UNIVERSITY OF KWAZULU-NATAL

Effects of Emergence of Shopping Malls on SMMEs in eThekwini:

A case study of Umlazi Township

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DECLARATION

I   **ANDREW ZACHARIA MLONDOLOZI KUBONE**   declare that

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ABSTRACT

The growth of the Small Medium and Micro Enterprise (SMMEs) has been phenomenal in the last 17 years since the advent of democracy in South Africa. Turbulant economic conditions have also led more people to seek opportunities for survival by participating in the economy as small entrepreneurs. Small entrepreneurs in townships lack sophistication to understand new development trends in business such as the emergence of shopping malls in townships, bringing along major national and international retailers. The study aims to determine the effects of the emergence of shopping malls on SMMEs in eThekwini; a case study of Umlazi. The Umlazi Mega City Mall is used as a point of reference. The challenges faced by small business owners after the emergence of Umlazi Mega City will be explored in detail in this study. A probability sample of 120 small businesses falling under the SMME sector were identified based on a population of approximately 500 SMMEs operating in and around Umlazi. It is important to highlight that from the above sample, 100 completed the questionnaire which was used for data analysis. Quantitative research method was used and a questionnaire with a total of 25 closed questions was used to collect data directly from participants. The questionnaire was distributed directly to respondents and that proved to be very effective but time consuming. The presentation of results has been covered using graphs, tables and statistical percentages. The analysis is accompanied by the researcher's interpretation and remarks to explain the salient features discovered in the findings. The respondents in this study ranged from street hawkers, chicken stalls, shoe repairs, butcheries and supermarket owners. The findings revealed that the majority of participants indicated a decrease in turnover after the emergence of Umlazi Mega City. One of the recommendations put forward was that, new developments of shopping malls should create an empowerment venture of not less than 10% that would be owned by a consortium of SMMEs. This arrangement has a potential to build loyalty of SMME tenants if they become part of that mall, and at the same time, remove resentment. The definition of the sizes "small business" and "medium business" will be covered during the course of the research.

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CHAPTER ONE
INTRODUCTION TO THE STUDY

1.1   Introduction

Many companies that are now regarded as the mainstay of the economy in different industries were once regarded as small, medium and micro enterprises (SMMEs). The growth of those companies took different forms but there were measures from different quarters that assisted in their growth, this study will add a valuable contribution to small businesses who are regarded as SMMEs. Shopping malls have been in existence for many years in other parts of the country but are a new phenomenon in African townships, and Umlazi is no exception to that. Shopping malls do bring benefit to customers, on the other hand the very small business operator might hold a different view, hence the reason for undertaking this study. Studies have been done in other developed countries including South Africa but not enough in the African township context. Umlazi is the biggest township in KwaZulu-Natal and the many SMMEs are sustaining many livelihoods (Maharaj, 2008).

1.2   Motivation for the Study

 The customers who flock to the newly opened shopping malls in townships were buying somewhere before the emergence of shopping malls, that means those businesses that lost patrons would somehow be affected, most probably those would be SMME businesses. The effects on SMMEs would either be positive or negative and there is a need for an empirical evidence to support or refute those claims. Umlazi Mega City, opened in 2006, is one of the first major shopping malls that are in African townships and a study of this nature will benefit many stakeholders including but not limited to:

1.2.1 The eThekwini Municipality

The eThekwini Municipality is most of the time, the owner of the land that is developed to build the shopping malls and they need all the relevant information before the projects are approved. The eThekwini Municipality has a unit that looks after the interest of SMMEs which is called, Business Support Markets and Tourism Unit. The information gathered can be of benefit to this unit.

1.2.2 KwaZulu-Natal, Department of Economic Development and Tourism

The findings can be of benefit to this department in the planning and implementation of future development projects.

1.2.3 Department of Trade and Industry (DTI)

The government organisations that provide support to SMMEs fall under the Department of Trade and Industry (DTI) and these finding will benefit them to fill the gaps that have been identified.

1.2.4 Ithala Finance and Development Corporation (Ithala)

Ithala is one of the organisations that have for a long time supported small businesses in the African community in KwaZulu-Natal, and more especially, have assisted with financing and advice. To be aware of challenges faced by their clients will benefit them.

1.2.4. Absa, Standard Bank, First National Bank (FNB) and Nedbank

Financial institutions provide financial backing to businesses, big and small, and they need to be aware of the threats that might face their clients, whether perceived or not.

1.2.5 The General Public

Members of the public need to be kept abreast of the latest developments, and those who have an interest to play a role in business will benefit from the findings and be able to take informed decisions.

A better understanding of how people in the small business sector view the threats caused by increased competition from big business will be gained from this study. Only one project is complete, the Umlazi Mega City, the other four or five projects are still in the pipeline and this study will assist to leverage the SMMEs' case in those projects.

1.3   Focus of the Study

The focus of this study concentrated mainly on the effects of the emergence of shopping malls on SMMEs in eThekwini with Umlazi as case study. There are few shopping centres in and around Umlazi and the Umlazi Mega City was made a point of reference. It should be mentioned that at areas where new projects were imminent, their reference was sometimes made. The study looked closely at the turnover before and after the emergence of Umlazi Mega City, and reasons for not operating in the new mall. This study left out other factors that affected the turnover of SMMEs but were not related to the study.

1.4   Problem Statement

The emergence of big shopping malls in and around African townships in recent years has had a profound effect, good or bad, on the lives of the inhabitants in those areas, depending on the circumstances of the individual. To an ordinary person, it can be very good because it brings cheaper products within easy reach; however to an entrepreneur the emergence of shopping malls can be a business opportunity or it can spell disaster. Speculation is that SMMEs has been affected the most because they could not compete easily with large departmental stores and other well established businesses. Economists always emphasise that to address the problem of unemployment, South Africa has to promote the growth and development of small, medium and micro-enterprises, but not enough is done to protect them from unfair competition from big businesses. This is supported by the South African Minister of

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Trade and Industry who said the SMMEs have contributed significantly to the creation of jobs in many developing economies (Davies 2011).

Shopping malls are established with the purpose of bringing goods and services closer to people and at the same time, to create job opportunities, but that is sometimes negated by the unintended consequence of stifling the SMMEs already operating in those areas. Shopping malls, although there have existed many years in the former white suburbs or areas predominantly inhabited by white people, in the African townships, they are a new phenomenon. The problem is that not enough literature has been presented to determine the effects thereafter. There is a tendency to concentrate most of the studies in Gauteng and a generalization is made for the rest of the country. This study is going to fill that research gap.

1.5   Research Question/s

It is envisioned that this study succeeded in answering the questions as stated below;

- ➢ What are the problems faced by SMMEs after the emergence of shopping malls in Umlazi Township?
- ➢ What are the SMMEs' costs and benefits of operating alongside big businesses which are located within the shopping malls?
- ➢ Were the SMMEs adequately integrated into the newly established shopping malls?
- ➢ Were the SMMEs given equal opportunity to compete and succeed against big businesses operating within the established shopping malls?
- ➢ Did the SMMEs succeed or fail after the emergence of the new shopping malls in Umlazi Township, and if they succeeded or failed, what are the reasons behind such outcomes?

1.6   Objectives of this Study

The objective of the study is to determine what happens to existing businesses, which are mostly the SMMEs, after the emergence of big shopping malls in eThekwini; a case study of Umlazi. Since Umlazi Mega City opened for business in April 2006, five years has past and that creates an opportunity to look back and weigh the costs and benefits to SMMEs.

- To examine the effects of the emergence of shopping malls on SMMEs in Umlazi Township
- To examine the costs and benefits to SMMEs brought by the emergence of shopping malls in Umlazi Township in the eThekwini Municipality;
- To establish to what extent SMMEs are affected by the emergence of the new shopping malls in Umlazi Township;
- To examine the difficulties encountered by SMMEs after the emergence of the new shopping malls in Umlazi Township;
- To examine whether SMMEs in Umlazi Township survived or failed after the emergence of shopping malls**;**

1.7   Limitations of the Study

Doing a research will always be challenging to the researcher because there is no obligation on the side of the respondent. The limitations of the study are not as what the researcher has anticipated since more respondents than was expected showed the willingness to participate. Some other limitations are worth mentioning, like the following:

- ➢ The total area of Umlazi is very large and a bigger sample of more than 100 would have been possible.
- ➢ The SMMEs were treated homogeneously but the study on the ground found out that they are not.

- The sampling method had its limitations as the respondents were not separated according to the area under which they trade.
- Some respondents did not fully complete the questionnaire up until the researcher came for collection and assisted them in clarifying some of the questions.
- Due to time constraints the IsiZulu version arrived late and could not be utilised, but no problems were encountered using the English version.
- Due to historical legacy, the presence of other race groups in Umlazi is almost nil, hence the reason for not getting their responses.
- Literature on SMMEs in the South African context, and/or relevant South African literature of SMMEs is not that huge, hence the reason the study considered the literature outside the normal scope of five years.

1.8   Summary

The study examined problems that are simple for most people and complex for others. The issue of competition is not a simple matter when you are competing with a giant in the form of national retailers. This chapter introduced the discussion on the effects of the emergence of shopping malls on SMMEs in eThekwini focusing in Umlazi. The intricacies of the researcher's journey in trying to find the answers is outlined in the next chapters in the chronological order; literature review, methodology, presentation of results, discussion of the data, and recommendations and conclusion. Chapter two follows with the presentation of a detailed literature review on this study.

CHAPTER TWO
AN OVERVIEW OF SMMEs AND SHOPPING MALLS

2.1 INTRODUCTION

This chapter presents the literature review on the effects of the emergence of shopping malls to Small, Medium and Micro Enterprises (SMMEs) in eThekwini with Umlazi Township as a case study. This chapter will provide a literature review starting with the broader definition of SMMEs, their emergence and the role they play in the development of a country's gross domestic product (GDP) and employment. A comparison between South Africa and other countries will be discussed regarding SMMEs' contribution to GDP. This chapter will investigate the South African context of SMMEs and the discussion will be narrowed down to the provincial, regional and local context, the local context being the SMMEs in Umlazi.

2.2 DEFINITION OF SMALLER ENTERPRISES

There is no simple or single definition of what constitutes a small enterprise. One of the earliest attempts to provide a definition was provided by the Bolton Report 1971. The Bolton Committee Report suggested two definitions for the small enterprise; the qualitative or economic approach that tried to capture the range and diversity of the smaller enterprise relative to a larger enterprise, and the quantitative approach that defined SMMEs according to selected quantitative criteria (Carter and Jones-Evans, 2006).

2.2.1 Qualitative Definition of SMME

The qualitative definition suggested that small enterprises be regarded as SMMEs if they met three criteria:

➢ Independent (not part of a larger enterprise);

- ➢ Managed in a personalised manner (simple management structure);
- ➢ Relatively small share of the market (the enterprise is a price taker rather than price maker (Carter and Jones-Evans, 2006).

Cosh and Hughes (2000) as cited by Carter and Jones-Evans (2006) came with a slightly different view by saying that, "Other than size itself, one factor that distinguishes smaller enterprises from their larger counterparts is the nature of the uncertainty they face". As smaller enterprises are often reliant upon a limited number of customers and have a limited product portfolio they tend to be exposed to greater levels of uncertainty in their markets, which is promoted by the independence and personalised nature of their businesses. In contrast, larger enterprises are able to limit the uncertainty in their markets simply because they have a diversified product portfolio. Owner-managers of smaller enterprises, relative to larger firms, face higher fixed management costs and that makes their situation precarious as they may not have the necessary "skill-set' to attend to the various areas of the business (e.g. financial or human resource management) equally well. (Carter and Jones-Evans, 2006).

An alternative economic perspective on defining a small firm to that provided by the Bolton definition is the one by Strydom, Nieuwenhuizen, Antonites, de Beer, Cant and Jacobs (2007), where an SMME is defined as a very small business that employs between one and ten employees, and a small business employs between eleven and fifty employees (Strydom et al., 2007). Most businesses begin as a small enterprise that is usually managed by one person who would definitely have an ambition to grow it. For that business to grow, the entrepreneur must continuously be innovative. A business remains at a micro/small business level if the entrepreneur stops being innovative and too much risk-averse and the owner of that business stops to be an entrepreneur, but just becomes a small business manager. According to Strydom et al., (2007) many entrepreneurs have the tendency to be comfortable and satisfied with the level of growth and settle for a non entrepreneurial style of a business. Such an entrepreneur just remains small business owner.

2.2.2 Quantitative Definition of SMME

The Bolton Committee also proposed a more quantitative definition of the smaller enterprise which encapsulates the heterogeneity of smaller enterprises as according to that report, no single measure such as assets, turnover, profitability or employment is likely to fully account for the size of an enterprise. The Bolton Committee suggested a variety of measures to reflect sectoral heterogeneity; hence employment was used for sectors such as manufacturing, turnover for motor trade, assets for transportation and ownership for catering (Carter & Jones-Evans, 2006). These measures are illustrated in table (2.1) below.

Sector	Definition
Manufacturing	2000 employees or less
Construction	25 employees or less
Mining and quarrying	25 employees or less
Retailing	Turnover of £50,000 or less
Miscellaneous Services	Turnover of £50,000 or less
Motor trades	Turnover of £100,000 or less
Wholesale trades	Turnover of £200,000 or less
Road transport	Five vehicles or less
Catering	All excluding multiples and brewery-managed houses

Table 2.1 Quantitative Definition of Smaller Enterprises

Source: Adapted from Carter, S., Jones-Evans, D. 2006. *Enterprise and Small Business:Principles, practice and policy*, Pearsons Education, USA (2006 p 09)

The information on table 2.1 shows the number of employees and turnover that determines the quantitative definition as suggested by the Bolton Committee definition. It should be noted that these figures will vary depending on the economy of a country, and will not be static because of technological advancement.

The European Union came up with another definition that has three types of smaller enterprise: Small, Micro and Medium-sized enterprises. Each of these has differing employee, turnover and asset thresholds. The EU has a simpler definition as outlined in the following table (Table 2.2):

Enterprise category	Head count	Turnover or	Balance sheet
Micro	<10	€2m	€2m
Small	<50	€10m	€10m
Medium -sized	<250	€50m	€43m

Table 2.2 EU Definition of SMEs

Source: Adapted from Carter, S., Jones-Evans, D. 2006. *Enterprise and Small Business:Principles, practice and policy*, Pearsons Education, USA (2006 p 09)

Table 2.2 shows these three size groups of non-subsidiary of independent businesses make up what are termed Small and Medium-sized enterprises SMEs.

The United Kingdom (UK) government, according to Carter and Jones-Evans (2006), tends to define an SME as:

> ➢ Micro firms with 0-9 employees;
> ➢ Small firms with 0-49 employees (including micro)and
> ➢ Medium firms with 50-249 employees.

Internationally, there is a wide variety of definitions. Countries such as the United States of America (USA) and Canada define an SMME as one that employs fewer than 100 employees concentrated mostly in the service and retail industries (Scarborough, Wilson & Zimmerer, 2009). Hong Kong has an alternative definition which states that SMMEs are manufacturing enterprises with fewer than 100 employees, or non-manufacturing with fewer than 50 employees. This obviously makes it difficult to compare SMMEs across various countries particularly with regard to turnover or assets; however some transnational studies have tended to concentrate upon simple employment thresholds when measuring SMMEs (Carter and Jones-Evans, 2006).

2.3 The South African definition

The South African National Small Business Act of 1996 defines a small business as: "A separate and distinct business entity, including cooperative enterprises and nongovernmental organisations managed by one owner or more which, including its branches or subsidiaries, if any, is carried on in any sector or subsector of the economy and which can be classified as micro, a very small, a small or a medium enterprise" (National Small Business Act, 1996 (i)).

In the South African context SMMEs are not restricted to formally registered enterprises such as; close corporations, private companies and co-operative enterprises. However, SMMEs include informal and non-vat registered enterprises such as; survivalist enterprises, street trading enterprises, backyard manufacturing and services, and occasional home-based evening jobs (The Department of Trade and Industry (The DTI), 2008).

2.4 CLASSIFICATION OF SMMES

On the basis of the above definition, small business sector requires both qualitative and quantitative classification of SMMEs. This classification analysis will explain better why some small businesses face certain problems, successes or failures, whereas others not.

2.4.1 Qualitative Classification of SMMEs

2.4.1.1 Survivalist enterprises

These enterprises include activities of people unable to find a paid job or gain access to an economic sector of their choice. Income generated from these activities falls far short of even a minimum income standard, with little capital invested, virtually no skills training in any particular field and only limited opportunity for growth into a viable business. Poverty and an attempt to survive are the driving forces behind the

survivalist enterprises to enter into business. This group is considered to be pre-entrepreneurial and includes hawking, vending, household industry (Tustin, 2001).

The levels of poverty being high in South Africa, the Department of Trade and Industry at some stage reported that more than 20% of South Africa's survivalist enterprises are found in Mpumalanga and Limpopo provinces. This fairly high ratio mirrors the relatively high rate of poverty in these provinces and KwaZulu-Natal is not far behind (Ntsika Enterprise Promotion Agency, 2002). These kind of businesses will be the subject of this study.

2.4.1.2 Microenterprises

These enterprises often involve only the owner, some family members and at most one or two paid employees. They usually lack formality in terms of business licences, value added tax (VAT) registration and accounting procedures. Most metal workers, furniture makers, spaza shops and minibus-taxi businesses belong to this category. Very small enterprises refer to self employed persons and enterprises employing a limited number of employees who operate in the formal market and have access to modern technology (Tustin, 2001). Umlazi has a high number of businesses under this category and will be the subject of this study. In Umlazi such businesses are located at V section small business industrial area (www.durban.gov.za).

2.4.1.4 Small enterprises

These enterprises are generally more established compared with the very small enterprise category. The processes employed by and organisational structures of these enterprises are more complex. These enterprises are likely to operate from business or industrial premises, are tax registered and meet other formal registration requirements. Although still owner/manager controlled, the ownership and management structure is more complex. Often; decentralisation of power to an additional management layer, division of labour and functional division are characteristics that help distinguish between small and medium enterprises (Tustin, 2001).

2.4.2 Quantitative Classification of SMMEs

This type of classification has no single criterion of "smallness" but defines SMMEs according to selected quantitative criteria (Nieman, 2006). These criteria relate to three variables, namely:

- ➢ Number of employees
- ➢ Turnover
- ➢ Asset value (Nieman, 2006).

2.5 SMMEs CONTRIBUTION TO GDP

The SMMEs sector is an important part of the South African economy. According to the Bureau for Market Research (2001), estimates for 1999 indicated that small enterprises accounted for 52.2% of the gross domestic product (GDP) of South Africa while medium enterprises accounted for 8.3%. The report further states that in total, the SMME sector accounted for approximately a third of the GDP in 1999, therefore, the total SMME sector's contribution to the South African economy is significant. The situation has remained relatively unchanged since the Department of Trade and Industry Annual Review of Small Business in South Africa reported that the SMMEs accounted for 27-34% of total GDP in 2006 and the figures remained relatively constant across the period 2001-2006 (The DTI 2008).

SMMEs are playing a vital role in economic development by enabling people to meet their basic needs for survival. South Africa is putting more resources at developing small businesses, setting up Government agencies that specifically cater for SMMEs. These agencies will be discussed later in this study. It has been proven in many parts of the world that the SMME sector stimulates economic growth, redistributes wealth and creates jobs. The latter is particularly important within the context of the reality that large corporations' demand for labour does not rise in proportion to their growth.

South Africa and most other countries are now looking at SMMEs for growth in employment. In addition to what has been proven in other parts of the world, in South Africa, SMMEs have become an important target for policy makers. There are many reasons for South Africa to target SMMEs as a vehicle for growth, and some of the reasons are the following:

➤ The labour-absorptive capacity of the small business sector is higher than that of other size-classes;

➤ The average capital cost of a job created in the SMME sector is lower than in the big business sector;

➤ They allow for more competitive markets;

➤ They can adapt more rapidly than larger organisations to changing tastes and trends;

➤ They provide opportunities for aspiring entrepreneurs, especially those who are unemployed, underemployed or retrenched;

➤ Workers at the smaller end of scale often require limited or no skills or training, they learn skills on the job;

➤ Sub-contract by large enterprises to SMMEs lends flexibility to production processes;

➤ They play a vital role in technical and other innovation (The DTI, 2002)

South African SMMEs are still faring badly in self-development because they are less dynamic, with the majority remaining in the nascent and 'baby business' phases (less than 3.5 years in existence). SMMEs shifting business focus within the first three years of enterprise existence further corroborate the evidence that many small enterprises' performance is less than what is expected. Research by the Global Entrepreneurship Monitor (GEM) confirms that the survival rate for start-ups is low and that the opportunity for entrepreneurial activity is the lowest of all the reviewed developing countries (The DTI, 2008).

2.5.1 Global Entrepreneurship Monitor (GEM)

What the Global Entrepreneurship Monitor (GEM) does is to undertake annual surveys of the South African population to estimate percentage of people aged between 18-64 years who are actively involved in starting or managing a business which they wholly or partly own and which is less than three–and-a-half years old. The estimate done by the Global Entrepreneurship Monitor is known as the Total Early-stage Entrepreneurial Activity (TEA) rate. In South Africa, the TEA rate was 5.29% in 2006, meaning that 5.29% of the adult South African population (18-64 years) were either starting a business or owning and managing a business that was less than 3.5 years old at the time of the survey (The DTI, 2008 p. 55).

2.6   SMMEs CONTRIBUTION TO EMPLOYMENT

It is argued that SMMEs make a substantial contribution to GDP and an even greater contribution to employment; however, in some instances it has been found out that most SMMEs remain micro and survival enterprises, with little potential for growth. This is confirmed by the surveys done by Maas and Herrington (2007) cited by the (The DTI 2008) where it is indicated that very few SMMEs proprietors aim to hire additional staff and that South Africa performs below average in measurements of entrepreneurs activity.

Challenges has been pointed out, the SMME sector is still being viewed as a significant contributor to employment in both the formal and the informal sectors of the economy in South Africa, an in KwaZulu-Natal the same applies. As the case with the rest of the country, however, the Department of Trade and Industry reported that the SMMEs potential to generate additional employment is limited excerpt in the strategic tourism and ICT sectors (The DTI 2008). The study of small businesses in Umlazi will shed light to this observation.

