An Exploration into Barriers Facing Prospective Youth Entrepreneurs in a South African Municipality

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Abstract:
Entrepreneurship is regarded as the solution to poverty, inequality and unemployment. Youth are the hardest hit by unemployment. The rate of unemployment among youth sat at 63.1% in 2015. This study was conducted to find out what is stopping the youth in a South African municipality, from venturing into entrepreneurship. The study found that the majority of participants had intentions of opening up their businesses, and that they viewed entrepreneurship as important. Funding, too much work, lack of information, lack of entrepreneurial skills, market congestion, inability to write a business plan, lack of collateral, high registration costs, no right contacts, lack of savings and lack of managerial skills were found to be the barriers preventing youth from starting a business. It is suggested in the study that government should assist by ensuring adequate information reaches youth in their places of residence. This can be done through churches, schools, libraries and youth centres. Free internet connectivity should also be enhanced within the municipality to provide for ease access to information.

Key words: Entrepreneurship

Introduction:
Entrepreneurship is still considered to be the biggest driver of the economy but government still struggles to get more people involved, especially young people, whose unemployment rate was sitting at 63.1% in the first quarter of 2015 (Lings, 2016:1). In its aim to involve youth into the mainstream economic activities, and hence find a possible solution to this scourge of youth unemployment, government and youth are met with barriers that prohibit youth from actively becoming entrepreneurs. This research seeks to uncover and understand these barriers facing prospective youth entrepreneurs, and hence suggest ways they may be overcome.

1.1 Background to the Study
Hart and Mothata (2015:1) assert that South Africa is persistently facing the triple challenge of Unemployment, poverty, and inequality. They further state that the South African economy is not large enough to create more job opportunities and for this to happen, the country needs economic growth. But with the recent drought hitting most parts of South Africa, economists predict that the production level will drop drastically in the current year (2016). The rand has also not been performing well against major currencies and this, coupled with an unreliable electricity supply, are definitely not good news for the South African economic outlook going forward. As a matter of fact, economists have revised their earlier prediction of economic growth of 1.6% for 2016 to about 0.5% (Writer, 2016:1). These are signs that the South African economy will still find it difficult to create enough employment opportunities in 2016.
The current improved pass rate of grade twelve learners is further a blessing, and a curse on its own, because institutions of higher learning can only accept a limited number of students. This means young people who have not been accepted into these institutions will look to engage elsewhere. Logically, they would try to find employment, or run a business. However, having acknowledged the bleak economic conditions, employment prospects are certainly not positive and even graduates are struggling to get employed (Hoffman, 2012:1). So this situation paints an unpleasant picture for youth. Venter, Urban and Rwigema (2008:21) asserts that the growth and development of the small and micro-enterprise business sector, in particular, has been identified by many stakeholders as being of the utmost importance in an effort to create employment and address poverty. Steenkamp, Van der Merwe and Athayde (2011:74) agree with the growing chorus that entrepreneurship could prove to be the solution towards joblessness among young people in South Africa. Evident from these assertions is that SMEs can help curb and address the challenge of unemployment, poverty and inequality. However, there seems to be challenges and barriers confronting youth in this South African municipality thus forcing them to be reluctant to tap into the world of entrepreneurship, despite its lucrative prospects.

1.2 Problem Statement:
Youth inactivity in entrepreneurial activities creates a problem, not only to themselves and their immediate families, but even to their respective communities as they contribute to the sky-rocketing levels of unemployment. Unemployment also leads to many unwanted social ills in different communities. The joblessness, especially among the youth, is also to blame for reckless behaviours and unhealthy lifestyles which the youth engage in (Mutarubukwa, 2015:6). What is further worrying is that the number of discouraged job seekers amongst these young people in the Free State has increased from 3.3 percent in 2008 to 4 percent in 2014 (Stats SA, 2014:39), this represents a number of youth who have given up of ever finding jobs. A speedy solution to this is needed sooner than later. However, there is a huge presence of youth organisations such as National Youth Development Agency (NYDA), Youth Chamber of Commerce and Industries – Free State (YCCIFS), Small Enterprise Finance Agency (SEFA), Industrial Development Corporation (IDC) and many others, which were formed with the sole purpose of facilitating youth empowerment and development in the area of business. This municipality, through its youth development policy, has developed a ten year plan with a vision, “A South Africa that has a dynamic youth entrepreneurship culture and developed youth-owned enterprises, operating in all sectors of the economy, which contribute to economic growth, poverty reduction and employment creation as well as assist in bringing about economic transformation and an equitable society”, but despite these interventions the vast number of youth around this area seem to be reluctant in taking up these business opportunities.

1.3 Aim of the study:
The aim of the study is to investigate barriers which lead to the reluctance of youth to venture into businesses, which may very well help reduce the unemployment in this municipality.

1.4 Research questions:
The research questions are aligned to the research objectives, which are:
- What are barriers in the municipal area deterrent or prohibit youth from undertaking business ventures?
- What is the external help and support offered by both government and private sector to young people who want to start and run their own small businesses?
What are youth perceptions about entrepreneurship in the municipal area and to what extent does it play a role in their unwillingness to start their businesses?

What can be recommended to mitigate identified barriers?

1.5 Significance of the study:

Entrepreneurship is the most widely researched topic in South Africa and around the world alike. In the country, provinces have received much attention concerning the research of this topic, but very few focussed on the lower levels of government, like municipalities. The only shortcoming with such large scaled studies is that they pay little attention to such issues as different geographic and other factors which vary significantly throughout each province. The quest in this research is to finding specific answers for this municipality, such as:

Improve awareness to youth in the municipality about government and private interventions aimed at getting youth involved in entrepreneurship ventures.

Help municipal authorities understand the specific challenges facing youth in this municipality, and propose solutions to such challenges.

Can be used as a supporting document and a guide when government want to implement strategies that will revive youth entrepreneurship in the municipal area.

It is evidenced that this municipality, much like most in South Africa, is confronted with many societal problems which impact negatively to its youth. The most commonly observed societal problems facing youth involve unemployment, inequality and poverty, and if not addressed, they threaten the safety and the wellbeing of those thought to have, by those who have not. Even though there are some disagreements on the matter, some researchers are of the view that poverty is often blamed for people, especially youth, to resort to activities of criminality in order to provide for their families (Rwizi, 2015:31). The research thus notes these societal challenges facing youth in South Africa and appreciates the difference that could be done by robust entrepreneurship in the country and it therefore asks why young people are so keen about seeking help concerning starting and maintaining their businesses.

