

Factors affecting the growth of locally owned spaza shops in selected townships
in South Africa

By

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ABSTRACT

The ANC government relaxed a great many restrictions enforced by the apartheid regime. The restrictions included the illegal status of the spaza shops which operated in the townships. Faced with the challenge of unemployment, the present government crafted policies and programmes to support and promote the creation of Small, Medium and Micro-sized Enterprises or SMMEs. However, despite all of these initiatives, the small grocery shops which are commonly known as spaza shops, and particularly those owned by South Africans, are faced with a number of obstacles with respect to the establishment, operation and growth.

This study was undertaken in order to determine the factors which affect the startup and growth of locally owned spaza shops in the Gugulethu and Nyanga townships in Cape Town, and to identify the support strategies necessary to assist these shops to grow into sustainable businesses. The study was motivated by the growing informal economy which, if it is effectively taken advantage of and made use of, can, to some extent, create employment opportunities, particularly for the previously disadvantaged people in both the Gugulethu and the Nyanga townships. The study employed an exploratory and descriptive research design, and a quantitative empirical research approach, through the use of a self-administered questionnaire.

The findings of the research study revealed that there are significant challenges which adversely affect South African-owned spaza shops, and that obstacles are encountered during the startup and growth phases. Although the factors which affect the spaza shops adversely are many, it is important to single out the most significant ones. The significant factors evidence from the study were a lack of startup and expansion capital, load shedding, the lack of a network to buy cheaply in bulk, competition from non-South African entrepreneurs, crime, costs incurred by transportation of stock, a lack of collateral security to obtain finance from lenders, inadequate ability to handle financial records, a lack of management skills and a lack of information concerning government services.

Given these challenges, it is therefore recommended that aspiring South African owners of spaza shops should develop a vision of their wishes before embarking on a venture. In addition, those who are already in the industry should pay equally careful attention to articulating realistic and effective goals. It is of crucial importance that owners of spaza shops should contemplate and plan for the future with imagination and wisdom. Once a business enterprise has been realistically envisioned, the various ways in which capital may be raised

need to be explored, such as through personal savings, bank savings club accounts, stokvels (Tengeh & Nkem, 2017:1396) such as Umgalelo and forming partnerships with people who have the financial resources to invest in entrepreneurial ventures. It is recommended that the adverse effects of load-shedding should be minimised through the use of solar energy, gas, electrical generators and battery-powered lights. Crime needs to be dealt with collectively, through the involvement of communities, the police and local safety volunteers. The skills which are needed to enable entrepreneurs in the informal sector to maintain proper financial records, management practices and awareness of the services which the government provides to the owners of spaza shops could all be acquired through the government and the private sector. Public institutions such as schools, can be used to provide training in providing of refresher workshops in entrepreneurship thereby becoming centres for the sharing of information pertaining to the effective running of businesses. The effective use of technology, particularly the use of instant messaging services, such as the WhatsApp application, is also recommended, in order to facilitate the making of bulk purchases and the overcoming of high transport costs. Once WhatsApp business network groups are able to make bulk purchases and to minimise transport costs through collective purchasing, South African-owned spaza shops should be able to sell products at sufficiently low prices to enable them to withstand competition from non-South African counterparts. It is the considered opinion of the researcher that these recommendations could make a meaningful contribution to ensuring the sustainability of South African-owned small grocery shops.

The data which was collected from the respondents in the form of 121 successfully completed questionnaires was captured and analysed with the aid of the Statistical Package for the Social Sciences (SPSS) software. The results of the study were presented in the form of tables, pie charts and bar charts. The objectives of the research study were successfully achieved, as it was established that South African-owned spaza shops in the Gugulethu and Nyanga townships were faced with significant obstacles to success and sustainability of the business. .

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ACROYNMS AND ABBREVIATIONS

ANC	African National Congress
DTI	Department of Trade and Industry
HBE	Home based enterprise
LED	Local Economic Development
ILO	International Labour Organization
OECD	Organisation for Economic Co-operation and Development
MFRC	Micro Finance Regulatory Council
NYDA	National Youth Development Agency
SLA	Sustainable Livelihood Approach
SLF	Sustainable Livelihood Framework
SMEs	Small and Medium Enterprises
SMMEs	Small Medium Micro Enterprises
SPSS	Statistical Package for the Social Sciences
TTO	Triple Trust Organization
GEM	Global Entrepreneurship Monitor
ILO	International Labour Organisation
Stats SA	Statistics South Africa

CHAPTER 1

INTRODUCTION

1.1 Introduction and background of the study

Gugulethu and Nyanga are the oldest townships in Cape Town, which were established to cater for black South Africans during the 1960s by the apartheid government. These townships were established during the time when spaza shops were not recognised as being legal by the government and therefore needed to be operated secretly (Van Scheers, 2010:6). A spaza shop is a small grocery shop which usually operates from a residential stand or a home (Von Broembsen, 2008:1; Ligthelm, 2002). Historically, it is believed that spaza shops have been in existence for a considerable period of time, which could explain why there are so many small grocery shops in most South African townships at the present.

After the democratic elections of 1994, many more black South Africans opened spaza shops motivated by the need to generate income for survival. In addition, the attaining of democracy resulted in an influx of both political and economic refugees, who came mainly from African countries (Tengeh, Ballard & Slabbert, 2012: 4667). The inability to secure a job resulted in the immigrants opening and establishing of spaza shops as a viable option for self-employment. Spaza shops present lucrative opportunities for self-employment for immigrants who have noticed the business potential in South Africa's growing informal economic sector (Fatoki, 2014:40). The entry of foreign entrepreneurs into the spaza industry has witnessed a new market landscape and dynamics in terms of how spaza shop-owners promote the growth of small-scale businesses. This phenomenon has led to stiff competition in the spaza industry, which, in turn, has resulted in almost 70% of South African-owned entities in Delft closing down (Liedeman, Charman & Piper, 2013:1-6).

The exact number of spaza shops in South Africa is not known, as many of them are not officially registered. However, a comprehensive study in 2002 estimated that small grocery shops or spaza shops accounted for 2.7% of the total retail trade, which translates to a value of R8 billion (Ligthelm, 2005:202). According to councillor Krause (2013) of the City of Cape Town Sub council 14, there are approximately 3,290 spaza shops in the Gugulethu and Nyanga townships. It is estimated that the unemployment rate in these townships stands at approximately

39.66% in Gugulethu and 45.15% in Nyanga (Councillor Krause of City of Cape Town: 2013), owing to low labour absorption capacities, and percentages would probably rise if the challenges which inhibit the startup and growth of township businesses are not minimised. Consequently, the prime focus of this research study is to determine the factors that inhibit the effective startup and growth of South African-owned spaza shops in the Gugulethu and Nyanga townships.

1.2 Background to the research problem

South Africa, like any other country in Africa and the rest of the world, is faced with the challenge of creating employment for its people. With the unemployment rate being pegged at 25.5% (Stats SA, 2015), South Africa needs to commit more resources to the small-business sector, in order to enable emerging entrepreneurs to assume the role of employers (Ngek & Smit, 2013:7). According to Fatoki (2014:5), the vital role of small enterprises in the creation of employment, particularly among poor and low-income workers, needs to be appreciated, because of significant contribution in terms of poverty reduction, economic growth and economic development.

The South African small-enterprise sector is divided into categories which largely depend on turnover and the numbers of employees. Small businesses are widely regarded as a driving engine in terms of economic growth and the creation of employment in both the developing and the developed countries (Sunter, 2006:23). According to Ligthelm (2002:1), South Africa's growth in the retail sector was a result of the contribution which was made by spaza shops, whose revenues amounted to an estimated R7.2 billion in 2002. This statistic indicates the success which spaza shops have achieved in terms of reducing unemployment, while at the same time encouraging the generating of incomes.

The government of South Africa has formulated supportive programmes and created structures to ensure that small-business enterprises are as productive as possible, with respect to the potential contribution to the overall economy. At present the Ministry of Business Development is running the Informal Traders Upliftment Project (ITUP), to support 1000 owners of spaza shops and other informal businesses throughout the country with skills and infrastructure (Zulu, 2015). The Survey of Employers and the Self-employed (SESE) estimates that the informal sector accounts for between 5 and 6% of the Gross Domestic Product, while at the same time contributing 15.8% to the total employment of the country (Statistics South Africa, 2014). The government has allocated R50 million for the roll-out of the Shared Economic Infrastructure

Facility, which is intended to support informal businesses, including spaza shops (Zulu, 2015). In 2016, the Minister of Small Development reiterated the fact that government's Shared Economic Infrastructure Facility is continuing to support the small enterprises in disadvantaged communities of Mnambithi Municipality. However, it needs to be acknowledged that despite the support programmes being implemented by the government, the spaza sector is faced with numerous challenges, affecting in particular the South African operators adversely. According to Pilane (2015), the South African Minister of Small Business Development has stressed the need for non-South African owners of spaza shops in Soweto to share their business practices with South African operators, in order to avoid being constantly harassed and attacked by South Africans. Mbatha (2015) illustrates this point with the following quote from Zulu, the Minister of Small Business Development in South Africa:

“Black people were never part of the economy of South Africa in terms of owning anything; therefore when they see other people coming from outside being successful they feel like the space is being closed by non-South Africans.”

This assessment clearly indicates the questionable extent to which South African entrepreneurs are receiving support in order to withstand competition from non-South Africans. Despite the support which the government provides to South African owners of spaza shops at present, South African entrepreneurs are still faced with many challenges in the same market in which immigrant shop-owners are doing well. The reasons for which non-South Africans have been particularly successful in the spaza industry ranges from application of innovative ideas, good use of effective distribution networks, to unlimited use of unconventional initiatives in an endeavour to maximise profit (Charman et al., 2012:78; Tengeh et al., 2012:6; Tengeh, 2013:4; Liedeman et al., 2013:1-6; Piper, 2012:43; Basardien & Friedrich, 2014:2).

