

Resource Report 10:

Research into Home Based Entrepreneurs

A research project sponsored by the National Department of Housing, the Social Housing Foundation, Nedbank and the FinMark Trust



Date: 6 February 2006

Submitted by:

Shisaka Development Management Services (Pty) Ltd
in Association with CSIR Built Environment

Shisaka Development Management Services

Reg.2002/018833/07

PO Box 2601, Saxonwold, 2132

Tel: 011 447 6388; Fax: 011 447 8504

Email: shisaka@shisaka.co.za

CSIR Built Environment

PO Box 395, Pretoria, 0001

Tel: 012 841 2571; Fax: 012 841 3400

Email: mnapier@csir.co.za

This research into Housing Entrepreneurs has been undertaken by Shisaka Development Management Services (Pty) Ltd in association with CSIR Built Environment

Authors of this Report:

Judi Hudson, Ros Gordon and social research undertaken by Reathe Taljaard of Progressus. The ideas expressed are based on research undertaken and extensive discussions within the Team.

Project Team:

Team Leaders

Matthew Nell and Ishmael Mkhabela

Project Co-Ordinator

Ros Gordon

Project Members

Judi Hudson, Maurice Makhathini and Mark Napier

Specialists

Otto Holicki, David Gardner, Robert McGloughlin and Kgaogelo Mamabolo

Social Researcher

Progressus

Administration

Kim Foster and Kendel Nordin

Acknowledgements

Funders

The Finmark Trust, the Social Housing Foundation, Nedbank, and the National Department of Housing

Co-ordinator

Kecia Rust – The Finmark Trust

Thank you to the advisory committee, focus group, interview and survey respondents, as well as specialists and Government Officials who provided their valuable input. A special thank you to NURCHA who provided the Team with access to primary research data.

Reports produced as part of the Housing Entrepreneurs Research Project:

Final Reports:

Research Report: Consolidated analysis of research into Small Scale Landlords and Home Based Entrepreneurs (April 2006)

Small Scale Landlords: Research Findings and Recommendations (3 May 2006)

Home Based Entrepreneurs: Research Findings and Recommendations (to be released in July 2006)

Resource Reports

Literature Review

Resource Report 1: Literature review of Small Scale Landlords (6 February 2006)

Resource Report 2: Literature review on the financial needs and products available to Small Scale Landlords and Entrepreneurs from Commercial Banks. (6 February 2006)

Resource Report 3: Literature review on entrepreneurship, housing and housing finance (6 February 2006)

Resource Report 4: Literature review on Home Based Entrepreneurs (6 February 2006)

Small Scale Landlords

Resource Report 5: Research into Landlords in Inner Cities (6 February 2006)

Resource Report 6: Research into Landlords in Townships (6 February 2006)

Resource Report 7: Research into Successful Landlords (6 February 2006)

Resource Report 8: Research into Service Providers in respect of Small Scale Landlords (6 February 2006)

Resource Report 9: Research into Public Sector Stock (6 February 2006)

Home Based Entrepreneurs

Resource Report 10: Research into Home Based Entrepreneurs (6 February 2006)

Resource Report 11: Research into Successful Entrepreneurs (6 February 2006)

Resource Report 12: Research into Service Providers in respect of Entrepreneurs (6 February 2006)

Contents

1	INTRODUCTION	1
2	METHODOLOGY	3
2.1	Establishing a sample frame	3
2.2	Screening process and selection of the sample	4
2.3	Questionnaire development	5
2.4	Fieldwork training	5
2.5	Data collection	5
2.6	Data capturing	6
2.7	Analysis	6
2.8	Definitional aspects	6
3	KEY FINDINGS	7
3.1	Prevalence and type of Entrepreneurship	7
3.2	Profile of Home Based Entrepreneurs	8
3.3	Overview of the business	9
3.4	Market segments	13
3.5	Use of the house in the business	14
3.6	Motivation and attitudes	17
3.7	Ladder of development	19
3.8	Non Home Based Businesses	19

List of Tables

Table 1: Total number of units visited	4
Table 2: Number of Entrepreneurs interviewed per area	5
Table 3: Prevalence and type of Entrepreneurship.....	7

Table 4: Profile of Home Based Entrepreneurs 8

Table 5: Characteristics of the businesses of the Home Based Entrepreneurs interviewed..... 10

Table 6: Use of the house in business 15

Table 7 : Motivation and attitudes..... 18

1 Introduction

1.1

Finmark Trust, the Social Housing Foundation, Nedbank and the Gauteng Department of Housing have appointed Shisaka Development Management Services in association with the CSIR to undertake research into 'Housing Entrepreneurs'. Housing Entrepreneurs are defined as small scale landlords and entrepreneurs who operate or use their house as part of their business activities.

