie 2004:17). It is known that the use of quantitative methods often generate data according to categories, while use less efforts of revealing the processes involved in the dynamics of society. However, qualitative methods perform comprehensive examinations of cases and processes in a social life, other than generating data or tallying of the different attributes in a society (Babbie 2000; Neuman 2000; Degefa 2006). The said mixed research may mean that “...researchers can now investigate problems by applying any method(s) they consider to be the most appropriate” (Degefa 2006: 6).

Ashely et al 2003 point out that the combination of different methods can be employed for livelihood assessment. They also argue that it is not simple to unpack the complexities of diversity, change, and isolation of rural livelihoods. The reason being, as Ashley et al (2003) articulate that, in order to analyse a livelihood, one has to determine the network of variables and processes involved, as well as making comparisons over all encompassing livelihood attributes. Therefore, the combination of methods may enable researchers to secure information through one method if it is difficult to do so through another (Ashley et al 2003).

However, merging of these two methods also has several limitation and challenges. The shortfalls facing the mixed methods research include “...selection of methods in such a way that the results of each method are improved by the usage of the other, and determining the best sequence of the usage of complementary methods according to the objectives of the study” (Maxwell 1998:01). However, the situation, context, the aim of the study, and the type of data needed largely determines a way of redressing these limitations; this simply means that there is neither a right nor exclusive approach of redressing these limitations (Maxwell 1998).

In this study, it was imperative to understand the conditions and interaction of variables within participants' livelihoods, as well as the performance and business practices of the Ikhowe Craft Enterprise.

3.4 Case Study approach

3.4.1 Selection of the case study

A case study approach was adopted in this research, as it was commissioned by the facilitators and donor partners of the programme. A case study looks in depth at a typical case, in this instance the Ikhowe Craft Enterprise. Although a case study cannot provide generalised statistical data, it is capable of giving a helpful and deep understanding of the topic a researcher is investigating at its context and environment (Nichols 1991). In addition, a case study is a research strategy which can be studied by a number of methods, either qualitative, quantitative or both (Kohlbacher 2006). Case studies are extensively used in development work and there are different kinds of case studies in development, including studies that look at projects and programmes or at households and villages. A particular study depends on a unit of analysis of a research question and the issues of the particular study (Blaxter *et. al* 2001 & Laws *et. al* 2003). The unit of analysis is the key entity that is being analysed in the study such as individuals, groups, and social organisations (Babbie 2004).

Impacts of the project on livelihoods are one of the three key themes of livelihoods assessment (Ashley & Hussein 2000). Therefore, in this study, the key theme is SMMEs based on natural resources and the livelihoods of the respondents. The sub-themes included the economic impact of the enterprise and the role of livelihood strategies other than the enterprise. Moreover, the unit of analysis in Ikhowe Craft Enterprise case study included the enterprise management staff and the producers themselves.

3.4.2 Approach to the case study

At the beginning of the research, a preliminary visit to the site was undertaken by the researcher to meet the key participants. The participants were informed about the research into their area of business. The research aims and objectives were

explained in *isiZulu* so that there should be no confusion. A second visit was made to the enterprise to interview management personnel and have a group discussion. Subsequently, four weeks later, the final visit was undertaken to meet the producers at their homes. On the last visit, an experienced field worker accompanied the researcher. However, it should be noted that the role of this field worker was to transport the researcher to respective interviewees' households. He (the field worker) had a considerable knowledge about the culture of the area but was not involved in interviewing the respondents. Only the researcher carried out the work of interviewing respondents.

This study is a mini-dissertation; hence, the research in the field was undertaken over a short period of time (a total of seven days including the two preliminary visits). As a result, time spent with each interviewee at their respective household was deemed reasonable to provide appropriate information for the study. The approximate time spent with each producer interviewed was three hours. Moreover, respondents were often willing to show the researcher other physical belongings significant to their livelihoods, such as livestock and cultivated lands.

3.5 Sampling

Purposeful sampling was used in selecting individuals within the Ikhowe Craft Enterprise. Purposeful sampling allows a researcher to select a sample based on her or his judgement, provided the chosen sample suits the needs of the study (Nichols 1991 & Laws *et. al* 2003). In this study, fourteen respondents out of thirty members of the enterprise were selected. However, it should be noted that in addition to the thirty, there were new recruits to the enterprise who had not yet started producing crafts. These fourteen respondents included ten producers and three office bearers (manager, treasurer and secretary) and one project facilitator from University of KwaZulu-Natal (UKZN), Pietermaritzburg.

However, sample estimates cannot present a complete truth about the whole population parameter. These respondents were deliberately selected because they were the core founders and most long-serving members of the enterprise since its inception in 2000. As a result, it was felt that they were in better position to assist the researcher to address the research question and its objectives. Although participants were chosen purposefully, there was a certain criterion used for

selecting the producers interviewed. This criterion was set out as lower, middle and highest income earners. Laws *et. al* (2003) note that quota sampling (purposive sampling) is similar to stratified random sampling; a sample, representative of the population from which it is drawn, can be made based on certain attributes.

3.6 Methods of data collection

As it has been mentioned above that the impact of NRBE on the participants' livelihoods is the heart of this research and largely influenced by sustainable livelihood approach concept. Therefore, it was imperative for the researcher to select techniques that would help measure the success of NRBEs with regard to their economic impact on the participants in the case study. Specifically, this study employed semi-structured and structured interviews, systematic observations and secondary sources.

3.6.1 Semi-structured and structured interviews

A series of one-to-one interviews were scheduled using a questionnaire to obtain primary data. Two questionnaires were prepared for this study. The first questionnaire was prepared for the enterprise management personnel, and the second was prepared for the producers. The questions were pre-tested with three street vendors who depend on craftwork for a living. Following this, minor adjustments were made prior to interviewing members of Ikhowe Craft Enterprise. The interviews of management personnel were conducted at the Zululand Agricultural Credit Union Centre, where the business operates in Eshowe (See Figure 4), while the interview with the project facilitator was conducted at UKZN in Pietermaritzburg. The craft producers were interviewed in their respective households.

Management questionnaire

The management personnel's questionnaire (Appendix A) was purely qualitative and consisted of only structured open-ended questions with aim of extracting the enterprise's management issues that included issues such as the access to markets information; marketing of the business; training and capacity building; and other business related issues such as sales and income distributions within the business.

Following the initial group discussion with the management conducted on the second visit to study area, it was deemed important to conduct the said questionnaire face-to-face to the secretary, treasurer, manger and project facilitator respectively, as this is a best way of extracting vital information, true feelings, opinions, as well as bits of information that an interviewee might have missed during the interview, which may add value to the interpretation and analysis of the results (Vanasusri 2003). Questions set in this questionnaire were designed according to the five capitals of Rural Sustainable Livelihood Framework, but focusing more of the management of this enterprise as a livelihood portfolio. In addition, the time spent with each respondent was between 30 minutes and one hour. A questionnaire was not given directly to the respondents, but an interviewer asked a series of questions and responses were recorded on the sheets.

Producers' questionnaire

The producers' questionnaire (Appendix B) had a pre-determined mix set of both open-ended and closed-ended questions that were informed by the rationale and objectives of this study. Although, a questionnaire is generally known to be quantitative, with pre-determined responses, but it may have several open-ended questions as well to probe for explanations (Ashely et al 2003). The purpose of this questionnaire was to explore and gain insightful on issues such as existing livelihoods of the producers, for example, five types of livelihood capital; livelihood strategies households; number of households members, income, age groups, education, skills; vulnerabilities affecting them and their households; and the impact of the craft income on their basic human needs.

Like management's questionnaire, the design of questions in this questionnaire was largely influenced by the Rural Sustainable Livelihood Framework. In addition, the questionnaire was also conducted face-to-face, where a questionnaire was not given directly to the respondents, but an interviewer asked a series of questions and responses were recorded on standardised pre-coded sheets with blank spaces to recorded responses probed by open-ended questions. As Laws *et. al* (2003) note, an interview that involves a questionnaire and where a researcher records answers is commonly practiced in developing countries because of low literacy rates. Besides, face-to-face interviews also encouraged the researcher to pursue open-ended questions in greater depth (Trotter 2003 & Zwane 2004).

3.6.2 Systematic observations

The three visits to the study area were merely a non-participant observation, which allowed first-hand observations. Human relations and processes involved are easily identifiable and precisely during non-participant observations (Laws *et. al* 2003). In this case, observations firstly provided the researcher with a better understanding of the activities taking place in the study area and secondly, the participant observation allowed the researcher to be aware of significant issues that respondents ignored or omitted (Vanasusri 2003). In addition, the observations from the first two visits were useful in formulating the questionnaires used on the third visit. Thus, the most important purpose of the direct observations was to obtain a careful description of the programme, including programme activities, members and the significance they attach to their activities (Laws *et. al* 2003). Moreover, field notes derived from the observation exercise were recoded on the note book.

3.6.3 Secondary sources

Documentary materials such as Ikhowe Craft Enterprise membership and financial records, the Municipal IDP and a previously documented district survey were reviewed. The advantage of secondary information is that it is often freely or nearly freely available and it can save a considerable amount of time. Frequently, such sources consist of government statistics, unpublished university manuscripts, historical and anthropological research and other archives (Pratt & Loizos 1992). In this case, the aim was to understand the Ikhowe Craft Enterprise and the economic status of the uThungulu District in which Eshowe is located; this was in order to avoid the common problem noted by Pratt and Loizos (1992:47) that, "Far too often people carry out new research without first checking what information already exists".

