A CRITICAL ANALYSIS ON THE FACTORS INHIBITING THE GROWTH OF YOUTH ENTERPRISE DEVELOPMENT IN DURBAN, SOUTH AFRICA

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Abstract - According to South Africa's National Development Plan the majority of job opportunities created by the year 2020, will be through small business venture. Youth entrepreneurship has the potential to boost the economic participation of young people. By establishing their own business venture, the youth can contribute to society by increasing employment opportunities and alleviating poverty. However there are issues afflicting South Africa entrepreneurship sector which is regarded as underperforming with low rates of entrepreneurial activity and a high business failure rate. Several studies have identified barriers limiting the growth and expansion of entrepreneurial venture, namely inadequate access to funding, lack of financial literacy and limited knowledge of important regulatory issues. This academic paper will identify the issues influencing youth enterprise development in Durban, South Africa.

Keywords - Black Tax, Enterprise Development, Entrepreneurship, Youth

I. INTRODUCTION

Youth enterprise development has been identified by government policy makers as an avenue to achieve its goal of a more inclusive economy. According to researcher Mahadea, Ramroop & Zewotir (2011), venture creation can play a significant role in the economic development of a country by generating wealth and alleviating poverty. However, in South Africa studies confirm there are still challenges stifling emerging entrepreneurs. A study conducted by GEM, the world's leading entrepreneurship activity monitor in 2017, found the total entrepreneurial activity was relatively low when compared to other developing countries. According to the GEM annual survey, although South Africa has a decent rate of 10, 96% established business owner rate, while the global average stands at 12, 46% there are still challenges facing emerging entrepreneurs. The main challenge facing policy makers is the high failure rate amongst small businesses in South Africa with a majority of newly established ventures having a lifespan shorter than 5 years (Statistics SA, 2017). The lack of access to funding and inadequate government support have been cited as the primary cause of failure of existing business. (GEM, 2017)The results of the GEM survey suggest the environment is still not conducive to enterprise development. A slow growing economy 1.3% in 2017 (Statistics SA, 2017) and a high crime rate. The Independent Communications Authority has cautioned that high cost of data as stumbling block to small business.According to a survey by Price water house Coopers, the regulatory environment was the main culprit, for low rates of entrepreneurship in the country. The survey highlighted the administrative burden of formally registering a business which was described as complex and time-consuming. The barriers to youth entrepreneurship are the result of an inadequate education system, a study by PwC cited the lack of formal entrepreneurship exposure in public schools. Many countries identify the lack of an enterprise culture as a reason for shortage of youth exploring entrepreneurship. In findings of a study conducted by Herington (2011), it was concluded that most young people in the country were motivated by necessity to become entrepreneurs and the author further noted the youth's perception of entrepreneurship was as a stop-gap until they secure employment. (Herrington, 2011).Herrington established that as many as 40 per cent of the young participants in the study, specified the fear of failure is a strong inhibiting factor in deciding to start their own business. The societal norms and culture of a country influence entrepreneurial behaviour and 'Black tax' has been identified as the main culprit for previously disadvantaged youth inability to save income (Mpete & Daya, 2017).According to a report published by UCT Unilever Institute Aspirations (2016) black tax impedes young people in South Africa from achieving their personal goals. Authors Mpete & Dava (2017) cite the issue of black tax as responsible for creating a cycle of poverty for many families.

II. LITERATURE REVIEW

A literature review is a summary of existing published research in the form of peer-reviewed journals, academic papers and textbooks. The literature review will discuss the economic significance of entrepreneurship and the rate of entrepreneurial activity in South Africa as measured by the GEM annual survey. The issue of youth entrepreneurship is a global concern. As the former UN Secretary General Banki-Moon highlighted in 2012 speech, "this generation of youth is the largest in history." The UN predicts the world will need to

create half a billion employment opportunities by the year 2030.(UN, 2012). The UN responded to the challenge by establishing an initiative Youth Employment Network. The YEN was established with an objective to mobilise major stakeholders with the aim of raising awareness on the issue of youth entrepreneurship. However there are still factors inhibiting youth entrepreneurship across the world. Research has indicated that a plethora of barriers across the globe impeding youth entrepreneurship. The most prevalent issues within the international community is unfavourable regulatory frameworks and inadequate educational systems have been cited as impediments to entrepreneurship. (YBI, 2013)The Global Youth Entrepreneurship Survey 2011 established that lack of financial support was a strong hindrance to young entrepreneur and cause of failure for business. Although globally entrepreneurship has a positive perception with three quarters of the youth in Latin America and the Caribbean, sub-Saharan Africa believing that entrepreneurship is a good career choice. (YBI, 2013)In developed regions prevailing issues limiting the growth of youth entrepreneurship, in the European Union only 9.2 % of young people are involved in nascent entrepreneurship.

