The implications of financial literacy on the success of Small and Medium Enterprises (SMEs) initiated by the youth in economically disadvantaged areas of Cape Town.

By

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Abstract

Entrepreneurship has been regarded as a solution to various developmental challenges such as unemployment, inequality, and poverty, which are inherent among the marginalised populations. However, the high rate of failure of Small and Medium Enterprises (SMEs) remain an impediment to the use of entrepreneurship as a means to ameliorate the challenges. This is especially the case among young entrepreneurs. In addition, given the imperativeness of financial literacy in the success of SMEs, this study determines the influences of financial literacy on entrepreneurial success within the marginalised communities. It also explores and identifies the reasons why failure rates are high among young entrepreneurs in the economically disadvantaged community of Khayelitsha, Cape Town.

This study employs a concurrent mixed methods design, making use of both quantitative and qualitative data. A survey is conducted in Khayelitsha using the snowballing sampling technique due to difficulty in accessing young entrepreneurs. The quantitative data from the survey provides demographic and socioeconomic information on young entrepreneurs. The survey is also used to determine the level of financial literacy and business success of these entrepreneurs. The qualitative in-depth interviews, on the other hand, provide insights into the motivations of the entrepreneurs, their experiences and the causes of business failure.

Content analysis is carried out in analysing qualitative data. Descriptive statistics are provided from quantitative data. Evidence in this study suggests that a positive association exists between the entrepreneur's level of financial literacy and business success. It is also noted that challenges including limited knowledge and skills, unavailability of funding, among others, hinder the success of businesses, thus contributing to the high failure rates. As such, the study suggests that investment in financial literacy improves the capabilities of entrepreneurs, who therefore have better odds of realising business success. In the end, individual and economic well-being can be achieved.

Declaration

I declare that *The implications of financial literacy on the success of Small and Medium Enterprises (SMEs) initiated by the youth in economically disadvantaged areas of Cape Town* is my own work, that it has not been submitted for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged by complete references.

Full name: Tinashe Munyuki   Date: September 2019

Signed:

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List of Abbreviations

GDP	Gross Domestic Product
GNP	Gross National Product
INFE	International Network for Financial Education
NYDA	National Youth Development Agency
OECD	Organisation for Economic Co-operation and Development
SME	Small and Medium Enterprises

Chapter 1: Introduction

1.1 Introduction and background of the study

Many proponents of development have acknowledged the importance of entrepreneurship in ameliorating the socioeconomic challenges such as unemployment, poverty and inequalities, which are inherent in developing nations across the globe (Leboea, 2017; World Bank, 2016). In South Africa, entrepreneurs and small business ventures have been suggested as a way to reduce challenges such as (youth) unemployment and lack of opportunities, poverty and inequality. The South African government, through the Department of Trade and Industry, has set out initiatives attempting to improve people's market access and participation in entrepreneurial activities within the country, while providing funding to aspiring entrepreneurs. Small and Medium Enterprises (SMEs) have been regarded as crucial for the economic growth in South Africa, helping to reduce the high levels of unemployment and contributing to economic output.

However, despite the efforts by the South African government and other development agencies such as the World Bank to enhance entrepreneurial initiatives as a gateway to development, the rate of failure of many start-up ventures remains high (Fatoki, 2014). Failure of these ventures have been attributed to many factors and one of the top causes of failure is poor financial management (Kalane, 2015).

On the other hand, the level of financial literacy in developing countries remains low (Lusardi and Mitchell, 2007). As Lusardi and Mitchell (2007) posit, financial literacy levels are generally low across the globe, however lower in developing countries. Low levels of financial literacy negatively impact the decision making within the business, thus contributing to poor financial management (Bosma and Harding, 2006). As such, financial literacy influences the success or failure of small businesses.

The success or failure can be also be influenced by various other factors. For example, human capital is vital for the success of entrepreneurial ventures (Unger et al., 2011). Entrepreneurs whose level of human capital is high thus tend to have successful entrepreneurial ventures (Rogerson, 2001). Moreover, accessibility of finance or funding influences success (Herrington et al., 2009). In South Africa, as Herrington et al. (2009) provides, this is one of the major challenges faced by many small businesses as they have limited access to funding. These factors, among others, influences whether a business succeeds or otherwise. Their absence exacerbates the rate of failure of entrepreneurial ventures initiated by the youth in South Africa.

1.2 Statement of the problem

Entrepreneurship has been hailed as a solution to ameliorate developmental challenges such as poverty, inequality and unemployment, which are rife in many developing countries (Gorgievski et al., 2011). In South Africa, the rate of unemployment is 29% (Statistics South Africa, 2019). More so, this rate is much higher among the youth, with youth unemployment rate being 38.90% as recorded in the fourth quarter of 2018 (Statistics South Africa, 2019). Herrington et al. (2017) states in the 2016/2017 Global Entrepreneurship Monitor that youth unemployment in South Africa at about 60% using the expanded definition of unemployment.

Moreover, inequalities in South Africa remains high, with the country being one of the consistently most unequal countries in the world (Herrington et al., 2017; Hurlbut, 2018). South Africa has a Gini coefficient of 0.69 according to Hurlbut (2018). The World Bank (2018) further states that, across the total population of South Africa, 20% of the poorest account for less than 3% of the country's total expenditure whereas the richest 20% account for 65% of the country's total expenditure. Furthermore, at a poverty rate of 40%, the level of poverty in South Africa is high, and remains a constant threat in the daily lives of about 72% of the South African population (Hurlbut, 2018).

Given the dire situation emanating from these challenges, people tend to venture into entrepreneurship as a solution to these challenges. According to Hurlbut (2018), it is articulated in the National Development Plan of South Africa, that entrepreneurship, through SMEs, is regarded as a driver of inclusive growth, hence a solution to the triple challenges of poverty, inequality and unemployment (Hurlbut, 2018). However, despite entrepreneurship being a redress to developmental challenges, the rate of entrepreneurial failure, particularly among SMEs, remains high (Fatoki, 2014). Both Fatoki (2014) and Burger (2013) estimate the rate of failure of entrepreneurial ventures to be between 70-80% in South Africa.

The success of SMEs tends to be marred by several challenges such as lack of suitable funding, lack of business support structures such as business networks, limited access to business opportunities and low levels of human capital. These factors, among others, play a detrimental role to the success of SMEs. However, financial literacy, a component of human capital, plays a significant role in the success of SMEs. In addition, the levels of financial literacy are generally low among developing countries (Lusardi and Mitchell, 2007). Therefore, it is crucial to determine how financial literacy is influencing the success of SMEs while also identifying the causes of entrepreneurial failure within the economically disadvantaged areas, where the triple challenges tend to be more prevalent.

More so, this study looks at young entrepreneurs as the youth tend to be more prone to unemployment as seen by high rates of youth unemployment. As male entrepreneurs teend to be more entrepreneurial active compared to female entrepreneurs, the study thus looks at the influence financial literacy has on SMEs owned by both males and females.

1.3 Significance of the study

The influences of financial literacy on the success of SMEs have not been well-explored in the South African context, and more importantly within the economically disadvantaged areas. In addition, the rate of entrepreneurial failure remains high in South Africa. Therefore, it is thus important to determine the causes of failure among businesses owned by the youth within economically disadvantaged areas and how financial literacy influences the success of these businesses.

As a result, this study thus determines the relationship between financial literacy and entrepreneurial success. It also identifies the causes of failure of small businesses owned by the youth within economically disadvantaged areas. In addition, through determining the influence of financial literacy on businesses, this study provides recommendations on policymaking to ensure that through successful entrepreneurship, developmental challenges such as unemployment can be reduced.

1.4 Aims and objectives of the study

The study aims to examine the association between financial literacy and entrepreneurial success in young entrepreneurs from the economically disadvantaged community of Khayelitsha.

The specific objectives addressed in achieving the aim include:

- To examine the rate of failure amongst young entrepreneurs in South Africa from literature.
- To explore the phenomenon of entrepreneurial success through the lens of the capability approach.
- To identify the reasons why young people from economically disadvantaged communities venture into entrepreneurship.

- To determine the level of financial literacy of young male and female entrepreneurs in economically disadvantaged areas.
- To examine the association between financial literacy and entrepreneurial success.
- To provide recommendations relevant to developmental policymaking in improving entrepreneurial success within marginalised communities.

1.5 Research Questions and Hypotheses

1.5.1 Research question

The study answers the question: is financial literacy associated with the success or failure of young entrepreneurs in economically disadvantaged areas?

To answer this question the study addresses the following specific research questions:

1. Who are the young entrepreneurs in economically disadvantaged communities?
2. Why do young people from disadvantaged communities venture into entrepreneurship?
3. What is the rate of failure amongst young entrepreneurs in economically disadvantaged communities?
4. How does financial literacy influence success of young entrepreneurs?
5. What are the factors that are associated with the failure of these ventures?
6. Why do young entrepreneurs fail despite support from governmental and other entrepreneurship support programmes?

1.5.2 Research hypothesis

The general hypothesis guiding this study is that low levels of financial literacy account for the high levels of failure in young entrepreneurs from disadvantaged background. The alternate hypothesis is that high levels of financial literacy will result in high levels of success in young entrepreneurs from an economically disadvantaged background.

1.6 Research Methodology

This study utilises the mixed methods approach that is, combining qualitative and quantitative research designs in collecting and analysing data. The data is collected concurrently. Quantitative research design allowed for the collection of demographic, business success and financial literacy data. On the other hand, qualitative is used to gather insights on the importance of financial literacy as well as the causes of entrepreneurial failure. For quantitative data collection, participants are selected using the snowball sampling technique, and the data is collected by administering structured interviews in the form of questionnaires. Purposive sampling is used in selecting participants for the collection of qualitative data, which is collected through in-depth interviews. In analysing quantitative data, STATA 14 software is used, and descriptive statistics are provided. On the other hand, in analysing qualitative data, thematic content analysis is used, and data is presented descriptively.

1.7 Ethical considerations

Approval to conduct this study was provided by the University of the Western Cape Senate, the Higher Degrees Committee of the Economic and Management Sciences faculty and the Institute for Social Development. Also, permission was requested from the research participants before data was collected. This study anticipated that some participants may not be comfortable in sharing information relating to their businesses, for example, disclosing the revenue they have generated. In overcoming this, the questionnaire was designed such that instead of participants providing the exact figure, they could select a category within which their level of revenue falls under.

In addition, the participants were assured that their participation was entirely voluntary and that they could withdraw their participation at any time. All information obtained from the participants was kept confidential and anonymity of the research participants is ensured. Where the researcher quotes the words of the participants, pseudonyms are used to ensure the anonymity of participants.

Moreover, given that the research area tends to have high levels of crime, the researcher met with the research participants either at their workplaces or within public places such as shopping centres. This was done to ensure increased safety for both the participant and the researcher.

1.8 Scope and limitation of the study

This study looks at financial literacy as an explanation of high rates of failure among businesses initiated by the youth within the economically disadvantaged area of Khayelitsha. It also looks at the implications financial literacy has on the success of businesses. However, small sample size and the qualitative component of the study means that findings are more nuanced and internally valid thus may not be generalised.

1.9 Organisation/layout of the study

Six chapters make up this study. Chapter 1 provides the introduction to the study and provides the background to the study and also the aims, research objectives, research questions and hypotheses. This chapter also outlines the scope, significance, and limitations of this study.

Chapter 2 provides the theoretical frameworks used in this study. It thus comprehensively discusses the human capital theory and the capability approach and the applicability of these theories to this study.

Chapter 3 offers a review of the literature on entrepreneurship and youth entrepreneurship in South Africa. Furthermore, the causes of high entrepreneurial failure rates are discussed. The chapter also explains the concept of financial literacy, further highlighting its implications on entrepreneurial success by providing empirical evidence from extant literature.

Chapter 4 outlines the research process of this study, providing the design and the methods used in selecting participants, collecting, and analysing data.

Chapter 5 presents the analysis of data and the discussion of findings. Evidence from this study is discussed in relation to the theoretical framework and the revelations from the literature consulted.

Chapter 6 summarises the findings from this study, providing a synthesis of findings from the mixed methods approach applied in this study. Recommendations and a conclusion to the study are also provided.

Chapter 2: Theoretical Framework

2.1 Introduction

In an attempt to comprehend the phenomena of financial literacy and entrepreneurial success, this study opts to view the two concepts through two theoretical lenses, namely the capability approach and the human capital approach. The capability approach, which born out of the work of Amartya Sen, stresses that individuals should be able to lead the lives they desire, choosing freely from the opportunities available, all with the aim to advance human well-being. On the other hand, the human capital theory provides an insight into the value of education, which in turn, positively affects entrepreneurship. In other words, the theory argues that high levels of education (or perhaps human capital) lead to increased economic gains. In the context of this study, financial literacy as a form of human capital is thus argued to have a positive relationship with entrepreneurial success.

This chapter begins by analysing the capability approach. In this analysis, the researcher explores the origins of the theory. Following that is the definition of the theory, and discussion of the core ideas the theory presents. Upon looking at the merits and criticism of the theory, the researcher justifies its application to this study. The theory is then applied to the core concept of this study that is, entrepreneurial success and financial literacy. For the human capital theory, this chapter briefly provides the origins of the theory and discusses its core constructs. The chapter further discusses the applicability of this theory to this study.

2.2 The capability approach

2.2.1 Origins and definition of the capability approach

The capability approach has gained momentum over the years, with its prominence noted within the academia and policymaking, and many other areas (Robeyns, 2006). It has been applied as a framework for viewing poverty, inequalities and the quality of life or human well-being, thus posing as an alternative to standard economic frameworks (Clark, 2005).

The idea of viewing one's quality of life as a determinant of human development can be traced back to the time of Aristotle, Immanuel Kant, and Karl Marx (Nussbaum, 1988). These earlier schools of thought, as Nussbaum (1988) provides, advocated for the need to enhance the ability of human beings to flourish, living the lives they desire. Aristotle put forward a theory of political distribution, analysing eudaimonia – or human flourishing (Nussbaum, 1988).

Immanuel Kant argued for the need to regard human beings as ends rather than means to ends (Sen, 1990). Karl Marx (1844) advocates for human freedom and the emancipation of human beings. Therefore, the quality of life thus signifies the level of human development.

The notion of flourishing human lives marked a point of departure for the economist Amartya Sen. Sen adopted the ideas of the earlier schools of thought and gave birth to the capability approach. Despite having been in conception in the 1970s, the popularity of the capability approach, according to Alkire (2002), was noticed in the 1980s as a result of the paradigm shift of approaches to measuring and understanding human development. The use of top-bottom monetary approaches was gradually decreasing and losing importance, resulting in the increase in the applicability of people-centred approaches in understanding the concept of development.

As a proponent of the capability approach, Sen provides an approach for evaluating and assessing human well-being. The capability approach was developed as an alternative to welfare economics and its focus on income and wealth as indicators of human development. Sen (2003) argues that although wealth and income are paramount, they cannot adequately measure human well-being. A country can have a high Gross Domestic Product (GDP) per capita. However, the per capita income does not translate to well-being of the entire population as wealth can be concentrated in the hands of a few. In this regard, income inequalities make it difficult to use an economic indicator such as GDP per capita as a measure of human development.

Sen (2003) looked at the Gross National Product (GNP) per capita of five countries, and his findings showed that South Africa had a high GNP per capita compared to the other countries in his study. If one had to measure human development in terms of GNP per capita, South Africa would be regarded as being well-off than the other countries. However, South Africa had high mortality rates, compared to the other countries. Measuring human development from a life expectancy viewpoint, South Africa will be worse-off in this regard. This thus prompted Sen to develop a holistic approach to measure development. As a result, Sen put forward the capability approach, highlighting that human development entails the expansion of people's freedom.

In defining the capability approach, Robeyns aptly provides that it is “a broad normative framework for the evaluation and assessment of individual well-being and social arrangements, the design of policies, and proposals about social change in the society” (2005, p.94). This approach has been hailed for its evaluative and assessment purposes in a wide range of areas including social policy, education, and development studies, poverty and well-being, only to mention but a few (Robeyns, 2005; Sen, 1993).

The capability approach, as Gasper (2002) notes, advocates that individuals should be able to choose freely how they want to live their lives and achieve that which is important and desirable to them. From this point, Sen (2005) stresses the importance of what individuals can do or become. Sen coins this the "beings and doings" (2005, p.75). In other words, this approach focuses on freedoms or opportunities available to individuals, which Sen (2008) terms 'capabilities' and the achievements individuals have reason to value, also known as 'functionings'.

Furthermore, the capability approach, unlike the conventional economic frameworks that focus on wealth creation, postulates that wealth creation is important, but merely as a means to an end, which is human development and well-being. The approach provides that clarity needs to be provided when one is asserting value to something, whether the value is placed on an item as a means to an end or as an end in itself. For example, the availability of clean drinking water can be regarded as a means to the realisation of being healthy.

2.2.2 Core ideas of the capability approach

Capabilities and functionings are two of the core fundamental ideas of the capability approach. However, the capability approach further looks at other ideas including conversion factors, adaptive preferences, and agency, among others. These are discussed below.

Functionings

According to Sen (1985), a functioning is an achievement of an individual, be it what one does or becomes. Conradie (2013) further simplified this by stating that a functioning is anything an individual can effectively do or can be. Notable examples of functionings include being adequately nourished, being educated, being literate, among others. Sen (2005) terms functionings the 'doings' and 'beings', simply translating to what people do or become. As Clark (2005) posits, the achievement of a functioning requires the use of resources or a bundle of commodities, which the usefulness of is dependent on the personal or social factors (or conversion factors).

It is noteworthy mentioning that functionings have intrinsic and instrumental value. Intrinsic value refers to the end that individuals value because they have reason to value (Robeyns, 2005). For example, an individual can study mathematics solely for the desire of solving mathematical problems. On the other hand, instrumental value, as Robeyns (2005) distinguishes, refers to the material or things people value for these materials or things serve as instruments to the achievement of other functionings. For example, an individual can study mathematics with the ultimate aim of becoming a mathematician by profession.

