

A profile of the self-employed in Soweto in mid-1999, with gender disaggregation:

A report on a field survey:

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ABSTRACT: This article gives a detailed profile of the self-employed of Soweto, with gender disaggregation, and with a comparison of human and social capital aspects with those of the population at large. It is based on a household survey, carried out in July 1999 for the wider purpose of researching the human and social capital of the Soweto community in general. This study has the particularity that the sample of the self-employed is based on self-definition and probing: thus it includes an unusually wide range, from established entrepreneurs to those who are carrying on some kind of money-making activity to make ends meet (11% of the adult population are found to be self-employed under the definition used in this study). There are special sections on the use of credit, on stokvel membership, comparing registered and unregistered businesses, and profiling those who consider themselves successful.

1 Introduction and notes on the data

This paper reports on one particular aspect of a household survey carried out in mid-1999 in Soweto, focusing on human capital and social capital factors.¹ The purpose of the study, which is still ongoing, is to understand and assess the implications of social and human capital accumulation on income generation in households.

The instrument was in three parts: the first part gathered basic data on every member of the interviewed household; the second, more detailed data on human and social capital factors relevant to the individual respondent. The third part was a special section, to be administered to respondents who had already completed the second part, and in the course of it had described themselves as “self-employed or [engaged in] informal money-making”. The bulk of the data analysed in this report is derived from this third section of the survey instrument; at the same time, there is of course extensive cross-referencing to personal information extracted from the first and second parts.

The survey design did not aim to administer the additional entrepreneurship questionnaire (the third part) to every self-employed household member (this would have necessitated a number of appointments for return visits). The aim, instead, was to administer it to a sample of about 200, by instructing interviewers to administer it to the first two self-employed respondents in each batch of ten households. In the end, the total number of Part 3 questionnaires came to exactly 200; a further 51 respondents described themselves as self-employed, but were not administered this questionnaire since they were not among the first two self-employed respondents in their batch. The total number of household members (respondents and others) reported as self-employed was 324. Thus the total usable sample of the self-employed is either (a) 326, for basic data that can be extracted from Part 1 (household level questions); (b) 251, for questions that can be answered from Parts 1 and 2; or (c) 200, for questions that involve Part 3.

All percentages and proportions, to the extent possible, are calculated with survey design and finite population corrections (where this is not possible, due to insufficient observations in one or more strata, it will be indicated). As a result, where both absolute figures and the corresponding percentages are given, they may appear to be inconsistent with each other, since the correction is applied to the percentages but not to the absolute figures.

A cautionary note should be made regarding the randomness of the sample. The survey was planned in such a way as to randomize as far as possible the chances of finding the full-time employed and the self-employed at home, thus having a balanced sample of them among the respondents. This seems to have been largely achieved for persons with full-time employment, whose percentage among respondents is 30%, as against 32% among all members of the surveyed households. However, the proportion of the self-employed among respondents is 22%, as against 11% in the total adult sample. Thus, the sample might be distorted in favour of the “part-time self-employed”, i.e. those who are more likely to be less committed or less successful. It is true that the self-employed are more likely to work at home (76% report that they have no separate business premises, although of course much of their activity would take place in public places); also, only 15% of self-employed respondents report spending 30 hours per week or less at their money-making activity.

¹ A general descriptive statistical report on the findings of the whole study can be found in ERSA policy paper no. 4 (2000).

There is also a slight sex bias. While women make up 52% of all self-employed household members, they make up 59% of *self-employed respondents* (116 women as against 84 men)². One assumes that this reflects the tendency of women to spend more time at home than men, thus being more likely to be interviewed in a survey.

2 General findings

2.1 Number and age of the self-employed

The **number** of persons whose activity is reported as “self-employed or informal money-making” is 324 persons, or 11% of adults: 153 men and 171 women. The male/female ratio of the self-employed is the same as that of all adult household members.

The figure of 11% is higher than the comparable (but not equivalent) ones found in e.g. Wits (1997) (3.3% of adults self-employed) or Mears et al. (1994) (7.4% of heads of households “informally active”). This was expected: this study applied a wider definition of this category, aiming to include all persons exercising a non-salaried remunerative activity, from part-time small activities for making ends meet, to large-scale businessmen. To achieve this purpose, interviewers were asked to probe all those classified as “unemployed”, changing the classification to “self-employed” if the subjects were “filling in their time” with some economic activity, even on a part-time basis.

It is important to note that even so, there appears to be considerable additional money-making activity, on the part of persons who do not classify themselves as self-employed, thus are not included in the above percentage. This was picked up in a question on how respondents make use of their time on a weekly basis. 23% of the respondent group comprised of full-time students, the unemployed and pensioners - thus approximately and additional 9% of respondents - report spending more than 30 hours a week “working for money”. This could be either (a) an unreported salaried job, (b) a case of family members helping out one “declared” micro-entrepreneur in their midst, or (c) independent informal economic activity. Supposing that about a third of the 9% are in fact working at an unreported salaried job (thus not in self-employment), one might guess that there may be an additional 5-7% among the adult inhabitants of Soweto, who are involved *substantially* (more than 30 hours a week) in informal business and money-making activities, increasing the total from 11% to about 17%; and this figure still does not take into account “moonlighting” by those who are already employed.

Nor does the above figure include money-making activities by children under 18. It needs to be noted that, of the 1082 household members aged under 18, only four children under 18, all belonging to the same family, were described as self-employed. (And there were only three listed as employed, one full, two part-time.) This is factually improbable, but it is an interesting indication of attitudes, i.e. that people in Soweto do not readily acknowledge the reality of child labour and the informal economic activities of children.

The **age profile of self-employed respondents** is set out in Figures 1(a) and (b). It was found useful to compare it with the age profile of *other labour market participants (LMPs)* (i.e. those employed part-time or full-time, and the unemployed: thus excluding students and pensioners). In

² There is also a sex imbalance, but smaller, among *all respondents*: 58% of all respondents are women, although they make up only 54% of all adult household members.

Figure 1a below, all self-employed are compared to all other LMPs, while Fig. 1b shows the gender-specific age profile of the self-employed. It is clear that the age profile of the self-employed is higher than that of the others, and not only because of the number of pensioners who also carry on money-making activities; also, the male/female ratios change visibly in the different age-groups, with women in their “prime” working years (20-50) significantly more likely than men to be self-employed. Since self-employment is widely used as a fall-back solution for the unemployed (see section 5), this is probably caused by the higher unemployment rate among women.

Figure 1a: age profile of the self-employed, compared to other labour market participants (LMP)

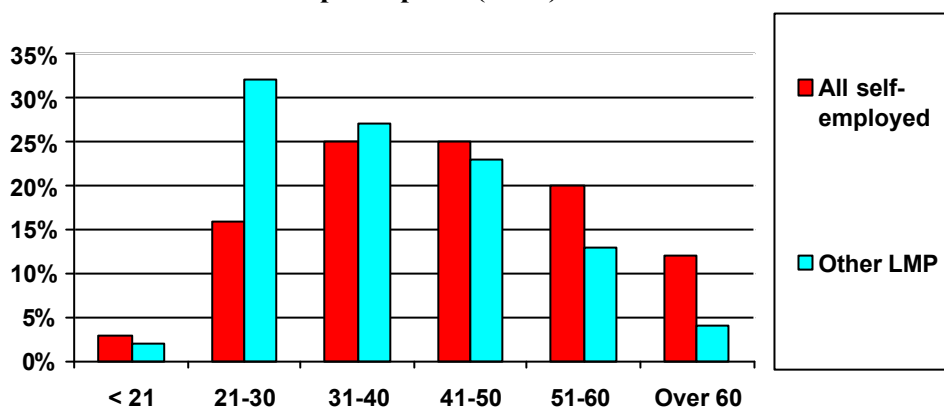
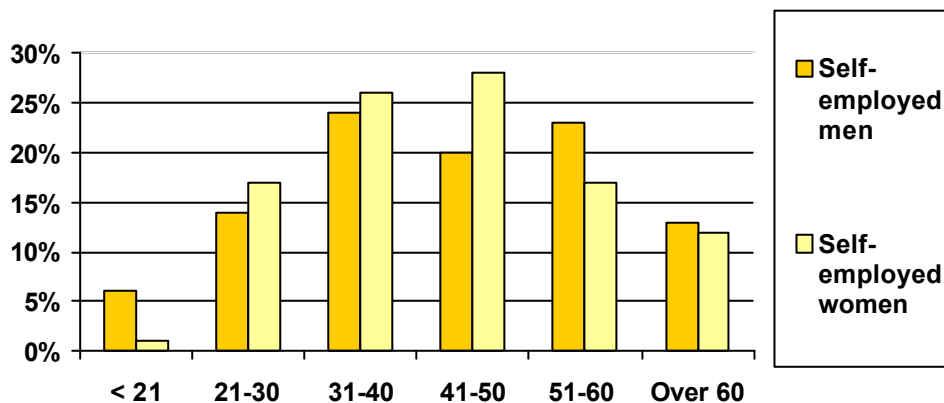