Despite all the interventions which have been made by the South African government to assist South African entrepreneurs, the South African-owned spaza sector is experiencing great difficulty achieving growth. Various studies conducted on the performance of South African-owned spaza shops identified a number of constraints hindering the growth of small grocery shops. Such constraints include but not limited to competition, a lack of support, crime, a shortage of startup capital, a lack of management skills, a lack of differentiated marketing and a lack of adequate access to finance (Van Scheers, 2013:12; Charman et al., 2012:78; Van Scheers, 2011:5; Van Scheers, 2010:6; Tipple, 2005:611-632; Perks, 2010:4.).

Recent research studies of spaza or small grocery shops have been conducted by Fatoki (2014:5), Cant and Wiid (2013:12) Worku (2013:1), Van Scheers (2010:6) and Perks (2010:4) and in other parts of South Africa and not in the Gugulethu and Nyanga townships in the Western Cape. In addition, to date most studies of spaza shops have focused on foreign-owned small businesses (Basardien & Friedrich, 2014:2; Liedeman et al., 2013; Tengeh, 2013:4; Tengeh et al., 2012:6). So far, no research has been conducted in order to identify the challenges encountered by South African owners of spaza shops in the Gugulethu and Nyanga townships.

1.3 Statement of the research problem

As it has been explained, despite the initiatives of the government to provide support to the owners of small grocery shops, the prospects for the survival and growth of a significant proportion of South African-owned spaza shops appear uncertain, while non-South Africans counterparts appear to be dominating the market. According to Liedeman, Charman, Piper and Petersen (2013:1), the survival rate of South African-owned home-based businesses is particularly low. Although research studies of the challenges and obstacles which are faced by small businesses in South Africa have been conducted by Fatoki (2014:5), Cant et al. (2013:12) Worku (2013:1), Liedeman et al. (2013:1), Van Scheers (2010:6), and Perks (2010:4), no research of a similar nature has been conducted in the Gugulethu and Nyanga townships in the Cape Town Metropole.

1.4 Research questions

1.4.1 Main research question

What are the factors affecting the growth of South African-owned spaza shops in the Gugulethu and Nyanga Townships?

1.4.2 Research sub-questions

- Why do South Africans in these townships start small grocery shops?
- What are the challenges encountered by South African small grocery shops during the startup phase?
- What are the challenges experienced by South African spaza shops during the growth phases?
- What business strategies are employed by immigrants in the running of spaza shops?

1.5 Objectives of the research study

The principal objective of the study is to determine the factors which affect the startup and growth of South African-owned spaza shops in the Gugulethu and Nyanga townships.

1.5.1 Sub-objectives

- To determine the reasons for which South Africans start small grocery shops.
- To identify the challenges which are faced by small grocery shops during the startup period.
- To identify the challenges which are faced by black South African owners of spaza shops which adversely affect the growth of businesses.
- To determine the business strategies which are used by non-South Africans in the running of their small grocery shops.

1.6 Significance of the research

The establishment and running of spaza shops helps to promote economic growth and also to reduce unemployment in the previously disadvantaged communities (Perks, 2019:4; Sunter, 2006:23; Tipple, 2005:611). Consequently, it may be maintained that the spaza industry provides opportunities for employment to those people who may have failed to obtain employment in the formal sector, thereby helping in the alleviation of poverty in the so-called township communities. The findings of this research study could help the Western Cape Provincial Government to refine its policies, in order to accommodate the spaza sector and to generate solutions which will promote its growth. The research could also be beneficial to other researchers and to donors who are willing to promote entrepreneurial activities in the Gugulethu and Nyanga townships.

In addition, it could also serve a proactive function by enabling prospective entrepreneurs to assess the challenges and obstacles which could lead to venture failure. In the light of the present dearth of research into the viability and the sustainability of South African-owned spaza shops in the Gugulethu and Nyanga townships, the study could play a significant role in identifying the present challenges which could, in turn, assist in the formulation of sustainable solutions.

1.7 Research methodology

The data was collected through the administration of questionnaires. The questionnaires were distributed personally by the researcher to the respondents who participated in the study. The target population of the study consisted of all of the owners of spaza shops in the Gugulethu and Nyanga townships (Please see section 1.8) during the course of the investigation. The overall population comprised 332 subjects, from whom a sample of 132 subjects was randomly drawn. A simple random sampling method was employed (Bless, Higson-Smith & Kagee, 2006:100; Fox & Bayat, 2007:55). Participation in the survey was completely voluntary, which was clearly stated on the questionnaire. The respondents were assured that, their input would be treated as being confidential and that anonymity would be guaranteed at all times. In addition, as this research was of a purely academic nature and being undertaken by a university student, all of the ethical codes of good conduct were respected and rigorously adhered to. After the data had been collected, it was analysed with the help of the Statistical Package for the Social Sciences 24 (SPSS) software, and the findings were presented in charts and frequency tables.

1.8 Delineation of the research

The main focus of this study was on the factors which affect the startup and growth of South African-owned spaza shops in the Gugulethu and Nyanga townships in Cape Town. It did not include spaza shops owned by African immigrants or medium-sized formal grocery shops.

1.9 Ethical considerations

Ethics may be defined as entailing a system of moral principles which govern the relations between people, with mutual respect in order to serve and to meet the needs of all parties concerned (Resnik, 2011). Adherence to ethical standards affects how people make decisions and lead their lives (Resnik, 2011). Ethics are concerned with what is good, both for individual people and for society, and their implications, in broadest sense, fall within the domain of moral philosophy. The ethical considerations which are applicable in all professional research in the social sciences entail taking into consideration how human subjects may feel about the implications and the potential outcomes of any particular research study (Polit & Hungler, 1999:132-134).

During the conducting of any research which makes use of human subjects, the dignity of the participants needs to be respected at all times and the utmost care needs to be taken not to offend or cause physical or psychological harm to those who elect to participate in research studies

(Dunn, 2010:299). In order to preclude the possibility of unethical research practices which have negative consequences for participants in research studies, researchers are required to be completely aware of obligations and responsibilities to those who participate in research studies (Bless et al., 2006:139-140). In accordance with understanding of the required ethical standards, the researcher took all reasonable measures to adhere to ethical consideration during the conducting of the research, in order to protect the rights and interests of the participants.

The researcher submitted the research proposal to the Higher Degrees Committee of the Cape Peninsula University of Technology, whose members examined and appraised it thoroughly, before indicating the amendments which needed to be made in order to ratify it. A letter of consent was then obtained from the local councillors of the Gugulethu and Nyanga townships, who gave the researcher permission to conduct the study in the townships under their jurisdiction. Explanations concerning the nature of the research and the associated potential benefits were provided to the participants, in order to ensure that their decisions to participate were made on the basis of a prior understanding of the nature of the research and its objectives. The research instrument used was verified by the CPUT Research Ethics Committee, and permission to the researcher to conduct the investigation. The participants were informed that no financial gain would accompany participating in the study and it was also emphasised that participation was strictly voluntary and that would be free to withdraw at any time if wished to do so, without incurring penalties of any sort whatsoever.

1.10 Reliability and validity

Although there is no measurement instrument which is completely perfect in every respect, researchers need to evaluate the reliability and validity of instruments intended for data collection Bless et al. (2006:150) maintain that the only way to perfect an instrument which is to be used to make measurements in research of this type is to ensure its reliability and validity.

1.11 Reliability

A reliable method for collecting data is one which is relatively free from measurement error (Polit & Hungler, 1999:255; Flick, 2011:252). The criterion of reliability ensures the consistency of the information collected (Bless et al., 2006:150). In line with this, Polit and Hungler (1999:255), defines reliability as the degree of consistency with which the instrument measures an attribute. Consequently, it may be asserted that the reliability of a measuring instrument can be justified only if it is able to provide the same results in more than one trial.

The questionnaire was pilot tested by administering it to selected participants. The researcher took a relative small but still statistically significant sample of 40 questionnaires and distributed the first half in Delft and the second in Kraaifontein. The data collected were checked for consistency and any anomalies were corrected.

1.12 Validity

Validity may be defined as a measure of the truth or falsity of the data which is obtained through using a particular research instrument (Burns & Grove, 2001:226). The validity of the instrument may be regarded as the extent to which "... the instrument actually reflects the abstract construct being examined" (Burns & Grove, 2001:814). It is generally acknowledged that validity of an instrument can be verified only if a panel of experts concerning a specific topic or field are given an opportunity to evaluate the questions for suitability to fulfil what they claim to measure (Hair, Anderson, Tatham & Black, 1998, cited by Mwangi, 2011:88).

The researcher's supervisor, who is a coordinator and an expert in the field of entrepreneurship and business management, assisted in validating of the research instrument. The supervisor also assessed the contents of the research instrument and other related statements in order to confirm alignment to the stated objectives. All the research questions were verified in order to determine linkage to the literature which was relevant to the research study.

1.13. Definitions of terms and key words

A Spaza shop is defined as a small grocery shop, usually operating from a residential stand or home (Ligthelm, 2002).

Entrepreneurship is defined as "creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks, and receiving the monetary rewards as well as personal satisfaction and independence" (Hisrich & Peter, 2002:11).

Immigrant entrepreneurship refers "to entrepreneurial activities carried out by immigrants just after arrival in their host country, either through personal initiatives or with assistance from acquaintances in the host or country of origin" (Tengeh, 2013:4).

Informal economy is defined as comprising workers and enterprises which are unregistered and unincorporated but still involved in economic activities (Statistics South Africa, 2010).

Unemployment refers to the number of people who are willing to work but who are without employment or the state of being unemployed (Beall, Crankshaw and Parnell, 2000:91).

Human capital is defined as “the knowledge, skills, competencies, and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being” (Healy & Côté.200:2001). According to Fatoki (2011:6), the concept of human capital implies an investment in people through education and training.

1.14 Outline of the study

Chapter One:

This chapter provided an introduction and background to the study, articulated the problem statement, the research questions, the aim and objectives of the research, the delineation of the study, the significance of the study and a brief discussion of research methodology which was employed to conduct the study. It concluded with an initial discussion of the professional ethical standards adhered to during the conducting of the study and the criteria used to determine the reliability and the validity of the research instrument selected in order to conduct the study.

