

# Financial Inclusion on Entrepreneurship in South African Townships: Lessons for Practitioners and Policy Makers from Literature

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## Summary

*Inequality in Southern Africa (SA) is currently at an alarming rate. The recent assessment of inequality of countries in Southern Africa Customs Union (SACU) shows that the highest 10 percent in the income hierarchy owns 80.6 percent of the total financial assets (Sulla, Zikhali and Cuevas, 2022). The 10 percent at the bottom of the income hierarchy owns nearly no assets and their livelihoods are heavily dependent on transfers from well-wishers (Sulla, Zikhali and Cuevas, 2022). As a result, inequality in rural areas is likely to be worse than that existing in urban settings. This is because livelihoods in urban area may relatively not be directly attached to agricultural activities and ultimately, land. Entrepreneurship was pointed out in the recent World Bank report as one of the ways through which South Africa can reduce inequalities. Entrepreneurship can be developed by removing barriers and obstacles hindering formulation of business ideas and creation of new enterprises.*

*Financial inclusion is one of the ways through which constraints that hinder entrepreneurship can be addressed. Statistics show that 70 percent of all adults in SA have a transaction account. This indicates a high level of financial inclusivity. However, entrepreneurship is relatively low. As a result, there is need to revisit the relationship between financial inclusion and entrepreneurship. Systematic literature is acknowledged as a useful way of revealing the current state of knowledge as well as identifying gaps in existing studies (Xiao and Watson, 2019). As a result, the current study is an attempt to find the current state of knowledge on the relationship between financial inclusion and entrepreneurship in South African townships. The current study aims to answer the following questions: 1. What is the status of financial inclusion and entrepreneurship in South African townships? 2. Which methods/ approaches common in investigating effects or impacts of financial inclusion on entrepreneurship in South African townships? 4. What are the trends and gaps in the studies on the effects of financial inclusion on entrepreneurship? 5. Which lessons are derived and what is the way forward on the relationship between financial inclusion and entrepreneurship for practitioners and policy makers?*

## Methods

To attain the objective of the current study, the following procedures were followed: a. A systematic literature review (SLR) of the relationship between financial inclusion and entrepre-

neurship in South Africa; b. Thematic analysis and c. gap analysis. Xiao and Watson (2019) recommend narrowing of the selection criteria so that the aim is manageable. Hence, the study limited the period to the 'new normal' characterised by COVID-19 chronicles and is a combination of systematic map and systematic review. The purpose of the systematic map is to identify gaps while the systematic review identifies themes. The current research design involves formulation of research questions and defining of the scope, development of search strategy, looking for studies, choosing and assessing the quality of studies, synthesizing evidence and reporting the results and findings (Mengist et al., 2020 and Xiao and Watson, 2019).

## Results and Findings

Throughout the current study, financial inclusion and entrepreneurship is the major theme. To gather relevant studies, search words including "financial inclusion"; "entrepreneurship" and "South African townships" were adopted and searched in three databases, namely, SCOPUS, Science Direct and Google Scholar. The three databases provided a comprehensive scan of relevant records. A total of 150 records were screened by title and abstract to determine their relevancy to the topic. After further filtering using the title, abstract and key terms relevancy, 80 studies were left. Assessment of relevancy and quality using the full text resulted in a final selection of 30 studies for analysis. The period selected covered 2020 to 2022. Literature prior to 2020 is not within the scope of the review. Descriptive analysis used the specific data gathered on each study i.e. year of publication, journal, method adopted by the article, data used, etc. Only 1 of the analysed articles focused on financial inclusion and green entrepreneurship. Another unique article focused on digital financial inclusion and digital entrepreneurship.

## Conclusions

The current study assessed the current state of knowledge on financial inclusion and entrepreneurship in South Africa using a systematic review of literature. An aggregate of 30 studies were analysed to identify themes, after an analysis of relevancy. This study noted important detail of the research such as methods adopted, publishers, gaps existing and themes. An aggregate of