Figure 1b: gender-disaggregated age profile of the self-employed



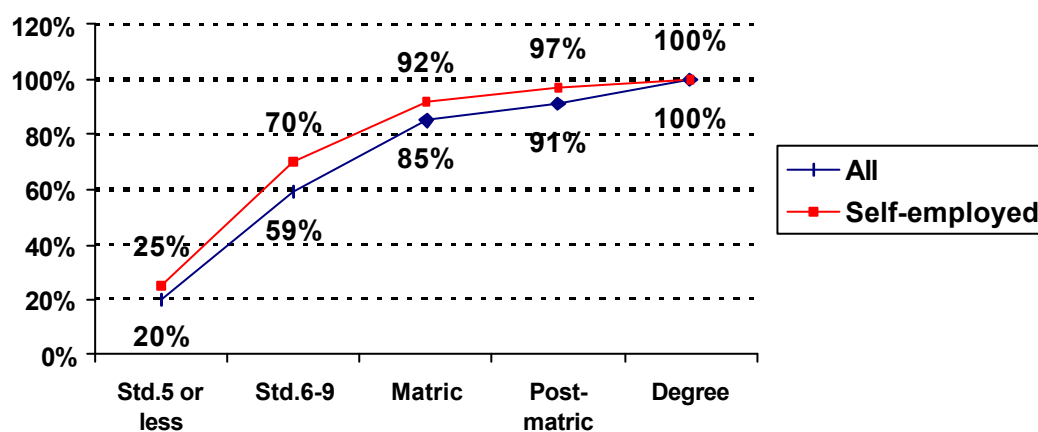
The mean age of self-employed respondents is 44.5 years (women 44.5, men 44.6): this is significantly higher than that of other labour market participants, which is 37.9 years (women 38.1, men 37.8). Note that the mean age of self-employed respondents is also significantly higher than the mean age of all self-employed household members: 41.6 (women 41.3, men 42).

2.2 Education, training and experience

Table 1: Education levels of the self-employed and others³

Level	All self-employed household members			Entire sample (household members 18 and above)		
	Total Percentage	Men	Women	Total percentage	Men	Women
Standard 1 or less	3%	3%	3%	3%	3%	4%
Standard 2 – 5	19%	16%	22%	14%	14%	14%
Standard 6	10%	8%	13%	10%	9%	10%
Standard 7	7%	7%	7%	6%	6%	5%
Standard 8	15%	17%	13%	12%	12%	12%
Standard 9	13%	13%	13%	11%	12%	11%
Standard 10	23%	27%	20%	29%	30%	28%
Technical college/ artisanal certificate	1%	1%	1%	1%	1%	1%
Post-matric certificate/diploma	5%	5%	5%	5%	4%	6%
Technikon/university (uncompleted)	0%	0%	1%	3%	3%	4%
Technikon/university degree	2%	2%	2%	7%	7%	6%

Figure 2: comparison of education levels (cumulative figures)



The above cumulative summarized figure, and the more detailed table, give a picture of the education profile of the self-employed, compared to the whole sample.

³ These data are generated without survey design adjustment, since the sample of the self-employed is too small to include sufficient observations in each sampling unit. The data for the entire sample thus differ slightly from those found in ERSA (2000).

The results show that self-employed persons tend to be slightly less educated, and with a somewhat different education profile from that of the population at large, tending to be of middle education (Std.2 to Std. 9) rather than matric or above. This difference is highly significant.

Gender disaggregation of education profile: Self-employed women have a slightly but significantly lower education level, just below Std. 7, while self-employed men average well above St.7. (The overall mean for respondents aged 20 or above, is exactly Std. 8). The differences within the detailed educational levels shown in Table 1 above are too small to come out clearly, and none are statistically significant by themselves, but the following table, summarized from Table 1, show differences that *become statistically highly significant*:

Table 2: gender differences in education of the self-employed

Educational level	% among self-employed men	% among self-employed women
Std. 1 – 6	25%	38%
Std. 7 - 10	65%	53%

An attempt was made to identify people who appear to be doing, or to have done, remunerative work at the same time as education. Of the 96 respondents who gave their activity as full-time education, 31% report working 30 hours per week or more for money; and 14% of the self-employed, report spending more than 2 hours per day studying. This does suggest a substantial number of people “doubling up” their activities.

Additional training courses taken. There is little difference between the self-employed and others in this regard: 59% of the self-employed, and 58% of all other respondents, have attended at least one formal training course. The disparity between men and women – 68% of men, but only 49% of women have attended an additional training course – recurs in the same proportion among the self-employed.

Categories of training differ significantly in two aspects:

- business skills training is found twice as often among the self-employed than others, but still with a very low incidence: only 15 out of the 200 (9 men and 6 women), have had such training. (This constitutes 6% of the self-employed, as against 3% of the others).
- clerical skills training accounts for only 11% of all courses reported by the self-employed, as against 25% among the others.

Informally-acquired training. Respondents were asked about other skills that they had acquired informally, from their family or an informal apprenticeship or on-the-job training. The self-employed reported significantly more such training: 60% of self-employed respondents, as against 47% of the others, reported having acquired some skill informally. Women reported significantly more informal training than men (72% as against 43%), since they tended to mention household skills (cooking, sewing) that can also be used for money-making.

As for the categories of skills acquired informally, surprisingly, only 8% of the self-employed mentioned business skills. The difference comes from household skills: 34% of the self-employed mentioned these, as against 20% of the others; overall 84% women and 16% men. In fact,

roughly one-sixth of self-employed women⁴ seem to use these skills for their present business; and these women become more aware of them as real skills.

Business experience. As a final assessment of their level of knowledge, respondents were asked how many years of total experience they have in being in business on their own (not necessarily their present business). Their answers sum up as follows:

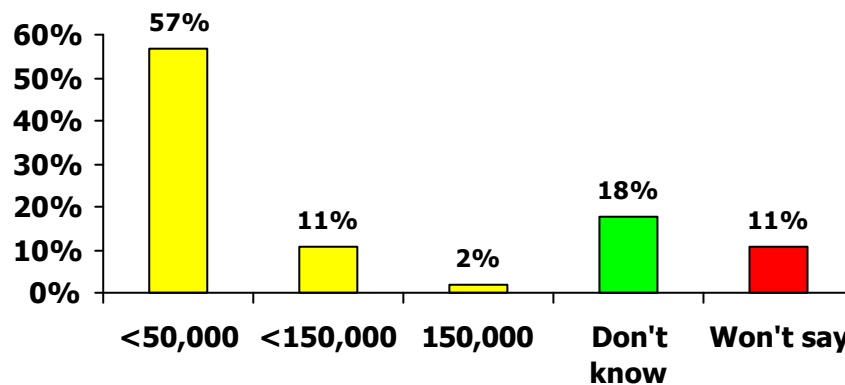
Table 3: business experience

Years of experience	Frequency	Percentage	Cumulative percentage
1 year or less	15	8%	8%
2 – 3 years	40	22%	30%
4 – 5 years	49	27%	57%
6 – 10 years	38	22%	79%
11 – 20 years	23	17%	96%
More than 20 years	7	4%	100%

The women's mean for years of business experience is below that of the men, but the difference is not statistically significant.

2.3 Size and details of business operations

Figure 3: size of operations.



