

# The Selected External Business Environmental Factors Influencing Township Entrepreneurship in KwaZulu-Natal, South Africa

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**Abstract:** The relationship between the business external environment factors and township tourism entrepreneurship has a long history and is still a topic of discussion among academics and policymakers even today. Township tourism entrepreneurship remains an untapped area in South Africa, yet it presents great potential for economic inclusion, especially to people living in remote and traditional settlement areas. The aim of this paper, against this background, is to explore how the business external environment factors influence township tourism entrepreneurship performance in South Africa using eSikhaleni Township located under the City of uMhlatuze Local Municipality, as a case. Logistical regression was employed to estimate the empirical model based on primary data collected through a structured questionnaire administered to a sample of 199 randomly selected registered and non-registered tourism businesses. Overall, three central findings emerge from the estimation. The first is that financial support and skills development programmes are the most relevant drivers of improved business performance. The second observation is that performance of township entrepreneurship is strongly retarded by regulatory factors - both water and electricity crises of which the latter have relatively larger effects. The third finding is that social factors do not play a noticeable role in the performance of township entrepreneurship. Based on the findings, recommendations are made to the municipality decision-makers (business support offices) and business key role players in the study area regarding fostering township entrepreneurship, as well as “Tourism KwaZulu-Natal” (the destination management organisation).

**Keywords:** External business environmental factors, township entrepreneurship, tourism entrepreneurship, logistical regression, sub-Saharan Africa

## Introduction

Entrepreneurship is important to any country's economy, it generates job opportunities and value-added products or services [1] [2]. There is evidence to suggest that entrepreneurs (i.e., tourism or non-tourism related) are the driving force of economic activities in both developing and developed country [1] [3]. According to Kashkari and Mir [1], tourism industry provides fertile and enticing ground for entrepreneurship and township entrepreneurship. Recent studies by Mseleku [4] and Sajeena [2] have suggest that entrepreneurship is the practice of introducing innovative products or services through the establishment of new businesses or the continuation of existing ones. It has commonly been suggested that youth unemployment is one of the pressing concerns for governments and policy makers across the world [4]. The literature review further shows that significant effort has been made to understand the role of entrepreneurship in a nation's economic development [5] [6]. Academics, practitioners, and other relevant stakeholders who are opposed to a unequal reliance on large, externally owned businesses have already highlighted the potential advantages of small-business ownership for local community development in both the tourism and non-tourism businesses [4] [7] [8], but many of these studies suffer from a significant number of limitations. The common one being that the results they obtained could not be generalised to other regions or across the country, especially in township tourism entrepreneurship context. Around “50% of South Africa's urban

population live in townships” [4]. The role of township tourism entrepreneurship for regional poverty alleviation has received little attention and currently largely remains ‘*terra incognita*’ (meaning less is known or unexplored territory) among tourism academics [9]. Booyens [10] and Hikido [11] investigated the hindrances preventing South Africans from engaging in township tourism entrepreneurship. They [10] [11] found that socio-economic ills such as poverty, unemployment, a lack of support from the public and private sectors, power dynamics, and exploitation are the main causes contributing to the low entrepreneurial activities. The current authors strongly believe that township tourism entrepreneurship can “make a significant contribution to job creation and income opportunities within townships on a large scale”. According to current estimates, the collective spending power of the township market is worth billions of rands [12]. Hence, the researchers anticipate that township tourism entrepreneurship could be envisioned as a vehicle for local economic development, with the potential to turn the unemployment tide by creating employment opportunities for people living in remote and traditional settlement areas like MLM regardless of gender and race [7]. According to South Africa Economic Outlook (2024) report, policymakers across many countries face trade-offs between maintaining fiscal stability and other priorities. These include investment in reaching Sustainable Development Goals (SDGs). The adoption of “the 2030 Agenda for Sustainable Development and its 17 SDGs” by the United Nations General Assembly in 2015 has provided a renewed momentum to worldwide endeavours aimed at attaining sustainable development [13]. The SDGs embody the concept that economic growth, social well-being, and environmental protection must be integrated in all areas of sustainable development [13] [14]. The 2020-2030 decade prioritises the need to address poverty, empower women, and tackle climate issues [14]. This research, regardless of identified theoretical gap, is also motivated by the question of how the SDGs can be implemented, so this study serves as response aiming to contribute to Goal 1 (“reducing poverty in all its forms”), Goal 8 (“economic growth”), and Goal 10 (“inequality”). The core theme of this Special Issue, “Prosperity: Supporting growth, jobs, and poverty reduction”, is therefore one that the authors believe is highly pertinent to the objective of the study. As tourism specialists and scholars, we see tourism as a unique sphere that combines social (quality of life), economic (competitiveness) and natural (ecological cleanliness) components of sustainable development [15]. Furthermore, tourism entrepreneurship has been identified as fundamental to meeting the United Nation’s (UN) SDGs of both ‘gender equality’ and ‘decent growth and economic growth’ by many governments [9] [16]. However, the entrepreneurial landscape in SA is still facing challenges that hinder the growth of established businesses in townships [17]. According to Swartz et al. [18], SA’s entrepreneurship landscape has been identified as falling behind other less developed African countries due to inconsistent performance and low estimated indicators of established businesses.

