

**Awareness and utilisation of small enterprise support programmes
by unemployed youth: the case of Mankweng Township, Limpopo
Province.**

by

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DECLARATION

I declare that the mini-dissertation hereby submitted to the University of Limpopo for the degree of Master of Business Administration has not been submitted by me for a degree at any other university; that it is my own work in design and execution, and that all material contained therein have been duly acknowledged.

SIGNATURE

(Mr RL Ramohale)

DATE

DEDICATION

This work is dedicated to my parents Matome Jan and Rosinah Maruping; my fiancée Nthabiseng Cinah Masemola, our newly born son Tshipsane Tshegofatso. My nieces Kgaogelo, Kamogelo, Mokgadi and Mmabatho. Finally my late sister, Mmasekgomo Violet; late grandmother, Mosibudi Mokgobi and my family.

My special thanks goes to my mother, who provided me with the courage, love and understanding that this was never going to be easy, quick and without criticism. She supported me to pursue a post graduate degree without any income. Her financial and moral support has shaped my thinking in many ways. She modelled in me, a modus operandi for how to cope with challenges in life. She has never gone to school, but to me, she is one of the educated.

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- The unemployed graduates of Mankweng who formed part of this research. Without their participation this study would not have been accomplished.
- My brothers and sisters, for their continued support and motivation.

This study is a giving back to the Province and Country I belong to, its youth and to the people who helped me to whom I feel indebted to pay my gratitude. Many times a day, I sit back and reflect on how much my life has been built upon by my fellow men, both living and dead, and how much I am indebted to give back as much as I have received.

I owe it to them, to leave the world in a better state than I have found it.

ABSTRACT

This report focused on investigating the awareness and utilisation of government programme for development and support of SMMEs. The study acknowledges the fact that youth participation in entrepreneurial activities can reduce the high number of unemployment in the country and can contribute in the economy of especially rural areas. This was a qualitative study conducted in Mankweng area in Limpopo and the focus group was the youth who have post-matric qualifications.

The sample consisted of fifteen graduates, of ages 25 to 35, who were not working and actively looking for employment. Male participants in the study formed 33 per cent, while the female participants were at 67 per cent. The main findings were that only a few of the participants were aware of the available government support programmes. Of those that were aware, many were unsure about how to access these programmes while others did not even think about starting their own businesses. The study recommends that these programmes ought to be accessible to the local government and should form part of the developmental programme of municipalities to ensure greater awareness and utilisation; and that youth need to be encouraged to start thinking more about starting their own businesses as an alternative to formal employment.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION AND BACKGROUND

Youth participation in the economy through entrepreneurship has been extremely low at 0.6 % according to the Department of Trade and Industry (2013:10). Meanwhile, the rate of youth unemployment reached a sky high mark at an estimated 70%, according to the National Union of Metalworkers of South Africa(Numsa,2014;Blumenfeld, 2013:62). By any conventional standard, unemployment in South Africa, especially youth unemployment, is extreme. As measured by the employment ratio and the proportion of the working-age population with jobs – South Africa ranks far below other emerging markets, including its ‘BRICS (Brazil, Russia, India, China and South Africa) partners.

Whereas gainful employment in other BRICS countries absorbs 71% of the working-age population in China, 65% in Brazil, 57% in Russia and 55% in India, in South Africa it is only 40.8%. The average ratio of youth employment across 19 ‘emerging markets’ is 56%. Among the ‘youth’ (15-24 year-olds), South Africa’s employment ratio is 12.5% – only one in eight – compared with an emerging-market average of 36%. Youth unemployment rates are significantly higher even on the narrower definition, 35% for those aged 15-34, and 49% for 20-24 year-olds. Under-35s account for over 70% of the total of unemployed people in South Africa (Blumenfeld, 2013:62).

According to Nulutshungu (2011:1), one of the post- apartheid South Africa’s greatest disappointments has been the failure to create jobs. Despite the economy recording relatively robust economic growth, the official unemployment rate according to Statistics South Africa (StatsSA, 2013:1) has increased from a level of 13 per cent in 1994 to a current level of 37 per cent. Many of South Africa’s socio- political problems trace their roots to this scourge of

unemployment. Associated symptoms include an ever increasing number of disaffected youth, a radicalisation of the political discourse, more people dependent on social grants, high crime rates and many other social ills. With the unemployment being so high in the country while there are programmes to assist youth to enter into business, then one is prompted to ask whether the youth are aware of small business support programmes or not; and if they are aware whether these programmes are utilised effectively or not. Unemployment in the Limpopo Province, according to Statistics South Africa (2013:1), is at 35.6%.

The current research focuses on whether the unemployed youth in the Mankweng area have knowledge of and whether they utilise small enterprise support programmes that are available in the country. The awareness of such programmes and utilisation for entrepreneurship is important amid the spiralling youth unemployment rate. This first chapter presents the overview of the study.

1.2. PROBLEM STATEMENT

Youth unemployment is a serious problem facing post-apartheid South Africa. One of the ways in which other countries develop their economies and increase employment levels is through development and support of small businesses (Department of Industry [DTI], Australia, 2014). In addressing the escalating problem of youth unemployment, the South African government came up with various entrepreneurial and Small, Medium and Micro Enterprises (SMMEs) support programmes geared at empowering the previously disadvantaged, particularly youth, to start and maintain their own businesses (DTI 2013:6). With all these support programmes in place, unemployment, especially of youth, has peaked to the all-time high of 71% in the country (StatsSA, 2013). If so many of our youth are unemployed, and there are small business support measures in place, the question of how come these youths do not take up the opportunity to become entrepreneurial and employ themselves, becomes crucial.

Therefore, the problem is that youth unemployment is high, highlighting the importance of the need to do something about this unemployment. The country's government has put small business support measures in place to help youth to employ themselves and others. However, there is not much evidence to show that they (unemployed youth) enter into entrepreneurial ventures. This research will try to evaluate whether young people are aware of the SMME support programmes by government that are geared towards youth empowerment and subsequently job creation.

1.3. MOTIVATION/RATIONALE FOR THE STUDY

Youth unemployment for those between 14- 35 years in the country has reached an all- time high at 70%, and is seen as a major concern for the government. In the Limpopo Province, unemployment rate in general is standing at 35.6%, according to Statistics SA (2013:2). The motivation in doing the study is informed by the economic impact that the programmes might do in helping the youth participate meaningfully in the economy and benefit, in the general, the economy of the country. The Limpopo Province, being one of the most under-privileged and poorest, is a victim of these high rates of unemployment (Kyei and Gyekye, 2012:1). The entrepreneurship and ownership of small businesses can contribute significantly to the economy and to the development and employment of youth. The rationale behind the study is to unearth what are the reasons for youth not participating in the economy while the programmes to assist them are in place.

1.4. SIGNIFICANCE OF THE STUDY

The study wishes to highlight reasons why youth do not utilise SMME support programmes that are available for them, thereby also assisting in the understanding of why the SMME support programmes fail to assist the targeted population, the youth, who they were designed to assist. The study will hopefully make youth aware of the existence of the support programmes, sensitise them to the need and possibilities of considering venturing into business as a way of developing themselves and their local economy. The study is also expected to help policy makers in further

implementation and monitoring of these support initiatives that have been put into place. The eventual contribution is in hopefully having youth make a contribution towards the improvement of their local economy. Economic participation usually helps in halving the level of unemployment and thus improving the economic activity provincially as well as nationally.

1.5. AIM AND OBJECTIVES OF THE STUDY

1.5.1 Aim of the Study

The overall aim of the study is to find out if youth in Mankweng area are aware of the opportunities afforded by SMME support initiatives that are in place to support youth small business owners and if they have ever attempted to utilise such opportunities.

1.5.2. Objectives of the Study

The research aims to achieve the following objectives:

- To examine whether the unemployed youth in Mankweng area know about the small business support programmes put into place by government;
- If they are aware of them, find out if they have ever tried to utilise them and their experiences thereof;
- If they have never tried to utilise those programmes, investigate their reasons;
- To investigate whether youth have the skills required to benefit from the programmes.

1.6. RESEARCH QUESTIONS

This study intends to answer the following questions:

- 1) Are the unemployed youth graduates in Mankweng aware of the government small business support structures/initiatives?

- 2) If they are aware of them, have they ever tried to access and utilise them? What were their experiences?
- 3) If they are aware of them but have not tried to utilise them, what are their reasons?
- 4) If they are not aware of them, what can be done to increase their awareness?

1.7. DEFINITION OF CONCEPTS

1.7.1 Unemployment

According to Standing, Sender and Weeks (1996:103), unemployment combines a condition (being without employment), a need (for work or for income), an attitude (desire of paid work), a capacity (ability to accept an opportunity, or at least availability to do so), and an activity (searching for work). For the purpose of this research unemployment will refer to the youth from ages 19-35 years that are not working and are economically inactive.

1.7.2 Unemployment Rate

The unemployment rate can be defined as the number of people actively looking for a job divided by the labour force. Changes in unemployment depend mostly on inflows made up of non-employed people starting to look for jobs, of employed people who lose their jobs and look for new ones and of people who stop looking for employment (Statistics South Africa, 2013:3)

1.7.3 Youth

The United Nations General Assembly defines youth as those persons between the ages of 15 and 24 years. The African Youth Charter defines youth as individuals aged 15 to 35 years, and this can be explained by the longer time it takes for people to become economically independent on the African continent (Maina, 2012:1). For purposes of this study the age range of 19 – 35 years will be used.

1.8. ETHICAL CONSIDERATIONS

According to Leedy and Ormrod (2013:104), whenever human beings or other creatures with potential to think, feel, and experience physical or psychological distress are the focus of investigation, researchers must look closely at ethical implications of what they are proposing to do. The following ethical issues were considered in the study: protection from harm, voluntary and informed consent, the right to privacy and accessibility of results.

1.8.1. Voluntary Participation and Informed Consent

When the research involves public documents or records that human beings have previously created- birth certificates, newspaper articles, and so on- such documents and records are generally considered to be fair game for research investigation. But when people are specifically recruited for participation in a research study, they should be told the nature of the study to be conducted and given the choice of either participating or not participating. Furthermore, they should be told that, if they participate, they have the right to withdraw from the study at any time and under no circumstances should people feel pressured to participate by employers or other more powerful individuals. Any participation in a study should be strictly voluntary (Leedy and Ormrod, 2013:105).

The study, what it is about, was explained to the respondents to obtain their informed consent prior to participation. The respondents were also informed that their participation is voluntary and they will not be remunerated for participating.

1.8.2. Protection from Harm

Researchers should not expose research participants to unnecessary physical or psychological harm. When the study involves a human being, the general rule of thumb is that the risk involved

in participating in a study should not be appreciably greater than the normal risks of day-to-day living. As such, participants should not risk losing life or limb, nor should they be subjected to unusual stress, embarrassment, or loss of self-esteem. A researcher should treat all participants in a courteous and respectful manner. A researcher should inform participants the benefits of participating in the study. In cases where the nature of the study involves creating a small amount of psychological discomfort, participants should know this ahead of time, and any necessary debriefing or counselling should follow immediately after their participation (Leedy and Ormrod, 2013:105).

Information obtained from respondents in this study will not be used to harm them in any way

1.8.3. Confidentiality

Any research study involving human beings must respect participants' right to privacy. Under no circumstances should a research's report, either oral or written, be presented in such a way that other people become aware of how a participant has responded or behaved – unless, of course, the participant has specifically granted permission in writing for this to happen. In general, a research must keep the nature and quality of individual participant's performance strictly confidential (Leedy and Ormrod, 2013:107).

No identifying information will be asked or kept on record for purposes of confidentiality. The information obtained will also not be divulged unnecessarily.

1.8.4. Availability of Results

A final report will be written on the results of the study and made available and accessible to all interested stakeholders.

1.9. OUTLINE OF THE DISSERTATION

Chapter 1: Introduction

In this chapter the research problem and significance of the study were outlined. The motivation for the study, aim and objectives of the study as well as the research problem were also given.

