

# The Motivations and Obstacles to Immigrant Entrepreneurship in South Africa

Olawale Fatoki<sup>1</sup> and Tilton Patswairi<sup>2</sup>

<sup>1</sup>*Department of Business Management, University of Johannesburg, P.O. Box 524, Auckland Park Kingsway Campus, Johannesburg, South Africa*

*E-mail: olawalefatoki@gmail.com*

<sup>2</sup>*Department of Business Management, University of Fort Hare, Alice, P.B. X1314, Eastern Cape, 5700, South Africa*

**KEYWORDS** Motivations. Obstacles. Performance. Immigrant. Entrepreneurship. South Africa

**ABSTRACT** This study investigates the motivations and obstacles to immigrant entrepreneurship in South Africa. 101 immigrant entrepreneurs participated in the survey and a self-administered questionnaire was employed in gathering data from African-immigrant entrepreneurs operating in selected cities (Alice, King Williams Town, East London and Port Elizabeth) in the Eastern Cape Province of South Africa. The respondents were selected using the simple random sampling method. Statistical analysis included descriptive statistics and the principal component analysis. The results indicate that immigrant entrepreneurs employ both native and immigrants. The results furthermore indicate that immigrant entrepreneurs are driven into entrepreneurship by both push and pull factors. Employment (a push factor) is the most important trigger. The results also indicate that the obstacles to the performance of immigrant-owned businesses include finance, weak markets, human capital and lack of support. In addition, networking by immigrant is limited to co-ethnics and most immigrant entrepreneurs are not members of regional chambers of commerce. The study gives recommendations on how immigrant entrepreneurs, commercial banks and government can improve immigrant entrepreneurship in South Africa.

## 1. INTRODUCTION

South Africa suffers from high rate of unemployment, poverty, crime, income inequality and weak economic growth, with an official estimate of 23.9% of its economically active population unemployed (Statistics South Africa, Quarterly Labour Force Survey 2011). Agüero et al. (2007: 785) find that approximately 57% of individuals in South Africa live below the poverty income line of two United States Dollars per day. Given the failure of the private and public sectors to absorb the growing number of job seekers in South Africa, increasing attention has focused on entrepreneurship and small and medium enterprises (SMEs) and their potential for contributing to economic growth, job creation and poverty alleviation (Herrington et al. 2010). The terms entrepreneurship and small and medium enterprises (SME) are often used interchangeably in many studies conducted in the field of entrepreneurship (Ayyagari et al. 2005; Acs 2006; Agupusi 2007).

However, despite the noted contribution of entrepreneurship, the level of entrepreneurship in South Africa is one of the lowest in the world. South Africa ranks 27<sup>th</sup> out of 59 countries in the primary measure of entrepreneurship used by

the Global Entrepreneurship Monitor (GEM). South Africa's Total Early-Stage Entrepreneurial Activity (TEA) of 8.9% is below the average rate (11.9%) of all the countries that participate in GEM participating countries. In addition, South Africa's TEA is significantly lower than the average 15.6% for all middle to low income countries and 11.7% for all efficiency driven economies (Herrington et al. 2010). The expected TEA rate of a country in South Africa's stage of development is 16% which is almost double its current 8.9% rating. According to Fairlie (2008) and (Kalitanyi and Visser 2010: 376), immigrant entrepreneurship can help to improve the general level of entrepreneurship and can positively contribute to employment, poverty alleviation and economic growth in their host countries

Pendleton et al. (2006) point out that South Africa is a rainbow nation composed of various racial groups from all facets of the earth. Following independence in 1994, an increasing number of immigrants migrated to South Africa from other African countries and from other continents. Vargas (2005: 579) examines the upsurge in immigration and proposes factors such as globalization, wars, and political problems facing many countries to having contributed to many immi-

grants coming to South Africa. Immigrant entrepreneurs from Sub-Saharan Africa represent a new critical element in the informal economy of post-apartheid South Africa (Peberdy and Rogerson 2000: 21). According to Verhuel et al. (2010), individuals decide to engage in entrepreneurial activity because of different motivations. A distinction is made between positive factor that “pull” (opportunity entrepreneurship) and negative situational factors that “push (necessity entrepreneurship) people into entrepreneurship. Pull factors include the need for achievement and the desire for independence. Push factors include unemployment and family pressure.

A meta-analysis of empirical literature revealed that no study has investigated empirically the motivations and obstacles to immigrant entrepreneurship in South Africa. Immigrant entrepreneurship remains largely unexplored in entrepreneurship research. Studies such as Rath et al. (2002) and Gebre et al. (2011) find that immigrant entrepreneurship creates opportunities that have important implications for the South African economy. Mitchell (2004) and Peberdy and Dinat (2007) examine the characteristics of immigrant entrepreneurs in South Africa. The studies find that most immigrants have post-matric qualifications. Kalitanyi and Visser (2010) find that immigrant entrepreneurship is one of the ways to reduce unemployment in South Africa.