Capabilities

While it has been noted that functionings are the achievements people value, be it what they do or what they become, Alkire (2002) argues that they, alone, are not adequate to assess human development. They only tell the outcome, however not taking into account the process to the achievement of the outcome. In exemplifying this phenomenon, one can consider an entrepreneur as someone who has achieved a functioning of being an entrepreneur. However, although being an entrepreneur can be regarded as a valuable achievement, the idea of functionings does not provide the reason one became an entrepreneur. In this case, it can be a personal choice, not wanting to work for another person, or perhaps out of necessity, having failed to seek employment opportunities or being pushed by poverty. This, therefore, calls for a look at the capabilities, which Sen describes as "a set of vectors of functionings reflecting the person's freedom to lead one type of life or another" (1992, p.40). Alkire (2002) further adds on to the wisdom of Sen (1992), stating that capabilities are freedoms one has to achieve the desired and valued functionings. It can thus be said that capabilities encompass freedom and choice. Considering the example of the entrepreneur, the availability of the freedom to choose to be an entrepreneur given a myriad of choices or options thus signify the presence of real capabilities

Sen argued against providing a list of capabilities as they differ from one individual to another and from one context to another. However, Sen (2001), as cited in Sawyer (2007), provides five instrumental capabilities or freedoms that contribute to the capability to live freely and lead a life desired. These include economic facilities, social opportunities, protective security, political freedom and transparency guarantees (Sen, 2001). The availability of freedom to choose brings about the idea of agency.

Agency

In explaining the term agency, Sen posited that it entails the freedom bestowed upon an individual to set out and pursue interest and goals desired. Agency and freedom thus relate to one another in this context, which Sen (1985) further states that in the presence of agency, an individual is free to do that which is desired and become that whom is desired. Taking heed from the work of Conradie (2013), agency as an idea in the capability approach is manifested in the independence one bears to decide on the varied ways of living, coupled with the ability to execute that which is required to achieve the desired outcomes. According to Gries and Naudé (2011), it also depends on other factors such as the individuals' abilities and aspirations as well as the constitutional context. It is therefore paramount to note that normative and evaluative assessments using the capability approach requires one to appreciate the needs and choices of the particular groups, thereby assessing and evaluating their quality of life. In so doing, Sen (1985) cautions on the effects of adaptive preferences in these assessments as they influence agency.

Adaptive preferences

Another idea presented in the capability approach is that of adaptive preferences. Teschle and Commin (2005) argues that people adapt to the environment and circumstances around them. For example, if an individual in an economically disadvantaged area is asked by a policymaker what the individual would like to achieve, the individual will probably ask for a well-sanitised house to live in. On the other hand, if the same question is asked to an individual living in a lavish neighbourhood, the individual will probably ask for a support utility vehicle. While the example presented here can be argued upon, the essence of this example is to highlight that both individuals in question have adapted to their lifestyles or their real-life experiences. Accordingly, their desired functionings are influenced by their circumstances. These are referred to as adaptive preferences. In other words, their preferences are influenced by or are adaptive to their environments (or preferences).

The challenge of adaptive preferences can be evident when one looks at subjective welfarism, and particularly in theories such as the utilitarian theory. Sen (1990) points out that the utilitarian theory stresses the utility of individuals. This satisfaction, as Sen (1999) argues, can be emanating from the adapted preferences and perceptions. In earlier texts, Sen (1985) states that people surviving in misery tend to adjust to their horrors, and in turn, their misery and horrors look less terrible when one measures their satisfaction. This, therefore, highlights the failure within the utilitarian theories to assess human well-being with a higher degree of adequacy and fairness.

Sen stated that "utility can be easily swayed by mental conditioning or adaptive conditioning" (1999, p. 62). In turn, this potentially perpetuates the "legitimacy of the unequal order" (Sen, 1990, p.126). Resultantly, adaptive preferences are detrimental to the realisation of capabilities pertinent to the achievement of desired functionings. The capability approach, through taking into account the effects of adaptive preferences, and recognising the unjust order within societies, allows for the promotion of all individuals' well-being, advocating for the equal footing of people's desires (Baber, 2007).

Conversion factors

The notion of conversion factors as provided by Sen (1992) poses as an important idea insofar as the capability approach is concerned. For individuals to become whom they desire or to do what they desire, they use resources available to them. These resources, as Sen (1992) provides, have characteristics that make them of interest to individuals. In exemplifying the point raised here, Nambiar (2013) quotes Sen (1999) who used a bike as a resource in his example. In this vein, a bike may not be an interesting resource because of its design or colour, or even the number of spokes the wheels have. The ability a bike has to take an individual from one place to the other in a faster way than if one was walking can be of great interest to an individual. From this, Sen (1992) deduces that the characteristics of a resource promotes the achievement of the desired functioning. Through taking an individual from one place to the other, a bike allows for the realisation of mobility as a functioning.

The relationship between a resource such as a bike and the realisation of certain functionings, in this regard, mobility, is summed in the idea of a conversion factor. Sen described a conversion factor as the degree in which a person can utilise the available resource into a functioning (Sen, 1992). A myriad of conversion factors can be identified. However, Robeyns (2005) provides three broad categories of conversion factors, namely personal, social and environmental conversion factors. These conversion factors influence the ability to convert the characteristics of a resource to achieve the desired functioning.

- *Personal conversion factors*

These are within the person, that is, interior to the individual. Robeyns (2005) provides examples such as metabolism, physical condition, or level of literacy. One's physical condition plays a role in whether the functioning of mobility can be achieved using a bike. It can thus be noted that if one has a physical disability, despite the presence of a bike as a resource, the functioning of mobility using this resource may not be achieved. The resource, in this regard, will be of no help to this individual, as it does not translate to the individual 'being' or 'doing' what is desirable.

- *Social conversion factors*

These entail factors emanating from the society in which one resides. Nussbaum (2003) mentions that these factors include public policies, social norms, and power relations, among others. In a society where women are not allowed to ride bikes, the functioning of mobility cannot be achieved using a bike by women. In this regard, the societal norm of denying women to ride bikes poses as a detriment to the achievement of desired functionings by women.

- *Environmental*

Environmental factors emanate from the environment in which one lives, for example, geographical location, or built infrastructure such as roads and bridges. The (un)availability of roads influences the use of a bike. In an environment where roads are not conducive for the use of a bike, the functioning of mobility can thus not be achieved using this resource.

The three categories of conversion factors provided above highlights that it is not feasible to assess one's well-being from the resources an individual owns. Rather, personal factors as well as the circumstances within the area one lives in needs to be known. This is evident in the use of the term 'capabilities' by Sen, which does not only speak to the person's abilities but also the freedoms one has to choose between different opportunities available and to lead a life the individual desires (Robeyns, 2005).

2.2.3 Strengths of the capability approach

As Alkire (2002) notes, the capability approach allows researchers to apply the approach in a myriad of ways, in many and different contexts. Although Sen provides some of the intrinsically valuable capabilities, which include longevity in life, and being well nourished, among others, the capabilities can be generated by the individuals upon whom the assessment is conducted. This allows for the application of the capability approach in different research areas.

The capability approach has also been hailed for shifting focus from people being the means to wealth creation to rather viewing people as ends. It places value on people and their quality of life. Clark (2005) also embraces the amalgamation of a multiplicity of ideas within the capability approach. Its focus on achievements or functionings, capabilities, agency, the role of conversion factors in the achievement of functionings, and the influence of the environment surrounding an individual that lead to adaptive preferences broaden the informational base of normative evaluation and assessment.

2.2.4 Criticisms of the capability approach

While the capability approach has been hailed for its applicability as a framework for normative assessments, shortfalls cannot go unnoticed. The approach has been accused of being too individualistic, paying insufficient attention to groups or other social structures (Corbridge, 2002). Critiques stated that the capability approach is a liberal individualistic approach which does not take into account that individuals are interconnected and are thus embedded in a society formed by their existence (Stewart and Deneulin, 2002; Harley, 2009). Nonetheless, to the rescue of this approach, Robeyns (2003) argues that this approach acknowledges and embraces ethical individualism that is, viewing individuals as subjects of moral concern.

Another criticism of the approach is that it is difficult to operationalise. According to Stewart (2001), the extent to which this approach can be operationalised remains questionable. The freedoms and choices of people to lead the lives they desire, as core ideas of the capability approach, tend to be difficult to measure due to the high degree of subjectivity and vagueness of the concept of capabilities tend to pose. The approach does not provide a unique list of capabilities, which makes it difficult to apply as an evaluative framework (Clark, 2005). Additionally, Fukuda-Parr (2003) mentions that the complexity in determining the freedoms and choices of individuals, and the influence of adaptive preferences to these, makes the applicability of the capability approach difficult to use as an operational framework when conducting research.

Clark (2005) also reiterates the fact that informational requirements tend to be extremely high. Acquiring data relating to people's capabilities, and multiple functionings, which is required for evaluating social states can be a cumbersome process. In many instances, the data is not available. However, Clark (2005) comes back stating that despite it being an operational challenge, progressive attempts have been made to measure human well-being

However, as Sen in Robeyns (2005) argues, it is intentional that the approach does not provide a set of capabilities so that it can be used for a wide range of purposes. In this case, the approach remains a general approach in the evaluation of human well-being. In addition, Sen advocated for a democratic process in the identification of a set of capabilities. This, in turn, allows for the identification of capabilities and functionings which people deem valuable to them. Notwithstanding the noble idea of Sen in this regard, Robeyns (2005) notes that a democratic process can be difficult to achieve, as there will always be members in the group who are more powerful than the others are, who thus can influence the capabilities that can be raised in the so-called democratic process.

2.2.5 Justification for application to the study

This study looks at financial literacy and entrepreneurial success. Applying the capability approach as a theoretical lens, the approach helps determine the functioning of entrepreneurs. It also helps identify the role of financial literacy to human capabilities. The capability approach has also not been comprehensively applied in the subject of entrepreneurship. As a result, its application in this study helps to identify the relationship between the core ideas of the approach and entrepreneurship.

2.2.6 Capability approach and entrepreneurship

Despite the capability approach being a multidimensional and holistic approach, its connection to entrepreneurship remains under-researched as evidenced by the limited literature in this regard. Gries and Naudé (2011), who have applied the capability approach to the concept of entrepreneurship, argued that entrepreneurship is something people value and thus a desire to be. More so, they stated that being an entrepreneur can provide a sense of achievement, independence and belonging to the society. In this line of argument, being an entrepreneur or becoming an entrepreneur can be regarded as a functioning, that which people desire to be, at the same time deeming it valuable.

However, Gries and Naudé (2011) caution that while entrepreneurship or being an entrepreneur can be regarded as a functioning, it cannot be regarded as the case always. Instead, entrepreneurship can also be a means to achieving financial freedom, improved well-being, among other functionings desired by individuals. As a result, they regarded it as a *potential* functioning, highlighting that there are instances where value may not always be attached to entrepreneurship. Nonetheless, viewing entrepreneurship through the lens of the capability approach, one can denote that when an individual has freedom to choose between venturing into entrepreneurial activities or another activity, for example, formal employment, entrepreneurship can be regarded as a functioning. More so, having this freedom to choose resembles the presence of agency – the freedom to choose between varied ways of living, coupled with the ability to accordingly.

The application of the capability approach in this study emanates from Gries and Naudé's (2011) regard that entrepreneurship in a functioning. However, as Gries and Naudé (2011) posit that entrepreneurship can also be regarded as a potential functioning, this study deems it not ideal to regard entrepreneurship as a functioning. Taking into account that the context of this study is within an economically disadvantaged environment, it can be assumed that due to limited opportunities, venturing into entrepreneurial activity is not associated with a greater degree of freedom to choose. This study, therefore, proposes that despite an individual venturing into entrepreneurship regarding it as a *potential* functioning, that is with no agency and freedom to choose, the success of that entrepreneurial venture provides a sense of achievement and (financial) independence, thus improving human well-being. The outcome of this success, therefore, translates the *potential* functioning into an *actual* functioning as it leads to the attachment of value to entrepreneurship. From this standpoint, entrepreneurial success is regarded as a functioning in this study.

2.2.7 Capability approach and financial literacy

Financial literacy is a product of education and experience. According to Remund (2010), it entails the ability of an individual to comprehend financial matters, with the Organisation for Economic Co-operation and Development International – Network on Financial Education (OECD/INFE) (2011) further stating that it allows one to make sound financial decisions, and thus allowing for the achievement of financial well-being. As such, financial literacy plays a vital role in the light of entrepreneurship.

While the concept of financial literacy seemingly has not been viewed through the lens of the capability approach, this study regards financial literacy as a product of education, insofar as the capability approach is concerned. From this, one can seek the wisdom of Sen (1985) who states that while education is not a capability on its own, it contributes to the widening of an individual's capability set. For example, a person taught mathematics in school and holds a degree in mathematics can decide to become a mathematician, an actuary, a bank manager, among many other options the individual can choose from. Sen (1995) further states that education improves one's ability to communicate, perform calculations, and make well-informed decisions. As such, it enhances the freedom one has to choose between different ways of living. It presents one with more opportunities or capabilities, ultimately contributing to improved well-being, among other valued functionings such as being well nourished and employed, only to mention but a few.

In the line of thinking presented above, this study thus argues that financial literacy enhances an individual's capabilities to achieve the functioning of entrepreneurial success. It improves the individual's ability to make sound and well-informed financial decisions within the entrepreneurial venture (Houston, 2010). More so, it contributes to effective financial management within the venture and leading to improved financial performance. In a similar vein, Taft et al. (2013) notes that a positive relationship exists between financial literacy and financial well-being. Improved financial performance, as a result of financial literacy, contributes to the success of the entrepreneur, hence the achievement of entrepreneurial success – a valued functioning.

2.3 Human Capital Theory

2.3.1 Origins and definition of the human capital theory

In the 1960s, the human capital theory was announced by Theodore Schultz. Schultz (1961) and Becker (1964) postulates that the human capital theory was brought to light to study the value education has to individuals. After noting that there was a disproportionate relationship between factors of production such as land, labour and physical capital, Schultz states that, "investment in human capital is probably the major explanation" (1961, p. 1). From this, the traits of the theory can be traced back to the early 20th century, as can be noted from the wisdom of Alfred Marshall, quoted in Tan, who states that "the most valuable of all capital is that invested in human beings" (2014, p. 412).

Emanating from the neoclassical school of thought, the human capital theory is an economic theory, which aligns itself to the assumption that human beings will always seek to maximise their returns or economic interests. As a result, human beings will thus invest in education to improve their abilities and capabilities to achieve more in the future. As such, while the human capital theory covers a wide range of scopes including health and migration, as Tan (2014) mentions, it has been dominantly applied in the scope of education and training.

After noting that there was a disproportionate relationship between factors of production such as land, labour and physical capital, Schultz states that, "investment in human capital is probably the major explanation" (1961, p. 1). In other words, as Tan (2014) puts it, human beings invest in education to improve their human capital, ultimately with the expectation of getting higher income in the future.

In further clarifying the line of assumption the human capital theory postulates, Marginson (1993) states that the first step is the acquirement of knowledge and skills, in other words, human capital through education and training. The acquired knowledge and skills will enhance the productivity of the individual in the workplace. Higher productivity in the workplace will lead to the individual getting paid higher salaries as it is also assumed that high wage/salary is positively correlated to high productivity. A high wage to the individual means increased accumulation of wealth. The assumptions presented here, although it can be argued, stresses importance on education, or in other words, human capital.

The theory postulates that education plays a central role in the development and nurturing of human capital that is, knowledge and skills in this regard (Tan, 2014). The critical importance of education in this theory calls for active investment in education for one to acquire knowledge and skills. This knowledge and skills, in turn, lead to high income or economic returns. Also, the human capital theory provides that not only does individual productivity and gains increase but also higher national productivity (Tan, 2014). The increased national productivity will lead to the reduction of socio-economic challenges such as unemployment.

2.3.2 Human capital constructs

The most dominant constructs of the human capital approach are education, work experience, knowledge and skills (Marvel et al., 2016). These constructs denote one's level of human capital. For example, when an individual is considered educated and holds a degree, it is perceived that that individual has a relatively higher level of human capital compared to one who does not. The same can be assumed when one has more experience than the other.

The proponent of the human capital theory, Becker (1964), stresses that knowledge and skills are a result of the human capital investments made by individuals through education and work experience. However, most researchers have neglected the distinction of these constructs that some (education and work experience) are direct human capital investments whereas others (knowledge and skills) are outcomes of human capital investment. Unger et al. (2011) states that the outcomes of human capital investments such as knowledge and skills contribute more towards a strong relationship between human capital and entrepreneurial success.

2.3.3 Criticisms of the human capital theory

The human capital theory has played a significant role in explaining the value of education. It has been identified from the literature that investment human capital contributes increased income or economic returns. However, the theory has been showered with criticisms from many researchers.

In criticising the human capital theory, Tan (2014) brings about an empirical criticism, looking at the relationship between education and growth. As the human capital theory postulates, education, as a construct of human capital, contributes to not only the increase in individuals' economic gains, for example, high income, but also contributes to increased national productivity, thus reducing socio-economic challenges such as unemployment (Tan, 2014). The increase in national production (or Gross Domestic Product), reduction of unemployment, among other benefits, are regarded as positive externalities of education (human capital). In the words of Tan, this means, "the impact of education is greater than the aggregation of individual impacts" (2014, p. 424). To this end, Pritchett (2001) notes that the average national incomes will be expected to rise, greater than the totality of individual incomes. Notwithstanding the value of education, Tan posits that wide research does show that "education can increase private gains but not social returns" (2014, p. 424), further giving reference to the micro-macro paradox. This means that the significance of education, or perhaps human capital, is different at the individual and national level (Pritchett, 2001).

Based on the point above, high education does not translate to economic gains at the same rate among individuals and nations. In exemplifying this point, Tan (2014) made reference to Venezuela, which despite an increase in schooling rate between 1960 and 2000, Gross Domestic Production per capita decreased. However, possible explanations for this variance can be provided. Political and social institutions were not conducive for the creation of opportunities or capabilities for the educated to flourish. As a result, human capital did not yield greater returns. In this regard, one can say that a linear relationship exists between human capital and the increase in economic gains however requires an environment conducive for the returns to be realised. Enterprises can thus be expected to succeed when the entrepreneurs have high levels of human capital given that there is an entrepreneurial environment that allows entrepreneurs to reap the benefits of their human capital.

Marginson (2017) also argues that the theory proposes a single and universal theoretical lens. To this end, the theory suggests that an increase in human capital will increase income. However, it pays no attention to the context one is in. The environment plays a crucial role in determining the relationship between education and work. A politically or economically unstable environment can constrict the availability of employment (or entrepreneurial) opportunities. As a result, despite having a high level of education, the returns or economic gains can be limited or even zero. One might venture into entrepreneurship possessing an advanced level of human capital. However, high inflation rates can drastically reduce the purchasing power of the potential market, leading to reduced business success.

2.3.4 Justification for application in the study

Sound criticisms have been provided concerning the human capital theory. However, despite the criticism, a wider body of literature noted the existence of a relationship between human capital and entrepreneurial success. From this finding, and considering that this study focuses on entrepreneurship, this theory allows for the researcher to uncover not only the relationship between the two in the study area, but also to identify the relationship that exists, or the implications that financial literacy, a form of human capital, has, in the light of entrepreneurial success.