2. Literature Review:

Although entrepreneurship is a widely researched phenomenon, most of these investigations have largely been conducted at a national level of different countries and sub-national level (provinces in the case of South Africa), as such, they have been rather too general in their approach and findings. Very few have actually narrowed down their investigations to municipalities, as is the case here in South Africa. The preliminary review of literature indicates that of these few who were successful to investigate at municipal level, none have actually attempted to investigate this problem in this municipality.

2.1 Importance of Small Business Sector:

Globally, SMEs are seen as the life blood of any economy, contributing towards economic growth and employment creation (Agbenyegah, 2013:2). In successful countries, entrepreneurial ventures or small business enterprises as they are affectionately known, contribute to no less than 85 per cent of the total employed workforce (Smith, Cronje, Brevis and Vrba, 2013:19). Therefore increasing the level of SMEs could definitely increase the employment rate of any economy, be it national or at the very lowest level of the economy. Du Toit, Erasmus and Strydom (2009:38) maintain that globally, entrepreneurs are forces of change which revitalise and set in motion different economies, and in the process, impact and positively change people’s lives. Venter Urban and Rwigema (2008:19) reiterate that entrepreneurship is important in South Africa in the following ways:
Entrepreneurial organisations contribute immensely in the economy by creating thousands of jobs. With a huge unemployment rate, entrepreneurs are the people who can bring back hope for a better economic future.

Internationalising their business, entrepreneurs earn foreign exchange and thus help the country to ease up the balance of payment.

Small businesses contribute to the betterment of the country by paying taxes. The South African Revenue Services (SARS), has surpassed the collection target of 2015-16 by almost 200 million and collected more than R1-trillion, of which quite a big chunk came from corporate tax, value added tax, customs and excise duties (Maswanganyi, 2016:1).

Through their Corporate Social Investments (CSI) initiatives, many entrepreneurial ventures have positively impacted many communities within which they operate, either in education, health, social protection or housing.

SMEs are viewed as important stakeholders in creating employment, thus improving the economic condition of South Africa. In agriculture, manufacturing, ICT and tourism sectors, SMEs continue to experience difficulties in accessing funding and markets within which they can operate. Accessing finance is particularly the reason SMEs face difficulties in purchasing the required resources, machinery and equipment, or upgrading existing technology. These challenges are made worse by the shortage of well-trained employees in the technical and business management aspects (SEDA,2012: 85).

2.2 Reasons for Entrepreneurship:

SMEs appear to be the most relevant intervention in the current economic downturn. Both the South African government and the public at large are adversely affected by the prevailing slow economic growth, high food prices, higher inflation rates and other macroeconomic imbalances. These economic challenges require eminent corrective and mitigating strategies to curb their impact on the South African community.

2.3 Reasons for encouraging entrepreneurial activity: government’s perspective:

Each government is constantly faced with many economic questions that have to be answered, in order to give assurance to its citizens that it is not going to collapse. Mohr,Fourie and Associates (2013:55) say economic related questions such as how the country is performing economically and when things are going to improve are but some of many questions that each government will have to answer and/or find solutions to. In trying to find solutions or answers to these questions, the country is concerned with macroeconomic goals. Mohr and Associates (2013:56) reveal that each country is faced and wants to stabilise the following macroeconomic objectives:

**Economic growth:**

Brown (2016:3) anticipates that South Africa will by June 2016 hear from two rating agencies, Moody’s and Standard and Poor’s (S&P), whether it has been downgraded to junk(an economic term used for higher risk bond) status. This means an investor confidence on South Africa will decrease even further, because the country will be seen to be at higher risk of being unable to honour its debt commitments, Mothata (2016:1).The GDP is still expected to perform even worse in the second quarter of 2016. However, there seems to be a glimmer of hope only in the third quarter of the year, with GDP promising to pick up at 1.3 percent. These are thus unpleasant economic conditions for the country and its citizens, the hardest hit being the jobseekers.

**Full employment:**

Although full employment in any country sounds too farfetched, countries and their economies are constantly striving towards or are nearer to the full employment status. There has been a consensus among business people, policymakers and economists that the contribution of SMEs in
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growing the economy cannot be underestimated. Mahembe (2011:13) reiterates that the value of the small business sector is recognised in economies world-wide, regardless of the economy’s developmental stage, as it makes meaningful contribution towards economic growth, job creation and social development. For the government to achieve the near zero unemployment rate, it utterly evident that SMEs should be just as active, thus government has to work extra hard to ensure this is achieved.

**Price stability:**

Skenjan (2016:3) argues that ever since South Africa formally adopted the inflation targeting as monetary policy framework in 2000, and set a target range of between three percent and six percent, things have been awkwardly difficult because in most cases, the inflation rate has spiralled out of the set target, forcing the central bank to increase the repo rate. This in return, makes life extremely difficult for the unemployed and low income earning people, as commercial banks would proportionately increase their interest, and so is everything else in the country, from food to petrol prices. The law of demand and supply in economics maintains that if the supply is increased (that is if SMEs are increased), the price of the good in question will fall in the market, Schiller (2013:48). A lot of people have been vocal about the monopolistic nature of Eskom, as the sole provider of electricity in South Africa, arguing that the absence of competition in the electricity sector hands Eskom the right to raise energy prices as they please. The national energy regulator has for current year approved yet another above inflation tariff hike of 9.4 percent by Eskom. This is after it exorbitantly raised the prices by 12.69 percent in the previous financial year, making electricity almost a privilege rather than a right.

**Balance of payment stability:**

Globalisation has changed the world order, making it possible for countries to trade with one another. Hill (2014:5) explains globalisation as the “shift towards a more integrated and interdependent world economy”. Governments do not wish for more money going out (that is when paying for imports), than coming in (the money received on exported goods), the balance between the two payments should be fairly stable.