Verhuel et al. (2010) point out that understanding the triggers or motivators of entrepreneurship is important for some reasons. Trigger factors may have consequences for the way in which a business is managed and business performance. In addition, at the macro level, opportunity and necessity entrepreneurs have a different impact on economic growth and job creation. Hechavaria and Reynolds (2009) argue that mapping the trigger factors will provide a more detailed understanding of the outcomes of the start-up process. Amin (2009) and Failla (2012) find that the most successful entrepreneur is more likely to be the person who is pulled into it by the market place. In addition, Sharif (2009) notes that immigrant entrepreneurs face many obstacles or barriers to the success of their business. Understanding the barriers is the first step towards improving the performance of immigrant entrepreneurs.

### 1.1 The Objectives of the Study

The objectives of this research are two-fold: (1) to investigate empirically the motivations

(triggers) of immigrant entrepreneurship in South Africa; (2) to investigate empirically the obstacles (barriers) to the performance of immigrant entrepreneurs in South Africa. As pointed out by the Center for an Urban Future (2007) and Dana (2007) immigrant entrepreneurs have emerged as key engines of growth in their host countries and with better planning and support, immigrant entrepreneurship can provide an even bigger economic boost in the future. This research will provide useful information to immigrant entrepreneurs, commercial banks and government, about how to improve immigrant entrepreneurship in South Africa.

## 1.2. Literature Review

### 1.2.1 Theoretical Construct

The literature presents several definitions of entrepreneurship. Van Aardt et al. (2002: 4) define entrepreneurship as the act of initiating, creating, building and expanding an enterprise or organization, building an entrepreneurial team and gathering other resources to exploit an opportunity in the marketplace for long-term gain. Kuratko and Hodgetts (2004) add that entrepreneurship is the process of mobilising and risking resources to meet a business opportunity. According to Pihie (2009: 341) entrepreneurs can be divided into two groups: actual entrepreneurs (that is, people that have actually started business) and latent entrepreneurs or entrepreneurial intention (that is, people that intend to start a business in the near future). This study focused on actual entrepreneurship.

The link between immigration and entrepreneurship is supported by a number of studies and the important influence of entrepreneurship on the economic and social integration of immigrants has been widely established (Rath et al. 2002; Dana 2007). Immigrant entrepreneurship is described as the process by which an immigrant establishes a business in a host country (or country of settlement) which is not the immigrant’s country of origin (Dalhammar 2004: 14). Theories of immigrant entrepreneurship include the Cultural Theory, Mixed Embeddedness Theory and the Disadvantage Theory.

According to the Cultural theory by Hoselitz (1964), cultural characteristics like religious beliefs, family ties, savings, thrift, work ethics, and compliance with social values serve as eth-

nic resources which partially explain the orientation of immigrants towards entrepreneurship. The Mixed Embeddedness theory by Kloosterman et al. (1999) agrees with the Cultural theory but adds other factors such as the socio-economic and political-institutional environment of the country of settlement and how these forces shape the opportunities of the entrepreneurs. According to Disadvantage theory by Ram and Smallbone (2001), immigrant entrepreneurship results from a context of disadvantage. A portion of immigrant workers are subject to labour market disadvantage. The Disadvantage theory concludes that immigrant entrepreneurs are pushed into entrepreneurship.

## **1.2.2 Empirical Review**

### *1.2.2.1 Motivations (Triggers)*

According to Benzing et al. (2009: 62), there are various factors that drive entrepreneurs into business. Entrepreneurs start their own businesses due to unemployment, retrenchment, a low paying job with little upward mobility and a desire to escape supervision (push factors). Furthermore, Benzing et al. (2009: 62) identify pull factors such as the desire to become one's own boss, increase wealth, changing lifestyle or need to use one's own experience and knowledge. Hessels et al. (2008:325) note that entrepreneurs are driven primarily by the desire for independence and flexibility and not necessarily money. In support, Swierczek and Ha (2003: 46) in a study of SME owners in Vietnam find that challenge and achievement are more significant motivators than necessity and security.

Ashley-Cotleur et al. (2009: 15) view the drivers of entrepreneurship from a different perspective and suggests that the factors driving entrepreneurs into business can be categorized as demographic variables, attitudes, values or psychological factors. Ashley-Cotleur et al. (2009: 15) identify family background and gender as the two demographic factors that drive entrepreneurs into business. According to Drennan et al (2005: 233) parental business experience as well as being raised in a family that is entrepreneurial significantly drives individuals to start their own businesses. In addition, Choo and Wong (2009: 47) support that having a family business background and self employed parents tends to be especially relevant as mentors

and guides for children starting their own business.