Chapter 2: Literature Review

The second chapter presents the relevant literature that was reviewed to check the kind of work that has been done in this area of youth unemployment and development. The review also focuses on the contribution of small businesses to the economy as well as the need to empower young people, and subsequently integrating them in the economy.

Chapter 3: Research Methodology

This chapter outlines the methodology used to collect data for the study. It describes the design followed, instrument of data collection as well as the method of collecting data.

Chapter 4: Research results

The chapter presents findings from the study using diagrams and tables and summarises the results.

Chapter 5: Conclusion and recommendations

The final chapter gives an outline of the conclusion drawn from the findings and then gives recommendations for future research.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

The current chapter gives an overall view of the concept, youth entrepreneurship. Special attention in this chapter was paid to looking at the scale of youth unemployment in general, the importance of youth entrepreneurship and SMME ownership as well as the level of the participation of South African youth in the country's economy. The Global Entrepreneurship Monitor (GEM) South Africa Report (2010) shows South Africa's Total Early-Stage Entrepreneurial Activity (TEA) to be at 8.9%, with youth constituting about 0.9% - this is very low for any developing country like ours. With the rising number of youth unemployment as reported in the Stats SA (2014), that suggests the country has a huge number of youth (aged 15 to 34) unemployed, the youth unemployment rate has increased from 32.7 percent to 36.7 percent between 2008 to 2014 according to the Stats SA (2014) report on national and provincial market trends among the youth. This is just a tip of the iceberg; youth unemployment remains a challenge in the country.

2.2 THE SCOPE OF YOUTH UNEMPLOYMENT

Youth unemployment can also be determined by the level of education. According to Martin (2013:2), the rate of unemployment for young people is determined by their level of education. Young people with lower levels of education are substantially more likely to be unemployed than those with higher levels of education, with the completion of Grade 12 and tertiary education being particularly determinative of more positive employment prospects. Young people who complete Grade 12 are 30-60% more likely to be in formal employment than those who did not. It is, however, young people with tertiary qualifications that enjoy the highest levels of employment (Statistics South Africa, 2012; Cloete, 2009; Lam, Leibbrandt & Mlatsheni, 2008; National Treasury, 2011; Centre for Development Enterprise, 2008; Rankin, Simons, Rule,

Trope& Bernstein, 2007). It is not only the level of education, but the quality of educational outcomes that impact on employment.

Central to the problem of education is the Department of Basic Education which allows pupils to pass with 30%, and allowing them to do mathematical literacy while there is a shortage of mathematics related fields like engineering and medical sciences. Studies have shown a link between better numeracy and literacy scores and access to the job market (Lam, Leibbrandt&Mlatsheni, 2008; Rankin, Simons, Rule, Trope& Bernstein, 2007; National Treasury, 2011; Marock, 2008). It is thus of particular concern that 3.3 million (32.7%) of young people aged between 15 and 24 years are neither employed nor attending an educational institution (NEET). This translates into twice as many young unemployed people that are out of education compared to those in education. The route to employment for the majority of these young people is to re-enter and further their education (Perold,Cloete and Papier, 2012; Statistics South Africa, 2010).

Young people with incomplete secondary education do not have a significantly better chance to get a job than people with no schooling. In contrast, for those with at least matric, the odds of being employed were higher compared with the reference category. However, the likelihood of matric increasing chances of being employed between the 2000 and 2011. For instance, having matric increased the likelihood of being employed by 24.1% in 2000 but decreased to 20.5% in 2011. Having a post-matric certificate or diploma qualification was associated with a 63% greater likelihood of being employed in 2000, but it was only 48.5% in 2011. Those having a bachelor degree had the higher chances of being employed in the years prior to 2010, from then this probability decreased. These results suggest the increase in the possibility of graduate unemployment in recent years (Yu, 2013:15).

According to Yu (2013:01), some of the young work seekers are not well educated and dropped out from school early, due to reasons like poverty and inability to cope with studies. As the

economy demands highly-skilled labour due to technological advancements, an incomplete secondary education is insufficient to guarantee employment (Burns, Edwards and Pauw, 2010; Lam, Leibbrandt and Mlatsheni, 2008)). Even if the youths pursue post-secondary education, graduates from study fields such as humanities and arts as well as education are less likely to find employment, compared with those from fields like engineering and medical sciences. The under-supply of graduates from the latter fields is mainly due to the decreasing number of students enrolling and passing mathematics and physical science in their matriculation year as they could not cope with these subjects during their school years (Centre for Development and Enterprise 2007), as well as the struggle of tertiary institutions to retain high-quality teaching and research staff (Du Toit and Roodt, 2008). In addition, some of the matriculants completed their post-Matric qualifications at institutions not recognised by employers (Mlatsheni and Rospabé, 2002; Moleke, 2005; Altman, 2007). This is the case especially for blacks with post-Matric certificates or diplomas (Pauw et al., 2008). Hence, these young graduates are not absorbed by the employers.

Yu (2013:03) is of the view that as the provisions of the Labour Relations Act (Act no. 66 Of 1995) make it very difficult for employers to shed nonperforming workers, employers feel more risk averse to employ inexperienced young workers, whose productivity is not fully known (Van Aardt, 2009). In addition, the minimum wage agreed on during collective bargaining is more easily afforded by the larger firms, but not necessarily by the smaller firms. The latter firms, which are more labour-intensive and potentially the main source of employment creation, would then either close down or retrench workers, and youths are more likely to be retrenched first (Nattrass, 2000).

Other possible reasons accounting for youth unemployment include economic recession (as youth workers are more likely to be laid off at times of financial difficulties, as indicated by the fact that the employment elasticity of economic growth between 1995 and 2011 was only 0.42 for youths but 0.68 in the case of adults and there tends to be employment discrimination against the young work seekers (Mlatsheni and Rospabé, 2002).

Being unemployed as a young person often leads into being extremely discouraged to look for employment. According to Yu (2013:15), the probability of being discouraged jobseekers was the highest in North West Province and Limpopo, due to the low levels of employment prospects, more especially for young people. The other reason to this trend is that these provinces are mainly poor. In the case of Limpopo, the province relies heavily on primary production and little investment or initiative were done to encourage processing.

The determinants of these high levels of unemployment are lack of skills for jobs available; job seekers believe the probability of finding a job is so low that they do not even look; lack of work experience; lack of job search capabilities and networks; companies find it risky and costly to employ young people; and the rate of population growth among youth far exceeds the number of jobs created by the economy (DTI, 2013:18).

2.2.1 Youth Unemployment Nationally

Currently, there are 5.9 million unemployed people in South Africa, of which 4.3 million are youth (73%). The ratio of youth-to-adult unemployment is about 1:3 (for every unemployed adult there are three unemployed youth). Unemployment figures across the racial divide are stark: 30% of blacks are officially unemployed compared to 6% of whites. Half of those aged between 15 and 24 are without jobs. If those too discouraged to look for work are included, the adult unemployment rate jumps from 25.6 % to 36%, which is more than one worker in three. The Bureau for Market Research believes the true figure could be as high as 40% (DTI, 2013:18).

South Africa does not have a thriving informal economy where the jobless can take refuge. It is therefore relevant for the government to create schemes to help the youth enter into the South African economy. OECD estimates put employment in the shadow economy at only 15% of the total, compared with about 50% in Brazil and India and nearly 75% in Indonesia. A disturbing

aspect of the high youth unemployment rate is that four out of five unemployed youth have never had a job. GEM 2010 research, indicates that the majority of people starting businesses were employed while doing so. The fact that so many young people in South Africa are excluded from the 'work experience' means they are not only denied the opportunity to access knowledge and develop skills, but also to explore starting a business/self-employment from the relative safety of having a secure income while attempting to do so(DTI, 2013:18).

The lack of youth economic development in South Africa is a reflection of the lack of consistent budget allocation and reporting by government departments and agencies driving enterprise development at the national, provincial and local levels in their Estimates of National Expenditure (ENE, 2011). Where some of these departments do budget for youth programmes, they tend to grossly under-report actual expenditure for specific items benefiting the youth, which shows that the economic development of young people lacks prioritisation. There is therefore a need to ensure that all spheres of government and agencies involved in enterprise development must prioritise the mainstreaming of youth in their policies, strategies and programmes and report on progress accordingly. This strategy encourages all implicated spheres of government to undertake mainstreaming and a mechanism will be developed by the DTI to monitor, collate and report progress (DTI, 2013:18).

According to Yu (2013:16), one of the most important long-term solutions to reduce youth unemployment is to reduce the size of the lowly educated youth labour force, by improving the quality of education, increasing the enrolment and passes in mathematics and science, and reducing drop-out before Matric. Thus, there is the need to work towards the employability of young people before we can effectively deal with the issue of employment.

2.2.2 Youth Unemployment in Limpopo

Employment is one of the most significant determinants of the welfare of any nation. Any significant changes in employment will subsequently affect the living standard of the household.

South Africa has been a victim of high unemployment rates, with the official unemployment rate rising from 15.6 percent in 1995 to a peak of 30.3 percent in 2001 and minimally declining to 26.7 percent, recording a differential of 11 percentage-points, since 1995. The current unemployment rate is at 25.6 % while for the youth it is even higher at 73% (Stats SA, 2014). Limpopo tends to have one of the highest proportion of rural dwellers in South Africa, hence it is expected that conditions in the province are inferior to the national average, implying a higher unemployment rate. After the demise of apartheid (post-1994), the supply of labour increased dramatically. The nascent labour entrants, characterised as unskilled, increased dramatically, but as the economy grew, there was a drastic shift towards a more skill-based economy creating massive lay-offs. A study by Kyei and Gyekye (2012:1) revealed that females, postgraduate students, the middle aged, primary and/or incomplete secondary schooling and being Asian (ethnicity) are predictors of unemployment in the Limpopo province in South Africa.

2.3 THE IMPORTANCE OF YOUTH SMME OWNERSHIP IN EMPLOYMENT

According to Mbedzi (2012:iv), in South Africa, the importance of developing small, medium and micro-enterprises (SMMEs) becomes even more critical for the achievement of social stability by creating jobs to solve the high unemployment rate. Apart from their contribution to job creation and economic growth, SMMEs can play a significant role in the economy of the country by introducing new innovative products and services, thereby improving the quality of life of the people. SMME support can generate enough employment, economic growth as well as the general economic growth of the province and the country. In the year 2005, SMMEs constituted about 95 per cent of all businesses in the country, generated 30 per cent of the Gross Domestic Product (GDP) and absorbed between 50 per cent and 60 per cent of the formally employed labour force. Small businesses have a critical role to play, because these enterprises are well-placed to promote the country's entrepreneurial potential and upgrade human capital. However, in comparison to other developing countries the contribution to job creation and economic growth by South Africa's SMMEs is still low. This can be attributed to poor or inadequate training in entrepreneurship and the general tendency of people expecting to be employed rather than be self-employed.

According to the then Limpopo Business Support Agency (LIBSA, 2013), after establishment, the average lifespan of an enterprise rarely exceeds three years. About 60 per cent of small businesses cease to operate within five years of their existence. Van Eeden et al. (2003:20) estimate the failure rate of SMMEs in South Africa to be between 70 and 80 percent (Mbedzi, 2012:4).

The creation and sustainability of new SMMEs are vital to the economic prosperity of South Africa. Without the creation of new SMMEs, South Africa risks economic stagnation (Garwe and Olawale, 2010:1). Small and medium enterprises (SMEs) are important to the development of the South African economy and in solving the unemployment for the youth in at least two ways (Raduan, Kumar and Yen, 2006:1). Firstly, entrepreneurship is especially learned by opportunity recognition and experience. Secondly, potential entrepreneurs would use self-directed learning to learn how to start-up a business and recognise opportunity as soon as possible before they develop a new enterprise (Tseng, 2008:16).

