

The Political And Economic State Of
South Africa In 2017: A Case Study Of
Entrepreneurs Within In
Disadvantaged Community In Kwa-
Zulu Natal.

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IIE Bachelor of Commerce Honours in Management

I hereby declare that the Research Report submitted for the *HBCM412* degree to The Independent Institute of Education is my own work and has not previously been submitted to another University or Higher Education Institution for degree purposes.

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Abstract

This thesis explores the daily life experiences, perceptions and challenges of entrepreneurs' living in the Yellowwood Park community, in the South of Durban. This research will delve into the consequences of the political and economic state of South Africa by analysing (a) how political corruption has affected small business owners, (b) how the weakening of the rand has impacted small business owners, and (c) entrepreneurs' views and opinions about the government and the state of the country.

The thesis took the stance of the interpretivist paradigm, specifically the ontological position of interpretivism because there is a fundamental difference between people and objects because people are continually changing and being influenced by their environment, whereas objects are not. The study makes use of the case study methodology to investigate and gain an in-depth understanding of the lives of the entrepreneurs'.

Interviews were used as the data collection tool for this study. The data analysis was performed using a thematic analysis along with using a theoretical framework to deduce and explore the research questions.

The study concluded by showing that the entrepreneurs in Yellowwood Park are experiencing difficulties when conducting business due to the increased cost of living, inflation, and fluctuating exchange rate. The entrepreneurs' views and perceptions of the government are generally negative, however, there are instances where the government is praised or viewed in a positive light.

Introduction

This research thesis will investigate the experiences, perceptions, and challenges faced by entrepreneurs in the disadvantaged community of Yellowwood Park in Kwa-Zulu Natal. This research will delve into the consequences of the political and economic state of South Africa by analysing (a) how political corruption has affected small business owners, (b) how the weakening of the rand has impacted small business owners, and (c) entrepreneurs' views and opinions about the government and the state of the country.

Contextualisation

The modernisation theory of development through growth adopts John Maynard Keynes's rationale of increased government intervention in economic development in third world countries. This theory understands economies dominated by subsistence agriculture and with a low level of capital accumulation as being "backward operating, meaning that they are dominated by subsistence agriculture and have low rates of capital accumulation. A major assumption of the modernisation theory is that overall economic growth in a country will ultimately benefit everyone in society as it will filter down so that all individuals can improve their standard of living (Youngman, 2000). The Dependency theory, developed in the late 1960's, is a critique of the modernisation theory. It states that the dependency of third world countries is directly linked to the power bases of those economies at the centre of the global economy (i.e., Western countries). These power imbalances mean that third world countries are dependent on wealthier economies for support and funding. Neoliberal theory is in direct contrast of the Keynesian economic model. This theory favours, and advocates, lower levels of government intervention in free markets and seeks to dismantle the welfare state. The lack of economic growth and increased inflation during the 1970's, as a result the slowdown of economies provided the ideal environment for this policy to grow. Apartheid did not differ that much from the policy of segregation of the South African government existing before the Afrikaner Nationalist Party came to power in 1948. The main difference was that apartheid made segregation part of the law. Apartheid cruelly and forcibly separated people, and had a fearsome state apparatus to punish those who fought against it. Another reason why apartheid was seen as worse than segregation was that apartheid was introduced in a period when other countries were moving away from racist policies (South African History, 2017). The Apartheid regime did not just distinguish between persons of black and white. It was a system based on the segregation of racial

groups, under this regime there were four main racial groups, White, Indian, Coloured and African.

Economic downturns, such as the Great Depression in the 1930s, are often known to bring about a general increase in national levels of poverty and financial hardship. However, the effects of political corruption on a regional community of entrepreneurs are relatively under researched. For the purposes of the current study, political corruption will be defined the “abuse of public office for private gain” (International Monetary Fund, 2016). Corruption tends to be executed by individuals, while being facilitated within a network of other corrupt parties (Bhorat, Buthelezi, Chipkin, Duma, Mondli, Peter, Mzukisi, Swilling and Friendenstein, 2017).

Jacob Zuma became president of South African in 2009, and the country has experienced high levels of political corruption during the course of his nine-years administration. Of particular importance has been the dismissal and appointment of four new Finance Ministers within an 18-month period (Steyn, 2017). One of the major economic policies implemented by the ruling party is that of radical economic transformation, which intended to bring about economic growth but has in practice been used to misappropriate state resources for the personal benefit of the Zuma Elite (Bhorat et al., 2017). The implementation of this economic policy can be seen through the date? cabinet reshuffle, which removed key ministers, such as the Minister of Finance, Pravin Gordhan, and the Minister of Energy, Faith Muthambi, and resulted in members of the Zuma Elite being strategically placed in ministerial positions so that they could amass further economic benefit (Bhorat, et al, 2017). The effects of the cabinet reshuffle were felt immediately by the South African economy and have had long-lasting consequences. For example, just ninety hours after the cabinet reshuffle the South African economy was downgraded to ‘junk status’ by two separate investment ratings agencies (Fitch and Moody’s), indicating a loss of investor confidence. Furthermore the values of shares and bonds fell and the rand immediately lost over 4% against the American Dollar (Steyn, 2017).

Purpose Statement

While the economic changes discussed above occur at a macro level and are experienced by all South African, what requires further investigation is the effect of such changes on regional entrepreneurs. Therefore, the purpose of this research study is to (a) explore how

the current political and economic conditions in South Africa affect entrepreneurs in a low socio-economic status Durban community, and (b) gain an understanding of the perceptions and experiences of is community regarding the state of South Africa in 2017. Thus, this research study aims to understand, using a qualitative case study approach, how the current political and economic contexts in South Africa are affecting entrepreneurs in a local community.

Problem Statement

President Zuma took the Presidency in the year 2009, under a cloud of suspicion. At the time of the general elections he was fighting multiple corruption charges and a rape charge, and he was also being investigated for bribery. In recent times, the South African ruling party has faced allegations of corruption and state capture, the decisions and motives of the president have also been questioned. Under the Zuma administration, the South African State has (a) paid over R200 million for upgrades to the president's personal home, (b) had four Finance Ministers in an 18-month period; (c) had its economy downgraded to junk status, and (d) seen rand be at its weakest against the dollar (i.e., \$1,00:R17, 25). The problem to be investigated in this research study regards the impact that the political corruption that has occurred under the Zuma administration has had on a community of entrepreneurs, and how this corruption has affected their business operations (Bhorat et al., 2017).

Rationale

This study will understand and explore the living conditions and realities of small business owners in a working-class community under the Zuma administration. The study also hopes to contribute to a better understanding of how entrepreneurs in a working-class community business operations have been affected by the current political and economic circumstances, and to provide insight into both how this community views the ruling party and the alleged state capture of the government.

Research Questions

What are the perceptions and experiences of day-to-day life for entrepreneurs in a local Durban community under the Zuma administration?

Sub Questions

1. Has the weakening Rand impacted small business owners and if so, how?
2. What are entrepreneurs' views and opinions about the government and the state of the country?
3. Has political corruption impacted small business owners and if so, how?

Research Objectives

The objectives of this research study are to gain an overall understanding of:

- The impact of the weakening rand on local businesses;
- The daily life experiences of the entrepreneurs in the Yellowwood Park community;
- The views and perceptions of the Yellowwood Park entrepreneurs regarding the state of the South African government;
- The effect of corruption on local businesses in the Yellowwood Park community.

Literature Review

Paradigm

The theoretical paradigm used for this research study was that of the interpretivist tradition. Specifically, this research study adopted the ontological position of interpretivism. The premise of this paradigm is that there is a fundamental difference between people and objects because people are continually changing and being influenced by their environment, whereas objects are not. As a result, humans cannot be studied in the same way that objects are studied (du Plooy-Cilliers, Davis & Bezuidenhout, 2015).

Interpretivism understands reality as a social construct rather than something that can be objectively determined (Kelliher, 2005; Hesse-Biber & Leavy, 2011). Hussey and Hussey (1997) state that interpretivism assumes that by studying people in their social environments and contexts there is an opportunity to better understand their perceptions. Furthermore, they state that human life can only be understood from within, social life, which is a distinctively human product. Cohen, Manion and Morrison (2007) define the aims of this paradigm as being to understand, explain and demystify the social reality of a participant, with special reference to understanding and demystifying and not describing.

Since the purpose of this research study is to understand entrepreneur's perceptions as well as experiences, and interpretivists do not believe in an objective external reality that is experienced in the same way by everyone, it is appropriate to conduct the study using an interpretivist paradigm. However, interpretivists believe that reality is a social construct which depends on the meanings that individuals apply to their own experiences and interactions with others. Although the entrepreneurs all operate in the same community, they do not share the same reality and business experiences. In addition, interpretivists believe that circumstances, culture, and experiences will all influence what individuals may or may not experience. Therefore, by applying the interpretivist tradition, the researcher was able to understand how each entrepreneur experiences daily life and business operations, was also able to gain an understanding of the participants' perceptions of the state of the South African economy, and gain insight into how the entrepreneurs were affected by different experiences.