According to Habiyakare et al. (2009: 63), the propensity of immigrants towards business is not imported, but rather reactive or situational. Immigrants do not enter business as a way of life but rather it is their best opportunity of making a living when life provides few alternatives. Barrett et al. (2001: 243) add that immigrant entrepreneurship appears to occur in the circumstances of urban and economic adversity, where entrepreneurship is the only means of livelihood for many immigrants. Basu and Altinay (2002: 374) and Habiyakare et al. (2009: 65) agree that in the context of many immigrants, discrimination, the lack of access to the labour market and limited opportunities for career advancement may make self-employment a more viable alternative to being a salaried employee.

Kirkwood (2009: 349) classifies the key triggers of entrepreneurial motivation as follows: (1) a desire for independence which is primarily classed as a pull factor. Monetary motivations are also usually classed as a pull factor. Motivations to become an entrepreneur that relate to employment are usually considered to be push factors. Family-related motivations for becoming an entrepreneur are often labeled as push factors. In addition, Kariv et al. (2010:115) identifies co-ethnic networks (social capital) and human capital as pull factors. Manev et al. (2005: 298) suggest that the drivers of entrepreneurship can be classified into four categories: (1) extrinsic rewards (push) (2) intrinsic rewards (pull), (3) independence/ autonomy (pull) and (4) family (push).

### *1.2.2.2 Obstacles (Barriers)*

According to Volery et al. (1997), the rate of entrepreneurship is affected by the presence of barriers. Volery et al. (1997) highlight lack of resources, compliance costs, and the hard reality of setting up a business as some of the barriers to entrepreneurship. In addition, Robertson et al. (2003: 308) find that barrier factors to entrepreneurial success include difficulties in obtaining finance, regulation, and taxation. Pretorius and Shaw (2008: 222) observe that a large percentage entrepreneurial failure in south is attributed to inadequate capital structure or resources poverty. Crime is also one of the barriers to entrepreneurship. Isaacs and Freidrich (2007: 9)

investigate the impact of crime on the performance of SMEs in South Africa and find that crime negatively affects the SME sector. Crime increases expenditures or investments in security measures to eliminate or minimize the likelihood of crime. The increase in expenditure negatively impacts on the profitability of SMEs. Robertson et al. (2003: 310) note that lack of marketing skills and managerial or financial expertise are barriers to entrepreneurial performance.

Basu and Altinay (2002: 371) suggest that, in the context of many immigrants, discrimination, the lack of access to the capital, labour market and institutional support hinder the success of immigrant entrepreneurs. Vargas (2005: 579) and Dana and Morris (2007) summarise the barriers to the performance of immigrant entrepreneurs to include lack of capital, lack of skills, lack of support, excessive compliance costs, excessive regulations, excessive tax, discrimination, language and crime.

## 2. RESEARCH METHODOLOGY

The target population of this research was African-immigrant entrepreneurs operating in the selected towns and cities in the Eastern Cape Province of South Africa. The selected cities are Alice, King Williams' Town, East London and Port Elizabeth). The study focused mainly on Ghanaians, Senegalese, Nigerians and Somalians. A pilot study conducted by the researchers finds that most immigrant small business owners in the selected towns and cities are from these countries. A sampling frame of 246 African-immigrant entrepreneurs was obtained from the lists of affiliated members obtained from the various Ethnic Associations. The sample size was determined through the use of RAOSOFT sample size calculator. RAOSOFT is statistical software used in the calculation of sample size. RAOSOFT takes into consideration four factors in determining sample size. These factors include the margin of error, the confidence level, the population and the response distribution. The RAOSOFT sample size calculator gave a recommended minimum sample size of 150 respondents. However, 220 questionnaires were distributed because of one of the disadvantages associated with self-administered questionnaire method such as weak response. The study used the simple random sampling method. The empir-

ical research consists of data collection through the use of self-administered questionnaires in a survey.

The questionnaire predominantly made use of the Likert scale questions to determine drivers and barriers to entrepreneurship. The motivation and obstacle variables were also measured using a five point Likert scale ranging from "1 strongly disagree" to "5 strongly agree". Close-ended questions were used for demographic variables.

Performance was measured through both financial (objective) and non-financial (subjective) methods. This is consistent with similar empirical studies such as Bosma et al. (2004) and Leitao and Franco (2008). Financial measures focused on satisfaction with sales growth and profitability growth. Non-financial measures focused on performance relative to competitors and satisfaction with overall business performance. The performance measures were averaged. Five point Likert scale ranging from "1 strongly disagree" to "5 strongly agree" was used.

The questionnaire was pre-tested in a pilot-study using 20 African-immigrant entrepreneurs in Alice. The pretesting led to some amendments to the questionnaire. Statistical analysis included descriptive statistics, and the principal component analysis. The Cronbach's alpha was used to measure reliability. The normality of the data was determined using the Koglomorov-Sminov test. The pairwise deletion method was used to treat missing values.