3.7 Data analysis

The analysis of the data in this study was conducted through two statistical software packages called SPSS and Microsoft Excel. Both the programmes were suitable for the types of data collected, i.e. quantitative and qualitative producers' questionnaire. Questionnaire questions and answers were coded and programmed into SPSS package. This was used to simplify and standardise data for analysis; for example, a variable which determined what materials respondents used to build their houses,

had three pre-determined answers respondents had to choose from, namely 'mud', 'bricks' and 'metal sheets'. Therefore, codes 1, 2, and 3 were given to these answers respectively and programmed into SPSS. Subsequently, frequencies in terms percentage were calculated to interpret the results. Frequency, as element of descriptive statistics, helped the researcher to tally the results and presented the result in terms of graphs (see chapter 4) (Blaxter *et. al* 2001 & Laws *et. al* 2003).

As it has been mentioned in section 3.3, that this research had mixed quantitative and qualitative research methods, therefore, some of the responses from qualitative variables such as 'affordability of food for respondents' households since they joined the enterprise' were adjusted to quantitative analysis. This adjustment was done using 3-point Likert-type rating scale ranging from 1 = no change to 3= much improved. A higher score would mean that food affordability for that particular household has considerably improved since the producer joint the enterprise.

Microsoft Excel programme was also used in analysing some of the data gathered. For instance, in determining what types of crops respondents grow in their households, respondents were presented with list containing about 10 types of crops to choose from. To analyse this data, if a crop is grown in that particular household, it would be scored as '1', if not it will be scored '0'. This numerical information was programmed into a spreadsheet and plotted against the crop types to produce a pie chart for interpretation of the findings (see Figure 8).

Meanwhile, textual data generated from management's questionnaire, observations, field notes, and documents were analysed using a typical qualitative analysis approach, namely content analysis technique for various elements of this study. It included reading and re-reading of interview transcripts with management and some textual responses from producers, field notes, data from observation, and written documents. Coding of data was conducted manually as the data was manageable without computer aided coding. This coding exercise was mostly done on the transcripts from individuals interviewed and documents read, given that observations were added on each interview transcript. This exercise helped the researcher to identify emerging categories and concepts of interest to the researcher (Sharp 2001; Trace 2001; Catalla 2006; Kohlbacher 2006). Kohlbacher (2006) suggests that categories or themes developed during the data analysis for the case study analysis should be interwoven into the key categories, central topics

or the key themes of the study and determine to what extent they fit into the expected categories or key themes. In this case, these themes were integrated into a livelihood assessment themes pursued by this study.

However, there is a general understanding in social science that qualitative methods of analysis are subjective to bias (Sharp 2001; Trace 2001; Catalla 2006). Therefore, triangulation was introduced in this study to create credibility and reduce bias in the qualitative findings. The triangulation introduced in this study was a methodological triangulation, involving group discussion at the beginning of the study prior to visiting the households, observations and individual interviews for gathering data (Catalla 2006).

3.8 Limitations of the research

This study has several limitations. First, only a single enterprise was assessed for the study. This project is a donor funded initiative and impact assessment of this particular project was of importance to the donors and facilitators. This study, therefore, may not be generalized to other populations. Second, individuals interviewed were all members of the enterprise and did not include any other household beneficiaries. Ashely & Hussein (2000:13) suggest that project impact studies "...should also look beyond target beneficiaries to consider all stakeholders". In fact, there are other people who directly or indirectly associated with the project and could have had input in this study, such as clients of the enterprise, life insurance companies members???? of the enterprise affiliated to, local government in relation to provision of infrastructure to the local community in which members of this enterprise live in. Finally, because of strong sense of ownership of the project observed on most members interviewed, some participants may not have been fully forthcoming with certain information, especially, where respondents may have felt that they may paint negative picture about their enterprise.

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CHAPTER 4 - RESEARCH RESULTS

4.1 Introduction

As previously stated the main focus of this research is to analyse the impact of rural NRBE income on rural livelihoods in the case study. Therefore, the purpose of this chapter is to present the research findings, which were obtained from various data sources during the field visits to the Ikhowe Craft Enterprise case study in Eshowe, KwaZulu-Natal, South Africa and reserving the discussion of these results for the following *Discussion* chapter. The interviews responses gathered from the enterprise's management helped to generate the general overview of the business. The responses gave insight into history of the enterprise, kinds of support available at its disposal such as financial support, marketing, information technology, and training for both management and producers. The business's documents examined

in this study, provided useful information to determine the performance of the enterprises relating to profit, costing and income distribution amongst the members, as well as types of raw materials and products produced. In addition, the information gathered from these documents also helped the researcher to better understand the context in which the case study is operating. The informative responses from the producers were also recorded regarding the livelihood assessment of the producers and their households, as well as the challenges that prevent them from achieving their desired goals and those that threaten the prosperity of their business. Moreover, the chapter subsequently provides the broad economic context analysis within which participants' livelihoods take place.

4.2 An overview of Ikhowe Craft Enterprise

Ikhowe Craft Enterprise was an informal business given that it was not yet registered as a cooperative by the time field work was conducted, although its intention was to register in the following year (2006). Despite its informality, the enterprise had a constitution in place and a bank account. The marketing of Ikhowe Craft Enterprise and its craft products was facilitated by UKZN with the intention to build in-house capacity. The Ikhowe craft project facilitator is a researcher and senior lecturer at UKZN. The assistance largely included the recruitment of clients and the marketing of the business and its products. The target market of this enterprise is the corporate and conference trade. Product design is dictated by market needs and it is an interactive process between the producers and facilitators. Production is home-based and the items produced are mainly utility items such as beach bags (Plate 1), conference bags and file covers. Although duties such as marketing were mainly facilitated by UKZN, the enterprise was in the process of setting up its own technology for marketing and communication purposes including a fax, a computer with Internet access and a telephone.

The management of the enterprise pointed out that there had been in-house training for both the management and the producers. For the producers, the training focused on the technical elements of production, whilst for management, the training focused on book keeping and administration, as well as quality and stock control.



Plate 1: Ikhowe “Beach Bag” Conference Bag

In terms of cost analysis for the producers, the group had very low input costs since the primary raw material (reeds) is a natural product and freely available except during the dry season when it may be necessary to purchase it. However, some producers are able to store and preserve some reeds in case they do not have cash to purchase it during the dry season. The only inputs each producer has to purchase are straps, buttons and twine, which cost a total of R3 per bag.

At Ikhowe, pricing of items produced is calculated as follows:

- the retail price of one conference bag is R55
- R10 is deducted for marketing
- R5 is deducted for the three office bearers’ wages (manager, treasure and secretary), the net is R40.
- from the R40, each producer has to cover the above-mentioned input costs (R3) and transport costs of about R2
- the remaining (R35 per bag) covers the producers’ labour input (producers’ income).

Thus, every produced item has its own pricing calculations.

4.2.1 Craft profit analysis

The analysis of craft profit for Ikhowe enterprise showed an increase for the last three years (see Table 2). The information used was the sales records of all craft items sold and their prices, with the marketing, management and transport costs subtracted (excluding the costs of producers' inputs from October 2003 to December 2005).

Table 2: Profit analysis by year - 2003 to 2005

Year	Number of items sold	Number of crafters	Gross to Producers (Rand)	Gross per capita
2003	469	12	12 771	1064
2004	1358	21	40 820	1944
2005	2744	30	123 225	4110

The items sold ranged from smaller items such as file covers, to bigger items such as conference bags. The enterprise has achieved growth in terms of both the number of items sold and the total value of the sales. The production levels of the enterprise depended on the size of the order in hand. For instance, the smaller the order, the smaller the number of producers who will produce for that particular order. However, for the respective producers, production levels depended on quality and quantity. For an item to be accepted or selected by the quality assurance personnel, it had to meet quality standards. In this context, high earners were those who both maintained the quality element and were able to provide quantity. It is also interesting to note that there was a significant increase in turnover (R12 771 in 2003 to R123 225 in 2005, (See Table 2).

4.3 Livelihood analysis of the crafters and their households

This section presents the responses and observations gathered from the respondents and their households. The section provides a clear understanding of

the specific situation of different social, physical, natural, human and financial elements of the respondents and their households. Most importantly, it also describes how the craft income is integrated in respondents' livelihoods, as well as describing the vulnerabilities facing the respondents and their households.

4.3.1 Age, class, level of education and alternative skills acquired by respondents

Three respondents interviewed were between 36–45 years and three were above 65 years of age. Two were in the class of 46–55 years and the last two respondents were between 15–25 and 26–35 years of age. An analysis of the level of education amongst the ten interviewed craft producers indicated that three of them attended school until grade five, two craft producers acquired Grade 12, but the other two never attended school.

Almost all the interviewed women had no formal skills training before joining the enterprise. Of those who received formal training (only two young women), one had acquired training on counselling and building construction, while the other had acquired training on small business entrepreneurship. When asked what training they would like to have in future, the most common answers were sewing and handiwork related skills. Three women mentioned that it was unnecessary for them to acquire more skills due to ill health and old age. One woman mentioned she would be happy to undertake training in hairdressing and establish her own hair salon.

4.3.2 Income categories from craft sales for all Ikhowe craft producers

The analysis presented in Figure 5 represents the proportion of income by each producer of all producers (interviewed and non-interviewed) in the Ikhowe Craft Enterprise. This income category analysis correlates with the information presented in Table 2, by illustrating growth in terms of profits for the enterprise and income for the producers. In 2003, most earnings were less than R1 000 and between R1 001 and R3 000. Half of the producers earned less than R1 000 and the remaining half earned between R1 001 and R3 000 per year. In 2004, with the increase in orders, the scale of earnings increased from R3001 and R5000 and R5001 and R7000. About 14% of craft producers earned between R3001 and R5000, whilst 5% earned between R5001 and R7000 per year.