According to Lethoko and Netshikundini [19], “despite their relevance and importance in the local economy, informal businesses face many challenges”. Firstly, township-based entrepreneurs in the tourism sector often encounter difficulties in obtaining financing due to a lack of collateral and the perception that township enterprises carry a high level of risk [20]. Consequently, many tourism businesses in townships struggle to grow [21] [22]. Additionally, township tourism entrepreneurs face problems in accessing markets and distribution channels [20] [23]. This is primarily because there are limited opportunities for township tourism entrepreneurs to reach customers (tourists) and sell their products or services in larger markets beyond their immediate locality. Furthermore, the lack of infrastructure in townships also hampers tourism and non-tourism business performance [20] [24]. Most business owners are compelled to serve customers without the basic services necessary for running a business, such as “waste collection, reliable access to water and electricity, streetlights, well-maintained roads and pavements, effective storm-water drainage, reliable public transport, and community safety” [24]. Lastly, the success prospects of township enterprises are negatively impacted by insufficient business knowledge and skills [23]. A significant number of entrepreneurs residing in townships lack the necessary expertise needed to effectively manage a business [16]. This issue is worsened by the limited access to educational and skills development opportunities within townships [22]. The insufficient attention given to township entrepreneurship is one of the many challenges that contribute to low levels of entrepreneurial activity, high poverty, less economic growth, and inequality in SA [25]. The current authors believe that a new framework for economic development and inclusion is required, one that brings South Africans together in the economy and fosters change throughout the country’s provinces, districts, townships, and rural areas. Nonetheless, there is a dearth of studies of this nature in sub-Saharan African regions, particularly in SA, where the significance of entrepreneurship demand is increasing [10, 26]. This will contribute to the much-needed regional knowledge of this phenomenon in sub-Saharan Africa. The next section explores relevant literature in relation to this study.

## Literature review

Prior research, such as the investigations conducted by Oyedemi and Choung [7]; Subramaniam and Masron [5] has enhanced the knowledge of scholars and practitioners regarding the connection between entrepreneurship and a nation's economic progress. Recent studies by Geza et al. [27] and Masha et al. [28] indicate that the likelihood of an individual in SA falling into poverty is sometimes influenced by factors such as gender, race, and location. Another influential research by Masha et al. [28] reveals that a lack of adequate business knowledge and mentorship serves as an additional problem to youth entrepreneurship. Nevertheless, the process of generalising overarching conclusions from this body of literature is challenging due to the substantial focus of research conducted in highly developed economies or predominantly urban contexts. Doubts arise concerning the degree to which these findings can be generalised to less urbanised and localised contexts. Additionally, the deficiencies and downturns are frequently evident in relation to formally registered enterprises [28]. The dearth of youth mentorship in many South African municipalities has widened the gap of inequality and triggered profound youth disadvantage, particularly among those residing in rural and township areas. In 2023, it has been reported that 18.3 million (Mi) individuals of working age (15-64 years) in SA are not enrolled in education or employed [11]. Among the estimated figure (18.3 Mi), 49.1% reported to be within the age range of 15 to 34 years, which essentially refers to the youth of SA. Within these figures (13.3 Mi), 55.9% are females, while 44.1% are males, specifically between the ages of 25 and 34 years. Assumptions have been made that, many youths in rural and township areas have less opportunities and migrate to cities (such as Cape Town, Johannesburg, and Durban) to pursue entrepreneurship or job opportunities [27]. While the issue of youth unemployment is frequently acknowledged as a national crisis by South African politicians, the measures taken to address this issue have been inconsistent [29]. It is disillusioning to witness that, despite the promises of a better life in the post-apartheid era, the majority of young South Africans from the '*born free*' generation continue to face high levels of poverty, unemployment, and limited opportunities for upward social and economic mobility, representing the circumstances experienced by their parents decades ago. However, the study suggests that niche tourism initiatives, such as promoting 'a typical South African experience' in townships, could serve as an effective means of attracting more tourists to SA, thereby generating income for local communities and creating job opportunities within the townships themselves [12] [23].

## Gender and nationality in township entrepreneurship performance

According to Sixaba and Rogerson [12], one persistent "market failure" is the inability to fully exploit the entrepreneurial potential of tourism for growth. Similarly, in the context of township tourism entrepreneurship, the predominant dimension of this perceived failure to maximise entrepreneurial potential is gender and nationality [11, 20]. Gender plays a significant role in tourism entrepreneurship and is continually perceived and depicted as a stereotypically masculine pursuit [30]. However, Ngumbela [30] did not make any effort to statistically measure the correlation between gender and the performance of township tourism entrepreneurship. Both Ngumbela [30] and Figueroa-Domecq et al. [31] neglected to contribute to current discussions regarding BEEFs and the connection between nationality and business performance. Neglecting this element in their research, which creates a gap in literature, has made gender to not factor as one of those issues that plague township tourism entrepreneurship, whereas it is an issue that should be interrogated if challenges faced in the field are to be solved. The exclusion based on gender and nationality remains significant within the entrepreneurship [31], which presents greater challenges for those who assume a more gendered approach to entrepreneurial performance. Despite researchers acknowledging the intricate role that gender and nationality play in the various stages of the entrepreneurial process (i.e. pre-start up, start up, and growth) as well as in entrepreneurial performance [31], research on this topic remains limited. Hence, it is of utmost importance to explore the connection between nationality and gender to enhance understanding on township tourism business performance. Nevertheless, to the best of our knowledge, there have been very less studies conducted to examine the role of gender and nationality in terms of township tourism entrepreneurship performance in SA. At this juncture, the current study sheds light on the agenda, considering the influence of gender and nationality on the performance of township tourism business entrepreneurship. Islam [32] conducted a study with the intention of investigating the influence of board diversity in terms of gender and nationality on business performance in a developing economy. Their study confirmed that female directors in family-owned businesses are positively linked to profitability, while foreign nationals exhibit a notably positive correlation with performance in non-family businesses [32]. Meanwhile, Subramaniam and Masron [5] conducted another study which reveals that women-led and foreign nationalised enterprises encountered additional challenges due to the COVID-19 pandemic, with 37% of female entrepreneurs across the globe reporting difficulties in accessing capital.