## 3. RESULTS

### 3.1 Characteristics and Business Profile of Immigrant Entrepreneurs

220 questionnaires were distributed and 101 were returned indicating a response rate of 45.9%. 82% of the respondents were males and 18% females. Most of the respondents (97%) are between the ages of 25-44years. All the immigrant entrepreneurs interviewed have been involved in business for more than three years. 56% of the respondents agreed that they can speak English fluently and 44% are not that good in English. 69% of the respondents have post Matric qualifications. 88% of the respondents fall under the sole proprietorship category, 7% partnership and 5% close corporations. The majority of the respondents (61%) are in the ser-

vice sector, 34% are in the retail and wholesale sector and 5% in the manufacturing sector.

**3.2 Employment Creation Potential of Immigrant Entrepreneurship**

The average number of employees of immigrant entrepreneurs is 4, which makes many immigrant entrepreneurs to belong to the small business category according to the National Small business Act. Majority of the respondents (78%) employ South Africans only, followed by 16% of the respondents who claimed to employ both South Africans and fellow immigrants. Only 6% of African-immigrant entrepreneurs employed immigrants only.

**3.3 Triggers of Immigrant Entrepreneurship**

The descriptive statistics, the rotated factor matrix and the scale means for the triggers are presented in Tables 1, 2 and 3.

**Table 1: Descriptive statistics for the triggers of immigrant entrepreneurship**

<i>Drivers</i>	<i>Mean</i>	<i>Standard deviation</i>
To take advantage of my creative talent	3.41	0.695
For my own satisfaction and growth	3.48	0.687
To provide employment	4.92	0.877
To challenge myself	3.31	0.703
To be my own boss	4.57	0.740
To provide job security	4.02	0.565
To earn a reasonable living	4.73	0.546
I enjoy taking risks	3.09	0.567
Utilisation of skills and experience	3.83	0.649
Entrepreneurial family culture	3.82	0.779
Availability of support from other immigrant entrepreneurs	3.58	0.676
Discrimination and unfair employment practices	4.44	0.974
To invest personal savings	3.56	0.805
To increase my prestige and status	3.45	0.624
Existence of opportunities in the market	3.87	0.981
To support my family	3.39	0.616
To have personal freedom	3.36	0.626
To realise my dream	3.54	0.954

The results for drivers to African-immigrant entrepreneurship as depicted by the descriptive statistics (Table 1) indicated that; to provide

**Table 2: Rotated factor matrix for the triggers of immigrant entrepreneurship**

<i>Factors</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
To provide employment	0.92			
To earn a reasonable living	0.91			
To support my family	0.89			
Existence of opportunities in the market	0.89			
To provide job security	0.74			
Discrimination and unfair employment practices	0.74			
To take advantage of my creative talent	0.66			
Utilisation of skills and experience		0.96		
Entrepreneurial family culture		0.70		
To invest personal savings		0.64		
Availability of support from other immigrant entrepreneurs		0.56		
To challenge myself			0.87	
To be my own boss			0.85	
To realise my dream			0.82	
For my own satisfaction and growth			0.76	
I enjoy taking risk			0.72	
To increase my prestige				0.70
To have personal freedom				0.63
Eigen value	7.01	4.73	2.15	1.72
Percentage of variance explained	36.90	24.88	11.29	9.06
Cronbach's alpha	0.844	0.903	0.727	0.728

**Table 3: Mean factor scores for the triggers of immigrant entrepreneurship**

<i>Factor</i>	<i>Mean</i>
Employment	4.41
Capital	3.69
Intrinsic rewards	3.60
Independence	3.52

employment (4.92), to earn a reasonable living (4.73), and to be my own boss (4.57), had the highest means, while I enjoy taking risks (3.09), to challenge myself (3.31) and to have personal freedom (3.36), had the lowest means.

The results obtained from the principal component analysis (Table 2) show that four factors with Eigen values greater than one account for (82.2%) of the total variance.

Factor one is labelled employment. The Eigen value for the factor was 7.01. The factor comprised of seven items. Cronbach's alpha for the factor yielded a value of 0.844, indicating the reliability of the factor.

Factor two is labelled capital. The Eigen value for the factor was 4.73. The factor included

four items. The Cronbach's alpha for the factor yielded a value of 0.903, indicating reliability of the factor.

Factor three is labelled intrinsic rewards. The Eigen value for the factor was 2.15 and it comprised of five items. Cronbach's alpha for the factor yielded a value of 0.727, indicating the reliability of the factor

Factor four is labelled independence and autonomy. The Eigen value for the factor was 1.72 and it comprised of only two items. The Cronbach's alpha for the factor yielded a value 0.728, indicating the factor's reliability.