2.6.1 A Statistical profile of SMMEs in South Africa

According to the Labour Force Survey (LFS) cited in the DTI Annual Report (2008), in March 2007 2.43 million people older than 15 years were managing big and small enterprises in South Africa. Of these about 1.69 million persons between the ages 15-65 years were doing so in the informal sector, however the total number of persons owning and/or managing SMMEs in both formal and informal sector is unknown because the LFS figures are reported for big and small enterprises combined. The report further states that in the same year (March 2007), there were 1.87 million enterprises, big and small, listed in the Stats SA Integrated Business Register. This register covers only the formal economy and excludes the sole proprietors and partnerships. About 556 thousand of the 1.87 million enterprises were regarded as economically active, and of these 556 thousand, a total of 536 thousand operated as SMMEs. Of the economically active enterprises of known size (based on annual turnover), the March 2007 figures, as percentages, showed the following findings:

➢ 36% were micro enterprises
➢ 46% were very small enterprises
➢ 11% were small enterprises
➢ 04% medium enterprises
➢ 03% were large enterprises (The DTI, 2008)

The Stats SA Integrated business reported that, between the 2004 and 2007, the SMME sector grew by 27%, in terms of the total number of formal enterprises. The smallest growth occurred among micro enterprises (-5.6% growth), as a result the, share of micro enterprises to the total pool of formally registered enterprises significantly decreased between 2004 and 2007 from 50% in 2004 to 37% in 2007 (The DTI, 2008).

Table 2.3 is putting more insight by showing these figures in a tabular form.

Enterprise Category	Integrated Business Register 2004		Integrated Business Register 2007		Percent Growth 2004-2007
	Count	Percent	Count	Percent	
Micro	212,161	50.3%	200,377	37.4%	-5.6%
Very small	170,338	40.4%	251,920	47.0%	47.9%
Small	32,397	7.7%	63,193	11.8%	95.1%
Medium	6,748	1.6%	20,750	3.9%	207.5%
Total SMME	421,644	100%	536,240	100.0%	27.2%
Large	4,596	--	17,251	--	275.3%
All enterprises	426,240	--	553,491	--	29.9%

Table 2.3 Stats SA Integrated Business Register Figures by Enterprise Category

Source: Adapted from The DTI 2008 Annual Review of Small Business in South Africa 2005-2007, p xxvii

A study conducted by Ntsika Enterprise Development Agency in 2002 revealed that the largest provinces in economic terms are Gauteng, KwaZulu-Natal and the Western Cape which jointly account for 69% of South Africa's GDP, and forty eight 48% of the country's entire population reside in these three provinces. The smallest provinces measured in accordance with the GDP are the Northern Cape, Limpopo, North-West which account for 10% of the country's GDP and 23% of the total population. These comparisons may however be misleading; for instance KwaZulu-Natal's contribution to the GDP is at 16.7%, but its GDP per capita of R10 365, is some 20% lower than the national average. Likewise, the Eastern Cape has the fourth largest GDP, but it's GDP per capita of R 6 495, is the second lowest and some 50% lower than the national average.

Based on the preceding paragraphs, it is more meaningful to use GDP per capita to compare the economic state of the nine provinces (The DTI 2002). The distribution of contribution nationally is illustrated in figure 2.1.

Provincial contributions to national Gross Domestic Product
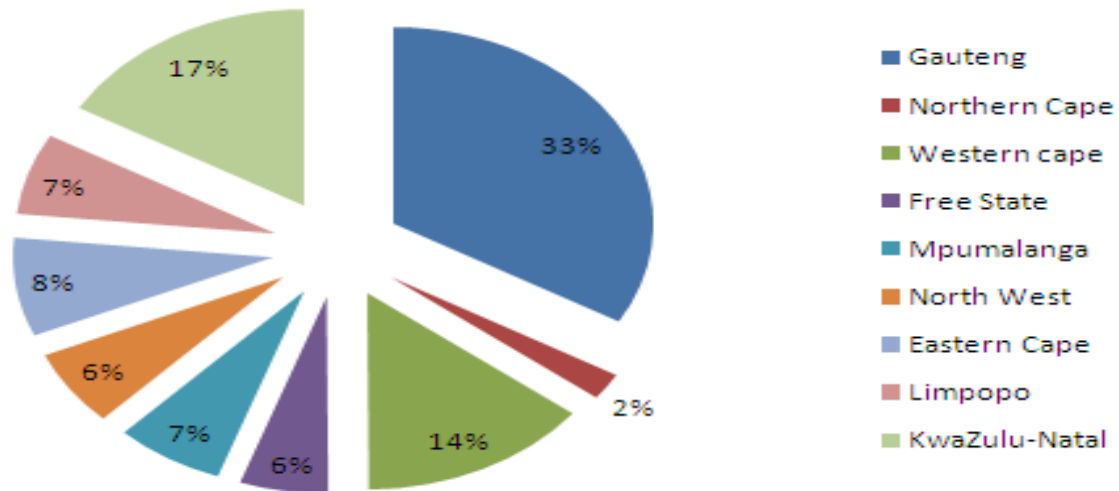
Figure 2.1   Provincial Contributions to National Gross Domestic Products

Source: Adapted from southafrica.info (2007) cited in The DTI 2008, Annual Review of Small Business in South Africa 2005-2007, p 101

Figure 2.1 shows how provinces contribute to GDP the distribution starting from the highest contributor to the lowest. The highest being Gauteng at 33% and the lowest is Limpopo at 6%. Gauteng and the Western Cape are the only provinces with a GDP per capita in excess of R20 000. These two provinces have other things in common as well, the following are the commonalities highlighted in the Intsika report:

➢ They are the only two provinces whose contribution to South Africa is greater than their share of the country's population.

➢ They are the two highest contributors to total employment. Jointly, they account to 56% of South Africa's employment.

➢ They are the only two provinces where more than 30% or more of their population are employed (the national average is 17.2) (The DTI, 2002).

The Eastern Cape and KwaZulu-Natal which are responsible for 24.3% of South Africa's GDP and 37.3% of the county's population, account for 22.7% of total employment, while less than 12% of their respective population are contributing to GDP. According to the findings published by the Department Of Trade and Industry incomes are concentrated in the hands of a few (The DTI, 2002).

What is of interest to these comparisons is that the smallest province in terms of GDP is the Northern Cape, but it has the third highest GDP per capita of R13 230, while its contribution to the national employment is proportionately higher than its contribution to GDP, and almost 20% of its population is employed. This is indicative of relative economic health. There are substantial inter-provincial inequalities in terms of economic performance, job opportunities, and poverty. These inequalities are likely to be reflected in the performance of SMMEs activities in various provinces (Ntsika 2002).

2.6.2 Age and Educational Profile

The 2006 GEM Survey provides an age profile of respondents who are categorised as entrepreneurs within the TEA definition. The majority of respondents (32%) are in the age group 25-34 years. The GEM survey argues that, if one takes into account that South Africa has a relatively young population where 43% is below 20 years of age and a further 19% between the ages of 20 and 29.

For better understanding of this scenario, figure 2.2 depicts the age profiles within the TEA definition.
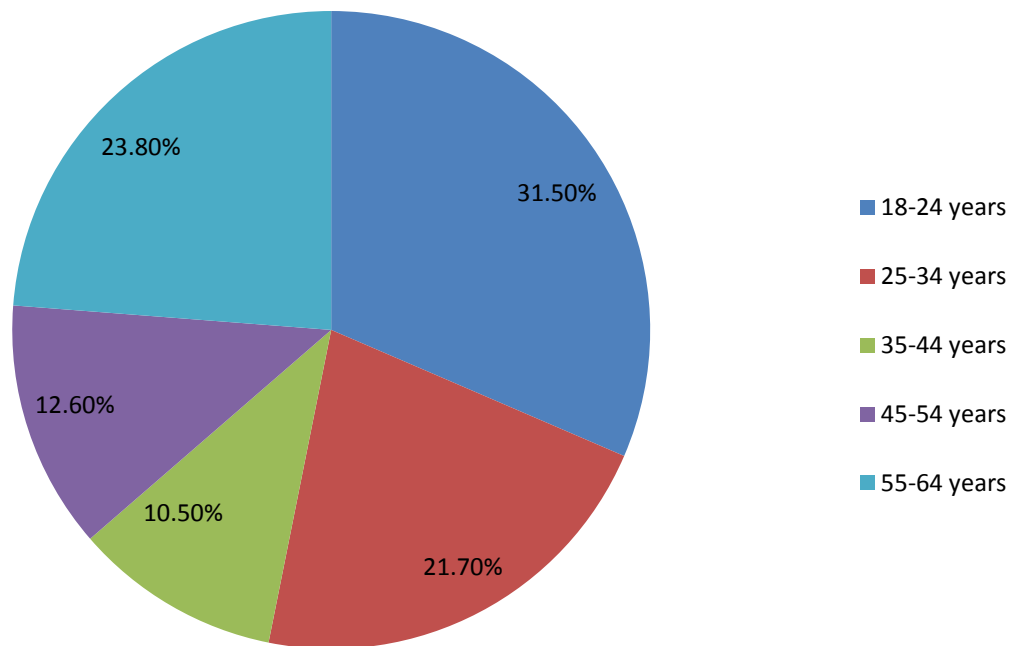
Figure 2.2   Age Profile of Entrepreneurs within the TEA Definition

Source: Adapted from (Maas & Herrington, 2006, p.19) cited by in The DTI 2008
            Annual Review of Small Business in South Africa 2005-2007,   p. 80)

The figure above (figure 2.1) illustrates that many young people and the elders are involved in informal business. This represents a positive situation where a larger number of younger entrepreneurs are entering the market.

Another positive scenario is that figure 2.2 shows another positive result where 45% of the TEA respondents were found to be in possession of a Grade 12 qualification. Figure 2.3 illustrate the figures.
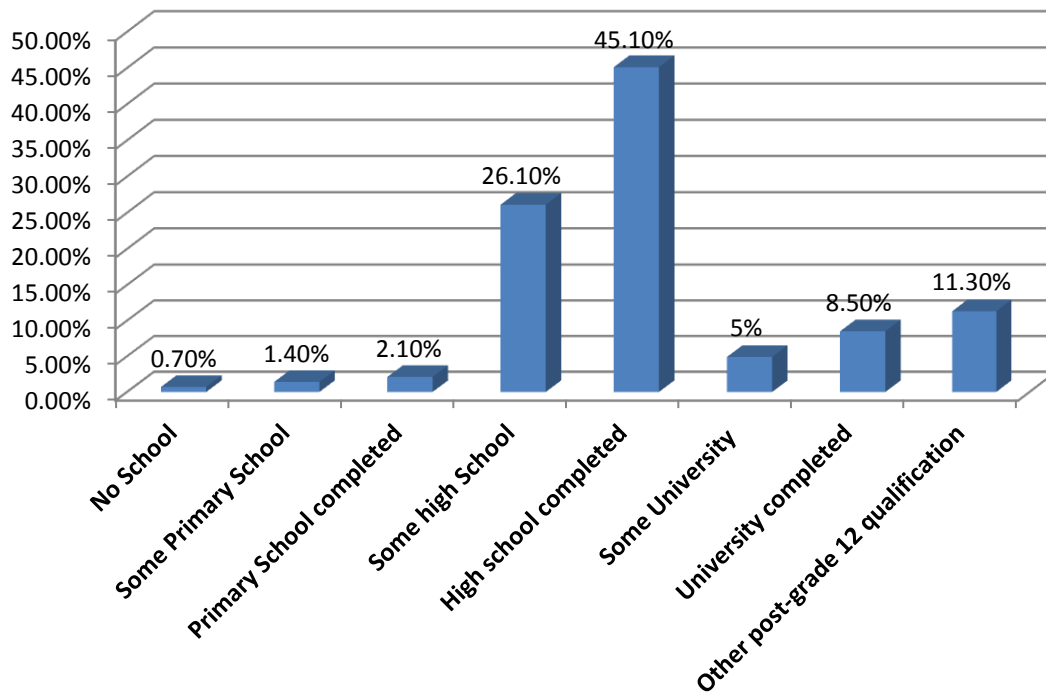
Figure 2.3   Educational Profiles of Entrepreneurs within the TEA Definition

Source: Adapted from (Maas & Herrington, 2006, p. 20) cited by The DTI 2008 Annual Review of Small Business in South Africa 2005-2007,   p. 80

Figure 2.3 shows the educational levels of entrepreneurs in South Africa, where above 45% polled, indicated that they completed high school. In an effort to ascertain the factors responsible for survival of businesses Ligthelm (2008), identified educational level of the entrepreneur to have a contributing factor in the survival of a business. These observations will be compared to the findings of this study.

2.7 International Comparisons

Recent studies have revealed that in all EU countries, SMEs account for more than 99% of the total number of enterprises. According to Carter & Jones-Evans (2006) countries such as Greece, Italy, Spain and Portugal are more reliant on SMEs than economies such as UK, Finland and Germany. An example being the case where SMEs contribute around 80% of employment in the four Mediterranean countries whilst in the UK, Finland, and Germany they contribute less than 65% of total employment. These differences have led to assertion that economies dominated by smaller-sized enterprises are less prosperous (Carter & Jones-Evans, 2006).

2.8 SMME Development in South Africa

The Integrated Small Business Strategy in South Africa according to the report by, The DTI (2008), identifies a number of institutions that have important roles in the implementation of the strategy. Some of these institutions and agencies do no longer exist due restructuring, transformation and mergers. Umsobomvu is one of the organisations that has ceased to exist and replaced by the National Youth Development Agency (NYDA). These agencies (which include both dedicated SMME support agencies and institutions with broader and related functions) are as follows:

- ➤ Small Enterprise Development Agency (SEDA)
- ➤ South African Micro-Finance Apex Fund (SAMAF)
- ➤ Khula Enterprise Finance Limited (KHULA)
- ➤ Umsobomvu Youth Fund (UYF)/National Youth Development Agency (NYDA)
- ➤ National Empowerment Fund (NEF)
- ➤ Land Bank
- ➤ Mafisa
- ➤ Small Enterprise Finance Agency (SEFA) (The DTI, 2008, p 29)

2.8.1   SMME Development Institutions in South Africa

The SMME development institutions/agencies are important role players in the development of SMMEs as mandated by the South African Government. This study is also looking at their contribution towards the development of SMMEs in general, and Umlazi in particular. It is important to outline their existence and to determine whether they are actually playing their role as expected.

2.8.1.1   Small Enterprise Development Agency (SEDA

The Small Enterprise Development Agency (SEDA) is an agency of the South African Department of Trade and Industry (the DTI) and it was established in December 2004, through the National Small Business Amendment Act, Act 29 of 2004 as amended. SEDA incorporated the Ntsika Enterprise Promotion Agency, the National Manufacturing Advice Centre Trust (NAMAC), the Community Public Private Partnership Programme (CPPP) and the Small Enterprise Human Development Programme. The purpose of SEDA is to support the development of small business in South Africa, to ensure a coordinated approach to the design and implementation of development support programmes and create a service delivery network for small businesses throughout South Africa (www.seda.org.za).

2.8.1.2   South African Micro-Finance Apex Fund (SAMAF)

The South African Micro-Finance Apex Fund (SAMAF) is an agency that uses a wholesale funding model that includes the provision of capacity-building and skills development to selected financial services cooperatives, village banks and microfinance institutions. SAMAF is a trading entity that is governed by the Public Finance Management Act (PFMA) of 1999. The primary purpose of SAMAF is, through its stated programmes, to reduce poverty and unemployment and also to extend financial services to reach all communities, rural and peri-urban areas. The capacity-building envisaged by SAMAF, ensures that specialised non-financial interventions are provided to funded institutions, asset capital for the poor is also

strengthened through savings mobilisation models and the promotion of spending in social security products and activities (education, home improvements, affordable investment products and insurance products relevant to the needs of the poor). All these measures are aimed at breaking or alleviating the poverty cycle (www.samaf.org.za).

2.8.1.3   Khula Enterprise Finance Limited

Khula Enterprise Finance Limited (Khula) was established by the South African government in 1996 to help with the financial constraints faced by SMMEs. Khula operates as an independent agency under the auspices of the Department of Trade and Industry and its main function is to provide financial support to small and medium size businesses through banking institutions and intermediaries. The financial support provided by Khula is primarily aimed at bridging the "funding gap" in the SMME market that is not addressed by commercial banks. Improving the outreach efficiency of alternative financial institution, increasing bank lending to SMMEs at rates not inflated by unreasonable risk perceptions, stimulating the provision of start up and small scale equity products for SMMEs and expanding the number of small and medium sized enterprises listed on the Johannesburg Stock Exchange (JSE) are some of the objectives of Khula Enterprise Finance Limited (www.khula.org.za)

Khula has five components to its funding model, namely:
- ➢ Funding for retail financial institutions
- ➢ A credit guarantee scheme
- ➢ Equity capital gearing capital for public and private-sector funds targeting small enterprises in specific sectors (The DTI 2008; p 30)

2.8.1.4   National Youth Development Agency (NYDA)/ Umsobomvu Youth Fund (UYF)

The National Youth Development Agency (NYDA) was formed as result of the merger of the National Youth Commission and Umsobomvu Youth Fund (UYF), officially launched on 16 June 2009 by the President of South Africa.

The NYDA is targeted at youth aged between 14 and 35 years. The National Youth Development Agency Act No. 54 of 2008 forms the basis of what this organisation is mandated to do; uppermost being to: develop an integrated youth development plan and strategy in South Africa and to guide efforts and facilitate economic participation of and empowerment of the South African youth (NYDA Act no. 54 of 2008 (s3) RSA). Having more people at a young age entering the mainstream economy of South Africa is paramount as far as the NYDA is concern and that is why economic participation is placed number one in its key performance areas (NYDA, 2010). It is too early to gauge the impact of the NYDA to the improvement of youth participation in the economy since it is a new organisation after taking over the activities of its predecessor, Umsobomvu Youth Fund (UYF). The UYF also promoted entrepreneurship, job creation, skills development and skills transfer among South Africans between the ages of 18 and 35. The vision of the UYF was to increase involvement of young South Africans in the country's dynamic economy, more specifically, the creation of effective youth programmes and to give young people what they need to create their own sustainable livelihoods. The UYF targeted youth cooperatives with at least 25% youth ownership, and co-operatives run by women (The DTI, 2008).

2.8.1.5   National Empowerment Fund (NEF)

The National Empowerment Fund (NEF) was established to promote and support business ventures pioneered and run by historically disadvantaged persons by providing opportunities of directly or indirectly acquiring shares or interest in State Owned Commercial Enterprises that are being restructured or in private business enterprises (National Empowerment Fund Act No. 105 of 1998 (c3). RSA).

2.8.1.6   Land Bank

The Land Bank is a statutory body with a mandate from the government to support the development of the agricultural sector. The Land Bank provides financial services to the commercial farming sector and to agri-business, facilitates access to finance by new entrants to agriculture, more especially those from historically disadvantage communities (www.landbank.co.za)

2.8.1.7   Mafisa

Mafisa Agricultural Development Fund objective is to provide funding through accredited Development Finance Institutions (DFI) in order to empower micro level producers, processors, working poor, micro-entrepreneurs and emerging farmers who are active within the agricultural sector in the rural and peri-urban areas of South Africa. They must also be able to embark on self-help initiatives so as to; improve livelihoods, reduce poverty, develop viable businesses, and graduate into larger commercial businesses.

2.8.1.8 Small Enterprise Finance Agency (SEFA)

The latest development is that Khula and Samaf has merged to form the Small Enterprise Finance Agency (SEFA). This new business entity will focus on lending directly to small businesses loans of up to R3 million which is a different approach to lending through commercial banks as Khula and Samaf have done (Patel, 2012) .

2.8.2 SMMEs IN KWAZULU-NATAL

KwaZulu-Natal (KZN) is South Africa's largest province by population and the second largest contributor to the country economically. The Statistics South Africa (Stats SA), in March 2007, recorded a total population of 9.8 million for KwaZulu-Natal (Stats SA, 2007). According to the SA Labour Force Survey (2007), KwaZulu-Natal province had the following demographics, 84% is African, 8% is Indian, 6% is White and 2% is Coloured, however a significant division exist between its rural and underdeveloped economy and the urban industrial economy centred around the port city of Durban, but at the same time is suffering from high unemployment rate which was reported to be sitting at 26%, more than the average for South Africa.

KwaZulu-Natal has an SMME development strategy in place, and the Local Economic Development (LED) efforts are a key element of their development. According to the annual review published by the Department of Trade and Industry (2008), KwaZulu-Natal has an SMME Support Service Delivery Network aimed at integrating provincial and national support initiatives (The DTI, 2008). Every province in South Africa has a Provincial Growth and Development Strategy that provides strategic direction for socio-economic development and planning initiatives. In KwaZulu-Natal the Provincial Growth and Development Strategy is based on the key provincial priorities that address the social needs and the realisation of the economic growth potential of KwaZulu-Natal. The KwaZulu-Natal strategy is more relevant for this study because Umlazi Township forms part of the greater eThekwini which is situated in the KwaZulu-Natal province. There are four strategies related to the achievement of the LED programme. These strategies and their objectives are as follows:

➤ New LED Opportunities – to create a framework to formulate and implement sustainable economic empowerment strategies and initiatives in the KZN province.
➤ Business Support Services – to create a framework to facilitate the provision of business support services to existing and new SMMEs to enhance sustainability and promote entrepreneurship.
➤ Access to Finance – to create a framework to improve the accessibility and efficacy of financial services throughout the province.
➤ Human Resources Development – to achieve the development of the human resources of the province through greater effectiveness and integration of existing educational and training services. (Maharaj, 2008).