Chapter Two:

This chapter takes the form of a discussion of small business enterprises, importance to the economy of the country, the challenges which are faced by spaza shops during startup and growth phases and the topic of entrepreneurship. It also included a discussion of the informal economy and the competency of foreign owners of spaza shops.

Chapter Three:

This chapter was devoted to a detailed discussion of the research methodology which the study employed to collect and to analyse the data gathered from the respondents. The data collected by the use of survey were analysed with SSPS (24) software.

Chapter Four:

This chapter will take the form of a discussion of the findings which emerge from an analysis of the data which will be collected from the owners of spaza shops who participate in the study.

Chapter Five

This chapter will provide a discussion of the conclusions which were drawn from the findings and offer recommendations on the basis of them.

1.15 Conclusion

This research study will endeavour to determine the factors which affect the growth of South African-owned spaza shops in the Gugulethu and Nyanga townships. It is widely acknowledged that small businesses, including spaza shops, have a pivotal role to play in creating opportunities for employment and also in stimulating economic growth in both the developing and the developed countries. However, owing to the numerous challenges faced by spaza shops, only a handful of the South African-owned spaza shops in the Gugulethu and Nyanga townships are able to achieve effective business startups and meaningful growth. Although there have been recent studies concerning spaza shops, much more research needs to be conducted, particularly in the Gugulethu and Nyanga townships, where no research studies which have the aims and objectives of this one have been conducted to date. It is hoped that by focusing attention on the challenges faced by South African-owned spaza shops, during the startup and growth phases, recommended solutions will assist in improving business growth and survival the spaza shop owners of in the Gugulethu and Nyanga townships. This chapter laid the groundwork for the research study. The following chapter is devoted to a review of the available and relevant literature to the aims and objectives of this study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The importance of the informal economy as a means of offering business opportunities to those who are eager to earn a living through operating micro-businesses such as spaza shops should not be underestimated. Although the emergence of spaza shops has created self-employment for many people who fail to secure employment in the formal sector, the growth of these valuable enterprises is very often jeopardised as a result of various limitations and constraints. In this chapter, the researcher reviewed the literature which has been devoted to spaza shops, with a particular focus on the main research question. The purpose of the endeavour is to try to comprehend the global phenomenon of small businesses and micro-enterprises and then to align the insights which are gained to the South African context. For the purposes of this research study, a spaza shop is regarded as a convenience store which is operated from the front of a house or in a makeshift container located in front of a house, and sells basic grocery items to members of the surrounding community (Von Broembsen, 2008:1).

This chapter commence with a discussion of entrepreneurship in broad terms and an investigation of the factors which promote the manifestation of entrepreneurship in communities. This discussion is followed by a broad discussion of the informal economy and the theories which are associated with its emergence. Finally, the chapter focuses on spaza shops as a means of earning a living, with an emphasis upon the challenges which are associated with startups and growth, followed by a brief discussion of immigrant entrepreneurs and the strategies which used in order to outclass and out-perform South African-owned spaza shops.

2.2 What is entrepreneurship?

Entrepreneurship is an engine which encourages economic growth, and its emergence is usually accompanied by the creation of employment and the alleviation of poverty in both the formal and the informal sectors. The creativity and innovation which characterises entrepreneurship opens a wide range of opportunities for people who wish to become successful entrepreneurs. This assessment is shared by Fuller (2003:321), who maintains that it is the responsibility of governments to inculcate an entrepreneurial culture among their people, in order to enable

everyone to play a proactive role in promoting economic growth through venturing into diversified businesses. Consequently, if entrepreneurship is properly nurtured and supported, it has enormous potential to boost the economic growth of countries.

Various writers have defined and described entrepreneurship in a number of different ways, which has made it difficult to arrive at an agreed-upon standard definition of the word 'entrepreneurship'. Entrepreneurship is a word which is derived from the French verb 'entreprendre', which means 'to embark or undertake' (Bolton & Thompson, 2003:3). A working definition of entrepreneurship could be formulated as the ability to set up and run a business through the use of and the application of certain significant attributes, such as innovativeness and creativity. This definition concurs with that of Rwigema and Venter (2004:6), who define entrepreneurship as the process in which innovative and creative ideas in an unstable and complex economic environment are used to nurture business opportunities in order to develop high-growth ventures. Zimmerer and Scarborough (2008:5) define entrepreneurship in terms of making profit through the establishing and running of new businesses in unpredictable economic environments, which necessarily entails taking considerable risks. Risk-taking, as an inherent component of entrepreneurship, concerns the very real possibility of incurring great losses if the businesses are not properly managed. The central concern for entrepreneurship is the performance of businesses, which must of necessity be characterised by growth (Rwigema & Venter, 2004:5). Although it is true that there are several different meanings of the word 'entrepreneurship' in various specific contexts, it must be emphasised that central to all definitions is the need to make profits through the taking of risks, in the process of maximising economic growth. Consequently, entrepreneurs need to be both innovative and creative, in order to maximise wealth, and it needs to be emphasised that if entrepreneurs are not both innovative and creative, it is easy to incur losses.

People who aspire to entrepreneurship are known as entrepreneurs, a term which was coined by the French economist Jean-Baptiste Say, who defined as "venturesome individuals who stimulate economic progress by finding new and better ways of doing things" (Minard, 2009:190). Entrepreneurs are the agents who bring innovative ideas and products into the market, thereby making an important contribution to economic growth (Minard, 2009:190). The economist Joseph Schumpeter has defined an entrepreneur in different terms, as someone whose behaviour is destructive, in the sense that they tend to introduce new ideas, methods, organisations, services and products which, in turn, tend to destroy the existing economic order (Fuller, 2003:321). As entrepreneurs very often use creativity and ability to innovate in order to promote the growth of

businesses, they frequently destroy existing economic orders in a way which promotes the renewal of economic growth and development.

The term ‘entrepreneur’ has also been defined in terms of two distinct dimensions, the first being a process dimension as a person who establishes and operates a business entity (Stokes, Wilson & Mador, 2010:7). From the perspective of a behavioural dimension with respect to envisaged outcomes, an entrepreneur is someone who is able to spot an opportunity and to use his or her belief and vision concerning the opportunities which a particular market has the potential to offer, in order to organise resources for the effective realisation of their visions (Perks, 2010). According to Bygrave and Zacharakis (2011:49), from an organisational point of view, an entrepreneur is a person who identifies opportunities to create different organisational outlooks in which all entrepreneurial processes, activities and actions are tailored to ensure making the maximum use of newly-found opportunities.

Entrepreneurial processes entail the participation of certain vital role-players, namely, “the founder: the opportunity seeker, the creator and initiator, the leader, problem solver, the motivator, the strategist and the guardian of the mission, values, and culture of the venture” (Timmons & Spinelli, 2009:1). There is no doubt that roles which are not supported by good ideas, vitality and energy become catalysts for under-performance (Timmons & Spinelli, 2009:1). Entrepreneurs are risk-takers in business whose main aim is the creation of products, services and technologies, through being innovative in a way which meets the needs of consumers (Nicolaidis, 2011:1043). Entrepreneurs may also be regarded as innovators and implementers, whose agenda is to transform societies through taking advantage of niches and loopholes in markets. From all of these various descriptions of the characteristics and qualities of entrepreneurs, it can be concluded that innovativeness and creativity are the cornerstones of successful entrepreneurial ventures.

2.2.1 Entrepreneurial dynamism

The triumph of any business venture depends, to a large extent, upon entrepreneurial dynamism, which is developed by making use of certain crucial business skills. Entrepreneurial dynamism relates to all those skills which are appropriate for the success of a business, and these skills pertain to financial, intellectual and physical abilities. The fundamental skills which are most needed for the success of a business are grouped into four classifications, namely, management skills, technical skills, personal skills and business operational skills (Perks & Struwig, 2005:172-173). In South Africa less than half of entrepreneurs have gone as far as high school

and this in a way is a challenge as far as promotion of entrepreneurial intention and dynamism is concerned (Global Monitor Enterprise,2016).In the light of this scenario, South Africa has a high failure rate for businesses, with an estimated 40% of businesses failing during their first year, which is followed by 60% failing during their second (Radipere & Van Scheers, 2005:402). According to the latest research which has been conducted by the ABSA Bank Small Business Section, it was found that 63% of small businesses fail during the first eighteen months of their trading (Kumah, 2014).

2.2.2 Characteristics of entrepreneurship

Of all the definitions of entrepreneurship which have been suggested by various writers, common characteristics can be discerned. The list which was drawn up by Stearns and Hills (1996) and cited by Stokes, Wilson and Mador (2010:6) is provided below:

- The process is people-driven, in the sense that entrepreneurship is displayed by people who are willing to participate in business ventures.
- It entails the identification and exploitation of opportunities.
- It is inherently inventive and creative.
- It is displayed within specific economic environments.
- It entails risk-taking at either the personal or the organisational level.
- It entails the establishment of entities through organisation and planning.
- It is expressed through behaviour which is entrepreneurial in nature.
- The availability of resources enables opportunities to be exploited.

2.2.3 The role of entrepreneurship

Entrepreneurship has the potential to act as a catalyst to help to overcome the challenge of unemployment which undermines the economy of South Africa at present. In relation to South Africa's historical context, entrepreneurship acts as a rational means of remedying the economic imbalances which the previous government imposed upon the population of the country (Ndedi, 2009:467). The imbalances may be attributable directly to the oppressive apartheid government, which, to an overwhelming extent, marginalised blacks in terms of ability to participate in the economic activities of the country. According to Nafukho and Muyia (2010:100), entrepreneurship is the engine which is to be used to overcome the economic consequences of unemployment. The scholars maintain that it is only through education in entrepreneurship and the training of citizens that the human resources which are of crucial importance for the promoting of socio-economic development will be generated.

