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Borrower-specific financial constraints to black youth entrepreneurs in the Tshwane metropolitan area

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ABSTRACT

This research aims to explore the borrower-specific financial constraints that prevent black youth entrepreneurs in Tshwane from accessing finance to for their own start-ups. To achieve its goal, the research seeks to explore whether there are significant differences between black youth entrepreneurs in Tshwane in terms of their personal demographics, business information and personal factors towards business. The empirical results and theoretical literature are examined to facilitate a better understanding of the borrower-specific financial constraints preventing access to finance for start-ups by youth entrepreneurs. These learnings contributed to the body of knowledge relating to entrepreneurship development in South Africa.

The literature review revealed that although youth entrepreneurial activity is vital to sustained economic growth, access to finance is the challenge that negatively impacts youth entrepreneurial activity globally. More specifically, the literature indicates that borrower-specific factors to a large extent prevent youth entrepreneurs from accessing finance for their start-ups. The borrower-specific financial constraints are described. During this research, data was obtained by way of a judgment sample using a structured questionnaire consisting of 40 questions. A total of 110 useable questionnaires were returned.

The findings of the study reveal that there are no significant differences for respondents in relation to factors for personal savings, business acumen and credibility differences. There are significant differences to certain factors for borrower-specific financial constraints, such as the intention to commence business start-up, gender and the educational level of respondents in relation to their attempt to access finance. Finally, significant learnings from the research are that the poor attitude of black youth towards saving are similar to youth reviewed in the literature, and the culture of South African black youth towards entrepreneurship has improved.

KEYWORDS

entrepreneurship, youth, borrower-specific, financial constraints, small and medium enterprises (SMEs)



DECLARATION

I declare that this integrated business research report is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Krean Naidoo

9 November 2011

Signature

.....

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I dedicate this work to my parents

Papiah Naidoo and **Panjasaram Naidoo**

and my grandparents

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all of who instilled in me the value of education, discipline, perseverance and
ambition to succeed in life.

“the future depends on what we do in the present”

(Mahatma Gandhi)

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CHAPTER 1: INTRODUCTION

1.1 RESEARCH MOTIVATION

Pretorius and Shaw (2004, p. 221) posit that entrepreneurship is widely recognised as the engine that drives the economy of most nations. Historically, entrepreneurship has been an engine of sustained economic expansion in both developed and emerging economies (Le & Nguyen, 2009, p. 867). The power demonstrating the benefits that entrepreneurship may reap for an economy may for instance be gleaned from the success that the economy of the United States has derived from entrepreneurial activity. This resonates with the comments by Timmons (1999, p. 4) who argues that entrepreneurship is the secret weapon of the United States that has contributed to its superior position in the global economy.

For an emerging market like South Africa to grow further, it is fundamental therefore that all obstacles that prevent entrepreneurship from thriving must be removed. So far as will be revealed in this research, South Africa is lagging globally in that there aren't enough innovative individuals responding to market opportunities that are creating positive watershed changes in South Africa's economic system. This process defined as entrepreneurship by Nieman and Nieuwenhuizen (2009) needs serious attention from policy makers and other key players for South Africa to enjoy economic longevity.

Entrepreneurs may fall into two different categories (namely, necessity or opportunity entrepreneurs). A necessity entrepreneur pursues an entrepreneurial career because no alternate employment exists. (Llisterri, Kantis, Angelelli, & Tejerina, 2006, p. 1). Developing countries have little capacity to generate new jobs in their formal sectors as they, according to Owualah (1999, p. 51). In contrast, an opportunity entrepreneur embarks on an entrepreneurial career (purely by choice) to pursue an opportunity.

The Global Entrepreneurship Monitor (GEM) is a global report that is published on an annual basis to assess the current state of entrepreneurship in a specific country. (Kew, Kew, & Herrington, 2009, p. 4) in their report on South Africa, compare 43 participating countries and it was interesting to discover how South Africa ranked from a global perspective in terms of the following:

- 36th in overall entrepreneurial activity with 9.9 percent of the adult population involved in entrepreneurial venture. This rate is the lowest of the developing countries that participated in GEM (Mexico, India, Brazil, Chile, Argentina and South Africa).
- 41st in established business activity (an established business is a business that has survived beyond three and a half years) with 2.3 percent of the adult population involved in entrepreneurial venture.
- 38th in new business activity (a new firm is a business that has paid salaries and wages for longer than three months but less than 42 months) with only 2.1 percent of the adult population involved in new firms.
- 19th in opportunity entrepreneurship (an opportunity entrepreneur is involved in a new business to pursue an opportunity), 6.1 percent of the adult population are involved in pursuing exploitable opportunities.
- 23rd in necessity entrepreneurship (a necessity entrepreneur is involved in a new business because she has not other choice for work), 1.6 percent of the adult population are necessity entrepreneurs.
- In all measures of entrepreneurship South Africa ranks lowest of all developing countries in the GEM.

The Total Entrepreneurial Activity (TEA) index is the primary measure of entrepreneurial activity used by GEM (Kew et al., 2009, p. 15). In 2008 (GEM's latest publicly available report), South Africa had a TEA rate of 7.8 percent meaning that 7.8 out of every 100 adults in South Africa were starting or operating businesses less than 3.5 years old in 2008 (Kew et al., 2009, p. 15). The TEA provides the platform upon which an international comparison of the level and nature of entrepreneurial activity may be made. In view that South Africa is

characterized as a dual economy (both formal and informal), it is reasonable to expect South Africa's TEA rate to be in line with other developing or emergent economies such as Argentina, Chile, Brazil and Peru. This is concerning since in 2008, these countries achieved TEA rates that were two to three times in excess of the TEA rate achieved by South Africa (Kew et al., 2009, p. 16).

It conducting an analysis of the entrepreneurial landscape in South Africa, it is also useful to note that in South Africa, the likelihood that males are involved in entrepreneurial activity far exceed that of females. This resonates with the ratio resembling same in South Africa of 1.6:1 in 2008 (Kew et al., 2009, p. 20). This is an area of concern particularly when comparing South Africa to developing countries. What has become evident from an analysis of the South African report, is that in many other developing countries, more especially in Latin America, the female TEA rates are just below male TEA rates.

For instance, in Peru and Argentina (which are ranked as the best efficiency-driven countries), the male to female TEA ratio is 1.15:1. According to Kew, Kew and Herrington (2009, p. 21), the lower confidence in women in believing that they have the necessary skills and knowledge to start a business in conjunction with their higher levels of fear that they will fail in running a business are reasons that support why the pursuit of entrepreneurial activity by women in South Africa so low.

The relationship between the influence of age on entrepreneurial activity has been a useful one to observe. It seems that the prevalence of early-stage entrepreneurial activity tends to commence with people between 18-24 years and peak with people between 25-34 years old. Being an important source of income and employment, entrepreneurial activity constitutes the focus of policies aimed at providing alternate employment where jobs available are insufficient to fully satisfy the demand created by young people in the labour market (Llisterri et al., 2006, p. 1).

1.2 YOUTH UNEMPLOYMENT

As a general matter, creating employment for young people is a colossal challenge facing any country – whether rich or poor. Curtain (1999, p. 2) argues that when jobs are scarce, oftentimes young people fall to the back of the employment queue regardless of whether their levels of higher education are better in comparison to earlier generations. The challenges that young people face trying to secure employment in developing countries are compounded by the number of youth which largely exceeds employment opportunities available (Esim et al., 1999, p. 2). Of greater concern through is that the global youth population is growing at a faster rate than the absorption of youth into the global labour force through employment. (Baker, 2008, p. 6).

Africa, a continent with many developing countries has a massive population of young people (Awogbenle & Chijioke Iwuamadi, 2010, p. 831). Additionally, Awogbenle and Chijioke Iwuamadi (2010, p. 831) posit that more than half of Africa's population of is aged less than 21 years and two-thirds less than 30 years. In general, over 200 million Africans are now officially designated as youths (that is, aged 15 to 24 as per the youth definition of the United Nations). This group constitutes 40 percent of Africa's working age population, however, sadly 60 percent are unemployed (Awogbenle & Chijioke Iwuamadi, 2010, p. 831).

The picture surrounding the number of youth that are employed is concerning. Some of the principal labour market indicators of youth confirm the magnitude of the challenge of youth unemployment in Sub-Saharan Africa. For instance in 2003, although the youth labour force participation rate was 65.4 percent, the ratio of the unemployed young people relative to the population was 51.6 percent. It is a concern that the youth unemployment rate is increasing in many regions and is persistently high globally.

Schoof (2006, p. 1) comments that generally the youth unemployment rates are higher than adult unemployment rates in all regions globally. This aligns with the

ratio in 2003, of youth-to-adult unemployment rate of 3.5, for every adult there were 3.5 unemployed young people in Sub-Saharan Africa. (Baker, 2008, p. 7) offers a few significant reasons why youth unemployment rates possibly exceed adult unemployment rates. According to Baker (2008), youth in general are more vulnerable than adults during difficult economic times. Furthermore this problem also seems to originate in the work experience of a youth relative to an adult as sought by an employer. Youth are more susceptible to being overlooked during economic upswings by an employer as they possess less work experience relative to an adult (if experience matters in the recruitment process) and, more prone to being laid off during economic downturns as the costs to the employer of letting them go are considered insignificant (Baker, 2008, p. 7).

Admittedly, the lack of employment for youth is increasing. To this end, however, youth unemployment creates opportunities which potentially could benefit businesses. For instance, added benefits to business from increased youth employment include the realization by business of competitive advantage, strengthened networks and increased stakeholder value (Baker, 2008, p. 11).

The challenge posed by youth unemployment cannot be ignored since it also carries with it tremendous economic and social costs as well. Increasing levels of youth unemployment is a waste of human resources that could potentially contribute to economic and social progress. Baker (2008), argues that attempts at making labour (which is the main asset of the poor) more productive is the best way to reduce poverty. The eradication of youth unemployment is critical to this human capital challenge since it is projected that by 2015, there will be three billion people in the world under 25 years of age.

South Africa's former revered president Nelson Mandela highlighted the importance of youth in any nation when he commented that "Youth are valued possessions of the nation. Without them there can be no reconstruction and

development programme. Without them there is no future. Their needs are immense and urgent” (Oseifuah, 2010, p. 166).

In view of the comments made by Nelson Mandela, the statistics of the constituency of youth relative to the total population in South Africa underlines the significant role that youth play in South Africa. For instance, South Africa’s population currently stands at approximately 49.3 million. Of this, 18.4 million (i.e. 37.3 percent) constitutes youth (aged between 15-34 years) according to a population census conducted by StatsSA during mid-2009 (Oseifuah, 2010, p. 166). It would therefore from the foregoing be plausible to conclude that an empowered and endowed youth with the necessary entrepreneurial skills could contribute in a large way to a bright future for a nation.

South Africa has an acute problem of youth unemployment that requires a multi-pronged strategy to raise employment and support inclusion and social cohesion. High youth unemployment means young people are not acquiring the skills or experience needed to drive the economy forward. This inhibits the South Africa’s economic development and imposes a larger burden on the state to provide social assistance. Youth in this context essentially is defined as people between the ages of 14 and 35 years of age (as legislated in the National Youth Development Agency Act of 2008).

The salient facts about youth employment in South Africa may be summarized as follows: 51 percent of people between 15-24 years old were unemployed in 2007, and this statistic remains unchanged in 2011 (Jones, 2011, p. 1) . About 42 percent of young people under the age of 30 are unemployed compared with less than 17 percent of adults over 30. Only one in eight working age people under 25 years of age have a job compared with 40 percent in most emerging economies. Employment of 18 to 24 year olds has decreased by more than 20 percent (320 000) since December 2008. Unemployed young people tend to be less skilled and

inexperienced – almost 86 percent do not have formal further or tertiary education, while two-thirds have never worked (National Treasury, 2011, p. 5).

In view of the foregoing, Schoof (2006, p. 3) and Chinguta (2002) suggest that entrepreneurship is increasingly becoming an important means and a useful alternative for income generation in young people as a potential strategy to be used in order to increase employment and create more jobs for young people.

1.3 PRELIMINARY LITERATURE REVIEW

As an initial matter, obstacles to finance seem to be one of the key problems that prevent young entrepreneurs from starting small and medium enterprises (SMEs) in a transition business environment. South Africa's business environment is arguably considered a transition business environment given that South Africa is in global parlance considered a developing market. Similarly, in a study carried out in Albania, a country whose business environment is also considered a transitional one, it was found that although a large proportion of entrepreneurs expressed their preference to use bank finance for their business start up, only one third of the enterprises surveyed used bank finance (Bitzenis & Nito, 2005, p. 574).

Similarly, according to Rouse and Jayawarna (2006, p. 390) in the United Kingdom, although there are a wide range of finance options for young entrepreneurs to start their own businesses, it is commonly reported that small businesses struggle to access the finance they require particularly at start-up. Problems in financing also appeared to impede entrepreneurship business activities in Bulgaria – considered like Albania to be a transition business environment (Bitzenis & Nito, 2005, p. 569).

(Kew et al., 2009, p. 33) argues that the access to finance is indeed a challenge that small business faces but more importantly, is an impediment deterring an increasing number of youth in South Africa from pursuing a career in entrepreneurship, and an obstacle which most South African youth are vulnerable

to when contemplating their own business start-up. Entrepreneurs need access to both internal and external finance to survive and grow. Lack of financial support is the second major contributor to the low TEA rate in South Africa (O. Fatoki & Chindoga, 2011, p. 163)

In this regard, financial constraints to youth entrepreneurial activity seems to be consistent globally as a priority obstacle that needs to be dealt with. Financial constraints is the primary exit reason for the majority of new SME's (Fatoki and Van Aardt Smit, 2011, p.1414). But Schoof (2006, p. 41) also made this contention which he demonstrated in the results found in the Eurobarometer Survey (2004).

To this end, Beck (2007, p. 9) comments that access to finance by entrepreneurs of SMEs are constrained default risk which may either be borrower-specific or systemic. The borrower-specific financial constraints in the view of Beck (2007) that surround South African youth – include lack of adequate personal savings, lack of credibility and business skill, lack of adequate networks and gender.

To sum up then, entrepreneurship is important to the growth of any economy globally. It is broadly considered the primary driver of growth for the economy of most countries worldwide (Pretorius & Shaw, 2004, p. 221). An example that demonstrates the value of entrepreneurship to an economy is indicated in the case of the United States – a country that has long been considered to have achieved much of its success in the global economy as a result of the impact of entrepreneurship (Timmons, 1999, p. 4).

1.4 RESEARCH PROBLEMS AND OBJECTIVES

A young entrepreneur from Australia in Schoof (2006) stated that:

“young people aren't short on passion or guts, they're short on cash.”

South African youth entrepreneurial activity is seriously hindered by the financial constraints that continue to prevent youth entrepreneurs from their own business

start-up (O. O. Fatoki & Van Aardt Smit, 2011, p. 1414) – which resembles the trend facing youth entrepreneurs globally according to Schoof (2006). The need to address this problem as a serious one in the context of the South African paradigm is further highlighted by the fact that SMEs contribute 56 percent of private sector employment and 36 percent of the gross domestic product in South Africa (O. O. Fatoki & Van Aardt Smit, 2011, p. 1413). Access to external finance is desperately needed for new Small and Medium Enterprises (SMEs) to commence and expand operations, develop new products, invest in new staff or production as observed by Atieno (2009, p. 1414).

According to Demirguc-Kunt, Maksimovic, Beck and Laeven (2006, p. 933) the two primary sources of external finance for young entrepreneurs starting new SMEs are equity and debt. The lack of external equity necessitates the dependence of new SMEs on bank loans and overdrafts for early stage financing. Despite the dependence of new SMEs on debt finance, access to debt finance is very limited for new SMEs, more especially in developing countries (Demirguc-Kunt et al., 2006). I would argue that this problem is directly applicable to South Africa as a developing country.

Evidence alluded to earlier on in this study illustrates that access to finance by entrepreneurs of SMEs are constrained by borrower-specific default risk. Given the low state of entrepreneurship in South Africa, it is necessary to investigate the borrower-specific factors noted above (in other words, lack of adequate personal savings, lack of credibility and business skill, lack of adequate networks and gender) from the perceptual view of the youth entrepreneur and/or small business owner. It is also critical to identify potential demographical variables affecting the access to finance by youth entrepreneurs in order to address the relevant obstacles effectively.

1.4.1 Primary objectives

- (1) To identify the borrower-specific financial obstacles that prevent black youth entrepreneurs in the Tshwane metropolitan area from starting their own businesses.
- (2) To determine whether black youth entrepreneurs in the Tshwane metropolitan area perceive the lack of personal savings as an obstacle preventing them from accessing finance for business start-up.
- (3) To determine if black youth entrepreneurs in the Tshwane metropolitan area perceive the personal possession of business acumen and credibility characteristics as an obstacle preventing them from accessing finance for business start-up.
- (4) To determine whether black youth entrepreneurs in the Tshwane metropolitan area perceive gender and the access to a broad social network of people as obstacles that impede them from accessing finance for business start-up.

1.4.2 Secondary objectives

- (1) To identify the industries (where black youth entrepreneurs operate or plan to enter) that are currently or likely to be impacted by borrower-specific factors which affect accessibility to finance.
- (2) To determine the nature of training and support that the black youth entrepreneur requires to fortify their business acumen and skills and enhance their credibility.
- (3) To determine how black youth entrepreneurs can broaden their social network so as to assist them to access finance for business start-up in an easier way.

1.5 RESEARCH AIM

The intention of this research is to focus on a critical issue which relates to the financial constraints (from a borrower-specific context) facing youth entrepreneurs,

as an obstacle to continued sustainability and growth (O. O. Fatoki & Van Aardt Smit, 2011, p. 1414). Once the obstacles in assessing a youth entrepreneurs access to finance have been derived, recommendations will be made, which if taken into consideration, could no doubt assist youth entrepreneurs, funding institutions and the government. The increased access to finance by youth entrepreneurs (through reduced borrower-specific financial risk) could potentially contribute productively to society (through increased entrepreneurial activity), foster civil responsibility and social justice (Baker, 2008). Cumulatively these factors can significantly and positively impact the development of a country.

Youth entrepreneurial activity in South Africa is faced with many challenges. One of the key challenges has been identified as financial constraints and more particularly, borrower-specific financial constraints. Barbosa and Moraes (2004) also noted that borrower-specific factors include variables largely controlled by a firm namely, managerial competencies, business information quality, availability of collateral and networking. Although it is acknowledged that systemic factors to entrepreneurial finance also exist, the scope of this research shall be limited to the borrower-specific factors just mentioned which influence the access to finance (thereby creating constraints) that impede business start-up by youth entrepreneurs.

To summarise, this research study seeks to determine whether:

- there are borrower-specific financial constraints to prevent youth entrepreneurs in the Tshwane metropolitan area from starting their own businesses.
- lack of personal savings exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area.
- business acumen and credibility differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area.

- networking and gender differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area.

The research shall then present some plausible ways on how black youth entrepreneurs in the Tshwane metropolitan area may access finance for their own business start-up easier through a corresponding reduction in the borrower-specific financial constraints that they face.

1.6 RESEARCH HYPOTHESES

The following hypothesis statements are proposed in this research study:

- H1 There are borrower-specific financial constraints to prevent black youth entrepreneurs in the Tshwane metropolitan from starting their own businesses.
- H2 Lack of personal savings exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area.
- H3 Business acumen and credibility differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in Tshwane metropolitan area.
- H4 Networking and gender differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area.

1.7 OUTLINE OF STUDY

The remainder of this report is organised as follows:

Chapter 2 provides a comprehensive literature study on the definition of entrepreneurship, youth, the categorisation of youth entrepreneurs, the National Youth Development Agency (NYDA), general constraints to youth entrepreneurship and the borrower-specific constraints that prevent youth entrepreneurs from accessing finance to start their own businesses in South Africa.

Chapter 3 sets out the outline and the sequence of the research hypothesis to be investigated further through use of the research questionnaire. The hypothesis will provide the reader with a further understanding of the purpose of the research.

Chapter 4 provides an explanation of the methodology used for purposes of the research and a defense of why the chosen methodology was adopted. A discussion of the unit of the research design, population, sampling technique and size, research instrument, data collection and analysis will be provided in Chapter four.

Chapter 5 described the criteria used to classify the data collected. It uses descriptive statistics to tabulate and present the data collected.

Chapter 6 presents the main findings of the empirical study. The comparison between borrower-specific financial constraints and youth entrepreneurship is discussed in relation to the research hypotheses and linked to insights gained from the literature review.

Chapter 7 closes the study with overall conclusions in terms of answering the research hypotheses, provides recommendations for further research and highlights the contribution of the study. This chapter also outlines the limitations of the study.

1.8 CONCLUSION

This chapter highlighted the importance of entrepreneurship and more specifically youth entrepreneurial activity to a country's economic development. It highlighted the fundamental role that youth play in South Africa and also reviewed South Africa's youth unemployment rate as well the entrepreneurial success rate in South Africa. It also outlined the constraints that face youth entrepreneurs from a financial perspective and concluded with the study aims and research hypotheses.

The next chapter will provide the reader with an understanding of key terms used in the field of entrepreneurship and provide insight into the functions of the NYDA. While the next chapter will briefly highlight the literature available in respect of the institutional or regulatory and cultural obstacles to entrepreneurship, it will provide detailed coverage of the existing body of literature related to the borrower-specific financial constraints to entrepreneurship.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

There is unanimous agreement amongst policymakers and academics that entrepreneurship is critical to the development and well-being of society (Kelley, Bosma, & Amorós, 2011, p. 12). No doubt entrepreneurs create jobs but Kelley et al. (2011) argue further that entrepreneurs also drive and shape innovation, speeding up structural changes in the economy. Entrepreneurship is thus a catalyst for economic growth and national competitiveness. An economy's entrepreneurial capacity requires individuals with the ability and motivation to start businesses, and requires positive societal perceptions about entrepreneurship.

Entrepreneurship should include participation from all groups in society, including a range of age groups and education levels and disadvantaged populations. South Africa ranks dismally in the context of entrepreneurship when compared to other countries. Of concern though is South Africa's rank in terms of new firm activity. South Africa's new firm prevalence average (2.1 percent) and rank of 38 out of the 43 countries is significantly lower than the averages for all GEM countries (4.6 percent) and the average (4.9 percent) for all efficiency-driven countries (of which South Africa is a constituent).

The poor skills base and severe environmental limitations (which include poverty, lack of active markets and poor access to resources) seem to constitute the problems that hinder entrepreneurial activity in South Africa. These reasons it has been suggested by Kew et al., (2009) to form the basis which probably dissuade South Africans from considering entrepreneurship as a positive and viable career choice.

As mentioned above, borrower-specific financial constraints constitute a global challenge to the possibility of youth entrepreneurs starting their own businesses – South Africa is no exception (O. O. Fatoki & Van Aardt Smit, 2011, p. 1414).

Moreover, financial constraints rank above most of the other constraints impeding youth entrepreneurial activity as already demonstrated above. Further, Fatoki and Chindoga (2011) remark that lack of finance is one of the major constraints to the formation of new enterprises. Maas and Herrington (2006) indicate that lack of financial support is the second major contributor to the low TEA rate in South Africa. On the other hand, Pretorius and Shaw (2004) observe that a large percentage of the failure of entrepreneurial ventures in South Africa is attributed to inadequate capital structure or resource poverty.

The importance of accessibility to finance (and more especially borrower-specific factors that influence same) for the advancement of youth entrepreneurship (and economic growth) in South Africa serves as a motivation for why the borrower-specific financial constraints (discussed under 2.6 below) that prevent youth entrepreneurs from starting businesses in South Africa was chosen for analysis in this research.

2.2 TERMINOLOGY APPLICABLE TO YOUTH ENTREPRENEURSHIP

To assist the reader appreciate the context in which various terminologies have been applied in this research, set out below are key definitions of pertinent terms used during the research.

2.2.1 Who is an entrepreneur

There is wide consensus that entrepreneurs, irrespective of their age, are regularly involved in decision-making activities. These decisions surround the acquisition, allocation and utilisation of resources. The term “entrepreneur” was coined by French Economist, Richard Cantillon and is derived from the French verb “entreprende”, and the German word “unternehmen” (Oseifuah, 2010, p.164) which basically mean ‘to undertake’. The elements of risk-taking and resource allocation formed the primary focus of Cantillon’s definition of an entrepreneur (Oseifuah, 2010).

Jean Baptiste Say improvised the definition in the nineteenth century to argue that an entrepreneur is a person who is capable of shifting resources from low to high productivity areas and possesses specialised knowledge and judgement on product costs and prices. The definition was revised further by John Stuart Mill who suggested that the definition of “entrepreneur” should include a management component and subsequently by Joseph Schumpeter who emphasised that innovation should form part of the definition of an entrepreneur (Oseifuah, 2010, p. 165). More recently, however, according to Sondakh and Rajah (2006) an entrepreneur is an individual who lives and functions within a social context and is characterised by a particular set of actions aimed at the creation of new wealth through the venture.

2.2.2 What is entrepreneurship

There is the view that entrepreneurship extends beyond individuals and groups to organisations, society and culture. Furthermore, entrepreneurship is regarded as a set of qualities and competencies that enable individuals, organisations, communities, societies and cultures to be flexible, creative and adaptable in the face of, and as contribution to, rapid social and economic change (National Youth Commission, 2006, p. 14). Fatoki and Chindoga (2011, p. 161) argue that the literature has failed to provide a single definition which fully describes entrepreneurship. There have been various definitions that have emerged in an attempt to explain entrepreneurship, however, Sathiabama (2010) explains that entrepreneurship is a dynamic process of creating wealth by individuals or groups of individuals.

Recent reviews of entrepreneurship research have indicated the lack of an agreed upon definition of entrepreneurship and, more basic, a concern over what entrepreneurship constitutes as a field of study (Brockhaus, 1987). Gartner (1990, p. 21) commented that the entrepreneur theme is the idea that entrepreneurship involves individuals with unique personality characteristics and abilities. Most of the

attributes that described the entrepreneur (e.g., risk taking, locus of control, autonomy, perseverance, commitment, vision, creativity) correlated with this factor.

