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SOCIOLOGICAL FACTORS INFLUENCING THE SUCCESS OF AFRICAN IMMIGRANT-OWNED MICRO BUSINESSES IN SOUTH AFRICA

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Abstract. The sociological imbalance of African immigrant-entrepreneur hampers the growth and progress of their businesses. Therefore, the need to investigate the sociological factors influencing the success of African immigrant-owned micro businesses in Durban, South Africa. The research approach adopted was a cross-sectional field survey with a total of 364 questionnaires distributed to African immigrant-entrepreneurs in Durban with the use of cluster sampling technique. The results of the study revealed that there was a significant strong positive relationship between sociological factors and the success of foreign-owned micro-businesses in Durban. It is therefore recommended that the government should creating an enabling business environment for African Immigrant-Owned Businesses, including the protection of the lives and property of the African immigrants and their micro businesses in Durban and country wide.

Keywords: African immigrant; sociological factors; micro business; entrepreneurship; xenophobia; Durban.

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1. Introduction

Entrepreneurship implies the pursuit of perceived opportunities culminate into producing new products, viable processes and services for benefits, which, in order words, include economic and non-economic benefits to individuals, the economy and the society (Hosseininia and Ramezani, 2016). This definition goes without saying that foreigners that engage in entrepreneurship require some sort of support, autonomy and space to operate. African immigrant-owned micro business assumes a welfare enhancing business activity that takes place under good institutions that play important roles in channelling entrepreneurial imagination and initiatives into productive activities, that enables consumers to maximise their utility at a lower cost (March, Martin and Redford,

2016), these activities benefit both the entrepreneur and the society at large (Hosseininia and Ramezani, 2016; Kowo et al., 2019). In addition, they generate economic wealth informed by innovativeness and ability to adapt, filling the gaps in the market (Herman and Szabo, 2014).

In the South Africa context, micro business is defined, according to National Small Business Act 102 of 1996 as amended in 2019, as those entrepreneurial ventures that employ between zero to ten (0-10) employees and generate an annual turnover of not more than 7.5 million rand. However, the sociological imbalance of the entrepreneur in the field of his/her business operations or activities hampers the growth and progress of such venture. Therefore, it became imperative to investigate the sociological factors that influence the success of African immigrant-owned businesses in Durban, South Africa.

2. Background

After the past global financial crisis that befell most economies of the world, plunging South African economy into recession. South Africa domestic economic policies changed and new political administration came into being. The instabilities impacted on the economy, especially the Small, Medium and Micro Enterprises (SMMEs) landscape in South Africa (The Bureau for Economic Research, 2016). In other to cushion these factors brought about by the economic difficulties and other challenges faced in the economy, freedom of trade, occupation and profession were guaranteed in section 22 of the constitution of South Africa. As a direct consequence of the above changes, micro businesses became a critical component of the economy and also major contributor to the strength of the domestic economy (Brown, 2018).

That notwithstanding, retrospectively, The Herald online (2015) reported that one traditional ruler submitted that foreigners (African Immigrants) should go back to their home countries because they are changing the nature of the South African society with their *amanikiniki* (rags) and enjoying wealth that should have been for local people. The traditional ruler further stated that it is unacceptable for South Africans to compete with people from other countries for few available economic opportunities. He also mentioned that when you walk in the streets you cannot recognise a shop you used to know because it has been taken over by foreigners, who mess it up by hanging *amanikiniki* (rags).

Additionally, xenophobic attacks on foreign nationals reared its ugly head again in April 2019 resulting in the loss of two lives in KwaZulu-Natal, which created a tensed atmosphere that gripped the entire resident foreign nationals in and around Durban. Some people call these attacks xenophobic; others brush it away as just mere crime, while others argue that South Africans are not xenophobic (News24 2019). African Ambassadors to South Africa met with the South Africa government representatives (Minister of International Relations and Co-operation Lindiwe Sisulu; Minister of Police Bheki Cele; and Minister of Home Affairs Siyabonga Cwele) to obtain government's response on the alleged xenophobic attacks against their citizens in South Africa on April 2019. The Ministers chose to present a litany of crimes being committed by foreign nationals in South Africa instead of addressing issues squarely (Fabricius, 2019).