### **COVID-19 pandemic and financial support in South African context**

The matter of the COVID-19 pandemic remains highly pertinent for investigation even at present [33]. The pandemic originated as a public health crisis, but swiftly transitioned into a comprehensive socio-economic dilemma that entailed substantial state interventions in the economy, surging levels of unemployment, escalating public debts, and weakening social inequalities [33]. The current authors posit that urban areas do not solely drive South Africa's economy. Township economies also have a substantial contribution to the overall economy of the country [23] [19]. Consequently, the development of township tourism entrepreneurship can stimulate economic growth in non-urban regions, ensuring that growth is not primarily confined to urban clusters [34] [35]. Regrettably, insufficient attention has been given to supporting township businesses in the tourism sector, particularly those engaging in art and craft targeting tourists as their customers [35]. Most of these businesses were forced to close during the COVID-19 pandemic and have not been able to recover [9]. This is mainly due to the condition that these businesses operate informally, they are not registered, making it challenging to access financial support from the government [9]. Even the funds designated as "COVID-19 reliefs" were inaccessible [9]. Moreover, the financial assistance that some township entrepreneurs were able to access has not provided sustained help [16]. Ultimately, the availability of financial support significantly affects the success of the tourism sector's survival and recovery plan [16]. Township economies serve to foster and facilitate job creation in more rural or non-urban regions, where much of the population resides [4]. Nevertheless, tourism services, such as shuttle services, tour operators, and accommodations, are in high demand within townships [36]. Regrettably, many townships (such as KwaMashu, eSikheleni township, etc., in KwaZulu-Natal province) seem to be not well recognised as the funding opportunities for local businesses are not consistently well-promoted, particularly to the youth [4]. Therefore, this study is essential due to the absence or insufficiency of empirical research to evaluate the impact of the COVID-19 pandemic and financial support on the entrepreneurial performance of tourism in South African townships, with the aim of realising their full potential. Makuyana et al. [36] argue that township entrepreneurs, especially in Africa, lack the fundamental financial access necessary for entrepreneurial growth.

### **Skills development and (satisfaction and experience) utility**

The objective of the sector education and training authorities (SETAs) in SA is to facilitate the development of skills, education, and training, particularly for the youth [37]. This is because they possess the capability to equip young individuals with the essential skills that may pave the way for diverse employment opportunities, entrepreneurial ventures, and enhance overall utility [37]. The notion of utility encompasses different interpretations in various contexts [38]. Within this article, utility is employed as an economic term that measures the overall value or satisfaction and experience that a tourist, acting as a customer, derives from the procurement and utilisation of a service or product related to tourism [39]. The assessment of utility values, encompassing satisfaction and experience, plays a crucial role in determining the reasons behind the varying costs and levels of demand for different tourism products and services [25]. In the realm of tourism entrepreneurship, products and services with higher levels of utility, in terms of satisfaction and experience, generally witness greater demand from tourists, thereby enabling them to command higher prices [16]. However, achieving this goal as an entrepreneur can be quite challenging in the absence of necessary business skills [9]. Despite the implementation of the Skills Development Act in 1998, the problem of skills shortages continues without resolution [40]. Sifiso Moyo, the founder and CEO of The Box Shop, a lifestyle retail outlet, has also provided a comprehensive list of tourism-related opportunities that are greatly needed in South African townships [19]. These businesses include (1) bookings - there are locals in the area that explore outside their community, so "there are opportunities for entrepreneurs to create packages to assist them to travel outside of the location", (2) shopping tourism - the 'Box Shop', which is usually townships based and is known for as the *go-to place to buy African wear* [41]. This is happening in other countries such as Dubai, for example, where people go to buy clothes, and (3) AIRBnB Experiences – this arrived in Cape Town in 2017 and rolled out in Johannesburg in 2018. Where the locals get the opportunity to be 'expert' in showcasing their cultural activities with experiences centred around food, fashion or physical and cultural activities [41]. Therefore, lack of access to youth-focused training programmes and skill development initiatives in local governments is the primary obstacle preventing people in townships from taking advantage of these possibilities [38]. There is still an issue with the supply of talents required for the South African market [40]. While the nation continues to lose jobs daily rather than launching their own companies. Research has shown that, particularly in smaller towns, training is an inadequate pillar that would help residents acquire the skills they need to become self-sufficient [40]. From urban farming in Johannesburg and Cape Town to cooking courses in Durban and photo shoots in the Bo-Kaap neighbourhood of Cape Town, there are activities like partying in a township in Khayelitsha, Cape Town, and sandboarding in Port Elizabeth [11, 19].