Rwigema and Venter (2004, p. 6) define entrepreneurship as “the process of conceptualising, organising, launching and through innovation – nurturing a business opportunity into a potentially high growth venture in a complex, unstable environment.” Kew, Kew and Herrington (2009) illustrate that an entrepreneur is one that shifts economic resources out of an area of low productivity into an area of higher productivity and greater yield – this resonates closely with the view held by Jean Baptiste Say. Pihie (2009, p. 341) adopts the approach that entrepreneurship may be measured in two ways. Firstly, actual entrepreneurship (in other words, people that actually commence business start-up) and secondly, entrepreneurial intention (in other words, people that intend to commence business start-up).

This definition of entrepreneurship it is argued has remained fairly consistent with the advent of time, since elements of the definition are still evident in a more recent definition of entrepreneurship proposed by Nieman and Nieuwenhuizen (2009), who define entrepreneurship as “the process that causes changes in the economic system through innovations of individuals who respond to opportunities in the market”. The above definitions are useful since Schoof (2006) argues that there is not a generally agreed upon definition of the terms “entrepreneurship” or “youth entrepreneurship”.

From the above, it is plausible to argue that entrepreneurship may be characterised by the following key elements. It is recognised that firstly, entrepreneurship is usually driven by the existence of a gap in the market for a good or service. More specifically, the demand for that good or service often will exceed the supply. Secondly, entrepreneurs usually are inspired by their own creative thinking and their drive to innovate new products or services. Thirdly, entrepreneurs often embark upon their profit seeking ventures regardless of the risk or uncertainty that may exist. Fourthly, entrepreneurs are adept at managing

their available resources and organising their skill in a way that achieves productivity and efficiency. Accordingly, entrepreneurs spot and opportunity, marshal resources and organise these into a venture that offers something new or improved to the market (Mutezo, 2005, p. 11). Being such a wide term, entrepreneurship also encompass different entrepreneurship types (economic, social, public entrepreneurship, inter-relationship) co-operative entrepreneurship.

2.2.3 The meaning of youth

The definition of youth often varies and unfortunately there is not a generally agreed upon definition of the term “youth”. For instance in a statistical report released by the United Nations in 1992, the term “youth” was defined to include people between 14-24 years of age. The report confirmed that this age range was the widely accepted convention for youth (Baker, 2008, p. 5). In contrast, however, it is posited that the definition of youth may vary to include other factors. For instance, it is noted that the definition of youth may contain an expanded age range to allow for the key times at which young people enter into the world of employment. For example, Baker (2008) that people between 18-35 years of age fall within the definition of “youth” to accommodate for the situation just described.

There are useful insights to also bear in mind on how youth are defined from a policy perspective. According to (1999, p. 3) governments uncertain view of the role that youth plays in the economy and society is reflected in its differing legal, economic or social status between countries and even between genders within countries. For example, in Africa, a person attains adulthood upon reaching the age of 21 years in many countries and 18 years in some African countries (Mkandawire & Chigunta, 1999).

Depending on the purpose, the legal status of a young person can also vary widely. Legal minimum ages often vary not only by gender but also accordingly to the purpose of the age limit - marriage, voting rights, criminal responsibility, military service, access to alcoholic beverage, consent to medical treatment, consent to

sexual intercourse etc. For instance in South Africa, a young man or young woman can legally consent to sexual intercourse at the age of 16, can obtain a driver's licence at the age of 17, can vote at the age of 18 but can only own land at the age of 21 (Mkandawire & Chigunta, 1999, p. 3). According to the ILO Convention No. 138, in economic terms, youth from aged 15 are defined as an economic agent (Esim et al., 1999, p. 3). However, young people are often denied access to credit, even through micro credit schemes because lending is subject to a minimum required legal age (18 or 21 years old) in order for there to be a legal a binding contract (Curtain, 2001, p. 3).

Statistical definitions of youth also vary. In Africa, some countries have adopted the United Nations (UN) definition of youth (in other words, 15 to 24 years) while others use the Commonwealth definition (in other words, 15 to 29 years). For policy purposes, the age range can be even wider. In some African countries, such as Ghana, Kenya and Tanzania, the definition of youth used for policy purposes ranges from 15 years to 35 years. In Nigeria, it ranges from 12 to 30 years (Mkandawire, 2000, p. 3).

In South Africa, the NYDA (an agency established by government to promote youth development and entrepreneurship) defines youth differently. For instance, according to section 1 of the National Youth Development Agency Act of 2008 (NYDA Act) youth is defined as "persons between the ages of 14 and 35 years. In view of the above, it is posited that the definition of youth may vary on the basis of the circumstances and facts under evaluation as demonstrated above. As mentioned above, this research aims to explore the financial constraints that prevent youth entrepreneurs from starting their own businesses in an emerging market like South Africa. Therefore for the purposes of this research, the definition of youth as contained in the NYDA Act has been used.

2.3 YOUTH ENTREPRENEUR CATEGORISATION

Youth entrepreneurs may be classified into three different types according to Schoof (2006). The transitional categorisation is a useful approach to classify the different types of youth entrepreneurs and is based on significant structural differentiation in youth enterprise activities. Although various global studies suggest that youth entrepreneurship differs according to age, Youth entrepreneurship may be categorised into three (transitional) phases according to Schoof (2006), Oseifuah (2010) and Chinguta (2002) which constitute:

- Pre-entrepreneurs (between 15-19 years and comprises the formative stage). The youth in this category are often in transition from the security of the home or education to the workplace. Curtain (2000), however, notes that for many young people, the transition from education to work is not a single step of leaving the educational system and entering the world of work ((Chinguta, 2002, p. 7); (Schoof, 2006, p. 10); (Oseifuah, 2010, p. 167)).
- Budding entrepreneurs (between 20-25 years and comprises the growth stage). These youth are likely to be more experienced, have greater skills and capital at their disposal to commence their own business start-up. Furthermore, they are often faced with three key choices which include firstly, remaining stuck in marginal activities; second, going out of business or third, running successful enterprises ((Chinguta, 2002, p. 7); (Schoof, 2006, p. 10); (Oseifuah, 2010, p. 167)).
- Emergent entrepreneurs (between the age 26-29 years and comprises the prime stage. These youth are the most experienced which provides them with the highest level of maturity than youth in the lower age groups. These youth are therefore more likely to run more viable businesses than youth in the pre-entrepreneur and budding entrepreneur phases ((Chinguta, 2002, p. 7); (Schoof, 2006, p. 10); (Oseifuah, 2010, p. 167)).

The categorisation of youth noted above is useful when considering the definition of youth (in other words, 14-35 years) applied by the NYDA. To this end, the NYDA seems to have applied the definition of youth in the NYDA Act by integrating the

definitions of youth as applied in the African Youth Charter (in other words, 15-35 years) and the United Nations (in other words, 14-28 years). It is arguable that in defining youth, the NYDA seeks to incorporate all transitional phases noted by Schoof (2006), Oseifuah (2010) and Chinguta (2002) associated with youth entrepreneurship.

2.4 THE NATIONAL YOUTH DEVELOPMENT AGENCY

The NYDA was established in 2009 (from a merger between the Umsobomvu Youth Fund and the National Youth Commission) with the objective to advance youth development through guidance support to initiatives across all sectors of society and spheres of government (National Youth Development Agency, 2010, p. 3). Furthermore, it is also the mandate of the NYDA to embark on initiatives that seek to advance the economic development of young people and to develop and co-ordinate the implementation of the Integrated Youth Development Strategy and Plan for South Africa.

The establishment of the NYDA was therefore required to ensure that South Africa has a single and streamlined structure that would be responsible for all aspects of youth development. To this end, compared to any other organisation (entrusted with youth development) in South Africa, the NYDA is more responsive and better placed to deal with challenges faced by young people (National Youth Development Agency, 2010, p. 3). It is useful to bear in mind that youth as defined in the National Youth Development Agency Act of 2008 (in other words, people between 14-35 years) constitute one of the target groups of the NYDA.

Included amongst its functions and objects relevant to youth, the NYDA will support both profit making businesses as well as social enterprises that promote job placement, income generating activities and most importantly self-employment as well as developing an integrated youth development plan and strategy for South Africa (National Youth Development Agency, 2010, p. 7). Although the NYDA has only been in existence since 2009, it is optimistic to see that the NYDA has

managed to breakeven in the targets that it has achieved for economic participation (a key performance area in its mandate and considered most important in this research).

The credibility of the NYDA may be established on its financial performance for the year ended 2010 (as derived from the NYDA's 2010 annual report). For this period, the NYDA has successfully achieved most of its performance targets (aimed at youth development) (NYDA, 2010, p.9-19). The NYDA is a credible organisation to use for this study as there is a large volume of youth that frequent its branches throughout South Africa (NYDA, 2011, p.1).

Economic Participation

Table 1: Number of jobs created against target of NYDA

KPA	KPI	PROGRAMME KPI TARGET	2009/10 ACTUAL	VARIANCE EXPLANATION
ECONOMIC PARTICIPATION	36,300 JOBS CREATED	14,000 JOBS CREATED THROUGH MICRO-FINANCE (GROUP AND INDIVIDUAL LENDING)	25,653	THE TARGET WAS EXCEEDED DUE TO THE HIGH DEMAND OF THIS SERVICE, ESPECIALLY GROUP LOANS.
		15,000 NATIONAL YOUTH SERVICE (NYS)	12,381	THERE WAS A SHORTFALL OF 2,619 AGAINST THIS TARGET. THERE WERE NO NEW NYS PROJECTS IMPLEMENTED IN THE LAST 6 MONTHS OF THE FINANCIAL YEAR, DUE TO LIMITED FUNDING FOR THE NYDA.
		5,300 BUSINESS CONSULTANCY SERVICES	3,410	THIS TARGET WAS NOT MET BY 1,890 JOBS. THIS WAS DUE TO LIMITED FUNDING FOR THE NYDA.
		1,000 JOBS PROGRAMME	1,004	THIS TARGET WAS EXCEEDED BY 4 JOBS DUE TO DEMAND OF SKILLS FROM PROJECTS, ESPECIALLY THOSE RELATED TO THE FIFA WORLD CUP 2010
		350 JOBS CREATED THROUGH SME LENDING	310	THIS TARGET WAS NOT MET BY 40 JOBS. DUE TO LIMITED FUNDING, THE NYDA REFOCUSED ITS RESOURCES TO MICRO-FINANCE PROGRAMME DUE TO ITS HIGH DEMAND AND IMPACT.
		350 VOLUNTEERS IN ACTION MENTORSHIP	545	THIS TARGET WAS EXCEEDED BY 195 JOBS. THIS WAS DUE TO THE FACT THAT MOST OF THE COMPANIES MENTORED ARE IN THEIR GROWTH STAGE, THUS REQUIRING NEW SKILLS TO SUPPORT THE ENTREPRENEUR OPERATIONS.
		300 CO-OPERATIVES	0	THE ORGANISATION WAS NOT ABLE TO CONFIRM THE NUMBER OF JOBS CREATED THROUGH CO-OPERATIVES THAT RECEIVED LOANS FROM THE INTERMEDIARY SACCOL. A NUMBER OF OTHER PROJECTS STILL AT PLANNING STAGE AND JOBS WILL BE CREATED ONCE THESE BECOME

				OPERATIONAL.
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Source: (National Youth Development Agency, 2010, p. 9)

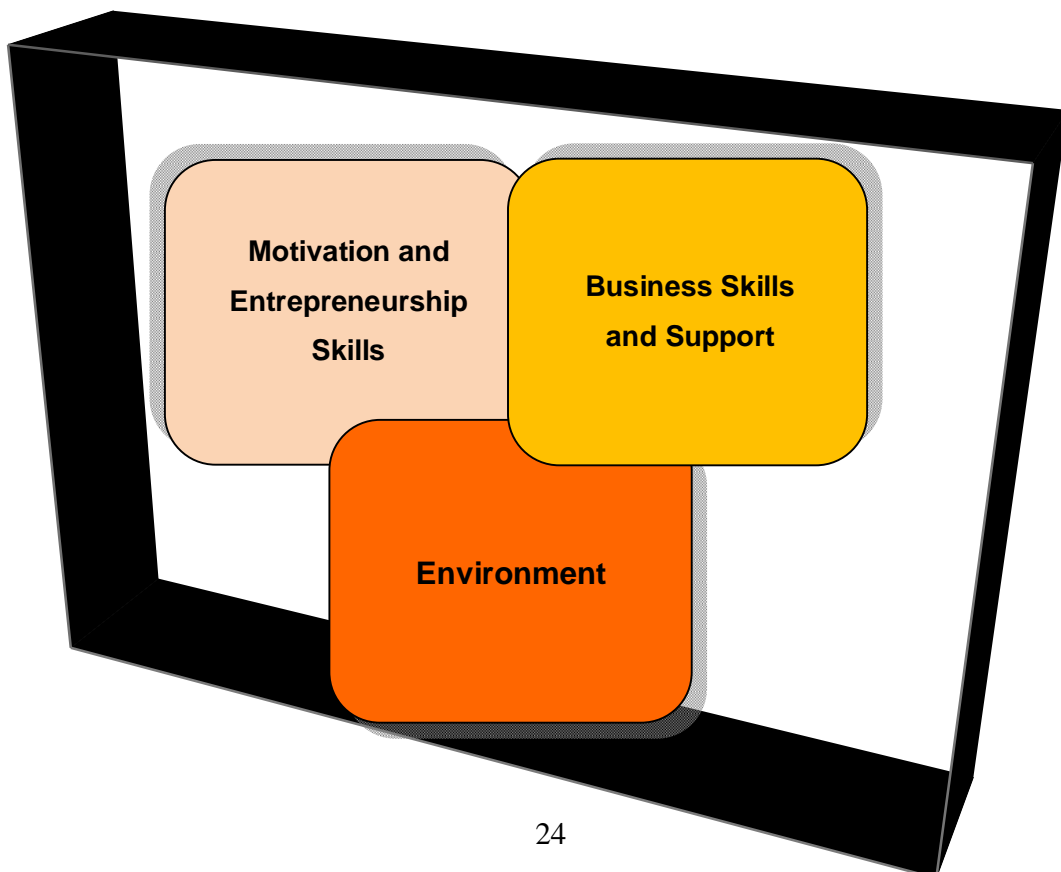
2.5 GENERAL CONSTRAINTS TO YOUTH ENTREPRENEURSHIP

2.5.1 Overview

As a general matter, the Umsobomvu Youth Fund argues that there are three key areas of policy (which may create obstacles) that need attention in order to improve entrepreneurship development in any country, however, the policy areas that require attention the most may differ depending on the target group in question, for example, youth. To this end, the Umsobomvu Youth Fund developed an entrepreneurship development framework illustrated below which incorporates the three areas of policy that it has identified.

Figure 1: Entrepreneurship Development Programme Framework

Source: (Umsobomvu Youth Fund, 2002, p. 104)



According to the Umsobomvu Youth Fund (2002) each policy area in the above framework relates broadly to the following fields:

- (i) Motivation and entrepreneurship skills (aimed at awareness and increasing entrepreneurship legitimacy) relates to entrepreneurship culture
- (ii) Business skills and support (aimed at enhancing entrepreneurship and business management) relates to entrepreneurial financing and training
- (iii) Environment (aimed at facilitating business entry, survival and growth) relates to regulatory and institutional aspects of entrepreneurship.

For the sake of completeness, a high-level discussion briefly highlighting the regulatory/institutional and cultural obstacles that impede youth entrepreneurial activity will be provided below. It is acknowledged that entrepreneurial activity may be stifled by regulatory/institutional and cultural obstacles, however, since this study is based on the borrower-specific financial constraints to youth entrepreneur business start-up, the majority of the literature review in the remainder of this chapter will focus on the borrower-specific financial constraints that prevent young people from business start-up.

2.5.2 Institutional or Regulatory obstacles

Entrepreneurial activity may also be hindered by institutional obstacles. A youth's aspirations to pursue a career in entrepreneurship depends on the economic environment, which can be facilitative or detrimental. Factors which influence institutional obstacles include rules and regulations, property rights and the quality of government because they affect transactional trust (in other words, the degree of trust the parties to a business transaction place in each other), and all are profoundly important since a deficit in any can impede entrepreneurship throughout a region, a country, or a civilization (Fogel, Hawk, Morck, & Yeung, 2006, p. 2).

Interestingly, Ehlers and Lazenby (2007, p. 108) provide evidence that economic forces may influence market opportunities and ultimately result in prosperity or adversity on organisations in different industries and in different locations. Bad market conditions and no market opportunities can impede youth entrepreneurial intention (O. Fatoki & Chindoga, 2011). Transitional economies like Albania contain institutional obstacles that hinder youth business start-up.

For example, researchers concluded that the most decisive barriers for the Albanian business environment were the inadequate business infrastructure, unpredictability of judiciary institutions, corruption, crime and theft. It is arguable that these obstacles may equally also be prevalent in South Africa. Additionally, a similar study conducted in Bulgaria revealed that inflation, tax regulations, uncertainty on regulation costs and state bureaucracy were the main barriers that impeded young entrepreneurial intention (Bitzenis & Nito, 2005, pp. 568-569).

Although there are regulatory or institutional obstacles that stifle entrepreneurial activity, regulatory or institutional obstacles will not be discussed in further detail since the focus of this study is based on the borrower-specific financial constraints facing youth entrepreneurs.

2.5.3 Cultural obstacles

According to Fogel et al., (2006) the entrepreneurial spirit is a part of a collective “personality trait” and determined by social culture and values and the availability of education. Some of the elements that constitute culture within the context of entrepreneurship theory include education, willingness to take risk, autonomy and school choice. Managerial competency and skills are crucial for new firm formation ((Lefebvre & Lefebvre, 2002, p. 285); (Peterman & Kennedy, 2003, p. 131)).

On the other hand Herrington et al. (2009) argues that the lack of education and training are the most crucial factors that hinder entrepreneurship in South Africa. To this end, Herrington et al. (2009) comments that the quality of basic education

has deteriorated in South Africa. Fatoki and Chindoga (2011) agree that social and cultural factors influence youth entrepreneurial intention.

According to Fatoki and Chindoga (2011, p. 163) the lack of awareness by youth of government programmes specifically designed to assist youth entrepreneurs is a problem faced by the youth in South Africa. The lack of willingness to take risk was also identified as an obstacle to business start-up success. Fear of failure and embarrassment discourage people with ideas to explore them and venture into a competitive stage. The tendency of young entrepreneurs to become risk averse seems to stem from the youth entrepreneurs social environment (Kazela, 2009).

Similarly, as noted under 2.5.2 above, although cultural obstacles are acknowledged to stifle entrepreneurial activity, cultural obstacles will not be discussed in further detail since this research study focuses on the borrower-specific financial constraints facing youth entrepreneurs.

2.6 BORROWER-SPECIFIC FINANCIAL CONSTRAINTS TO YOUTH ENTREPRENEURSHIP

2.6.1 Background

There is wide consensus globally that lack of adequate start-up finance is one of the most important (and talked about) constraints that prevent aspirant youth entrepreneurs from starting their own businesses. This resonates with the view of Pretorius and Shaw (2004, p. 223) and Atieno (2009, p. 33) who in agree with the above comment but also point out further that entrepreneurs need access to both internal and external finance which is fundamental to the survival and growth of their businesses. In a recent study conducted in the United Kingdom on the financing of disadvantaged entrepreneurs, policy-makers identified poor access to finance as one of the four key barriers that cause low rates of entrepreneurship in disadvantaged and under-represented groups.

Carter, Brush, Greene, Gatewood and Hart (2003, p. 9) argue that obtaining the necessary financing to start and grow a business is generally considered one of the entrepreneur's major problems. Entrepreneurs may use a variety of sources to obtain capital to start their businesses. These may broadly be separated into three types: (i) personal investment (i.e. personal savings, gifts from family and friends, (ii) private external finance (i.e. loans, asset finance, overdrafts, equity finance and (iii) public investment (i.e. enterprise grants subsidized loans, and public equity finance). Despite these financing options, it is often the case that small businesses struggle to access finance at start-up (Rouse & Jayawarna, 2006, p. 390).

In a very recent and useful article, Fatoki and Van Aardt Smit (2011) comment that there are certain variables in the business environment that constrain entrepreneurs from accessing finance from commercial banks to start their own SMEs in South Africa. In the context of the article, the business environment was defined to consist of all factors internal and external to a business that can influence its access to debt and/or external equity (O. O. Fatoki & Van Aardt Smit, 2011, p. 1415).

Internal factors (in other words, borrower-specific) as opposed to external factors (in other words, systemic) that influence a young entrepreneur's access to finance include variables that are largely controlled by the business such as personal savings, collateral or credibility, managerial competency, networking and gender. In this vein, systemic factors include factors that are largely controlled by an entire financial system or market such as the subprime mortgage crisis (Wikipedia, 2011, p. 1).

In what follows will be a discussion of the salient issues that arise from the literature on each of the borrow-specific financial constraints mentioned in the above paragraph.

2.6.1.1 Lack of personal savings

The model developed by Evans and Jovanovic (1989) forms arguably the basis upon which the relationship between individual wealth and the propensity to become an entrepreneur was culminated. In their model, the amount that an individual can borrow to fund a new venture is a function of the collateral that he can post, which is a function of personal wealth (Kerr & Nanda, 2009, p. 7). The theory postulated by Evans and Jovanovic (1989) in their model provides evidence which supports why the level of entrepreneurial activity in South Africa remains low. In South Africa, most young people do not have adequate accumulated capital at their disposal.

This impacts their propensity to pursue entrepreneurial activity and further serves to impede their ability to furnish collateral to financial institutions in order to obtain loan finance. The above constraint resonates with the finding of Rogerson (2008), who in his analysis of financial constraints to Small Medium and Micro-enterprise (SMME) start-up, noted that emerging entrepreneurs used personal savings or borrowing from friends and relatives for business start-up as they did not have adequate accumulated capital.

A somewhat interesting but different view on this issue to consider was the view of Kerr and Nanda (2009) who contend that entrepreneurs tend to be significantly wealthier than those who work in paid employment and that wealthier individuals are more likely to become entrepreneurs (Gentry & Hubbard, 2004). In a study commissioned in Britain to review existing research on the borrowing and saving patterns of young people, researchers discovered that young people (aged between 18 and 24 years) have a high propensity to borrow and to use revolving credit in particular (Atkinson & Kempson, 2004, p. 1). Furthermore, the research revealed that financial savings products of all kinds were much less commonly held by young people than among the adult population as a whole (Atkinson & Kempson, 2004, p. 5).

In a study launched by the Savings for Education, Entrepreneurship and Downpayment (SEED) initiative for children and youth, Pate (2011, p. 5) argues that the accumulation of wealth and assets is a key factor in the economic stability of any individual or family household. According to Pate (2011, p. 12) youth savings and entrepreneurship are strategies sharing common goals and methodologies. They both support accumulation of human and financial assets by the next generation and incorporate financial education and activities to assist youth make sound financial decisions. More specifically, youth savings may be used to start small businesses. Both youth saving and youth entrepreneurship change behavior, outlooks and expectations (Pate, 2011, p. 12).

Bringing the argument closer to South Africa, savings rates declined sharply from 8 percent in the 1980s to -0.5 percent of personal disposable income in 2006 – this is due to mounting personal debt among South Africans (Kotze & Smit, 2008, p. 156). According to Kotze and Smit (2008) South Africans lack a comprehensive savings culture (and save between 1 and 2 percent of their disposable income) since individuals prefer to spend their money on consumption rather than investments – and this negatively impacts the South African entrepreneurial environment.

Some of the underlying reasons that explains this behavior is that adults lack the financial knowledge to make competent and effective personal finance choices (Kotze & Smit, 2008, p. 157), the deregulation of South African markets from the 1980s onwards and the increased demand for residential mortgage loans (Prinsloo, 2002, pp. 72-73) – this culture it is arguable will perpetuate onto the youth as well.

According to Hisrich and Peters (2002, p. 367) there is global consensus that entrepreneurs are heavily reliant on their own savings for new business start-up. Additionally Kotze and Smit (2008, p. 158) posit entrepreneurial own savings are crucial in attracting bank and investor finance. However, the decline in household

savings according to Kotze and Smit (2008, p. 161) over the past 20 years is a global occurrence and not just a domestic incident.

2.6.1.2 Lack of collateral

According to (2007, p. 11) when compared to large businesses, SMEs are commonly more opaque, less likely to provide collateral and often do not possess audited financial statements to allow a better picture of the business or its profits to be revealed. Young people often do not have self-sustaining resources, substantive credit history, sufficient collateral (due to a lack of adequate personal wealth as already stated under 2.6.1.1 above) or guarantees to secure loans or lines of credit. For these reasons, Schoof (2006) contends that young people are often therefore seen as particularly risky to potential investors and therefore face immense challenges in accessing finance. More recently, Fatoki and Van Aardt Smit (O. O. Fatoki & Van Aardt Smit, 2011, p. 1415) concur in arguing that investors risk perception may be greatly influenced by the extent to which they perceive that they are able to trust the youth entrepreneur.

Additionally, youth entrepreneurs need to be able to earn the trust of their financiers and build trusting business relationships with transacting partners. The ability of youth entrepreneurs to access finance therefore relies on the youth entrepreneur's ability to secure transactional trust – which is not easy to earn but could be achieved through the provision of collateral by young entrepreneurs (Fogel et al., 2006, p. 12). In agreement with Fogel's view is Pretorius and Shaw (2004, p. 236) who comments that no matter how good the an entrepreneur's business plan may be, what really matters is how much capital the applicant is able to provide in cash to the bank so as to limit the bank's financial risk. The lack of tangible assets that may be pledged as collateral, impede entrepreneurs from accessing bank financing for new business start-up (Ho & Wong, 2007, p. 190).

Both as a protection against insolvency risks and as a screening device, banks generally ask their borrowers for some credit collateral – which banks place a

greater value on the easier the collateral may be converted into cash. According to Zazzaro (2001, p. 378) the characteristics of innovative businesses (in other words, lesser availability of collateral guarantees) increase the costs at which potential entrepreneurs are able to access finance and subsequently induce banks to require a greater average probability of repayment on the loans made to finance these businesses which often is a factor that counts against and reduces the likelihood of potential entrepreneurs receiving finance.

An important insight suggested by Audretsch, Bonte and Mahagaonkar (2007, p. 4) is that young entrepreneurs face financing constraints since their innovative activity and new ideas have a low collateral value because these activities and ideas constitute intangible assets. This arises from the degree of uncertainty inherent in the innovative process which renders the decisions by potential investors to be based on subjective judgements, and that the intellectual property of young entrepreneurs associated with innovative activity is not adequately protected. In this vein, a regime guaranteeing protection of this nature would include patents and copyrights (Audretsch et al., 2007, p. 5).