The purpose of the research is to understand **how housing and housing finance can be used as a tool to promote the emergence and growth of entrepreneurs and small scale landlords**. Specifically the study aims at:

- **Identifying the housing finance interventions** necessary to build an entrepreneurial and small scale landlord sector in low income areas.
- Developing **appropriate information products and tools** to assist emerging entrepreneurs and landlords in their efforts at becoming housing entrepreneurs.
- Focusing on the potential for small scale entrepreneur landlords to be the model for dealing with **difficult to transfer state owned stock**.
- Understanding the key issues which would support a **productive relationship between the landlord and the tenant** in the small scale sector in the mutual interests of both parties.
- Inform policy and strategy directions so as to facilitate **better access to housing investment opportunities for either entrepreneurs or small scale landlords**, such as are already being realised in the middle and upper income sector of South Africa.

This report forms part of Phase 1 of the research and comprises research into **Housing Entrepreneurs in two Inner City and 3 Township areas**. This report comprises an analysis of the detailed research findings, which are set out in Annexure A as a separate report.

This report comprises one component of the overall research being undertaken with includes:

- Research into Landlords operating in townships and inner city areas
- Research into successful Landlords
- Research into Service Providers and lenders in respect of Landlords
- Research into successful Entrepreneurs
- Research into Service Providers and Lenders in respect of Entrepreneurs

This report includes:

- Methodology of the research
 - Key findings
-

2 Methodology

The research required a ‘scientifically valid’ study of Entrepreneurs in two Inner City and three Township areas in Gauteng to be undertaken through personal interviews with a ‘statistically valid’ sample of Entrepreneurs. The methodology adopted for the survey component incorporated the following elements:

- Establishing a sampling frame (outlined in more detail below);
- Screening process and selection of the sample;
- Personal interviews with entrepreneurs;
- Data collection and capturing;
- Data analysis.

Each of these elements is outlined below

2.1 *Establishing a sample frame*

The following areas were chosen based on anecdotal evidence and/or prior research, which found that these areas offer a rich source of Entrepreneurs

- Hillbrow/Berea;
- Sunnyside and Tshwane Central;
- Orlando East;
- Mamelodi;
- Katlehong.

Budget and time constraints meant that a census format screening of the entire area in each study site to identify entrepreneurs was not possible. Therefore a sample was drawn in each study site, which was screened. The following approach was taken:

- The borders of each selected area were defined, stand maps obtained and the maps divided into equal blocks/clusters, which were then numbered.
 - A random selection of blocks/clusters was then made.
 - All buildings (ie residential flats) and stands (ie residential dwellings) whether inside or partially inside the blocks/clusters were included in the sample.
-

2.2 Screening process and selection of the sample

The screening process comprised interviewers visiting each dwelling to establish whether Entrepreneurs were present on the stand and whether they operated from the dwelling or not.

Not at homes were visited at least 3 times; screening took place after hours and weekends to boost the results. If the blocks selected yielded insufficient landlords/entrepreneurs, additional blocks were added – as was the case in Sunnyside where the borders were broadened to include Tshwane Central.

Using the above process a total number of 6584 units were visited. From these units 1165 Entrepreneurs were identified of which 816 operate from the home. Of these 444 earn below R1000 per month and 372 earn above R1000 pm. The results of the screening are detailed in Table 1 below.

Table 1: Total number of units visited

		Total no of units/ stands visited	Total no entrepreneurs identified	Home based			Non Home Based		
				Earn < R1000 pm	Earn R1000 pm	Total	Earn < R1000 pm	Earn > R1000 pm	Total
Inner City	Tshwane	1 465	257	27	73	100	29	128	157
	Hillbrow/ Berea	1 252	274	85	87	172	35	67	102
Town-ship	Katlehong	1 401	263	153	80	233	15	15	30
	Orlando East	1 224	165	92	45	137	14	14	28
	Mamelodi	1 239	206	87	87	174	15	17	32
Total		6584	1165	444	372	816	108	241	349

Both Entrepreneurs operating from their home and those not operating from their home were interviewed. In order to allow for enough data from categories of entrepreneurs who earn more than R1 000 per month, the sample was stratified to include roughly two thirds of those entrepreneurs who earn more than R1 000, and a third of those who earn less than R1 000. The data was then weighted back to reflect the reality obtained through screening.