Review of Literature

Contextual Review

This review will start by analysing political corruption, the Zuma Administration, State Capture and the Economy of South Africa, will then outline the Keynesian Economic Model as a part of the theoretical framework, and finally explain the research methodology guiding this research study.

The Great Depression, which was the result of a stock market crash in October 1929 and lasted ten years, was the worst economic downturn in the history of the industrialised world (Dobbin, 1993). It is known that economic downturns often bring about general increased poverty and financial hardship, but what is relatively unknown are the affects that an economic downturn, caused by political corruption, could have on local entrepreneurs in a disadvantaged community.

Political corruption

Political corruption has already been defined on page five, although this definition does not include fraudulent acts committed by private citizens with the help of public officials. However, this exclusion does not mean that the private sector is not relevant to the diagnosis of the problem of corruption but rather that it is merely another factor contributing to the problem of political corruption (International Monetary Fund, 2016). This definition helps us

to understand that public officials can abuse their power, authority and they position they hold to further benefit themselves, and also that private citizens can play a part in corruption.

Corruption is destructive for any civilization because it perverts income circulation, deters investments, causes disorganisation of supplies, and damages democracies and ethics. There are many ways corruption can impact on government, such as imposing incompetent rules; it would give an incentive payment to remove rules and regulations. Which, speed up administration, and offering a venture to get approvals quicker by reimbursing for them. The challenge that South Africa (SA) faces today with bribery and corruption is not limited to its government, but is also evident in the police service and the public service sectors. This problem can change if only the government changes its attitudes and enforces the anti-corruption laws. The SA government has implemented various forms of anti-corruption framework but failed to enact them with any strength. This only shows the weakness in this administration Chile was a country also struggling with issues related to corruption, however Chile enforced their anti-corruption laws with help from all sectors of its population. Also, the government spending of Chile saw that funds were invested into the country in the most important areas of its society, for instance, its educational system and jobs creation (Douglas, 2015).

Hyslop (2005) postulates that the inherent corruption faced by the African National Congress (ANC) is the result of the this party taking over from a previously corrupt ruling party. Thus, he argues that the ruling party is not solely to blame for the corruption facing the country, but rather that it was inherited from the Apartheid regime and continued to grow within the current government.

Hyslop echoes the Lodge's (1998) argument that although the Apartheid regime no longer exists and democracy has been achieved, corruption is still active and is "stimulated by new official practices and fresh demands imposed upon the bureaucracy including discriminatory tendering, political solidarity, and the expansion of citizen entitlements." Lodge concludes that the new democratic government may have been vulnerable to corruption, which may not have taken the traditional forms of corruption, such as bribery. His paper is relevant not only because it speaks about corruption but also because it was able to forecast the problems the newly elected government could encounter, which 19 years later, it has. A limitation of Lodge's paper is that it does not speak to the effects that corruption has on the economy but merely to how corruption has manifested in the country.

According to Douglas (2015), the way that the South African government could address this major problem of bribery and grand corruption is through education. The government should be able stress the importance of ethical administration for this society as a whole to realise the possibility of a better country that is less corrupt (Douglas, 2015).

Moeletsi Mbeki (2011), states in his book about challenges faced by Africa that government corruption has contributed to the poor health system and health care in many African countries (Mbeki, 2011).

“Africa Works: Disorder as a Political Instrument”(Chabal, 1999), addresses the notion of political corruption on the African continent. The focus of the argument is that the political culture of Africa is inherently different to that of politics in Western states. According to Barrett (2015) there are 5 features of neopatrimonialism;

1. Notion of the individual, which stresses the importance of communities over the individual.
2. Salience of reciprocity, which builds on the previous point that relationships between individuals must pay respect to the communal background factors and in this context, political support is viewed as an exchange.
3. The importance of vertical links, which refers to the distribution of state resources to one’s own people. Barrett (2015) takes this to mean the economy of affection and this may be seen as corruption from a Western perspective.
4. The conception of success, meaning that instantaneous material gains are favoured forms of success. This then has a negative effect on the development of the country as resources are syphoned off and distributed to those who gave their support to the leader in power.
5. Imperative of the short-term view and micro perspective, which argues that African political systems only view the immediate future and have no long-term focus as it will not deliver to the elites and vertical links and networks of patronage of the communal network (Barrett, 2015).

While some of these features are evident in the ruling of the ANC, not all apply to political

corruption in South Africa. The main critique of Chabal is that he overgeneralises the African situation and assumes that one theory can apply to the whole continent. Africa Works relates to the previous articles as it speaks to corruption in Africa and could be applied to this research study as neopatrimonialism can be seen within the ANC.

Neopatrimonialism is defined as the simultaneous operation of patrimonialism and legal-rational domination. Specifically, the ideal type of patrimonialism implies that a person or persons in a certain social and political order bestows gifts from private resources on followers to obtain and strengthen their loyalty (Von Soest, 2010). The “neo” in neopatrimonialism refers to the formal institutions and rational-legal rule of the state, which coexist along with patrimonial relations. Patrons are typically office-holders who use public funds or the power of being in office to build a personal following, which allows them to stay in power (Von Soest, 2010).

When the notion of neopatrimonialism is applied to the ANC government, we can see that not all of the features are applicable. Features one, three, four, and five can all be applied to the ANC. Feature one, the notion of the individual, is applicable as much of the African culture, be it Zulu, Xhosa, or Venda believe in the concept of Ubuntu, meaning “I am who I am because of who we all are”. This shows the importance of communities over the individual being (Ifejika, 2010). Feature three, the importance of vertical links, can be seen through the use of tenders, which show vertical links in terms of how certain individuals are favoured. Feature four, the conception of success, and feature five, imperative of the short-term view and micro perspective, can be seen in the use of electoral campaigns, for example when the ruling party distributes material goods to communities that have supported the party in the past, and when President Zuma dismissed Finance Minister Nene with seemingly no regard for the potential consequences (Hunter, 2017).

Since 1994 the Government has recognised the importance of quality education, and has acknowledged that education is important in fostering entrepreneurs. However, under the Zuma administration, the standard of education has decreased the national minimum matric pass rate was changed from 40% to 30%, textbook ordering has been inefficient, and there has been an increase in corruption within the department of education (Mbeki, 2011). However, Mbeki advocates that in order for the economy to grow, there needs to be more entrepreneurial activity, which can only occur if children in school are being properly stimulated and are receiving quality education. Education stimulates and raises one’s productivity and creativity. Education exposes children to new ways of thinking and

understandings of the world, which increase the level of entrepreneurial thought and activity. Mbeki believes that quality education will allow for the creation of businesses as well people individuals becoming employable.

Zuma Administration

Since Zuma became president in the year 2008, there has been a decline in electoral votes, particularly in the last local municipal election.

The South African Government under the Zuma administration seems to have become politically corrupt. This has resulted in many public resources being used to benefit third parties. The Zuma administration has been plagued with alleged scandals of rape, illegal arms deals, and bribery and corruption (Lewis, 2016). An example of bribery and corruption can be seen in the relationship between then Deputy President Zuma and Durban businessman, Schabir Shaik (Lewis, 2016). The article reports on the Durban High Court's ruling that the payments made by Jacob Zuma to Schabir Shaik constituted a benefit under the definition of corruption. It is clear that even before Jacob Zuma became president, he was the subject of allegations and investigations. This article relates to this theme of the Zuma administration as well as the first theme of political corruption (Mail and Guardian, 2005).

In 2016 the BBC published a profile on President Zuma. The profile highlighted some of the highs and lows of President Zuma's reign as president, particularly mentioning how by the time he became president he had been acquitted of the rape charges against him and the corruption charges were dropped by the National Prosecuting Authority (NPA) (BBC, 2017). His reign as president has earned him the titled 'peoples' president' as he was seen to be the president who had the same struggles as his people (Bhorat et al., 2017). But this changed when the scandal surrounding the misuse of state funds for his Nkandla homestead came to the attention of the people. The article concludes by stating that Zuma's time as president may be cut short due to the concerns within the ANC about cronyism and corruption as well as the allegations the Gupta Family having undue influence on the President's actions (Bhorat et al., 2017).

In early December 2015, President Zuma, without cause, dismissed Nhlanhla Nene. The move caused the rand to reach its lowest level against the dollar (\$1 to R16.54) and the Johannesburg Stock Exchange (JSE) reported that investors immediately withdrew their investments and bonds, resulting in a loss to our markets of R500 billion in just 48 hours

(Hogg, 2016). This article speaks to the effects that Zuma's administration has had on the economy and also calls into question the President's capability to make decisions in the best interest of SA (Hogg, 2016) The recent (YEAR) dismissal of Finance Minister Pravin Gordhan, coupled with the cabinet reshuffle, had many in the country outraged at the decisions being made by the president. In response to these actions, two opposition parties, the Congress of the People (COPE) and the United Democratic Movement (UDM), filed papers at the Constitutional Court to initiate the impeachment of the President, while the Democratic Alliance (DA) and the Economic Freedom Fighters (EFF) came together to initiate a motion of no confidence in President Zuma (Rabkin, 2017).

