



The role of entrepreneurial policies in developing rural tourism entrepreneurship in South Africa

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Abstract

Since 1994, the South African Government has introduced numerous entrepreneurial policies and support institutions aimed at developing entrepreneurship, which is viewed as a solution for the country's socio-economic problems of poverty, unemployment and inequality. However, because of a limited understanding of the dynamics of rural entrepreneurship, Government efforts to uplift rural entrepreneurs have not been effective. Challenges relating to lack of appropriate business infrastructure, barriers to enter new markets, lack of industry mentors and networking opportunities, stiff competition, high cost of regulatory compliance and barriers in accessing bank loans continue to undermine business viability in rural areas. The problem that the research addresses is to understand the factors that explain the low profitability, competitiveness and survival rates of rural micro-lodging enterprises, as a specific category of entrepreneurial enterprise, despite the context of increasing tourism generally in South Africa and a consequent hypothesised positive impact on business prospects. Using a qualitative case study design; in-depth interviews with 15 lodging business owners and officials from four government support institutions were conducted. Atlas.ti was used to analyse data. The study found that the main users and beneficiaries of these policies and the support institutions are urban, literate and well-established entrepreneurs, while the rural entrepreneurs most in need, and in many cases, the actual object of policies, do not access the support due to lack of knowledge or information, or cannot due to distance and cost. Because of policy-makers' lack of knowledge and information, rural entrepreneurs are subjected to a one-size-fits-all policy implementation approach which is counter-effective. The study recommends adapting policy implementation to suit the unique local conditions of rural communities. The paper concludes by proposing policy interventions imperative in developing entrepreneurship in the rural areas.

Keywords: Entrepreneurship policies, rural areas, tourism lodging, South Africa

Introduction

As social and economic problems such as unemployment, poverty and inequality appear to be increasing in quantity and complexity, a profound shift in government policies toward supporting businesses as a panacea for these problems is occurring (Friesen, 2014; Gilbert, Audretsch & McDougall, 2004). There is a growing recognition that entrepreneurship can make a difference in the economic vitality of communities, region, industries and nations (Hart, 2003; Cassin, Soni, Karodia, 2014). This is the case for a developing country like South Africa, where high unemployment and poverty levels provide a strong motivation to create jobs through establishing a supportive environment for new businesses to develop (Preisendoerfer, Bitz & Bezuidenhout, 2014; NDP, 2012:10; BER, 2016; GEM, 2014). This faith in the potential of entrepreneurship to solve socio-economic problems is demonstrated by the National Development Plan (NDP) pronouncement that supporting entrepreneurs is the national priority between now and 2030 (NDP, 2012). The (NDP) projects the following three key goals, dubbed the Vision 2030 Goals: an attempt to (1) eradicate absolute poverty – from 39 per cent of people living below the poverty line of R419 (2009 prices) to zero, (2) reduce unemployment



rate to 6 per cent – by creating 11 million more jobs by 2030, and (3) reduce inequality from 0.69 to 0.60 Gini coefficient, through a range of policy interventions. Of note, 90 per cent of the expected jobs in the NDP plan will be through small businesses. The NDP is simply the latest and highest profile policy document advocating for increased entrepreneurship within the South African economy. Numerous policies supporting entrepreneurship pre-date it, including the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (SA, 1995), the National Empowerment Act (SA, 1998), the Preferential Procurement Act (SA, 2000), the B-BBEE Act (SA, 2003), and the Small Business Act (SA, 2003), and a corresponding extensive structure of supporting organisations and bodies to implement these policies and to accelerate entrepreneurship promotion, known as Capacity Developmental Institutions (CDIs) such as the Department of Trade and Industry (DTI), Small Enterprise Development Agency (SEDA), The National Empowerment Fund (NEF) and the National Youth Development Agency (NYDA) among others. Of late, a new ministry was established to oversee the development of small business and entrepreneurship, the Department of Small Business Development. Despite all these initiatives, the government's efforts to grow entrepreneurship have not been effective. The Global Entrepreneurship Monitor (GEM) reports that 70 per cent of the country's SMEs fail in their first year. In addition, (GEM) statistics demonstrate a downward trend in South Africa's 'Total Entrepreneurship Activity' (TEA), over the last seven years (2010 – 2017).

For example, South Africa's level of early-stage entrepreneurial activity declined by a staggering 34 percent, from 10.6 percent in 2013 to 7.0 percent in 2014, and more recently in 2017 to a rate of 6.7 percent (GEM, 2014; 2017). The common view that entrepreneurial support correlates with increased entrepreneurial activity (Rwigema & Venter, 2004; Rogerson, 2004; Ndabeni & Rogerson, 2005; Ngorora & Mago 2013; Berry, von Blottnitz, Cassim, Kesper, Rajaratnam & van Seventer, 2002; O'Neill & Viljoen, 2001) is contradicted in the South African case. The intended outcomes of entrepreneurship policies in South Africa are yet to be realised (Lebambo & Shambare, 2017; Berry, von Blottnitz, Cassim, Kesper, Rajaratnam, van Sevente 2002; Mago & Toro 2013; Ngorora & Mago 2013; Ndabeni & Rogerson 2005, Lebambo, 2014; Chalera 2007). It is against this background that this paper assesses the role of governments' entrepreneurial policies in developing entrepreneurship, particularly in the rural areas.

Thus, the research question posed by the study is; *given the numerous entrepreneurial policies and capacity development institutions introduced by government since 1994, how have they influenced the development of micro-tourism enterprises in the rural areas?*

In the following section, the study provide an overview of international perspective on the emergence and development of entrepreneurship policies. Furthermore, a review of some of the proposed policy interventions in South Africa is conducted against the current state of rural entrepreneurship.

