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**Soweto's Entrepreneurial Supply Function:
Towards Understanding South Africa's
Entrepreneurial Environment**

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Abstract

The small business sector has been well established in the literature to be vital for economic development. Despite many government initiatives to promote the small business sector however, a vibrant entrepreneurial culture has not emerged in South Africa. In fact, entrepreneurial activity in South Africa is ailing.

This paper aims to identify the key variables to promoting and sustaining entrepreneurial activity in Soweto. Data from a survey administered to 1038 households in Soweto in 1999 has been used, where we have grouped the variables into three broad categories: human capital, social capital and financial capital. We indexed the survey variables and logit regressions show that human capital and social capital variables are far more significant to entrepreneurial activity than financial capital variables. An entrepreneurial supply function for Soweto was constructed reflecting the key entrepreneurial variables.

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