IMPACT OF CHINESE SMALL BUSINESS ON SUSTAINABLE LIVELIHOODS IN PORT ELIZABETH AFTER 1994

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IMPACT OF CHINESE SMALL BUSINESS ON SUSTAINABLE LIVELIHOODS IN PORT ELIZABETH AFTER 1994

By

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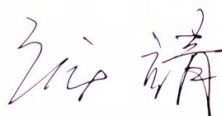**NELSON MANDELA METROPOLITAN UNIVERSITY**

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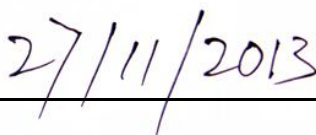
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DECLARATION

I, Jing Pang (211109088), hereby declare that this thesis, submitted for a Masters in Development Studies, is my own work. It has not previously been submitted for assessment or completion of any postgraduate qualification to another university or for another qualification.

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ABSTRACT

Since the advent of democracy in April 1994, the issues of economic empowerment and growth have been high on the agenda of the Government of National Unity of South Africa. In order to achieve social-economic growth, resolve wealth and asset gaps between rich and poor, decrease unemployment and meet the Millennium Development Goals, government has sought efficient mechanisms of transformation.

The formation of SMMEs was put forward as a solution to solve the above problems. SMMEs play a vital role in economic development and livelihoods uplifting. The purpose of this study is to examine how Chinese SMMEs have impacted on sustainable livelihoods in Nelson Mandela Bay Metropolitan District. The study has identified the challenges of local livelihoods in the district.

The findings on the effects of Chinese SMMEs were that: (1) They have provided affordable goods and services to local people, improving livelihoods by means of reducing living costs of the local population and thus providing relief on their financial capital; (2) The vast extent of their services in the district has enlarged their network of offerings in urban, suburban and even rural settings; (3) They have enabled the poor's access to the economic markets and services; (4) They have contributed positively to employment by providing local job-seekers with gainful employment and access to financial capital; (5) They have empowered the local employee base through training and skills transfer; (6) They have promoted knowledge and skills that have enriched local human capital and positively contributed to livelihoods; and (7) They have made a contribution to GDP and tax revenues. Revenues fed to government have helped fund welfare and public services, including in the areas of education, health care, pensions, unemployment benefits, public transportation, infrastructure and housing. These benefits have collectively contributed to the improvement of local livelihoods in the district.

ACKNOWLEDGEMENTS

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LIST OF ABBREVIATIONS

ASGISA	Accelerated and Shared Growth Initiative for South Africa
B-BBEE	Broad-Based Black Economic Empowerment
CSS	Central Statistical Service
DTI	Department of Trade and Industry
DPRU	Development Policy Research Unit
EAP	Economic Active Population
ECSCC	Eastern Cape Socio Economic Consultative Council
FAO	Food and Agriculture organisation of the United Nations
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
HRBA	Human Rights-Based Approach
ILO	International Labour Organisation
JIPSA	Joint Initiative on Priority Skills Acquisition
LFPR	Labour Force Participation Rate
NMBM	Nelson Mandela Bay Metropolitan
NMMU	Nelson Mandela Metropolitan University
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PTIS	Public Transport Infrastructure and System
PL	Poverty Line
PRC	People's Republic of China
RDP	Reconstruction and Development Programme
RSA	Republic of South Africa

SARS	South African Revenue Services
SBDC	Small Business Development Corporation
SB	Small Business
SEDA	Small Enterprise Development Agency
SL	Sustainable Livelihoods
SLA	Sustainable Livelihoods Approach
SMME	Small, Medium and Micro Enterprise
TIPS	Trade and Industrial Policy Secretary
TB	Tuberculosis
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme
VAT	Value Added Tax

CHAPTER 1: INTRODUCTION

1.1   Background

Since the advent of democracy in April 1994, the issues of economic empowerment and growth have been high on the agenda of the Government of National Unity of South Africa (RSA, 1995). In order to achieve social-economic growth, resolve wealth and asset gaps between rich and poor, decrease unemployment and meet the Millennium Development Goals, government sought efficient mechanisms to enable transformation. The formation of small medium and micro enterprises (SMMEs) had been put forward as a solution to solve the above problems.

The 1995 White Paper on National Strategy for the Development and Promotion of Small Business, states that: "With millions of South Africans unemployed and underemployed, the government has no option but to give its full attention to the fundamental task of job creation, and generating sustainable and equitable growth." (RSA, 1995). The government has taken the view that SMMEs can help promoting economic development, poverty alleviation and job creation.

One may wonder why the government views SMME formation as a key solution to these problems. What is the importance of the development of the small business enterprises? To answer this question, it is necessary to look at the valuable contribution made by the small business sector to economic development in South Africa. Firstly, Baard and Van den Berg (2004) indicate that in 2001 the small business sector contributed 53.9 per cent to formal private-sector employment and 34.8 per cent to the total gross domestic product. Small businesses form 98 per cent of the total business population of South Africa Secondly, Bowler, Dawood and Page (2006) argue that more than 70 per cent of all South Africans are employed in the small business sector and that small business undertakings create about 80 per cent of all new job opportunities in the country. Therefore, as Nager, Swanepoel and Van der Merwe (2008: 37) argue, small business development should be an essential

component of all reconstruction and development initiatives as this has the potential to economically empower the majority of the country's people.

1.2   Problem definition

From the above statements, it is clear that government has identified SMMEs as the way forward to create jobs and to stimulate economic growth. It is evident, however, that, in South Africa, SMME development has many obstacles to overcome and that the outcomes of development in some instances are negative. Petrus (2009) states that the failure rate of small business initiatives in South Africa is phenomenal. Cant (2012) points out that even though SME's have a major role to play in economic development it must be noted that the failure rate of SME's are extremely high. Bowler, Dawood and Page (2006) estimate that 40 per cent of new business ventures failed in their first year, 60 per cent in their second year, and 90 per cent in their first 10 years of existence.

In addition, poverty remains a prevailing challenge in South Africa. Government faces the dual challenges of poverty and inequality. A high degree of unemployment persists in this country. According to Banerjee et al (2006) too many South Africans are unemployed. Just how many are unemployed depends on how one defines unemployment, but even by a narrow definition, about 26 percent of the labour force is unemployed. Lehohla (2012) states that during the period September 2008 to August 2009 in South Africa, approximately 26,3% of the population was living below the food poverty line (R305), while roughly 38,9% and 52,3% were living below the lower-bound poverty line (R416) and the upper-bound poverty line (R577). There are therefore urgent challenges to socio-economic development in South Africa.

SMMEs struggle to sustain themselves under the shadow of the gravely high national fail rate. Poor results have prompted people to doubt if the formation of SMMEs is a viable solution to achieve sustainable development and livelihoods. Yet, in comparison to other SMMEs, many Chinese SMMEs have been performing rather well in this country.

The Chinese are generally engaged in small retail businesses: general dealers, grocery shops, textiles dealerships (selling everything from adult and children's clothing to blankets, clocks and watches, toys, shoes and other 'leather' products). Small electronics and housewares shops can be found along the main roads of small towns across the country. In addition Chinese businesses are involved in a variety of other sectors such as education, restaurants, architecture, and even oil and other natural resources.

Chinese businesses are well established in delivering basic services, generating employment, improving people's quality of life and making contributions to economic development. As is the case with many other SMMEs, Chinese SMMEs also influence local livelihoods. Therefore, this study aims to review the impact that Chinese SMMEs have had on local sustainable livelihoods.

1.3   The research question

This study recognises the importance of the relationship between SMMEs and sustainable livelihoods in South Africa. On this basis, the research question is:

How have the Chinese SMMEs impacted on sustainable livelihoods in the Nelson Mandela Bay Metropolitan District after 1994?

1.4   Importance of research

Previous studies have examined the impact of the SMMEs on economic performance and have analysed the causes of their failures. However, these studies have not dealt in any depth with the livelihoods aspects. In other words, there are not many valid studies that have investigated the particular issues in the relationship between SMMEs and their effects in promoting local sustainable livelihoods. In addition, there are no such studies that focusing on Chinese SMMEs and their performance. This study therefore attempts to fill this research gap and seeks to investigate whether Chinese SMMEs have affected livelihoods. It seeks to examine the impact of Chinese SMMEs on livelihoods, specifically in terms of human capital, financial capital and physical capital.

1.5   Research aims and objectives

The purpose of the research is to investigate the effect of Chinese SMMEs on local livelihoods and whether they have helped improve sustainable livelihoods

The objectives of this research are to:

- Identify the challenges in livelihoods within the Nelson Mandela Bay Metropolitan District;
- Investigate the effect of Chinese SMMEs on local livelihoods;
- Assess the sustainability of the Chinese SMMEs;
- Analyse the factors that hinder the development of Chinese SMMEs;
- Recommend appropriate actions to improve sustainable livelihoods.

1.6   Scope and scale of the research

The geographic focus of this study is the Nelson Mandela Bay Metropolitan Municipality in the Eastern Cape Province of South Africa. However, some analysis and discussions take a broader view.

The study looks at SMME development since 1994, with a particular spotlight on Chinese SMMEs.

The research focuses on the involvement of both genders in this phenomenon.

CHAPTER 2: LITERATURE REVIEW

Chapter 1 provided the background of the research, identified the research problem, presented the research question, clarified research objectives, and emphasised the significance of the research.

Chapter 2 presents an extensive literature review of the extant publications on the research topic. The literature review is sourced from the correlative fields of news, journals, theses, etc. It serves as background reading for the readers who are not familiar with the field of study.

2.1   Poverty and sustainable livelihoods

2.1.1   What is poverty?

Chambers (1988) distinguishes five basic dimensions of poverty, namely, (1) a lack of adequate income or assets to generate income ("poverty proper"); (2) physical weakness due to under-nutrition, sickness or disability; (3) physical or social isolation due to peripheral location, lack of access to goods and services, ignorance or illiteracy; (4) vulnerability to crisis and the risk of becoming even poorer; and (5) powerlessness within existing social, economic, political and cultural structures.

The United Nations (1998) stresses a more developed view of poverty as,

> … A denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to, not having the land on which to grow one's food or a job to earn one's living, not having access to credit … [it means] insecurity, powerlessness and exclusion of individuals, households and communities … [it means a] susceptibility to violence, and it often implies living on marginal or fragile environments, without access to clean water or sanitation.

A simple explanation of poverty is that it equates with a lack of resources. Rakodi and Lloyd-Jones (2012) state that households or individuals are considered poor when the resources they command are insufficient to enable them to consume sufficient goods and services to achieve a reasonable minimum level of welfare. Deprivation occurs when people are unable to reach a certain level of functioning or capability. Chambers (1989) includes physical weakness, isolation, vulnerability and powerlessness in addition to lack of income and assets. Baulch (1996) identifies a pyramid, starting from income poverty as the most measurable, to access to common pool resources, state-provided commodities, assets, dignity and autonomy.

The Poverty Line (PL) is defined as the value of goods and services consumed, whether purchased, gifts or self-produced, expressed in monetary terms. This may refer to either absolute or relative poverty (Rakodi and Lloyd-Jones, 2012). A poverty line divides the population into two groups on the basis of some measure: below the line a household or individual is considered to be poor; above the line a house or individual is considered non-poor. Clearly, poverty lines are extremely useful for descriptions of poverty. By defining a line that is regarded as some kind of minimum living level, we are able to get a handle on the number of poor people, as well as the depth and severity of poverty (Woolard and Leibbrandt, 1999).

2.1.2   What is sustainable livelihoods?

According to Krantz (2001) that the sustainable livelihoods idea was first introduced by the Brundtland Commission on Environment and Development as a way of linking socio-economic and ecological considerations in a cohesive, policy-relevant structure. Then it was expanded by the United Nations Conference on Environment and Development (UNCED) to include Sustainable Rural Livelihoods. Scoones (1998) describes a livelihood as comprising the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, while not undermining the natural resource base.

Krantz (2001) stressed that "policy and governance issues, as they impinge on people's livelihoods, are addressed. Various support activities are organised as specific SL programmes, usually implemented at a district level, with ramifications at the community and household level". Thus, in the light of this general practice, household strategy is always used. Narayan and Pritchet (1999: 871) recognise that at household, community and societal levels, the assets available are said to constitute a stock of capital, "stuff that augments incomes but is not totally consumed in use". Rakodi and Lloyd-Jones (2012) further explain that "this capital can be sorted, accumulated, exchanged or depleted and put to work to generate a flow of income or other benefits … social units need, it is suggested, to call on stocks of all types of capital. They list these as follows:

> a) Human capital: The labour resources available to households, which have both quantitative and qualitative dimensions. The former refer to the number of household members and time available to engage in income-earning activities. Qualitative aspects refer to the levels of education and skills and the health status of household members (Rakodi and Lloyd-Jones, 2012).

> b) Social and political capital: The social resources (networks, memberships of groups, relationship of trust and reciprocity, access to wider institutions of society) on which people draw in pursuit of livelihoods (Rakodi and Lloyd-Jones, 2012).

> c) Physical capital: Physical or produced capital is the basic infrastructure (transport, shelter, water, energy, and communications) and the production equipment and means which enable people to pursue their livelihoods (Rakodi and Lloyd-Jones, 2012).

> d) Financial capital: The financial resources available to people (including savings, credit, remittances and pensions) which provide them with different livelihood options (Rakodi and Lloyd-Jones, 2012).

e) Natural capital: The natural resource stocks from which resource flows useful to livelihoods are derived, including land, water and other environmental resource, especially common pool resources (Rakodi and Lloyd-Jones, 2012).

Scoones (1998) points out that to understand the complex and differentiated processes through which livelihoods are constructed, it is insufficient just to analyse the different aspects of livelihood resources and strategies as separate elements. One must also analyse the institutional processes and organisational structures that link these various elements together.

Shahbaz (2008) summarised a series of discussions relating to livelihoods vulnerability:

> The classical definition of vulnerability, provided by Chambers (1989), provides the most comprehensive approach to encompassing its most critical elements. Chambers defined vulnerability as a combination of defencelessness, insecurity, and exposure to risk, shocks and stress. Here, vulnerability refers to exposure to contingencies and stress, and the difficulty in coping with them. Vulnerability thus has two sides: an external side of risks, shocks and stress to which an individual or household is subject, and an internal side of defencelessness, meaning a lack of means to cope without damaging loss. It is the uncertainties in daily life that affect people's well-being (Delor and Hubert, 2000). Wilches-Chaux (1989) identified 11 types of vulnerability, "natural, physical, economic, social, political, technical, ideological, cultural, educational, ecological and institutional vulnerability." O'Riordan (2002) defined vulnerability at the societal level as "the incapacity to avoid danger, or to be uninformed of impeding threat, or to be as politically powerless and poor as to be forced to live in conditions of danger" (Shahbaz, 2008).

2.2 Definition of SMMEs

The term SMME refers to small, medium and micro enterprises. According to the National Small Businesses Act 102 (RSA, 1996), SMMEs can be divided into five categories:

(a) Survivalist enterprises are those where the income generated is generally less than the minimum income standard or poverty line. There are no paid employees and the business asset value is minimal. The economic activity of the business is mainly directed at providing the minimal means to keep the business owner alive. This group might be identified as pre-entrepreneurial and comprises hawkers, vendors, subsistence farmers, and others.

(b) Micro enterprises generate an annual turnover that is less than the VAT (Value Added Tax) registration limit of R150 000 per annum. Micro enterprises usually lack formal tax registration, may not adhere to labour legislation and standard accounting procedures, and usually have less than five employees. Micro enterprises include spaza shops, cafés, home-based businesses, mini-taxis and small-scale construction and textile manufacturing. The defining line between the smallest micro-enterprises and survivalist enterprises is often blurred.

(c) Very Small Enterprises is a category unique to South Africa and refers to businesses employing less than 10 persons, except for mining, electricity, manufacturing and construction sectors where the Very Small Enterprise limit is 20. These enterprises operate in the formal economy, are VAT-registered and have access to limited technology in business operations.

(d) Small Enterprises are distinguished from Very Small Enterprises by the upper limit on employee size of 50 and, in general, such enterprises use more established business practices and supervision and management structures are increasingly complex. Small enterprises have usually passed the

stage of direct supervision by the entrepreneur and have developed secondary management systems. Growth into a Small Enterprise usually requires an accumulation of resources over time and access to credit.

 (e) Medium Enterprises are formal entities with more complex divisions of labour and management structures employing up to 100 persons (200 in the mining, electricity manufacturing and construction sectors).

The Government of South Africa has established a comprehensive policy framework for economic growth and development, which mobilises the resources of the private sector and SMMEs. This includes broad, overarching strategies such as the Reconstruction and Development Programme (RDP), Growth, Employment and Redistribution (GEAR), Broad-Based Black Economic Empowerment (BBBEE), the Accelerated and Shared Growth Initiative for South Africa (ASGISA), and the Joint Initiative on Priority Skills Acquisition (JIPSA). In addition, the National Skills Development Strategy and the National Local Economic Development Framework establish an important foundation for SMME development.

Many SMME policy frameworks have been put up by the national government. In the early 1980s, the establishment of the Small Business Development Corporation (SBDC) was the first government initiative to support small firms. The national SMME development framework was established by the 'White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (1995) and the National Small Business Act (1996, and amended 2003)'.

In 2004, government adopted an integrated strategy on the promotion of entrepreneurship and small enterprises, which acknowledged the need for focused support to designated target groups and special institutional arrangements. The strategy assigns high priority to the promotion of an integrated and coordinated approach to service delivery. The South African government also developed some institutions to facilitate SMME growth,

namely, Ntsika Enterprise Promotion Agency; Khula Enterprise Finance Ltd; the DTI and its related institutions (Berry et al., 2002).

2.3   Links between sustainable livelihoods, poverty and SMMEs

A sustainable livelihoods approach is an essential tool to poverty reduction. Foresti et al. (2007) stress that "the multidimensionality of poverty informs not only efforts to understand and analyse poverty but also, crucially, the development and operationalisation of interventions to reduce poverty and promote sustainable development. Several approaches have been developed to address the challenges … including sustainable livelihoods approaches (SLAs) and Human Rights-Based Approaches (HRBAs)".

Norton and Foster (2001) state that "The SL approach is one of a number of conceptual frameworks which take an asset/vulnerability approach to analysis of the livelihoods of poor people. It emphasises understanding the vulnerability context and the organisational and institutional environment within which poor people draw upon assets of different types in order to implement a livelihood strategy."

Krantz (2001) elaborates that why the SL approach has been applied to poverty reduction.

> Firstly, this is because economic growth has no automatic relationship to poverty reduction and "it all depends on the capabilities of the poor to take advantage of expanding economic opportunities." Thus, it is important to find out what precisely it is that prevents or constrains the poor from improving their lot in a given situation, so that support activities could be designed accordingly."

> Secondly, being in poverty is not just a question of low income, but also includes other dimensions such as bad health, illiteracy, lack of social services, etc., as well as a state of vulnerability and feelings of powerlessness in general. There are also important links between different dimensions of poverty such that

improvements in one have positive effects on another. For example: reducing poor people's vulnerability in terms of exposure to risk may increase their propensity to engage in previously untested but more productive economic activities.

Finally, people in poverty, after recognising their situations and needs, and who are willing to be involved in the design of policies and projects intended to better their lot are usually more committed to implementation. "Thus, participation by the poor improves project performance. Therefore, an SL approach is essential to poverty reduction and the development of SMMEs is central to the overall sustainable livelihoods strategy.

According to Kesper (2000), SMMEs are seen as a vehicle to: (1) address the problem of high unemployment levels in South Africa as they have a high labour-absorptive capacity; (2) activate domestic competition by creating market niches in which they grow until they identify a new niche as a response to demand changes, and to be internationally competitive because of their flexibility; (3) redress the inequalities inherited from the apartheid period – in terms of patterns of economic ownership and restricted career opportunities for black employees; (4) contribute to black economic empowerment in that the majority of SMMEs is reported to be initiated, owned or controlled by those members of society who were discriminated against in South Africa's past; and. (5) play a crucial role in peoples' efforts to meet basic needs in the absence of social support systems during restructuring processes – which refers in particular to South Africa's micro-enterprise segment and especially survivalist activities characterised by low entry barriers for inexperienced job seekers (Kesper, 2000).

According to a United Nations Development Programme (n.d.) report, 'Investing for sustainable livelihoods', "the development of SMMEs is central to the overall sustainable livelihoods strategy. SMMEs are normally labour intensive and are therefore able to play a significant role in providing livelihood opportunities."

The poor are individuals: men and women, children, youth, old people, those with disabilities who may live alone but who, more commonly, live together in households. Omorodion (2010) stressed that:

> we can speak of poor households when the income generated by the economically active members is insufficient to satisfy the needs of all members. Often the various household members combine their efforts in a multiple livelihood strategy that can include food and cash crop production, wage labour on farms or in enterprises, and entrepreneurial activities in micro and small enterprises. As part of a longer-term strategy, the household may also invest in the education of younger members with the aim of generating higher income in the future.

Some contradictory findings emerged during this review of the literature. Firstly, Baard and Van den Berg (2004) argued that "Despite the dynamics of the SB (small business) sector, it faces high failure rates in the first three years of existence. In South Africa, this failure rate is somewhere between 70 and 80 per cent, costing the South African economy millions (Barron, 2000). SB failures are due to internal factors such as managerial incompetence, a lack of managerial experience, inadequate planning and poor financial control. Research by Gaskill, Van Auken and Manning (1993) and others supports these findings. The SB also exists in a hostile external environment containing legal and regulatory constraints; access to finance is limited and it operates within a global environment characterized by intensified competition (De Villiers, 1997; Goodall, 2000a)."

Secondly, the SBP, in the report, 'Alert, small business development in South Africa: time to reassess' (2009), argues that

> it was time to acknowledge that South Africa lags behind other developing countries in promoting the growth and sustainability of small businesses; and that the impacts of government initiatives in this sector over the past fifteen years have fallen far short of what is needed to support job creation. Taking stock of these disturbing realities, we contended that effective small business development

on the scale needed will require a new, sustained engagement between the private sector and government at all three levels: national, provincial and local.

Thirdly, according to another SPB (2009) report ('Accelerating small business growth in South Africa',

> South Africa's weak entrepreneurial culture is now becoming a focus of attention, and some serious initiatives are beginning to address the issue. From a broader business perspective, however, it is equally important to raise awareness that value-adding activity is crucial. Far too many small business owners don't see that they can and must move their businesses up the value chain, particularly if they want to break into export markets.

This is still not the case. Other issues that affect the development of SMMEs including crime, poor infrastructure, informality, regulation, corruption, labour problems, increased competition and negative public perceptions will be discussed in the findings below.

2.4   Conclusion

A great deal of research has been carried out on SMMEs and sustainable livelihoods. This chapter attempted to provide the background knowledge for each area, drawing the links between sustainable livelihoods, poverty and SMMEs. There is little research available dealing with the question of Chinese SMMEs and sustainable livelihoods. This paper intends to fill this gap. In particular, this study attempts to assess the impact of Chinese SMMEs on local sustainable livelihoods. Specific approaches and methodologies of the research will be discussed in the following chapter.

CHAPTER 3: METHODOLOGY

Chapter 1 and Chapter 2 provided the background for research, identified the research problem and research question, explained the specific research aims and objectives, elaborated the hypothesis and emphasised the significance of the research.

Chapter 3 focuses on the methods used to achieve the above-mentioned aims and objectives. In this chapter, the researcher articulates the research design, including methodology, the data collection tool, research approach, sampling, target groups and data analysis.

3.1   Research design

A research design is the outline, framework or plan for the research project which is used to guide data collection and analysis. Wild and Diggines (2009) claim that the research design ensures that the study addresses the relevant problem in the most cost-effective manner. Chisnall (2005) emphasises that a central part of research activity is to develop an effective research strategy or design. It details the most suitable methods of investigation, the nature of the research instruments, the sampling plan and the types of data. Oppenheim (1992) further proposes that the research design must hold all the parts and phases of the enquiry together. The design must aim at precision, logic-tightness and efficient use of resources. Essentially, an effective design should be a comprehensive plan, developed after intensive study of the problem to be researched, that will guide and control the entire research programme. Its foundations are firmly based on scientific rigour and objectivity, without which the entire research processes are seriously flawed. In addition, the principles of a sound research design apply to all research activities, irrespective of the discipline or subject of an enquiry (Oppenheim, 1992).

From the above discussion, it is clear that the purpose of a research design is to structure the research so that it delivers the evidence necessary to answer the

research problem as accurately, clearly and unequivocally as possible (McGivern, 2009: 63).

According to Collis and Hussey (2003: 10), research designs can be classified from different perspectives depending on the classification bases. They propose four classification schemes, namely, (1) the research's outcome (basic and applied); (2) logic (deductive and inductive); (3) purpose (quantitative and qualitative), and (4) process (exploratory, descriptive and causal) Collis and Hussey (2003:10).The classification illustrated in figure 1 below.

Figure 1: Classification of research designs
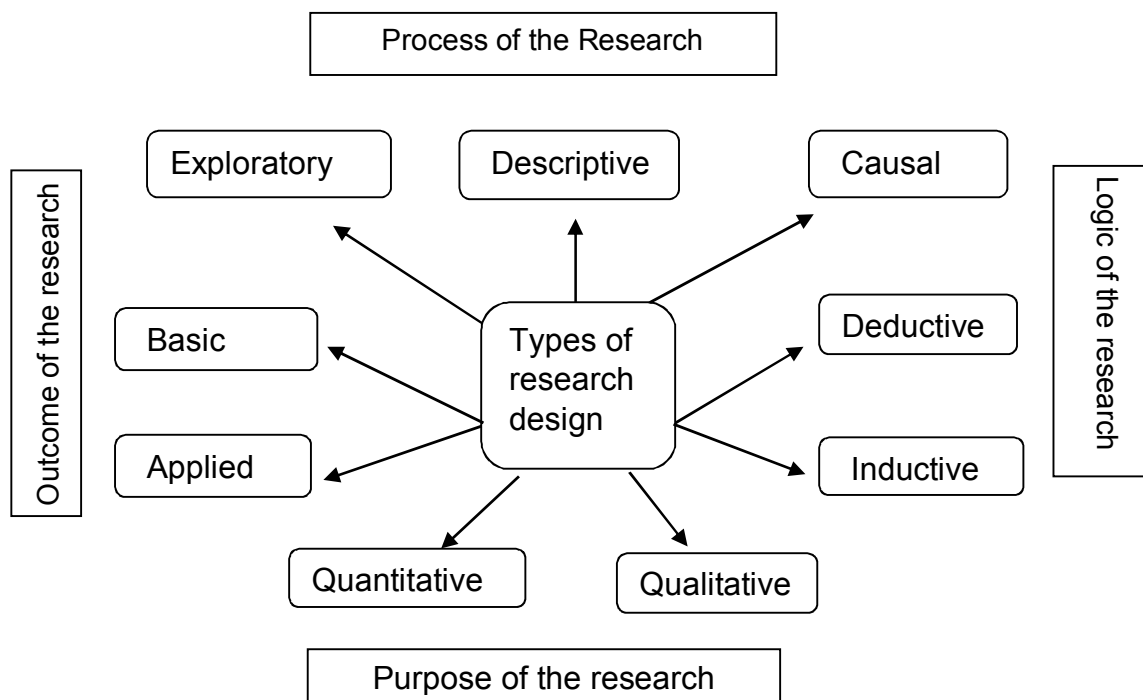
Source: Adapted from Collis and Hussey (2003:10)

3.1.1 The selection of the research design

Research designs can be classified in various ways. A widely used method identifies them broadly as exploratory, descriptive and causal. Hair, Bush and Ortinau (2006) believe that research problems can be addressed by using one or more of the three types of research designs. Thus, taking into consideration the characteristics of the above types of research designs and this study's

research problem and aims, this study employs the most appropriate research methods.

Exploratory studies: As Chisnall (2005:37) states, exploratory designs are concerned with identifying the real nature of research problems and, perhaps, of formulating relevant hypotheses for later tests. These initial steps should not be dismissed as of little consequence; the opposite, in fact, is nearer to reality, for exploratory research gives valuable insights, results in a firm grasp of the essential character and purpose of specific research surveys, and encourages the development of creative, alternative research strategies. Wild and Collin (2009) propose that exploratory studies are intended to explore a relatively unknown area. They are necessary when more information is required about a problem, opportunity or phenomenon, and especially to collect data that can contribute to more meaningful research questions.

Descriptive studies: In contrast to exploratory studies, descriptive studies stem from substantial prior knowledge of marketing variables. Chisnall (2005: 37) claims that, for this type of research to be productive, questions should be designed to secure specific kinds of information, related, perhaps, to product performance. Wild and Collin (2009) associate descriptive design with the certainty that it can describe opportunities or threats, and answer the questions: who, what, when, where and why? The emphasis is on an in-depth description of a specific individual, situation, group, organisation, tribe, structure, etc.

Causal studies: These show causality between variables or occurrences. The research is conducted to reveal cause and effect between the dependent and independent variables (Wild and Collin, 2009). Hair et al. (2006: 64) explain that causal research is designed to determine cause-and-effect relationships between two or more variables. It is most appropriate when the research objectives include the need to understand which variable is the cause of the dependent phenomenon.

From above discussion, three distinct research design types are clarified. This study aims to study the effects of Chinese SMMEs on sustainable livelihoods in the Nelson Mandela Metropolitan Municipality District. At the initial stage of this research, the exploratory mode is used to explore a relatively unknown area, in

order to (1) learn about the real nature of the research problems (SMMEs, livelihoods); (2) to explain central concepts and constructs (poverty, livelihoods); (3) to acquire new insight of the phenomena (literature review); and (4) to develop new hypotheses about the existing phenomena (hypotheses). Later, the research process adopts a more descriptive mode. The descriptive mode is concerned with describing a population with respect to important variables, describing characteristics of certain groups and making specific predictions. In summary, while the research design used in this study is primarily exploratory, some descriptive elements are also used.

3.1.2 The selection of the research methodology

Quantitative research generally involves the collection of primary data from a large number of respondents, with the aim of projecting the results to a wider population (Martins et al., 1996:125). Creswell (1994) defines quantitative research as a type of research that explains phenomena by collecting numerical data that is analysed using mathematically based methods (in particular statistics). A typical quantitative study aims to identify the research hypothesis (the expected solution to the problem) and then attempts to prove the hypothesis by using statistical analysis and reporting the facts by means of numbers and figures (Cavana et al., 2001: 34). Moreover, there are several types of quantitative research. For instance, it can be classified as (1) survey research; (2) correlational research; (3) experimental research; and (4) causal-comparative research. Quantitative research can be used to "measure attitudes, satisfaction, commitment and a range of other useful market data and market metrics that can be tracked over time and used as part of a wider business planning and business strategy process" (Cavana et al., 2001: 34).

In contrast to quantitative research, McDaniels and Gates (2008) state that qualitative research, on the other hand, loosely refers to research whose findings are not subject to qualification or quantitative analysis. The qualitative approach was derived from the work of the mid-eighteenth century historian, Giambattista, who wrote that only people can understand people and that they do so through a faculty called 'intuitive understanding' (McDaniels and Gates, 2008). Hiatt (1986) points out that qualitative research methods focus on

discovering and understanding the experiences, perspectives, and thoughts of participants—that is, qualitative research explores meaning, purpose, or reality (Hiatt, 1986). Qualitative research is a way to gain insights through discovering meanings by improving our comprehension of the whole. Qualitative research explores the richness, depth, and complexity of phenomena (Neill, 2006).

Mixed research offers a paradigm that is distinct from qualitative and quantitative research methods, yet mixes the two methods. The mixing of quantitative and qualitative research can take many forms. In fact, the possibilities for mixing are almost infinite.

This research adopted a qualitative form of research. Qualitative research is concerned with discovering people's life histories and everyday behaviour (Silverman, 2000: 1). Qualitative research is soft, because it puts people's feelings first and does not rush to make conclusions about something based on their tick of a preferred answer like quantitative research (Silverman, 2000:2). Qualitative research is also flexible, meaning it encourages qualitative researchers to be innovative; they are not bound by one way of conducting a research. Qualitative researchers can conduct their research by using many different methods. For example, they can use interviews either face to face in the form of tape recording or writing, focus groups and life stories (Silverman, 2000:1). This research was primarily qualitative, using interviewing as a research technique to collect data from participants and using this to gain insight into the central research question, that is, what is the effect of Chinese SMMEs on local sustainable livelihoods? However, some quantitative elements are also adopted to aid in the explanation of qualitative data.

3.2   Data collection methods

According to Wild and Collin (2009: 55), the ultimate objective of an exploratory study is to acquire insight and develop understanding rather than to collect accurate, replicable data. Therefore, this type of study often involves in-depth interviews, analysing case studies and using sources. According to Marshall and Rossman (2010: 97), qualitative researchers typically rely on four methods for gathering information: (1) participating in the setting; (2) observing directly;

(3) interviewing in depth; and (4) analysing documents and material culture. These elements form the core of the inquiry—the staples of the diet. Several secondary and specialised methods of data collection supplement them. Therefore, due to the nature and character of exploratory and qualitative methods, these methods have been applied in this study to achieve the purpose of the research. According to Grbich (2013: 15), the major data types that in constitute qualitative research are: (1) face-to-face/telephone interview; (2) email and internet interview/ focus groups (audio and video)/ nominal groups; (3) Delphi groups; (4) observation notes, video, webcam, film, photos; and (5) document collation (existing textual, aural and visual). While Jankowicz (2005: 220) identifies four main data collection methods, including:

(1) Explicatory methods in which researchers focus research questions on written sources and make judgments about the data using literature review, or direct questions at people to arrive at conclusions based on observation;

(2) Case studies in which researchers explore issues in the past and in the present by applying former similar case situations to the current problem;

(3) Experimental methods in which researchers manipulate a selected group of independent variables and measure the impact of these manipulations on the dependent variable; and

(4) Surveys in which researchers collect large amounts of raw data using question-and-answer formats from a large number of people (Jankowicz, 2005).

3.2.1 Primary research methods

In-depth interviewing: Qualitative researchers rely quite extensively on in-depth interviewing. Kahn and Cannell (1957: 149) describe interviewing as "a conversation with a purpose". It may be the overall strategy or only one of several methods employed. To distinguish the qualitative interview from, for example, a journalist's or television talk-show interview, we might speak of its width instead of its depth (Wengraf, 2001).Interviewing varies in terms of a priori structure and in the latitude the interviewee has in responding to questions. Patton (2002: 341–7) puts interviews into three general categories: (1) the

informal, conversational interview; (2) the general interview guide approach; and (3) the standardised, open-ended interview.

For the purpose of the objectives and to gather sufficient and in-depth information, 12 face-to-face interviews were conducted in this research. Interviews were conducted by the researcher, with identified Chinese SMME owners as respondents. The interviews were divided by four parts, namely, (1) investigating the effect of Chinese SMMEs on economic development; (2) establishing the sustainability profiles of Chinese SMMEs; (3) probing the effect of Chinese SMMEs on local employment and sustainable livelihoods; and (4) identifying the challenges faced by Chinese SMMEs. (See the questionnaire attached as Appendix 3)

3.2.2 Secondary and specialised methods

Focus Groups: Marshall and Rossman (2006) state that the method of interviewing participants in focus groups comes largely from marketing research but has been widely adapted to include social science and applied research. The groups are generally composed of seven to ten people (although groups range from as small as four to as large as 12), who are unfamiliar with one another and have been selected because they share certain characteristics relevant to the study's questions.

The researcher adopted this focus group approach to discover more about the factors hindering the development of Chinese SMMEs. The researcher created a supportive environment, asking focused questions to encourage discussion and the expression of differing opinions and points of view.

Background and context, and review of documents: According to Grbich (2013: 15), document collation can include information from news, radios, TV, DVD, films, videos, Internet chat rooms, policy documents, clinical histories, photos, drawing, paintings, clothing, graffiti, books, emails and diaries – in short, any information that can shed light on research question (Grbich, 2013: 15). In this study document review is utilised to assess current local livelihoods challenges.

3.3   Sampling design

The design of a sampling strategy for a qualitative study is as important as it is for quantitative inquiry. A well-defined sampling strategy that utilises an unbiased and robust frame can provide unbiased and robust results (Willot, 2005). A complete sampling design often involves a series of decisions made by the researcher with respect to the large population, sampling frame and methods, and sample size of the research undertaken (Han, 2010).

3.3.1. Target population

According to Wild and Diggines (2009: 191), a sample is defined as "a subset of the population (or universe)". A population (or universe) is "the aggregate of all the elements" and must be defined in terms of "elements, sample units, time, and size" (Loubser, 1996: 251). By studying the sample, researchers can draw conclusions that are generalisable to the population (Cavana et al., 2001: 253). In this research, the population refers to all Chinese SMME owners currently living and working within South Africa. The defined Chinese SMME owners include only those Chinese who came to South Africa after 1994, who currently own SMMEs in South Africa and yet who still remain citizens of the People's Republic of China. It is necessary to mention that there were two groups of Chinese who were compared in the study: one group of Fujianese origin, that is, those who have come from Fujian Province of China; the other group, the so-called 'Newcomers', who have come from all other parts of mainland China. The reason behind identifying participants and target population is to avoid confusions. There are 2 other groups of people could also be considered as Chinese, for instance: Taiwanese and South African Born Chinese (Local Chinese). However, Taiwanese do not consider themselves as Chinese because of political stress between Taiwan and PRC while local Chinese are Chinese by race but are integrated in local South Africa culture due to their long history of residence.

3.2.2   Sampling methods

A sampling frame is a list of all the sample units available for selection at a stage of the sampling process (Wild and Diggines, 2009: 196). However, there

is seldom a perfect correspondence between the sampling frame and the population of interest. McDaniel and Gates (2008: 332) claim that "unfortunately, there is no such list". In this research, the researcher also faced this dilemma since the Chinese SMMEs were dispersed widely. Access to possible available whole list seemed impractical. This constraint might have reduced the quality of the sampling frame and this was therefore acknowledged as a limitation of the research. Therefore, the selection of an appropriate sampling method is essential to the study. In figure 2, the potential sampling methods are listed. Due to the lacking of budget, the researcher has chosen the convenience and snowball methods as sampling methods. The researcher uses his own connections to look for the Chinese SMMEs who are willing to participate (Convenience Method). Those participants then refer the researcher to other Chinese SMMEs owners to participate in the interviews (Snowball Method).

Figure 2: Selecting Sampling Methods.
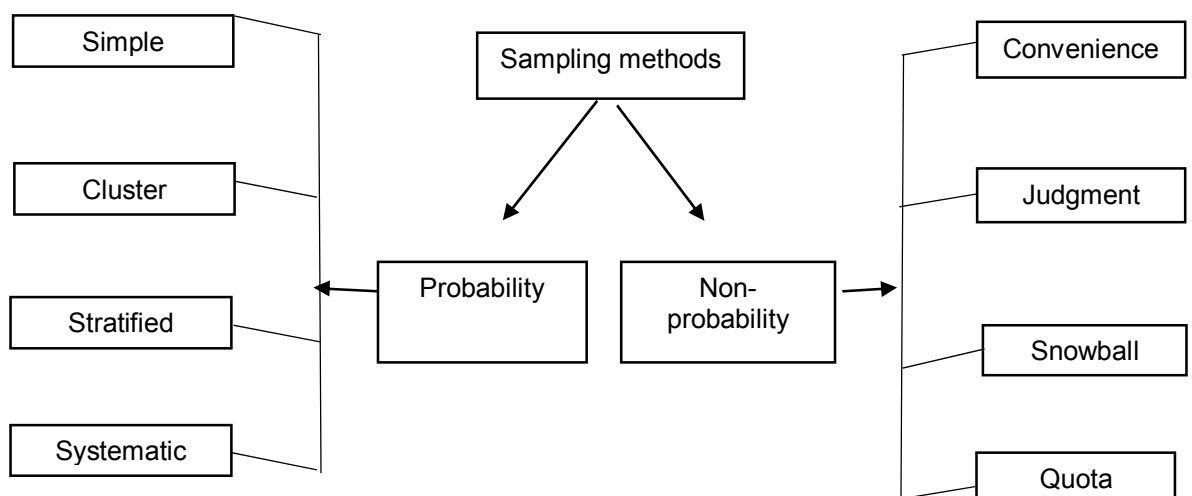
Source: Adapted from Baines and Chansarkar (2002)

3.2.3 Sample size

Marshall (1996) stated that the size of the sample is determined by the optimum number necessary to enable valid inferences to be made about the population. The larger the sample size, the smaller the chance of a random sampling error, but since the sampling error is inversely proportional to the square root of the sample size, there is usually little to be gained from studying very large samples.

Due to the time and budget limit, this research comprised a sample size of 12 and six for the body of in-depth interview and focus group, respectively.

3.4   Data analysis

Flick (2007) suggests that analysing qualitative data is the core of qualitative research in general, whereas the collection of data is the preliminary step in preparing this. Thus, emphasis should be paid to the procedure of the primary and secondary data collection exercises. The researcher assembled various types of data, including raw data from interviews, focus groups, documents, policies, etc. Audio or video recordings, flipcharts, maps, ranking, field notes are not easy to deal with and they need to be analysed to add into the findings.

Coding is a method of defining the data being analysed. It involves identifying and recording one or more passages of text or other data items such as the parts of pictures that, in some sense, exemplify the same theoretical or descriptive idea (Flick, 2007). In explaining the ways to code data, Flick states that all the text and information that is about the same thing or exemplifies the same thing is coded to the same name. Coding is a way of indexing or categorising the text in order to establish a framework of thematic ideas about it. Inductive thematic analysis is probably the most common qualitative data analysis method employed in the social, behavioural and health sciences. The process consists of reading through textual data, identifying themes in the data, coding those themes, and then interpreting the structure and content of the themes (Guest, MacQueen and Namey, 2012).

Thematic analysis is a search for themes that emerge as important to the description of the phenomenon (Daly, Kellehear and Gliksman, 1997). The process involves the identification of themes through "careful reading and rereading of the data" (Rice and Ezzy, 1999). A thematic analysis was also adopted in the data analysis in this research. As soon as a theme was identified, the researcher also moved forwards and backward within the raw data to explore more adherence related to the theme. A comparative analysis was also adopted in the research.

3.5 Validity and reliability

Marshall and Rossman (2006) stress that validity is a term too often avoided in qualitative research, because it is mistakenly seen as an indicator of attitudes to analysis or to interpretation that do not fit with qualitative methods. There is much debate about the meaning of the term 'validity' in the literature dealing with research methods. At times, the literature makes reference to "the crisis of validity" (Denzin and Lincoln, 2000), or complex suggestions about special "qualitative" terminology (Marshall and Rossman, 2006). To avoid a "crisis of validity", this research employs combination of multiple methods of study of the same phenomena in order to triangulate the findings and thereby ensure validity. The question of reliability emphasises consistency and stability in the research. On the one hand, stability has been established and evaluated through the test-retest technique. The researcher repeatedly applied the measurement instrument over certain periods of time to find out whether the findings were the same at different times. On the other hand, building consistency into the research meant constantly scrutinising the information received to confirm the findings. For example, the researcher drew conclusions after each interview session to make sure that interviewees' answers were in line with their stated perceptions. Also, the researcher consulted with other researchers and authorities, who were familiar with the research question, to ask for their ideas about the interpretation of the information received. Triangulation is a powerful technique that facilitates validation of data through cross-verification from two or more sources. Therefore triangulation is used in this research. The greater the agreement of different data sources on a particular issue, the more reliable the interpretation of the data.

3.6 Research assumptions

The effects of Chinese SMMEs to sustainable livelihoods in Nelson Mandela Bay Metropolitan District after 1994

This study assumes that:

- Chinese SMMEs contribute to the economic development in the region.
- Local livelihoods face a series of challenges.

- Chinese SMMEs improve local livelihoods in several aspects.
- There are factors that hinder the development of Chinese SMMEs.

3.7 Problems of the research

Two major problems associated with the research are that:

Firstly, the research adopted convenience sampling as the main method of approaching respondents. The respondents were mostly from micro and small-sized businesses. There were no medium-sized businesses involved in the study. This was one of the limitations in the study.

Secondly, the research utilised a qualitative approach as the main research methodology. Interviews were conducted in order to obtain data. However, the interviews could not comprehensively reflect the challenges of local livelihoods. Thus, the research did much to document findings than to explore the livelihoods challenges.

3.8 Ethical clearance of the research

Ethical issues in qualitative research are often more subtle than issues in survey or experimental research. This research kept to the rules of ethical concern, assured protection of participants from harm, prevention of deception, protection of privacy and informed consent. The respondents' participation was totally voluntary. Audio and video documents recorded were kept strictly confidential. The responses and quotations that appear in the research were kept strictly anonymous. In addition, this research project was approved by the institutional Research Ethics Committee at the NMMU to ensure that the respondents' rights were fully protected.

3.9 Conclusion

In this chapter, the researcher articulated the overall methodological framework containing the research design, the research process and the choice of the sampling methods used in the project. In addition, the problems of the research, the research assumptions and research delimitations were described. Issues relating to ethical clearance were also elaborated.

CHAPTER 4: FINDINGS

This research report focuses on exploring the links between Chinese SMMEs and sustainable livelihoods, looking in particular at the effects that Chinese SMMEs bring to the local people in Nelson Mandela Bay Metropolitan District.

In Chapter 3, the researcher articulated the overall approach of the research containing the research design, the research process and the choice of methodology. The aim of Chapter 4 is to present the findings that derived from data collection and analysis.

Findings were derived in three parts, through (1) document analysis; (2) in-depth interviews; and (3) focus group discussions. Through the document analysis, several factors of significance relating to people's livelihoods are examined and analysed.

4.1   Livelihoods challenges in Nelson Mandela Bay

The first objective of the research, as recorded in Chapter 1 above, was to identify the current livelihoods challenges in Nelson Mandela Bay Metropolitan District. In livelihoods studies, assets are said to constitute a stock of capital consisting of human capital, social and political capital, physical capital, financial capital and natural capital. The value of human, physical and financial capital in considering challenges to livelihoods is considered below.

4.1.1 Human Capital

Labour force: From 2011 census statistics (Data adopted from Statistics South Africa), Nelson Mandela Bay was home to 1,152,115 people and the area was ranked as the sixth most populous district of the country after cities of Johannesburg (Gauteng), Cape Town (Western Cape), Ethekwini (Durban, KwaZulu-Natal), Ekurhuleni (Gauteng) and Tshwane (Pretoria, Gauteng). In addition, according to the statistics, as shown in Figure 3 below, 60,1 per cent of the population were black African; 23,6 per cent coloured; 14,4 per cent white; and 1,1 per cent Indian/Asian. Furthermore, of the population, 552 994 (48%)

were male and 599 121 (52%) were female. The statistics showed that Nelson Mandela Bay municipality has a large population and potential labour force. Black Africans form the largest population group in the area.

Figure 3. Population groups divided by race in NMBM in 2011
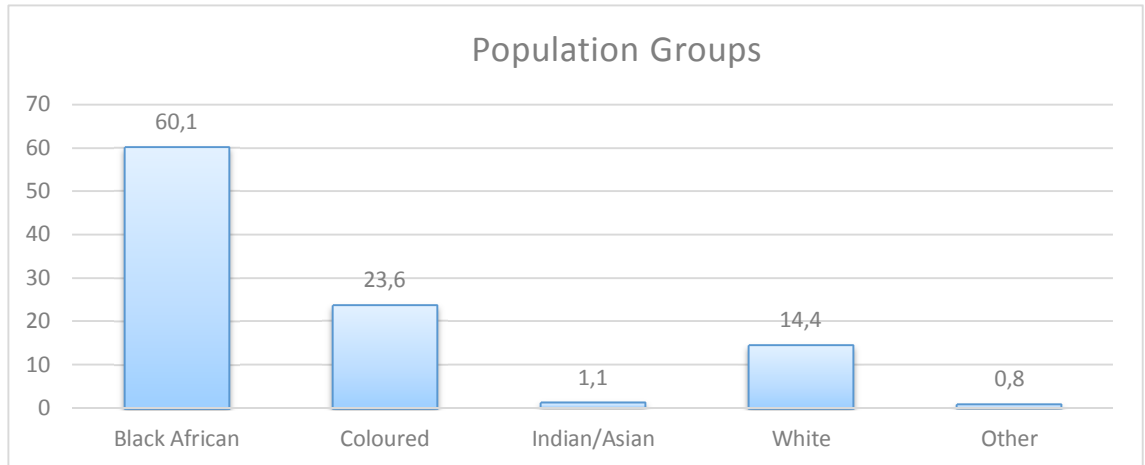
Source: Adapted from Census 2011, Statistics South Africa.

As shown in Table 1 below, 25.5 per cent of the whole population belonged to the 0-14 year old category; 68.5 per cent of the population was of working age (15-64 years); and 6 per cent of the population were in the elderly (>65) category. After calculation, the estimated labour force (population in working age) in Nelson Mandela Bay in 2011 was 789,199.

Table 1. Estimated labour force in NMBM in 2011

CATEGORY	PERCENTAGE	NUMBER	WHOLE
YOUNG	25,50%	293 789	115 2115
WORKING	68,50%	789 199	115 2115
ELDERLY	6%	69 127	115 2115

Source: Adapted from Statistics South Africa

EAP and LFPR: Indicators such as the Economic Active Population (EAP) and Labour Force Participation Rate (LFPR) show that more people are participating in productive activities than reflected in Table 1 above. The EAP includes the

proportion of the population from 15 to 64 years of age that are employed, self-employed or seeking employment. In essence, it is the number of people who are willing and able to work that can generally be viewed as the labour force (ECSCC, 2012). The LFPR is EAP divided by the total population, embodying the proportion of EAP of the whole population. Figure 4 below shows the EAP and LFPR of Eastern Cape. This demonstrates that with a consistent population growth, both EAP and LFPR, inversely, were declining over the years 2006 to 2010.

Figure 4. Labour Force Participation Rate in Eastern Cape
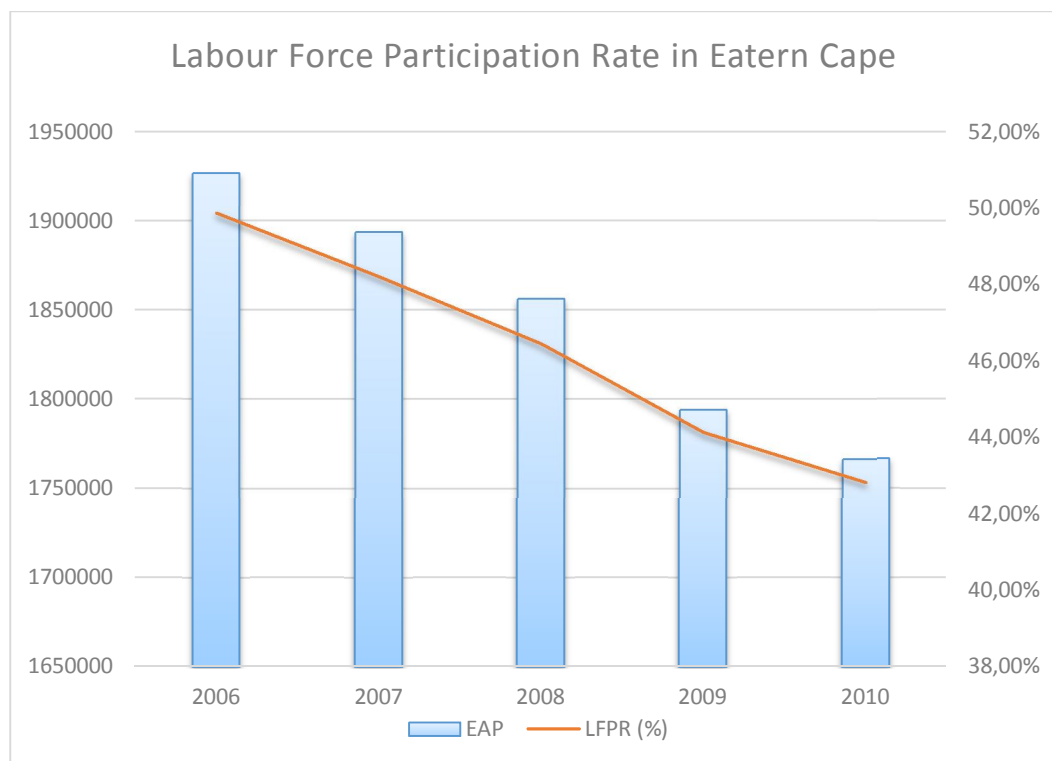
Source: ECSECC, 2012.

Table 2 below shows that, in 2011, the EAP in Nelson Mandela Bay was 499,243; correspondingly, the LFPR was 63.3 per cent. This implies that although this district has high population density and a substantial estimated work force. More than 36 per cent of the population in the economically active age group, was completely inactive, cut off from the labour market. In other words, they were either not able or not willing to work. This

phenomenon could be derived from a variety of reasons of which, education, health and socio-economic conditions of population certainly play a role.

Table 2. EAP and LFPR of Nelson Mandela Bay

Category	Number	EAP	LFPR
Employed	290 155	499 243	63.3%
Unemployed	167 229		
Discouraged Work Seeker	41 859		
Not Economically Active	289 969		

Source: Adapted from Statistic South Africa

Education/skills: Figure 5 below shows education levels of the people in Nelson Mandela Bay in 2011. As indicated, 2.7 per cent of the population had no schooling; 39.30 per cent only attained some primary level education; 5.60 per cent completed primary school; 33 per cent had some secondary education; 15 per cent finished secondary; and 2.7 per cent achieved tertiary education.

Empirical studies (Such as OECD Better Life Index) have demonstrated that with better education and skills, individuals achieve greater benefit to their well-being, and that employees with higher education are more favoured in the labour market. This figure suggests that only 17.7 per cent of the population had a high-school qualification or above, while the rest, especially the least trained and educated sections of the population, faced difficulties in finding employment opportunities in a limited job market.

Figure 5. Education Level of Nelson Mandela Bay
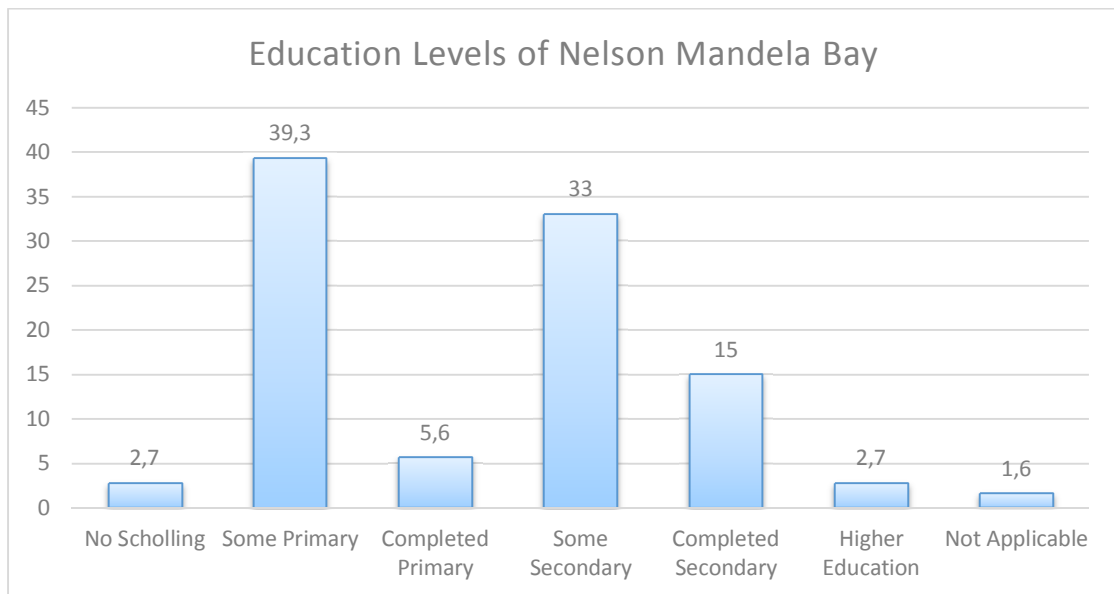
Source: Adapted from Statistics South Africa

Health: The most serious health problem in South Africa is unquestionably HIV and AIDS. This country faces one of the highest HIV-prevalence rates in the world and is home to the world's largest population of people living with HIV. In 2010, it was estimated that 6.3 million people infected with HIV. This represented over 12.5 per cent of the population (ECSECC, 2012). According to the Nelson Mandela Bay Metro Annual Report, the HIV prevalence rate was 30 per cent in 2012. The pervasiveness of this disease has resulted in lower life expectancy and a generally lower standard of living. Furthermore, local people were also struggling other and related health risks, such as tuberculosis (TB), maternal and child mortality, non-communicable diseases, violence, injuries and trauma. All these health conditions endanger people's capability to exchange human capital and the give rise to serious social economic burdens.

Human Development Index: The HDI provides a composite measure of three basic dimensions of human development: health, education and income, and it represents a push for a broader definition of well-being (UNDP, 2012). Internationally, the HDI has become a preferred measure of people's ability to live a long and healthy life, to be able to communicate, to

participate in the life of the community and to have sufficient means to afford a decent living.

From the UNDP's 2011 evaluation, as shown in Figure 6 below, South Africa's HDI was 0.619 in 2011, which gives the country a rank of 123 out of 187 countries. The national HDI appeared to be at its highest in 1995 at 0.644, then dropped to 0.599 in 2005. After 2005, the HDI has been rising slowly, but continues to lag behind the 1995 high.

Figure 6. Human Development Index of South Africa
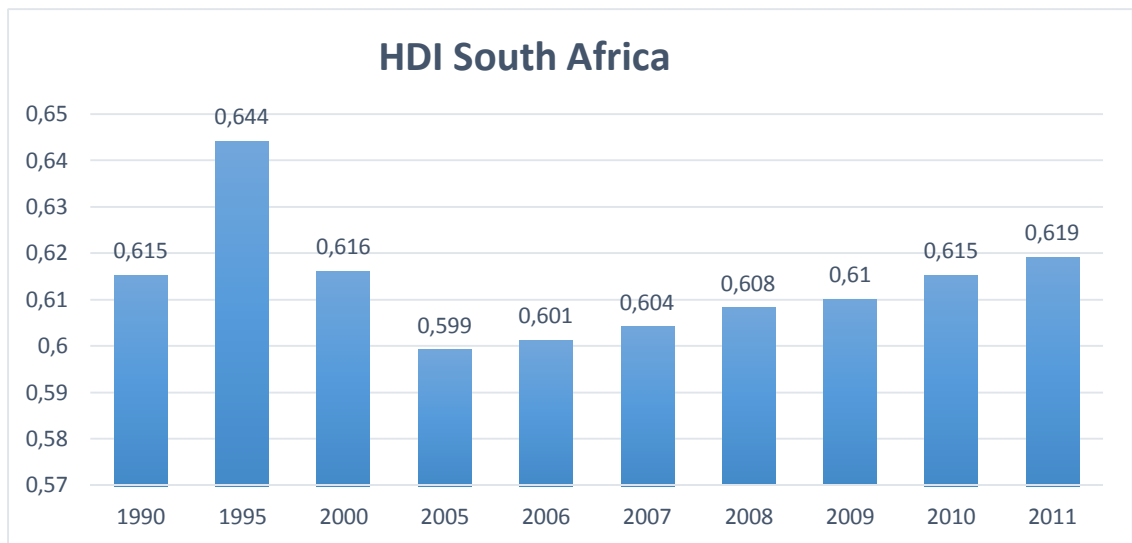
Source: UNDP, 2012.

However, the HDI of Eastern Cape province, where Nelson Mandela Bay Metro is located, has also shown a decline between 2006 and 2010. As shown in Figure 7 below, from 2006 to 2010, the HDI declined from 0.523 to 0.513. It is important to note that, data in Figure 6 was collected by UNDP, while the data in Figure 7 was collected by the Central Statistical Service (CSS) of RSA. Slight difference may be owing to the use of differing data analysis procedures. However, the HDI is a true reflection of human capital and trends show that in South Africa, people's right to achieve well-being had been undermined.

Figure 7. Human Development Index of Eastern Cape
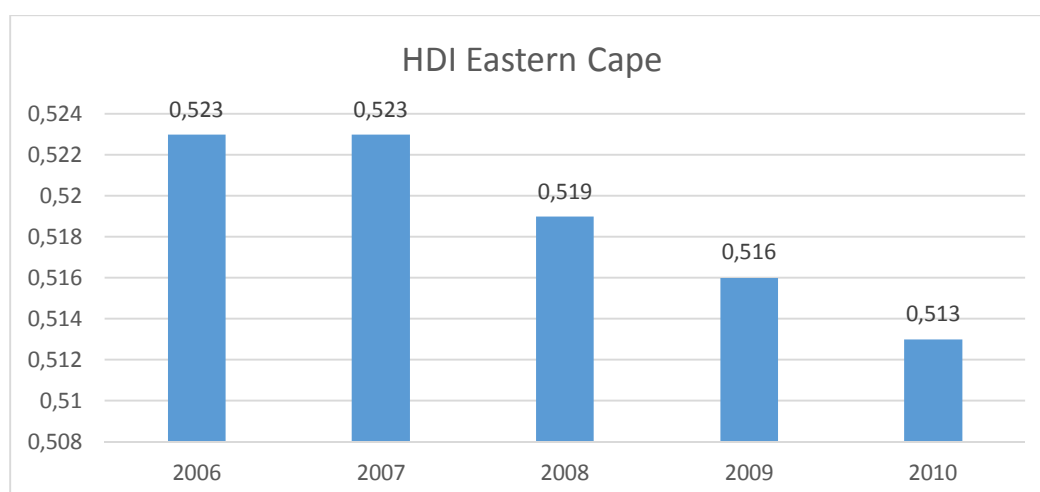
Source: ECSECC, 2012.

4.1.2 Physical capital

Data from Statistics South Africa and Nelson Mandela Bay Municipality's publications have shown a relatively positive side of public service and infrastructure. For example, Statistics South Africa data shows that in 2011, 90,5 per cent of households were using electricity as the main source of energy for lighting. Up to 90 per cent of households had access to piped water inside their dwellings. Nelson Mandela Bay Metro consistently had the highest percentage of households with access to flush/chemical toilets (89, 4%) and the lowest percentage of households with no access to a toilet (1,9%), compared to other district municipalities in the Eastern Cape. A 2012 municipality report reveals that 91 per cent of households were connected to sanitation services in 2011.

There are, however, according to municipality reports, still challenges in regard physical capital. The 'Municipality turnaround' publication lists housing as an ongoing challenge. Out of a total of 289,000 households, 112,306 were classified as indigent; 84,781 were backlogged; 35,772 were in informal areas and a further 49,009 were backyard shacks (Nelson Mandela Bay Municipality Annual Report 2011/12). It is also pointed to a shortage of clinics, as well as overcrowded, understaffed health facilities. Furthermore, there are ongoing challenges in the district of people's access to affordable transportation.

Figure 8. Access to Internet

PERCENTAGE

From Home
11%

From Cellphone
14%

From Work
5%

From
Elsewhere
5%
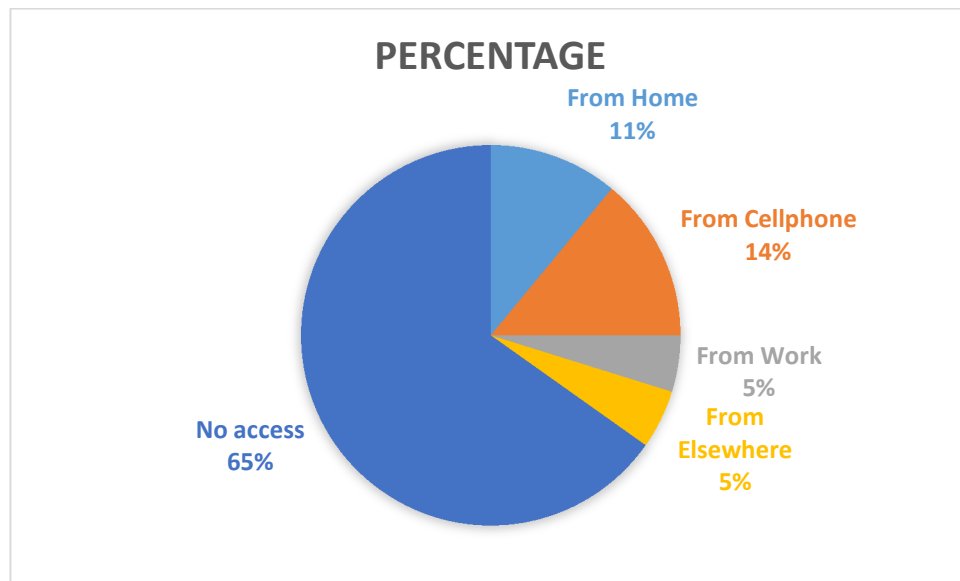
No access
65%

Source: Adapted from Statistics South Africa

Last, but not least, people still have limited access to technology and information. As illustrated in figure 8 and 9, only 26.3 per cent of households owned computers, and 65 per cent of the population had no access to Internet.

Figure 9: Household Goods

HOUSEHOLD GOODS

	Yes	No
Electric/Gas-stove	85,10%	14,90%
Refrigerator	78,20%	21,80%
Motor Car	35,60%	64,40%
Landline/Tellphone	23,50%	76,50%
Radio	67,90%	32,10%
Satellite Tv	29,30%	70,70%
TV	83,90%	16,10%
Computer	26,30%	73,70%
Cellphone	85,50%	14,50%
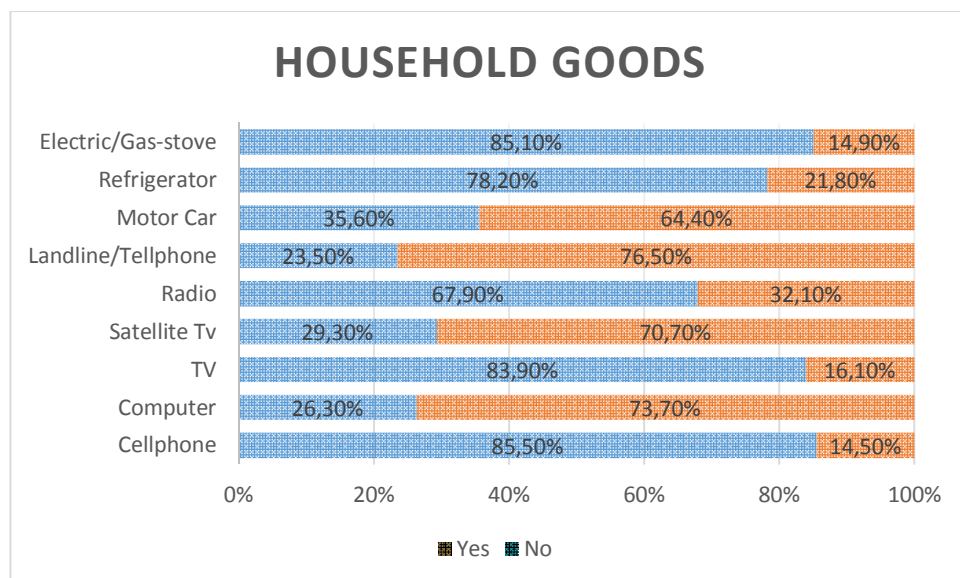
Source: Adapted from Statistics South Africa

4.1.3 Financial capital

Unemployment: Figure 10 below shows the employment situation in the district. There were 290,155 people employed in 2011, 167,229 unemployed, and 41,859 discouraged work seekers. The figure shows that, excluding the economic inactive population, the unemployment rate was 36.6 per cent in 2011. When this denominator is extended to the whole population, the unemployment rate would reach 63.2 per cent. Hence, the most serious problem in NMBM is the high degree of unemployment that hinders individuals and families from generating income and blocks access to financial capital. As a consequence, livelihoods had been devastated in the Metro.

Figure 10. Unemployment
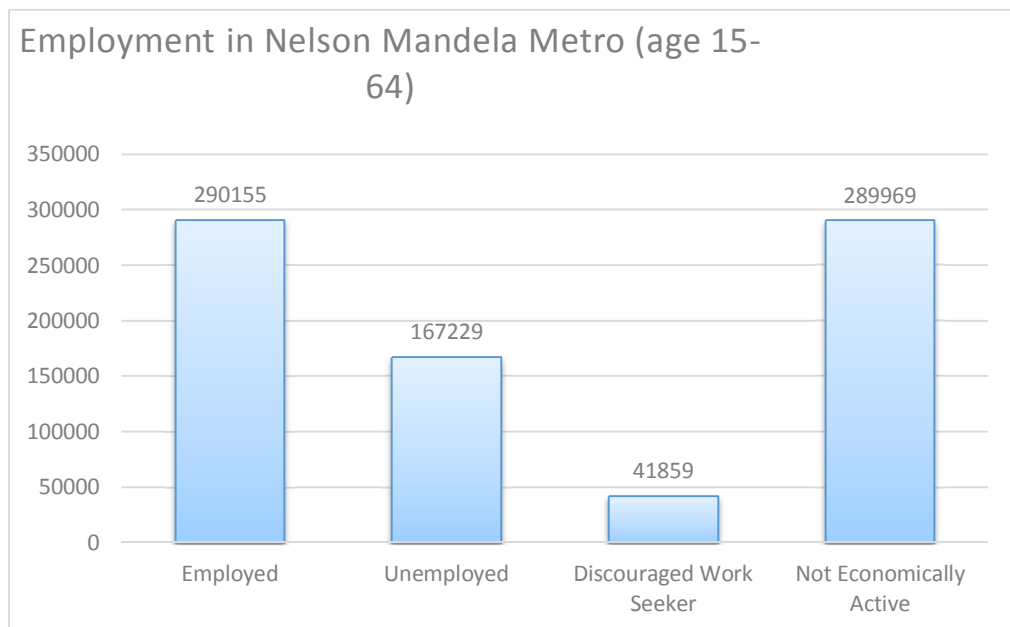
Source: Adapted from Statistics South Africa

Social grants: According to the NMBM Municipality Factsheet (2009), the NMBM has an indigent register and an extensive outreach programme to register customers who need assistance. It shows that more than 40 per cent of households in the NMBM were indigent and received at least one of

the government social grants. The types, purpose and amount of the current grants are shown in Table 3 below. Four grants, namely, the Care Dependency Grant, the Older Person's Grant, the Disability Grant and the War Veteran's Grant, provide the highest monthly, individual allocation of social welfare at R 270; the rest comprise just a few hundred rand. In addition, the NMBM municipality has also made other free basic services available to indigent families and households. Those households that qualify received credit for property rates, water, electricity, refuse disposal etc.

In general, social grants might benefit a great number of people who really struggle in their lives and their rights should be protected. According to Section 27 of the South African Constitution, "Everyone has the right to have access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance. The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of each of these rights."

However, these grants and exemptions cannot solve the poverty problems at grassroots level. Firstly, grant payments seem to be too small, the highest amount at R1,270. Secondly, despite government's significant savings in the cost of administering social assistance, grant increases have not kept pace with inflation, which the Treasury estimated at 5.7 per cent in 2012 and 5.6 per cent in 2013. Grants cannot solve poverty. Their sole function is in alleviating the degrees of poverty experienced in the country. Furthermore, according to finance minister, Pravin Gordhan, more than half of South African households benefit from social assistance and, for 22 per cent, grants are the main source of income. This means that many people live off government grants and still cannot find other ways or generate means to make a living, viz, livelihoods.

Table 3. Social Grants 2013/2014 in NMBM

Social Grant	Purpose	Grant Amount
Child Support Grant	Income support to caregivers of children in need.	R300
Foster Child Grant	Income support to caregivers of children in foster care (you must have a court order).	R800
Care Dependency Grant	Income support to caregivers providing permanent care to children with severe mental or physical disabilities (must have medical assessment).	R1270
Disability Grant	Income support to adults who are not able to work because of a mental or physical disability.	R1270
Older Person's Grant	Income support to older men and women.	R1270(+R20 in older if than 75)
Grant-in-Aid	Income support to people (already getting Older persons' Grant, War Veterans or Disability Grant) who need full-time care from someone.	R300
War Veteran's Grant	Income support to older men and women who served in 1st, 2nd or Korean war.	R1270

Source: http://www.blacksash.org.za

4.2 Chinese SMMEs and local sustainability

In this paper, the researcher chose two representative groups of Chinese people who were characterised as small business traders, namely, the Fujianese and those who are from other parts of mainland China as 'Newcomers'. The Newcomers are those who arrived in South Africa after 1994. They are currently the mostly vibrant Chinese groups in South Africa's business sector.

4.2.1 Service/goods

McNamee (2012) stresses that the influx of Chinese products and the proliferation of small Chinese enterprises are affecting the way of life in African towns and cities. This study made the finding that Chinese SMMEs have had notable effects on promoting local sustainable livelihoods by providing a great variety of goods and services to local markets and local people.

The respondents were asked to indicate their perceptions of the effects of Chinese SMMEs on local livelihoods.

Firstly, respondents expressed consensus on the contributions made by those Fujianese, who were mostly identified as small Chinese shop-owners, generally engaged in running small 'textile' shops, grocery shops, etc. In terms of livelihoods, their contribution can be summarised as: (1) providing cheap substitutes to the local market; (2) cutting down the living costs for the local poor and relieving their financial capital burden; (3) forming a nationwide network; (4) delivering services for a great spectrum of local people, especially the poor and marginalised.

Secondly, poverty and inequality have reached chronic levels in South Africa. On the one hand, people living in poverty need cheaper substitutes for those goods produced and supplied by the local market. Demand for cheaper goods has soared particularly in underdeveloped townships, informal settlement and rural areas. Poor infrastructure and instability shuts the gates to most investors. On the other hand, Fujianese business owners are said to make profit out of their businesses but, with lower skills, education and financial accumulation, they cannot compete with the Chinese wholesalers in big city malls. Further,

Chinese businesses have become saturated in most well-off areas. Thus, many Fujianese business owners have moved out of cities and dispersed to other parts of the country where "bigger markets" and "easier money" were perceived to be available.

There is no reliable data about the size of the Fujianese population in South Africa. Guerrero and Manji (2008) estimate that in 2004, the Chinese population in South Africa ranged from 100,000 to 400,000. McNamee (2012) states that, "In some Southern African countries more than half of the traders come from just one province, Fujian, home to less than 3 per cent of China's total population." This idea was borne out in the interviews conducted for this study. "*Most of the Chinese people you see probably are Fujianese … they are everywhere!*" said one respondent. Consequently, the presence of Fujianese forms a huge network which covers urban areas, townships and even rural areas.

However, other views suggested that the quality of goods in Fujianese-owned businesses was disputable, often described insultingly as "Fong Kong". This was the view expressed by interviewees describing the local market. The respondents said there were many hierarchies of goods from China per se, but that the goods shipped to South Africa and other African countries were unfortunately of the lowest quality. One respondent pointed out that: '*Some of the goods we sell are mostly rejected products from the Chinese market, but in South Africa, they have much bigger market. People do not care about the quality. They only seek cheap items from our shops*". Another respondent said: "*Some of the Chinese products I see in the market, especially toys and household products, I cannot believe it is already the twenty-first century in Africa*".

The quality debates reportedly also exist in Chinese communities. 4 out of 12 respondents expressed their concerns: "*It is unfair for the local people spending money on those 'Po Lan' (rubbish in Mandarin). It devastates the reputation of China and people should be ashamed of them*". 7 out of 12 reserved their comments and stayed neutral, saying that: "*As long as there is need for both parties, it is not their businesses to judge*".

Nevertheless, Fujianese SMMEs still play a significant role in the economy and people's daily lives. At this stage, they can still satisfy the demands of the local poor.

Thirdly, the group of people from mainland China, named by the researcher 'Newcomers', come from all other parts of China and reside in urban areas and reportedly do not involve themselves in the business fields where Fujianese already have an extensive competitive edge. The Newcomers are mostly involved in other business sections and as such they also play an important role in the local economy, contributing to improving the livelihoods by providing relatively cheap goods, technology and services to the local area. For example, Respondent P6 was a subcontractor for a telecommunication company in South Africa whose goods and services help to improve infrastructure, hence people's access to physical capital. Respondent P4 provided camera and surveillance equipment, promoting human capital and financial capital. However, in terms of goods and services, some Newcomers are engaged in atypical SMMEs that were difficult to evaluate, for instance restaurants and take-outs, etc., contributing to other aspects of livelihoods. Their effects will be discussed below.

To conclude, Chinese SMMEs provided goods and services and improved livelihoods in local areas. The Fujianese especially have played an essential role in enabling the poor and marginalised populations to have access to affordable goods and services.

4.2.2 Employment

Document analysis reveals a most serious livelihoods challenge in the Nelson Mandela Bay Metro. A high degree of unemployment and lack of access to financial capital were the most urgent problems. SMMEs are vital to job creation. Kim (2011) states that SMMEs are considered the engines of growth in developing countries. In developed countries, SMMEs have historically played a vital role in creating jobs, spurring innovations and creating new products. Thus they contribute to economic vitality and growth.

The 12 Chinese SMME owners interviewed were asked to indicate the number of local employees in their business. Table 4 shows the distribution of employees in each of businesses. The SMME that employed the largest

number of local employees was P6, a telecommunications company who employed 16 local people. This was followed by a manufacturing factory (P5), with ten local employees. The lowest number of local employees appeared in a hardware retail shop and a clothes retail shop (P10, P11), each employing just one local person.

Table 4. Employment Information

CATEGORY	BUSINESS	CODE	LOCAL EMPLOYEES
RESTAURANT/HOTEL	Restaurant	P1	2
	Take-out	P2	3
ELECTRONICS	PC/Laptop	P3	3
	CCTV/Camera	P4	4
MANUFACTURE	Factory	P5	10
TELECOMMUNICATION	Sites Maintenance	P6	16
	Sites Technology	P7	6
CLOTHES RETAIL	Clothes Shop	P8	2
	Clothes Shop	P9	4
	Clothes Shop	P10	1
HARDWARE RETAIL	Hardware shop	P11	1
	Hardware shop	P12	2

Intention to Employ Local People

Most respondents expressed an interest in employing local people for the following reasons: (1) language/ communication; (2) BEE policy; (3) cheaper labour cost; (4) dispelling stereotypes.

Most respondents faced language challenges. "*No matter how long we have been in this country, our English do not sound authentic.*" Lacking language/communication skills has made them more willing to employ local people, especially those SMMEs willing to integrate into the local system. On the other hand, the costs of hiring Chinese employees were rather high. In Fujianese cases, SMME owners had to offer partnerships or shares to keep their Chinese employees, let alone sharing essential trade secrets. In formal

sector cases, SMME owners were required to subsidise employees recruited from China. Taking these scenarios into consideration, it was seemingly more practical to employ locals.

Apart from language and costs, the researcher found that "stereotypes" also played a crucial role in steering Chinese SMMEs. Respondent P3 shared his experience about stereotypes: *"People believe that Chinese people can open shops, make take-away, but they do not trust us when we are selling computers if it is new to them. To 'break the ice', we had to employ local technicians and sales."*

Further, employing local South Africans could help Chinese SMMEs gain BEE credits and to become more compliant with South African labour legislation. In South Africa, if enterprises had turnover greater than R5 million (or R2.5 million in the tourism sector), business owners are compelled to be B-BBEE compliant. The B-BBEE works on a scorecard system. Employing local black population could help Chinese SMMEs to gain BEE credits and to be compliant to the law.

Current employment

Creating jobs and reducing unemployment are key economic and social challenges in South Africa. This is explicitly recognised by the South African government, which, under their policy framework known as the "Accelerated and Shared Growth Initiative for South Africa" (ASGISA), aims to halve unemployment by 2014 by removing a number of constraints on faster output and employment growth (OECD, 2010).

Referring back to Table 4, there was no doubt that Chinese SMMEs played an important role in absorbing the local labour force. However, the numbers of employees varied from business to business. Due to the qualitative nature of this research and a lack of data, the researcher could not predict which group of Chinese SMMEs employed more local people. However, the Newcomers appeared to have more potential and capability to employ a local labour force.

Next, salaries are the main source of accessing financial capital in livelihoods and providing perspective. Salary scales also vary in different types of business and employment positions. Respondent P4 paid employees the highest salary,

at R7,500 per month. This was followed by Respondents P3 and P6, who paid out R6,000 per month to employees. The lowest salaries were paid by Respondents P12 and P1, at R2,800 and R2,900, respectively. SMME owners tended to pay higher salaries to the employees who had better education and higher skills, for example: IT technicians, telecommunication engineers, sales managers, who had much higher salaries than shopkeepers and/or domestic workers.

Regarding quality of employment, the four strategic objectives defined by the International Labour Organisation (ILO) as constituting "decent work" are: (1) the promotion of standards and rights at work, to ensure that workers' constitutionally protected rights to dignity, equality and fair labour practices amongst others are safeguarded by appropriate legal frameworks; (2) the promotion of employment creation and income opportunities, with the goal being "not just the creation of jobs, but the creation of jobs of acceptable quality; (3) the provision and improvement of social protection and social security, which is regarded as fundamental to the alleviation of poverty, inequality and the burden of care responsibilities; and (4) the promotion of social dialogue and tripartism (Cohen and Moodley, 2012). With these objectives in mind, this study sought to evaluate levels of job quality that Chinese SMMEs have created.

Respondents were asked to indicate what kind of contract they entered into with employees. The finding was that only three SMME owners (P3, P5 and P6) signed formal contracts with their employees, while the other SMME owners entered into verbal agreements only with their employees. Similar to practice in other SMMEs in South Africa, atypical employment patterns in Chinese SMMEs were pervasive. Moreover, the findings of this study indicate that Newcomers' SMMEs had more potential to provide 'decent jobs', compared with Fujianese SMME owners.

