Constrictions of emerging tourism entrepreneurship in the townships of South Africa

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Abstract
This study contributes to the discourses that critique the underlying retrogressive constraints of tourism entrepreneurship for small, medium and micro enterprises as observed and revealed by scholarly research in the context of the South Africa (SA) townships. Although quite substantial research has been conducted on what limits tourism entrepreneurship to thrive through the operation of the emerging small businesses in South Africa, very little relevant and rigorous research has been conducted with the exact constrictions that retard the success of tourism entrepreneurship in selected townships of South Africa. The findings of this study are presented from a study of a handful of township tourism entrepreneurs where data were obtained using interviews and observations. Although in general, the blurred and often non-existence of economic development of periphery township communities in SA is attributed to fiefdom, axiomatic irresponsibility and the inability of policy implementation, other issues have also emerged through findings. A purposive sample was used from selected emerging entrepreneurs involved in tourism, yet facing numerous difficulties regarding the development of their businesses in the townships. The aim of this study was to examine and disclose the constrictions that confront the SMMEs or emerging tourism entrepreneurs in the South African townships of which some appear to be unable to source finance from financial institutions that always require collateral as security. The lenses through which this research has been conducted, are based on the broad claimed national vision of the present government to develop tourism for the well-being of the poor communities in SA through becoming incredibly attractive and a well-known and desirable destination in the world. Invariably, the findings from this study demonstrate parallelism, contradictions and the direct opposite of the desired state of affairs.

Keywords: Constrictions, SMME’s, township tourism, entrepreneurship, South Africa

Introduction.
A handful of research has been conducted on tourism entrepreneurship in third world countries including those at a developmental stage, such as South Africa (SA). The study focuses on SA townships and reveals that small medium and micro-enterprises (SMMEs) that are specifically tourism related are faced with numerous constraints. This study therefore merits a further investigation on the not extensively interrogated and divulged constrictions that retard entrepreneurship through the development of SMMEs in the townships, especially as most of the studies conducted on the limitations of development of SMMEs in SA were commissioned as part of the Spatial Development Initiatives research programme (Kirsten & Rogers, 2002). The national government policy supports tourism SMMEs development which is regarded as an instrument for local socio-economic development, along with the Gauteng, Western Cape and KwaZulu-Natal provincial governments that also prioritize tourism as an important economic sector for growth, however, there is little proof that there is any concerted effort supporting this objective (Kotze et al, 2005). Most of the townships of the major South African metropolitan areas seem to encounter challenges and therefore fail to achieve economic development through spatial development of SMMEs. Yet Audretsch et al., (2006) and Parker, (2005) confirm and argue that new enterprises are able to create new jobs and thereby reduce unemployment, stimulating competition, efficiency, innovation, economic growth and prosperity of local communities. Tourism SMMEs hardly develop since small entrepreneurs do not get access of any national-sponsored assistance as the provincial governments do not
currently support economic developmental programmes (Visser & Kotze, 2006). This study therefore tends to disclose explicable factors that directly affect, hinder and limit emerging entrepreneurs in the main townships of South Africa from being the recipients of economic development through the SMMEs.

Booyens and Visser (2010) argue that the South African townships have seen significant renovation of existing housing stock and business premises which are mainly associated and linked to the establishment and the development of its leisure-based economy. An assertion also indicates that much of the expansion of leisure-based economy in townships was through the initiation of SMME entrepreneurs only and this precisely implies that the expansion is without any assistance from various levels of government. It is therefore the argument of this paper, that the inability of government from all levels to assist the entrepreneurs in the South African townships is the main barrier or impediment to present and future development of SMME tourism entrepreneurship.

Wilson and Rigg (2003) regard tourism as one of the few realistic means that could earn foreign exchange, creating employment and attracting foreign investment given that industrial sectors are limited when similarly, primary sectors face declining natural resources in many developing countries and peripheral areas. However, research on the tourism discourse especially by Telfer and Sharply (2008) shows that the benefits of tourism do not filter down to poor communities which also implies that tourism as a sector does not necessarily bring about economic development. This study also concurs with the above assertion of the inability of tourism benefits to filter down to poor communities and the filtering down could be achieved through the encouragement and promotion of the SMMEs especially in the peripheral urban areas where townships are situated.

However, although tourism as a viable sector is still arguable within the South African context, there has been a particularly strong emphasis on the role that tourism can play in enterprise development (Rogerson, 2008a). According to Roe et al (2004) within a developing world perspective it is widely acknowledged that the common economic objectives of increased and escalated earnings, foreign exchange and investment, job opportunities and self-employment as well as the minimization of adverse social and cultural effects might be best achieved through the promotion of small tourism enterprises than larger enterprises.