The fractioning and loss of confidence in the President can also be seen within the party itself. After the cabinet reshuffle earlier this year, Deputy President Cyril Ramaphosa was quoted as stating, "What we have in front of us is history unfolding and at the centre of it, is a democracy crumbling" (Ramaphosa, 2017). From this quote we are able to see that there are high-ranking members within the government who do not agree with some of the decisions being made by President Zuma. There has been public outcry by the various opposition parties and the public, who came together in April 2017 to hold the biggest political march since the apartheid era, over the recent decisions made by President Zuma, such as the use of taxpayers' money to upgrade his personal house. However there are still many people in the country and in government who support the President, and these individuals have become known as the Zuma Elite (Bhorat et al., 2017).

State Capture

The World Banks' Director, Joel Hellman, has defined state capture as "efforts of firms to shape laws, policies and regulations of the state to their own advantage by providing illicit private gains to public officials" (George, 2016,17).

The office of the public protector is an external state institute of the Republic, which is tasked with investigating the misconduct of state affairs in all aspects of the government (Public Protector, 2009). The biggest source of criticism of this report came from the Presidency, who has approached the courts in a bid to have the State of Capture report set aside (de Wet, 2017). Thuli Madonsela, the former public protector of South Africa, had coordinated an investigation into the alleged improper and unethical conduct of the President and other State functionaries, relating to relationships and involvement of the Gupta Family. The duration of this investigation spanned 9 months and was funded by the National Treasury.

The parties interviewed for this investigation included Gupta Brothers Ajay and Atul, Jonas Mcebisi Deputy Finance Minister), Themba Maseko (former CEO of Government Communication and Information Systems) and the President (Madonsela, 2016).

The Public Protector's report termed 'State of Capture' found that the President had indeed acted improperly with matters relating to the appointment and dismissal of Ministers, the allocation of tenders, providing preferential treatment to Gupta-owned companies, and finally found that the President had violated his Executive Ethics Code by allowing members of the Gupta Family and his son to be involved in the process of appointing board members of various State Owned Enterprises (Madonsela, 2016).

Ninety hours after the 2017 cabinet reshuffle; which included the dismissal of Pravin Gordhan the economy was downgraded to junk status by two separate investment ratings agencies, indicating a loss of investor confidence. Furthermore, the values of shares and bonds fell and the rand immediately lost over 4% (Steyn, 2017). State capture is evident in South Africa, seen through the actions and decisions taken by the President in recent months. Most notable the dismissal and appointment of four new Finance Ministers within the span of 18 months (Steyn, 2017).

Bhorat et al. (2017) highlight and explain the meaning of state capture, the shadow network, the inner workings of this network, and how the shadow network and along with the Zuma Elite are using the economic policy of radical economic transformation to mask the redistribution of state resources and funds. They also explain how state capture came to be and the potential effects for South Africa. The paper explains how a silent coup has taken place in South Africa and how corruption and other factors have removed the ANC from its place as the primary force of for transformation in society and also explained how the Zuma-centred power elite has built and consolidated this symbiotic relationship between the constitutional state and the shadow state in order to execute the silent coup.

The effects of state capture will not be seen immediately, but there are certain economic indicators that are starting to show and will have repercussions for both the general South African economy and and local entrepreneurs. Jansen (2002) alludes to the implications that state capture has on macroeconomic outcomes, such as higher inflation, slower economic growth, weaker currency of the home country, all of which contribute to a high cost of living.

Chipkin (2016) speaks about the South African State, decisions made by the President that are questionable, the capture of the South African Government by the Gupta family, corruption and lastly the possible brewing of a new revolution. waAzania (2016) reviews the literature that has been published regarding the Gupta Family and the notion of state capture and demonstrates that the Gupta family has effectively captured the state but are not the only party responsible for state capture (waAzania, 2016). However, waAzania believes that this is not the first time the state has been captured and that state capture occurs through 'bargained corporatism'. Bargained corporatism could be understood to mean when a corporate entity or group takes control of the state via a series of transactions with the state (waAzania, 2016). The article introduces the model of bargained corporatism and explains how it sets the parameters for state capture through the nature of South African political foundation and the inherent weakness of trade unions and labour movements. waAzania's views of state capture are slightly different to Chipkin's as her views take into consideration that there may in fact be other parties involved in the capture of the South African state.

Despite much having been published on the state capture and its effects on the national economy, there is little information regarding the effect that state capture could have on local economies.

The South African Economy

Since the end of Apartheid the South African government's macroeconomic outlook has been on economic stabilisation and transformation of the corporate world through the use of Broad Based Black Economic Empowerment (BBBEE) and the implementation of radical economic transformation. However, these policies do not seem to be improving the economic outlook of South Africa. The national poverty percentage in 1993 was 31% and in 2017 has increased to 53%, which means that policies implemented by the ANC have the opposite effect than intended (Bhorat et al., 2017). This opposite effect can be seen in recent events such as on the morning of 10 December 2015 South African's woke to find that almost half a trillion rand in the value of stocks and bonds had been lost. The rand, which had been at a steady \$1 to R14.50 lost over R2 in value and reached an all-time low of \$1 to R16.54 (Hogg, 2016). According to the JSE, 17 companies, all placed in its top 40-benchmark category, had lost a total of R290 billion in market value (JSE, 2016). It was in December 2015, when the ratings agencies began to warn South African about the possible downgrade investment status. It was at this point when President Zuma appointed Pravin Gordhan so that he could attempt to calm and stabilise the markets (Steyn, 2017). According to Sparks (DATE and PAGE REF), it was by "a fortuitous twist of fate Pravin Gordhan was reinstated as the Finance Minister." The appointment of finance minister Pravin Gordhan seemed to

increase investor confidence and the rand stabilised at R12.54 and the downgrade to junk status was avoided by reassuring investor confidence in South Africa with his 2016/7 Financial Budget (Sparks, 2016).

On 31 of March 2017, the President exercised his presidential prerogative and reshuffled the parliamentary cabinet. According to an article in the Mail & Guardian, the cabinet reshuffle and dismissal of Pravin Gordhan was supposedly based on an intelligence report, in which Gordhan was allegedly mobilising international investors against President Zuma in attempts to overthrow him (Satgar, 2017). This reshuffle resulted in the rand falling, investor confidence waning and ratings agencies downgrading the country's investment status (Steyn, 2017) to Junk Status. Investors use credit ratings as indicators of the likelihood of receiving money owed to them in accordance with the terms on which they invested. The credit rating of South Africa is BB or more commonly known as junk status has the following meaning, "An insurer rated 'BB' is less vulnerable in the near term than other lower-rated insurers. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the insurer's inadequate capacity to meet its financial commitments" (FitchRating, 2017). Peacock (2016) proposes that it could take a country up to 7.5 years to recover from a junk status rating and also mentions how Russia was facing a similar fate in 2015, but does not go into any detail about how Russia has fared following this downgrade. If poor children are now growing up in increasingly disadvantaged neighbourhoods with more unemployment, poverty, and abandoned houses, the recession may have quite profound long-term negative effects (Ann, Samson & Roberts, 2012). These effects could be expected to occur in South Africa in all communities especially in the working-class communities, if there is no government intervention.

Seekings and Nattrass (2016) speak about the affects that the Apartheid Government had on the economy during and after Apartheid and is similar to the paper by Tim Lodge, Seekings and Nattrass discuss poverty and the effects that it has on members of society. They specifically discuss the effects on rural and poor communities, highlighting that people sometimes go for days without food, while in other slightly affluent communities poverty has meant that a family cannot afford to have separate bedrooms for children and parents (Seekings & Nattrass, 2016). This is an example of how the Yellowwood Park community might be affected. The authors suggest that there is a correlation between government policy and poverty, and that certain government policies (e.g., redistribution) have been able

to reduce the poverty line, while other policies (e.g., radical economic transformation) have raised it.

Thus, it is clear that the actions taken by the President have had serious implications for the South African economy in recent months. However, it is unclear about what the particular implications have been for regional disadvantaged communities of entrepreneurs.

Theoretical Foundation

Keynesian Economic Model

John Maynard Keynes developed this model in the 1930's while he was attempting to understand the Great Depression. It was Keynes' belief that both increased government spending in the public sector and lower taxes would stimulate economic and consumer demand and pull the global economy out of the Depression (Mohr & Fourie, 2013.) An essential element of the Keynesian model is the idea that disequilibrium in an economy can last a considerable amount of time. The premise of the model is that it advocates for government intervention to help overcome the lack of aggregate demand, which in turn helps to reduce unemployment and increase economic growth (Pettinger, 2013). Therefore, the government would be required to increase their spending in the public sector, either by supplying public goods (e.g., roads and bridges) or by increasing spend on education and training to improve productivity (Ball, Mankiw & Romer, 1990)

The Keynesian model has policy implications that are to be taken into consideration. These implications are that governments should provide both counter cyclical demand management and counter inflation policy (Pettinger, 2015). The Keynesian model has three key, guiding beliefs that describe how an economy should work:

1. Aggregate demand is influenced by many economic decisions, and economic decisions that are made by the private sector can lead to adverse effects on macroeconomic outcomes (e.g., a reduction in spending during a recession).
2. Prices, and especially wages, respond slowly to changes in supply and demand, which results in periodic shortages and surpluses of labour, these implications are related to cyclical and seasonal unemployment. Shortages of labour inhibits economic growth when firms want to increase production to meet increase demand in the short term, they cannot.
3. Changes in aggregate demand, either anticipated or unanticipated, will have the greatest short-term effect on real output and employment and not on prices.