**2.4 Reasons by prospective entrepreneurs:**

Philips (2010:1) warns against using profit as a reason for undertaking entrepreneurial venture, but admits many people start small businesses to make profit. He however, continues to admit that profit as a reward is an achievement after a hard work, but urges for future entrepreneurs to base their eagerness on “recognition of a need” and the solution or the idea on how to meet the need.

Independence and self-fulfilment are also contributors in motivating people who consider becoming entrepreneurs. Many people have left their jobs and went on to start successful enterprises, purely because they wanted to become independent and were pushed by the need for self-fulfilment (Fatoki 2014:188) Despite challenges regarding the definition of what constitutes small or medium enterprise, both their existence cannot be undermined. According to Small Enterprise Development Agency (SEDA, 2012:5), SMEs play a vital role in the development of South African economy, accounting for close to 91% of all formal business entities in the country, making an estimated contribution of between 51 percent and 57 percent to national gross domestic product (GDP) and providing approximately 60 percent of employment in South Africa. However, there is an empirical evidence to suggest that, given the right support and conditions, SMEs could make an even greater contribution to employment in the country. Specifically, it has been shown that SMEs and informal enterprises can contribute as much as 70 percent to GDP and 95 percent of total employment in middle income countries. Empirical studies have also shown that SMEs contribute more than 65 percent of total

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employment in some of these countries. A report by Turton and Herrington (2012) who surveyed 198,000 adults in 69 countries has shown that when comparing South Africa with other developing countries, South Africa continues to fail dismally in creating new entrepreneurs. What is more evident and worrying from this report is the prospects of youth in becoming entrepreneurs, which is also bleak, when compared with other sub-Saharan African countries. The report shows only 15 percent of South Africans intended to become entrepreneurs, compared to the average of 56 percent in the sub-Saharan African countries. South Africa compares badly with other sub-Saharan African countries in terms of starting and maintaining new businesses. With only 7 percent early stage entrepreneurship, which is far below the average, it is implied that the country is simply not creating new entrepreneurs. Perhaps this could also be attributed to attitudes and perceptions about entrepreneurship in the country.

2.5 Role of Entrepreneurship in South Africa:
In developed countries, entrepreneurs are recognised as key players in the development of the economy. Mueller, Volery and Siemens (2012:996-997) argue that entrepreneurs are at the helm of the production process and through their risk taking behaviour, combine different resources in order to arrive at the end product. Put differently it means entrepreneurs have a role to play in putting in motion, the economic activity of any nation. Job creation remains a challenge in the dwindling economic environment and even those with full time employment do not have the assurance that they will keep it for much longer. Companies are closing shop and leaving for better conditions, mostly overseas. In tough economic conditions like South Africa, it looks like the time is now for people to hold hands with government and help create jobs. Badal (2010:1) agrees that small businesses invigorates the country’s economy and creates much needed employment. Creating employment on the other hand can get rid of other social ills like crime. Because most of criminal activities are carried out against businesses, the business society can help police in crime fighting programmes as most of them have the financial muscle to create awareness. Venter et al. (2008:9) puts innovation at the centre of entrepreneurship, saying entrepreneurial ventures are significantly born out of immense innovation. Current challenges require out of the box thinking, and entrepreneurs have proved worldwide that they are not short of fresh ideas. Mark Zuckerberg of Facebook, Bill Gates of Microsoft and Steve Jobs of Apple Inc. are some of the names which are synonymous with innovation and entrepreneurship. So there is no doubt that the solution for some of current problems we face economically as a country, lie in entrepreneurship.

2.6 Small Business environment in Free State:
Although not much was said on the 2016 State of the Province address around the provincial economic matters, the province has been making strides through the Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA). Mbeba (2014:347) stresses the importance of local economic development for the benefit of the community. However the economic turbulence that is experienced throughout the country still prevalent in this province, more so because the province is very rural in nature. According to the DESTEA’s website, the government is the largest contributor to the GDP of the province at 15 percent. Other economic activities include mining (22.6 percent), agriculture (11 percent) and manufacturing (14.5 percent). The province produces about 40 percent of South African maize, 50 percent of wheat, 80 percent of sorghum, 33 percent of potatoes, 18 percent of red meat, 30 percent of groundnuts and 15 percent of wool. These numbers confirm that the province is the heartbeat of South Africa, providing agricultural products in abundance. When it starves, the rest of the country starves. The recent
drought must have had a disastrous impact on the livelihood of the economy in the province, hence that of the country. The impact will see South Africa import about 5 million tonnes of maize between May 2016 and April 2017 Steyn (2016:1). This will surely burden the already cash strapped consumers even further. Prudent entrepreneurship must be encouraged to increase entrepreneurial activity in the province. Masakala (2016:2) reports that after a two day consultation workshop held by the MEC of the province, the Small Business Act is under review, this becomes part of the national drive to invigorate the small business sector in order to aid the economy. So the province has joined the chorus of developing small businesses in order to fight poverty and create employment. However, Global Entrepreneurship Monitor of 2012 reports that Free State is still way behind when compared to other provinces.

2.7 SMEs challenges in the Free State:

Free State SMEs challenges are not unique, they seem to be identical with those identified at national level. In a study conducted by International Labour Organisation and University of Free State the following challenges were identified as the most prevalent among young people in the Free State. According to ILO 2015, the most popular challenge/barrier was accessing funding, perhaps due to the fact that respondents were still young and did not have any collateral to use in order to access funding with finance institutions. However, lack of information also ranks high, this might mean that the youth does not have enough information about alternative institutions, especially those of government that offer funding for start-ups, or for development of the established businesses. At a workshop held by the DESTEA and ILO when attendees (most of them from established SMEs) were asked about the challenges they face when attempting to develop their small businesses. Most of them indicated the following in no particular order;

- Lack of functional business management skills;
- Lack of an entrepreneurial culture;
- Lack of technical and vocational skills;
- Lack of coordination with government structures;
- Inhibiting legal and regulatory framework;
- Lack of access to capital;
- Lack of access to non-financial business development services, and
- Lack of access to markets (particularly to emerging markets like tourism)

The two groups mentioned some common barriers, so it means irrespective of their business acumen, whether start up or established, factors such as funding, operational skills and compliance (excessive paperwork) hamper progress in terms of establishing and running and developing successful enterprises.