Deliberations on the role and significance of small businesses in addressing joblessness affecting mostly Blacks in South Africa have been dominating the public discourse. Besides that, this paper is the culmination of the scarcity of research literature that discloses everything that stifles the development of small business entrepreneurship in the South African township including failure of government to implement policy on private enterprise, the study serves as a communicative tool to send a message to the government regarding the frustration and loss of hopes from those who thought a new democratic government would expedite new chances of starting their own businesses.

**Development of small tourism entrepreneurship**

Prior studies conducted earlier by Koens and Thomas (2015) on challenges faced by small tourism entrepreneurs in townships of major cities in SA including Cape Town, Gauteng and Durban reveal that Cape Town and Gauteng as cities are part of the rapidly growing township tourism sector. The growing and township tourism development into the mainstream can also be witnessed in various types of enterprises offering services, including that of tour operation. Koens (2014) argues that competition in the township tourism industry combined with an uncertain social and business environment, has resulted in a situation in which it is now doubtful that small businesses have any potential to contribute significantly to the local economic development of local residents.

Shaw (2004) and also Gets and Petersen (2005), argue that the emerging small tourism entrepreneurship encounter constrictions such as the inability to acquire financial resources
and management skills as capacitation; limited or no access to expertise in core business disciplines; and life-style motivations that create long-term economic problems. According to Bah and Goodwin (2003) research findings about South African townships reveal that the growth prospects of small tourism enterprises are often and severely constrained by the power and competitive dominance enjoyed by large tourism enterprises.

Chili and Mabaso (2016) argue that local control towards local small enterprise development of tourism in the townships may be made possible through the support of the provision of special government fiscal and monetary incentives to enable local entrepreneurs to own and operate small tourism establishments. Chili and Mabaso (2016) further argue that tourism is still construed as a missed opportunity in the townships of South Africa, and they regard this situation as unjustifiable when considering that these locations are supposed to bring visitors to the sites of significance to the anti-apartheid museums, national parks and recreational centres as well as improving tourists’ understanding of poverty issues about the historical oppressed communities of townships.

It is evident that South Africa has a challenge of implementing policies to fast track economic development in order to expedite and transform the livelihood of poor communities and those who intend starting their small-scale entrepreneurship opportunities in townships. As a consequence, this research still regards tourism as a myth rather than as being a panacea to empower the communities of townships through economic development. Milner (2004), Ramchander (2004), and also Rogerson (2004) argue that challenges faced by emerging tourism entrepreneurs need to be exposed and forwarded to responsible role players especially the government, that has a specific duty to monitor the implementation of relevant development programmes especially because tackling these challenges would likely serve to advance and spearhead chances of economic and social emancipation of the entire township residents.

According to Rogerson (2007) noticeable challenges and constraints facing the SMMEs economy especially in the peripheral areas of SA where the poorest communities reside, seem to be similar to those found elsewhere in the country. For instance, the non-existent policy frameworks in the past and critical internal constraints such as inadequate business and technical expertise, no access to markets, unsuitable infrastructure as well as lack of access to finance are all prevalent. According to Van der Duim et al., (2015) it is not axiomatic that the emerging township tourism businesses have the potential to get market access and gain enough custom in order to prosper and flourish as long as they get support from the government. Their argument goes further to say that not all small business owners can grow their businesses and provide wider economic development unless they have been given capacity building, otherwise, many could not go beyond mere subsistence.

Thirdly, the social cohesion and local embeddedness that are believed to underlie the wide sharing of small business benefits are not observed in the townships. This explicitly implies that a limited social cohesion and sense of place means individual business growth is targeted at the cost of wider local economic development. Lastly, the economic benefits of tourism are increasingly concentrated with few entrepreneurs that benefit from the increased scale of tourist activity.

What stifles the emergence of tourism entrepreneurship in the South African townships?

It has come to light that there are many reasons for tourism to fail to become a ‘goose that lays the golden eggs’ for emerging Black entrepreneurs in the South African townships. According to Preisendorfer et al., (2012), weighing single reasons that are contributing to what retards the development of tourism entrepreneurship in the South African townships is not an easy thing to do. Findings of the study and anecdotal evidence reveals that the difficulties and
constrictions are all a manifestation of the apartheid system whose policies were perpetuating inequalities and opportunities that favoured whites to have massive firms that controlled the bulk of the country's economy while the black poor are found wanting, and this dominance is called by the African National Congress (ANC), the ruling power, the white monopoly capital.