A total number of 350 Entrepreneurs were interviewed as detailed in Table 2 below.

Table 2: Number of Entrepreneurs interviewed per area

	No of Entrepreneurs interviewed	Percent
Tshwane	70	20.0
Hillbrow Berea	70	20.0
Katlehong	70	20.0
Orlando East	69	19.7
Mamelodi	71	20.3
Total	350	100.0

2.3 Questionnaire development

A questionnaire was developed and piloted in the field. Final adjustments were made before fieldwork commenced.

2.4 Fieldwork training

Fieldworkers were trained for specific tasks. All staff participating in the survey were trained and evaluated for quality purposes, which is important in terms of quality control. Training was provided by professional and experienced researchers and focused on conceptual understanding of the questionnaire dimensions and aspects, but also on the answer-categories provided in the questionnaire. Interviewers were also ‘sensitised’ to the subject matter.

2.5 Data collection

A layered supervision structure was applied that allows both a direct hands-on approach to the management of fieldworkers, as well as a co-ordination system, which manages on a wider spectrum. This approach promotes the quality of the sample realization. A co-ordination system ensures that fieldwork is done within a given time frame, and within a given budget.

Methods and procedures were followed for daily questionnaire verification and feedback to interviewers. Procedures were also described to follow in the case where interviewers need to return to the household to rectify mistakes or complete missing information.

2.6 *Data capturing*

A database was developed in Epi-Info that specified field limitators to ensure the accuracy of the data entering process. The completed data set was checked and discrepancies verified against the actual questionnaires. Data was weighted back to the screened number of Entrepreneurs.

2.7 *Analysis*

After extensive analysis of the data, it was determined that the analysis should be undertaken in terms of sectors namely retail, production and services and geography namely inner city and township areas. This would allow the data to be understood in terms of market segments, as well as the impact of different geographical areas.

In terms of sectors: typically a **retail** business includes: shabeens/taverns/bottlestores; spaza shops; fast food, selling sweets, cakes, clothes, beverages, fruits and vegetables, jewellery, hawkers. **Production** enterprises include: carpentry, welding, dressmaking, tailoring. Services enterprises include: hair salons, public phones, shoe repairs, transportation, plumbing, car repairs, mechanics/electricians, catering, funeral parlours, car was, architectural design, training, waste removal.

2.8 *Definitional aspects*

For the purposes of the study:

- An entrepreneur is defined as an individual who sets up a business in order to make profit and is prepared to take calculated risks. Entrepreneurship is the process whereby individuals and groups are able to recognise and combine resources to add value.
 - Home-based enterprises (HBEs) are a sub-sector of the broader category of Entrepreneurs. HBE's operate in housing, or using housing to the benefit of their entrepreneurial activity. HBEs are defined as income generating activities undertaken by residents using the home as a base, or where an important part of the entrepreneurial process takes place in the home or the residential plot
-

3 Key findings

3.1 Prevalence and type of Entrepreneurship

As detailed in Table 3 below, despite the perception of low rates of entrepreneurship in SA, the initial screening revealed entrepreneurial activity ranging between 13 and 22% within the neighbourhoods surveyed. The highest levels of entrepreneurial activity occurs in Hillbrow/Berea (22%) and the lowest levels in Orlando East with some 13% of units showing entrepreneurial activity. Entrepreneurial activity is slightly lower in Townships than Inner City areas.

Of the Entrepreneurs identified most (70%) operate from the home (HBE's), this is higher in Township areas (83 to 89%) than in Inner City areas (39/63%).

Just over half of Entrepreneurs that are Home Based are operating on a subsistence basis ie earning below R1000 per month. Only one third of Non Home Based Entrepreneurs operate on a subsistence basis. Generally more Entrepreneurs in Townships operate on a subsistence basis (47-67%) than those in Inner City areas (27-49%).