2.8.3 SMME Development Institutions in KwaZulu-Natal

There are quite a number of organisations and government institutions that have programmes that provide funds and opportunities to SMME in Kwazulu-Natal. The first one is, Extended Public Works Programme (EPWP) and Co-operative Development. The EPWP has many programmes that support SMMEs nationally. Secondly is, Ithala Development Finance Corporation (Ithala), it is one of the SMME development agencies operating mainly in KwaZulu-Natal. SEDA eThekwini is another SMME development institution in KwaZulu-natal, it runs its programmes through eThekwini Business Development Centre (TBDC) which is the primary agency engaged in providing support services to the emerging entrepreneurs of the eThekwini Municipality. The eThekwini Municipality is also playing a major role in providing support to SMMEs, but is concentrating in its metropolitan Local Economic Development programmes. This discussion is going to concentrate on the following organisations that provide support to SMMEs in KwaZulu-Natal:

- ➢ The Extended Public Works Programme (EPWP)
- ➢ Ithala Development Finance Corporation
- ➢ SEDA eThekwini
- ➢ EThekwini Municipality

2.8.3.1   The Extended Public Works Programme (EPWP)

The Extended Public Works Programme (EPWP) is one of the several government strategies aimed at addressing unemployment by way of increasing economic growth so that new job opportunities can be created, and to improve education system such that the workforce is able to take up the largely skilled work opportunities which economic growth will generate. It is on this premise that the South African government has undertaken a programme of this magnitude. The EPWP has identified four sectors to use in spearheading this programme, viz. Infrastructure sector, non-state sector, environmental sector, and social sector. The infrastructure sector is the flagship of the EPWP (www.epwp.gov.za)

The Department of Public Works (DPW), in partnership with the Construction Education and Training Authority (CETA) provides training to empower emerging contractors and equip them with labour intensive expertise. Almost 500 emerging contractors participate in CETA registered learnerships to gain the necessary skills to build infrastructure labour-intensive projects. Access to finance for these learner contractors is also arranged by the DPW (www.epwp.gov.za). The first phase of the EPWP was launched in 2004 and it set the goal of creating one million job opportunities between 2004 and 2008. The second phase was launched in the Western Cape in April 2009 and its goal was to create two million full time equivalent jobs for poor and unemployed people in South Africa in order to halve unemployment by 2014, R4 billion was awarded by the national government for this programme to incentivise the creation of long term stable employment in provinces, municipalities and non-governmental organisations (www.epwp.gov.za).

2.8.3.2   Ithala Development Finance Corporation

On 02 March 1999 the KwaZulu-Natal Ithala Development Finance Corporation Act, No. 02 of 1999 was promulgated to establish "Ithala" which was the culmination of a long process of transformation. The Ithala Development Finance Corporation Limited ("Ithala"), as a KwaZulu-Natal's major provincial development finance agency is mandated to promote development within the province. The primary development focus of Ithala is to increase the participation of black people in all sectors of the economy, and positively impact on job creation, skills development and training (www.ithala.co.za).

Ithala Development Finance Corporation (Ithala), as one of the provincial SMME development agency, has made a significant contribution to the development of SMMEs in KwaZulu-Natal. It disbursed almost R500 million to about 700 small businesses in 2006. In the same year (2006), R 200 million was allocated to the province's major development agency, Ithala Development Finance Corporation, to fund SMME development. Six hundred and seventy eight (678) SMME applications for loans to the value of R471 million were also approved by Ithala in 2006 (The DTI 2008; p 104)

Ithala Business Finance

Ithala has a subsidiary called, the Ithala Business Finance, and their business finance solutions are designed to meet the needs of established businesses and emerging entrepreneurs through the provision of short, medium and long-term lending products. Ithala focuses on the agriculture, agri-processing services, trade, manufacturing, construction and tourism with specific geographic areas of the province that will best realise developmental impact. Another offering of Ithala, the Co-operatives Lending Programme, it is aimed at mobilising communities in the province of KwaZulu-Natal to form co-operatives and access much needed finance. Business support is a critical factor in ensuring successful enterprises and Ithala has regional Business Centres throughout the municipal districts, major cities and small towns of KwaZulu-Natal. This support network is coupled with skills development and mentorship programmes to assist emerging entrepreneurs (www.ithala.co.za).

Ithala Business Support Unit

Ithala has successfully set-up a robust and well-functioning Business Support function within its Business Finance Unit where they have discovered that the majority of client profiles they serve requires that business support be provided if these entities are to successfully implement their business plans. Ithala's experience and the feedback from their clientele have thought them some lessons that made them to conclude that the provision of finance and access thereto alone are not the ultimate solutions to a successful business unit, but the addition of business support is an equally significant variable. Drawing from its mandate, Ithala has a responsibility to drive economic empowerment within the province and the provision of non-financial support is key to the fulfillment of this responsibility. It was therefore imperative to have a function within Ithala that administers the business support activities (www.ithala.co.za).

The Business Support model indicates clearly the services that are provided in-house and those that are outsourced. In view of past experiences, service level agreements are entered into to ensure value for money in cases where outsourcing becomes an option. Provision of non-financial support to the target market is viewed by Ithala as generally expensive and unaffordable to the majority of recipients. Ithala aims to raise grant funding to subsidise the cost in order to achieve widespread impact and the desired objectives. The Department of Economic Development and Tourism is a key player in unlocking such funding (www.ithala.co.za).

2.8.3.3 SEDA eThekwini

SEDA eThekwini is led by the Board that consist of Chairmen, Chief Executive Officer and major stakeholders. The SEDA eThekwini programmes are spearheaded by the EThekwini Business Development Centre (TBDC) which is also backed by the eThekwini Municipality. The TBDC was accredited as a local business centre and tender advice agency of Ntsika, which was the Department of Trade and Industry's small business arm when it was still in existence. TBDC is the primary agency engaged in providing support services to the emerging entrepreneurs of the eThekwini Municipality. These services include advice, business planning and tender assistance, training and mentorship. A notable success of the TBDC is the role it played as the Black Empowerment Agent for the construction of the Sun Coast Casino and Ushaka Marine in ensuring a meaningful participation by black empowerment companies in these high profile projects. SEDA eThekwini's stated vision and its aspiration is to be the centre of excellence for small enterprise development in the Durban region and KwaZulu-Natal (www.tbdc.co.za).

2.8.3.4 EThekwini Municipality

EThekwini Municipality is a Category "A" municipality found in the South African province of KwaZulu-Natal. EThekwini is the largest City in the province and the third largest in the country with an estimated population of 3,5 million. The economic impact on the KwaZulu-Natal's GDP derived from tourism is estimated to be 8% per annum (www.durban.gov.za).

The eThekwini Municipality has its small business strategy that is aligned to the national strategy. Business Support, Markets and Durban Tourism is the division mandated by the eThekwini Municipality to look after the interest of SMMEs in its jurisdiction. It manages and support more than 8000 registered informal traders by providing training and promoting dialogue between the Municipality and organisations representing them (www.durban.gov.za).

The former mayor of eThekwini Municipality, Mlaba (undated) said, the eThekwini Municipality is fully aware of the challenges presented by globalization and a core component of this strategy is to support the many citizens of eThekwini who are working in the informal economy (eThekwini BSMT, undated).

The strategy also entails providing; annual operating budget to business support centres, business support development programmes, assist SMMEs to access international markets, and facilitation of targeted procurement policy (eThekwini BSMT, undated).

2.8.4   SMMEs IN ETHEKWINI

Ithala Development Corporation, SEDA eThekwini, and the Business Support and Markets Unit of the EThekwini Municipality are the major stakeholders that provide the valuable support to SMMEs in the eThekwini Municipality. Other than commercial banks and other governmental and non-governmental organisations this study will concentrate more on these organisations because they are more visible to the public. In South Africa economic development at a local level is driven by local government using vehicles like the Local Economic Development (LED) and the Integrated Development Plan, to mention but a few. This study will concentrate on these two programmes for the eThekwini where Umlazi falls under.

### 2.8.4.1	The Local Economic Development (LED)

The Local Economic Development (LED) is an outcome based on local initiative and driven by local stakeholders. It involves identifying and using local resources, ideas and skills to stimulate economic growth and development. The aim of Local Economic Development is to create employment opportunities for local residents, alleviate poverty, and redistribute resources and opportunities to the benefit of all local residents (Maharaj, 2008).

The aims of LED are better outlined by Maharaj (2008) in the report published for the eThekwini Municipality as the following:

- ➢ To create robust and inclusive local economies that exploit local opportunities, address local needs and contribute to national development objectives such as; economic growth, jobs and equity.
- ➢ To eradicate poverty and create sustainable work opportunities.
- ➢ To integrate the first and second economies.
- ➢ Practising LED is about creating an enabling environment, building economic capability and facilitating productive networks at the local level (Maharaj 2008).

### 2.9	UMLAZI (CONTEXTULISED)

Umlazi is a township located approximately 17 kilometres south-west of Durban's Central Business District in KwaZulu-Natal, South Africa. Umlazi has an estimated population of 750 000 and is known as the second largest township in South Africa, the first being Soweto. The area of Umlazi is approximately 4 481.7 hectares and forms part of eThekwini Municipality in KwaZulu-Natal (www.durban.gov.za).

In 2008 the population was estimated at 550 000 inhabitants, according to data from the Demarcation Board which reflects an increase of 166 438 from 383 562 inhabitants captured in the Census 2001. Umlazi is strategically located to the west on the N2 freeway. The Mangosuthu Highway corridor forms the primary artery that links to secondary roads leading to primary facilities in all 26 sections or nine precinct areas comprising of Sections A to Z and an addition of Sections AA, BB and CC.

Umlazi is one of the densely populated areas of Durban where an estimated 67% of households earn less than R 2000.00 in the formal economy. Most of the people tend to enter the informal economic activities from which household members glean additional income, hence one of the reasons of this study. (Maharaj, 2008). Umlazi is part of the greater eThekwini Municipality located to the west of the N2 freeway, Umlazi River on the north, and Isipingo and Mbokodweni Rivers to the south.

The whole area of Umlazi is approximately 4500ha. The following is a detailed map of Umlazi as illustrated in figure 2.1.
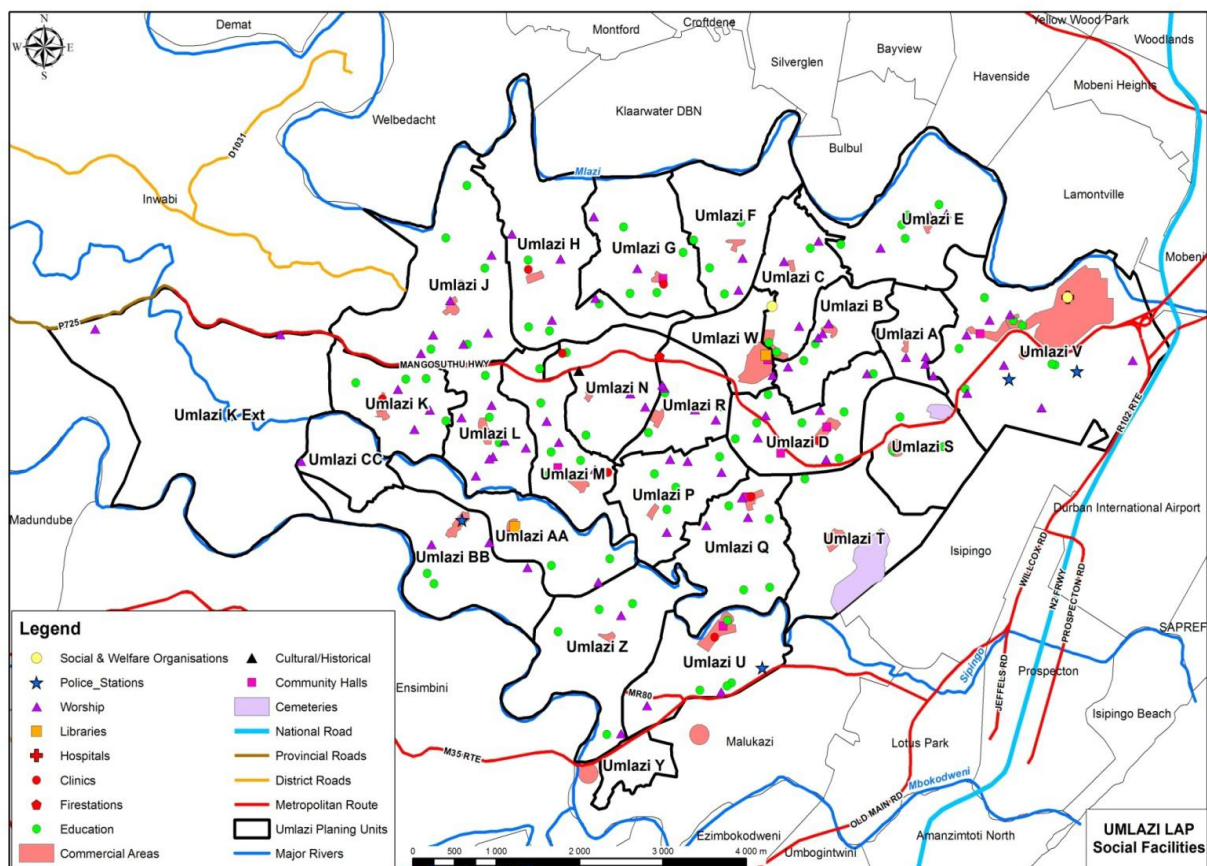
Figure 2.4   **Umlazi Local Area Map**

Source: Adapted from www.durban.gov.za cited in Mayisela (no date), uMlazi Nodal Regeneration, Economic Development Unit, eThekwini Municipality No. 2_27

Figure 2.4 on page 34 (previous page) shows the whole area of Umlazi which is the subject and location of the study. The shaded area on Figure 2.4 is the Umlazi Mega City shopping mall located at the main entrance of Umlazi. Isipingo, which as major commercial activities is not far to the left of Mega City Mall.

2.9.1 The State of Future Commercial Activities and Development in Umlazi

National Treasury has approved funding for the Umlazi Local Economic Development Initiative (ULEDI) under the Neighbourhood Development Programme Grant (NDPG). As part of Umlazi Local Economic Development Initiative (ULEDI), five nodal areas have been identified for redevelopment and regeneration with the aim of uplifting and supporting maximum land usage through the development of conceptual frameworks and strategies to guide and promote optimal investment towards commercial activity, housing projects and infrastructural redevelopment. (Maharaj, 2008).

A Nodal Development Plan has been presented as a proposed development strategy for the regeneration of Umlazi. Figure 2.5 on the next page graphically outlines the proposed Nodal Development Zones that will be the subject of this study.
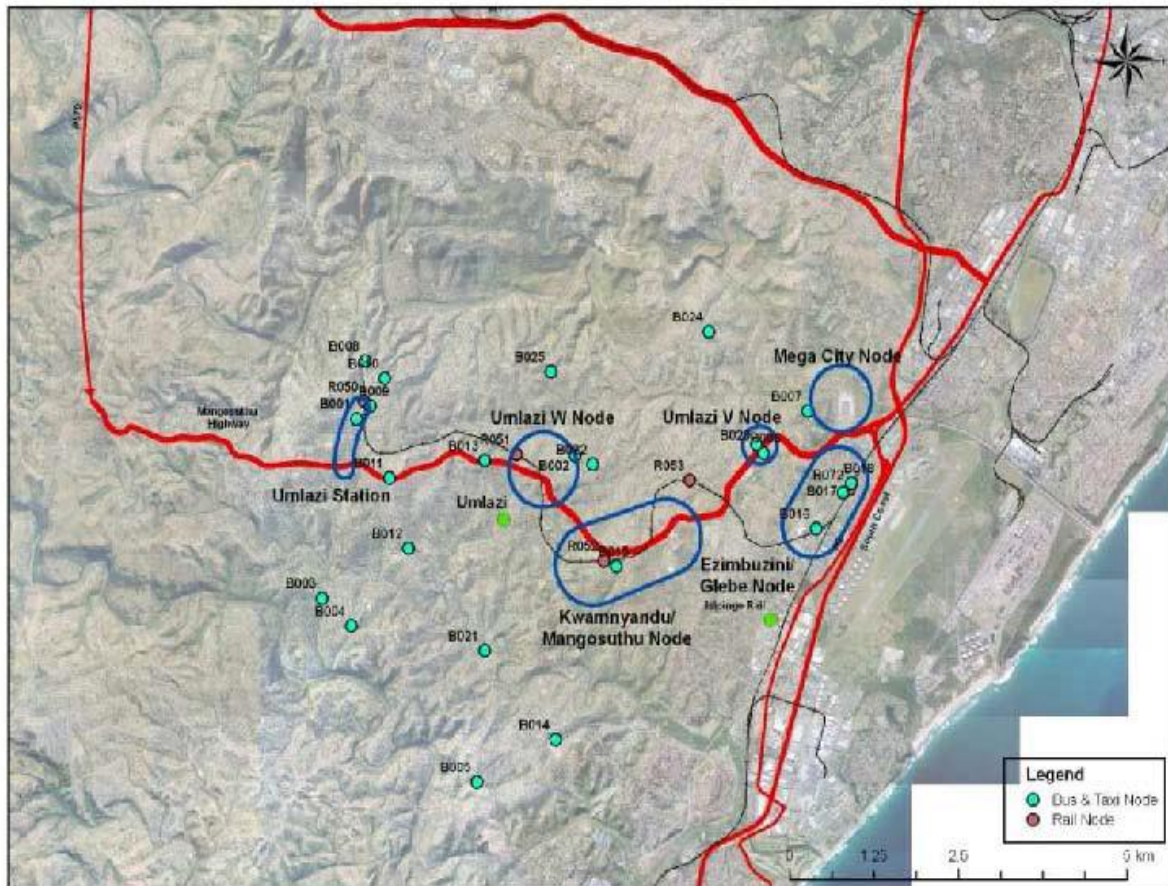
Figure 2.5   Proposed Umlazi Nodal Development Plan

Souece: Adapted from www.durban.gov.za cited in Mayisela (no date), uMlazi
           Nodal Regeneration, Economic Development Unit, eThekwini
           Municipality No. 2_27

All the nodes in figure 2.5 as depicted above, are situated along the major public transport routes, Mangosuthu Highway (M30) or PRASA rail network, and can be accessed by all modes of transport i.e. bus, mini bus taxi, train, and a walking distance to many residents. Access to these nodes is directly through the main corridors (M30 & M35), or other access roads. The major advantage of this Nodal Development Project is the railway line that runs parallel to Mangosuthu Highway (M30), providing an essential commuter service which is currently the cheapest mode of transport.

The following are a description of the five nodal areas identified as strategic areas for major re-development:

2.9.1.1   Umlazi Mega City/Glebe/Ezimbuzini Node: This is a gateway node into Umlazi situated at the main entrance and exit of this very big township. This node is made up of the Umlazi Mega City shopping centre, Tehuis and Glebelands hostels, this constitute a mixture of commercial and residential properties (www.durban.gov.za). This node has a great potential for growth. Figure 2.6 shows a bird's eye view on this Node.

Figure 2.6   Umlazi Mega City Layout

Source: Adapted from Demacon Market Studies, 2010. Impact of Township Shopping Centres, p. 189. (Online). Available www: http://www.urbanlandmark.org.za/downloads/retail_in_townships_2011_09.pdf. (Accessed 07 March 2012)

The layout on Figure 2.6 above shows that Umlazi Mega City can still be developed to accommodate further expansions as per Nodal Development Plan.

2.9.1.2   Umlazi V Node: This node is made up of formal and informal business activities and has a high density residential areas and popular social facilities. It is situated at the busiest intersection where major routes converge. This node is classified as mixed because it already has well established formal and informal residential areas.

The accessibility of this node gives it high potential to be one of the core business areas along the Mangosuthu Highway (M30) corridor.

2.9.1.3   KwaMnyandu/Mangosuthu Node; This node incorporates the KwaMnyandu railway station which is earmarked to be one of the transport hubs integrating different modes of transport. Leisure facilities forms part of the developments since, King Zwelithini Stadium and Victoria Mxenge In-door Sports Centre are part of this node (www.durban.gov.za).

2.9.1.4   Umlazi W Node; This node was supposed to be the town centre but due to poor planning, it is not performing to its potential. The W-Node is at the very centre of Umlazi and is adjacent to major government offices that provide needed business activities (www.durban.gov.za).

2.9.1.5   Umlazi Station Node: This node is regarded as the sleeping giant because it is strategically situated right at the end of the railway line, few formal commercial activities are operational, whereas it is in a very densely populated area. That presents an opportunity to develop the Umlazi Railway station as a feeder point to other modes of transport, mixed formal and informal businesses expanded with a view that the current population density will be able to sustain proposed developments Mayisela (no date).

2.9.2 The Relevance of Local Economic Development (LED) to Umlazi

Local Economic Development is one of the most strategic tools through which municipalities adhere to its duties as prescribed by the Municipal Structures Act. Integrated Municipal Plan of a Local Municipality must contain its Local Development aims (Municipal Structures Act (26) (c) RSA). With the certain dynamics, size, nature, and history of Umlazi, it is imperative that specific LED planning takes place for the area which links it to the wider eThekwini Municipality's LED Plan and Integrated Development Plan (IDP). The needs of Umlazi, the second largest township in the country, are very different to the rest of the metropolitan area and requires special attention and planning (Maharaj, 2008).

2.9.2.1   Umlazi Mega City

We have touched on the Umlazi Mega City as part of the "Umlazi Mega City/Glebe/Ezimbuzini Node" but for the purpose of this study, it has to be discussed separately because it is the subject of this study.

The R150 million Umlazi Mega City is owned by Marriott Holding, SA Retail Properties and Maxprop Property Funds. It was officially opened in April 2006 and has been a phenomenal success for the major tenants like Superspar, Woolwoths and other major retailers. The single retail floor has 102 shops and 465 parking bays. The eThekwini Municipality contributed to the sustainability of the centre by taking occupation of some space for the Sizakala Service Centre where people pay water, electricity and rates bills (www.urbanlandmark.org.za).

Figure 2.7 on the next page shows a glimpse of what shoppers are now enjoying at Umlazi since the opening of the Mega City.

Figure 2.7   Retailers at Umlazi Mega City

Source: Adapted from Demacon Market Studies, 2010. Impact of Township Shopping Centres, p. 187. (online) Available www: http://www.urbanlandmark.org.za/downloads/retail_in_townships_2011_09.pdf. (Accessed 07 March 2012)

Shopping has become a pleasant experience to the people of Umlazi right at their door step. The study conducted by, Demacon Market Studies (2010) shows that more shoppers are conducting their shopping within Umlazi which is a positive change for local traders (Demacon Market Studies, 2010).