3. Problem statement

There has been the presumption that African immigrants cause up-swing of unemployment in South Africa, instead of acclaimed job creators and employment providers through micro businesses. The failure to acknowledge the relevance of African immigrant-owned micro businesses feeds the locals with negative sentiments towards foreign nationals which affects their ability to prosper. Again, the hostility and unsympathetic treatment of foreign nationals generated by these sentiments in South Africa had resulted in the xenophobic outbreaks towards African immigrants. As indicated by Alfreds and Phakgadi (2019) it was said by the President

of South Africa, Mr Cyril Ramaphosa that people come into the townships and rural areas set-up businesses without licences and permits and that the government will bring an end to this. The statement appeared to have threatened the foreign-owned micro businesses. As a result of this and other comments, especially from the government and politicians, African immigrant-owned businesses continue to suffer while facing many challenges, such as victimisation. The fears created by actions of the local populace coupled with other criminal activities and corruption meted-out on African immigrants causes setbacks on their business development and sustainability, thereby affecting their sociological status (Ngota, Mang'anyi and Rajkaran, 2018).

4. Literature review

In South Africa's new democracy, following the former apartheid regime, several initiatives have been implemented to boost the economy, especially entrepreneurship. Local initiatives that focus on equipping and financing entrepreneurs, especially those who, historically, marginalised (Black people and women), were created (Brière, Tremblay and Daou, 2014). Nevertheless, the report shows that South Africa's rate of Total early-stage Entrepreneurial Activity (TEA) declined by 34 per cent from 2013 to 2014, with only 7 per cent of the country's adult population engaging in entrepreneurship (Illingworth, 2015). The 2014 TEA rate showed that South Africa backslid three times lower than its expected entrepreneurial activity rate, given its *per capita* income (Illingworth, 2015). According to a World Bank Group study, more than half of South Africa's population are found in townships and informal settlements (38 per cent of working population) but this has not translated into widespread interest in entrepreneurial activity (Mulligan, 2015).

However, the current Global Entrepreneurship Monitor's (GEM) (2016) report on entrepreneurial activity in South Africa affirmed that, although very low, has increased marginally over the last 10 years, but in 2014 dropped by a staggering 34 per cent (from 10.6 per cent to 7 per cent). There has been an increase in women's entrepreneurship primarily due to government support, but the perception of opportunities to start a business, and confidence in one's own abilities to do so, remains alarmingly low compared to other sub-Saharan African countries (GEM, 2016). At the current stage of economic development in South Africa today one would expect the entrepreneurial activity rate to be higher than it was, this in turn would contribute to a broader rebound among commodity exporters, emerging markets and developing economies, and overall global growth (World bank, 2018).

Moreover, the rate with which extant business terminates exceeds the rate of business start-ups, consequently causing a loss of business activity and possible job losses (GEM, 2016). However, according to Global Entrepreneurship Monitor's report that, there exist two categories of entrepreneurship motivation; 'opportunity entrepreneurship' in which the entrepreneur discovers exploitative opportunity and 'necessity entrepreneurship' where there is no other choice to making a living. The latter has been reported to be more prevalent in low-income countries.

4.1 Foreign national-entrepreneurs in South Africa

According to Lin (2014), getting to hear about the success of foreign national-entrepreneurs in South Africa boosts the conviction of other economically minded foreign nationals to move to South Africa, not only for profit-making but also inclusion in the social class and being one's own boss. Fatoki (2014) notes that foreign nationals may be a significant catalyst in the creation of new businesses, and that foreign national entrepreneurship can positively impact the economy of South Africa, which (foreign national entrepreneurship) have proved to be key engines of growth in their host countries. According to Fatoki (2014), the failure of the private and public sectors to absorb the growing number of job seekers in South Africa has led to an increase in attention paid to entrepreneurship and its potential to economic growth, job creation, and poverty alleviation. Hence, South Africa's economy readiness for foreign national entrepreneurs' investment in economy.

Notwithstanding the above, South Africa were so deeply entrenched, the inequities of apartheid continued to reproduce themselves even after 1994. In order to significantly transform South African society, the government focused on programmes that address income, human capital (education, skills and health) and asset poverty and inequality. New policies and programmes were introduced to address the needs and vulnerability of children, people with disabilities and the aged, through social assistance grants and other developmental social services. Labour market interventions were also introduced to address inequality (affirmative action policies) and poverty (such as public works programmes). Further, measures were again put in place to address asset poverty, such as land reform and the provision of housing and basic services (United Nations Conference on Trade and Development (UNCTAD), 2018).