2.4 BARRIERS TO YOUTH ENTREPRENEURSHIP

According to Rankin, Roberts, Schöer and Shepherd (2012:25), the National Treasury (2011) estimates that only one in eight working-age adults under 25 years of age has a job (compared with 40 per cent on average in most other emerging economies). Few in this category (youth who are unemployed) pursued their livelihood through self-employment. In 2008 only 1.4 per cent of employed young people were self-employed, compared with 10.0 per cent in the 35–65-year age group. There are several reasons why young South Africans struggle to make it in the entrepreneurial world. Firstly, they lack the savings and start-up capital. Self-employment generally requires some start-up costs, such as buying stock or equipment. In the early stages of a business, income may also be variable, requiring savings to meet living and other costs. Most young people have not had the opportunity to acquire the savings to start up a business, and friends, relatives and financial institutions are unwilling to extend credit on the basis of a limited

employment track record. Secondly, they lack the experience and skills that are gained through work experience. Thirdly, they may prefer the guarantee of a regular, often higher, income over the uncertainty related to a new business venture that may, at least initially, require sacrifice in terms of income.

The relatively inexperienced and less educated youths who struggle to find employment in the formal sector could still survive by engaging in informal sector activities. Nonetheless, informal employment is hindered by various barriers to entry, ranging from crime, lack of access to formal or even informal credit, lack of access to infrastructure and services, insufficient provision of training facilities, lack of market access and business development programmes. The existence of some of these barriers is attributed to the government support programmes on small, medium and microenterprises (SMMEs) being biased towards the groups of small and medium-sized enterprises, bypassing microenterprises and the informal enterprises (Rogerson, 2004; Devey, Skinner and Valodia, 2006; Kingdon and Knight, 2004). Also, the Sector Education and Training Authorities (SETAs) tend to prioritise the needs of those paying the skills levy (which goes towards the National Skills Fund (NSF), that is, registered enterprises in the formal economy (Devey et al., 2006)). Therefore, the development and growth of the informal enterprises and their subsequent contribution towards employment creation, including youth employment, are inhibited.

2.5 ADDRESSING YOUTH UNEMPLOYMENT AND YOUTH ENTREPRENEURSHIP

According to the Department of Trade and Industry (2013:9), the economic participation of youth in the economy is very low and this is a challenge that has been vexing the South African Government for the past 18 years. The low economic participation of young people expresses itself in high levels of unemployment, poverty, illiteracy among youth and lack of exposure to sustainable livelihoods, which in turn exposes young people to social ills. The low levels of economic participation of young people can be attributed in part to the legacy of apartheid. Entrepreneurship is an unlikely route for most young people starting out as experience is generally needed to succeed in business. Moreover, the apartheid past dramatically reduced the

culture of entrepreneurship, meaning that young Africans are unlikely to have grown up in households with business people who would have shaped their understanding of market opportunities, their access to networks and know-how.

The South African government has thus realised the challenges that are faced by particularly youth in starting entrepreneurial ventures. Several initiatives and programmes have thus been put into place to help in the development and support of SMMEs. These initiatives and programmes include those by the:

- Department of Trade and Industry (DTI);
- National Youth Policy;
- Provincial Departments of Economic Development;
- National Youth Development Agency (NYDA);
- State Owned Enterprises (SOEs);
- Youth Business Chambers and Associations;
- Government Agencies;
- Youth Entrepreneurship Promotion and Awareness Programme (Outreach)

2.5.1. The Department of Trade and Industry (DTI)

According to DTI (2013:34), the roles and responsibilities of the DTI (carried out by the youth directorate) include the following:

- To promote and support youth enterprise development and entrepreneurship in South Africa through the implementation of this strategy;
- To co-ordinate, monitor, review and report progress made with regard to the implementation of this strategy utilising an Information Technology System;
- To encourage mainstreaming of youth enterprise development within the DTI programmes, policies and strategies, including those implemented by the Council of Trade and Industry Institutions (COTIIs) and report progress accordingly;

- To lobby all the enterprise development agencies, and provincial and local government to report annual expenditures dedicated to support youth enterprise development;
- To provide technical support to provincial and local government in terms of the formulation, alignment and implementation of sister policies and programmes aimed at promoting youth enterprise development;
- To establish a provincial youth enterprise development co-ordination structure to ensure collaboration on programmes and information sharing;
- To enter into partnerships with the private sector and youth organisations to enhance youth enterprise development;
- To lobby the private sector to develop programmes aimed at supporting the development of youth-owned and managed enterprises and the promotion of entrepreneurship; and
- To lobby donor organisations to solicit technical and financial support for the promotion of youth enterprises and entrepreneurship.

2.5.2 The National Youth Policy 2009-2014

According to the DTI (2013:28), the challenges and gaps identified in the review of the National Youth Development Policy Forum(NYDPF) 2002-2007 by the National Youth Council(NYC) gave rise to the current National Youth Policy 2009-2014. This amended policy enjoins all spheres of government to mainstream youth economic development in particular and youth development in general. It promotes integration of delivery mechanisms through the establishment of the NYDA, which was carried out through the National Youth Development Agency Act (NYDA), No. 54 of 2008. The NYDA is a merger of the Umsobomvu Youth Fund and the NYC with the mandate to provide business development support (financial and non-financial) and close the identified gaps and limitations confronting the youth development sector. The NYDA is to partner with all the organs of state in dealing with youth development issues.

A key differentiating feature of the National Youth Policy(NYP) 2009-2014 is the segmentation of the youth population in age cohorts and target groups in recognition of significant differences

that exist among youth groupings in terms of their unique situations and needs. This approach acknowledges the fact that young people in South Africa are not a homogenous group and a differentiated approach should be adopted in dealing with them. The policy therefore acknowledges that the 14 to 35 age range is by no means a blanket general standard, but within the parameters of this age range young people can be disaggregated by race, gender, social class, and geographic location (DTI, 2013:24).

Young people in South Africa, according to the Department of Trade and Industry report (2013:29), have diverse needs and there should be equally varied and unique interventions designed to address those needs. This policy recognises the various challenges facing youth from diverse backgrounds. It also acknowledges that problems experienced by individual categories of targeted youth groups are unique and multifaceted and require involvement of various service providers across different sectors. Therefore, it would be important to identify the broad categories of targeted youth groups requiring specialised and tailored interventions. Specific proposals in the policy include:

- The call for the development of a curriculum that fosters an entrepreneurial culture in the South African schooling system;
- The call for the development and expansion of entrepreneurship-related learnerships, such as the New Venture Creation Learnership and Mentorship;
- It encourages Government to develop business incubation for young entrepreneurs.
- Other programmes that the policy proposes to be implemented by both Government and the private sector involve business-development support services for young entrepreneurs; business linkages for youth-owned enterprises through procurement; ring-fencing government funds; and integrating youth into the BEE codes. Furthermore, the policy encourages Government to promote agriculture and related professions (e.g. veterinary science, horticulture, forestry and nature conservation) as attractive career opportunities and support the formation of co-operatives to enable young people to access employment and self-employment in commercial agriculture.

Youth enterprise is categorised into two components: Youth-Empowered Enterprise and Youth-Owned Enterprise. Youth-Empowered Enterprise is a form of enterprise that constitutes 25% to 50% ownership and is controlled by young women and/or men. A Youth-Owned Enterprise is a form of enterprise in which 51% or more of the ownership and control are in the hands of young men and/or women (DTI, 2013:34).

2.5.3. Provincial Departments of Economic Development

At the provincial level the agencies such as LEDA, LIBSA and LimDev in line with the Department of Trade and Industry have the following roles and responsibilities:

- To support the development and growth of youth-owned and managed enterprises in the respective province;
- To align their enterprise development policies with this strategy and design programmes aimed at assisting in this regard;
- To encourage mainstreaming of youth enterprise development in the provincial line departments and within the economic departments, covering all their respective programmes, policies and strategies and to report progress accordingly;
- To ensure the establishment of youth directorates that have the capacity to drive the implementation of youth enterprise development in the province, co-ordinate with municipalities and report progress to the DTI accordingly;
- To enter into partnerships with the private sector and youth organisations in their endeavour to support the development and growth of youth enterprises;
- To co-ordinate, monitor, review, collate data and report progress made on youth enterprise development in the respective provinces, including progress made by its agencies and municipalities;
- To effectively participate in the DTI's provincial co-ordination committee on youth economic empowerment to share information on best practices and to report progress;
- To establish a provincial database on youth enterprise development and entrepreneurship linked and aligned to the database of the DTI; and

- To assist municipalities to integrate the support for youth enterprise development in their IDP programmes (DTI, 2013:38)

2.5.4. The National Youth Development Agency (NYDA)

In addressing the issue of youth entrepreneurship and youth unemployment, NYDA is tasked with the following roles and responsibilities:-

- To co-ordinate, evaluate, monitor and provide oversight to all programmes designed to support youth economic participation;
- To roll out an International Youth Development Strategy (IYDS) aligned with the NYP (2009-2014);
- To initiate support programmes in alignment with this strategy directed at poverty alleviation, urban and rural development and the combating of crime, substance abuse and social decay among youth;
- To establish annual national priority programmes in respect of youth development as well as to enhance the roll-out of this strategy;
- To promote a uniform approach and mainstream youth development to all organs of state, the private sector and non-governmental organisations;
- To lead the provision of financial and non-financial support on youth enterprise development;
- To partner with other enterprise development agencies in areas such as co-funding arrangements and business support services; and
- To partner with the DTI in the implementation, monitoring, evaluation and reporting progress on this strategy (DTI, 2013:38).

2.5.5. The Role of the State Owned Enterprises (SOEs) and the Private Sector

The problem of youth unemployment needs a coordinated effort from both the private sector as well as the State Owned Enterprises (SOEs), if it is to be addressed holistically. The roles that the above mentioned can play are summarised as follows:

- To promote and support youth economic participation through enterprise creation in the private sector;
- To develop youth economic participation through enterprise-creation programmes that support this strategy;
- To encourage to provide a minimum of 30% procurement opportunities and enterprise development support and corporate social investment to youth enterprises that can be claimed from the B-BBEE Codes of Good Practice and sector codes;
- To enter into PPP initiatives aimed at supporting youth economic participation through enterprise-creation for young people;
- To encourage mainstream business and SOEs to support and partner with youth business formations in programmes (e.g. business mentorship, training, technical skills etc.) aimed at youth economic participation through enterprise creation; and
- To reflect progress on supporting youth economic participation through enterprise creation in their own annual reports and information technology data that can be available to the public (DTI, 2013:38).

2.5.6. The Role of the Youth Business Chambers and Associations

- To develop programmes aimed at economically empowering young men and women with special focus on unemployed graduates, out-of-school and disabled youth;
- To partner with mainstream business in programmes aimed at youth economic participation through enterprise creation; and
- To play a lobby and advocacy role in the youth policy arena (DTI, 2013:38).

2.5.7. The Role of Government Agencies

These are agencies that were made available to address issues of young people such as lack of skills, more especially helping them into being economically active. These agencies include National Youth Development Agency (NYDA) and the Limpopo Economic Development Agency (LEDA). Their roles are as follows:-

- To promote and support youth economic participation through enterprise creation in the private sector;
- To mainstream youth in all relevant core programmes and products;
- To develop new youth economic participation through enterprise-creation programmes/products, if and where necessary, that support this strategy;
- To partner with financial institutions (e.g. banks) to provide business development support services and programmes targeting youth enterprises; and
- To implement, monitor and report progress to the DTI on youth economic participation through enterprise creation in line with their mandate (DTI, 2013:39)

2.5.8. Youth Entrepreneurship Promotion and Awareness Programme (Outreach)

The strategic aim of this programme is to promote and raise awareness of entrepreneurship, targeting young people, throughout the country and to encourage them to view entrepreneurship as the first option in their economic participation endeavours. The main objectives of the youth entrepreneurship promotion and awareness programmes are to improve the culture of entrepreneurship among the South African youth; to increase economic participation among South African youth in relation to entrepreneurial activity and to increase employment opportunities to South African youth, particularly self-employment. The targeted beneficiaries are youth enterprises, unemployed youth, youth who are out-of-school, tertiary students and unemployed graduates (DTI, 2013:39).