## Regulatory and government support

Government rules pertaining to entrepreneurship have a direct impact on the growth of entrepreneurship, according to a study by Li [42]. Government entrepreneurship rules have been found by this scholar Li [42] to have a favourable moderating influence between the start-up of businesses and the development of entrepreneurship. The findings of Akmal et al. [43] indicate that, in some circumstances, entrepreneurs are still ultimately responsible for the success and expansion of their businesses, even in the face of government restrictions requiring tax payments and business registration. Government laws, for instance, can result in new business approaches or opportunities in the business sector [44], while also serving as a barrier to entrance, safeguarding established companies [43]. Government regulations vary by jurisdiction [43], but in developed economies they generally cover everything from who can be employed and on what terms and conditions, etc. Regulation, though, consists of rules to restrict the decisions that businesses or individuals may take in ways that are considered beneficial to society [42]. The government rules pertaining to entrepreneurial activities may differ in each of the nine provinces of SA, as stated by Ntshangase [9]. This suggests that the elements that contribute to the success of businesses may fluctuate slightly between the provinces. The entrepreneurial support from the government is crucial [9]. The Presidential Youth Employment Stimulus (PYES) was introduced in December 2020 and has been effectively executed by the Department of Basic Education (DoBE) in SA. However, it is highly doubtful whether the PYES initiatives reduce youth unemployment [4]. The following section covers the methodology adopted for the study.

## Materials and methods

The objective of this paper is to investigate the influence of BEEFs on township tourism entrepreneurship performance using the City of uMhlatuze Local Municipality (MLM), eSikhaleni Township as a case (see Figure 1).



**Figure 1.** The map of the City of uMhlatuze Local Municipality (Source: Map data©2024 AfriGIS (Pty) Ltd.)

The MLM is positioned as a category B municipality within the jurisdiction of the King Cetshwayo District Municipality (KCDM) on the north-eastern shoreline of KwaZulu-Natal [Municipalities of SA, 2023]. According to Chapter 7, section 155 of the South African Constitution, sub-section (1) (b), a category B municipality is explained as “a municipality that shares municipal executive and legislative authority in its area with a category C municipality within whose area it falls” [40, 45]. Being the most extensive among the five municipalities constituting the district, it encompasses 34 wards, holding the highest number of wards within the district, and stands as the third economic nucleus in the province sub-sequent to eThekweni and Msunduzi Municipalities respectively. MLM (MDB code: KZN282) boasts a prominent touristic appeal (such as Dayspring restaurant and animal farming, Alkantstrand beach, Enseleni nature reserve, Pelican Island, and Naval Island) and attracts a substantial influx of tourists, including the domestic segment. This local municipality exhibits a substantial dependence on manufacturing (45.9%), mining and quarrying (11.6%), financial, real estate and business (10.7%), community, social and personal services (10.4%), transport and communication (9.1%), trade (6.3%), agriculture, forestry and fishing (3.2%). Nevertheless, there exists a considerable potential for amplifying its economic ventures into the tourism sector (particularly eco-tourism), given

that its natural endowments offer a range of public and private game and nature reserves, diverse accommodation facilities, eateries, and recreational amenities.

### Data collection, sampling and sample size

A total of 322 questionnaires were distributed between March and November 2023, however the researcher used 247 questionnaires that were better completed, for analyses in February 2024. However, the study remained with 199 questionnaires for analysis after data cleaning process. This sample size could not be increased as it was extremely difficult to get business owners and managers to respond to study questionnaires. Using non-probability sampling, 247 respondents were randomly surveyed in their formally (registered) and informally (non-registered) tourism businesses in MLM eSikhaleni Township. To address the weakness of non-generalisability of findings from a non-probability study such as this, a sample size of 199 was used for this study to capture as many opinions as possible, giving more strength to the findings of this study. Using a survey approach, 32 registered (formal) and 167 unregistered (informal) tourism businesses were surveyed. This sample size (not calculated using probability sampling methods) is considered by this study to be large enough to reach conclusions on the research objectives [46], as the number of tourism-related entrepreneurs in this locality is not relatively large compared to those in larger cities such as Durban or Richards Bay in KwaZulu-Natal, South Africa [9] [24]. In certain locations where the study was carried out, the researchers and business owners involved in tourism came to an agreement to deliver and pick up copies of the questionnaire, which were distributed every two weeks. In other locations, the researchers gave out the questionnaire, waited for it to be completed, or even helped the respondents (by reading aloud or recording their answers).