2.10   SUMMARY

In many countries globally the SMME sector is taking a centre stage in the fight against poverty and lack of job opportunities. The economic growth in South Africa is not growing at an optimal level in order to cushion the country from high inflation and unemployment, therefore, the government is justified in prioritising the SMME sector to stimulate economic growth. Big business in the formal sector is not employing or creating enough job opportunities. This dilemma is not a South African problem but is faced by many countries, both in the developing and the well developed economies in the world. In South Africa the SMMEs contribution to GDP still lags behind when comparing to EU countries where SMMEs contribute more than 60% of total employment. Many people who are unable to find a paid job or gain access to an economic sector of their choice decide to enter the informal business for survival reasons, and that means the many informal businesses (SMMEs) we have in South Africa are "survivalists enterprises". These kinds of enterprises are vulnerable to any changes in the economic activities, and more especially in their immediate environment, the emergence of Shopping Malls will definitely have an effect on their survival. Chapter three will outline the methodology followed when conducting this study.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

According to Wilson (2010) research can be defined as a step-by-step process that involves the collecting, recording, analysing and interpreting of information. There is no consensus in literature on how research should be defined and people interpret research differently, however, from the many definitions there appears to be conformity that; there is a process of enquiry and investigation, it is systematic and methodical, and research increases knowledge (Wilson 2010, p 2). This chapter focuses on the normal research process that is commonly followed when conducting research; research methodology, and research design and methods, sampling, data collection and data analysis.

3.1.1 Research Methodology

Research methodology can be defined as the approach and strategy used to conduct research (Wilson 2010, p. 3). According to Saunders, Lewis & Thornhill (2003), the term methodology refers to the theory of how research should be undertaken. Research methodology encapsulates the overall approach to the research process that includes; research design, theoretical application, collection and analysis of data (Wilson, 2012).

There is a distinction between research strategy and tactics. Research strategy is concerned with the overall approach adopted when conducting a study, whereas research tactics refer to finer details of data collection and analysis methods employed by a researcher (Saunders et al., 2003). The data collection methods relevant to the study are; questionnaires, interviews, and published data.

3.1.2 Research Strategy

This study will utilise a quantitative research method. Quantitative research is often used for theory testing, requiring that the researcher maintains a distance from the research so as not to be bias and manipulate the results (Cooper & Schindler 2006, p 216). The reason for the selection of a quantitative method is that the objectives of the study require this form of research. Furthermore, for validity purposes, the researcher intends limiting the amount of influence that he may have on the study, quantitative research is highly recommended under such circumstances. According to Flick (2011) the advantage of quantitative research is that it allows the study of a large number of cases for certain aspects in a relatively short time and its results have a high degree of generalisability. The study of a large number of cases and generalisability are important aspects of this study because it will look at a number of SMME cases in Umlazi Township and results can be generalised. A quantitative approach to research draw a large and representative sample from the population of interest, measure the behaviour and characteristics of that sample, and attempt to construct generalisations regarding the population as a whole (Hyde, 2000 cited by Wilson, 2010). A concern was raised by Onwuegbuzie and Leech (2007), that when researchers do research they tend to focus more on differences between the quantitative and qualitative philosophies rather than on similarities. This study will not dwell on differences between the two schools of taught.

This study will somehow follow a deductive approach because it is often associated with quantitative research. Deductive theory is concerned with developing a hypothesis based on existing theory and then designing a research strategy to test the hypothesis, where the hypothesis comes first and influence the rest of the research process (Wilson, 2010). When the deductive approach theory is applied from the outset, analysis is statistical and involves analysing the results following a theoretical application to interpret findings, and in most cases the theory would have been previously applied by other researchers, therefore, findings can be comparable (Wilson, 2010)

3.2 Aim and Objectives

3.2.1 Aim

This study aims to determine the effects of the emergence of shopping malls on SMMEs in eThekwini with focus on Umlazi.

3.2.2 Objectives

➢ To examine the effects of the emergence of shopping malls on SMMEs in Umlazi Township

➢ To examine the costs and benefits to SMMEs brought by the emergence of shopping malls in Umlazi Township in the eThekwini Municipality;

➢ To establish to what extent SMMEs are affected by the emergence of the new shopping malls in Umlazi Township;

➢ To examine the difficulties encountered by SMMEs after the emergence of the new shopping malls in Umlazi Township;

➢ To examine whether SMMEs in Umlazi Township survived or failed after the emergence of shopping malls;

3.3 Participants and Location of Study

People who own or manage any kind of business that falls under the Small, Medium and Micro Enterprises (SMMEs) in Umlazi are the target of the study. The study will go to the extent of incorporating hawkers and street traders because many of their businesses are regarded as survivalist enterprises as stated in chapter two (2.4.1.1). A minimum of hundred participants spread around the geographical area of Umlazi Township, and more specifically businesses operating around the five Nodal Development Zones, (2.9.1). Although the study might look regional in character, research is confined to SMMEs operating in Umlazi.

3.4   Data Collection and Strategy

It is imperative that a distinction be made between strategy and tactic. Strategy is concerned with the overall approach adopted when doing a research and tactic is concerned with the finer details of data collection and analysis method (Saunders, et al., 2003). This study will therefore, discuss research design under strategy, and data collection under tactics.

3.4.1   Data Collection

There are different data collection methods used by researchers depending on the approach to be followed. This study will use the survey method. According to Vanderstoep and Johnstone (2009), the best method to collect a large amount of data from a large number of people in a short space of time is through the surveys. Looking at the size of the population and the geographic spread, the survey method will produce the expected results since it can also be utilised in many life domains.

Survey research methods involve obtaining information directly from participants by posing questions through interviews or questionnaires (Dane, 2011). Taking a leaf out of the latter, the researcher using a questionnaire with a total of 25 closed questions, will obtain information directly from participants and in few occasions interview participants. The structured interview method is the preferred option. The questionnaire will be distributed directly to respondents and also through the e-mail facility, where that option is appropriate and feasible. An isiZulu translated questionnaire will be available for the benefit of small business owners who might not understand English. The researcher intends collecting secondary data that is relevant for the proposed study. Such data includes (but is not limited to) documents in the form of journals and publications, and survey data from Government institutions, Small Enterprise Development Agency (SEDA), Department of Trade and Industry, Department of Economic Affairs KZN, EThekwini Municipality, Ithala and/or other organisational and academic surveys.

3.4.2 Sample Size

The sampling technique that will be used is the probability or representative sampling. The reason behind this selection is that it is often associated with surveys and, to a lesser extent, experimental research. Quantitative methodologists, as stated by Lee and Lings (2008), consider probability sampling to be the ideal method of sampling and the only one which allows the researcher to draw statistical generalisations from a sample to the population. The sample, according to Vanderstoep and Johnstone (2009), refers to the subset of people from the population who will participate in a study, whereas the population refers to the universe of people to which the study could be generalised (Vanderstoep and Johnstone, 2009).

Stratified and cluster sampling will be used and the database of SMMEs retrieved from different sources including; Small Enterprise Development Agency (SEDA), Department of Trade and Industry, and the EThekwini Municipality Small Business Unit. Based on a population of approximately 500 SMMEs (it is difficult to know the exact number) operating in and around Umlazi Township, the sample size will be 100 businesses, twenty (20) will be medium size businesses and another eighty (80) will be those categorised as small business. These will be the sampling frames from which the units of analysis will be drawn. A sampling frame is a concrete listing of the elements in a population (Dane, 2011).

3.5   Research Design and Methods

The two terms, research design and methods, are often confused or mistakenly used interchangeable, however, Bryman and Bell (2007) tries to clarify the issue by stating that, research design represents a structure that guides the execution of a research method and the analysis of the subsequent data (Bryman and Bell, 2007). A conclusion can be drawn by saying, design is structure and method is execution.

3.5.1 Research Design

Wilson (2010) defines research design as a framework or plan for the collection and analysis of data, and research methods as the different methods for collecting data. He identified the following seven types of research designs:

- ➢ Action research
- ➢ Case study
- ➢ Experimental
- ➢ Longitudinal
- ➢ Cross-sectional
- ➢ Archival analysis
- ➢ Comparative (Wilson, 2010)

A cross-sectional design will be followed in this study because it is best suited for survey methods as a technique for the collection of data. It is described by (Bryman and Bell, 2007) as follows, "cross-sectional design entails the collection of data on more than one case and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables which are then examined to detect patterns of association" (Bryman and Bell, 2007, p. 55).

When respondents complete questionnaires which contains 25 questions they will supply answers at essentially the same time, at a single point in time. One of the variations of this study is that data collection will be done at different nodal development zones in Umlazi as outlined in the previous chapter. It is with cross-sectional design where it is possible to examine relationship between variables because the data on variables are collected more or less simultaneously and the researcher does not have a chance to manipulate it (Bryman and Bell, 2007).

3.5.1.1 The Questionnaire

The questionnaire consists of 25 questions that were developed specifically for this study. The questionnaire has five sections that are designed to probe specific issues under investigation. The instructions on the questionnaire are simple and easy to understand because in almost all question the respondent has to mark with a cross (X) next to his/her choice. To make it easy for the respondent to answer to complete the questionnaire the type of questions on the questionnaire are mostly, closed questions or forced-choice questions. These types of questions, as stated in Saunders et al (2003), are quicker and easier to answer since they require minimal writing and the responses are also easier to compare as they have been predetermined. Among the different types of closed questions, this questionnaire has the following types of questions:

➢ Ten questions are the type of questions called, list questions. A list question is where the respondent is offered a list of possible answers to choose from.

➢ Eight questions fall under category questions. Category questions are those where a respondent can only select one answer from a set of categories.

➢ Seven questions are Likert-scale type of questions. The respondent is asked on a five-point rating scale on how strongly he/she agrees or disagree with a statement put forward (Saunders et al., 2003).

The questionnaire will be a data collection technique to be used by the researcher to obtain the required information for this study; just as the dials, gauges and lights on the instrument panel of an automobile provide the means by which a driver obtains information about the car, the items on the survey instrument provides the means by which a researcher obtains information about respondents (Dane, 2011)

3.5.1.2 Study Participants

A population is defined by Cooper and Schindler (2006) as the total collection elements about which a researcher intend to use in order to make some inferences, and a population element, as the individual participant or object on which the measurement is taken. This study will use the term "participant" because of the

human being element. Participants in the study that forms the population are Umlazi business owners or managers of small businesses that fall under the SMME definition as outlined in chapter two (2.3).

Cluster sampling is also appropriate for this study because Nodal Development Zones are equivalent to cluster earmarked for development and others being developed. The idea of separating the sample is because some of the Nodal Development Zones have already been developed, e.g. Umlazi Mega City Node, and others have not yet been developed, e.g. Umlazi Station and KwaMnyandu Nodes. The SMME sector is not homogeneous, but consists of different classes and size ranging from very small survivalist to small and medium enterprises and that means their challenges might not be exactly the same, therefore, it is expected that the analysis will be a reflection of the reality.

3.5.2 Pretesting and Validation

The questionnaire was first, sent to the supervisor for evaluation and many changes were implemented based on his suggestions, thereafter, it went for ethical clearance. A pre-testing exercise has been done on ten respondents and the feedback very good save for two areas in sections "A" and "C" where there was a feeling that the line of questioning encroaches on privacy. Those questions were the ones relating to; age, highest level of educational, and turnover (profits) before and after the emergence of shopping malls. It is important to test the credibility of a research instrument because it has a big impact on the analysis and findings of the research. Saunders, et al. (2003) stated that in order to reduce the possibility of getting the answers wrong means that researchers have to pay attention to two particular emphases on research design: reliability and validity.

3.5.2.1 Reliability

Reliability is concerned with the extent to which a measurement of a phenomenon provides stable and consistent results (Carmines and Zeller, 1979 cited by Wilson 2010, p. 116). It is further argued by Wilson (2010) that, although reliability is important to every study, it is not sufficient unless combined with validity.

3.5.2.2 Validity

Cooper and Schindler (2006), define validity as a measurement characteristic concerned with the extent that a test measures what the researcher actually wishes to measure, and that differences found after a survey has been done to reflect true differences among participants drawn from a population. Certain authors summarise validity by posing this question to the researcher; "Is one measuring what one intend to measure?" (Frankfurt and Nachmias, 1992 cited by Wilson, 2010, p. 119). That means the research design and instrument should measure what it is suppose to measure in order conform to validity standards. In this study, the survey/questionnaire will measure the *effects of the emergence of shopping malls on smme's in Umlazi*, and nothing else. Various forms of validity checks can be applied to answer the validity question as stated in the preceding paragraph. This study will apply the following checks:

➢ Face validity is concerned with or ensures that a measure actually represents a particular concept Dane, 2011). Face validity, according to Dane (2011), is also called content validity when it involves assessing whether a measure deals with a representative sample of the various aspect of the concept.

➢ Construct validity refers to the extent to which a measure represent concepts it should represent and eliminate those it should not represent (Dane, 2011). The generalisability of the study is further enhanced by construct validity. Construct validity involves comparisons between new and existing measures of the same concept, and contrasting the new measures with existing measures of different concepts (Dane, 2011).

The feedback from pre-testing of this instrument on the initial ten respondents satisfies that the observed responses on the questionnaire adequately cover the objectives of the study, more especially, content validity.

3.5.3 Administration of the Questionnaire

The questionnaires will be used to gather information on the ground with the individual business owners being the respondents. The first option will be to assist the respondents to complete the questionnaire on the spot, but if that is time-consuming to the business owner the questionnaire will be left and collected at a later date. Delivery and collection of questionnaires is the preferred method because the researcher will conduct field work. Delivery and collection of the questionnaire will allow the researcher to introduce the questionnaire and stress its confidentiality. Some questionnaires will be sent via e-mail facility where that option is appropriate. In a journal study conducted by Bryman, Becker and Sempik (2008), it was discovered that e-survey respondents were less forthcoming in answering a question on other quality criteria for mixed methods research than they were in the corresponding questions for quantitative and qualitative research. This study is not expecting a high response on e-survey. Information gathered will enable the researcher to get more insight into the sustainability of SMMEs after the emergence of shopping malls in Umlazi Township.

3.6   Analysis of Data

The researcher will analyse data and present results in the form of graphs and tables, statistics and percentages. The presentation of results will be accompanied by the researcher's remarks and explanations of some features that come out during the analysis of data. As quantitative data will be used, SPSS and excel will be used as data analysis method. Pre-coding is helpful for manual data entry and it will be implemented using a pre-oding instrument.

3.7 Summary

This chapter has gone to great lengths in outlining the research methodology used in this study. Aims and objectives were stated at the beginning of this chapter and they revolve around the topic of this study which looks at the sustainability of SMMEs after the emergence of shopping malls in Umlazi Township. The data collection strategy is favourable to this type of research which is quantitative in nature. The sample identified is reasonable and manageable because the participants are in close proximity and that makes them easily accessible. A detailed analysis on the research approach and strategy, methodology, data collection techniques, and research methods are discussed in this chapter. The rationale behind research strategy, method and technique followed is interrogated together with the salient issues associated with these concepts. The next chapter is, chapter four, where all the data that has been gathered from the completed questionnaire will be presented.

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CHAPTER 04
PRESENTATION OF RESULTS

4.1   Introduction

This chapter is aimed at presenting the results of data that has been gathered using a questionnaire as an instrument. The presentation and interpretation of results will follow the sequence of the questionnaire from beginning to the end. The presentation and interpretation of results will concentrate mainly on the objectives of the study but will also discuss the demographic profile of respondents and status of their businesses. Each question will be presented and the rationale explained before the results for such question are presented. The descriptive statistics model was used to present data and results also presented in the form of bar graphs, column graphs, pie charts and tables.

4.1.1 Treatment of Data

Advanced data collection methods such as Questionpro could not be easily implemented in the study because of the status of the majority of respondents, so the researcher distributed the questionnaire directly to respondents and collected a few days thereafter. Where questionnaires were not fully completed the researcher would assist in the completion, give clarity to certain questions and write the names of respondents since many did not understand that they have to do that first. The questionnaires were hand-distributed to 120 respondents and 104 were successfully collected but 04 were put aside because respondents did not sign the consent forms, this translates to a completion rate of 83%. The researcher had to sometimes return five times to one respondent before getting a completed questionnaire. In some instances the respondents completed the questionnaire on the spot and the researcher had to explain where necessary. Respondents were advised that participating in survey is voluntary.

4.2   Presentation of Data

Descriptive statistics method has been used to organize data to show the shape of the data, show where values are highest and lowest, and to expose unusual data values. All questions are covered in this presentation as they appeared in the questionnaire, and an analysis also forms part of the presentation for each question.

4.2.1 The Age Profile

The age profile of respondents is necessary in order to determine the predominant age group among SMME entrepreneurs. The South African government is promoting youth and women to own businesses in order to reduce unemployment and it is important to know how many are already in business. The first question asked the respondent to indicate his/her age within a certain range, e.g. 18-24 years. The results came out as in figure 4.1 below.
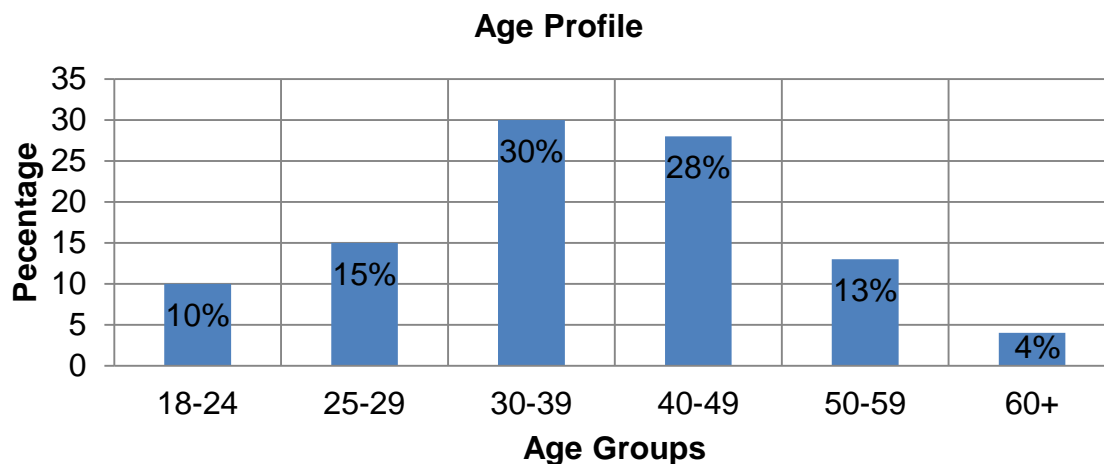
Age Profile

Figure 4.1   Respondents' Age Profile

The graph (figure 4.1) showed that 30% of respondents indicated that they are between 30 and 39 years of age, followed by 28% between 40-49 years, and then 13% between 50-59 years. Those between 25 and 29 years were 25% of respondents, 10% were between 18 and 24 years, and finally 04 were over 60 years of age. The results showed that the majority of people who own or manage small enterprises in the targeted area fall between 30 and 39 years of age.

4.2.2 Gender Profile

It is always important to determine any improvement in gender representation in employment and business sector, hence the reason for asking respondents to indicate the gender profile. The results are depicted in figure 4.2.
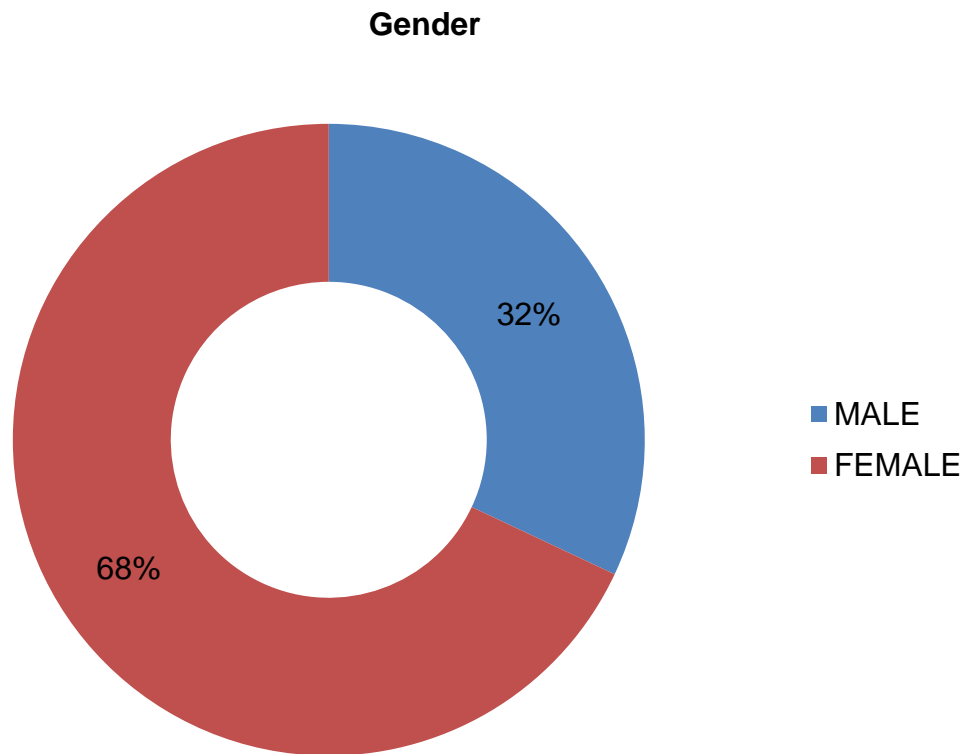
Gender

Figure 4.2   Gender Profiles of Respondents.

The findings in figure 4.2 state that the gender profile is predominantly female, they constituted 68% of respondents and men constituted just 32%. Circumstances leading to that will be better explained in the discussion in chapter 05. Circumstances leading to this variation will be discussed in chapter 05.