Under the Keynesian model, the primary role of the state in the free market is to smoothen business cycle peaks and troughs, which will regulate the economy using expansionary and

contractionary fiscal policy during times of very high economic growth and very low economic growth. This is because during times of high economic growth (expansionary periods) employment rises but so does inflation which then needs to be regulated by the South African Reserve Bank (SARB), and during times of low economic growth (contractionary periods) unemployment rises rapidly (Mohr, 2015). The government can successfully implement fiscal policy by slowly raising taxes and decreasing government spending towards the end of an expansion period and do the opposite during a contractionary period (Mohr, 2015). The budget surplus' from the expansionary periods should theoretically be able to fund the budget' deficits during the contractionary periods. This would then lead to stable economic growth and reduce the negative impacts of free market trade business cycles on inflation and employment (Mohr, 2015).

South Africa has previously attempted to implement this type of policy. However, there is an inherent problem in the South African context, which makes it difficult for such a policy to succeed. Specifically, South Africa continually runs a budget deficit, and therefore there is not enough funding to implement successful expansionary fiscal policy during times of recession. This has been exhibited through South Africa's slow recovery from the most recent economic recession and has also been exhibited through the ever-growing unemployment rate in the country.

The fact that the country continually runs a budget deficit can be largely attributed to state capture and the inefficient usage of resources in the tender process. State capture results in a leakage of funds from the economy so that instead of tax revenues being spent in strategic areas of the economy to help struggling labour-intensive industries, funds are removed from the system. As a result, South Africa loses out on that spending in the economy many times over as the economy could have benefited from the multiplier effect of government spending. Corruption in the tender process leads to a similar problem as the awarded contracts do not end up employing as many people as they should, thereby not having the expected positive impact on unemployment levels and the economy.

The Keynesian theory highlights the following three key aspects relevant to this research project and therefore provide a framework for the study: (1) government spending, (2) disequilibrium, and (3) wages. Specifically, increased government spending in the public sector in areas such as education and improvement of infrastructure will promote economic growth and reduce unemployment. Disequilibrium in the economy will have long-term effects

for citizens and businesses alike, and wages have a slow reaction to changes in supply and demand (Ball, Mankiw & Romer, 1990). This theory links to the research problem as currently South Africa is experiencing slow economic growth, and having just recovered from a recession, the economy needs economic stimulation to ensure that the recession does not reoccur.

In addition, the Keynesian Economic Model is useful to this research study as a lens to understand how entrepreneurs in a disadvantaged community perceive the current state of South Africa, particularly with regard to government spending. The revenue generated from taxation should theoretically be spent on improving public infrastructure, education, medical care, transportation, housing, and emergency services.

This economic model also serves as a guideline for how government should act in order to promote economic growth in the current economic environment, which is inhibiting business growth and consumer demand due to a range of factors including mismanagement of funds, mismanagement of the tendering process, state capture and political corruption.

Conceptualisation

- Entrepreneurship

“Entrepreneurship is the process of creating and building something of value from practically nothing in the midst of uncertainty and risk and having the determination to succeed against all odds.” (Erasmus, Strydom & Kloppers, 2013, 98). This is a key term for this study as all the participants who were interviewed are entrepreneurs who have successfully started and managed their own businesses for over fifteen years.

- Cost of Living

Cost of living refers to the amount of money needed to sustain a certain level of living, including basic expenses such as housing, food, taxes, and health care. Cost of living is tied to wages, as salary levels are measured against expenses required to maintain a basic standard of living throughout specific geographic regions (Williams, 2013). Therefore, cost of living is often used to compare how expensive it is to live in one area versus another. This concept is important to the study as the cost of living has been rising in South Africa and affects both the personal and business lives of the entrepreneurs interviewed.

- Political Corruption

Political corruption refers to the abuse of public office for private gain (International Monetary Fund, 2016). It also refers to the practice of individual action facilitated by a loosely organised network of corrupt players (Bhorat et al., 2017). This term is integral to the study, as it is believed that the Zuma administration has been exposed to corruption and allegedly participated in corruptive practices, and it is this corruption that has influenced many economic decisions, which in the long term affect local entrepreneurs.

- Radical Economic Transformation

Radical economic transformation is the economic policy implemented by the ruling party in an effort to fulfill the promises of equal opportunities for all. The premise of this policy is to fundamentally change the structure of the South African economy from being an exporter of raw materials to becoming an economy based on beneficiation and manufacturing. However, in practice the policy has been used as a tool to promote the self-interests of the Zuma Elite. Thus, this concept is relevant to this research study, as the misuse of the policy has the potential to affect the business operations of local entrepreneurs (Bhorat et al., 2017).

- Zuma Elite

Bhorat et al. (2017) define the Zuma Elite as a handful of individuals and companies that are directly or indirectly connected to the Gupta-Zuma family network. These individuals are strategically placed in positions of state power, in state owned enterprises (SOE), government positions, and private businesses, all of which are involved in the decision-making processes affecting the constitutional state, and which and exercise their power through both formal and informal methods. This concept is important to the study as it allows one to understand how certain decisions regarding expenditure, approval of tenders and economic policies are made or how they are influenced.

- State Capture

State capture refers to the efforts of a private firm to shape the laws, policies, and regulations of a state to their own advantage. This is done by providing illicit private gains to public officials (International Monetary Fund, 2016). In the South African context, state capture is closely linked to political corruption, the key difference between the two being that state capture is systemic and well organised by groupings of individuals with established relations with the aim of redirecting resources away from their intended targets into private hands,

whereas political corruption tends to be an individual action that occurs in exceptional cases, facilitated by a loose network of corrupt players. It is somewhat informally organised, fragmented and opportunistic. (Bhorat et al., 2017).

Research Design and Methodology

Design

This study used a qualitative approach to allow the researcher to analyse and interpret the collected data with a degree of subjectivity. Qualitative research is textual, and the data are collected through interviews, field notes and observations. Qualitative research is also hermeneutic, which means that the research will focus on interpretations, rather than quantitative explanations of human behaviour and social phenomena (du Plooy-Cilliers, Davis & Bezuidenhout, 2014). In qualitative research, observations and participants' observations are not converted into numerical form because the aim of qualitative research is to explore how participants experience, perceive, and attach meaning to content. Thus, qualitative research is significantly different from quantitative research because it aims to understand through observation (du Plooy-Cilliers, Davis and Bezuidenhout), and it has the following characteristics: textual, iterative, hermeneutic, subjective, constructed, and symbolic.

I conducted interviews with local entrepreneurs; the researcher will then interpret the data collected from these interviews.

The aim for this research study was to explore and describe phenomena, and not to explain, measure, predict, or generalise results. This research also aimed to gain an understanding of the perceptions and experiences of entrepreneurs of daily life, not to explain or predict situations, and this is what makes the qualitative research design appropriate for the study.

The purpose of this research study is to explore the experiences and perceptions of entrepreneurs living in Yellowwood Park and therefore this study will be exploratory in design. The economic, social and technological systems of the world are continuously changing, which result in areas being unknown, hence exploration is required. Exploratory research is usually used for the purposes of obtaining new insights, identifying key concepts, stakeholders, confirming assumptions, and to become familiar with unknown situations. The goal of exploratory research is to identify key issues to gain a better understanding of a phenomenon, in this instance, The effects that economic downturns and government policies and actions have on entrepreneurs (Nieuwenhuis, 2016) In exploratory studies, data replication and accuracy are generally not scientific criteria, due to the research study having to be flexible in nature to understand

the unknown area of research. The research methods used in exploratory studies include focus groups, interviews, and case studies (du Plooy-Cilliers, 2015). I made use of interviews as the data collection method, which provided rich insight into the lives of the entrepreneurs involved in this study. This research further uses case study methodology. Case studies used in research provide the researcher with rich insights into specific situations, events and situations. The case study is the chosen methodology for my research study as it can be used to explore a general problem within a specific setting. When used in research, case studies can generate theoretical insights and shed light on similar cases, thereby allowing some transferability of the results to other contexts (Rule & John, 2011).

This study is empirical which means that knowledge is gained by observing, experiencing, and measuring phenomenon (Davis & Bezuidenhout, 2015). For the purposes of this research study, a cross sectional design was used as it allowed for the creation of an overall picture of the effects of political corruption in South Africa on a group of entrepreneurs from a relatively disadvantaged community at a specific point in time. This means that data were collected from participants at one point in time rather than multiple times as then the case would be longitudinal in design. (Davis, 2015)

Theoretical Framework

As mentioned in the literature review, this research study utilised the Keynesian economic model with regard to government spending and intervention in the economy to investigate the effects that economic downturns and government policies and actions have on entrepreneurs. The key aspects, which are relevant for the study are government spending, disequilibrium and wages. These are key aspects of the model that frame the study and guided the researcher when interviews were conducted.