Literature review

Entrepreneurship policies: emergence and challenges

The formation of the Global Entrepreneurship Monitor (GEM) in 1997 set the tone for entrepreneurship policy discourse in the mainstream entrepreneurship literature. Motivated by the significant impact entrepreneurship has on economic development as supported by existing literature, GEM scholars from around the world started conducting entrepreneurship assessments using countries from different regions in Asia, Europe, Latin America and North American, to investigate the level of entrepreneurship occurring in different countries, its association to the national economic growth and factors influencing it over time. The most common feature in the reports by GEM among other key findings, is the constant referral to government as the key player in increasing the level of entrepreneurial activity in different



nations (Reynolds et. al, 2005). In developing entrepreneurship, government policy has a major influence on establishing an environment and infrastructure that supports entrepreneurship by promulgating legislation, improving institutional capacities, rendering adequate measures of economic policy (Minniti, 2008; Dzafic & Babajic, 2016). Given the strategic importance of entrepreneurship to the general economy, many countries have taken measures through entrepreneurial policies to stimulate, support, and promote entrepreneurship. For example, China's "Open-Door Policy" which deregulated markets and decentralised policies resulted in a friendlier and accommodating entrepreneurial environment supportive to new incubators (Li, 2013). In the United States, the Small Business Innovation Research (SBIR) programme, which was enacted under the Business Development Act (1982:97) provided mentorship and funding to small businesses. Consequently, increasing the role of innovative small businesses in global markets and increasing the businesses' survival and growth rate (Lerner & Kegler, 2000; Gilbert *et al.*, 2004). These experiences illustrates the power policies and programmes have in creating an enabling environment for small businesses to thrive.

Lundstrom and Stevenson (2005) analysed the construction of entrepreneurship policy by assessing the practices of governments in thirteen countries in Europe, North America and Asia-Pacific regions. What distinguishes the authors' research from other studies on entrepreneurship policy is the ability to present not merely policy actions to be taken by government to achieve an entrepreneurial economy but specifying the "entrepreneurship policy action" that is needed. This also led to distinguishing between small business policy and entrepreneurship policy. Hart (2003:6) argues that entrepreneurial ventures are not the same as small business, making entrepreneurship policy distinct from small business policy; an important distinction.

The distinguishing element of entrepreneurship policy is that it is designed to support novelty and dynamism or a constant expansion. Lundstrom and Stevenson (2005) reason that the two categories may be interrelated, but their objectives are different. Small business policy focuses on strengthening the existing small business by ensuring they have a level playing field relative to large firms, while the main objective of entrepreneurship policy is to stimulate higher levels of entrepreneurial activity by influencing a greater supply of new entrepreneurs (Lundstrom & Stevenson, 2005:51). In other words, entrepreneurship policy impacts not only on actual entrepreneurs but also on "nascent" entrepreneurs, who are seriously considering starting a business (Reynolds *et al.*, 2000). This includes fostering networks of potential customers and service providers, which in turn reduces the uncertainty facing nascent entrepreneurs (Hart, 2003:8).

In the case of South Africa, policies such as the Preferential Procurement Act (200), the Broad-based Black Economic Empowerment Act (2003) and Competition Act (2000) attempt to level the playing field for the majority of emerging entrepreneurs in the mainstream economy. In particular, black people, women and those from rural or under-developed communities. On paper, this should be achieved by creating a demand for small enterprise products and service through procurement and tendering opportunities in the corporate sector, state-owned enterprises (SOEs) and government. However, in practice, the prime beneficiaries in terms of access and awareness of the SMME support programmes set up by government are still urban-based SMMEs (Rogerson, 2004; Lebambo & Shambare, 2017; Ngorora and Mago, 2013), a gap which the study investigates.

Defining entrepreneurial policies

The domain of entrepreneurship policy remains large, consequently there is no consensus as to what constitute an entrepreneurship policy. Hart (2003) suggests this could be that entrepreneurship policy encompasses activities at several levels of government, from local to national and beyond. This includes governance capacities ranging from regulatory policy to



economic development partnerships to poverty alleviation. As a result, entrepreneurial policy includes a wide range of economic, social and cultural factors (Hart, 2003). As a basis, Gilbert et al., (2004) define entrepreneurial policies as contemporary policy instruments that are enabling in nature and centre on new and small businesses, contrary to traditional policy instruments governing business that typically worked to constrain big businesses. This includes for example the provision of business infrastructure, access to financial capital, skills and mentorship programmes, intellectual property protection, access to markets as well as easing the regulatory and compliance burden (Hart, 2003; Lekhanya & Visser, 2016; Rogerson, 2008).

Given that, public policy can shape virtually all the contextual determinants of the demand for entrepreneurship and over time scale the supply of entrepreneurs as well (Hart, 2003). Gilbert et al., (2004) argue that entrepreneurship policies are emerging as one of the most essential instruments for economic growth. Just as monetary and fiscal policy were the mainstays for creating employment and growth in the post-war economy, entrepreneurship policy is likely to emerge as the most important policy instrument for a global and knowledge-based economy (Gilbert et al., 2004). For the purpose of this study, rural entrepreneurship policy is defined as an action which employs governmental authorities to commit resources such as the infrastructure, local presence of capacity development institutions, accesses to finance, mentorship and skills development programmes in support of rural entrepreneurship development (Considine 1994).

Tourism development as a key policy focus in South Africa

Among the six key economic sectors (agriculture, mining, manufacturing, retail, financial services) that have been targeted by government to advance the economy of South Africa post-Apartheid is tourism (Tourism SA, 2014; Rogerson & Visser, 2004; NDP, 2012). South Africa's tourism sector continues to increase its contribution to the country's GDP and job creation. The unspoilt environment and natural attractions that include wildlife, mountains and some of its incredible landscapes, national parks, and cultural sites continues to draw tourists to South Africa, subsequently positioning South Africa as a tourism destination of choice. Tourism's direct contribution to GDP was R103,6 billion in 2013, rising from R93,5 billion in 2012. The industry's contribution to total GDP remained stable at 2,9 percent for both years (Stats SA, 2015). In the same year, 2013, Tourism South Africa celebrated another milestone, reaching an impressive highest score of 10 million international visitors (Stats, SA, 2015). This is massive growth compared to the figure of less than one million that was recorded in the late 1980s.