2.6.1.3 Lack of business experience or skill, information and credibility

The lack of business experience and or skills were red-flagged as one of the primary concerns that exist when lending money to youth entrepreneurs. When financial institutions or other potential investors assess the creditworthiness of a youth, they often look at previous business experience, track record or business skills as a measure of assessment. As a general matter, a youth's age according to Schoof (2006), disadvantages youth as it is unlikely that young people meet these criteria to the satisfaction of financial institutions or other potential investors.

According to Zaleski (2011, p. 44) outside investors value the experience of entrepreneurs for two reasons. Firstly, an entrepreneur's experience is positively correlated with both survival and growth of the business. Secondly, entrepreneurial experience in general lends credibility and largely reduces scrutiny to any

information such as forecasts of the future of the business the entrepreneur might provide. Furthermore, start-ups established by an inexperienced entrepreneur are less likely to obtain access to finance, holding all else equal (Zaleski, 2011).

The provision of business information (either on present performance or to predict future performance) is a key determinant as to whether a youth entrepreneur will successfully be able to access finance or not. This contention coincides with the remarks made by Kitindi, Magembe and Sethibe (2007) and Audretsch, Bonte and Mahagaonkar (2007, p. 4), who argue that creditors, banks and other potential investors use business information provided by entrepreneurs to analyse their present performance and predict future performance.

According to Kitindi, Magembe and Sethibe (2007), the provision of business information (usually by way of a business plan) reduces information asymmetry. The use of time to develop a comprehensive and priority business plan by an entrepreneur at the inception of the project significantly reduces the potential investor's risk perception and increases the entrepreneur's likelihood of obtaining finance for business start-up ((Kitindi et al., 2007, p. 1415); (Pretorius & Shaw, 2004, p. 225)). Furthermore, the quality of the information provided by entrepreneurs to banks was found to make it easier for entrepreneurs to access finance since increased quality makes it easier for the bank to assess the riskiness of the business (Moro & Fink, 2010, p. 7).

Even though Pretorius and Shaw (2004, p. 224) and Hisrich and Peters (1998, p. 225) comment that a successful business plan is widely perceived, throughout the business and academic world, as the most essential document prepared by an entrepreneur setting up a new business, in contrast, Zazzaro (2001, p. 378) holds a differing view. To this end, the learned author argues that a business plan is not a suitable criterion that should influence a bank's decision on providing finance to aspirant entrepreneurs since a business plan is an imperfect signal of entrepreneurial talent.

The skill of a youth entrepreneur, namely, managerial competencies and financial literacy, are characteristics that profoundly impact on a youth entrepreneur's ability to obtain access to finance. In recent studies by Shane and Stuart (2002) and Rudez and Mihalic (2007), a positive correlation was shown to exist between managerial competencies with new venture performance. Of crucial importance was the revelation by the studies to demonstrate that the higher the level of managerial competency exhibited by the owners of a new firm, the greater the viability and survival of the new SME.

On the other hand, Moro and Fink (2010, p. 6) comment that new businesses have the challenge during the start-up period of trying to become established since the potential financier is uncertain about the competence and skills of the young entrepreneur. The use of impression management (through symbolic action) was found to be a useful way that aided entrepreneurs to access new business finance. Basically, symbolic action constitutes behavior (for example, conveyance of entrepreneur personal credibility, professional organizing, organizational achievement and stakeholder relationship quality) that seeks to convey subjective social meanings – to create legitimacy for entrepreneurs to access finance (Zott & Huy, 2007, pp. 71, 97).

According to Pepper and Anderson (2009, p. 139) in order for an entrepreneur to acquire the resources (for example, finance) especially at the business start-up stage, the entrepreneur must have source credibility with his potential constituencies. To this end, potential financiers often depend on the information provided to them by the entrepreneur and must decide if the presented information is accurate, relevant and useful. Source credibility consists of three dimensions in the view of Pepper and Anderson (2009, p. 141) which include competence (in other words, qualifications and intelligence), trustworthiness (in other words, character and honesty) and goodwill (in other words, for others and shared interests).

2.6.1.4 Networking

Beck (2007) confirms that the availability of finance to new SME's can be influenced by networking. Networking in the context of SME's according to Coulthard and Loos (2007), constitutes an activity in which the entrepreneurially oriented SME owner, which arguably could include the aspirant youth entrepreneur, builds and manages personal relationships with particular individuals in their surroundings. The use of network relationships as an entrepreneurial strategy, enables a new SME to obtain access to vital resources, namely finance (Ferri, Deakins, & Whittam, 2009, p. 141).

Stuart and Sorenson (2005) mention that two primary factors account for why an entrepreneur's social networks affect its ability to raise capital. First, although entrepreneurs recognize opportunities by aggregating information available in their networks, financial institutions and investors identify promising investment candidates in part by searching across their networks. An entrepreneur that is well-connected (who maximises his networking opportunities) is therefore more likely to reach the attention of investors looking for options. Secondly, investors often prefer to finance companies in which they enjoy a cohesive relation with company principals because, such social structures may safeguard investor interests (Stuart & Sorenson, 2005, p. 217).

Although an entrepreneur seeking capital can make potential investors aware of the opportunity to invest in his firm, an investor will decide to provide funding when they feel confident in their understanding of hard-to-assess qualities of potential opportunities. When investors and entrepreneurs share overlapping social networks, however, the investor can acquire otherwise difficult-to-discover information about an entrepreneur, including assessments of the entrepreneur's reliability and integrity (Stuart & Sorenson, 2005, p. 216). According to Shane and Cable (2002, pp. 367-370), under conditions of uncertainty and information asymmetry (which arguably exist when young entrepreneurs embark on new business start-up) direct and indirect ties can assist individuals obtain resources

(for example, finance). The reasons for this largely depend on two factors. Firstly, the existence of a social obligation and secondly, access to private information. In arguing that most network studies are characterized by the application of Granovetter's strong and weak tie hypothesis, Jack (2005, p. 1235) posits that the ability to network effectively is an important factor in facilitating entrepreneurial activity, sustaining business development and that the ideal entrepreneurial network should contain both strong and weak ties ((Jack, 2005); (Ulhoi, 2005)).

According to Le and Nguyen (2009, pp. 868-869) networking between entrepreneurs, bankers, government officials, friends and relatives assist both lending institutions and borrowers of finance. To this end, networking assists lending institutions to obtain information, locate markets and better secure their investments while substituting for the lack of effective market institutions, networking may be an effective way for SMEs to access external finance such as bank loans in emerging markets.

Entrepreneurs should build reputation-enhancing relationships with external resource providers of finance and may achieve this objective through what is termed a reputational bonding strategy. In essence, this strategy requires the entrepreneur to embed himself in a dense social network where future access to finance for the entrepreneur is determined by an ongoing record of trustworthy business dealings (Licht & Siegel, 2006, pp. 22-23).

2.6.1.5 Gender

Muravyev, Schäfer and Talavera (2009) in their study remark that financiers' decisions on loan applications differ for men and women who have similar creditworthiness and other relevant characteristics. It was interesting to note from the study that female-managed firms had a 5.4 percent lower probability of receiving a loan than a male-managed firm. Furthermore, female-managed firms paid a higher interest rate than a male-managed firm ((Muravyev et al., 2009, p. 5); (Prasad, 2009, p. 92)). In a recent United Kingdom study conducted by Carter, Shaw, Wilson and Lam (2003) it was revealed that gender is an important but

hidden acquisition of business finance. This conclusion resonates with a finding in a Norwegian study that loan and grant officers perceived female entrepreneurs differently from their male counterparts.

A study in Norway by Alsos, Isaksen and Ljunggren (2006) also provided some useful insight into the access of finance on the basis of gender. Alsos, Isaksen and Ljunggren (2006) mentions that ownership of capital and real property is unevenly distributed among men and women in Norway. This negatively impacts a woman's ability to mortgage and thereby acquire debt finance. Additionally, women have lower incomes than men and therefore are able to invest less of their own funds into their business.

These differences can make women less attractive as borrowers (Alsos et al., 2006, p. 670). Marlow and Patton (2005) concur that the experience of female entrepreneurs reveal that a number of gender related issues exist that are associated with the use of personal and bank finance to fund their businesses. In an earlier study, it was discovered that women had greater limitations upon access to personal savings when compared to their male counterparts (Marlow & Patton, 2005, p. 723)

According to Carter and Shaw (2006, p. 62) evidence of supply-side discrimination by banks existed when the five C's of bank lending (in other words, character, capacity, capital, collateral and conditions) were subjectively applied to the detriment of female entrepreneurs. Additionally, various factors differentiate male from female entrepreneurs and which impede female entrepreneurs from accessing finance for their start-ups. These include experience and education, entrepreneurship focus, networking ideologies, sectoral choice, organizational size and entrepreneurial characteristics ((Verheul & Thurik, 2001, pp. 332-334); (Muravyev et al., 2009, p. 271)).

It is recognized that female and male entrepreneurs differ on the basis of various characteristics as noted above. It is also evident that gender impacts an entrepreneur's ability to access finance. It is highly questionable, however, whether lending institutions should use gender as a criterion to lend funds or not. The real criterion it is argued to lend funds to entrepreneurs should be skills and business experience as opposed to gender.

2.7 CONCLUSION

From the review of literature it can be concluded that access to finance plays a fundamental role in the entrepreneurial process. The definitions of an entrepreneur and entrepreneurship were presented. The role of youth and the NYDA towards economic growth were reviewed. A formal definition of youth was provided as well as a youth entrepreneur categorisation to conceptualise youth entrepreneurship. The general constraints as well as the borrower-specific financial constraints that negatively impact youth entrepreneurship were presented.

The next chapter presents the research hypotheses formulated in this study and will provide a description of these hypotheses.

CHAPTER 3: RESEARCH OBJECTIVES

3.1 INTRODUCTION

The literature review has established that youth entrepreneurship in conjunction with the SME sector has a crucial role to play in enabling economies to thrive and, more specifically, developing economies like in South Africa. This review also highlighted the key borrower-specific constraints that prevent young entrepreneurs from accessing funding to establish their own businesses. A higher entrepreneurial rate and thriving SME sector will help to alleviate the current high levels of unemployment in South Africa if, however, appropriate measures are taken to reduce the borrower-specific constraints facing young entrepreneurs from accessing finance. This research seeks to assist by identifying the borrower-specific constraints preventing youth entrepreneurs from accessing finance and finding potential ways to make access to finance easier for youth entrepreneurs.

3.2 RESEARCH HYPOTHESES

As a general matter, a proposition is defined as a statement about concepts that may be judged as true or false if it refers to observable phenomena. In the context of research, a proposition formulated for empirical testing is called a hypothesis (Blumberg, Cooper, & Schindler, 2008, p. 39).

In research, the role of a hypothesis serves the following key functions:

- It helps to identify the relevant facts from the irrelevant facts of the study
- It provides a framework for organizing the conclusions
- It provides guidance to the intended direction of the study
- It suggests which is the most appropriate form of research design suited to the study (Blumberg et al., 2008)

More particularly, the hypothesis specifies who will be studied, what in particular will be studied and what is the context of the study at hand (Blumberg et al., 2008, p. 43). Blumberg, Cooper, and Schindler suggest that the hallmark of a good

hypothesis is revealed in whether it satisfies three conditions (i) Testability of the hypothesis, (ii) better than its rivals and (iii) adequacy of the hypothesis for the purpose it serves in the study

There are two types of hypotheses in research (i) descriptive and (ii) relational. Descriptive hypotheses are propositions that state the existence, distribution, size or form of some variable (Blumberg et al., 2008). Generally, relational hypotheses are descriptive statements of a relationship between two variables with regards to a particular case. More specifically, relational hypotheses may either constitute (i) correlational hypotheses or (ii) explanatory (causal) hypotheses. To this end, correlational hypotheses mention that the variables occur together in some specified manner without implying that one causes the other. On the other hand, with explanatory (causal) hypotheses there is an implication that the existence of, or a change in, one variable causes or leads to a change in the other (Blumberg et al., 2008, p. 42).

For purposes of this study, relational hypotheses will be proposed. More specifically, correlational hypotheses will be proposed as the variables occur conjunctively with no implication that one variable causes another. In the context of the literature reviewed above it is posited that:

- H1 There are borrower-specific financial constraints to prevent black youth entrepreneurs in the Tshwane metropolitan area from starting their own businesses.
- H2 Lack of personal savings exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in Tshwane metropolitan area.
- H3 Business acumen and credibility differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in Tshwane metropolitan area.

H4 Networking and gender differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in Tshwane metropolitan area.

3.3 CONCLUSION

This chapter provided a brief overview of the link between black youth entrepreneurship and borrower-specific financial constraints within a country. It also provided a description of the hypotheses applied in this study. The following chapter will outline the research methodology.

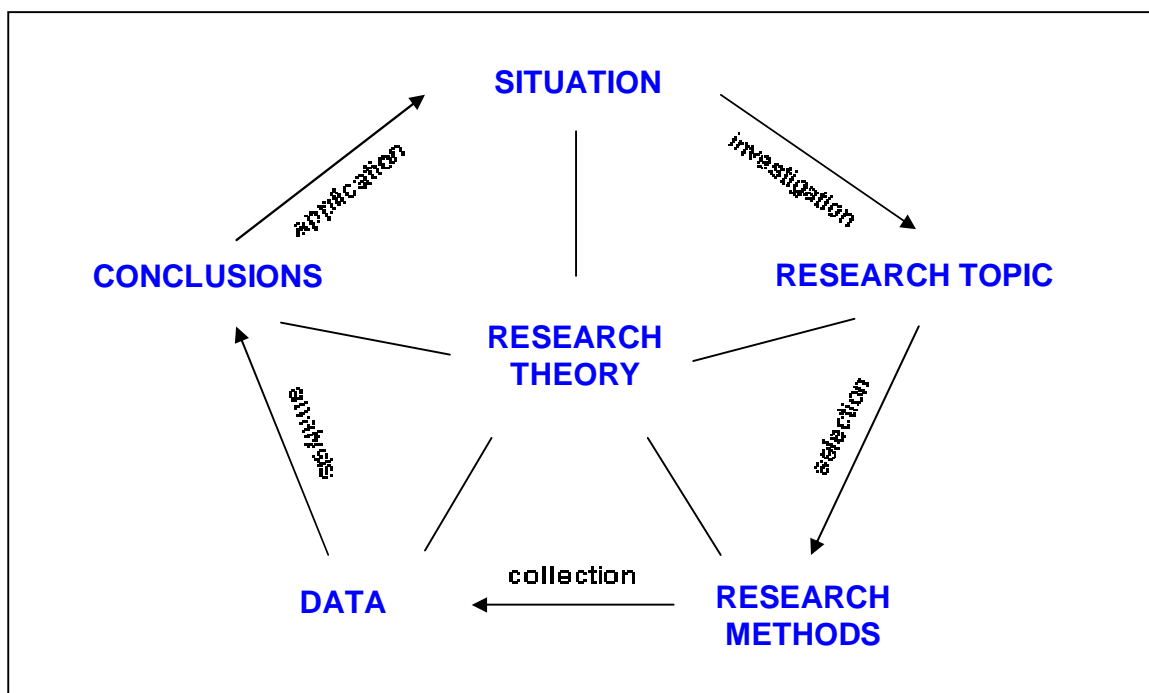
CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

The research process involves the application of various methods and techniques in order to create scientifically obtained knowledge by using objective methods and procedures (Welman & Kruger, 2001, p. 2). The objective of this chapter was to present the methods and techniques that were applied which derived the results presented in Chapter 5.

According to Walliman (2005, p. 238) the research process includes the following key steps which is illustrated as follows:

Figure 2: The research process



Source: (Walliman, 2005, p. 238)

The argument posited by Leedy in De Vos, Schurink and Strydom (1998, p. 15) is that all research methodologies rest on a bedrock axiom: firstly, the nature of the

data and secondly, the problem for research dictated the research methodology. Leedy commented further in De Vos, Schurink and Strydom (1998) that qualitative research methodology deals with data that is principally verbal while quantitative research methodology deals with data that is principally numerical.

4.2 RESEARCH DESIGN

Kerlinger (1986, p. 279) stated that “the research design is the plan and structure of investigation so conceived as to obtain the answers to the research question”. The plan is the overall scheme or program of the research.

As a general matter, at the research planning stage, a distinction is made between two basic types of designs namely, (i) experimental and (ii) non-experimental research. Experimental designs involve an intervention (in other words, exposing the research subjects to something to which they otherwise would not have been subjected (Welman & Kruger, 2001, p. 69). Kerlinger (1986, p. 348) defined a non-experimental design as follows:

“Non-experimental research is systematic, empirical inquiry in which the scientist does not have direct control of the independent variable because their manifestations have already occurred or because they are inherently not manipulable”.

It must be borne in mind that non-experimental research designs further constitute different types of research. These include correlation, descriptive and historical designs. Salkind (2000, p. 11) argued that the objective of descriptive research was to describe the characteristics of an existing phenomenon.

According to Kerlinger (1986, p. 359) one of the greatest weaknesses of the non-experimental research design, as compared to an experimental research design, was that non-experimental research lacked control such as control over the independent and dependent variables.

It should be borne in mind that the variable for this research did not in fact lend itself to manipulation and the aim of the research was to describe the phenomenon: Borrower-specific financial constraints that prevented youth entrepreneurs from new business start-up. In view of the foregoing, it was plausible to argue that the current research was classified as non-experimental research. More specifically, the current research is known as descriptive research.

The research methodology used was based on a quantitative method to investigate the research hypotheses. (Connelly, Ireland, Reutzel, & Coombs, 2010) in their paper on the power and effects of entrepreneurship research, commented that the use and importance of statistical power in entrepreneurship research provided informative findings that stood in contrast to those of previous reviews conducted in other disciplines.

4.3 UNIT OF ANALYSIS

Blumberg, Cooper and Schindler (2008) remarked that the unit of analysis described the level at which the research was performed and which objects were researched. The unit of analysis according to Blumberg, Cooper and Schindler (2008) were derived from the research question. The unit of analysis for purposes of this research were the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane Metropolitan area for their business start-up.

Black youth were selected for this study since according to du Toit (2003, p. 9) the majority of the unemployed youth in South Africa are black (in other words, 4.9 million out of 5.5 million youth aged between 15 and 34 years were unemployed: 89.7 percent). Currently, blacks constitute the majority of the total youth population in South Africa (in other words, 15 739 million out of 18 930 million) (Statistics South Africa (SSA), 2011), however, the unemployment rate of black youth is the highest in comparison to the other race groups in South Africa (in other words, 39.4 percent) (Statistics South Africa (SSA), 2011). An objective of this research is to

reduce youth unemployment. It enhanced the value of this research to conduct a study on black youth as the dominant race affected through unemployment in South Africa.

Tshwane was selected for this study as the city has a vibrant and diverse economy (City of Tshwane, 2010, p. 11). Before the global recession, the city's value was estimated at R166 537 million at current prices – this equated to a contribution of 24.3 and 8.1 percent to the Gauteng and national economies respectively. Tshwane was selected for this study since it has adapted its procurement, tender and other institutional processes to make it a user-friendly city where it is much easier for up-and-coming businesses and entrepreneurs to participate. Additionally, Tshwane's combination of a highly developed first-world economic infrastructure and huge emergent market economy has given rise to a strong entrepreneurial and dynamic environment (City of Tshwane, 2010, p. 26).

4.4 SCOPE OF RESEARCH

At the outset it should be noted that a thorough review of the literature on youth entrepreneurial and entrepreneurial financing revealed that access to finance, and more specifically, borrower-specific financial constraints were still developmental areas of research in the social entrepreneurship field both globally and in South Africa. Accordingly, although available, the body of literature on access to finance and borrower-specific financial constraints (a supply-side entrepreneurial finance field) were limited. Interestingly, Fatoki and Van Aardt Smit (2011, p. 1414) in sharing a similar point of view (albeit in the South African context), commented that “there has been little, if any, in depth research into why banks and trade creditors are not lining up to grant credit to new SMEs in South Africa”.

The lack of research on a secondary level admittedly placed a strain on the literature review. As a result, this study therefore endeavoured to create a foundation by means of which to highlight the current status of youth entrepreneurs in the Tshwane metropolitan area in their effort to access finance during the start

up phase of their businesses. Additionally, the youth entrepreneurs contacted were from previously disadvantaged backgrounds and did not include youth entrepreneurs from other demographic groups in South Africa. Similarly, entrepreneurs with large business were excluded. This is because the large business entrepreneur was unlikely to be faced with constraints to accessing external finance. It has been noted that financial constraints are the primary exit reason for most new SMEs (O. O. Fatoki & Van Aardt Smit, 2011, p. 1414).

4.5 DESCRIPTION OF THE POPULATION AND SAMPLING

4.5.1 Population of relevance

Mark (1996, p. 104) defined a population as the collection of all individuals, families, groups, organisations, communities and events that the researcher was interested in finding out about. Strydom and De Vos (1998, p. 190) defined population as a set of entities for which all the measurements of interest to the practitioner or researcher were present. A population must be defined in very specific terms to include only those units with characteristics that are relevant to the problem in question (Wegner, 2003, p. 5).

The population in this study were defined as youth entrepreneurs. The target population according to Zikmund (1997, p. 417) has been defined as the complete group of specific population elements relevant to the research project. Therefore for the purposes of this research, the target population constituted black youth entrepreneurs between 18 and 35 years who aspired to start new businesses at the small medium and micro enterprise level (SMME) level. The geographical location was Tshwane Metropolitan Municipality.

4.5.2 What is a sample

So having defined the population, it was then possible to construct what is referred to as a sample and a sampling frame. As an initial matter, Blumberg, Cooper and Schindler (2008) defined a sample to form part of the target population, carefully

selected to represent that population. Arkava and Lane in Strydom and De Vos (1998, p. 191) defined a sample as the element of the population considered for actual inclusion in the study.

4.5.3 Sampling frame

A sampling frame is the list of elements from which the sample was actually drawn (Blumberg et al., 2008, p. 239). Furthermore, it is possible that biases could have existed between the opinions of sample frame members and the population. It was fundamental therefore for the sample frame to be adequate in order for the quality of the sample drawn from it to be determined. As a general matter, differences between the sample frame and the population may arise in the following ways: firstly, the sample frame may contain ineligible or elements that are excluded from the population and secondly, the sample frame may contain duplicate listings, and the frame may omit units of the population, which is the most severe problem.

Since no complete list exists of all youth entrepreneurs from 18 to 35 years in South Africa, the NYDA's Database was used to draw a sample. The NYDA was the organisation mandated by legislation to promote youth entrepreneurship in South Africa.

The NYDA has access to many black youth entrepreneurs who have approached the NYDA regularly for ongoing assistance. For instance, for the period between 1st April 2010 and 31st March 2011 (National Youth Development Agency, 2011, p. 1), the NYDA's Pretoria branch had received enquiries from 8617 youth. To this end, when young people visited any NYDA Branch, their intention was firstly registered as an enquiry on the Customer Relationship Management System before they actually received the service or product. Young people made enquiries on diverse aspects including firstly, outreach (2); secondly, internet access (4350); thirdly, general (865); fourthly, complaints (1); fifth, product information (3196); sixth, compliments (0); seventh, company information (99); eighth, career information

and advice (104). Other reasons that have supported the selection of the NYDA have been listed under 2.4 above.

It must, however, be acknowledged that the NYDA's database, would also include youth that did not aspire to become entrepreneurs. The NYDA did, however, run a special course on entrepreneurship for youth who aspired to pursue an entrepreneurial career in future. This possible shortcoming was therefore addressed by distributing questionnaires to youth drawn from the NYDA Database but supplemented the sample with questionnaires distributed ad hoc to youth attending the entrepreneurship course at the NYDA's branch in the Tshwane Metropolitan Municipality.

4.5.4 Sampling technique

As a general matter, there are various ways of extracting a sample. The major alternative sampling plans may be grouped into probability techniques and nonprobability techniques (Zikmund, 2003, p. 379). For purposes of this research, a nonprobability sampling technique was chosen.

In nonprobability sampling, the probability of any particular member of the population being selected is unknown. The selection of sampling units in nonprobability sampling is arbitrary since reliance by the researcher to a large extent is placed on personal judgment (Zikmund, 2003, p. 380). It is useful to bear in mind though that there are no appropriate statistical techniques for measuring random sampling error from a nonprobability sample. As a result, projecting the data beyond the sample is statistically inappropriate.

Judgment (or purposive) sampling is a nonprobability sampling technique in which the researcher selects the sample based on their judgment about some appropriate characteristic required of the sample members. The selection of the sample is inspired to serve a specific purpose, even if this makes a sample less than fully representative. As the aim of the research was to determine the

borrower-specific financial constraints that faced black youth entrepreneurs (as opposed to youth entrepreneurs from other race groups), a nonprobability sampling technique, namely, judgment sampling was used.

4.5.5 Sample size

The sample size should be a function of the variation in the population parameters under study and the estimating precision required by the researcher (Blumberg et al., 2008, p. 241). The estimated sample size was influenced by the following principles: firstly, research propositions, secondly, the variance within the population and thirdly, the sampling technique (Mutezo, 2005, p. 61). The level of precision, stated differently, the level of sampling error that one is willing to accept in a research also influences sample size.

In reality the sample statistic is known, however the population statistic is unknown, therefore the difference between the sample and the population value may be assessed in terms of the likelihood that a sample value differs by a certain value from the population value (Leedy, 2005, p. 35). To do this would require the establishment of a confidence level (in other words, a range in which it is fairly certain that the population value lies). Moreover, precision and sample size are directly related to each other. As a general matter, larger samples are more precise than smaller ones. Probability theory allows the sample size that would be required to achieve a given level of precision to be calculated. To this end, it was decided to accept a 5 percent confidence level for purposes of this research.

113 questionnaires were randomly distributed by hand to black youth entrepreneurs in the Tshwane Metropolitan area. The physical survey was enhanced through conversation with respondents and a meeting with the NYDA's Tshwane branch manager, before and during the survey.

4.6 RESEARCH INSTRUMENT

Variables must be measured for the purposes of scientific research (Graziano & Raulin, 1998, p. 68). There are four basic types of measurement options. The different measurement levels include:

- Nominal scales: this is the lowest level of measurement, the scale with the least matching to the number system. Classification of variables is into unordered qualitative categories, for example, the race variable in the current study (Graziano & Raulin, 1998, p. 71)
- Ordinal scales: Classification into ordered qualitative categories, for example, social class (I, II, III, etc). Here the values have a distinct order, however, their categories are qualitative in that there is no natural (numerical) distance between their positive values.
- Interval: When the measurement conveys information about the ordering of magnitude of the measurement and about the distance between the values (Sekaran, 2003, p. 71).
- Ratio: These are measurements where there is equal distance between the numbers, as with interval scales, yet it also has an absolute zero.