This theory has also been criticized for methodological individualism (Tan, 2014) that is, it can only explain individual-level gains, neglecting that individuals live in a society, which thus influences their being. However, this study focuses on the individual level analysis of entrepreneurial success, determining the literacy levels of entrepreneurs and the success of their enterprises. This places this theory within the realm of this study.

2.3.5 Human capital theory and entrepreneurial success

According to Marvel et al. (2016), the human capital theory has been applied in the field of entrepreneurship by various researchers. It has been deemed a profound theory, highly used with its lens allowing for a better understanding of the phenomenon of entrepreneurship (Marvel et al., 2016). In agreement to this, Unger et al. (2011) states that over the past three decades research has spurred in the light of entrepreneurship, with the interest lying in identifying the relationship between human capital constructs such as education, knowledge and skills, and entrepreneurial success.

There remains disagreement on the importance of human capital in entrepreneurial success. Baum and Silverman (2004) argues that this relationship is overemphasised. However, extant scholarship (Unger et al., 2011; Lusardi and Mitchell, 2014; Florin et al., 2003) agrees that human capital is critical to the success of entrepreneurial ventures. Where the scholarship on those alluding to the existence of a relationship between human capital and entrepreneurial success differ is on the magnitude of this relationship.

In the study of Frese et al. (2007), a strong positive relationship was noted between human capital and the success of entrepreneurs. However, it is crucial to note that the strength of the relationship is dependent on a myriad of factors such as the human capital constructs selected, the determinants of entrepreneurial success, as well as the relatedness of human capital constructs to the specific entrepreneurial venture (Unger et al., 2011). Gimeno et al. (1997) notes that human capital is strongly associated to success if it is task-related. On the contrary, human capital that is none-task related has a less strong association with human capital (Gimeno et al., 1997).

The existence of disagreements in literature on the subjects in question poses a challenge to this study. This study thus takes heed of the meta-analytical work of Unger et al. (2011) who systematically reviewed literature spanning over three decades. Nonetheless, other literature is also consulted, to provide a hybrid analysis of human capital and its influence on entrepreneurial success.

In noting the importance of human capital in this regard, Stuart and Abetti (1990) posits that investors wanting to invest in business ventures often are particularly interested in the experience of the entrepreneur. This experience, which is a human capital attribute/construct, helps in the evaluation of the firm potential. In a similar vein, Zacharakis and Meyer (2000) states that among the selection criteria used by venture capitalists, the entrepreneur's experience and the management skills plays are key in determining whether to invest.

Moreover, given the dynamism of the business environment, it is argued that human capital has a vital role to play going forward. Honing (2001) notes that the intensity of knowledge has increased in business activities in many business environments. As such, entrepreneurs need to accumulate human capital, which in turn help them cope with the dynamic, and often rapid changes, and ultimately achieving success.

A myriad of ways in which human capital influences success can be identified. Unger et al. (2011) posits that human capital helps entrepreneurs acquire resources such as financial and physical capital, which Brush et al. (2001) regards as utilitarian resources. It enhances the accumulation of business acumen, which, in turn, allow entrepreneurs to identify opportunities within their entrepreneurial activities. This has been put forward by Ackerman and Humphreys (1990) who highlights that human capital plays a role as a prerequisite to the accumulation of new knowledge and skills. In other words, human capital increases the capabilities of entrepreneurs to discover and utilise opportunities in the business market, enhancing their ability to succeed (Unger et al., 2011).

While human capital is crucial to the success of enterprises, Unger et al. (2011) found that human capital and entrepreneurial success had a stronger positive relationship for knowledge and skills that are outcomes of human capital investments. Direct human capital investments such as experience and/or schooling had a relatively weaker relationship with entrepreneurial success. Also, Unger et al. (2011) notes that human capital constructs that are directly related to entrepreneurial activities had a strong and positive relationship with the success of entrepreneurial ventures. It can thus be deduced that human capital plays a crucial role in entrepreneurial success.

Cassar (2006) provides that individuals who invest more in human capital have a greater likelihood of working towards achieving more growth and profits compared to individuals with low levels of invested human capital. This highlights the underpinning idea of the human capital theory that investment in human capital will yield increased economic gains. Based on the empirical evidence presented here, it has been denoted that many researchers have agreed that human capital plays a crucial role in the light of entrepreneurship, particularly the success of entrepreneurial ventures.

2.3.6 Human capital theory and financial literacy

As had been noted from the work of Unger et al. (2011), direct investments in human capital tend to have a less significant relationship with entrepreneurial success. On the other hand, human capital investment outcomes contribute to increased entrepreneurial success. From this argument, this study focuses on the knowledge/skill spectrum of human capital, which according to Unger et al. (2011), is an outcome of human capital investment. However, the study does not neglect other constructs of human capital. Accordingly, the study looks at financial literacy, which according to Lusardi and Mitchell (2014), is a form of human capital. Financial knowledge, be it acquired through education or work experience, among other ways of acquiring human capital, is, therefore, an outcome of human capital investment.

Financial literacy has been identified to be one of the core forms of human capital (Lusardi and Mitchell, 2014), which is crucial in entrepreneurship. The ability to make well-informed financial decisions, together with the understanding and application of financial elements such as saving, interest compounding, only to mention but a few is beneficial in the light of entrepreneurial success. Financial literacy improves one's financial management skills. Accordingly, effective financial management will lead to improved financial well-being within the entrepreneurial venture.

Despite limited research having been undertaken specifically focusing on human capital and financial literacy, this study draws from the tenet of the human capital theory that high levels of human capital translate to high economic returns. From this, it can be deduced that high levels of financial literacy translate to high entrepreneurial financial returns, hence entrepreneurial success. The wisdom from Lusardi and Mitchell (2014) suggests that financial literacy encompass, among other things, one's ability to accumulate wealth. Entrepreneurship, as the large body of scholarship provides, seeks to generate profit as a reward. This puts financial literacy as an important factor in entrepreneurship as it contributes to the realisation of profit, which is also a determining factor success factor in entrepreneurship. Therefore, entrepreneurs with a high level of financial literacy are expected to be performing better than those with low levels of financial literacy.

2.3.7 Conclusion

Through the lens of the capability approach, entrepreneurial success has been identified to be a valued functioning. However, the success of entrepreneurs is subject to the environments they operate in, the entrepreneurial knowledge, among other (conversion) factors that influence the achievement of a functioning. From the wisdom of Sen, it has been identified that education is crucial in enhancing human capabilities. With that said, this study thus argues that financial literacy is crucial in enhancing entrepreneurial capabilities, allowing for improved decision-making, effective financial management, ultimately leading to increased entrepreneurial success.

The human capital theory has provided that investment in human capital lead to higher economic gains. From the application of this theory in previous literature on entrepreneurship, human capital has been identified to have a relationship with entrepreneurial success. From this tenet, it has been deduced that financial literacy, which is a form of human capital, contributes to the success of entrepreneurial ventures, and thus has a relationship with success.

In sum, entrepreneurial success is a valued functioning. Human capital is paramount to the achievement of entrepreneurial success. Financial literacy enhances human capabilities such as performing financial calculations, making well-informed financial decisions, only to mention but a few. Therefore, financial literacy is crucial in the expansion of entrepreneurial freedoms for the achievement of the functioning of entrepreneurial success.

Chapter 3: Literature Review

3.1 Introduction

Entrepreneurial success and financial literacy are the two concepts of interest in this study. In order to spur scholarship, the two concepts are explored in the context of South Africa. This chapter begins by defining entrepreneurship and outlining its current status in the South African context. The chapter then turns to financial literacy, defining the concept and highlighting its trends in South Africa. The chapter concludes with the exploration of the relationship between entrepreneurial success and financial literacy.

3.2 Entrepreneurship

Entrepreneurship has been recognised as a way to eradicate developmental challenges in the global South. International developmental organisations such as the World Bank and the Organisation for Economic Co-operation and Development (OECD) have highlighted that entrepreneurship can help people sustain their livelihoods. Scoones (2009) mentions entrepreneurship as a livelihood strategy, which can defend people from the shocks and stresses that put their lives at risk. Given the importance of entrepreneurship, particularly within the developing world, it is crucial to explore this phenomenon.

As many definitions have been awarded to the term 'entrepreneurship', the conceptualisation of entrepreneurship differs among various authors. This is, among other reasons, including entrepreneurship being an abstraction (Kao, 1991). As such, people tend to have different opinions about what entrepreneurship is. However, despite the differences in definitions, similar elements can be drawn from the various definitions. Venkataraman (1997) describes the concept of entrepreneurship as encompassing the realisation, evaluation and exploitation of an opportunity to introduce products through means that have not been in existence before. Similarly, Churchill (1992) alludes to the notion that entrepreneurship entails a process of uncovering and creating an opportunity through establishing a new business.

In the context of this study, however, a closer look is placed on the rather comprehensive description of entrepreneurship provided by Gedeon (2010). According to Gedeon (2010), entrepreneurship is a multidimensional concept. In it, several attributes exist, for example, it entails being a business owner, leading or starting a new business venture, and identifying a creatively destructive opportunity that influences the market equilibrium. In addition, Gedeon (2010) also states that entrepreneurship also entails venturing into business without resources and creating value be it business or social value. The view of Gedeon (2010) thus provides that entrepreneurship encompasses a multiplicity of actions and qualities, such as owning a small business and being innovative, with which an entrepreneur can achieve the desired goal, be it business value, social value, or any other value desired.

Gedeon has also provides in the definition of entrepreneurship that "…it involves starting without any resources…" (2010, p.30). This part of the definition is crucial in the context of this study. The youth in economically disadvantaged areas have little or no resources sufficient to earn a livelihood. This can be attributed to high levels of unemployment, particularly in the case of South Africa, as well as the prevalence of poverty (Hurlbut, 2018). As a result, they attempt to venture into entrepreneurship in order to have better lives – however with limited resources. Gedeon's (2010) definition thus take into account that entrepreneurship can be a result of necessity – a way out of poverty and unemployment for some entrepreneurs. Nonetheless, it still comprises of elements such as being innovative, risk-taking, realisation and exploitation of opportunities – the elements of entrepreneurship various authors allude to (Venkataraman, 1997; Churchill, 1992).

While many definitions can be explored, all the above definitions point to the fact that entrepreneurship involves taking an opportunity and transforming it to the desired outcome, which is often the realisation of profit, although not only limited to profits. Gedeon's (2010) definition is thus rather a multidimensional one, encompasses various elements of entrepreneurship such venturing into business, incorporating innovation, changing the status quo, and achieving something desired. It also acknowledged that entrepreneurship can be an activity emanating from necessity, as it states that entrepreneurship can involve venturing into business with no resources.

3.2.1 Perspectives of entrepreneurship

According to Kaufmann and Dant (1999), entrepreneurship can be viewed from three different perspectives. These perspectives reflect in the comprehensive and multidimensional definition of entrepreneurship provided by Gedeon (2010), which include traits, processes and activities. These views are briefly explained in this section.

a. *Personal traits perspective*

According to Kaufmann and Dant (1999), this perspective encompasses the assumption that entrepreneurship is associated with a particular personality type. It thus looks at the attributes that are deemed entrepreneurial, for example, being innovative, risk-taking, and accountability, among others. From this perspective, an entrepreneur can be regarded as an individual who holds the attributes of risk-taking, leadership and creativity. This can also be seen in Gedeon's (2010) definition of entrepreneurship that it entails "…being innovative…" meaning that innovation is an attribute/trait of entrepreneurs (2010, p. 40). However, Kaufmann and Dant (1999) acknowledge that no specific set of entrepreneurial traits exist. Therefore, while the traits presented are crucial in the context of entrepreneurship, other traits can also be taken into consideration.

b. Process perspective

This perspective, according to Kaufmann and Dant (1999), provides two dimensions of entrepreneurship. One dimension includes the recognition of an opportunity and searching for information. The recognition of an opportunity is in line with the words of Gedeon who mentioned that entrepreneurship entails "…spotting an opportunity to drive the market…" (2010, p. 30). The other dimension entails acquiring resources and devising strategies for the business. From these two dimensions, it can be said that entrepreneurs begin by identifying the opportunity. Following that is the search for more information about the opportunity identified. Resources are gathered and applied to the cause, leading to the existence of an entrepreneurial venture.

c. Activities perspective

An entrepreneurial activity entails the undertaking initiated to change the status quo within the entrepreneurial space – for example in the business market. Activities in this regard include (but not limited to) overcoming market deficiencies and providing products and/or services into the markets (Kaufmann and Dant, 1999). Gedeon (2010) provides that entrepreneurship encompasses driving the market, be it into equilibrium or disequilibrium. The activity or 'driving the market' may well allow one to view entrepreneurship in this perspective from the definition provided by Gedeon (2010), who states that entrepreneurship entails creating "…creating new values…" (2010, p. 30).

The phenomenon of entrepreneurship has a central aspect that is the entrepreneur. Entrepreneurs are therefore the members of the society who put the concept of entrepreneurship into reality. Johnson (2001) describes an entrepreneur as an individual whom the initiative and agency is bestowed upon, who thus, because of agency, make things happen. van Scheers (2016) notes that entrepreneurs are often characterised by the need for achievement, tolerance for ambiguity, and innovativeness, among other attributes.

3.2.2 Entrepreneurial success

The term ‘success’ tends to have a high degree of subjectivity as individuals interpret success in their own ways. One’s success can differ from the other person’s success. In the light of entrepreneurship, there remains a lack of a unifying definition of what success entails. A myriad of criteria has thus been suggested to denote entrepreneurial success.

A study by van Scheers (2016) aimed at establishing how the success of entrepreneurial ventures is measured in South Africa reveals that profitability, reasons for starting a business, and the management of business information are commonly used as measures of entrepreneurial success. van Scheers's (2016) study was a secondary research study, which, through the engagement with a substantial corpus of previous researches, concludes that one of the most commonly used measures of success in South Africa is profitability.

Gorgievski et al. (2011) looked at the criteria used by small business owners in assessing the success of their businesses. Across the 150 Dutch small business owners in Gorgievski’s et al. (2011) study, it was found out that personal satisfaction, profitability, and customer satisfaction ranked the highest among the ten criteria provided. It was highlighted that these three measures or indicators are the most relevant and used in determining the success of their ventures.

Walker and Brown (2004) explored the significance of financial and nonfinancial criteria in determining entrepreneurial success among small business owners. 290 small business owners and/or managers in Western Australia participated in the study. It was found out that, both financial (for example, profitability) and nonfinancial criteria are used in determining entrepreneurial success. More so, Walker and Brown (2004) notes that small business owners and/or managers value nonfinancial measures such as personal satisfaction and achievement higher compared to financial measures such as profitability.

The assessment of entrepreneurial success, as highlighted in by various authors, (Gartner, 1988; Walker and Brown, 2004; Gorgievski et al., 2011; van Scheers, 2016), differ across small business owners, that is, entrepreneurs use different criteria to measure the success of their businesses. It has been noted that these measures can be financial or nonfinancial. Examples of financial measures include profitability (van Scheers, 2016; Gorgievski et al., 2011) and growth

(Unger et al., 2011) whereas examples of nonfinancial measures include owner’s satisfaction (Walker and Brown, 2004; Gorgievski et al., 2011) and increase in the number of employees (Gorgievski et al., 2011). These are commonly used in measuring success or entrepreneurship ventures. The measures of entrepreneurial success are discussed below.

Profitability

According to Gartner (1988), profitability is one of the most common indicators of business success. Gorgievski et al. (2011) posit that wealth creation, which can be through the generation of profits, is normally used to denote the success of business owners. In a similar vein, van Scheers (2016) agrees that the generation of profits by a venture signifies the success of the venture. In assessing the implications of human capital on entrepreneurial success, Unger et al. (2011) also highlights the use of profitability as an indicator of success. However, Van Scheers (2016) cautions that although profitability is rather a short-term outlook. The dominant use of, and overreliance on this short-term outlook hampers sustainability for some entrepreneurial ventures as argued by van Scheers (2016) that it contributes to the failure of many small businesses in South Africa.

Growth in revenue

Unger et al. (2011) mentiones that the growth of a venture suggests success. In this light, an increase in the revenue and the net worth of a venture amounts to the success of the venture. Coffey and Herrman (2006) also suggest that the increase or growth in revenue is a measure of success. Unger et al. (2011) and Coffey and Herrman’s (2006) viewpoints with regards to growth are in a similar vein to the wisdom of the past, presented by Gartner (1988) who stated that by definition of entrepreneurship, the growth is a goal of entrepreneurship. Therefore, this adequately places growth as a good measure of entrepreneurial success.

Increase in the number of employees

Gorgievski et al. (2011), uses the number of employees in a business as a measure of success. More so, Nunoo and Andoh (2011) also used this as a measure of firm size. This shows that the change in the number of employees can be used to signify the growth or decline of a business. This study thus uses this as a measure of business success, looking at the number of employees from the inception year and the number of employees in the most recent year. In this case, an increase in the number of employees depicts the growth of a business, thus resembling business success.

Owner satisfaction

According to Gorgievski et al. (2011), owner satisfaction or personal satisfaction entails the utility that is derived from owning and running and enterprise, having a sense of autonomy, and challenge emanating from the entrepreneurial activity. Gorgievski et al. (2011) and Walker and Brown (2004) notes that owner satisfaction is of high importance as a measure of success. In this regard, when the entrepreneur is satisfied with the entrepreneurial venture, the venture is regarded as successful. However, as Sen (1990) argues, a severely long-standing deprived person might have a high level of satisfaction, which the person derives from small mercies, as they cannot remain weeping because of their deprivation. As such, assessing the success of a business by looking at one's level of satisfaction may not adequately take into account the level of deprivation and the other life-threatening struggles the person encounters. Therefore, an entrepreneur can be satisfied, although the venture can be marred with poor financial management or continued generation of losses.

3.2.3 Entrepreneurship and entrepreneurial failure in South Africa

South Africa has high levels of unemployment, with masses living in poverty. According to Statistics South Africa (2019), the level of unemployment remains high, recorded at 29% in the second quarter of 2019. As a result, many tend to venture into entrepreneurship in an attempt to sustain their livelihoods. However, the dynamism of the business or entrepreneurial environment remains a challenge for many. At this point, this study explores the concept of entrepreneurship in the context of South Africa.

Entrepreneurship, and particularly through small and medium (SME) ventures, is often viewed as a solution to the problem of high rates of unemployment. Through these ventures, more jobs can be created, inequalities addressed, and poverty eliminated. However, the absence of sustainable ventures leads to little or no success in ameliorating developmental challenges through entrepreneurship.