In South Africa, training in entrepreneurship is being promoted and supported by the government, which is reflected in the educational activities of the country's institutions of higher learning, such as the University of Pretoria, the University of South Africa and the University of Johannesburg, with the same trend being equally reflected in high school curricula (Van Rensburg, 2010). Apart from the creation of employment, entrepreneurship helps to improve standards of living, to develop entrepreneurial intelligence and economic growth and to facilitate the creation of investment opportunities (Nieman & Nieuwenhuizen, 2009:9; Fatoki & Chindoga, 2011:162).

Although entrepreneurship is the engine which propels the economic and social development of countries, in the process it also serves to promote the attainment of social justice through the alleviation of poverty and through easing the unemployment crisis (Massey, 1998:6). Central to entrepreneurship is innovation, which brings new products onto the market and, in the process, encourages existing entities to grow through adding value, reforming and revitalising the economy. According to Botha, Fairer-Wessels and Lubbe (2006), entrepreneurship energises and promotes economic growth, social development and employment.

Through entrepreneurship, people who cannot find employment in the formal sector are able to gain self-employment and acquire the autonomy to assume control of their own economic destinies. Apart from the innovations which entrepreneurship motivates, individual people are able to create wealth for and, in the process, to improve social standing and lifestyles. Governments support entrepreneurship benefit in terms of economic growth, as citizens are given choices concerning how to participate in national development (Timmons & Spinelli, 2007:50).

2.2.4 Classification of entrepreneurship

Although entrepreneurship is vital to both economic growth and economic development, Ligthelm (2013:59) points out that not all forms of entrepreneurship have positive consequences and implications: "not all forms of entrepreneurship and business formation are beneficial to economic growth and development" (Berner, Gomez & Knorringa 2008:1; Baumol, 1990:895). The conclusion which may be drawn from this assessment is that there is a distinct difference between informal and unproductive entrepreneurship and productive entrepreneurship.

According to Berner, Gomez and Knorringa (2008:1), the drive behind informal entrepreneurship is not growth, but rather essentially a response to the need for survival and a way to escape from poverty through obtaining some form of employment. Unproductive entrepreneurship is found mainly in informal sectors, where people tend to embark on business ventures because there is no other way to earn a living, mainly as a result of a scarcity of employment opportunities in the formal sector (Baumol, 1990). Although there are various opposing arguments concerning the contribution which is made by unproductive entrepreneurship to economic growth, unproductive forms of entrepreneurship generally account for a significant portion of the economic activities in developing countries (Ligthelm, 2013).

Productive entrepreneurship entails business ventures which are profitable and have the potential to grow, thereby serving to alleviate the socio-economic problem of unemployment (Baumol, 1990). Although pull factors are central to productive entrepreneurship (Herrington, et al., 2010), there is general agreement that a great many entrepreneurs in the developing countries participate in business in order to generate a livelihood and avoid living in abject poverty (Berner, Gomez & Knorringa, 2012).

2.3 Entrepreneurship theories

2.3.1 Resource-based entrepreneurship theories

Resource-based theory maintains that access to resources is vital for enabling people to take advantage of entrepreneurship opportunities, which has a direct influence on the growth of new businesses (Alvarez & Busenitz, 2001:27). The accessibility of resources such as finance has a strong influence on determining whether new ventures will be embarked upon and, ultimately, become sustainable. A summary of the elements of resource-based entrepreneurship theories is provided below:

2.3.1.1 Financial capital and liquidity theory

Empirical research has shown that the establishment of new businesses proliferates when people in a given country have access to capital (Blanchflower et al., 2001:45; Holtz-Eakin et al., 1994:1). With access to financial resources, entrepreneurs are able to exploit the entrepreneurial opportunities which may arise at any given time. However, other researchers have tended to disagree with this assertion, as there have been findings of empirical studies which show that entrepreneurs have successfully started businesses with very little financial capital (Hurst & Lusardi, 2004:2; Davidson & Honing, 2003:20).

2.3.1.2 Social capital and social network theory

Social ties are strongly linked to the accessibility of providers of resources, such as financial institutions. People of high social standing and who are socially well connected have a high probability of doing well by exploiting the opportunities associated with entrepreneurship (Reynolds, 1991:16; Zimmers, 1986).

2.3.2 Personality trait theory

Personality trait theory is concerned with the role which is played by traits such as the ability to adopt a visionary approach to identifying new opportunities and formulating solutions, creativity, the desire to excel, neutrality, emotional resilience, to be hard-working and to accept failure as a stage which precedes eventual success. However, it needs to be acknowledged that although personality trait theory has not been supported by empirical evidence, there is evidence to suggest that certain inborn qualities play an important part in determining the future entrepreneurial aptitudes of individual people (Simpeh, 2011:3). The various different elements of personality trait theory will be discussed in the sections which follow.

2.3.2.1 Locus of control

The internal locus of control which an entrepreneur possesses determines the degree to which he or she believes that he or she is able to influence the course of events or outcomes. An internal locus of control enables an entrepreneur to attain goals as a result of his or her own ability to control events. Several studies that have indicated that people who have an internal locus of control tend to display a high degree of innovativeness, competitiveness and individual autonomy (Cromie, 2000:9; Rauch & Frese, 2000:10). All of these qualities are essential characteristics of entrepreneurship.

2.3.2.2 The need for achievement

According to McClelland's need of achievement theory (1961), human beings naturally have an inclination and a strong desire to achieve, succeed or excel. This assertion resonates well with the entrepreneurial drive expressed in the will to succeed and the determination to achieve excellence. Although there is no empirical evidence to support the theory, empirical findings have revealed a correlation between entrepreneurship and motivation for achievement (Johnson, 1990:14). The only convincing personal attribute which identifies successful entrepreneurs is the motivation to achieve (Shaver & Scott, 1991:16).

2.2.3.3 Human capital and entrepreneurship

Education and experience are believed to be of crucial importance for the ability to recognise, identify and exploit available opportunities. A person who is educated or experienced has a solid foundation for achieving entrepreneurial success (Anderson & Miller, 2003:32).

2.4 Factors responsible for the emergence of entrepreneurship

A wide range of writers and researchers have suggested an equally diverse range of reasons for people to decide to become entrepreneurs and to start small-scale businesses such as spaza shops (De Pillis & Reardon, 2007:12). The motives and the factors which underlie the emergence of entrepreneurship are contextual, economic, inspirational in nature and the need or desire for compensation is very often an overriding factor. In an endeavour to focus the discussion on the various push and pull factors which act as catalysts for the proliferation of owners of spaza shops, the most significant factors are discussed in the sections which follow.

2.4.1 Contextual factors

Some people gravitate towards entrepreneurship as a result of circumstances and situations which are related to their family backgrounds. A family environment which is orientated towards entrepreneurial activities has the potential to nurture children in a way which encourages the acquisition of the necessary business skills which motivate them to start their own businesses (Lall & Sahai, 2008:24). Family business backgrounds of this sort enable and help people to identify and embrace business opportunities. According to Nieman and Nieuwenhuizen (2009:31), young people who grow up in a business environment can easily develop entrepreneurial attitudes which encourage them to venture into business.

The availability of capital inevitably exert a strong influence on any new entrepreneurial venture. Once capital is available, the reasons for starting a business can be traced to pull or push factors. The factors which influence the decisions of individual people to venture into business activities can take the form of either necessity or opportunities. When people elect to start businesses as the only available means of earning a living, the decision is taken as a result of necessity and may be regarded as having been forced or pushed to enter into business ventures. Circumstances which could result in people opening spaza shops could include a lack of employment, insecure employment, poor salaries or disagreements with the management in their present employment (Nieman & Nieuwenhuizen, 2009:34; Bygrave & Zacharias, 2008:20). In addition, if people are not employed with permanent contracts are likely to feel insecure and to venture into

entrepreneurship as a means of achieving a more sustainable occupation (Nieman & Nieuwenhuizen, 2009:34). Necessity factors usually take the form of push factors, as the people concerned are effectively forced into business.

Conversely, factors which pertain to opportunities are usually pull factors, which encourage people to embark upon business ventures simply because opportunities have arisen. Both Botha (2006:9) and Bygrave & Zachariks (2008:20) concur that sometimes people are attracted to business ventures as a result of having identified an opportunity in the market which is worth taking. There are a number of factors which pull people towards entrepreneurship. According to Nieman and Nieuwenhuizen (2009:35), the pull factors or the factors pertain to opportunities which encourage people to regard entrepreneurship as a viable means of accumulating wealth include:

- Personal growth, in which the motivation of individual people is directed towards a perceived need to make progress in terms of management, in order to realise a perceived true potential.
- Independence in terms of decision making and risk-taking.
- The creation of personal wealth through entrepreneurial ventures.
- Recognition from society through the creation of employment, thereby contributing to economic growth.

When people are retrenched and given retrenchment packages, they may decide to venture into business with the belief that doing so would provide the only means of generating income in order to survive. Secondly, if the need to generate an income coincides with the existence of a business opportunity, then the reason for going into business entails both a push and a pull factor. Although both rich and poor individuals are able to become entrepreneurs, the ability of individual people to be innovative and creative in terms of identifying opportunities and dealing effectively with the market is by far the most significant determinant of the success of an entrepreneurial enterprise (Bolton & Thompson, 2003:42). Accessibility and availability of financial products play a crucial role in promoting the development of entrepreneurship and the creation of new ventures (Nieman & Nieuwenhuizen, 2009:197).

According to Nieman and Nieuwenhuizen (2009:34), people who become entrepreneurs as a result of a perceived necessity are driven to do so by push factors, while those who become

entrepreneurs as a result of responding to perceived opportunities are more inclined to be driven to do so by pull factors. The diagram Figure 2.1 illustrates the main forces which influence the decisions which people make to become entrepreneurs.