Challenges to standard employment

The first challenge to standard employment concerns working ethics and attitudes. In the interviews, most Chinese SMME owners stated that South Africans, especially many amongst the black population, have a common problem of "laziness": *They take their time; they are reluctant to work; and they*

talk *"Eish, I am tired" all the time!"* However, it should be admitted that the opinion was subjective and lacking empathy. But, at the same time, this attitude suggests that Chinese SMME owners attach great importance to work ethics, and they factor employees' work attitudes into the evaluation of their employees. Another point that emerged in focus group discussions was that some SMME owners had problems of "trust" with their employees.

The second challenge concerns labour law and legislation. The labour law and legislation hindered employment practices in both Chinese SMMEs groups. Bhorat and Van der Westhuizen (2008) argued that there are too many restrictions and onerous requirements imposed on small employers. SMMEs suffer excessively under the burden of labour legislation and "they generally do not have the financial or administrative resources to comply with all regulatory requirements" (Bhorat and Van der Westhuizen, 2008). Chinese SMMEs also faced the challenges of complying with local labour law and legislation. One respondent intimated that "*it took me months to dismiss one of my employees. The procedure was redundant and painful. I do not ever want to experience it again".* This statement endorses the view of Van Niekerk (2007) that the overly strict interpretation of procedural fairness contributes to employers increasing their use of atypical employment in order to avoid dealing with the perceived requirements. Chinese SMME owners expressed the view that in the local labour market, unemployment was extremely high and pervasive. This was observed when general job vacancies came up and drew a large number of applications. The initiative therefore rested with employers. SMME owners were rather realistic and business-oriented, and could easily adopt atypical employment practices to reduce their financial burden and responsibility.

4.2.3   Education/skills transfer

With regard to education and skills transfer, this study found that Chinese SMMEs have set some good examples. When asked about training programmes available to employees, three of 12 SMME owners said they offered the following:

- P3: Software and hardware; PC maintenance and repair; Anti-virus; C programming, etc.;

- P6: microwave transmission; Site maintenance; 3G Tech, etc.;
- P7: BTS (base transceiver station) theory and maintenance.

Three further SMMEs offer practical skills training in:

- P1: Cooking;
- P4: CCTV installation, climbing and safety; basic electrician training;
- P5: Machinery operation.

Two further SMMEs (P12, P9) offered training with teller machines.

Education and training empower employees to elevate their work skills, upgrade their chances of promotion and increase their future employability. This adds value to employees' human capital. When employees find themselves out of their current job, they can use the knowledge and skills they have acquired to find other sources of income to cope with 'shock' of unemployment. In addition to salaries and skills transfer, Sinxoto (2007) states that the SMMEs also contribute to the social welfare by means of fringe benefits offered to the employees. These fringe benefits include medical aid, pension schemes, provident funds, paid leave, UIF (unemployment insurance fund) and allowances, such as performance bonus, profit-sharing, transport, and bursaries (Sinxoto, 2007). Fringe benefits raise the equity of the employees and improve their quality of life and that of their families.

4.2.4 Tax revenues

As established, SMMEs contribute more than 50 per cent to South Africa's GDP. SMMEs also contribute to revenue. Figure 11 below shows income tax tables for small businesses and turnover tax rates for the 2013/2014 year. In this period, small business corporations had to pay up to R59,702 plus 28 per cent income tax; micro businesses had to pay up to R15,500 plus 6 per cent turnover tax. Taxation policy was more favourable to micro enterprises than small business enterprises because micro enterprises play a critical role in income generation in the lives of many South Africans.

According to Cobham (2005), revenue is the most obvious and direct role of taxation. Three separate calls on the public purse can be identified, each of

which must ultimately be met by tax revenues: (1) the short-term need to address immediate problems of human development – the imperative that stems from a basic needs conception of poverty, including the provision of food, clothing and emergency medical treatment; (2) the (immediate) need for investment to address less pressing but equally important human development issues – those stemming from a more complex (development as freedom) approach to poverty, including education and preventative medicine (e.g. against HIV/AIDS) – and to simultaneously improve economic potential; and (3) the creation and/or long-term maintenance of the institutions and governance structures needed as guarantors of (the long-term stability of) quality of life, and prospects for its further improvement.

Figure 11. Tax rates

INCOME TAX: COMPANIES
Financial years ending on any date between 1 April 2013 and 31 March 2014

Type	Rate of Tax
Companies	28%

INCOME TAX: SMALL BUSINESS CORPORATIONS
Financial years ending on any date between 1 April 2013 and 31 March 2014

Taxable Income (R)	Rate of Tax (R)
0 – 67 111	0% of taxable income
67 112 – 365 000	7% of taxable income above 67 111
365 001 – 550 000	20 852 + 21% of taxable income above 365 000
550 001 and above	59 702 + 28% of the amount above 550 000

TURNOVER TAX FOR MICRO BUSINESSES
Financial years ending on any date between 1 April 2013 and 31 March 2014

Taxable turnover (R)	Rate of tax (R)
0 – 150 000	0% of taxable turnover
150 001 – 300 000	1% of taxable turnover above 150 000
300 001 – 500 000	1 500 + 2% of taxable turnover above 300 000
500 001 – 750 000	5 500 + 4% of taxable turnover above 500 000
750 001 and above	15 500 + 6% of taxable turnover above 750 000

Source: SARS

In the interviews, respondents pointed to the importance of tax revenues. One Chinese SMME was registered for Value Added Tax (VAT) whilst all 12 businesses were registered with the South African Revenue Services (SARS). Their channels of payment were mostly through their accountants. However, there was still controversy in South Africa about Chinese "cash only" businesses, with the charge that Chinese SMME owners do not pay tax. The interviews revealed that Chinese SMME owners had been paying tax, although the amounts were kept undisclosed.

Governments use taxes to fund welfare and public services and, ultimately, these result in improved livelihoods. According to the NMBM municipality 2011/2012 report, the government also uses income to allocate a variety of grants to improve livelihoods, namely, the Financial Management Grant; National Electrification Programme; Municipal Infrastructure Grant/Urban Settlement Development Grant; Transport or PTIS; Neighbourhood Development Partnership Grant; Neighbourhood Development Grant – Technical Assistance; Energy Efficiency and Demand Side Management Grant; and Municipal Drought Relief Grant. These grants originated from the taxpayers, and in this way taxes were returned to the local people. Sinxoto (2007) asserts that tax contribution plays a vital role in the redistribution of wealth in South Africa. Broadening the tax base through the development of SMMEs will ensure that public services reach a large number of people who would have otherwise been excluded from such services. Therefore, to conclude, Chinese SMMEs contributed to GDP and tax revenues and, indirectly, this improved sustainable livelihoods.

4.3   Sustainability of Chinese SMMEs

This section deals with the study's finding on the sustainability of Chinese SMMEs. Findings are drawn mostly from interviews and focus group discussions.

The study found that Chinese SMMEs in the NMBM are by and large sustainable. This was consistently the view of respondents when they were asked to share their perceptions of doing business in Nelson Mandela Bay. All

(12 out of 12) of the respondents expressed positive views about their business activities, using words such as "easy", "competition is very low", "not difficult", "not bad" . Ten out of 12 respondents expressed the view that the market was "very big".

When respondents were asked if they believed they could sustain their businesses and make a profit from them, the majority (11) replied affirmatively. Although some Fujianese respondents expressed discontent with the competition between Chinese, Somalian and Bangladeshi shops, they felt their businesses were still stable. Their major competitors were other Chinese shops.

When respondents were asked to indicate their sources of start-up funding, surprisingly, all 12 out of 12 respondents indicated that they used their own funds to set up their businesses and did not seek bank loans. Family and relatives were their major source of funding, not only to help with start-up, but also to help with cash flow when necessary.

Some factors hindered the development of Chinese SMMEs locally. In the first place, when respondents were asked if they had received any assistance from local SMMEs promoting agencies, nine out of 12 said they had not received any assistance from South Africa. Three respondents said they had paid for professionals to assist them. The DTI and its agents, Ntsika Enterprise Promotion Agency, Khula and SEDA, were reported to have failed in helping Chinese SMMEs.

Secondly, contradictory views emerged from focus group discussions on whether Chinese SMMEs owners would stay in South Africa or not. On one hand, a majority (11) of respondents indicated that they would consider leaving the country in the future. The most dominant reason was culture. Respondents said that, being Chinese, they a great responsibility to "take care of family". This cultural "call back" was deeply rooted in their minds. These respondents said that, as they grow older, the wish to return to their country of origin becomes stronger. Away from home, they lacked a sense of belonging. Linguistic and cultural differences made it difficult for them to integrate; racial tension and apartheid-era attitudes still persist. One focus group participant stated: "*Nothing has changed after 1994. We always feel like second class citizens!*" On the

other hand, in a short run, these respondents said they would not leave. They expected to stay here long enough to make more profit and grow their businesses.

Thirdly, three factors were identified in focus group discussions that would hinder the development of Chinese SMMEs, namely, (1) governmental accountability; (2) crime; and (3) xenophobia. Regarding the first factor, respondents expressed concern for the future of South Africa. Would South Africa become a second Zimbabwe? And, how long would the honeymoon last between South Africa and China? Concerns were also reported on crime levels in South Africa, the second factor: "*Nothing is more important than life. If human safety were threatened, it is senseless to do business here*"; "*we are 'moving wallets' or 'soft targets'!*" Concerns were expressed on xenophobia, the third factor, in regard to recent events in South Africa, in particularly the nationwide xenophobic attacks in 2008, and the attacks in New Brighton in 2013. "*We were also looted, the media and government treated us as invisible.*"

4.4   Conclusion

This chapter aimed to present the findings of the research and to examine these in relation to the objectives set up in Chapter 1.

The researcher analysed first current livelihoods challenges in the Nelson Mandela Bay Metropolitan District. The challenges of accessing human capital, physical capital and financial capital were recognised and identified. Secondly, the researcher assessed the effects of Chinese SMMEs on local livelihoods, through the provision and promotion of goods/services, employment opportunities, skills transfer, education and tax revenues. Chinese SMMEs were found to have had profound effects on improving local livelihoods. A brief view of the sustainability of Chinese SMMEs and the factors that might hinder the development of Chinese SMMEs were also identified and addressed in this chapter.

CHAPTER 5: CONCLUSION AND RECOMMENDATION

Chapter 4 presented the findings derived from document analysis, interviews and focus group discussions, and the objectives set up in Chapter 1 were addressed. However, the main research question still remains unanswered. This chapter concludes the research by answering the main research question and tying it to the key findings of the study. Further, it will address the limitations of the study and make recommendations for future studies.

5.1 Summary of study findings

In order to achieve social-economic growth, reduce inequalities, decrease unemployment and meet the Millennium Development Goals, government has promoted the formation of SMMEs. This research was carried out to examine the effects of SMMEs in promoting local sustainable livelihoods. A Chinese population group was chosen, confined to the geographical area of Nelson Mandela Bay Metropolitan (NMBM) District.

The NMBM municipality is the sixth most populous district in South Africa with a population of 1.15 million. In 2011, national statistics showed an estimated work force of 789,199 people, or 68.5 per cent of the municipality's population. However, the EAP and LFPR indicated that more than 36 per cent of the population, of working age, were completely cut off/isolated by the labour market, either not able or not willing to work. In other words, around 60 per cent of the population of working age was either working, unemployed or job-seeking. Apart from this, education and health levels of this district are also bleak, with only 2.7 per cent of the population having achieved tertiary education, and HIV/AIDS prevalence rates estimated to be about 30 per cent. The above-mentioned human capital problems have undermined people's abilities to achieve well-being and sustainable livelihoods.

The physical capital of the municipality has also hindered people's capability to achieve sustainable livelihoods. Problems lie in the areas of (1) housing

infrastructure (large housing backlogs, informal settlements and backyard shacks); (2) health infrastructure (shortage of clinics and overcrowded, understaffed clinics in health infrastructure; (3) transport (lack of affordable transportation) and (4) information infrastructure (low access to technology and information).

In terms of financial capital, with just 36.6 per cent of people in official unemployment, there is a serious lack of access to financial capital. If the calculation includes the whole population of working age, the actual unemployment rate soars to 63.2 per cent. However, a serious crisis emerges in low rates of formal employment, affecting the root of well-being for most people in the municipality. In addition, government social grants have also failed to improve livelihoods. Despite 40 per cent of households in NMBM receiving at least one social grant, grant allocations are too little to keep up with the municipality's soaring CPI. Lastly, 22 per cent of households live off social grants, have never tried to work or had another source of income.

Globally, SMMEs have been recognised as a priority sector for growth and development. They have been found to contribute to the improving of livelihoods. This paper examined the effects of Chinese SMMEs on local livelihoods and has found that they do indeed result in improving local people's livelihoods.

1). Chinese SMMEs have provided affordable goods/services to local people, improving livelihoods by the means of reducing local peoples' living costs and relieving tension on their financial capital.

2). The vast extent and distribution of Chinese SMMEs has enlarged their service network, spreading from affluent locales in the city to the least favourable townships and rural settings. This has enabled the poor's engagement in market and with local services.

3). Chinese SMMEs have contributed to employment. Although Chinese SMMEs owners prefer atypical employment contracts, Twelve Chinese SMMEs surveyed in this study have collectively employed 54 local persons, providing local people with gainful employment and assuring their access to financial capital.

4). Chinese SMMEs have trained and transferred skills to employees. Out of 12 Chinese SMMES, three organised workshops, equipping trainees with IT, telecommunication, software and maintenance skills; three Chinese SMMEs transferred practical skills as CCTV installers, climbing and safety, electrical knowledge, machinery operation, cooking etc. Knowledge and skills have enriched trainees' human capital.

5). SMMEs have contributed to the GDP and tax revenues. Revenues are used by government to fund welfare and public services, including education, health care, pension, unemployment benefit, public transportation, infrastructure, housing, etc. These benefits have also contributed to the improvement of local livelihoods. All of interviewed SMMEs were SARS-registered, and one was registered for VAT. It could also be said, therefore, that Chinese SMMEs have contributed indirectly to local livelihoods.

A comparative study was also included in this research. The researcher compared and contrasted two different groups of Chinese SMME owners, namely, Fujianese and the so-called 'Newcomers'. As far as livelihoods are concerned, the Fujianese were valued for their role in cutting down local people's living costs and improving services throughout the country, especially as they have established networks in underdeveloped areas of the country. On the other hand, Newcomers have made more of a contribution to providing potential 'decent jobs', uplifting human capital and contributing to the country's tax base.

5.2 Recommendations for livelihoods uplifting

In conclusion, the following recommendations are made:

- Government should continue to promote SMMEs. The Effects of Chinese SMMEs have indicated that SMMEs play a vital role in economic development, job creation, poverty reduction, crime prevention, social stability and livelihoods uplifting. The experience of Chinese SMMEs owners has exposed that the DTI and other institutions haven't been fully functional to help promoting SMMEs.

- Government should continue to support the education system for more qualified and competent Employees. The most important token for the poor to achieve sustainable livelihoods is better education. Better education not only promotes access to human capital and employment, but also to self-adaptation, health promotion, self-employment, self-esteem. Post-school education and training are essential for gaining skills and developing employability.

5.3 Conclusion

This study attempted to investigate the effects of Chinese SMMEs on sustainable livelihoods in Nelson Mandela Bay Metropolitan District and whether they have helped improve sustainable livelihoods. Using a qualitative methodology, the effects of Chinese SMMEs were addressed and identified. The five objectives of research were also achieved. In addition, the initial research questions were also answered.

The general conclusion of this study is, therefore, despite there are still a lot of challenges in livelihoods in Nelson Mandela Bay, the Chinese SMMEs have resulted in improving local sustainable livelihoods. Moreover, at the end of this research, the researcher also assessed the sustainability of Chinese SMMEs. Most Chinese SMME owners expressed their positive attitude about their capacity to make a profit out of and sustain their businesses. However, the study found that there are some factors that could affect their investment in South Africa, including cultural "call-backs", governmental accountability, crime levels and xenophobic sentiments in the local population.

Some issues remain outstanding. More research is needed to examine how social, political and environmental capital affects people's livelihoods, how livelihoods are affected by a slow growth rate, inflation, poverty, inequality, the apartheid legacy and racial tensions in society.

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INTERNET RESOURCES:

Black Sash homesite: www.blacksash.org.za

SARS homesite: www.sars.gov.za

Statistics South Africa: beta2.statssa.gov.za

APPENDICES

Appendix 1

CHINESE SMMEs AND SUSTAINABLE LIVELIHOODS INTERVIEWS

Invitation Letter

Dear Participant

Welcome for attending my interview. I am currently embarking with a development studies research project which involves Chinese Small medium micro enterprises (SMMEs). I am asking for your help and cooperation in completing this interview. This research aims to evaluate the effects of Chinese SMMEs on local sustainable livelihoods. The University and the researcher guarantee that the information supplied by participants will be treated as strictly confidential. The interview will be completely anonymous. And your input will be highly valued and much appreciated!

There are four sections in this interview. Please listen/read the instructions carefully before answering. The interviews takes approximate 30-60 minutes to complete. Participation is completely voluntary and anonymous – as you may withdraw at any time and your name or address will not be required. All your answers and video/audio/notes will be strictly kept confidential. The responses and quotations that appeared in the final report will be strictly kept anonymous. Any queries about this survey can be directed to either the researcher or the department.

Thank you very much for your support!!

Yours sincerely,

Researcher: Mr Jing Pang

Email: s211109088@nmmu.ac.za

Appendix 2

Authorization

I, participant, hereby admit that I have read all information above and I understand it. I hereby voluntarily consent to participate in this interview.

_____

And I give permission to the researcher to (Tick)

a). Video Taping _____

b). Audio Taping _____

C). Notes Taking _____

_____ (Signature)

_____/_____/_____ (date)

_____

Gender _____   Title _____

Phone_____

Interviewed by _____J. Pang_____

Appendix 3

NB: The interview design below is the simplified version of data collection tool. In the original, background information was presented prior to each sections.

INTERVIEW DESIGN

_____

SECTION 1: CHINESE SMMEs' EFFECT TO LOCAL DEVELOPMENT

1. What is your age?

2. What is your highest level of education achieved?

3.1 What sector of business are you engaged in?

Eg.Manufacturing/Agriculture/Construction/Medical,Health services/Retail/Wholesale/Food, restaurant, beverage and tobacco/Finance and business services /others

3.2 What services/ goods do you offer?

3.3 Which market do you supply?

Local/provincial/national/international?

3.4 Do you import/export, do you manufacture/package in South Africa?

4.1 What do you think the values of Chinese SMMEs will be to the local people? *For example: some Chinese clothes shops supply affordable clothes for the local people, lower down their living cost compare to the high cost purchasing from other stores, etc.*

4.2 What do you think the impact of Chinese SMMEs will be on the livelihoods of local people?

_____

SECTION 2: CHINESE SMMEs' SUSTAINABILITY PROFILES

5. How do you rate the competitive environment in your industry?

Eg: Very high/High/Moderate/Very low.

6. Does your business remain profitable?

7. Please describe the demographic of your customers/clients.

8. In your experience, does South Africa still inspire you to do business here in five-year time?

9. Did you experience setting up your business in South Africa comparable to China easier or with more difficulty? Feel free to elaborate.

10. Do you think the business environment as a Chinese SMME has improved or declined in the last five years?

11. Please indicate how you feel about each of the following factors while doing business in South Africa? If you could select two of the options in each section to elaborate on.

a. Economic Factors: *Exchange rate/Inflation rate/Interest rate Access to credit/Competition/Established financial and banking systems/Economic growth/ Taxes*

b. Political / Institutional Factors: *Stable government / Documentation to start-up a business/Tax regulations/Labour disputes and strikes / Regulations on import of goods/Labour unions*

c. Socio-cultural Factors*: HIV / AIDS / Standard of living / Language barrier / Crime Security / Theft/Racism / Xenophobia / Corruption/Bribes / Moral ethics / Labour skills / Cost of labour Infrastructure (Roads, etc) / Telecommunications*

d. Legal systems: *Confidence in the legal system/Law enforcement/Time to get court judgments/Courts protect the guilty/Execution of court orders/Response from police/services/Access to legal assistance/Cost of legal services*

12. How do you rate the government support and effectiveness on the following services with regard to doing business in South Africa? If you could select two of the options and elaborate.

Municipality services Control of corruption Tax and tax administration Issue of business license / Start-up procedure for a business / Visa and work permits / Issuance / Custom services /Business entry restrictions / Political stability / Efficiency of government departments / Control of xenophobia attacks / Labour disputes / Rule of law/ BEE policy / Fight against crime

13. Is your business financed? *(Yes/no)*

14. What is the source and nature of your financing?

Family/Bank Loan/non-interest-bearing loan/ equity

15.1 What type of local government support you received to start and run your business

15.2 Do the policy frameworks (labour law/ BEE) help you in running your business?

SECTION 3: Chinese SMMEs' Employment Profiles

16.1 Do you employ local people? If yes, how many local people do you employ? And details.

16.2 Do you prefer employing local employees? What are the advantages and disadvantages of local employees?

Nationality/ origin/ salary level/education level/ skills etc.

17. Do you transfer skills and organise training programmes for employees? If yes, please elaborate.

18. How much salary do you pay to your employees?

19. Do you employ long-term or short-term employees? What are the positions you provide? Are they in permanent position or casual position? Elaborate the reasons please.

SECTION 4: Vulnerabilities for Chinese SMMEs

20. What are the other major problems in sustaining your business? What are the most important factors for you considering to give up your business one day in the future?

21. Do have any suggestions for the uplifting of livelihoods? Development of Policy and institutions? What can South Africa do to promote SMMES and sustainability of livelihoods? Please elaborate.

End of Interview

Thank you for your cooperation and participation!

Your interview answers will be highly valued!

Appendix 4

Nelson Mandela
Metropolitan
University
for tomorrow

PERMISSION TO SUBMIT FINAL COPIES
OF TREATISE/DISSERTATION/THESIS TO THE EXAMINATION OFFICE

Please type or complete in black ink

FACULTY: Business And Economic Sciences

SCHOOL/DEPARTMENT: Development Studies

I, (surname and initials of supervisor/promoter) De Klerk, A

and (surname and initials of co-supervisor/co-promoter) _____

the supervisor/promoter and co-supervisor/co-promoter respectively for (surname and initials of

candidate) Pang J

(student number) _____ a candidate for the (full description of qualification)

MA Development Studies

with a treatise/dissertation/thesis entitled (full title of treatise/dissertation/thesis):

Impact Of Chinese Small Business On Sustainable
Livelihoods In Port Elizabeth After 1994

It is hereby certified that the proposed amendments to the treatise/dissertation/thesis have been
effected and that **permission is granted to the candidate to submit** the final bound copies of
his/her treatise/dissertation/thesis to the examination office.

Aislinn de Klerk   28/03/2014

SUPERVISOR / PROMOTER   DATE

And/ Or

_____   _____

CO-SUPERVISOR / CO-PROMOTER   DATE

Appendix 5

**Nelson Mandela
Metropolitan
University**

for tomorrow

ETHICS CLEARANCE FOR TREATISES/DISSERTATIONS/THESES

Please type or complete in black ink

FACULTY: _Department Of Development Studies_

SCHOOL/DEPARTMENT: _School Of Economics, Development & Tourism_

I, (surname and initials of supervisor) _De Klerk A_

the supervisor for (surname and initials of candidate) _Pang J_

_____ (student number) _211109088_

a candidate for the degree of _MA Development Studies_

with a treatise/dissertation/thesis entitled (full title of treatise/dissertation/thesis):

The Effects Of Chinese SMMEs On Sustainable Livelihoods In The Nelson Mandela Bay Metropolitan Municipality District

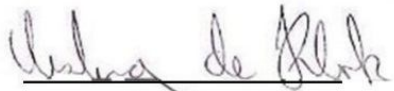considered the following ethics criteria *(please tick the appropriate block):*

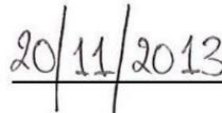|	YES	NO
1. Is there any risk of harm, embarrassment of offence, however slight or temporary, to the participant, third parties or to the communities at large?		X
2. Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		X
2.1 Are subjects/participants/respondents of your study:		
(a) Children under the age of 18?		X
(b) NMMU staff?		X
(c) NMMU students?		X
(d) The elderly/persons over the age of 60?		X
(e) A sample from an institution (e.g. hospital/school)?		X
(f) Handicapped (e.g. mentally or physically)?		X
(g) Socially/economically disadvantaged?		X

AdeK

3. Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		X
3.1 Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		X
4. Will the participant's privacy, anonymity and confidentiality be disclosed/revealed?		X
4.1 Are you administering a questionnaire/survey that:		X
(a) Collects sensitive/identifiable data from participants?		X
(b) Does not guarantee the anonymity of the participant?		X
(c) Does not guarantee the confidentiality of the participant and the data?		X
(d) Will be distributed electronically (e.g. online via email/web link)?		X

> *Please note that if **ANY** of the questions above have been answered in the affirmative **(YES)** the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty Ethics Co-ordinator.*

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.
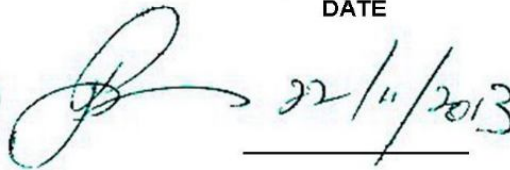
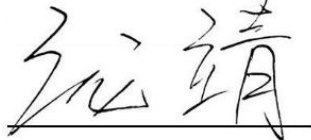_(signature)_   20/11/2013

SUPERVISOR(S)   **DATE**

R.J-HAINER (PROF) _(signature)_   22/11/2013

HEAD OF DEPARTMENT   **DATE**

(signature)   20 November 2013

STUDENT(S)   **DATE**

Please ensure that the research methodology section from the proposal is attached to this form.

Adek

Appendix 6

DEPARTMENT OF ACADEMIC ADMINISTRATION
EXAMINATION SECTION
SUMMERSTARND NORTH CAMPUS
PO Box 77000
Nelson Mandela Metropolitan University
Port Elizabeth
6013

Nelson Mandela
Metropolitan
University
for tomorrow

Enquiries: Postgraduate Examination Officer

DECLARATION BY CANDIDATE

NAME: Jing Pang

STUDENT NUMBER: 211109088

QUALIFICATION: MA Development Studies

TITLE OF PROJECT: THE EFFECTS OF CHINESE SMMES ON SUSTAINABLE LIVELIHOODS IN THE NELSON MANDELA METROPOLITAN MUNICIPALITY DISTRICT

DECLARATION:

In accordance with Rule G4.6.3, I hereby declare that the above-mentioned treatise/ dissertation/ thesis is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

SIGNATURE:

DATE: 27/11/2013

Appendix 7

JANE ARGALL

Research, Writing & Editing Specialist

P O Box 38128 Emlalazi 3894   Tel. + 27 (0) 35 474 5689
Email : jane.argall@telkomsa.net   Cell. + 27 (0) 82 215 4010
                                                Fax +27 (0) 866707002

25 November 2013

CERTIFICATION BY EDITOR

This is to certify that I have assisted Jing Pang (211109088) with the editing and
preparation of his dissertation entitled:

> 'The effects of Chinese SMMEs on sustainable livelihoods in the Nelson Mandela Bay
> Metropolitan Municipality District.'

The final draft was submitted for editing on 21 November 2013 and returned to Mr
Pang on 25 November 2013. Final corrections and editorial changes will be made by
himself.

JC Argall

JANE ARGALL
BA (Honours), MA (University of Natal)
Research, Writing & Editing Specialist