2.8 SMEs support and funding:

In the continued drive to support SMEs in the province, the DESTEA MEC admitted that the province just like the national government, struggles to create adequate employment opportunities and resuscitate the sluggish economic growth, as such, a radical policy shift is required (Molebatsi, 2016:8). He outlined the following support for small businesses for the upcoming financial year (2016/2017) and beyond:

- In 2015/2016 government bought over R 2.1 billion worth of goods and services from SMEs
- The department has set aside R 2 billion to assist youth run businesses
- IDC and SEFA made available over R 2.7 billion over five years to support quality youth businesses, especially agriculture, metals, mining and industrial infrastructure.
- The department also made R122.5 million for general support of the SMEs for 2016/2017 financial year.
Furthermore, SMEs will be supported through the R20 million enterprise development pilot project. In addition to planned support, the DESTEA is working with Free State Development Corporation (FDC), its supporting entity, to ensure the increase of support to small businesses. The strategic objective of the FDC is to facilitate the establishment and support of sustainable SMMEs and co-operatives through the provision of financial and business development services and facilitate and co-ordinate participation of SMMEs and Co-operatives in mainstream economic activities (Department of Trade and Industry, 2010:39). Apart from the support by the provincial government, there is also a presence of other private institutions, such as commercial banks, voluntary organisations as well as national support in terms of cascading national agencies down to provinces and further to local government to assists in terms of SME development.

2.9 Prevailing business environment in the municipality:

Apart from many interventions initiated by the national government, local governments are also hard at work in trying to combat these challenges which have proven to be a common factor among young people throughout the country. As it has been indicated throughout this study, communities and their respective governments throughout South Africa have turned towards entrepreneurship to provide much needed defence mechanism towards these challenges. On the 25th of June 2015, the city launched a youth economic development programme in partnership with ABSA, a brainchild of the city’s mayor, Cllr Thabo Manyoni. The programme, which had an initial intake of 3 000 young people from the city, aimed to provide the unemployed youth with on-the-job training and development and subsequently moulding them into becoming successful entrepreneurs and hence employers. The main focus of the programme would be on roads infrastructure maintenance, paving, electrical works, as well as information and communications technology. Over forty million rand has been made available for this initiative.

3. Research Methodology:

Kumar (2011) explains a research design as “a plan, structure and strategy of investigation so conceived as to obtain answers to research questions and problems”. Research design in simple terms is a mind map showing the researcher how to go about completing the research. It holds the research together and helps keep the researcher intact in their quest to finding answers to their research questions and objectives. Van Wyk (2012:7) mentioned five forms of research designs, causal-comparative research, correlation research, explanatory research, descriptive research and exploratory research. Boshoff (2015), explains that exploratory research is conducted for a purpose of gaining new insights and discover new ideas, and for increasing knowledge of the certain area or subject. This study is conducted to discover barriers that exist to prohibit young prospective entrepreneurs to venture into small businesses. Out of discovering these barriers, new ideas of dealing with them should be discovered, hence the study is exploratory in nature.

Research philosophy/paradigm:

The research paradigm outlines the researcher’s belief about how data is to be gathered, analysed and used. The level of involvement, the perspective through which they view the world and what constitutes real, all have a bearing on the philosophical view employed by the researcher in collecting, analysing and using data.

Positivist paradigm:

Aliyu, Bello, Kasim and Martin (2014: 81) argue that positivism could be regarded as a research strategy and approach that is rooted on the ontological principle and doctrine that truth and
reality is free and independent of the viewer and observer. The positivist researcher subscribes to the notion that the researcher is the observer of reality and this reality can occur independent of this observer. Proponents of this paradigm carry a notion that measuring this reality impartially means they should not be involved. It is sufficed then to say positivists prefer to remain objective and the measurability, predictability and controllability of the phenomenon under study is of utmost importance to them, as such, they prefer a quantitative approach as a method of data collection.

3.1 Quantitative approach:

Harwell (2011:149) asserts that quantitative research methods attempt to maximize objectivity, replicability, and generalizability of findings, and are typically interested in prediction. Quantitative researchers put aside their experiences and their knowledge to let the real truth about the phenomenon under study reveal itself without influence, they are identifiable by their objective nature in their research and believe in scientific (number inclined) solution to their research questions.

3.2 Research strategy:

A quantitative approach has been used in this study. Kumar (2011:102) asserts that quantitative study designs are specific, well structured, have been tested for their validity and reliability and can be explicitly defined and recognised. The study seeks to uncover the perspective of youth within a specified municipality, which is anticipated to be a big number. So apart from advantages alluded to by Kumar, the author also needed to cover quite a vast number of youth, even as a sample. Thus quantitative approach worked best in this study, for it allows for a huge number of respondents, and would even assist on data analysis stage. A survey will be used as a research strategy in this study as it uses questionnaires as a data collection tool. This is adequate to assess and document responses in this research. Mathers, Fox and Hunn (2009:9) submit that questionnaires are a particularly useful when doing a survey as they are cost effective, and are quicker when the sample is large, or is widely dispersed. Authors are however quick to point out that due to the fact that the researcher is not mostly in contact with the respondents, the construction of this tool should be given a particular attention, as it will be speaking on behalf of the researcher. Questionnaires which were used consist of five sections through which necessary data has been collected. These questionnaires were distributed to youth in Bloemfontein, Thaba-Nchu and Botshabelo as they form the Municipality under research.