In 2017 the Tourism sector created over 31 000 net new jobs, surpassing major industries and making the sector the leading contributor to net jobs generated within a year (Stats SA, 2018). Of the figure, over 5 000 were created by the accommodation sector. Overall, tourism sector contributed 2.8 per cent (R130 billion) to South Africa's gross domestic product in 2017 (Stats SA 2018). South Africa still leads the Southern African Development Community (SADC) region's global tourism competitiveness rankings. However, in terms of total tourism employment contribution, countries like Namibia and Botswana continue to grow ahead of South Africa, contributing 44 700 (5.5 per cent) and 84 000 (8.8 per cent) of the total employment respectively (WTTC, 2019).

To set the sectoral context within which the research problem is investigated, given the growth of tourism in South Africa, this has, naturally, increased the demand for tourism lodging. Consequently, tourism accommodation suppliers, in particular B&Bs and guest houses have mushroomed. The Tourism Grading Council of South Africa (TGCSA) estimates that as at mid-October 2015, there were 9 733 lodging establishments in South Africa. Of these, 4 462 are non-hotel establishments (i.e., B&Bs, Guest houses) account for 57 138 rooms. Collectively, these accommodation establishments contributed approximately R1.7 billion to



gross domestic product (GDP) in 2014; an increase of 9.3 percent from the 2012 figures (Stats SA, 2014). The lodging industry is growing in revenue earned, but this research seeks to examine the health of the micro-lodging enterprises in the Mpumalanga Province in South Africa, and whether it is growing in tandem with the tourism industry as a whole. Despite these upsurges, micro-lodging enterprises in rural Mpumalanga Province are battling to make profit and sustain their businesses. Furthermore, although much research effort has been directed at understanding the dynamics of entrepreneurship policies and support structures in stimulating entrepreneurship, the impact of these in promoting rural entrepreneurship is largely unknown.

The gap in policy interventions for rural entrepreneurs in South Africa

Within the mainstream entrepreneurship literature, there is hardly a distinction made between urban and rural entrepreneurship. Part of this reason is that a vast majority of the literature comes from developed countries, where rapid urbanisation meant that rural areas transformed into towns and cities and therefore truly rural-focused policies have become less of a priority.

However, rural populations are very prominent in developing countries like South Africa, where the rural population is estimated at 35 percent (or 19 million individuals) of the total population of 57.73 million (Stats SA, 2018). Thus, the notion of rural entrepreneurship in countries such as South Africa it is an important factor that needs to be addressed. More so, the impact of the current entrepreneurial policies on rural entrepreneurship need to fully be investigated.

To illustrate, Table 1-4 below illustrates four Entrepreneurship Policy Imperative (EPI) significant in developing rural entrepreneurship in South Africa, the proposed government interventions in the policies and implications for rural entrepreneurs.

Table 1: Entrepreneurship policy imperative 1: ADMINISTRATION AND FINANCE

Policy	Proposed policy interventions by government	Implications for rural entrepreneurs
<ul style="list-style-type: none"> ▪ 2000 Preferential Procurement Act 	Increased access to markets.	Limited access to markets (Ndabeni & Rogerson, 2005; Rwigema & Venter, 2004).
<ul style="list-style-type: none"> ▪ 1998 Competition Act 	Create demand for small enterprise products and service through procurement opportunities in the corporate sector, state owned enterprises (SOEs) and government.	Lack of industry mentors and networking opportunities (Ngorora & Mago; 2013; Lebambo 2014).
	Tendering process accessible to black people.	Stiff competition from monopolistic and established businesses Ndabeni & Rogerson, (2005).
		Inadequate marketing strategies due to lack of training (Liebenberg, Louw, Steadman & Swanepoel 2007; Rwigema & Venter, 2004).

Source: developed for the study



Table 2: Entrepreneurship policy imperative 2: INFRASTRUCTURE DEVELOPMENT

Policy	Proposed policy interventions by government	Implications for rural entrepreneurs
<ul style="list-style-type: none"> 2003 Broad-based Black Economic Empowerment Act. 2012 National Development Plan. 	<p>Provision of infrastructure in the rural areas and increased access to technology.</p> <p>Increased participation in productive economic activities in under-developed areas.</p>	<p>Lack of appropriate business infrastructure such as electricity, poor roads, lack of telephones (Nuntsu, Tassiopoulos & Haydam, 2004; Jing; Thomas, 2004; Lebambo & Shambare, 2017).</p> <p>Lack of ICT such as access to the Internet, making online communication and Internet marketing impossible (Ndabeni & Rogerson, 2005; Rwigema & Venter, 2004).</p>

Source: developed for the study

Table 3: Entrepreneurship policy imperative 3: ACCESS TO MARKETS Source: developed for the study

Policy	Proposed policy interventions by government	Implications for rural entrepreneurs
<ul style="list-style-type: none"> 2000 Preferential Procurement Act 1998 Competition Act 	<p>Increased access to markets.</p> <p>Create demand for small enterprise products and service through procurement opportunities in the corporate sector, state owned enterprises (SOEs) and government.</p> <p>Tendering process accessible to black people.</p>	<p>Limited access to markets (Ndabeni & Rogerson, 2005; Rwigema & Venter, 2004).</p> <p>Lack of industry mentors and networking opportunities (Ngorora & Mago; 2013; Lebambo 2014).</p> <p>Stiff competition from monopolistic and established businesses (Ndabeni & Rogerson, 2005)</p> <p>Inadequate marketing strategies due to lack of training (Liebenberg, Louw, Steadman & Swanepoel 2007; Rwigema & Venter, 2004).</p>

Table 4: Entrepreneurship policy imperative 4: LEGAL FRAMEWORK

Policy	Proposed policy interventions by government	Implications for rural entrepreneurs
<ul style="list-style-type: none"> 1996 National Small Business Act. 2003 Broad-based Black Economic Empowerment Act. 	<p>Creating a user-friendly legal framework.</p>	<p>High cost of regulatory compliance for micro-rural entrepreneurs, i.e. high tax rate, high interest rates, and high bank charges on business accounts.</p> <p>Barriers in accessing bank loans (Chalera 2007; Rwigema & Venter 2004).</p> <p>Barriers to enter new markets and industries.</p>

Source: developed for the study

Despite the various entrepreneurial policies such as the National Small Business Act, Broad-based Black Economic Empowerment, Preferential Procurement Act and support institutions such as the Department of Small Business Development, Small Enterprise Agency and National Empowerment Fund introduced by the South Africa government since 1994, there are prevailing challenges facing rural entrepreneurs that are less frequent if not in existence



in the urban areas as presented above. Challenges relating Lack of appropriate business infrastructure, limited access to markets, lack of industry mentors and networking opportunities, stiff competition, high cost of regulatory compliance, barriers in accessing bank loans and barriers to enter new markets and industries. Thus, despite a lucrative opportunity in the South African accommodation sector presented by the upsurges in the tourism figures, rural micro-lodging business are battling to survive due to the unique challenges they face, inter alia, lack of infrastructural facilities, barriers to enter new markets and limited access to business information and resources (Lebambo & Shambare, 2017).