Table 3 depicts the scale means of the factors. Employment with a scale mean of 4.41 is the most important trigger factor followed capital with a scale mean of 3.69, intrinsic rewards with a scale mean of 3.60 and independence and autonomy with a scale mean of 3.52.

### 3.4 Barriers to the Performance of Immigrant Entrepreneurship

#### 3.4.1 Performance of Immigrant Entrepreneurship

Table 4 presents the mean scores and standard deviations of the performance of immigrant entrepreneurs. On the average about 54% of the respondents are satisfied with the performance of their business and 46% are not satisfied with the performance. The results also indicate that immigrant entrepreneurs who indicate satisfaction with the performance of their business also indicated some factors which hinder their performance.

**Table 4: The performance of immigrant businesses**

<i>Measures of performance</i>	<i>Mean scores</i>	<i>Standard deviation</i>
Increased sales turnover	3.24	0.625
Increased profit	3.31	0.730
Increased performance relative to competitors	3.09	0.801
Satisfied with overall business performance	3.22	0.881
Average mean for performance	3.22	0.881

#### 3.4.2 Barriers to the Performance of Immigrant Entrepreneurs

The descriptive statistics, the rotated factor matrix and the scale means of the barriers are

presented in Tables 5, 6 and 7. The results of the descriptive statistics (Table 5) show that inadequate finance, crime, weak market opportunities and high operational costs are the major barriers to the performance of immigrant entrepreneurs.

**Table 5: Descriptive statistics for the barriers to the performance of immigrant entrepreneurs**

<i>Barriers</i>	<i>Mean</i>	<i>Standard deviation</i>
Lack of professional networks	3.14	0.611
Lack of business skills (managerial and financial)	3.41	0.904
Inadequate finance	4.80	0.448
High competition	3.37	1.91
Crime	3.69	0.543
Weak market opportunities	3.68	0.927
Lack of government support	3.23	0.691
Lack of assets for collateral	3.39	0.974
High operational costs	3.57	0.963
Language	3.06	0.805

**Table 6: Rotated factor matrix for the barriers to the performance of immigrant entrepreneurs**

<i>Factors</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
Difficulty in obtaining bank finance	0.91			
Crime	0.88			
Lack of assets for collateral	0.77			
High operating costs	0.76			
Weak market opportunities		0.83		
High competition		0.75		
Lack of business skills (managerial and financial)			0.68	
Language			0.64	
Lack of government support				0.65
Lack of social and professional networks				0.63
Eigen value	6.19	4.01	2.25	1.88
Percentage of variance explained	32.56	21.10	11.82	9.89
Cronbach's alpha	0.904	0.710	0.806	0.653

**Table 7: Mean factor scores of the barriers to the performance of immigrant entrepreneurs**

<i>Factor</i>	<i>Mean</i>
Finance	4.38
Weak markets	4.29
Human and social	3.52
Lack of support	3.50

The results obtained from the principal component analysis (Table 6) highlight that four factors with Eigen values greater than one account for (75.4%) of the total variance.

Factor one is labelled as finance. The Eigen value for the factor was 6.19. The factor comprised of four items. This was the most important factor according to the factor analysis. Cronbach's alpha for the factor yielded a value of 0.904, indicating the reliability of the factor.

Factor two is labelled weak markets. The Eigen value for the factor was 4.01. The factor included two items. The Cronbach's alpha for the factor yielded a value of 0.710, indicating reliability of the factor.

Factor three is labelled skills. The Eigen value for the factor was 2.25 and it comprised of two items. Cronbach's alpha for the factor yielded a value of 0.806, which signified its reliability.

Factor four is labelled lack of support. The Eigen value for the factor was 1.88 and it comprised of two items. The Cronbach's alpha for the factor yielded a value 0.653, indicating the factor's reliability. Table 7 depicts the mean scores of the barriers to the performance of immigrant entrepreneurs. Lack of adequate financing appears to be the most important barrier.

### **3.4.3 Membership of Local Trade Associations**

Only one respondent is a member of a local trade association. Other respondents do not belong to any local trade association. The results suggest that although immigrant entrepreneurs develop co-ethnic networks, however, they do not move to other forms of network.

## **4. DISCUSSION**

The results indicate that most immigrant entrepreneurs employ native South Africans. In addition, immigrant entrepreneurs create employment for themselves. This suggests that immigrant entrepreneurship can be one of the ways to reduce the high unemployment rate in South Africa. The results indicate that immigrants are motivated into entrepreneurship by both push and pull factors. However, employment (a push factor) appears to be the most important reason why immigrants are involved in entrepreneurship. The barriers to the performance of immigrant entrepreneurs include finance, weak markets, skills and support. Networking by immigrant entrepreneurs is mainly limited to co-ethnics. Most immigrants do not belong to local trade associations. This may negatively impact on the ability of immigrant entrepreneurs to tap

finance and other skills that trade associations offer. The results of this study are consistent with the findings of other empirical studies on entrepreneurial triggers and barriers such as Basu and Altinay (2002), Dana and Morris (2007), Choo and Wong (2009) and Kirkwood (2009).