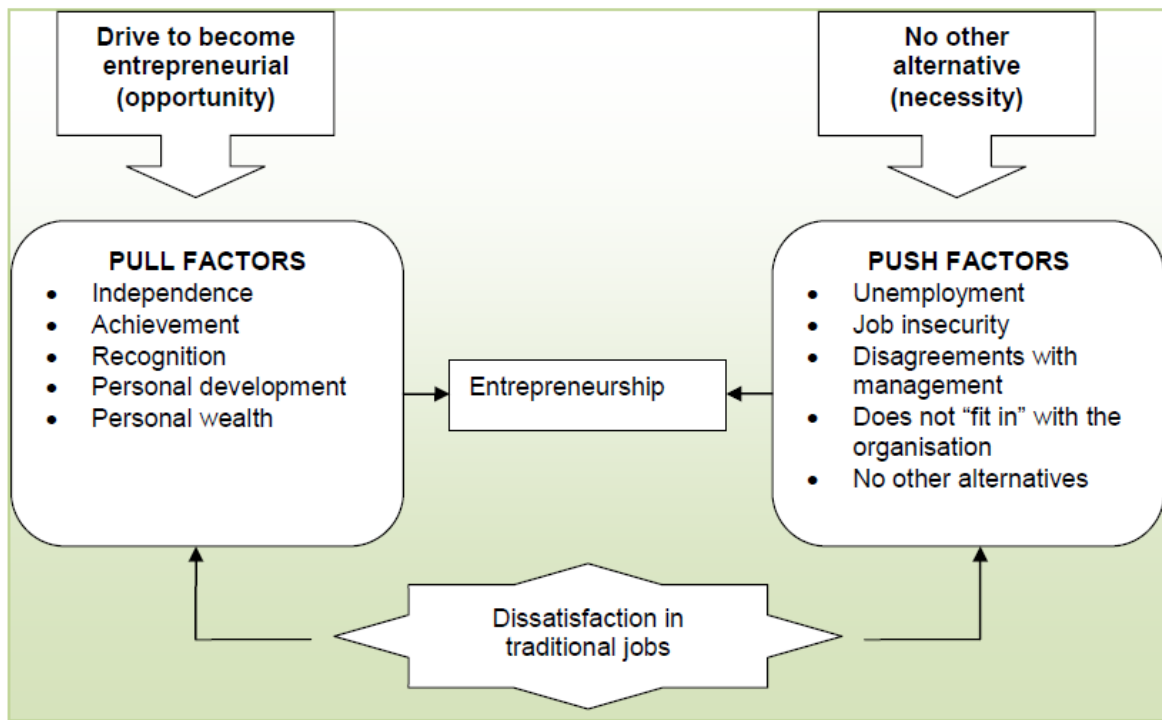


Figure 2.1 Push and pull factors of entrepreneurship (Nieman & Nieuwenhuizen, 2009:35)

The entrepreneurship individual people display is determined to a very large extent by backgrounds in terms of achievements in education and training. The emergence of entrepreneurship in particular areas of the economy is influenced by attitudes and skills acquired during education and training. Lall and Sahai (2008:24) acknowledge the role played by education and training in entrepreneurship in the shaping of future entrepreneurs. The fields in which prior training, education and attitudes play a definite role in the development of entrepreneurship include information, communication, technology and biotechnology (Bolton & Thompson, 2003:41). Without proper training and the acquisition of appropriate skills, it is not at all easy to become an entrepreneur in these fields, as such operations require entrepreneurs to be highly knowledgeable, in order to identify gaps in the market. There is a very significant link between levels of education and training and effective entrepreneurship (Nieman & Nieuwenhuizen, 2009:31).

2.4.2 Inspirational factors

Inspirational factors play important roles in the development of entrepreneurship and among the most influential are the need for achievement and locus of control. According to Nieuwenhuizen et al. (2008:7), the success of individual entrepreneurs results directly from one's own abilities and the determination to succeed governed by the locus of control (Niemen & Nieuwenhuizen, 2009:32). An external locus of control entails the achievements and operations of individual entrepreneurs resulting from support from outside, while the achievements of entrepreneurs which result from own ability to control events has a lot to do with internal locus of control. In addition, several studies have indicated that entrepreneurs who possess an internal locus of control are likely to display a high degree of innovativeness, competitiveness and autonomy and to know exactly what needs to be achieved (Lall & Sahai, 2008:24). Empirical evidence suggests that people who have an internal locus of control are likely to possess strong entrepreneurial characteristics.

Many people are drawn into entrepreneurship because of motivation to fulfil a need for achievement. The concept of the need for achievement was pioneered by McClelland (1961), a researcher who maintained that the desire to achieve drives people to engage in successful entrepreneurial ventures (Nieuwenhuizen et al., 2008:2). According to the need of achievement, as it was propounded by McClelland (1961), human beings naturally have a strong desire to achieve, succeed or excel. Through the need for achievement entrepreneurs are able to personalise goals, which drives them to make the best possible use of the available resources in the most advantageous way and which, in turn, enables the best products to be offered in the market (Lall & Sahai, 2008:24).

Other people venture into business to be their own bosses and in the process avoid answerable to superiors thereby able to follow own rules (Nieman & Nieuwenhuizen, 2009:32). According to Goffee and Scase (1995:3), some people are attracted to entrepreneurship in order to avoid being under the supervision of someone who is able to determine what may and may not do at work. Owning a business makes it easy to integrate the ideas of individual entrepreneurs more effectively than would be possible in big organisations and entrepreneurship provides entrepreneurs with a feeling of self-sustainability. While financial rewards and independence are usually the main motives for starting a business, De Groot, Nijkamp & Stough (2004:256) maintain that motives such as being able to take advantage of the opportunities which arise and

material prosperity are usually rated as being below personal achievement by most entrepreneurs.

2.4.3 Economic factors

Economic factors exert a huge influence on why some people decide to become entrepreneurs. These factors include government policies, business environments, additional support and the availability of financial support.

Throughout the world governments, including the South African government, formulate and implement policies and programmes which are intended to nurture entrepreneurs in various different sectors of economies. Once citizens become aware of the government policies, particularly with respect to small businesses, people will become inclined to take advantage of the entrepreneurial opportunities which are made available (Lall & Sahai, 2008:24; Nieman & Nieuwenhuizen, 2009:42).

The business environments of countries need to provide the much-needed support which promotes the proliferation of small businesses and small-scale entrepreneurs. When the infrastructure is excellent, the legal framework which governs business is relaxed, business advice, finance, training and mentoring are readily available and people become motivated to become entrepreneurs, as the barriers to entry will be few (Lall & Sahai, 2008:24; Nieman & Nieuwenhuizen, 2009:32). People are motivated to take advantage of good infrastructure and effective distribution channels, and also of the availability of suppliers, to venture into new businesses (Lall & Sahai, 2008:24). When there is good infrastructure and there are sufficient suppliers and distribution channels in a business environment, potential entrepreneurs are able to take advantage of the opportunities provided and establish own business ventures (Lall & Sahai, 2008:24).

2.4.4 Compensation factors

Some people are attracted to entrepreneurship because of the belief that it presents opportunities to make huge profits which could impact on one's lifestyles, such as to own opulent modern houses, drive prestigious cars and achieve the status which is associated with people of high standing within the societies. According to Nieman and Nieuwenhuizen (2009:35), some people venture into business in order to improve social standing. Changes in lifestyles are very often accompanied by corresponding changes in social status, which often results in the members of

communities regarding successful entrepreneurs as role models, which, in turn, encourages prospective entrepreneurs to aspire to become the owners of businesses (Lall & Sahai, 2008:24). Most people become owners of businesses because being attracted by the financial benefits which accompany success in business (Goffee & Scase, 1995:3). Financial security remains an important primary goal for people who wish to operate spaza shop businesses, apart from the fact that doing so provides a degree of independence in terms of both decision making and increased amounts of family time, coupled with the ability to create own working conditions (Scarborough & Zimmerer, 2003: 15).

2.5 Small business enterprises

The South African government has formulated and developed programmes and policies which are intended to encourage the establishment and growth of Small, Medium and Micro-sized Enterprises (SMMEs), as such are considered to constitute a key catalyst for creating employment in the country. The small-business sector in South Africa, which also includes spaza shops, has the potential to contribute to both the creation of employment and economic growth, while at the same time redressing historical imbalances and increasing black participation in the economy (Ntsika, 1997:28).

The participation of small-business entrepreneurs in the development of the economy has been widely researched and its positive influence on addressing the challenge of unemployment has been independently acknowledged by a number of researchers (Ngek & Smit, 2013:7). In addition, as small businesses are regarded as the engine of economic growth, their establishment and growth helps to increase the numbers of opportunities for developing entrepreneurship which is driven by individual innovation and creativity. Many businessmen start as entrepreneurs and later graduate to becoming the founders of large corporations (Fatoki, 2014.5). South Africa, like other countries in Africa and the rest of the world, is faced with the challenge of creating employment for its people. With the unemployment rate pegged at 24.5% (Statistics South Africa:2016), there is a pressing need for South Africa to commit more resources to the SMME sector to enable emerging entrepreneurs to be groomed to become employers in the future (Ngek & Smit, 2013:7). Further acknowledgement is provided by Fatoki (2014.5) and State & Iorun (2014:4), who accord credit for the crucial role played by small business in reducing unemployment, particularly among the poor and low-income workers. Consequently, it may be concluded that small business contributes to the reduction of poverty, economic growth and economic development.

At present there is growing interest in using the SMME sector in South Africa as a catalyst for economic growth and reducing levels of poverty, which is evident in the newly-created Ministry of Small Business Development. A key policy of the present South African government entails the use of the SME sector as the mainstream medium for creating employment for the country's many unemployed young adults. One way in which this objective can be achieved is to foster growth among SMEs in South Africa (Mutenyoka,2014:5 ;Ngek & Smit, 2013:7).

A SME is described by the National Small Business Act of South Africa of 1996, as it was amended in 2003, as:

"...a separate distinct entity including cooperative enterprises and non-governmental organisations managed by one owner or more, including branches or subsidiaries if any is predominately carried out in any sector or subsector of the economy mentioned in the schedule of size standards and can be classified as SME by satisfying the criteria mentioned in the schedule of size standards".

The National Small Business Act of 1996 classifies small businesses into four categories, namely, micro-businesses, which include survivalist enterprises, very small, small and medium enterprises. According to the amended Small Business Act (2003:6), a very small business is characterised as having assets which amount to less than R2 million and being owned by a single person, who employs between five and twenty people, although this classification does not apply to agriculture. The same Act describes a micro-business as an informal business which is owned by one person, who employs a maximum of five people and the value of whose assets is not of any significance. A summarised explanation which is taken from the National Small Business Act of 1996 is shown in Table 2.1.

Table 2.1: Categories of SMMEs

Category of SMME	Description
Survivalist enterprise	<ul style="list-style-type: none"> • Operates in the informal sector of the economy • Mainly undertaken by unemployed persons • Income generated below the poverty line, providing minimum means to keep the unemployed and their families alive • Little capital invested, not much value in assets • Not much training • Opportunities for growing the business are very small
Micro-enterprise	<ul style="list-style-type: none"> • Between one to five employees, usually the owner and family • Informal – no license, formal business premises, labour legislation • Turnover below the VAT registration level of R500,000 per year • Basic business skills and training • Potential to make the transition to a viable formal small business
Very small enterprise	<ul style="list-style-type: none"> • Part of the formal economy, uses technology less than 10 paid employees • Include self-employed artisans (electricians, plumbers) and professionals
Small enterprise	<ul style="list-style-type: none"> • Less than 100 employees • More established than very small enterprises, formal and registered, fixed business premises • Owner-managed, but more complex management structure
Medium enterprise	<ul style="list-style-type: none"> • Up to 200 employees. • Still mainly owner-managed, but decentralised management structure with division of labour • Operates from fixed premises with all formal requirements

National Small Business Act of 1996

On the basis of these criteria, spaza shops can be classified as being either micro or very small businesses. A spaza shop is a small informal grocery business which is owned by one person, who operates from a makeshift container or from a front room of the house which he or she occupies and employs only members of his or her own family (Von Broembsen, 2008:1). Once more than five members of the family become involved in the running of the business, the spaza shop as an entity becomes a very small business, according to the description which is provided by the amended Small Business Act (2003:6). When a spaza shop employs less than five people, it would be classified by the Act as a micro-business.

2.6 South Africa's legal framework for small businesses

The South African government plays a crucial role in promoting the success of informal micro-enterprises. According to Berry, Von Blottnitz, Cassim, Kesper, Rajaratnam and Van Seventer (2002), the promotional programmes and strategies of the government are intended to support small business, which is indicative of the value it attaches to the success of small business. The role of the government is threefold, namely, to promote micro-businesses, to create enabling environments for them and to develop competitiveness and capabilities as business enterprises (Nieman & Nieuwenhuizen, 2009). The government has promulgated legislation and formulated and implemented policies and programmes to perform these functions. This section discuss some of the Acts, policies and strategies which have been enacted to drive the micro-enterprise sector.

The democratically-elected government of South Africa has given a great deal of concerted attention to bringing about transformation and inclusivity, in order to encourage the participation of previously disadvantaged groups in the reconstruction and the economic development and growth of the country. Central to transformation is the need to create employment opportunities as a means of eradicating poverty. The government has crafted policies and programmes, all with the overall aim of transforming the economy of the country. The most notable programme is the Reconstruction and Development Programme (RDP) of 1995, which was formulated in order to redress the socio-economic imbalances which had been effectively enforced by the previous apartheid government. In order to foster development with equity, the Growth, Employment and Redistribution (GEAR) policy was formulated in 1996, with a specific focus on the creation of employment, the redeployment of income in favour of the poor and the expanded right of access to social services. In the wake of GEAR came the unveiling of the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) of 2006 and the New Growth Path (NGP) in 2010, which culminated in the National Development Plan 2030 of 2012. Each of these initiatives

recognises the central role of SMMEs in accomplishing the economic structural makeover needed to ensure that social justice is accorded to all South Africans. The democratically elected government inherited a unique and difficult set of economic circumstances in which the majority of previously disadvantaged people, particularly blacks, were poorly equipped to become entrepreneurs (Kumah, 2014). In the following sections some of the policies and Acts which are intended to support SMMEs in South Africa are discussed.

2.6.1 The National Small Business Act (Act 102 of 1996)

The National Small Business Act was enacted by the government as a means of creating a conducive and enabling business environment in which emerging and growing SMMEs are able to operate and participate in a non-racial economy. In addition, the Act aims to encourage the previously disadvantaged black population to take an active leading role in business ventures. The Act resulted in the establishment of the Small Enterprise Development Agency (RSA, 1996).

2.6.2 The City of Cape Town Informal Trading Policy and Management Framework

This initiative aimed to transform the sector into a commercially viable and dynamic economic sector, which would provide both entitlement and necessary infrastructural and entrepreneurial support (City of Cape Town, 2004). It was subsequently repealed in September of 2013 and replaced by the Informal Trading Policy.

2.6.3 The Integrated Small Enterprise Development Strategy

This strategy was first implemented in 2005, in order to promote entrepreneurship through making it easy to obtain access to finance, markets, infrastructural facilities and business support programmes. Its focus is on improving quality, productivity and competitiveness through the facilitating of technology transfer and commercialisation (RSA, 2008).

2.7 The institutional support which is available to small businesses in South Africa

In an endeavour to support micro-enterprises, the government of South Africa has established institutions which support and encourage the development of entrepreneurial ventures (Department of Trade and Industry, 2009). Other role players in the development of entrepreneurship in South Africa include private companies and NGOs. The Department of Trade and Industry (DTI) endeavours to support economic growth through the creation of employment and wealth. Among its institutional organs which support micro-enterprises are

Enterprise and Industry, the Enterprise Development Unit, The Enterprise Organisation (TEO) and Trade and Investment South Africa (TISA).

The Economic Development Department (EDD) of the City of Cape Town is mandated to promote economic growth through crafting viable programmes and projects to encourage entrepreneurial ventures. It has a pivotal role to play in supporting the formation of informal trader associations (Western Cape Government, 2013)

The Commercial Bank remains a source of finance for most prospective entrepreneurs. Banks support both emerging entrepreneurs and micro-enterprises, by assisting with startup and growth capital. Financial institutions also assist with the formulation of business plans, legal advice and financial management and skills workshops (Nieman & Nieuwenhuizen, 2009).

Cape Town has a number of NGOs which support entrepreneurial ventures in various locations. Support given is in the form of business orientation, advisory services concerning transformation, role modelling and motivation, and, above all, by ensuring that the entrepreneurial ventures of young people are prioritised (De Soto, 2000).

The Small Enterprise Financing Agency (SEFA) was formed in 2012 and established through the Industrial Development Amendment Act of 2001 (DTI, 2012), to regulate the lending and credit guarantees to SMMEs.

The National Youth Development Agency (NYDA) was established in 2008 through the National Youth Development Agency Act, primarily to reduce unemployment among the youth through entrepreneurial initiatives. The principal functions of the NYDA are the establishment of training centres and the granting of startup and growth capital to the youth of the country.

2.8 The informal economy or the hidden economy

Writers and researchers have used various different terms, such as irregular, subterranean, underground, black and shadow economy, to refer to the informal economy (Williams, Round & Rogers, 2009:62), which has made it difficult to arrive at a standard definition of the term. According to Ligthelm (2013), the informal sector is collectively defined as comprising small unregistered businesses which operate as street vendors and in-home businesses which have been established on residential sites and are often termed ‘spaza shops’ or ‘tuck shops’ in South Africa. Conversely, the informal economy may also be defined as comprising all unregistered economic activities which are operated by unregistered owners and enterprises (Stats SA, 2010).

Although economic activities of this sort are not covered by formal law, they are not illegal in nature. As the activities and transactions of informal businesses such as spaza shops and street vendors are by nature not recorded, it is almost impossible to determine with any accuracy the number of these entities which contribute to the South African economy. This point has been made by Ligthelm (2013), who explains that the lack of actual statistics pertaining to these informal businesses serves to complicate the quantifying of the real contribution to the Domestic Gross Product.

Pretes (2002:8) defines a business which operates within the informal economy as one which has either less than or as many as five employees, and, because these businesses are not registered, it is not easy to enforce compliance with respect to taxation. However, the role of informal business in the development of business cannot be overlooked, as the informal sector forms and acts as a training terrain on which business potential is developed and also offers opportunities for acquiring necessary business skills while working in the sector. The underlying common thread of all of these definitions is that although these businesses do not exist in formal terms, the government of South Africa recognises the contribution which such entities make to the creation of employment and to the alleviation of poverty.

Although the activities of informal businesses are within the formal reach of the law, the fact that the law is not applied or enforced discourages compliance (Minard, 2009:192). According to the World Bank, as is explained by Ligthelm (2008:4), the participation of entrepreneurs in the informal economy is vital for both economic growth and also for the creation of employment. The World Bank estimated that the informal sector contribute 40% of the Gross Domestic Product in developing countries and 17% in well-established economies (Ligthelm, 2008:4). In an informal economy, the formal procedures of opening and running a business are disregarded as constituting a barrier to entry. This appraisal is shared by Williams, Round and Rogers (2009:62), who define an informal economy “as the paid production and sale of goods and services that are unregistered by, or hidden from the state for tax and/or benefit purposes, but are legal in all other respects”. The International Labour Organisation (ILO) defines an informal economy as “a way of doing things characterised by ease of entry; reliance on indigenous resources; family ownership; small-scale operations; labour intensive and adaptive technology; skills acquired outside of the formal sector; and unregulated and competitive markets”. A lack of employment in the formal sector encourages many people to open unregistered businesses in the informal sector, as the only means of ensuring survival (Ligthelm,

2008:4). It is also of great importance that the informal sector should be associated with legal business activities and not in socially undesirable activities such as prostitution and drug dealing (Williams et al., 2009).

Although the role of the informal economy in the creation of employment needs to be appreciated, the sustainability of the employment which is created is also of crucial concern, in the light of the fact that in developing countries informal economies tend not to be well supported. The informal economy may offer many benefits, both to the people who participate in it and also at the national level, yet there is a considerable amount of controversy concerning its role and the benefits it provides (Naidoo, 2016:31). Naidoo (2016) maintains that while it is true that the informal sector creates employment, the value of the employment is often questionable, as it is often lowly paid and there is little or no security. Consequently, the government is faced with a challenge to create an enabling environment, in order to ensure the viability of the businesses which operate in the informal economy.