3.3 Pilot study:

Kumar (2011:158-159) justifies the conduction of the pilot study, saying it is beneficial to the researcher for it reveals truths before the actual research is conducted. He further warned that the purpose is not to collect data, but to identify problems that the potential respondents might encounter as they respond to the questions on the questionnaire. So the pilot study is critical then to address the shortcomings of the questionnaire as the data collection tool of this study. Ten questionnaires were distributed to prospective youth entrepreneurs at Central Park Shopping Centre (This is the Bloemfontein based bus station where commuters from Bloemfontein, Thaba-Nchu and Botshabelo board buses to their respective destination within the city). For participation into this pilot study, respondents had to indicate if they would consider a career as entrepreneurs, this was to ensure the pilot study selected the correct representatives. Of these selected, three came from Botshabelo, three from Thaba-Nchu and four from Bloemfontein. Selecting youth from this bus station proved advantageous to the researcher as the youth population mostly spans across the Municipality, as such, data collected from this group would to a
larger degree represent or reflect the main data that would be collected later in the study. During the pilot study, the researcher paid a particular attention to manner in which the respondents responded to the questionnaire as well as the time spent responding to this instrument. Although it seemed there was no problem in understanding the language used on the questionnaire, the instrument however showed lack of depth in questioning some of the phenomenon under study, as such, respondents spent less time than anticipated in completing it. The questionnaire which originally consisted of eight questions was improved to a total of fourteen questions, with an extensive improvement on sub-questions. Questionnaires were hand-delivered to prospective respondents, with a face-to-face administration method used, while a portion of these were also dropped at various libraries and youth centres around these three towns. Each questionnaire was accompanied by a cover letter stating the purpose of the study as well as the objectives anticipated. Questionnaires were collected by the researcher and assistants after three days from participants, as well as respective libraries and one youth centre. However, in some instances, especially regarding questionnaires which were dropped at various libraries, the researcher had to give a maximum of seven days collection period. This was due to the fact that libraries were not receiving the anticipated number of youth during the period of data collection (which was during school holidays) and secondly, the area that had to be covered was stretched and large and thus needed the frequent use of a transport, and at the time, the only available and reliable method of transport was the researcher’s car, this presented a challenge.

3.4 Target population:

According to Mangaung Youth Policy (2015:18), youth is defined as those people falling within the age group of fourteen (14) to thirty five (35), but due to the nature of the study, which would eventually measure such variables as employment, it would be inappropriate to include minors in this study, as such, the population of this study was modified to include only the prospective youth entrepreneurs between the ages of eighteen (18) to thirty five (35) residing in the municipal area.

3.5 Sampling:

For the research to be able to respond to the research objectives and research questions, adequate data has to be collected. Kumar (2011: 195) defines sampling as a process of selecting a few (a sample) from a bigger group (the sampling population) to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group.

Probability sampling:

In Probability sampling, elements in the population have equal non-zero chance of being selected (Sedgwick: 2013). For this to happen, the researcher must have an updated total number of population and these elements should have independent chance of being selected (Kumar, 2011:199).

Non-probability sampling:

According to (Sedgwick: 2013) non-probability can be used when the number of elements in a population is either unknown, or cannot be individually identified. Finding the population of all the young people in the municipality proved to be impossible. The latter is combined with the fact that the researcher had limited time and that this research is based in the area which is partly urban and partly rural, reaching to some faraway and hard to get to places of the study would at times become impossible, thus confirming or knowing the exact number of elements in the population was a challenge that was not going to be achieved easily. Hence the study used the Non-Probability sampling technique.
3.6 Validity:

Kumar (2011:178) explains validity as “a degree to which the researcher has measured what he has set out to measure”. The following measures of validity related to the research instrument:

**Content validity:**

This ensures that the items set out to explain the phenomenon have been exhaustive, that is, the phenomenon has been adequately and to a greater extent covered by items enquiring about it. The purpose of this research was to outline in greater details, the barriers which confront prospective youth entrepreneurs. To enhance the content validity, the research instrument remained relevant to this purpose and asked varied and in-depth questions specific to barriers confronting youth. At times one question was asked from different angles and perspectives to enhance validity of the response.

**Face validity:**

Face validity deals with the ambiguity of the research instrument. Content has to remain relevant to the participants and to be seen to measure exactly what it was intended to measure. During the pilot study, the researcher paid particular attention to the manner in which respondents viewed and responded to the content in the questionnaire. This was done to establish the degree to which this instrument tested measured what is was supposed to measure.

**Concurrent validity:**

Maintains that throughout the questionnaire, the level of response should stay uniform, for example, if “1” is attributed to low levels of entrepreneurial intention, then “2” cannot be attributed to low levels of entrepreneurial capacity.

3.7 Reliability:

The concept of reliability is said to be associated with the consistency of results produced by the data collection tool (Kumar, 2011:181). Any ambiguous meaning or language in the research tool could therefore lead to varied responses, thereby leading to distorted information. The following measures of reliability were of essence:

**Test-retest reliability:**

Test-retest reliability refers to the degree to which the results of a phenomenon give consistent score over time. An instrument would be highly reliable if it would yield the same, or near similar results when given to different people, especially if they are in the same sample. The instrument was amended to be free from bias by making sure none of the following had an impact on how the questionnaire as responded to: education, sexual orientation and age.

3.8 Data analysis

The intention of analysing data is to summarise it in such a way that it is easily understood and would eventually yield answers to the pending research questions. Data collected with the aid of a questionnaire was summarised and analysed quantitatively in this section. This collected data, categorised as categorical and numerical data was presented in different graphs for easy readership, interpretation and comprehension.

3.9 Limitations of the study

The most evident limitation to this study was inability to generate sample randomly, this was due to large number of youth in the municipality, which could not be easily identified, as a result the Snowballing sampling was used to generate sample. The results obtained from inferential statistics in a non-random sample would be valid, provided that they were used with great care and sparingly so. These results cannot be inferred to the entire population due to limitations of the non-probability sampling method. The study focussed on all the prospective youth entrepreneurs in the municipality, and even though the widely
accepted explanation of youth is between the ages of fourteen and thirty five, including the group of fourteen to seventeen into the study would have yielded inconsistent results, as this group is generally in school (or considered to be in school, according to their age), or are classified as minors. Eliminating this group of youth in the study ensured respondents represents actual youth who are eligible to start and run businesses, and would therefore give reliable responses. In addition to this, a challenge was encountered to reach some of the youth who resided in rural areas where infrastructure like proper roads are still lacking. As such, these areas, and subsequently their respective youth, were not easily accessible to be included in the study. In some instances, where the youth resided on a farm, owners refused entry. The recent spike in farmers killings were put forth as a reason for reluctance and refusal to grant entry to these areas, as a result some farm youth have been avoided. This entire study was undertaken at a very crucial juncture in the political landscape of the country, and that of the city. It was during the build up to the local government elections, and this was a challenge in itself. First, the permission to conduct the study took forever to be granted as authorities were forever out of office. Secondly, even some of the respondents were sceptical in participating as they presumed the information collected might be used as a political ploy to advantage or disadvantage one party over the other.