The current research used one instrument that was specifically designed for the target population namely, black youth entrepreneurs from 18 to 35 years. This measurement instrument adopted a quantitative approach in the form of a questionnaire. According to Salkind (2000, p. 136) a questionnaire was defined as paper-and-pencil set of structured and focused questions. The advantages of using a questionnaire included :

- The possibility to survey a broader population as surveys may be mailed
- Questionnaires are cost effective (in other words, cheaper than one-on-one interviews)
- It elicits honesty as respondents may be more encouraged to be truthful since their anonymity is guaranteed

Kindly refer to **Annexure B** for the research questionnaire used in this study.

4.7 DATA COLLECTION

Data collection refers to the processing of raw data and unprocessed information into meaningful information, after the scientific process of data analysis (W. Zikmund, 2003). It is not straightforward as to which of the available methods of data collection the researcher should use to collect data. According to Cooper and Schindler (2003, p. 231) three major criteria for assessing quantitative research (as opposed to qualitative research) were reliability, validity and practicality.

- Reliability dealt with the accuracy and precision of a measurement procedure
- Validity referred to the extent to which the test measured what we actually wanted to measure, and
- Practicality was associated with a wide range of factors of economy, convenience and interpretability.

The survey was conducted by physically handing out questionnaires to black youth entrepreneurs in the Tshwane metropolitan area, complemented by a conversation with respondents to enhance accurate completion and understanding of the survey. Questionnaires were disseminated in the Tshwane central business district (CBD). The reason why questionnaires were physically disseminated (as opposed to e-mailing or mailing the questionnaire) was to ensure that a better commitment to completing the questionnaire through personal contact and assistance was obtained.

4.7.1 Format of the questionnaire

The research survey consisted of a questionnaire that contained 40 questions focusing on the black youth entrepreneurs between 18 and 35 years in the Tshwane Metropolitan Area. The questionnaire consisted of three parts: the first, to obtain the demographic information about the respondents; the second, to obtain

business information; and the third, to obtain personal factors of the respondents toward business.

Section A: Demographic information

Every question included blocks that each respondent was required to cross off as preferred choices, with certain open ended questions such as age. The close-ended questions were used to obtain information on gender, language, race, education and the respondents' current activities. The rationale underlying the demographic questions is that it places the results in a frame of reference, and potentially could offer insights into differences between black male and female youth entrepreneurs or correlation in relation to entrepreneurial behavior.

Section B: Business Information

Close-ended questions were used to collate information such as the entrepreneur's intention and attempts at business start-up, stage of business, economic sector of business operation, ideas prompting business start-up and previous attempts at accessing finance. An open-ended question was asked about current/previous entrepreneurial ventures created.

Section C: Personal Factors

Closed-ended questions were used to obtain information on the entrepreneur's and parents savings behavioral patterns, the type of training required by youth entrepreneurs, aspects that surrounded youth entrepreneurs' business financing needs, business knowledge, networking and gender. Open-ended questions were used to obtain information on the respondents' assets and suggestions for youth to access finance.

A letter of consent was attached to every questionnaire (Please refer to **Annexure A**).

4.8 DATA ANALYSIS

The raw data was checked for omissions, legibility and consistency before being coded for analysis. As an initial matter, descriptive and inferential statistics comprise the two major components in the statistics field. According to Rosnow and Rosenthal (1999, p. 10) descriptive statistics was defined as condensing large volumes of data into a few summary measures. The learned author also commented that inferential statistics may be defined as the area of statistics that extended the information obtained from a sample to the actual environment in which the problem originated.

4.8.1 Descriptive statistics

According to Saunders, Lewis and Thornhill (2009, p. 444) descriptive statistics permitted an individual to describe (and compare) variables numerically. Descriptive statistics that were used in the current study included frequency counts, standard deviations and mean scores. Kerlinger (1986, p. 127) defined frequencies as the number of objects in the sets or subsets – in simpler language the number of times a certain answer appeared in the data.

The mean calculated an average across a number of observations and the standard deviation was the square root of the variance around the mean (i.e. how well the mean represented the data (Field, 2005, p. 6).

4.8.2 Inferential statistics

Zikmund (2003, p. 521) contended that one of the simplest techniques for describing sets of relationships was the cross tabulation. Basically, a cross-tabulation (or contingency table) was a joint frequency distribution of observations on two or more sets of variables. The chi-square distribution provided a means for testing the statistical significance of contingency tables. In statistics, a cross tabulation (also known as a contingency table) is a type of table in a matrix format that displays the (multivariate) frequency distribution of the variables (Wikipedia, 2011a, p. 1). To this end, contingency tables are frequently used to record and

analyze the relation between two or more categorical variables. Zikmund (2003, pp. 476, 521-522) commented that the purpose of categorization and cross-tabulation is to allow the inspection of differences among groups and to make comparisons.

Furthermore, the chi-square test allowed us to test for significance in the analysis of frequency distributions (Zikmund, 2003, p. 510). The chi-square test involved comparing the observed frequencies with the expected frequencies and essentially tests the “goodness of fit” of the observed distribution with the expected distribution. During this study the following inferential statistical technique was applied:

- Chi-Square Test

Other learned authors contended that the chi square test enabled you to find out how likely it was that the two variables were associated. For instance, Saunders et al. ((2009, p. 452) argued that chi-square testing was based on a comparison of the actual values in the table with the expected values if the two distributions were entirely independent.

4.8.3 Statistical significance

As an initial matter, test statistics such as the inferential techniques illustrated above were used to describe the true state of the population to the researcher – inferred from the sample. Field (2005, p. 31) commented that two possibilities could potentially exist in the real world (in the actual population). Firstly there is, in reality, an effect in the population or secondly there is no effect in the population. Admittedly so, we had no way of determining which would be the true situation, however, Field (2005, p. 31) explained that by observing the test statistically and the associated probability, one can decide which of the two is the most likely.

As a general matter, the p -value is derived from fixed level testing. To this end, with fixed level testing, a null hypothesis is proposed along with a level for the test. The standard level of significance used to justify a claim of a statistically significant effect is 0.05 (Dallal, 2008, p. 1). All possible outcomes of the experiment are listed in order to identify extreme outcomes that would occur less than 5 percent of the time in aggregate if the null hypothesis were true. Dallal (2008) pointed out that these set of values are known as the critical region. They are critical because if any of them are observed, something extreme has occurred.

Data is then collected and if any one of those extreme outcomes occur the results are said to be significant at the 0.05 level. In this vein, the null hypothesis is rejected at the 0.05 level (Dallal, 2008, p. 1). The p -value was evaluated against a general decision rule when deciding whether the observed effect in the sample held true as well for the population. For purposes of this study this is 0.05. Accordingly, all p -values lesser than 0.05 were considered as an indication of an effect in the population.

4.8.4 Cross tabulation motivation

Overview

As an initial matter, during this research a unique pairing of variables were cross tabulated in order to prove or disprove each hypothesis. The motivation for the selection of the variables that were cross tabulated under each factor are provided below.

4.8.4.1 Hypothesis 1: There are borrower-specific financial constraints to prevent black youth entrepreneurs in the Tshwane metropolitan area from starting their own businesses.

Two variables for each factor were randomly paired that were related to the hypothesis. These categorical variables were therefore selected to jointly prove or disprove the hypothesis. The variables had to be related to “borrower-specific

financial constraints”. A cross tabulation table (also known as a contingency table) assisted us determine whether the value of one variable was associated with or “contingent” upon that of another.

1. “gender” versus “first time trying to access finance”

A cross tabulation between the two categorical variables showed us whether there was a relationship between “gender” and “first time trying to access finance”. To this end, the variables cross tabulated were selected to determine if access to finance depended on the respondents’ gender.

2. “saving” versus “gender”

Cross tabulating the two categorical variables indicated to us whether saving money was dependent on the gender of black youth. The assumption we made was that females were more geared towards saving and making appropriate plans. The males on the other hand we believed were usually spontaneous and wanted to achieve goals quickly without much effort.

3. “highest educational level” versus “saving”

A cross tabulation between the two categorical variables showed us whether saving money was dependent on the qualification level of the black youth. The assumption made here was that the higher the level of education, the higher the chances that money was saved in other words, saving money was associated with a higher education level.

4. “knowledge about changing financial markets” versus “highest educational level”

The variables that were cross tabulated indicated whether knowledge about changing financial markets depended on respondents' educational level. The assumption here was that, the higher the level of education, the higher was knowledge about changing financial markets.

5. “intention to start a business” versus “first time trying to access finance”

The variables cross tabulated indicated whether access to finance for the first time was dependent on the intention for business start-up. Here we know very well that there could be personal reasons as well, even though the youth may not articulate and truthfully talk about these when applying for funding. We felt that being black and young per se was not the reason why young black people had difficulty accessing finance. We believed that access to finance was hindered because black people always preferred using their funds for other things instead of specifically for starting a business.

6. “having a business idea in the form of a business plan” versus “first time trying to access finance”

A cross tabulation between the variables indicated whether access to finance for the first time was dependent on having a business idea in the form of a business plan. The assumption here was that if the young person had a business plan, they should not have had difficulties accessing finance.

7. “intention to start a business” versus “having a business idea in the form of a business plan”

The variables cross tabulated reflected whether intention to start a business was dependent on having a business idea in the form of a business plan. The assumption made was that, the young person was better prepared to start a business by having a formal business plan. The challenge was whether the

majority of black youth had access to establish a formal business plan which limited their access to finance.

8. “first time trying to access finance” versus “stage of the business”

A cross tabulation between the two categorical variables showed whether access to finance for the first time was dependent on the stage of the business. The assumption that was made here was that the more mature the business, the easier it was to access finance. There would be a further assumption that such a business was profitable and attracted funders and that the business was not a non-profit organisation.

9. “intention to start business” versus “highest educational level”

The variables cross tabulated indicated whether the intention to start a business was dependent on the respondents’ level of education. It was generally assumed that young people with a better level of education, did not necessarily want to start their own businesses as they felt that they were qualified to obtain a job in the corporate world.

10. “first time trying to access finance” versus “highest educational level”

The variables that were cross tabulated indicated whether access to finance for the first time was dependent on the level of education of respondents. The assumption here was that access to finance would be easier if respondents had a higher level of education.

11. “highest educational level” versus “existence of business idea”

A cross tabulation of the variables indicated if existence of a business idea was dependent on the respondents’ level of education. The assumption was that those

with a higher level of education were more assertive about their environment and were able to generate business ideas easily and know its importance.

4.8.4.2 Hypothesis 2: Lack of personal savings exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area.

For each factor below, two variables were randomly paired that were related to the hypothesis, and were selected to jointly prove or disprove the hypothesis. The variables had to be related to “the existence of the lack of personal savings as a perceived obstacle to access finance”. A cross tabulation on the following factors assisted us determine whether the value of one variable was associated with or “contingent” upon that of another.

1. “first time trying to access finance” versus “saving money at the end of the month”

A cross tabulation between the two categorical variables indicated whether saving money at the end of the month was dependent on accessing finance for the first time. The assumption made here was that the more money saved, the easier it became for black youth to use the savings as collateral to access finance.

2. “parents talk about saving money” versus “saving money at the end of the month”

The variables that were cross tabulated indicated whether saving money at the end of the month was dependent on respondents’ parents talking about saving money. The assumption was that, the black youth who were exposed to parents who talked about saving money, were influenced towards saving money and thus knew and appreciated the importance of saving.

3. “parents save any of their money at the end of every month” versus “saving money at the end of the month”

A cross tabulation between the two categorical variables showed whether saving money at the end of the month was dependent on the parents of those black youth saving their money as well. The assumption made was that black youth who had parents saving money at the end of the month, were most likely influenced positively and saved as well.

4.8.4.3 Hypothesis 3: Business acumen and credibility differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area.

Two variables for each factor were randomly paired that were related to the hypothesis, in other words “the existence of business acumen and credibility differences as perceived obstacles to access finance”. The following factors were cross tabulated which assisted us determine whether the value of one variable was associated with or “contingent” upon that of another.

1. “first time trying to access finance” versus “youth entrepreneurs need training”

The two categorical variables cross tabulated reflected whether the ability to access finance for the first time was dependent on the training levels of the youth. The assumption made was that, the youth will find it difficult to access finance for the first time if their training was low.

2. “first time trying to access finance” versus “youth entrepreneurs should conduct themselves honestly and professionally”

A cross tabulation between the two categorical variables showed whether accessing finance for the first time was dependent on professional and honest conduct of youth entrepreneurs. The assumption here was that, the professional and honest conduct of young people will lead to increased success in accessing finance for the first time.

3. “first time trying to access finance” versus “credit history”

The two variables cross tabulated indicated whether accessing finance for the first time was dependent on respondents’ credit history. The assumption was that a poor credit history made it difficult for black youth to receive funding.

4. “first time trying to access finance” versus “knowledge about changing financial markets”

The two categorical variables cross tabulated reflected whether accessing finance for the first time was dependent on respondents’ knowledge about changing financial markets. The general assumption made was that it was difficult to access finance if the youth were not articulate about the financial markets and as to how changes in the financial markets would affect their own businesses.

4.8.4.4 Hypothesis 4: Networking and gender differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area.

For each factor, two variables were randomly paired that were related to the hypothesis, in other words “the existence of networking and gender differences as perceived obstacles to access finance”. The following factors were cross tabulated which assisted us determine whether the value of one variable was associated with or “contingent” upon that of another.

1. “first time trying to access finance” versus “gender creates a problem for accessing finance to start business”

A cross tabulation between the two categorical variables indicated whether accessing finance for the first time was dependent on the respondents' gender. The assumption made was that there were differences between female and male black youth who applied for funding.

2. “first time trying to access finance” versus “networking will make it easier to acquire finance”

The two categorical variables cross tabulated reflected whether accessing finance for the first time was dependent on respondents who networked. The assumption made here was that networking had a positive influence and made it easier to acquire business finance. This is because the youth entrepreneur would have gained knowledge about asking the right questions when applying for funding and be guided by advice from influential people in the business world which would have had a positive spin-off when the youth entrepreneur applied for business start-up finance.

4.8.5 Implication if hypothesis is accepted or rejected

As an initial matter, the practice of science involves formulating and testing hypotheses, assertions that are capable of being proven false using a test of observed data, namely a sample. The null hypothesis typically corresponds to a general or default position (Wikipedia, 2011d, p. 1). It is important to bear in mind that the null hypothesis can never be proven. To this end, a sample can only reject a null hypothesis or accept it (emathzone, 2011, p. 1).

According to Wikipedia (2011d) the mechanics of hypothesis testing involves collecting data and measuring how likely the particular set of data is, assuming the null hypothesis is true. If the data-set is very unlikely, defined as belonging to a set of data that only rarely will be observed (usually in less than either five percent of the time or one percent of the time), the researcher rejects the null hypothesis. The rejection of the null hypothesis means that the researcher concludes that the null hypothesis (probably) is false (Wikipedia, 2011d, p. 1). If the sample does not contradict the null hypothesis, then only a weak conclusion can be made; namely that the observed sample provides no strong evidence against the null hypothesis (Wikipedia, 2011d, p.1). The acceptance of null hypothesis does not give us a certain strong decision. It is a situation which may require some further investigations (emathzone, 2011, p. 1).

4.9 STATISTICAL ANALYSIS SOFTWARE

All statistical analysis in the current research were computed using the SPSS statistical package for IBM version 19. To this end, SPSS stands for Statistical Package for the Social Sciences.

4.10 CONCLUSION

This chapter provided a description of the research methodology applied in this study. It outlined the research scope, questionnaire design and described the sampling method. The data-collection approach and data-analysis method were also discussed. The data processing that was aimed at describing the data collected is provided in the next chapter.

CHAPTER 5: RESULTS

5.1 INTRODUCTION

The sample that was used for this research is a non-probability judgment sample of black youth entrepreneurs in the Tshwane metropolitan area. As an initial matter, a total of 113 questionnaires were hand-delivered to respondents with each questionnaire accompanied by a covering letter. A total of 113 questionnaires were returned with 110 usable questionnaires, providing a final response rate of 97 percent. The data was then captured and collated into an excel spreadsheet and exported into IBM SPSS Software Package-Version 19.0 for analysis.

The questionnaire was approved by the research Supervisor and National Youth Development Agency (NYDA) Head Office (located in Midrand), and it was administered by the NYDA Tshwane Branch Manager. The questionnaire was administered from the 12th July 2011 to 19th August 2011. The targeted group who were the focus of the research were both female and male black youth from the ages of 18 to 35 years old who had applied for finance or were applying for finance for their own business start-up.

An attempt was made to obtain responses from an equal proportion of black youth females and males. Although the envisioned target was to obtain feedback from 100 respondents, a total of 113 completed questionnaires were received from respondents at the end of the survey.

In addition, there were three responses in the data set that did not match the criteria due to the following reasons. Firstly, two responses did not meet the criteria since the respondents for these questionnaires fell outside the ambit of the targeted group. More specifically, these respondents were Indian and Coloured. One respondent fell outside the qualifying age range (of 18 to 35 years) for purposes of this research study (in other words respondent was 47 years old). As a

result, it was decided to omit these three respondents in the data set from the data analysis that follows.

5.2 VALIDITY

Validity can be defined as the ability of a scale or measuring instrument to measure what it is intended to measure (Zikmund, 2003). Content validity was achieved in this research by piloting the questionnaire to three individuals to check validity. Zikmund (2003) argues that a pilot study constitutes any small-scale explanatory research technique that uses sampling but that does not apply rigorous standards.

5.3 RELIABILITY

As a general matter, reliability may be defined as the degree to which measures are free from error and therefore yield consistent results (Zikmund, 2003). To this end, Cronbach's alpha is a coefficient of reliability and is commonly used as a measure of the internal consistency or reliability among test variables for a sample of examinees (Wikipedia, 2011b, p. 1). The closer the Cronbach's alpha coefficient is to one (1) the greater the internal consistency of the items in the scale (Gliem & Gliem, 2003). Gliem and Gliem (2003) argue that while a high value for a Cronbach alpha indicates a good internal consistency of the items in the scale an alpha of 0.8 is a reasonable goal. In statistics and research, internal consistency commonly refers to a measure based on the correlations between different items on the same test (or the same subscale on a larger test). It measures whether several items that propose to measure the same general construct produce similar scores (Wikipedia, 2011c, p. 1).

Nonetheless, for purposes of this research study, it was not necessary to calculate Cronbach's alpha because there are no related variables measuring the same construct.

5.4 PERSONAL DEMOGRAPHICS

The personal demographic variables for which information was obtained included race, age, gender, language most spoken at home and educational level. The personal demographics of the respondents are presented in the tables that follow:

5.4.1 Race classification

The race breakdown of the respondents is reflected in Table 2.

Table 2: Race breakdown

Race of respondents	Frequency	Percent
Black	110	100.0

It was established that of the total number of responses received (namely, 113 questionnaires) that 111 responses were received from Black respondents, one Indian respondent and one Coloured respondent. The black respondents who replied were 18 to 35 years old except one black respondent (who was 47 years old and therefore omitted – above under 5.1).

5.4.2 Age of respondents

Table 3: Age breakdown of respondents

Age	Frequency	Percent
18	3	2.7
19	6	5.5
20	9	8.2
21	8	7.3
22	7	6.4
23	12	10.9
24	4	3.6
25	7	6.4
26	12	10.9
27	9	8.2

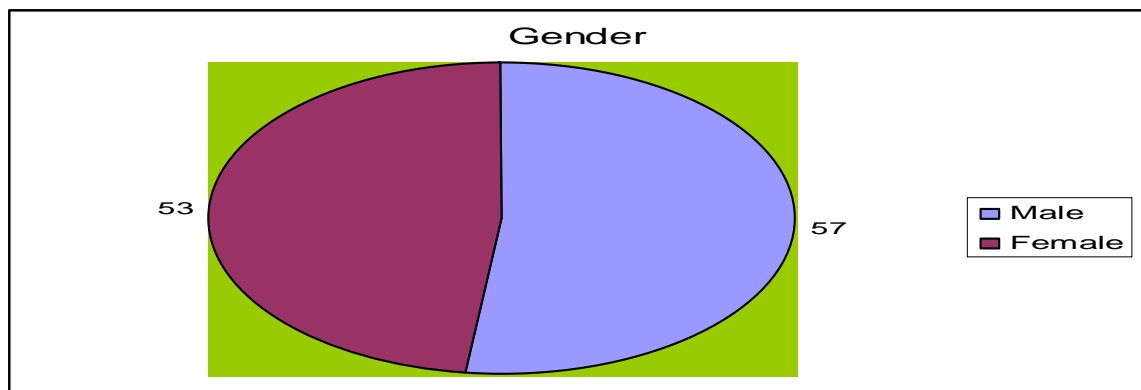
28	7	6.4
29	5	4.5
30	6	5.5
31	5	4.5
32	2	1.8
33	2	1.8
34	5	4.5
35	1	.9
Total	110	100.0

110 questionnaires were answered by black respondents who were eligible for inclusion in the research analysis. One black respondent was excluded from the analysis since he was disqualified on the basis that his age fell outside the allowable range (in other words, 18 to 35 years). The youngest black respondents (three respondents) were 18 years old while the oldest Black respondent was 35 years old (one respondent). In addition, the majority of responses that were received were obtained from respondents aged 23 and 26 years old, with each age producing an equal number of 12 responses (in other words, 11 percent). The average age of the total respondents is 26.5 years old.

5.4.3 Gender

Figure 3: Gender breakdown of respondents

The breakdown of the respondents by gender is indicated in Figure 3 below.



It was an objective at the commencement of this study to obtain an equal number of responses from both black female and male youth with a minimum collective target of 100 responses. Although this objective had been successfully achieved, the number of male responses had exceeded the female responses received. To this end, a total of 53 female responses were received compared to a total of 57 responses received from males.

5.4.4 Educational background

The highest qualification level achieved by black youth in the Tshwane metropolitan area is illustrated in Table 4 below.

Table 4: Highest qualification

Level of education	Frequency	Percent
Matric or less	53	48.2
Certificate or Diploma	47	42.7
Bachelor's Degree	5	4.5
Other	5	4.5
Total	110	100.0

The majority (48.2 percent) of black youth in the Tshwane metropolitan area had matric or less. This was closely followed (43 percent) by respondents with a Certificate or Diploma. An equal proportion (5 percent) of respondents had either a Bachelor's Degree or some other qualification such as the examples set out in Table 5 below:

Table 5: Other qualifications

N7SAS
Social Auxiliary worker (FET certificate)
Studying BComLaw
Umalusi N3 National certificate

5.4.5 Respondents' current activities

Table 6: Activities that respondents are currently engaged in

Current activities	Total number of respondents	Frequency	Percentage
Working full time	110	18	16.36
Working part time	110	8	7.27
Unemployed	110	44	40.00
Studying full time	110	14	12.73
Studying part time	110	16	14.55
Internship or learnership	110	1	0.91
Self employed	110	13	11.82
Volunteering	110	7	6.36
Other	110	3	2.73

As is evident from Table 6, a large majority of respondents are unemployed (40 percent) while internship or learnership had been the activity taken up by the least number of respondents (one percent). Many respondents also seemed to be engaged in activities such as full time employment (16 percent); full time study (13 percent); studying part time (15 percent). Three respondents (three percent) indicated that they were involved in other activities such as studying for a “diploma in management”, being an independent distributor, as well as working and studying at the same time.

5.5 BUSINESS INFORMATION DEMOGRAPHICS

Business information demographics report information about the respondents' opportunities for business start-up. The business demographic variables for which information was obtained indicated (i) the respondents' intention to start a business; (ii) the respondents' level and attempts at accessing finance; (iii) the respondents' plan to raise start-up capital; (iv) reasons for the respondents' inability to obtain funding. Additionally, variables included (v) a description of the business ventures created by the respondent and (vi) duration of operation of same; (vii) business life cycle stage; (viii) the existence of a business idea by the respondent; (ix) the influence on the respondent in developing a business idea and (x) the

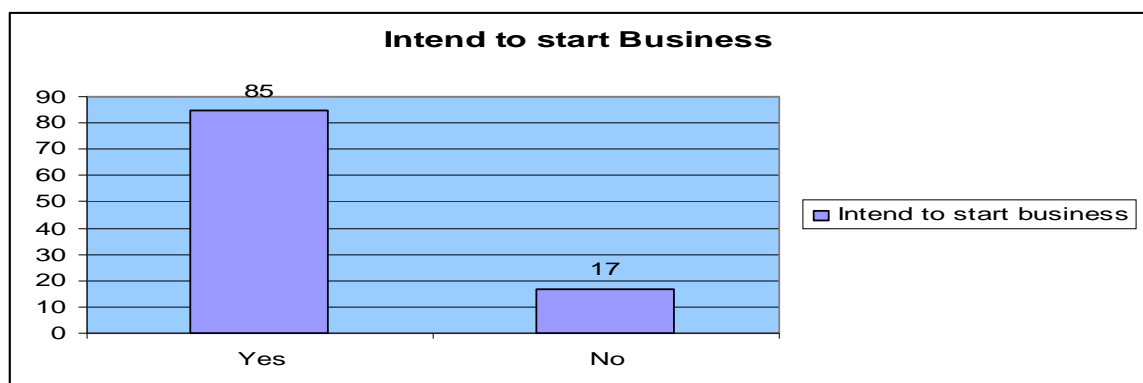
economic sectors that the respondent has or intends to commence business start-up in.

The business information demographics of the respondents are presented in the tables that follow:

5.5.1 Intention to commence business start-up

The intention of respondents to commence business start-up is indicated in Figure 4 below.