Methodology

This study followed a qualitative case study design, whereby in-depth interviews were used as the method for primary data collection. The interviews took place in the rural areas of Mpumalanga Province, in two local municipalities Bushbuckridge and Mbombela. To facilitate the collection of comprehensive data from the entrepreneurs and government's perspective, two groups of respondents were interviewed.

The first group is of entrepreneurs operating lodging businesses in rural Mpumalanga and the second group comprised of officials from various support institutions such as SEDA, Local Economic Development Unit, Department of Tourism and the Municipal office. Pseudonyms were used to protect the identity of all the establishments and their owners. Each lodging establishment was considered as an individual case for the study. This design was used because qualitative methodologies explore research problems in as much detail as to achieve in-depth rather than in-breadth knowledge (Yin, 2016).

The interviews were arranged with the entrepreneurs beforehand. Digital voice recorders were used to capture the interviews. The recorded interviews were transcribed for subsequent analysis. In addition, the researcher also observed customers as they made use of the B&B and or guest house; as they were enquiring, being ushered to their rooms and enjoying their stay in the establishments. This was done to establish the circumstances of rural business owners in a real-life situation; to assist in classifying pertinent actions or events according to a specific theme.

Research population and sample selection

South Africa offers various types of accommodation; including hotels, guesthouses, B&Bs, lodges, camping sites and camping parks, backpacker lodges and game reserves (SA Tourism, 2010). These establishments differ widely in sizes and services. Hotels are usually corporately owned, larger in the number of bedrooms and employees, and are usually of international standard. Lodges are similar to guesthouses or B&Bs in their service offering. They are located on small farms, residential properties or within resorts and holiday complexes, are usually fully equipped self-catering establishments. Generally, they have fewer bedrooms and employees, are usually reasonably priced compared to hotels. The research draws its sample from the population of B&Bs and guest houses located in the rural areas of Mpumalanga Province. The criteria for selecting these cases is based on a number of reasons, including that Mpumalanga is one of South Africa's most popular tourism destinations and has a high concentration of B&Bs and guest houses. Bushbuckridge and Mbombela municipalities are gateways to famous tourist destinations in the Mpumalanga Province such as the Kruger National Park, Graskop Gorge falls, God's Window, Three Rondavels. As such, accommodation establishments have mushroomed in the Province in recent years, especially in the rural areas.



Data analysis

The qualitative data analysis software ATLAS.ti was used to analyse the transcribed interviews. Both discourse and content analyses, using open coding and theme categorisation were used. This was followed by within-case and cross-case analyses utilising ATLAS.ti analysis tools including the Query Tool, Code Co-occurrence Explorer, and Codes-Primary Document Table (Friese, 2014). The data analysis corresponds to the two general principles of constant comparison, an iterative process of comparing data incidents and categories continuously, and theoretical sampling, elaboration and refinement of the categories constituting a theory, in accordance with Walsh *et al* (2015). The data analysis also follows Yin's (2016:185) five-phased cycle of compiling, disassembling, reassembling, arraying, and concluding.

Findings

In presenting the findings, the 5C protocol of effective policy implementation (Brynard, Cloete & De Coning, 2011) was adopted as a guide to assess entrepreneurship policy implementation efficacy in the development lodging establishments in rural Mpumalanga province. The five categories of policy assessment are Content, Context, Commitment, Capacity and Clients and Coalitions. The assessment of policy is performed on the Research Propositions developed for the paper which assert that entrepreneurship policies are effective when reinforced by the following five attributes:

- P1: *Financial and non-financial support:* access to finance, mentorship, training and skills development strengthen the growth of small businesses (Audretsch & Thurik, 2001; Hart, 2003; Minniti, 2008; Lebambo, 2014).**
- P2: *Admin practices:* entrepreneurship policies require proper and effective admin practices (Brynard *et al.*, 2011; Mirzanti *et al.*, 2015).**
- P3: *Infrastructure development:* access to proper roads, electricity, and information and communication technologies increase the ease of doing business (Mirzanti *et al.*, 2015).**
- P4: *Markets:* increased access to markets facilitates the demand for small enterprise products and service (Mirzanti *et al.*, 2015; Verheul *et al.*, 2001).**
- P5: *Legal framework:* creating a user-friendly legal framework that supports and promotes the sustainability of small businesses (Lundstrom & Stevenson, 2005).**

Assessment of administration policy (proposition 1)

POLICY: National Small Business Act No. 102 of 1996

Content: The Act defines the small business sector according to size and sector and also aims at creating a user-friendly legal framework for businesses.

Context: The legacy of the South African business sector is dominated by big business, constrained competition and unequal distribution of income and wealth. Thus, this Act category the small business sector and identifies the kind of support needed for each.

Commitment: There is little commitment in understanding the plight of rural entrepreneurs. More resources are channelled to urban areas, leaving those operating in the rural areas under-resourced. Respondent 5 is an elderly B&B owner (over 70 years) who relies on walk-in customers. He stated that:

I do not have enough knowledge on what to do... plus I am aging, I don't have enough hands to help me. That is why I have taken a decision to sell the business.
[Respondent 5: Quote 56].

Respondent 5 was visited by Mpumalanga government officials in 2010 during the FIFA World Cup, who promised to help him with Internet connectivity to facilitate eMarketing, but by 2017 he had not received the promised support.