3.10 Elimination of bias:
Kumar and Yale (2016:1644) define bias as any factor or process that tends to deviate the results or conclusions of a trial systematically away from the truth. In simple terms bias would mean going against what is true, or intentionally altering what is true in order to get flawed results. Throughout the research project, the researcher maintained minimal contact with respondents, except where clarification was needed, this was done to avoid the imposition of the researcher’s own view in the study. With the help of the editor, great care was taken in relation to language used throughout the study. Language was edited to be free from any gender, race, age and stereotypical bias.

3.11 Ethical consideration:
Alcser, Antoun, Bowers, Clemens, and Lien (2011:3) mention that the main goal of considering ethics in research is to protect the rights, confidentiality and privacy of participants. This is to ensure that participation in the study does not in any way bear risk towards the participants.

Informed consent:
Informed consent implies that participants are given adequate explanation regarding the type of information they ought to provide, why is this particular information being sought, for what purpose will it be used and how is it going to affect them Kumar (2011:244). Apart from the explanation provided on the questionnaire, the assistants who would be helping with distribution of these questionnaires were capacitated with necessary education to be able to handle any query from respondents.Kumar (2011:245) proposes that it is the researcher's responsibility to examine and ensure respondents will not suffer any harm in their involvement with the study, if there is some harm anticipated, the researcher should minimise the risk.

Confidentiality and anonymity:
The data collection tool was constructed in such a way that it did not ask for the name, number, address or any other aspect that would make the respondent identifiable. As such, information provided was strictly treated and kept as highly confidential as possible.

Permission obtained:
As the study was conducted in the area of the Municipality, the researcher approached the municipality for an official permission in the form of a letter before the study was conducted.
4. Results:
One hundred questionnaires were intended to be distributed. Seventy-nine questionnaires in total were received back from respondents; however, four of these questionnaires were partially completed and were therefore regarded as spoilt, leaving a total of seventy-five questionnaires to analyse.

4.1 Presentations of Results:
The data shows, of 75 respondents that completed these captured questionnaires, 43 % came from Bloemfontein, 32 % came from Botshabelo, while only 25 % came from Thaba-Nchu. It is further shown that 52% of the respondents were females while 48 % were males. Female respondents were in majority in both Bloemfontein and Thaba-Nchu, while more males than females responded in Botshabelo. 15 % of the participants were between the ages of 18 to 20, while the majority, which is 31 %, were between the ages of 21 to 25. 29% of the respondents were between the ages of 31 to 35 and 26 to 30 respectively. Even though the study initially included the primary schooling (grade 0 to 9) as one of the level of education option, there were no participants in this category, hence it was eliminated. Nearly half of the respondents passed grade 12 at 49%, while more than a quarter, at 27%, acquired a qualification. 37%, were either unemployed, or attending at institutions of higher learning. Only 23% of the sample was employed, while about 3 % were still attending high school.

If the respondents ever attempted to start a business:
The majority of the respondents, about 31 % strongly disagreed to the question whether they ever attempted the business that eventually collapsed, very closely at 29 % were disagreeing with this question. Only about 19% agreed to the question while a mere 9% strongly agreed to the question.

Future business prospects of the youth:
43 % of participants agreed to the question that they planned to start a business in the near future, with 40 % strongly agreeing to this. Only 3% of these respondents strongly disagreed to starting a business in the near future, only 1% disagreed.

Views about owning and running a business venture:
About 47% of the respondents strongly disagreed with the question that owning a business is a waste of time, with 40% disagreeing with the statement. Only 5% agreed that business ventures waste time while only 1% strongly agreed to this. 63 % of the respondents strongly agreed that had funding been made available, they would have owned successful business ventures by now, while 21% agreed to the statement. Only 8% of the participants strongly disagreed while approximately 1% disagreed to the statement. 7% of the respondents were not sure and therefore indicated they did not know.

The importance of SME’s:
The first question needed to find views about whether SME’s can help in fighting poverty. 45% of the respondents agreed strongly that SME’s can be used to alleviate poverty, while 43% of these respondents agree to the statement. Only 4% of the participants strongly disagreed that business venturing is the answer to poverty. 8 % of these respondents indicated they did not know if this was true. The second question needed to find out if youth were in agreement or opposing the notion that SME’s can help reduce the rate of unemployment. 31 % strongly agreed that SME’s can help reduce the rate of unemployment, while 53% were in agreement with the statement. However, approximately 3% of the participants indicated that they disagreed with the statement while 1% strongly disagreed. 12% of the respondents indicated that they did not know if this is true. The third question needed to find out
if the youth believed SME’s could rejuvenate and develop the economy of their respective communities and subsequently that of the country. 45% of the participants strongly agreed that it is true that SME’s can resuscitate and develop the economy of their respective communities and subsequently that of the entire country, while 39% agreed that this statement is true. Only 1% respectively disagreed and strongly disagree with the statement. 13% of the respondents did not know if this statement was true. The fourth question aimed at soliciting views from youth about SME’s and the role they can play in fighting crime. 44% of the youth who participated in this study agreed that SME’s will have an impact and would ultimately reduce the rate of criminal activities. 37 % of these participants strongly agreed that this is true. However, 3% disagreed that this is true, with 1% strongly disagreeing that SME’s can reduce crime. 15% of the respondents indicated they did not know if the statement is true or not. The last question was interested in knowing whether youth is in agreement that SME’s can address the inequality that exists between the wealthy and the poor. 41% strongly agreed that SME’s can address the inequality that exists amongst the poor and the rich people, 35% agreed to the statement. Only 2% of the respondents disagreed with the statement and 21% indicated that they did not know if the statement was true.

Money, experience, education or political beliefs:
93% answered yes, money is a prerequisite before anyone could start a business, only 3% said no, while 4% answered they cannot say is if this is true. 65% of the respondents answered yes; one needs experience before they could start a business, while only 16 % answered no. 19% could not tell whether this was important. 77% of the respondents believed education is more important before anyone could start a business, while only 9% disagreed with this. 13 % could not say whether education played a role or not.46% of the youth in this study disagreed that political connections are not important, hence not a prerequisite for starting as business venture. 43% indicated they can’t say if this is true or not and 11% said it is true. Political connection is the only one thought not to be a prerequisite for starting a business venture.