The informal economy is characterised by informal businesses and in the economies of almost every country, informal businesses contribute significantly, particularly in emerging economies. According to Ligthelm (2013:59), “Not all forms of entrepreneurship and business formation are beneficial to economic growth and development.” Entrepreneurship can be either productive or unproductive. The contribution which is made by informal businesses to the GDPs of respective countries differs from country to country; for example, between 2000 and 2009 Zimbabwe’s GDP was boosted by 60% by the informal sector, in the United States, the figure was 9%, in Canada 15%, in South Africa 29% and in Kenya 34% (Khavul, Bruton & Wood, 2009: 1219–1238).

2.8.1 Informal economy theory

Various economic theorists have expressed differing views concerning the advent of the informal economy, its role players and its connection to the formal economy (Gërkhani, 2004; WIEGO, 2013).

2.8.1.1 Dual economy

The concept of a dual economy was championed by the International Labour Organization (ILO), with its central emphasis on the under-developed countries, in which unemployment forces people to become involved in the marginal activities of the economies of each countries. The theory was developed during the 1970s, with the aim of generating livelihoods, as a means

of providing income to the poor (WIEGO, 2013). According to the theory, the informal sector emerges owing to a lack of formal employment and slow economic growth, which results in the members of disadvantaged communities turning to types of business ventures in the interests of survival (ILO, 1972). Participation in the informal economy continue to grow as long as people are unemployed, although the same theory holds that an informal economy is a temporary state of affairs, which can easily be replaced by a formal economy. The inability to create opportunities for employment in sectors such as agriculture and mining has meant that surpluses in the available labour force cannot be gainfully employed, which inevitably boosts informal economies (Becker, 2004).

2.8.1.2 The legalist school

Entrepreneurs elect to avoid costs by operating in the informal economy. This approach to business became popular during the 1980s and was championed by Hernando de Soto (1989), who stressed that by avoiding the formal registration of businesses, entrepreneurs would be able to avoid costs such as the payment of taxes and registration fees. The theory holds that government regulations suppress the growth of the private sector (WIEGO, 2013).

2.8.1.3 The illegalist school

According to WIEGO (2013), entrepreneurs have a tendency to avoid regulations and all forms of taxation, which in some cases results in becoming involved in the trading of illegal goods and services. This perspective originates from the fact that by its very nature, the informal economy is characterised by the black market or an underground economy. According to this approach, costs are cut by avoiding operating in the formal economy (Maloney, 2004:7).

2.8.2 The informal economy in South Africa and its characteristics

As the availability of work does not match the rate at which the population is growing, those who fail to obtain employment tend to direct their energies to informal businesses. The informal sector of South Africa is characterised by the following features (Ligthelm, 2004):

- **Literacy levels**

The majority of traders in the informal sector are uneducated, usually having gone only as far as the primary level of schooling. People who have attained only this level of education and the degree of literacy which is associated with it are likely to constitute the majority of owners of spaza shops and informal hawkers and to have only a basic level of literacy.

- **Full-time owners of businesses**

Almost 80% of traders in this sector run businesses on a full-time basis, which results in spending most of time at premises, attending to the daily needs of the businesses. (Ligthelm, 2004)

- **Lack of formal training**

The fact that the majority have not gone very far with education is a factor which also contributes to a lack of formal training in business practices. According to Ligthelm, (2004), an estimated 90% of the owners of informal businesses lack training in running businesses, and the significant percentage of 70% indicated the need for training if businesses are to be officially recognised (Ligthelm, 2004).

- **Lack of business management experience**

The majority of entrepreneurs have never worked for formal businesses and are first-time owners who have no experience in business management, which places them at a severe disadvantage, as being unable to plan adequately or to organise and control businesses in a manner which enables effective attainment of desired goals.

- **Source of startup capital: Business not the first choice of career**

Many of the general dealers (76.8%) and owners of spaza shops (57.2%) acknowledged that running a business was not first choice of career (Ligthelm, 2004).

- **Unemployment as a driver of business startups**

Starting a business is a means of generating income for survival, and it is very often embarked upon simply because the people who elect to do so have been unable to obtain formal employment. It was found that 82.6% of the hawkers had started their businesses as a result of being unemployed, which was also true, albeit to a lesser extent, for owners of spaza shops (48.7%) and general dealers (32.8%) (Ligthelm, 2004). The fact that the main motive for starting a business is supplied by unemployment and few feasibility studies are conducted before going into business constitute two significant factors which contribute to the likelihood of failure for these ventures.

- **Levels of business maturity**

Maturity pertains to the number of years for which a business entity has been running. Levels of maturity were found to be higher among general dealers than among owners of spaza shops and hawkers. It was found that 36% of spaza shops and 19% of the hawkers had been operating for more than five years, while for general dealers the figure was 63.7% (Ligthelm, 2004)

Capital for most of these informal businesses had been provided by the owners from own private savings, as was the case for 79.5% of the owners of spaza shops, 84.8% of the hawkers and 82.5% of the general dealers. Stokvels and loans as sources of capital accounted for 11.9% of the owners of spaza shops and 12.3% of the general dealers, respectively, while retrenchment packages had financed 13.3% of the spaza shops and bank loans 8.8% of the general dealers.

2.9 Spaza shops

Spaza shops, which are also known as home-based grocery stores, are popular throughout South Africa's urban townships. The value of spaza shops in the communities in alleviating unemployment has enabled the government to recognise the vital role played by such businesses in the informal economy. According to Basardien & Friedrich (2014:2), a spaza shop is described as a 'business activity that specialises in selling a limited variety of grocery products'. The most common type of small grocery shop found in the informal economy of South Africa is the spaza shop, defined by Ligthelm (2008:371) as "a shop or business operating in a section of an occupied residential home or in any other structure on a stand in a formal or informal township zoned (or used) for residential purposes. The definition of a spaza shop has since been refined by Napier and Mothwa (2001:340), as a small business located in the front room of a house, used specifically for the selling of basic grocery items. Researchers who work for the Sustainable Livelihoods Foundation (SLF) defined a spaza shop as a micro convenience store located in the South African townships which sells basic grocery items such as bread, cigarettes, chips, sugar and non-alcoholic beverages.

According to Spiegel (2002) and Terblanche (1991), the word 'spaza' is derived from the Zulu word '*isiphazamisa*', which means hindrance, while Tladi and Miehlebradt (2003) define spaza in terms of something which is camouflaged or hidden: "The word 'spaza' describes the way traders were forced to operate underground because they usually broke all rules and regulations" (*The Dictionary of South African English*, 1996:670). Historically, spaza shops were not allowed by the apartheid government and, as a result, were obliged to operate unofficially and in secret,

which corresponds with the sense of being “hidden” or “camouflaged”. The government of South Africa eventually legalised spaza shops in 1989, with the provision that informal business entities would be required to obtain trading licences (Mathenjwa, 2007:15).

After a democratic dispensation in 1994, the new South African government appreciated and supported the informal economy by allowing disadvantaged people to open and run spaza shops without restrictions. By deregulating the discriminatory policies of the past, government created a free market system which promoted the activities in the informal sector. The new government has openly supported the role played by the spaza shops in the revitalising of the informal sector and in the creation of employment in poor communities in the townships. According to Basardien & Friedrich (2014:2), “...spaza shops bring some employment and provide household income to those who run them”.

Recent research has found that spaza shops represent 2.7% of retail trade in South Africa, which amounts to R8 billion in terms of value (Spaza News, 2011). Spaza shops operate in the informal economy and many are not registered. The spaza sector is popular within the townships of South Africa and people who are not able to obtain employment in the formal sector find it relatively easy to start a business in the absence of restrictive barriers to entry. According to Basardien & Friedrich (2014:2), spaza shops are numerous and highly visible in the urban townships of South Africa. The same researchers went on to explain that “spaza shops are housed in corrugated iron sheet structures, decommissioned containers or in some brick structure that is annexed to the main residential property”.

The owners of spaza shops need to display a high degree of creativity and innovation in the running of the businesses and to be prepared to take risks, as it is generally held that higher risks are likely to yield higher returns. It is equally important for informal entrepreneurs to be able to identify opportunities at the right time.

Customers of spaza shops buy items from a small opening in the structure occupied by the shop, with the shopkeeper serving from inside. Most spaza shops have wire-gauze screens through which customers are able to see the items mapped for sale. All stock is usually housed inside the shop, apart from a few potentially hazardous items, such as paraffin, which are sold from outside. The structure and character of spaza shops are fast changing, with some owners extending self-service to the customers, a move which is revolutionising the sector. Modernised

spaza shops are characterised by self-service and a variety of goods, which are well displayed, in order to allow customers the independence to select, which gives the shops a semblance of being miniature supermarkets (Basardien & Friedrich, 2014:2).

Spaza shops specialise in the selling of retail items such as bread, milk and other basic household items, purchased directly from the manufacturers or from wholesalers (Ligthelm, 2008). The shops open early in the morning and close at 10 pm and on daily basis. Spaza shops can easily be differentiated from tuck shops on the basis of characteristics, business operations and distinctive brands

According to Perks (2010:4), if a spaza shop is a very small business or a micro-business, it is an informal business which does not offer self-service to its customers, who are instead required to buy from outside over a counter or through a small opening. Spaza shops may be regarded as small grocery shops which provide essential services in most of the South African townships and belong to the SME sector (Sunter, 2006:23). Gastrow (2013:43) characterises spaza shops as informal grocery shops found mostly in poor communities, such as townships. This description is similar to that of Charman (2012:78), who describes spaza shops as home-based grocery shops which are particularly common in the townships of South Africa. The general consensus appears to be that spaza shops are associated with the business of selling grocery items, mainly in the informal economy.