Analytical Approach

The reasoning of this research study was predominantly deductive with an element of inductive reasoning. Deductive reasoning is used to reason from cause to effect. Deductive reasoning starts off with a general or broad assumption and then narrows down a topic to a specific theory (Bezuidenhout, 2015). This research study will be making use of deductive reasoning to try and identify and explore, through the process of elimination

(deduction), what the effects of political corruption are on entrepreneurs. Within this research study there was also element of inductive reasoning as the researcher inferred theoretical concepts from the data collected. When using inductive reasoning the theory tends to emerge from the study and the research findings then become the theory (Bezuidenhout, 2015).

Research Plan

Population

Because the aim of this research was to understand the daily life experiences of entrepreneurs, the population of this research study was made up of entrepreneurs in the Yellowwood Park community, specifically those individuals have been operating a business for between 15 and 20 years.

The population parameter of entrepreneurs having operated their businesses for between 15 and 20 years is an important parameter because it gave me more scope to investigate how the entrepreneurs have been operating, managing and sustaining their businesses. Focusing on businesses that have been established for between 15 and 20 years meant that all of the business would have either have been operating during the apartheid era, or would have started operating just after this period ended. This allowed the research to investigate differences between how businesses operated during Apartheid and presently.

Another population parameter placed on the study was in terms of the entrepreneur's race. For this study, all of the entrepreneurs interviewed were middle class Indian entrepreneurs, as the different racial groups experience different realities. Indians were chosen for this study as the researcher is of the same race, so it was used as a frame of reference.

Unit of Analysis

The unit of analysis is understood as the smallest element that can be investigated in order to gather data for a research study (Bezuidenhout, 2015). The unit of analysis in this research study is the individuals, also known as entrepreneurs, who have started and managed businesses within the community of Yellowwood Park and fall within the Indian race group.

Sampling

As mentioned in the research approach, this study has taken a qualitative approach and this meant that the sampling method employed had to be a non-probability sampling method. As such, this research study used purposive sampling to identify possible participants.

Non-probability sampling is used in research when it is almost impossible to determine the entire population, or if it is difficult for the researcher to actually gain access to the entire population (Pascoe, 2015). Due to the qualitative nature of this study, non-probability sampling is the appropriate choice because the aim of the study is not to explain or quantify results, but merely to explore and understand phenomena (Pascoe, 2015).

Purposive sampling is used in situations where the sampling is done with a specific purpose in mind, in this case the research aimed to investigate the perceptions and experiences of entrepreneurs about the political corruption. (Pascoe, 2015).

The sample of the research study was carefully selected, using the researcher's judgment. Therefore, the sample was not chosen randomly from a list, hence the decision to use purposive sampling. The sample for this research study was made up of those individuals who living in the Yellowwood Park community who had started their own businesses between 15 and 20 years ago. Therefore, the researcher only targeted entrepreneurs and specifically asked questions relating to the entrepreneurs' business experience, their perceptions of the government, and their experiences of operating in different government regimes.. The recruitment method employed was based on the fact that I had a prior relationship with members of the Yellowwood Park community, making it easy for me to access the sample and population. The final sample was made up three entrepreneurs This is due to the fact that by including more, the study will go out of scope and the researcher will not have the adequate resources to handle the data collected as well as the ability to analyse it.

Data Collection Method

The data for this research study were collected through the use of personal interviews. This method of data collection allowed the researcher to pose questions to the participants

in the sample with the goal of learning more about their opinions, beliefs, and perspectives regarding specific phenomena (Strydom & Bezuidenhout, 2015). The overall aim of a qualitative interview is to see the world from the participant's viewpoint which will help in understanding the participant's construction of social reality (Nieuwenhuis, 2016). Therefore, personal interviews were chosen as the data collection method, because the premise of this study was to understand the perceptions and experiences of the participants.

The researcher implemented this data collection method in the form of a conversation, resulting in the interview being classified as a semi-structured interview. This means that the line of inquiry for the interview was developed by the researcher in advance. (Nieuwenhuis, 2016). The line of enquiry for this research study was the effects of political corruption on local businesses as well as the community's perceptions of the government. The interview used in this study made use of some open-ended questions that allowed the researcher to probe and gain clarification about the answers provided (Nieuwenhuis, 2016). The data collection tool, a questionnaire, for the interviews is Annexure 1 at the end of the proposal. By probing and clarifying the answers given, the researcher was able to identify possible trends and patterns in the data, and possibly identify new lines of enquiry which can help in answering the research questions (Nieuwenhuis, 2016). Interviews are a popular method of data collection because they are flexible and because they can be applied to a wide variety of topics, research designs and contexts. Interviews are also inexpensive and are not time consuming, which is useful when conducting qualitative research (Bryman et al., 2015).

Data Analysis Technique

The interviews were audio recorded which allowed them to be transcribed into written text. Using thematic analysis, the researcher then coded the data in the transcriptions, and generated themes. Thematic analysis was used to explore and identify overt and covert patterns and themes in the interview transcriptions. This research study has a deductive reasoning perspective; which means that the thematic analysis will make use of a conceptual framework derived from appropriate theories, to identify specific codes within the text, which have been grouped together into themes. (Bezuidenhout, 2015) Braun and Clarke (2006) provide six steps to complete when conducting a thematic analysis:

1. Familiarising yourself with the data

2. Generating initial codes
3. Search for themes
4. Review themes
5. Define and name themes
6. Produce the report

Thematic analysis is an appropriate choice of data analysis for this research study because, as mentioned before, qualitative data is textual, iterative, constructed, and symbolic, and by making use of a thematic analysis the content of interviews will be analysed in terms of themes to understand the perspectives of the participants.

Substantive coding was used in this research. To perform substantive coding the entire text needs to be read through to gain an overall impression and understanding of the text. Important concepts/ themes are identified and noted in a separate document. Once the important concepts are identified the next step is to group the concepts into larger categories. This process involves the breaking down, examination, conceptualisation, comparison, categorising and recategorising of the data. (Bezuidenhout, 2015)

Trustworthiness and Quality

In qualitative research the terms 'validity' and 'reliability' are replaced by the term 'trustworthiness', which refers to how trustworthy the findings being presented, are (Du-Plooy, Davis, Bezuidenhout, 2015).

The aim of a qualitative study is to enhance one's understanding of a specific phenomenon within a specific context and not to generalise the findings to a larger population (Du-Plooy, Davis & Bezuidenhout, 2015).

Trustworthiness is divided into four dimensions namely, credibility, transferability, dependability, and confirmability (Maree, 2016). Credibility refers to the accuracy with which the researcher interpreted the collected data. The credibility of a study is increased when the researcher spends long periods of time with the participants of the study to gain a better understanding of what is being studied (Maree, 2016). In an attempt to ensure the credibility of this study, the researcher worked closely with her research supervisor when transcribing and interpreting the data to ensure accurate interpretations and transcriptions

of the data. The researcher also spent long periods of time with the participants of the study, so that the researcher could gain a fully comprehensive understanding of the participants experiences of operating business and their perceptions.

Transferability allows for the findings to be useful and applicable to a context other than the one in the original study. Transferability is thus the degree to which the findings of a study can be applied beyond the specific study (Maree, 2016).

Dependability refers to the quality of the integration process between the data collection method, data analysis, and the theory gathered from the data. Dependability can also be enhanced by openness to the views of other critical researchers. Dependability was enhanced in this study by the researcher being open to other researchers' views, specifically those of peers in the researcher's class as well as my research supervisor who acted as a 'sounding board' during the data analysis process.

I strived to protect all data by ensuring that it was stored in a protected area. The researcher endeavored to remain as unbiased as possible throughout the study. Conformability describes how well the data collected support the findings and interpretation of the researcher. I also ensured that I interpreted the data collected in an objective and truthful manner (Maree, 2016).

Findings and Interpretations

Description of participants' businesses

For the purposes of this research study, I interviewed three entrepreneurs from the Yellowwood Park area of KwaZulu-Natal.

. All of these entrepreneurs began and have successfully sustained their respective businesses for over fifteen years. To protect participant privacy, all names used to refer to the participants and their businesses are pseudonyms.

Mr Smallie is the owner of a bus company, RTT. RTT was started in 1999, and was a self-financed venture. He explains here how he purchased his first bus:

I surrendered my guarantees and insurance policies to finance the first vehicle.

Over the years the company has grown from operating with that one bus into one of the biggest bus companies within KZN. Sometimes RTT tender for government contracts, and it also provides transportation for children from both private and public schools.

Mrs B is also an owner of a large bus company, CKT, in KZN. Mrs B and her husband have been in the travel and transport industry for about 40 years. Mrs B's brother in law started a bus company in 1977 and both Mrs B and her husband worked for the company. CKT was started in 1985 when Mrs B and her husband decided to open up their own bus company in order to better provide for their children. Like RTT, it was a self-financed business project. Mrs B and her husband both saved a portion of their monthly earnings to help finance the venture. The target market for CKT is tourists, since CKT is a bus touring company. CKT also often tender for government contracts and business.