In the EU region Fifty-nine percent of youth indicated that not having enough money is a key barrier that would prevent them from starting a business. While youth United Kingdom Fear of failure (43%) and the current economic climate (42%) were additional barriers mentioned by of the young people in a survey by the Youth Business International cited as issue thwarting their entrepreneurial intentions. In several European countries, the lack of financial support from the private sector has been cited as an obstacle for young people with entrepreneurial aspirations (OECD 2012).

The lack of financial support in the form of venture capital which comes with the mentorship from an experience business investor. International studies cite the shortage of micro finance, in the form of grants and small business loans as primary cause of failure of youth owned SMME. In developed countries insufficient knowledge, a lack of business experience and limited access to guidance in the form of mentors has been identified as a barrier to youth entrepreneurial intentions.

III. RESEARCH METHODOLOGY

The research methodology is the process whereby the information and data to explore issues. Quantitative research method is used to quantify the problem by generating numerical data that can be transformed into usable statistics. This method helps the researcher to quantify opinions, attitudes and behaviours. The primary data collection method was constructed to measure and evaluate the student's awareness and perception towards entrepreneurship.
The questionnaire instrument was also employed to assess the level of entrepreneurial motivation and intentions of entrepreneurship students.The questionnaire was in the format of closed questions, which allows a researcher to code the data from the respondents. The aim of the 5-point Linkert scale is to ensure that differences in responses to questions can be interpreted as reflecting differences among respondents (Sekaran and Bougie, 2016) In this study the questionnaire was self-administered, the respondents have more time to complete the survey.

Study Area & Location

The research study was conducted at the University of Kwa-Zulu natal, Westville campus the university campus is located about 20km west of the CBD of Durban. The area is an environmental conservancy in Westville. This project was conducted in a non-contrived setting which is a natural setting. (Sekaran &Bougie, 2016).

Research Limitation/Implication

This study is limited to the perception of Entrepreneurship students about the barriers to entrepreneurship. The real barriers encountered by graduates who actually started their own businesses were not investigated in the study. In addition, care should be taken to generalise the findings of this study to all South African graduates since the research covered only one university.

Summary of the Research findings and Recommendations

The ten respondents of the self-administered questionnaires most identified lack of government support and access to funding in as a primary issue inhibiting their intention to establish a business venture. The following causes in the table below were identified by multiple respondents as inhibiting issues to enterprise development:

Barriers facing Youth Entrepreneurs	No. of Students AGREE with the Statement	%
Government Regulations Including: • Red tape • complex business registration procedures	7 Respondents	70
Start-ups perceived as high risk	7 Respondents	70
Black Tax & Access to Funding	6 Respondents	60
Fear of Failure	4 Respondents	40
Poor Education system & Inadequate Training	3 Respondents	30

Government Regulation & Policy Initiatives

A potential failure of government policy in connect entrepreneurs with appropriate mentors. A high number of questionnaire respondents identified the government regulation and restrictive laws as barriers to enterprise development. The respondents cited the burdens and constraints facing aspiring youth entrepreneurs when trying to establish a business venture in Durban. The inhibiting government regulations, cited by the respondents is that the process can be time consuming and costly.The participants of the study also cited the complicated business registration procedures as impediments to formally registering their business ideas. The study found that most students were not familiar with the business registration process.