What prohibits young people from embarking on entrepreneurship?

The results show that 48% of the respondents agreed that lack of information prohibits them from engaging in entrepreneurship. 35% said no, while 17% said they could not say if it was the reason. 48% said yes, lack of skills is the problem. 33% said lack of skills has got nothing to do with their inactivity and 19% could not confirm nor deny. 65% of the respondents answered no, bank financing processes are not to blame for their inactivity. 19% were indecisive while only 16% responded positively to the question. Results showed that more youth agree that lack of information, skills and inability to write a concise business plan, were the deterrents in engaging in business ventures. Questions were also asked about what youth perceived as success factors in business. 57% of the respondents believe the age of the owner has no impact on the success of the business, 29% were not sure, while only 13% agreed that it made an impact. Furthermore 67% of the respondents agreed that the experience of the owner played a significant role in the success of the business. Only 24% disagreed and 9% were not sure. 45% believe education of the owner plays a major role in the success of the business, while 23% disagreed it had an impact. 32% of those interviewed were not sure if it played any role. A marginal 36% of youth believe that a place of residence has no bearing on the success of the business. 33% believe it does and 31 % were not sure.
Most identified fears which deter participants:

51% of the respondents disagreed that they feared to enter into business because they feared people would laugh if they fail, 8% strongly disagreed to this. 19% agreed that this is one of their fears. Only 13% strongly agreed to this statement and 9% did not know. There was a tie of 28% in agreeing and disagreeing with the fear that crime against business people is a deterrent. 23% of the respondents did not know, while 13% strongly agreed and 8% strongly disagreed. 32% of the respondents disagreed that jealousy from people is a fear worth deterring, while 29% indicated that they did not know. 17% agreed and 11% concomitantly strongly agreed and strongly disagreed with the statement. However, 36% of the respondents agreed that business deals can sometimes become life threatening and this is their fear for venturing into business. 27% agreed to this fear. Only 21% disagreed and 5% strongly disagreed. 11% did not know.

Challenges encountered by prospective entrepreneurs:

Challenges were given to the participating youth for them to identify which among those have a severe impact on their decision to embark on entrepreneurship. Out of twenty possible challenges, eleven, which were considered most impactful, based on their means,

Knowledge of youth in terms of funding and support:

This section was put together to test the knowledge of youth in terms of national agencies cascaded down to provinces and further down to municipalities. These agencies were selected purely because of their national footprint and the assumption was made that even the youth who stayed in deep rural areas would have heard about them over the radio or any other method of communication. Of these nine agencies, only five have been presented as they seemed to test this knowledge fairly. The other four were completely foreign to youth, hence they were ignored. Nyda was the most popular with 51% of respondents indicating that they know about it and its programme, 39% indicated they have heard about it, while only 11% did not know about it. Seda was the second most popular, with 37% of participants indicating that they know about it. 43% indicated they have heard about it and only 20% did not know it. 23% indicated they know IDC with 44% indicating that they only heard about it. 33% did not know about it. 60% indicated they did not know about Samaf, 36% only heard about it and only 4% know about it. 44% of the respondents indicated they did not know NEF. 38% claimed to have heard about it and 21% were not even aware of its existence.

4.2 Interpretation and Discussion:

It was thus found that fewer males than females have completed the questionnaires. The respondents were also dominated by the age group of 21 to 25 at 31%. The latter might be the results of questionnaires that were left at libraries. Worth noting also is the fact that 49% of the study respondents were those who passed grade 12 and they dominated the study. 27% were indicated as graduates, however, the study did not indicate the level of qualification for these graduates. This study revealed that a lot of young people have not owned a business venture before, but 30% and 32% strongly agreed and agreed respectively that they are planning to start a business in the near future. A lot more disagreed that owning a business is a waste of time and they indicated that if funding was not an issue, they would be business owners. Over 90% of the respondents agreed money played a major role before one could start a business. Education and experience respectively were equally important, this could be due to the fact that majority of the respondents had education and some were graduates. It would be difficult for them to not see the value of education when they already had one. However, they rejected intensely, the notion that one needs...
political connections before they can embark on a business venture. Some are discouraged by lack of collateral and perceived higher interest charged by banks. However, these respondents rated the following high, when they were asked why they are not involved in businesses already:

- Lack of information
- Information is equally important for one to make informed decisions and choices. The choice of what type of business to get into, the funding available and the application thereof, the support and the likes, all lie in the information that one possess. If one is uniformed, it is unlikely that they would act accordingly.
- Lack of business skills.
- Inability to write a concise business plan as the reasons.
- This is another skill that could be taught, still emphasising the importance of education in entrepreneurship.
- Many scholars still hold the view that education plays an important role in developing one into a versatile yet successful entrepreneur.

These respondents however, disagreed that age and place of residence have any effect on the success of the business. They marginally agreed with 28% on (1) crime directed at businessmen and with 36% on (2) dangerous deals. The latter 2 emerged as the most worrying factors.

4.3 Conclusion:
The rewards anticipated and perceived by youth could be the reason to motivate them into taking up entrepreneurship as an alternative career. Motivation is the reasons that explain the behaviour of willingness and volition (Lai, 2011:2). It is this conviction that this municipality needs to instil in youth in order to be motivated to establish business ventures. Extrinsic motivation, like profit from the business could be used as a motivator to get youth into SME’s. It was further revealed that despite these participants being fearless about venturing into business, some existing challenges prohibit them from taking up business ventures. These challenges were identified and recommendations were provided.