The Apartheid system and its effects on tourism entrepreneurship

According to Babo et al., (2008) the past system of apartheid is being blamed for the current situation of Blacks to be still unable to start up small businesses in the South African townships. During apartheid, the government focussed on large corporations and neglected the small business sector which could have contributed immensely to the socio economic empowerment of Black entrepreneurs in the townships, and it’s through this neglect that small entrepreneurs still get plunged in the vicious cycle of misery and retrogression. Townships were built under the group areas act by the white supremacy for blacks, coloureds and Indians as a strategy to disenfranchise, discriminate and segregate them racially. These racial laws worked for the white government as the discriminated residents could not start and manage their own businesses. This simply means that structural laws of segregation prohibited and disallowed Blacks to operate their own businesses in the most economical sectors of the country. Today these segregating and inhuman laws are no longer structurally in existence or constituted in SA, but tourism is still a missed opportunity for most black entrepreneurs, and sadly opportunities only prevail and are tilted towards those chosen few who are directly and indirectly political connected in some or other way.

Constrictions associated with market accessibility and financial resources

According to Rogerson (2008; 2008b) tourism contributed the highest share of white business ownership of any sector in South Africa. Whites in South Africa covertly apply all the strategies to protect their hegemony and ensure their dominance and beneficiation from business growth and prosperity. This is frustrating to the emerging black entrepreneurs who intend running tourism related business enterprises with the aim to escape the vicious cycle of financial dependency. Even during the post-colonial era, white-owned businesses continue to dominate and control the multiplicity of industries at the expense of the small township tourism business owners who operate at a significantly shoe lace budget with respect to the market power and economies of scale enjoyed by large tourism enterprises from outside the townships (Rogerson, 2005).

According to Tucker and Boonabaana (2012) the inability of small emerging entrepreneurs to access funding for starting small tourism businesses in the township is contrary to the objectives of sustainable development as a tool to ensure economic development for local residents. Koens and Thomas (2015) argue that the growth of small business, which does not consider how such businesses will get market access and gain custom from, is unlikely to yield sustainable economic developmental trajectories in the South African townships. Wood (2003) argues that the inability of market accessibility is one of many factors that retard the emergence of township entrepreneurship in the South African townships but it is also through unfavourable living, business conditions and lack of information in starting tourism related entrepreneurship in the townships. Meyer (2007) and Mitchell et al. (2007) postulate that township communities don’t trust the government as they don’t get any support from it and this perception has created what other researchers call destructive uncertainty as some emerging township tourism entrepreneurs hardly achieve business growth. The perceived need to share profits directly, rather than invest in the business growth is also retarding (Choke et al., 2007; Tucker & Boonabaana, 2012).

According to Preisendorfer et al., (2012) the limitation of financial resources for black South Africans has always been a retrospective barrier to their participation in tourism entrepreneurship ventures. Everybody including township emerging entrepreneurs are in need of a start-up or financial capital, but unfortunately for most of the time financial assistance seems not to be forthcoming, which simply means that potential entrepreneurs cannot have
any access to funding. In general, it is perceived that township entrepreneurs could not start or thinking of venturing into small business in tourism due to financial constraints that are aggravated by the lack of financial prerequisites (Parker, 2005; 2009). In fact, to get finance from bank institutions one requires possession of collateral, which most of these emerging entrepreneurs do not have. Unfortunately, banks cannot give their money to people who do not have any form of security.

**Research Methodology**

The study on the constrictions that affect the emerging black entrepreneurs in the South African townships was solely achieved through unstructured interviews with open-ended questions and this type of instrument was so relevant for an in-depth study when considering that the development of SMMEs in the previously and still side-lined urban communities is minimal if not relatively none existent. Consequently, the inability of tourism SMMEs to play an integral role in townships had a direct influence on the size of the sample which ended up being 5 in total. Below is a list of a handful of small business enterprises in the studied townships that succeeded and thrived against all odds, irrespective of being neglected and not given any financial support by the present government.

Both Western Cape (KwaMzoli’s in Gugulethu) and Gauteng (Sakhumuzi and Nambitha’s) managers were respondents and were interviewed during two trips by different ecotourism second year students that took place in 2015 and 2016 respectively. Interviews for very popular SMMEs famously called KwaMax Life style and eYadini in the South west Durban township called uMlazi were also conveniently sampled and research was conducted for a period of almost a week due to accessibility and proximity between the researchers and the business. It was interesting that the owners of these successful enterprises collectively attested to the fact that they have previously experienced problems associated with funding due to unavailability of collateral as an additional form of security which can be used to assure a lender that you have a second source of loan repayment, and lack of support from the present government.