On the SME landscape, SME owners, of whom the majority are within the youth age group (15-34 years), tend to have low levels of education and on average have lower than secondary school academic qualifications (Hurlbut, 2018). Also, most SMEs are owned by Africans whereas the majority of large firms are owned by whites (Hurlbut, 2018). This shows that the disadvantaged groups – youth, less educated, less work/entrepreneurial experience, with a high prevalence of unemployment – venture into entrepreneurship as a survival strategy to sustain their livelihoods. It can also be said that many of the entrepreneurs in the youth category have little or no resources, befitting Gedeon's (2010) definition of entrepreneurship, which states that entrepreneurship involves venturing into entrepreneurial activities with no resources and creating something valuable in the business context.

According to the 2016 Global Entrepreneurship Monitor report (GEM) conducted by Herrington et al. (2017), levels of entrepreneurial activity has been persistently low in South Africa. The level of intention to venture into entrepreneurship is surprisingly low among South Africans, despite South Africa being one of the most economically well-off countries/economies on the African continent. Herrington et al. (2017) posits that perceived opportunity and capabilities levels are lower than the averages recorded in efficiency-driven countries. Therefore, the lack of opportunities diminishes entrepreneurial activity in the country. Despite entrepreneurship being regarded as a driver of the economy as well as a promoter of improved human well-being, the rate of entrepreneurial survival remains staggeringly low in South Africa (Fatoki, 2014). According to Fatoki (2014), between 70% to 80% of start-ups fail to remain in business. Bushe (2019) states that of all new entrepreneurial ventures, it is estimated that 40% of them fail in their year of inception. In the second year of operation, 60% of the businesses fail. The rate of failure is even more adverse as the time factor increases, that is, as Bushe (2019) provides, it is estimated that 90% of the businesses fail within ten years from their year of inception.

More so, Rungani and Porgieter (2018) highlights that more than 85% of entrepreneurial ventures encounter significant challenges that hinder their survival. This is in line with the findings of Herrington (2017) who states that a high discontinuance rate exists in South Africa, noting that only about 12% of business exits in 2016 were regarded as positive exits, that is entrepreneurs exiting to pursue other more lucrative opportunities. The rest are attributed to failure. Herrington (2017) also states that 67% of the entrepreneurs or businesses that ceased to exist were a result of financial hurdles, be it that they were not realising profits and/or the inability to access finance. In making a comparison between South Africa and the rest of Africa, Herrington et al. (2017) notes that South Africa has 50% higher business discontinuance rate resulting from the inaccessibility of finance.

3.2.4 Causes of entrepreneurial failure

As highlighted earlier, Fatoki (2014) tells us that the rate of entrepreneurial failure is high in South Africa. Given the contributory role entrepreneurship has towards the economy and the advancement of human well-being in South Africa, it is worth investigating some of the causes of failure of entrepreneurial ventures.

Limited human capital

The knowledge and skills inherent in individuals are crucial to success. As Unger et al. (2011) posit, human capital is vital for success. The absence of it can be detrimental to success. Rogerson (2001) states that entrepreneurs who possess a higher level of human capital – knowledge and skills – tend to be more adaptive to the dynamism of the business environment. As such, their enterprises will be able to cope and succeed. Human capital can help one manage an enterprise effectively. Well-informed decisions can be made to the benefit of the enterprise. Consequently, the chances of success would be greater. However, limited human capital is dire in light of entrepreneurial success. Freiling and Laudien (2013) posits that the lack of skills plays a significant role in the downfall of new ventures in South Africa. Decisions are made without being well-informed by facts and informed opinions. In the end, the ventures are reduced to dust.

While looking at human capital, it is important to briefly bring about the concept of financial literacy. As had been identified in the earlier sections, financial literacy, which is a form of human capital as the text of Lusardi and Mitchell (2014) provides, plays a crucial role in the success or failure of ventures. The low levels of financial literacy in South Africa play a contributory role in the failure of ventures (Cole and Fernando, 2008). People with low financial literacy levels tend to make poor financial decisions. In the business context, poor financial decisions result in reduced profitability and growth, thus diminishing the ability to realise entrepreneurial success. This is confirmed in a study by Fatoki and Oni (2014) who, through a review of existing literature on financial literacy in South Africa, spanning from 2006 to 2014, found out that financial literacy is crucial insofar as sound financial decisions and financial well-being are concerned.

Inaccessible finance or credit

The 2016 GEM provides a compelling finding that most business discontinuance emanates from financial hurdles. Herrington et al. (2017) asserts that the inaccessibility of finance remains a challenge for many businesses. In South Africa, this is a key challenge for entrepreneurs (Herrington et al., 2009). Considering that some people venture in entrepreneurship to exploit an opportunity while increasing their ways of earning a living, many do not have resources to support their intentions. Again, the high rate of youth unemployment results in limited resources in one's possession. As a result, limited collateral exists, making it difficult to obtain finance from financial houses such as banks. In the end, despite their efforts to succeed, failure and business discontinuance become the closest reality. Moreover, Shaw and Pretorius (2004) states that the level of risk in financial small enterprises is high for financial institutions. The perceived low rate of return and a perceived high probability of failing to meet credit agreements tend to make financing institutions reluctant to finance these businesses. As a result, they are left to miserably fail.

Lack of technical and managerial skills

Various studies conducted in South Africa reveal that managerial skills and technical skills play a crucial role in the success of small businesses, and their lack of, contribute immensely to their failure (Rogerson, 2008; Brink et al., 2003). The absence of managerial skills is detrimental to business development. Instead, it leads to the misuse of resources, promoting inefficiency, thereby diminishing venture productivity. Shaw and Pretorius (2004) acknowledges that the lack of managerial skills contributes to the decline of small ventures. van Scheers (2016) agrees that lack of skills leads to reduced success – or more precisely to failure. Moreover, with poor managerial skills, decisions made for the enterprise can well be to the detriment of the enterprise, thus leading to reduced success.

Poor market access

Smit and Watkins (2012) highlights that poor access to the market plays a detrimental role to small ventures. As a result, they are left with products and services with no one to buy from them. In South Africa, the economically disadvantaged groups are often found in the outskirts of the towns (Lemanski, 2014). As such, they have limited access to business opportunities and markets, which are situated within and around the central business districts. This structural barrier can be a contributory factor to the continued and increased failure of entrepreneurial ventures, particularly those initiated by the economically disadvantaged.

3.3 Financial literacy

The value of financial literacy has been recognised by various scholars (Huston, 2010; Athes, 2004; Remund, 2010). The increase in the relevance of the subject of financial literacy can be attributed to the increase in the complexity of financial decisions. Resultantly, this complexity has led to the need for improved knowledge in the light of financial literacy, aligned with financial behaviour. In this section, the concept of financial literacy is defined and discussed.

3.3.1 Defining financial literacy

Literature has provided several definitions of the concept of financial literacy. Financial literacy, defined by the OECD/INFE (2011), as cited by Oseifuah, is "a combination of awareness, knowledge, skill, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being" (2010, p.167). Athes (2004) provides that financial literacy involves one's ability to make financial choices involving a considerable amount of discernment, and the ability to respond to day-to-day conditions which influence financial decisions thereof. In terms of financial knowledge and awareness, the focus is placed on elements such as financial products, such as investment in the stock market, as well as financial institutions such as banks. Financial skills involve one's ability to compute compound interest on an investment. Another element of financial literacy is financial capability, which entails financial planning and the management of monetary resources. Remund (2010) describes financial literacy as entailing an individual's ability to comprehend and utilise financial matters. In a similar vein, Huston (2010) stresses the application of the various elements of financial literacy such as knowledge, awareness and financial instruments within both a personal and business context.

Many more definitions of financial literacy can be explored. However, from what has been gathered, as provided above, financial literacy encompasses knowledge, awareness, skills and the use of these in decision-making and use of financial products. However, despite it being crucial to be financial literate, the study conducted by Xu and Zia (2012) provides that, from comparable surveys conducted across the globe measuring financial literacy, the level of financial literacy across the globe is low. Xu and Zia (2012) further states that these levels are even lower in developing countries compared to developed countries. This has been attributed to low financial reach in developing countries, and the inaccessibility of sophisticated financial products by a large percentage of the population. Low levels of financial education have also contributed to this.

3.3.2 Dimensions/domains of financial literacy

In conceptualising financial literacy, the OECD (2005) identified four dimensions or domains of financial literacy. These include:

Financial control

- The presence of financial control is signified by the ability to make financial decisions frequently, being meticulous in managing own finances as well as possessing a high propensity to save instead of spending.

Financial planning

- Financial planning encompasses devising financial targets, investing for the future. Also encompassed in this domain is active participation towards meeting the set plans or targets.

Choosing financial products

- This assesses the awareness one has to a specified category of financial products, for example, awareness of banking and credit loans.

Financial knowledge

- This involves the knowledge an individual has to comprehend financial numeracy, having an understanding of financial concepts such as interest and inflation.

3.3.3 Benefits of financial literacy

The increasing complexity of financial decisions in the 21st century, as Taft et al. (2013) posits, has led to an increase in the need for financial education. Resulting from the increased complexity of financial decisions, Vitt et al. (2000) asserts that financial literacy can help improve better decision-making. Furthermore, they provided that not only will financial literacy lead to better decision-making but also positively contribute to economic emancipation through its influence on economic capability. In their findings, Taft et al. (2013) notes that there is a positive relationship between financial literacy and financial well-being. This finding is in line with the definition of financial literacy provided by the OECD that it leads to the achievement of "…individual financial well-being" (Oseifuah, 2010; p.167).

Furthermore, looking at financial literacy through the lens of human capital, it can be said that the higher the levels of financial literacy, the more economic returns that can be accumulated. This is deduced from the wisdom of the human capital theory which highlights that high levels of education lead to high economic returns (Tan, 2014). In this regard, individuals with high financial literacy rates can be said to be economically well-off compared to those with low levels. Coussens (2006) provides that financial literacy improves an individual's ability to make sound financial decisions, avoid proneness to predatory spending as well as economic shocks. From this, one can say that financial literacy is beneficial to the financial well-being and overall human well-being.

Oseifuah (2010) and Gallery et al. (2011) posit that financial literacy is vital for the effective management of financial resources as it influences decision-making in financial situations. In a similar vein, Kubaso and Ayuo (2014) provide that financial literacy promotes improved financial decisions, economic growth and the reduction of social issues such as poverty.

More so, financial literacy helps expand the capabilities of individuals. This is deduced from the work of Sen (1995) who states that knowledge, or education, for example, being literate, allows for the realisation and exploitation of other opportunities or capabilities such as getting a better job. It can thus be said that individuals with a higher level of financial literacy tend to be better off in terms of realising opportunities for the betterment of their well-being.

Financial literacy is also beneficial beyond the individual level. It allows for the enhancement of individuals' ability to create and accumulate wealth. The accumulation of wealth in this regard means increased investment, which means increased propensity to invest. In the end, people can adapt and cope with financial shocks, allowing them to avoid grave financial compromises insofar as their well-being is concerned.

3.3.4 Financial literacy in South Africa

Financial literacy remains low in many developing countries, as has been noted by the OECD/INFE (2011) in its assessment of financial literacy across the globe. Across the globe, it is widely acknowledged that many consumers tend to be financially illiterate, thus having limited ability to make crucial financial decisions for the improvement of their well-being (Oseifuah, 2010; Perry, 2008; Braunstein and Welch, 2002). Lusardi and Mitchell (2007) highlights widespread financial illiteracy across the globe, noting that financial literacy is low among the young, the old, the less educated, as well as women. This is also more prevalent in developing countries, as Cole and Fernando (2008) point out. While looking at the concept of financial literacy in this study, it is important to assess the level of financial literacy in the context of South Africa.

According to Wentzel (2016), the level of financial literacy in South Africa is low. Similarly, in a pilot study conducted by the OECD/INFE in 2010 aimed at measuring the level of financial literacy, South Africa and Armenia ranked the lowest among the countries who participated in the study. Measuring financial literacy by looking at four domains namely financial control, financial planning, product choice, and financial knowledge, South Africa performed relatively poor in all the domains. Financial literacy was measured on a scale of 0 to 100, where 0 signify absolute poor performance and 100 resembling a perfect score on financial literacy (Roberts et al., 2016).

The study conducted by the Financial Services Board from 2011 to 2015 provides a clear picture of the level of financial literacy in South Africa. In 2011, the overall financial literacy score in South Africa was 54. This score remained the same in the results of the 2012 survey. In 2013, the score decreased to 52. In the 2015 study, the score rose up to 55. The overall percentage change over these years was 1% (Roberts et al., 2016). Over this period, the age groups 16-24 years and 25-34 years performed relatively lower compared to the other age groups. Low-income earners had lower financial literacy rates compared to upper-middle- and high-income earners. It has also been identified that the higher the level of one's education, the higher the level of financial literacy. Another common observation was that the most educated, the employed and those in the age group 35-49 years had levels of financial literacy above the national average (Roberts et al., 2016).

Given the continuously low level of financial literacy in South Africa, various programmes have been implemented (Wentzel, 2016). Financial education has been put in place, spearheaded by financial institutions such as banks and insurance houses. Wentzel (2016) states that governmental bodies and other civil societies, together with the private sector have implemented various efforts to improve financial literacy in South Africa. Notable examples of these efforts include example the financial education programmes run by the Financial Services Board through the Social Security and Retirement Initiative. As the youth are the powerhouse of the future of South Africa, financial literacy programmes have also been initiated to improve the youth's levels of financial literacy. The compulsory Economic and Management Sciences (EMS) subject is one of the ways the South African government promote financial literacy among the youth in schools (Wentzel, 2016). The success of these, however, remains questionable.

3.3.5 Financial literacy and entrepreneurial success

While financial management is crucial in the business context, the lack of financial literacy on the entrepreneur's side can influence reduced financial sustainability due to poor decisions within the business, which can lead to business failure. This can be attributed to the findings of Xu and Zia (2012), who state that low levels of financial literacy result in unfavourable financial outcomes.

According to Bosma and Harding (2006), poor financial literacy diminishes the ability to realise success in entrepreneurial ventures. This is because it limits entrepreneurial activities. This revelation is true particularly in the case of South Africa, where poor financial literacy and inadequate management were identified to be limiting factors towards entrepreneurship among the youth.

The findings of Nunoo and Andoh (2011), in examining the influence of financial literacy on entrepreneurial ventures in Ghana through an empirical analysis, showed that financial literacy plays a vital role in the stimulation of entrepreneurial activities. They presented that financially literate entrepreneurs had a high likelihood of utilising financial services such as banking. Ventures that are run by financially literate individuals thus tend to perform well as well-informed decisions are made for the benefit of the venture. Moreover, while entrepreneurs are known to be risk-takers, financially literate entrepreneurs tend to take risks based on a thorough assessment of the possible outcomes of their actions. As such, they are more likely to lead succeeding enterprises.

Drawing from the work of Senevirathne and Jayendrika (2016) who assessed the success of micro-businesses in relation to the business owners' level of financial literacy. Through the use of questionnaires among 183 owners of micro-businesses in the Western Province of Sri Lanka, Senevirathne and Jayendrika (2016) found out that a strong positive relationship exists between the success of these micro-businesses and their respective owners' level of financial literacy. This is in line with the wisdom of Lusardi and Mitchell (2007) who, through considering financial literacy as a form of human capital, states that it plays a crucial role in ensuring the success of entrepreneurial activities through improving profitability. The increase in profits thus opens more scope for firm growth and expansion, leading to the improved well-being of these ventures.

The study by Bruhn and Zia (2011) in Bosnia and Herzegovina, which involved assessing the impact of a business and financial literacy program on firms owned by the youth, found that entrepreneurs who had high levels of financial literacy were able to realise profits and increased sales revenue in their respective entrepreneurial ventures. Similarly, in a study to assess the impact of financial literacy on entrepreneurial success in Kenya, Njoroge (2013) observes that entrepreneurs who exhibited a high score on the financial literacy test were more successful in their entrepreneurial ventures. On the contrary, those who showed low levels of financial literacy were less successful in their ventures and were experiencing stunted business growth. From this observation, Njoroge (2013) concretely concludes that a positive relationship exists between financial literacy and the success of entrepreneurial ventures. Furthermore, it was also stated from this observation that financial literacy plays a crucial role in the realisation of success among small and medium enterprises.

A similar revelation to that of Njoroge (2013) has been noted in the study of Dahmen and Rodriguez (2014). Dahmen and Rodriguez (2014) surveyed 14 small business owners in Florida, United States, aiming to determine the association between the business owners' financial understanding and their use of financial statements in the businesses. A strong positive association was found between the owner's financial knowledge in terms of use of financial statements and the financial strength of the small business.

Wise (2013) investigates the impact of financial literacy on the survival of news entrepreneurial ventures in Canada. 509 young entrepreneurs who had received loans to start entrepreneurial ventures were participants in Wise's (2013) study. Wise (2013) found that the increase in financial literacy resulted in an increase in the production of financial statements. In addition, Wise (2013) found that there was a higher probability of loan repayment among the entrepreneurs who produced financial statements more frequently.

Although limited studies have been conducted in the context of South Africa, looking at financial literacy and entrepreneurial success, the study conducted by Oseifuah (2010) sheds more light. Oseifuah (2010), using interviews and questionnaires, assesses the levels of financial literacy and youth entrepreneurship among 39 youthful entrepreneurs in the Vhembe District, in the province of Limpopo. The study concluded that financial literacy contributes positively to entrepreneurial skills in South Africa. As such, these skills, in turn, contribute towards the effective management of an entrepreneurial venture, leading to entrepreneurial success. These findings are in line with similar works (Njoroge, 2013; Bruhn and Zia, 2011) conducted in contexts external to South Africa.

It can thus be said that extant literature provides compelling evidence that financial literacy positively influences the success of entrepreneurial ventures. The findings are similar in both the developed and the developing world. For example, the finding of Dahmen and Rodriguez (2014) in the United States of America and Wise (2013) in Canada are in a similar vein to those of Senevirathne and Jayendrika (2016) Sri Lanka and Njoroge (2013) in Kenya. The higher the entrepreneur's level of financial literacy, the better the firm's performance. However, it is important to note that other factors do exist, which influence the success of ventures, for example, external shocks such as inflation. Nonetheless, it can be argued that a high level of financial literacy is key to the mitigation of these shocks.

3.4 Conclusion

The aim of this chapter has been to explore the two concepts central to this study – entrepreneurial success and financial literacy. Numerous sources were consulted. It has been observed that the level of entrepreneurship in South Africa is low. There is low intention to venture into entrepreneurial activities. Also, the failure rate of entrepreneurial ventures is alarmingly high, reaching levels of between 70% to 80% (Fatoki, 2014). As a result, the success of ventures remains limited. In the light of financial literacy, its levels remain low. With a positive relationship between financial literacy and entrepreneurial success, as extant literature has provided, the low levels of financial literacy in South Africa can be detrimental to entrepreneurial success. An improvement in financial literacy can thus be vital to enhance the success rate of entrepreneurial ventures. Resultantly, the livelihoods and well-being of entrepreneurs will be enhanced.