4.2.3 Level of education

The rationale behind this question is to establish the educational background of people who choose to be in business rather than being employed. It is also true that some are employees themselves because; about 31% indicated that they are not owners of the business. Respondents who have primary education or proceeded with education but did not reach matric are indicated as "other". The results appear in figure 4.3 in this study.
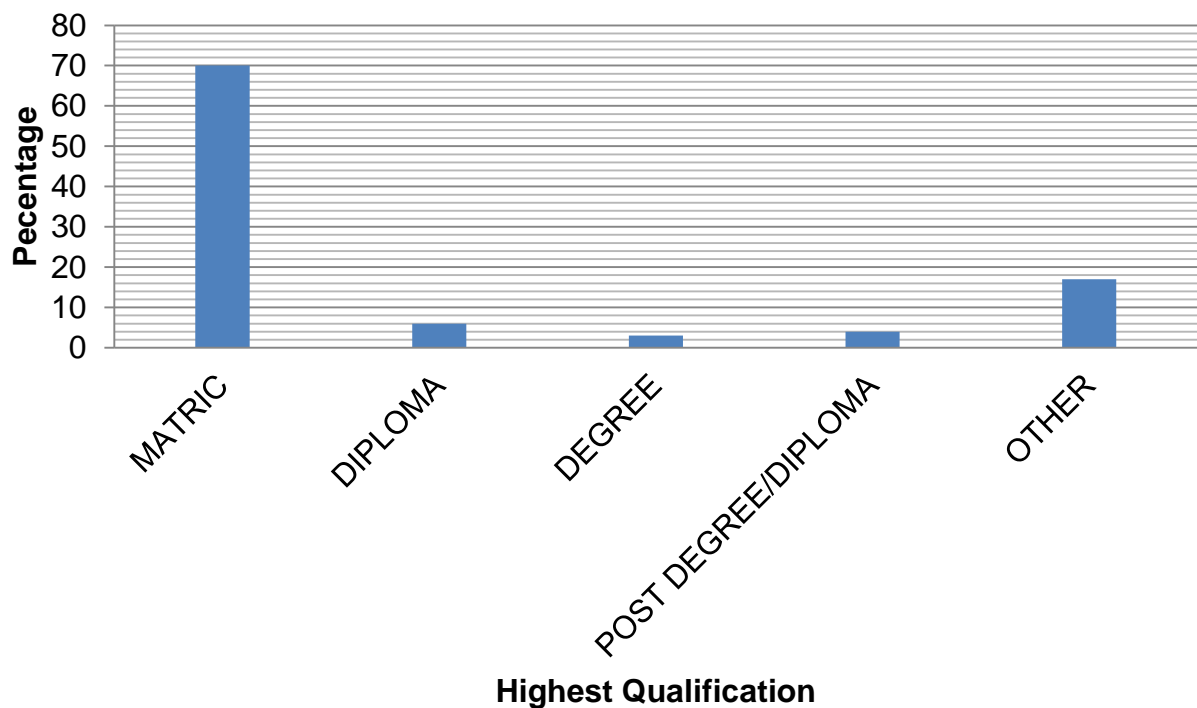
Figure 4.3   Level of Education

In figure 4.3 the survey results indicated that 70% have matric as the highest qualification, 06% have a diploma, 04 have a post-degree qualification, and 03% have a degree. To the 17% who indicated "other" the majority has primary education or did not reach matric.

4.2.4 The Racial Profile

If taken literally there should be no need for a racial profile since the study was conducted in an African Township but on a realistically note, people are free to trade anywhere in the country and that is why one of the respondents in not African. Based on the area targeted it was inevitable that the overall results showed that almost all respondents were African 99%, and 1% Indian. The chart in figure 4.4 is explanatory.
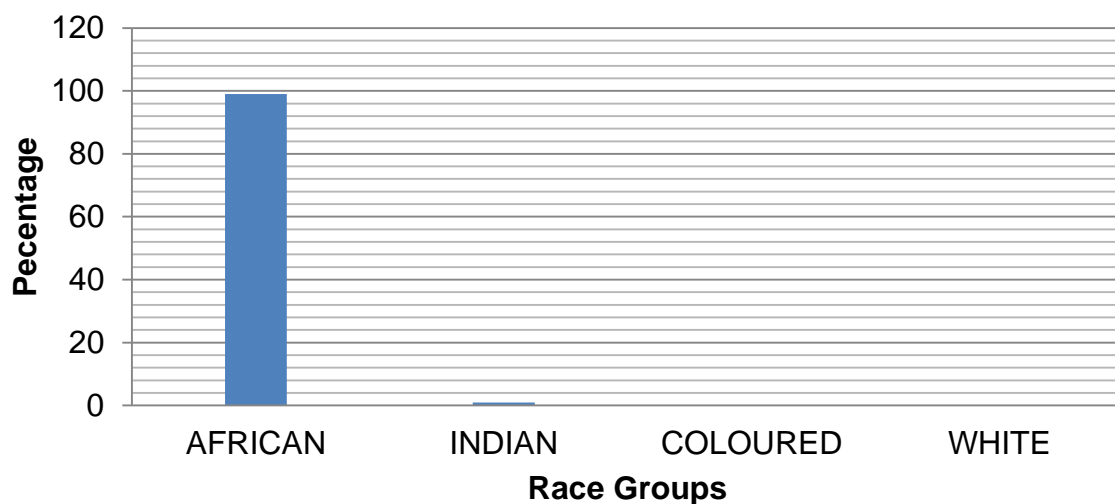
Figure 4.4   Racial Profile of Respondents

Umlazi, as a historically African township, is predominantly inhabited by Africans and the results are a true reflection of that reality. Figure 4.4 reflected 99% of respondents were Africans. One percent (01%) of respondents was of Indian origin but has owned his business for more than fifteen years.

4.2.5 Location of the businesses

The businesses that were targeted were those trading in the Developmental Nodes because development is imminent. The response to questions was very positive and some respondents were eager to respond in order to vent their anger if they were not happy with the proposed developments. Figure 4.5 indicated the number of responded in each Node.
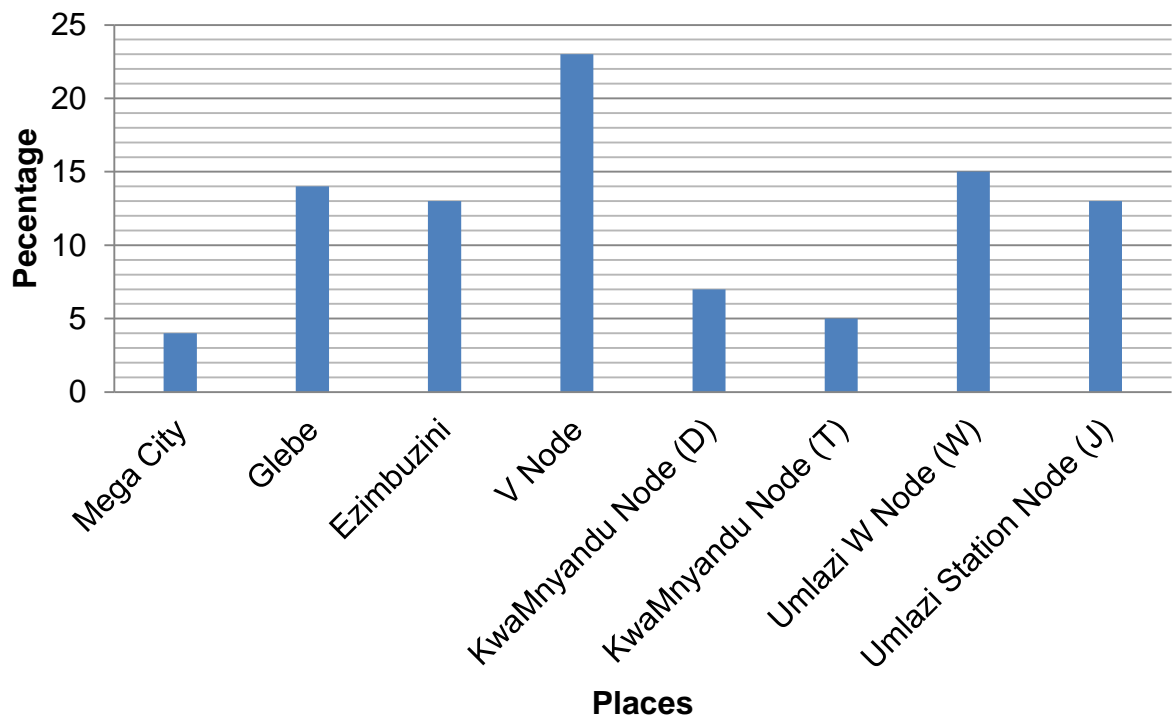
Figure 4.5   The SMMEs Location

All the areas identified in chapter two were covered by the researcher. The V Node had the highest number of respondents, not because that is where the researcher started distributing the questionnaire, but because of diverse business activities in that area ranging from; manufacturing, services and traders. At Umlazi Mega city there are not many SMMEs operating in that area, hence there are few respondents.

4.2.6 Business Ownership

The researcher was fortunate to have many business owners as respondents other non-owners. Among the respondents, 69% of were owners and 31% not owners of small businesses, and since the biggest majority are business owners, that makes the validity of this study to be high. The comparisons are depicted in figure 4.6.

Ownership
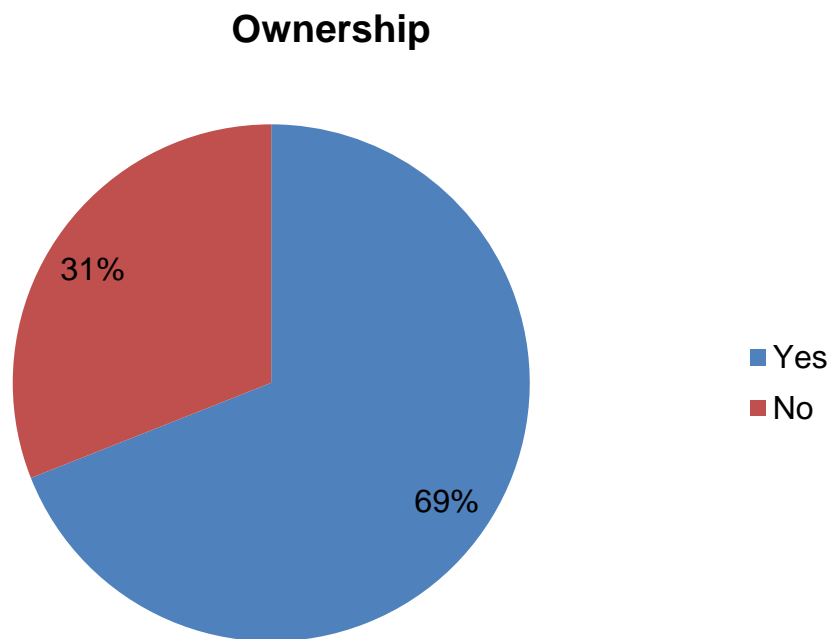
Figure 4.6   Number of Business Owners vs. Non-owners

The above figure (figure 4.6) showed that 69% of respondents to this survey were owners of the businesses and 31% were not owners. This scenario was very good for outcome of the research.

4.2.7 Consultation

The majority of respondents stated that there were not or never contacted when the decision to erect the Mega City or other shopping malls. The question was necessary in order ascertain how far do the authorities go in consulting the communities that might be affected by development of shopping malls in Umlazi. The results have 77% who responded as not consulted, and of the 23% who were consulted, only 15% said they were given an opportunity to be tenants (see table 4.9).   The following table, table 4.7 has those figures:
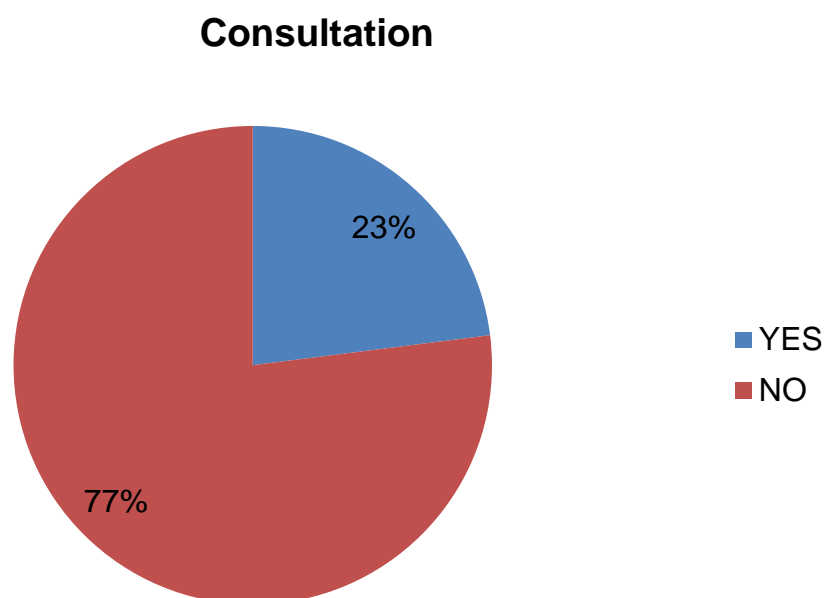
Consultation

Table 4.7   Degree of Consultation.

Community participation and consultation is a requirement for authorities for any projects that affect the community but the findings showed that many SMME entrepreneurs were not contacted when the decision was taken to erect a shopping mall. The question that was posed was that "were you contacted when a decision to erect a shopping mall was taken?" The shopping malls the question was referring to were Umlazi Mega City and the proposed ones that are about to be erected at Umlazi V Node and KwaMnyandu Node.

4.2.8 Understanding of the consultation process

Respondents were further asked whether they understood the explanation given during the consultation process or not if it was actually done. Since many of them had responded in the preceding paragraph (4.2.7) that they were not consulted at all (77%), it was obvious that 82% responded with the no answer. The results are reflected in figure 4.8.

Explanation Given
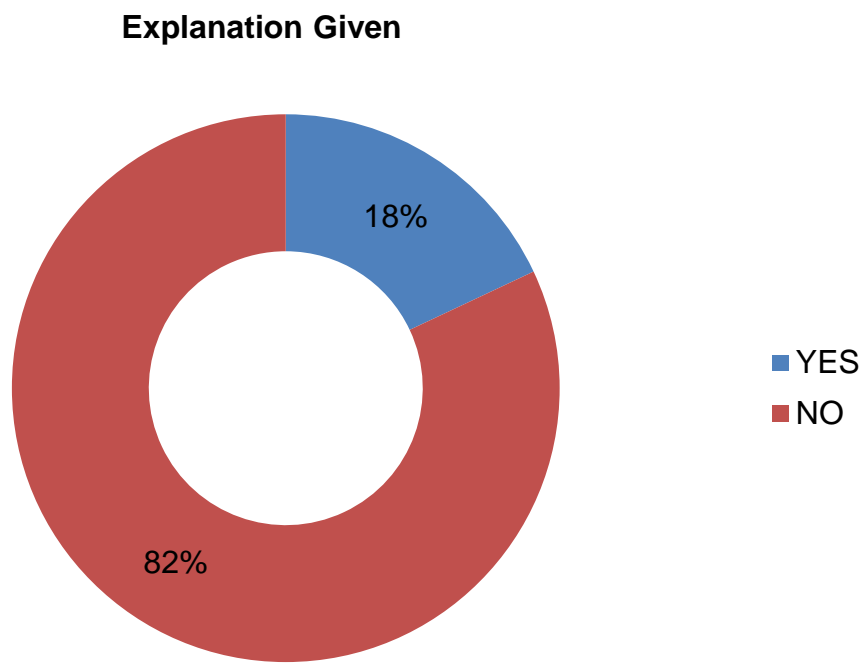
Table 4.8   Level of Understanding of the Consultation Process.

Figure 4.8 reflected that the majority of respondents (82%) gave a negative response and 18% gave a positive response.

4.2.9 Opportunity to be a Tenant

Respondents were asked whether an opportunity was given to them to be tenants at the new shopping malls or not. The question was necessary in order to determine to what extent is proper consultation done by the authorities to people who would be most affected by the emergence of shopping malls, the SMMEs. The overwhelming majority of 85% gave a negative response and a mere fraction of 15% gave a positive answer. Figure 4.9 have the figures presented.

Opportunity to Trade

Table 4.9   The Percentage of Respondents on Opportunity to Expand.

The aim of the question was to determine whether small business operators were given first preference in the newly established mall. Under normal circumstances people who are already trading in the area should be given first preference to outsiders when opportunities for trading in a new shopping mall become available. A smaller number of respondents, 15%, did attest to being consulted.

4.2.10 Types of SMME Businesses

This question requested respondents to indicate the kind of business or businesses they are operating in order to determine the trading are most dominated by SMMEs. The questionnaire did not provide an option for Tavern owners and repair shops where most people in African townships normally trade. Figure 4.10 shows how respondents indicated the type of business they own/operate.
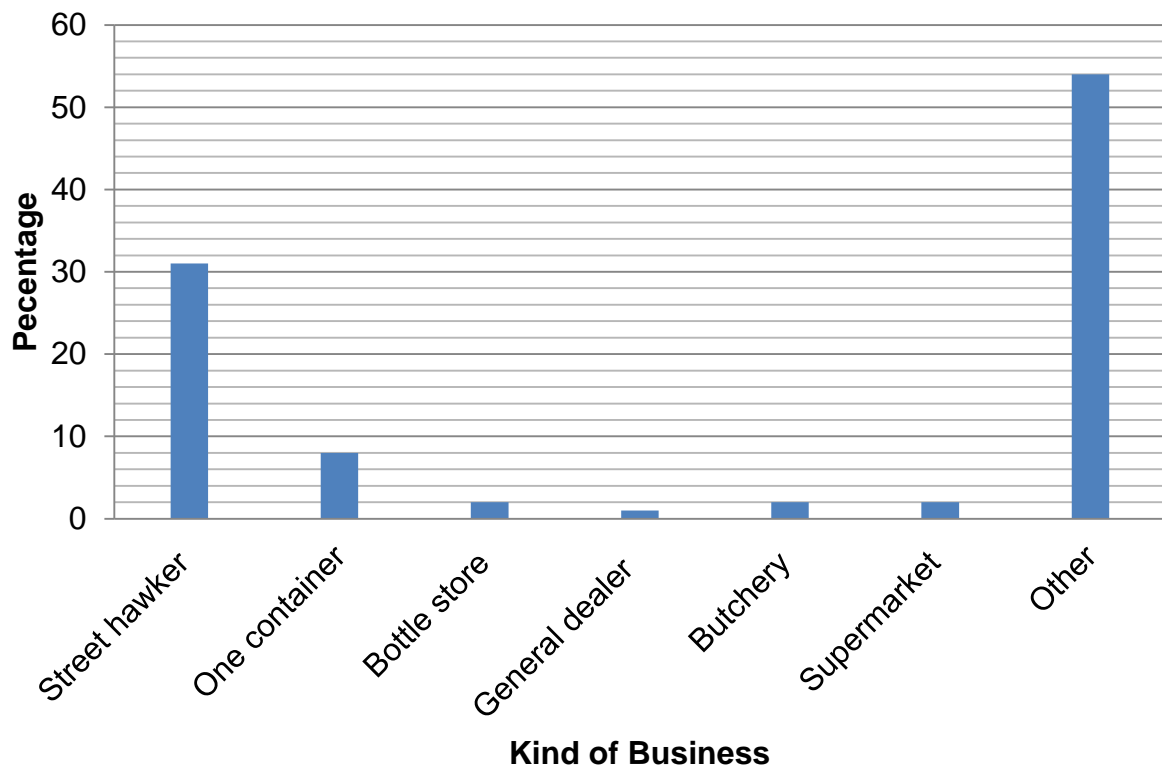
Figure 4.10   SMME Categories

The results on figure 4.10 show that the highest number came from the category "other" with 54% of respondents. Dressmakers, repair shops, restaurants, and taverns were all grouped under "other" since the options were going to be very many if all categories were included.

4.2.11 Period of Business in Operation

The question asked the respondents to indicate the years the business has been in operation. The purpose of the question was to establish the period which the business have been in existence so as to align it with one of the objectives of the study "survival or failure after the emergence of shopping malls". The researcher targeted the businesses that were in operation when the Mega City shopping mall opened its doors. The results for that are as indicated in figure 4.11.
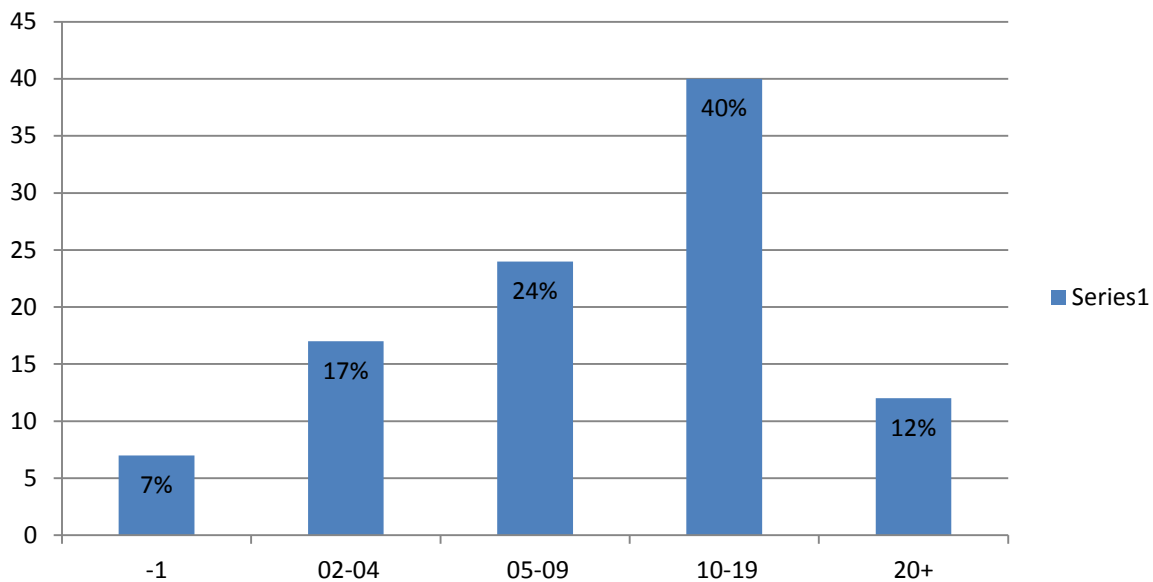
Figure 4.11   Period of Business in Operation

In figure 4.11 the results were that; SMMEs that have been in operation between 10 and 19 years constituted 40%, 24% of SMMEs have been in operation between 05 and 09 years, 17% have been operation between 02 and 04 years, 12% in business for more than twenty years, and 07% for just a year.