Of the 200 respondents, 110 reported a turnover of less than R 50,000 per year, while 25 reported between R50,000 and R 150,000. Only 3 persons reported a higher turnover; 41 did not know their turnover; and 20 declined to answer. (The accuracy of these responses may be questionable, either due to deliberate misrepresentation, or in some cases to unclear understanding of the concept of turnover.) A cross-tabulation with other characteristics of the business suggests, as

⁴ No precise figure can be given, since the coding of the questionnaires combined businesses that are based on household-type skills and those using other technical skills. This estimate was made by inspecting a random sample of the original questionnaires, which do have this detail.

expected, that the majority of those who do not know their turnover are the untrained, survivalist self-employed, while those who decline to answer tend to be the larger businesses.

Women are very weakly represented “at the top”. Of the 116 self-employed women respondents, only 4 reported a turnover above the minimum, while 22% (as against 14% of the men) did not know their turnover. Those who declined to answer were in the same percentage as men.

Number of employees. An alternative indication of business size is given by the number of employees reported: 68% had none, 21% less than five, 7% had 6-10, and three respondents (1%) reported more than 10. Only 3% declined to answer this question. (On a cautionary note, the question referred specifically to “employees”, thus it did not cover informal family help.)

The difference between men and women is significant here. Only 20% of women, as against 48% of men, report having any employees. 9 women (8% of self-employed women) have more than five employees, as against 14 (14%) of men. Also, significantly more men than women declined to answer this question (6% as against 1%).

Legal status of the business.

Table 4: status of business, by sex

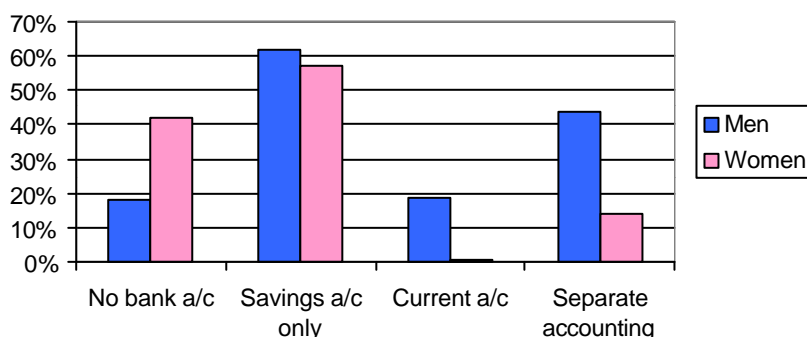
	All	Men	Women
Unregistered, your own	71% (140)	59% (52)	80% (88)
Family business	17% (35)	22% (18)	13% (17)
Registered, pty. or partnership	9% (19)	13% (9)	7% (10)
Registered, as a ltd. company	3% (6)	6% (5)	1% (1)

Unsurprisingly, women’s businesses are far more likely to be unregistered individual enterprises. The differences in the first and fourth rows in the table above are statistically significant.

Operations. The majority of businesses (76%) do not have separate premises: 68% of men and 81% of women work from home. 33% of men and 32% of women have a telephone.

Banking and accounting. Here the differences between men and women are striking, shown in Figure 4 below.

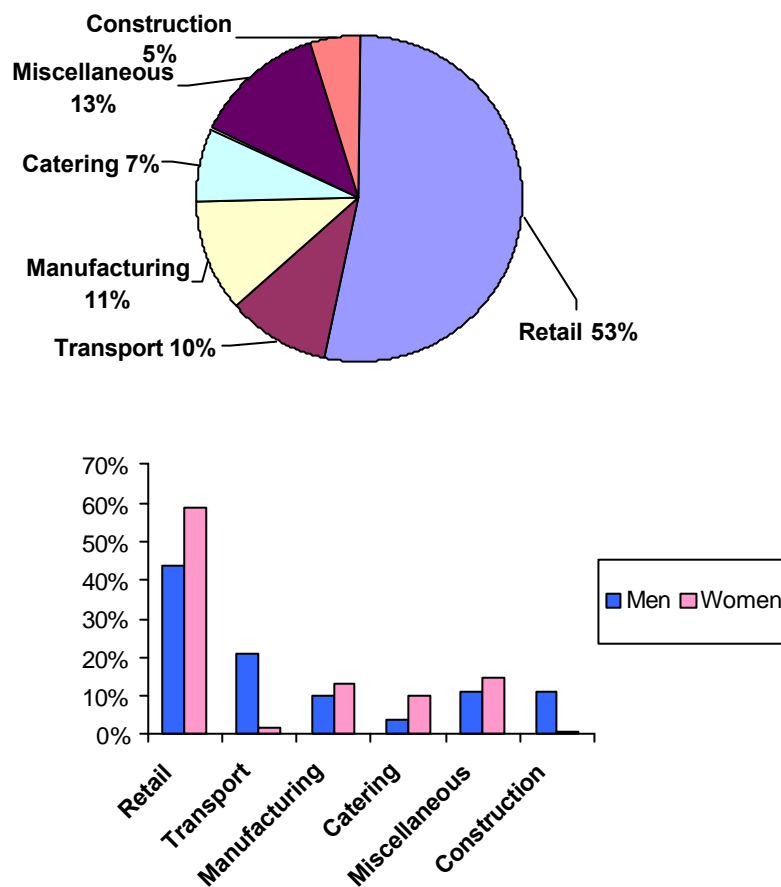
Figure 4: banking and accounting practices



18% of men, but as many as 42% of women, have no bank account at all; 62% of men and 57% of women have a savings account only; 19% of men, but only 1% of women, have a current account. Only 10% of women, as against 34% of men, report having a separate bank account for their business. Lastly, 44% of men, but only 14% of women, report that they keep separate accounting for their businesses, i.e not mingled with their household accounting.

2.4 Categories of activity

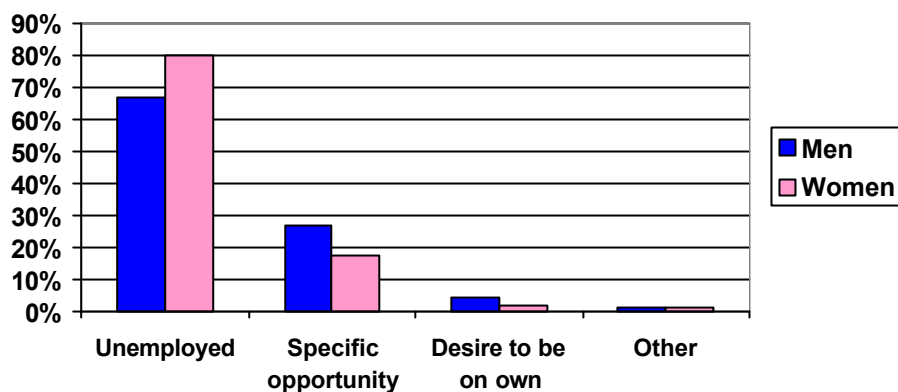
Figure 5: categories of activity, (a) all self-employed; (b) by sex.



The majority of respondents (53%) described their business as retail selling. This activity is significantly more frequent not only among women, but in the lowest turnover category (58%) and among those who do not know their turnover (68%). There were only 3 respondents in the categories of wholesale or commercial agents or finance/business services (all reported a turnover less than R50,000 but at least one employee); these have been added to the miscellaneous category. This category, most commonly comprising services such as hairdressing, represented 13%.

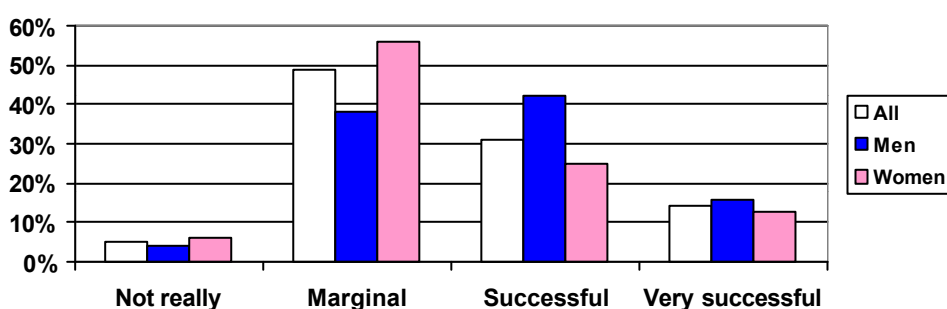
2.5 Motivations and perception of success

Figure 6: reason for having started own business



- Motivation.** The data support the “conventional” perception that the majority of self-employed persons in Soweto are not primarily motivated by entrepreneurial aspirations: 74% report having started in business on their own as a result of unemployment. At the same time, there are 21% who started because they saw a specific business opportunity, and 3% were motivated by a general desire to be in business on their own: thus, 24% of the self-employed appear to have genuine entrepreneurial motivations. The breakdown by sex is shown in Figure 6.
- Perceptions of success.** Two questions serve to give a picture of the respondents’ sense of success at their enterprise. First, a straight question was asked about whether the respondent considers him/herself very successful, successful, just able to make a living, or not really able to make it. The responses are shown in Figure 7.