Key Performance Indicators of the Youth Entrepreneurship Promotion and Awareness Programme (Outreach)

The successes of this awareness programme will be measured in terms of:

- An increased number of outreach/information dissemination campaigns targeted at youth and youth enterprises.
- Percentage increase of young people gaining access to information on the entrepreneurship development products and services offered by the DTI.

- Percentage increase of the number of youth enterprises accessing the DTI enterprise development support programmes as a result of the campaigns.
- Percentage increase on the number of youth-owned enterprises established due to information disseminated during the campaigns (DTI, 2013:39).

2.6 SMME SUPPORT INITIATIVE IN LIMPOPO

The diverse nature and economic strength of different districts of the province call for different approaches in assisting small, medium and micro enterprises to ensure that all business communities participate in the economic processes of the province and the country. To that end, in Limpopo, in addition to the national initiatives on support of SMMEs, several programmes and initiatives were put into place.

2.6.1 Limpopo Economic Development Agency

Limpopo Economic Development Agency (LEDA), which was formed after the merger of The Limpopo Business Support Agency (LIBSA, 2013) and Limpopo Development (LimDev) is also mandated with SMME support and development. This agency was formed in response to the Provincial Growth and Development Strategy (2012), to focus on exploiting opportunities in all economic sectors for business development and promotion among existing and aspiring entrepreneurs in the province. Although the mandate of LIBSA is to focus mainly on growth sectors, the range of services provided to the business community is far beyond LIBSA's scope, given the dynamic environment within which it operates (LIBSA, 2013). LIBSA developed a business incubation programme to underpin its intervention strategies. Under this programme, SMMEs are subjected to 15 months of intensive, specialised capacity building programmes on various business skills such as access to bookkeeping, marketing management, stock control, practical pricing and costing and customer care by industry experts from various economic sectors (LIBSA, 2013).

Objectives of the then LIBSA (now part of LEDA) are as follows:

- Providing an enabling environment for business development among special groups (women, youth and the disabled).
- Building a strong business network among the enterprises, industry experts and government.
- Ensuring long term sustainable enterprises post incubation(LIBSA, 2013).

Although, the objectives of these programmes are highlighted and clear on paper it is not clear how many enterprises they have helped so far and to what extent this is useful to young people.

2.7 CONSTRAINTS TO YOUTH ECONOMIC DEVELOPMENT

The core challenges confronting youth economic development with regard to enterprise creation in South Africa can be categorised into the following distinct components:

2.7.1. Low Levels of GDP Growth

According to the DTI (2013:10), low economic growth has played an indirect role in retarding the participation of young people in the economy and particularly the creation of youth enterprises. Policies that drive accelerated and sustained economic growth are important because a growing economy boosts labour demands and decent employment opportunities for young and old workers. It also boosts entrepreneurial activities that create self-employment. In the early years of post-apartheid South Africa, the country witnessed a steady economic growth rate, reaching a height of 5% in 1997. Although South Africa's economy was growing during this period, its growth lagged behind its peers running at a little more than 1% a year. In 1998, the country was adversely affected by the global financial crisis, resulting in a negative growth rate for the first time, which affected the growth of critical sectors such as mining, textiles, automotive and manufacturing sectors. In the latter part of 2008 and 2009, the economic crisis reduced GDP growth with a drop of 3%.

Some of the reasons why South Africa's GDP growth has not managed to keep pace with other emerging markets and its Brazil, Russia, India, China and South Africa (BRICS) counterparts include: Firstly, South Africa is a small country that does not have a huge domestic customer base. Even though the African continent contains a billion potential consumers, the different currencies, regulations and policies along with poor infrastructure and transport systems make trading with our neighbours quite difficult. Secondly, our low rate of savings and investments, partly because of a low culture of saving in the populace and the low confidence of the private sector to invest, stunts our economic growth. Thirdly, despite investing 6.1% of our national budget on education, we have an acute shortage of skilled labour as required by the market. Fourthly, we have a strong and volatile currency, which deters investors and makes our exports less competitive. Fifthly, our infrastructure, though far better than the rest of Africa, suffers from severe bottlenecks, including power shortages, and urgently needs upgrading (DTI, 2013:11).

2.7.2. High Income Inequality and Low Economic Transformation

High income inequality and low economic transformation in South Africa is an indirect constraint to youth economic participation and enterprise development. It is remarkable that while for the most part of the early 2000's, South Africa enjoyed a relatively strong economic growth rate, the economy remained one of the most inequitable in the world. Inequality is measured by the Gini coefficient. Gini stands for "generalised inequality index", which can vary between "0" and "1". The closer to 1, the more unequal a society and the closer to 0, the more equal a society. At 1, being the highest possible score, 1% of the population would receive 100% of the income. The study revealed that the Gini score for South Africa is about 0.67, which is only exceeded by Namibia (0.74), indicating that our country has one of the most unequal income distributions in the world. This effectively means that approximately 40% of the national income in South Africa goes to the richest 10% of households in our country. This trend is even more worrying when our Gini index is compared to our GDP growth rate. If GDP increases, it conventionally means that the people in a country are doing better. However, if the

Gini index is rising as well, it suggests that the majority of the population may not be experiencing increased income even though the economy is growing(DTI, 2013:11).

2.7.3.Low levels of Youth Economic Participation

There have been low levels of youth participation in the economy. The South African population is currently estimated to be 50 million people, of which the youth population (aged 14 to 35 years) is about 20.5 million, representing 41.2% of the total population. This suggests that a substantial number of the South African population is youth. Therefore, economic growth and development cannot be achieved without addressing the socio-economic needs of this segment of our population. The travesty in South Africa is that, twenty years after the advent of democracy, this segment of our population is still faced with low levels of economic participation, poor entrepreneurial skills and limited business opportunities. This is due to the apartheid policies of the past and the existing gaps in current economic development policies, among other things. (DTI, 2013:14)

2.7.4.Total Early-Stage Entrepreneurial Activity (TEA) for Youth in South Africa

Two of the more salient indexes that reflect the low levels of youth economic participation are the Total Early-Stage Entrepreneurial Activity (TEA) Index for Youth and the youth unemployment rates (DTI, 2013). The TEA Index is the main indicator used, which assesses the percentage of working age population both about to start an entrepreneurial activity, and those that have started one from the maximum of three years and half. Although youth constitute about 41.2% of the South African population, the number of young people involved in business or self-employed is significantly low, at about 6% of the total of the youth population in the country. The Global Entrepreneurship Monitor (GEM) South Africa Report 2010 shows South Africa's TEA to be at 8.9%, with youth constituting about 0.9%. According to this report, a country at South Africa's stage of economic development would be expected to have a TEA rate of 15%, which is 60% more than our current actual rate of 8.9%. Moreover, South Africa's TEA rate of 8.9% is significantly lower than the average for all efficiency-driven economies at 11.7% as well

as the average for all middle-to low-income countries at 15.6%. Although the 2010 results of the GEM survey mark a slight improvement in South Africa's performance on previous surveys conducted since 2001, in that the country's TEA increased from 5.9% in 2009 to 8.9% in 2010, much of this improvement can be directly attributed to South Africa hosting the 2010 FIFA World Cup and it remains to be seen if this improvement can be sustained (DTI, 2013:14).

South Africans between 25 and 34 years of age are the most entrepreneurially active among the youth category and in 2010 accounted for 36% of all early-stage activity. Young women in general tend to fare worse than men with respect to TEA rates. The TEA index for women entrepreneurs in South Africa at 8.1% was lower than the average of all countries at 10% that participated in the GEM 2010 study. In contrast, young entrepreneurs aged between 18 and 24 years rate low on entrepreneurial activities, accounting for a mere 20%. While the low prevalence of entrepreneurial activity in the 18 to 24 age categories is in line with global trends. It is of concern in the South African context, where youth unemployment is increasing exponentially. It is, however, encouraging to note that with both age categories combined (18 to 24 years old and 25 to 35 years old) youth are accounting for a greater percentage of the TEA across all age groups. This is perhaps an indication of a maturing population in South Africa that increasingly views entrepreneurship and self-employment as a viable career choice (DTI, 2013:15).

The increase in the TEA rates can be attributed to government's commitment and drive towards job creation and the strengthening of support provided to business development. It also expresses commitment by the private sector to assist the process and to strengthen the case for increased government support to be provided to youth-owned and managed businesses in South Africa, particularly those at early stages and start-ups, to ensure sustainability (DTI, 2013:15).

According to the Department of Trade and Industry (2013:15), young women and women in general tend to fare worse than men with respect to TEA rates. The TEA index for women

entrepreneurs in South Africa (8.1%) was lower than the average of all countries (10%) that participated in the GEM 2010 study. Women's TEA was 40% in 2009 and 46% in 2010, whereas men's TEA was relatively high at 60% in 2009, dropping to 54% in 2010. In South Africa, there is a view that women are becoming increasingly involved in entrepreneurial activity, which can be attributed to the rapidly changing political and business landscape. Women are continuously expected to take up the responsibility of heading their families due to various circumstances such as the retrenchments of male partners and spouses and the shrinking numbers of job opportunities in the formal economy. In South Africa, women make up 52% of the adult population and 50% of the business force. Their contribution has not been nurtured. Moreover, the majority of South African women entrepreneurs operate within the crafts, hawking, personal services and retail sectors. This highlights the gender imbalance in entrepreneurship in South Africa, which requires serious intervention.

Generally women are less entrepreneurial than men because the majority of women entrepreneurs (71%) have educational qualifications equal to or lower than Grade 12 and are therefore involved in business opportunities that do not require high levels of expertise. They also lack critical expertise such as idea-generation, feasibility study, export and technology skills. More troubling is that women generally do not believe they are entrepreneurial; they find it risky to be involved in business because of family demands; they often do not have the assets to use as security; and do not understand the terminology used by banks and are therefore hesitant to approach them.

2.7.5 Nascent Entrepreneurship in South Africa

In terms of nascent entrepreneurship (which involves individuals who are actively committing resources to start a business that they expect to own themselves, but who have not yet reached the "birth event"), South Africa is rated 5.1%, which is below the GEM average of 6.4% as well as the average for efficiency-driven economies of 6.7%. The GEM South Africa Report (2010) attributes the increase on this rate (up from 3.6% in 2009) to the stimulus of the 2010 FIFA Soccer World Cup. The contribution of nascent entrepreneurial firms to economic development

and growth in GDP is very minimal and this trend is also reflected in the youth nascent entrepreneurship rates.

Gauteng is the most entrepreneurially dynamic province in terms of both overall early stage activity as well as opportunity- motivated entrepreneurship. Gauteng, the Eastern Cape and KwaZulu-Natal are the three provinces with the highest levels of entrepreneurial activity and together account for almost half of the early-stage entrepreneurial activity in South Africa. Mpumalanga and the Northern Cape, the two lowest-ranked provinces, have entrepreneurial activity rates less than a tenth and fifth respectively of the rates in Gauteng. Overall TEA rates in South Africa are boosted considerably by the higher activity levels in the three top-ranked provinces. Provincially, youth TEA rates mimic this trend (DTI, 2013:16).

2.7.6 Entrepreneurship and the Rural-Urban Divide

Research reports have consistently shown that individuals located in major urban areas were far more likely to be involved in entrepreneurial activity than those in rural areas. In metro areas, nearly 10% of adults were engaged in a start-up or new firm, compared to fewer than 2% in rural areas. The lack of entrepreneurial activity in rural areas has been confirmed by GEM reports, which argue that this is a result of lack of infrastructure development, smaller markets and lower levels of skills. The lack of an enabling environment within rural areas will need to be addressed in order to tackle poverty and migration from rural areas. This explains low entrepreneurial activities in rural provinces like Limpopo, especially amongst the youth (DTI, 2013:17).