Chapter 4: Research Methodology

4.1 Introduction

To answer the research questions and achieve the aims and objectives of this study, it is crucial to apply the appropriate methodologies. This chapter outlines the research design, specifies the methods, and how data is collected. The use of mixed methods is explained. An overview of how the collected data is analysed is provided. The chapter also provides a description of the study site.

4.2 Study area

This study looks at entrepreneurship within Khayelitsha, one of the most densely populated and economically disadvantaged communities in Cape Town, characterised by high levels of unemployment and low levels of income. This section provides the socio-demographic and economic profile of the City of Cape Town and that of Khayelitsha motivating the selection of the study site.

Cape Town is a city located in the Western Cape province of South Africa. The city has a population of 3 740 025 and 1 068 572 households as recorded in the 2011 census (City of Cape Town, 2012). The average household size is in Cape Town is 4. About 42% of the population are Coloured, making the largest racial group in the population, followed by the Back African who make up 38.6% of the population. 51.1% of the population are females and males constitute 48.9%. The 15 to 25 years age group makes up 18.4% of the population. As the City of Cape Town (2017) reports, of those above 19 years of age, 46% have completed Grade 12 or a higher level of education. This, however, shows that more than 50% have low than Grade 12 qualification. It has also been reported by the City of Cape Town (2017) that the Grade 12 drop-out rate was at 32.7% in 2016. The City of Cape Town (2017) further elucidated that the high drop-out rates are influenced by a myriad of factors including high levels of unemployment and poverty. This signifies low levels of education for the majority of the population.

The unemployment rate in the City of Cape Town, according to the 2011 census, is 23.9% with the most unemployed population group being the Black African with an unemployment rate of 34.5%. The Coloured population group has a slightly lower unemployment rate of 22.7% compared to the Back African population. The White population group has a much lower unemployment rate at 4.7% (City of Cape Town, 2012).

Many households in Cape Town earn low incomes, with 47% of the households earning a monthly income of R3200 and below. Cape Town is one of the most unequal cities in the world with a Gini coefficient recorded to be at 0.61 in 2016 (City of Cape Town, 2017). The City of Cape Town (2017) further notes that income inequalities have been increasing. In terms of human development, the City has a relatively high Human Development Index (HDI) of 0.74.

However, the socio-economic status of Khayelitsha tends to differ from that of Cape Town. According to the City of Cape Town (2013), Khayelitsha has a population of 391 749 and 118 809 households, based on the 2011 census, with 98.6% of the population being of the Black African race and the Coloured race accounting 0.6% of the population. Khayelitsha shares the same demographic breakdown in terms of gender to that of the greater Cape Town area. Females constitute 51.1% of the population whereas males account for 48.9% of the population. 21.4% of the population is between the ages of 15 to 24 years. The average household size is 3.

In terms of education, approximately 39.6% of the people aged 20 years and above have completed Grade 12 or a higher level of education. This figure is lower than that of the greater area of Cape Town, recorded at 46%. This means that more people of this age group in Khayelitsha have low levels of education compared to the overall City of Cape Town. In terms of adult education, only 4.9% have a qualification higher than a matriculation certificate. Besides, the rate of unemployment in Khayelitsha is 38%, higher than that of the overall City of Cape Town at 23.9% (City of Cape Town, 2013). The 2011 census also provides that 54.5% of the households are informal dwellings, highlighting that more than half of the households do not have formal houses, which spells poor living conditions.

4.3 Research design

This study employs a mixed methods approach, which according to Creswell (2003), combines elements of both a quantitative and qualitative research design in one study. Creswell (1999) states that a mixed methods approach allows policy researchers to delve into complex concepts and comprehend these phenomena qualitatively, at the same time generating quantitative assessments, which, in turn, can be used to support qualitative assessments. From this, policies can be generated with greater reliability given that they consider the views and feelings of people yet generating quantifiable data for statistical analyses. Also, given the complexity of the social world, as Rossman and Willson (1985) posits, mixed method design allows for the enhanced understanding of these complexities, enabling policymakers to generate policies, which benefit all stakeholders. Holding a similar view to that of Rossman and Willson (1985), Malina et al. (2011) provides that the simultaneous or iterative use of qualitative and quantitative methods allows for the exploration of complex concepts in the society. In the end, the outcomes of the research will be far stronger, and perhaps more reliable, compared to the outcomes of research which apply a single method (Malina et al., 2011; Albright et al. 2013). In the words of Hayes et al., mixed methods allow one to "gain a more rounded and holistic understanding of the phenomena under investigation" (2013, p. 1).

Moreover, Babbie (2008) posits that a mixed methods approach helps to create a balance between the weaknesses and strengths of each of the methods. In this regard, as Babbie (2008) states, the weaknesses of one approach will be compensated for by the strengths of the other approach. In agreement with Babbie (2008), Hayes et al. (2013) states that mixed methods build on the strengths of both the qualitative and the quantitative aspects. This is in line with the observation of Rossman and Willson (1985) who provides that mixed methods have the potential to adequately address the multiplicity of interests among different stakeholders insofar as policymaking is concerned.

The application of the mixed methods research design in this study is a result of the identified merits the design provides. The mixed methods design in this study allows for the collection and use of both qualitative and quantitative data. This, in turn, help strengthen the research as Babbie (2008) has mentions that the weaknesses of one design – say qualitative, are compensated by the strength of the other design – say quantitative, in this regard. This compensation results in increased strength of this study. Furthermore, taking heed from Rossman and Willson (1985), the mixed methods design enhances the strength and reliability of the findings in this study. The quantitative aspect of this design ensures that the study determines the implications of financial literacy on entrepreneurial success. It allows for the objective measurement of financial literacy and entrepreneurial success. On the other hand, the qualitative aspect of this design allows the researcher to obtain the viewpoints of the research participants concerning their perceived knowledge of what financial literacy entails and its perceived implications to the success of their businesses. Furthermore, the qualitative approach helps identify the challenges faced by entrepreneurs, which may be hindering the success of their businesses. In the end, the researcher can triangulate both qualitative and quantitative data, hence, as Doyle et al. (2009) notes, enhancing the validity of research findings.

In the light of applying a mixed methods approach, this study follows the concurrent mixed methods approach, which according to Creswell et al. 2003, involves the convergence of quantitative and qualitative data to ensure a comprehensive analysis of the research problem. In this approach, both qualitative and quantitative data is collected at the same stage (Castro et al., 2010). The application of the concurrent mixed methods, through nesting qualitative data within the collection of quantitative data, helps ensure that the research problem is comprehensively analysed.

Research methods

According to Denzin and Lincoln (2011), two research traditions mainly utilised within social science research are qualitative and quantitative research. Qualitative research, as provided by Babbie and Mouton (2001), focuses on acquiring the perspectives of the research participant on a particular subject. Patton (1990) positsd that qualitative research allows the researcher to gather in-depth information on a subject being researched on. On the other hand, Babbie and Mouton (2001) states that quantitative research allows for the collection of factual and objective data.

This study employs the abovementioned two typologies namely quantitative structured interviews and qualitative in-depth interviews. The structured interviews in this study allow the researcher to gather demographic data, and data relating to the participants' levels of financial literacy and the success of their entrepreneurial ventures. The in-depth interviews allow that the researcher to obtain views and lived experiences of entrepreneurs within economically disadvantaged areas relating to the association between financial literacy and entrepreneurial success. In-depth interviews are also used to gather insights relating to the causes of entrepreneurial failure among businesses owned by the youth in economically disadvantaged areas. The outcomes of these methods together provide a better understanding of the phenomena in this study.

4.4 Sampling

As it is impossible within the scope of this study to achieve an enumeration of every entrepreneur within the economically disadvantaged area of Khayelitsha in this study, the population is thus sampled. In this study, a nonprobability sampling technique is applied. According to Etikan et al. (2016), nonprobability sampling allows for the selection of research participants with no intention of generating inferences from the chosen sample to the total population. It is cheap to implement and relatively less time-consuming.

This study uses purposive sampling to select participants to collect qualitative data. According to Etikan et al. (2016), purposive sampling entails the deliberate selection of participants as a result of the qualities the research participants have. Etikan et al. (2016) further postulates that purposive sampling allows for the selection of information-rich research participants, hence the collection of detailed data. Creswell and Plano Clark (2011) states that this sampling technique enables the selection of participants who have the knowledge and/or experience in the subject matter of study. The selection of interview participants in this study involved the use of the purposive sampling technique. This technique allowed the researcher to identify entrepreneurs or participants who would provide knowledge inspired by their experience in running entrepreneurial ventures within the economically disadvantaged areas. Six participants were thus selected for in-depth interviews.

In the collection of quantitative data, snowball sampling is used in this study. According to Biernacki and Waldorf (1981), snowball sampling involves the selection of participants through referrals made by the first selected participant. This technique is often used to reach participants who share the same characteristics but are often considered 'hidden' in the sense that they are '…difficult to identify, to study and to recruit for the imposed investigation." (Dragan and Isaac-Maniu, 2013, p.161). Besides, Cohen and Arieli (2011) states that this technique is highly useful in the conduction of research within marginalised societies. Adding to that, Cohen and Arieli (2011) provides that can be used as an alternative technique if other preferred techniques are not feasible in the research environment.

Although snowball sampling has been predominantly used in the selection of 'hidden populations', with the most commonly mentioned being drug abusers, illegal immigrants, among others who conduct activities which societies may deem unacceptable (Dragan and Isaac-Maniu, 2013), the researcher finds it applicable in the selection of entrepreneurs within economically disadvantaged areas due to the difficulty in reaching the participants. To overcome the difficulty in recruiting participants, the research employed the snowball sampling technique which enabled for the recruitment of one participant and sought referral to other potential participants. The researcher thus recruited one entrepreneur to participate in the study and that entrepreneur referred the researcher to other entrepreneurs and so on. A sample of 36 participants was selected for structured interviewing using questionnaires.

4.5 Data collection

In the collection of quantitative data, structured interviews were administered using questionnaires. The choice of structured interviews in this study emanates from the merits that this technique offers which include allowing the researcher to have control over the format of the interview (Kajornboon, 2005). It is also less time-consuming, hence a high degree of efficiency (Doodly and Noonan, 2013). 36 structured interviews were administered. All respondents were entrepreneurs owning a business. The questionnaire comprised of 3 sections. The first section asked questions relating to the demographics of the participants. The second section asked about business-related information to denote the success of the entrepreneurs' businesses. The third section had a financial literacy test to determine the entrepreneurs' level of financial literacy. A questionnaire used in this study is provided in Appendix 1.

For qualitative data collection, in-depth interviews were conducted. According to Legard et al. (2003), in-depth interviews are commonly used in the collection of qualitative data as they allow for the obtainment of participants' point of views on a particular phenomenon. Additionally, Alshenqeeti (2014) adds that interviews enable the researcher to obtain information with depth as it allows the researcher to probe the responses provided by the interviewer, thereby getting deeper insight relating to the interviewee's perspective on the subject in question. The use of in-depth interviews in this study emanates from the merits of this data collection method, which include allowing for a deeper insight into the research participant on the subject matter. In-depth interviews were thus used to gather data relating to the views, feelings and opinions of participants on what financial literacy is and the role they perceive it plays in the success of their businesses. In-depth interviews also allowed the researcher to gather the challenges participants encounter in running their businesses, which contribute to entrepreneurial failure. The in-depth interview guide is provided in Appendix 2.

Literature review has also been used as a data collection method in this study. Through consulting existing literature on the concepts of entrepreneurial success and financial literacy, information on these concepts has been gathered. The information has also been gathered concerning the challenges entrepreneurs face, which thereby contribute to high entrepreneurial failure rates in South Africa. Literature was thus obtained from journal articles, and books, among other sources that were deemed relevant to this study.

4.6 Data analysis

Quantitative data is analysed using STATA 14 software. Descriptive statistics are provided. According to Ikebuaku (2018), descriptive statistical analysis allows one to summarise given data. Findings from this analysis are presented in the form of graphs, charts and tables.

Qualitative data is analysed using thematic content analysis. This, according to Anderson (2007), entails the presentation of qualitative data in a descriptive way. Data obtained from the field was transcribed and coded. Categories were then generated from the coded data, and recurring and emergent themes are identified and presented.

4.7 Summary of research questions, methods and data required

This study set out a number of research questions it aimed to address. Various methods were used to gather data, which, after its analysis, enabled the researcher to address the set questions. Table 1 provides a summary of the research questions, methods and the data required.

Table 1: Summary of research questions, methods and data required

	Research Question	**Method**	**Data**
1	Who are the young entrepreneurs in economically disadvantaged communities?	Quantitative	Structured interviews
2	Why do young people from disadvantaged communities venture into entrepreneurship?	Qualitative	In-depth interviews
3	What is the rate of failure amongst young entrepreneurs in economically disadvantaged communities?	Literature review	Existing literature
4	How does financial literacy influence success of young entrepreneurs?	Qualitative	In-depth interviews
5	What are the factors that are associated with the failure of these ventures?	Qualitative	In-depth interviews
6	Why do young entrepreneurs fail despite support from governmental and other entrepreneurship support programmes?	Qualitative	In-depth interviews

4.8 Conclusion

This chapter presents the methods in which data in this study was obtained and analysed to achieve the aims of the study. The use of a mixed methods approach is highlighted, and elucidation is provided on the merits this approach has to this study. Through purposive and snowball sampling techniques, research participants were identified. Data collected in this study using in-depth interviews and structured interviews is analysed. The analysis of data and discussion of findings is provided in the next chapter.

Chapter 5: Data Analysis and Discussion of Findings

5.1 Introduction

This chapter presents the analysis of quantitative and qualitative data collected and a discussion of the findings from this analysis. The chapter begins with analysing and discussing quantitative findings. This is followed by the analysis and discussion of qualitative data. This chapter ends by summarising the findings and providing a conclusion highlighting the main findings.

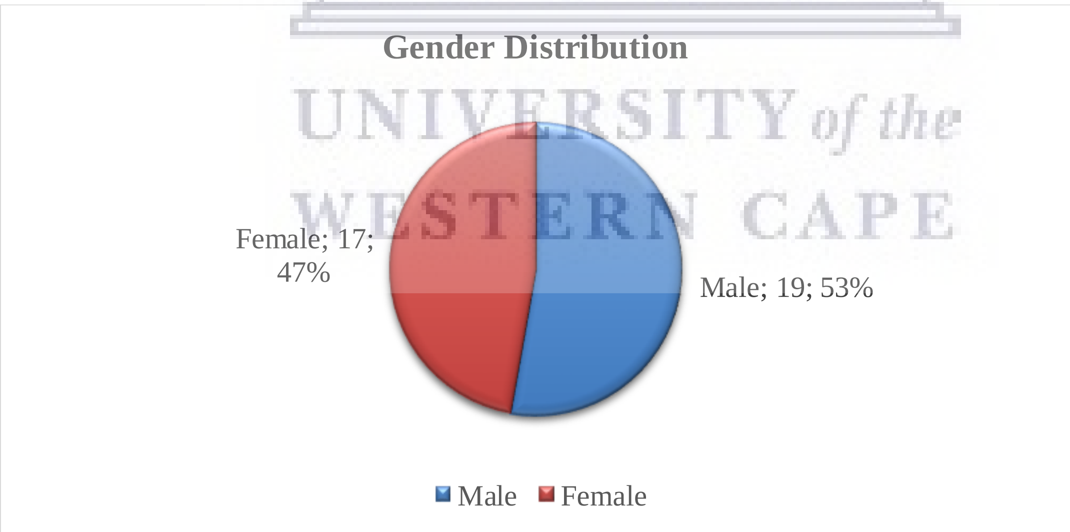
5.2 Quantitative Data Analysis and Discussion

In the collecting of quantitative data, structured interviews were administered to 36 entrepreneurs. This section provides the descriptive statistics and discussions relating to the demographic, business success and financial literacy data collected.

5.2.1 Socio-demographic factors

Gender

Figure 1: Gender of participants



Source: Field Survey, 2019

In this study, 36 questionnaires were administered to both male and female entrepreneurs in Khayelitsha. Of the 36 participants, 19 questionnaires were administered to male entrepreneurs and 17 were administered to female entrepreneurs. As such, as illustrated in Figure 1 below, 52.78% of the participants are males and 47.22% are females. This gender breakdown renders support to the findings of Lotti (2006) who stated that across 34 countries, males were more entrepreneurially active compared to females in all the 34 countries in the Global Entrepreneurship Monitor study.

Race

In terms of race distribution, there was limited variation in race, as only 1 (2.78%) participant was of the Coloured race and 35 (97.22%) participants were of the Black African race. This is relatively in line with the findings on the demographic breakdown of Khayelitsha's population where, according to the City of Cape Town (2017), 98.6% of the inhabitants are Black African and 0.6% are Coloured. The participants in this study are thus predominantly of the Black African race.

Marital status and education

Table 2: Marital status of participants by gender

	Gender								
	Male			**Female**			**Total**		
	N	**%**	**%**	**N**	**%**	**%**	**N**	**%**	**%**
Marital Status									
Married	6	31.58	50.00	6	35.29	50.00	12	33.33	100.00
Single	12	63.16	54.55	10	58.82	45.45	22	61.11	100.00
Divorced	0	0.00	0.00	1	5.88	100.00	1	2.78	100.00
Widowed	1	5.26	100.00	0	0.00	0.00	1	2.78	100.00
Total	19	100.00	52.78	17	100.00	47.22	36	100.00	100.00
Highest level of education									
Matric (Grade 12)	12	63.16	57.14	9	60.00	42.86	21	61.76	100.00
Tertiary level	7	36.86	53.85	6	40.00	46.15	13	38.24	100.00
Total	19	100.00	55.88	15	100.00	44.12	34	100.00	100.00

Source: Field Survey, 2019

As shown in Table 2, the majority of the participants (61.11%) indicated that they are single whereas 33.33% are married. 5.56% of the participants indicated that they were either divorced or widowed. This shows that many of the participants venture into entrepreneurship when they are single, that is before they start having their own families. Moreover, of those who venture into entrepreneurship while they are single, 54.55% of them are males whereas 45.45% are females. As such, it can be said that, relative to females, more males venture into entrepreneurship before they are married.