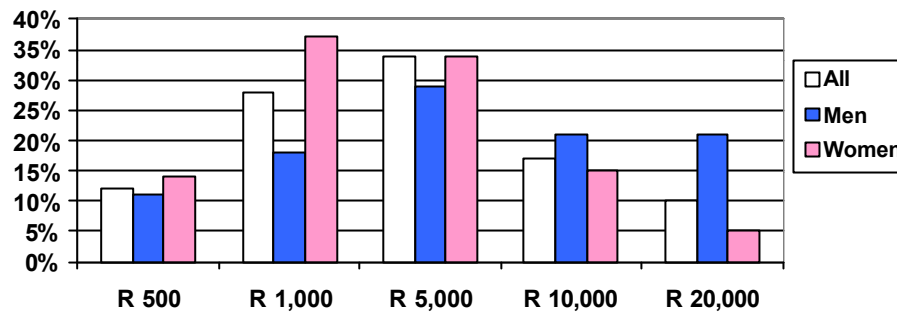
Figure 7 : perception of success, by sex



On the basis of the responses, it appears that 49% of the self-employed consider that they are just able to make a living, and 5% admit that they are not really able to make it. In contrast, there is an encouraging percentage of 14% who consider themselves very successful, and a further 32% think they are reasonably successful. There is a significant difference between men and women, as shown in the figure.

The second question was formulated as follows: “If you were offered a fairly secure job at R xxx per month, would you leave your business?” (Interviewers started with R 500, and if the reply was negative, they went up by steps to a maximum of R 20,000.) The results are shown in Figure 8.

Figure 8: value placed on business, by sex



This was a tricky question to administer correctly, so these figures may err to some extent on the side of overstating the value of businesses to their owners. Still, even so the picture seems fairly reliable: the correlation coefficient between perceptions of success (the previous indicator) and the value placed on one’s business (this question) is .41 (.51 among men and .32 among women). (Of the five entrepreneurs who consider themselves very successful but who would give up their business for a job at R500 a month, all are women.) In each of the four success categories, men averaged an entire category higher in their wage requirements in exchange for giving up their business, than women (i.e. for example, of those who described themselves as very successful, the men’s modal salary requirement was R 10,000, as against R 5,000 for the women.) This indicates that women entrepreneurs are generally content with significantly lower incomes than men, irrespective of how successful they see themselves to be.

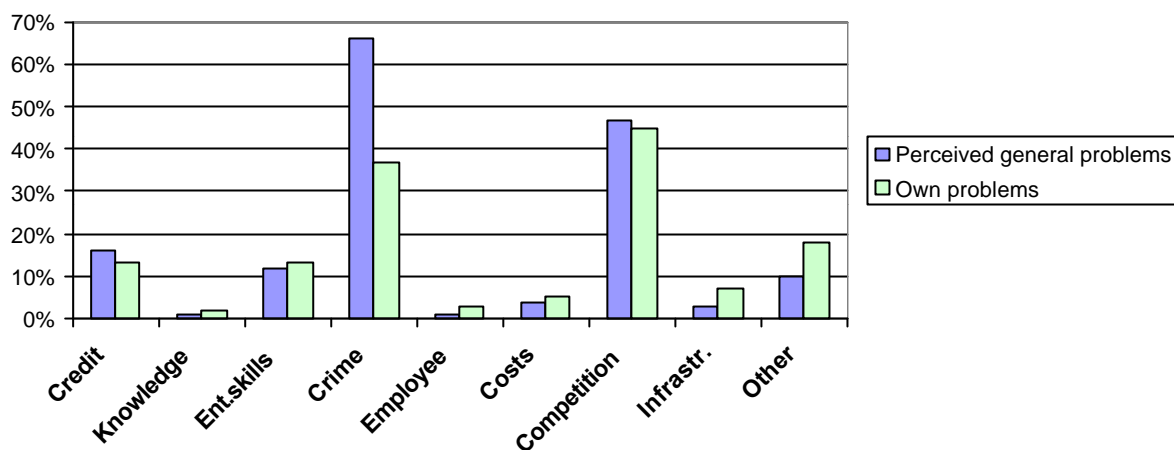
2.6 Perceptions of general and own problems

An open question was asked about the two biggest problems facing entrepreneurs in Soweto, and about the respondent’s *own* two biggest problems. The responses were coded into the following categories:

- 1 – lack of credit
- 2 – lack of knowledge
- 3 – lack of entrepreneurial skills (marketing, planning, budgeting etc.)
- 4 – crime / fraud
- 5 – problems with employees (poor quality, discipline, cheating)
- 6 – high costs
- 7 - competition / lack of customers
- 7 – lack of space to work
- 8 – infrastructure problems (transport, post and telecommunications, roads etc.)
- 9 – others.

The results can be tabulated as follows:

Figure 9: compared perception of general and own problems



Two observations can be made from the above figure. Firstly, the notorious crime problem is given much less emphasis at a personal level than at the general level. One explanation may be that media-driven perception plays a significant role; on the other hand, it is also possible that there is an acceptance of this problem as an unavoidable reality, not influencing personal behavior. (It should also be noted, from answers to a later question, that the most serious aspect is perceived to be violent crime, not crime against property. It is worth reminding that this is not normal in the global context, but confirms starkly the seriousness of the local crime situation).

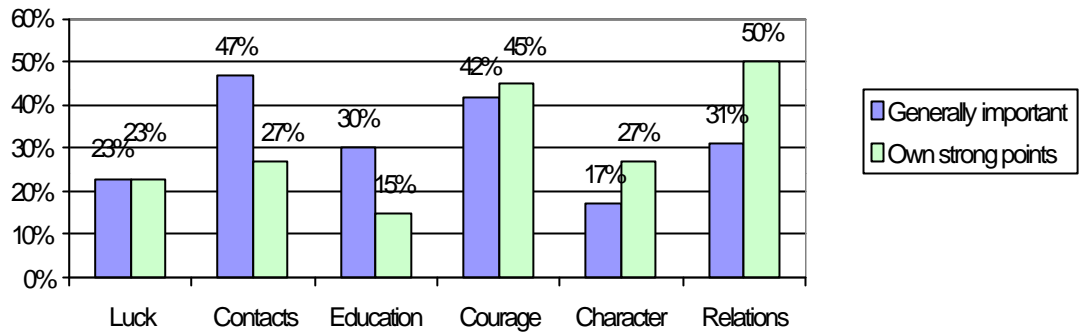
Secondly, the main problem cited at the personal level (and seen as second most important at the general level, too) is that of excessive competition and lack of customers. This may support the well-known perception that there is much faulty business planning and economically unsustainable business activity; on the other hand, it may be objectively true, as suggested by the fact that the most successful entrepreneurs mention this problem more often than the others.

2.7 Perceptions of entrepreneurial qualities

Respondents were asked to pick, out of a list of six, the two qualities which they felt to be the most important for an entrepreneur; then they were asked to pick, out of the same list, their own two strongest points. The categories were defined as:

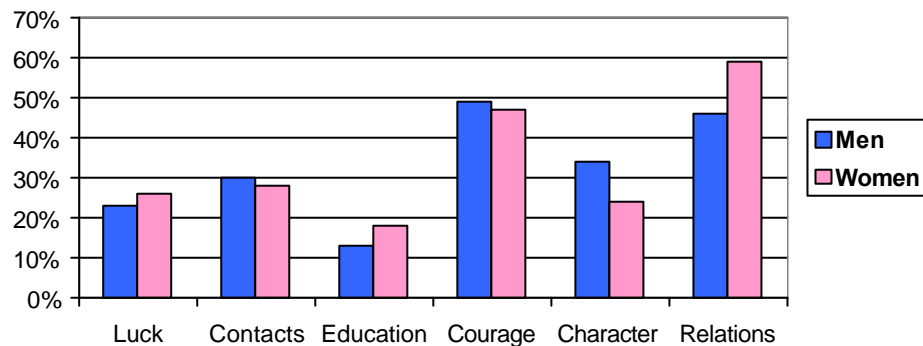
- luck;
- good business contacts;
- good education/training;
- courage to take risks;
- strong character; and
- good relationship with family/community.