The questionnaires used were translated from English to isiZulu, which is the indigenous/or vernacular language spoken in the area, to ensure that all respondents without fluency in English could understand the questionnaire, and all those who could not read had the questionnaire read out to them in the language they understood (i.e., isiZulu). The questionnaire used went through multiple stages of translation and back translation by qualified persons specialising in vernacular language. Moreover, the researchers assisted by a translator to forward-translate the survey instrument from English to isiZulu language. Then, a second translator assisted researchers to back-translate the survey instrument from isiZulu to English language. This was done to minimise the problems (such as incomplete or inaccurate translations) that can result in loss in nuance intended by the study, or completely change the meaning of a question. Questionnaire variables included respondent's profile (categorical variables), and section 2 contained variables measuring the external business factors – such as “COVID-19 pandemic”, “financial support index”, “social index”, “skills development index”, “regulatory index”, “utility index”, “and “government support index”, respectively (all ordinal variables). The tourism business performance is measured based on “financial” and “non-financial performance” as parameters. The ordinal variables originate from the literature study of this paper. The statistical tool employed in this study, which is binary logistic regression, is very appropriate considering the binary nature of the dependent variable [47].

As argued by McCullagh [48], using the alternative multinomial logit which disregards the ordinal nature of the outcome variable invariably results in a loss of efficiency in estimating the regression parameters. In the ordered logit framework, an underlying score is essentially estimated as a linear function of the independent variables and a set of cut-points and the probability of observing outcome  $i$  technically corresponds to the probability that the estimated linear function, plus random error, falls within the range of the cut-points estimated for the outcome as follows.

$$\Pr(\text{outcome}_j = i) = \Pr(\kappa_{i-1} < \beta_1 x_{1j} + \beta_2 x_{2j} + \dots + \beta_k x_{kj} + u_j \leq \kappa_i) \\ j = 1, \dots, J$$

where the error term  $u_j$ , follows, by assumption, a logistical distribution in ordered logit,  $\beta_1 \dots \beta_k$  are the unknown slope coefficients to be estimated and  $x_1 \dots x_k$  are the corresponding explanatory variables. The unknown coefficients are estimated simultaneously with the cut-points  $\kappa_1 \dots \kappa_{k-1}$  where  $\kappa$  denotes the number of possible outcomes. Noteworthy is that  $x_0$  is regarded as  $-\infty$  while  $x_k$  is viewed as  $+\infty$  which is a direct generalisation of the standard two-outcome logit specification. The probability of each observation is given by,

$$p_{ij} = \Pr(y_j = i) = \Pr(\kappa_{i-1} < x_j \beta + u \leq \kappa_i) \\ = \frac{1}{1 + \exp(-\kappa_i + x_j \beta)} - \frac{1}{1 + \exp(-\kappa_{i-1} + x_j \beta)}$$

where  $p_{ij}$  denotes probability and the remaining terms are as defined before. The study estimates the ordered logit model using the maximum likelihood technique whose loglikelihood is given by

$$\ln L = \sum_{j=1}^N w_j \sum_{i=1}^k I_i(y_j) \ln p_{ij}$$

where  $w_j$  is an optional weight and

$$I_i(y_j) \begin{cases} 1, & \text{if } y_j = i \\ & \& \\ 0 & \text{otherwise.} \end{cases}$$

This was further supported by the log-likelihood ratio test. Letting  $\ln L_1$  be the log-likelihood value from the ordered logit, and  $\ln L_0$  be the log-likelihood value from the multinomial logit with  $p$  explanatory variables disregarding the intercept and  $k$  categories, the multinomial logit estimates  $p(k - 1)$  additional parameters [48] [49]. A likelihood ratio test is then calculated from  $-2(\ln L_1 - \ln L_0)$  which the study compared with  $\chi^2[p(k - 2)]$  to determine the ordered logit model's goodness of fit over the multinomial logit model [50]. The study's independent variables and their measurement are presented in Table 2. The analysis sought to establish how the BEEFs influence township tourism entrepreneurship. From the questionnaires, the performance of township tourism entrepreneurship was proxied by individual perceptions. The responses were then grouped into 5 broad categories namely: 0 for neutral, 1 for mostly disagree, 2 for highly disagree, 3 for the combined mostly agree, and 4 for highly agree. An ordered logit model was then estimated using the maximum likelihood estimator with robust standard errors to ameliorate the potentially heteroscedastic nature of the errors since the study relies on cross-sectional survey data. From the distributed questionnaires, the study remained with 199 observations after data cleaning, a sample size that is reasonably large enough to draw statistical inferences [48]. The ordered logit analysis was conducted at 95% confidence interval. A total of seven regression variants were considered starting with the most parsimonious specification which includes two dummies, gender and nationality (see Table 2 and 3). Additional variants then introduced principal component indexes capturing external factors namely financial, social, skills development, regulatory, utilities, and government support in a stepwise fashion.

## Results and discussion

The respondents' profile is displayed in Table 1.