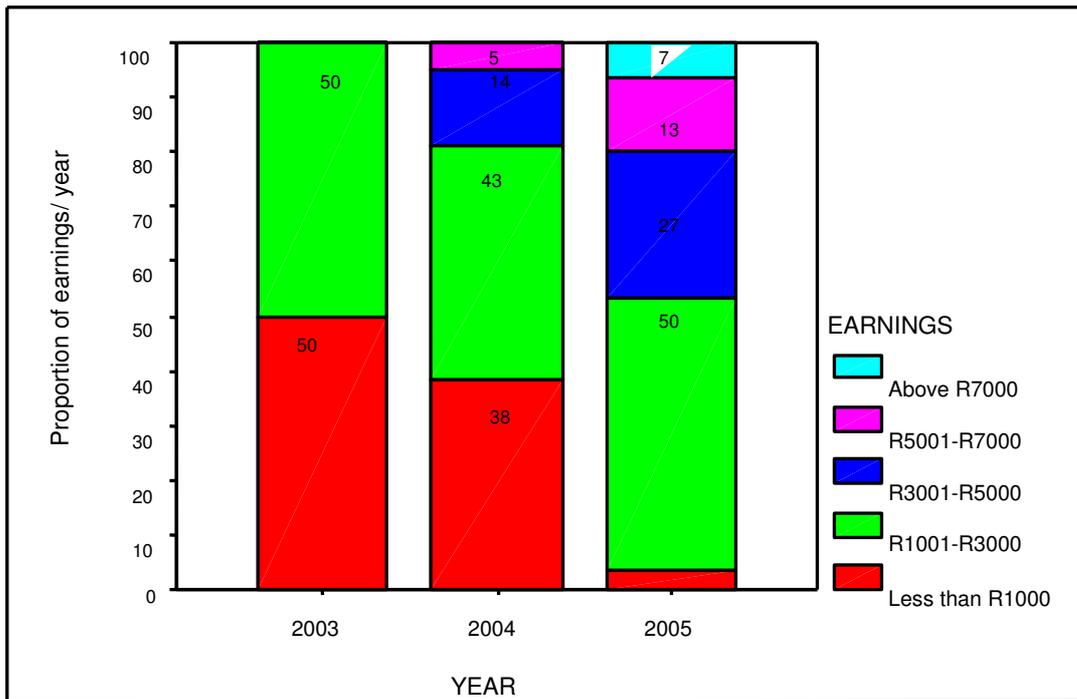


Figure 5: Income category of all Ikhove producers from all craft sales per year

In 2005, the Ikhove craft producers experienced substantial growth in terms of the scale of earnings. In this year, only 3% of the craft producers were still earning less than R1000, whereas 7% graduated to the scale of 'above R7000'. For example, one woman interviewed, managed to make about R10 000 in 2005.

4.3.3 Sources of income for the respondents from all activities

Nine activities were recorded in Figure 6 as generating cash for the interviewed producers and their households. All interviewed producers earned cash income from selling craft items. Although, selling craft was the main activity (35%), government grants (31%) such as old-age pension, disability and child grants also made a significant contribution in these women's households. Older producers, for example, received old-age pensions. In two instances, government grants' contribution came from other family members of the households such as a mother-in-law and a disabled father. Among these grants, child grants were other significant sources of income. Most producers whose children received these grants claimed that this cash brought a sense of relief since they could still take care of some of their children's needs such as food and school clothing, even if they did not earn money.

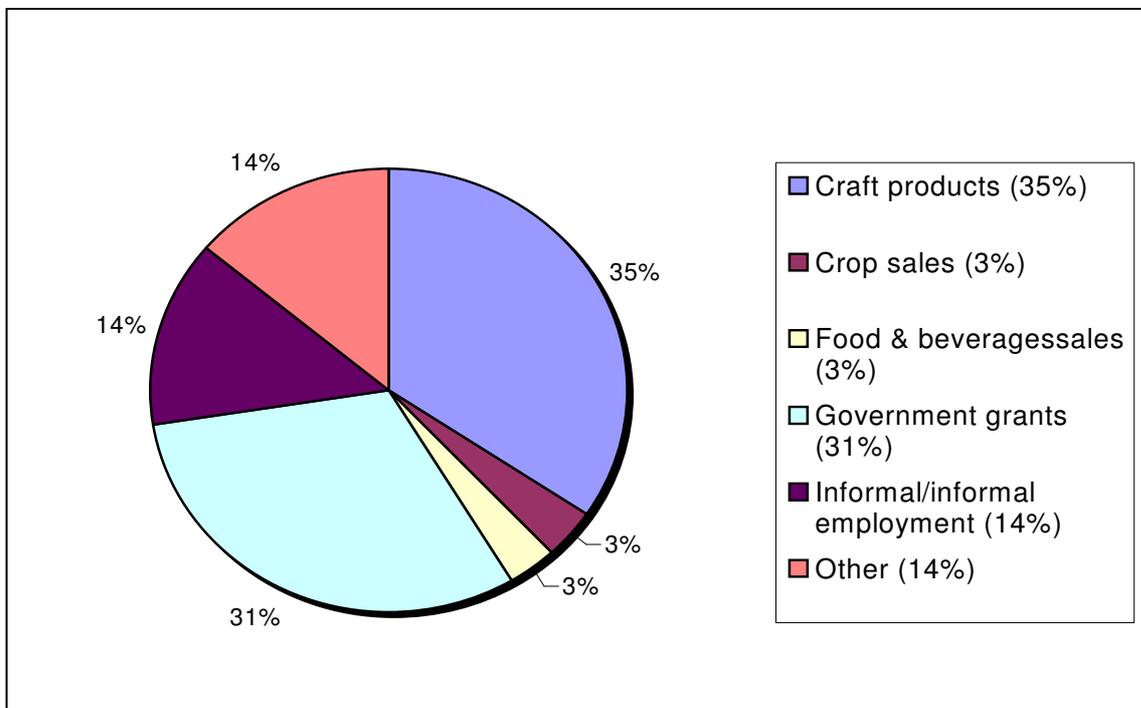


Figure 6: Proportional contribution of income generating activities per households of the respondents

It is interesting to note that informal/formal employment (14%) was also one of the largest sources of cash income in these producers' households, though only one producer had a regular temporary job. Other members of some households such as spouses, older daughters and sons undertook informal/formal employment activities. However, a large part of this 14% proportion came from informal employment. For example, the majority of these members worked as temporary migrants in big cities, and could not always afford to send money home. One elderly producer stated that her son was based outside Eshowe and usually buys things for his children and sends them home, without sending physical cash. Another producer's daughter worked in another paper craft enterprise and she was sometimes not paid at all, especially if the business was in debt.

Crop sales (3%) and food and beverages sales (3%) were amongst the mentioned activities. For instance, one crafter also grew and sold peanuts, while another producer, who was the highest earner for the year 2005, had a small business of selling cool drinks, sweets and snacks. Although these activities provided some cash in the household, their contribution was minimal, especially selling sweets and peanuts at very small scale. The last source on the list (which has been recorded as 'Other' in Figure 6) represented other activities undertaken by some of the producers to earn extra cash. One crafter mentioned that she sold second-hand clothes, while the other three sewed as a separate activity from their enterprise.

4.3.4 Average household financial allocation

Food (23%) was where most of the money was spent in these households (See Figure 7). Amongst household food items, maize, rice and cooking oil were the most mentioned. The second major expenditure for these producers and their households was transport costs (about 17%). This could be attributed to the fact that most of the producers came from outside the central town and there was no convenient public transport such as taxis from their areas to town. One producer was from as far as eNkandla (approximately 50 kilometres from Eshowe) and she had to pay about R25 to travel to Eshowe. The most common form of transport available for local people in their areas was private light delivery vans turned into public transport. Most producers stated that often they were forced to pay for the space their luggage occupied in the vehicle, particularly when transporting finished products to the centre in town.

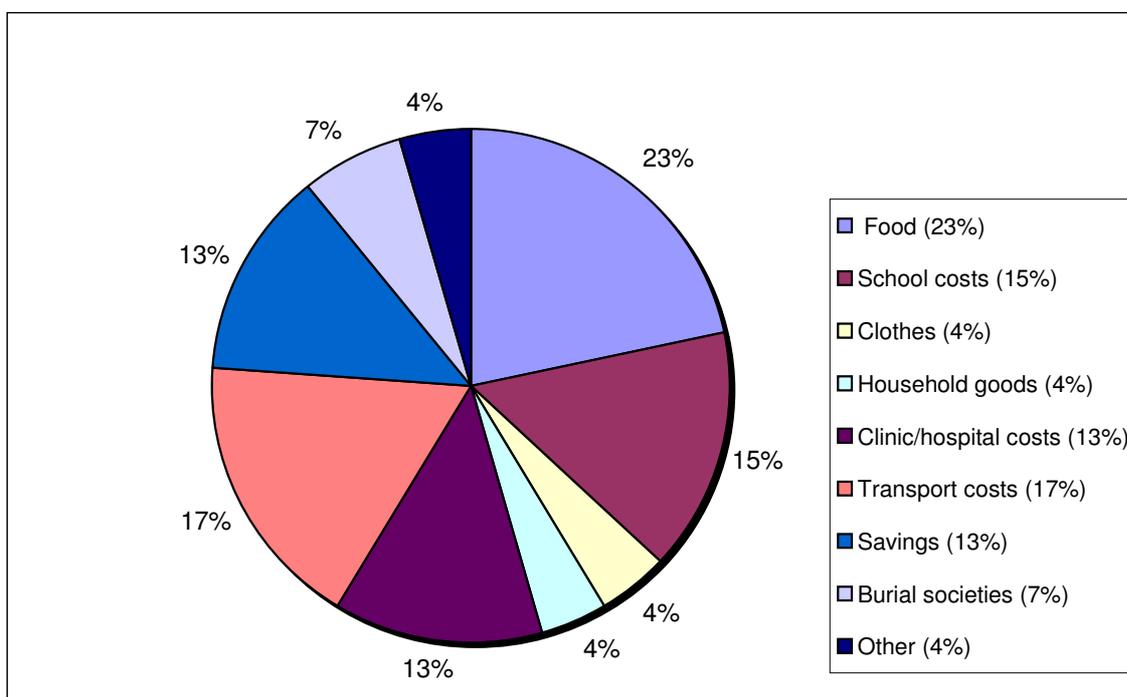
School costs (15%) and savings (13%) were two other major items on households' financial allocation list. School costs included school fees and uniforms, and one producer highlighted that her child was in a tertiary institution; hence expenses were high for her. Only one producer did not mention school costs as expenditure, the reason being that her children were older and had left school. The other producer did not pay because she could not afford high school fees. However, most of the school fees were paid at the beginning of the year.