Figure 10a: perceptions on entrepreneurial qualities.
 (percentages represent the respondents who made those choices. They add up to 200 (+/- rounding), since each respondent could make two choices, without priority.)



“Strong character” and “education/training” refer to generic and to specialized human capital respectively, and “courage to take risks” specifically to entrepreneurial quality, an aspect of human capital. Similarly, “relations with family/community” refers to “traditional” social capital, while “contacts” is “modern” social capital. It is interesting to note that the “modern” qualities are the ones more highly prized at the general level, suggesting that there is a good understanding of, and aspiration towards, the “modern” forms of economic interaction. On the other hand, the more generic, “traditional” forms of social and human capital are perceived as being actually possessed to a somewhat higher degree.

Figure 10b: perceptions of own entrepreneurial qualities, by sex



The differences in how men and women rate themselves, are not that large, and they correspond to normal stereotypes: women see themselves better at family and social relations, men in strength of character. It is particularly interesting to note that both sexes rate themselves almost equally – and highly - as regards the courage to take risks.

Profile of those who mention each particular quality. A correlation table was generated to see the links between the perceptions of the relative importance of these six qualities, both in general and as own strong points, with other characteristics of the respondents. Here is a summary of the significant links (but note that all of them are relatively weak, $R = .2$ to $.4$) that were found:

- *Luck*: Negative link with level of education.
- *Education/training*: Interestingly, is *not* linked with respondent's level of education, but it is linked with valuing entrepreneurial skills.
- *Courage to take risks*: Negatively linked with age: older people seem to give less importance to it either as a general virtue, or as an own asset.
- *Strong character*: Positively linked with age, and negatively linked with valuing the courage to take risks: older people seem to substitute this value for the more modern concept of risk-taking, both as a general virtue and as an own asset.
- *Good relations with family/community*: The perception of having this quality – and, to a lesser extent, valuing it in general - is negatively correlated with a number of indicators of good entrepreneurship: size of turnover, separate business accounting, valuing business contacts, valuing the courage to take risks.

2.8 Perceptions of general and own needs.

Respondents were asked to list, out of a possible seven choices plus an open choice, the three most important things that they felt would improve their business. Next, some additional details were elicited about the three items chosen.

The choices were distributed as follows:

	Number of times mentioned	Percentage mentioning it
1. Less crime	134	62%
2. Remove unfair competition	107	51%
3. Further education/training	99	50%
4. Easier access to loans	84	42%
5. Better infrastructure	64	32%
6. Better trust among ourselves	54	28%
7. Better laws and regulations	27	14%
8. Other	6	2%

(Reminder: the apparent distortion of the percentages is due to survey design correction.)

The questions of detail, asked of each respondent who chose a particular item, are summarized and briefly discussed below. [Note that there is a fairly large percentage of blank answers in all sections: possible interpretations are offered in each case. Also note that survey design correction was not applied in the following section, since in some categories the samples are too small.]

Reminder: in the discussion that follows, the main topics are in order of importance, with 134 respondents making up the sample for the first, and only 27 for the last.

- *Less crime*: of those who listed it, 42% were concerned with violent crime, 31% with common theft, 8% with cheating by employees and customers, and 3% with theft, harassment and blackmail by officials. (7% gave no details.) Two points to note here: firstly, the preponderance of fear of violent crime (already commented on earlier in this paper); secondly, the large percentage of blank answers, which may contain some selection bias. One can speculate on a

downplaying of the last choice, i.e. harassment by officials (due to mistrust of the interviewer), or of blackmail (if family members were present at the interview).

- *Remove unfair competition*: 30% of those who listed it blamed foreigners or other ethnic groups, 25% other businesses like themselves, 19% criminals and others who can bully them; only 11% blamed big business. 6% gave no details. The high percentage of those who blame foreigners and other ethnic groups is disquieting, and may deserve further analysis. Again, the percentage of blank responses is high, and may mask further evidence of xenophobia (either interracial or interethnic, since the interviewers were often not of the same ethnic group as the respondent.)

- *Further education/training*: 71% of those who listed it (and 36% of all self-employed) felt the need for business training and 15%, for technical training (described here as: how to improve my product or make it in new ways). 5% expressed other needs, and 2% gave no details. (NB there is no difference between the expressed training needs of those who have already had some business training, and those who have not.)

- *Easier access to loans*: the most frequent problem is perceived to be high interest rates (62%). Next comes lack of security (mentioned by 20%), complicated procedures (11%) and the perception that no one has money to lend (5%). No one chose the option “lenders don’t trust us enough”, nor the free answer option.

- *Better infrastructure*: the main problem was felt by 42% of respondents to be public transport, followed by water and electricity (24%). Telephone and postal services were mentioned as the main infrastructure problem by 10% and 7% respectively. 8% gave no answer.

- *Better laws and regulations*: this did not seem to be considered a particular priority. Of the 27 who did list this problem, 13 (48%) felt that the main problem was law enforcement, and 3 thought that there are too many laws and regulations in general. Two persons wished for more regulation of prices and wages, and 4 felt that existing legislation is not fair to them. 5 gave no details.

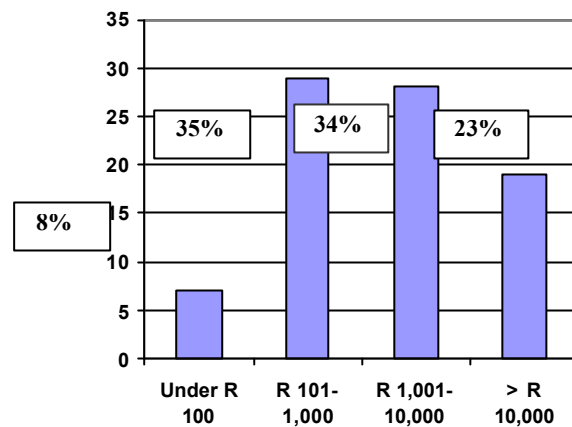
3 Special issues

3.1 Use of credit.

This group of questions resulted in relatively few responses. Only 79 out of 200 (39%) reported ever having taken out a loan (48% of self-employed men, 32% of women – the difference is statistically highly significant); although the question specifically targeted all forms of informal as well as formal credit. Respondents were asked a series of questions about the most important loans they had taken out in the past, with the possibility to describe up to three loans. Only 5 out of the 79 respondents reported on two loans, and none reported on three. Thus the total sample of loan-takers is 79, and of loans, 84.

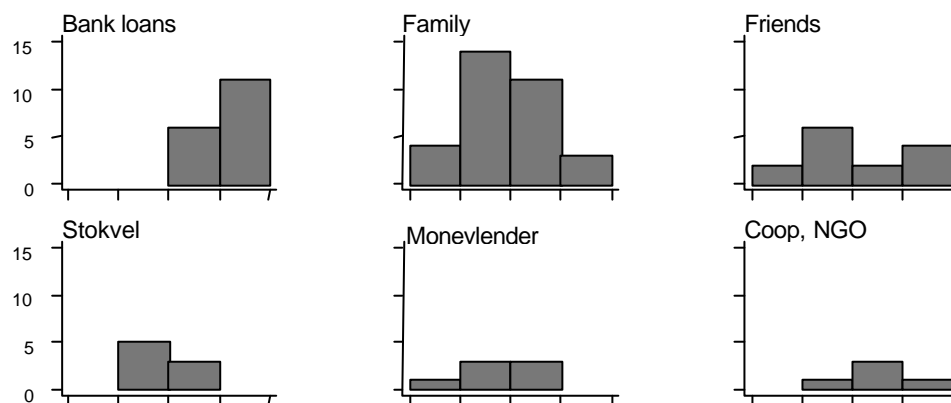
[Note: for the remainder of this section, the figures are *not* adjusted for survey design, since the sample is too small to give a sufficient number of observations per sampling unit.]

