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## THE INFLUENCE OF SEED FUNDING ON THE GROWTH OF INFORMAL SMALL BUSINESSES IN THE WINELANDS DISTRICT OF THE WESTERN CAPE

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### ABSTRACT

**Objective:** The objective of this study was to explore seed funding as capital needed to start or expand a business. The study considered funding that was granted by local government to small businesses to address financial issues and how effective this intervention was. The main objective was on the impact of seed funding on the growth of informal small businesses in the Winelands District.

**Research design and methodology:** The quantitative research design was adopted, questionnaires were administered to 60 entrepreneurs who had received seed funding from Cape Winelands district Municipality. The Statistical Package for the Social Sciences (SPSS) transformed the data into usable statistics on the respondents' attitudes, opinions, and behaviours as well as certain variables, which could be generalised to a larger sample group of the population.

**Findings:** The findings indicate that the seed fund was helpful as it enabled a majority of the business owners to buy equipment and machinery. However, a much larger amount is needed to make their businesses stable and sustainable. In view of the contribution informal small businesses could make to job creation and poverty reduction, government should re-assess its current strategies and systems with regard to seed money.

**Implications and recommendations:** The main recommendation is that local governments should determine the financial support that is necessary on a case by case basis rather than granting a standard amount of money to small businesses. The start-up needs of informal businesses vary considerably and it is recommended that they be uniquely assisted.

**Contribution and value added:** The study makes a contribution to the literature on small business sustainability with particular reference to funding. It has implications on the survival of small enterprises and the promotion of entrepreneurship in the context of high unemployment facing South Africa.

**Keywords:** Entrepreneur, seed funding, growth and development, small businesses, start-ups.