Capacity: The introduction of eGovernment services, such as the Companies and Intellectual Property Commission (CIPC) online business registration, has been successful in reducing the turnaround time for business applications. However, the reality is that rural areas still lack proper telecommunication infrastructure. Some entrepreneurs can barely understand the world of the Internet due to lack of knowledge and skills in the application of technology into their business. Thus, resulting in low adoption of important technologies such as Internet marketing by the some of the businesses despite the Internet's advantage of global reach in promoting and distributing tourism services. In addition, offices of entrepreneurship support are located far from the villages and townships, forcing rural entrepreneurs to travel distances to access information. To illustrate, the Respondent 16 from SEDA stated

SEFA in the Province is in Nelspruit, locally in Bushbuckridge is only SEDA, and Respondent 1 explained "I don't know how many times I have personally travelled to Nelspruit MEGA on the issue of funding" [Respondent 3: Quote 5].

Clients and Coalitions: Because of the backlog in infrastructure development, and inadequate skills development programmes tailored for rural business people and lack of offices in the rural areas, the envisioned policy objectives do not reach the intended people on the ground.

Figure 1 below illustrates the Government's transition to eGovernment services for business registrations. This is quite puzzling as, although eGovernment is an efficient way of getting services to the people as promptly as possible, the move to paperless business application process has not considered a number of factors.

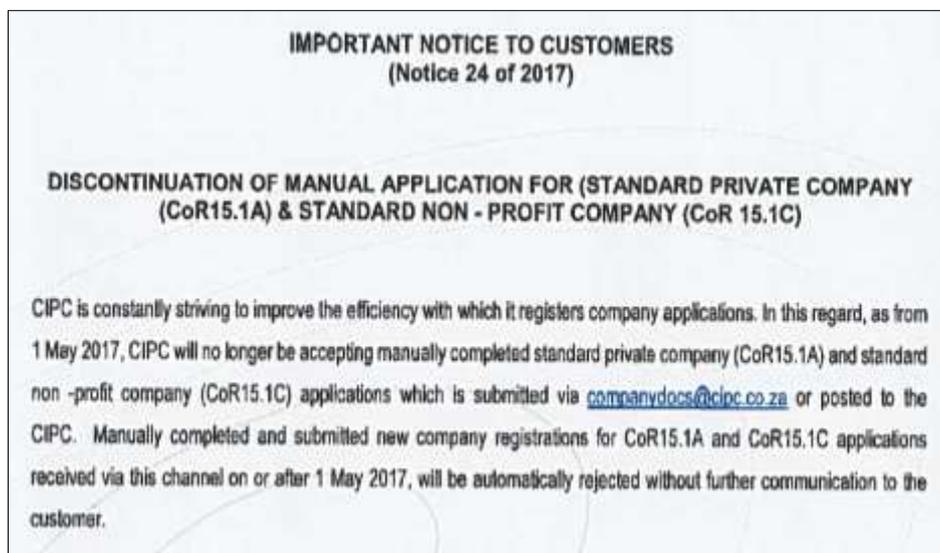


Figure 1: Notice of discontinuation of manual business applications
Source: CIPC (2017)

Firstly, how many of the rural entrepreneurs are aware that manual applications have been discontinued? Secondly, was there consultation? Are there sufficient and effective arrangements for those without access to telecommunication infrastructure such as Case 5 in the extract above, who is unfamiliar with the Internet world? In addition, how many of the CIPC service centres are available in the rural areas? Furthermore, the CIPC Third Party System has opened the doors of exploitation as some take advantage of these conditions and are charging exorbitant amounts of money for services that are in fact almost free.



Assessment of financial and non-financial support policy (proposition 2) **POLICY: National Empowerment Fund Act No. 105 of 1998**

Content: The Act seeks to promote, and support business ventures pioneered and run by historically disadvantaged persons.

Context: Through the National Empowerment Fund, the Act promotes and facilitates financial and non-financial support to black empowered businesses. Loans range from R250 000 to R75 million across all industry sectors.

Commitment: The policy is well intentioned, but there is an observed failure of policy implementation and lack of commitment from policy implementers. It is evident from respondents that little has been achieved on the policy objectives;

...if you apply for a liquor license do you know how long it takes, it can take up to four months, but if you bribe someone you can get it in two weeks, that is a problem" (Respondent 13). "They wanted the business plan, title deed of the house, as if I am using my house as a security like a bank, so that when I fail to pay the loan, they will take my house, that was not the plan" (Respondent 1). "Well banks and loan sharks are the same, you will pay them for the rest of your life [Respondent 14: Quote 48].

Capacity: The responses from the case studies illustrate that, although the Government has made progress in redressing the unjust system of Apartheid which excluded black business from the national economy, participation post-Apartheid remains for a selected few; mainly established firms, urban and literate. Insufficient staffing and capacity have also had an adverse effect on successful service delivery.

We have an LED (Local Economic Development) unit, within that unit we have a section that deals with tourism under the Department of Tourism. But we must indicate that we don't have enough human capital as a municipality. We are a small municipality to cater for all these things [Office of the Mayor Respondent 17: Quote:8].

Clients and Coalitions: Despite institutions being set-up and funds being allocated, those who are in dire need of these services, whom are the majority, are impoverished and in rural areas are yet to benefit from these policies.

Assessment of infrastructure development policy (proposition 3) **POLICY: National Development Plan 2030**

Content: The National Development Plan aims to eliminate poverty and reduce inequality by 2030.

Context: The Plan aims to eliminate income poverty by reducing the proportion of households with a monthly income below R419 per person (in 2009 prices) from 39 percent to zero, to reduce inequality measured by the Gini coefficient falling from 0.69 to 0.6, to increase employment from 13 million in 2010 to 24 million by 2030, to establish a competitive base of infrastructure, human resources and regulatory frameworks, and to ensure that all South Africans have access to clean running water in their homes.

Commitment: If by 2019, 25 years post-Apartheid, 69 percent of all South Africans that live in poverty live in rural areas, with limited access to water, proper roads and telecommunication, it will take the South African Government an effort of colossal proportions to ensure that in less than 13 years, all South Africans will have clean running water and proper infrastructure that supports business efficiency by 2030. This scale of commitment to implementing the policy is not evident at present, as a result, the target is unrealistic as illustrated by respondents:



For the past four years we have been having a serious problem with water. We had pipes bursting and leaking, we would call them, and they never assisted us” (Respondent 7). “Water is a challenge, though we have a JoJo tank but having to go on for two weeks without water is the biggest problem [Respondent 6: Quote 18].