Mr Frozen is the owner and current Director a footwear manufacturing company based in Yellowwood Park, called SF. Mr Frozen's father was the entrepreneur who started the business in 1990. The business was started in an unconventional manner as described here by Mr Frozen:

Ah there was no finance at the time, he never had a job at the time or credit rating so he wasn't able to get traditional financing, but he had some machinery from his

father before him and he rented a small space above his friend's workshop and that's how the business started.

Mr Frozen worked closely with his father over the years, learning the nuances of the business, and he became the director of SF in 2016. The company has grown into one of the leaders of footwear manufacturing in the country. There is not much tendering that goes on in the footwear industry, but SF does not participate in what tendering does occur.

Theme 1: Consequences on the Economy and Entrepreneurs

At the moment, South Africa is experiencing slow economic growth, an increasing inflation rate which in turn increases the cost of living, and a volatile exchange rate. (Mohr, 2015). These factors are making it very difficult for entrepreneurs to continue business operations profitability. The participants responses about the effects of the volatile Rand, demonstrate some of the difficulties they have faced recently.

Mr Smallie said

The Rand does affect the fuel prices a lot, especially tyres and fuel, is the biggest cost for us.

Mrs B's response was

One of the most crucial part of the business been affected by the exchange rate is the purchasing of vehicles. Hmm what was once purchased on a very secured Dollar rate is now fluctuating and makes it very hard for us to replace our vehicles. Now we cannot better our equipment. Many of the parts required for the buses have to be imported and it all depends on the exchange rate.

Mr Frozen's response was

The Rand is very volatile for us and we do a lot of importing of raw materials, like leather, especially leather and hides, and so when we are paying, we have to pay in US Dollars and whenever the Rand depreciates against the Dollar our raw material costs become more expensive and ah and in our industry raw materials are the most expensive expense we have. So the volatile Rand makes it difficult to cost a product for the customer.

These responses indicate that the exchange rate volatility is indeed hampering the business operations of local entrepreneurs. Mr Smallie, Mrs B and Mr Frozen's cost of operations all increase due to the fluctuations in the Rand. A large expense for Mr Smallie and Mrs B is the price of petrol, tyres and bus parts, all which have to be imported. These prices become expensive when the Rand weakens against the dollar. The way Mr Frozen says: "*the volatile rand makes it difficult to cost a product for the customer*" shows how he is unable to provide his customers with accurate pricing with the fluctuating Rand.

The above-mentioned factors of slow economic growth and the volatile exchange rate are the catalyst for increased inflation and therefore increased cost of living in South Africa. This economic volatility has also increased the cost of conducting and maintaining business operations as illustrated by the following two quotes:

Mr Smallie said:

The increase in cost of living impacted us... a lot. We have to pay the drivers more because they can't survive and that there means we can't survive.

Mrs B said

We have to pay our drivers in line with the industry standards, and these wage costs increase when the inflation rate increases. When wage costs due to external factors our profit margins decrease and at times we barely breakeven.

This response by Mrs B echo's the sentiments of Mr Smallie, further highlighting how increasingly difficult it has become for local entrepreneurs to conduct business in the current turbulent socio-political environment.

Mr Frozen was able to provide insight as to how the manufacturing sector is being affected. There is an expectation by many stakeholders that manufacturers will always have business, but one is able to see that from Mr Frozen's response, this is not always the case when he says:

The cost of living is always rising especially with the drought. In South Africa disposable income is hard to come by for a large majority and unfortunately with footwear and fashion footwear especially mm, people will only buy out of their disposable income. And this is why we often find during these recession times we supply the cheaper retailer stores like Mr Price and Exact and sales and orders have slowed from the more expensive retailers like Edgars and Foschini.

However, Mr Frozen also indicated the positive side of being in the manufacturing business.

I think compared to many other industries; we have been lucky due to the nature of the manufacturing industry. Our orders are relatively sufficient, but during the winter seasons orders are low due to the costs of making and then retailing these locally made winter shoes.

This response gives further insight into the seasonal challenges that Mr Frozen experiences. Although he is referring to a challenge, he still says he is lucky. Having been in business for long time and understanding the industry, Mr Frozen seems to recognise that this is a challenge of the industry and so he has learnt to expect and manage that change. It seems to imply that changes in business that are anticipated and expected are a lot easier to manage because of their predictability and seasonality factors. Other challenges, like the drought and the fluctuating Rand are less predictable and therefore more difficult to manage.

This theme has demonstrated how the participants in this study have experienced increased financial pressure in their business operations due to a range of factors, including economic volatility and environmental changes. Further research would need to be conducted in this field, so that direct links to political corruption and state capture can be drawn. At the moment, it is purely opinion and speculation that the above mentioned factors are directly caused by political corruption, state capture and the actions of the President.

Theme 2: Legislation and Doing Business with Government

The end of Apartheid in 1994 brought about significant changes in legislation, the most significant of which was the creation of the constitution. The South African constitution is considered one of the most progressive and inclusive constitutions in the world (REF?). Other changes in legislation saw the creation of Broad Based Black Economic Empowerment (BBBEE), new labour laws, the introduction of radical economic transformation and the abolition of the Group Areas Act.

Mr Frozen works in a very labour intensive sector, in the past the manufacturing sector has been notorious for labour exploitation. In an attempt to rectify injustices of the past, the Government implemented labour legislation to ensure good working conditions, fair pay and regulating working hours, in addition to many other labour laws. (Department of Labour, 2015)

Mr Frozen's view on labour laws are

The strict labour laws makes it more difficult to compete because its, ah the business runs more inefficient as we are trying to adhere to these laws.

As we can see from this quote by Mr Frozen, the labour laws have the ability to hamper business as these laws are tedious, but these laws are in place to ensure that the South African work force is not exploited. *"Our labour laws are one of the strictest in the world; it has its pros and cons. Our employees and not taken advantage of."*

The introduction of BBBEE has seen many changes and alternations to legislation, including how companies should be awarded government work ventures and gains of the Zuma Elite.

Mr Smallie's view on BBBEE is that:

Only the Black transport companies get subsidised

And

When it was Apartheid we had permits to run in areas, now with the ANC government, they take the law into their own hands.

Mr Smallie's statement mentions Apartheid. From his statement we are able to come to an understanding that under the Apartheid regime the avenues through which to conduct business were clear, but conducting business in the present political environment proves difficult.

The Apartheid regime saw that all the races were segregated and also involved the oppression (by the minority race white) of Africans, Indians and Coloureds. Apartheid was oppressive and discriminatory and a violation of basic human rights, due to the 'structured' hierarchy of 'classes' through race groups, the Indian business people still had advantages over the African people, in the sense that Indian people were allowed to start and operate their own businesses and even have access to tertiary education.

The fall of the Apartheid regime meant that all races would be treated equally and there would be no segregation or difference in treatment based on one's skin colour. However, from the data collected it seems that one's skin colour is a determinant in how business is obtained.

Mr Smallie mentioned that "Only the Black transport companies get subsidised " however this might be a recent phenomenon as Mrs B states that:

After the establishment of the company the government did subsidise us in the form of the DTI grant and that was when we were a very small SMME and a business that had a very minimum turnover.

From this we can see that there are contrasting views; Mrs B states that her company used to receive financial aid when her turnover was in a certain threshold, however CKT no longer receives this aid as the turnover has exceeded the threshold. Mr Smallie on the other hand does not and has never received any financial assistance from the government.

Mrs B's views on BBBEE and Radical Economic Transformation are that:

The goal posts change again, with the BBBEE levels we try our best to be a level one but the tender will be given to a company with a BBBEE level of three. So we try to meet all the requirements but still don't qualify for the tender.

The Government introduced the people mover, which resulted in a few of our permits being taken away so that the Government could take over those routes.

And

I think what the ANC is trying to achieve is being done in an inconsistent way, it's now turned to very personal ventures.

From these statements, we can see that corruption; BBBEE and radical economic transformation are key elements in how the system operates. BBBEE and radical economic transformation are factors that are affecting the manner in which the entrepreneurs' conduct business. In practice these policies have not had the intended effect of increasing economic growth and prosperity, but have rather created bureaucratic inefficiencies that are hampering business and economic growth.

Mr Smallie mentioned

Nothing's happening for us Indian operators at the moment. Personally I feel there's a lot of corruption, if you bribe, then the tender is yours.

And

The ANC Government, they take the law into their own hands.

Mr Smallie's statements allude to bribery and corruption within the government and he feels that the tendering system is corrupt due to bribery.

Mrs B's view was

The goal posts are always changing. We try to meet all the requirements but we still don't qualify for the tender. Look and this is just speculation, there is a part of the process that doesn't fully cooperate with the requirements, it is a very grey area, and we can use the term corruption.

And

ANC is trying to achieve is being done in an inconsistent way, it's now turned to very personal ventures and not looking at the country as a whole and the constitution is not being followed.

Mrs B is of the opinion that the tendering process does not have specific standards and policies, which makes it difficult to conduct and tender for business due to ' the goal posts always changing. Essentially there is variability and inconsistency with the tendering process.