## **5. CONCLUSION**

South Africa suffers from high levels of unemployment, poverty and income inequality. In addition, the level of entrepreneurship as measured by the TEA is low. Immigrant entrepreneurship is one of the ways to improve the level of entrepreneurship and also reduce unemployment and poverty. The empirical findings of this research revealed a combination of both push and pull factors as triggers of immigrant entrepreneurship. This is in line with the cultural theory, the mixed embeddedness theory and the disadvantage theory of immigrant entrepreneurship. In addition, the study identified finance, skill, markets and support as the barriers to the performance of immigrant entrepreneurs.

## **6. RECOMMENDATIONS**

To improve immigrant entrepreneurship which will in addition improve the general level of entrepreneurship and reduce unemployment in South Africa, the following recommendations are suggested. The recommendations will focus on the immigrant entrepreneurs, commercial banks and government.

### **Immigrant Entrepreneurs**

Lack of financial capital is one of the barriers to immigrant entrepreneurship. Therefore, to improve the availability of debt, there is the need for immigrant entrepreneurs to plan and save to have some amount of equity contribution. Without equity, it is virtually impossible to get the required funding from commercial banks. In addition, to get debt funding from banks, it is necessary for immigrant entrepreneurs to have either business or personal assets to be used as collateral. Therefore, to get the required funding from commercial banks, it is first about immigrant entrepreneurs getting investment ready.

In addition, immigrant entrepreneurs either personally or through their ethnic association need to development partnership with govern-

ment agencies (that is, the Small Enterprise Development Agency (SEDA)) that help them secure funding and other impart management skills through training.

Networking of immigrant entrepreneurs is mainly limited to co-immigrants. It is important for immigrant entrepreneurs to join local chambers of commerce to extend their networking. This could allow immigrant entrepreneurs to tap other sources of finance such as trade credit

### Commercial Banks

The new approach to screening and risk evaluation of loan applicants developed by the Entrepreneurial Finance Laboratory (EFL) of the Centre for International Development of Harvard University and newly adopted by commercial banks for lending to SMEs in South Africa can be extended to immigrant entrepreneurs. EFL utilizes a proprietary psychometric testing process that incorporates an entrepreneur's attitude and outlook, ability, business acumen and character to measure risk and future entrepreneurial potential. EFL measures future potential without depending on business plans, credit history or collateral. EFL involves a 30-60 minute automated test and has low transaction costs. In addition, commercial banks can create awareness of the new lending approach to immigrant entrepreneurs through partnership with immigrant associations.

Commercial banks should improve on efforts to get more immigrants into the banking system. Many immigrant entrepreneurs do not have bank accounts and fail to develop a credit history. Commercial banks can help to bring more immigrants into the banking system by lowering or removing barriers to establish various accounts, opening more branches in immigrant communities, hiring lending officers who come from immigrant communities and developing partnerships with immigrant associations.

### Government

The government (national, provincial and local) should integrate immigrant entrepreneurship into the overall economic development strategy. Government agencies such as SEDA, National Youth Development Agency etc. should develop a new framework for providing business services (such as training and guarantees)

to immigrant entrepreneurs. Government agencies assisting SMEs should dedicate part of their website to immigrant entrepreneurs. Government agencies can use information channels (immigrant associations) preferred by immigrant entrepreneurs to develop partnership with immigrant entrepreneurs.

Immigrant entrepreneurs do create employment and contribute to economic growth. Government should make real effort to welcome immigrant entrepreneurs by reducing the time it takes to obtain business permits. In addition, foreign students that can add value to the South African economy through the creation of businesses after their graduation should be encouraged and motivated to stay in South Africa. This will create an entrepreneur-friendly culture.

The South African government needs to undertake well-publicized educational campaigns against crime and xenophobia.

## 7. RECOMMENDATIONS

Other studies can investigate the impact of immigrant entrepreneur's entrepreneurial and firm characteristics on the trigger and barrier factor