The participation of young people in the economy through enterprise creation is paramount to move them from a state of dependence to one of independence, where a young person can find his/her place in society as an independent adult. This strategy seeks to contribute to unlocking the noted constraints identified in the contextual analysis of youth enterprise creation in South Africa (DTI, 2013:17).

2.7.7. Lack of Managerial, Technical and Entrepreneurial Skills

One of the most destructive legacies of apartheid was the fact that Africans were deliberately kept down, banned from most skilled jobs and given a vastly inferior education. The destruction of the Bantu education is well captured by the following statement, which was aired by the leading politician in the Senate in 1954: “What is the use of teaching a Bantu child mathematics when it cannot use it in practice?” The difference between expenditure on education for an African and a White child was 16 times more in favour of the latter. Although, education expenditure patterns have been equalised in the post- apartheid era, youth still possess skills that are not required by the labour market, a challenge that needs to be addressed (DTI, 2013:20).

The challenge of the lack of skills is concentrated among the African youth. It is argued that with parents who were denied access to most skilled jobs and the fact that they are still exposed to a system of education battling the legacy of inequality, African youth are unlikely to have grown up in a household with business people who would have shaped their understanding of market opportunities, access to networks and know-how. White youth are more exposed to the practical application of entrepreneurial skills, due to learning acquired from helping out in family businesses. In contrast, this is an opportunity that many black youth do not have, which in turn influences their success or failure in entrepreneurship. Moreover, they are not easily absorbed into the labour market due to the lack of work experience and entrepreneurial skills to create self-employment. They also lack assets to use as collateral to secure funding to start business enterprises. This vicious cycle is self-perpetuating and further prejudices the economic development, particularly of black youth. There is a need to introduce young people to a curriculum on entrepreneurship at an earlier stage, particularly at the basic level of education, to address the low levels of entrepreneurship among youth (DTI, 2013:20).

Entrepreneurial skills remain low among youth. Government departments and agencies involved in the area of entrepreneurial activity must assist in imparting the requisite skills for youth

entrepreneurs and managers. Most small business owners (83%) are black, while two-thirds (66.3%) of them have an education lower than Grade 12, highlighting the importance of skilling young and aspirant entrepreneurs. Research by Finscope as cited by DTI (2013), shows that the majority of small business owners already operating in the market are ‘self-taught’ with regard to the skills they need to manage their businesses. Only 11% can rely on their families for input and less than 10% have received small business training (DTI, 2013:20).

2.7.8. Lack of access to Micro-finance

Lack of access to Micro-finance is a constraint to youth enterprise development. In the latest survey of small business in South Africa, more than 82% of small business owners claimed to have funded their businesses using their own resources, without any assistance from third-party funding institutions. This is a positive development, but also reveals the inaccessibility of funding to small businesses. The lack of access to finance is demonstrated by the fact that 39% of small business owners indicated that cash flow was a key obstacle to starting their businesses. They were not able to easily access short-term credit. In addition, 65% of small business entrepreneurs required a median amount of R900 to start their business, which they found difficult to secure from third-party financial institutions. This suggests that at the level of early stage entrepreneurial activity there exists a market need for micro-finance in the R100 to R1 800 (with R900 being the median amount) range of financing for business start-up (DTI, 2013:21).

According to the DTI survey, 35% of the small business owners interviewed claimed they started their businesses using loans. Of these, 8.6% claimed to have secured the loan through formal sources, while 91.4% said they used an informal loan/borrowing source. Informal lending is lending from unauthorised creditors, often in an undocumented contracts, that leaves youth stranded as this loans are often three times the amount you borrowed to repay. Usage of both formal and informal credit and loans is low among the small business owners surveyed, suggesting that high risk is associated with these categories of debt. Of the 35% who accessed loans, only 14.3% claim to be currently repaying either money or for goods or to have borrowed again in the past 12 months. This suggests that in South Africa the chances of recovering a

micro-loan in the R900 median range are very low. Given the high risk in this area of financing, Government will need to intervene to address market failure (DTI, 2013:21).

2.7.9. Lack of Awareness of Organisations that give Support to Small Businesses

Lack of access to micro-finance is a serious constraint to youth enterprise creation and self-employment. There is significant opportunity for innovation in the banking sector and state sources of small business financing to meet the needs of the small business/micro-enterprises from a start-up perspective in terms of understanding the needs of early stage entrepreneurial activity. These micro-finance challenges speak to the need to ensure that both public and private providers of micro-finance are able to market their products to the target beneficiaries. In this regard, the South African Micro-Finance Apex Fund and private-sector banking institutions should aggressively communicate and make accessible their existing products in this market range(DTI, 2013:23).

2.7.10. Lack of Assets to use as Collateral

Young entrepreneurs do not have assets to use as collateral to secure funding to create self-employment or engage in entrepreneurial activity. This is prevalent for youth in rural areas, unemployed graduates,unemployed youth in general, and young people from informal settlements in urban and peri-urban areas. The existing financial institutions, both public and private, are largely risk averse and put in place stringent qualifying criteria with collateral as a ‘must have’ to secure funding, making it almost impossible for young people to access funding. This has had an unintended consequence of constraining youth entrepreneurship and self-employment activities. Moreover, the cost of capital in terms of interest charged for loans given to young people, particularly by commercial and private banks, tends to be higher due to the fact that youth not only lack assets to use as collateral, but also experience in employment and self-employment and they have limited knowledge and understanding of running and managing a business. African youth are at a greater disadvantage given the fact that they come from backgrounds where their family networks were never exposed to business given the legacy of

apartheid. There is a need to formulate or design a financial product/incentive to address this limitation confronting young entrepreneurs (DTI, 2013:24).

2.7.11. Lack of Packaged Information on available Business Opportunities

Most young entrepreneurs find it difficult to access business opportunities that may emerge as a result of publicly planned investment projects suitable for either start-ups or small businesses. It is therefore important that a smart mechanism be developed under the Youth Directorate to package these opportunities for young entrepreneurs to access. This will aid the growth and development of youth-owned and managed enterprises and will contribute towards the increase in employment, particularly self-employment. The DTI has aimed to ensure that all opportunities, whether in the private or public sectors, covering State Owned Enterprises (SOEs), provincial and municipal spheres of government are outsourced and packaged for young entrepreneurs. This calls for the need to improve the visibility of Government support to ensure that young entrepreneurs have no barriers to creating businesses for themselves. Low awareness of the support available to young entrepreneurs further constrains youth enterprise development and self-employment promotion (DTI, 2013:24).

2.8. SUMMARY

With all the highlighted support in the above, youth unemployment seems to be escalating at an unimaginable acceleration or pace. The issue mainly finds itself in the nature of the youth in question, their lack of entrepreneurship skills, educational attainment seem to be the main determinants of both employment and entrepreneurship. The historical imbalances of the past can be blamed for the lack of entrepreneurship skills and employment prospects, particularly to the black youth. This chapter presented a literature review on youth unemployment, the need for more SMME ownership and entrepreneurship, and support programmes/initiatives for small businesses in South Africa. The next chapter will present the methodology that was used to collect data for the current study.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter will present the research methodology. The chapter begins with outlining the research design, explains the study area, target population, sampling method, data collection method, data analysis, and some ethical issues as far as this study is concerned. The study is a qualitative study, which focuses on the awareness by the youth, of small business support programmes.

3.2. RESEARCH DESIGN

Research design is the plan to be followed to realise the research objectives and to serve as a master plan that specifies the methods and procedures for collecting and analysing the required information (Tustin et al., 2005:82). Research design is a plan which the researcher uses to obtain valuable information that satisfies the research objectives and addresses the research problem. This study is a qualitative research design, due to the nature of the respondents, i.e. unemployed youth in Mankweng Township. The exact number of the youth population cannot be determined outright. This study followed a qualitative research design in order to study the human action (for the purpose of our study, the awareness from an insider's perspective) (Barbie, 2013). According to Barbie (2013), before one can conduct a study or observe and analyse, one needs to thoroughly determine the map of accomplishing that. You need to know what you are going to observe and analyse and the reasons why and how you want to do that. Qualitative research is the most appropriate for this study as the research question to be covered is about the awareness and young people's perceptions and feelings about the SMME programmes by the government and because the research focuses on a small segment of the youth population. Since the outcome of the results are not known, it was therefore appropriate to use the chosen research method. Leedy and Ormrod (2013:140) highlighted that a qualitative research usually serves one of the following aspects, description, interpretation, verification and evaluation. The current

research was descriptive and used open ended questions to study the problems from the participants' perspectives based on their personal knowledge regarding the support programmes made available by the government to encourage and fund young people to enter into business.

3.3. STUDY AREA

Mankweng is a township in the Capricorn District Municipality in the Limpopo Province of South Africa. It is situated 30 km outside Polokwane, the capital city of the province. The area is about 14,628 km², mostly populated by the Africans of Pedi speaking origin. There are however, other languages such as Tsonga, Swazi, Ndebele and Venda in low percentages, and mostly being the students in the University of Limpopo's Turfloop Campus located nearby. Like most other parts in the country it is also populated by young people, who are mostly unemployed. For the purpose of this study, the focus will be on those who are neither at school nor working (Statistics South Africa, 2013:1).

The Mankweng area is adversely affected by the unemployment crisis, more especially youth unemployment. High youth unemployment has often been blamed for the high number of reported incidences of crime as well as other social ills in the area (Statistics South Africa, 2013:1).

3.4. TARGET POPULATION

A population consists of objects which may be individuals, groups, organisations, human products and events or the conditions to which they are exposed (Barbie, 2013; Welman, Kruger and Mitchel, 2005). This is the group from which the sample will be drawn. It will include all the people or establishments whose opinions, behaviour preferences and attitudes will yield information for answering the research question (Tustin, Ligthelm, Martins, & Van Wyk, 2005:96). Youth unemployment population is found everywhere in South Africa, but more in the rural provinces. The research takes place in the Mankweng Township, which is located in

the Limpopo Province. The area of Mankweng, according to Statistics South Africa (2013:1) is currently estimated to have 41 298 people covering the area of about 14,628 km². Although the exact population in the area can be determined the exact number of the unemployed youth population, which is the target for this study, is difficult to determine. So for the purpose of this study, the researcher will focus on young people from the ages of 19- 35 years, who are not studying and are not employed. For the purpose of this research, special attention will be given to those who have tertiary qualifications.

3.5. SAMPLING METHOD

A sample is a subset of the population. The sampling method involves specifying whether the probability or non-probability approach will be applied in order to draw the sample, and exactly how the sample units or members will be selected (Tustin et al., 2005:344). Probability sample plan is a plan in which everyone in the target population has an equal chance of being included in the sample (Tustin et al., 2005:96).

This study used non-probability sampling and purposive sampling to obtain the research participants. Non-probability samples are instances in which the chances (probability) of selecting members from the population in the sample are unknown (Tustin et al., 2005:344). Purposive sampling is a sampling method in which the sample is chosen with a specific purpose or objective in mind (Tustin et al., 2005:346). This is the most important kind of non-probability sampling (Welman and Kruger, 2001:63). Purposive sampling here is confined to specific types of people who can provide the desired information, either because they are the ones who have it, or conform to some criteria set by the researcher (Sekaran and Bougie, 2010:276). Not more than twenty unemployed people will be visited for the purpose of this study

The research will use a purposive sampling method for unemployed youth of between 19 to 35 years of age, to determine whether they are aware of the government's entrepreneurship programmes or not. The purposive sample is chosen because we are dealing only with the unemployed youth as opposed to the youth in general, therefore the sample is chosen for a specific purpose. The research intends to interview about ten to twenty unemployed young

people in Mankweng Township. The research will follow a snow-ball sampling as the researcher will identify those youths who are not employed through referral by other people.