Table 3: Prevalence and type of Entrepreneurship

		Prevalence*	Extent of HBE's**	Extent of Subsistence Entrepreneurship	
				Home Based	Non Home based
Inner City	Tshwane	18	39	27	48
	Hillbrow/Berea	22	63	49	34
Township	Katlehong	19	89	66	50
	Orlando East	13	83	67	50
	Mamelodi	17	85	50	47
Total		18	70	54	31

* Prevalence: No of entrepreneurs identified as a percentage of total number of units visited.

** Extent of HBE: No of HBE's as a percentage of total number of Entrepreneurs in the area

***Extent of subsistence Entrepreneurs: % of Entrepreneurs earning below R1000 pm

3.2 Profile of Home Based Entrepreneurs

The profile of Home Based Entrepreneurs in the Inner City areas and Townships is as follows:

Inner City: Most of the Home Based Entrepreneurs are male (57%). Their average age is 36 years. They are well educated with just over half (52%) having matric or above. Approximately 35% are self taught in terms of the skills used in their business. The average size of household is 4 and the mean household monthly income is R3251. Over one third (33%) show entrepreneurial characteristics having been the first person to undertake the business in their area.

Townships: Just over half of the Home Based Entrepreneurs are female (54%). Their average age is older than Home Based Entrepreneurs in the Inner Cities (44 years). They are also less educated with only one third having matric or above (31%). Over half (52%) are self taught in terms of the skills used in their business. The average size of household is slightly larger than in Inner Cities (5 people) and the household income is significantly less (R2053). Under half (42%) show entrepreneurial characteristics having been the first person to undertake the business in their area.

A comparative analysis is shown in Table 4 below.

Table 4: Profile of Home Based Entrepreneurs

Characteristic	Measurers	Inner City	Township
Gender	% male	57	46
Age	Mean	36	44
Education	% with matric or above	52	31
Skills source	% self taught	35	52
Household income	Mean (R per month)	3251	2053
No of people per hh	Ave size	4	5
Entrepreneurship	% who were the first person to undertake the business in the area	33	42

Overall, Home Based Entrepreneurs in the Inner City are predominantly male and are on average almost 10 years younger than those in the Township areas, where more are female. Inner City Home Based Entrepreneurs are also better qualified with significantly more having matric and tertiary qualifications. They also have smaller households and earn higher incomes.

3.3 Overview of the business

Key characteristic of the businesses of the Home Based Entrepreneurs interviewed both in Inner Cities and Townships is shown in Table 5. The characteristics include:

- Stability
- Sector
- Size
- Profitability
- Formality
- Access to finance
- Social capital and support

Table 5: Characteristics of the businesses of the Home Based Entrepreneurs interviewed

Characteristic	Measurers	Inner City	Township
Stability	Mean no of years in operation	4	9
	% who work in business full time	77	91
	% where business income is only source of income	57	66
Sector	Predominant sector	Service (40%), Retail (42%)	Retail (65%), Service (24%)
Size	% who have paid employees	19	22
	Av no of full time employees	1	3
Profitability	% monthly income less than R1000	33	63
	% monthly income between R1000 to R2499	46	28
	% monthly income above R2499	21	9
	% who made money in the last year	71	56
Formality	% not registered as a business	80	83
	% registered for VAT	13	7
	% who prepare financial statements	11	4
Access to finance	% who have never had a loan for the business	73	87
	% who used savings to start business	64	69
	% who applied for a loan but were rejected	4	4
	% where Bank Manager asked for house as security	1	3
	For those who have had a loan % where it was informal	77	77
	% who have been blacklisted	16	12
Social capital and support	% who receive a lot or some help from family and neighbours to run business	65	73
	% who belong to a Business Association	18	12
	% who have contact with other people in the field	54	46
Customers	% who find customers by passing trade	47	67
	% who find customers by word of mouth	49	52
	% who said it took time to grow a customer base	66	59
	% who provide credit to customers	55	65
	% who charge interest on credit	14	11
Competition	% who have competition	71	82

On the basis of the above Table the following is evident:

- **Stability:** Businesses appear to be stable with the mean period that the business has been operating to be more than 4 years. Township business have been operating (9 years) for more than double the period for which Inner City business have been operating (4 years). Most Home Based Entrepreneurs work in the business full time (77% in Inner Cities and 91% in Townships) and for most the business is the only source of income (57% in Inner Cities and 66% in Townships)
- **Sector:** The predominant sectors within which Inner City businesses operate is retail (42%) and services (40%), as opposed to Township areas where the predominant sector is retail (65%).
- **Size:** Most businesses appear to be small with less than quarter having paid employees (19% of Inner City businesses and 22% of Township businesses). Where there are employees, the average number is 1 in Inner Cities and 3 in Townships (full time).
- **Profitability:** Profitability of the Home Based Entrepreneurs interviewed appears limited, with this being more significant in Townships than Inner Cities. Just over one third earn less than R1000 per month in Inner Cities while 63% earn less than this amount in Townships. Just under half (46%) earn between R1000 and R2499 in Inner Cities, while only 28% in Townships. Approximately one fifth (21%) are earning above R2500 in Inner Cities and only 9% in Townships.

Despite this most Entrepreneurs (74% in Inner Cities and 56% in Townships) indicated that they made money in the last year.

A multivariate regression analysis of those Entrepreneurs who felt that they made money as opposed to those who felt they had lost money revealed the following:

- Male, young and well educated entrepreneurs are more likely to have made money.
 - Entrepreneurs who have paid employees are more likely to have made money than those without paid employees
 - Entrepreneurs who took a loan (formal or informal) are more likely to have made money than those who did not.
 - Businesses that are not registered are more likely to have made money than those that are registered.
 - Entrepreneurs in the Inner Cities are more likely to have made money than those in the Townships.
-

- **Formality:** Most Enterprises are informal. The majority of enterprises in both Inner City and Township areas are not registered for VAT (73% in the Inner City and 93% in Townships) or as a business (80% in the Inner City and 83% in Townships). Most do not prepare financial statements (89% in Inner City and 96% in Townships).
 - **Access to finance:** Access to finance appears to be limited. Most Entrepreneurs have never had a loan for the business (73% in Inner Cities and 87% in Townships). Most used savings to start the business (64% in Inner Cities and 69% in Townships). For those who did use a loan in most cases it was an informal loan (77% in Inner Cities and 77% in Townships). This is despite the fact that levels of blacklisting among Entrepreneurs appears to be low (less than 16%).
 - **Social capital and support:** The majority of Entrepreneurs interviewed said that they receive help from family or neighbours. This occurs to a greater extent in Township than Inner City areas (65% in Inner Cities and 73% in townships), Approximately half have contact with other people in their field (54% in Inner City and 46% in Townships). Social networks appear to have value in that the multivariate regression analysis revealed that Entrepreneurs who have regular contact with other Entrepreneurs and people in the same sector are more likely to perceive their business as growing, than those who do not have such contact. Entrepreneurs who provide credit are more likely to have made money than those who do not provide credit.

It is striking to note that few of the Entrepreneurs interviewed belong to business associations – some 18% in Inner City and 12% in Townships. (Entrepreneurs in the services sector in both areas had the highest involvement in Business Associations)
 - **Customers:** 47% of City Entrepreneurs and 67% of Township Entrepreneurs attract customers from passing trade. This indicates the importance of location of the businesses. Many Entrepreneurs (55% in Inner City and 65% in Townships) provide credit to customers. Most do not charge interest on this credit (14% in Inner City and 11% in Townships).
 - **Competition:** Most Entrepreneurs (71% in Inner Cities and 82% in Townships) indicated that they have competition.
-

3.4 Market segments

As detailed in Table 5 above, in Inner Cities the most predominant sector is the retail sector (42%) followed by the service sector (40%). In Townships the most predominant sector is the retail sector (65%). Activities in respect of the production sector are extremely limited (18% in Inner Cities and 11% in Townships). Key findings in respect of the market segments are as follows:

- Of Home Based Entrepreneurs in the Inner City, 65% in the Service Sector said their enterprise is currently growing, while only half of Entrepreneurs in the Retail and Production sectors said their business is growing. In the Township, Home Based Entrepreneurs in the Retail sector (64%) said their businesses are currently growing. While only 46% in the Services sector and 36% in the Production Sectors said their business is growing.
 - The Retail (21%) and Services (19%) Sectors have the highest number of paid employees in the Inner City, while the Services Sector has by far the highest number of paid employees of all sectors (60%). Home Based Entrepreneurs in the Retail Sector in Township areas employ on average the most full time employees (7 people), while in the City the Production Sector employs the greatest number of full time employees (2 people).
 - Entrepreneurs in the Production and Services Sectors in both the City and Townships generally show higher business income than entrepreneurs in the retail sector. Almost half (43%) the respondents in the retail sector in the City and 68% in Township areas earn less than R1 000 a month.
 - The retail sector seems to be most exposed to crime, with almost a third of enterprises (31%) in the city reporting being a victim of crime in the last year, and almost a fifth of township enterprises (19%) reporting this.
 - Entrepreneurs in the production sector across both areas reported that the use of the house was constraining suggesting that some businesses are more suited to HBE activity than those in other sectors (58% in Inner Cities and 42% in Townships).
-

3.5 Use of the house in the business

Key findings in respect of the use of the house in the business are detailed in Table 6 below including:

- Description
 - Use of the house as security
 - Use of house for business purposes
 - Zoning regulations
 - Reasons for not using the house
-

Table 6: Use of the house in business

Characteristic	Measurers	Inner City	Township
Description of dwelling	% house	10	100
	% flat	88	0
	% with electricity in dwelling	100	100
	% with water in dwelling	99	72
	% who own	21	62
	% who rent	73	23
	% who acquired dwelling with a loan	39	32
	Amt of rent paid (Mean)	1021	272
	Years in dwelling (Mean)	4	21
Use of house as security	% who know of other entrepreneurs that used house as security	7	6
	For those that used house, % who found it a positive experience	9	29
	% who used house as security for a loan	7	6
Use of house for business purposes	% who use a little space	69	66
	% who use half or more of the space in the house	15	35
	% use house for storage/parking	55	40
	% use house for production	26	24
	% who feel use the house is helping the business	76	72
	Main ways in which the house helps	Savings on rental (43%)	Savings on rental (42%)
	% who would relocate if they could	71	63
	Main reason for not relocating	Cannot afford to (69%)	Cannot afford (78%)
	% who have received complaints about the business	8	11
Zoning regulations	% who do not know if business complies with zoning regulations	69	40
	% who felt that operating outside of zoning regulations constrains their business	22	7
	% who know business does not comply	7	30

On the basis of the above table the following is evident:

- **Description:** Most Home Based Entrepreneurs in the Inner City (88%) live in flats, while all Home Based Entrepreneurs in the Townships live (100%) in houses. Access to services is generally good. Township entrepreneurs had lived 5 times longer in their current dwelling than City Entrepreneurs. Most Entrepreneurs (73%) in the Inner City rent their accommodation. More than half of the Township Entrepreneurs (62%) own their accommodation, while approximately a quarter rent (23%). The amount of rentals paid in the Inner City (R1021) is much higher than in the Townships (R272).
- **Use of house as security:** Very few Entrepreneurs (approximately 7%) used their house as security for a loan for their business and very few (approximately 7%) know other Entrepreneurs who did. For those who did use their house most did not find it to be a positive experience (91% in Inner Cities and 71% in Townships)
- **Use of house for business purposes:** Most Home Based Entrepreneurs (69% in Inner Cities and 66% in Townships) use only a small portion of the house for business purposes (less than half).

Of the Entrepreneurs interviewed many use their house for storage or parking (55% in Inner Cities and 40% in Townships). Just under a quarter use the house for production (26% in Inner Cities and 24% in Townships).

Most (76% in Inner Cities and 72% in Townships) feel that the house is helping the business predominantly in terms of reducing rentals.

Most Entrepreneurs interviewed indicated that they would relocate if they could. This is more the case in Inner Cities where 71% of Home Based Entrepreneurs indicated this while 63% of Home Based Entrepreneurs in Inner Cities. The main reason for not relocating is affordability (69% in Inner Cities and 78% in Townships). Very few Home Based Entrepreneurs (less than 11%) have received complaints about their businesses.

- **Zoning regulations:** There is low compliance with local by-laws with 69% of Home Based Entrepreneurs in Inner Cities indicating that they did not know if their business complies and 40% in Townships. This does not seem to have a negative impact on the businesses (only 22% of Entrepreneurs in Inner Cities and 7% in Townships feel that operating outside of zoning regulations constrains their business).
-

The exception to this was City entrepreneurs in the production sector all of whom reported that not complying with zoning regulations was constraining their business.