**Table 1: Respondent's Profile (n=199)**

Variable	Category	%
What is your nationality?	"South African"	60.7
	"Non-South African"	39.3
What is your gender?	"Male"	48.2
	"Female"	51.8
Do you perceive township entrepreneurship important?	"Yes"	73.7
	"No"	26.3
What is your employment status?	"Employed"	32.4
	"Non-employed"	67.2
How satisfied are you with your business performance?	"Highly satisfied"	8.1
	"Mostly satisfied"	23.9
	"Neutral"	23.1
	"Mostly dissatisfied"	26.3
	"Highly dissatisfied"	18.6
Number of years in the business	"1 – 3 years"	35.6
	"4 – 6 years"	38.5
	"7 – 9 years"	18.6
	"10 years and above"	7.3

Most respondents (60.7%) were South Africans, according to the results in Table 1, with female respondents making up roughly 52% of the sample. More than half of respondents believe that tourism entrepreneurship is significant (73.7%), and most respondents (around 67%) said they are not employed. Most respondents who own businesses (about 44.9%) said they are not happy with how their businesses are performing; only 32% said they were satisfied. According to Table 1, almost 74.1% of respondents had a township tourism-related business experience for more than five years, and roughly 25.9% had business experience in a township setting for more than seven years. The issue of gender and nationality exclusion remains significant within the entrepreneurship [31], and this should be taken

seriously. Table 2 illustrates the correlation estimates among the external determinants of entrepreneurship in township tourism, using ordered logit estimates.

**Table 2: Hypothesised External Determinants of Township Entrepreneurship**

	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)	Model (7)
“Gender”	-0.496* (0.266)	-0.541** (0.270)	-0.606** (0.277)	-0.602** (0.277)	-0.603** (0.279)	-0.676** (0.280)	-0.782*** (0.288)
“Nationality”	-0.905*** (0.306)	-0.874*** (0.307)	-0.955*** (0.306)	-0.957*** (0.306)	-0.953*** (0.311)	-1.001*** (0.313)	-0.994*** (0.319)
“COVID-19 dummy”		-0.266** (0.115)	-0.366*** (0.128)	-0.370*** (0.128)	-0.365** (0.154)	-0.288* (0.162)	-0.167 (0.174)
“Financial Support Index”			0.169** (0.0778)	0.154*** (0.0091)	0.155 (0.0995)	0.114*** (0.003)	0.0570 (0.106)
“Social Index”				-0.0318 (0.129)	-0.0326 (0.129)	-0.0605 (0.135)	0.0253 (0.140)
“Skills Development Index”					0.6814*** (0.109)	0.5589*** (0.010)	0.0075*** (0.001)
“Regulatory Index”						-0.195* (0.104)	-0.125*** (0.008)
“Utility Index”							-0.401*** (0.129)
“Government Support Index”							0.615 (0.5341)
Constant cut1	-3.428*** (0.548)	-3.986*** (0.607)	-5.400*** (1.033)	-5.487*** (1.089)	-5.446*** (1.252)	-5.004*** (1.263)	-5.056*** (1.222)
Constant cut2	-2.122*** (0.494)	-2.681*** (0.560)	-4.075*** (0.992)	-4.163*** (1.052)	-4.122*** (1.216)	-3.669*** (1.229)	-3.705*** (1.186)
Constant cut3	-1.372*** (0.484)	-1.918*** (0.555)	-3.297*** (0.965)	-3.384*** (1.024)	-3.343*** (1.196)	-2.881** (1.210)	-2.908** (1.170)
Constant cut4	0.423 (0.542)	-0.0764 (0.596)	-1.408 (0.945)	-1.495 (1.005)	-1.453 (1.191)	-0.971 (1.218)	-0.948 (1.183)
Observations	199	199	199	199	199	199	199

**Notes:** Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

The outcomes presented in Table 2 demonstrate the marginal effects of the autonomous variables on the performance of businesses in township tourism. The presence of a positive sign on each explanatory variable indicates a positive correlation with the dependent variable while holding all other explanatory variables constant [51]. Bearing this interpretation in mind, the estimated outcomes can be appropriately understood. The standard error, also known as the p-value, represents the level of error surrounding the estimation of the coefficient. In order to achieve statistical significance (Sig.), the coefficient should ideally exceed double the standard error. A p-value of less than 0.05 indicates statistical significance at a confidence level of 95%. It is important to note that a higher number of asterisks does not necessarily imply greater significance. This study used model 7 which compared all variables with each other to draw conclusions. Table 3 displays parameter estimates, odds ratio and confidence intervals.



**Table 3: Displaying Parameter Estimates, Odds Ratio and Confidence Intervals**

Variables	Odds ratio	95% Confidence interval for odds Ratio		Sig.	95% Confidence interval for the estimate	
		2,5	97,5		Lower limit	Upper limit
“Gender”	0,457	0,2602	2,7787	***	-1,3465	-0,2175
“Nationality”	0,370	0,1980	2,7056	***	-1,6192	-0,3688
“COVID-19 dummy”	0,846	0,6017	3,2780		-0,5080	0,1740
“Financial support index”	1,059	0,8601	3,5481		-0,1508	0,2648
“Social index”	1,026	0,7795	3,6694		-0,2491	0,2997
“Skill Development index”	1,008	1,0056	2,7442	***	0,0055	0,0095
“Regulatory index”	0,882	0,8688	2,4551	***	-0,1407	-0,1093
“Utility index”	0,670	0,5200	2,5155	***	-0,6538	-0,1482
“Government Support index”	1,850	0,6494	18,1070		-0,4316	1,6616
Cut1	0,006	0,0006	11,0396	***	-7,4511	-2,6609
Cut2	0,025	0,0024	10,4768	***	-6,0296	-1,3804
Cut3	0,055	0,0055	10,4624	**	-5,2012	-0,6148
Cut4	0,245	0,0384	8,1403		-3,2602	0,4442
<b>Observation</b>	199	199	199	199	199	199