Figure 4: Intention of starting a business



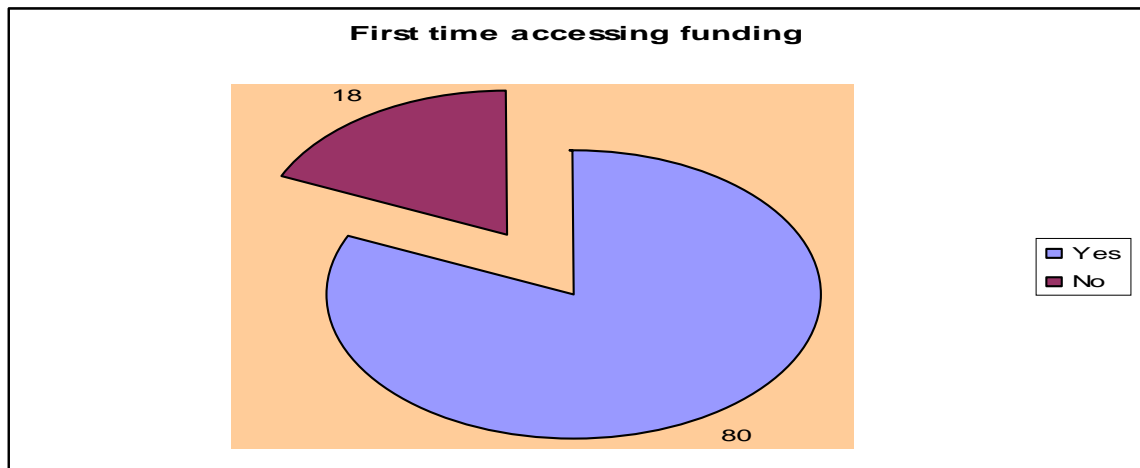
102 responses were received indicating the intention of respondents to commence business start-up. Eight questionnaires were discarded as no response was provided. 85 respondents (83 percent) indicated that they intend to start a business while 17 respondents (17 percent) indicated that they did not intend to start a business.

5.5.2 Level of accessing finance

The respondents' level of accessing finance is indicated in Figure 5 below. Descriptive statistics were generated using the statistical software SPSS to determine the number of respondents who were attempting to access finance for

the first time for business start-up from respondents who had attempted to access finance for business start-up previously.

Figure 5: Level of accessing finance



A total of 98 responses were recorded to determine if respondents had accessed finance for the first time or not to start a business. 12 respondents did not provide an answer to the relevant question. The number of respondents who had tried to access finance for the first time to start a business far outweighed the number of respondents who had attempted to access finance previously. More specifically, 18 respondents (18 percent) had tried previously to access finance in comparison to 80 respondents (82 percent) who had tried to access finance for the first time.

5.5.3 Respondents' plans to raise capital

An indication of respondents' plans to raise capital is provided in Table 7 below.

Table 7: Plan on raising start-up capital

Raising capital	Total number of respondents	Frequency	Percentage
Family and Friends	110	24	21.82

Own savings	110	34	30.91
Commercial bank	110	18	16.36
Public institutions	110	28	25.45
My business partners	110	12	10.91
Other	110	10	9.09

34 respondents (31 percent) indicated that they planned on raising start-up capital by using their own savings. This is compared to 28 respondents (26 percent) who indicated that they planned to raise start-up capital by approaching public institutions. The use of family and friends to raise start-up capital seemed to also be preferred with 24 respondents (22 percent) selecting this option. Not many respondents (in other words, 18) opted to use commercial banks (16 percent) and even fewer respondents (in other words, 12) opted to use their business partners (11 percent) to raise start-up capital.

Ten respondents (9 percent) selected other as an option to raise start-up capital which essentially includes the following options noted in Table 9 below:

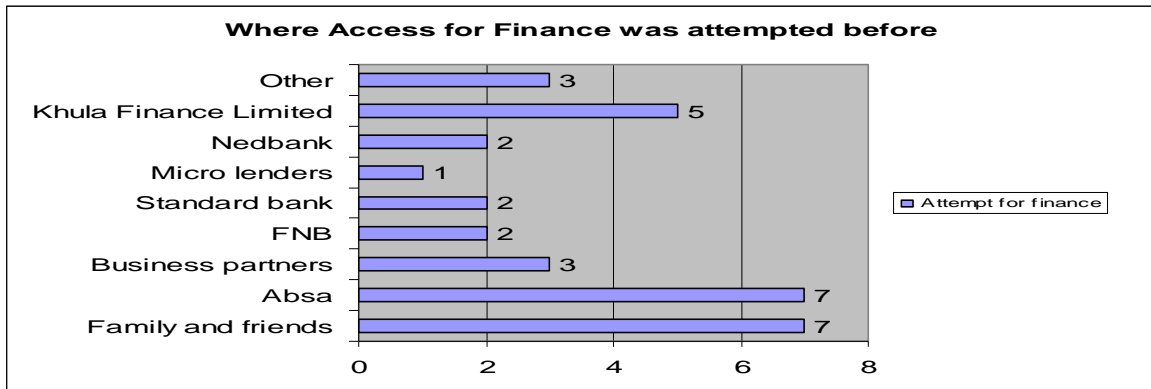
When asked to indicate other ways of raising capital, the following were the responses:

- Others indicated that they would obtain a loan from bank or financial institutions which fund small businesses. The NYDA and SEDA were mentioned in this regard.
- One respondent specifically said that, he would sell unnecessary equipment to raise his own capital.
- Another respondent pointed out that, he will gradually grow the business.

5.5.4 Attempts to access funding

The place where respondents tried to access finance is provided in Figure 6 below. Descriptive statistics was generated using the statistical software SPSS to find frequencies of the relevant variable.

Figure 6: Where attempt to access finance was made



ABSA as well as family and friends are the options most preferred by respondents to apply for finance (with each option drawing seven applications), compared to Micro lenders that is least preferred by respondents (drawing only one application). Closely following respondents most preferred option for finance noted above, were respondents preference to approach Khula Finance (five applications), Business Partners (with three applications each), Nedbank, Standard Bank and FNB (each drawing two applications). Respondents also indicated other (three applications) as an option for accessing finance. To this end, more clarity as to what constitutes other is provided below. Other areas where applications for finance were made included Anglo American and Capitec Banking.

5.5.5 Inability to access finance

The reasons elaborating why respondents were unable to access finance is provided in Table 8 below. Descriptive statistics was generated using the statistical software SPSS to find frequencies and percentages of the relevant variable.

Table 8: Reasons for not obtaining funding

Reasons for not accessing funding	Total number of responses	Frequency	Percentage
Not financially ready-lack of business plan	110	12	10.91

Business idea not viable	110	6	5.45
Poor credit history	110	3	2.73
Lack of managerial skills	110	6	5.45
My character as an entrepreneur	110	2	1.82
Lack of collateral	110	5	4.55
Lack of own savings or accumulated capital	110	8	7.27
Lack of network with relevant people	110	6	5.45
Other	110	4	3.64

Most of the respondents (11 percent) indicated that they were not financially ready due to the lack of a business plan compared to the least number of respondents (two percent) who indicated that their character as an entrepreneur hindered their access to funding. The lack of own savings or accumulated capital was also a reason that featured notably (seven percent) explaining respondents inability to access finance. Four respondents (four percent) also indicated other as an option for accessing finance. To this end, more clarity as to what constitutes other included the fact that two respondents did not have a surety and one respondent did not have an operational business. One respondent selected other but did not elaborate further.

5.5.6 Business ventures created

A description of the business ventures created by respondents are provided in Table 11 below. Open ended questions were used to give respondents the opportunity to describe any current or previous ventures that were embarked upon.

When asked to indicate the kinds of business ventures that the respondents started, the following was their responses:

- Butchery
- Funeral parlour
- Fruit shop
- Hair salon
- Cellphone container
- Car wash
- Catering

- Farming
- Selling clothes
- Cleaning
- Take-away shops (fish and chips, KFC franchise)
- Graphic design company
- Computer resale and repairs
- Making handmade invitation cards
- Beauty and image company
- Casting Agency
- Transport services (truck business)
- Nursery school
- Pawn shop
- Photography
- Property Development
- Signing
- Tyre shop
- Beads accessories
- Sweet and milk shop (selling milk and cakes at church gatherings)
- Cash loan business
- Selling cold meats from door to door.
- Selling imported ceramic vases
- Installed electricity and repaired appliances
- Stationery supply
- Supermarket
- Photocopying and printing

The respondents were provided with an option to select up to five answers in terms of the business ventures that they intend to create or have created.

5.5.7 Duration of business operation

An indication of the duration of businesses commenced by respondents is provided in Table 9 below. Descriptive statistics was generated using the statistical software SPSS to determine frequencies and percentages of the relevant variable.

Table 9: Business operational period

Duration (months)	Frequency
1	8
3	8
4	5

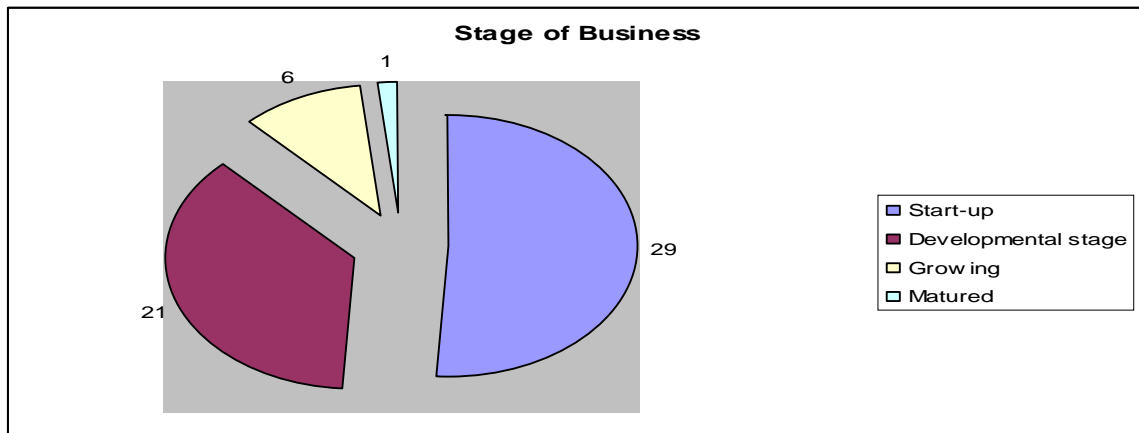
5	4
6	5
7	3
8	3
9	2
11	1
12	2
13	1
14	4
15	2
17	1
18	2
20	1
24	2
27	1
28	1
36	2
44	1
84	1
18.45 (Average)	

The above table shows that the range of the duration of the previous or current business ventures is between one to 84 months. The average duration of the ventures is close to 19 months. The majority of respondents ventures existed for a duration of nine months or less represented by 38 responses. The frequencies are not added as one respondent could answer up to five times.

5.5.8 Business life cycle stage

An indication of the life cycle stage of respondents' businesses is provided in Figure 7 below.

Figure 7: Life cycle stage of the business



57 respondents indicated that their businesses are at different stages. For instance the majority represented by 29 respondents said that their businesses are at start-up stage.

In this vein, the various business life cycle stages were explained to respondents before they were handed questionnaires for completion. For instance, respondents were told that the business start-up stage referred to a newly created business (Zahorsky, 2011, p. 1). It was also explained to respondents that the development-stage company refers to a company that is devoting a majority of its attention on the establishment of a new business. To this end, to align with the comments made by Zahorsky (2011, p. 1) respondents were informed that in a development-stage company, either the principal operations may have not yet begun or have begun without producing significant revenue.

The growth stage of the business was explained to respondents as the stage where revenues and customers are increasing with many new opportunities and issues and where profits are strong, but competition begins to occur (Zahorsky, 2011). Lastly, the business maturity stage was defined to respondents as the stage where the business has matured into a thriving company with a place in the market and loyal customers. In the maturity stage sales growth is not explosive but manageable and business life becomes more routine (Zahorsky, 2011).

This was closely followed by 21 respondents who pointed out that their businesses are in the developmental stage. Six respondents said that their businesses are growing. Only one respondent said that his business is at a maturity stage. It is also important to note that no respondent answered that their business is in a stage of decline. The remaining 53 respondents are those who did not have any established business.

5.5.9 Business economic sectors

The economics sectors in which respondents have their businesses or intend commencing their business start-up is indicated in Table 10 below. Descriptive statistics was generated using the statistical software SPSS to find frequencies and percentages of the relevant variable.

Table 10: Economic sectors preferred by respondents for their business start-up

Sector	Frequency	Percent
Agriculture	7	6.36
Manufacturing	9	8.18
Construction & Mining	14	12.73
Business services	22	20.00
Finance	5	4.55
Transport and communication	17	15.45
Health care, education and social services	12	10.91
Wholesale, motor vehicles and repairs	5	4.55
Customer services	23	20.91
Other	20	18.18

The majority of respondents (23) have or intend commencing their businesses in the customer services sector which only just exceeds the number of respondents (22) currently in or intending to commence business start-up in the business

services sector. The above noted sectors are closely followed by 20 respondents who have selected other (see details below) as a preferred economic sector. Wholesale, repairs etc. and finance interestingly ranked among the least desirable economic sectors (five respondents each) closely followed by agriculture (seven respondents) while transport (17 respondents), health care (12 respondents), construction (14 respondents) and manufacturing (nine respondents) provided a good spread of economic sectors desirable to respondents at a mid range level.

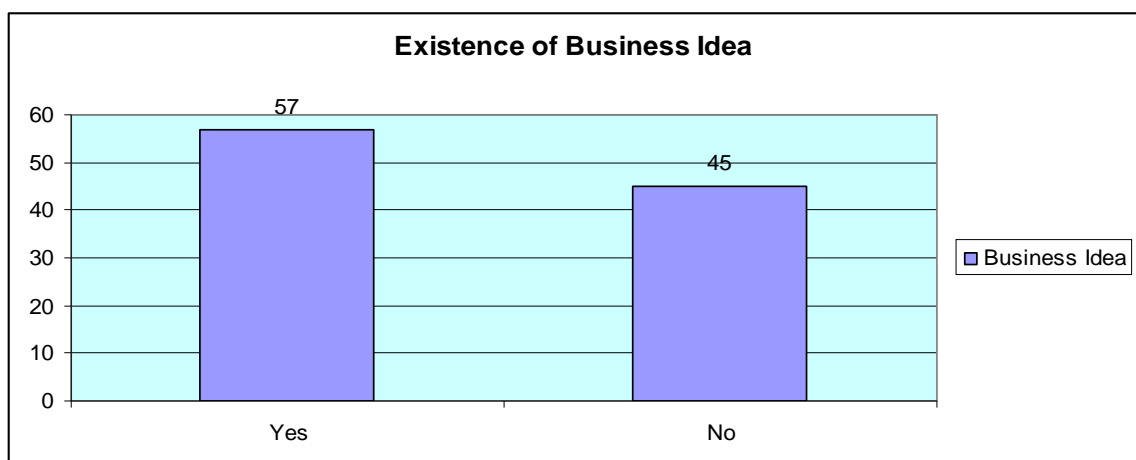
Other sectors where specified as follows:

- Accommodation x 2
- Art and crafts
- Cartridges and stationery supply
- Catering
- Cleaning service
- Education, training and development
- Events and Entertainment x 5
- Filming and photography
- Information and technology x 2
- Telecommunication and distribution

5.5.10 Existing business idea

An indication of whether respondents had a business idea in the form of a business plan is indicated in Figure 8 below.

Figure 8: Existence of a business idea



In total, 102 respondents answered the question while the remaining 8 respondents did not provide an answer to the relevant question. 57 respondents indicated that they did have a business idea in the form of a business plan for business start-up compared to 45 respondents who indicated that they did not have a business idea by way of a business plan for business start-up.

5.5.11 Influence in selection of business idea

The influence on respondents in choosing their business idea in the form of a business plan is indicated in Table 11 below.

Table 11: Influence towards choosing a specific business idea

Influence towards business idea	Frequency	Percent
Own experience of running business	27	24.55
Experience of someone running a business	21	19.09
Through contact with small businesses	9	8.18
Through the media	11	10.00
Through education or training institutions	32	29.09
Do not know	7	6.36

The majority of black youth (29 percent) indicated that their influence in selecting a business idea arose through education or training institutions compared to the minority (eight percent) who indicated that contact with small businesses contributed as the influence for their business ideas. Notably respondents were also influenced by their own experiences of running businesses (24 percent) and through the experience of someone else running a business (19 percent). 11 respondents (ten percent) were influenced through the media while seven respondents (six percent) could not tell what the originating cause of their influence was. Three respondents did not provide an answer to the relevant question.

5.6 PERSONAL FACTORS

As an initial matter, the personal factor variables were separated into four different aspects. Firstly, the respondents’ personal savings behavioural patterns; secondly, the business experience (or skill), information and credibility of respondents; thirdly the perception of respondents towards gender, and fourthly, the respondents’ perception towards networking.

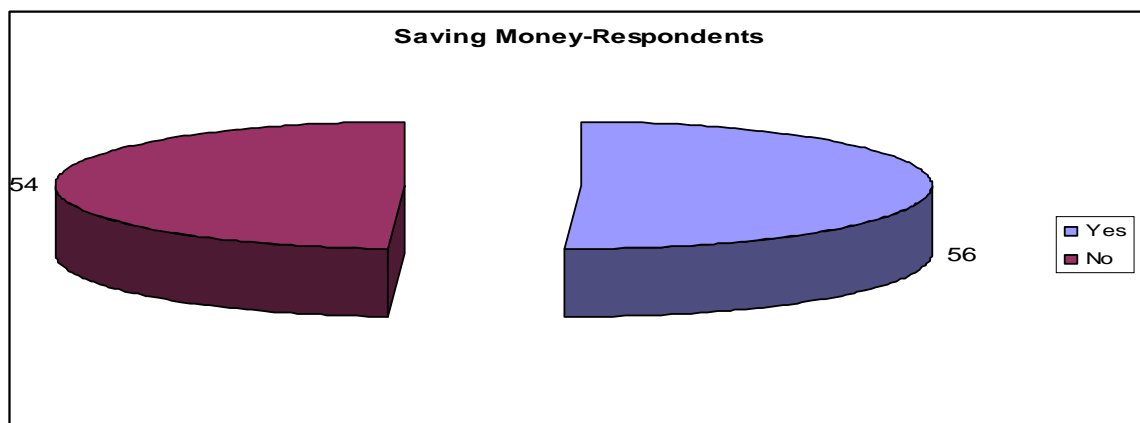
The personal factor variables of the respondents are presented in the tables that follow.

5.6.1 Savings behavioural patterns

5.6.1.1 Respondents’ ability to save

An indication of the respondents’ ability to save is provided in Figure 9 below.

Figure 9: Ability to save money at the end of the month for respondents

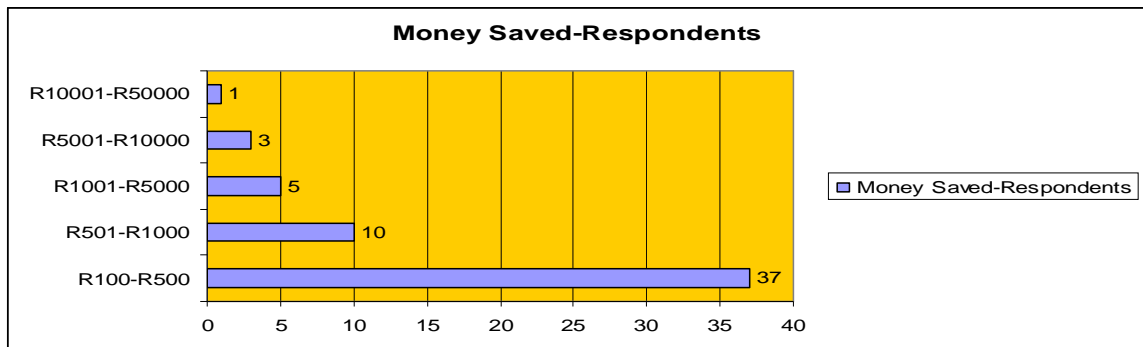


The spread among respondents’ ability to save remained fairly balanced. 56 respondents indicated that they save money at month-end. This is compared to 54 respondents who said that they do not save money at month-end.

5.6.1.2 Amount saved by respondents

The amount of money saved by respondents at the end of the month is indicated in Figure 10 below.

Figure 10: The amount of money saved at the end of the month by respondents



The 56 respondents who said that they save money at the end of the month, indicated that they save different amounts of money as follows. The majority represented by 37 respondents said that they save between R100 to R500 per month. This is compared to the minority represented by one respondent who indicated that they save between R10 001 to R50 000 per month. Ten respondents said that they save between R501 to R1000 per month, five respondents indicated that they save between R1001 to R5000 per month and three respondents said that they save between R5001 to R10 000 per month.

5.6.1.3 Reasons why respondents do not save

The reasons indicating why respondents do not save money is provided in Table 12 below.

Table 12: Reasons for not saving

Reason for not saving	Frequency	Percent
Used money to pay expenses	25	22.73
Spend all money at month end	4	3.64
Earn little do not have spare to save	17	15.45

Do not know how to save money	6	5.45
Against my customs and values to save	4	3.64
Other	10	9.09

Most of the respondents (23 percent) indicated that they were unable to save money since they used their money to pay expenses. This was followed closely by respondents (15 percent) of the respondents who indicated that as they earn little they do not have spare money to save. The above is compared to an equal split of respondents (four percent) who said that they were unable to save as they spend all their money at month-end or that saving is against their customs and values. At a mid range level, some respondents (nine percent) indicated other reasons for not being able to save such as those noted below.

The other reasons for not saving was mainly due to being unemployed. Two respondents said that they do not save due to using the money for transport and other daily needs such as rent and buying food.

5.6.1.4 List of main assets

A description of respondents' main assets is provided below. An open ended question was used to give respondents the opportunity to list their main assets in order to determine the savings culture of respondents which potentially impacts access to finance. In this vein, for example, equipment, furniture, property, income and jewellery seemed to constitute the main assets owned by respondents.

5.6.1.5 Respondents' asset value

The value of respondents' list of assets is provided in Table 13 below.

Table 13: Value of Assets

Value 1	Frequency
R 0.00	2
R 200.00	2
R 300.00	2

R 400.00	1
R 500.00	4
R 800.00	2
R 1,000.00	2
R 1,200.00	1
R 1,400.00	1
R 1,500.00	3
R 1,900.00	2
R 2,100.00	1
R 2,500.00	1
R 2,800.00	1
R 2,900.00	1
R 3,000.00	4
R 3,500.00	4
R 4,000.00	1
R 4,500.00	1
R 5,000.00	2
R 8,000.00	1
R 10,000.00	2
R 15,000.00	2
R 20,000.00	1
R 25,000.00	1
R 30,000.00	2
R 45,000.00	1
R 49,000.00	1
R 50,000.00	2
R 60,000.00	2
R 65,000.00	1
R 80,000.00	1
R 90,000.00	1
R 100,000.00	1
R 120,000.00	1
R 140,000.00	1
R 150,000.00	2
R 180,000.00	2
R 200,000.00	2
R 300,000.00	1
R 350,000.00	1
R 450,000.00	1
R 500,000.00	1
R 720,000.00	1

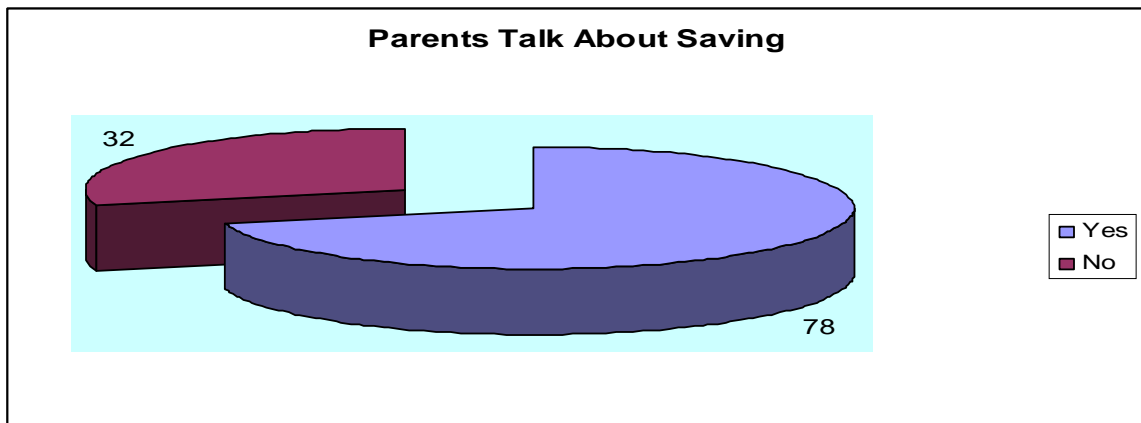
R 750,000.00	1
R 800,000.00	1
R 1,000,000.00	1
R135,031.91 (Average)	

When asked about the value of the assets identified in the list of assets (see 5.6.1.4 above), the respondents pointed out that the value ranged from R0.00 to R1 000 000. The average value of the assets is R135 031.91. The total does not add up to 110, because it is only those that pointed out that they do have some assets. The frequency cannot be added as respondents which may as this was a multiple choice question which means that one respondent could provide up to five answers.

5.6.1.6 Parental guidance on saving

The guidance that parents provide to respondents on saving money is indicated in Figure 11 below.

Figure 11: Parents talk about saving money

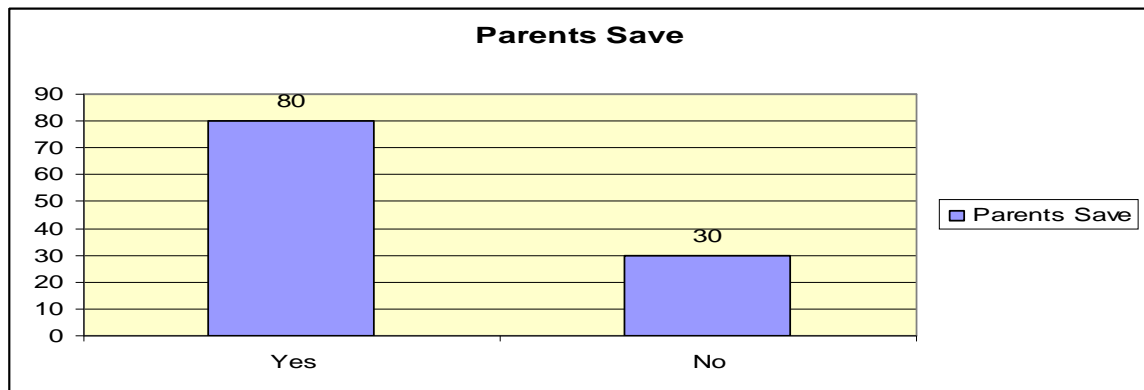


78 respondents (71 percent) said that their parents provided them with guidance on saving money compared to 32 respondents (29 percent) who indicated that their parents did not provide them with guidance on saving.