Six producers cited savings as another important expenditure. They participated in different savings groups. The groups included *stokvels* (informal grouping of individuals putting money together to share at the end of the year) and bank savings (this is common for the pensioners where banks will hold small a proportion from pension money for insurance). However, some were members of a formal credit union. In some of these savings groups, the monthly premiums were not limited and one could save whatever amount was available.

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Figure 7: Average monthly household financial allocation for the respondents

Clinic and hospital costs formed about 13% of the entire expenditure profile (Figure 7). Though not all respondents' households attended clinics or hospitals regularly, money was saved for emergencies. Nevertheless, in a few cases respondents had to take their ill family members to hospital more often. For instance, one elderly



producer pointed out that she had a grandson who suffered from epilepsy and she often had to take him to hospital. Another elderly producer had to visit the clinic regularly and despite the fact that senior citizens do not pay for public health services, a clinic visit incurs transport costs.

Clothing expenditure amounted to 4% of the financial allocation list. This proportion represented two producers who cited clothes as one of the items on their expenditure. The rest of producers never referred to clothes as expenditure when asked the first time, but when repeatedly asked, most revealed that they usually bought clothes whenever needed, so it was difficult to estimate how much they spent on clothes. Similar answers were provided regarding household goods.

Although two producers were paying a monthly instalment of about R200, both of them were paying for household furniture. Participating in burial societies (7%) was another integral part of household financial allocation listed in some of the households. These producers were members of local burial schemes, and paid a stipulated amount of money per month. The 4% in the 'Other' category in Figure 7, referred to other personal items such as cell phone airtime vouchers. One producer stated that it was important for her to buy cell phone airtime vouchers since there were no public phones in her area and she had to communicate with her distant relatives.

4.3.5 Access to land, crop production, food affordability and household livestock holdings

All the households had permanent land and nine out of ten households had access to individual family land plots, which were cultivated for subsistence. Therefore, these households and families were able to grow whatever crops were required. Maize (21%) and tomato (15%) were the prevalent crops grown in the respondents' households (see Figure 8) and maize was regarded as a staple and traditional crop. Most crops were grown for subsistence, and respondents preferred to grow their own fresh vegetables as local markets were too far away.

When asked about how they rated food affordability since they joined the craft business, nine responded that food affordability had improved. Many of these producers were confident and proud about what the business had done for them (*pers.obs.* 2005), although, one producer felt that her ability to access food had not improved, it had remained the same over the past three years.

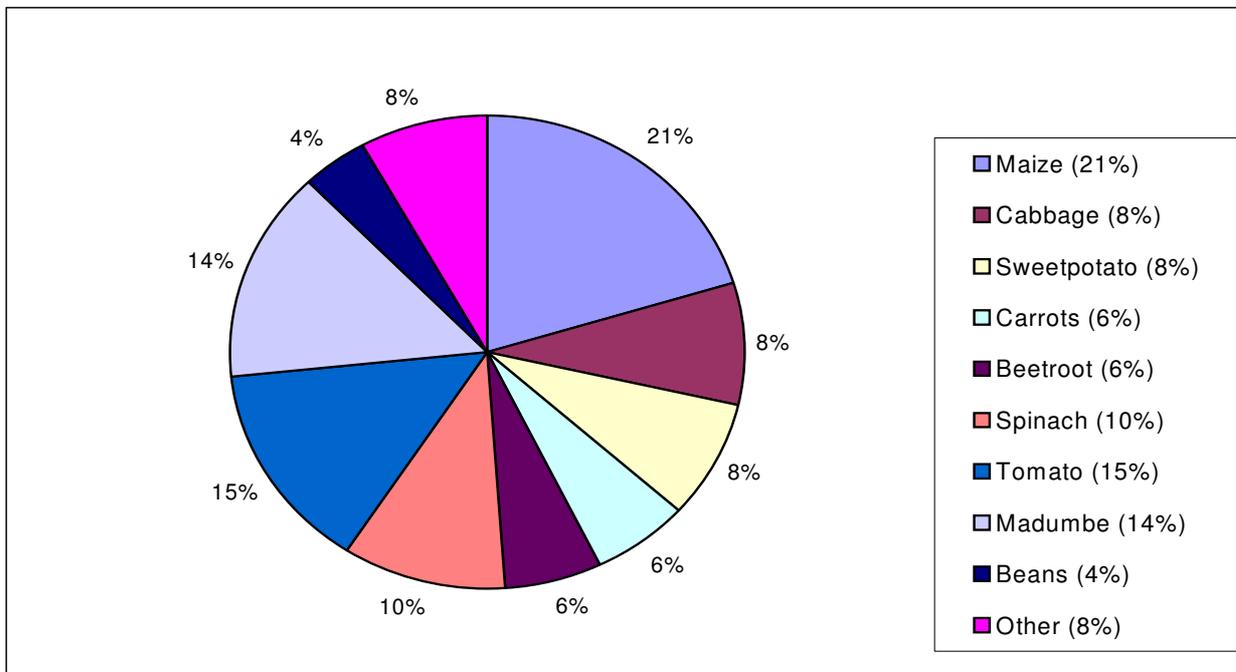


Figure 8: Crops grown by respondents' households

On the subject of livestock ownership in the case study, 5 out of 10 households owned livestock such as cattle, goats and chickens. The first household had 2 cows, 10 goats and 30 chickens; the second household had 1 cow, 12 goats and 6 chickens; the third household had 1 cow, 3 goats and 2 chickens; the fourth household had 2 goats and 2 chickens; and the last household had only 2 chickens.

4.3.6 Water, electricity, sanitation, roads infrastructure and housing quality

Households in this case had varying degrees of access to water and sanitation, especially with regard to the latter. Firstly, all households had access to clean drinking water from standpipes. Some households used nearby rivers and boreholes to source water for other purposes such as washing clothes. Secondly, most households in the area used a pit-toilet system. Six of respondents' households had

toilet facilities that were in useable to good condition. The remaining four households had no toilet facilities, however, one household had just relocated to a new place and the home was still being established.

Six out of ten households in the study area were not electrified. It was observed that households without electricity were still far from having access to electricity. This created another concern for the respondents (*pers. comm.* 2005). When asked how far they considered themselves from health services such as clinics and hospitals, about six producers considered their households as being far from health services. Although there were healthcare infrastructures in the area, they were not located close to these households. To make up for this shortage there were mobile clinics available from time to time but transport access to health care infrastructure, both for immediate and follow-up care was also inadequate. Most of the main roads entering the villages were not surfaced and this creates a setback in terms of availability of adequate public transport such as normal minibus taxis or buses (*pers. obs.* 2005). The only transport mode available for these households was private light delivery vans that were turned into taxis. Many of these vehicles were not roadworthy, but most of the producers often used this type of transport mode to deliver their craft products to the centre in town.

In terms of access to housing, most households had more than one house on the same plot built with different materials, such as bricks (blocks), mud and stones. For instance, six of the households had their houses built with a combination of bricks (blocks), mud and stones. The remaining four had their houses built with stones and bricks. However, it was difficult to quantify houses that did not provide adequate protection from the weather because of private reasons, hence, entry was limited in some houses on the plot. However, in most cases there were one or two houses which were not in a good condition (observed from outside), particularly those built with mud.

4.3.7 Social institutions

Ikhwe Craft Enterprise is a social institution in its own right. It serves as an institution where rural unemployed groups of women form 'connectedness' with each other. In essence, this group of women established networks amongst themselves to assist each other to overcome their situation of being unemployed. However, in

the quest for sustainable strategies, the respondents and their households were also involved in other social institutions such as *stokvels*, religious groups and burial societies. In addition, most these producers participated in more than one social institution.

4.3.8 Natural resource management in the case study

Ikhowe Enterprise's crafters use *induma* reeds (*Cyperus spp*) as their main raw material. Primarily, many of the producers in this study area harvested the reeds at different wetlands. One producer mentioned that she often bought reeds from other local people and colleagues in the enterprise, since she was unable to harvest due to ill health. None of the producers had been taught the importance of resource management from the business side for the sake of continued profits. As a result, the majority of these respondents did not have any specific training regarding sustainable harvesting of the reeds.

However, many of these respondents employed indigenous techniques and knowledge of harvesting the reeds, which helped to some extent with its conservation. They emphasised that cutting reeds correctly improves the re-growth. In this case, the extent of impact is not known since Ikhowe producers do not harvest reeds in restricted areas or at the same places, but at different places around their respective villages. However, since this grass was an open-access resource, its availability was starting to decline due amongst other things to uncontrolled grazing and access to anyone in the community.

