

ICT AND LIVELIHOODS OF MICROENTERPRISES: Case of South Africa

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Key definitions

□ Microenterprises



Small, Medium & Micro Enterprises in South Africa

❑ **Microenterprises:**

- ❑ Enterprises with less than 10 employees, turnover of R0.2 Million (US\$26,500) and asset value R0.1 Million (US\$13,300) (National Small Business Amendment Bill Gazette, 2003).

❑ **Categories:**

- ❑ Medium, Small, Very Small and Micro.

❑ **Examples:**

- ❑ Hawkers, Handicraft makers, High street vendors, Fruit and vegetable sellers.

The question

- ❑ What role do ICTs play in the livelihood of microenterprises?
 - ❑ What kind of ICTs do they use?
 - ❑ What affects their use of ICTs
 - ❑ What impact do the ICTs have on the business
- ❑ What is the impact of business-supporting organisations in the use and impact of ICTs of Microenterprises

Microenterprises



- ❑ Usually less than five employees
 - ❑ Usually members of the family
- ❑ Less separation between person and business
- ❑ Most are survivalist – engage in business to pay daily expenses
- ❑ Often do not keep records
- ❑ Not registered, no taxes
- ❑ Short life-span

Microenterprises ...

- ❑ How many are there?
 - ❑ Difficult to tell- most of them are not registered
 - ❑ Estimated 0.5 Million in Western Cape in 2007
- ❑ Roles of microenterprises in the economy
 - ❑ Difficult to tell exact contribution
 - ❑ Main source of employment – easy to start, low-skills
- ❑ Challenges
 - ❑ Lack of access to financial resources (credit)
 - ❑ Lack of business skills, low literacy, lack of access to markets

RED Door

- ❑ A project of the Western Cape Provincial government
- ❑ Started 2005
- ❑ Facilitates business start-ups for SMMEs
- ❑ Provide access to non-financial resources and capacity
- ❑ Provide training on business skills and legal advice
- ❑ Providing information on market access, procurement and linkages



RED Door



- Also provides[d] free internet access to its clients



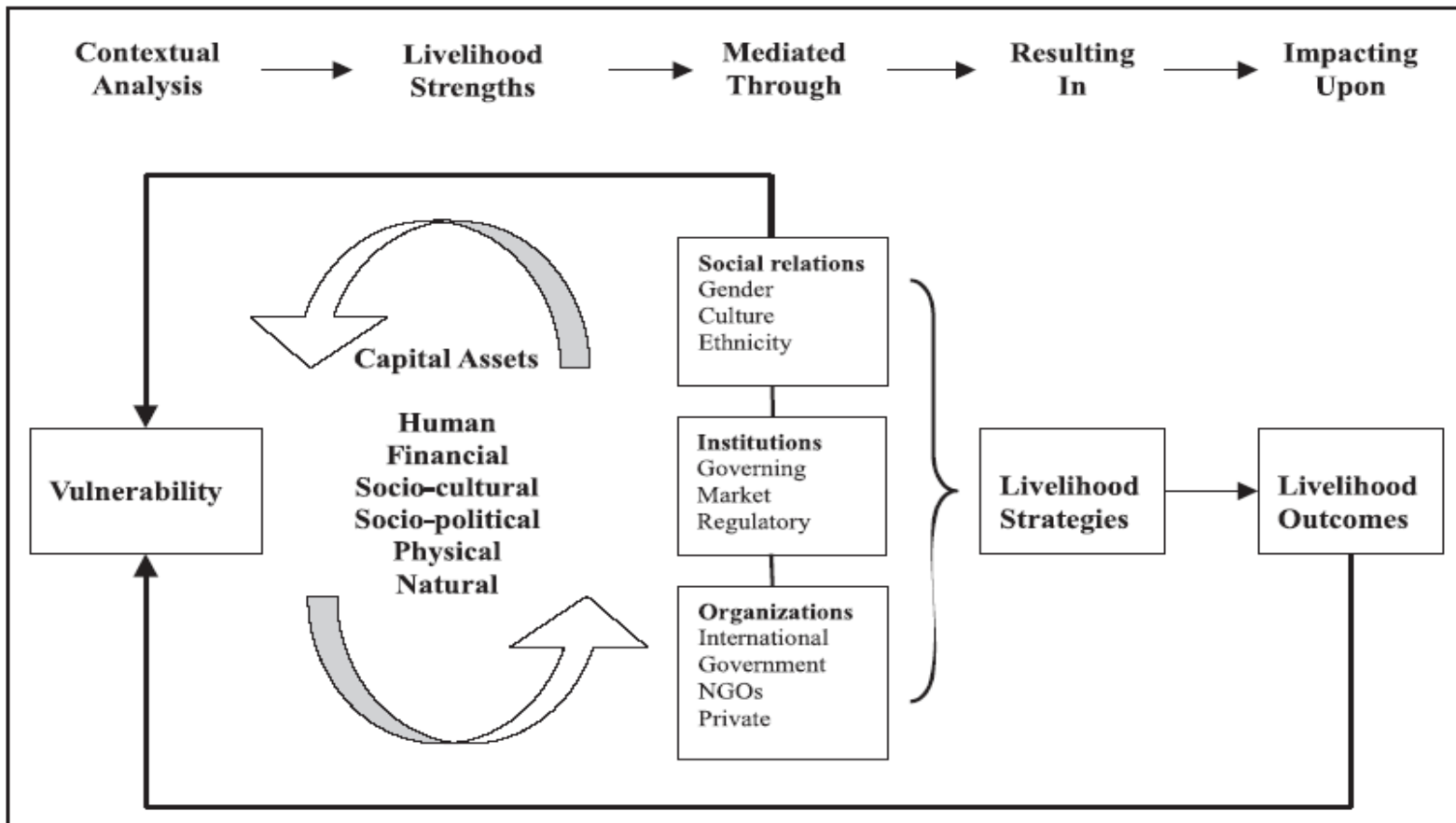
Theoretical framework Sustainable Livelihood Approach