Figure 11a: size distribution of loans, total



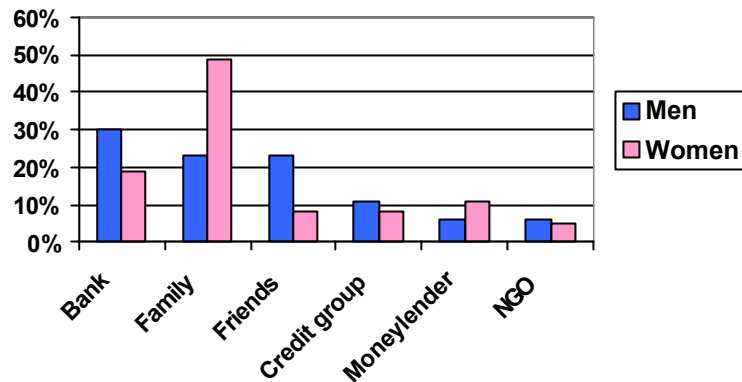
Size of loans: The average size of loans is shown in Figure 11a. Loan size varies widely depending on the source of the loan; these differences are shown in Figure 11b.

Figure 11b: size of loans, by source



The size distribution is the same as in figure 11a: the first bar represents loans under R100, the second loans between R100 and R1,000, the third loans between R 1,000 and R 10,000, and the fourth, loans over R 10,000. Note that the area under each graph gives an immediate visual indication of the relative number of loans from that source.

Figure 12: sources of loans, by sex



Sources of loans: The majority of loans (34%) were from family, followed by bank loans (25%). Friends accounted for 17%, while rotating credit groups (stokvels etc.) made up 10%, and moneylenders, 8%. Other sources – cooperatives, development projects etc. – made up 6% of loans. Figure 12 shows up the considerable variation of sources of loans, by gender.

Uses of loans: The overwhelming majority of loans were used for start-up or expansion operations: buying capital assets (37%) or raw materials/stock (52%). The remaining 11% were used for recurring expenses (salaries, bills, taxes etc.) and other uses. Note that women used significantly higher percentage of their loans for raw materials/stock than men (62% of loans to women, as against 43% of loans to men), which may be due to the different mix of categories of women's enterprises (see Figure 5b).

The repayment period: of most loans was one month to a year (35%), or over one year (41%). 8% were short-term loans of less than one month, and 16% were revolving credit arrangements which do not call for repayment. There is a barely significant difference between the sexes, women tending to take more loans with a repayment period of less than a year.

Security: 36 loans (55%) were unsecured, on the basis of mutual knowledge and trust, and a further 11 (17%) were unsecured because of being revolving credit arrangements. (None of these were bank loans.) 8 (12%) were mortgage loans, from banks or business development organizations. The remaining 10 were secured through pawn or other arrangements. No significant difference was found between the sexes.

Informal credit arrangements: rotating credit and family loans: A major inconsistency was found in the replies regarding credit arrangements, which seems to throw new light on family credit arrangements in Soweto.

It is well known that stokvels and revolving credit arrangements are a major source of finance among the Black communities in South Africa. The questionnaire's credit section included three different multichoice questions which would identify such credits:

- a direct question about source of the loan, where one of the choices was “informal credit group/stokvel/etc.”;
- a question about the kind of security required for the loan, which included the choice “none, since the loan was a revolving credit”;
- and a question about the repayment period, again with the choice “none needed, the loan was a revolving credit.”

It was expected to find a strong correlation in the identification of revolving credits in the three questions. Instead, it was found that only one loan was described as a revolving credit under *all three* questions. However, out of 84 loans, 24 were identified as revolving loans on the basis of *at least one* of the three indicators. In total:

- 8 were directly identified as loans from informal credit groups (stokvels etc.);
- 11 were reported unsecured because of being a rotating credit scheme;
- and 12 were reported as not needing repayment for the same reason.

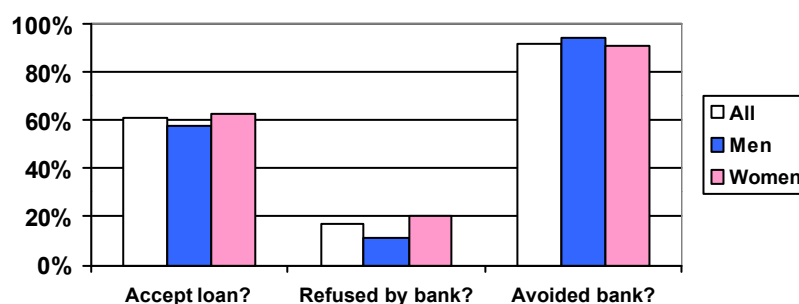
Of the 8 loans identified as being from informal credit groups, 7 were described as not needing security “because the lender knows and trusts me” rather than on the basis of being revolving credits – these can be classified with some confidence as also being genuine stokvel-type credits, and reinforce the perception of stokvels as small high-trust communities. The eighth was the one with all three answers matching. Also 3 *loans from friends* were identified as rotating loans on the basis of the other two questions, and these again can be supposed to be informal stokvel-type loans, with the same perception. These give a total of 11.

But in addition, 13 *loans from family* are identified as rotating credit arrangements on the basis of the answers to at least one of the other two questions (9 were not repayable, and an additional 4 were repayable, but were identified as rotating under the question on security arrangements). It is difficult to draw the line between loans, rotating loans and gifts when they originate within a family; but it is probably best to accept them as rotating loans if the respondents classified them so: presumably, they represent a solid future obligation. This raises the possibility that, in addition to the better-known stokvel and burial society credit arrangements, the family (probably in an extended sense – the questionnaire did not clarify this) may be a significant source of *rotating* credit, i.e. mutual obligations to finance each other when needed.

3.2 Ineffective demand for loans

Three questions tried to probe this issue: the answers are summed up in Figure 13.

Figure 13: ineffective demand for credit



The first was whether the respondent would accept a suitable-sized loan⁵ if it was offered to them at the present moment at reasonable terms. 61% of respondents would accept (58% of men and 63% of women – though the difference is not significant, it is interesting that women are, if anything, more inclined to accept loans rather than less). Of those who would accept it, 28% would use it on capital outlay and 56% on raw materials or stock: again no significant difference between the sexes.

The second question was about having been refused a *bank loan* in the past. 17% of respondents (34 persons) report having asked unsuccessfully for a bank loan before: 11% of men, but 20% of women (the group was too small to achieve statistical significance). The main reason given for refusal, by both sexes, was lack of security (67%). Few mentioned doubt about their ability to repay (12%), or other causes. Of the 34, 21 did not report ever having received any loan (see previous question), while 11 reported loans from other sources. (Two did receive a bank loan in the end.)

The last question was: had the respondent ever *avoided* going to a bank for a loan, even though he/she needed it; and if so, give up to three reasons why? 92% of respondents (181 persons) responded in the affirmative, with little difference between men and women. The reason cited most was high interest rates (mentioned by 64% of all respondents) and lack of security (mentioned by 60% - 58% of men and 63% of women). 32% of respondents felt that the paperwork was too difficult, 25% expressed a preference for other sources of loans (35% of men and 18% of women), and 20% had the perception “banks don’t lend to people like me”. (Note: differences between the sexes are mentioned if, and only, if they are statistically significant.)

Those who reported having avoided asking for a bank loan show no significant difference in their overall borrowing profile from the general population of entrepreneurs. Even the overall use of bank loans is only slightly smaller among this group (6% as against 9%).