4.4 Difficulties facing Ikhowe craft producers

When asked about the difficulties or vulnerabilities of their business, most producers proffered various difficulties. Three of the producers mentioned the issue of designs. It would appear that it was hard to maintain the quality of products for them, since some of the designs were difficult to master in a short period and according to these producers, designs were often not adequately explained. Two of them revealed that at times, they had to walk long distances to fetch reeds and that this put their lives at risk as it became dangerous for a woman to be walking alone in the *veld*. Another difficulty was cattle destroying the reeds and the women were frequently forced to look for reeds very far from home. Ill health emerged as a problem mostly in the

elderly producers, especially when they had to harvest reeds in difficult areas to access due to the nature of the landscape.

Delay in payments of producers' earnings was another factor causing inconvenience for the producers and their household budgeting process. Moreover, one of the producers regarded her income as too little to cover her needs. As a result, a price increase on products was suggested to increase the earnings. One producer stated that due to the nature of its demands, craft production made her set aside other activities that also contributed significantly to her household's livelihood. Whilst one producer was unhappy with the quality testing of products carried out by management. She felt that several producers are not completely satisfied with the process since they believe favours have been done for other producers' products in order to pass the quality test. In addition, one producer mentioned there was a lack of transparency within the business, especially on financial matters.

Furthermore, a lack of business skills emerged as one of the biggest problems for the producers. Interviewed producers mentioned the difficulty of understanding the breakdown of sales profits. The producers pointed out that the management tried to educate them on the breakdown of the profits, but that it was still difficult to grasp the concept. This indicates that most of the producers depend on the management to undertake all the administrative work for them and their role is simply to produce and accept the earnings designated by management. Added constraints were the vulnerabilities that respondents have to face in their households, which are not business related. Eight of these producers' households reported having one or two unemployed or temporarily employed adults. Eight of these households also lived with one or two orphans, from the deceased members of the families or abandoned children of elder daughters and sons, in their households. In addition, about seven of these producers are the heads of their households.

4.5 Broad economic context analysis

The blending of livelihood strategies to meet all the needs was the main characteristic of the households in the case study. None of the households survived through one activity or strategy. Strategies assumed in the case study included wage employment, government grants, agriculture (livestock, crops) and natural resource-based activities (craft). Although almost all respondents' households grew

crops for the purpose of subsistence, cash income activities such as wage employment, government grants and crafts were the main activities most relied on in this case study. The households used cash primarily to purchase food. Secondly, cash was needed to pay school and clinic/hospital costs, clothes and everyday items such as soap, candles and paraffin for cooking. Thirdly, cash was also used in some of these families for savings, i.e. to build up their wealth or to join burial schemes to guard against cash emergencies involving death in future (see Figure 7). Therefore, a money economy is slowly displacing dependence on agriculture in these rural households' livelihoods.

Needs varied amongst the households and thus their livelihood strategies used to satisfy these needs. However, NRBE income and government grants were distinctive strategies common to most household economies. Thus, these strategies gave households easier and more consistent access to above-mentioned needs. The remainder of this chapter (thesis??) describes livelihood capital and various strategies assumed by respondents and their households. It computes the input made to livelihoods by different activities adopted, especially craft income. In addition, it identifies the vulnerabilities related to the craft activity undertaken and more general household related vulnerabilities these households face.

4.6 Summary

This chapter has presented the results and revealed that Ikhowe Craft Enterprise is an informal business that has a constitution and a bank account operating. The purpose of the intervention by UKZN was to build in-house capacity, for example, providing producers with the technical elements of production. Training was also provided on bookkeeping and administration as well as quality and stock control. In addition, the marketing of the Ikhowe Craft Enterprise is facilitated by UKZN. The enterprise has experienced growth over the last three years (2003 to 2005) in terms of profit, items sold and number of crafters produced. Similarly, the income categories for the producers also increased. Cash flow dictates the economic activities adopted in the case study. However, respondents still combined various activities to achieve their livelihood needs. Finally, there were difficulties or vulnerabilities that the respondents and their households experienced, which were

business and livelihood related. The next Chapter discusses and synthesises the research results.

CHAPTER 5 – DISCUSSION

5.1 Introduction

This Chapter discusses and synthesises the research findings with respect to the sustainability of the enterprise, impact of enterprise income to its members' livelihoods, and the roles of livelihood strategies other than crafts. Subsequently, vulnerabilities affecting respondents are briefly discussed.

5.2 Sustainability of the business

Through the intervention of the UKZN, Ikhowe Craft Enterprise has grown successfully over the past three years both in terms of its profits and the number of its members. The UKZN intervention has improved the ability of the enterprise to access financial assistance, access to markets and marketing and access to information. This indicates that Ikhowe Craft Enterprise falls within channel three of craft sub-sector dynamics, which was discussed in Chapter 3 of this study. Channel three sub-sector's characteristics are the following:

- The projects have a project facilitator.
- There is product development and a designs process.
- A project diverts from the tourist market.
- Training of the business skills takes place across the membership.
- Interactive process amongst the stakeholders also takes place.
- Often the project is a funded and managed initiative (ECI Africa 2004).

Although the Ikhowe Craft Enterprise falls within the channel three sub-sector and it has progressed as a cooperative, essential to its sustainability is its ability to access markets and information, training and capacity building. Access to markets and the marketing of a business are critical ingredients of successful business, as discussed in Chapter 3 (Ndabeni 2002 & Alberts 2004). Expertise introduced with UKZN's intervention has contributed to the success of this business. However, ECI Africa (2004) notes that the sustainability of channel three enterprises is dependent upon subsidies and managing bodies. Despite the effort of building in-house capacity,

members and management of the enterprise have showed signs of dependency due to this intervention. In this instance, marketing in Ikhowe Enterprise is facilitated by UKZN. If the project facilitator is removed from this enterprise, it will jeopardise the sustainability of the enterprise. Channel three craft business is a growing channel, as the crafters are drawn in and become autonomous in most of the roles within the value chain (ECI Africa 2004). However, with illiteracy as a contributing factor, Ikhowe Craft Enterprise office bearers also lack adequate information technology skills. Therefore, this also threatens the enterprise's sustainability as far as marketing capacity is concerned.

In the South African context, access to training appears as one of the critical determinants of the success or failure of rural SMMEs and many rural entrepreneurs have limited formal training (Rogerson 2001). In addition, ECI Africa (2004) concluded that even though crafters in the grass craft sub-sector have low education, they also need basic literacy and numeracy training, mentorship and understanding in the areas of basic business principles and skills. "This includes costing and pricing, quality, quantity production management, marketing and packaging" (ECI Africa 2004:16). It is clear that the training initiative implemented in Ikhowe Craft Enterprise focused largely on the technical elements of production for the producers, as well as bookkeeping and administration, quality and stock control for the management. The responses articulated in Chapter 5 indicate that the scope of the training needs to be broad enough to accommodate all the essential aspects of running a successful business, otherwise a lack of these skills could lead to isolation of these rural entrepreneurs from the markets, and result in them not knowing their clients, the products circulating in the markets and their relevant market competitiveness.

5.3 NRBE income and livelihoods impact

5.3.1 Economic impact

Commercialising natural resource-based products has been a successful initiative for the Ikhowe Craft Enterprise as it has created employment, as well as generated cash income. The success of the trading process is marked by the considerable increase in the number of items sold and the increase in proceeds between 2003 and 2005 (see Table 2). One of the outstanding contributions to this success was

that weaving is home based, and that allows it to be integrated into other household duties such as farming and looking after children. It is evident that most producers interviewed have little or no education at all. Therefore, this is probably one of the few means by which most rural women with poor or no vocational education can earn cash income, since it is inspired by customary skills and knowledge, which is not reliant on formal education (Whitehead 2003).

Unfortunately, the economic impact is not the same on all producers in this case study. High earning producers (those earning between R5000 and above) and those who have other regular income sources, e.g. pensioners, are likely to have a better livelihood due to this diversity. However, for young producers and low earning producers (earning less than R5000 per year), the income remains survivalist, especially for those craft activity is sole or principal source of income. The latter confirms the statement made by Arnold & Townson (1998) that often this income rarely accounts for a large proportion of a household's total income. For instance, for a producer who makes R5000 a year, the monthly earnings amount to less than R500. For most producers interviewed, craft production remains a supplementary livelihood activity that has relatively low returns. Thus, in this case, the significance of this income may lie largely in its timing as opposed to its amount. It may be not how much money producers get, but it might be the moment they earn the cash that that makes a difference in their quality of life.

Trading in natural products tends to be linked to the hardship factors of rural people's lives. In South Africa, increasing economic hardships, HIV/AIDS, unemployment and retrenchment induces people to turn to natural resources as a source of employment and income (Shackleton 2004). Often, such depressing factors create rural areas such as those in Eshowe, with very limited cash making opportunities, especially for women and other marginalised people. Hence, the income earned by these producers may be relatively low to enable them and their households to afford future investments. However, this income contributes to the welfare of these producers and their households to some extent. This money is spent on food, education fees, health care fees, clothes and every day items such as soap, candles and paraffin for cooking and on little savings (in community based institutions such as *stokvels*) and burial schemes. In addition, the most important

fact is that food affordability within many producers' households has improved during the past three years.

Although the main aim of this study was to investigate the role of income earned from the enterprise in the case study, the issue of self-worth as an indirect impact amongst the members of Ikhowe Craft Enterprise should also be emphasised. Since International Labour Organisation acknowledges the significant contribution of women local and national economies (ILO 2002), most producers interviewed were the household heads and largely took control of their earnings from craft, as well as the power of how to spend it. As a result, being involved in a small business increased their sense of pride and self-worth since they felt empowered (*pers. obs.* 2005). These women's perspective is that their lives have improved since the intervention of UKZN. The emphasis was on the fact that they stay at home and still able to provide for their families with the income they earn through craft production. Therefore, for these women, it is a typical primary income since many of them had a role of being heads of households with multiple responsibilities and the income from craft production was crucial for their survival.