Mr Frozen's perception is that

The Government has a major macro-economic effect on the economy and is making businesses run inefficiently by enforcing policies like BBBEE.

Mr Frozen's business does not tender for business from the government, but this does not mean that SF is unaffected by government influence. The above statement made by Mr Frozen shows his disdain for the BBBEE policies as he feels it hampers business efficiency.

Mr Smallie said

We hardly get any tenders coming through, it's all gone to the blacks.

This statement made by Mr Smallie shows how BBBEE has affected his business, as he is unable to receive tenders due to the implementation of BBBEE policies.

The people mover is a government funded transport service implemented in 2014, which operates in and around the central business district (CBD).

Mrs B said

The people mover resulted in our permits being taken away

Mr Frozen said

We heard from other people in our industry who've tendered and they said that the business was not worth it and there were many instances when they government ordered units, and took delivery but never paid.

Due to the nature and industry the SF is in, it is not essential for Mr Frozen to tender for business, hence why he has made the decision to not become involved with tendering for business from the government.

Theme 3: Perceptions and Experiences of the Government

The government affects the three participants' businesses in varied ways. This leads to a mixed perception of the government in the eyes of the participants. When asked questions to gain an understanding of the participants views of the government, there were mostly negative responses but there were instances where the participant had a positive outlook of the government.

The change in legislation since 1994 has been seen to impact the businesses of the participants, in both positive and negative ways. Although there is acknowledgement of the positive things that have come about from the dismantling of apartheid, the participants are disillusioned with the current government.

Mr Smallie said, “

The ANC Government, they take the law into their own hands

From this quote we are able to see the dissatisfaction and disillusion being expressed by Mr Smallie.

Other responses included references to unfair business practices performed by the government:

The government ordered units, and took delivery but never paid.

These statements indicate how the government and government actions negatively influence local entrepreneurs' business operations.

Keeping in line with the research questions, the researcher asked enquired about the entrepreneurs' perceptions of the tendering process. Mr Smallie and Mrs B both currently tender for government contracts and their responses were quite similar.

Mr Smallie mentions that

We hardly get tenders coming through, it's all gone to the blacks. There's someone on the inside that just throws away the Indian tenders so that black company gets it or they will just give it to someone they know, that's the bottom line.

Mrs B's specifically makes reference to corruption:

I would say that corruption is rife and the persecutors tracks are covered so even if you want to prove, there is no evidence and it remains unproven.

These statements indicate that the tendering process is very difficult and that it is hard for entrepreneurs to win the tenders. Corruption was seen as a significant contributing factor in this process by the way Mrs B says "corruption is rife". According to Douglas (2015) corruption has vast implications and is destructive for any civilization because it perverts income circulation, deters investments, causes disorganizations and discarded of supplies and damage democracy and ethics.

Broad Based Black Economic Empowerment (BBBEE) was mentioned frequently during the various interviews, which led the researcher to delve deeper into this phenomenon and determine how BBBEE was affecting business operations.

The Government has on occasion provided financial assistance to industries. When asked if the participants had ever been the recipients of such grants, they responded dispassionately.

Mr Smallie mentions

No, no subsidies, but black owned transport companies, get subsidised by the government.

Mrs B stated that

The establishment of the company the government did subsidise us in the form of the DTI grant and that was when we were a very small SMME and a business that had a very minimum turnover

From this statement we can see that the government did supply Mrs B's company with financial aid, but only up to a certain threshold. Now that CKT has surpassed that threshold, they are no longer able to receive financial aid, but it did make a difference in the early stages of the business.

Mr Frozen's experience was

Historically the manufacturing sector has been depleted because of Chinese imports, ahh the government decided to help rejuvenate the sector, and they started to give subsidies. We were a part of the group that was supposed to get funding on biannual basis, the first installment came and after that they said that there was no funding left, so we never got any money after that.

From these statements regarding subsidies, the researcher was able to understand that not all companies receive assistance, and for those that do, there are certain requirements that have to be met.

For Mr Smallie, his company does not have a high enough BBBEE rating to qualify for the assistance. Mrs B used to receive assistance when her company used to make a minimum amount of turnover, however now that her business has grown she no longer qualifies for the financial assistance. Mr Frozen's company SF received one round of subsidies and for unknown reasons did not receive any more. By these companies no longer receiving financial assistance, it influences that perceptions of the entrepreneurs, as they feel that they should receive aid, based on the work that they do, not on external factors, such as race.

However, not all of the perceptions of the current government are negative. For example, Mrs B said

The government has created something that did not occur in the past, unity, unity between cultures and people. I think that what the ANC is trying to achieve is being done in an inconsistent way, it's now turned to very personal ventures and not looking at the country as a whole and the constitution is not being followed.

This quote has both positive and negative views. It shows that Mrs B has a conflicted perception of the government as the government has tried to correct the errors and wrongs brought up by Apartheid, but at the same time she feels that the government is not following the constitution and is seeking to fulfill personal ventures of parliamentary members.

Findings in context of Keynesian Economic Theory

Concept 1 from the Keynesian theory is wages. Wages is payment for labour or services rendered. The payment of wages is an integral aspect of business. The entrepreneurs interviewed made mention of how wage costs affect their businesses in terms of increased expenses as the employees have to be paid a wage rate that is livable in accordance of the cost of living.

The second concept from the theory is government spending. Government spending can help businesses and the economy if spending is done during the correct time. The government can successfully implement fiscal policy by slowly raising taxes and decreasing government spending towards to end of an expansion period and do the opposite during a contractionary period (Mohr, 2015).

Disequilibrium in the economy is the third concept from the theory. The volatility in the economy stems from disequilibrium. The volatility is greatly affecting the entrepreneurs of the study as business costs are continually fluctuating.

In order to restore the South African economy back to high levels of economic growth, the Keynesian model should be implemented. An essential element of the Keynesian model is the idea that disequilibrium in an economy can last a considerable amount of time.

The premise of the model is that it advocates government intervention to help overcome the lack of aggregate demand, which helps to reduce unemployment and increase economic growth (Pettinger, 2013). Under the Keynesian model, the primary role of the state in the free market is to smoothen business cycle peaks and troughs. In other words, it aims to regulate the economy using expansionary and contractionary fiscal policy during times of very high economic growth and very low economic growth.

From the above data analysis, four things have become clear. Firstly, the rising cost of running a business is due to a number of external factors including inflation of the fluctuating exchange rate, the drought, increase the cost of wages for the entrepreneurs.

Secondly, legislation that has been implemented to stimulate business and economic growth, but in practice this legislation is hampering entrepreneurial activity and economic growth.

Thirdly, the entrepreneurs feel that if government were to offer financial aid to their businesses or even to their industries, it would be for the betterment of the economy and help stimulate business activity.

And lastly, the entrepreneurs interviewed for this research study have mixed perceptions of the government. While the majority of the views expressed are negative, there are instances where the entrepreneurs spoke favourably about the government.

Thus if government were to increase spending by providing financial aid to industries, it would not only help the industries grow, but also the economy. Increasing cost of wages is affecting the sustainability and profitability of local businesses, so if government seeks to ensure business sustainability, then economic growth, lower inflation, and greater fiscal prudence needs to occur within the country.

Conclusion

In conclusion, the entrepreneurs in Yellowwood Park are experiencing difficulties when conducting business due to the increased cost of living, inflation, and fluctuating exchange rate. The entrepreneurs' views and perceptions of the government are generally negative,

however, there are instances where the government is praised or viewed in a positive light. There was an indication of possible hope in time; the Government will rectify itself and that economic growth will occur.

The primary question in this research study was “What are the perceptions and experiences of daily life for entrepreneurs in a local Durban community under the Zuma administration?” This question was answered by interviewing three entrepreneurs. Through these interviews, the researcher was able to gain an understanding of their daily lives as well as their business operations. By personally interviewing the entrepreneurs the researcher was able to gain an in-depth understanding of how business is conducted in Yellowwood Park as well as the struggles of ensuring business profitability.

The first sub question of this study was “Has the weakening Rand impacted small business owners and if so, how?” and this was answered by the entrepreneurs illustrating to the researcher how their costs increase or decrease in accordance to the exchange rate. All three of the entrepreneurs import either raw materials or parts directly related to their business, and the volatility of the rand definitely affects business operations as a result of these imports.

The second sub question of this study was “What are entrepreneurs’ views and opinions about the government and the state of the country?” and this was answered by the entrepreneurs’ responses to questions about their experiences with applying for government contracts as well as watching the participants’ facial expressions when asked certain questions.

The third sub question of this study was “Has political corruption impacted small business owners and if so, how?” and this question was answered by the participants directly stating how they feel about corruption and mentioned specifically how they feel corruption affects their businesses.

Ethical Considerations and Limitations

Ethics refers to one’s moral or professional code of conduct that creates a standard, which guides one’s behaviour and attitude. Ethics in research are important because this has the potential to affect all stakeholders in the research. There are many stakeholders in this

research study, including the participants, the broader public, the academic institute, the community, policy makers, and the media (Louw, 2015).