The sample of five interviewees as alluded to above was selected on the basis of their involvement in the running of small businesses, their bad experiences in trying to source funding and subsequently success. Consequently, the experience of respondents was regarded as a yardstick to shed light on achieving the objectives of the study. The sample was therefore structured deliberately and strategically in order to capture the constrictions faced by township small entrepreneurs. It then emerged from all the respondents that the successful running of their businesses was through their savings.

Coincidentally, and as expected, the sample of five emerging black-owned township SMMEs under study, spanned almost the same activities such as those that attract celebrities and ordinary nice timers or entertainment mongers, with Gauteng being popularised and advantaged by its political bygone days. As hypothesized, all five SMMEs indicated that although they have escaped the vicious cycle of being ignored and eventually tasted success, they have experienced problems at the start-up of their business activities.

Lack of finance, lack of knowledge concerning markets and problems of securing space in areas earmarked for residences and collateral security have been an ongoing challenge. The study specifically revealed that banks never show interest and sympathy as they charge more interest. The few successful businesses from three provincial townships have been ascendingly ranked as follows: Cape Town (Western Cape), Durban (KwaZulu) and Gauteng, which simply means that according to this study Gauteng tops the market on utilitarian terms and on the basis of the conglomeration of SMMEs.
Results and discussion

According to Hechavarria and Reynolds (2009) there is a slight improvement in the emerging black tourism entrepreneurship in South Africa townships of Cape Town, Gauteng and Durban although it is still a big challenge for a black entrepreneur without security or collateral to access finance. The researcher tends to concur with the above-mentioned assertions in terms of the perception on the minimal or slight improvement in other townships regarding small business opportunities for some, as it is evident in the townships of Cape Town, Gauteng and Durban. Inter alia, Kwa Mzoli’s in Gugulethu (Cape Town), Gauteng with restaurants that serve local cuisine to tourists such as Sakhumuzi and Nambitha, Mandela House Museum, Hector Peterson Museum, The Box shop in Vilakazi street which is respected worldwide for claiming two Nobel Prize winners living in the street i.e. Nelson Mandela and Archbishop Emeritus Desmond Tutu and Durban with KwaMax Life style and eYadini in UMlazi located South west of Durban.

The study has revealed that the small businesses specifically highlighted above are the only epitome of small business success in the South African townships and unfortunately this success is shadowed and offset by the vastness and huge number of unemployed township residents who don’t benefit from these businesses. This explicitly implies that their opportunistic leverage does not at all translate to the success of other small tourism businesses in the South African townships under study. It has therefore emerged from the study that tourism in the black townships seems to fail dismally in playing a role in the developmental strategy to empower the emerging black entrepreneurs and the poverty stricken local residents in South Africa. Ashworth (2004) argues that more recently, a tier of white owned small enterprises has emerged in the services such as accommodation, tour agencies and tour operations, and these developments have taken place at the expense of black-owned small enterprises in the townships as they could hardly compete with their white highly competitive and well-established counterparts in terms of marketing, market, finance and skills development and hands-on training.

Respondents could not agree more that there is a lack of entrepreneurship in the townships of South Africa. One shared his experience by informing the researcher that there is a lot of entrepreneurial activity, but a lot of it is ‘under the radar’- as they are unregistered micro enterprises. As the study was investigating what hinders, limits and constrains small businesses for tourism entrepreneurship to thrive in South Africa, with more attention being paid to three townships of the most important cities, not one but many more common reasons came to the fore. This explicitly means different reasons interact with each other. For instance, the historical encumbrance of apartheid was blamed for the backwardness of townships in terms of entrepreneurship since the government focused on large corporations while neglecting the small sector. Opportunities for blacks in particular to start and manage their own businesses were structurally and statutorily restricted, which simply means it is the law that prevents blacks from being entrepreneurs. During this era the black population is treated as a working and service class. Independence and initiative is suppressed as they are segregated in townships situated on the periphery of cities with poor infrastructure. The irony is, that this pattern prevails in South Africa with its ethnic enclave character that offers restricted opportunities for successful entrepreneurship (Babo, 2005; Pabst, 2008). As mentioned elsewhere in this paper, restricted financial resources for emerging black South African entrepreneurs, unavailability of collateral as security and lack of government intervention are significant barriers to their participation in entrepreneurship.