5.3.2 Managing open-access raw material (natural resource)

Common property resources are taken to be the only resources readily available to poor local households (Adhikari 2001; Karki *et. al* 2003; Murphy & Suich 2003; Odero 2004). The use of these resources may steer the decline of poverty amongst poor people. However, it is very significant to maintain a constant supply of these resources (Murphy & Suich 2003). For this reason, in CBRMs, these resources are protected from non-users and harvesting is managed. Users are also taught sustainable harvesting methods to ensure a constant supply of raw material.

Although Ikhowe Craft Enterprise uses a common property resource (*induma* reeds), the use of this resource is not formally regulated and properly managed. Reeds are in this case an open-access raw material (Adhikari 2001). This resource is, in non-CBRM context, free and accessible to everyone including non-members. Users rely on indigenous knowledge in terms of sustainable harvesting of the reed, since this reed has been used in their culture and livelihoods for many generations. However, their indigenous practices are not sufficient to protect the resource, given that the resource is open to the entire community, who may not practice sustainable

harvesting, and there is no authority regulating the harvesting. Thus, the depletion of this resource may occur in the near future. Several producers (subsection 4.3.8 in Chapter 4) confirm that in some areas the reed is no longer available.

The advantage of harvesting open-access resource is that no harvesting fees or resource management charges are paid. The producers in this case do not have to pay such fees. In this manner, the positive impact of this income is increased because the returns are paid to individual producers with no costs for purchasing and managing the primary raw material. However, the fact is, sustainability of the reed in some areas is threatened.

5.4 The role of other adopted livelihood activities in the case study

In general, a sustainable livelihoods approach provides the assertion that a livelihood is a combination of the resources used and the activities assumed with the intention of making a living (Scoones 1998; DFID 1999; Sood 2002). Section 4.5 in Chapter 4 revealed that cash flow is the main characteristic of the economy in the case study. Ros-Tonen and Wietsum (2003) note that with the uncovering of national and international markets, new opportunities are rising for obtaining income. These authors further point out that most rural people, especially those living on the forest fringe, are no longer largely hunters and forest products collectors, but entrepreneurs. This means that rural economies are changing, among other things, to engaging in easier and more consistent market orientated activities such as the development of wildlife and natural resource-based enterprises (Ashely and LaFranchi 1997). Although the rate of consumption of selected wild foods is still considerable, the general use of natural products has decreased (Ros-Tonen and Wietsum 2003). In this context, for instance, craft income constitutes one-third of the households' sources of income. This use of natural resources is combined with other activities to improve livelihood diversification. Therefore, this section also discusses the role of other activities assumed in the case study respectively.

5.4.1 Government grants and employment

Government grants constitute regular income and account for a significant proportion (14%) for rural households in the case study. Old-age pensions, disability and child grants can be seen as meagre, but reliable. This is particularly beneficial because the craft business depends on sales, and may not guarantee income every

month. As a result, during periods without sales, producers are probably not able to earn an income from this source and they rely on government grants. In addition, some of the households are large, so such grants may not help much on their own. However, these households are able to meet their primary needs such as food, school fees, health costs and other minor needs with this cash, especially when business is slow. Therefore, the contribution of these grants is significant in these households.

In this context, the same cannot be said about informal/formal employment. Wages in most cases make more contribution than grants. Unfortunately, in the case of lkhowe producers' households, the wages are not as regular as grants, since most other family members within these households are temporarily employed. In the study conducted in Namibia, Ashely and LaFranchi (1997) argue that wages generally belong to whoever earns it and they are likely to spend it themselves, i.e. wage earners prefer to buy necessities for others as opposed to giving them cash. This is typical amongst the male wage earners in the context of the lkhowe respondents, since they are often away from home. Therefore, wage income contribution in this case may not be at the same degree as craft income and government grants, but its contribution is still considerable. In most cases the income rural households gain from migration in the developing countries, is only sufficient to provide a subsistence existence, and as a result, its impact is likely to be negligible in a long term (Waddington 2003).

5.4.2 Crop production

Agriculture is one of the most important activities practised by most rural people (Ashely and LaFranchi 1997 and Ros-Tonen and Wietsum 2003). Primarily, rural people practice agriculture for subsistence food production, and hence in this sense lkhowe producers are typical rural people. Crops are usually grown to maintain food security and supplement when cash cannot meet the required amount of food as well to reduce the need for cash (Ashely and LaFranchi 1997). It is also evident from the findings that crops contribute less in terms of income in these households as compared to other activities listed in Figure 6. It is often common for households that have access to land to grow their own crops; however, it is difficult for households to generate extra cash by selling the surplus (Ashely and LaFranchi 1997). Regardless of the significance of crops to livelihoods, they are prone to various constraints such

as drought and lack of access to markets. For instance, for the any producer interviewed in the case study would like to sell their surplus crops, but high transport expenses becomes a barrier. Thus, crop production is a limited activity for the interviewed Ikhove producers in terms of generating income. However, for subsistence purposes it is important.

5.4.3 Livestock

Traditionally, livestock is kept for various purposes, including consumption, investment, social and cultural purposes (Ashely and LaFranchi 1997 & Zwane 2004). However, the interviewed producers possessed little valued livestock. This livestock was used largely for consumption benefits, for example, though chickens are seldom slaughtered for meat and eggs are produced regularly. Highly valued livestock such as goats and cattle could contribute to people's livelihoods in various ways. Cattle could be sold for cash income during times of economic difficulty; for educational purposes; or used to enhance agricultural acquisition such as cultivating large fields; social prestige and cultural ceremonies (Zwane 2004). Ikhove producers' households relate to the two latter purposes and though cultural ceremonies are important for rural people, they rarely slaughter their goats or cattle unless they are forced by circumstances.

Moreover, for a household to generate cash income through cattle sales, it must have a considerable number of them. However, mostly the producers and their households are not large cattle holders; the largest cattle holder has only two cows. Most households pinpoint livestock theft as the main reason they no longer possess large numbers of livestock. As a result, those who hold no livestock anymore, largely depend on non-farm activities for social prestige. Craft production and government grants are the key sources of income for most interviewed Ikhove producers. This becomes a substitute for livestock in terms of attaining social prestige to most craft producers without livestock. Establishment of non-farm opportunities (natural resource-based craft in this case) is particularly significant for the rural poorest households who have no permanent income to survive. Therefore, cattle have a less significant contribution than cash income in the case study.

5.5 Difficulties facing Ikhowe craft women

The Sustainable Livelihood Framework regards vulnerabilities as shocks to people's livelihoods. They are likely to prevent poor people from escaping poverty (Scoones 1998; Khanya 2000 and DFID 1999). Ikhowe producers are prone to a range of difficulties or vulnerabilities that have had an impact on them in the past and present, and which they may face in the future. These difficulties, which disrupt their lives, are often beyond their direct control, however, they can be reduced and their impact mitigated.

5.5.1 Business related difficulties

Limited business skills are a common threat amongst the SMMEs, especially in rural areas. Often these enterprises do not reach the stage of maturity due to limited or a lack of business skills. However, this trend is prevalent amongst the traditional crafters and more informal craft enterprises. Therefore, a lack of business understanding within the producers makes them vulnerable. For instance, Ikhowe producers fail to grasp the concept of costing and pricing of the products within their business.

The channel three craft sub-sector is beginning to divert from the tourist market and turning to utility products such as conference bags, blinds and other decorative items, especially from grass (ECI Africa 2004). Thus, the business has to develop new designs and products regularly to meet the orders from their clients. This has become a further challenge for traditionally skilled producers, as new modern designs are difficult to weave, and it is hard to maintain quality while learning a new design. Furthermore, the time spent learning designs prevents other potential crafters from producing to their ability. Accordingly, the longer the time a crafter spends learning new designs, the less she produces, and hence less income is created. In this type of business, both the quantity and the quality of products earn a crafter more income.

The channel three sub-sector also has the ability to reduce seasonality in craft business, since crafts business is largely linked to tourism which means it can be seasonal with peaks and lows in sales and income. Therefore, reduced seasonality means that regular income can be generated (ECI Africa 2004). However, at times producers experience delays in receiving their income, sometimes, due to

transactions delays between the clients and the enterprise. According to the characteristics of channel three delays in terms of distributing producers' income should not be happening (ECI Africa 2004). If such delays persist then the income becomes long overdue as far as households' core needs are concerned.

5.5.2 Household related difficulties

The high unemployment rate in rural areas of South Africa is one of the reasons rural people commercialise natural resources to create employment and generate income (Philip 2002). Nevertheless, migrant labour still contributes effectively to rural livelihoods. On the negative side, unemployment dominates the interviewed lkhowe producers' households. Largely, adults in these households are engaged more in casual local and migrant employment. The key issue regarding employment in this context, however, is the fact that wages and remittances derived from both employment activities do not contribute much in these households' income. Given the time period which migrants, in this case spend away from home, their meagre wages are not enough to take care of themselves and their respective families. Therefore, cash flows and opportunities generated by these activities in this case prove to be unreliable.