Capacity: The research has demonstrated support for the notion by Warwick (1982: 135) who states that governments may have the most logical policy imaginable, but if those responsible for carrying it out are unwilling or unable to do so, little will happen.

Sometimes you are told “our truck is broken”, what can you say. There was a time where the roads were unbearable to drive on; they didn’t collect waste because the roads were bad. So those are our challenges, water and roads [Respondent 6: Quote: 20].

Clients and Coalitions: The mounting service delivery protests experienced across the country signal a post-Apartheid quandary with the potential to cripple the country’s stability. In addition, coalition groups such as civil societies and labour unions have joined in protests. This has further widened the gap between government and its citizens, bringing communication to an impasse.

Assessment of markets policy (proposition 4)

POLICIES: Broad-based Black Economic Empowerment Act 53 of 2003 and; the Preferential Procurement Act No. 5 of 2000

Content: The Acts seek to create demand for small enterprise products and service through procurement opportunities in the corporate sector, state-owned enterprises (SOEs) and Government, and to enable the meaningful participation of black people, women and rural or under-developed communities in the mainstream economy.

Context: In contradiction to the objectives of the Acts, policy and institutional support preference is still given to traditional establishments such as hotels and affluent lodges over rural micro-lodges. This is worsening an already existing stiff competition for the businesses in the villages. Government departments are accused of securing their own lodging with established hotels often distances away from the rural areas, even in cases where the relevant conference or meeting is hosted locally. As respondents indicated:

Government will never bring their people here. They do hold conferences and business seminars here in our community, but they hardly book with us (Respondent 6). Today under Mpumalanga they are taken to big hotels in Hazyview, White River and Nelspruit. Taking the business away from us, the citizens who were supposed to benefit from them ([Respondent 2: Quote: 12].

Commitment: The escalating number of bribery cases with many disappearing unpunished does not give an indication of a committed government entrusted with the responsibility of ensuring that black businesses flourish.

A market? What market? The government is killing business because of corruption and bribes (Respondent 7). If you don’t pay that bribery of 50% of the price charged for bringing a conference at your B&B, they will take business elsewhere (Respondent 3: Quote: 15).

Capacity: The procurement systems of South Africa are riddled with bias, corruption and bribery. Lodging entrepreneurs have indicated instances where they were informed by government officials to pay bribes to bring business to their establishments. Because of these flawed systems which fail to root-out corruption, service delivery is hampered. *“No cold drink, no business.*



The government departments you are talking about will book five people with you only if they are going to get a bribe, if there is no bribe, no one is going to book with my place [Respondent 13, Quote:35].

Clients and Coalitions: Despite the good intentions of these policies in creating channels for black businesses to benefit from the economy, the reality is that those intended to benefit mainly the impoverished rural businesses are yet to realise the benefits of the policies. The perception by rural entrepreneurs is that Government gives contracts to their allies.

Assessment of legal framework policy (proposition 5) POLICY: 1998 Competition Act

Content: The Act provides all South Africans equal opportunity to participate fairly in the national economy.

Context: Ownership and control of the economy was excessively concentrated in the hands of the whites only, excluding other races such as blacks to fully and freely participate in the economy of South Africa. The Act was enacted to open opportunities for small businesses for economic participation.

Commitment: There appears to be little commitment from policy implementers to ensure the policy objectives are met by ensuring free and fair participation in the economy, with corruption and bribery seeming to be the actual reality.

There's corruption a lot, the workshops always go to the same people in Nelspruit which is like one hundred kilometres from here [Bushbuckridge]. It is actually not a fair business, they expect you to pay money, they come and say they want 50 percent if they give you a business, they want a cut. So how are you going to develop, the primary client for my B&B is corporate business, so if there is corruption how are you going to grow? [Respondent 3: Quote: 8].

Capacity: Many of the institutions responsible for implementing the policy are only found in the cities and very little is known about them in the rural areas. Additionally, there are unintended consequences of accessing the legal framework, such as the cost of business i.e. compliance (tax, business legalities) which threaten the livelihood of small business. As a respondent described;

I was charged R1000 as a fine for operating without certificate of rezoning, is that encouraging business? (Respondent 7).

Clients and Coalitions: Because the implementing institutions are not known, they are not fully utilised. Community outreach programmes and dialogues should be improved.

Discussion

Themes that emerged from the study

Analysis from the study revealed that the dynamics of rural entrepreneurship are not adequately understood and to a great extent, undermined by policymakers who do not adapt policy implementation to suit local conditions and do not display the commitment to ensure successful implementation. The main users and beneficiaries of the policy support institutions are urban, literate and well-established entrepreneurs, while the rural entrepreneurs most in need, and in many cases, the actual object of policies, do not access the supports due to lack of knowledge or information, or cannot due to distance and cost. Because of policy-makers' lack of knowledge and information, rural entrepreneurs are subjected to a one-size-fits-all policy implementation approach.



The following themes emerged from the study:

Theme 1: neglected business infrastructure deters business viability

There is evidence of neglected infrastructure which negatively affect business prospects in the rural areas. Despite tourism being recognised as an integral part of economic development by the South African Government, many of the entrepreneurs still experience challenges regarding basic infrastructure necessities such as water shortages, poor roads, sub-standard service delivery such as turnaround time to process business applications documents and limited access to information and other business resources.

...This area does not have water; we struggle to get water. The whole village. So, I bought a truck to help us get water and I also dig a borehole for water, but the water is not safe...[Respondent 4: Quote: 15].

Sometimes you are told "our trucks are broken", what can you say. There was a time where the roads were unbearable to drive on; they didn't collect waste because the roads were bad. So those are our challenges, water and roads [Respondent 6: Quote: 20].