The other most dominating views emerging from participants suggest emerging entrepreneurs not having a financial background, access to financial advice and hands- on help from the very early days of their businesses, standing a remote chance of success. Thus inevitably, finance is one of the biggest stumbling blocks for SMMEs. Lack of reliable and accurate financial records is becoming a deprivation as tourism businesses are prevented from approaching possible funders. The democratic government of South Africa has failed dismally to address
growing inequality, social injustices suffered by vulnerable communities of townships who are everyday suffering directly from structural unemployment perpetuated by an ongoing inadequate and poor public education system.

The most noticeable manifestations of the inability of the government at all levels to achieve economic sustainable development for poor communities is blamed or impugned on numerous challenges that stunt the economic growth of communities. For instance, the following depict what is echoed by the recently axed Deputy Minister of Finance, Mcebisi Jonas, when he asserted in a press conference that “South Africa is unable to fast track economic development through foreign investment to harness the success of both big and small business sectors including tourism because it remains too dependent on unreliable sources of foreign investment to finance our growth ambitions”.

South Africa as an emerging country remains locked into the global market as a primary commodities exporter rather than focusing on secondary and tertiary exportation. South Africa does not have a diversified and high level of manufacturing. South Africa is not investing sufficiently in fixed capital which stands around 18% and many big firms invest more in other developing including China than here at home. South Africa needs to address issues of uncertainty in mining, land and tourism and also fundamental structural issues as a country, otherwise the country is going nowhere. Most South Africans are stuck in a low growth trap and as a result there is high inequality generated by political and economic instability. Broad Based Economic (BEE policy) has created some wealthy Black business people and real inequality has increased across all race groups townships, being hit hard by unemployment and then dire poverty. Poor education and training outputs have not helped so the country needs to know what inclusive growth means and what instruments are need to be assembled to make real economic participation possible amongst the majority of citizens a reality.

The study infers that the above needs the focus of both on how more black businesses are created through incubation programmes, venture capital fund etc. as well as how jobs for the low skill segments of the population can be created through sectors such as tourism primarily because the problem of unemployment in the country is related to the low skilled, unskilled or semi-skilled employees.

Conclusion

The South African government claims that some programs to encourage business start-ups in the townships to achieve economic development for the poor through entrepreneurship have been initiated, unfortunately this research seems to contradict the claim as there is no evidence to suggest that economic development through small businesses related to tourism in the townships is expedited and achievable. The nonexistence of the government to play a concrete role in assisting and rescuing township emerging entrepreneurs to succeed so that their profits further translate to the socio economic development of other township residents through tourism has taken a centre stage in the study.

The support of emerging small business entrepreneurship in the South African townships has nothing to do with gaining market access since the wellbeing of a handful of the Black citizens has improved drastically economically and socially since 1994. There are so many reasons why these few black middle and higher classes find entertainment in the township so fascinating and lovable to the extent that they decide and choose to spend their leisure time there. Although they now live in the affluent suburbs, this small group of wealthy, flamboyant and outgoing extroverts and entertainment seekers, like to go to townships to indulge themselves with alcohol while being entertained by best South African kwato-house musicians and rappers. This explicitly takes away the question of lack of market access, and instead the critique could stem from the influence of highly uncertain living and business conditions, lack of financial access and government support which the researcher regards as
the impediment and retrogression for the entrepreneurship of small businesses in the townships.

Unfortunately since most small medium enterprises for tourism in the townships are not regulated and very few in number, their operators end up competing heavily against each other eYadini and kwaMax Lifestyle in uMlazi which are few metres apart are a good example of an oligopolistic competition. Meyer (2007), Mitchel et al., (2007) postulate that an emphasis on the integration of small businesses into mainstreams tourism is required if net benefits of tourism in the township are to benefit the poor. There is no evidence in the study which suggests that those few township entrepreneurs who are lucky enough to have economic success in tourism businesses do support local residents in terms of job creation and business development. The inability of the small business entrepreneurs in the townships of South Africa to support local economic development by spending from their profits locally has been confirmed by the study. Similarly, the findings suggest that successful entrepreneurs of township tourism businesses buy expensive cars and houses in the most exclusive coastal areas. Similarly, the success of few entrepreneurs who operate tourism related entertainment businesses in the township indicates the likelihood and possibility of the transformation of the complex socio-economy of the poor residents. In conclusion this study recommends that the economic development of the larger population through small business entrepreneurship can be achieved only if the government and private sector assist small entrepreneurs through funding with policy-makers intervening, and monitoring the implementation of policies on the ground.

References