3.6. DATA COLLECTION

Primary data are collected specifically to address the research objective (Tustin et al., 2005:89). Primary data will be collected through face-to-face individual interviews using a research guide that will help in fulfilling the research needs. As mentioned previously, the primary data will come from the youth aged from 19-35 years of age who are neither at school nor employed. The research guide will be developed with open-ended semi-structured questions. The primary purpose of using a research guide is to make sure that the same questions are asked of each participant, i.e. to ensure that the research will be carried out consistently.

Open-ended questions will be used to allow the respondents to reply in their own words. On the open-ended questions the respondents will also be asked questions that will require them to give details and their opinions in answering the questions. The researcher will make appointments with the identified respondents to conduct interviews at locations that are accessible and suited to the respondents. The researcher will take notes during the interviews and also audio recordings of the interviews.

3.6.1. DATA ANALYSIS

The purpose of data analysis is to interpret and draw conclusions from the mass of collected data (Tustin et al., 2005:102). This data analysis stage will contribute directly to answering the main objectives of the research. The study followed identification pattern analysis, the data and their interpretations under this analysis method are scrutinised for underlying themes and other patterns that characterise the case more broadly than a single piece of information can reveal (Leedy and Ormrod, 2013:142). In this research the frequently given reasons by youth for non-participation and non-awareness in the government youth programmes satisfied the research questions in as much as the analysis is concerned.

3.7. ETHICAL CONSIDERATIONS

Leedy and Ormrod (2014:106) state that wherever human beings or other creatures with potential to think, feel and experience physical or psychological harm or distress are the focus of investigation, researchers must look closely at the ethical implications of what they are proposing to do. Most ethical issues fall into one of four categories: protection from harm, voluntary and informed participation, right to privacy, and honesty with the professional colleagues. In essence, a researcher should not expose research participants- whether they are human beings or non-human animals- to unnecessary non-physical or physical harm.

- **Informed consent:** The respondents will be informed about the purpose of the study so that they can give informed consent. They will also be informed that their participation in the study is voluntary and that they can withdraw at any time should they wish to do so.
- **Confidentiality:** The identities of the respondents for ethical and privacy reasons will not be revealed.
- **Protection from harm:** the data collected from the study will not be used to harm the participants in any way.
- **Reporting:** the results will be made accessible to those stakeholders who may be interested.

3.8. SUMMARY

The main aim of the current chapter was to explain the research methodology that was followed throughout the study. It focused on the research design, population sample of the study and how data will be analysed and ethical considerations in line with the research. The next chapter will present the results obtained from the interpretation and analysis of this data. Subsections of data gathering instruments will be of use in the interpretation of data.

CHAPTER 4

RESEARCH FINDINGS

4.1 INTRODUCTION

This chapter presents the research findings for the study. The chapter begins by describing and giving characteristics of the respondents, i.e. their biographical information. In line with the objectives of the research, this chapter then presents results on whether the unemployed youth of Mankweng area, who have tertiary qualifications and aged between 19 to 35 years are aware of the government initiatives that are intended at providing the needed support for emerging businesses particularly by young people; and if they are aware of them whether they intend using them or not. The presentation will follow the sequence and structure of the questionnaire.

4.2. BIOGRAPHICAL INFORMATION OF RESPONDENTS

As previously thought, having a tertiary qualification increased the prospects of getting a formal job, but recently there has been an increase in the number of graduates without jobs (Yu, 2013:01). In the year 2013, Stats SA recorded that graduate unemployment was at 5.2 %. The total number of respondents for the current study was fifteen (15), and they were all unemployed graduates from the Mankweng area. The research focused on both male and female respondents. They all met the criteria, i.e. falling within the target age group, being unemployed and having tertiary qualifications. One of the distinct characteristics of the respondents that the study took into consideration was the fact that they were all actively looking for employment. In addition, some of them showed interest in opening their own businesses.

4.2.1. Gender of Respondents

Male participants in the study formed 33 per cent, while the female participants were at 67 per cent. According to StatsSA(2015), a larger proportion of women compared to men were

unemployed for a year or longer, while the black African population had the highest incidence of long-term unemployment among all population groups. Therefore, youth empowerment generally might translate into women empowerment.

4.2.2. Age Group of Respondents

The age group of respondents in the study was split into three groups, namely, those aged from 19-24, 25-30 and 31-35 years of age. The majority of those who participated in the study were aged between 25-30 years of age who amounted to 86 per cent, followed by the remaining age groups with 7 per cent each. In these age groups for unemployed graduates, it seems to reflect the age at which usually graduates should have completed their studies, suggesting that those at the ages of 19-24 might still be in the process of completing their studies. The decrease in the number of graduates who are unemployed at the ages of 31-35 years maybe a reflection that youth unemployment across the country seems to affect youth aged between 15 to 25 years of age. According to the Fin24 (2014), South Africa has the third highest unemployment rate in the world for people between the ages of 15 to 24, which is in agreement with the World Economic Forum(WEF) Global Risk 2014 report. The report estimated that 50% of young South Africans between 15 to 24 years of age are unemployed. The country is third after Greece and Spain. The age groups of the respondents are presented in table 2.1 below:

Table 2.1: Age groups of respondents

Age Group of Respondents	Number	Percentage
19-24	1	7
25-30	13	86
31- 35	1	7
TOTAL	15	100

4.2.3. Highest Qualification

The highest number of those who participated in the study had Bachelor Degrees (53.3 per cent) as their highest tertiary qualification. This was followed by those with diplomas at 40 per cent and lastly those with honours or post graduate diplomas at just 7 per cent. None of the participants had a masters or doctorate degree. The information on highest qualification is presented in table 2.2 below.

Table 2.2: Highest qualifications of respondents

Qualification	No of Participants	Percentage
Diploma	6	40
Bachelor Degree	8	53.3
Honours/Postgraduate Diploma	1	7
Masters and Doctorate	0	0
TOTAL	15	100

The absences of unemployed graduates with masters and doctorates or higher qualifications may either be due to the fact that the sample was based on the respondents' recruiting one another (snowball sampling), so they are likely to know people at the same level of qualification, or may suggest that unemployment at the masters and doctoral level is lower. Therefore, the general conclusion can be drawn that having an undergraduate degree or diploma, although it increases the prospects of being employed it does not necessarily guarantee it.

In terms of the type of qualifications, only 20 percent had business related qualifications. The qualifications for those business related degrees included B. Com (Economics) at 7 percent and Diploma in Business Management at 13 percent. Humanities studies which include B.A. (Media Studies), B.A (Psychology) and B.A.(Education) constituted 47 percent in the study. The number of those with science related degrees that include BSc. (Computer Science) at 7 percent and

Diploma in Electrical and Mechanical Engineering at 7 percent each. Finally, BSc. Agriculture constituted 7 percent and Bachelor of Laws at 5 percent of those studied. The types of qualifications of the respondents are presented in table 2.3 below.

Table 2.3: Types of qualifications of respondents

Type of Qualification	Number of Respondents	Percentage
B Com (Economics)	1	7
Diploma (Business Management)	2	13
B.A.(Media Studies, Psychology and Education)	7	47
Diploma in Electrical and Mechanical Engineering	2	14
BSc. (Agriculture)	1	7
BSc. (Computer Science)	1	7
Bachelor of Laws	1	5
TOTAL	15	100

The greatest proportion of the respondents, and perhaps graduate unemployment, is found in the Social Sciences studies compared to other study fields. The findings of this research coincide with the study by Yu (2013:01) who argued that, even if the youths pursue post-secondary education, graduates from study fields such as humanities and arts as well as education are less likely to find employment, compared with those from fields like engineering and medical sciences.

4.2.4 .Number of Years Respondents have been Unemployed and looking for work

Except, for one of the respondents who has been looking for work for six years, most of the respondents have been looking for work for under three years. As earlier suggested, unemployment among the youth decreases with age; the one respondent who reported to have

been looking for work for six years falls in the category of 31-35 years. He reportedly served as an intern for two years immediately after graduating and since then he has never been employed. The internship programmes for some graduates do not necessarily guarantee future prospects of being employed. For example, most of these internship programmes are for duration of 12 months while the employers mostly look for someone with a minimum of three years' work experience. Although there have been those who were formally employed as part-time employees, the number of those who have never been employed is at 75 per cent in the study.

According to Stats SA (2015), the incident of long-term unemployment for those without prior work experience was nearly double that of the unemployed who had worked before. In addition, between 2008 and 2011, the incidence of long-term unemployment increased from 74.5% to 81.8% for those with no prior work experience.

4.3. RESPONDENTS' INTEREST IN STARTING THEIR OWN BUSINESSES

4.3.1. Respondents' Thoughts on the Youth Starting their own Businesses

Overwhelmingly, the respondents were of the view that unemployment is recognised to be a problem among the youth, it can only be addressed when they actively participate in the economy by starting and owning their own businesses. Some have gone further to suggest that, business ownership and entrepreneurship among the youth will make young people more self-reliant and create employment opportunities for other young people facing similar problems in as much as unemployment is concerned. All were in support of the idea of youth owning their own businesses.

4.3.2. Respondents' Personal Factors that can Facilitate Starting their own Businesses

Youth unemployment was cited as the number one factor that made it necessary to initiate business ventures. However, some felt that although they have interest in starting businesses, youth lack business skills particularly financial management. Poverty was also cited as one of the

major reasons why youth have to venture into business. Although they have showed interest in starting their own business, none of them has taken active steps to start a business such as having a business plan or an innovative business idea.

4.3.3. Awareness of The Country's Initiatives to Assist Youth Businesses

Most of those youth who participated in the study were not aware of any assistance available presented by the country or province. Most of them suggested internship programmes as a way to start a business rather than training to sharpen one's skills after graduation. The research question was looking for the support of start-up/infant businesses that is made possible by the province or country such as business incubators and "protectionism" of businesses that are at an infant stage, therefore unable to respond effectively in a competitive environment. It became clear that most of them did not know any of the support initiatives offered by government.

4.3.4. Factors that make it Difficult for Young People to start their own Businesses

For this question the responses varied a lot. The responses ranged from blaming the youth themselves to blaming the current government. Some respondents were of the view that registering a business in South Africa is a lengthy process, there are lots of things that are required and the processing of the applications takes long. They explained that the duration of registering a new business takes as long as three months on average, which makes it difficult for young people to enter into businesses.

Most pointed out that lack of knowledge in business and related matters make it hard for young people to start a business. Lack of knowledge in the following:

- Knowledge of the business one wants to enter into. This was seen as important as seeking funding depending on the kind of business one wants to go into,
- The skills required to draft a clear business plan,

- Business management skills also featured as one of the factors that makes it hard for the youth to start their own businesses,
- Bookkeeping and other financial management skills,
- The process of registration of the business.

Lack of finance to start up a business was also pointed out as the reason that makes it hard for the youth to start their businesses. Nearly all of the respondents in the study were of the view that it is often the lack of capital that makes it hard for the youth to start their own businesses.

Finally, some of the respondents suggested that the youth are normally apathetic and/or uninterested when coming to the issue of starting up their own businesses. The general norm for youth, according to some of the respondents, is to study, graduate, and wait to be hired/employed. According to them (respondents), “*entrepreneurship in the youth is not embedded in their psyche*”.

4.3.5. The Respondents’ thoughts on the Possibility of starting their Own Businesses

A very small percentage (40%) of the youth showed interest in starting their own businesses, while those who were undecided were 14%. Their reason for lack of interest in becoming entrepreneurs ranged from lack of business ideas, or plans to having no business skills.

4.4. AWARENESS OF THE SOUTH AFRICAN SUPPORT INITIATIVES

4.4.1. The South African Small Medium –Micro Enterprise (SMME) support programmes

For this question the respondents were asked to name all the South African SMME support programmes they know of including those that are from the private sector. This question was explained to them so that the respondents do not give responses that showed a lack of understanding of the research question.