5. Conclusions and Recommendations:
Emanating from this study is that South Africa faces a big challenge of unemployment. Many still believe the answer lies in the expansion of the labour market. But with the slow economic growth experienced by South Africa, this is close to impossible. The country therefore needs to find ways of providing alternative employment in the midst of unemployment. And entrepreneurship could just be what the country needs. The study researched barriers which prohibits youth in the Municipality from becoming entrepreneurs and the findings were as follows:

- The study had fairly balanced number of males and females, so the information was a representative of both sexes. This research was further dominated by Bloemfontein residents and those between the ages of 21-25. However, the unemployment rate of the respondents 37.3%, way below the national average of 63.1%.
- When compared with other sub-Saharan African countries, South Africans were not intending on starting their own businesses. In fact on 14% percent intention rate was recorded, as compared with the sub-Saharan African average of 53%. This simply meant South Africans were not intending on starting their businesses soon. However, the study found that the majority of respondents planned to start their own entrepreneurial ventures, despite them having no experience of previous business. It was further found that these respondents had positive perceptions about entrepreneurship. Only 35 % of South Africans perceived opportunities when compared with other African countries, which have an average perception rate of 70%.
Many people have different opinions about what one requires before they can start their business. Some attitude alone is enough, some believes money play a major role. However, this study found that money, experience and education are very important when starting a business. Many disagreed that political connections have any bearing on the idea of starting an entrepreneurial venture.

The study found that youth indicated that they were willing to start their own businesses, but have not started yet because they lack enough information about where to access funding and support, lack of business skills and most also indicated that they can write a concise business plan.

This study also revealed that for one to be successful, age and the place of residence of the owner does not play a role. However, experience and education background of the owner have major role

The study found that most youth feared dangerous business dealings the most, when compared with other identified fears that other prospective entrepreneurs suffer.

Eleven persistent challenges have been identified, and they all seem to revolve around lack of knowledge, which can be supplemented by business education as recommended.

It was found that support is only accessible to those youth that are closer to Bloemfontein or have no trouble travelling there, hence many of young people portrayed little knowledge about funding and support available.

Youth throughout the globe face varied and difficult challenges. But what is common among the youth is the unemployment and joblessness. Comparably, South Africa is doing far worse than the rest of the world, with youth unemployment sitting on 63.1% as compared to the global average of 13%. Drastic measures have to be taken to remedy this situation.

5.1 Recommendations:

Challenges facing this country and hence the municipality remain “ours”, and the solution would not be a top down from government to the community. Communities should be empowered in such a way that they are not only able to discuss challenges, but they should be able to offer solutions as well. In achieving this, the Municipality should highlight the important role of business and its inherent advantages by engaging other active community stakeholders.

Recommendation One: Utilising churches as a source of information:

It is imperative that the church play a role in advancing the community within which it is located. Each church has a youth wing, which can also play a role in awareness. Government should adopt these churches and use them as funnels through which they can communicate directly to youth. From the roles identified above, it is the spiritual mandate of the church to engage and improve the welfare of the members of the community within which it operates. Both government and the church seem to have an overlapping goal and that is to alleviate poverty. It makes sense that the two can complement each other. The church can thus help the government in every way possible to make entrepreneurship work.

Recommendation Two: Empowering schools:

Schools are still regarded as the powerful source of information. It is further indicated in the study that business education can help entrepreneurship development in the following ways:

- Identification of viable business opportunities
- Formal education can expose an individual to a whole new world of business, thus opening up one’s mind for further opportunities to be tapped on.
- Skills for financial management
- Prudent financial management is of paramount importance for the survival of any business
venture, this skill could easily be acquired in the form education set up

- Utilization of proper marketing skills
- Consumers need to be aware of the existence of any venture and its products before they can support it. For this to happen, extensive marketing need to be done.
- Skills for proper business management
- Effective management skills need to be employed in order for any entrepreneurial venture to achieve success. Contemporary management practises have been researched and can thus be learned in the classroom set up.
- Avoidance of business failure
- Skills learned at formal institution can be a difference between business success and or failure.
- Many schools in this municipality have taken a first step forward by introducing an “entrepreneurial day”, but this is only focused on commerce learners and excludes the majority. Further commitment by government to improve on this is advised.

Recommendation Three: Utilise libraries for information:

Libraries are not fully functional and they should be improved to offer updated information to young people. Most of them are furnished with out-dated material; hence they fail in their very core responsibility of information impartation. Libraries should have a dedicated section that deals with entrepreneurial information. And lastly, the internet connection in these public libraries deserves an upgrade.

Recommendation Four: Improving accessibility of NYDA offices:

Many of the respondents, especially from Thaba-nchu, indicated the accessibility of Nyda as a problem. Many have had to travel to Bloemfontein to be able to access Nyda offices, and it happens that they are not helped right away. More often than not, they had to make couple of returns to this office, and this is costly. A rethink concerning the erection of extra two offices, one in Botshabelo, and another one in Thaba-nchu.

Recommendation Five: Improving internet connectivity within the municipality:

It might prove useful to have wi-fi accessibility for internet connection, especially in rural areas of Thaba-nchu. This would provide relief to youth who have had to travel long distances to queue at libraries for internet connection. Internet beneficial for information accessibility, increasing accessibility to the internet would indirectly increase the pool of knowledge that youth can access.

Recommendation Six: Mentorship programmes

Prior to becoming actual entrepreneurs, these youth need to be exposed to what they are letting themselves into. The municipality has successful entrepreneurs who can be urged to assist in exposing and thereby mentoring prospective entrepreneurs. Persistent challenges that prohibit the establishment of businesses seem to stem from lack of knowledge and inadequate information from both parties. Government wants to help, but is clueless on who needs help, what kind of help is needed and how to go about providing this help. Youth on the other hand, knows that it needs help, but is not aware which organs of government can offer this help. Thus entrepreneurial inactivity could be attributed to this missing information.

5.2 Conclusion:

This study intended to highlight and explore barriers facing young prospective entrepreneurs as they intended to start their own businesses in the Municipality. During this endeavour, it uncovered the importance as well as the perception of youth about SME’s in the country and subsequently around the municipality under study. The study has also discovered that lack of communication and information between the municipality and youth could be the reason for this lack of
involvement by youth in establishing businesses. Recommendations were provided to mitigate the identified challenges, as well as doing away with the identified communication breakdown between the municipality and youth. It is still worrying; however, that the majority of respondents were past grade twelve yet possess little information about the support provided by national government. This shows schools are still lacking behind in terms of reviving the entrepreneurship spirit in the country. Further research around the following would be vital:

- Intentions of establishing business ventures among the school-going children.
- Integration of entrepreneurial programmes as extramural activities or as part of the curriculum in schools.

It is worth reiterating that the results of this can only be used as guidelines and should not be inferred to the entire population as the non-probability sampling technique was employed.

References:


