FINMARK TRUST
MAKING FINANCIAL MARKETS WORK FOR THE POOR

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Press release:

Home based enterprises are important incubators for growing SMMEs and are a viable sustainable livelihood strategy for the poor

EMBARGOED: Wednesday, 1 November 2006, 16h00

Home based enterprises (HBEs)[1] are significant contributors to local economies, generating approximately R476 million per month in townships and inner cities across South Africa. Speaking at the launch of the research on Wednesday, FinMark Trust's Kecia Rust said that it is estimated that home based enterprises comprise 13% of the population in townships and inner cities throughout South Africa. While most of these businesses can be classified as micro or small, for many of the entrepreneurs who own them, they represent their sole income.

The research, which was commissioned by the FinMark Trust, Social Housing Foundation, Nedbank and the National Department of Housing, and undertaken by Shisaka Development Management Services, also found that:

- **The home is an important asset for entrepreneurs, assisting them in the start up of their businesses.** Most of the entrepreneurs identified in the survey (70%) operate from the home. This is higher in township areas (83- 89%) than in inner city areas (39 -63%). The house has an important impact on reducing the costs of entrepreneurial activity and is therefore a useful incubator in the initial phases of the business. Few entrepreneurs (6-7%) however, use their home as collateral for a business loan.
- **Many HBEs are entrepreneurial**. Over one third (33%) of HBEs in Inner Cities and just under half (42%) in Townships show entrepreneurial characteristics, having been the first to undertake the business in their area. Only one third (32-33%) of HBEs surveyed in both Inner Cities and Townships said they would take permanent employment if it was offered to them.
- **There is potential for growth**: The majority of HBEs in the Townships (90%) and Inner Cities (95%) want to expand. Many (about 55%) feel that their businesses are growing. Given the low prevalence levels (only 13-22% of the population in the neighbourhoods surveyed were found to operate as entrepreneurs – lower than most other countries), but significant income generated, this suggests that HBEs represent an untapped opportunity for unemployed South Africans.

Home based enterprises operate at the nexus of housing and local economic development strategies. Whether as incubators for growing SMMEs, or as survivalist ventures for the unemployed, HBEs are making an important contribution to our economy. HBE operators are clearly developing sustainable livelihoods by using

their house as an economically productive asset. This grassroots effort at poverty alleviation should be adopted and supported by national, provincial and local policy.

A full report, which sets out the analysis in detail, was launched on 1 November 2006.

For more information, contact Kecia Rust on 083-785-4964 or Kecia@iafrica.com
The reports will be available on the FinMark Trust's website (www.finmark.org.za).

File ref: 5132