Overall it is evident that the house plays a very dynamic role in terms of the entrepreneurial process. Housing does have an important impact on reducing the costs of entrepreneurial activity, at least in the start up phase. The use of the house as collateral is less widely used and is unlikely to be a critical issue for businesses that have not reached a certain maturity. For some very small businesses, finances are already too risky to take on an additional gamble, particularly a large one like a house.

There does seem to be a kind of business that is not that well suited to a home base – for example, in the production sector.

3.6 Motivation and attitudes

Key findings in respect of the motivation and attitudes of the Entrepreneurs interviewed are detailed in Table 7 below including:

- Commitment
- Reason for starting
- Expansion and growth

Table 7 : Motivation and attitudes

Characteristic	Measurers	Inner City	Township
Commitment	% willing to leave business for permanent employment	33	32
Reason for starting	% who started business as they saw a business opportunity	17	7
	% who started as they could not find formal employment	15	20
	% who started to survive	29	39
Expansion and growth	% who want to expand	95	90
	% who feel business is growing	55	56
	Main reasons for business growth	Customer base growing (27%), loyal customers (16%)	Customer base growing (34%), excellent service (27%)
	For those not growing main reason why	Insufficient money (45%)	Insufficient money (25%), Poor customer base (29%)
	Main things that will help the business grow	Proper place (26%), more money (30%) Training (17)	More money 38%, Proper place (20%) Training (17)

- **Commitment to entrepreneurship:** Only one third (33%) of entrepreneurs surveyed in both Inner Cities and Townships said they would take permanent employment if it was offered to them, suggesting high levels of commitment and that entrepreneurship is a viable option.
- **Reason for starting the business:** The most dominant reasons for both Inner City and Township Entrepreneurs to start their business relates to survival (Inner Cities 29% and Townships 39%) and an inability to find formal employment (15% in Inner Cities and 20% in Townships). In the City an additional reason is identifying a business opportunity (17%).
- **Expansion:** The majority of entrepreneurs in the Township (90%) and Inner City (95%) want to expand. Many (approximately 55%) feel that their businesses are growing. The main reason for this is that the customer base is growing. Factors that will help them to grow are predominantly more funds, better business premises and training.

A Multivariate Regression Analysis to determine the variables that impact on whether a Home Based Entrepreneur perceives their business to be growing revealed the following:

- Males, younger Entrepreneurs, with higher levels of education in the retail and services sectors, who have employees are more likely to perceive their businesses as growing.
- Home Based Entrepreneurs whose businesses are registered are less likely to perceive their businesses as growing than those who are not registered.
- Home Based Entrepreneurs who will take a permanent job if it becomes available are less likely to perceive their business to be growing than those who will not take a permanent job.

3.7 Ladder of development

The research did not identify a ladder of development. While there was some evidence of categories of business, particularly a high prevalence of subsistence (earning below R1000pm) there did not seem to be any evidence of businesses moving from one category to the other.

3.8 Non Home Based Businesses

The Entrepreneurs interviewed who do not have their business in their home indicated that the reason for not using their dwelling was :

- In Inner Cities predominantly that their customers are far from their house (28%), but also insufficient space (18%) and unsuitability of the home (17%)
- In Townships the main reason is that they have a better place (19%), but also insufficient space (17%) and unsuitability of the home (16%).

Most of these Entrepreneurs operate in the Retail and Service Sectors with very few operating in the Production Sector.

Key factors that were significantly different between the Non Home Based Entrepreneurs and the Home Based Entrepreneurs were as follows:

- Non Home Based Entrepreneurs are better educated than Home Based Entrepreneurs with 72% having matric or above in Inner Cities and 46% in Township areas.
 - Fewer Non Home Based Entrepreneurs have the business as their only source of income (49% in Inner Cities and 58% in Township areas).
 - More Non Home Based Entrepreneurs have registered businesses than Home Based Entrepreneurs.
 - More Non Home Based Entrepreneurs have experienced crime in respect of their business in the past year than Home Based Entrepreneurs. This is more significant in respect of Township areas.
 - More Non Home Based Entrepreneurs have businesses that comply with zoning regulations than do Home Based Entrepreneurs.
-