## REFERENCES

- Acs Z 2006. How is Entrepreneurship Good for Economic Growth? From <<http://www.mitpressjournals.org/doi/pdf/10.1162/itgg.2006.1.1.97?cookieSet=1>> (Retrieved October 22, 2010).
- Agüero J, Carter MR, May J 2007. Poverty and inequality in the first decade of South Africa's democracy: Evidence from KwaZulu-Natal. *Jou of Afri Econ*, 16(5): 782-812.
- Agupusi P 2007. Small Business Development and Poverty alleviation in Alexander, South Africa. From <<http://www.P.Agupusi@uea.ac.uk>> (Retrieved October 17, 2010).
- Amin M 2009. Obstacles to Registering: Necessity vs. Opportunity Entrepreneurs. From <<http://www.enterprisesurveys.org/~media/FPDKM/EnterpriseSurveys/Documents/Research%20Papers/Obstacles-to-Registering-Firms.pdf>> (Retrieved May 15, 2010).
- Ashley-Cotleur C, King S, Solomon G 2009. Parental and Gender Influences on Entrepreneurial Intentions, Motivations and Attitudes. From <<http://usasbe.org/knowledge/proceedings/proceedings>> (Retrieved August 10, 2010).
- Ayyagari M, Beck T, Demirguc-Kunt A 2005. *Small and Medium Enterprises across the Globe*. Washington: World Bank.
- Barrett GA, Jones TP, McEnvoy D 2001. Social-economic and policy dimensions of mixed embeddedness of ethnic minority business in Britain. *Jou of Mig Studies*, 27: 241-258.



- Basu A, Altinay E. 2002. The interaction between culture and entrepreneurship in London's immigrant businesses. *Int Small Bus Jou*, 20(4): 371-394.
- Benzing C, Chu HM, Kara D. 2009. Entrepreneurs in Turkey: A factor analysis of motivation, success factors and problems. *Jou of Small Bus Man*, 47(1): 58-91.
- Bosma N, Van Praag M, Thurik R, De Wit G 2004. The value of human and social capital investments for the business performance of start-ups. *Small Bus Eco*, 23(1): 227 - 236.
- Centre for an Urban Future 2007. Creating Greater Opportunity for Immigrant Entrepreneurs. From < [http://www.nycfuture.org/images\\_pdfs/pdfs/Bowlestestimony12.14.07.pdf](http://www.nycfuture.org/images_pdfs/pdfs/Bowlestestimony12.14.07.pdf) > (Retrieved July 19, 2011).
- Choo S, Wong M 2009. Entrepreneurial intention: Triggers and barriers to new venture creation in Singapore. *Sing Man Rev*, 28(2): 47-64.
- Dalhammar T 2004. *Voices of Entrepreneurship and Small Business: Immigrant Enterprises in Kist*. Stockholm: KTH.
- Dana LP 2007. *Handbook of Research on Ethnic Minority Entrepreneurship: A Co-evolutionary View on Resource Management*. Cheltenham: Edward Elgar Publishing.
- Dana LP, Morris M 2007. Towards a synthesis: A model of immigrant and ethnic entrepreneurship. In: LP Dana (Ed.): *Handbook of Research*. Cheltenham: Edward Elgar Publishing, P. 7.
- Drennan J, Kennedy J, Renfrow P 2005. Impact of childhood experiences on the development of entrepreneurial intentions. *Entre and Inno*, November, 231-238.
- Failla V 2012. Entrepreneurial Motivation and the Performance of Entrepreneurial Ventures. From < [http://druid8.sit.au.dk/acc\\_papers/79gdhic1nxht5dlv8b133koxylnk.pdf](http://druid8.sit.au.dk/acc_papers/79gdhic1nxht5dlv8b133koxylnk.pdf) > (Retrieved March 30, 2012).
- Fairlie RW 2008. Estimating the Contribution of Immigrant Business Owners to the U.S. From < <http://archive.sba.gov/advo/research/rs334tot.pdf> > (Retrieved October 17, 2010).
- Gebre LT, Maharaj P, Pillay NK 2011. The experiences of immigrants in South Africa: A case study of Ethiopians in Durban, South Africa. *Urban Forum*, 22:23-35.
- Habiyakare E, Owusu R, Mbare O, Landy F 2009. Characterizing African Immigrant Entrepreneurship in Finland. *Proceedings of the 11th Conference of the International Academy of African Business and Development*, 19-23, May, 2009, pp. 61-69.
- Hechavarria DM, Reynolds P 2009. Cultural norms and business start-ups: The impact of national values on opportunity and necessity entrepreneurs. *Int Entre and Man Jou*, 5(4): 417-437.
- Herrington M, Kew J, Kew P 2010. Global Entrepreneurship Monitor: South African Report: From < <http://www.gemconsortium.org/article> > (Retrieved January 18, 2012).
- Hessels J, Van Gelderen M, Thurik R 2008. Entrepreneurial aspirations, motivations and their drivers. *Small Bus Eco*, 31: 323-339.
- Hoselitz B 1964. *Sociological Aspects of Economic Growth*. New York: The Free Press of Glencoe.
- Isaac E, Freidrich C 2007. Crime and HIV/AIDS in the Western Cape: Business support organisations and business owners' perceptions. *Afr Jou of Bus Man*, 1(1): 008-018.
- Kalitanyi V, Visser K 2010. African immigrants in South Africa: Job takers or creators? *South African Jou of Econ and Man Sci*, 13(4): 376-390.
- Kariv D, Menzies T, Brenner G 2010. Business success among visible and non-visible ethnic entrepreneurs: A look at the effects of unemployment, co-ethnic involvement and human capital, special issue: Ethnicity, cultural diversity and entrepreneurship. *Global Bus and Eco Rev*, 12(1/2): 115-150.
- Kirkwood J 2009. Motivational factors in a push-pull theory of entrepreneurship: Gender in Management. *An Inter Jou*, 24(5): 346 - 364.
- Kloosterman R, van der Leun J, Rath J 1999. Mixed embeddedness: Informal economic activities and immigrant businesses in The Netherlands. *Inter Jou of Ur and Reg Res*, 23: 252-66.
- Kuratko DF, Hodgetts RM 2004. *Entrepreneurship: Theory, Process and Practices*. Mason: South-Western Publishers
- Leitao J, Franco M 2008. Individual Entrepreneurship Capacity and Performance of SMEs. From < <http://ssrn.com/abstract=1118257> > (Retrieved June 14, 2010).
- Manev IM, Gyoshev BS, Manolova TS 2005. The role of human and social capital and entrepreneurial orientation for small business performance in a transitional economy. *Inter Jou of Entre and Inno Man*, 5(4): 298-318.
- Mitchell BC 2004. Motives of entrepreneurs: A case study of South Africa. *Jou of Entre*, 13(2): 167-183.
- Peberdy S, Rogerson CM. 2000. Transnationalism and non-South African entrepreneurs in South Africa's small, medium and micro-enterprise (SMME) economy. *Canadian Jou of African Studies*, 34: 20-40.
- Pendleton W, Crush J, Campbell E, Green T, Simelane H, Tevera D, De Vletter F 2006. Migration, Remittances and Development in Southern Africa, Southern African Migration Project 2006, Migration Policy Series No. 44 From < <http://www.queensu.ca/samp/sampresources/samppublications/policyseries/Acrobat44.pdf> > (Retrieved July 3, 2010)
- Peberdy S, Dinat N 2007. Restless worlds of work, health and migration: Domestic workers in Johannesburg. *Deve Southern Africa*, 24(1): 187-203.
- Pihie ZAL 2009. Entrepreneurship as a career choice: An analysis of entrepreneurial self-efficacy and intentions of university students. *Euro Jou of Soc Sci*, 9(2): 338-349.
- Pretorius M, Shaw G 2004. Business plan in bank-decision making when financing new ventures in South Africa. *South African J of Eco and Man Science*, 7(2): 221-242.
- Rath J, Kloosterman R, Haberfellner M, Mung E, Wilpertz C, Razin E, Magatti M, Barrett G 2002. *Working on the Fringes: Immigrant Businesses, Economic Integration and Informal Practices*. An International Network Sponsored by the EC Under the Targeted Socio-economic Research Programme, University of Amsterdam, IMES.