Notes: Sig.=Significance; Cut 1-4 =Constant cut; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

The results, presented in Table 3, find performance differentials by gender and nationality. Cai et al. [26] finds no significant difference between the gender and nationality towards tourism business performance. For gender in particular, the coefficients range from -1,3465 to -0,2175 which essentially translate to odds ratios of 0,2602 and 2,7787 (i.e., the antilog of -1,3465 and -0,2175), respectively. The coefficients attached to these two dummies are all significantly negative suggesting that female tourism business ownership is associated with the relatively lower performance of township tourism entrepreneurship. For nationality, the coefficients vary from -1,6192 to -0,3688, resulting in odds ratios of 0,1980 and 2,7056 (i.e., the antilog of -1,6192 and -0,3688). Similarly, non-South African business ownership is associated with a lower performance rating of township tourism entrepreneurship. These results are not surprising given the persistent challenges disproportionately facing women in businesses, as earlier suggested by Ngumbela [30] and Figueroa-Domecq et al. [31]. Similarly, for the latter result, policy efforts to prioritise and emancipate the marginalised local community over business ventures affiliated with non-South Africans may, to some extent, explain performance differentials between South African and non-South African entities. This is consistency with the past research by Subramaniam and Masron [5]. Turning to external factors which are the focal point of the analysis, evidence suggests a strong negative association between the COVID-19 pandemic and township tourism entrepreneurship performance. For COVID-19 in particular, the coefficients range from -0,5080 to 0,1740 which essentially translates to odds ratios of 0,6017 and 3,2780 (i.e., the antilog of -0,5080 and 0,1740). According to Yang et al. (2024), COVID-19 cases led to a 0.522% decrease in accommodation performance. The COVID-19 dummy, which the many scholars (for example, Quaglia & Verdun [33]; Yang [52]) cited as a key constraint on business performance, is sizeable and statistically significant at 5% in four of the six variants and at 10% in five of the six variants. This is hardly surprising given the demand and supply-side disruptions facilitated by the pandemic. The country-wide restrictions on some of the businesses deemed non-essential led to the declining of revenue streams which consequently affected their performance in the aftermath of the interventions [52].

The outcomes depicted in Table 3 indicate that concerning financial support, the coefficients range from -0.1508 to 0.2648, essentially producing odds ratios of 0.8601 and 3.5481 (i.e., the antilog of -0.1508 and 0.2648), respectively. Table 3 further shows that the principal component index capturing access to financial support carries significant sign which is consistent with the empirical literature [36] [16]. A great deal of studies in literature have demonstrated the critical role played by access to capital and the result in Table 3 substantiate this position. Turning to the index capturing social factors, the study finds it statistically insignificant at all conventional levels of significance. The results in Table 3 reveal that social factors in particular, exhibit coefficients spanning from -0.2491 to 0.2997, leading to odds ratios of 0.7795 and 3.6694 (i.e., the antilog of -0.2491 and 0.2997). However, this result needs to be interpreted with caution. On the one hand, it might imply little to no statistically significant role played by social factors in explaining the performance of township tourism entrepreneurs. But on the other hand, the insignificance might either be simply arising from the various individual social factors (contained in the index) netting out their effect on township tourism entrepreneurship or it might be demonstrating an indirect effect of social factors which operates through some of the factors appearing in the model. Notwithstanding the potential relevance of these possibilities, the insignificance of the dummy suggests that one cannot confidently identify social factors as key determinants of township tourism entrepreneurship from the available evidence. Social variables are the precursor of business performance and growth, in contrast to the findings of Vashishtha [3] in a research conducted in the Swiss setting. The findings in Table 3 demonstrate that skill development, showcase coefficients ranging from 0.0055 to 0.0095, resulting in odds ratios of 1.0056 and 2.7442 (i.e., the antilog of 0.0055 and 0.0095). The skills development index capturing the need for external skills development programmes is, as expected, positive and statistically significant at one percent (1%) level across all the regression variants in which it appears as an explanatory variable. The positive and highly significant coefficient underscores the importance of skills development as a precondition for successful township tourism entrepreneurship. This is an explanation that is widely supported in the empirical literature, for example, [38] [16] [37]. There is a need for greater involvement and communication with the business sector [16]. Moganedi and Sithole [40] have identified staff training and skills development as imperative for business performance and sustainability in so far as they improve decision-making, problem-solving, and financial management while enhancing productivity growth.