4.2.12 Rental of Space

The questionnaire requested the respondents to indicate whether they are paying rent or not for the trading space they occupy. It is expected in these types of businesses to have people who do not pay rent as indicated in figure 4.12 below.

Rent Payers
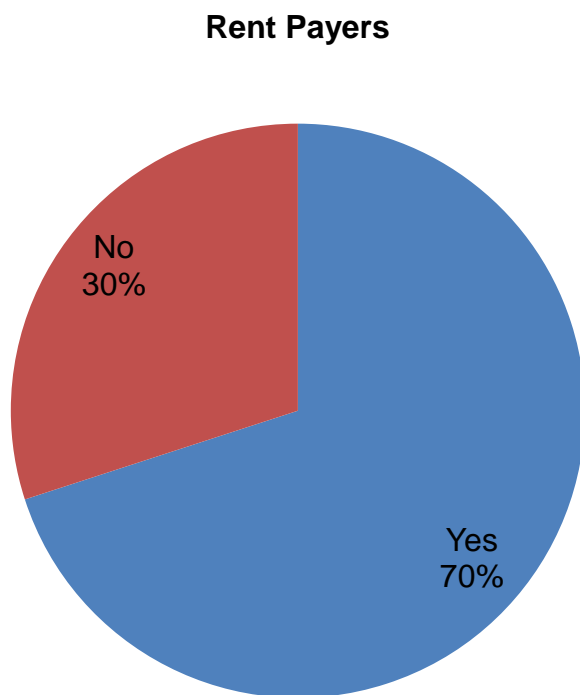
Figure 4.12   SMMEs Paying for Trading Space

Figure 4.12 indicated that 70% pay for trading space they occupy whereas 30% do not pay rent.

4.2.13 Rent Affordability of Trading space

The questionnaire requested the respondents to indicate in their opinion that, "if they are paying rent is it affordable or not". The rates payable for business space will be one of the determination factors leading to tenants to default. Results in figure 4.13 below.

Rent Affordability
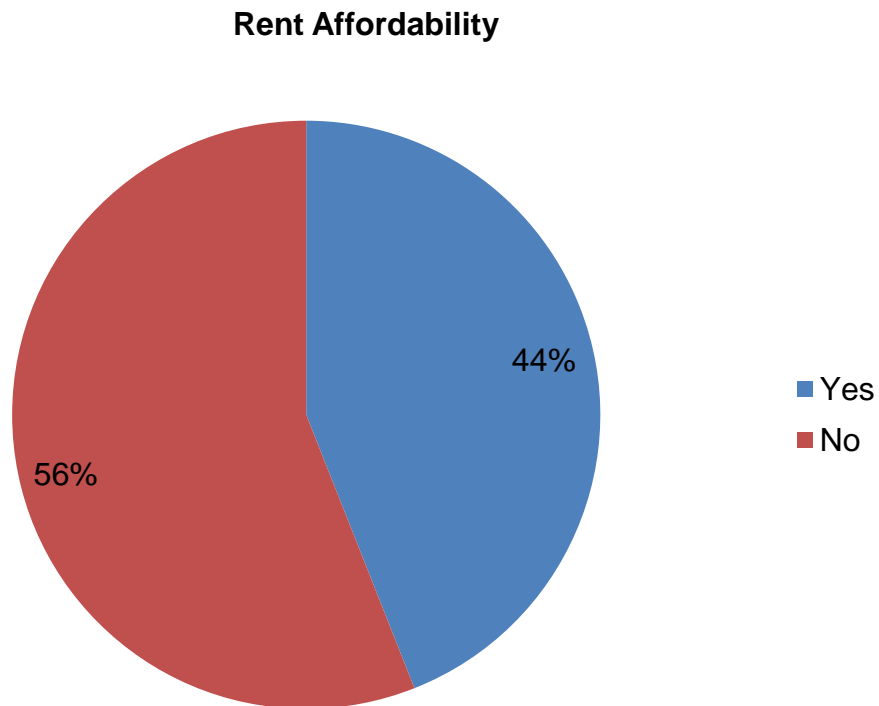
Figure 4.13   Affordability of Rent

Figure 4.13 indicated that, 56% said rent was affordable and 44% said it was not.

.4.2.14 Shopping Malls as a Benefit to Customers

Respondents were asked in the questionnaire, "do you think the emergence of shopping malls is adding value to customers?" This question was posed to respondents as members of the community in order to test their attitude towards the development of shopping malls in Umlazi. This question was also needed to test whether they are also patrons of these malls or not. The findings showed the positive attitude as indicated in figure 4.14.

Individual Opinion

Strongly Disagree	1%
Disagree	7%
Not sure	20%
Agree	64%
Strongly agree	8%
No response	0%
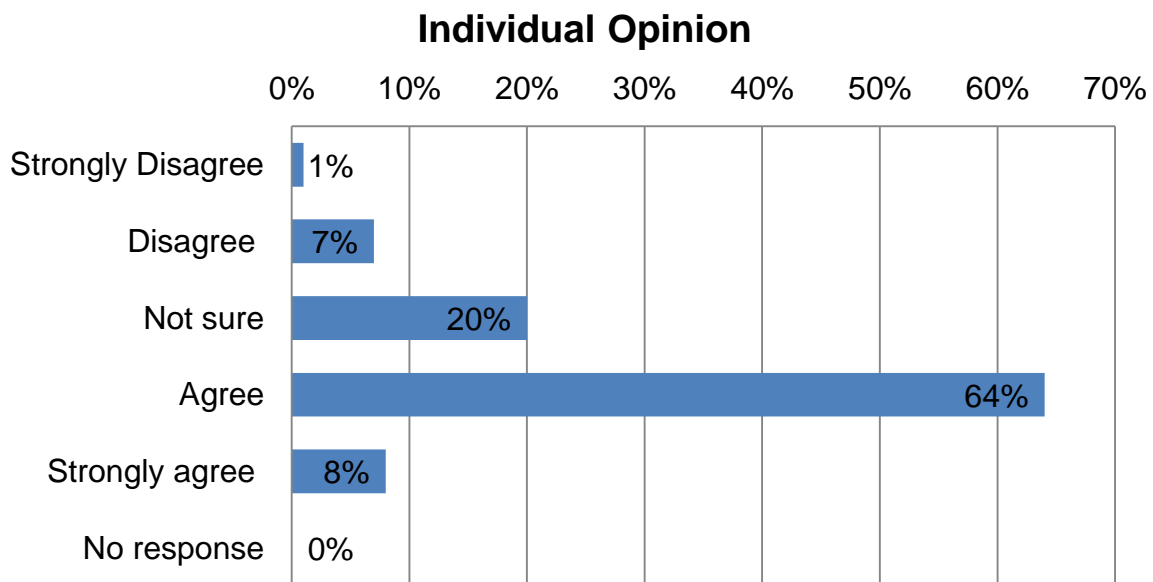
Figure 4.14   Opinions Toward Shopping Malls.

From the responses in Figure 4.14, 64% respondents indicated that shopping malls are adding value to customers, 20% were not sure, 08% strongly agreed, 07% disagreed and just 01% strongly disagreed.

4.2.15 Turnover before the Emergence of Shopping Malls

The questionnaire had this question, "Was your turnover better before the emergence of the shopping mall?" and that question was aimed at uncovering the status of the business before the emergence of the Umlazi Mega City shopping mall. SMMEs that operated before the opening of the Umlazi Mega City shopping mall were best placed to give good response. Respondents gave their responses as stated in figure 4.15.

Turnover before

Response	Percentage
Strongly Disagree	0%
Disagree	40%
Not sure	6%
Agree	41%
Strongly agree	12%
No response	1%
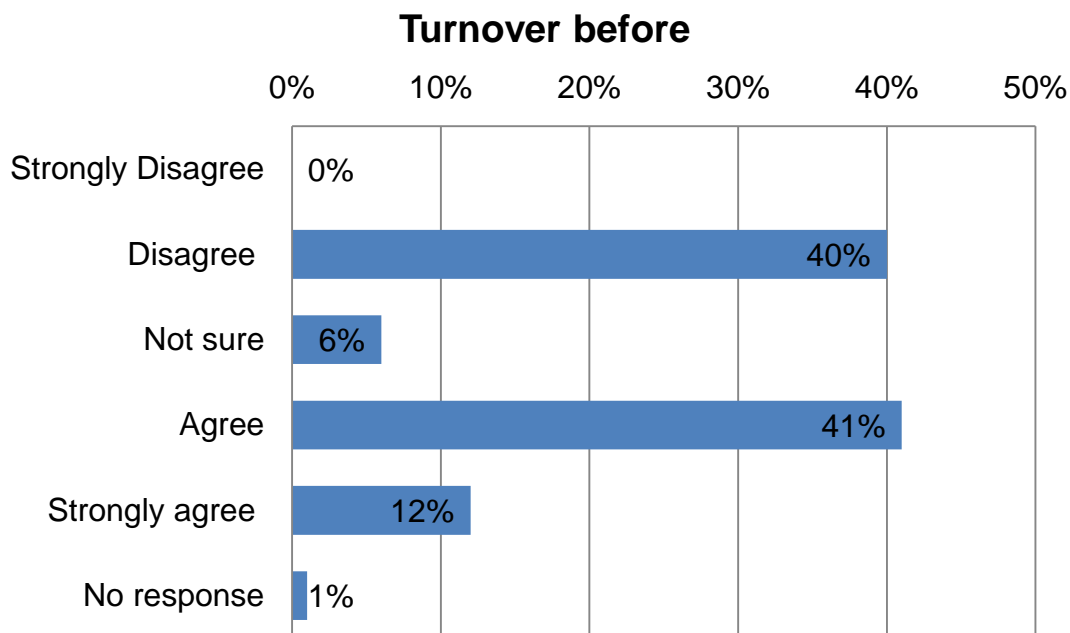
Figure 4.15   Turnover before the Emergence of Shopping Malls

Of the ninety nine who responded to this question by saying that the turnover was better before the opening of a shopping mall, 41% agreed, 40% disagreed, 12% strongly agreed, 06% were not sure. It was one percent (01%) of respondents who made no indication.

4.2.16 Turnover after the Emergence of Shopping Malls

The make a determination of the effects the question had to ask this question, "did your turnover decrease after the emergence of the shopping malls?" Respondents were expected to give an indication of a noticeable drop in their profits after the existence of the shopping malls. Figure 4.16 have the results.
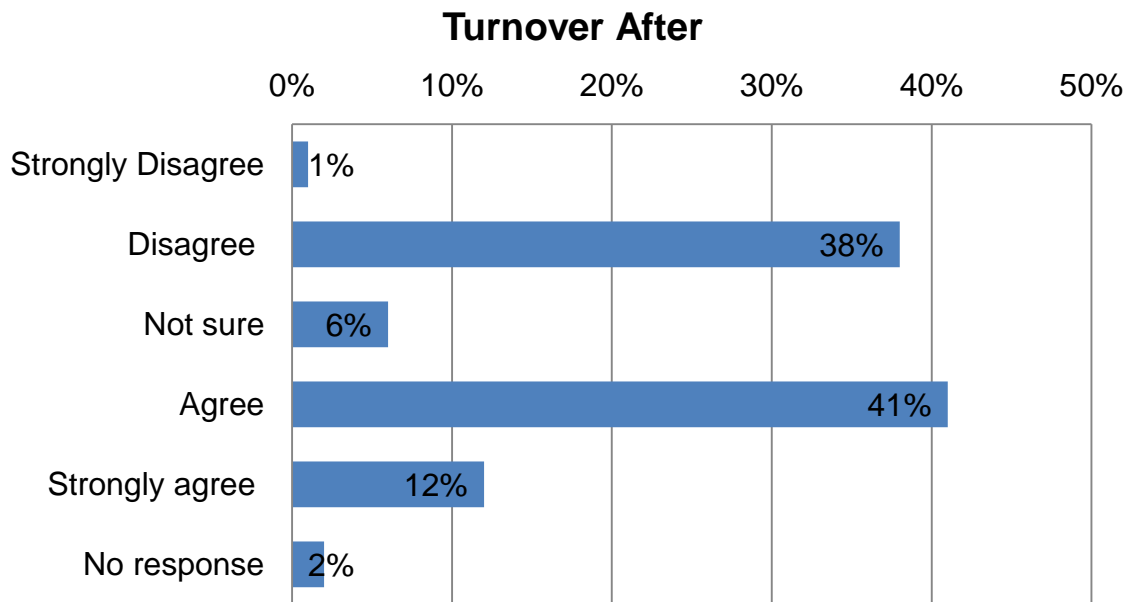
Turnover After

Figure 4.16   Turnover after the Emergence of Shopping Malls

There was a hundred percent response to this question and responses took more or less the same pattern as the previous question. Of all the respondents, 41% agreed that the turnover decreased, 38% disagreed, 12% strongly agreed, 06% were not sure. 01% strongly disagreed while 02% made no responses. The latter were not owners/managers of the business and some were newly employed, and that is why they could not indicate whether turnover decreased or not.

4.2.17 Change in Profits before and after the Shopping Malls

The question was aimed at further exploring the profitability of the SMMEs in relation to the existence of shopping malls. Respondents were expected to give an honest indication of any changes noticeable before and after the emergence of shopping malls in order to determine their effects on SMMEs. This question was important in order to give possible indications on the outcome of the research. The outcome of responses is recorded in figure 4.17 in a graphical form.

Change in Profits
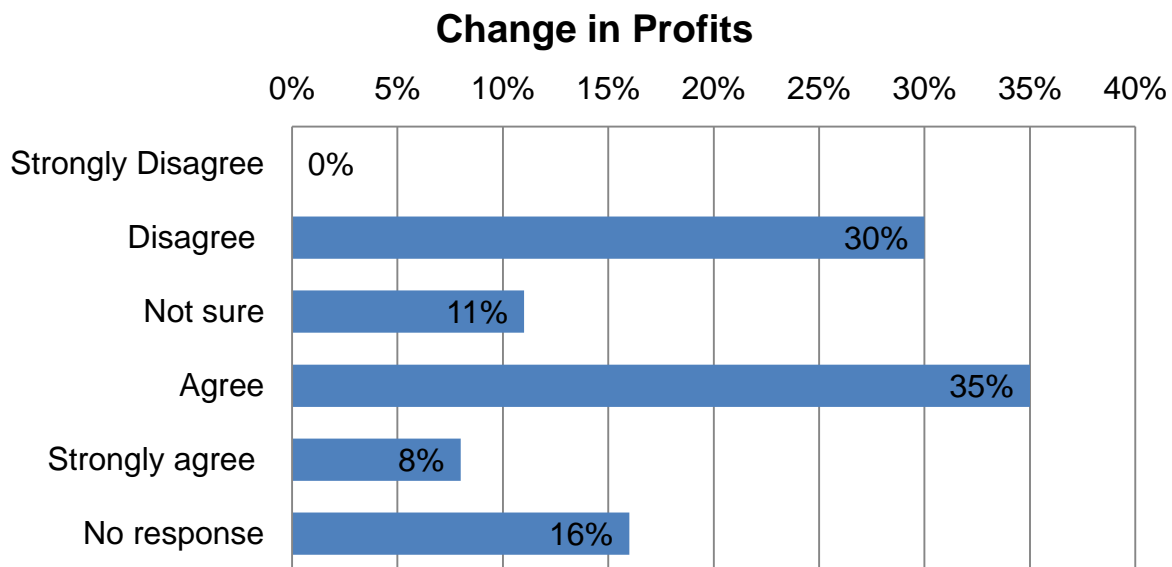
Figure 4.17   Turnover Before and After the Emergence of Shopping Malls

This was not an easy question to answer for most of the respondents taking the fact that it had the most number of nil responses. A hundred percent response was not attained and among the respondents, 35% agreed that there were changes in turnover before and after the emergence of shopping malls, 30% disagreed, 11% were not sure, 08% strongly agreed,. 0% strongly disagreed while 16% made no responses.

4.2.18 Decision to be or not to be Tenants of Shopping Malls

The assumption that SMME business owners avoid opening businesses in shopping malls due a variety of reasons need to be tested. This question was aimed at establishing the reasoning behind the decisions taken by SMMEs entrepreneurs with regard to expanding or growing their businesses. Figure 4.18 illustrate the results as per respondents' indication.
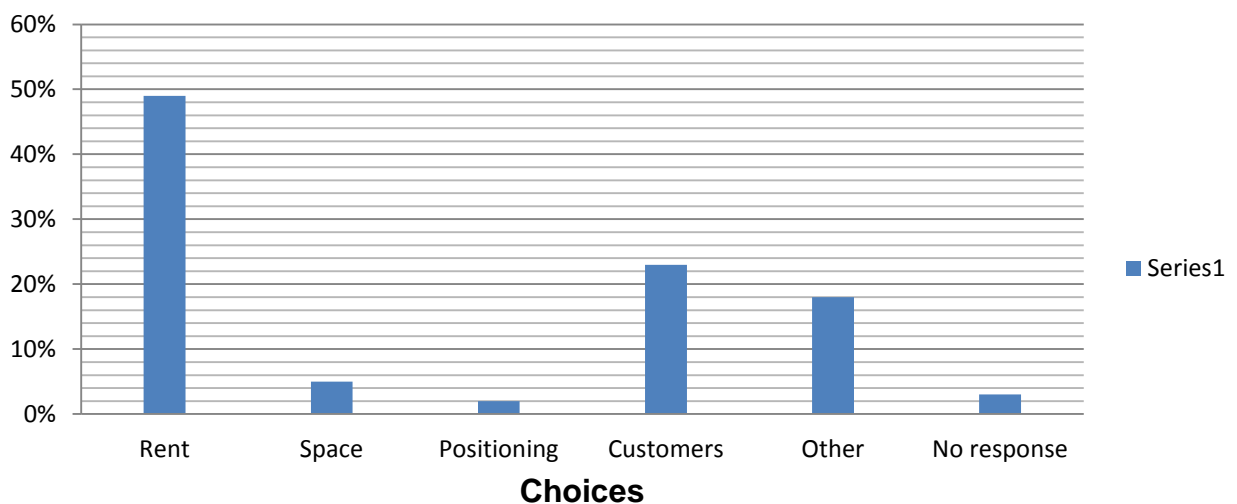
Figure 4.18   Factors Affecting Decisions Making

Business decisions are critical for the survival of a business and it is the same with small business owners. This question was trying to get the main factors that SMMEs would consider when an opportunity to expand presents itself by way of moving to a shopping mall. Rent seemed to be the denominating factor among possible answers given with 49% indicating that rent is prohibitive. A further 23% indicated that they had to consider the customers, 18% indicating other reasons which made them choose not to be part of the shopping mall. Those who indicated the non-availability of the adequate space were 05%, positioning 02% and 03% no responses.

71

4.2.19 Rental Cost as a Prohibitive Factor

This sound like repetitive but the aim was to make it a probing question to get clarity with the regard to rental cost as a common denominator and a prohibitive factor in decision making among SMMEs to be tenants at shopping malls. The idea paid off because almost the same number of respondents agreed that rental cost was the reason not to be part of a shopping mall. The results in figure 4.19 reflect the outcome.

Rental Cost

Category	Percentage
Strongly Disagree	4%
Disagree	26%
Not sure	10%
Agree	50%
Strongly agree	3%
No response	7%
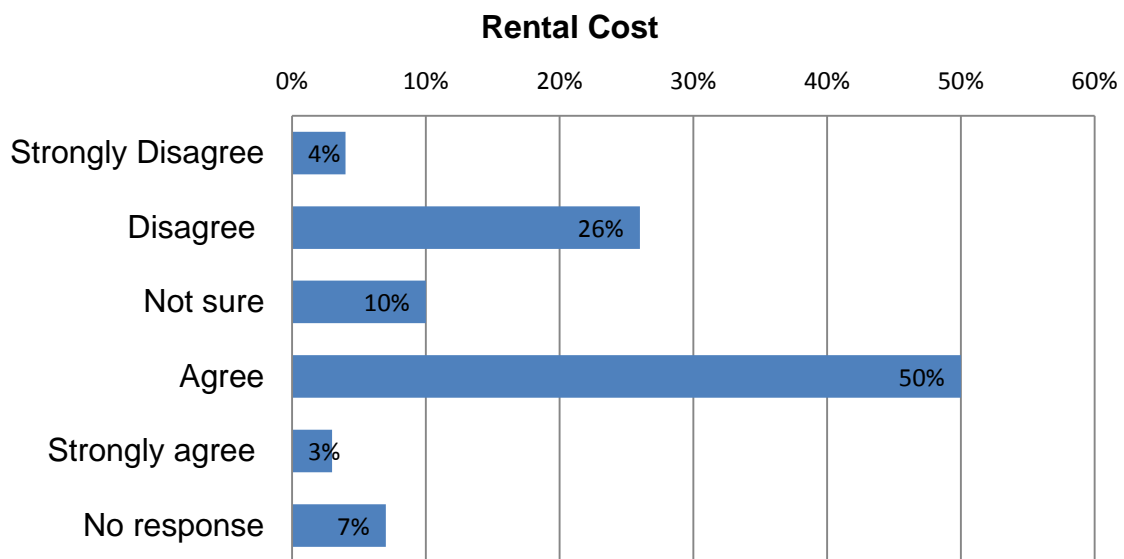
4.19   Rent as a Main Reason not to be Part of a Shopping Mall

The above results in figure 4.19 showed that 50% of respondents agreed that rent was the reason why they took a decision not to be part of the shopping mall. At the other hand 26% disagreed, 10% not sure, 04% strongly disagreed whereas 03% strongly agreed and 07% gave no responses.

4.2.20 Support from Government Organisations

The questionnaire asked the respondents to give an indication of the level of support they get from the government organisations if there is any. The question was needed because there is a lot of talk about the promotion of SMMEs, and this study has made reference to a number of publications explaining the kind of support offered to SMMEs from different quarters including government agencies. The aim was to get an idea whether the government is paying lip service to SMMEs or not. The results are on figure 4.20.