3.3 Correlation between credit use and membership in revolving credit societies (stokvels)

This issue was singled out for exploratory analysis, because of some interesting results that came up during the first analysis of credit data.⁶

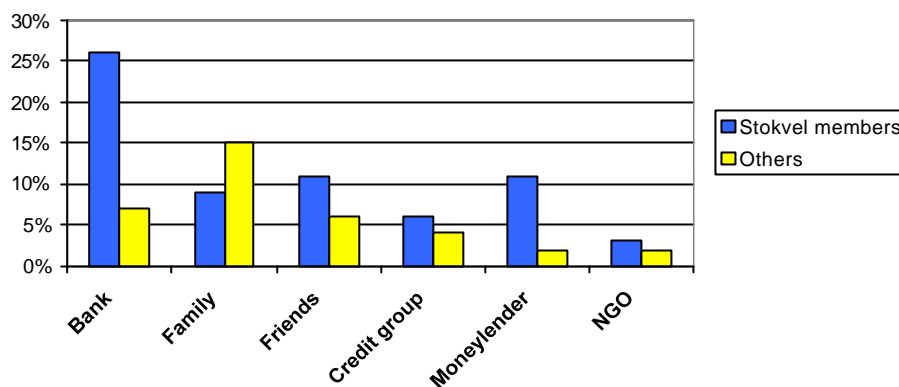
As already noted, 39% of the self-employed have used credit at some time (the total number of loans reported is 84). As expected, stokvel members (33 out of the 200) make more use of credit to a highly significant extent: 21 out of 33 (64%) have made use of credit.

It was found, however, that this increased percentage is *not due to stokvel “loans”*. The loan-taking profile of stokvel members is contrasted with that of non-members in Figure 14.

⁵ Interviewers were trained to “offer” a loan of a size that was appropriate to the size of the respondent’s business: either R 10,000 or R 100,000.

⁶ Revolving credit societies, mostly known by the name of “stokvels” are a characteristic feature of social capital in South African urban life. They work on the principle of regular contributions, and periodic release of all the accumulated funds to one member, in turn or according to particular criteria. They have a strong social function as well, with frequent meetings and the fostering of reciprocal acquaintance and trust. There is some overlap between “burial societies”, whose chief objective is to provide a kind of insurance for burial expenses in case of death of a close family member (but which can also serve as sources of credit), and stokvels in general; in this section, only those who identified themselves specifically as stokvel members, rather than members of a burial society, are analysed.

Figure 14: loan-taking profile of stokvel members and non-members



No significant difference was found in the use of stokvel loans by members of stokvels and those who are not. This suggests, first of all, that the receipt of stokvel funds is not considered a loan; however, since no matter how it is defined, it is a periodic source of large sums of money, the correlation with the use of credit in general should be negative, i.e. stokvel members might be expected to use *less* credit from other sources. Instead, the findings indicated clearly that the opposite is the case. Stokvel members:

- use significantly more credit in general (64% as against 39%);
- take significantly more bank loans (26% as against 7%);
- take significantly more loans from moneylenders (11% as against 2%);
- show no statistically significant difference in their use of loans from family and friends;
- stokvel members using loans from cooperatives or business development organizations represent too small a sample for reliable conclusions (one person).

The gender bias in stokvel membership is moderate: 14% of self-employed women are stokvel members, as against 20% of men. (Among the entire survey sample, i.e. not only the self-employed, the proportion of stokvel members is 16% of men and 11% of women.) Other factors were investigated but the differences are not significant: age, turnover, perception of success.

The correlation between stokvel membership and the higher level of loan-taking could be indirect, i.e. due to some other variable that influences both loan-taking and stokvel membership. Although some statistically significant links were found – higher education, better planning for the future, more training – these do not appear to be plausible direct causes for higher stokvel membership rates.

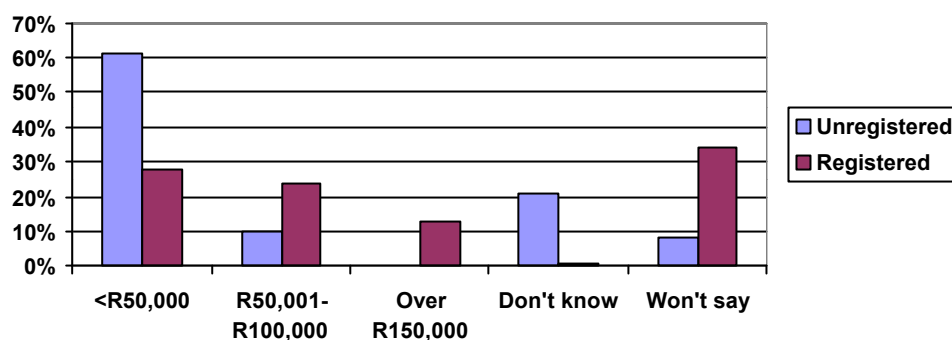
Conclusion: it is possible that stokvel membership has the characteristics of a *collateral* in Soweto business life: namely, that it serves as security for loans, either through the guarantee of a sizeable incoming sum in a foreseeable future, or generally as an indicator of trustworthiness. Then the correlations that were found could be ascribed to the fact that better educated and savvier business people actively seek to join stokvels in order to benefit from these advantages, and make use of the expanded credit possibilities that thus open up to them.

3.4 A comparison of registered and unregistered businesses

175 (88%) of the respondents' businesses are unregistered, being either individual (140) or family businesses (35). 25 are registered, 19 as proprietorships or partnerships, and only 6 as companies.

Figure 15: turnover profile of registered and unregistered businesses

(N.B.: the percentages refer to the *percentage of registered/unregistered businesses that fall into that size category*. The absolute frequencies of unregistered businesses are much larger, in comparison to the registered ones: too large, in fact, to show on the same axes.)



Gender disaggregation: 62% of unregistered businesses are owned by women, whereas only 11 (36%) of the 25 registered businesses are owned by women. Even with the small size of the second sample, the difference is highly significant.

The business category profile is summarized in Table 5 below.

Table 5 – Category profile of registered/unregistered businesses

	Frequency (registered)	Percentage (registered)	Frequency (unregistered)	Percentage (unregistered)
Manufacturing	2	8%	20	11%
Construction	6	24%	5	3%
Retail selling	8	32%	98	56%
Catering/ accommodation	0	0%	15	9%
Transport, storage, commun.	5	20%	17	10%
Finance/business services	2	8%	1	1%
Other (misc. services etc.)	2	8%	19	11%

Perception of success: There is a positive correlation ($R = .4$) between the rate of perceived success, and being a registered business. 91% of registered business owners describe themselves as at least moderately successful, as against 40% of the others; and 55% describe themselves as very successful (as against 8% among the non-registered).

The correlation remains (at $R = .31$) if one analyses only the smallest-turnover category plus those who don't know their turnover. In this group, 68% of the registered still see themselves as successful, as against 32% of the unregistered.

The correlation between registration and perception of success is confirmed by testing against household expenditure levels, which average R 2,837 per month for households attached to a registered business, as against R 2,293 for unregistered ones. (The unadjusted mean household expenditure for the entire survey sample is R1,873) Note that even in the 8 cases where registered businesses reported turnovers lower than R 50,000, the average monthly expenditure of their household is R 2,843.

Education and training: The *formal education level* of those having registered businesses is significantly higher, by two years, than that of the unregistered: it is in fact slightly (but not significantly) higher than that of the population as a whole. (As noted earlier, the education level of the self-employed in general is significantly lower than that of the population.) Of the 25 respondents owning registered businesses, 10 have completed Matric; of these, 2 have a post-Matric certificate, and one has a university degree).

As regards *other training*, 21 out of 25 (84%) had attended at least one formal training course, as against 43% of all respondents, and 59% of all the self-employed. *Categories of training* are broadly similar among registered enterprise owners, unregistered enterprise owners and the sample at large, even as regards entrepreneurship skills training. Levels of *informal training and self-education* show little difference.

3.5 A profile of the successful

[*Note on terminology:* In the following section, the four categories: successful/reasonably successful/just able to make a living/not really able to make it – are referred to as: *very successful*, *successful*, *marginal*, *unsuccessful*. At times, the first two and the last two categories are merged; the resulting categories are then called *successful* and *unsuccessful*. Often, only the very successful are analysed separately, then the other three categories are called “others”.]

Firstly, of the 99 men and 133 women respondents, men consider themselves more successful than women (significantly at a 10% LS). This gender difference is confirmed by replies to the complementary question on the value placed on one's own business. The two relevant diagrams are reproduced here below.