Access to Funding

The issue of funding was also identified as a factor inhibiting potential youth entrepreneurship, when asked whether they would establish their own business venture if they were granted access to seed capital an overwhelming 80% of the respondents Strongly Agreed. The response of the students highlights the importance of finance in business and how the lack of access to funding may impede on youth entrepreneurial intentions. Many young people lack personal savings and collateral to access short-term loans from financial institutions. The barriers to access to funding for youth is poor credit due to debt from student loans. The lack of access to micro-finance and seed capital has been identified as factor impeding the development of youth entrepreneurship.South African youth encounter many challenges when trying to access funding from government agencies such as the National youth development agency, DTI and Department of small business development. There is bureaucratic red tape when requesting business funding. These government institutions are plagued by nepotism due to the ruling parties cadre deployment, the department recruit card carrying members of the party. (Mail & Guardian, 2014)

Social Norms

As discussed in the literature section the social norms have an influence on entrepreneurship. The social norms include the issue of Black tax, the respondents were asked whether they would be expected to contribute financially in their family homes once they have become financially independent an overwhelming number responded ‘Agree ‘on the Linkert scale. The findings of the study found there was a high level of awareness and positive attitudes towards enterprise development amongst the participant of the study. The conclusions of the primary research confirm the influence of black tax, with as many as 70% of the questionnaire respondents agreeing with the statement that their parents or guardians expect them to contribute financially to the household. In contrast to findings in International studies, the influence of family expectations impedes on youth entrepreneurial intention. The motivation for young people in Africa to contribute to extended family can be attributed to the philosophy of Ubuntu. Ubuntu is an Nguni word which can be translated as “the quality of being human”. According to Flippin Jr (2017) Ubuntu is displayed itself through various human acts and is based on the premise of contributing to the well-being of society being as well as extended family (Flippin, Jr, 2017).

In South Africa, individuals consider themselves to be more of social actors than individuals. The authors further explain people in collectivist societies seek to satisfy shared communal values over personal goals. The issue of Black Tax is not common in most developed countries as they tend to embrace a more individualistic culture. In conclusion the findings of this research paperindicate that many students are interested in establishing a business venture and entrepreneurship in general, but social issues can inhibit entrepreneurial goals.

Perception of Risk /Fear of failure

The majority of respondents of the questionnaire AGREED with that statement establishing a business is potentially risky. Almost half (40%) the students indicated the fear of failure as inhibitor to potential entrepreneurship. The results have negative implications for youth entrepreneurship in South Africa, as studies show that in society there is a stigma of failure which may hamper the entrepreneurial aspirations of young people. In cultures where risk-taking and innovation are not encouraged, entrepreneurial enterprises are unlikely to flourish. In an environment with an entrepreneurial culture individuals perceive failure in business as a learning process and such an environment is more likely to encourage entrepreneurial enterprises. There must be a willingness for the youth to accept the possibility of business failure. This is viewed as a positive indicator of entrepreneurial capacity the respondents of the questionnaire agree that next to learning practical business skills learning about administrative procedures necessary for running business should be important part of entrepreneurial education.In conclusion the red tape includes complex business registration procedures and the operating licenses, these issues impede the establishment of new business ventures by making it difficult for a potential entrepreneur to create an enterprise. (GEM, 2014)

When the findings of the study was contrasted with literature from different countries, some common issues affect youth entrepreneurs were identified. The findings of this paper concluded that similar to young people in Latin America, the participants of the study identified lack of business role models and

mentorship as an issue inhibiting entrepreneurial intentions. Similar to young people in the EU region, youth in South Africa are affected by lack of social capital and mentorship. Studies show that young people in South Africa are less likely to have adequate social networks, business contacts and work experience that is required, due to the limitation of being young.

IV. CONCLUSION

In conclusion this paper focused on issues pertaining to youth development, with an emphasis on enterprise development. The youth are not only the future of the nation but according to Statistics South Africa (2017), young people constitute 36,2 percent of the country's population. The challenge for policymakers is that many youth remain economically inactive, that is young people not in formal employment, business or education sector. In the province of Kwa-Zulu natal the area the study was conducted only approximately 32, 4% young people are economically active (Statistics SA, 2017). The paper explored the factors influencing youth entrepreneurial intentions. The results of the study show that lack of education is not the only barrier or cause of low entrepreneurial activity amongst South African youth. The findings further suggest that entrepreneurship and self-employment is seen as a means of sustaining livelihood and not as a vehicle for wealth creation. This therefore suggests that government must not only promote entrepreneurship as an alternative for the poor and unemployed but must create a culture of risk-taking and innovation to foster an entrepreneur revolution on South Africa.

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