The findings resonate with studies from Nuntsu *et al.* (2004), Gopaul (2006) and Rogerson (2004), whose research on tourism businesses, many of which are operated in the rural areas, revealed similar challenges. Similarly, Ndabeni and Rogerson (2005) found that rural tourism in South Africa is dominated numerically by a host of 'marginal' entrepreneurs, many of which are informal sector tourism enterprises functioning at the barest levels of survival, arguing that if urgent policy attention of national, provincial and local tiers of government is not given to these challenges, upgrading the livelihoods of marginal tourism entrepreneurs would remain unattainable.

Theme 2: knowledge of entrepreneurship policies but no confidence in their effectiveness.

The notion that rural entrepreneurs have no knowledge of policies and regulations governing the business environment was unsubstantiated in this study. The majority of the business owners were able to quote one or two Acts supporting entrepreneurship development and the regulations governing the business environment. In many instances, they were fully aware of the existence of for example support institutions such as SEDA and the DTI, whose mandate is to assist in the development of small businesses. Irrespective of some of the entrepreneurs not having formal education, they appeared to be fully aware of the existence of the institutions and some of the policies. However, they had little confidence in the implementation of those policies and the functionality of the implementing institutions in the rural areas. The extracts below represent some of the entrepreneurs' views on government entrepreneurial policies.

The problem with South African Government is that everything we do is on paper, from policy-makers to the constitution, the constitution looks fine. You can go and do research also on the implementation of king 1, king 2, king 3 principles...it looks good, but are we implementing those policies...you can also look at the NDP... their policies on paper yes they are lucrative but in implementation, nothing"[Respondent 6: Quote: 38].

Theme 3: inadequate local presence of business institutions leads to lack of information

Because of lack of access to Government institution's offices locally, poor coordination in disseminating information and limited awareness programmes, the intended outcomes of Government's entrepreneurship development programmes do not fully reach entrepreneurs in the rural areas.;



...around here we should have a tourism office locally. The people who benefit are those located in town because they are closer to resources and the main offices.
[Respondent 7 Quote 23]

Similar studies by Chiloane-Tsoka and Rankhumise (2012), Koch (1993), Rogerson (2004) and Gopaul (2006), found that despite over two decades since the advent of democracy in South Africa, there is a very slow pace in transforming the business environment in South Africa, especially in the rural areas. For example, Koch in 1993 found that due to the legacy of Apartheid, tourism development in rural areas of South Africa had been neglected and communities were never given the opportunity to get involved in development owing to lack of information and awareness, lack of interest on the part of Government and stakeholders to assist rural communities, and lack of incentives to develop and involve rural communities. Gopaul's (2006) research on the significance of rural areas in South Africa for tourism development found that rural people are willing to participate in tourism for the development of their area as well as for their own development, however, owing to lack of proper business infrastructure, information, skills and training, the participation is not productive. The Local Economic Development unit in the Bushbuckridge Municipality admitted to having communication challenges because the Local Tourism Organisation was just recently launched in March 2016, as a result many entrepreneurs were left out of important programmes hosted. Case 19 interviewed below is an official from the Municipality, representing the Local Economic Development unit. Below are some of his comments on the availability of information and offices locally.

We must also acknowledge as a municipality that we didn't have what we call Local Tourism Organisation; that was a problem. We had to run this programme ourselves as government" [Government official, Respondent 19].

Theme 4: negative outlook on government support institutions

The objective of this theme was to evaluate the entrepreneurs' attitudes towards Government institutions set up to support the growth and development of their businesses. These are positive or negative views they have on government's entrepreneurial initiatives and support institutions set-up to help their businesses. In this case, the views entrepreneurs have on the institutions such as the municipality which must render services such as infrastructure development, departments and agencies which must offer financial and non-financial support. The negative attitude rural entrepreneurs have towards Government institutions have been triggered by factors such as neglected infrastructure and lack of services delivery, poor administrative processes, red tape and bureaucracy, stringent regulation, legal requirements, and a lack of synergy in intergovernmental relations, amongst other factors.

Overall, due to policy being good in theory yet poor in implementation, a sub-optimal policy outcome has been found to be present in rural Mpumalanga Province. This is illustrated below in Figure 2. Using ATLAS.ti the study found a negative and positive effect of policy, but the negative outweighs the positive. The negative effects result from the challenges mentioned earlier in within-case analysis and during the cross-case analysis. These include lack of infrastructure, cost of doing business, red tape and bureaucracy, limited training and skills development opportunities. As a result of the sub-optimal policy outcomes, four typologies of rural lodging entrepreneurs were found. The interventions for addressing the differences is presented in the conclusion and policy suggestions section below.