The descriptive statistics also reveal that of the participants who indicated their highest level of education, 61.76% have matric level as their highest level of education whereas 38.24% have tertiary education. Participants whose highest of education is the matric level comprised of 57.14% males and 42.86% females. Participants with tertiary education as their highest level of education comprised of 53.85% males and 46.15% females. From this, it can be deduced that male entrepreneurs in this study are relatively more educated compared to their female counterparts. As such, the level of human capital, when looking at education as a form of human capital, is high among males compared to females.

Age and household size

Table 3: Summary statistics for participants' age (in years) and household size by gender

	N	min	max	median	mean	standard deviation
Age						
Male	19	20	35	30.00	30.32	3.89
Female	17	22	35	31.00	29.94	4.08
Overall	36	20	35	30.50	30.14	3.93
Household size						
Male	19	2	8	5	4	2.03
Female	17	2	8	5	5	1.94
Overall	36	2	8	5	4	1.96

Source: Field Survey, 2019

As depicted in Table 3, the minimum age of the male participants in this study is 20 years and the maximum age is 35 years. For female participants, the minimum age is 22 years and the maximum age is 35 years. The mean age of male participants is 30.32 years whereas that of female participants is 29.94 years. The overall mean age of all participants is 30.14 years. It has been noted from this study that males embark in entrepreneurial ventures at a relatively younger age compared to females. Males have an age standard deviation of 3.89 years and females have a standard deviation of 4.08 years. The ages of the participants are within the youth age category in South Africa.

The average household size for male participants is 4 individuals and that of female participants is 5 individuals. The overall household size average is 4 individuals. This shows that female entrepreneurs have relatively bigger household size compared to male entrepreneurs.

5.2.2 Business-related factors

Business duration, number of employees – in year 1 and the most recent year

The descriptive statistics on the duration a business has been in operation, the number of employees in the inception year and the most recent year are provided in Table 4.

Table 4: Summary statistics for the duration of business in operation, number of employees in year 1, and the number of employees in the current year

	N	min	max	median	mean	standard deviation
Duration of business in operation						
Male	19	0.25	10	3	3.57	2.55
Female	17	1.00	5	2	2.26	1.12
Overall	36	0.25	10	3	2.95	2.08
Number of employees in year 1						
Male	19	0	11	1	2	2.77
Female	17	0	6	0	1	1.62
Overall	36	0	11	1	2	2.39
Number of employees in the most recent year						
Male	19	0	23	4	6	5.90
Female	17	0	8	2	2	2.45
Overall	36	0	23	3	4	4.93

Source: Field Survey, 2019

Entrepreneurial ventures owned by males, as shown in Table 4, have been in existence for a relatively longer duration compared to those owned by females. On average, businesses owned by male entrepreneurs have been in operation for about 3.57 years whereas those owned by female entrepreneurs have been in operation for about 2.26 years. The mean duration of business existence among all the entrepreneurs who participated in this study is 2.95 years. This means that male entrepreneurs have had their businesses in existence longer than their female counterparts have.

In terms of the number of employees, it was noted that, in the first year of business operation, the average number of people employed by the entrepreneurs in this sample is 2 employees, with the average number of employees employed by male entrepreneurs being 2, higher than that of female entrepreneurs at 1. Male-owned businesses employed more people compared to those owned by their female counterparts in the first year of operation.

However, in the most recent year of business operation, the overall average number of employees rose to 4 employees (from 2 in the first year of business operation). This shows that small businesses in this study contributed to the creation of employment by increasing the number of employees. Male entrepreneurs had an average number of employees of 6 whereas female entrepreneurs had an average of 2. Also, although the minimum number of employees remained at 0 in the most recent year of business operation, the maximum is 23 employees. The change in the average number of employees signifies growth in employment. Also, it signifies business success when one looks at success in terms of the increase in the number of employees.

Besides, it has also been noted, as shown in Table 5 that 61% of the businesses recorded an increase in the number of employees from their first year of operation to the most recent year. 33.38% recorded no change in the number of employees. 5.56% experienced a decrease in the number of employees. It is also noted that 63.64% of male-owned businesses reported an increase in the number of employees. Among the businesses that experienced no increase in terms of the number of employees, 66.67% are owned by female entrepreneurs.

Table 5: Growth in the number of employees from inception to date by gender

	Gender								
	Male			**Female**			**Total**		
Growth status	**N**	**%**	**%**	**N**	**%**	**%**	**N**	**%**	**%**
Increase	14	73.68	63.64	8	47.06	66.67	12	61.11	100
No change	4	21.05	33.33	8	47.06	36.36	22	33.33	100
Decrease	1	5.26	50.00	1	5.88	50.00	2	5.56	100
Total	19	100	52.78	17	100	47.22	36	100	100

Source: Field Survey, 2019

Owner satisfaction, work experience and parent ownership of a business

Table 6: Owner's satisfaction; previous work experience; parent ownership of a business by gender

	Gender								
	Male			**Female**			**Total**		
	N	**%**	**%**	**N**	**%**	**%**	**N**	**%**	**%**
Owner's satisfaction									
Satisfied	12	63.16	63.16	7	41.18	36.84	19	52.78	100
Dissatisfied	7	36.84	41.18	10	58.82	58.82	17	47.22	100
Total	19	100	52.78	17	100	47.22	36	100	100
Work experience									
Yes	15	78.95	55.56	12	70.59	44.44	27	75.00	100
No	4	21.05	44.44	5	29.41	55.56	9	25.00	100
Total	19	100	52.78	17	100	47.22	36	100	100
Parent ownership of business									
Yes	8	42.11	47.06	9	52.94	52.94	17	47.22	100
No	11	57.89	57.89	8	47.06	42.11	19	52.78	100
Total	19	100	52.78	17	100	47.22	36	100	100

Source: Field Survey, 2019

47.22% of the entrepreneurs in this study, as depicted in Table 6, indicated that they are not satisfied with the success of their businesses, and 52.78% indicated that they are satisfied. The majority of those who expressed dissatisfaction with their businesses are females, constituting 58.82% of the participants. Among the entrepreneurs who expressed satisfaction with their businesses, the large proportion of them is male entrepreneurs, constituting 63.16%. Only a few female entrepreneurs expressed satisfaction with their businesses. Therefore, looking at business success from the owners' level of satisfaction, it can be said that male entrepreneurs are relatively more successful in comparison to female entrepreneurs in this study.

75% of the participants indicated that they have had worked before or had some form of employment before they started their entrepreneurial ventures. Only 25% had their ventures as the first form of employment experience. Among the 75% who had previous work experience, 55.56% of them are males and 44.44% are females. On the other hand, among those with no work experience, 44.44% are males and 55.56% are females. This outcome shows male entrepreneurs in this study started their ventures after gaining some work experience compared to female entrepreneurs.

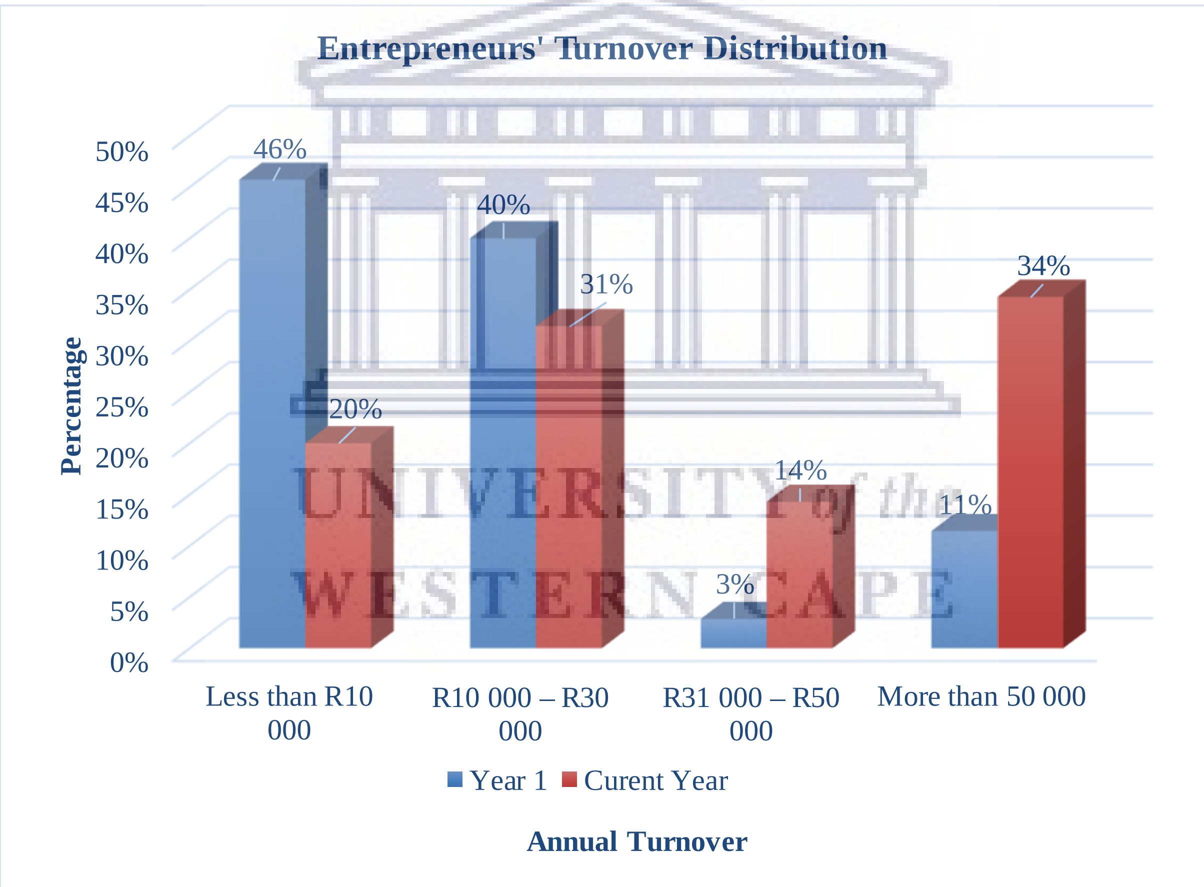
Moreover, of the participants who indicated that they had previously gained work experience before venturing into their current businesses, 51.85% of them indicated that their work experience was related to their current business initiatives. There was no variation in terms of gender as 50% of them were males and 50% were females. However, of those whose previous work experience was not related to their current business venture, 61.54% were males and 38.46% were females. This suggests that females are more likely to venture into business activities they are familiar with or have a better knowledge of. On the other hand, males tend to take risk into venturing in ventures they may not have better experience in.

47.22% of the participants highlighted that their parents have owned a business before. Although this is below the majority of the sample, it shows that parental ownership influences business ownership among young entrepreneurs. A rate of entrepreneurship of about 80% in South Africa shows that in the general population owning a business is not commonplace and implies that most parents do not own businesses. Therefore, it is thus found in this study that parental ownership of a business can influences an entrepreneurial mindset to the children, who thus are more likely to become entrepreneurs. Of the 47.22% whose parents had previously owned a business, 52.94% of them were females and 47.06% were males. Therefore, it can be said that the majority of female entrepreneurs had parents who own a business. 52.78% of the participants in this study indicated that their parents had not previously owned a business.

Turnover growth

Entrepreneurs in this study were asked to select a category where their annual income in the first financial year falls under among the 4 categories provided. The entrepreneurs were also asked to select an annual income category that reflects their income in the most recent financial year. From these categories, the researcher assessed the changes in revenue between the first financial year and the most recent financial year. The results are provided in Figure 2.

Figure 2: Entrepreneurs' turnover distribution from year of inception to the most recent year



Source: Field Survey, 2019

As shown in Figure 2, 46% of the businesses recorded that their annual turnover was less than R10000 in their year of inception (Year 1). However, in the most recent financial year, only 20% if the businesses recorded an annual turnover was less than R10000. More so, the number of businesses earning an annual turnover of between R31000 to R50000 increased from 3% to

14%. More so, there is a notable increase in the number of businesses earning an annual turnover of more than R50000, as the number of these businesses increased from 11% to 34%. It can thus be said that there is an increase in the revenue generated by small businesses in this study.

5.2.3 Financial literacy

Financial literacy score

In order to determine the levels of financial literacy of the entrepreneurs in this study, a financial literacy test with 8 questions was conducted. Questions were weighted equally with each correct answer scored 10 points and an incorrect answer scores 0 points. A percentage score was then calculated. A score of 0 signifies absolute financial illiterateness and a score of 100 signifies absolute financial literateness. The descriptive statistics relating to the financial literacy score are provided in Table 7.

Table 7: Summary statistics for the overall financial literacy score by gender

Financial literacy score	**N**	**min**	**max**	**median**	**mean**	**standard deviation**
Male	19	12.5	87.50	62.50	59.87	21.07
Female	17	12.5	87.50	62.50	58.09	22.07
Overall	36	12.5	87.50	62.50	59.03	21.26

Source: Field Survey, 2019

As shown in Table 7, the lowest score obtained was 12.5% and the highest score obtained was 87.5%. The overall average score for the sample was 59.03%. The average score for male entrepreneurs is 59.87%, slightly higher than that of female entrepreneurs which is 58.09. The average score for males is thus higher than that of the total sample while that of females is below that of the total sample. However, the financial literacy score in this study is above the national financial literacy score of 55 which was recorded in 2015 by the Financial Services Board, as provided by Roberts et al. (2016). This sample is thus relatively more financially literate compared to the average national population.

Determining financial literacy

To determine whether one is financially literate or otherwise, this study used the 75th percentile score (which is a score of 75 in this study,) to distinguish between being financially literate and illiterate. As such, entrepreneurs who obtained a financial literacy score below the 75th percentile are considered financially illiterate whereas those who obtained a score from the 75th percentile and above are considered financially literate. From this classification, as shown in Table 8, 61.11% of the total sample are financially literate and among those who are literate, 59.09% of them are male entrepreneurs. Among the 38.89% of the financially illiterate, 57.14% of them are female entrepreneurs. This finding is in line with the findings of Lusardi and Mitchell (2007) who states that financial literacy levels are lower among females compared to their male counterparts. However, the overall financial literacy average score in this study is in contrast the work of Cole and Fernando (2008) who highlights that low levels of financial literacy are prevalent in developing countries.

Table 8: Financial literateness of entrepreneurs by gender

	Gender								
	Male			**Female**			**Total**		
	N	**%**	**%**	**N**	**%**	**%**	**N**	**%**	**%**
Financial literateness									
Literate	13	68.42	59.09	9	52.94	40.91	22	61.11	100
Illiterate	6	31.58	42.86	8	47.06	57.14	14	38.89	100
Total	19	100	52.78	17	100	47.22	36	100	100

Source: Field Survey, 2019

The results of the overall financial literacy test are summarised in Table 9.

Table 9: Financial literacy individual question performance by gender

		Gender			
		Male	**Female**	**Total**	**Total (%)**
Financial Literacy Concept					
Stock Market	Pass	13	11	24	67%
	Fail	6	6	12	33%
Interest	Pass	11	11	22	61%
	Fail		6	14	39%
Inflation	Pass	10	8	18	50%
	Fail	9	9	18	50%
Time value of money	Pass	9	7	16	44%
	Fail	10	10	20	56%
Money illussion	Pass	6	8	14	39%
	Fail	13	6	19	53%
Risk	Pass	11	12	23	64%
	Fail	8	5	13	36%
Diversification	Pass	14	11	25	69%
	Fail	5	6	11	31%
Bookkeeping	Pass	17	11	28	78%
	Fail	2	11	13	36%

Source: Field Survey, 2019

The results in Table 9 shows that many entrepreneurs (78%) in this study keep books of accounts in their businesses. Additionally, the participants showed that they understand financial literacy concepts such as knowledge of the stock market, interest, risk and diversification. However, participants showed limited understanding of concepts such as time value of money, money illusion and inflation as they performed relatively poorly on these concepts.

In terms of access to finance, it has been noted that it remains a challenge for many entrepreneurs within marginalised areas. 69.44% of the entrepreneurs expressed that they have never taken a loan from family, friends, or any financial institutions (both formal and informal) to finance their businesses. A large proportion of those who have had not taken a loan were females, accounting for 52% of the total sample. Among those who had taken a loan, male entrepreneurs constituted 63.64%. This shows that among entrepreneurs in this study, male entrepreneurs tend to take loans to finance their entrepreneurial venture compared to female entrepreneurs

It was also noted that of those who expressed that they had taken a loan to finance their businesses, over 60% of them got their load from friends, families, and informal microfinance institutions. This is in line with the findings of Shaw and Pretorius (2004) who states that small business owners have limited access to finance from formal financial institutions such as banks due to the high level of risk financial institutions will need to bear when financing small businesses.

In relation to saving financial returns in the business, 34 of the 36 entrepreneurs indicated that they are currently saving money in their businesses while 2 entrepreneurs indicated that they currently have nothing to save. 29.41% indicated that they are currently saving cash at home. 52.94% stated that they are saving money in a bank account and only 17.65% are saving through buying financial investment products. The high proportion of entrepreneurs saving money at home can signify the inaccessibility of financial institutions by small business owners, although myriad other reasons can influence this. It can also highlights the reluctancy entrepreneurs may have to using banking institutions to keep their money.

5.3 Qualitative Data Analysis and Discussion

In collecting qualitative data, in-depth interviews were conducted. Of the 6 participants who were interviewed, 3 were male and 3 were female entrepreneurs. Participants in this study own businesses that provide products and services such as; food and catering, community cinemas, beauty and cosmetics as well as carpentry products.

5.3.1 Reasons for starting a business

Young entrepreneurs within venture into entrepreneurship for various reasons. From the interviews conducted, it has been noted that some of the reasons include unemployment, lack of funding to proceed with educations as well as the need to address social issues within communities. Elucidation of these reasons is provided below.

Unemployment

In venturing into these businesses, the participants were motivated by various factors. One participant indicated that after having been retrenched, the only option available was to venture into business and utilise the knowledge and experience the participant had. As noted by the recipient:

‘*… I was retrenched round about the end of 2017. …so that’s how I started, with a portion of my retrenchment package…*’ (Participant 3, Traditional food restaurant entrepreneur)

The words of the participant indicated that as a result of not having a job, the other option to pursue was to venture into entrepreneurship. Given the high rates of unemployment in South Africa, and particularly among the economically disadvantaged populations, as Herrington et al. (2017) notes, people tend to venture into entrepreneurial activities for survival. However, it can also be noted that from the words of the participants that the retrenchment resulted in an opportunity to venture into business.

Financial constraints

Another participant indicated that financial constraints led the participant to venture into business. Financial constraints hindered the participant's ability to pursue tertiary education. As a result, venturing into entrepreneurship was the way to earn a living. The participant recounts:

‘*After high school I was not sure of what I was going to do and then I did electrical engineering and I couldn’t finish due to financial constraints. Then I met a guy who was into carpentry and I was more interested in hand work that being in school and doing theory. I thought, why not … and then … yeah, that’s how I got into this business*.’ (Participant 4, Carpentry entrepreneur).