5.6.1.7 Saving behavioural patterns of parents

An indication of the tendency of respondents' parents to save is provided in Figure 12 below.

Figure 12: Parents save at the end of the month



Many respondents (73 percent) said that their parents save at month-end compared to a minimal number of respondents (27 percent) who said that their parents do not save at the end of the month.

5.6.1.8 Reasons for parents inability to save

An indication as to why parents do not save at month-end is provided in Table 14 below.

Table 14: Reasons as to why parents are not able to save money at the end of the month

Why parents do not save	Frequency	Valid Percent
Do not believe in saving	1	3.03
Like to spend the money	3	9.09
Do not know how to save money	3	9.09
Not financially educated	11	33.33
Other	15	45.45
	33	100.00

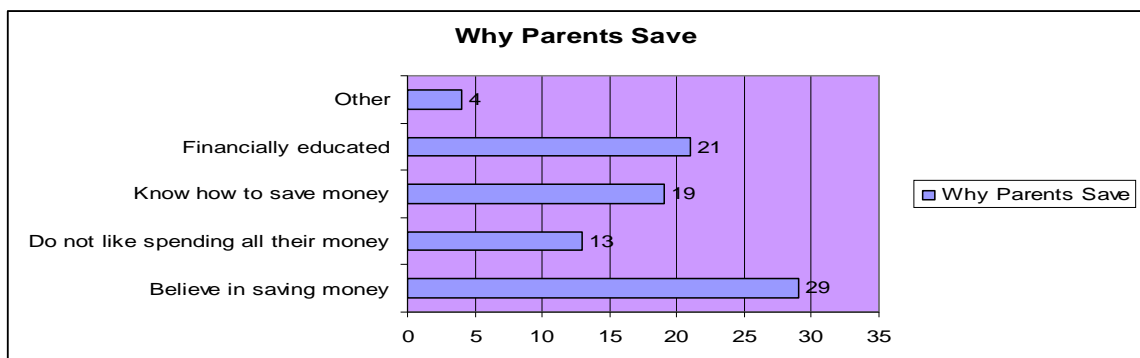
A large majority (45 percent) of respondents selected other as the reason why their parents do not save. To this end, details explaining what other constitutes is set out below. This is compared to one respondent (three percent) who said that his parent’s inability to save was inspired by their disbelief to save. Lack of financial education was another reason chosen by many respondents (33 percent) explaining the inability of parents to save.

Other reasons as to why parents are not able to save at the end of the month are due to the fact that the parents get too little money, they have many debts and accounts to pay, they are unemployed, and spending all the money on the numerous household demands.

5.6.1.9 Reasons why parents save

The reasons why respondents’ parents save money are provided in Figure 13 below.

Figure 13: Why parents save money at the end of the month



The majority, represented by 29 respondents said that (parents) saving patterns were motivated by their parents’ belief in saving. This is compared to the minority, represented by four respondents who selected other as the underpinning cause for parents saving (see details of other below). 21 respondents said that parents’ financial literacy led to saving, 19 respondents indicated that their parents saved because they know how to save. Interestingly, 13 respondents said that their

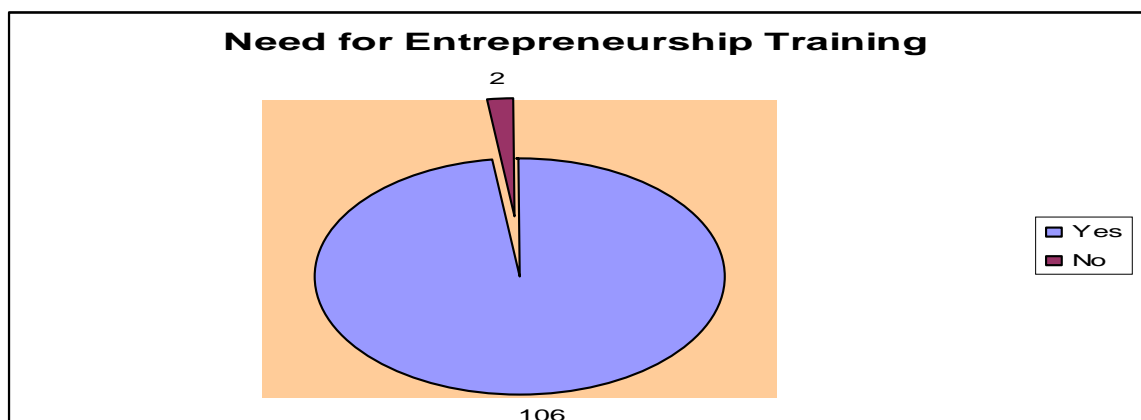
parents dislike for spending led to saving. 24 respondents did not provide an answer to the relevant question. Other reasons why parents save included that they save in insurance and invest through the bank as well as building reserves for retirement.

5.6.2 Business experience (or skill), information and credibility of respondents

5.6.2.1 Entrepreneurial training

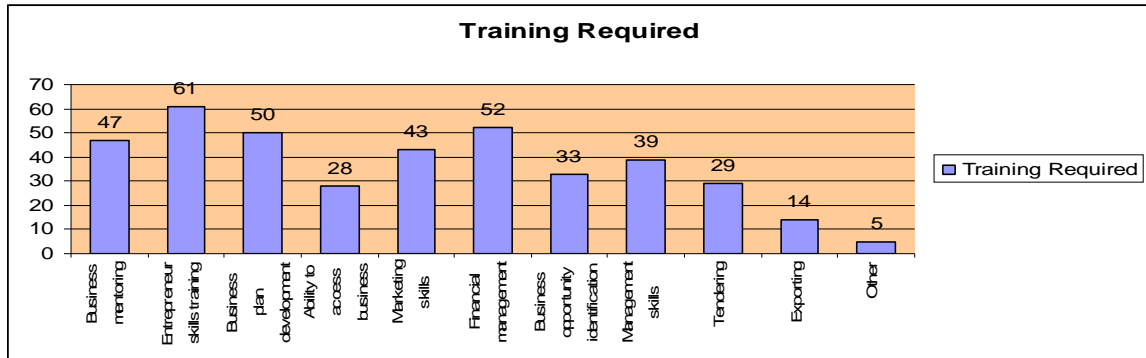
An indication of whether youth entrepreneurs require entrepreneurial training, and the types of entrepreneurial training required is provided in Figures 14 and 15 below respectively.

Figure 14: Need for entrepreneurship training for youth



Two respondents said that youth entrepreneurs do not require entrepreneurial training compared to 106 respondents who indicated that training (as noted below) is required for youth entrepreneurs. Two respondents did not provide an answer to this specific question.

Figure 15: Training required for youth entrepreneurs



Respondents were allowed to select more than one area of training for youth entrepreneurs. Entrepreneur skills training (61) seems to be an area of training that is high in demand. This is closely followed by financial management (52) and business plan development (50). Business mentoring (47) and marketing skills (43) also featured notably. In comparison, respondents felt that exporting (14) and those noted under other below (five) were areas of training that were low in demand.

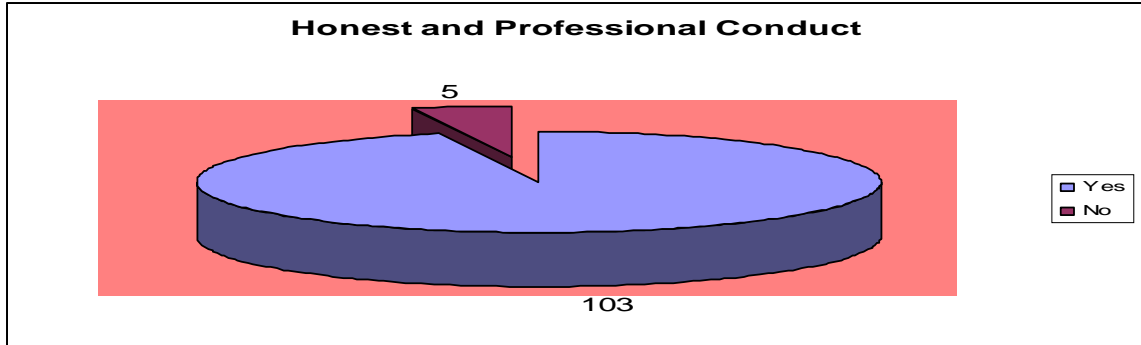
Other training required for youth entrepreneurs:

- One respondent said that all the skills are required by the youth entrepreneurs.
- Financing
- Leadership skills
- Another respondent provided a unique answer by saying that the skills required is mind-shift from loving money but conducting business as a career.

5.6.2.2 Youth entrepreneur conduct

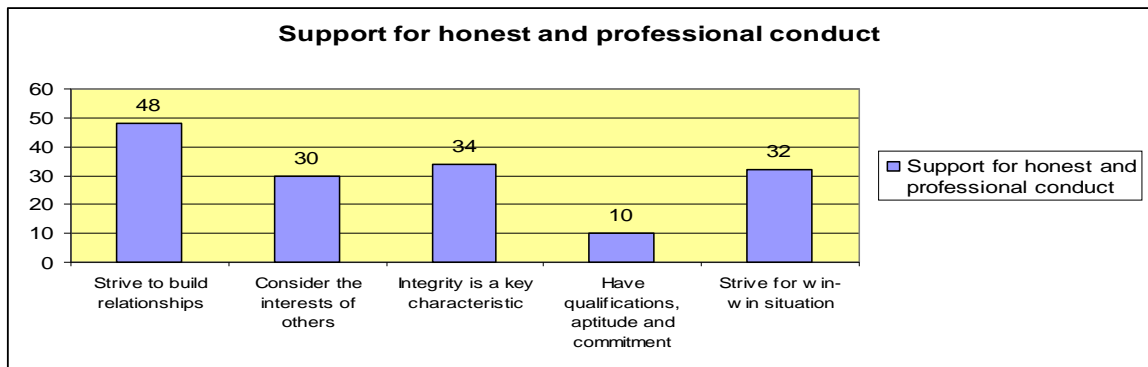
An indication of youth entrepreneurs' perception on honest and professional conduct in doing business is provided in Figure 16 below.

Figure 16: Importance for honest and professional conduct of youth entrepreneurs



The majority represented by 103 respondents indicated that youth entrepreneurs should conduct themselves honestly and professionally towards all stakeholders when doing business. This is compared to five respondents who did not agree with the view of the majority. Two respondents did not provide an answer to the relevant question.

Figure 17: Support for honest and professional conduct



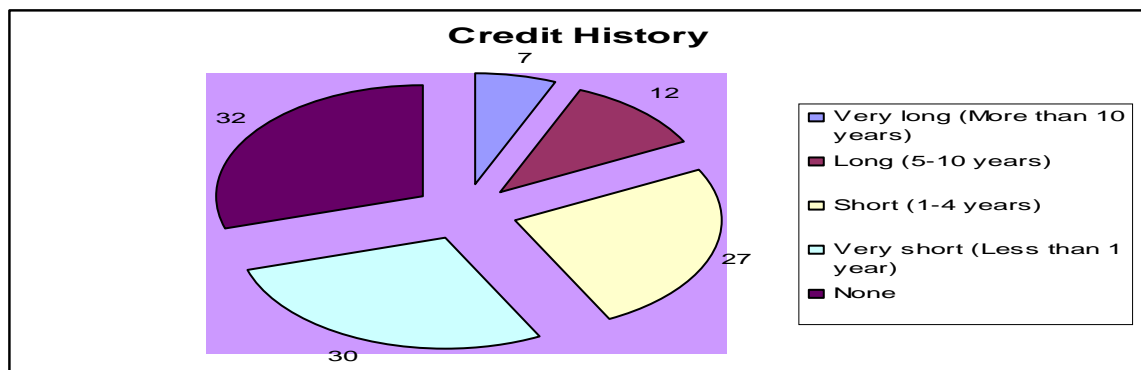
48 respondents (in other words, the majority) (noted in Figure 17 above) said that striving to build relationships supports the need for youth entrepreneurs to conduct themselves honestly and professionally. This was closely followed by 34 respondents who said that integrity was a key characteristic that necessitated honest and professional conduct. In comparison having qualifications, aptitude and

commitment were viewed as less of a reason supporting honest and professional conduct by ten entrepreneurs.

5.6.2.3 Youth entrepreneur credit history

The credit history of youth entrepreneurs is provided in Figure 18 below.

Figure 18: Credit history of youth entrepreneurs

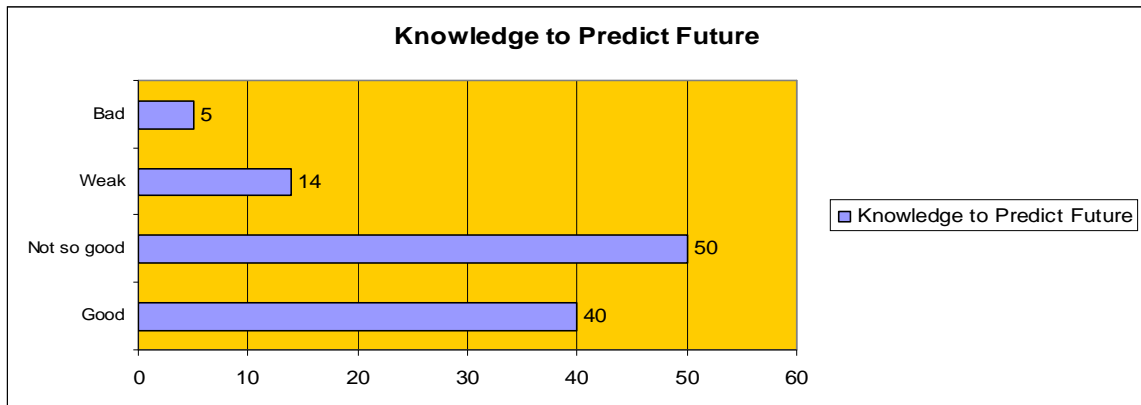


Two respondents did not provide an answer to the relevant question. The credit history of youth entrepreneurs is varied. 32 respondents (29 percent) do not have a credit history closely followed by 30 respondents (27 percent) who indicated that they have a very short credit history (less than one year). This is compared to seven respondents (six percent) who said that they have a very long credit history (more than ten years) while at a mid-range level 12 respondents (11 percent) indicated that their credit history was long (between five to ten years) and 27 respondents (25 percent) said that they have a short credit history (between one to four years).

5.6.2.4 Business knowledge potential

An indication of respondents' business knowledge potential (in other words, changing financial markets, assessing business risk and predicting future business performance) is provided in Figure 19 below.

Figure 19: Existence of knowledge to predict future performance



50 respondents (45 percent) indicated that their business knowledge was not so good. 40 respondents (36 percent) said that their business knowledge was good compared to five respondents (five percent) who indicated that their business knowledge was bad. 14 respondents (13 percent) said that they had a weak business knowledge. One respondent did not provide an answer to the relevant question.

5.6.3 Gender

5.6.3.1 Respondents' perception on gender

An indication of whether respondents believe gender impacts their ability to access finance and reasons supporting their views is provided in Tables 15, 16 and Figure 20 below. Descriptive statistics was generated using the statistical software SPSS to find frequencies and percentages of the relevant variables.

Table 15: Gender creates a problem

Gender creates a problem	Frequency	Valid Percent
Yes	26	23.9
No	83	76.1
Total	109	100.0

The majority (76 percent) felt that gender does not create a problem for them to access finance compared to the minority (24 percent) who felt that access to

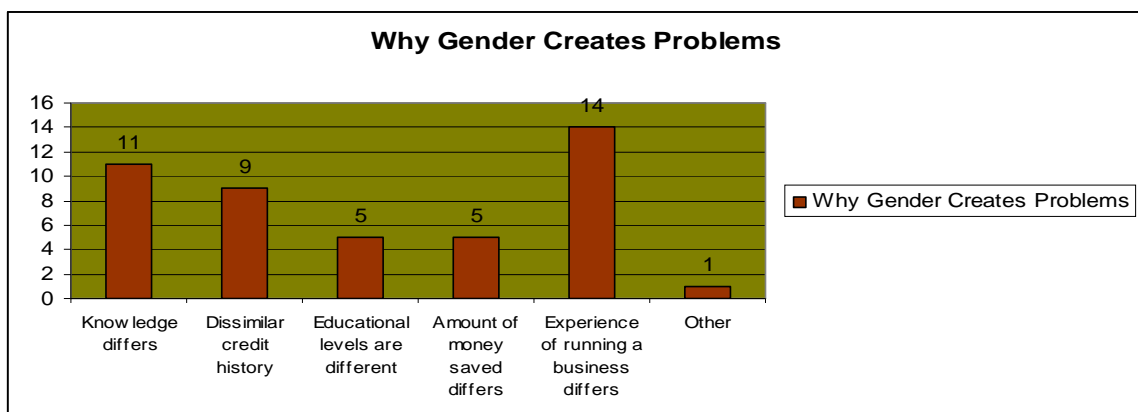
finance was hindered by gender. One respondent did not provide an answer to the relevant question.

Table 16: Reasons as to why gender does not create a problem

Why gender is not a problem	Frequency	Percent
Educational levels are similar	29	26.36
Amount of money saved is similar	3	2.73
Similar credit history	6	5.45
Knowledge about changing market and risk is similar	11	10.00
Feasible and viable business ideas does not depend on gender	23	20.91
Starting and running a business does not depend on gender	46	41.82
Other	2	1.82

Most of the respondents (42 percent) said that gender is not a problem since starting and running a business is not reliant on gender. This is compared to the minority represented by two respondents (two percent) who opted for other as reasons to support why gender does not create a problem (see details below). One respondent believed that gender does not create a problem because financial institutions frequently consider females.

Figure 20: Reasons why gender creates a problem



The majority represented by 14 respondents (13 percent) said that the experience of running a business differs between men and women. This is closely followed by 11 respondents (ten percent) who said difference in knowledge underpins gender problems to accessing finance. The minority, represented by one respondent chose other as an option but did not elaborate further. 65 respondents did not provide an answer to the relevant question.

5.6.4 Networking

5.6.4.1 Respondents' perception on networking as link to finance

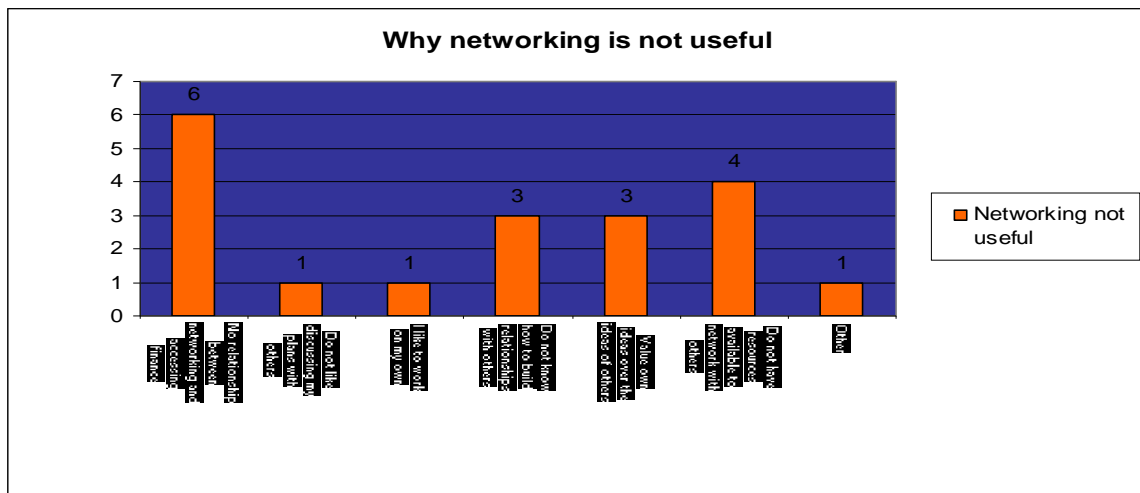
An indication of respondents' perception on whether networking increases their access to funding and reasons supporting their views is provided in Tables 17 and 18 and Figure 21 below. Descriptive statistics was generated using the statistical software SPSS to find frequencies and percentages of the relevant variables.

Table 17: Networking makes it easy to access finance

Networking links to finance	Frequency	Percent
Yes	99	90.0
No	11	10.0
Total	110	100.0

The benefit of networking to access finance received overwhelming support from respondents. For instance, 99 respondents (90 percent) indicated that networking makes it easier to access finance for business start-up. This is compared to 11 respondents (ten percent) who said that networking does not contribute to making access to finance easier.

Figure 21: Reasons why networking is not useful



Six respondents said that networking does not improve access to funding since no relationship exists between networking and access to finance. This was closely followed by four respondents who indicated that they do not have resources to network. One respondent chose other but did not elaborate by providing a specific reason.

Table 18: Networking used to obtain funding

Networking used	Frequency	Percent
Frequently attend business events	44	40.00
Subscribe to professional networks	14	12.73
Subscribe to social networks	30	27.27
Market my skills through word-of-mouth	43	39.09
Other	4	3.64

44 respondents (40 percent) said that they accessed finance through frequent attendance at business events. This was closely followed by 43 respondents (39 percent) who indicated that they accessed finance by using word-of-mouth to

market their skills. Four respondents (four percent) said that they relied on other networks (see details below).

Other responses regarding networking used to assist to obtain finance:

- Friends/family
- Not doing anything
- NYDA workshops
- Getting investors through networking

5.6.5 Suggestions to access finance for business start-up

Respondents provided varied responses with regard to suggestions for young people to access finance to start their business. To this end, the suggestions received from respondents may be separated into various important themes. Respondents' suggestions to support the findings were listed as quotations to preserve the realism and may be articulated more fully below.

- Attitude of Youth

The respondents said that the youth must always be positive and have a good attitude. Youth should firstly be sure about what they want. Youth need to have a passion for what they want to do. Youth need to change their mentality, and stop being a lazy generation and not take the opportunities for granted. The available funding organisations should not be taken for granted by youth.

“They must have a vision when starting a business, without it they will not go far.”

“Being prepared to work harder will motivate youth to access finance.”

“I think young people need to learn to knock on closed doors. Whatever they want to be will depend on them. (Vuka uzenzele) - do it yourself”

“I think young people they must put their pride aside and think what they want to achieve in life. People we learn from each other and it’s not wrong to ask for help if you don’t have enough capital.”

“Good attitude opens doors for young people. Never take yourself for granted and life is about taking risk.”

- Youth taking effort

The youth should apply for funding as soon as their companies are registered, as well as approach the NYDA and banks. The other ways suggested is to attend the NYDA or SEDA workshops and gain knowledge. Positive effort also included youth taking the initiative and forming their own youth organisations.

“Young people must do research (e.g. using websites, media, news, papers, entrepreneur magazines and radio stations, etc.) about their business idea, which companies will assist them to access start-up finance and find information from the banks.”

“Start saving and investing on income generating assets, it gives you credibility when trying to access funds.”

“Young people must associate themselves with people who already have businesses so that they will learn how to run a business”

“Its important for someone who wants to start their own business to have a business plan so that they can get finance to start their business from the bank, even if it is not from the bank if you want financed help anywhere, for you to take you seriously you must just have a good business plan.”

“They should keep a clean credit record”

- Assistance from experienced people and networking.

Development of business focus groups is pointed out to be a supporting factor towards youth accessing finance. Networking and building relationships are indicated as an important aspect towards accessing finance. Associate and familiarise with good business people.

“Associate and familiarize with good business people.”

“Frequent business mentorship can assist youth to be able to handle the upcoming problems.”

“The private sector must help”

- Awareness and accessibility of the government entities

Companies should take a proactive role in developing business acumen in young people through sponsoring events so that young people start to learn about business and become more prepared so that they make better representations to banks and access finance easier. Organisations must assist youth to access finance.

“The NYDA thing it should be advertised in all the aspects of the media because I have noticed that the people at the rural areas are not fully informed about it. Others know nothing about it at all.”

“They should go outreach more often for youth to have more information because most of our youth are not aware of the NYDA”.

- Education and training

It is important that youth obtain education. Young people must first take into account their financial management, how to spend and save. Leadership and management skills are also critical. Ability to speak well and understanding the power of leverage are pointed out as set of skills that are important. Knowledge of marketing and running the business will increase the chances of accessing finance.

“Attending business seminars and other business events are pointed out to provide knowledge about how to run their businesses and conduct themselves.

“Educate young people about how to start their own businesses.”

“Business orientation programmes should be introduced in schools for all learners in SA to be educated in the business.”

- Provide “exception” for youth

It is indicated that the situation of the youth could negatively impact the credit of the youth such as death of parents, tuition fees, unemployment and other disadvantaging family background factors. Youth must be given funds and offered support.

“Young people rarely have savings, and so government should provide special grants to youth to improve their situation.”

“To identify youth who have strength and develop them”

- Reviewing the current practices.

Respondents also indicated that comparative studies in other countries where entrepreneurial activity flourished through easy access to finance.

“Banks should make their loan granting criteria less stringent for young people”

“Cut the red tapes”

“Viability of a business”

- Financial assistance

Others seem to suggest that it is better to borrow from friends and family as well as approaching people who work with finance to help youth. The companies that provide finance must not be biased. Viability of a business idea will lead to increased financial accessibility. Understanding that location of the business also plays a role in accessing finance. The future business risks must be clearly understood. Remember when financing youth to also show them how to be financially disciplined.

“Businesses that are financed by Government or non-profit organisations should provide a loan that need not to add interest should a business be successful, otherwise it should be taken over by their financier.”

“Wealthier people must be attracted to invest in small and upcoming business.”

5.7 CONCLUSION

This chapter described the data collected under three broad headings of personal demographics, business information demographics and personal factors, using frequencies and descriptive statistics where relevant. The next chapter will discuss the results using inferential statistical analysis.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 INTRODUCTION

This study attempts to determine the borrower-specific financial obstacles that prevent black youth entrepreneurs in the Tshwane metropolitan area from starting their own businesses. As a general matter, the literature review that currently exists on financial obstacles and youth entrepreneurship although not very cosmic is indeed diverse. This study relates the findings back to the literature, where applicable.

To enable this study to be focused, different variables were grouped under two categories namely, business start-up opportunities and personal factors. The comparison of the defined variables within each category for black youth entrepreneurs in the Tshwane metropolitan area formed the basis of the hypothesis in this research study. A total of 110 respondents were included in this research study.

