



# Towards the Science of Financial Success

Momentum | UNISA  
Science of Success  
Insights 2022

# Momentum



2022 is the year we activate our financial comeback. It's been a minute, but five years ago, no one could have imagined that the world would find itself in an unpredictable economic flux.

We've just come out of COVID-19 lockdown and only some of us had an optimistic view of our finances. I am the first to admit, that I thought I could fix what was broken by the pandemic. But before we could even say "economic recovery", the Russia-Ukraine war sent the price of fuel, food and the general cost of living through the roof.

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Financial success is achieved through insightful advice.

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Recent events and prevailing economic uncertainty have reminded us that we don't have control over what transpires in the world we live in. Good news, there is a formula to financial success. Making reactive moves can lead to regrets, but financial success is achieved through insightful advice, empowering tools and sound money habits.

It is critical to empower ourselves with credible knowledge and align with people who can advise us to build financial resilience. Over the years we have, through our partnership with UNISA, prided ourselves on being able to provide households with information on how they can gain better control of their finances. The Momentum UNISA Household Financial Wellness Index is not just research on the financial state of South African households, but it has become an advisory tool that guides us on how we

can access practical tips and hacks to build financial resilience.

We hope that this formula will help South Africans sharpen their financial goals and give clear direction on their journey to financial success. It does not come easy; it takes the unlearning of old habits and the learning of new ones. Most importantly, it takes commitment and a little bit of grit. This is why, every year, we are committed to giving you the tools that will allow you to make successful money moves.

We hope that this formula will help South Africans sharpen their goals.

**#SUCCESSIS  
ASCIENCE.**  
So, go on, give your  
**MONEY**  
*game*  
the edge.

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# 1

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# What have we learned?

## The science of financial success

### What is financial success?

Before a household can determine whether they are financially successful, they need to understand what financial success is.

Our research, as well as that of international institutions, has shown that true financial success should be assessed in terms of each individual and household's unique financial goals, and not by simply looking at how much they earn or how wealthy they are. These unique financial goals are influenced by several factors, such as circumstances, environments, values, etc. – and can be short- and long-term in nature. In summary, research revealed that financial success is about achieving short-term goals in pursuit of long-term goals.

Financial success therefore can't be pursued, achieved or measured if a person does not have one or more financial goals. Hence, financial success is inextricably linked to financial goals and actively working towards achieving them.

### The Theory of Change

The Science of Financial Success evolved from a Theory of Change (see Illustration 1). This places the household in an ever-changing political, social, and economic environment, causing them to constantly deal with factors within and beyond their control – which will impact their finances. Factors beyond households' control which may impact their finances include rising prices and interest rates which are caused by, for instance wars and policy changes instituted by governments.

To be better prepared for these changes and remain on a journey towards financial success, households must identify and understand the factors within their control, and those they don't have any control over. There will always be factors that are beyond a household's control, but fortunately there are many things households can do to limit the damages caused by these factors – and remain on their unique journeys towards financial success.

The Science of Financial Success shows when a household possess two strong characteristics (called inputs) in the form of highly skilled members (human capital) who are socially empowered (social capital) and then actively set goals, conduct financial activities such as financial planning, good debt management and staying informed on financial matters. Such households will be in a good position to produce favourable outputs in the form of income and wealth generation and improved living conditions (physical, asset and environmental capital). These households tend to be more financially well and will progress on their journey towards financial success.

**Success is about achieving short-term goals in pursuit of long-term goals.**

A detailed explanation of the Science of Financial Success as explained by our Theory of Change is available in previous years' Momentum/Unisa Household Finances Insights reports (available on [www.momentum.co.za](http://www.momentum.co.za)).

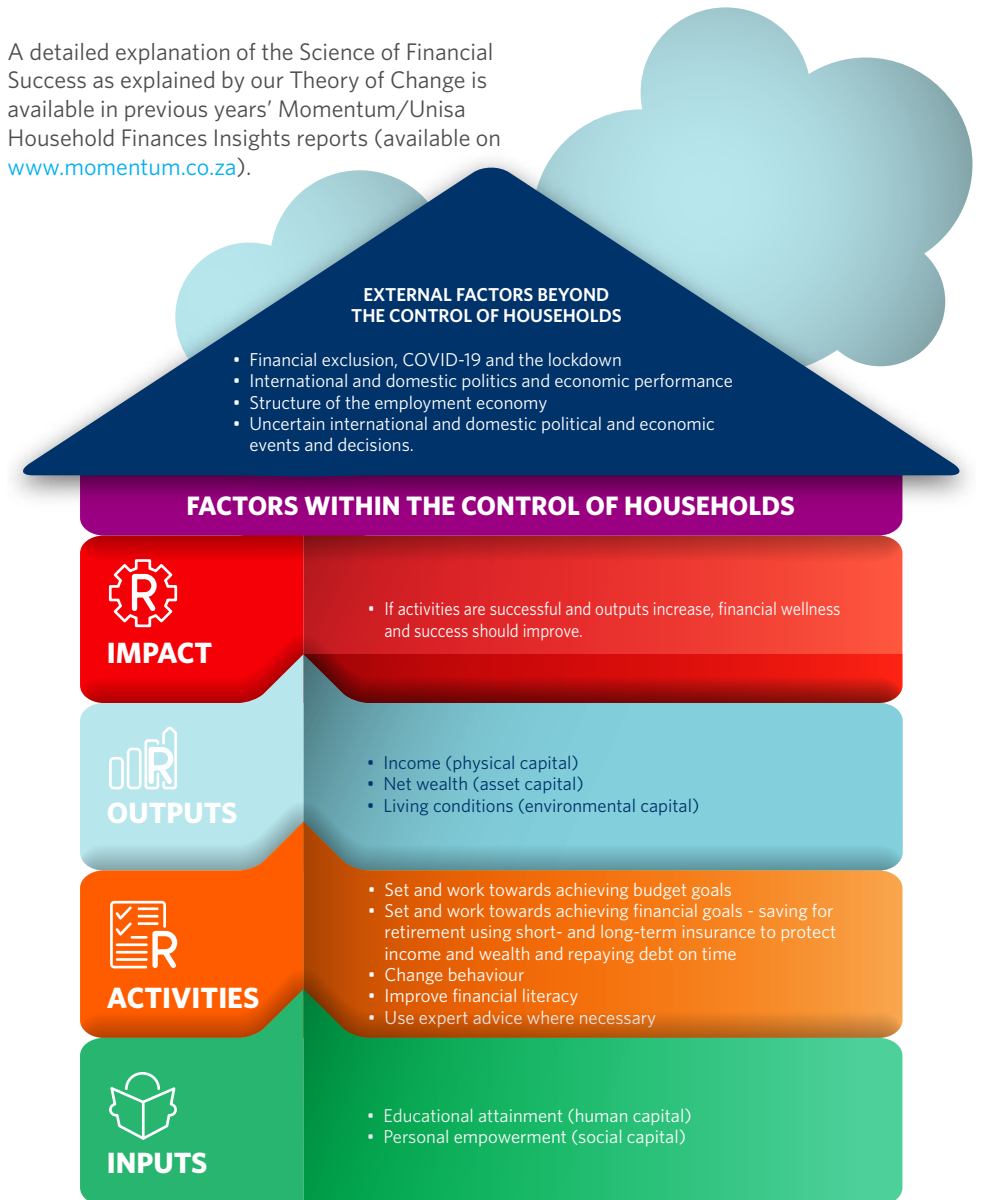


Illustration 1: The Science of Financial Success as explained by the Theory of Change

# What has been *the reality?*

## 2021 in review – the South African journey

### JANUARY



#### New year, new challenges

An increase in South Africa's personal and company income tax collections pointed to higher household income and a smaller government budget (fiscal) deficit. However, the rand exchange rate weakened against major currencies, while the petrol price increased by 40c/litre. Consumer price inflation (CPI) was still low at 3.2%. The JSE All Share Index (ALSI) increased, benefitting households with investments and pension funds. In the United States of America (USA), supporters of former President Donald Trump attacked the United States Capitol, while Britain's post-Brexit future started.

### FEBRUARY



#### A promising outlook

In his State of the Nation Address, President Ramaphosa focused on economic recovery, the acceleration of transformation and talked tough on corruption. The South African national budget included some personal income tax relief, while the fiscal deficit was projected to be around R100 billion less than previously estimated. The JSE ALSI continued its impressive recovery. The petrol price increased by 81c/litre. South Africa's lockdown restrictions moved from an adjusted alert level 3 to adjusted level 1. In all, this gave breathing space for some households and less for others.

### MARCH



#### Eskom strikes again

The South African economy was hit by another bout of load shedding. The rand continued to strengthen, while the petrol price increased by 65c/litre. This affected household income negatively, but the JSE ALSI improved further, benefitting households with pension funds and investments. A third US stimulus package (\$1.9 trillion) was announced to boost the US economy. Consequently, US bond yields surged in anticipation of higher consumer price inflation. China's new economic plan suggested that strong economic growth (above 6% in 2021) would be accompanied by a larger focus on financial stability and technological advancement.

### APRIL



#### Gearing towards a fiscal recovery

The fiscal deficit for 2020/21 ended up R130 billion less than estimated in the Medium-Term Budget and R30 billion less than estimated in the February budget. The petrol price increased by R1/litre, while the consumer price inflation rate increased to 4.4%, negatively affecting consumers' purchasing power. The South African government secured enough doses to vaccinate 45 million people against COVID-19. US President Biden hosted the Climate Assembly to mark the fifth anniversary of signing the Paris Agreement on climate change.

### MAY



#### Prices continue to rise

The first case of the Delta variant of COVID-19 was detected in South Africa. Standard and Poor's (S&P) and Fitch affirm SA's sovereign rating and outlook. The rand strengthened to below R14 per US Dollar from above R15 per US Dollar in January. The JSE ALSI continued to increase. Prices continued to increase as consumer price inflation reached 5.2%. South Africa's lockdown restrictions were tightened to level 2.

### JUNE



#### The dawn of another new normal

South Africa's lockdown restrictions moved to level 3 due to the third COVID-19 wave, and again to adjusted alert level 4. The rand exchange rate weakened again to above R14 per US Dollar. For the first time in 2021, the JSE ALSI ended the month lower. The Group of Seven (G7) Summit resulted in pledges on COVID-19, taxes, and climate change. The NATO (North Atlantic Treaty Organisation) Summit discussed how to reinforce the Alliance's unity and ties with Russia.

# the reality?

JULY



## Growing unrest

Damaging riots that included looting of businesses and other criminal acts took place in South Africa's major provinces (KwaZulu-Natal and Gauteng), triggered by the imprisonment of former President Jacob Zuma. President Ramaphosa lifted the licensing cap for private companies to self-generate power from 1 megawatt to 100 megawatts, which should attract investments in the electricity sector. The European Union launched a vaccine passport.

AUGUST



## The journey gets bumpier

Stats SA's rebasing and re-benchmarking exercise indicated that the economy was R569 billion (11%) larger in current prices than in 2020 and almost 10% larger over the past six years. The economic contraction of -7% in 2020 was adjusted lower to -6.4%. However, the unemployment rate increased to 44% in Q2 2021. The petrol price rose by 91c/litre. The JSE ALSI declined further. The Social Relief of Distress grant of R350 was reintroduced, assisting poor households. US Federal Reserve Chair Jerome Powell prepared international markets for bond purchase tapering by the end of the year, alluding to forthcoming hikes in interest rates.

SEPTEMBER



## Geo-politics to the fore

South Africa's lockdown restrictions eased to an adjusted alert level 2, while the rand weakened to above R15 per US Dollar in reaction to risk aversion caused by several events, also causing the JSE ALSI to decline. Such events included rising geopolitical tensions between China and the US; increasing infections from the COVID-19 Delta variant in China and the US; supply chain disruptions contributed to stubbornly high consumer price inflation in many regions; shortages of labour in consumer-facing industries in especially the US; and debt defaults by Evergrande, a large property developer in China.

OCTOBER



## Energy challenges

South Africa eased lockdown restrictions further to an adjusted alert level 1. October was dominated by energy issues all around the world as 151 countries agreed to slash global emissions by half by 2030. China (and to a lesser extent India) experienced a shortage of electricity due to a lack of sufficient coal; while the UK and Europe were challenged with natural gas prices which increased fourfold over the past six months.

NOVEMBER



## Year-end hikes

South Africa held its five-yearly local government elections, in which the ruling party received less than 50% of the votes. The petrol price increased by R1.21/litre, while the rand exchange rate depreciated to above R16 per US Dollar. The South African Reserve Bank (SARB) raised interest rates by 25 basis points. All these events negatively affected households' purchasing power, but the JSE ALSI increased. South Africa's Medium-Term budget showed a smaller-than-anticipated fiscal deficit relative to February's projections. Stats SA announced the unemployment rate increased to 46.6%. South Africa reports the finding of the COVID-19 Omicron variant to the WHO. Consequently, many countries impose travel restrictions on South Africa. The US Federal Reserve announced it will begin to taper its bond purchases by the end of the month.

DECEMBER



## The pinch intensifies

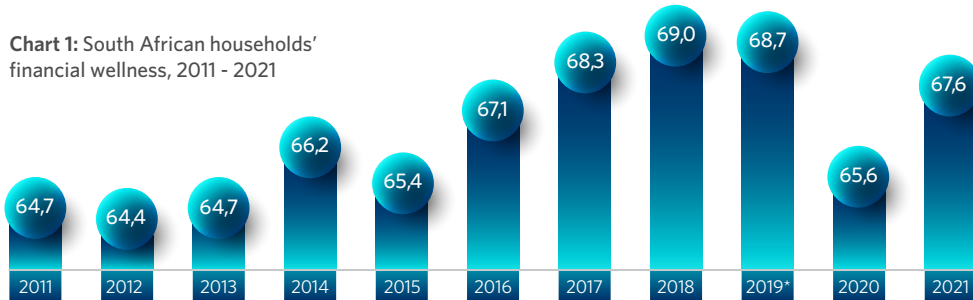
South Africa's economy shrank by 1.6% in Q3 2021, following growth of 1.1% in Q2 2021. Consumer price inflation increased to 5.9% and the petrol price by 75c/litre. The petrol price ended the year R5.83/litre higher than at the end of 2020. The JSE ALSI ended 24% higher than at the end of 2020. The Omicron variant spread throughout the world. Russia's threats of military conflict with Ukraine and that of China towards Taiwan intensified. CPI increased to very high levels across many countries. US Federal Reserve Chair, Jerome Powell, stated that the proposed slowing in the bond purchasing programme will be fast tracked. Oil prices continued to increase to above \$80 per barrel, due to among others, less investment in fossil fuels.

# The state of South African households' Financial Wellness in 2021

## Overall scores for 2021

The general state of South African households' financial wellness improved in 2021 as the Household Financial Wellness Index increased to 67.6 points, following a steep decline in 2020. However, as chart 1 shows, South African households' state of financial wellness is still far from the high achieved in 2018. The trend over the past eleven years shows a gradual increase between 2011 and 2018, with short-term interruptions in 2012 and 2015. An estimated decline in 2019 was followed by a sharp decrease in 2020, mainly caused by COVID-19 and several lockdowns.

Chart 1: South African households' financial wellness, 2011 - 2021



Source: Momentum/Unisa Household Finance Survey, 2022 \* Estimate, as no survey could be conducted due to lockdowns

## The component scores for 2021

The Momentum/Unisa Household Financial Wellness Index comprises of five components representing households' embedded capitals, which are resources and outputs that determine the level of household financial wellness, namely:

- **The household's educational status [Human Capital - HC]** is determined by the level of educational qualifications and professional skills of household members (an input resource).
- **The household's personal empowerment capability [Social Capital - SC]** reflects their ability to take control over their finances, their social networks and their trust in institutions (an input resource).

- **The income statement of the household [Physical Capital - PC]** represents the household's income and expenditure (an achieved output).
- **The household's balance sheet [Asset Capital - AC]** is measured by the value of the household's wealth as determined by the outcome of the difference between their assets and debt (an achieved output).
- **The quality of their living environment [Environmental Capital - EC]** reflects the state and quality of the household's dwelling (an achieved output).

The Household Financial Wellness Index score is calculated using a multiplicative method based on the following definitional equation:  $\log(HC \times SC \times PC \times AC \times EC)$ . The individual input resource and output scores for 2020 and 2021 are indicated in table 1.

Table 1: The Household Financial Wellness Index component scores for 2020 and 2021

	2020	2021	MOVEMENT
Living conditions	6.7	6.6	↓
Education	6.6	6.4	↓
Wealth	5.3	5.3	↔
Income	4.7	5.4	↑
Personal empowerment	4.5	5.2	↑

Source: Momentum/Unisa Household Finance Survey, 2022

The increase in the Household Financial Wellness Index scores from 65.6 points in 2020 to 67.6 in 2021 was mainly driven by improvements in personal empowerment and income scores. The income score increased from 4.7 in 2020 to 5.4 in 2021, while personal empowerment rose from 4.5 in 2020 to 5.2 in 2021. Household income benefitted from the economic recovery and the reintroduction of the Social Relief of Distress grant. Less restrictive lockdowns contributed to the increase in households' personal empowerment capabilities as they felt they had more control over their lives.

However, the living conditions score declined from 6.7 in 2020 to 6.6 in 2021 and the education score declined from 6.6 in 2020 to 6.4 in 2021, suggesting neither benefitted much from the general economic recovery and less restrictive lockdowns. The wealth score remained at a similar level as in 2020. The recovery and strengthening of financial markets in 2021 assisted households with investments in pension funds and other financial products, but higher debt levels of especially the middle-to-lower income groups detracted from their wealth.

The Household Financial Wellness



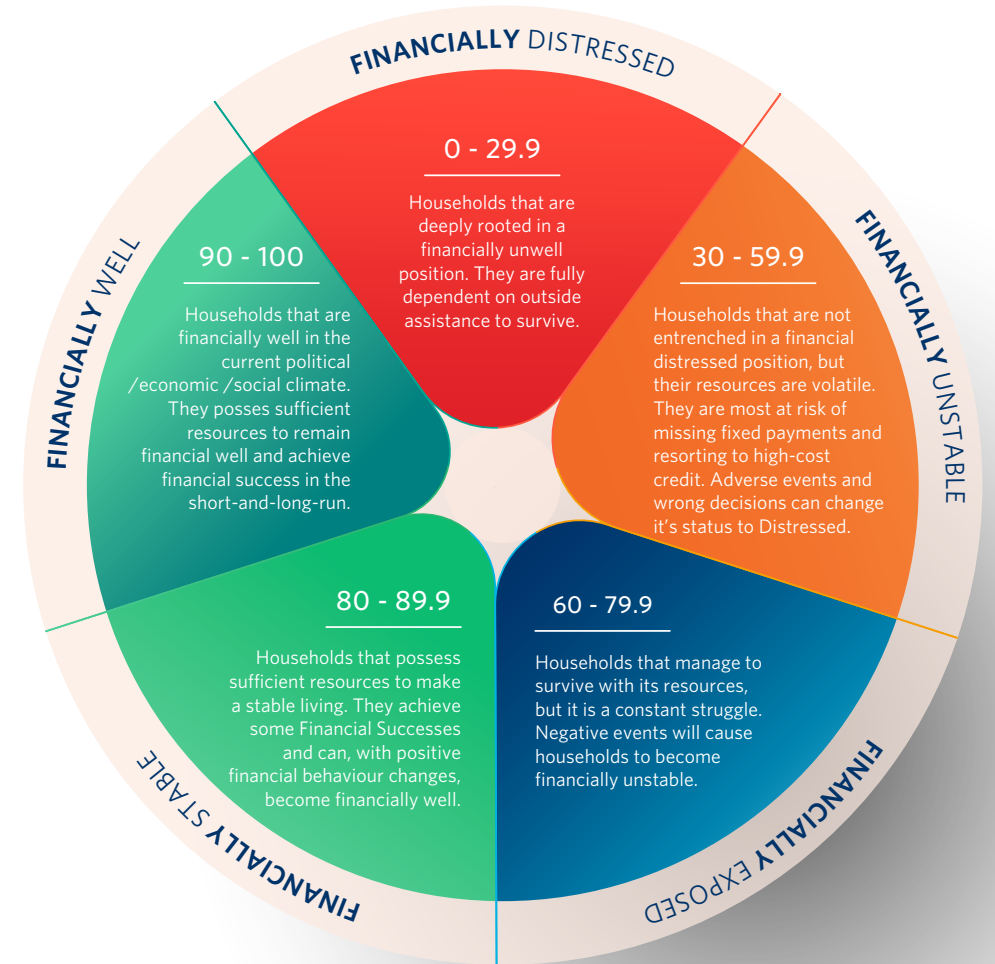
Index scores provide a macro-overview of the state of, and change in, households' financial circumstances. Considering that the financial circumstances of households differ, it is imperative that households are categorised into different groups to gain a better understanding of their financial positions and the factors that affect them.

## The Financial Wellness groups of South Africa

Households are clustered into five categories to gain a better understanding of their different financial wellness statuses. A summary of the Financial Wellness groups is provided in illustration 2. **Annexure 1** provides a more detailed explanation.



Illustration 2: Financial Wellness groups



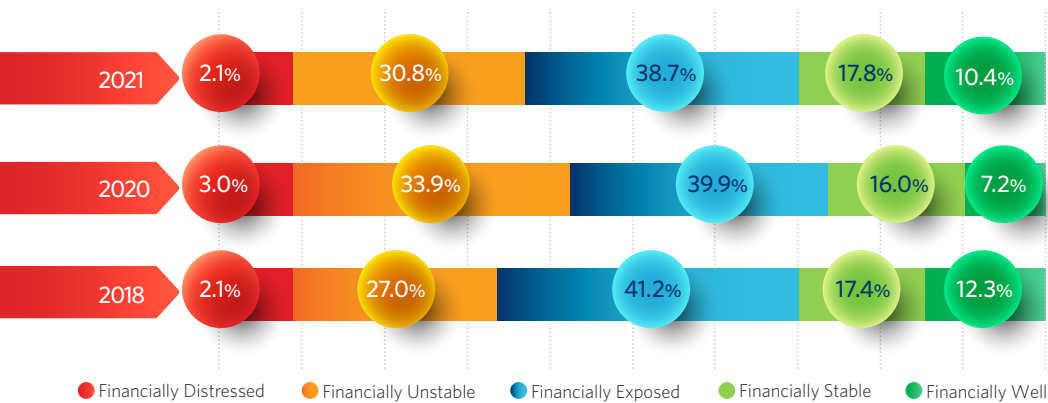
## Distributional results of Financial Wellness groups

The toll taken by the COVID-19 pandemic and lockdowns on the financial wellness of households is evident from chart 2. Although there is an increase in the share of households whose financial wellness improved in 2021, it is still less compared to 2018. Whereas 12.4% of households were Financially Well in 2018, it was only 10.4% in 2021, albeit more than the 7.2% in 2020. The number of households who were Financially Well increased from an estimated 1.3 million in 2020 to 1.9 million in 2021, which is still less than the 2.1 million estimate for 2018 (despite population growth). The share of Financially Stable households

increased to 17.8%, higher than the 17.4% in 2018 and 16% in 2020. However, the share of Financially Unstable households at 30.8% was much higher than the 27% in 2018.

The dynamics of the changes in the proportions of Financially Well, Financially Stable, and Financially Unstable households indicate that the impact of the economic recovery on financial wellness was unequal. The share of households in the top two groups increased from 23.2% in 2020 to 28.2% in 2021 (five percentage points), but the share of the bottom two groups declined from 36.9% in 2020 to 32.9% in 2021 (four percentage points). This implies that just over 1 million additional households were in the top two groups in 2021.

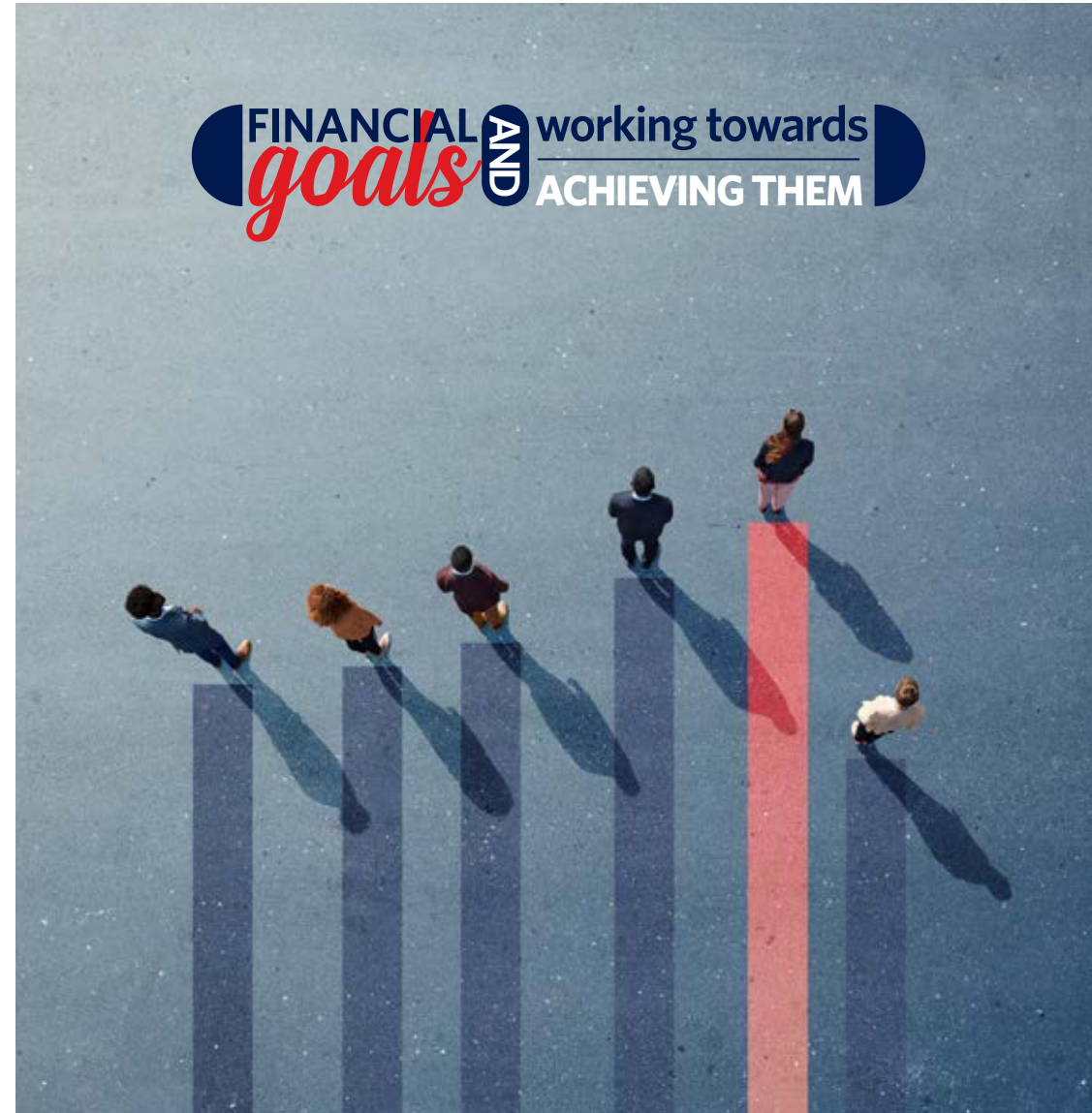
Chart 2: Distributional results of Financial Wellness groups – pre-Covid-19, Covid-19 and latest



Source: Momentum/Unisa Household Finance Survey, 2022

The unequal recovery may be due to differences in households' proclivity to set financial goals and working towards achieving them. This will be explored further in the next section.

**FINANCIAL AND** working towards **ACHIEVING THEM** *goals*



# Achieving Financial Success

## A battle of head vs. heart in the science of achieving financial goals

### There is a strong link between Financial Success and Financial Wellness

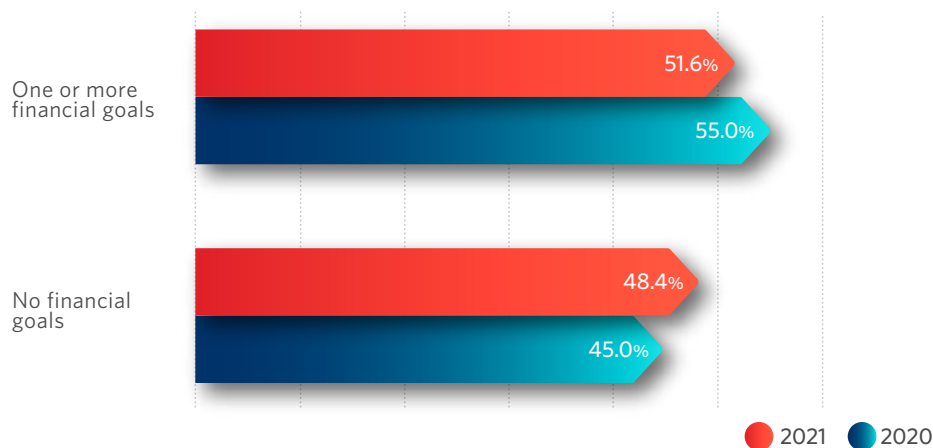
Financial wellness and financial success is not the same thing, but a strong link exists between the two concepts. Financial wellness is about households being able to finance their expenses over their lifetime at their own unique standard of living. Put differently, it means being comfortable with the living conditions, income and wealth brought about by a level of personal empowerment and education.

Financial success, though, is about reaching smaller short-term financial goals in pursuit

of larger long-term financial goals. And by aligning these goals to financial wellness and then achieving them one by one, households will climb the financial wellness ladder. This is the connection between financial wellness and financial success – setting and achieving financial goals directed at becoming as financially well as one can be.

Unfortunately, South African households are not very good at setting financial goals. Chart 3 shows that 55% of households had one or more financial goals in 2020, this declined to 51.6% in 2021, thereby showing more households not having any financial goals in 2021.

Chart 3: Percentage of households with and without financial goals in 2020 and 2021



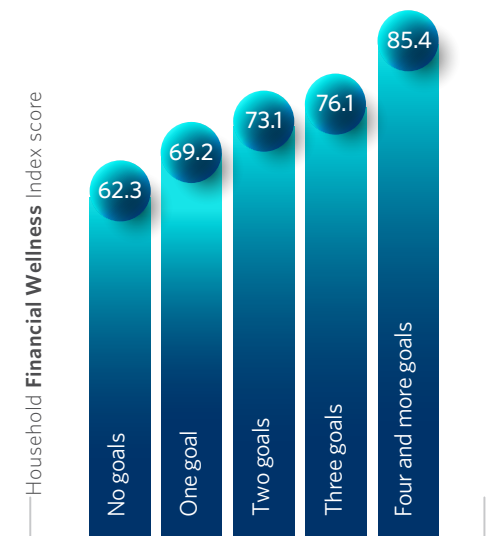
Source: Momentum/Unisa Household Finance Survey, 2022

### How setting goals inches households closer to achieving their unique goals

South African households' tendency to not set financial goals and working towards achieve them is one reason for their low level of financial wellness. Chart 4 shows the big difference in the level of financial wellness between households with no financial goals and those with one or more financial goals. In addition, it shows that households – whether a single or larger household – which set and achieve more financial goals, increase their level of financial wellness.

Setting financial goals is not easy, neither is it very difficult. If done correctly, it will be of great financial benefit to households – as the research and chart show. At the same time, however, the mere setting of goals, though in itself already beneficial, will not on its own immediately remedy the financial challenges of a household. As will become clearer later on, households must actively work towards goal achievement to experience an improvement in financial success and financial wellness.

Chart 4: Household Financial Wellness Index scores in 2021 by number of financial goals



Source: Momentum/Unisa Household Finance Survey, 2022

Setting financial goals is not easy, neither is it very difficult.

## Goal setting: the fight for control

Although being poor or rich plays a role, a big reason why people are financial-goal averse has to do with the way our brains are wired. The human brain prefers routine and protection. So, when it is confronted with innovation or something new, there will be a battle for control. Hence, when financial goals are set for the first time, or when new goals are formulated, they will experience resistance from the known routine side, making it difficult to accept the “new” and to follow through.

## The science for increasing Financial Success

However research has proven that there is a science to how a person can maximise on the achievement of his/her unique goals – and therefore become as successful as one can be. This fascinating research was done by prof. Gail Matthews from the Dominican University in California and included participants from six countries from a wide range of professions.

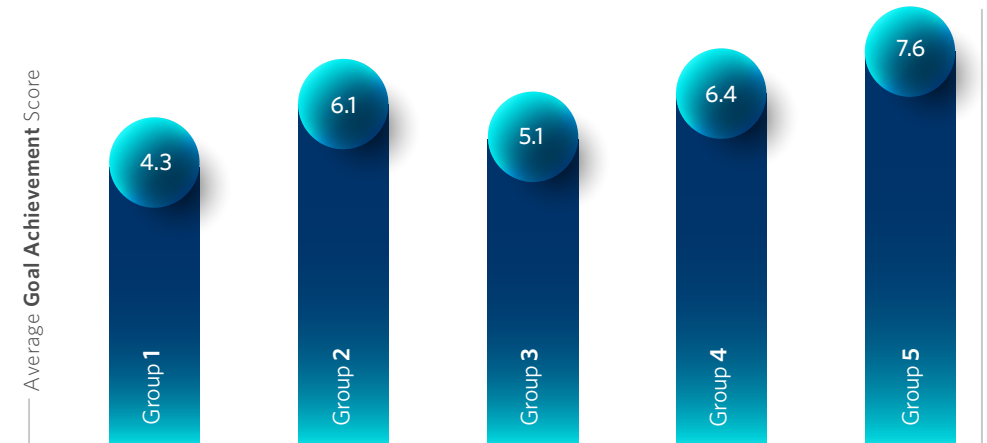
The participants were randomly assigned to one of five groups. Participants in each group had to identify the unique goals they wanted to achieve in the next four weeks and then rate them in terms of certain dimensions such as difficulty, importance, the extent to which they had the skills and resources to achieve the goal, their commitment and motivation to achieve the goal, etc. However, there were differences in the way the participants in the groups had to state and pursue the goals:

- Participants in Group 1 had to think about their goals
- Participants in Group 2 had to think and then write their goals
- Group 3 had to write their goals and formulate action commitments (i.e. an implementation plan)
- Group 4 had to write their goals, formulate action commitments, and send their goals and action commitments to a supportive friend
- Group 5 had to write their goals, formulate action commitments, and send their goals, action commitments and weekly progress reports to a supportive friend

## When new goals are formulated, resistance can be expected.

As chart 5 shows, there is a marked difference between participants who did not, and those who did write their goals. The participants with written goals achieved a far higher goal achievement score. However, the differences between groups 2, 3 and 4 suggest that, on its own, the formulation of action commitments may not improve goal achievement. Formulating action commitments and sending it to a supportive friend means (public) commitment and this assists with better goal achievement. But the real spice is added by accountability, namely monitoring the progress with the supportive friend.

Chart 5: Goal achievement is enhanced by written goals, commitment, and accountability



Source: Matthews, G (2007)

At the end of the study, only 43% of participants in group 1 either accomplished their goals or were at least halfway there. However, 76% of those in group 5 either accomplished their goals or were at least halfway there.

What the research tells us, is that once a household – no matter whether it is a single or extended household – decides on its goals, it must be written down. Then the implementation plan must be formulated and written. This should be shared with a trusted person to increase commitment. And then the implementation must be monitored to, at the very least, hold yourself accountable.

Although achieving long-term financial goals will often take more time than four weeks as in the quoted research, the science of success is the same. Clearly the biggest gain will be achieved by setting goals (for those who do not have goals), being very specific and clear on what they are, and by writing them down. Even more progress can be achieved through commitment (following an implementation plan) and accountability (monitoring the progress and adjusting towards improvement).

## The ABCs of financial goal achievement

The basics to financial goal achievement can be summarised in five steps (see Illustration 3).

### Step 1: IDENTIFY



Make a list of all your personal and financial needs and wants, i.e. the goals you set for yourself.

Discuss this list with all the members of your household to ensure that you have a complete list of what your household is aspiring towards. Remember that financial planning should benefit the household and should be implemented by the collective, otherwise the plan will most likely fail.

### Step 2: EVALUATE



Prioritise your household's needs and wants and put timelines to this.

Conduct a financial health assessment by taking stock of your incomes, expenses, assets and liabilities.

Evaluate which of your household's needs and wants you may be able to achieve on your own, and which you think may be too complicated and that you need professional assistance with.

### Step 3: DEVELOP



In writing, develop your household's financial plan by setting financial goals based on your evaluation in step 2. For those goals you need guidance with, ensure that you engage with a financial adviser that is registered with the Financial Sector Conduct Authority<sup>1</sup>.

You need to be an active participant in the process and not expect someone else to make all the decisions on your behalf.

### Step 4: IMPLEMENT



Once you have done your homework, engaged with the necessary expert, and have read up extensively, ensure that your plan is written down and that you know what to do by when.

Ensure that your entire household is also aware of your plans so that you all work together and remain accountable to achieve your financial goals.

### Step 5: ADJUST



Remember that this process needs to be reviewed on a regular basis - at least once a year - to ensure that you are still on track. Your financial plan also needs to be adjusted with big life changes such as getting married, starting a family or buying a car.

Diarise a set date each year for revisiting your household's financial plan to ensure that you follow through.

Illustration 3: The five steps to financial goal achievement



<sup>1</sup>You can check whether a financial adviser is registered at: [https://www.fsca.co.za/faqs/search\\_fsp.htm](https://www.fsca.co.za/faqs/search_fsp.htm)

## Are South African households on track with their goal setting exercises?

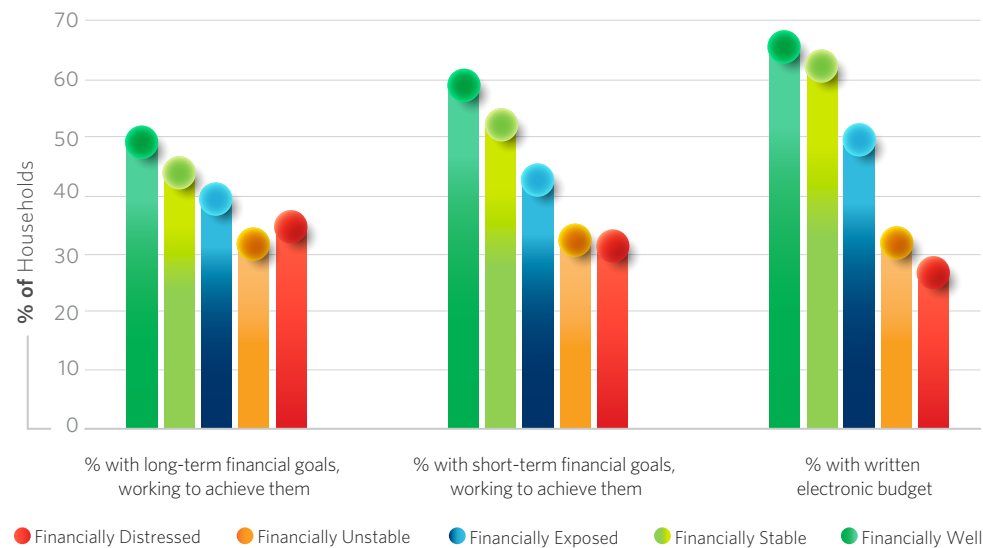
As indicated in chart 4, households' level of financial wellness increases as they set and achieve more financial goals. However, as important is the type of financial goals that are set and achieved. An analysis of some of the types of goals provides more insights on the strengths and weaknesses of households.

Chart 6 shows that the Financially Well are better with budgeting (written/electronic) and setting short- and long-term goals and working towards achieving them (implying written goals, commitment, and accountability). Put

differently, having a written/electronic budget and short- and long-term goals, as well as commitment and accountability, assists greatly towards becoming financially well.

More than 60% of the Financially Well and Financially Stable have a written/electronic budget compared to less than 50% for the other three groups. Although having a written/electronic budget is different from having a written financial plan with goals, it can have a similar impact. Given that a budget is necessary to compile an implementable financial plan with goals, it is safe to deduce that households with a written/electronic budget are much more likely to have a written financial plan with goals than households without a written/electronic budget.

**Chart 6:** Written goals, commitment and accountability improve the level of financial wellness



Source: Momentum/Unisa Household Finance Survey, 2022

## More than 60% of the Financially Well and Financially Stable have a written/electronic budget compared to less than 50% of the other three groups.

The Financially Well are more inclined than the other groups to have short- and long-term goals and are working towards achieving them. About 50% of the Financially Well have long-term goals and are working towards achieving them, while the percentage for short-term goals is 60%. This is much more than the other groups, emphasising the importance of pursuing financial success in the journey to becoming financially well.

Although it might seem questionable that not all the Financially Well have financial goals and are working hard towards achieving them, it is not. Some Financially Well households have already achieved their goals. And the chart only illustrates the households who have set goals and are working towards achieving them.

Furthermore, it is possible for households to be financially successful (achieved all financial goals) yet not be financially well. For instance, a household may have achieved all its unique goals such as generating wealth, saving for emergencies, saving for retirement,

having sufficient insurance, and repayment of debt. But at the same time the household may not yet be comfortable with its particular level of income, wealth, living conditions, education, and personal empowerment. So, the household may be financially successful, but not yet as financially well as it can be.

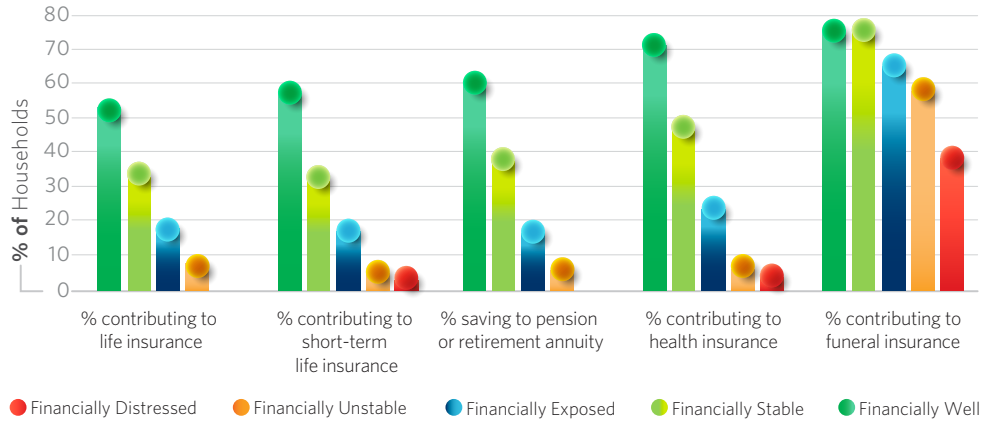
On the other side of the coin, a household may not have been on track with achieving all its goals but be financially well. This may occur when the household can finance its expenses over its lifetime, but aspires to something better through financial goals which are tough to reach.

## The use of financial products to accelerate financial goals

Households use different financial products to achieve their unique short- and long-term goals. Chart 7 shows the role that the uptake of different types of financial products play to achieve financial success (achieving the unique financial goals of households) on the journey towards financial wellness. For instance, more than 50% of the Financially Well contribute towards a life insurance policy, whereas it is the case with only 30% for the Financially Stable. For the Financially Well, this percentage increases to almost 60% for short-term insurance (car and housing content) and saving for retirement (annuities and pension funds), and to 70% for health insurance (medical aid). However, the percentages remain low for the other groups. Interestingly, though, contributions towards funeral policies show a very high take-up rate for all the groups - almost 40% for the Financially Distressed.



**Chart 7:** Financially Well are more likely to use financial products to satisfy financial goals



Source: Momentum/Unisa Household Finance Survey, 2022

### Keep your momentum going

If things are going well, it is easy for households to become complacent about achieving financial goals. However, life happens, and like the climate, economic circumstances out of your control change all the time. For instance, it becomes easier to achieve financial goals when interest rates, consumer price inflation, personal income tax and unemployment decline.

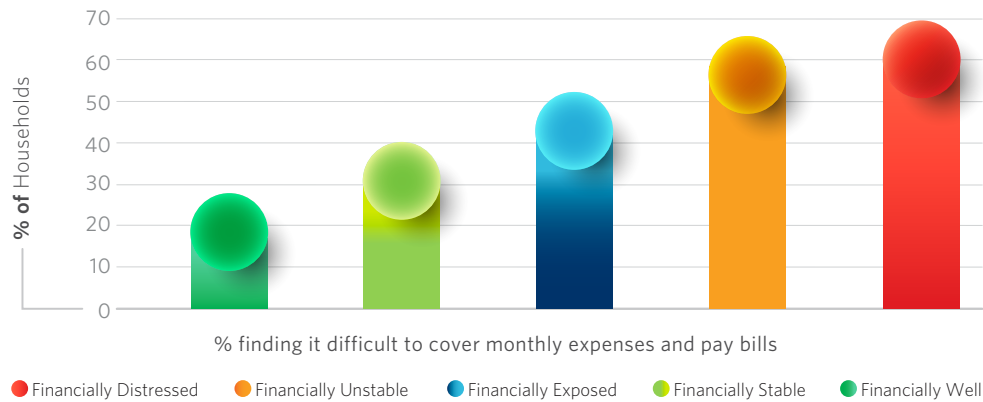
It is easy for households to become complacent about achieving financial goals.

# financial goal achievement



# Does the type of household *matter?*

**Chart 8:** The struggle to afford financial goals and other expenses



Source: Momentum/Unisa Household Finance Survey, 2022

However, the opposite happened in 2021 as households experienced an environment of rising consumer price inflation, interest rate hikes and high unemployment, making the achievement of financial goals more difficult. In these times even the Financially Well can struggle to achieve their goals, as chart 8 shows. Almost 17% of the Financially Well found it difficult to afford their expenses (including the financial products used to achieve their financial goals). In these times the science of goal achievement will assist households to remain on the path to financial wellness.

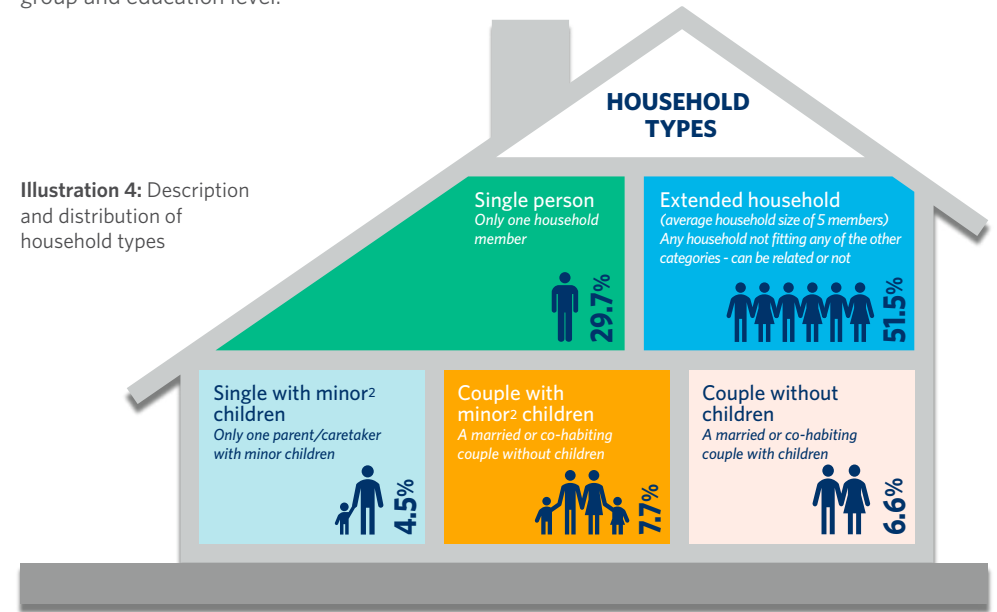
economic conditions  
**CHANGE** all the  
**TIME**

## The different types of households

The previous section illustrated that households with goals and who work hard to achieve the goals tend to be more financially successful, and more financially well. However, households are not the same and differ in many ways. Some are low-income earners and others fall in the middle-to-high-income category. Some are young, others middle-aged or older. Households also differ according to the number of members. **Annexure 2** provides details on how the different household types look based on various demographics, such as age, income group and education level.

The following section analyses the financial success and financial wellness of households according to the size of the household to, among others, determine which type of household is more inclined to be financially successful. Put differently, which household types set goals and work to achieve them. The different household types analysed are indicated in illustration 4.

**Illustration 4:** Description and distribution of household types



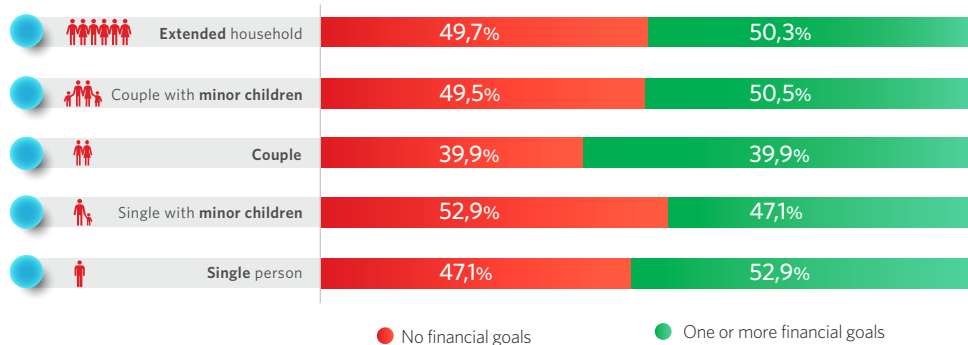
<sup>2</sup> Minor refers to children younger than 18 years of age



## Household types and their financial goals

As chart 9 shows, couples are more inclined (than other household types) to set financial goals in their unique financial plans. In contrast, households that consist of a single person with minor children are least inclined to set financial goals.

Chart 9: Household types with and without financial goals

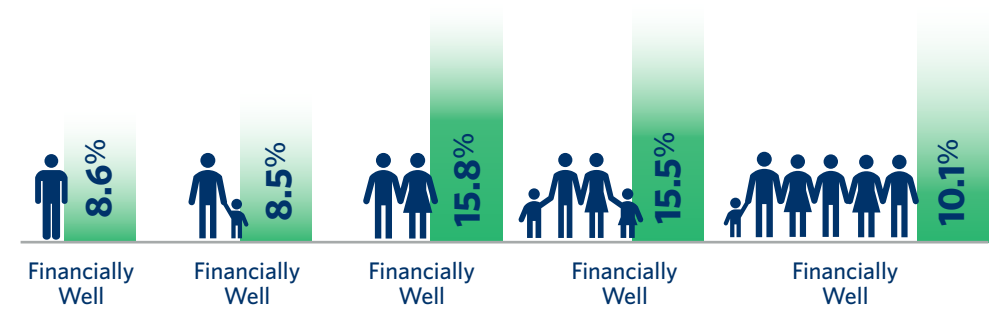


Source: Momentum/Unisa Household Finance Survey, 2022

One would have expected that households with children would tend to set financial goals to guide them towards their and their children's financial future. However, their lack of planning and goal setting are symptoms of the low level of financial literacy in South Africa – as confirmed by the Financial Sector Conduct Authority's (FSCA) recent research on the state of financial literacy in South Africa. According to the FSCA report (2022), a decline in good financial decision-making occurred over time as fewer participants planned for the future through the setting of long-term goals. Given the complexity and uncertainty of the financial markets, this is a concern for policymakers and financial institutions alike.

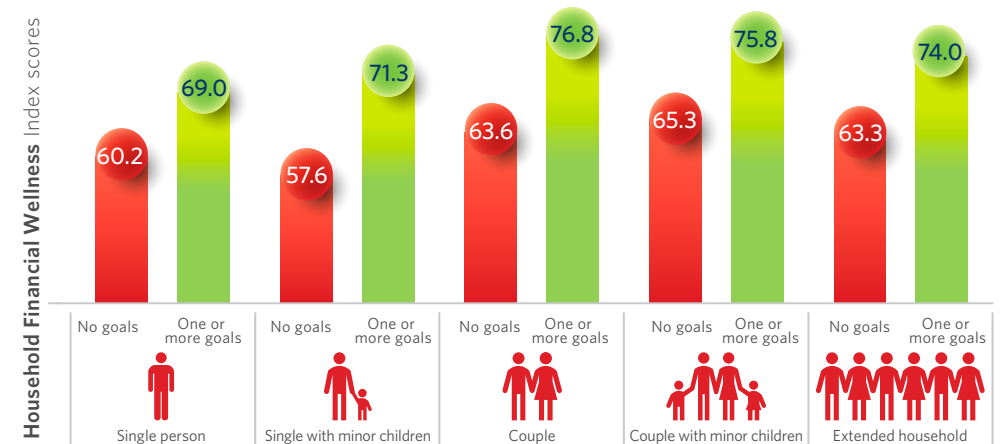
To improve financial success and financial wellness, households must set and actively pursue the aim of achieving their goals. Not pursuing goals is one of the biggest challenges all types of South African households face. This challenge seems more prevalent among single households. As illustration 5 shows, the percentage of non-single Financially Well households (regardless of minor children) is almost double that of single households (more than 15% compared to around 8%) and can be attributed to not setting and actively pursuing goals.

Illustration 5: Percentage of Financially Well households by type of household



The influence of goal setting and active pursuit thereof on achieving higher levels of financial wellness is also evident from chart 10. In all types of households, those with financial goals had a higher financial wellness score compared to those without any goals. Single households with minor children who had no goals had the lowest Financial Wellness Index scores. Couples (with or without children) who set financial goals had the highest Financial Wellness Index scores – also exceeding the national average. The difference in the Financial Wellness Index scores is relatively large between those with goals, compared to those without goals, which again highlights the importance of setting and pursuing goals as key drivers towards financial wellness.

Chart 10: Financial Wellness Index scores per household type by number of goals



Source: Momentum/Unisa Household Finance Survey, 2022

Setting goals is not a complicated exercise. All households have the ability to do it. It is the battle in the mind referred to earlier which hinders execution. The research revealed that this is particularly prevalent among single with minor children households, as they had the lowest Household Financial Wellness Index scores.

Since the Household Financial Wellness Index score is calculated from five subcomponents, it warrants an investigation into the goal-setting mindset of households for each of the five subcomponents. The results of this research are indicated in chart 11. It again shows the value of having and pursuing financial goals, as households with financial goals have higher component scores than those without any goals.

In terms of living conditions, the score for single with minor children households who have financial goals is much higher than for those with no goals. The same is true for couples with children. This shows households (singles and couples) with minor children who set financial goals tend to have better living conditions than those with no financial goals.

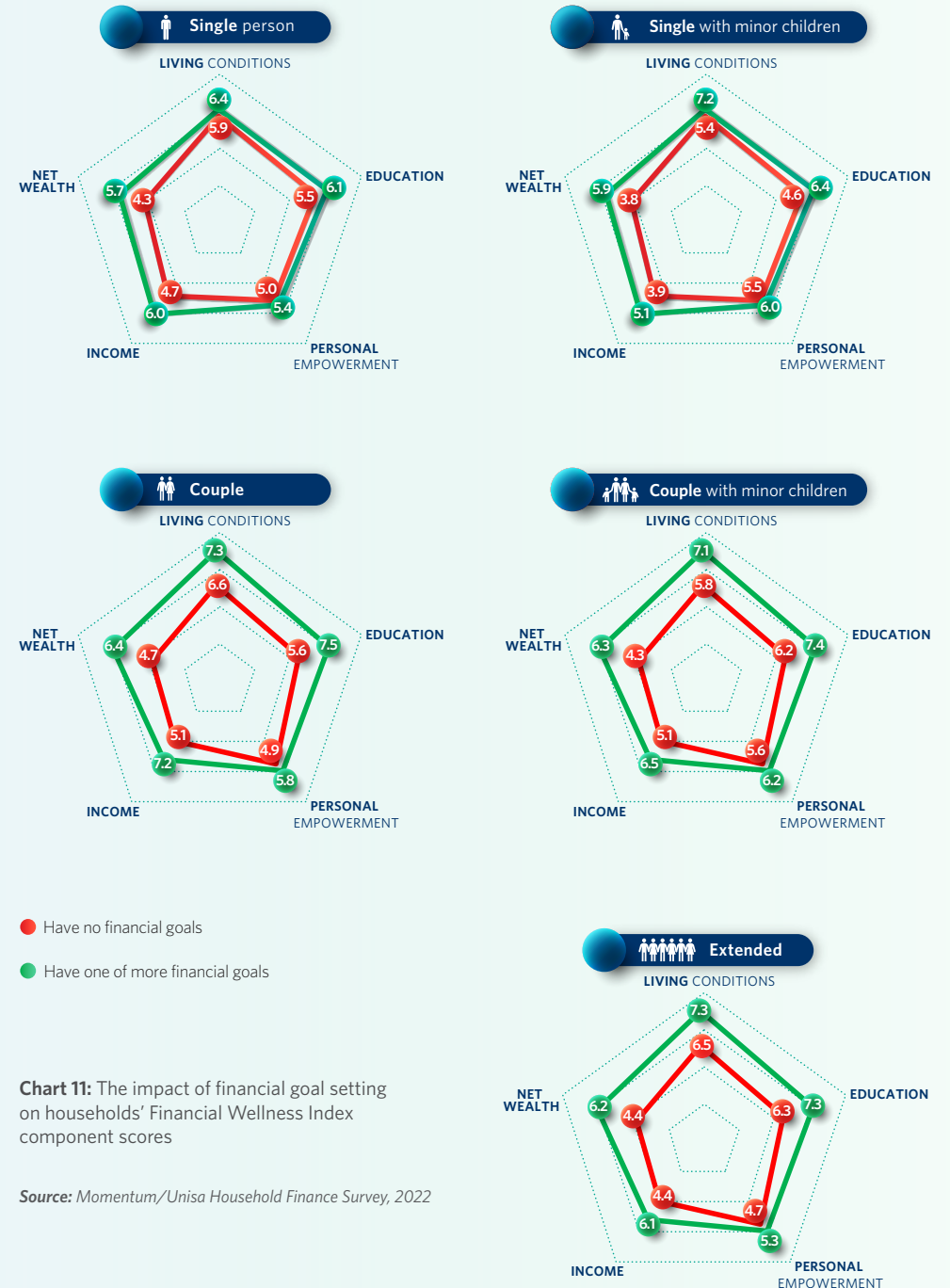
However, the biggest difference between households with goals and without goals is in their wealth. This is true for all types of

households. The wealth score of households with financial goals far exceeded the score of those without goals. This suggests that setting and pursuing wealth accumulation goals and strategies can ensure that households are financially comfortable when they retire.

In terms of income, the differences between households with and without goals were also large. The lowest income score was registered by single with minor children households who do not have goals - which also makes them financially vulnerable. The good news is that their situation tends to get better if they set goals. However, even then, they possess the lowest income score of all household types. Having only one income to support minor children can be very problematic depending on the level of income of the adult, even more so when there is an absence of financial goals to assist with consumption/expenditure and other financial decisions.

Extended households without goals were also struggling most in terms of their income and wealth components. Although being larger implies more possible contributors to income, this is for many reasons usually is not the reality for many extended households without goals. This also hinders their ability to utilise their income to generate wealth.

**Extended households without goals were also struggling most in terms of their income and wealth components.**



**Chart 11:** The impact of financial goal setting on households' Financial Wellness Index component scores

Source: Momentum/Unisa Household Finance Survey, 2022

# Summary

Financial wellness and financial success are closely linked through the setting and achievement of financial goals. The more financial goals a household sets and actively works to achieve, the more financially well a household becomes.

When setting and working towards financial goals, especially new ones, a battle in the mind ensues for the majority of individuals. The “routine and safety” component fights for control over the “new and unfamiliar” financial goals. However, when the decision to set and pursue the goals is made, the resistance starts to crumble.

Fortunately, there is a science to maximise actual financial goal achievement. It necessitates a written financial plan with goals, an implementation plan, commitment thereto and holding yourself accountable.

Several financial products can be used to attain financial goals. A much larger proportion of Financially Well households are making use of these products than the other groups.

Some economic conditions change all the time. They are largely beyond households’ control. Sometimes the changing circumstances makes it easier for households to achieve their financial goals, while it is more difficult during stringent circumstances. The science of goal achievement will assist households in the difficult times to remain on the path towards financial success.

When setting and working towards financial goals, especially new ones, a battle in the mind ensues for the majority of individuals.



# What is on the horizon? The outlook for 2022

The pace of the South African economic recovery is expected to slow significantly in 2022. This is caused by several factors. Consumer price inflation increased from 5.7% in January 2022 to a high of 7.8% in August 2022, before receding somewhat. This contributed to the South African Reserve Bank continuously raising the repo rate aggressively throughout the year, from 3.75% in January 2022 to 6.25% in September 2022.

gas delivery from Russia to Europe was interrupted, causing a surge in energy prices - and consumer price inflation - which forced the European Central Bank to increase interest rates. High consumer price inflation in the USA and the UK, where energy shortages are also prevalent, contributed to big increases in their local interest rates, due to slow demand.

International events contributed to the slower pace of domestic growth, due to factors which slowed demand and therefore exports from South Africa to certain countries.

Higher consumer price inflation and interest rates would have limited household consumption expenditure growth, as well as the purchasing power of household income. Furthermore, the floodings in KwaZulu-Natal and lack of electricity - which caused large bouts of load shedding - constrained production, and the pace of job creation.

International events contributed to the slower pace of domestic growth due to factors which slowed demand and therefore exports from South Africa to certain countries. The war between Russia and Ukraine contributed to sharp increases in the price of oil, while

Still, the South African economy should grow by around 1.7% in 2022, which should benefit households on the margin, but not as much as it would have without the higher consumer price inflation, interest rate hikes and load shedding. Consequently, a slight improvement in the Household Financial Wellness Index is expected in 2022. Such an improvement may be driven by better living conditions (due to the State of Emergency being called off and an increase in residential property purchases), an increase in education status (due to more students completing secondary and tertiary studies) and real income (due to the extension of the Social Relief of Distress grant and more people finding employment).

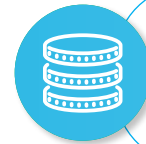
# 5 Money Moves: Take control of your finances

Households were asked what they require to achieve financial success, given their current financial circumstances. Here is their advice to fellow consumers:



Commit to a journey of **decluttering your financial expenses.**

One of the easiest things you can do to take control of your finances is to cut your monthly expenses. This can be achieved by comparing prices before buying something. Reduce variable expenses, such as clothing or entertainment, by being flexible and living frugally. Lifestyle inflation is real, so be careful about spending more when you earn more. Excessive spending jeopardises your long-term wealth and will put your financial future at risk.



Make **saving** a habit.

No matter which option you choose, and no matter how little you save, look for ways to increase your savings over time. Small gains will amount to big returns in the long run. An emergency fund can assist when unexpected events occur, but wealth generation will gain momentum through investments and saving for retirement.



**Education is key** to your future financial success.

Knowledge is power and it opens doors. If you need help with your finances but are not sure where to start, seek financial wisdom from books and articles written by experts, or from experts like financial advisers. You do not need a degree to manage your finances effectively. Ensure that you have the skills you need to stay competitive in the workplace.



Gain momentum through **additional sources of income.**

Do not underestimate the power of a side hustle to bring in extra income. Passive income from a rental property is another way to build wealth or find more money to get yourself out of debt.



Move towards **paying off debt.**

One of the most expensive mistakes you can make, is to carry a lot of debt, especially high interest debt such as personal loans and credit cards. If you want to start painting a different financial picture and gain more financial opportunities, pay off your debt as quickly as possible. To prioritise your debt, start repaying the smallest debts first to create space on your budget which may be used to repay the next smallest debt and so on.

# Annexure 1.1:

## Detailed explanation of Household Financial Wellness *groups*

### Financially Distressed (0 - 29.9)

In this category, a household is deeply rooted in a Financially Distressed position. Most of these households live in extreme poverty and misery. They need major outside assistance, which may include government social security transfers, remittances, debt consolidation loans, debt counselling, etc. to improve their financial situation. The impact of COVID-19 pandemic exacerbated their financial situation although many of them benefited from the government COVID-19 Response Support Programme (SACRSP). These households are likely to miss payments and use high-cost credit, including unsecured informal micro lenders, to pay off their debt.



### Financially Unstable (30 - 59.9)

A household in the Financially Unstable category is not as deeply rooted in financial stress as those in the Financially Distressed category. However, this type of household is very susceptible to adverse events (such as the loss of income or income-earning prospects), and wrong decisions can change their status to Financially Distressed. This was shown by many of these households' status gravitating towards the Financially Distressed category as the result of the negative impact of the COVID-19 pandemic on their finances. Fortunately, a stable or higher income, good financial decisions, financial discipline, and planning may present some opportunities to become Financially Exposed.



### Financially Exposed (60 - 79.9)

Unforeseen adverse events may lead to a Financially Exposed household becoming Financially Unstable or even Financially Distressed. Many households in this group earn a low income, and poor financial management puts them in a Financially Exposed position. Expert financial advice and planning may present opportunities for many households in this category to drift towards a Financially Stable position. That will entail a commitment to engage in financial capability practices to mitigate adverse events, take advantage of financial advice and opportunities (investments), and higher income earning prospects and to make financial decisions that will enable the household to become Financially Stable.



### Financially Stable (80 - 89.9)

Households in this category possess sufficient resources to make a stable living with the prospect of improving their finances in the short- and long-term. They achieve some financial success and can, with positive financial behaviour, and implementation of financial advice, benefit from opportunities to increase their income, wealth and financial security, which can make them Financially Well. Poor financial decisions and adverse economic events outside their control (such as the COVID-19 pandemic) can lead to loss of income which may cause them to gravitate towards the Financially Exposed state.



### Financially Well (90 - 100)

Households in the Financially Well category mostly do the right things and achieve their financial goals. These are households that follow sound advice and have the advantage of possessing adequate financial resources to remain financially resilient in the short- and long-term notwithstanding socio-economic conditions. However, negative COVID-19 pandemic-related challenges have led to several of these households gravitating from a Financially Well to Financially Stable category. Although these negative developments are mainly outside the control of households, proper advice, goal-setting, and financial planning such as income protection measures, availability of emergency funds, and financial discipline may assist to mitigate the impact of adverse events.



households gravitating •  
from *financially well*  
• to financially stable

# Annexure 1.2:

What do typical households look like in *South Africa*?

	Single	Single with minor children	Couple	Couple with minor children	Extended
<b>AGE OF FKP</b>					
18 - 24	9.8%	3.8%	4.0%	2.3%	14.1%
25 - 34	36.5%	37.7%	23.5%	35.4%	26.3%
35 - 44	28.2%	37.4%	30.4%	39.5%	19.7%
45 - 54	12.8%	12.9%	23.9%	17.7%	19.6%
55 - 64	6.9%	6.5%	10.3%	2.5%	12.9%
65+	5.7%	1.6%	7.9%	2.6%	7.3%
<b>GENDER OF FKP</b>					
Male	57.2%	7.0%	48.1%	43.3%	33.7%
Female	42.8%	93.0%	51.9%	56.7%	66.3%
<b>HIGHEST EDUCATION IN HOUSEHOLD</b>					
Some primary	7.6%	3.5%	4.2%	4.3%	0.9%
Completed primary	27.1%	41.2%	17.7%	11.9%	16.8%
Completed secondary	49.4%	41.9%	51.2%	60.5%	61.5%
Tertiary	15.9%	13.5%	27.0%	23.3%	20.8%
<b>HOUSEHOLD INCOME GROUP</b>					
Very low (0 - R25 900)	22.6%	25.3%	13.4%	9.0%	17.8%
Low (R25 901 - R125 000)	38.4%	49.1%	34.1%	49.1%	44.8%
Low emerging middle class (R125 001 - R286 000)	15.9%	15.6%	9.6%	19.2%	15.6%
Emerging middle class (R286 001 - R575 000)	11.9%	4.5%	18.8%	7.3%	10.1%
Realised middle class (R575 001 - R1 050 000)	8.1%	3.6%	13.8%	12.2%	7.9%
Emerging affluent (R1 050 001 - R2 250 000)	1.6%	1.9%	8.3%	2.6%	2.8%
Affluent and wealthy (R2 250 001+)	1.6%		1.9%	0.6%	1.0%
<b>AREA TYPE</b>					
Metropolitan	42.8%	44.9%	39.9%	47.8%	41.3%
Non-metro city or town	34.7%	23.1%	37.4%	26.1%	27.1%
Rural area	22.5%	32.1%	22.8%	26.1%	31.5%

# Annexure 1.3:

Which households did we *speak to*?

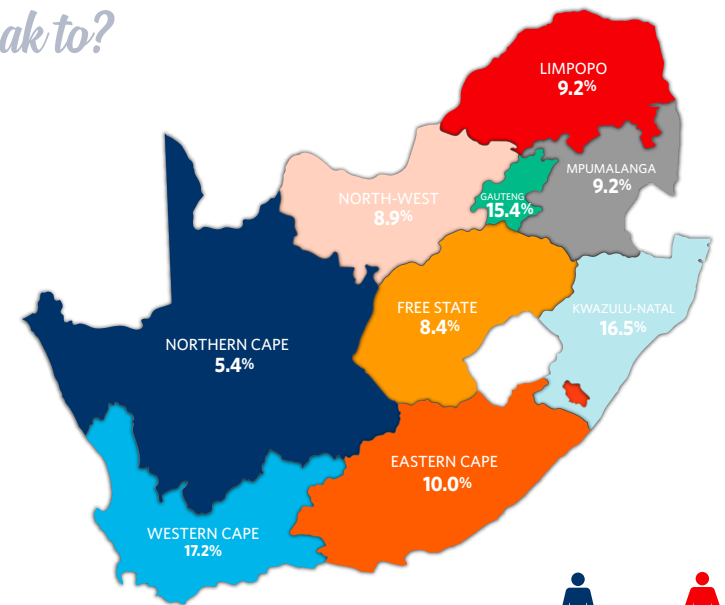
**2 800 HOUSEHOLDS**

**DURATION**

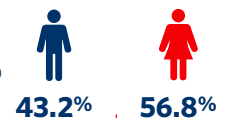


**AREA**

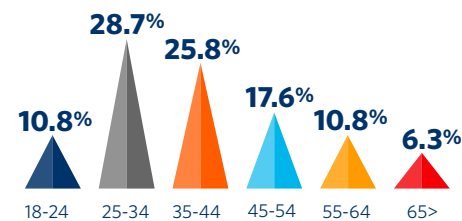
- > Metro **35.1%**
- > Urban **36.3%**
- > Rural **28.6%**



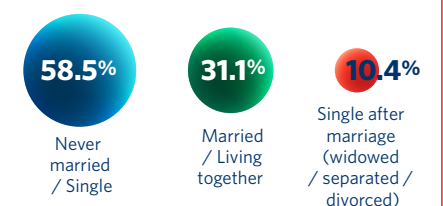
**GENDER (FKP)**



**AGE GROUP (FKP)**



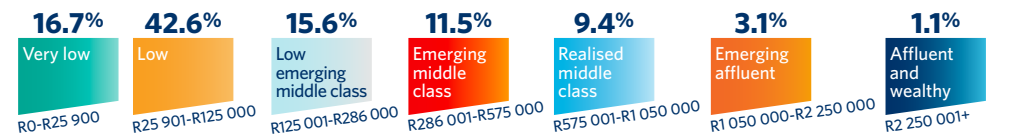
**RELATIONSHIP STATUS (FKP)**



**HIGHEST LEVEL OF EDUCATION IN HOUSEHOLD**



**HOUSEHOLD INCOME GROUP**



FKP = Financially Knowledgeable Person (the respondent)

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**HOUSEHOLDS**  
with financial  
**GOALS HAD A**  
HIGHER FINANCIAL  
wellness  
**SCORE.**

## My pledge: Committing to my journey to financial Success

I pledge my commitment to become financially successful based on my own personal financial goals. I understand that the path is as unique as I am, so it is up to me to see my dreams, goals and aspirations become a reality. I know that financial success is not something others can give me, nor is it something that the government or the economy can guarantee to provide me. I trust myself, my innate potential to succeed and the momentum I have built to achieve the financial success I envision for myself. I hereby pledge to embrace my journey with all its challenges and victories.

### *I am committed to stay true to my course as:*

- I am committed to educating myself about personal finance, investing, and wealth for the rest of my life
- I am committed to fully understanding my finances
- I pledge to live within my means and save for my future self
- I pledge to know the difference between my short-term as well as long-term needs and wants
- I pledge to take equal pleasure in saving as I do in spending
- I pledge to value anticipation over instant gratification
- I pledge to define myself by who I am, not what I have
- I pledge to align my spending with my values, vision and goals

Every thought I think, every word I speak, and every action I take from this day forward will reflect my commitment to this journey, which will lead to peace, fulfilment, empowerment, and financial security.

Signed

Date

committed

# 2

## SMME and Side Hustle Entrepreneurs

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# The South African SMME and Side Hustle *Entrepreneur*

The world is constantly changing, and 2021 was no different. These changes created both opportunities and major setbacks for small, medium and micro-enterprises (SMMEs) in South Africa. What is clear, though, is that South Africa is a country worth fighting for. South African entrepreneurs are at the forefront of this fight, they are the ones who are doing their jobs properly, the people that stand their ground, the ones who are changing the narrative and future of our country.

In a time where negativities dominate conversations, it is our aim to provide a balanced narrative, acknowledging the bad, but also highlighting the good, to learn from it and build on it.

This report - and the various sources of information (see list of references) is not meant to provide a comprehensive view of all facets of SMMEs. Instead, it is meant to be a conversation starter. A conversation that is urgently needed, to provide an environment where every citizen has an equal opportunity to participate in the economy as an entrepreneur. Entrepreneurship is key to national progress and development.

While the importance of the formal and informal SMME sector is acknowledged, defining an SMME is a challenging task, as many organisations, institutions and countries have their own definitions and parameters by which they do this. There are a variety of metrics used to classify businesses as either SMMEs or large enterprises, including industry, management structures, number of employees, financing and turnover.

For the purposes of this research report, we focused on SMME businesses and their owners. This includes both formal and informal businesses. A further distinction is made between entrepreneurs, where the business is their main or only source of income, or where it serves as an additional source of income over and above their main source of income.

The following terms will be used throughout the report:

- SMME entrepreneurs are defined as business owners with a formal or informal business with 250 employees. The business is their main source of income.
- Side Hustle entrepreneurs are defined as business owners with a formal or informal business, providing them with an additional source of income over and above their main source of income. It is often referred to as a side business, secondary income, or hustle.

Entrepreneurship is key  
to national progress and  
development.

# The South African SMME landscape

The SMME landscape is yet to recover to pre-COVID numbers. In the third quarter of 2019 (Q3 2019) there was a total 2 653 424 SMMEs in South Africa according to Stats SA. This number decreased in Q3 2020 and has increased slightly to 2 404 564 in Q3 2021 (see Table 1). Of this remaining 2 404 564 SMMEs, only 866 747, or 56%, employ more than one individual.

SMMEs are critical contributors to the employment landscape in South Africa. In Q3 2021 SMMEs provided employment

to 9 758 314 people or 68.3% of all jobs. Of these, 2 134 474 jobs, or 21.9% of all SMME jobs, were provided just in the informal sector.

It is theorised that many SMMEs in the formal sector attempted a recovery in the informal sector. As such, there was a slight movement of jobs from the formal to the informal sector, which resulted in a decrease of jobs in the formal sector and an increase in jobs in the informal sector. However, the sad reality is that there were still about 150 000 fewer informal SMMEs in Q3 2021 compared to Q3 2019 - before COVID-19 and lockdowns.

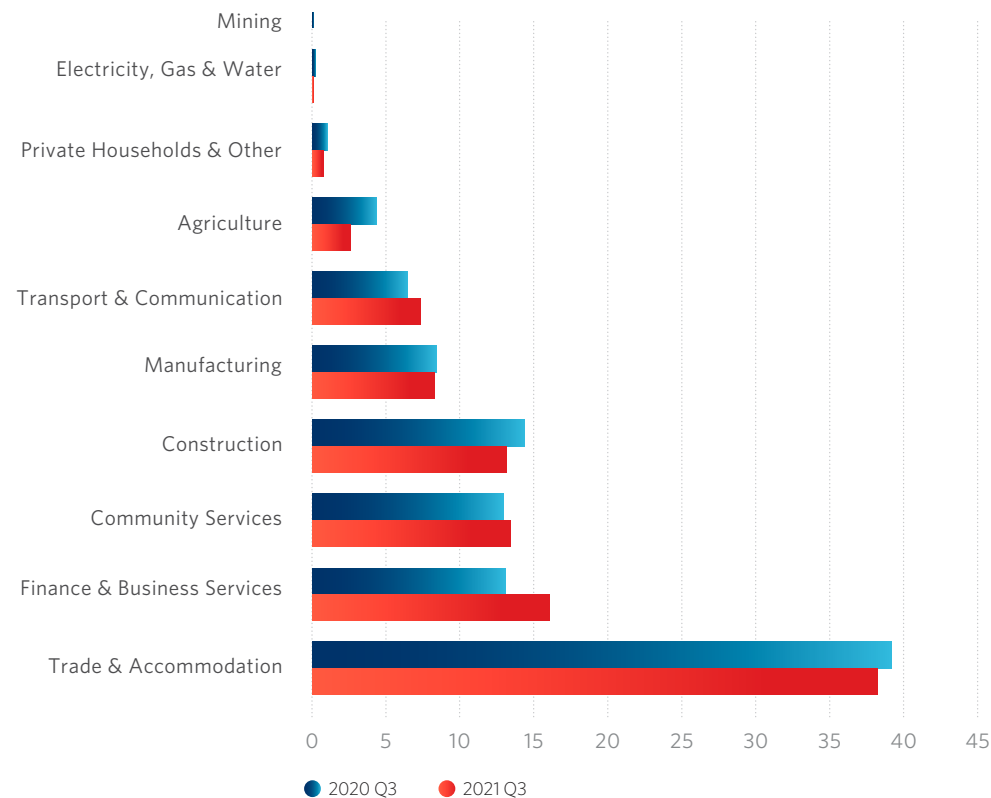
**Table 1:** The South African SMME landscape in numbers

	2019 Q3	2020 Q3	2021 Q3
Total number of SMMEs	2 653 424	2 363 513	2 404 564
Own account workers (only them)	1 667 094	1 494 575	1 537 817
SMMEs that employ workers	986 330	867 938	866 747
Informal SMMEs	1 791 431	1 580 155	1 641 859
Formal SMMEs	779 297	653 530	677 786

Source: Stats SA

Based on research from Stats SA, a large portion of the SMMEs (38.1%) in South Africa operate in the Trade and Accommodation industry (see Graph 1), with the second highest number being in Finance and Business Services. The Finance and Business Services industry experienced the biggest increase - growth of 24.3% on a year-on-year basis. This equates to 75 110 more SMMEs in this industry in Q3 2021 compared to Q3 2020.

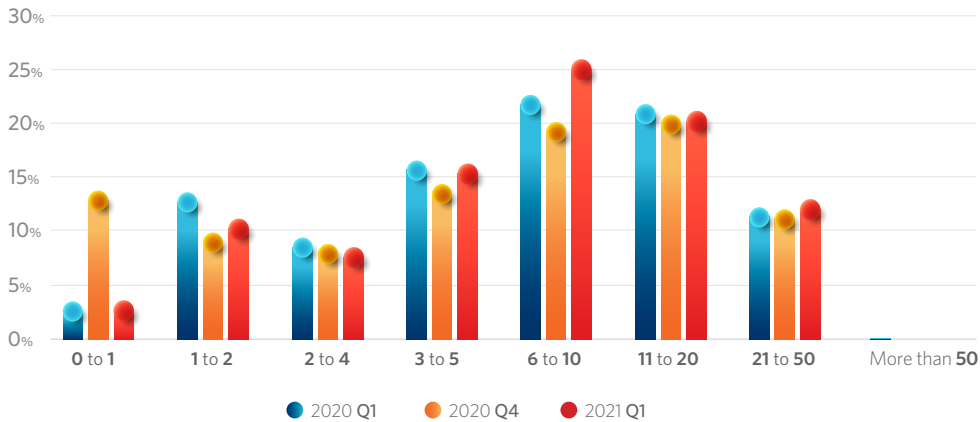
**Graph 1:** SMME distribution across industries



Source: Stats SA

According to the Quarterly Labour Force Survey from Stats SA, many SMMEs which started in Q1 2020 were out of business by Q1 2021. Some businesses may have shut down due to the lockdown in 2020 and restarted their operations later in 2021 (see Graph 2).

**Graph 2:** Trading age of SMMES

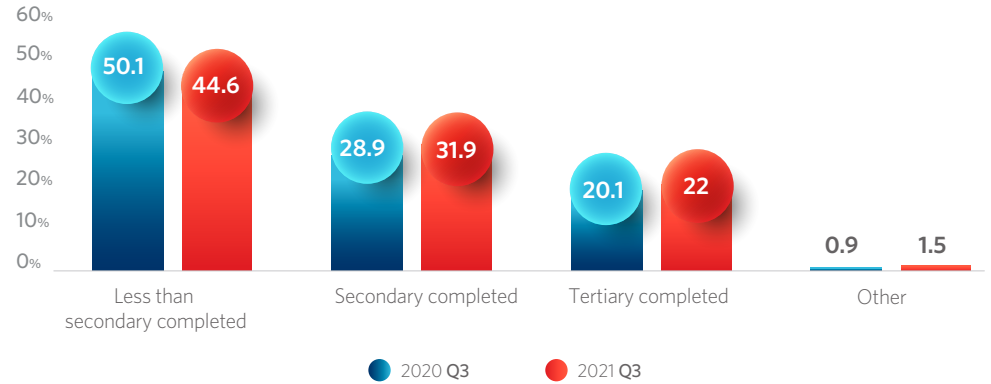


Source: Stats SA

The past two years has also seen a shift in the demographics of the SMME entrepreneur (see Graph 3). The numbers show an increase in the proportion of SMME entrepreneurs who completed their tertiary education, coupled with a decrease in those who have not completed their secondary education. A change is also evident in the age distribution of the SMME entrepreneurs from Q3 2019 to Q3 2021. There was a decline of 1.6 percentage points in the number of entrepreneurs aged between 15 to 34. They comprised 23.9% of SMME owners in Q3 2021. SMME closures appeared to be concentrated amongst those younger than 45-year-old.

A change is also evident in the age distribution of the SMME entrepreneurs from Q3 2019 to Q3 2021.

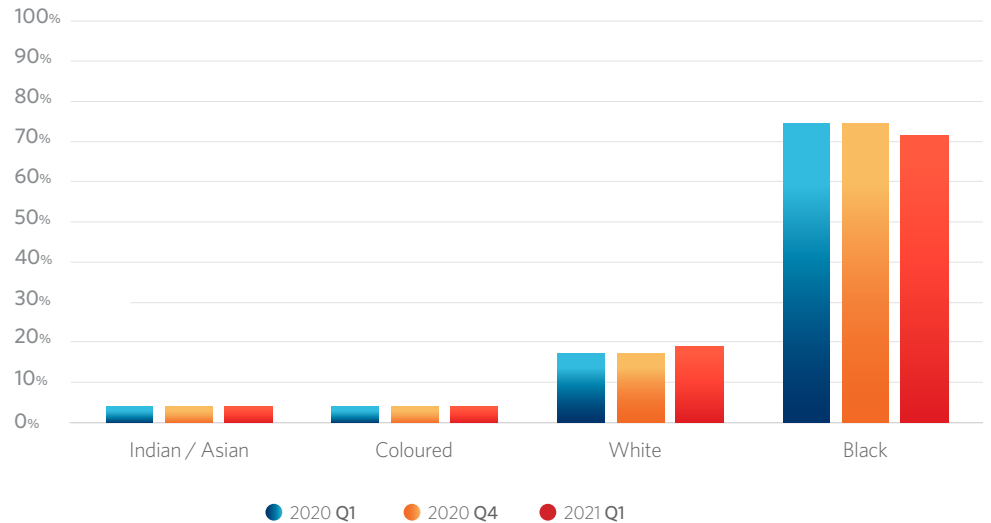
**Graph 3:** Education levels of SMME entrepreneurs



Source: Stats SA

Additional shifts in the profile of SMME entrepreneurs were also noted in the distribution of the population groups. In Q3 2021 73.6% of all SMMEs were black-owned, a decrease from 75.2% in Q1 2020. (see Graph 4)

**Graph 4:** Education levels of SMME entrepreneurs



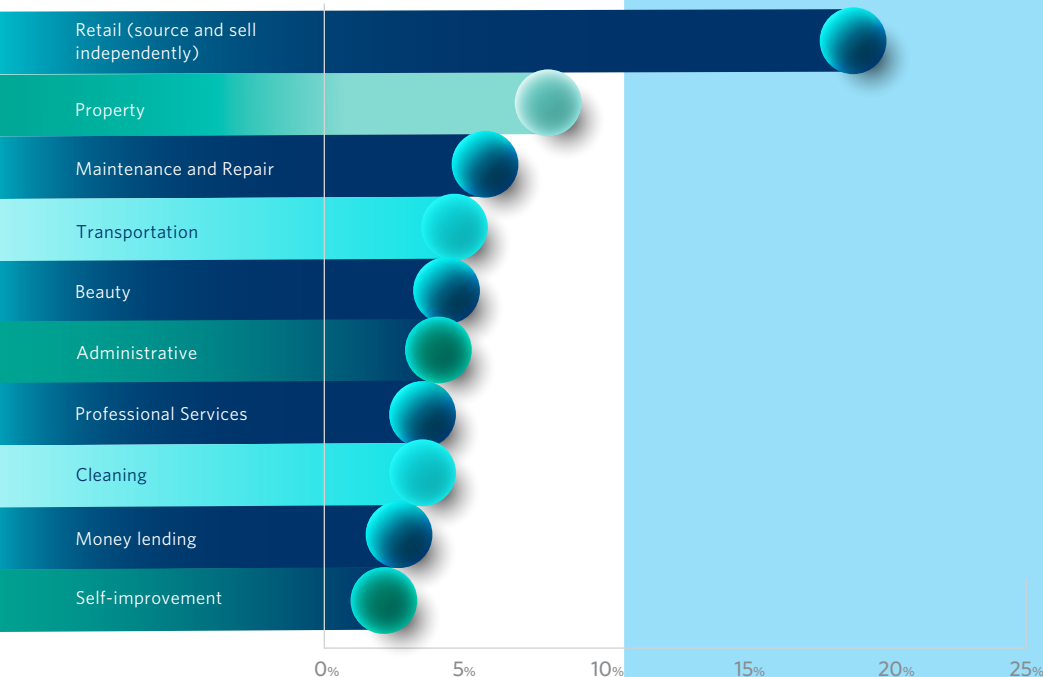
Source: Stats SA

# The South African side hustle landscape:

The Momentum/Unisa Household Financial Finance survey (2022) found that in 2021 an estimated 11.4% or 2 138 282 households acquired an additional income from a Side Hustle, a decrease from 14% in 2020. The majority (89%) of these households have one Side Hustle, with 11% having two or more Side Hustles within their household. A large portion (19.7%) of the Side Hustle entrepreneurs' businesses operate in the retail industry, where they source and sell goods independently (see Graph 5), followed by 9% who operate in the property industry.

11.4% of households have a Side Hustle.

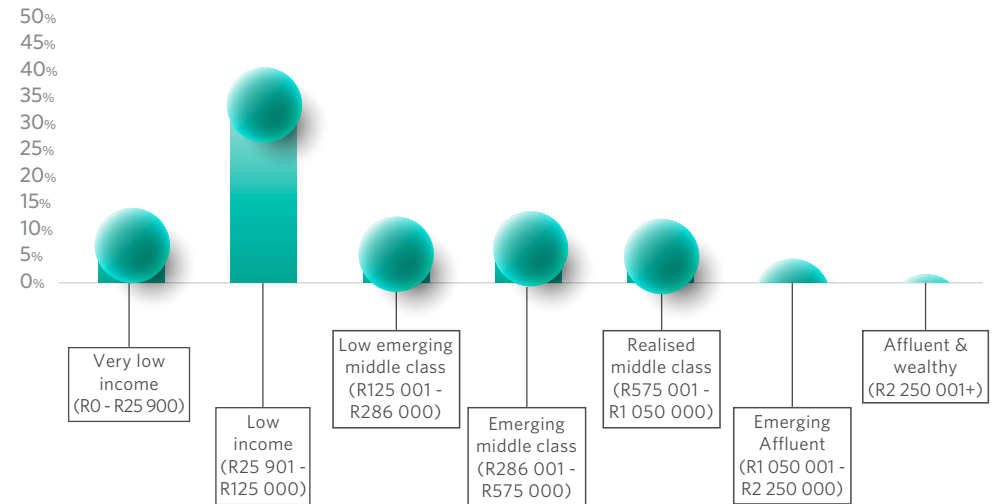
**Graph 5:** Top 10 industries Side Hustle Entrepreneurs operate in.



Source: Momentum/Unisa Household Finance Survey, 2022

The highest concentration of Side Hustles (41%), from an income-earning perspective, is amongst the low-income households with an annual household income between R25 901 - R125 000 or a monthly income of R2 158 - R10 416 (see Graph 6)

**Graph 6:** Side Hustle distribution across income groups



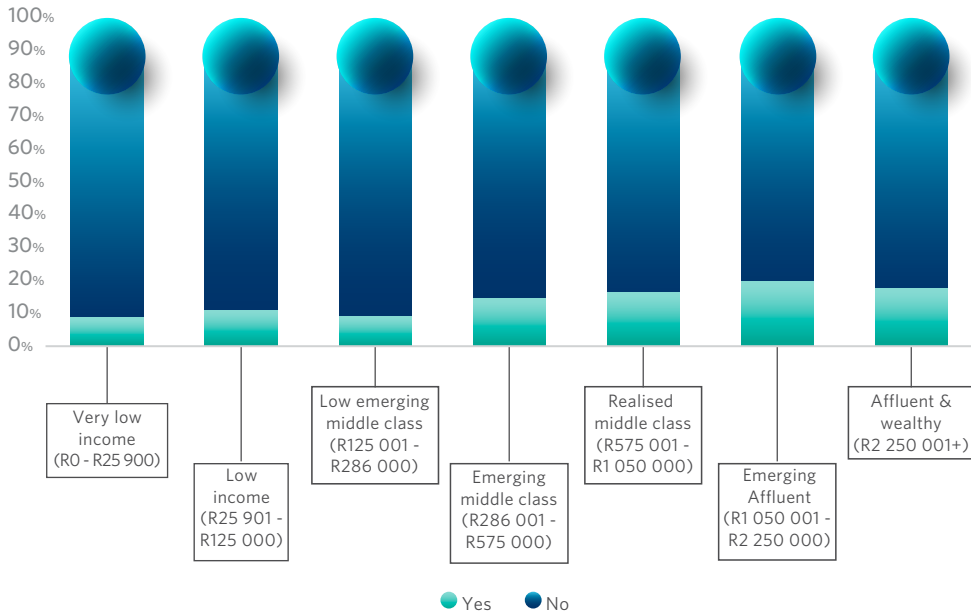
Source: Momentum/Unisa Household Finance Survey, 2022

41% of **SIDE HUSTLES** are in low income households



However, when analysing Side Hustles within income groups (see Graph 7), the largest proportion of households with a Side Hustle (20%) resides in the emerging affluent group with an annual income of between R1 050 001 – R2 250 000 (a monthly income of between R87 500 – R208 333).

**Graph 7:** Distribution of Side Hustles per income



Source: Momentum/Unisa Household Finance Survey, 2022

The largest proportion of households with a Side Hustle (20%) are the Emerging Affluent.

## In this second edition of Science of Success for SMMEs and Side Hustles, seven key insights were unearthed:

- Insight 1:** It is a game of “head” and “heart”
- Insight 2:** Doing it for myself, someone has to
- Insight 3:** Pressure to perform (*everyone is looking for a superhero*)
- Insight 4:** Aim to thrive, but most merely survive
- Insight 5:** Digital is all the hype
- Insight 6:** Have to be skilled at retention
- Insight 7:** Advice does not suffice

# Insight 1: It is a game of 'Head' vs. 'heart'

## Entrepreneurs may have their hearts in the game, but what is going on in their heads?

Being an entrepreneur in South Africa is fraught with challenges. There is a certain sentiment that there is opportunity in crisis. Living in a country where resilience from necessity has become synonymous with being a South African, is less than ideal. Resilience from necessity cannot become the norm. South Africans must move past merely getting up and dusting themselves off and out of necessity trying again and again. For South Africans and entrepreneurs, living in South Africa equates to a never-ending cycle of try harder, fight harder and repeat.

SMME and Side Hustle entrepreneurs think and feel in a particular way. This can impact their level of personal empowerment and how in control of their financial situation they feel. We asked the question do they feel like victims with no hope in sight? Or do they have the self-belief or confidence that they can find solutions to challenges and improve their situation.

When we took a closer look at the **HEAD of the entrepreneur** or how they think, it was evident that:

## Fear Limits Entrepreneurship In South Africa

Many would-be entrepreneurs do not follow their dreams and/or action their business ideas because of fear of failure. For entrepreneurs, the courage to do business is not the absence of fear, but the ability to persist despite it. The Global Entrepreneurship Monitor (GEM) report highlights that South Africa has one of the highest business start-up failure rates in the world. In addition, Rob Davies, former Minister of Trade and Industry, verified that over 70% of new businesses in South Africa fail in less than two years of being in operation.

Furthermore, the failure of a successful business also evokes fear and anxiety stemming from bankruptcy, repossession of assets, social stigma, and loss of livelihoods of employees and the business owner.

**Author Hans Rosking said,** "When we are afraid, we do not see clearly. There is no room for facts when our minds are occupied by fear". He further proposes that a fear instinct forces people to see something as frightening, whereas applying factfulness allows them to calculate the actual risk. In addition, he recommends that people learn how to manage their mental filters and develop a fact-based perspective to make better decisions. It is important for would-be entrepreneurs to recognise the common narratives and story types that often make them misinterpret the facts and see the situation as more dramatic than it is.

Other would-be entrepreneurs are deterred from entering the world of self-employment, as they do not think they can deal with, or overcome the challenges that entrepreneurs face.

Research by Professor Hayton and Assistant Professor Cacciotti (2015) identified seven challenges that can act as sources of fear for entrepreneurs:

- Financial security
- Ability to fund the business
- Personal ability/self-esteem
- Potential of the idea
- Threats to social esteem
- The businesses' ability to execute and
- Opportunity costs

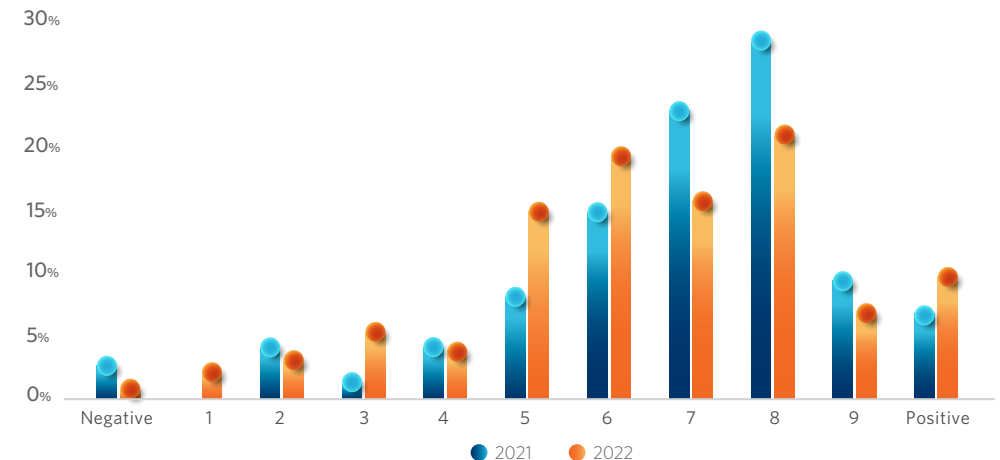
Societal fear is rife in South Africa, the 2022 Edelman Trust Barometer identified the top societal fear in South Africa as job loss.

## The rise of negativity and distrust

The news, our news feeds, stories from around the dining room table, or braai are often negative and filled with dread, despair and failure. Living in South Africa has a definite impact on the head space of its citizens. The 2021 Mental State of the World Report identified South Africa as the lowest ranking country based on mental wellbeing.

The rise of negative thinking is also evident among entrepreneurs' specific outlook for their businesses for the next year (see Graph 8). When comparing their outlook between 2021 and 2022, there is a clear decrease in strong positive outlook among entrepreneurs.

**Graph 8:** Outlook for business over the next year



Source: Momentum SMME & Side Hustle Survey, 2022 | Momentum/Unisa Household Finance Survey, 2022

The realities of living in South Africa, in addition to the tough business environment, has an impact on the state of mind, not only on would-be entrepreneurs, but also on SMME and Side Hustle entrepreneurs. Their world view and lived experience impacts on:

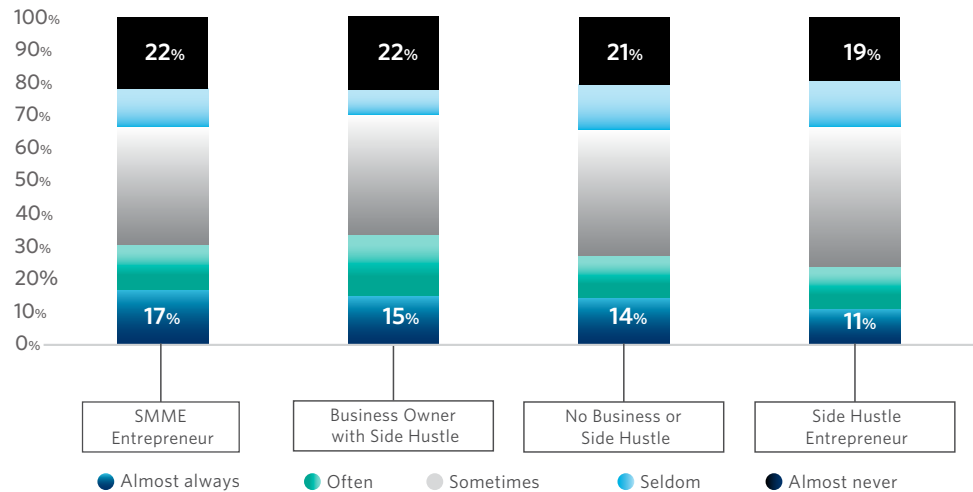
- Who they trust
- What they fear
- The opportunities they see
- The decisions they make
- The risks they take
- The hours they want to and can put in
- Their exposure

The current realities and lived experiences in South Africa resulted in distrust being the default state of mind. There is a tendency to distrust everything until we as South Africans see evidence that something is trustworthy or possible.

SMME and Side Hustle entrepreneurs in South Africa need to have their head in the game when chasing success. It is often said that it is the entrepreneurial mindset or mode of thinking that sets entrepreneurs apart and helps them achieve their goals and ultimately success. But the entrepreneurial mindset in South Africa must also contend with distrust, which makes it more difficult to achieve goals.

Successful entrepreneurs embrace challenges, mistakes, and failure as opportunities to develop new skill sets to help them succeed in the future. Nevertheless, our research found that the general sense of negativity amongst South Africans is shared by entrepreneurs. 17% of SMME entrepreneurs indicated that they almost always feel that there is really no way they can solve some of their problems, compared to 11% amongst Side Hustle entrepreneurs (see Graph 9).