Sustainable livelihood

A livelihood comprises of assets (natural, physical, human, financial and social), activities, access to these (mediated by institutions and social relations) that together determine the living gained by individuals or households (Ellis, 2000).

- ❑ Livelihoods are a means for living through capabilities of tangible and intangible assets
- ❑ A livelihood is considered sustainable when it can cope with hardships and can support a household to continue operating over a period of time

Sustainable Livelihood Approach (SLA)



Sustainable livelihood approach

Asset type	Description
Human capital	Skills and knowledge that people have and use to achieve their livelihoods.
Social capital	Social relations that people have and influence their actions i.e. membership to organizations.
Financial capital	Items of value which people use to establish livelihood activities i.e. savings, cash and access to loans.
Natural capital	Natural resources used by households to achieve livelihood goals i.e. land, water, wildlife and biodiversity.
Physical capital	Resources created through economic production process i.e. infrastructure such as roads, power lines and telecommunications.

Methodology

- ❑ Qualitative
- ❑ Semi-structured Interviews – 11 respondents (snow-ball sampling)
 - ❑ 5 RED Door users
 - ❑ 4 non-RED Door users
 - ❑ 2 RED Door officials
- ❑ Analysis followed the livelihood approach



Findings

Overview

- ❑ Reasons for starting business
 - ❑ Lack of formal employment
 - ❑ Microenterprises provided more income than some of the jobs
 - ❑ Develop skills for job market
- ❑ Sources of finance
 - ❑ Mainly self-financing
 - ❑ Started with small capital (e.g. R270)
 - ❑ Re-investing
- ❑ Use of RED Door services
 - ❑ Not much use
 - ❑ Business expressed willingness to use
 - ❑ Lack of awareness – communication mismatch
 - ❑ Required formalisation

Extent of ICT use in microenterprises

ICT	Actual use
Computers	Preparation of documents e.g. Business plans, leaflets and recording business transactions
Cell phones	Communication with suppliers, customers, staff, family members
Internet and email	Information on tenders, communicating with customers
Public ICT facilities	Checking government tenders, communicating with customers
TV	Entertaining customers source of information
Radio	Entertainment while working, source of news

Vulnerabilities

- ❑ Lack of employment opportunity (still felt they needed to get a job)
- ❑ Supply of services (e.g. electricity)
- ❑ Volatile prices (of supplies)
- ❑ Competition against the big boys
- ❑ Regulations of the local authorities

"We are supposed to pay R35 for the month ... but the place is not very busy"

- ❑ Security of the stock
- ❑ Lack of business skills

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