- Ram M, Smallbone D 2001. Ethnic Minority Business in the UK: Policy in Practice. *Final Report Prepared for the Small Business Service*. Centre for Enterprise and Economic Development, UK.
- Robertson M, Collins A, Medeira N, Slatter J 2003. Barriers to start up and their effect on aspirant entrepreneurs. *Edu and Train*, 5(6): 308-316.
- Sharif N 2009. *Immigrant Entrepreneurs in Nova Scotia: Factors that Contribute to and Hinder Success*. Halifax: Atlantis Metropolis Centre
- Statistics South Africa 2011. Quarterly Labour Force Survey. From <[http://www.statssa.gov.za/publication/find\\_publication.asp](http://www.statssa.gov.za/publication/find_publication.asp)> (Retrieved February 7, 2012).
- Swierczek FW, Ha TT 2003. Motivation, entrepreneurship and performance of SMEs in Vietnam. *Jou of Ent Culture*, 11(1): 47-68.
- Van Aardt I, Van Aardt C, Bezuidenhoud S 2002. *Entrepreneurship and New Venture Management*. Cape Town: Oxford Publishing Press Southern Africa.
- Vargas E 2005. The influence of country of birth and other variables on the earnings of immigrants: The case of the United States in 1999. *The Ame Jou of Econ and Soc*, 64(2): 579-607.
- Verhuel I, Thurik R, Hessels J, Van der Zwan P 2010. Factors Influencing the Entrepreneurial Engagement of Opportunity and Necessity Entrepreneurs. From <<http://www.ondernemerschap.nl/pdf-ez/H201011.pdf>> (Retrieved November 9, 2011).
- Volery T, Doss T, Mazzarol T, Thein V 1997. Triggers and Barriers Affecting Entrepreneurial Intentionality: The Case of Western Australian Nascent Entrepreneurs. *Paper Presented at 42nd ICSB World Conference*, 21-24, June, 1997, San Francisco.