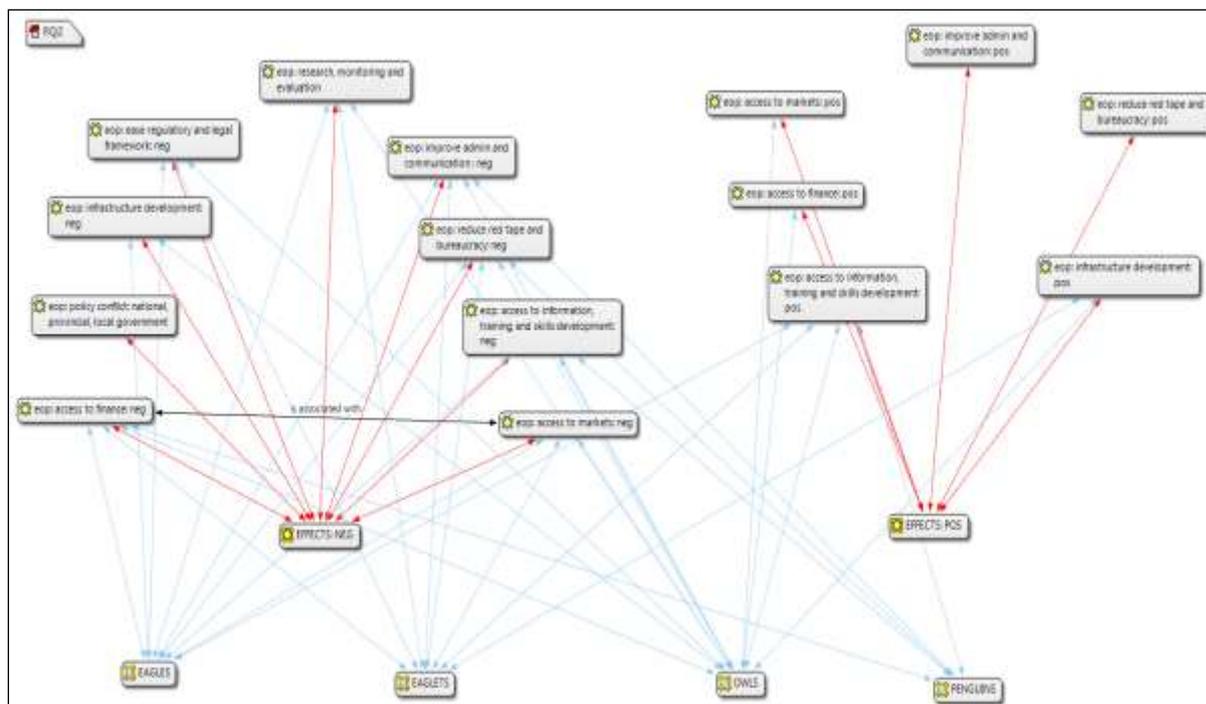


Figure 2: The effects of policy on rural tourism lodging businesses

Source: developed for the study

Conclusion and policy suggestions

The dynamics of rural entrepreneurship are not adequately understood and to a great extent, undermined by policymakers who neither adapt policy implementation to suit local conditions, nor display the commitment to ensure successful implementation. The main users and beneficiaries of the policy support institutions are urban, literate and well-established entrepreneurs, while the rural entrepreneurs most in need and in many cases the actual object of policies, do not access the supports due to lack of knowledge or information, or cannot due to distance and cost in accessing some of the capacity development institutions. Because of policy-makers lack of knowledge and information, rural entrepreneurs are subjected to a one size fits all policy implementation approach. For micro-rural enterprises to become sustainable and profitable ventures, government efforts should be directed in developing the infrastructure including g supply of clean water, proper roads and investment in ICTs to enable business efficiency. There is also a dire need of proper administration systems that will ensure effective and efficient support of business needs, such as compliance, funding and general information. Red-tape, kickbacks, poor systems in administration, a lack of information and availability of offices locally, and a lack of “tourism related” business management skills continue to threaten the viability of lodging businesses in rural South Africa. The study recommends adapting suitable policy implementation to meet the unique local conditions of rural communities so that policy can address the specific needs of rural businesses.

The research proposes the following interventions; at the macro-level of policy, (1) Infrastructure development (2) A Legal and regulatory framework, and (3) Administration, which are the important pillars of entrepreneurship policy development and they together constitute the material and significant features of the business environment. In other words, these policy imperatives should be implemented across settings, given that they are the backbone of the business environment. However, at the micro-level, markets, finance (grant and loans) and non-financial support (training and mentorship) are the policy interventions which are needed. For example, there are those entrepreneurs who were observed to be the



most developed with advantages such as qualifications, previous work experience, skill sets, and qualities needed to run a successful business. These kinds of entrepreneurs should be more supported with access to finance (business loans) to expand their establishments and specific training to advance their already existing knowledge of the business environment. This could be training related to expanding markets and linkages with travel e-commerce companies such as booking.com, Trivago and TripAdvisor. This therefore means that the latter category of entrepreneurs cannot be subjected to the same training or skills development programme, neither can they be supported equally with finance needs as compared to those operating at a barest level of survival due to their different and inferior capacity to utilise financial resources.

The owners at the bottom of the pyramid of entrepreneurship development, characterised by no formal education, the business being the primary source of income and operating at the barest level of survival, require one-on-one mentorship programmes which are tailor-made to fit their diverse needs. This could vary from basic, intermediate and advanced tourism business management and skills development programmes which are tailor-made to suit their business needs. Regarding access to markets, the study suggests that radical steps should be taken by Government to ensure that rural businesses are supported, particularly those operating at the barest level of survival. Undertakings such as making it compulsory for any Government programme such as meetings, seminars or conferences to be hosted at a local B&B as a way of expanding their markets, rather than using established facilities such as hotels located in the cities. This could be supported by policies such as the Preferential Procurement Act (2000), which seeks to Increased access to markets by creating a demand for small enterprise products and services through procurement opportunities in the corporate sector, and in state owned enterprises (SOEs.)

Additional recommendations

- There is a dearth of Capacity Development Institutions observed in the rural areas, as compared to the urban areas. It is vital that the availability of the institutions in the rural areas be increased because they will provide information support to the local businesses, reducing the cost and burden of traveling distances to access these imperative institutions.
- Regarding the few available support institutions found in the province, the problem identified from this research is lack of knowledge of the existence and their respective mandates. Awareness campaigns of the different CDI's need to be more available to assist small businesses to be aware of these institutions, so they can be utilised as intended.
- Communication between Government institutions of support and the entrepreneurs should be improved and changed from the prevalent top-down or bottom-up approach to a synthesised process for mutual benefit. For example, because of a limited understanding of the dynamics of rural entrepreneurship, policies and strategies are not tailor-made to address the needs of their unique environments, as a result, the pace of development has been very slow, and in some cases not been realised. This approach will facilitate information sharing between the government and local businesses.
- Since the e-Government approach has been adopted as the most effective way of delivery of services, access to Information and Communication Technologies such as the Internet should be made available in the rural areas. For example, the implementation of Tshwane free Wi-Fi has been found to have improved business operation. Such cases prove how important ICTs are to businesses.
- Curbing corruption relating to businesses, such as those mentioned by the entrepreneurs experienced in the municipalities when they apply for documents such as the rezoning certificates, operating licence etc., should be prioritised by government and legal action



should be taken to suppress and eradicate these practices that continue to undermine business viability.

While past research on rural entrepreneurship recommends policy interventions, this study analysed not only the need for policy, but also the kind of entrepreneurial policy interventions necessary to overcome the specific challenges of rural entrepreneurship which is important if government is to succeed in their quest to grow and develop entrepreneurship in the rural areas.

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