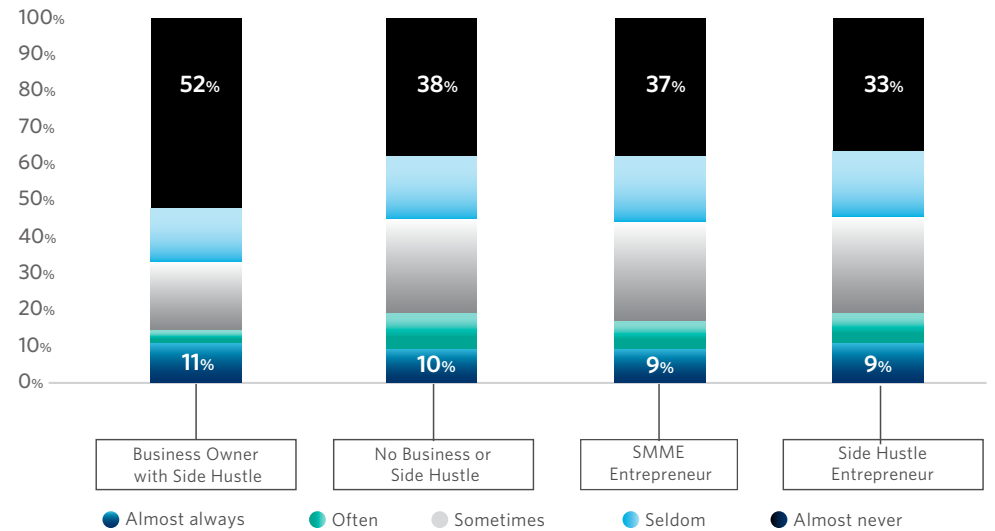
**Graph 9:** Agreement with statement, There is really no way you can solve some of your problems.



Source: Momentum SMME & Side Hustle Survey, 2022 | Momentum/Unisa Household Finance Survey, 2022

SMME and Side Hustle entrepreneurs do not only face adversity as citizens of South Africa, but experience many challenges and red tape as business owners as well. They often have no choice but to be resilient irrespective of how they currently think and what they have experienced (see Graph 10). Only 37% of SMME entrepreneurs and 33% Side Hustle entrepreneurs do not think they are being pushed around in life.

**Graph 10:** Agreement with the statement, You are being pushed around in life.

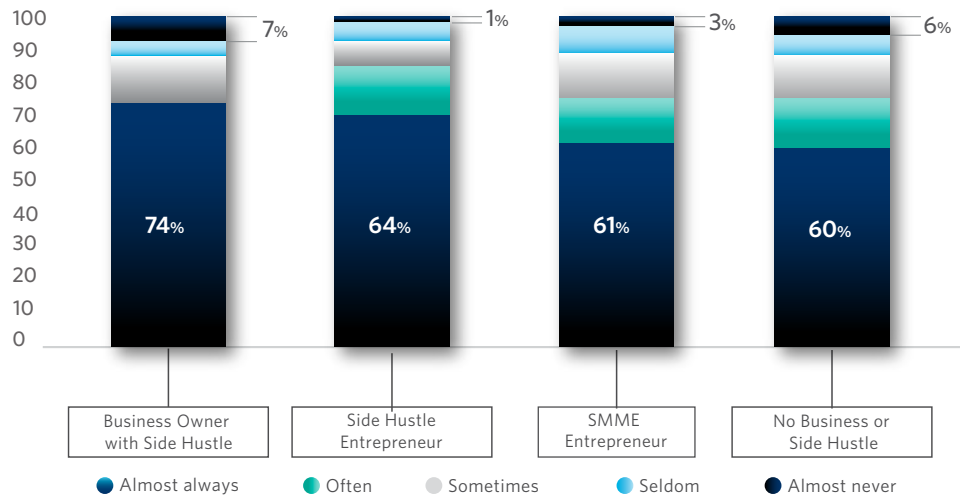


Source: Momentum SMME & Side Hustle Survey, 2022 | Momentum/Unisa Household Finance Survey, 2022

THEY OFTEN <sup>HAVE</sup> NO  
choice but to be  
resilient

Due to their current realities and the challenges, they face, SMME and Side Hustle entrepreneurs know they cannot rely on anyone but themselves for their future and ultimately their success (see Graph 11). As such, 74% of SMME entrepreneurs and 64% of Side Hustle entrepreneurs almost always agree that they are responsible for their own future, while only 60% of South Africans that are not SMME or Side Hustle entrepreneurs, think the same way.

**Graph 11:** Agreement with the statement, You are responsible for own future.



Source: Momentum SMME & Side Hustle Survey, 2022 | Momentum/Unisa Household Finance Survey, 2022

Business owners with a Side Hustle almost always agree they are responsible for their own future, while only 60% of South Africans that are not entrepreneurs think the same way.

A closer investigation into the hearts of entrepreneurs revealed:

## The heart of an entrepreneur beats with passion or is that panic?

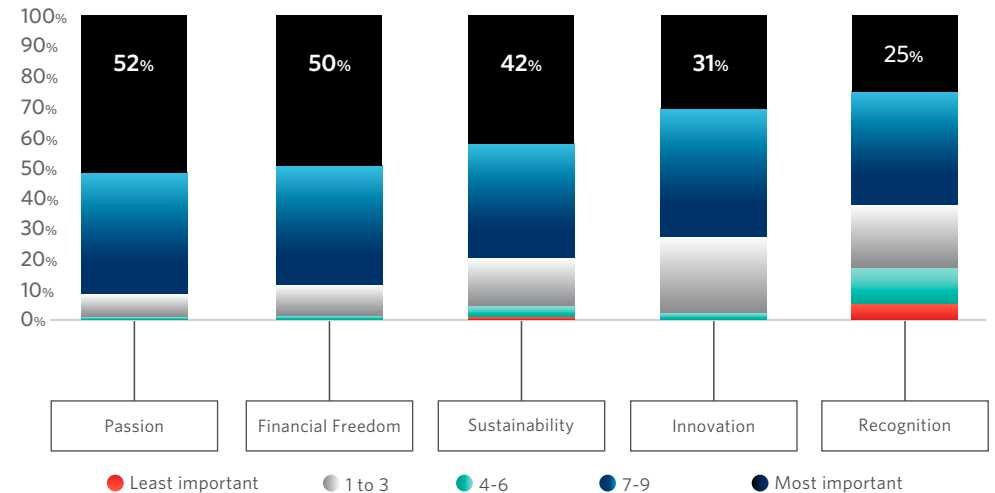
### Passion

Last year we unpacked passion as one of the five dimensions of success. Passion and innovation are input dimensions to success, while sustainability, recognition and financial freedom are output dimensions.

Passion helps entrepreneurs set a solid foundation for their business and establish core values. It gives them the motivation and conviction that they need to deliver their mission and purpose. From our research it is clear that many entrepreneurs believe in what they are doing and are passionate about their business. In our study, passion was rated as the most important of all the dimensions of success (see Graph 12), with financial freedom rated as second-most important. Some 62.9% of the entrepreneurs in our study indicated that they were passionate about their business and what it does.

From our research, it is clear that many entrepreneurs believe in what they are doing.

**Graph 12:** The importance of each dimension of business success

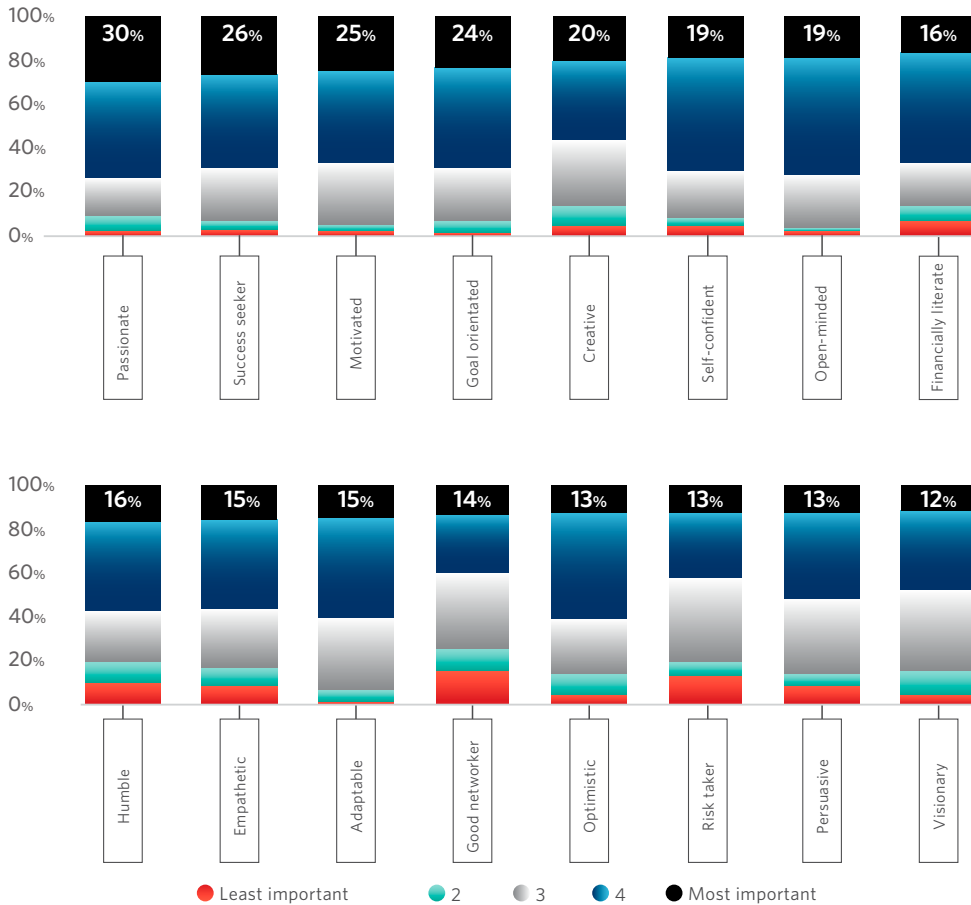


Source: Momentum SMME & Side Hustle Survey, 2022



Entrepreneurs also highlighted that passion (see Graph 13) is the most important characteristic of being an entrepreneur. They are excited about what they do. This alludes to them finding meaning and purpose in their work, and as Oprah Winfrey says, "Passion is energy". Passion is followed by the characteristic of being a Success Seeker, which refers to a growth mindset. They are self-empowered, and nothing will stop them from achieving their goal.

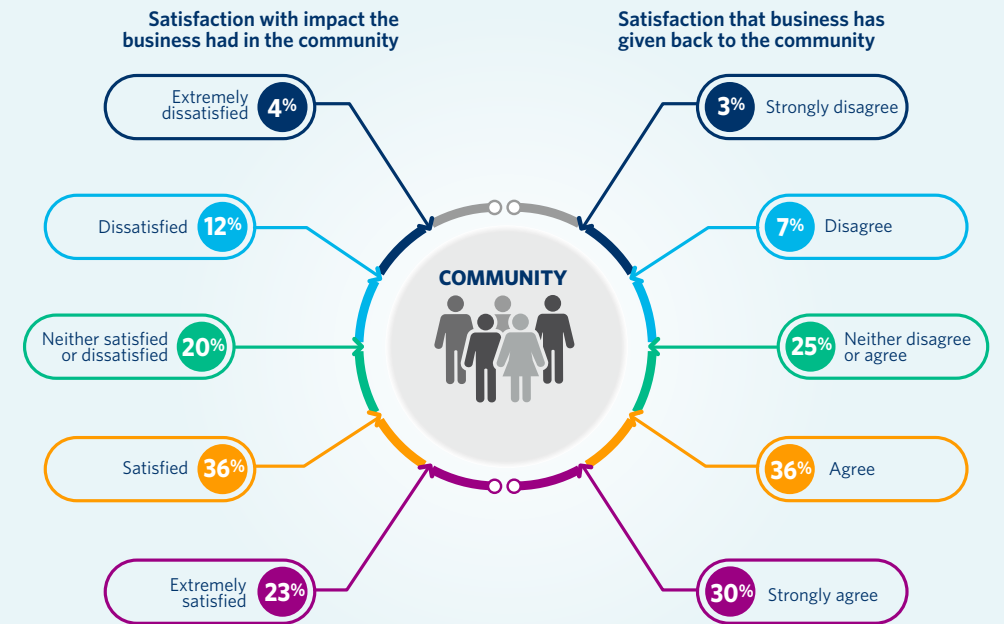
**Graph 13:** The characteristics of an entrepreneur



Source: Momentum SMME & Side Hustle Survey, 2022

Many of the entrepreneurs we engaged felt obligated to make an impact in their community. Even though 30% strongly agreed that their business had given back to their community, this did not have the impact they had hoped for. Only 20% felt extremely satisfied with the impact their business had on their community, while 23% remained dissatisfied (see Picture 1).

**Picture 1:** Business impact on community



Source: Momentum SMME & Side Hustle Survey, 2022

**23% are**  
extremely satisfied  
with their **IMPACT** in the  
community

## Panic

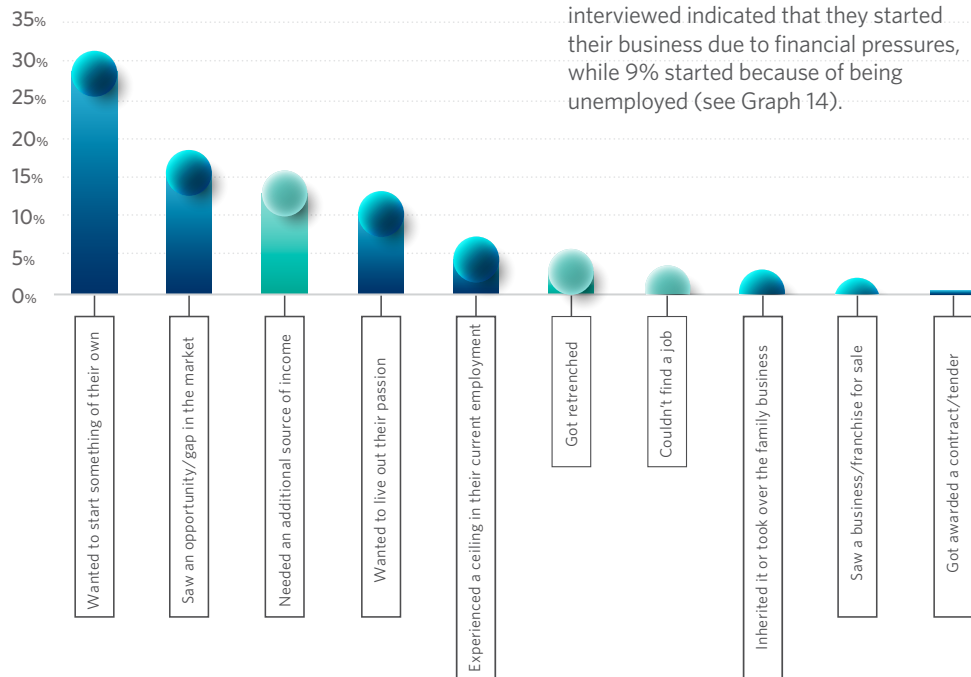
The hard truth is that panic, anxiety and even depression is common amongst entrepreneurs. Panic has been known to destroy or stunt start-ups. Tight deadlines, loss of important clients, new competitors, lack of resources, failures, resignations and new laws and regulations are often the source of panic amongst entrepreneurs. In addition, our research uncovered:

- Entrepreneurs often experience high levels of panic because they are accountable for their own and others' livelihoods. Our study found that 71% of entrepreneurs either agreed or strongly

agreed with the statement, "It is a big responsibility to ensure this business can pay its employees". In a country where unemployment is high, and where it is not easy to find new employment if one becomes unemployed, the pressure on entrepreneurs is huge.

- Numerous South African entrepreneurs are forced into entrepreneurship as a result of unemployment. As such, many of them are unskilled or unprepared to enter the world of self-employment. If given the opportunity, they would rather work for an employer than become an entrepreneur. However, the loss or inadequacy of current income sources results in "anxious entrepreneurs" that are desperate to earn an income. 16% of entrepreneurs we interviewed indicated that they started their business due to financial pressures, while 9% started because of being unemployed (see Graph 14).

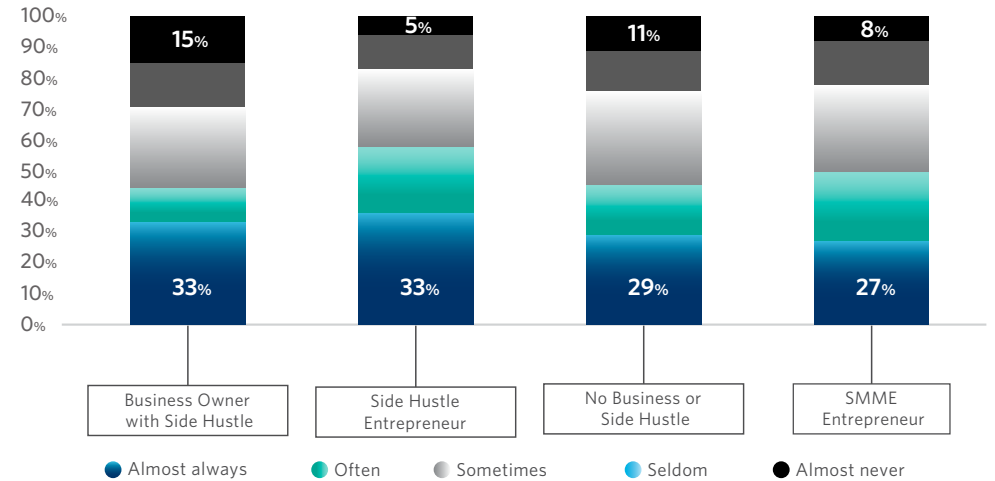
**Graph 14:** Reason for starting business | Side Hustle



Source: Momentum SMME & Side Hustle Survey 2022

Despite the challenges and daily pressures that South African entrepreneurs face, they are still determined to succeed. 27% of SMME entrepreneurs and 33% of Side Hustle entrepreneurs indicated they almost always thought they had control over the things that might happen to them (see Graph 15).

**Graph 15:** Agreement with statement, You have control over things that might happen to you



Source: Momentum SMME & Side Hustle Survey 2022 | Momentum/Unisa Household Finance Survey, 2022

Despite the myriad of entrepreneurship education and training initiatives in South Africa, many entrepreneurs feel they don't have the skills, information, resources, access, money or time to be successful or effective entrepreneurs. To ensure success, entrepreneurs indicated that the most important skills required by the management of a SMME and Side Hustle relate to marketing, finances, sales and operations. Human resources and procurement are currently seen as the least important skill.

Only 25% of entrepreneurs rated the marketing skills and knowledge of the individuals that currently manage their business as excellent, while 17% rated it as unsatisfactory. 36% rated the finance skills

and knowledge of the individual running the business as excellent. IT, procurement and soft skills received the lowest ratings relative to the current finance skill level and the knowledge of the individual running the business.

Current training is to a large extent uncoordinated and lacks standardisation. Most of these entrepreneurship-related programmes are offered to people who already left school. In the 25th volume of 2022, the Journal for Entrepreneurship education, contained a paper on South African entrepreneurship education by Omotosho et al. revealed that while there has been substantial progress in terms of stakeholder financial commitment towards

# Insight 2: doing it for myself, someone *has to*

Entrepreneurship is the undisputed best way to become the ultimate you. As Confucius wisely said, "I hear and I forget. I see and I remember. I do and I understand."

developing entrepreneurship education in South Africa at tertiary institutions, the same cannot be said for the quality of graduates produced. Professor K.S. Motaung, assistant dean of Postgraduate studies, agrees with Omotosho et al. that entrepreneurship is practical, it is not just about understanding business concepts in a theoretical way. The paper highlighted that when one looks at the current educational curriculum, from primary school to tertiary level, critical elements are missing to get learners interested in entrepreneurship.

In the Journal for Entrepreneurship, Omotosho et al. recommend a hands-on approach to entrepreneurship education, which includes a wide range of life-changing experiences such as speed date competitions, industrial tours, grooming, mentorship programmes, and seminars. These are imperative to enable students to absorb core skills, which is the real benchmark of a truly successful entrepreneurship education programme. In addition, the question must be asked, should South African schools introduce entrepreneurship as a subject? Teaching entrepreneurship at school to children from a young age can equip the next generation with essential foundational knowledge and skills that may develop their appreciation for self-employment.