The transformation of South Africa's socio-political structure that brought about a massive change in the country and made it a financially attractive destination, which invited not only the investors and entrepreneurs but also the skilled and educated workers from within the continent and beyond. South Africa offers a remarkable focal point to explore legacies of liberation, because of the enormity of the task of transforming society to address the legacies of apartheid because of the substantial legal, institutional and financial resources available to the government, to foster significant change. However, other countries independence in the region such as Mozambique and Angola were shaped by civil war and military intervention by the apartheid regime and the superpowers. South Africa's transition was strongly supported by regional and international actors. As a result of the above, the resources available to the government and the long history of workers and community participation in the country's mass democratic movement gave high hopes and expectations that the new South African government would introduce policies and governing practices that would foster inclusion and address the deep levels of inequality, poverty and violence that characterised the society (Clarke and Bassett, 2016).

The rise in foreign-owned entrepreneurships, which has proved an international trend, is also being experienced in South Africa, because of the country's economic and political leverage that is beyond Africa. South Africa has become a common destination, as well as, home for many African immigrants, and has enhanced the growth of African foreign-owned entrepreneurship in South Africa. African foreign nationals believe that South Africa offers a great opportunity for both personal growth and economic advancement, and venturing is worth the risks (Moyo, 2014). This entrepreneurship provides foreign nationals (immigrants) work and income imminently, as it is very difficult to enter into the labour market to find jobs. Hence, African foreign nationals can become a vital force in the creation of new businesses because of their high self-employment level, instinct and entrepreneurship, and this can influence the rate of employment in South Africa positively (Fatoki, 2014).

4.2 Contributions of foreign-owned micro businesses towards South Africa economy

Chimucheka and Mandipaka (2015) claim the researchers in the field of entrepreneurship have also confirmed that the SMME sector plays a key role in economic growth, job creation, poverty alleviation, and addressing inequality. According to NCR (2011), the South African government is fully aware of the major contribution of the SMME sector towards the socio-economic development of South Africa. The White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa also recognises the numerous contributions of the SMME sector in South Africa. Fatoki and Smit (2014) assert that due to the numerous contributions of the SMME sector, the South African government has called for the support of these businesses and for novice entrepreneurs, particularly those in disadvantaged areas. Below are the major contributions of foreign-owned micro businesses towards the South African economy.

4.2.1 Job Creation

Small, micro and medium enterprises are the hope of an ailing South African economy with low growth prospects and high unemployment. Aigbayboa Tshikhudo and Thwala (2014), in their study, strongly believe that SMMEs have the potential to reduce South Africa's unemployment rate. They are positioned to provide job opportunities

and to contribute significantly to the Gross domestic product (GDP), create jobs and also globally known to be the mechanism to generate new jobs in society. Globally, over 95% of enterprises are SMMEs, which employ 60-70% of the working population. Additionally, there are only about 250 000 SMMEs in South Africa, accounting for just 28% of formal jobs in the economy (Vuba, 2019). As reported by Statistics South Africa, SMMEs are a vital tool in the creation of sustainable jobs.

4.2.2 Poverty Alleviation

According to Chimucheka and Mandipaka (2015), the SMME sector in South Africa has been playing a critical role in alleviating poverty in the country. Creating entrepreneurship and nurturing entrepreneurs is perceived as one of the key aspects of revitalising the economy of South Africa. Youths and other unemployed people are often encouraged to start-up their own businesses and become successful entrepreneurs. These initiatives are being driven by development agencies, successful entrepreneurs (under apprenticeship scheme) and business schools at universities, as well as other tertiary institutions. In as much as these efforts are vital toward the growth of the economy, they equally eradicate poverty by empowering ordinary people on the street who remain important to the economy. In so far to say, without meaningful participation in economic growth, the cycle of poverty is never broken (The Mail and Guardian, 2019).

4.2.3 Reduction in the levels of inequality

The number of South Africa's poor could be reduced by more than half by 2030 through various policy interventions that will reduce inequality by creating skilled jobs for the poor, igniting growth by increasing competition and promoting skill migration. Projecting the South African economy through 2030, the 11th edition of the South Africa economic update focused on Jobs and Inequality, assessing the potential impact of a combination of various policy interventions on jobs, poverty and inequality. The report presents a scenario in which the number of the poor could be reduced by more than half (dropping to 4.1 million by 2030 from 10.5 million in 2017). Further, the report showed that reducing South Africa's high inequality will require improving education and spatial integration to provide the poor with skills that are required to meaningfully participate in a capital and skills intensive economy (The world bank, 2019).

4.3 Sociological Entrepreneurial Factors

There are some fundamental factors associated with the social sphere that determine entrepreneurship. These factors, as Ikeije and Onuba (2015) posit, emanate from the attributes of ethnic affiliation, race, social interconnectivity, and cultures. Arguably, however, elements such as, "personal traits (risk-taking attitude, personal performance, inner control, target orientation), motives, and incentives" of an entrepreneur are environmental factors that confront the successes of the entrepreneurship (Ikeije and Onuba, 2015). Hence, since the nature presents the society with assorted ambiance, better relevant business oriented behavioural ways of achieving successes should be encouraged and acquired.