The outcomes in Table 3 illustrate that regulatory factors in particular, display coefficients varying from -0.1407 to -0.1093, translating to odds ratios of 0.8688 and 2.4551 (i.e., the antilog of -0.1407 and -0.1093). Regulatory factors appear in the last two variants with negative and significant coefficients. The results particularly suggest that government regulation, an index comprising taxes, and complex municipality processes involved in tourism business registration have a toxic effect on township entrepreneurship. This is hardly surprising given the well-documented distortionary effects of strict government regulations on taxes and business registration. Taxes are a cost burden to entrepreneurs which often compromise the financial health of township businesses most of which are small-scale ventures [44]. Similarly, awkward registration processes increase administrative costs while disincentivising investments [42]. Water crises and power outages were combined to form a utility index. The results in Table 3 present that utility index, showcases coefficients ranging from -0.6538 to -0.1482, leading to odds ratios of 0.5200 and 2.5155 (i.e., the antilog of -0.6538 and -0.1482). Evidence presented in Table 3 clearly indicates an inverse relationship between the utility index (whose increase signals worsening water and electricity situations by measurement) and township tourism entrepreneurship. This result validates the general view that recurrent water shortages and regular episodes of load shedding have reducing effects on township tourism entrepreneurship performance and businesses in general. This result confirms the findings by Xulaba and Allen [53] in Eastern Cape, that businesses spend most of their earnings on fuel for diesel-powered generators, making their operations non-profitable. Nkonde et al. [24] reveal that in the City of uMhlathuze Local Municipality (MLM), power outages, especially high levels of rolling blackouts such as stage 4, 5 and 6 have a huge impact on the survival of informal enterprises – informal businesses in townships suffer greatly compared to those situated in towns. On the other hand, the index capturing government support enters positively but insignificantly. The results in Table 3 demonstrate that government support specifically, feature coefficients ranging from -0.4316 to 1.6616, resulting in odds ratios of 0.6494 and 18.1070 (i.e., the antilog of -0.4316 and 1.6616). The significance of the coefficient means that the study has no sufficient statistical evidence to support the notion that government support has helped improve the performance of these tourism entrepreneurs. This confirms the findings by Ntshangase [9]. While this finding may be surprising at glance, it roughly and partially loosens inefficiencies commonly associated with state interventions when supporting businesses.

## Conclusions and recommendations

The estimated model passed relevant diagnostic tests which include the link test for model specification and the LR test for goodness of fit. Overall, three central findings emerge from the estimation. The first is that financial support and skills development programmes are the most relevant drivers of improved performance and skills development programmes appear to have a larger effect on performance than access to finance. The second observation is that performance of township entrepreneurship is strongly retarded by regulatory factors and both water and electricity crises of which the latter have relatively larger effects. The third finding is that social factors do not play a noticeable role in the performance of township entrepreneurship. Based on the findings of this research, the following recommendations are offered to tourism academics, the City of uMhlathuze Local Municipality decision-makers (business support offices), tourism entrepreneurs operating in this study area, as well as Tourism KwaZulu-Natal (the destination management organisation) to encourage township tourism entrepreneurship. The results underscore the significance of monetary assistance, skill-building initiatives, significant modifications or enhancements to regulatory elements, and access to electricity and water, in augmenting the operation of tourism enterprises in townships. The recommendations offered in this section are consistent with the study results.

### 1. Provision of and enhancement financial knowledge

Tourism entrepreneurs that are willing to establish and expand their operations in township settings should have access to financial aid and open doors from the local government. Governments, at the local level, can help by providing funding through grants, loans and other financial incentives. In addition, governments can also provide tax incentives for investors who provide funding to start-ups. It can be helpful to make information and advice more easily accessible through multi-channel delivery (for example, websites that aim to become national references through consumer-friendly branding, interactive web-based tools, or awareness and communication campaigns). Owners of tourism-related businesses in the township should look for opportunities and support to enhance their knowledge of financial performance metrics and how to use them in management. Workshops, training courses, and other financial literacy-focused materials can give individuals the tools they need to make efficient use of financial measures.

### 2. Government support

A common challenge for entrepreneurs is navigating complicated paperwork and laws. Therefore, by making the process of establishing and operating a business more straightforward and efficient, local governments may alleviate this load. Governments can also enact laws that are advantageous to businesses. One such law is the online system for business registration, which enables entrepreneurs in the tourism industry to form a company in a matter of hours. A broad range of abilities, from product development to business administration, are necessary for entrepreneurs to flourish. To assist businesses in gaining the necessary knowledge, governments might fund programmes for education and training. Township enterprises, both formal and informal, should get targeted support from policymakers in the form of financial aid, capacity-building efforts, and policy measures that support business management. This will foster an atmosphere that will support the growth of tourism-related businesses in townships and advance the local economy.

### 3. Enhancements to regulatory elements, and access to electricity and water

The public should participate through receiving information and engagement from the government. It will be crucial to save broad public support early in the policy design process, ensuring overall political backing and fostering local acceptance of new innovations or infrastructure. Communities and individuals should actively contribute to decisions, engage as creators, and reap benefits from projects concerning sustainable water and energy.

## Limitations and further research

The purpose of this study is exploratory; it is not definitive. This study has limitations due to its relatively small sample size of 199 tourism entrepreneurs and its concentration on a single township. To draw stronger results for the South African context, this study suggests that future research should sample other townships in South Africa. The relationship between internal factors (focusing on entrepreneurial attributes) and external factors, on the one hand, and tourism entrepreneurial success, on the other, can be established and validated using more robust multivariate analyses, such as structural equation modelling (SEM), as the sample size increases. It should be mentioned that the

study's findings are specific to the tourism business owners in the township under investigation at the time it was done, and they cannot be overgeneralised.

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