6.2 FINDINGS OF THE RESEARCH QUESTIONS

As an initial matter, four hypotheses were proposed in this research study. The objective of this section is to determine whether this research study had effectively answered the research hypothesis, and whether it supported or challenged the information in the literature review (see Chapter 2). This paper attempts to compare the borrower-specific financial obstacles that prevent youth entrepreneurs of Black origin from starting their own businesses in a South African context.

The data used in this research study was inputted into the SPSS statistical programme and non-parametric tests were run. The Pearson Chi-square test for association was conducted to indicate the significant differences for black youth entrepreneurs concerning their opinions about the questionnaire variables.

The tests used the 95 percent confidence interval meaning that the p value must be less than 0.05 (in other words, five percent). To this end, if the p value is less than say 0.05 or five percent, then we can conclude that there is a significant correlation between the different factors. The lower the significance value, the less likely it is that the two variables are independent (unrelated). Basically, the hypotheses tested using Chi-square was to test whether or not the sample was significantly different in some characteristic or aspect of its behavior.

Each hypothesis is discussed in further detail below.

6.2.1 Hypothesis 1: There are borrower-specific financial constraints to prevent black youth entrepreneurs in the Tshwane metropolitan area from starting their own businesses.

In order to accept or reject this hypothesis, cross tabulation has been conducted on the following factors:

1. “gender” versus “first time trying to access finance”
2. “saving” versus “gender”
3. “highest educational level” versus “saving”
4. “knowledge about changing financial markets” versus “highest educational level”
5. “intention to start a business” versus “first time trying to access finance”
6. “having a business idea in the form of a business plan” versus “first time trying to access finance”
7. “intention to start a business” versus “having a business idea in the form of a business plan”
8. “first time trying to access finance” versus “stage of the business”
9. “intention to start business” versus “highest educational level”
10. “first time trying to access finance” versus “highest educational level”
11. “highest educational level” versus “existence of business idea”

6.2.1.1 Factor 1: “gender” versus “first time trying to access finance”

Table 19: cross tabulation for factor 1

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.408 ^a	1	.020
Continuity Correction ^b	4.261	1	.039
Likelihood Ratio	5.716	1	.017
Fisher's Exact Test			
Linear-by-Linear Association	5.353	1	.021
N of Valid Cases	98		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.45.

b. Computed only for a 2x2 table

The cross tabulation for factor 1 in table 19 above indicated a significance value that is less than 0.05. We may therefore conclude that there were significant differences between the two variables. 76 percent of the respondents (represented by the majority) said that gender did not create a problem to access finance compared to 24 percent of the respondents who felt gender was an obstacle. To this end, the findings therefore do not correlate to Alsos, Isaksen and Ljunggren (2006) who concluded that female entrepreneurs were perceived differently from their male counterparts by loan and grant officers.

6.2.1.2 Factor 2: “saving at the end of the month” versus “gender”

Table 20: cross tabulation for factor 2

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.669 ^a	1	.055
Continuity Correction ^b	2.974	1	.085
Likelihood Ratio	3.690	1	.055
Fisher's Exact Test			
Linear-by-Linear Association	3.636	1	.057
N of Valid Cases	110		

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.669 ^a	1	.055
Continuity Correction ^b	2.974	1	.085
Likelihood Ratio	3.690	1	.055
Fisher's Exact Test			
Linear-by-Linear Association	3.636	1	.057
N of Valid Cases	110		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 26.02.

b. Computed only for a 2x2 table

The cross tabulation for factor 2 in table 20 above indicated a p value that is greater than 0.05. There were therefore no significant differences in terms of saving and gender. 56 respondents of the total eligible sample said that they save. This points to a possible extension occurring from respondents parents attitude towards saving. For instance, 78 of all respondents said that their parents talk about saving while 80 of all respondents indicated that their parents save as well.

Of all respondents eight viewed saving as a factor explaining why gender may or may not impact access to finance. This points to a possible conclusion that it is arguable that there is little if any disparity between the saving patterns of entrepreneurs from the different gender groups. To this end, the findings do not correlate with the argument by Alsos, Isaksen and Ljunggren (2006) who concluded that females generally have lower incomes than men which arguably could contribute to a lesser degree of saving by females than males.

6.2.1.3 Factor 3: "highest educational level" versus "saving at the end of the month"

Table 21: cross tabulation for factor 3

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.555 ^a	3	.907
Likelihood Ratio	.558	3	.906
Linear-by-Linear Association	.410	1	.522
N of Valid Cases	110		

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is 2.45.

The cross tabulation for factor 3 in table 21 above indicated a *p* value that is greater than 0.05. There were therefore no significant differences in terms of the respondents' educational level and their saving patterns. 48 percent of all respondents (represented by the majority) had matric or less. 56 respondents (51 percent) of the total eligible sample said that they save. These findings do not correlate with Kotze and Smit (2008) who found that South Africans lack a comprehensive savings culture, or with Atkinson and Kempson (2004) who concluded that young people (between 18 and 24 years) have a high propensity to borrow and use revolving credit which impacts their ability to save.

6.2.1.4 Factor 4: “knowledge about changing financial markets” versus “highest educational level”

Table 22: cross tabulation for factor 4

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.355 ^a	9	.704
Likelihood Ratio	7.732	9	.561
Linear-by-Linear Association	.460	1	.497
N of Valid Cases	109		

a. 10 cells (62.5%) have expected count less than 5. The minimum expected count is .23.

For factor 4 in table 22 above, the cross tabulation indicated a significance value that is greater than 0.05. There were therefore no significant differences in terms of having a business knowledge stemming from educational level. As stated above, 48 per cent of all respondents had an educational level of matric or less. Although 36 percent (of all respondents) said that they had a good business knowledge, the majority represented by 45 percent indicated that their business knowledge was not so good. The lack of good business knowledge is a key determinant as referred to by Kitindi, Magembe and Sethibe (2007), who concluded that a youth entrepreneur's business knowledge on say, changing financial markets will profoundly impact on the ability of that youth entrepreneur to access finance.

6.2.1.5 Factor 5: "intention to start a business" versus "first time trying to access finance"

Table 23: cross tabulation for factor 5

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.834 ^a	1	.000
Continuity Correction ^b	9.939	1	.002
Likelihood Ratio	9.774	1	.002
Fisher's Exact Test			.000
Linear-by-Linear Association	12.701	1	.000
N of Valid Cases	96		

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.834 ^a	1	.000
Continuity Correction ^b	9.939	1	.002
Likelihood Ratio	9.774	1	.002
Fisher's Exact Test			.000
Linear-by-Linear Association	12.701	1	.000
N of Valid Cases	96		

a. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 1.83.

b. Computed only for a 2x2 table

As reflected in table 23 above, a cross tabulation for factor 5 indicated a significance value that is less than 0.05. We may therefore conclude that there were significant differences in terms of accessing finance in order to start a business. Of all the respondents, 83 per cent indicated that they intend to start a business. 82 per cent of all respondents indicated that they had tried to access finance for the first time. This finding correlates to Carter et al. (2003) that conclude that obtaining finance for business start-up is generally considered one of an entrepreneur's major obstacles.

6.2.1.6 Factor 6: "having a business idea in the form of a business plan" versus "first time trying to access finance"

Table 24: cross tabulation for factor 6

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.345 ^a	1	.557
Continuity Correction ^b	.104	1	.747
Likelihood Ratio	.348	1	.556
Fisher's Exact Test			.559
Linear-by-Linear Association	.341	1	.559
N of Valid Cases	91		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.11.

b. Computed only for a 2x2 table

As noted in table 24 above, a cross tabulation between having a business idea by way of a business plan and accessing finance for the first time indicated a significance value that is greater than 0.05. As a result it may be concluded that there were no significant differences in terms of the success of business ideas and its relation to making access to finance easier. Of all the respondents, 82 percent indicated that it was their first attempt to access finance. 56 percent of all respondents, however, indicated that they had a business idea by way of a business plan. The findings on the success of business ideas (by way of a business plan) in relation to obtaining funding tend to correlate closely with Zazzaro (2001) who found that a business plan is an imperfect signal of entrepreneurial talent.

6.2.1.7 Factor 7: “intention to start a business” versus “having a business idea in the form of a business plan”

There were no significant differences in black youth in terms of having a business idea by way of a business plan to start a business. A Chi-square test indicated a p value that is greater than 0.05 when calculating a cross tabulation for factor 7 that is provided in table 25 below.

Table 25: cross tabulation for factor 7

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.885 ^a	1	.170
Continuity Correction ^b	1.173	1	.279
Likelihood Ratio	1.898	1	.168
Fisher's Exact Test			.172
Linear-by-Linear Association	1.865	1	
N of Valid Cases	95		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.63.

b. Computed only for a 2x2 table

83 percent of all respondents indicated that they intend to start a business. 56 percent indicated that they have a business idea. This points to a possible reduction in information asymmetry and investor risk perception which potentially could increase the likelihood of access to finance for the black youth entrepreneurs.

6.2.1.8 Factor 8: “first time trying to access finance” versus “stage of the business”

Table 26: cross tabulation for factor 8

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.416 ^a	3	.702
Likelihood Ratio	1.603	3	.659
Linear-by-Linear Association	.074	1	.786
N of Valid Cases	52		

a. 5 cells (62.5%) have expected count less than 5. The minimum expected count is .23.

As noted in table 26 above, the cross tabulation between “first time trying to access finance” versus “stage of the business” indicated a p value that is greater than 0.05 which suggests that there were no significant differences between the two variables. 82 percent of all respondents indicated that they tried to access finance for the first time. Of all the respondents 52 per cent indicated that their business was at a certain stage in its life cycle. This points to the possible reliance by black youth entrepreneurs on personal investment as a potential source of capital to start a business. This correlates closely with Rouse and Jayawarna (2006) who concluded that personal investment was one of the viable options used by entrepreneurs to start a business.

6.2.1.9 Factor 9: “intention to start business” versus “highest education”

Table 27: cross tabulation for factor 9

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.650 ^a	3	.449
Likelihood Ratio	3.307	3	.347
Linear-by-Linear Association	1.630	1	.202
N of Valid Cases	102		

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is .67.

The cross tabulation for factor 9 in table 27 above indicated a p value that is greater than 0.05. There were therefore no significant differences in terms of the respondents' highest education coupled with intent to start a business. 48 percent of all respondents had matric or less. 83 per cent of all respondents indicated that they intend to start a business. This points to a possible improvement in the entrepreneurial capacity in the economy of South Africa which requires individuals motivated towards starting businesses coupled with a positive societal perception about entrepreneurship.

6.2.1.10 Factor 10: “first time trying to access finance” versus “highest education”

Table 28: cross tabulation for factor 10

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.112 ^a	3	.044
Likelihood Ratio	6.332	3	.097
Linear-by-Linear Association	3.042	1	.081
N of Valid Cases	98		

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.112 ^a	3	.044
Likelihood Ratio	6.332	3	.097
Linear-by-Linear Association	3.042	1	.081
N of Valid Cases	98		

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is .92.

There were significant differences in terms of respondents' educational level and their attempt to access finance. The cross tabulation for factor 10 in table 28 above indicated a *p* value that is less than 0.05. 82 percent of all respondents indicated that they tried to access finance for the first time. 48 percent of all respondents had matric or less. This points to a possible increase in nascent entrepreneurial activity as a result of a shortage of jobs in South Africa for youth.

6.2.1.11 Factor 11: "highest educational level" versus "existence of business idea"

Table 29: cross tabulation for factor 11

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.277 ^a	3	.064
Likelihood Ratio	9.240	3	.026
Linear-by-Linear Association	3.918	1	.048
N of Valid Cases	102		

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is 2.21.

There were no significant differences in terms of the respondents' highest educational level and the existence of business ideas. The cross tabulation for

factor 11 depicted in table 29 above indicated a p value that is greater than 0.05. 48 percent (the majority) of all respondents had matric or less. 56 percent indicated that they have a business idea. This points to the possible improvement of entrepreneurial culture among black youth.

6.2.2 Rejection of hypothesis 1

The results of the above significant tests relating to the variables that were cross tabulated under each factor are summarised below:

- “gender” versus “first time trying to access finance” - *rejected*
- “saving at the end of the month” versus “gender” - *accepted*
- “highest educational level” versus “saving at the end of the month” - *accepted*
- “knowledge about changing financial markets” versus “highest educational level” - *accepted*
- “intention to start a business” versus “first time trying to access finance” - *rejected*
- “having a business idea in the form of a business plan” versus “first time trying to access finance” - *accepted*
- “intention to start a business” versus “having a business idea in the form of a business plan” - *accepted*
- “first time trying to access finance” versus “stage of the business” - *accepted*
- “intention to start business” versus “highest education” – *accepted*
- “first time trying to access finance” versus “highest education” - *rejected*
- “highest educational level” versus “existence of business idea” - *accepted*

Not all factors upon which the cross tabulation was conducted were accepted, therefore hypothesis 1 is rejected. The rejection of the null hypothesis means that we may conclude that the null hypothesis probably is false (Wikipedia, 2011d, p. 1). In this vein, it is therefore arguable if there are borrower-specific financial constraints preventing black youth entrepreneurs in Tshwane from accessing finance.

6.2.3 Hypothesis 2: “Lack of personal savings exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area.”

In order to accept or reject this hypothesis, cross tabulation has been conducted on the following factors:

1. “first time trying to access finance” versus “saving money at the end of the month”
2. “parents talk about saving money” versus “saving money at the end of the month”
3. “parents save any of their money at the end of every month” versus “saving money at the end of the month”

6.2.3.1 Factor 1: “first time trying to access finance” versus “saving money at the end of the month”

Table 30: cross tabulation for factor 1

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.450 ^a	1	.118
Continuity Correction ^b	1.701	1	.192
Likelihood Ratio	2.489	1	.115
Fisher's Exact Test			.119
Linear-by-Linear Association	2.425	1	
N of Valid Cases	98		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.00.

b. Computed only for a 2x2 table

There were no significant differences in terms of the respondents’ savings patterns and attempts made to access finance. The cross tabulation for factor 1 depicted in table 30 above indicated a *p* value that is greater than 0.05. 82 percent (the majority) of all respondents had tried to access finance for the first time. Of all respondents, 50 percent indicated that they save money. This finding correlates closely with Kotze and Smit (2008) who found that savings rates in South Africa

were following a declining trend due to the mounting personal debt among South Africans.

6.2.3.2 Factor 2: “parents talk about saving money” versus “saving money at the end of the month”

Table 31: cross tabulation for factor 2

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.910 ^a	1	.167
Continuity Correction ^b	1.374	1	.241
Likelihood Ratio	1.917	1	.166
Fisher's Exact Test			
Linear-by-Linear Association	1.892	1	.169
N of Valid Cases	110		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.71.

b. Computed only for a 2x2 table

There were no significant differences in terms of the respondents’ savings patterns and the influence of parents on respondents saving. The cross tabulation for factor 2 depicted in table 31 above indicated a *p* value that is greater than 0.05. 71 percent (the majority) of all respondents indicated that their parents spoke to them about saving. Of all respondents, 50 percent indicated that they save money. This finding correlates closely with Kotze and Smit (2008) who concluded that South Africans lack a comprehensive savings culture since individuals prefer to spend their money on consumption (as opposed to investment). This finding does not correlate with the literature since adult financial knowledge such as advice on saving should increase saving by a greater extent which seems somewhat low in this case at only 50 percent.

6.2.3.3 Factor 3: “parents save any of their money at the end of every month” versus “saving money at the end of the month”

Table 32: cross tabulation for factor 3

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.297 ^a	1	.586
Continuity Correction ^b	.110	1	.741
Likelihood Ratio	.297	1	.586
Fisher's Exact Test			
Linear-by-Linear Association	.294	1	.587
N of Valid Cases	110		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.73.

b. Computed only for a 2x2 table

There were no significant differences in terms of the respondents’ savings patterns and the respondents parents’ saving patterns. The cross tabulation for factor 3 depicted in table 32 above indicated a p value that is greater than 0.05. 73 percent (the majority) of all respondents indicated that their parents also save. Of all respondents, 50 percent indicated that they save money. The findings on the lack of a good South African youth savings culture in this study tend to agree with the literature review. This finding, however, does not correlate with the literature whereby the savings culture followed by parents in a household should logically perpetuate onto the youth in that household - this does not seem to be the case in these circumstances.

6.2.4 Acceptance of hypothesis 2

The results of the above significant tests relating to the factors identified are summarised below:

- “first time trying to access finance” versus “saving money at the end of the month” - *accepted*
- “parents talk about saving money” versus “saving money at the end of the month” - *accepted*
- “parents save any of their money at the end of every month” versus “saving money at the end of the month” - *accepted*

All factors upon which the cross tabulation was conducted were accepted, therefore hypothesis 2 is accepted. Acceptance of the null hypothesis means that the research sample does not provide strong evidence against the null hypothesis (Wikipedia, 2011d, p. 1). In view of this lack of evidence, the lack of personal savings exist as a perceived obstacle by black youth to access finance in Tshwane.

6.2.5 Hypothesis 3: “Business acumen and credibility differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area.”

In order to accept or reject this hypothesis, cross tabulation has been conducted on the following factors:

1. “first time trying to access finance” versus “youth entrepreneurs need training”
2. “first time trying to access finance” versus “youth entrepreneurs should conduct themselves honestly and professionally”
3. “first time trying to access finance” versus “credit history”
4. “first time trying to access finance” versus “knowledge about changing financial markets”

6.2.5.1 Factor 1: “first time trying to access finance” versus “youth entrepreneurs need training”

Table 33: cross tabulation for factor 1

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.336 ^a	1	.248
Continuity Correction ^b	.056	1	.813
Likelihood Ratio	1.034	1	.309
Fisher's Exact Test			
Linear-by-Linear Association	1.322	1	.250
N of Valid Cases	97		

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is .37.

b. Computed only for a 2x2 table

There were no significant differences in terms of respondents' attempts to access finance and their need for training. The cross tabulation for factor 1 depicted in table 33 above indicated a p value that is greater than 0.05. 82 percent (the majority) of all respondents tried to access finance for the first time. Of all respondents 96 percent indicated that youth entrepreneurs need training. The findings on the respondents' need for training to access finance in this study tend to agree with the literature review that concluded that the lack of business training is a key concern before investors loan money.

6.2.5.2 Factor 2: "first time trying to access finance" versus "youth entrepreneurs should conduct themselves honestly and professionally"

Table 34: cross tabulation for factor 2

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.161 ^a	1	.688
Continuity Correction ^b	.000	1	1.000
Likelihood Ratio	.147	1	.701
Fisher's Exact Test			
Linear-by-Linear Association	.160	1	.690
N of Valid Cases	97		

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.161 ^a	1	.688
Continuity Correction ^b	.000	1	1.000
Likelihood Ratio	.147	1	.701
Fisher's Exact Test			
Linear-by-Linear Association	.160	1	.690
N of Valid Cases	97		

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is .70.

b. Computed only for a 2x2 table

There were no significant differences in terms of respondents attempts to access finance and their need to conduct themselves in an honest and professional manner. The cross tabulation for factor 2 depicted in table 34 above indicated a *p* value that is greater than 0.05. 82 percent (the majority) of all respondents tried to access finance for the first time. Of all respondents 94 percent indicated that youth entrepreneurs should conduct themselves in an honest and professional manner when doing business. The finding correlates to Pepper and Anderson (2009) that conclude that for an entrepreneur to acquire finance especially at the business start-up stage, the entrepreneur must have source credibility (which includes competence, trustworthiness and goodwill).

6.2.5.3 Factor 3: “first time trying to access finance” versus “credit history”

Table 35: cross tabulation for factor 3

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.734 ^a	4	.443
Likelihood Ratio	4.931	4	.294
Linear-by-Linear Association	.136	1	.713
N of Valid Cases	96		

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.734 ^a	4	.443
Likelihood Ratio	4.931	4	.294
Linear-by-Linear Association	.136	1	.713
N of Valid Cases	96		

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is 1.31.

There were no significant differences in terms of respondents' attempts to access finance and their credit history. The cross tabulation for factor 3 depicted in table 35 above indicated a *p* value that is greater than 0.05. 82 percent (the majority) of all respondents tried to access finance for the first time. Of all respondents 69 percent indicated that they have a credit history. The findings do not correlate to Schoof (2006) who concluded that youth often do not have a substantive credit history.

6.2.5.4 Factor 4: "first time trying to access finance" versus "knowledge about changing financial markets"

Table 36: cross tabulation for factor 4

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.817 ^a	3	.611
Likelihood Ratio	2.501	3	.475
Linear-by-Linear Association	1.437	1	.231
N of Valid Cases	98		

a. 3 cells (37.5%) have expected count less than 5. The minimum expected count is .73.

There were no significant differences in terms of respondents' attempts to access finance and their business knowledge. The cross tabulation for factor 4 depicted in

table 36 above indicated a p value that is greater than 0.05. 82 percent (the majority) of all respondents tried to access finance for the first time. Of all respondents 36 percent indicated that they have a good business knowledge. This points to a possible risk preventing entrepreneurs' access to finance, since the findings tend to correlate closely to Pepper and Anderson (2009) who found that entrepreneurs acquire finance (at the business start-up stage) if the entrepreneur has source credibility (i.e. competence, trustworthiness and goodwill).

6.2.6 Acceptance of hypothesis 3

The results of the above significant tests relating to the factors identified are summarised below:

- “first time trying to access finance” versus “youth entrepreneurs need training” – *accepted*
- “first time trying to access finance” versus “youth entrepreneurs should conduct themselves honestly and professionally” - *accepted*
- “first time trying to access finance” versus “credit history” - *accepted*
- “first time trying to access finance” versus “knowledge about changing financial markets” - *accepted*

All factors upon which the cross tabulation was conducted were accepted, therefore hypothesis 3 is accepted. Acceptance of the null hypothesis means that the research sample does not provide strong evidence against the null hypothesis (Wikipedia, 2011d, p.1). This lack of evidence would seem to suggest therefore that business acumen and credibility differences exist as perceived obstacles by black youth to access finance in Tshwane.

6.2.7 Hypothesis 4: “Networking and gender differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area.”

In order to accept or reject this hypotheses , cross tabulation will be conducted on the following factors:

1. “first time trying to access finance” versus “gender creates a problem for accessing finance to start business”
2. “first time trying to access finance” versus “Networking will make it easier to acquire finance”

6.2.7.1 Factor 1: “first time trying to access finance” versus “gender creates a problem for accessing finance to start business”

Table 37: cross tabulation for factor 1

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.408 ^a	1	.020
Continuity Correction ^b	4.261	1	.039
Likelihood Ratio	5.716	1	.017
Fisher's Exact Test			
Linear-by-Linear Association	5.353	1	.021
N of Valid Cases	98		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.45.

b. Computed only for a 2x2 table

There were significant differences in terms of respondents attempts to access finance and their access to finance based on their gender. The cross tabulation for factor 1 reflected in table 37 above indicated a p value that is less than 0.05. 82 percent (the majority) of all respondents tried to access finance for the first time. Of all respondents 24 percent indicated that gender hinders access to finance. Therefore the findings do not correlate to Verheul and Thurik (2001) and Muravyev, Schafer, and Talavera (2009) who concluded that various factors differentiate male from female entrepreneurs and hinder female entrepreneurs from accessing finance for business start-up.

6.2.7.2 Factor 2: “first time trying to access finance” versus “networking will make it easier to acquire finance”

Table 38: cross tabulation for factor 2

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.480 ^a	1	.224
Continuity Correction ^b	.585	1	.444
Likelihood Ratio	1.285	1	.257
Fisher's Exact Test			.226
Linear-by-Linear Association	1.465	1	
N of Valid Cases	98		

a. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 1.65.

b. Computed only for a 2x2 table

There were no significant differences in terms of whether respondents felt that networking will ease their access to finance and respondents' attempts to access finance. The cross tabulation for factor 2 reflected in table 38 above indicated a p value that is greater than 0.05. 82 percent (the majority) of all respondents tried to access finance for the first time. Of all respondents 90 percent indicated that networking eases access to finance. The findings correlate closely to Beck (2007) who found that access to finance to new SME's can be influenced by networking. Additionally, the findings also resonate with Stuart and Sorenson (2005) that conclude that an entrepreneur's social networks affect its ability to raise capital.

6.2.8 Rejection of hypothesis 4

The results of the above significant tests relating to the factors identified are summarised below:

- “first time trying to access finance” versus “gender creates a problem for accessing finance to start business” - *rejected*

- “first time trying to access finance” versus “Networking will make it easier to acquire finance” - *accepted*

Not all factors upon which the cross tabulation was conducted were accepted, therefore hypothesis 4 is rejected. Rejecting the null hypothesis means that we may conclude that the null hypothesis probably is false (Wikipedia, 2011d, p. 1). In this vein, it is therefore arguable if networking and gender differences exist as perceived obstacles by black youth to access finance in Tshwane.

6.3 CONCLUSION

This chapter presented the main findings of the empirical study. During the course of this chapter relevant information was obtained and explained by means of inferential statistics. The next chapter will revisit the objectives, discuss the findings, outline some research limitations, make final conclusions and offer suggestions for future research.

CHAPTER 7: CONCLUSION

7.1 INTRODUCTION

As an initial matter, two of the three general constraints (in other words, institutional or regulatory) that hinder entrepreneurial activity has been extensively researched. However, there is limited research on the financial constraints (the third general constraint) that prevent entrepreneurs from starting their own businesses. In this vein, even less research currently exists that is associated with the borrower-specific financial constraints that prevent entrepreneurs from starting their own businesses. This research study explores this aspect, but more specifically, in relation to youth entrepreneurs through the literature review. To this end, the study presents some key learnings into what borrower-specific financial constraints prevent black youth entrepreneurs from starting their own businesses.

The study investigates the business start-up opportunities and the personal factors that characterize these entrepreneurs.

7.2 LITERATURE STUDY OVERVIEW

The literature study began with a discussion highlighting the importance of entrepreneurship to society and to the growth of an economy as posited by Kelly et al. (2011). To this end, the importance of entrepreneurship (and its participation from society) was related to the South African black youth in particular primarily because black youth constitute the racial group amongst which the entrepreneurial activity rate is the lowest in South Africa currently.

Definitions for youth, entrepreneur and entrepreneurship were put forward and the correlation between general constraints and entrepreneurship were explored. This concluded with the categories that youth entrepreneurs may be separated into. The importance of the NYDA to the development of youth entrepreneurs in South Africa (and effectively to its economy) was highlighted, and the targets achieved by the NYDA for economic participation (in other words, a key performance area for the

NYDA) in South Africa was also indicated. The regulatory or institutional obstacles and cultural obstacles that stifle entrepreneurial activity were also highlighted to provide the reader with an appreciation of the broader challenges that affect entrepreneurial activity. The regulatory or institutional obstacles and cultural obstacles were, however, briefly discussed as these challenges fell outside the focus of the research study.