Out of all the participants in the study, only 27 per cent were aware of at least one to three of the support programmes either private or public. However, 73 per cent were not aware of any programme that helps youth to start and grow their own businesses. For those who knew about the programmes only seven percent of them, mentioned more than three programmes. Some of the mentioned initiatives included: National Youth Development Agency (NYDA), Small Enterprise Development Agency (SEDA), The Limpopo Business Support Agency (LIBSA), Limpopo Economic Development Agency (LEDA), Limpopo Economic Development Enterprise (LimDev), Umsombomvu Youth Fund and the Department of Trade and Industry (DTI).

The respondents did not seem to be aware that some of these programmes they have mentioned do not necessarily cater for young people; some have been merged with others to form new entities. For example, Limpopo Economic Development Agency (LEDA) was formed after the merger of The Limpopo Business Support Agency (LIBSA, 2013), the Limpopo Development Corporation (LimDev) and Trade and Investment Limpopo (TIL). The same with NYDA which was formed as a result of merging Umsombomvu Youth Fund and the National Youth Commission. As a result some of these programmes were mentioned by the respondents in the study by their previous names, i.e. the names that were used before mergers for instance.

The most widely known of all the programmes is the NYDA. This might be the result of the fact that the NYDA is specifically for youth or due to the controversy that surrounded the scheme in the media. Since its formation in 2009, the agency has been surrounded by one corruption scandal after another. These include allegations of credit card fraud against and accusations of maladministration in 2013 followed by the suspension of the then chief executive officer, chief operations officer and corporate services manager (Sunday World, 2013). By 2013, the public protector was investigating allegations levelled against the former NYDA chairman (Sunday World, 2013; City Press, 2012). Some of the respondents mentioned that they only heard about the NYDA in the media and on political platforms.

4.4.2. Youth's Understanding of the Purpose of the Support Programmes

Those respondents who were aware of the programmes mentioned that they thought that to be funded by these support programmes one must be in the businesses already or having a business plan that needs funding and support. The programmes according to the 27 percent who were aware of them, provide young people with access to finance to start a business, grow, sustain and maintain their businesses, receiving loans from the micro finance programmes. Some summed up the programmes' mandate as, *“helping the youth in giving support, funds, business advice, registration of businesses and career guidance”*.

One of the respondents viewed the role of these programmes as *“helping in networking young people with the same type of businesses they want to enter into, training youth to draw up business plans and helping them in getting funds”*.

4.4.3. How the Respondents got to know about the SMME Support Programmes.

A smaller number of the respondents reported that they heard of the support programmes from other youth, while many of them found them on the internet and in newspapers.

When asked why many of them did not know about the programmes they suggested that the youth are *“more focused on getting hired/employed rather than starting their own businesses”*. In addition, they reported that *“youth are more preoccupied with the entertainment industry (i.e. entertaining themselves) and social networking sites than being interested in the things that may be useful in their lives”*.

The respondents argued that the media, which includes, television, newspapers, print, social and radio must work concurrently to ensure that the advertisement of these SMME support programmes are more visible and take centre stage. Some of them have also suggested that these programmes should be more localised and visible in every municipal office. Having an office at a local level dedicated for youth issues was seen as a step in the right direction. This office ought

to be designated to address youth issues, centred on empowering them. The general perception was that, the media and the managers in these programmes were not doing enough in making sure that these programmes are made available to the people who need them the most.

4.4.4. Accessibility of the Programmes.

Accessibility is mainly driven by the knowledge of something or awareness thereof. Most of those in the study did not even know about a single programme that is designed to help them become economically active in the form of starting their own business ventures. Prior to knowledge, youth cannot be expected to access what they do not know of. Those who know of the programmes think that these programmes are not accessible. They argued that, *“corruption, nepotism and maladministration underpin the accessibility of the programmes to the broader youth population”*. The NYDA is seen more as a political youth organisation rather than a youth programme.

4.4.5. Factors that Respondents Suggest Can Help Youth to Start Businesses.

The most prominent of these factors was that, *“the business registration process in terms of the paper work needs to be flexible, and time convenient such that the registration of business is very easy.”* The other issue was accessibility, *“business funding, especially for a person with a business plan, needs to be accessible like the medical attention required when one is ill irrespective of race, gender, creed, political affiliation etc. This can be achieved by setting local offices of these programmes, which will work as ‘business clinics’”* Some felt that there was a need for, *“organising a summit of some sort, where young people will share ideas. Having seen and heard from someone in your age group who has ventured into business and have succeeded can stimulate the interest of the young people to enter into business.”* The minimum wage phenomenon was also seen as one of the factors that needs to be relooked, *“the minimum wage bill needs to be lenient, if not entirely eliminated, to newly established small-medium enterprises so that it does not translate into high cost of being in business. This can help youth enterprises to be stable, and survive”*. Finally, some of the respondents felt that business is a complicated

thing, therefore, there needs to be a *“mentoring programmes through which young people will be guided in taking complex and difficult decisions that usually form part of business management.”*

4.5. SUMMARY

This chapter presented the research findings following the interviews that were conducted with the respondents. The findings mainly addressed the question of whether the youth in this study were aware of the SMME support programmes that were directed at assisting them to be economically active and thus hopefully address the issue of youth unemployment. The respondents' thoughts on owning their own businesses were also presented together with the factors they felt can facilitate and or hinder youth starting their own business ventures. The next chapter will present the summary of results, conclusions and recommendations of the study.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1. INTRODUCTION

This is the conclusion chapter to the study. The chapter begins by outlining the summary and discussion of the results presented in chapter four, gives recommendations and the limitations of this research. Unemployment is a multi-dimensional problem that needs a multi-dimensional solution. For example entrepreneurship thrives best in the economy where people are formally or informally employed. It survives on the level of expenditure, in terms of disposable income. This can only be made possible when the economy grows. In the case of South Africa at the rate of 5% on a yearly basis, unfortunately however, our country's growth is substantially smaller for a country that direly needs growth to address the issue of unemployment. Graduate unemployment is one of the most understudied concepts. In the country it affects the previously disadvantaged, predominately black Africans (National Treasury, 2011; Yu,2013:15 and DTI,2013:18).

5.2. SUMMARY AND DISCUSSION OF RESULTS

5.2.1. Biographical Information

- **Age:** In the current study, 86 percent of those who participated were between the ages of 25-30 years while those 19 to 24 as well as 31 to 34 years of age formed seven (7) percent each. Graduate unemployment affects those in this group (i.e. youth) mainly because they have no work experience, reportedly (Stats SA, 2015).
- **Gender:** In terms of gender, male participants were at 33 per cent, while the female participants were at 67 per cent. According to Stats SA(2015), as the proportion of working age population, more youth women are unemployed as compared to their male counterparts and they are the more likely to become discouraged job-seekers. In both 2012 and 2013, almost one in every nine (9.1) working age young women had become discouraged and had given up hope of finding employment. Compared to the other population groups, over the

period 2008 to 2015, a higher proportion of working age black African adult youth were discouraged. However, in the current study all the respondents, including women, were actively looking for employment to be economically active.

- **Highest qualifications:** In terms of qualifications, the highest number of those who participated in the study had degrees (53.3 per cent) as their highest tertiary qualification, followed by those with diplomas at 40 per cent and lastly those with honours or post graduate diplomas at just seven (7) per cent. None of the respondents had qualifications higher than honours or post graduate diplomas (i.e. Masters degrees). This either reinforces the idea that having a post graduate degree increases the chances of being employed or that the respondents had simply not yet studied that far.
- **Type of qualifications:** When coming to the type of qualifications, 20 percent had business related qualifications. The qualifications for those business related degrees included B. Com (economics) at seven (7) percent and Diploma in Business Management at 13 percent. Humanities and/or Social Science studies, which include B.A. Media Studies, B.A. Psychology and B.A. Education constituted 47 percent of the respondents in the study. The number of those with science related degrees that include BSc. Computer Science were seven (7) percent and Engineering Diplomas which include Electrical and Mechanical Engineering also at seven (7) percent each. Finally, BSc. Agriculture constituted seven (7) percent and Bachelor of Laws five (5) percent. According to Yu (2013:15), the greatest proportion of graduate unemployment is found in the social sciences studies compared to other study fields. This was also reflected in the current study. This may be an indication that the Social Science sector can perhaps not absorb new graduates at the moment implying that youth should perhaps rather study in other areas other than humanities and social sciences. Graduate unemployment may thus be increased by the mismatch in qualifications and the skills required by the economy.
- **Work experience:** The greater proportion of those in the current study, have never had a single day at work, i.e. they had no work-related experience. This makes it impossible for them to find work as they cannot prove their capabilities to potential employers. In this study, although there have been those who have been employed on a apart-time basis, the number of those who have never been employed is 75 per cent.

5.2.2. Possibility of Owning Businesses

The possibility of owning businesses was the idea supported by almost all of the respondents. Although many did not know how and where to start with any business venture. Most pointed out that lack of knowledge in business related skills makes it hard for young people to start a business. They identified lack of knowledge as follows:

- Knowledge of the business one wants to enter into. This was seen as important, especially as seeking funding depends on the kind of business one wants to go into;
- The skills required to draft a clear business plan;
- Business management skills also featured in the factors that make it hard for the youth to start own businesses, i.e. basic management skills, marketing skills and how to manage people;
- Bookkeeping and other financial management skills; and
- How to go about registering a business.

Entrepreneurship and managing a business requires that people should be willing to take risks, as well as the ability to be knowledgeable about finance, calculations, projections, budgeting, and basic bookkeeping; and these skills are not a given- they are earned through schooling and/or on-the-job kind of training. As the economy demands highly-skilled labour due to technological advancements, lack of business management background at tertiary level might hinder the ability to become a successful business owner and/or entrepreneur. Today's business sector is highly challenging.

A small percentage(40%) of the youth showed interest in actually starting their own businesses, while those who were undecided numbered 14% and the rest (46%) expressed no interest. Their reasons for lack of interest in becoming entrepreneurs ranged from lack of business ideas or plans to having no business skills. This lack of interest in starting their own businesses may also be an indication that most youth still have the mentality of being employed after studying rather than creating employment. In the 2012 GEM report, it shows that in comparison with other emerging countries, South Africa continues to fare dismally in creating new entrepreneurs. South

Africa's total early-stage entrepreneurial activity (TEA) rate, i.e. the percentage of adults involved in starting firms younger than three-and-a-half years, fell from 9.1 % in 2011 to 7.3% in 2012. This puts South Africa below the average for efficiency-driven economies that have 14.3% of adults involved in starting their own business. South Africa ranks the worst against Uganda, Ghana, Malawi, Nigeria, Zambia, Namibia, Ethiopia and Botswana – when it comes to how the youth rate their entrepreneurial capacities (GEM Report, 2012). Entrepreneurship is vital to the country to create more jobs and enhance productivity, to balance our trade deficits.

5.2.3 Awareness of the Country's SMME Support Programmes

Only 27 per cent of those in the study were aware of at least one to three of the support programmes either private or public. However, 73 per cent were not aware of any programme that supports youth to start and grow their own businesses. A lower number of the respondents reported that they had heard of them from other youth, while many of them found them on the internet and in newspapers.

Youth unemployment is a serious problem confronting the country. The graduate unemployment in particular is yet another issue that is not widely documented in the academic and social discourse. For its part, graduate unemployment generally reflects a mismatch between the skills required by the economy and the output by the institutions of higher learning and to a lesser or greater extent an economy that is not growing at a pace that is enough to create employment (Yu, 2013:15 and DTI 2013:18). Part of the problem is the country's lack of entrepreneurs or at best entrepreneurial spirit to deal with the unemployment problem. Entrepreneurship, not only will it help solve the unemployment problem, but also in the diversification of the economy and placing it in a better position in responding to the fall in commodity prices, for example gold and platinum.

In the integration of the youth in to the economy, they ought to be active participants in finding the solution to the unemployment problem, as opposed to folding their arms and being a part of

the unemployment challenge. In their schooling years, they need to be equipped with skills that are needed and required by the economy that has to be competitive on a global scale.