Further, culture is one of the main pillars of development and sustenance of many communities and there is no society that can progress in absence of this. Culture is the identity where common values, attitudes, preferences, knowledge are attributed to the behaviour in a particular social group and has a positive influence on social development in any given economy. For instance, traditional celebrations are some of the core aspects of any culture (weddings, harvest festivals, religious holidays or national observance). The celebrations are interwoven with the overall cultural identity. These celebrations offer excellent opportunity for intercultural exchange and understanding. The undertakings contribute to an increase in the intellectual potential and build conscious, open and tolerant society (Kimanuka, 2016).

However, another school of thought views culture in another different light; that "culture does not exist in a tangible sense. It is a product of our imagination and only useful as much as it helps us understand and predict

phenomena in the real world. National and organizational cultures are quite different phenomena: national cultures belong to anthropology, organizational cultures to sociology. Management can never change a national culture; it can only understand and use it. It can create and sometimes change an organizational culture. The concept of culture does not apply at the level of individuals. Individuals have personalities, only partly influenced by the culture in which they grew up” (Hofstede, 2019).

5. Methodology

The study site was Durban Central Business District in KwaZulu-Natal province, South Africa. The target population was the informal micro businesses with a population of 6,238 (Economic Development and Growth in eThekweni 2013). A cross-sectional research design was adopted to investigate the research phenomenon. The questionnaire consists of two parts, the first part comprises of the biographical information of the participants while the second part consist of questions which intent to measure the sociological factors influencing the success of African-immigrant owned micro businesses using 5-point Likert scale of 1 (strongly disagree) to 5 (strongly agree). A total of 364 questionnaires was distributed using cluster sampling technique to select participants for the study, only 364 were returned.

5.1 Data Analysis

Descriptive statistics shows that (84.91%) of the participants were males, whilst 15.1% were females. Majority of the participants, a total of 153 (45.3%) were between the ages of 31-40, followed by the participants in-between the ages of 41-50 years which were 132 (39.1%). Most of the participants that made 25.4% of the population sample have lived in South Africa for a 10-12year period. This group was followed by the group of participants that have lived in South Africa for 13years and above who made 21.6% and also followed by another group that have stayed for 4-6 years making 21.3% of the participants.

The least groups in the distribution are the group of participants that have lived in South Africa for 7-9year period making 18.9% of the participants and finally, the 0-3year period group that made 12.7% of the participants that formed the sample of the population. 32.3% of the participants have done business in Durban for lesser years (0-3 years). This group was followed by the participants that have survived the business storm for 7-9years which made 26.7% of the sample and those that have done business for 10-12 years that made 16% of the sample. 14.2% of the participants managed to scale through the first three years of having done business in Durban, which got them in the bracket of 4-6years, whilst 10.7% of the entire population sample have managed to survive doing business in Durban for 13 years and above.

Accordingly, it was revealed that most businesses owned and run by African immigrants in Durban were under the categories of African food and groceries (28.1%) and household items and services (28.4%). These groups are followed by those that deal in ICT (Information and Communication Technology) and Innovation, which made 19.2% of the population sample, whilst the category of wearables and cosmetics made 16.9% of the sample. The least of the categories is the ungrouped items that made only 7.4% of the entire population sample. The percentage distribution above revealed that most of the businesses established by African immigrants in Durban South Africa fall under the categories of African food and groceries, household items and services, ICT and Innovation.

5.2 Factor Analysis

The validity of the self-developed research instrument was evaluated using Factor Analysis. In extracting the factors, only items with loadings > 0.4 were significant. Two factors were identified, and they account for 77.964% of the variance in the data (Table 1).

Table 1: Pattern Matrix

	Factor	
	1	2
1. I can communicate (with customers, suppliers, etc) in my business	.935	
3. I understand when customers ask questions or highlight their needs	.826	
5. I understand how customers make decisions and negotiate	.659	
2. I understand the importance of time and deadlines	.648	
10. I can enter into the local market		.877
9. I can negotiate successful business deals		.877

Extraction Method: Principal Axis Factoring.

Source: From the study

Rotation Method: Promax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Factor 1 includes four items and labelled Internal because it seems to be about dealings with people inside the business, while factor 2 includes two items and labelled External because it indicates dealings with people outside of the business.