The borrower-specific financial constraints to youth entrepreneurship were reviewed. These included lack of personal savings, lack of collateral, lack of business experience or skill, information and credibility, networking and gender.

7.3 RESEARCH HYPOTHESIS REVISITED

The objective of this research study was to try to answer the following research hypotheses:

1. The existence of borrower-specific financial constraints that prevent new business start-up by black youth entrepreneurs in the Tshwane metropolitan area.
2. Understand whether black youth entrepreneurs (in the Tshwane metropolitan area) perceive the lack of personal savings as an obstacle to access finance for starting a business.
3. Whether black youth entrepreneurs (in the Tshwane metropolitan area) perceive differences in business acumen and credibility as obstacles to access finance for starting a business.
4. Understand whether black youth entrepreneurs (in the Tshwane metropolitan area) perceive differences in networking and attitude towards gender as obstacles to access finance for business start-up.

The objective of this research was to focus on a critical issue which relates to the financial constraints (from a borrower-specific context) facing black female and male youth entrepreneurs (in Tshwane) that effectively prevent these fledgling entrepreneurs from starting their own businesses. Moreover, the objective was also

to explore how black female and male youth entrepreneurs perceive these financial constraints when trying to access finance. In this vein, both descriptive and inferential analysis were used to conduct the investigation.

7.4 RESULTS REVISITED

The research concluded that there are not significant differences and that there are significant differences (for a combination of different variables (illustrated by factors) on which cross-tabulation was conducted) in terms of the existence of borrower-specific financial constraints that prevent youth entrepreneurs from starting their own businesses. To this end, the relevant variables that indicated no significant differences for black youth entrepreneurs relate to factors 2, 3, 4, 6, 7, 8, 9 and 11. On the other hand, the variables that indicated significant differences related to factors 1, 5 and 10 for black youth entrepreneurs.

This relates to the literature which concludes that obtaining finance is an entrepreneur's major obstacle and that nascent entrepreneurial activity is rife in South Africa. This suggests that measures be taken to ease access to finance which will also increase the number of opportunity entrepreneurs (as opposed to nascent entrepreneurs) in South Africa.

The research also concluded that there are not significant differences (for a combination of different variables (illustrated by factors) in terms of whether the lack of savings was perceived by black youth entrepreneurs as an obstacle to access finance for business start-up. To this end, no differences relate to factors 1, 2 and 3. There were also no differences in terms of whether business acumen and credibility differences were perceived as an obstacle by black youth entrepreneurs to access finance.

There were significant differences related to factor 1 in terms of whether black youth entrepreneurs perceived gender differences to exist as an obstacle to access finance. This, however, does not relate to the literature, which concludes that

female and male entrepreneurs may be differentiated by various factors which also prevent female entrepreneurs from accessing finance. This suggests that the factors disadvantaging female entrepreneurs (in comparison to their male counterparts) need to be examined closely in order to eliminate the disparity between female and male entrepreneurs. The variables associated with factor 2 indicated no significant differences.

7.5 CONTRIBUTION OF THE STUDY

This research study contributes to the field of entrepreneurship within the selected research frame in the following ways. Firstly, the analysis revealed that the lack of personal savings as a perceived obstacle to access finance is viewed as more important to black youth entrepreneurs than networking and gender differences. Secondly, business acumen and credibility differences as a perceived obstacle to access finance is viewed as more important to black youth entrepreneurs than networking and gender differences.

Thirdly, the findings of this study align to the savings culture and business skills attributes of youth globally as found in the literature. Fourthly, respondents did not favourably rate the use of networking as a viable option to make access to finance easier, thus indicating the need for the NYDA to possibly initiate the launch of an awareness programme on the importance of networking to access finance for business start-up. This is in contrast to the findings of Le and Nguyen (2009, pp. 868-869) who commented that networking between entrepreneurs, bankers, government officials, friends and relatives assist both lending institutions and borrowers of finance establish trust and obtain finance respectively.

Fifthly, the analysis reveals that the life cycle stages of the businesses in this study coupled with the average duration of businesses points more to the success (as opposed to the failure) of youth businesses, and which arguably potentially may be increased further through better access to finance.

7.6 FURTHER RESEARCH

It is recommended that further research objectives associated with this study be pursued to resolve the following related issues. Firstly, it is useful to draw comparisons between black youth entrepreneurs across different geographical hubs in South Africa as well as in other African countries since the spurring of youth entrepreneurial activity is fundamental to economic activity, and would be of greater benefit to emerging economies such as other African countries and other provinces within the jurisdiction of South Africa (Pretorius & Shaw, 2004, p. 221).

Secondly, it is recommended that comparisons be drawn across youth from other race groups in South Africa in terms of their attempts to access finance for business start-up since youth from other race groups seem to be less affected by unemployment in South Africa (Statistics South Africa (SSA), 2011). Thirdly, it is important to understand whether borrower-specific financial constraints equally affect black entrepreneurs who do not fall within the definition of youth to derive learnings that may be applied to resolve the problem facing black youth.

Fourthly, it is important to draw comparisons between the savings behavioural patterns of youth from other race groups and understand why South African youth lack a good savings culture as this problem according to Kotze and Smit (2008, p. 161) seems to be a global occurrence, and which negatively impacts the South African entrepreneurial environment. Fifthly, we also must understand whether networking and gender differences are perceived by youth from other race groups within South Africa as important obstacles to access finance for business start-up as the availability of finance to new SMEs can be influenced significantly by these factors according to Beck (2007).

Additionally, an understanding of whether these issues also affect youth from other race groups will provide clarity on the extent of the measures such as awareness programs, training, mentorship that need to be implemented to resolve these issues. Lastly, the regulatory or institutional obstacles and cultural obstacles that

stifle entrepreneurial activity by black youth in the Tshwane metropolitan area need to be examined as these obstacles also impact entrepreneurial activity globally in a fundamental way. More specifically, research has revealed that the regulatory and institutional obstacles have been the most decisive barriers in the business environment of other transitional economies (Bitzenis & Nito, 2005, pp. 568-569).

7.7 LIMITATIONS OF STUDY

This research study contained the following limitations. Firstly, the study did not draw comparisons to entrepreneurs either under 18 years or older than 35 years. The study focused primarily on the borrower-specific financial constraints facing youth entrepreneurs (in other words, entrepreneurs aged between 18 and 35 years). Secondly, the study did not draw comparisons to other race groups in South Africa.

The study focused primarily on the borrower-specific financial constraints facing black youth entrepreneurs. Youth entrepreneurs from other race groups would need to also be taken into consideration to develop trends for comparative and statistical purposes. Thirdly, the study was also limited in terms of investigating the borrower-specific financial constraints to entrepreneurship since this field of entrepreneurial financing is still developmental hence the limited available literature.

Fourthly, the study was limited in terms of not exploring the regulatory or institutional obstacles and cultural obstacles that stifle entrepreneurial activity in the Tshwane metropolitan area. Fifthly, it has become apparent that participation in research is not in the culture of most South Africans. Sixthly, it was evident that there was a general lack of literacy demonstrated by respondents in answering questions related to those who accessed finance compared to those who did not. This is reflected by the inability to categorise respondents who accessed finance from those who did not. Seventhly, it appears that using close-ended questions to gain information on perceptions of obstacles is a source of bias.

The use of open-ended questions should have been considered as well to give respondents the opportunity to fully express themselves. Eighthly, although respondents were requested in the questionnaire to indicate whether they had a business idea in the form of a business plan, the definition of business idea was not provided to respondents. In this vein, the development of a business idea defines the creative ability of entrepreneurs and is therefore an important element in the context of entrepreneurship. Lastly, it is recognised that a limiting factor is that the study was also limited to a specific geographic area (namely, the Tshwane CBD).

7.8 CONCLUSION

This study was conducted to investigate the borrower-specific financial constraints (and perceptions of these constraints by black youth entrepreneurs) that prevent black youth entrepreneurs from accessing finance for business start-up in a South African context. The study outlined a process of how to determine the borrower-specific financial constraints (and perceptions of these constraints) facing black youth entrepreneurs. The objectives of this study were achieved. It may be worthwhile to also explore the regulatory or institutional obstacles and cultural obstacles to entrepreneurial activity in South Africa as well in future as these challenges equally impact entrepreneurial activity globally.

The findings of this study have also served to highlight the link between entrepreneurship and financial obstacles. It provided insights on the black youth unemployment challenge in South Africa currently and the consequential impact on entrepreneurial activity within the Tshwane metropolitan area. It is hoped that this study has also contributed to the area of theory associated with the financial obstacles to entrepreneurship in relation to business start-ups for youth entrepreneurs.

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ANNEXURE A: LETTER OF CONSENT

Consent for Participation in Academic Research Study

Gordon Institute of Business Science

Borrower-specific financial constraints to black youth entrepreneurs in the Tshwane metropolitan area.

Dear Respondent,

I am currently an MBA student at the Gordon Institute of Business Science and conducting academic research on the borrow-specific financial constraints preventing black youth entrepreneurs in the Tshwane metropolitan area from starting their own businesses.

Kindly take note of the following:

- This study involves an **anonymous** survey. Your name will not appear on the questionnaire and the Responses you provide will be treated as **strictly confidential**. You cannot be identified in person based on the Responses you provide.
- Your participation is important to us and greatly appreciated. By answering this questionnaire you indicate that you are voluntarily participating in this research. You may choose not to participate or may withdraw at any time without penalty. Your participation in this survey will not be used in anyway that may inhibit you from accessing NYDA products and answers.
- Please answer the questions as honestly and completely as possible and there is no right or wrong answers. This should not take more than 15 minutes of your time. This research questionnaire consists of 10 pages.
- The results of this study will be used solely for academic purposes.
- Please acquaint yourself with the following terminology and instructions before completing the questionnaire. Your participation in this survey will remain anonymous.
- If you have any concerns or questions, please contact either me, my supervisor or the Branch Manager of the NYDA Tshwane Branch. Our details are provided for your ease of reference below.

Instructions to complete questionnaire:

The questionnaire is a MS Word document and can be answered by hand.

1. Proceed to answer the questions by marking the box next to the answer you have chosen with an **X**

Example:

2. Once you have completed the questionnaire, please return the document to the Branch Manager of the NYDA Tshwane Branch.

Researcher name: Krean Naidoo

E-mail: naidookrean@gmail.com

Phone: 082 301 4957

Research Supervisor Name: Colleen Magner

E-mail: magner@reospartners.com

Phone: 082 337 7829

NYDA Tshwane Branch Manager Name: Mottalepula Thupudi-Monja

E-mail: MThupudi@nyda.gov.za

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ANNEXURE B: QUESTIONNAIRE

Borrower-specific financial constraints to black youth entrepreneurs in the Tshwane metropolitan area.

Answer each question by filling an X in the suitable box provided or write your answer in the shaded space provided

A. ENTREPRENEUR DEMOGRAPHIC INFORMATION

Respondent number: ____ [For Office Use]

1. What is your age? [Write number of years only]

		1
--	--	---

2. Gender [Select only one answer]

Male	<input type="checkbox"/>	1
Female	<input type="checkbox"/>	2

3. Which language do you speak the most at home? [Select only one answer]

Afrikaans	<input type="checkbox"/>	1
English	<input type="checkbox"/>	2
Ndebele	<input type="checkbox"/>	3
Pedi	<input type="checkbox"/>	4
Sotho	<input type="checkbox"/>	5
Swati	<input type="checkbox"/>	6
Tsonga	<input type="checkbox"/>	7
Tswana	<input type="checkbox"/>	8
Venda	<input type="checkbox"/>	9
Zulu	<input type="checkbox"/>	10
Xhosa	<input type="checkbox"/>	11
Other (Please specify below)	<input type="checkbox"/>	12

4. What is your race? [Select only one answer]

Indian	<input type="checkbox"/>	1
Coloured	<input type="checkbox"/>	2
White	<input type="checkbox"/>	3
Black	<input type="checkbox"/>	4

5. What is your highest formal educational qualification? **[Select only one answer]**

Matric/Grade 12 or less	<input type="checkbox"/>	1
Certificate/ Diploma	<input type="checkbox"/>	2
Bachelor's degree	<input type="checkbox"/>	3
Honours degree	<input type="checkbox"/>	4
Masters degree	<input type="checkbox"/>	5
Doctorate	<input type="checkbox"/>	6
Other (Please specify below)	<input type="checkbox"/>	7

6. What are you currently doing? **[Select more than one answer]**

Working full-time	<input type="checkbox"/>	1
Working part-time	<input type="checkbox"/>	2
Unemployed	<input type="checkbox"/>	3
Studying full-time	<input type="checkbox"/>	4
Studying part-time	<input type="checkbox"/>	5
Internship/Learnership	<input type="checkbox"/>	6
Self-employed	<input type="checkbox"/>	7
Volunteering	<input type="checkbox"/>	8
Other (Please specify in full below)	<input type="checkbox"/>	9

B. BUSINESS INFORMATION *(Opportunities for starting a business)*

7. If you are not currently self-employed, do you intend to start a business? **[Select only one answer]**

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2

8. If you answered Yes in Q7 above, how do you plan to raise your start-up capital? **[Select more than one answer]**

Family and friends	<input type="checkbox"/>	1
Own savings	<input type="checkbox"/>	2
Commercial bank	<input type="checkbox"/>	3
Public institutions	<input type="checkbox"/>	4
My business partner(s)	<input type="checkbox"/>	5
Other (Please specify in full below)	<input type="checkbox"/>	6

9. Is this the first time you are trying to access finance to start a business? **[Select only one answer]**

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2

10. If you answered No in Q9 above, from where did you try to access finance before? **[Select more than one answer]**

Family and friends	<input type="checkbox"/>	1
ABSA Bank	<input type="checkbox"/>	2
Business Partners	<input type="checkbox"/>	3
First National Bank	<input type="checkbox"/>	4
Standard Bank	<input type="checkbox"/>	5
Micro Lenders	<input type="checkbox"/>	6
Nedbank	<input type="checkbox"/>	7
Khula Finance Limited	<input type="checkbox"/>	8
Other (Please specify in full below)	<input type="checkbox"/>	9

11. If you were unable to get finance the first time that you applied, to start your business, which of the following factors would you say were the reason/s why your application might have been rejected?

Not financially ready, including lack of a business plan	<input type="checkbox"/>	1
Business idea not viable	<input type="checkbox"/>	2
Poor credit history	<input type="checkbox"/>	3
Lack of managerial skills	<input type="checkbox"/>	4
My character as an entrepreneur	<input type="checkbox"/>	5
Lack of collateral	<input type="checkbox"/>	6
Lack of own savings or accumulated capital	<input type="checkbox"/>	7
Business has no track record	<input type="checkbox"/>	8
Because I earn a lower salary than my spouse	<input type="checkbox"/>	9
Lack of network with relevant people	<input type="checkbox"/>	10
Because of the sector that I chose to start my business in	<input type="checkbox"/>	11
Other (Please specify in full below)	<input type="checkbox"/>	12

12. Describe any current/previous entrepreneurial ventures created? **[Please write in full]**

	1
	2
	3
	4
	5

13. Duration of operation of the ventures (in Months)

	1
	2
	3
	4
	5

14. Are the ventures listed in Q12 and Q13 above still operational?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	1
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	2
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	3
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	4
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	5

15. If you are self-employed, at what stage is your business? **[Select only one answer]**

Start-up	<input type="checkbox"/>	1
Developmental stage	<input type="checkbox"/>	2
Growing	<input type="checkbox"/>	3
Matured	<input type="checkbox"/>	4
Declining	<input type="checkbox"/>	5

16. Which of the economic sectors listed below do you intend starting/or is your business currently operating in? **[Select more than one answer]**

Agriculture	<input type="checkbox"/>	1
Manufacturing	<input type="checkbox"/>	2
Construction, Mining	<input type="checkbox"/>	3
Business Services	<input type="checkbox"/>	4
Finance	<input type="checkbox"/>	5
Transport, Communication	<input type="checkbox"/>	6
Health Care, Education, Social Services	<input type="checkbox"/>	7
Wholesale, Motor Vehicles and Repairs	<input type="checkbox"/>	8
Customer Services	<input type="checkbox"/>	9
Others (Please specify in full below)	<input type="checkbox"/>	10

17. If you do not already have your own existing business, do you have a business idea in the form of a business plan? **[Select only one answer]**

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2

18. Which of the following may have contributed to you deciding on your business idea in the form of a business plan? **[Select more than one answer]**

Your own experience of running a business	<input type="checkbox"/>	1
The experience of someone you know running a business	<input type="checkbox"/>	2
Working for a small business	<input type="checkbox"/>	3
Through contact with small businesses	<input type="checkbox"/>	4
Through the media	<input type="checkbox"/>	5
Through education/ training institutions	<input type="checkbox"/>	6
Don't know	<input type="checkbox"/>	7

C. PERSONAL FACTORS

Personal savings

19. Do you save some of the money that you may have at the end of every month? **[Select only one answer]**

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2

20. If you selected Yes in Q19 above, please indicate how much of money you save at the end of every month? **[Select only one answer]**

R100 – R500	<input type="checkbox"/>	1
R501 – R1000	<input type="checkbox"/>	2
R1001 – R5000	<input type="checkbox"/>	3
R5001 – R10000	<input type="checkbox"/>	4
R10001 – R50000	<input type="checkbox"/>	5
R50001 – R100 000	<input type="checkbox"/>	6
More than R100 000	<input type="checkbox"/>	7

21. If you selected No in Q19 above, please indicate which of the following best describes why you do not save any money at the end of every month? **[Select only one answer]**

I use my money to pay expenses at month-end	<input type="checkbox"/>	1
I like to spend all my money at month-end	<input type="checkbox"/>	2
I earn little and do not have spare money available at month-end to save	<input type="checkbox"/>	3
I do not know how to save money	<input type="checkbox"/>	4

I do not think that I will need any money for a purpose in future	<input type="checkbox"/>	5
It is against my customs and values to save	<input type="checkbox"/>	6
Other (Please specify in full below)	<input type="checkbox"/>	7

22. What would you say are your main assets? **[Please write in full]**

	1
	2
	3
	4
	5

23. What would you say is the Rand value of your main assets, listed in Q22 above? **[Please write in full]**

	1
	2
	3
	4
	5

24. Do your parents teach you or talk to you about saving money? **[Select only one answer]**

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2

25. Do your parents save any of their money at the end of every month? **[Select only one answer]**

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2

26. If you selected No in Q25 above, please indicate which of the following best describes why your parents do not save any money at the end of every month? **[Select only one answer]**

They do not believe in saving any of their money	<input type="checkbox"/>	1
They like spending their money on entertainment and shopping	<input type="checkbox"/>	2
They do not know how to save money	<input type="checkbox"/>	3
They are not financially educated	<input type="checkbox"/>	4
Other (Please specify in full below)	<input type="checkbox"/>	5

27. If you selected Yes in Q25 above, please indicate which of the following best describes why your parents save any money at the end of every month? **[Select only one answer]**

They believe in saving money	<input type="checkbox"/>	1
They do not like spending all their money on entertainment and shopping	<input type="checkbox"/>	2
They know how to save money	<input type="checkbox"/>	3
They are financially educated	<input type="checkbox"/>	4
Other (Please specify in full below)	<input type="checkbox"/>	5

Business experience or skill, information and credibility

28. Do you believe youth entrepreneurs need training? **[Select only one answer]**

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2

29. If you selected Yes in Q28 above, please indicate in which field/s the need for training exists?

Business mentoring	<input type="checkbox"/>	1
Entrepreneur skills training	<input type="checkbox"/>	2
Business plan development	<input type="checkbox"/>	3
Ability to access business support	<input type="checkbox"/>	4
Marketing skills	<input type="checkbox"/>	5
Financial management	<input type="checkbox"/>	6
Business opportunity identification skills	<input type="checkbox"/>	7
Management skills	<input type="checkbox"/>	8
Tendering	<input type="checkbox"/>	9
Exporting	<input type="checkbox"/>	10
Other (Please specify in full below)	<input type="checkbox"/>	11

30. Do you agree that youth entrepreneurs should conduct themselves honestly and professionally and take into consideration at all times the interests of their stakeholders when doing business? **[Select only one answer]**

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2

31. If you selected Yes in Q30 above, which of the following below supports your answer?

Youth entrepreneurs should strive to build relationships with whom they transact	<input type="checkbox"/>	1
Youth entrepreneurs must consider the interests of others in doing business	<input type="checkbox"/>	2
Integrity is a key characteristic of a youth entrepreneur	<input type="checkbox"/>	3

I have the qualifications, aptitude and commitment to do business in SA	<input type="checkbox"/>	4
I strive for a win-win situation in business	<input type="checkbox"/>	5
Other (Please specify in full below)	<input type="checkbox"/>	6

32. Which of the following would you say best describes your credit history? **[Select only one answer]**

Very long [More than 10 years]	<input type="checkbox"/>	1
Long [5 – 10 years]	<input type="checkbox"/>	2
Short [1 – 4 years]	<input type="checkbox"/>	3
Very short [less than 1 year]	<input type="checkbox"/>	4
None	<input type="checkbox"/>	5

33. How would you generally describe your knowledge about changing financial markets, assessing business risk and predicting future business performance overall? **[Select only one answer]**

Good	<input type="checkbox"/>	1
Not so good	<input type="checkbox"/>	2
Weak	<input type="checkbox"/>	3
Bad	<input type="checkbox"/>	4

Gender

34. Do you think that your gender in Q2 above, creates a problem for you to access finance for you to start your business? **[Select only one answer]**

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2

35. If you selected No in Q34 above, please indicate which of the following best describes why you think that your gender will not create a problem for you to access finance to start your business? **[Select more than one answer]**

Because the educational level for men and women are similar	<input type="checkbox"/>	1
Because the amount of money that men and women save at the end of every month is similar	<input type="checkbox"/>	2
Because men and women have similar credit history	<input type="checkbox"/>	3
Because the knowledge of men and women about changing financial markets and risk assessment are similar	<input type="checkbox"/>	4
Because generation of feasible and viable business ideas does not depend on the	<input type="checkbox"/>	5
Because starting and running a business does not depend on the gender	<input type="checkbox"/>	6
Other (Please specify in full below)	<input type="checkbox"/>	7

36. If you selected Yes in Q34 above, please indicate which of the following best describes why you think that your gender will create a problem for you to access finance to start your business? **[Select more than one answer]**

Because the knowledge of men and women about changing financial markets and risk assessment differ	<input type="checkbox"/>	1
Because men and women have dissimilar credit history	<input type="checkbox"/>	2
Because the educational level for men and women are different	<input type="checkbox"/>	3
Because the amount of money that men and women save at the end of every month differs	<input type="checkbox"/>	4
Because experience of starting and running a business differ between men and	<input type="checkbox"/>	5
Other (Please specify in full below)	<input type="checkbox"/>	6

Networking

37. Do you think that networking with other people will make it easier for you to acquire finance to start your business? **[Select only one answer]**

Yes	<input type="checkbox"/>	1
No	<input type="checkbox"/>	2

38. If you selected No in Q37 above, please indicate which of the following best describes why you do not think networking is useful and will not assist you to obtain finance to start your business? **[Select more than one answer]**

I do not think that there is a relationship between networking and accessing finance for business start up	<input type="checkbox"/>	1
I do not like discussing my plans to start a business with others	<input type="checkbox"/>	2
I like to work on my own and do not like sharing ideas or information	<input type="checkbox"/>	3
I do not know how to build relationships with other people	<input type="checkbox"/>	4
I value my own ideas over the ideas of other people	<input type="checkbox"/>	5
I do not have the resources available to network with other people	<input type="checkbox"/>	6
Other (Please specify in full below)	<input type="checkbox"/>	7

39. If you selected Yes in Q37 above, please indicate which of the following best describes the networking that you have used to assist you obtain finance to start your business?

I frequently attend business events	<input type="checkbox"/>	1
I subscribe to Professional Networks (e.g. LinkedIn, SitePoint)	<input type="checkbox"/>	2
I subscribe to social networks (e.g. Facebook, Twitter)	<input type="checkbox"/>	3
I market my skills through word of mouth, advertising and personal company visits	<input type="checkbox"/>	4
Other (Please specify in full below)	<input type="checkbox"/>	5

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40. What suggestions can you make in order for young people to access finance to start their businesses? **[Please write in full]**

	1
	2
	3
	4
	5

Thank you for taking time to participate in this research initiative.

ANNEXURE C: CONSISTENCY MATRIX

TITLE: Borrower-specific financial constraints to black youth entrepreneurs in the Tshwane metropolitan area.

HYPOTHESES	LITERATURE REVIEW	QUESTIONS AND DATA COLLECTION TOOL	ANALYSIS
<p>Hypothesis 1 There are borrower-specific financial constraints to prevent black youth entrepreneurs in the Tshwane metropolitan area from starting their own businesses</p>	<p>Schoof, 2006 Kerr and Nanda, 2009</p>	<p>Questions: 9 – 14, 17 [see questionnaire]</p>	<p>Descriptive statistics Inferential statistics</p> <ul style="list-style-type: none"> • Chi square test
<p>Hypothesis 2 Lack of personal savings and collateral exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area</p>	<p>Rogerson, 2008 Kerr and Nanda, 2009</p>	<p>Questions: 19 – 27 [see questionnaire]</p>	<p>Descriptive statistics Inferential statistics</p> <ul style="list-style-type: none"> • Chi square test
<p>Hypothesis 3 Business acumen, information and credibility differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area</p>	<p>Fatoki et.al., 2011 Fogel et al., 2006 Shane and Stuart, 2002 Rudez and Mihalic, 2007</p>	<p>Questions: 28 – 33 [see questionnaire]</p>	<p>Descriptive statistics Inferential statistics</p> <ul style="list-style-type: none"> • Chi square test
<p>Hypothesis 4 Networking and gender differences exist in terms of the perceived obstacles in obtaining finance by black youth entrepreneurs in the Tshwane metropolitan area</p>	<p>Muravyev et al., 2007 Alsos et al., 2006</p>	<p>Questions: 34 – 39 [see questionnaire]</p>	<p>Descriptive statistics Inferential statistics</p> <ul style="list-style-type: none"> • Chi square test