5.3 CONCLUSION

From the current study, respondents who are between the ages of 25 to 30 are the majority of the unemployed. Women also constituted the majority of the unemployed, which may end up being a big problem for communities as it is at this age that most of them have children and get married. Thus taking care of their young families/children may be a challenge. The challenge may then extend to adding onto the burden of social grants provided by government.

Youth in this study are largely not interested in starting or running their own businesses, thus perpetuating the mentality of getting employed rather than creating employment. They are also mostly not aware of the government support programmes that are available. This may be either due to their lack of interest, the programmes not being publicised enough, or both. These youth also fear venturing into business due to lack of knowledge of the kind of business they want to go into as well as not having the requisite skills to run successful businesses.

Unemployment brings with it many socio-economic problems. Government policies therefore, must respond to the problem in a coherent policy approach. As highlighted earlier, unemployment is a multi-dimensional problem that requires a multi-dimensional approach. Therefore, a coherent policy approach is not limited to public institutions and departments, but also private sector as well as the broader civil society in general.

The status quo of the inequality gap between men and women as well as women empowerment is doomed if the youth are not integrated in the economy. Women account for the largest number of individuals who are unemployed and sadly, therefore, underpowered. The same inequality affects the African male youth who are largely outside of the mainstream economy and largely not

economically active. The research wants to argue that youth empowerment would form the basis of addressing the issue of the income cap, gender issues and inequality.

South Africa is the least equitable country in the whole world (StatsSA,2014). The empowerment of the youthful population can be the step in the right direction in addressing the inequality gap. However, this requires a transformed educational system that responds to the skills shortage by thoroughly preparing the youth to be competitive enough on the global scale. Of note, we rank last in Mathematics and Science in the world (Business Tech, 2015).

Another issue is that of land, and education on the importance of land and agriculture. Dr. Mo Ibrahim, during the 11th Nelson Mandela Annual Lecture (2013) argued that the question of land is the cause of the high inequality, but agriculture more especially commercial, in light of food security issues- is highly professionalised. This, therefore, necessitates the youth to take courses in agriculture to ensure that, land reform does not impact food supply. The education system must match the business needs, to empower the young people without future policy failure. Having tertiary level of schooling increased the likelihood of being employed, however recently there have been a growing number of unemployed graduates.

From this research, it has been indicated that although some young people show interest in owning and running businesses, many of them do not know the government support/incentives that help young people to start their own businesses. In addition, the study showed that youth entrepreneurship and small business initiation and/or ownership are not a widely practiced phenomenon among the South African youth, as supported by the total early-stage entrepreneurial activity(TEA) and The Global Entrepreneurship Monitor (GEM Report, 2012). Among those in the study, none of them at the time of this study was a business owner.

The current study also suggests that the habits of the youth are a matter that should be of concern. The youth are generally a population segment consumed with entertainment news and social media platforms that are used for other purposes rather than to uplift their lives. They are often seen as apathetic in political policies and social discourses in their lives and decision making practices. These facts also came out in this current study.

Although we have reached the advanced technological era of smart phones, speed internet connectivity, broadband technology among others, that make conducting businesses easy and the access of information possible, these gadgets and applications seem to be used for social network applications rather than the things that might be of use to youth and others in general. The awareness campaigns of the youth SMME support programmes therefore, must target the social networks, programmes on television or radio that the youth mainly constitute the larger number of the audience.

The awareness of the programmes and mostly entrepreneurship as a way of youth empowerment and integration into the economy must be encouraged at an early age so that most people embark on their studies with at least some inclination towards creating employment rather than being employed. As a country we rank lowest in terms of entrepreneurship and business start-ups. Failure to integrate these young people into the economy the government runs the risk of having to deal with socio- economic problems as well as social unrests.

The knowledge of the government incentives is also confined to the marketing campaigns of various government departments which are involved. This will help in dispensing information among other things, to the targeted group population. Utilisation is actually the end product of knowledge and active steps to acquire assistance from the programmes. As a result, most of the young people do not know about the programmes.

5.4. RECOMMENDATIONS

5.4.1. Education and Training

As mentioned in the introduction, youth unemployment, like unemployment generally, is a multi-dimensional problem of which the solution requires an integrated approach. Unemployment can be the result of an educational system that does not produce relevant skills required by the economy. For example the 30 % pass might have dire consequences for the country.

Countries progress because they have invested more in education both in theory and practice. The educational output of the schools place little emphasis in preparing children to nurture the skills that can be useful post school such as entrepreneurship. Our educational output deficit has become the new normal, rather than a crisis. A quarter of our high schools do not do maths, of those who do, many of them are doing maths literacy. The introduction of life orientation to many is a fruitless exercise. There seem to be a disparity in terms of the schooling system in encouraging youth entrepreneurship more especially at high school level. Therefore, replacing the subjects such as Life Orientation with entrepreneurship studies, or including entrepreneurship education within such a module as Life Orientation will encourage young people to look for other opportunities post their high school years and their post graduate years. The course content will make youth become aware of the incentives set by government to help young entrepreneurs. At tertiary level entrepreneurial studies ought to form the basis of each degree, diploma or certificate as a prerequisite to attaining a qualification.

The restructuring of the education system so that it is aligned to the skills and needs of an advanced economy like ours. The case in mind, includes but is not limited to, doing away with the mathematical literacy and a thirty per cent pass rate as they do not address the skills shortage. Business management involves the use of projections which are pure mathematics related, and a thorough understanding of the course content is essential. This will address the skills shortage.

If youth entrepreneurship is to be prioritised, youth must be taught business management skills at an early age. This will include the basics of business management generally, as well as financial management. Being taught at this stage can enhance and professionalise them in running sustainable businesses and minimise business failures. Most African youth are not born in families where they can be taught to run businesses or there is an existing business to learn from. It can also help them in making clear business plans and make entering into business the first career choice post-school.

Education and training should also be geared towards helping youth to be aware of programmes that the country sometimes offer that enhance skills such as how to write a business plan, basic managements kills, financial management and marketing management for instance. Such programmes or training are offered by, for example, the Small Enterprise Development Agency (SEDA) to aspiring business people and those who already own their businesses.

Training should also focus specifically on how to draft business plans that can be used to seek funding. Youth should also be aware, through training, of the institutions that can offer funding for SMMEs, particularly those owned by youth.

5.4.2. Visibility and Accessibility of SMME Support Programmes

The support programs by the government must be localised in the least political way that will make them easily available and widely known. They must therefore be aligned to the Local Economic Development (LED) projects of the municipalities. It should therefore be the responsibility of the municipalities to hold educational workshops where these programmes take centre stage.

Local newspapers and other print media, community radio stations and local television channels can play a vital role in as much as the awareness of the programmes at a local level is concerned

5.4.3. Legislative Support for Youth Business Ownership

To encourage youth business ownership and/or entrepreneurship, government must make the minimum wage policies flexible so that they do not discourage emerging entrepreneurs. Although minimum wage, and Labour Laws are there to protect the employees, they can discourage youth entrepreneurs in their complexities. Big corporates can easily afford a minimum wage, but the emerging business can easily be crippled by it. The less rigid minimum wage laws may encourage emerging entrepreneurs and minimise the cost of doing business.

5.4.4. Forming Joint Ventures

Youth should be encouraged to form joint ventures and partnerships. These partnerships will help in many ways:

- Firstly, in helping the individuals to support one another in their business ventures and aid in reducing anxieties that individuals have when they are on their own.
- Secondly, if they are in partnership, each individual brings its own unique skill/experience to the mix. So the combination of several skills can only help towards bettering the overall way in which they will approach their businesses
- Thirdly, in terms of initial capital, infrastructure and other resources, several individuals are able to pool together such resources to make for better ones that they would not have had if they worked as individuals.
- Finally, partners or a group of people have a better bargaining power with suppliers and/or customers.

5.4.5. Mentoring and Coaching

The youth should be encouraged to seek more experienced entrepreneurs and/or business owners who can mentor and/or coach them as they (youth) endeavour to start their own business ventures.

Some young people do not have the confidence in themselves to do anything on their own, including owning a business. Thus, together with education and training, coaching and mentoring can help youth to develop more confidence in themselves.

5.4.5. The Electricity Supply Crisis

Currently, the electricity supply constrains can have a negative impact on job creation and the ability of the youth to start their own businesses. There is a need therefore to have a reliable constant supply of electricity for new businesses to survive. Small businesses usually may suffer profit losses due to load-shedding as they might not be at a stage to afford other alternative sources of energy when they are still small and new to business.

5.5. LIMITATION OF THE STUDY

Because of the nature of the research, i.e. qualitative, which necessitated the use of a small sample, the findings of this research cannot be generalised. In addition, the study was focused on only one area, the Mankweng area. For example, some urban areas in the country present young people with unlimited opportunities whereas in others the unemployment problem is deeply rooted especially more in rural areas than in urban areas. Mankweng area is rural and peri-urban.

Thus, future research should try to work with bigger samples and compare rural versus urban awareness and/or knowledge and utilisation of the country's SMME support programmes.

5.6. SUMMARY

The last chapter highlighted one of the thorniest issue of the democratic dispensation- youth unemployment. In the discussions above, it became clear that the solution to the unemployment problem needs a coordinated, multi-faceted approach and the involvement of all parties, private sector, public sector and NGOs, including the youth. The study recommended that youth make

time to use the social media platforms for economic means rather than only self-entertainment. The government needs to localise the programmes that cater for youth business development as well as funding, this again relates incorporating these programmes into the municipal LED programmes. Furthermore, look at wage settlements which might deter small enterprises development in the country. The study was conducted on a small geographical area, therefore it cannot be generalised; this prompts the necessity for future studies to be more broad.

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APPENDIX A

Research Guide on: Awareness and utilisation of small enterprise support programmes by unemployed youth: the case of Mankweng Township, Limpopo Province

Dear Participant

I, Ramohale, Rabothata Lordwick, am a student of the University of Limpopo's Turfloop Graduate School of Leadership. I am currently registered in the Master of Business Administration (MBA) degree. As part of the requirements towards fulfilment of the degree I am required to conduct research and submit a mini-dissertation.

My study is aimed at finding out whether unemployed youth in Mankweng area are aware of the support programmes of the government to assist the youth in starting up and growing their businesses. No identification is required to participate in this study. Your input will be highly appreciated and all information will be treated as strictly confidential and for academic purpose only.

SECTION A: BIOGRAPHICAL INFORMATION

1. Gender

Male	1
Female	2

2. What is your age?

19-24	1
25-30	2
31-35	3

3. What is your highest qualification?

Diploma	1
Degree	2
Honours/Postgraduate Diploma	3
Masters' degree and higher	4

4. For how many years have you been unemployed?

--	--

5. Have you ever been employed before?

If yes, for how many years/months?

--

SECTION B: INTEREST IN STARTING OWN BUSINESS

1. What are your thoughts on youth starting their own businesses?

2. What factors in themselves (youth) facilitate their starting their own businesses?

3. What are the factors in the country/province that are available to assist youth in starting their own businesses?

4. What are the factors that make it difficult for youth to start their own businesses?

5. Do you think entrepreneurship is a better option after completing school? In what way?

6. What are your thoughts on you starting your own business?

SECTION C: AWARENESS OF SA GOVERNMENT SUPPORT INITIATIVES

7. What South African SMME(Small Micro–Medium Enterprises) support programmes are you aware of? (Mention all that you know of)

8. How do they (these support programmes) help people, particularly youth, in starting their own businesses?

9. Where have you heard, read or seen them from?

10. What do you think needs to be done to inform the youth about these programmes

11. Do you think the media is doing enough inasmuch as the awareness of these programmes is concerned?

12. Are these support programmes easily accessible?

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9600

CERTIFICATE

This serves to certify that I have language edited the Mini-Dissertation of,

Mr Rabothata L Ramohale,

entitled:

“AWARENESS AND UTILISATION OF SMALL ENTERPRISE SUPPORT PROGRAMMES BY UNEMPLOYED YOUTH: THE CASE OF MANKWENG TOWNSHIP, LIMPOPO PROVINCE”



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