Figure 16: Perception of success, by sex

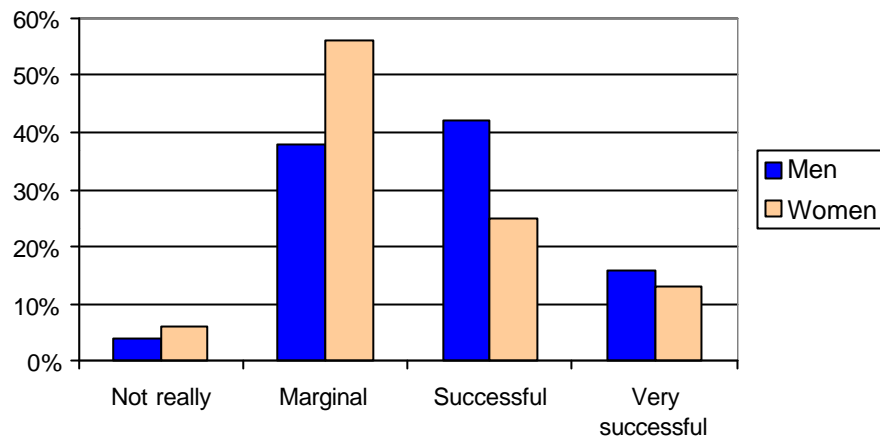
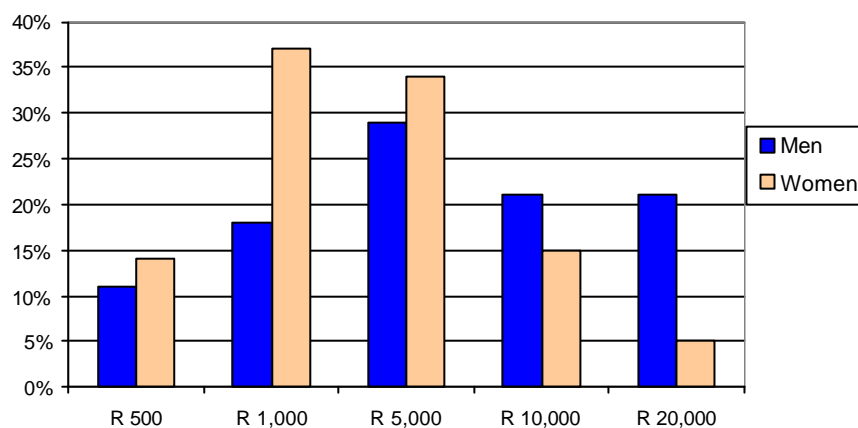


Figure 17: Value placed on one's business, by sex



There are two possible explanations for this sex differentiation: either an actual difference in the degree of success of male versus female-owned businesses, or an attitudinal difference between the sexes in the perception of what constitutes different degrees of success.

Education and training profile: There is a strongly significant difference in education, the successful having an average education above Standard 8, the unsuccessful being more than a year below them. This difference of about one class applies equally to men and women - though as mentioned earlier, the *absolute* education level of women entrepreneurs is lower than that of men, by about one class – thus the successful women entrepreneurs still end up with a lower average education level than successful men, by about one class.

There is also a significant correlation between being very successful and having taken at least one training course in addition to academic training; however, interestingly, there is no significant link between being very successful, or successful, and having had *business* training. No correlation was found, either, between the level of success and the level of demand for further training of any kind.

Group membership: A particularly interesting finding is that successful entrepreneurs spend *more* time on group activities. It is recalled that the self-employed spend marginally fewer hours on group activities than all respondents (an average of 127 hours per year, as against 142); however, this relationship reverses with successful entrepreneurs, who spend significantly more hours on group activities than the unsuccessful ones (141 as against 116). This trend is carried mostly by the men: when splitting the sexes, the difference is statistically significant for successful *men* entrepreneurs, but not significant (though still visible) for women.

The *types* of groups that the self-employed tend to belong to, do not differ significantly from those of the population at large, not even when differentiated by sex. The successful show a marginally significant tendency to be church members and not to belong to burial societies; they also appear to be more likely to belong to stokvels and less to political parties, but these are not statistically significant.

When broken down by *sex*, two significant correlations turn up: successful *men* (not women) are much more likely to be church members than the unsuccessful, and successful *women* (not men) are less likely to belong to burial societies.

Values: Of the four values: honesty, generosity, cleverness in business and family values, successful entrepreneurs predictably prize cleverness in business more highly than other sectors of the population; they give less importance to family values and somewhat less to generosity, while their attitude to honesty is similar to the attitude of the rest of the population. (The general ranking is: 1. honesty, 2. family values, 3. generosity, 4. cleverness in business. For successful entrepreneurs, cleverness in business takes the second rank.)

Of the three entrepreneurial values that were investigated among all respondents – attitude to wealth, to community solidarity, and to risk-taking⁷ – self-employed respondents showed a significantly more positive attitude to risk-taking (mean value 1.79 as against 1.64), and marginally more positive attitudes to the other two values. Successful entrepreneurs were significantly more positive about wealth – but not about the other two values - than unsuccessful ones (1.2 as against .63). Gender disaggregation shows more positive attitudes to all three values by self-employed men than by self-employed women, though it becomes significant only for wealth (1.18 / .42).

Perceptions of own main problems: The “very successful” tend to be significantly more concerned with lack of credit (16% mentioning it, as against 10% of all self-employed), and interestingly, with excessive competition (35% as against 26%). Predictably, they are least likely to mention lack of entrepreneurial skill (4% as against 10%).

⁷ See question 11, Part 2 of the questionnaire. A composite index was created from the responses; more detailed explanation is given in the exploratory report on parts 1 and 2 (attached).

Perceptions of enabling factors:

Table 6: Perceptions regarding enabling factors

	All entrepreneurs		Successful entrepreneurs		Very successful entrepreneurs	
	Generally important	Own strong point	Generally important	Own strong point	Generally important	Own strong point
Luck	23%	23%	17%	24%	8%	8%
Good business contacts	47%	27%	53%	25%	70%	28%
Good education/training	30%	15%	33%	17%	22%	13%
Courage to take risks	42%	45%	51%	55%	44%	55%
Strong character	17%	27%	10%	28%	8%	46%
Good relations with family/community	31%	50%	29%	40%	32%	41%

Notes:

- (1) figures represent the percentages of respondents choosing each factor. Totals add up to something less than 200%, since each respondent could choose two factors, but a few did not.
- (2) Figures in **bold** represent **significant** differences (at 5%LS) from the complementary group.
- (3) It should be remembered to treat the last two columns of figures with some reserve, since they represent a small sample (29 persons).

Successful entrepreneurs give significantly higher importance than the others, to the fundamental entrepreneurial quality, the courage to take risks. On the other hand, they discount the traditional virtues of good community relations and strength of character.

4 Conclusions

As mentioned at the beginning, this study differs from the majority of studies on entrepreneurship in Soweto in that it encompasses a particularly wide range of persons, through further probing respondents who had originally defined themselves as unemployed, retired or students. In this way, the percentage of self-employed adults in Soweto is assessed at 11%; 74% started their business as a result of unemployment, and over half of them are small businesses with an annual turnover of less than R 50,000. The differences between men and women are mostly predictable, women having far fewer large activities, being more oriented towards small retail selling, being more content with smaller returns, and using far less credit, especially from institutional sources. Crime and excessive competition are seen as the main problems.

There is a number of interesting data and insights, with their gender differences and similarities. Three results may be worth noting again, from the point of view of human and social capital profiles.

- Firstly, being successful as an entrepreneur is correlated with spending more time on social and group activities – this is counterintuitive, as one might think that a successful entrepreneur would have less time for such pursuits.

- Secondly, the use of credit is really poor, especially among women – only 39% of the self-employed, and only 32% of women, report having used any credit at all, and much of this credit comes from family or friends. There is clearly room for improvement in this regard, but not within traditional South African banking patterns.
- Thirdly, there is a clear positive correlation between stokvel membership and the use of bank loans – contrary to the assumption that stokvel loans would be a substitute for bank loans. This suggests that stokvel membership is used by savvy entrepreneurs indirectly as a source of personal contacts or guarantees, or more generally as a source of business trust; or alternately, that businessmen with good contacts and creditworthiness still see stokvels as a useful form of business association. In either case, this might be an issue worth exploring further.

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