Government Support
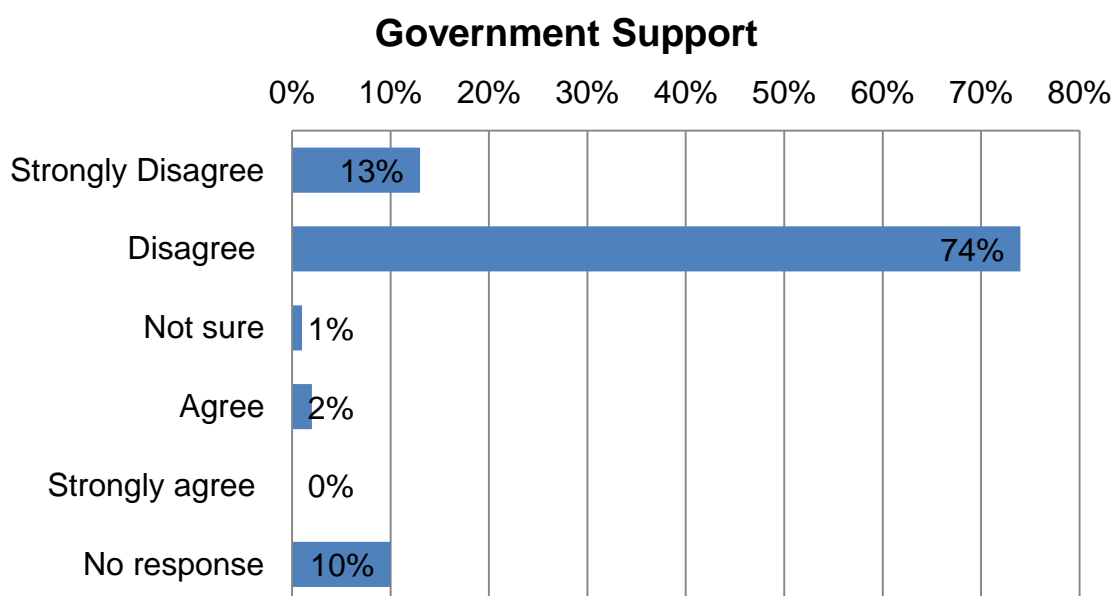
Figure 4.20   Level of Government Support

Many respondents were just straight forward in stating that they are getting no support from government organisations. From the respondents, 74% disagreed, further to that 13% strongly disagreed, while on the other hand a mere 02% agreed that they are getting support from government organisations. There were no respondents who strongly agreed (0%) and 10% gave no response.

4.2.21 SMME Support Organisations

There are a number of institutions that provide support and other services (financial or non-financial), to SMMEs in South Africa. Respondents were asked to indicate which among the listed organisations have provided them with support. This question was necessary to test the effectiveness of these organisations towards the improvement of the plight of SMMEs. The results are depicted in Table 4.21.

SEDA	3	3%
EThekwini Municipality	17	17%
Ithala	5	5%
Department of Economic Affairs	0	0%
Other	17	17%
No response	58	58%
TOTAL	**100**	**100%**

Table 4.21   Organisations that Provide Support to SMMEs.

The results depicted above indicate that the majority of respondents (58%) did not respond to the question based on that on the previous question (4.2.20) where they have already indicated that they are not getting support from Government organisations. EThekwini Municipality was confirmed by 17% of respondents, other organisations not listed were also confirmed by 17% of respondents that they provide support to SMMEs. Ithala and SEDA were confirmed by 05% and 03% respectively.

4.2.22 Other Reasons not to be Tenants of Shopping Mall

Although rental cost was top of the list on the reasons for SMMEs to shy away from newly developed shopping malls, it cannot be the sole reason or the reason at all to other entrepreneurs, hence the decision to further pose this question;" what were the other reasons not to be part of the shopping mall?". Table 4.22 shows how they responded.

High operation costs	36	36%
Space	20	20%
Positioning	5	5%
Customers	17	17%
Other	10	10%
No response	12	12%
TOTAL	**100**	**100%**

Table 4.22   Other Factors Affecting Decision not to be Part of a Shopping Mall

The results as shown in Table 4.22 above indicate that the majority of respondents (36%) identified high operation cost for trading at shopping mall as the other reason why they chose not to rent business space there. Space, as the other reason, was indicated by 20% of respondents, customers by 17%, and positioning by 05 %. Other reasons not on the questionnaire were identified by 10% of respondents while 12 gave no response.

4.2.23 Shortcomings in the Integration of SMMEs into Shopping Malls

This question, "what do you think was lacking in the integration of SMMEs into big shopping malls?" was very crucial in getting the critical view of the SMME sector with regard to shopping malls that are emerging at their door step. It was necessary to ask the question in order to get an understanding why their presence at shopping malls is very minimal. . It was also necessary in order to investigate their complaints if there are any with regard to the structure of a shopping mall. The results are presented in figure 4.23 below.
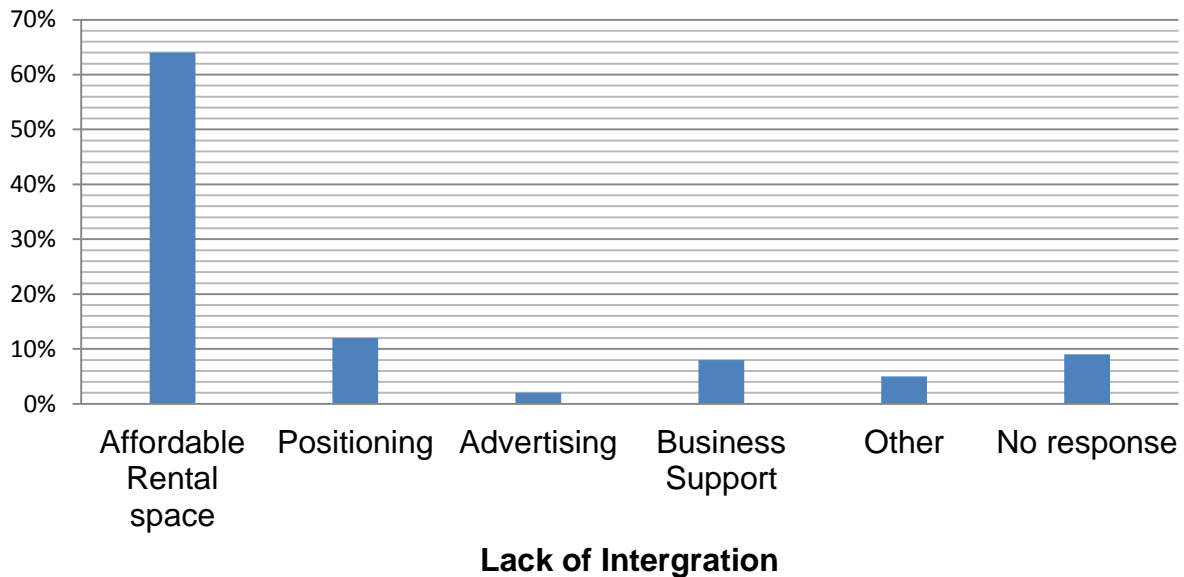
Figure 4.23   Factors Leading to lack of Integration of SMMEs into Shopping Malls.

The majority of respondents in figure 4.23 above (64%) indicated that affordable rental space is the major cause of lack of integration of SMMEs in shopping malls, positioning was indicated by 12%, lack of business support by 08%, other reasons by 05% and lack of advertisement by 02% of respondents. Nine percent (09%) made no indication.

4.2.24 Proposals to Attract SMMEs into Shopping Malls

This question, "What would you suggest as any activity to be applied to benefit the SMMEs if a new shopping mall is built at another township?" was also very important in getting the inputs and suggestions of the SMME sector that can be considered whenever a new project is developed. The question was necessary in order for the respondents to give their point of view with regard to trading requirements at shopping malls. It was also necessary in order to an understanding of what can attract SMMEs to trade at shopping malls. The results are presented in figure 4.24 below.

Programmes to benefit SMMEs
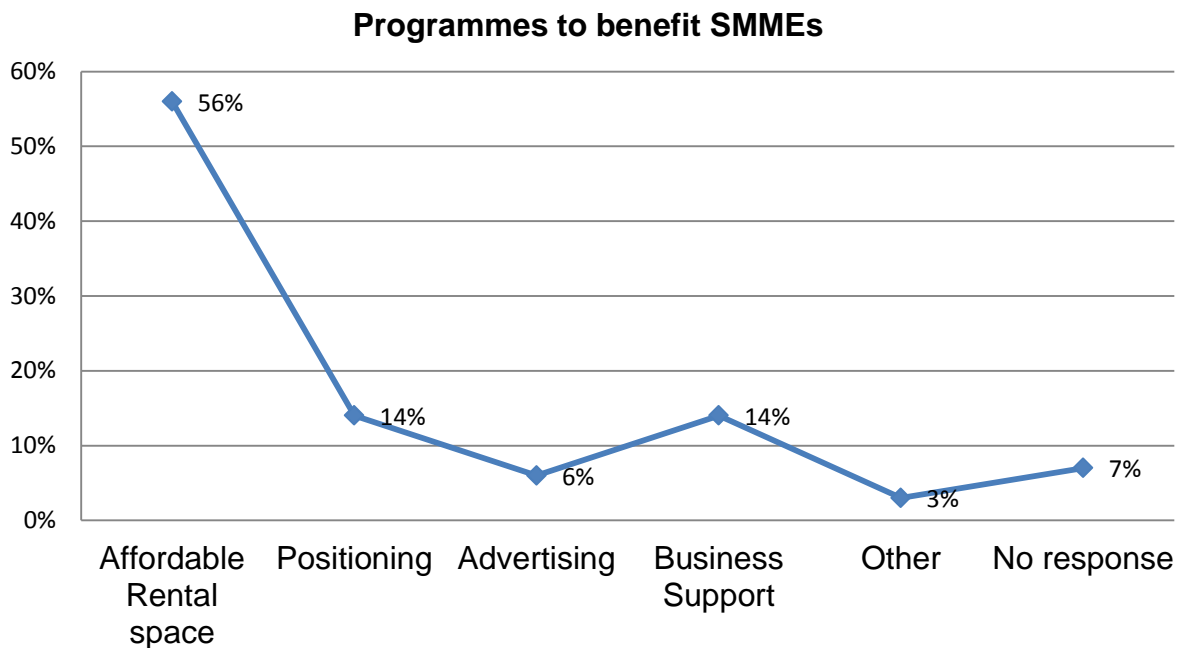
Figure 4.24   Programmes to Attract SMMEs into Shopping Malls.

In figure 4.23 above the majority of respondents (56%) indicated that affordable rental space is necessary to attract SMMEs to shopping malls, positioning was indicated by 14%, need for business support by 14%, and advertisement by 06%. Other factor "other" was indicated by 03% of respondents. Seven percent (07%) made no indication.

4.2.25 Future Prospects of the Business

In conclusion, respondents were asked indicate, based on the challenges they are facing, whether they are contemplating closing the business in the near future. The purpose of the question was to establish the preparedness of the entrepreneurs to survive under the fast-changing business landscape. The responses are reflected in figure 4.25.

Future Prospects
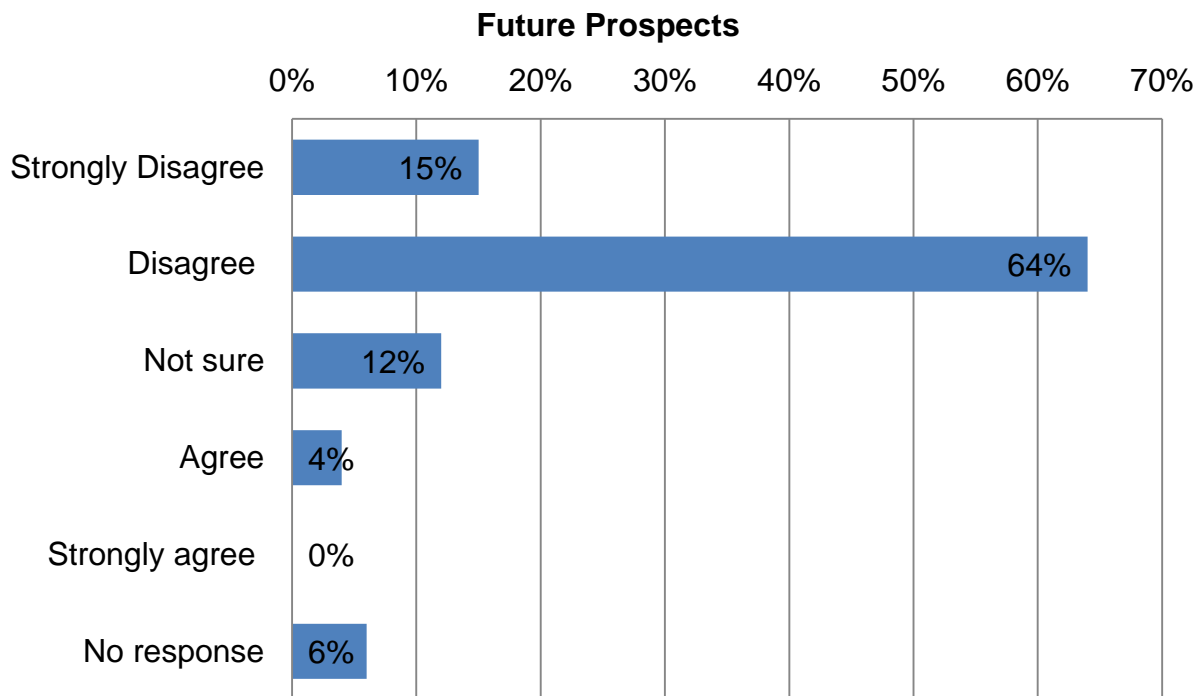
Figure 4.25   Continuing or Closing the Business in the Near Future.

Research results on figure 4.25 reflected a very positive attitude from the majority of SMMEs, 64% disagreed with the question meaning that they do not contemplate closing their businesses in the near future, and 15% strongly disagreeing with that idea. Some 12% indicated that they are not sure but surprisingly 04% agree (meaning that they do contemplate closing their businesses in the near future). No respondents (0%) agreed strongly, and 06% gave no responses.

4.3   Summary

The results obtained from respondents who managed to respond to the survey have revealed valuable findings that can be useful many settings. I was very heartening and encouraging to discover that many targeted individual respondents were willing to take part and complete the questionnaire. Of benefit to this study is that the majority of respondents were the owners of the SMMEs (69%). The inadequacy of support from government organisations revealed that more needs to be done change things around. The consultation process before the erection of a new shopping mall is critical because it might affect the livelihood of many people supported by entrepreneurs operating SMMEs and that many respondents indicated that they were not informed leaves much to be desired with. The positive side is that the majority of respondents accept the introduction of shopping malls as customers are benefiting. The style of the questionnaire made it easy to administer, and the graphical presentations of results are understandable. Further discussion of the findings, limitations and recommendations will be dealt with in the next chapters.

CHAPTER FIVE
DISCUSSION OF DATA

5.1   Introduction

The chapter preceding this one (chapter 04) has presented us with data to begin a discussion of this study and interpretation of the results obtained. This chapter will give and analysis of the findings of data gathered through the questionnaires from the respondents who own or manage SMMEs in Umlazi. The purpose of this chapter is to discuss the findings and make comparisons to literature review in chapter two of this study, and/or other findings from different publications and previous research findings. This chapter will further examine the similarities and contrasts, if there are any, between these findings and other findings already published. The analysis and discussion of the findings will be presented per the objectives of the study under the various themes as they appear on the questionnaire.

5.1.1 To examine the effects of the emergence of shopping malls on SMMEs in Umlazi Township

5.1.1.1   Demographic Profile of Respondents

The demographic information is necessary to enable the government or any other interested stakeholders to monitor trends in society. Inequalities in world societies and more especially in South Africa still persist, and the demographic information is still essential for researchers to validate their findings People at different stages of their lives perceive things differently and the information about the demographic profile helps us to get a proper understanding of responses given by respondents. Demographic profiles relating to respondents such as age, gender, racial group, level of education and the number of years the business has been in operation will be discussed in this section.

5.1.1.2 Age Profile of Respondents

The results regarding the age profile of respondents who own or manage SMMEs in the areas of Umlazi where the survey was performed indicated that the majority are between 30 and 39 years of age. The age profile of respondents became necessary in order to determine the predominant age group among SMME entrepreneurs. The South African government is promoting youth development in business in order to tackle the problem of youth unemployment. The first question asked the respondent to indicate his/her age within a certain range, e.g. 18-24 years. In the South African context people aged between 18 and 29 can be regarded as youth and the graph in figure 4.1 showed that 25% of respondents fall into this category.

The results of this study are comparable to the 2006 GEM Survey where 32% of respondents who are categorised as entrepreneurs within the TEA definition were in the age group 25-34 years (GEM 2006). To respondents in the old generation (50-60+ years), the results of this study are in contrast to the findings of the GEM Survey because 24% were in business however the results in chapter 04 recorded a total of 17 (50-60+ years), .

5.1.1.3 Gender Profile of Respondents

Women empowerment in business is promoted by the South African government in order to reduce unemployment and it is important to know how many are already in business. The findings in figure 4.2 of this study showed that the gender profile is predominantly female; they constituted 68% of respondents and men constituted just 32%. The Labour Force Survey (LFS) results depicted a similar scenario that on average, about 45% of women owned or managed a business (the DTI 2008). It is interesting to note that in another study by Mathenjwa (2007), the majority of Spaza Shop owners were male at 60% and females at 40%. Among the General Dealers 70% were male and 30% female. Circumstances leading to more females in this study might be caused by the fact that more females are single parents and have to raise children on their own.

5.1.1.4 Level of Education of Respondents

The business knowledge that the business owner has is vital to the success and growth of his/her business. The picture painted by the results on figure 4.3 are not that bad because it indicated that almost 70% have matric as the highest qualification and a combined 09% (06+03) completed a diploma/degree. The picture is not good on the 17% of respondents who are having primary education or no education at all. In the literature review of this study it was stated that, 45% of the TEA respondents had grade 12 qualification with only 09% having completed a university qualification. The discrepancy in 70% and 45% is caused by the fact that the LFS survey was done nationally whereas in this study it is restricted to Umlazi. According to the study by Ligthelm (2008), the educational level of the owner is listed as one of the factors responsible for survival of a business.

5.1.1.5 The Racial Profile of Respondents

As previously stated, Umlazi, as a historically African township, and is predominantly inhabited by Africans and the results are a true reflection of that reality. The findings reflected that 99% of respondents were Africans and only one percent (01%) was Indian but has owned his business for more than fifteen years as indicated earlier. The other races are not represented at all. This limitation does not affect the findings since determining the racial component of SMMEs is not part one of the objectives. Since the residential profile of Umlazi is not integrated is equally possible the integration of SMMEs will take longer.

5.1.1.6 Location of the businesses

According to Van Aardt, Hewitt, Bezuidenhout, Janse Van Rensburg, Naidoo, Van Der Bank and Visser (2011), the location of the business is of extreme importance since the success of an enterprise may somehow depend on its location. The aim of this study is determine the effects of the emergence of shopping malls on SMMEs in eThekwini with focus on Umlazi. Umlazi Mega City was made a reference point; therefore, the location of the business closer to that area had an influence on the findings.

The majority of respondents who indicated that their turnover was better before the emergence of Umlazi Mega City were operating closer to it, at Glebe and Ezimbuzini Node.

It was interesting to discover that some respondents operating at V Node indicated no change in the turnover taking into account that the V Node is close to Umlazi Mega City shopping mall. The implication of this is that the development of a new shopping mall might have a minimal effect in the turnover of their businesses. The V Node, as stated in the previous chapter, had the highest number of respondents because there are lot of diverse business activities in that area ranging from manufacturing, hawkers, chicken stalls, services and traders. Business activity is also increased by the highest number of public transport vehicles and buses that converged in that area since it is the major point of entry and exit.

5.1.1.7   Business Ownership

The business owner is the person who has no partners in a venture that is not registered as a company or a close cooperation both of which would be registered with one member or shareholder (Van Aardt et al., 2011). Among the respondents, 69% were owners and 31% not owners of small businesses and since the biggest majority are business owners that make the validity of this study to be high.

It is argued in Van Aardt et al (2011) that the owner has full control and authority on the operations of the business and is entitled to all the profits. The responses that were given by owners of the SMMEs would slightly carry more weight than those from managers because the former are decision makers. It was important for the study to distinguish between the two (owner and manager). Nieman (2006), defines the business owner as an entrepreneur or individual who establishes and manages a business driven by the desire for profit and growth. For the purpose of the study we will use the terms "business owner and entrepreneur" interchangeably.

5.1.2 To examine the costs and benefits to SMMEs brought by the emergence of shopping malls in Umlazi Township in the eThekwini Municipality

The eThekwini Municipality have a unit called "community participation", that is why it is expected of the municipality to carry its mandate by communicating to the relevant stakeholders any activities that might affect their well-being. It is with concern to state that the majority of respondents stated that there were not or never contacted when the decision to erect Umlazi Mega City or other shopping malls. This question was necessary to ascertain the degree to which information is circulated to the community. The results have 77% who responded as not consulted, and of the 23% who were consulted. The question was referring to Umlazi Mega City and the proposed ones that are about to be erected at Umlazi V Node and KwaMnyandu Node.

What is correct is that there are consultations taking place before the implementation of development projects but the adequacy of the process and means of communication used need to be bolstered. Most of the information of this nature is found in websites of property organisations. In an article by Dlamini (2005), the former Mayor of eThekwini, Councillor Obed Mlaba had this to say about the new project "the Umlazi Mega City is a key lever in the creation of equitable access to economic and social facilities, and will generate many direct and indirect jobs for surrounding communities" (BuaNews, 2005, p. 1). This is an example that the information is disseminated to the community but the instruments are not accessible to the majority of people in the metropolitan areas. The 82% respondents with the "no" answer were actually meant that they were not informed.

The integration of small businesses with major retail establishment is necessary in order to harmonise the relationship between big and small entrepreneur. It is possible to strengthen that relationship, according to a research report by Masonganye (2010); the stall owners operating adjacent to Shoprite Checkers in Sunnyside acquired consent from Shoprite Checkers and have licences to trade in front of the store.