The above recount from the participant indicates the challenges people in economically disadvantaged areas encounter in their efforts to attain education. The inaccessibility of education due to inability to afford tuition fees leads to low levels of education, as had been noted by the low number people with a matric qualification or higher in terms of adult education (City of Cape Town, 2013). Low levels of education, in turn, leads to limited human capital, reduced employment opportunities, and ultimately reduced well-being. Venturing into entrepreneurship, in this case, is the alternative the youth choose to live better lives.

Social issues

The need to address social issues within economically disadvantaged communities has led to the youth venturing into entrepreneurial activities. This means that some youth start businesses with the need to improve the well-being of the community. For example, one participant stated that the reason for venturing into entrepreneurship was the need to address community challenges such as teenage pregnancies. As a result, the participant's business provides community cinemas which showcases documentaries about the challenges the youth in the community face, educating the youth on healthy practices, for example, protected sex to prevent the spread of HIV/AIDS. The participant stated:

> *"Basically I was an activist before, in a social movement that was fighting for antiretrovirals for people living with HIV and through my involvement in the organisation I realised that the only way to teach people to understand the information that you are providing is to use or is by use of media as a medium to reach them…"* (Participant 1, Community cinema entrepreneur).

As a result, the participant started a business providing mobile community cinemas. From this account, it can be said that the youth desire to address social challenges in communities. In turn, they venture into entrepreneurship to achieve their goals.

In a similar vein of addressing community challenges, another participant highlighted that the reason for venturing into entrepreneurship was to ensure increased access to medical treatment for people within economically disadvantaged areas. The participant stated that:

> *"Well, the core example was treatment in a more convenient way for people… So the key driver was people [in locations] still struggling to travel, get in long queues, having to still wait … was the driver to say that we could do this in an easier way were people don't have to go to clinics, private hospitals, pharmacies…"* (Participant 2, Healthcare logistics entrepreneur).

The account above suggests that the opportunity to venture into entrepreneurship was a result of the challenges community members faced with regards to acquiring medication from public and private hospitals. The participant started a business in order to increase efficiency in medication acquisition by community members.

The need to address social issues is thus a motivator for the youth within economically disadvantaged areas to venture into entrepreneurship. This is in line with Gedeon (2010) who describes entrepreneurship as creating value in the realm of social value. Entrepreneurship in this case not only benefit the entrepreneur but the community at large, for example, in this case, through increased access to medication, hence contributing to the improvement of health within the community.

5.3.2 Financial Literacy and Success

a. Understanding of financial literacy

Despite evidence from other studies that show that the levels of financial literacy being generally low in economically disadvantaged areas (Lusardi and Mitchell, 2007; Cole and Fernando, 2008), financial literacy was well-understood by entrepreneurs who participated in this study. In providing their understanding of financial literacy, many participants alluded to financial literacy entailing understanding how money flows within the business and being able to manage one's finances in a business.

Flow of money

In providing their understanding of financial literacy, participants in this study provided that it entails understanding how money flows within a business. As one participant recounts:

> 'S*o, from my understanding, basic financial literacy is understanding the flow, I mean is the understanding of the flow of money…*' (Participant 2, Healthcare logistics entrepreneur).

Another participant explained:

> '*It entails knowing where your money goes, how you spend it, and how much you will be saving. … I think savings and knowing not to use your money in one go.*' (Participant 4, Carpentry entrepreneur)

From the above accounts, it is evident that entrepreneurs relate financial literacy to understanding how money flows within the business. This means that the entrepreneurs know how their investments into their businesses flow to the point where they realise revenue. In addition, they understand that the revenue obtained need to be utilized in the best interest of the business' success, as one participant described financial literacy as:

> *'…knowing not to spend your money in one go'* (Participant 4, Carpentry entrepreneur).

It can also be added, based on this account, that financial literacy entails making effective financial decisions. Through effective financial decision-making, impulsive spending can be avoided. Instead, available finances can be used in the best interest of the success of the business. This is in line with the aim of financial literacy provided by the OECD/INFE (2011), as cited by Oseifuah, that financial literacy enables one to '… make sound financial decisions…' (2010, p.167).

Money management

Financial literacy has also been described as involving how one manages money. As one participant stated:

> '*…it's the understanding of how your finances are coming through your business. It's how you manage your finances and then umm … it's how the business … because the finances will be coming in, it's how you keep the business having finance all the time*' (Participant 5, Laundry entrepreneur).

The description provided, for example, where a participant stated that financial literacy entails *'…how you manage your finances…'* (Participant 5, Laundry entrepreneur) summarises the description of financial literacy. The use of the word 'manage' in this case can signify having control of one's money. Control, in this case, can be attributed to being able to make effective financial decisions. This descriptions renders support to that of the OECD/INFE (2011), which, as cited by Oseifuah, describes financial literacy as entailing the "combinations of awareness, knowledge, skill, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being" (2010, p. 167). The responses of the participants show that they have the awareness and knowledge pertinent in making financial decisions. However, what would be difficult to tell is the participants' respective financial attitude and financial behaviour.

b. How financial literacy impacts entrepreneurs' business success

Financial literacy, as literature has provided, awards various benefits to the individual and the business, and ultimately enhancing financial well-being (Vitt et al., 2000; Coussens, 2006; Kubaso and Ayuo, 2013). To understand how financial literacy is associated with the success of young entrepreneurs, the study sought insights from participants. Interviews explored how financial literacy has impacted the success or failure of young entrepreneurs. The entrepreneurs interviewed highlighted the importance of financial literacy to their success. They identified various channels through which this happened, rendering support to the benefits and association of financial literacy with success identified in the literature. The accounts of the participants have emphasised that financial literacy is crucial for the success of a business.

Understanding business lifecycle

Participants alluded that financial literacy impacted their success through enhancing their knowledge of the business status. This means that with financial literacy, one will have a better understanding of how the business is performing and where the business is heading.

To use the words of the participants, some of the accounts are as follows:

> '*So, for me, it plays a huge role in understanding what is the lifecycle of the business because finance can determine the lifecycle, and most businesses don't look at that. It also plays a huge role … because it can make you understand how is the future looking for your business.*' (Participant 2, Healthcare logistics entrepreneur).

The participant describes the role financial literacy plays in business success as 'huge'. This shows that financial literacy is an element the participant deems valuable. Also, relating to the business lifecycle, being financially literate can help one make financial decisions suitable for each phase of the business lifecycle. To exemplify this standpoint, one can say that during the growth phase of the business, one need to price the product offerings in such a way that it allows for the growth of market share, at the same time ensuring increased revenue growth. In the maturity phase of the business, an entrepreneur may need to adjust product prices so that the products remain competitive in the market.

More so, the participant highlighted that financial literacy has enabled one to know how the future of the business looks like. This can be done by making projections based on the current performance of the business, which is influenced by one's level of financial literacy. These projections are thus a result of effective management. Deriving this from the work of Bosma and Harding (2006), inadequate management as a result of poor financial literacy is a limiting factor to the success of the business. As such, it can be deduced from this that the presence of effective management as a result of better financial literacy leads to enhanced understanding of the future of one's business. This point can be supported by the recount from another participant who stated that:

> '*Financial literacy in small businesses, to be specific, is very important. It is the utmost important part of the business lifecycle. …if you have to sell your product, how to price your product, the best way to price your product so that you don't lose at the end'* (Participant 1, Community cinema entrepreneur)

Having knowledge of financial literacy thus helps one in making better pricing decision for the business at the different phases of the business lifecycle. Better and effective pricing methods will help ensure business goals such as growth in revenue and profits are achieved. From the words of Participant 1, it can be noted that emphasis is placed on the importance of financial literacy. As Participant 1 further reiterated, small businesses benefit from entrepreneurs being financial literate. This is deduced from the statement: '*financial literacy, in small business, to be specific, is very important*' (Participant 1). In sum, financial literacy thus helps entrepreneurs make effective decisions on pricing their products such that they become profitable. In this sense, financial literacy thus contributes to business success. As Participant 1 concludes, it helps small business owners in such a way that 'that they don't lose at the end' (Participant 1).

Enhances business growth

Another way in which participants felt financial literacy had impacted their success was through enhancing business growth. Financial literacy has also been identified as beneficial for business growth. Participants provided that when one is financially literate, the individual can invest and manage business finances in order to ensure increased return. One participant illustrated:

> *'...let's say you get funding of ten thousand rand, you know the ten thousand rand exactly where it's going, how to grow that to ten thousand rand, again from that ten thousand rand maybe to twenty- or even thirty-or even to fifty because you know how you need to manage this…'* (Participant 6, Lifestyle marketing entrepreneur)

From the statement above, effective management of a R10000 investment into a business can lead to the growth of that investment by many folds. As such, financial literacy helps an entrepreneur to manage finances in the business. In turn, the finances will grow exponentially, hence the growth of the business. This is in line with the findings of Bruhn and Zia (2011), who, through assessing the impact of a business and financial literacy programme on ventures owned by the youth in Bosnia and Herzegovina, showed that youth entrepreneurs who had high levels of financial literacy were able to increase sales revenue and profits in their businesses. Besides, evidence in this study renders support to the findings of Njoroge (2013) who notes that entrepreneurs who had high levels of financial literacy had successful businesses compared to those with low financial literacy levels. Lusardi and Mitchell (2014) also provides that financial literacy encompass one's ability to accumulate wealth. This can be noted form the participant's account that being financially literate can allow one to grow capital/investments within the business, hence the accumulation of wealth. In the end, the business grows, and business success is realised. This evidence thus suggests that there is a positive association between financial literacy and business success.

Discipline

Another interesting finding out of interviews were the fact that participants were able to indicate that financial literacy helps one to become disciplined thus enabling them to succeed in their entrepreneurial ventures. Financial discipline, in turn, allows for effective decision-making. Making better decisions in the business will thus help reduce impulsive spending and leading to improved financial well-being of the business. One participant stated that:

> '*It [financial literacy] disciplines you as a person and it disciplines you as a business. So, it does, it plays a big role and impacting the growth of the business'* (Participant 6, Lifestyle marketing entrepreneur).

Personal discipline and business discipline as a result of financial literacy can be likened to influencing one's attitude and behaviour towards finances. This attitude and behaviour enhance one's ability to make sound financial decisions, as highlighted by Oseifuah (2010). Resultantly, personal and business financial well-being can be achieved.

Therefore, evidence in this study suggests that financial literacy, which, according to Lusardi and Mitchell (2014), is a form of human capital, contributes to business success. As identified, it allows for better decision making and effective management. It can thus be stated that human capital, in the form of financial literacy, is paramount to the success of youth entrepreneurs within economically disadvantaged areas. Moreover, Unger et al. (2011) notes through a systematic review of literature that human capital enhances the accumulation of business knowledge, which in turn lead to business success.

Financial literacy is also vital in enhancing the capabilities of entrepreneurs. Taking heed from the work of Sen (1985), one can state that financial literacy enhances one's capabilities to function, for example, to make better choices. In this regard, having high levels of financial literacy allows one to make better financial decisions, which, in turn, enhances the freedoms or capabilities between different ways of running a business, and ultimately realising business success, which can be deemed a potential functioning. More so, human capital and more specifically financial literacy lead to improved entrepreneurial well-being. Financial literacy thus allows the achievement of the functioning of entrepreneurial success.

From the responses provided by participants in this study in the light of financial literacy, it can be said that entrepreneurs in this study understand the concept of financial literacy and it has benefited them in their businesses. However, despite this understanding, business success tends to be overshadowed by other challenges entrepreneurs face. For example, the separation of personal and business finances remains a challenge for entrepreneurs in economically disadvantaged areas. As one participant stated:

> '*So, it's personal for small businesses, I know it's difficult even for me … separation … I still use the business' money for my personal things but then I have to find a way I can patch, where I can do other things on the side. … You don't have food at home, and you want to take money and want to be able to provide. That is the tough part. … Because I still do some time take money from the business and use it for my personal use because I don't have*' (Participant 2, Healthcare logistics entrepreneur)

Despite the participant having knowledge about managing finances in the business, personal problems make it difficult to realise business growth. The participant knows that taking money from the business for personal use is detrimental to the success of the business. Nonetheless, due to the unavailability of other sources of income, business returns are then used for personal use. As the participant admits, it is 'tough'. It can thus be said that entrepreneurs in economically disadvantaged areas are faced with the challenge of needing to succeed, at the same time needing to survive.

5.3.3 Challenges faced by entrepreneurs

The success of SMEs has been identified to be relatively low, with many witnessing their end within the first three years of operation. The participants in this study provided challenges that tend to hinder their progress in the light of business success. Key challenges, as the participants have provided, include rife competition within the business environment, lack of funding, and low levels of human capital.

Competition

Competition within the business environment is inevitable. As such, businesses need to be competent to remain in operation. However, given the limited resources entrepreneurs in economically disadvantaged areas tend to have, competing with well-established businesses remain a challenge. It is identified, through the interviews conducted in this study, that competition between businesses negatively affects small businesses. As one participant noted:

'… in between growing the business, many [competitors] emerged from doing hair. So, there are a lot of competitors. I had a lot of competitors emerging up… So, for three months maybe I will go out without customers…' (Participant 6, Lifestyle marketing entrepreneur)

The words of the participant, as quoted above, highlights that there has been an increase in the number of businesses providing the same products as the participant's business does. In turn, the increase in competitors led to a decrease in the participant's market share. Spending about three months without a customer can be dire for the business. Decrease in market share as a result of increased competition thus result in a decrease in revenue, affecting business success, hence leading to business failure.

Human capital

Evidence also suggests that human capital is pertinent to the success of a business. The lack thereof can lead to the failure of a business. Given that entrepreneurs with small business have limited scope to employ many people, the entrepreneur becomes the jack-of-all-trades. As a result, with limited skills and knowledge, business success becomes improbable. It has been identified that small business owners thus need to have a wide range of skills to successfully navigate within the business environment. A participant stated that:

'But in organisations like ours which are very small, for instance, the bigger you can have five people [employees] … all of you have to be multiskilled not only specialised. You don't specialise. Unlike in big businesses where people come and specialise, for you as a small business you have to be multiskilled. So in our case, we had to be multiskilled, for instance, one thing is how to do fundraising, you have to understand how to do reports, you have to have a financial knowledge, … you have to have technological knowledge, and you must be up to date with what's happening in your industry… there is no excuse about that if you want to stay relevant…' (Participant 1, Community cinema entrepreneur).

In summarising the words of the participant, entrepreneurs need to have a wide range of knowledge and skills, which in turn they can use to ensure that their businesses remain operational. From this, one can deduce that lack of skills and knowledge succeeding. Additionally, given that levels of education are relatively low in economically disadvantages areas, becoming a multiskilled entrepreneur can be difficult for many. Low levels of human capital thus contribute to the failure of small businesses. This can be supported by the work of van Scheers (2016) who states that lack of managerial and technical skills leads to reduced business success. As the participant has provided, lack of multiple skills, which an entrepreneur must have, results in reduced relevance in the business environment, and that ultimately leads to the failure of the business.

In a similar vein, rendering support to the words of Participant 1, another participant highlighted that having limited marketing skills remains a challenge for the business' success. Despite the entrepreneur having other skills such as bookkeeping, the inability to market/advertise the business' products hinders the progression of business performance. This shows that entrepreneurs, as Participant 1 provided, need to be multiskilled. Entrepreneurs who are not multiskilled or have limited skills and knowledge, that is low levels of human capital, tend to experience failure in their entrepreneurial ventures.

Lack of funding

Moreover, evidence from the qualitative data suggests that lack of funding has also been identified as a challenge that hinders the success of many small businesses. With limited funding, the entrepreneurs are not able to acquire resources for the business that they can utilise and succeed. Without adequate resources, production is reduced, or at least the quality decreases. A participant stated that:

> *'In our case, we had such ups and downs so there is different challenges that we face, which also include availability of funding, the lack of funding because there were times which we will run without funding…'* (Participant 1, Community cinema entrepreneur).

The statement above points out the fact that small businesses tend to operate without having sufficient funding. Lack of funding, which can be a result of inaccessibility of finances from financial institutions, negatively affect the operation of small businesses. This is in line with the assertion by Herrington et al. (2017) that a key challenge for entrepreneurs it that they are not able to access finance. With limited funding/finance, entrepreneurs' ability to perform entrepreneurial activities pertinent to business growth and survival decreases. As such, overall business performance decreases. In the end, some are eventually succumbing to failure to remain operational, thereby leading to an increase in the number of small businesses that fail. Given that young entrepreneurs in economically disadvantaged areas tend to venture into entrepreneurship with little or no resources, lack of funding thus raises a question on how government support their ventures to ensure not only that the rate of failure decreases but also to ensure that the well-being of entrepreneurs, and ultimately the community at large, improve.

5.3.4 Government support on the youth entrepreneurship

Due to the existent of various agencies including the Small Enterprise Finance Agency and the National Youth Development Agency (NYDA) by the South African government to boost youth entrepreneurship in the country, the study set out to investigate the reasons for failure despite the existence of these programmes. According to the Western Cape Government (2019), programmes such as the Youth Enterprise Development Programme are carried out to guide the youth, particularly those out of school, through entrepreneurial incubation support and mentorship. Also, the NYDA Grant Programme was established to provide young entrepreneurs with access to financial and non-financial support to ensure that their businesses are well-developed (Western Cape Government, 2019).

In the period 2017/2018, a total of 801 youth-owned businesses were supported through the NYDA Grant Programme and received funding for their businesses (NYDA, 2018). In addition, 21808 young entrepreneurs were provided with support through the NYDA Business Support Services. In terms of the programme reach, 87673 young people were reached and provided with youth development information (NYDA, 2018). Although this is a seemingly large number, it can be said that the reach of these programmes remains limited. Additionally, the number of people supported by the NYDA through the Grant Programme is rather small, given that there are about 2550540 SMEs in South Africa as reported by Small Enterprise Development Agency (2019) in the SMME update in the first quarter of 2019. This can be supported by Maas and Herrington (2006) who states that many small entrepreneurial ventures are not aware of the services provided by these agencies.