## When an entrepreneur becomes an 'intrapreneur' | self-discovery and growth

It is said that entrepreneurship is better than any personal growth book as it pushes one's boundaries and adds stress, which is needed for growth. Entrepreneurship is the undisputed best way to become the ultimate you. As Confucius wisely said, "I hear and I forget. I see and I remember. I do and I understand." Doing produces understanding. Successful entrepreneurs need to be self-aware, they need to get to know themselves to:

- Admit their weaknesses
- Recognise and acknowledge their own talents
- Appreciate their ability to do it for themselves
- Trust in their own ability
- Understand their goals
- Build confidence
- Grow their skillset
- Challenge themselves

Entrepreneurship, Side Hustles and the Gig Economy are receiving a lot of focus in the media and have become 'buzz words' (see Picture 2).

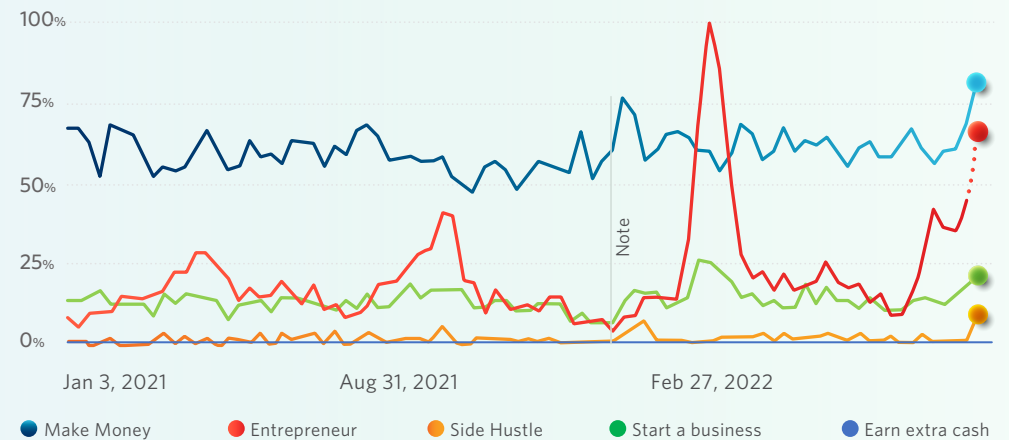
This in combination with high unemployment rates and the need to diversify income

streams has ignited an interest in entrepreneurship (*making your own money*).

The reality is that it is difficult to start a business or side hustle in South Africa. Many people underestimate the amount of work they need to do to prepare for starting and running their own businesses in South Africa.

Picture 2: Google search trends

Interest over time

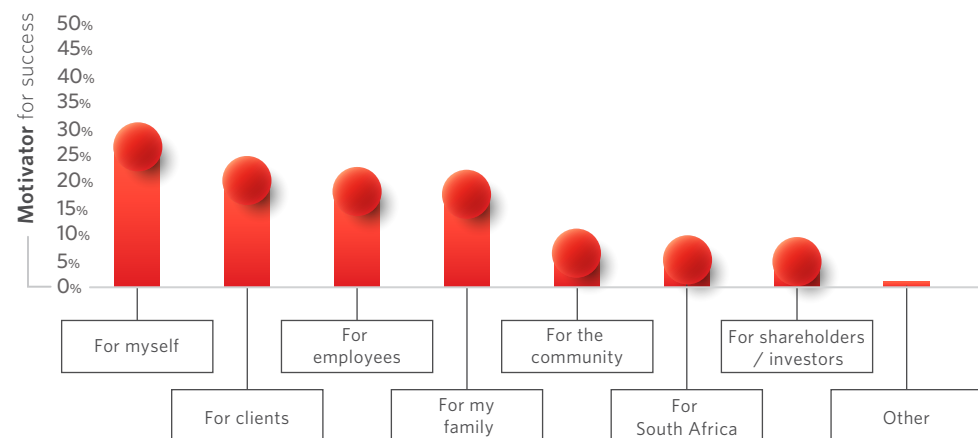


Note: This comparison contains both Search and Topics, which are measured differently.

Source: Google analytics

Yet, there are many South African entrepreneurs that do take the leap of faith and start their own business. These entrepreneurs are resilient. But what motivates them to get up and do it day after day, struggle after struggle? Our research uncovered that the biggest motivator for entrepreneurs to have a successful business, was doing it for themselves (31%), followed by their clients (25%) (see Graph 16). A prime example of entrepreneurs doing it for themselves is Kenneth Kayser. He showed that adversities faced in youth such as poverty, homelessness and unemployment can be overcome. He is quoted as saying, "After completing my matriculation in 2001, I became a statistic, just another unemployed youth. I had to take charge of my future". In 2018, together with his wife he established Young Engineers in South Africa.

Graph 16: Motivators for success



Source: Momentum SMME & Side Hustle Survey, 2022

Entrepreneurs do not take care of their bodies and minds. They do not take time to recharge.

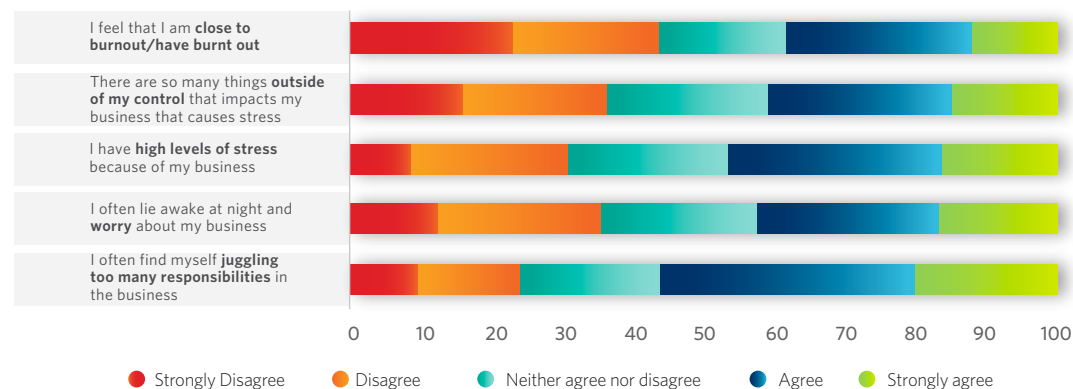
## The 'self' is often collateral damage

SMME entrepreneurs often do not take care of their bodies and minds and as such are at risk of burnout and mental health issues. They don't take time to recharge. Although the motivation to achieve success is often for oneself, there is little focus on self-care. It is evident from the research that entrepreneurs are not focusing sufficiently on their mental and physical health (see Chart 17). Risk of burnout (38%), poor sleep (42%) and high stress levels (46%) are a daily reality for many entrepreneurs. A recent article in the South Africa Good News, reported on a mental health initiative aimed at current and alumni entrepreneurs - to equip entrepreneurs with the skills and processes to manage their mental health and ensure success in their personal and entrepreneurial journeys. The feedback from entrepreneurs who utilised these programmes highlighted

that many entrepreneurs struggled to understand the psychological impact of the current socio-political context on a personal level and as a small business owner. Others were finding it difficult to differentiate between the psychological terms that are prevalent in the current climate, such as crisis, trauma, devastation, deprivation, burnout, and stress.

Although the motivation to achieve success is often for oneself, there is little focus on self-care.

Graph 17: Rating mental and physical well-being



Source: Momentum SMME & Side Hustle Survey, 2022

## Self-reliance is a stark reality: “It’s a game of survivor”

For entrepreneurs in South Africa, the ability to rely on their own efforts, abilities, capabilities, and resources rather than that of those around them is critical to their survival and ultimately their success:

- Entrepreneurs are forced to take accountability for their own futures as they realise and experience that no one is going to do it for them.
- Many businesses in South Africa are deemed survivalist businesses. These are micro businesses that generate limited income to merely survive. These businesses are not deemed to have the potential to sustainably generate income, grow and provide employment. They are owner-managed and at most are assisted by unpaid family / friends.
- Entrepreneurs believe they are unable to rely on government, banks or big corporates for support. There is a loss of faith, hope and trust in higher authorities.
- They feel let down by government and other key stakeholders that often promise support, but do not deliver on their promises.

Currently 60% of all students at university are females.

## Start with self but don’t end there: existing with purpose

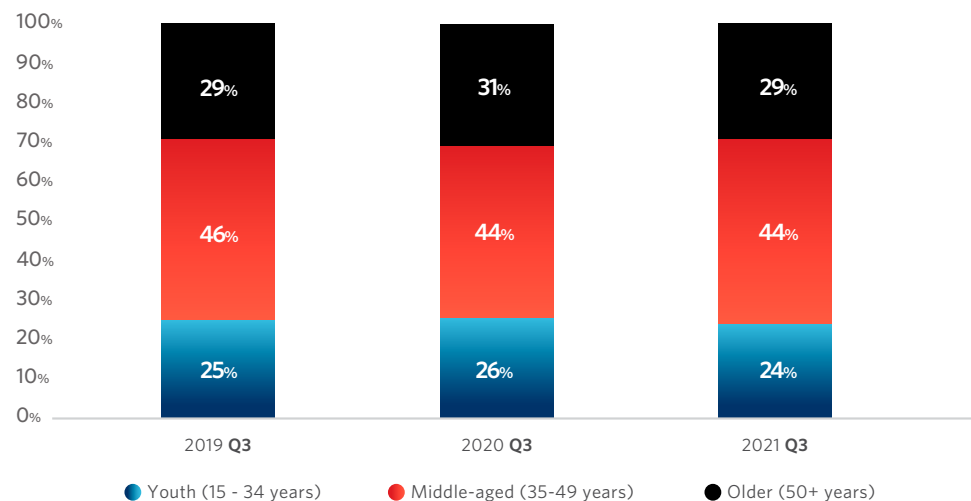
Women and youth remain at the centre of discussions regarding unemployment and unfair employment practices. The UN research paper “The Levers of Change: Gender Equality Attitudes Study 2022”, showed a concerning regression in attitudes towards gender roles during the pandemic in South Africa. The study indicated that respondents in South Africa believe it is easier for most men compared to most women to access quality education and health care, be hired as skilled workers, run for elected office, buy property in their name, and have control over personal finances and decisions in their lives. However, perceptions do not always reflect reality. Currently 60% of all students at university are females and almost 70% of occupations where people are the point of interest, such as HR are held by women. Perceptions of 42% respondents believe that when jobs are scarce, men would have more rights to a job than women and that men would be given priority in times of food shortages. Yet, investing in South Africa’s women entrepreneurs will pay rich dividends. The findings from our research confirmed the results from the South African Women Entrepreneurs Job Creators Survey (2021), which highlighted those women entrepreneurs tend to seek out industries aimed at creating jobs. For female entrepreneurs’ success and purpose are often linked to creating a better future for others:

- Their goals are to fulfil needs, bridge gaps, create jobs and make a meaningful impact for themselves and society at large. The South African Women Entrepreneurs Job Creators Survey also highlighted that job creation is one of their key motivating factors with 90% of South Africa’s female entrepreneurs saying it was a consideration when they started their business.
- Many women entrepreneurs promote the power of the pack. The Mastercard’s Index of Women Entrepreneurs (2022) highlighted South Africa is one of only 12 economies where women entrepreneur numbers are growing, currently ranked 37th globally. In addition, the research stated that the global economic recovery depends on investing in women entrepreneurs.

The focus on youth employment is critical in South Africa. Entrepreneurship is often regarded as one of the avenues to address youth unemployment, to uplift the youth and grow the economy.

In our study, SMME and Side Hustle entrepreneurs acknowledged the youth unemployment crisis and the possibility that youth entrepreneurship could be a mechanism to reduce the number of unemployed youths. Yet, as previously highlighted, few schools are teaching or providing access to the critical skills required to be an entrepreneur. The results are visible from the low proportion (24%) of youth SMME entrepreneurs’ (age of 15 - 34 years) (see Graph 18).

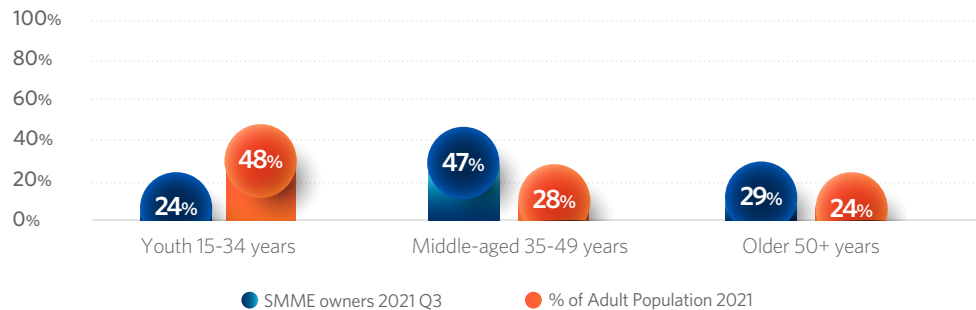
Graph 18: Age of entrepreneurs



Source: Stats SA

Stats SA's 2021 SA mid-year population estimates stated that there were 20 604 023 South Africans between the age of 15-34. It is estimated that only 2.8% (574 690) of all South Africans aged between 15 -34 are SMME business owners. According to the Q4 2021 Quarterly Labour Force Survey (QLFS), young people are still struggling in the South African labour market. The official unemployment rate was 35.3%. The youth aged 15-24 years and 25-34 years recorded the highest unemployment rates of 66.5% and 43.5% respectively (see Graph 19).

**Graph 19:** Age distribution of entrepreneur's vs. age of population



Source: Stats SA

## SMME & side hustle support: the elusive unicorn, or is it?

Entrepreneurs often cite the lack of support, funding and resources from government, banks and big corporates as a barrier to success as entrepreneurs. There are numerous NGOs and other institutions that aim to support SMME and Side Hustle entrepreneurs. In addition, the Ministry of Small Business Development was established in 2014 with a specific focus on enhancing support to small businesses and cooperatives, with an emphasis on programmes to advance entrepreneurship amongst women, the youth, and people with disabilities to contribute to job creation and economic growth. However, despite the various stakeholders' support

to SMMEs and driving their agenda, more is needed to have the large-scale impact that is needed in South Africa.

In their 2020/2021 annual report, the Department of Small Business Development indicated the steps it took to support and maintain 23 669 jobs in the economy. In the same time period, the departments' Township and Rural Entrepreneurship Programme supported 13 987 entrepreneurs. This is a drop in the bucket given South Africa's high unemployment rate.

During the pandemic, Cabinet approved the SMME-focused Localisation Policy Framework, highlighting 1 000 products that must be produced and procured from SMMEs. The impact is yet to be seen.

The Department of Small Business Development has implemented the SheTradesZA programme. It is an online platform to support South African women entrepreneurs

## Best kept secret: youth and women entrepreneurship support

Notwithstanding the need for more support, the government has a special focus on women and youth entrepreneurship as a sub-set of SMME support.

The Department of Small Business Development has implemented the SheTradesZA programme. It is an online platform to support South African women entrepreneurs to increase their international competitiveness and connect to national, regional and global markets. The Department aims to connect at least 10 000 female-owned enterprises to the international market by 2025 through this programme.

In addition, the Department supported youth entrepreneurship through the youth entrepreneurs programme by working together with the National Development Youth Agency (NYDA), other departments and the private sector. The aim of this initiative, as mandated by the President, was to provide grant funding and business support to 1 000 young entrepreneurs within 100 days of delivering the 2020 State of the Nation Address. The set targets are:

- Youth-owned enterprises supported with financial interventions; target of 2 000 per year for a three-year period;
- Youths supported with non-financial business development interventions; target of 22 000 per year;
- The number of jobs to be created and sustained through supporting entrepreneurs and enterprises; the target was 5 000 for each year for the three-year period.

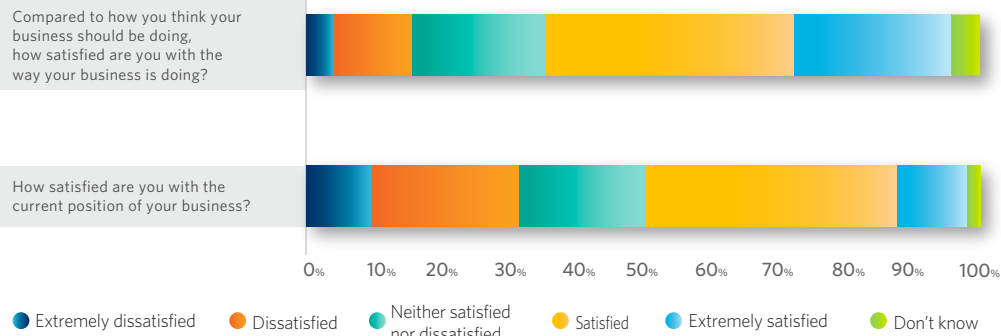
# Insight 3: Pressure to perform - everyone is looking for a superhero

Everyone is looking at SMMEs to reconstruct the economy, create jobs, do things better and cheaper — a.k.a Save SA.

## Feeding frenzy, everybody wants a piece of SMME

Government and society at large are putting extreme pressure on SMMEs to play a role in the reconstruction of the economy, despite

Graph 20: Satisfaction with performance of business



Source: Momentum SMME & Side Hustle Survey, 2022

key to societal stability. South Africans want more from business leadership, they want to see a demonstration of tangible progress. There is a need for business leaders to focus on long-term thinking over short-term gain. South Africans have high expectations of businesses and business leaders, and they expect every institution to provide creditworthy information.

SMMEs already being the largest job creator in the country. Employees and clients also have ever-increasing demands. Employees want flexibility, growth opportunities and more money. Clients demand value, better experiences, and client centricity all at the same price, reducing SMMEs profit margins. In addition, SMME and Side Hustle entrepreneurs are putting additional pressure on themselves, only 11% being extremely satisfied with the current position of their business, while 23% are dissatisfied (see Graph 20).

SMME and Side Hustle businesses also have a pivotal role to play in restoring trust in South African institutions, and trust is

## Small but fierce

As mentioned earlier, in Q3 2021, 2.4 million SMMEs employed roughly 9.8 million of the 14.2 million employed individuals in South Africa, accounting for almost 70% of all jobs. Of these SMMEs, 1.5 million only employed the owner (own account worker) (see Table 2), many of them being survivalist entrepreneurs (as highlighted earlier in the report).

Table 2: SMME overview

	2019 Q3	2020 Q3	2021 Q3
Total number of SMMEs	2 653 424	2 363 513	2 404 564
Own account workers (only them)	1 667 094	1 494 575	1 537 817
SMMEs that employ workers	986 330	867 938	866 747
Number of jobs provided by SMMEs	11 592 677	10 058 355	9 758 313

## Chicken or egg?

Formal and informal small and micro businesses may have limited potential to impact the South African economy. At most, they employ only one person and are not adding to large scale job creation. In a low-growth economic environment, the opportunities for establishing and growing a business will always be much more restricted than in a high-growth environment. It is therefore critical to pose the question: the SA economy needs SMMEs to grow and perform, but SMMEs need the economy to grow and perform. Which one comes first? Or is it both at the same time?

## Understanding their superpowers and archnemesis

“The shocking truth about small, medium and micro enterprises is that we know very little about them.” **Dr Stefan Schirmer and Rehan Visser.**

There is a lack of understanding and insight into many aspects of SMMEs and Side Hustles which may to a large degree be attributed to limited data availability. This results in restrictions on decision making, strategic planning, strategy and policy options. It also limits the ability to track the effectiveness of initiatives and interventions. In a Finweek article, Glenneis Kriel confirmed this sentiment and stated that relatively little credible data is available about small, micro and medium enterprises SMMEs in South Africa, and that the available statistics look dismal. If the statistics on a macro level is dismal, then it will be even poorer on a micro or individual level.