When conducting a research study, there are ethical issues that will have to be considered concerning both the participant and the researcher. These issues revolve around the way in which the research is conducted, the way that data are gathered, how the researcher interacts with the participant and how the data are handled (Louw, 2015).

Ethical Issues: Participants

When interacting with the participants of this study, careful consideration was needed so that the information and data gathered was kept safely.

- Collecting data from participants

This consideration seeks to ensure that the participants involved are physically and psychologically comfortable (Louw, 2015). Informing the participants that their identities will be protected, ensuring that their time is not wasted and ensuring that the physical and social context in which the data is gathered from the participants is appropriate.

- Dealing with sensitive information

The information gathered from the study could be considered sensitive since the information relates to the government. Thus the researcher endeavoured to protect all gathered information (Louw, 2015).

- Avoiding harm

The research and the research study should not harm the participants in any way. This includes asking questions, which could embarrass the participant, or creating a situation where the participant's future job prospects are compromised (Louw, 2015). The research study did not conduct the research or data collection methods in any unintentional way, which might negatively harm or impact the participants involved.

- Confidentiality

An important ethical consideration for any research study is the protection of the participants' identities as well as any sensitive information they reveal during the data collection process. Confidentiality is an important ethical consideration because the

information revealed by the participants during the research process is recorded and this may lead to occupational or physical harm. This research study promised confidentiality, this means that although the researcher was able to match the participants' identities to their responses, no one else will have access this information, and this was done by using pseudonyms for the participants and their businesses (Louw, 2015).

Ethical issues facing the researcher in this research study included:

- Distorting Results

There are many ways to present and communicate the same set of results. A distortion of information can take place when the researcher deliberately emphasises certain aspects of information over other aspects of equal significance, or when the researcher quotes information out of context, which can distort the interpretation of the data and information (Louw,2015).

The distortion of results could take place in this research study if the research were to over emphasis the information gathered by the participants, relating to allegations of state capture.

- Bias

This is a subtle form of falsifying or distorting information. At times a researcher may not even be aware that he/she is conducting research in a biased manner. In research there may be the desire to achieve a particular result, and this influences the research by affecting the way in which the researcher collects or analyses the data (Louw, 2015). Bias may have been a potential ethical issue that the researcher faced while conducting this research study, as the topic may be seen as controversial and the researcher may have wanted to promote his/her view viewpoint. In order to avoid the researcher's personal biases coming through in the research, the researcher undertook reflexivity exercises to help ensure that the work being produced was not subject to any bias.

- Misusing Information

This is an ethical issue for the researcher, as he/she may not use the participants' details for any other purpose than the research study, unless the researcher has obtained the participants permission (Louw, 2015). The researcher of this research study did not engage in such inappropriate action and protected the participants' information.

Limitations that may be encountered during this research study:

Limitations in research are any constraints or limits in the research study that are out of the control of the researcher. These constraints could be due to lack of financial resources, access to information, or accessibility (Du-Plooy, Davis, Bezuidenhout, 2015).

- Initial contact with the participants of the study

This may prove to be a limitation as establishing contact with the entrepreneurs and community members may be difficult due to location factors and accessibility.

This was a small-scale study for a postgraduate project and thus the time and scope were limited so that there was no saturation of data. Data saturation means that data should be collected until there are fewer surprises in the data and no more patterns or themes are emerging from the data (Patel, 2015).

In a case study, various methods of data collection are employed (Patel, 2015). However the time frame of the study was a limiting factor in the data collection process.

Qualitative studies enable the researcher to do certain things, such as gain a deeper understanding of phenomenon, however qualitative studies are limited in their ability to generalise to the wider population, as a quantitative study would be able to do.

A further limitation placed on the study was that all the participants of the study were of the Indian race, which limits the data that was gathered as it only provided one perspective.

Recommendations for future studies and research

If this study were to be redone or extended, I would suggest that the sample selected be of a bigger size and have a variety of races to allow the researcher to gain multiple perspectives and viewpoints.

It is also recommended that if the research were to continue, it be done with a partner as to reduce a single researcher's bias. A partner will also act as a sounding board.

The final recommendation would be to choose a better location, with access to more entrepreneurs in a variety of industry sectors.

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Annexure 1

Consent Form

To whom it may concern,

My name is Varsha Dabideen and I am a student at Varsity College, Durban North. I am currently conducting research under the supervision of Amanda Cox about the living conditions and reality of a working class community under the ANC government. I hope that this research will enhance our understanding of the challenges, opportunities and perceptions of small business people in a local SA community in the current economic and political climate.

I would like to invite you to participate in my study. In order to explain to you what your participation in my study will involve, I have formulated questions that I will try to fully answer so that you can make an informed decision about whether or not to participate. If you have any additional questions that you feel are not addressed or explained in this information sheet, please do not hesitate to ask me for more information. Once you have read and understood all the information contained in this sheet and are willing to participate, please complete and sign the consent form below.

What will I be doing if I participate in your study?

I would like to invite you to participate in this research because I believe that you are an entrepreneur based in Yellowwood Park. If you decide to participate in this research, I would like to conduct one interview with you. The interview will take approximately one hour of your time. It will be scheduled at a time that it is convenient for both of us, and will take place at a location that is convenient to you. I will be asking you questions about your experiences of operating a business under the ANC government.

You can decide whether or not to participate in this research. If you decide to participate, you can choose to withdraw at any time or to decide not to answer particular interview questions.

Are there any risks/ or discomforts involved in participating in this study?

Whether or not you decide to participate in this research, there will be no negative impact on you. There are no direct risks or benefits to you if you participate in this study. You might, however, indirectly find that it is helpful to talk about your views and perceptions of the Zuma administration and how it has impacted your business. If you find at any stage that you are not comfortable with the line of questioning, you may withdraw or refrain from participating.

Do I have to participate in the study?

- Your inclusion in this study is purely voluntary;
- If you do not wish to participate in this study, you have every right not to do so;
- Even if you agree to participate in this study, you may withdraw at any time without having to provide an explanation for your decision.

Will my identity be protected?

I promise to protect your identity. I will not use your name in any research summaries to come out of this research and I will also make sure that any other details are disguised so that nobody will be able to identify you. I would like to ask your permission to record the interviews, but only my supervisor, I and possibly a professional transcriber (who will sign a confidentiality agreement) will have access to these recordings. Nobody else, including anybody at Varsity College will have access to your interview information. I would like to use quotes when I discuss the findings of the research but I will not use any recognisable information in these quotes that can be linked to you.

What will happen to the information that participants provide?

Once I have finished all interviews, I will write summaries to be included in my research report, which is a requirement to complete my IIE Honours qualification. You may ask me to send you a summary of the research if you are interested in the final outcome of the study.

What happens if I have more questions about the study?

Please feel free to contact my supervisor or me should you have any questions or concerns about this research, or if there is anything you need to know before you decide whether or not to participate.

You should not agree to participate unless you are completely comfortable with the procedures followed.

My contact details are as follows:

Varsha Dabideen

0837789190

dabideenvarsha@gmail.com

The contact details of my supervisor are as follows:

Amanda Cox

082-699-7972

coxamandajane@gmail.com

Consent form for participants

I, _____, agree to participate in the research conducted by (your name) about (insert aim of research/ brief summary of exactly what you are researching)

This research has been explained to me and I understand what participation in this research will involve. I understand that:

1. I agree to be interviewed for this research.
2. My confidentiality will be ensured. My name and personal details will be kept private.
3. My participation in this research is voluntary and I have the right to withdraw from the research at any time. There will be no repercussions should I choose to withdraw from the research.
4. I may choose not to answer any of the questions that are asked during the research interview.
5. I may be quoted directly when the research is published, but my identity will be protected.

Signature

Date

Consent form for audio-recording/ video recording

I, _____, agree to allow (your name) to audio record my interviews as part of the research about (insert aim of research/ brief summary of exactly what you are researching)

This research has been explained to me and I understand what participation in this research will involve. I understand that:

1. My confidentiality will be ensured. My name and personal details will be kept private.
2. The recordings will be stored in a password protected file on the researcher's computer.
3. Only the researcher, the researcher's supervisor and possibly a transcriber (who will sign a confidentiality agreement) will have access to these recordings.

Signature

Date

Annexure 2

Data Collection Tool

- When did you start your business?
- How long have you been operating your business?
- How did you finance your business?
- Did you or do you receive any assistance from the government, ie. Rebates or Subsidies
- Has your business ever tried to tender for business from the government? If so, tell me about your experiences with that process.
- What is your perception of the tendering process?
- What is your definition and perception of corruption?
- In what ways (positive or negative) has government influenced or affected your business?
- What are your views about the ANC government?
- How has the weakening of the Rand against major currencies impacted business operations?
- How is your business affected by exchange rate changes?
- How has the cost of living impacted your business?
- Has business been stable over the past 5 years?
- Have your wage costs increased, decreased or remained the same? Please explain.
- Have economic factors such as the exchange rate, inflation and interest rates impacted your business in any way? Please explain.

Annexure 3

Ethical Clearance Letter

Annexure 4

Safe Assign