Evidence from the participants of the study also suggests that the reach of these programmes is limited. From the participants' accounts, government support has limited. Many have started businesses with their funds and others have obtained funds from friends and/or relatives. As one participant recalls:

> *'…in South Africa, the conditions are quite not that conducive or they are not allowing you to feel free to run a business. Government doesn't entirely support you or give you the necessary support that you want in order to continue to run the business. Yes, on paper and on other platforms they always shout, 'we do support small businesses or entrepreneurship', but the word entrepreneurship is a buzzword, but the practicalities are not there…'* (Participant 1, Community cinema entrepreneur)

Another participant, when asked if any government support has been received, stated:

> *"Hell no! Hell no! Instead, I started with a portion of my retrenchment package…"* (Participant 3, Traditional food restaurant entrepreneur)

From these statements from participants, it can be said that government support to on entrepreneurs in economically disadvantaged communities has not yet reached many. As Participant 1 mentioned, the government does not provide adequate support. This can be deduced from the expression made by the participant that *'the government doesn't entirely support you…"* (Participant 1). The participants alluded to the fact that for their businesses to succeed, government support will be crucial. It can also be added an increase in awareness about these programmes will be beneficial in ensuring the increased success of entrepreneurial ventures in economically disadvantaged areas.

5.4 Conclusion

Qualitative and quantitative data has been analysed in this chapter. Descriptive statistics have provided that the participants in this study are from the age of 20 to the age of 35, hence are within the youth age group in South Africa. 47% of the participants are females whereas 53% are males. 61.76% of the participants have a matriculation certificate or higher in terms of their highest level of education. In relation to business success, 61% of the businesses increased the number of employees from those they had in their year of conception. Evidence in this study also suggests that 52.78% of the participants are satisfied with the performance of their businesses.

Moreover, evidence suggests that 61.11% of the participants are financially literate, with male participants relatively more financially literate compared to their female counterparts. Qualitative analysis has revealed that there is a positive association between financial literacy and entrepreneurial success as it contributes to the effective management of the business and growth in revenue, among other merits. Therefore, financial literacy is crucial for the success of small businesses. However, despite the role of financial literacy in influencing success, challenges such as lack of funding and limited market access hinder this success, hence contributing to high rates of small business failure. Moreover, limited government support as participants indicated, hinder the growth and success of small businesses.

Chapter 6: Synthesis of Findings, Recommendations, and Conclusion

6.1 Introduction

This study aimed to examine the association between financial literacy and entrepreneurial success in young entrepreneurs from economically disadvantaged community of Khayelitsha. To achieve this aim, this study set out to achieve several objectives. These include: to examine the rate of failure amongst young entrepreneurs in South Africa from literature; to explore the phenomenon of entrepreneurial success through the lens of the capability approach; to identify the reasons why young people from economically disadvantaged communities venture into entrepreneurship; to determine the level of financial literacy of young entrepreneurs in economically disadvantaged areas; to examine the association between financial literacy and entrepreneurial success; and to provide recommendations relevant to developmental policy-making in improving entrepreneurial success within marginalised communities. This chapter thus summarises and synthesises the findings in this study.

6.2 Synthesis of findings

This section combines evidence from both qualitative and quantitative analysis of data as a means of summarising the findings.

Why the youth venture into entrepreneurship

It has been identified that entrepreneurship is a tool that can be used to counter developmental challenges within communities. This study reveals that the youth venture into entrepreneurship for a myriad of reasons. Notable reason in this study includes unemployment, unavailability of funding to proceed with education as well as the need to address social issues within the communities. From these reasons, it can be said that through entrepreneurship, challenges such as unemployment can be reduced as entrepreneurship will lead to the creation of employment opportunities.

Entrepreneurial failure in South Africa and its causes

Through the engaging with the existing literature the study established that there is a high rate of entrepreneurial failure in South Africa. Both Fatoki (2014) and Burger (2013) estimate the rate of failure of entrepreneurial ventures to be between 70-80%. Given the high rate of entrepreneurial failure, various key factors have been identified as hindrances to business success. Unavailability and inaccessibility of funding remain an impediment for small businesses (Herrington et al., 2009). Evidence from the qualitative enquiry suggested that young entrepreneurs have limited access to funding. This is in line with the evidence from the quantitative analysis, which provided that many entrepreneurs (69%) did not take up a loan or any financial support in starting and/or running their businesses. In addition, given that there is limited support as identified in the qualitative analysis, many small businesses eventually succumb to this challenge.

Also, the youth venturing into entrepreneurship tend to have little or no resources. As such, they have limited capital to acquire resources in order to operate their businesses effectively and efficiently. Limited human capital, which can be through lack of skills such technical or managerial skills, leads to immense failure of small businesses (Brink et al., 2003; Shaw and Pretorius, 2004; Rogerson, 2008; van Scheers, 2016). The qualitative enquiry has provided that entrepreneurs need to be multiskilled for their businesses to remain relevant within the business environment. More so, evidence from the quantitative enquiry suggested that high levels of education increase the odds of business success denoted by the increase in the increase in the number of employees. As Sen (1995) argues, education allows for the expansion of capabilities and leads to better decision making. Therefore, evidence in this study suggests that human capital is crucial for the success of small businesses and that the lack thereof impedes the success of businesses initiated by the youth within the economically disadvantaged areas.

Poor market access and rife competition in the business environment has also been identified as a challenge faced by young entrepreneurs. Participants in the qualitative analysis pointed out that the increase in the levels of competition results in a decrease in market share. In turn, revenues decrease, hence reducing the success of their businesses. Also, poor market access, as Smit and Walkins (2012) posits, is detrimental to the success of small businesses.

Relatively high levels of financial literacy in entrepreneurs

The high levels of understanding of financial literacy were shown by the results of the quantitative test issued to participants and reported in section 5.2.1 and corroborated by the qualitative findings. From the interviews conducted, evidence suggests that entrepreneurs in this study exhibit relatively high levels of financial literacy. Participants showed a greater level of understanding the concept of financial literacy. Their descriptions of financial literacy, which include understanding the flow of money, how to use money effectively, and how to manage one's finances, among other descriptions, renders support to the description of financial literacy the literature has provided. For example, Oseifuah (2010) highlights that financial literacy entails having the knowledge and skills to make effective financial decisions. In this regard, evidence from quantitative data supports this. Quantitative analysis revealed that the majority (61.11%) of participants in the study are financially literate, hence showing that participants in this study have relatively high levels of financial literacy, thus understanding the concept of financial literacy and its importance to the success of their business.

In addition, given the low levels of financial literacy in South Africa (Wentzel, 2016), and also the assertion by Lusardi and Mitchell (2007) that low levels of financial literacy are prevalent among developing countries, it can be said that entrepreneurs in this study understand financial literacy better compared to the average population. Given that the level of financial literacy for South Africa is 55, as according to the study conducted by the Financial Services Board (Roberts et al., 2016), participants in this study had an average financial literacy score of 59.03, hence it can be said that entrepreneurs in this study have a better understanding of the concept of financial literacy.

Financial literacy is important for success

Evidence from the qualitative inquiry suggests that there is a positive association between financial literacy and entrepreneurial success. Participants acknowledged that when one is financially literate, the individual can make better financial decisions, effectively manage capital or investments, and ultimately realise growth in income. This evidence renders support to the findings from the literature. For example, the work of Bruhn and Zia (2011) provides that financially literate entrepreneurs can generate increased sales revenue in the business compared to their counterparts with low levels of financial literacy. This is also supported by the work of Njoroge (2013) who notes that business success was evident among the financially literate entrepreneurs whereas stunted growth characterised the businesses of those with low levels of financial literacy.

Government support to entrepreneurs

Although government support programs have been noted to be present, aimed at supporting young entrepreneurs both financially and non-financially, their reach remains limited. As one participant stated: '*Government doesn't entirely support you or give you the necessary support that you want in order to continue to run the business"* (Participant 1). This statement suggests that government support is limited. More so, the statement denotes that with adequate support, businesses can achieve growth and sustainability. In a similar vein, quantitative analysis reveals that financial support, for example taking a loan to finance a business, increases the odds of business revenue increasing, and this association was found to be statistically significant. In turn, one can state that support is paramount for the success of small businesses.

In sum, the main aim of this study has been to determine the association between financial literacy and entrepreneurial success in young entrepreneurs in Khayelitsha. The study also sought to identify the causes of high rates of entrepreneurial failure in South Africa. In so doing, the study has utilised the human capital theory, looking at financial literacy as a form of human capital. Also, the study utilised the capability approach, taking financial literacy a resource that enhances the entrepreneurs' capabilities, for example, to make better decisions and entrepreneurial success as the outcome which entrepreneurs have reason to value, hence a functioning.

Using a mixed methods approach, evidence suggests that entrepreneurs in this study have high levels of financial literacy. In addition, the qualitative enquiry brought to light that there is a positive association between financial literacy and entrepreneurial success. As such, improving entrepreneurs' level of financial literacy results in the success of the businesses. It has also been identified that limited human capital, poor market access, inaccessibility of funding/finance and competition in the marketplace are key challenges small businesses encounter, which thus contribute to entrepreneurial failure. As such, the redress of these challenges and the increase in the financial literacy levels can lead to increased entrepreneurial success. In the end, the increase in small business success will result in the betterment Khayelitsha.

6.3 Recommendations for policy

The high entrepreneurial failure rates in South Africa poses a critical challenge to the well-being of entrepreneurs and the nation at large. Given that small and medium enterprises play a contributory role in the amelioration of challenges such as poverty, inequalities and unemployment, investment in small businesses should be regarded as a high priority goal for the South African government. More so, particularly within the economically disadvantaged communities, supporting young entrepreneurs will lead to an enhancement in the means of earning a living for the inhabitants of these communities. As such, increasing the awareness of government support programmes, both financial and non-financial, among young entrepreneurs will help increase their potential to succeed.

In addition, financial literacy has been identified as an important factor in the success of small businesses. It is thus crucial that investment in enhancing entrepreneurs' financial literacy is ensured. In the end, the success of businesses will be realised. Financial literacy education should also be made compulsory in schools, to ensure that individuals can make sound financial decisions. In turn, as the individuals venture into entrepreneurship, they can use their financial knowledge, skills attitude and behaviour to make choices within their businesses which result in favourable well-being.

Moreover, it has been identified that limited human capital is detrimental to the success of small businesses. This, therefore, calls for a large-scale approach aimed at improving human capital, for example, the South African government need to ensure increased accessibility of education so that the dropout rates decrease. Increase in levels of education will result in the amassing of acumen pertinent to the successful running of a business. In other words, increased accessibility to education leads to an increase in one's capabilities, which in turn allows for the achievement of the functioning of entrepreneurial success.

Furthermore, access to funding remains a key contributor to the failure of SMEs in South Africa. Access to funding should be improved through setting up micro-financial institutions which allow aspiring entrepreneurs to have access to funding. Through these institutions, those with limited resources can seek financial resources and finances their entrepreneurial ventures. This will lead to the increased success of small businesses, hence a positive contribution to the communities/economy through increased national production, reduction in poverty and the creation of employment.

6.4 Contribution to knowledge

Although studies have been conducted in light of identifying the causes of failure among small businesses, this study rather brings to light the causes of failure among businesses initiated by the youth in economically disadvantaged communities. Besides, this study determines the implications financial literacy has on business success. It measures the levels of financial literacy of entrepreneurs. It also determines the association between financial literacy and the entrepreneurial success. Furthermore, the study looks at entrepreneurship through the lens of the capability approach, positing that financial literacy is a resource needed to enhance entrepreneurial capabilities, and in turn, leading to the achievement of entrepreneurial success, which is deemed a functioning in this study.

6.5 Suggestions for Further Research

This study has been conducted on a relatively small-scale as depicted by the small size of the quantitative sample. In the light of future research, an extensive scale survey of this study is suggested, particularly on entrepreneurs within low-income areas. This will help shed light on the challenges these entrepreneurs encounter, further providing generalisable findings. Moreover, as it has been noted in this study that government support remains limited and that entrepreneurs in low-income have lack awareness of government support programmes. It is therefore suggested that future studies thus need to investigate why government support is failing to reach those who need it the most, particularly the youth in economically disadvantaged areas, whom as noted, venture into entrepreneurship with little or no resources.

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Appendices

Appendix 1: Participant Questionnaire

Financial Literacy and Business Success Questionnaire

This questionnaire is designed to assist in the collection of data to determine the relationship between financial literacy and the success of small and medium enterprises.

Dear Participant

Thank you for taking your time to complete this questionnaire. Please be informed that strict confidentiality of the information that you will provide in completing this questionnaire will be ensured. This questionnaire is divided into 3 sections, which include demographic information, business success and financial literacy. The results of this study will be presented in a thesis submitted to the University of the Western Cape.

In completing this questionnaire, kindly choose the most accurate response to the question. In the absence of an option that accurately answers the question to your best knowledge, please choose the answer that seems to be the most relevant. Kindly circle your chosen answer.

This research is being conducted by **Tinashe Munyuki**, a student at the University of the Western Cape. His contact details are as follows:

Cell: +27 83 774 3334 Email: 3737866@myuwc.ac.za

If you have any questions about the research study itself, please contact **Dr Coretta Jonah** at The Institute for Social Development (ISD), University of the Western Cape. Her contact details are as follows:

Tel: +27 (21) 959 3856 Email: cjonah@uwc.ac.za

Feel free to contact **Tinashe Munyuki** on **083 774 3334** if you would like any additional information.

Thank you very much for your cooperation

Section A: Demographic Information

Q1. Gender

Male	
Female	

Q2. What is your age?

____

Q3. What is your marital status?

Married	
Single	
Separated	
Divorced	
Widowed	

Q4. Which race or ethnicity best describes you? Please choose one

Black African	
Coloured	
Asian/Indian	
White	

Q5. How many people currently live in your household?

____

Q6. What is your highest level of education?

None	
Primary level	
Lower secondary level (Grade 10)	
Matric level (Grade 12)	
University diploma	
Bachelor degree	
Masters degree or higher	
Other (Please specify):	

Q7. What is the highest educational level of your father?

None	
Primary level	
Lower secondary level (Grade 10)	
Matric level (Grade 12)	
University diploma	
Bachelor degree	
Masters degree or higher	
Other (Please specify):	

Q9. What is the highest educational level of your mother?

None	
Primary level	
Lower secondary level (Grade 10)	
Matric level (Grade 12)	
University diploma	
Bachelor degree	
Masters degree or higher	
Other (Please specify):	

Section B: Business Success

Q1. Have you had any previous work experience?

Yes	
No	

Q1. (a) If yes, how long did you work before you started your current business?

Less than 2 years	
2-5 years	
6-10 years	
11-20 years	
More than 20 years	
Not applicable	

Q1. (b) Was your previous work experience relevant to your current business?

Yes	
No	
Not applicable	

Q2. Did any of your parents own a business?

Yes	
No	

Q3. How many hours do you spend working in own company per day?

Less than 5 hours	
6-9 hours	
More than 10 hours	

Q4. How long has your business been in operation?

Less than 1 year	
1-2 years	
3-5 years	
More than 5 years	

Q5. How many staff does your business employ?

1-5 employees	
6- 10 employees	
11-20 employees	
More than 20 employees	

Q6. What is your business monthly turnover?

Less than R5 000	
R5 001-R10 000	
R10 001-R20 000	
More than R20 000	

Q7. How much was the business turnover in the very first financial year when the business started?

Less than R10 000	
R10 000 – R30 000	
R31 000 – R50 000	
More than 50 000	

Q8. How much is the business turnover in the most recent financial year of the business?

Less than R10 000	
R10 000 – R30 000	
R31 000 – R50 000	
R51 000 – R100 000	
More than R100 000	

Q9. On a scale 1 – 5, please show how satisfied are you with the success of your business

1	2	3	4	5
Not satisfied at all	Somewhat unsatisfied	Satisfied	Very satisfied	Extremely satisfied

Section C: Financial Literacy

Q1. Do you know what the stock market is?

Yes	
No	

Q2. Have you ever taken a loan for your business before?

Yes	
No	

Q3. If you have taken a loan before, what kind of a loan was it?

Family loan	
Loan from a friend	
Loan sharks	
Bank	
Formal microfinance	
Other: Please specify_________________________	
Not applicable	

Q4. Interest

Suppose you had R100 in a savings account and the interest rate is 20% per year and you never withdraw money. After one year, how much would you have on this account in total?	
More than R200	
Exactly R120	
Less than R100	
Do not know	
Refusal	

Q5. Inflation

If you have R1000 in your bank and inflation is 10% per year. In 1 year's time, my R1000 will be able to buy -------	
More than today	
Exactly the same	
Less than today	
Do not know	
Refusal	

Q6. Time value of money

Assume Cinga inherits R100 000 today and Tumelo inherits R100 000 3 years from now. Who is richer because of the inheritance?	
Cinga	
Tumelo	
They are equally rich	
Do not know	
Refusal	

Q7. Money illusion

Suppose that in the year 2013, your income has doubled and prices of all goods have doubled too. In 2013, how much will you be able to buy with your income?	
More than today	
The same	
Less than today	
Do not know	
Refusal	

Q8. Understanding risk

If someone offers you the chance to make a lot of money there is a chance that you will lose a lot of money.

True	
False	
Don’t know	
Refusal	

Q9. Diversification

Is it possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares	
True	
False	
Don’t know	
Refusal	

Q10. Saving

In the past 12 months, have you been [personally] saving money in any of the following ways?	
Saving cash at home	
Building up a balance in bank account	
Buying financial investment products	

Q11. Bookkeeping

Do you keep books of accounts?	
Yes	
No	
Refusal	

End of Questionnaire

Appendix 2: In-depth Interview guide

1. What business do you run and how long have you been running this business?
2. How did you get into this business and what interested you?
3. Did you get any support from anyone?
4. What type of support did you get and from whom?
5. Would you say your business is doing well? And why do you think so?
6. If it is doing well what are the reasons and if you are not doing well why do you think that is the case?
7. What is your understanding of financial literacy?
8. Do you think financial literacy has played a role in the success of your business?
9. Do you think financial literacy plays a role in the success of small and medium enterprises?
10. Do you have any other comments you would like to add?

Appendix 3: Ethical Clearance

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23 November 2018

Mr T Munyuki
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Ethics Reference Number: HS18/8/6

Project Title: The implications of financial literacy on the success of Small and Medium Enterprises (SMEs) initiated by the youth in economically disadvantaged areas of Cape Town.

Approval Period: 22 November 2018 – 22 November 2019

I hereby certify that the Humanities and Social Science Research Ethics Committee of the University of the Western Cape approved the methodology and ethics of the above mentioned research project.

Any amendments, extension or other modifications to the protocol must be submitted to the Ethics Committee for approval.

Please remember to submit a progress report in good time for annual renewal.

The Committee must be informed of any serious adverse event and/or termination of the study.

Ms Patricia Josias
Research Ethics Committee Officer
University of the Western Cape

HSSREC REGISTRATION NUMBER - 130416-049

FROM HOPE TO ACTION THROUGH KNOWLEDGE.