## Underground hideout

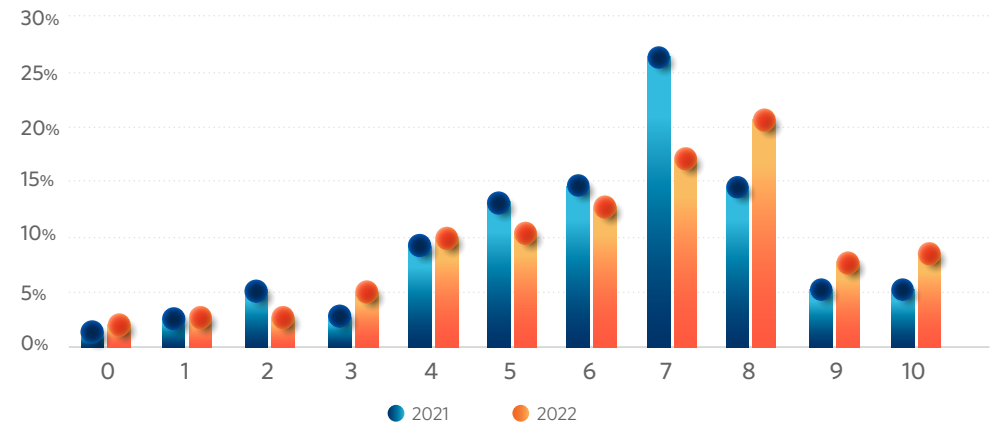
Informal businesses are businesses that mostly do not pay income or other taxes. They are unmonitored, and their economic activities are roughly estimated in the calculation of gross domestic product (GDP) as most of their business activities are off the books or cash-based. Stats SA estimated about 1.6 million of an estimated 2.4 million SMMEs to be informal. Consequently, there is not ample data available to understand them and support them. As such, informal businesses continue struggling to access funding and other support available to formal SMMEs.

There is a lack of understanding and insight into many aspects of SMMEs and Side Hustles which may to a large degree be attributed to limited data availability.

# Insight 4: Aim to thrive, but most merely *survive*

It is a daily fight for SMMEs to stay in business in South Africa. When asked in 2022 if they have achieved success, only 8.5% (see Graph 20) indicated that they feel they have achieved business success. However, this is higher than the 5.3% of 2021, which was a very difficult economic year.

**Graph 20:** Self-rating if business achieved success



*Source: Momentum SMME & Side Hustle Survey, 2022*

SMME and Side Hustle entrepreneurs face many challenges when doing business – and the more challenges they face, the more resilient they need to become. In the 2019 World Bank Ease of Doing Business Report, South Africa was ranked in position 84 out of the 190 countries included, showing how difficult it is to do business in South Africa.

## The dream - business success

“I never dreamed about success – I worked for it.” **Estée Lauder**

They aim for success, but many merely survive. When asked what business success means to them, the entrepreneurs in our study defined business success as having a business that:

- Grows and expands
- Creates employment and uplifts others
- Provides steady revenue and income
- Has clients that are satisfied, loyal and retained
- Is profitable
- Provides excellent quality products, services and solutions
- Is sustainable/surviving



## Fight fire while they build

In our research, SMME and Side Hustle entrepreneurs highlighted many barriers to doing business, with only 1% of entrepreneurs indicating they had not experienced any barriers in the past 12 months. Among the other 99%, the most cited barriers and challenges were:

- Load shedding
- Decline in revenue growth
- Economic uncertainty
- Petrol price
- Lack of funding
- Competitive market with many businesses offering the same product or service
- Compliance to laws and government policies
- Higher operating costs
- BBBEE practices and requirements
- Market accessibility

In addition, they need to contend with crime such as theft of stock, fraud, protests, an increase in financially vulnerable South Africans and changing buying patterns by their clients.

This is how entrepreneurs responded to the following question: "What do you need as a business to achieve success?"

- Access to finance, funding, capital and investors
- Client retention and growth
- Increase in work, sales, income and profit
- Growth and expansion ideas and opportunities
- Government and/or private sector business support, coaching and advice
- Hard work, focus, dedication and passion

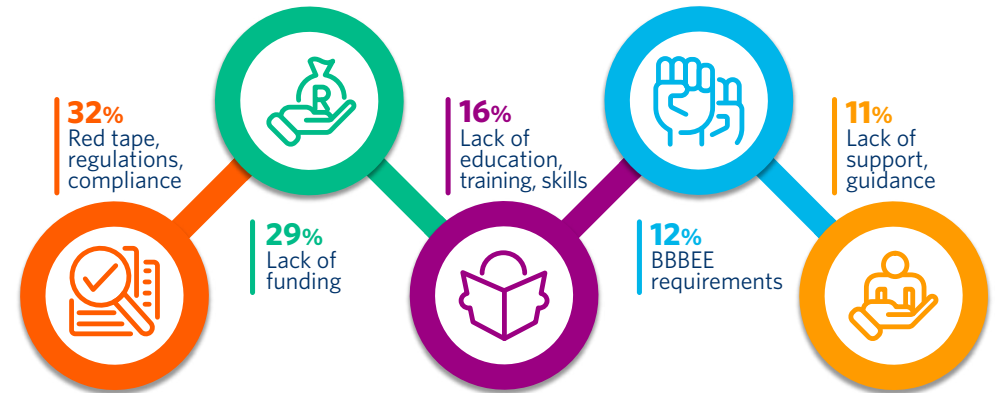
## They only have a hammer and everything looks like a nail

Many SMME entrepreneurs are not equipped to make a success of their businesses. They lack entrepreneurial skills, know-how, exposure, mentorship, and encouragement to name but a few. 28% of the entrepreneurs in our study indicated that they had not been able to mitigate the barriers facing their businesses, while an additional 13% indicated that they were trying to mitigate the challenges they face through hard work and determination, and to do their best with what they have. Another 8% indicated they are looking at training and upskilling or reducing operational costs to mitigate these barriers. The expectations and playing field for entrepreneurs is ever-changing. This is evident from changing consumer needs and expectations regarding the value that they received, and the client experience they want. Many SMMEs are not skilled to create client value propositions or effectively market their brands. In addition, although the government recognises the importance of SMMEs, they often fail in execution/tracking of their support plans.

Future entrepreneurs are not being provided with the right skills, knowledge, and opportunities to set them up for success. The youth do not have access to school level entrepreneurship education initiatives, or support networks. In addition, there is still a low societal acceptance of entrepreneurship as a career.

When we asked our respondents why they think there are not more entrepreneurs in South Africa that own/run their own SMME or side hustle, they attributed this to (see Picture 2):

Picture 2: Deterrents to entrepreneurship



## Businesses going rogue

The rise of new ways to do business is resulting in a disruption of the business landscape as we know it. South Africans are adapting to new technologies and learn new skills which increases their opportunities to become an active participant in the economy. As such, the Kasi and Gig economy are alive and well - despite the government's failures, crime, a weak economy, loadshedding and so forth.

- Kasi economy can be defined as informal and township traders and businesses that make up a crucial, vibrant entrepreneurial part of the broader economy.
- Gig economy can be defined as the labour market characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs. These gigs are typically conducted via an on-demand digital platform.

The question we need to ask ourselves is, "What can we learn from them?" These business owners play by their OWN rules. The gig economy in South Africa is already having an impact in industries such as e-hailing, e-commerce, entertainment, and online delivery services.

**THE KASI**  
and Gig economy  
*are alive*  
and well!

## Insight 5: Digital is all the *hype*

Digital is all the rage; it is positioned as the lifeline enabling many businesses to survive and thrive amidst tough times. There is a big drive amongst SMME and Side Hustle entrepreneurs to optimise and grow their businesses with the use of various technologies and digital solutions.

### Life and death in a tweet and a #HASHTAG

Facebook continues to be South Africa's most popular social media platform with 29.6 million users. The second and third places were taken by Messenger and LinkedIn with around 25.7 million and 10.2 million users, respectively.

One of the benefits of social media is also its disadvantages. It allows users to start conversations and share information quickly. Not only does social media allow entrepreneurs to reach a wide audience, it also allows two-way conversations and communication of brand personality and identity. In addition, it is a mechanism to gather feedback and build communities at a minimal cost. Social media has empowered clients to share their experiences and perceptions of the SMMEs they engage with and can be used for good.

- Social media influencers wield great persuasive power and can make or break a SMME, with a single tweet or check-in.
- Social media, however, does have pitfalls for businesses. They require a dedicated and trained resource who can create, monitor and respond to content on social media platforms. Social media is time-sensitive, not only do users of social media demand quick turnaround times on their interactions, the timing for posts to optimise reach and impact is critical. The variety of social media platforms also afford social media users the opportunity to complain and rate businesses for all to see.

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Not only does social media allow entrepreneurs to reach a wide audience, but it also allows two-way conversations and communication of brand personality and identity.

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Social media

INFLUENCERS

wield great

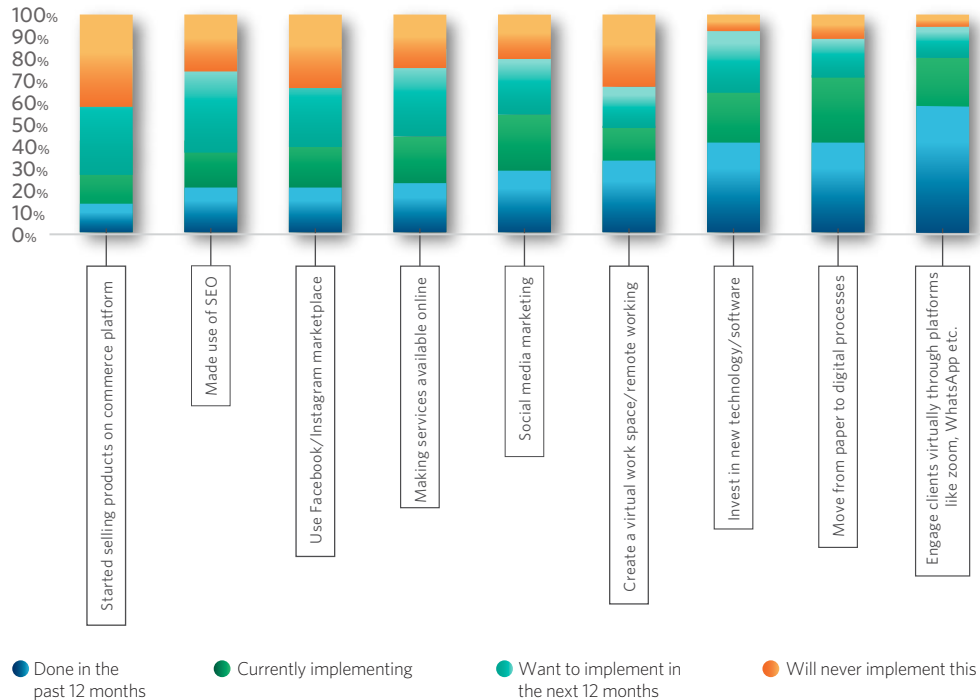
persuasive

POWER

## Accelerated digital transformation

Various sources reported that COVID-19 and the resultant lockdowns have accelerated SMME digital transformation. This has been achieved through cloud computing, upskilling, social media marketing and ecommerce platforms. Our research (see Graph 21) shows high levels of digitisation had been achieved over the past 12 months amongst SMME and Side Hustle entrepreneur – and that the trend is set to continue.

**Graph 21:** Digitisation status



Source: Momentum SMME & Side Hustle Survey 2022

## How do you digitalise that?

Digital and technology adoption is not easy for all businesses, there are some businesses that struggle to understand how and if they can digitalise their business, especially if they are serving non-digital clients. Digitalisation needs to go hand in hand with digital literacy and infrastructure projects. In addition to digital literacy, there are many barriers to digital and technology uptake and/or implementation. These include:

- Access
- Skill/education/knowledge;
- Resources;
- Target market
- Product and
- Cost

Despite the increase in digital and online engagements with clients and even employees, the challenge is to still have a meaningful connection with clients and employees digitally or via technology. Digital marketing is key to the success of SMMEs as they cannot compete on traditional marketing channels such as TV. Unfortunately, there is often limited skill in this regard and SMME and Side Hustle entrepreneurs either shy away from digital marketing, or use content that detracts from their brand and product.

## Tech start-up support vs. digitalisation

The transition to a digital economy requires government and specifically the Department of Small Business Development to support entrepreneurship and innovation. The department is driving the start-up nations initiative which seeks to support start-ups and new entrants in the tech industry which are the next frontier of business. Approximately 100 local tech start-ups were supported in the 2020/21 financial year. However, there has not been extensive support or focus on the digitalisation of current SMMEs and Side Hustles to increase their efficiency.

**DIGITAL  
MARKETING**  
is key to the  
**SUCCESS**  
of **SMMEs**

# Insight 6: Have to be skilled at *retention*

Retaining skills, knowledge, and employees, is easier said than done. It is estimated that nearly one million South Africans live abroad. This excludes the number of South Africans working remotely for international companies.

## The great resignation

The possibility to work from home has afforded many South Africans an opportunity to do some introspection and re-evaluate their purpose and work life. Remote working and hybrid work models has opened up the geography of where South Africans are looking for employment.

In 2021, staff turnover for the country stabilised back to the national average. What did change, however, was the huge proportion of resignations. According to HR consultancy 21st century, this number was nearly 40%, which made up the sum of the staff turnover.

Chris Blair, CEO of 21st Century, said "Traditionally, the number one reason for resignations has been better pay followed by better career opportunities and development. This trend has flipped, where approximately 20% of people now resign for better pay,

whilst more than 70% resign for a better work-life balance, flexibility, career development, and a healthier culture and leadership."

## Skills are expensive and scarce

SMMEs are competing not only with each other but with large corporates to employ people from the same limited talent pool, as they cannot compete with the lucrative salaries offered by large corporates or international companies. Employees are also demanding engaging employee value propositions. In our study, the most prevalent employee benefits that were currently offered were:

- Flexi-time
- Education and training opportunities
- Internet
- Employee benefits such as funeral cover, medical aid, or pension funds

Remote working has also provided employment opportunities to many South Africans, not only in other cities, towns and provinces, but also other countries.

- Stats SA data shows that wages as a percentage of the total expenditure of SMMEs is increasing. On average, 21% of an SMMEs expenditure is on salaries and wages.
- Many SMME entrepreneurs are utilising the gig economy for efficiency in operations i.e., getting expert knowledge and skills on a need basis.

**SMMEs**  
are competing  
not only with  
each other  
but with large  
**CORPORATES**



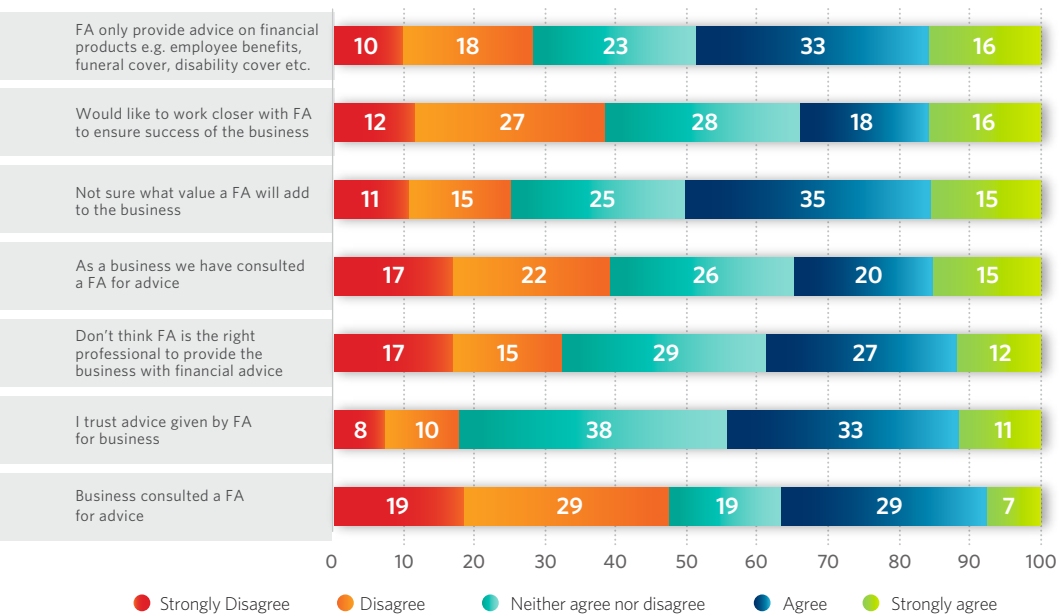
# Insight 7: Advice does not *suffice*

**SMME and Side Hustle entrepreneurs highlighted that financial advice is not well suited, as business owners feel misunderstood and alone.**

## In need of an expert in all things business

SMME entrepreneurs have very different and specific advice needs, however these can be split into two main categories:

**Graph 22:** Perceptions of Financial Advice



Source: Momentum SMME & Side Hustle Survey 2022

1. Most entrepreneurs feel that business advice is relevant to them, although they do not know where to access it. Business advice includes advice on topics such as how to run the business, business strategy, logistics, inventory management, tax, cash flow, finance management, human resources, marketing etc.
2. Fewer entrepreneurs, especially those with small and micro businesses feel that financial advice from a financial adviser is relevant to them (see Graph 22). They have differing perceptions about the role that a financial adviser can and should play in their business.

The majority of the SMMEs trust and prefer to get financial advice from their accountant or tax specialist. However, there is a large portion of SMMEs that do not get any sort of advice or assistance from business experts or financial advisers.

## It's time for a success revolution

It's time for a success revolution, so ask yourself "what can I do about it, apathy is not an option anymore."

"A big business starts small"  
Richard Branson

## The SMME and me: call for local support

There are various things you can do to support SMMEs and help communities thrive and make a positive impact to our local economy. These include (but are not limited to):

1. Visit the local farmer's market,
2. Be intentional and buy and gift local products and services,
3. Support local restaurants and food services,
4. Attend concerts and exhibitions to support local artists,
5. Recommend local businesses to friends, family, and colleagues (the power of word of mouth),

6. Comment, like, subscribe and share on social media when you had a positive experience with a local business,
7. Don't ask for or expect discounts,
8. Sign up for small business newsletters,
9. Search/Google small business near you/ actively discover new businesses,
10. Pledge to local funding initiatives, i.e., support local GoFundMe initiatives,
11. Change online ordering habits and shop local,
12. Pay attention to what local businesses need,
13. Hire a small business for a project,
14. Treat local business owners and employees with respect and
15. Give constructive feedback if the business is not meeting your needs or the product/service is not at the right standard.

The majority of the SMMEs trust and prefer to get financial advice from their accountant or tax specialist.

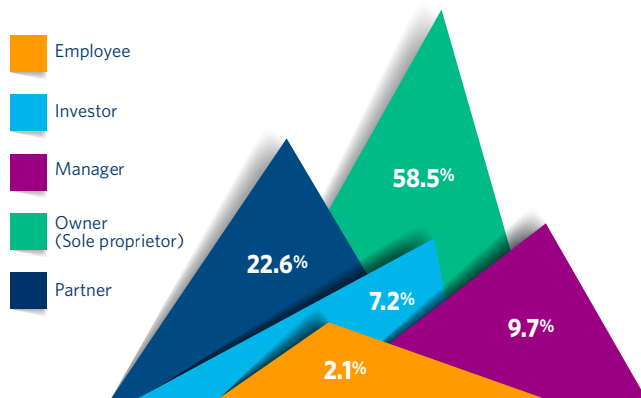
# Annexure 2.1: Sample *overview*

# References for *Chapter 2*

## DATA SOURCE



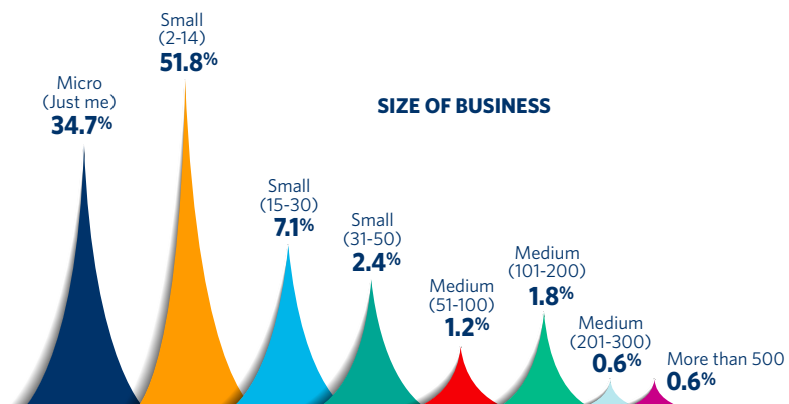
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## OWNERSHIP



## SIZE OF BUSINESS



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