Furthermore, many of these households have orphans living with them as alluded to in Section 4.4 in Chapter 4, therefore, this circumstance increases the number of people these households have to feed and most of these orphans had not been receiving grants. For instance, at the time of the field visits, it was noted that many of these orphans were not receiving grants, even those who were supposed to be recipients. This situation made it difficult for some households whilst they were still waiting for their applications to be approved by the Department of Social Welfare. In addition to the above difficulties, a lack of some basic services such as electricity, proper sanitation and adequate roads increases the list of constraints. The lack of toilets facilities puts members of households' health at risk, especially from illnesses such as cholera and diarrhoea and the lack of electricity forces households to use fire hazardous materials such as candles and paraffin stoves as an additional source of energy.

CHAPTER 6 - CONCLUSION

6.1 Introduction

This chapter revisits the aim and objectives summarised in Chapter 2. The main purpose was to look at the impact of small enterprises (based on natural resources) income on rural livelihoods at a household level. It provides the concluding remarks in respect of the impacts of NRBE income on rural livelihoods of the Ikhowe Craft Enterprise, the significance of other livelihoods activities other than craft. This study also concludes on the importance of the UKZN's intervention in the case study. Finally, it then suggests the area of the study that needs further research and the recommendations the project management needs to consider to enhance its success.

6.2 Revisiting the aim and objectives of this research

Aim:

The aim of this study was to analyse the contribution of natural resource based enterprise income to rural livelihoods.

This study investigated the role of natural resource-based enterprise income in rural livelihoods, in particular its impact at the household level. The findings from the analyses displayed uneven impact of this income on the livelihoods of the participants. The income does impact positively on these households' livelihoods because producers' and their households' welfare has improved. However, the direct and immediate effects of this income have gone largely to those producers that: (1) produce more craft items of high quality in a given time period, (2) and to those that have other sources of cash income such government grants to increase a total per capita of household income. Although, the impact is unequal, these findings do not negate the contribution of this income, even if it is relatively low, to those households where craft activity is their sole or principal source of cash income.

Objectives:

To identify the success of the enterprise in terms of level of sales, income levels, access to markets and marketing, training and capacity building and the sustainability of the enterprise in the case study

It has been discussed how the enterprise experienced a slow start before the intervention and considerable support of UKZN and funding partners. This was attributed to the lack of business essentials, namely financial support, entrepreneurial skills and technological equipment. Although the support brought by this intervention was significant to the development of this enterprise, in that the business gained, to some extent, in-house capacity. However, some of other business related difficulties mentioned are linked to low levels of education. This means even if the concept is simple to understand, breakdown of pricing of a product, but because of low levels of education amongst the producers the concept became difficult to grasp. The challenge for the enterprise is to transfer the most important skills such as marketing to the management personnel. Then question is how one begins to introduce difficult technical and terms of business skills such as in areas of marketing, pricing and market research to rural people with very low or no vocational education?

The success of the enterprise has been further enhanced by the returns to the producers and level of sales for the past three years, for example, R12 771 in 2003 to R123 225 in 2005. However, the interesting point is that income distribution shows unequal income distribution meaning other producers earn a little more than others. The main reason is that labour productivity is considerably more unequally distributed amongst the producers. In this case, this is associated with an essential weaving skills distribution, superior product quality, and the ability to grasp new designs.

The contribution of UKZN is significant for business prosperity, but long-term, it may also be detrimental to the sustainability of the enterprise. It can be argued that there is a great potential for dependency developing within the enterprise, that is, the three office bearers together with the producers depend heavily on their project facilitator. The dependency arises from the fact that the think-tank of the business, in terms of marketing and sourcing of clients lies within the capacity of UKZN. The marketing and sourcing of clients had not been the mandate of the enterprise management. As a result, although the participants themselves wish to see their business continue to grow, it may be vulnerable to collapse should the project facilitator or UKZN stop supporting the enterprise.

Furthermore, this study also indicated that all the support needed for rural SMME development, including NRBE development, does not necessarily have to come from government alone. The experience in the other parts of the world such as Philippines, Mexico and Argentina shows how SMMEs can make use of universities and academic institutions for SMME support. Local consultants can also be harnessed for cost effective services because of their best position to understand local realities and market needs. This support could include the fundamentals of a successful small business such as capacity building and marketing skills (Levitsky 1996). Thus NGOs and private and academic institutions have a tremendous role to play in South African rural SMMEs and NRBEs.

To assess the contribution craft income is making to livelihoods of the participants at their household level, in particular to basic human needs such as food affordability; health, transport, school fees and long-term investments;

The case study appeared to coincide with the theoretical discussions and debates and some proportion of international knowledge in terms of the role rural NRBEs play in contributing to rural people's livelihoods. This acts as a good example of many rural NRBEs across South Africa and in other international countries such as Asia. The case study involves a group of rural poor women (as part of communities) located in at the peripheries of a small town going through in their attempt to sustain their livelihoods. They simply draw upon their available assets, in this case, their customary skills of weaving and reeds as a natural resource to create both employment and income for themselves.

A key finding of this research is that Ikhowe Craft Enterprise has created employment and generated income for its participants. These poor women have managed to derive an income to improve their families' welfare and the money has contributed effectively to the households' expenditures on items such as food. It has improved their households' food, health and school fees affordability and to some extent, enabled small investments. Although, income distribution is not the same, and the economic impact is somehow limited, most importantly, the argument is that this activity is taking place in an environment where the crafters, especially the women, have limited income-making opportunities.

In general, craft production in this case study increases livelihood diversity for some producers and acts as an entry point to cash economy to the majority of these producers. In addition, since Ikhowe Craft Enterprise falls within a channel three craft sub-sector, which has a very low level of seasonality, this income basically comes at a good time for these producers to continue to support their families. The findings in the case study have indicated that these rural NRBE initiatives are not in the position to eradicate poverty completely, especially those related to resources such as reeds or grass. The contribution they have had thus far is a partial alleviation of poverty as compared to other local economic development initiatives.

Apart from employment creation and income generation, Ikhowe Craft Enterprise has improved the sense of self-worth of its participants. This emanates from the fact that previously, the majority of these women were hardly making a contribution to their households in terms of cash and thus they felt empowered and honoured to be participating in this enterprise. Therefore, this implies that benefits derived from this activity are not limited to cash, but they also include other intangible benefits.

To identify the existing livelihood strategies and capital other than crafts undertaken by participants and their households.

Although there are clear accomplishments of employment creation and income generation through the artistic utilisation of locally available natural resources in the case study, the assessment of other livelihood strategies showed that coupling or combining strategies enabled the women and their households to manage their livelihoods more easily. Alternative strategies included government grants, growing crops and to some extent informal/formal employment. For example, government grants provide regular income on top of craft income, and as a result, households are able to access basic needs with ease unlike largely craft dependent households. However, for now, some of these livelihood strategies will continue to play a significant role to supplement NRBE initiatives

To identify vulnerabilities or difficulties the participants encounter in their households and their business.

Ikhowe craft women are prone to difficulties or vulnerabilities related both to the business and to their households. The prevailing business related vulnerability is the women's low levels of education in business, which is linked to their limited business

skills, especially financial and marketing skills. This limits the potential growth of their businesses and creates dependency.

In terms of household related vulnerabilities, some of the interviewed women and their households have little or no access to basic services such as electricity and public transport. However, these other problems are government service delivery related issues and Ikhwe Craft Enterprise may not have capacity to provide solutions to these problems, specifically electricity and access problems. However, the issue of transport could be alleviated once the business establishes the means to afford its own transport for product collection from producers' homes.

6.3 Suggestions for further studies.

The present study has examined the role of income derived from natural resource-based activity at the household level. The results have revealed that there is positive impact, even though minimal. They also revealed the main threat to the enterprise that would result from a developing dependency. However, the analysis of the existing condition, in particular sustainability of the enterprise in a long-run formed the basis of this issue identified as an area in the case study that requires further study. This further research should aim to determine the effects of implementing a site-specific monitoring plan for the enterprise. This study will provide the enterprise with the information that they need to manage an ecologically, socially, and financially sustainable enterprise (Biodiversity Conservation Network undated). The following section provides recommendations that could be implemented in the case study.

6.4 Business related recommendations

6.4.1 The need to enhance capacity of business skills

Despite the in-house capacity building the facilitators have implemented in the enterprise, the training has not emphasised the aspect of marketing to the management. The findings also revealed that the level of capacity of the producers in terms of business skills is limited to the production development of new products and designs. As a result, the dependency identified in the business could ruin the chances of the business to survive once the project facilitator leaves. Therefore;

In Management

It is recommended that external support or procuring external services from experts should be considered to probably remedy such deficiencies. This step could be valuable for the introduction to information and communication technology, the use of computers, and marketing processes to improve management competence.

For the Producers

It is recommended that some of the basic business skills, that would be adequate for their level of education, be transferred to them. This includes know-how in terms of product pricing, and cost analysis.

Thus, this will provide both the management and the producers an appropriate platform to be ready to run the business once the intervention is terminated.

6.4.2 The need to enhance the level of communication

During interviews, most of the respondents were free to mention problems they encounter in the enterprise, which they could not mention in their meetings. These issues included the lack of transparency on financial matters and favours being granted to other producers with regard to quality test processes. It was evident that the level of communication amongst the producers, and between the producers and management is very low. Thus, it is recommended that the level of communication and cooperation between the management and the producers, as well as amongst producers themselves to be improved, and the methods of regular reporting should be put in place. This will aid transparency, improve information sharing for growth, and enhance cooperation amongst all the stakeholders.

6.5 Livelihood related recommendations

6.5.1 The need to improve physical infrastructure

Field observations revealed that the standard of infrastructure in many villages visited was poor, especially transport, toilet facilities and the provision of electricity and that these were the major household related problems. Although it is the responsibility of it is recommended, to the local municipality, that better road infrastructure should be put into place to allow better transport facilities, also

adequate toilet facilities should be put into place to avoid health risks, and finally access to uplift the standard of living in the these villages.