The reliability of the measuring instrument was evaluated using Cronbach’s Coefficient Alpha to test the reliability of these factors. Accordingly, Sekaran and Bougie (2016) recommend that a Cronbach’s coefficient alpha score of 0.07 and beyond is considered reliable. The findings reveal that the research instruments employed in the study was highly reliable and has a very high level of inter-item consistency ($\alpha = 0.857$ and $\alpha = 0.839$) respectively (Table 2).

Table 2. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.742
Bartlett's Test of Sphericity	Approx. Chi-Square	1029.375
	df	15
	Sig.	.000

Source: From the study

Accordingly, KMO and Bartlett's test was further employed, to determine the validity of the research instrument. Madanchian, Hussein, Noordin and Taherdoost (2018) suggest that the, KMO measure of sampling adequacy index ranges from 0 to 1, reaching 1 when each variable is perfectly predicted without any error by other variables. A KMO value of 0.742 indicates adequacy of the data for data extraction; while the significant result of Bartlett’s test ($p < .0005$) indicates that the items do not correlate either too highly or too lowly with each other (Table 3 and Table 4).

Table 3. One-Sample Statistics

N	Mean	Std. Deviation	Std. Error Mean
338	4.5621	.47706	.02595
338	4.6908	.60645	.03299

Source: From the study

Table 4. One-Sample Test

	Test Value = 3					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
INT	60.201	337	.000	1.56213	1.5111	1.6132
EXT	51.258	337	.000	1.69083	1.6259	1.7557

Source: From the study

One-sample test with an average mean score (M=4.56), $t(337) = 60.20$, $p < .0005$ for Internal and (M=4.69), $t(337) = 51.26$, $p < .0005$ for External shows that both factors boost success of African immigrant owned micro business. Further paired samples t-test was conducted to see if they are equally important to performance showed that External factors has a bigger influence on the success of the business than Internal factor.

Table 5. Sociological factors measured

S/N	Items	Mean	SD	T
1.	I can communicate (with customers, suppliers, etc) in my business	4.51	.650	42.578
2.	I understand the importance of time and deadlines	4.55	.549	51.897
3.	I understand when customers ask questions or highlight their needs	4.65	.507	60.015
4.	I know how people respond to management and authority	4.48	.744	36.573
5.	I understand how customers make decisions and negotiate	4.54	.566	49.963
6.	I can manage employees and projects	4.56	.709	40.441
7.	I have the tendency to take business risks	4.59	.649	44.912
8.	I can develop and maintain business relationships	4.67	.471	65.157
9.	I can negotiate successful business deals	4.75	.564	57.113
10.	I can enter into the local market	4.63	.732	40.921

Source: From the study

From table 5 we can infer that the mean scores when compared to a maximum attainable score of 5, on a 1 to 5-point Likert scale, suggests that there was a significant strong positive relationship between sociological factors and foreign-owned micro-businesses in Durban.

6. Conclusion

Findings from the study showed that there was a significant positive relationship between sociological factors and the success of African immigrant-owned business in Durban. Thus, sociological characteristics positively influenced African immigrant-owned businesses in Durban. It was also established that language is an important factor which affects foreign-owned businesses in South Africa. Summarily, lack of knowledge of the local language remains very vital to the smooth running of the business, in order words, in absence of the knowledge of the indigenous language, effective communication, information gathering and evaluation are hampered (Ngota, Mang’unyi and Rajkaran, 2018). Therefore, an entrepreneur and his team can only survive if only they have a full command of the language in the country in which the business is being conducted.

7. Recommendation

Recognising the fact that creating an enabling business environment for African immigrant-owned micro businesses has been lacking and very difficult in nature. The study, therefore, recommends that the government should, as a matter of importance, create a conducive and opportunity-driven, enabling business environment, including the protection of the lives and property of the African immigrants and their micro businesses in Durban and country wide. It is mostly an undeniable fact that many foreign-owned micro businesses, especially African immigrant-owned micro businesses in Durban and South Africa, are faced with diverse challenges, including; rigid regulatory framework, crime, xenophobia, and culture issues.

Scholarly literature (Khosa and Kalitanyi, 2015) shows that South Africa is considered as an economic powerhouse of Africa that attracts many investors and entrepreneurs. Asongu and Odhiambo (2019) also confirm that the conducive business environment in Africa has been attracting foreign migrants from diverse parts of the world of which South Africa is inclusive. However, in recent times many African immigrant-owned micro businesses have expressed the view that the above challenges are affecting them and their various businesses. Though most of the participants report that South Africa has an enabling business environment, others believe that the business environment is not conducive for their business operations.

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