The reasoning behind is that the stall owner is trading in very close proximity and selling the same goods as Shoprite Checkers. It is a common expectation for stall owners in the vicinity of a shopping mall that they might be given first preference; however it was obvious during the data collection exercise that the invitation was restricted to traders in the immediate vicinity of Umlazi Mega City.

It can be argued that, due to the very low level of exposure to information, it might be the reason why the majority (85%) indicated that they were not offered an opportunity. According to Scarborough et al., (2009), there is no universal definition of a small business, however their interpretation is that, a common delineation of a small business is one that employs fewer than 100 people. The majority of respondents in this study are not closer to that interpretation because they belong to the survivalist small businesses. It was interesting to note that Spaza Shops no longer dominate the type of informal business in the areas that were covered but small businesses are very diverse ranging from; dressmakers, repair shops, restaurants, live-chicken stalls and taverns.

It is encouraging to note that many small business owners and managers have been in operation for more than ten years which means the level of perseverance is high. The study results showed that 40% of respondents have been in operation between 10 and 19 years. This means that not all businesses are adversely affected by changes in business conditions. The results of a survey by the Bureau for Market Research of the University of South Africa indicated that successful businesses appeared to be older; established based on a business opportunity rather than loss of employment, and were characterised by the full involvement of the owner (BMR 2010). Rent is a contentious issue for many businesses and default for long periods is not uncommon. Quite a number of small businesses, more especially the hawkers, pay what is called "trading permit" which is paid quarterly at an affordable cost hence, there is a high number of respondents who indicated they pay rent (70%) in figure 4.12.

5.1.3 To establish to what extent SMMEs are affected by the emergence of the new shopping malls in Umlazi Township

It is inevitable that the number of shopping malls in townships is going to increase in the near future and so is uncertainty for other small businesses that currently operate around areas to be developed. The SMME sector is receiving these new developments with mixed feelings as the results of this study have shown. This is corroborated by MacGaffin (2010), in stating that the growth of shopping malls was met with mixed feelings. The finding of his study discovered that, some felt that the centres undermined the survival and growth of local small enterprises while others argued that these centres are going to bring a wide range of goods and services at a lower price closer to where they stay (MacGaffin, 2010). His findings are similar to this study, because from the responses in figure 4.14, 64% respondents indicated that shopping malls are adding value to customers, 20% were not sure, 08% strongly agreed, 07% disagreed and just 01% strongly disagreed. These findings portray mixed feelings of respondents, but at the same time, the majority is in favour of the development of shopping malls.

The decline of turnover after the emergence of shopping malls in the township can be regarded as common phenomenon, not restricted to certain areas. This is supported by findings in Ligthelm (2008) where almost half of the respondents indicated that there was a decline in the number of small businesses operating in close proximity during the six month's existence of the shopping malls in Soshanguve, Mabopane and Garankuwa. Business that indicated a decline of business activities since the opening of the malls Soshanguve, Mabopane and Garankuwa by type of activity are presented below. The survey was sanctioned by the Unisa BMR and undertaken in the Soshanguve, Mabopane and Garankuwa region north of Tshwane.

Table 5.1 illustrates the findings of that study by Ligthelm (2008).

Decline in:	Decrease %	Unchanged %	Increase %	Total %
Number of small retailers	47.0	42.2	10.8	100.0
Activities within shops				
• Turnover	66.0	30.0	4.0	100.0
• Profitability	61.0	36.0	3.0	100.0
• Stock movement	57.0	42.0	1.0	100.0
• Product range	59.0	39.0	2.0	100.0

Table 5.1   Percentage of Decline by Activity

Source   Adapted from Ligthelm, A. A. 2008. The Impact of Shopping Mall Development on Small Township Retailers. *Bureau of Market Research, University of South Africa*, vol. 11, no. 1, pp. 37 -53. (Online). Available WWW: http://www.sajems.org/index.php/sajems/article/view (Accessed 25 June 2012).

Table 5.1 shows that 47% of respondents indicated a decline in business activities in small businesses in the vicinity of new shopping malls around in the Soshanguve, Mabopane and Garankuwa region. The table further illustrates the percentage decline of activities within the shops (Ligthelm 2008).

The benefits and the positive impact of the newly established shopping malls in townships are negated by the decline in business for small entrepreneurs operating in that area.

Of all the respondents, 41% agreed that the turnover decreased after the emergence of the Umlazi Mega City Mall. The majority of those respondents are operating not very far from the mall and spreading as far as those at the KwaMnyandu and W Node. In a similar situation in Soweto the findings of a survey discovered that 73% of respondents indicated that the development of Jabulani Mall had a positive impact and added that there is a need for it to be expanded. However, the same study discovered that the develop[ment of Jabulani Mall did lead to a decline in the turnover of local traders as well as a decline in patronage (MacGaffin, 2010).

The question was aimed at further exploring the profitability of the SMMEs after the emergence of the Umlazi Mega City. Respondents indicated there were noticeable changes in turnover before and after the emergence of the Umlazi Mega City the outcome of responses showed a different turn, 35% agreed that there were changes in turnover before and after the emergence of shopping malls, 30% disagreed, 11% were not sure, 08% strongly agreed. This can be compared to the findings by Demacon (2011) on the similar subject with regard to Umlazi Mega City where the results indicated a 46.3% decline in support for local traders, followed by 3.2.% who indicated that support remained unchanged, 14.8% indicated a marked increase in support and a paltry 3.7% indicated a large decline. .

5.1.4 To examine the difficulties encountered by SMMEs after the emergence of the new shopping malls in Umlazi Township

Good business decisions that are taken at the right time will always lead to the success of a business, and it should be the same in the SMME environment. A Soweto entrepreneur, Mduduzi Nkosi, do not regret his decision to move his business from Dube, where he started his business, to the new Maponya Mall also in Soweto. In the interview with the Business Day, Nkosi said he wanted his business to grow beyond the level that it was before and it paid off because he reported that it is much easier to make a turnover of hundred thousand rands (R 100 000.00) because of the much increased client base at the new premises (Business Day, 2010).

That means Mduduzi Nkosi's decision to move to Maponya Mall was influenced by the possibility of more customers. This question aimed to establish what influenced the decisions of entrepreneurs in the SMMEs sector when an opportunity to expand presents itself by way of moving to a shopping mall as it happened with Mduduzi Nkosi. In this study, rent seemed to be the common denominator given that 49% of respondents indicated that it was high.

It is argued by Van Aardt et al (2011) that since the business owner acts as a manager and can freely make decisions about the running of the business; he/she easily adjusts the business to changing circumstances. This argument encourages the small business owners to continuously adjust to changing circumstances because changes are most of the time inevitable. Strydom et al (2007), is of the view that the cost of renting or buying business premises is one of the major factors that play a role in identifying suitable location for a business. So the respondents could not be faulted for being apprehensive in their decision to or not to be part of the Umlazi Mega City. Half of the respondents in this study, fifty percent (50%), pointed out that rent was the reason why they took a decision not to be part of the Umlazi Mega City shopping mall.

The South African Government has done a lot regarding support to SMMEs but the findings of this study reveal that it is still not enough. Although a number of respondents agreed that there is support that they sometimes get from the government, the majority of respondents minced no words and stated that they get no support. In his feature journal article published by the DTI (Ngobeni 2004) said that, although the (SMME) sector has come to be accepted as a critical cog in government's fight against unemployment and poverty, it has however, remained the cinderella sector beset with myriad of problems that have stunted its growth despite its obvious importance to South Africa's economic development (The DTI, 2004). Unless circumstances have changed since this was said a long time ago, the above observations are in line with the findings.

5.1.5 To examine whether SMMEs in Umlazi Township survived or failed after the emergence of shopping malls.

Affordable rental space is one of the major causes of lack of integration of SMMEs in shopping malls, positioning is also up on the list. The survey results as outlined in table 2.3 may also be compared with what has been happening in other countries. External factors that are beyond the control of an entrepreneur would sometimes play a role in the survival or failure of a business. Van Aardt et al (2011), argued that for a business to succeed and gain a competitive edge, the business must know what changes are occurring and what changes are in the pipeline. That might be called forecasting, but the majority of SMMEs businesses in Umlazi do not have the capacity to do forecasting. Studies done in the Dominican Republic, although they are very old, they cannot be ignored since, according to Liedholm & Mead (1999), it is the country with the most accurate annual figures. The annual rate of closures of SMMEs in the Dominican Republic, exceeded 20% in the early 1990's depicting the findings which are probably highlight the extreme volatility of small enterprises, where simultaneously one large segment is starting just as another large segment of small businesses is closing (Liedholm & Mead 1999, p. 30). In rare circumstances, 5% of the enterprises are forcibly closed by government because they are operating in an illegal location or are not meeting other government requirements or regulations (Liedholm & Mead, 1999).

In conclusion, quitters will always rue the missed opportunities than if they remained and persevered during hard times. Ronald Wayne, Steve Wozniak and Steve Jobs were the co-founders of Apple in 1976 but 12 days later, Ronald Wayne, fearing that the start-up will fail, sold his stake for $4000.00. It is estimated that, in today's value, his shares in Apple would have made him 30 million dollars (Sunday Times, 09 October 2011). It is no wonder why the findings reflected a very positive attitude from the majority of respondents, 64% do not entertain the idea of closing their businesses in the near future. The conclusion is that SMMEs in Umlazi Township survived after the emergence of Umlazi Mega City Mall.

5.2 Summary

This chapter gave an informative discussion of the survey results as presented in chapter four. The analysis of the survey results were discussed in conjunction with the literature review and other published findings from different sources. The findings from sources were very helpful in doing a comparison of this study. The discussion has enabled the study highlight the similarities and differences of findings on challenges faces by SMMEs after the emergence of shopping malls. Chapter six will discuss the recommendations emanating from what has been discovered in this study. Conclusions of the study will also be included in the next chapter.

CHAPTER SIX
RECOMMENDATIONS AND CONCLUSIONS

6.1   Introduction

Chapter five has given a detailed analysis of the findings and it should be followed by what should happen to those findings. This chapter will deal with that by presenting recommendations emanating from findings and other observations discussed in other chapters of this study. Recommendations will put suggestions on how to solve the research problem and on improvements for future studies. Finally, concluding remarks will close the discussion.

6.1.1   Answering of the Research Problem

The research problem has somehow been solved by the findings of this study when considering the content of the results presented and the high response ratio. The stated objective of this study was to determine what happened to existing businesses, which are mostly the SMMEs, after the emergence of big shopping malls in eThekwini, with Umlazi as a case study. Umlazi Mega City was made as a reference point for the purpose of data collection. Briefly, the objectives were:

- ➢ To examine the effects of the emergence of shopping malls on SMMEs in Umlazi Township
- ➢ To examine the costs and benefits to SMMEs brought by the emergence of shopping malls in Umlazi Township in the eThekwini Municipality;
- ➢ To establish to what extent SMMEs are affected by the emergence of the new shopping malls in Umlazi Township;
- ➢ To examine the difficulties encountered by SMMEs after the emergence of the new shopping malls in Umlazi Township;
- ➢ To examine whether SMMEs in Umlazi Township survived or failed after the emergence of shopping malls**;**

The responses given by participant did indicate that the developments that are changing the landscape of business in Umlazi do pose a problem that needs to be tackled before it gets complicated. The majority of participants who indicated a decrease in turnover after the emergence of Umlazi Mega City, and other participants who responded the same in other studies discussed provide answers to the research problem.

6.2   Benefits of this Research

There is evidence that not all SMMEs operating in Umlazi are feeling the pinch due to the stiff competition presented by major retailers who are operating at Umlazi Mega City. The contribution made by this study is the finding that more women than men owned or manage the SMMEs. However, other studies as referred to in chapter five gave a contrasting view. The age profile of this study started at age 18 instead of 20 like most studies. The portion of the age group between 18 and 24 should give insight of what happens to the youth that is not at tertiary institutions.

The findings that most of the people in the small business environment are not aware of the proposed development that might affect the survival of their source of income gives a challenge to the powers that be about the communication strategy they have employed. The areas further away from where the developments are to be established need to be included in the interaction with small business operators. The findings revealed that more respondents indicated that the community derives benefits from the emerging shopping malls that are closer to their place of stay. This finding should allow the planners to proceed with projects that are necessary, but for the sake of integrating the economy, make SMMEs part of that project. The findings also present a benefit to Government Departments, eThekwini Municipality and Retail Property Developers, to consider findings when planning for future developments. The challenge for the town planners will be to re-align the transport requirements since in most townships including Umlazi, the initial planning was directed at moving from the township to the city centre or places of work.

6.3   Recommendations to Solve the Research Problem

The findings of this study present an opportunity to make recommendations to solve the research problems and other challenges related to them. The recommendations presented are informed by; the discussions, findings and analysis in this document. The following recommendations are suggested:

➢ The eThekwini Municipality should regularly update the data base of informal traders, SMMEs and other businesses that operate in Umlazi and other areas so that the Business Support Markets and Tourism Unit can communicate directly with them. This can assist in the dissemination of information about business opportunities and in the provision and implementation of support programmes.

➢ Measures that will promote the integration of shopping malls and small businesses should be intensified nationally.

➢ New developments of shopping malls should create an empowerment venture of not less than 10% that would be owned by a consortium of SMME owners operating in that area. This arrangement has a potential to build loyalty of SMME tenants if they become part of that mall, and at the same time, remove resentment.

➢ If the need arise, the national and local government regulations be put in place that will require all shopping mall projects to provide for a 70%/30% split between big business and small business.

➢ Property owners of shopping mall should apply a dual rental system that will differentiate between; formal well established business, and small up-and-coming businesses.

➢ All shopping malls should have a dedicated SMME trading area that meets their needs to operate a successful business.

- Affordable rental space that meets the needs of SMMEs be provided at all shopping malls because they are patronised by all people. Those situated in township to provide affordable rental space that meets the needs of a township type SMMEs

- Some incentives should be given to entrepreneurs that have rented space for a very long time. A special rate in rent for business owners that have operated for more than twenty years is recommended.

- The system of trading permit for street hawkers needs to be standardized, maintained effectively and extended all over the municipality because other respondents in figure 4.12 indicated that they do not pay rent, hawkers were in the majority.

- Government intervention is necessary to promote SMMEs, therefore the recommendation is to limit the trading hours at big shopping malls to no later than 18h00 excerpt during the December holidays. This is proposed because small shops everywhere make money after hours when major retailers have closed. This statement is supported by the emergence of convenient shops at petrol filling stations.

- The support programmes that cater for the needs of SMMEs be continuously improved in order to help them adapt to change. Support programmes to include training, credit facilities, tendering, customer relations etc.

- In the training support programmes the small business owners should be encouraged to maintain their competitive edge to big business by selling more products in small quantities and/or in small packages.

- Government organisations mentioned in this study should increase their visibility on the ground so that all small businesses know of their existence and the services they offer.

6.4   Recommendations for Future Studies

This study and the findings have shed some light in one area but more can still be unearthed by doing further studies on this subject or other subjects related to this one. It is on this note that recommendations for future studies are presented.

➢ The time constraint did not make it possible to increase the sample size to be more than hundred since Umlazi is a big township compared to other townships in eThekwini, and/or nationally.

➢ This study looked at one area, Umlazi, and did not consider other townships like KwaMashu or Clermont. A study of this nature in those areas might produce different results to this one, and comparisons can be made.

➢ This study looked at a homogeneous population sample of small business owners or managers in Umlazi, but did not separate according to the business offering. Another representative sample would look at a heterogeneous sample that would analyse the distinct business offering separately, spaza shops, taverns, hawkers, and hairdressers analysed separately.

➢ This study did not see the need of grouping respondents and presenting survey results according to the Nodal Development Zones. It would be important for future study to analise according to those areas, or according to distance away from the shopping mall.

➢ There are a number of focus areas that this study could to cover especially in formal businesses. It is recommended for future studies to consider the following topics:

- To determine whether the business is registered or not
- To determine whether the business owned by respondent is the only one or there are other businesses he/she owns.
- The preferred supplier of the business/where he/she sources supplies
- Use of banking facility
- Use of internet

6.5   Summary

This study was undertaken in order determine the effects of the emergence of shopping malls on SMMEs in eThekwini, putting Umlazi as a case study and the Umlazi Mega City as a point of reference. Questions that this study aimed to answer were indeed answered and inadvertently, salient issues were raised. The question of a change in turnover after the emergence of the shopping mall was clearly answered. The findings showed an overall indication that there were changes in profits. The findings of this study will help stakeholders to consider SMMEs whenever a shopping mall or project relating to that is mooted. There are positives that were gained in that, the mere success in collecting such a number of responses, showed the willingness on the side of respondents to constructively be engaged in programmes that can improve their situation.

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APPENDIX "1"   **QUESTIONNAIRE**

UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

Dear Respondent,

Master Business Administration (MBA) **Research Project**
Researcher: Andrew Zacharia Mlondolozi Kubone (031-907 7106)
Supervisor: MR SS Msomi (031- 260 1927)
Research Office: Ms P Ximba 031-2603587

I am Andrew Zacharia Mlondolozi Kubone, an MBA student at the Graduate School of Business, at the University of KwaZulu Natal. You are invited to participate in a research project entitled,   *Effects of Emergence of Shopping Malls on SMMEs in EThekwini: a case study of Umlazi Township*.   The aim of this study is to examine the costs and benefits to SMMEs brought by the emergence of shopping malls at Umlazi in the EThekwin Municipality. Through your participation I hope to understand the successes and failures of SMMEs after the emergence of shopping malls at Umlazi.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey/focus group. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The questionnaire should take you about 10 minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Investigator's signature_____ Date_____

This page is to be retained by participant

Master Business Administration (MBA) **Research Project**
Researcher: Andrew Zacharia Mlondolozi Kubone (031-907 7106)
Supervisor: MR SS Msomi (031- 260 1927)
Research Office: Ms P Ximba 031-2603587

<u>**CONSENT**</u>

I……………………………………………………………………(full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT   DATE

……………………………………   …………………………………

This page is to be retained by researcher

The Questionnaire: "The SMMEs and Shopping Malls at Umlazi Township"

Please insert a cross (**X**) next to an option that is most relevant to your preference from Questions1 – 25 here-below. Please write your answer on the dotted lines (next to **Other**), should none of the listed options be relevant to you.

SECTION A

Question 01

What is your age?

1	18-24	
2	25-29	
3	30-39	
4	40-49	
5	50-59	
6	60+	

Question 02

What is your gender?

1	Male	
2	Female	

Question 03

What is your highest level of education?

1	Matric	
2	Diploma	
3	Degree	
4	Post Degree/Diploma	
5	Other...	

Question 04

What is your race?

1	African	
2	Indian	
3	Coloured	
4	White	
5	Other..	

Question 05

Where is your business situated?

At Section,		

Question 06

Are you the owner of the business?	Yes	No

Question 07

Were you contacted when the decision to erect the shopping mall was taken?	Yes	No

Question 08

Did you understand the explanation given to you about the erection of the shopping mall?	Yes	No

Question 09

Were you given an opportunity to be one of the tenants of the new shopping mall?	Yes	No

SECTION B

Question 10

What kind of business are you operating?

1	Street hawker	
2	One container	
3	Bottle store	
4	General dealer	
5	Butchery	
6	Supermarket	
7	Other…………………………………………………………………………………… …	

Question 11

How long have you operated your business?

Years

1	-01	
2	02-04	
3	05-09	
4	10-19	
5	20+	

Question 12

	Yes	No
Do you pay rent for the space you occupy?		

Question 13

	Yes	No
If you are paying rent is it affordable or not?		

SECTION C

Question 14

Do you think the emergence of shopping malls is adding value to customers?	Strongly Disagree	Disagree	Not sure	Agree	Strongly agree

Question 15

Was your turnover better before the emergence of the shopping mall?	Strongly Disagree	Disagree	Not sure	Agree	Strongly agree

Question 16

Did your turnover decrease after the emergence of the shopping mall?	Strongly Disagree	Disagree	Not sure	Agree	Strongly agree

Question 17

Was there any change on your profits before and after the emergence of the shopping mall?	Strongly Disagree	Disagree	Not sure	Agree	Strongly agree

SECTION D

Question 18

What made you choose to be or not to be one of the tenants of the new shopping mall?

1	Rent	
2	Space	
3	Positioning	
4	Customers	
5	Other..	

Question 19

Was the rental cost the reason not to be part of the shopping mall?	**Strongly Disagree**	**Disagree**	**Not sure**	**Agree**	**Strongly agree**

Question 20

Are you getting enough support from the Government organisations?	**Strongly Disagree**	**Disagree**	**Not sure**	**Agree**	**Strongly agree**

Question 21

Which Government organisation is giving you support?

1	SEDA	
2	EThekwini Municipality	
3	Ithala	
4	Department of Economic Affairs	
5	Other...	

Question 22

What were the other reasons not to be part of the shopping mall?

1	High operation costs	
2	Space	
3	Positioning	
4	Customers	
5	Other	

Question 23

What do you think was lacking in the integration of small, medium, and micro enterprises (SMMEs) into big shopping mall?

1	Affordable Rental space	
2	Positioning	
3	Advertising	
4	Business Support	
5	Other..	

Question 24

What would you suggest as any activity to be applied to benefit the SMMEs if a new shopping mall is built at another township?

1	Affordable Rental space	
2	Positioning	
3	Advertising	
4	Business Support	
5	Other...	

Question 25

Are you contemplating closing your business in the near future?	**Strongly Disagree**	**Disagree**	**Not sure**	**Agree**	**Strongly agree**

End of the Questionnaire

Thank you for taking the time to complete the questionnaire.

APPENDIX "2"   ETHICAL CLEARANCE

UNIVERSITY OF KWAZULU-NATAL
INYUVESI YAKWAZULU-NATALI

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snymanm@ukzn.ac.za

16 November 2011

Mr AZM Kubone (981206611)
Graduate School of Business

Dear Mr Kubone

PROTOCOL REFERENCE NUMBER: HSS/1175/011M
PROJECT TITLE: Effects of Emergence of Shopping Malls on SMMEs in eThekwini: A case study of Umlazi Township

In response to your application dated 25 October 2011, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL.**

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.
PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

....
Professor Steven Collings (Chair)
HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE

cc. Supervisor – Mr Steven Msomi
cc. Mrs C Haddon

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