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APPENDICES

APPENDIX A - QUESTIONS FOR IKHOWE CRAFT ENTERPRISE MANAGEMENT

A. HUMAN CAPITAL

- 1 How long have the enterprises been operating?
- 2 How many people are involved in the business?
- 3 Where do they come from?
- 4 What type of products do you produce?
- 5 Do you provide your members with adequate training of, for example, how to handle financial matters, how markets work, and initiating new designs?
- 6 How often do illnesses affect your business?
- 7 How does HIV/AIDS affect the business?

B. FINANCIAL CAPITAL

- 8 What is your target market?
- 9 What channels of marketing do you use?
- 10 Do you have direct contact with your customers?
- 11 What problems you encounter in marketing your products?
- 12 How much you make from sales? Would I be able to have records of sales and costs?
- 13 How you distribute income from sales to the participants? Would I able to have records of income distribution?
- 14 How many of the products do members bring to the centre and how many do they sell separately?
- 15 How do you access information i.e. to know what products are in demand; information about new types of raw materials and equipment?
- 16 In financial crisis, how do you access a loan or financial assistance, e.g. who do you consult; what government department, banks, NGOs, and private companies do you go to?
- 17 Do you experience competition in terms of pricing, uniqueness of products, designs and quality with other local producers? If yes, how you handle it?

C. PHYSICAL CAPITAL

- 18 Do you have municipal services at the centre, e.g. electricity, safe water, etc.?
- 19 How do you transport the products to the market?
- 20 Can you explain the physical location of the business and the surrounding conditions of the infrastructure?

C. SOCIAL CAPITAL

- 21 How long has the business been operating?
- 22 How is the communication amongst the producers themselves and between the management and the producers?
- 23 How do you support struggling producers, e.g. those who cannot meet required targets, producing less and those who are sometimes sick?
- 24 Do you have cooperation between your producers and other external producers? If yes, which aspects?
- 25 How has the business contributed to the members' realisation of self-worth?
- 26 Do you have other external institutions or organisations helping you? If yes, what kinds of institutions or organisations?

D. NATURAL CAPITAL

- 27 Do you teach the producers the sustainable methods of harvesting the raw materials?
- 28 During the dry season, do you help the producers to access the raw materials elsewhere? If yes, how do you do it?
- 29 Do you have anything to add? If yes, what?

APPENDIX B - QUESTIONS FOR IKHOWE CRAFT PRODUCERS

SECTION ONE - HUMAN CAPITAL

1.1 How old are you?

15-25 yrs		46-55 yrs	
26-35 yrs		56-65 yrs	
36-45 yrs		+65 yrs	

1.2 Did you attend school? Yes/No

If yes, what level do you have?

Grade 1/sub-standard A		Grade 8/ standard 6	
Grade 2/sub-standard B		Grade 9/standard 7	
Grade 3/standard 1		Grade 10/standard 8	
Grade 4/standard 2		Grade 11/standard 9	
Grade 5/standard 3		Grade 12/ Matric	
Grade 6/standard 4		Tertiary	
Grade 7/standard 5			

1.3 Is the household

- Male headed

- Female headed *de jura* (man dead/left)
- Female headed *de facto* (man works more than half of the year somewhere else, without regular contact for making daily decisions)

1.4 How many adults are living in this household?

1-3		4-6		More than 6	
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If there is any, what are the daily activities of each adult?

1.5 How many children under 18 live in this household?

None		1-3		4-6		More than 6	
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If there are, how many attend school?

None		1-3		4-6		More than 6	
------	--	-----	--	-----	--	-------------	--

1.6 Are you able to pay for school fees this year?

- Yes
- Struggling
- No

1.7 Are there any orphans in this household? (i.e. when at least one parent is dead, or biological parents neglected them) Yes/No

1.8 Apart from you craft skills; where else do you think you need skills to better your livelihood aspirations?

1.9 Do you know any government departments or NGOs offering capacity building around your area? Yes/No

1.10 Is there any desired training you wish to get? Yes/No

If yes, what kind of the training?

1.11 Is there anyone suffering from chronic illness? Yes/No

If yes, how do you cope with it?

1.12 What do you know about HIV/AIDS?

1.13 Do you know any families around who were affected by HIV/AIDS? Yes/No

If yes, how do you feel about it?

SECTION TWO
FINANCIAL CAPITAL

2.1 What are the sources of money for you and your family?

Craft products		Thatching grass	
Crop sales		Disability grant	
Livestock sales		Old-age pension	
Selling <i>vetkoek</i>		Renting vehicle	
Selling traditional beer		Child grant	
Selling sweets		Migrant	
Selling vegetables and fruits		Other	

2.2 How much money do you earn from all your activities per month?

Less than R 1000		Above 7000	
R 1001-R3000			
R3001-R5000			
R5001-R7000			

2.3 Can you please estimate the proportion of each source of income in Q2.1? (The estimation will be judged in terms of more, moderate and low)

2.4 What is the money used for per month?

- Food if yes, how much you use.....
- School costs if yes, how much you use.....
- Clothes if yes, how much you use.....
- Household goods if yes, how much do you use.....
- Clinic/hospital fees if yes, how much you use.....
- Transport fees if yes, how much you use.....
- Bank deposits if yes, how much you use.....
- Stokvel if yes, how much do you use.....
- Burial societies if yes, how much do you use.....
- Other if yes, how much do you use.....

2.5 Has any member of your household borrowed any money? Yes/No

If yes, was it from the following sources?

Bank		Private individual (<i>mashonisa</i>)	
NGO		Micro-lenders	
Other			

2.6 How was the repayment status?

Fully repaid		Not yet due	
Partly paid		Can't pay (defaulted)	

2.7

your household is in urgent need of money where you look for help?

If

B. CRACT ACTIVITY

2.8 Do you like weaving? Yes/No

If yes/no, why?

2.9 When (time of the year) do you make these bags and file covers?

Beginning		Mid-year		At the end of the year	
-----------	--	----------	--	------------------------	--

2.10 What time of the day do you weave?

Morning		Afternoon		Night	
---------	--	-----------	--	-------	--

2.11 How much do you make from craft per month and how do you achieve this?
(This question is directed to high earners).

2.12 Who makes the decision about the money you make from craft?

- Myself
- My husband
- My children
- As a family

2.13 What are the difficulties with weaving and how do you cope?

2.14 Apart from weaving, is there anything you would rather do to earn cash?
Yes/No

If yes, what would be?

SECTION THREE

PHYSICAL CAPITAL

Housing Quality

3.1 How many houses does your household have? Nr.....

- House building materials

Mud		Bricks		Metal sheets	
-----	--	--------	--	--------------	--

- Roof

Good/adequate condition	
Poor condition-inadequate protection from weather	

- Walls

Good/adequate condition	
Poor condition-inadequate protection from weather	

3.2 Is your compound fenced? Yes/ Not properly/ No

B. Services

3.3 What sources do you use for drinking water and how far would you say the source is?

	Drinking purposes					Other household purposes			
River	Y/N	Nearer	Far	Average		Y/N	Nearer	Far	Average
Borehole									
Dam									
Spring									
Tap									
Other									

3.4. Do you have access to electricity? Yes/No

3.5. Do you have toilet facilities? Yes/No

3.6 What is the nearest health facility to your home?

Hospital		Health centre	
Clinic		None	

3.7. How far do think you are from the main road?

Close

- Far
- Average

3.8 What transport mode do you use for craftwork?

- To fetch raw material: you use.....
- To transport finished products: you use.....

C. Household Assets

3.9 Which of the following assets do your household have?

Television		Bicycle	
Radio		Motorcycle	
Motor vehicle		Cell phones	
Couch/sofa		Stove	
Table and chairs		Bed	

3.10 Do your household own land? Yes/No

If yes, which of the following crops/vegetables do you grow?

Maize		Carrots	
Sorghum		Spinach	
Cabbage		Tomato	
Sweet potato		Madumbe	
Beetroot		Other	

3.11 Do your household own any livestock?

If yes, which of the following livestock do you own and how many?

	Y/N	Nr		Y/N	Nr
Chickens			Sheep		
Goats			Cows		
Donkeys			Geese		
Other					

3.12 What problems do you and your household members encounter in terms of local infrastructure, services or your household quality? How do you cope with them?

SECTION FOUR
SOCIAL CAPITAL

A. Social institutions

4.1 Have this household already been living in this area for more than five years?
Yes/No

4.2 Does any member of your household participate in any of the following institutions or activities?

Funeral societies (e.g. <i>masincwabisane</i>)		Religious institutions	
Savings groups (e.g. <i>stokvels</i>)		Other	

4.2 If your household has a problem and needs money or food urgently, do you get it from people in your community or relatives? Yes/No

SECTION FIVE
NATURAL CAPITAL

5.1 Where do you harvest your raw material?

5.2 During a dry season natural resources such as grass become scarce, how do you cope with such a situation?

5.3 What do you know about natural resources management?

5.4 Did the management taught to you about sustainable harvesting of *ncema* or *induma*?

5.5 What problems do you experience about harvesting *ncema* or *induma*?

5.6 Do you have any further comments about your household or Ikhowe craft group?
Yes/No

If yes, what is it?

SECTION SIX
FOOD AFFORDABILITY

6.1 Are there any periods in a year where you struggle to feed the household?

Yes/No

If yes, which periods, and why is it difficult during these periods?

6.2 How has the affordability of food for your household been since you joined the enterprise?

Deteriorated

Much improved

1

2

3

6.3 Do you have any further comments regarding Ikhowe Craft Enterprise?

Yes/No

If yes, what is it?

SECTION SEVEN
INTERVIEWER'S OBSERVATIONS