Although it is generally agreed that spaza shops have a positive role to play in the national economy of South Africa, both the terrain and the dynamics of the business environment are changing as competition becomes increasingly fierce, owing to the emergence of large-scale retailers. According to Mathenjwa (2007:15), although spaza shops represent a source of livelihoods, particularly for the poor people in the townships, the owners of shops are faced with great challenges with respect to achieving growth in the businesses. The government bearing in the importance of spaza shops develop the means to overcome the barriers which hinder the growth of spaza shops, in order to promote the creation of employment in poor communities.

The spaza shops are common in black townships tend to be family-run operations, with the members of the families of the owners providing the much-needed labour by selling and ordering merchandise. As these shops are operated from stands intended for residential purposes, very often occupy a part of the house in the family of the owner lives or a part of the stand is used either to erect an outbuilding or to house a container. Most owners of spaza shops tend to be hesitant to try new brands, as experimenting with new products could entail keeping items for

too long on the shelves (Terblanche, 2006:11). Reputable brands such as Colgate, Coca Cola, Surf or Rama are common items on the shelves of spaza shops. Stock is often bought in bulk and then re-packaged in smaller quantities. Spaza shops are usually located very close to the residences of the customers which eliminates the costs that would otherwise be incurred by travelling to shops and endure long hours (Terblanche, 2006:11).

According to Perks (2010:4), spaza shops have great potential for economically empowering matriculants, who are able to take advantage of government initiatives to promote entrepreneurship through the opening of spaza shops. Properly managed spaza shops have the ability to provide livelihoods for a great many of the unemployed youth, thereby helping to overcome the social ills associated with mass unemployment. To date there has been no accurate data pertaining to the numbers of spaza shops in South Africa and instead there are various estimates.

The success of spaza shops depends upon the local communities and particularly on the relationships which exist between owners and customers. Positive relationships can result in the development of social ties based upon mutual trust, leading extending of credit facilities. The owners of spaza shops enjoy all of the advantages of being self-employed, including receiving all of the profits generated by own enterprises and determining the independence having own hours of work.

2.9.1 Features of spaza shops

The features which most characterise spaza shops may be summarised as follows:

- The owners of spaza shops provide their own capital and if personal savings cannot provide the required capital, he or she usually will borrow from friends or relatives.
- The shops usually specialise in selling popular brands of basic grocery items such as Colgate, Coca Cola, Rama and everyday commodities such as bread, sugar and cigarettes.
- On average, the businesses employ 3 people.
- Spaza shops buy items such as bread and milk directly from the manufacturers.
- Owing to the threats posed by the presence of criminal elements, suppliers employ local agents to distribute products.
- Owners of spaza shops are not provided with credit facilities by wholesalers.

- Stock is purchased from different suppliers.
- Owners of spaza shops make use of private informal transport, which can easily be hired either in their communities or else nearby.
- The flow of information in the market is limited.
- A limited amount of stock is kept on the premises, as large quantities will inevitably attract criminals.
- The brands purchased are the common ones, which customers always demand (Von Broembson, 2005:1).

The following characteristics which are associated with spaza shops have been compiled by Von Broembson (2005:1) and Ligthelm and Lamb (2006:1, 3) and are provided below.

- There is no need for a trading licence in South Africa, except if the business is trading in perishable food, medicines, liquor or adult entertainment.
- The inability of owners to converse with customers in English limits access to markets to only their own communities.
- Usually lack safe and protected storage spaces.
- Are often the victims of break-ins, theft of property, vandalism and physical attacks.
- Usually buy stock in small quantities, as large amounts of stock on hand can attract criminals.
- Operations require short-term monthly, weekly and day-to-day planning.
- Constitute a significant source of employment, accounting for 20.6% of all employment in South Africa, with an average of 2 people being employed by each business.
- Normally employ members of their families, make use of unpaid labour and tend to rely mainly on manual labour.
- Mainly females are employed to clean, cook, serve customers and pack products on the shelves.

2.10 Challenges encountered by spaza shops

Despite the programmes and policies which have been implemented by the government in order to support the small-business sector, the establishment and sustainability of spaza shops continue to be plagued by obstacles and uncertainty. The view is supported by the findings of a research

study conducted by ABSA Bank Small Business, which revealed that 63% of small businesses fail during the first 18 months of trading (Kumah, 2014:1-8).

It has already been emphasised that although SMEs play a crucial role in the economy, many struggle to operate in the complex and competitive business environment. Various African researchers have contributed meaningfully to the discourse concerning the challenges facing small business sectors into which the spaza shops fall (Bowen, Morara & Mureithi, 2009:2; Ngek & Smit, 2013:7; Fatoki, 2014:5). While the problems may seem to be universal ones, it is important to acknowledge that some of the difficulties are specific to South Africa as a country. There is credible evidence showing that crime is a significant macro environmental variable that affects small business entrepreneurs in South Africa (Cant et al., 2013:6). However, it is equally important to point out that the challenges faced South African entrepreneurs are the same ones that result in small businesses, including spaza shops, achieving minimal growth (Cant et al., 2013:6).

The areas of concern causing South African owners of spaza shops to struggle are related to poor cash-flow, poor stock levels, competition, transport costs, infrastructure, bad debts, social pressure from families and friends, shortages of funds, overtrading, procurement and crime (Ligthelm, 2002; Willemse, 2011; Luiz, 2002; Brink ., 2007; Chebelyon-Dalizu et al., 2010). The extent to which each of concerns affects the operating of spaza shops in South Africa is represented in graphic form in the bar graph by Chebelyon-Dalizu, Garbowitz, Hause and Thomas (2010) below.

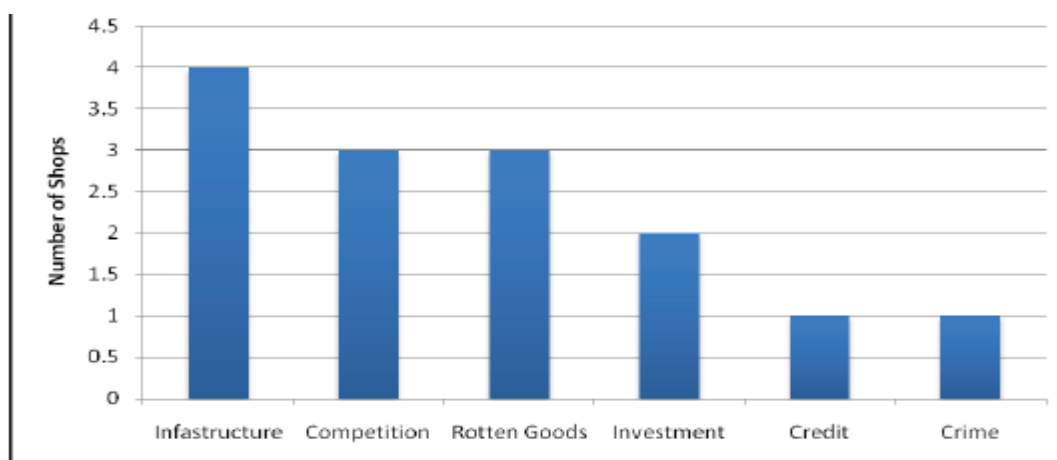


Figure 2.2: Business concerns (Chebelyon-Dalizu et al., 2010)

2.10.1 Challenges encountered by local South African small grocery shops during the startup phase

The challenges facing South African entrepreneurs are rooted in the legacy of apartheid. The education made available to blacks as a result of the Bantu Education Act of 1953 ensured that most black people remained able to perform menial work only, which mitigated severely against the development and acquisition of business skills, a state of affairs which was further compounded by a lack of resources and confidence to run and own businesses. South Africa endured nearly five decades of discriminatory legislation and practices which deprived most of the population of opportunities for training and access to resources (Herrington, Jacqui & Penny, 2008). In the following sections, the most significant constraints affecting the spaza sector are discussed (Kumah, 2014:1-8).

2.10.1.1 A lack of startup capital

Although it is true that all businesses require an adequate amount of startup capital in order to establish themselves effectively, most owners of spaza shops have great difficulty meeting this initial requirement (Van Scheers, 2010:6). Access to funding usually presents a major obstacle and the little capital raised usually comes from personal savings and borrowing from friends and relatives. Owing to severe limitations with respect to startup capital, most spaza shops start with little capital and stock, which makes rates of expansion very slow (Dickey, 1994:14). The small amount of capital investment inevitably creates a weak foundation for the business to take off effectively. A lack of capital certainly affects not only the amount of stock with which owners are able to start businesses, but also the spaces in which businesses are operated and other related infrastructure. According to the DTI (2008:7), it is generally acknowledged that the access which small businesses such as spaza shops have to sources of capital is severely restricted. In addition, Dickey (1994:14) points out that during the startup phase small businesses often experience great difficulty in terms of expanding customer bases and surviving even though being novices in business. Emerging owners of businesses need adequate financial resources in order to expand effectively (Chandra et al., 2001:93).

2.10.1.2 A lack of savings and collateral

In order to obtain funding from the banks, owners of spaza shops are required to present proof of savings and to have adequate collateral security. Financial institutions also require prospective owners of businesses to compile proper business plans, which is beyond the capabilities of most prospective owners of spaza shops.

2.10.1.3 The cost of business resources

Limited startup capital results in businesses having limited or no business resources such as delivery vehicles, technological equipment and human resources. Limited resources also result in inadequate security systems, with burglaries adding to the costs of running small businesses (Van Scheers, 2010:6).

2.10.1.4 A lack of experience in business management

Even in those instances in which startup capital is available, a lack of experience in business practices can make the first few months or years of running a spaza shop very difficult for most emerging entrepreneurs. A lack of experience in business management has dire consequences, as it inevitably inhibits the effective taking off of a business. In this respect Van Rensburg (2010) compares entrepreneurship with golf by saying: “You can read the books, speak to the pros ... the only way you can truly master the game is by getting on the course and playing. Over and over again.”

2.10.1.5 A lack of business management skills

Most owners of spaza shops do not have the much-needed business management skills which are vital for all startup businesses. The skills include knowledge of finance, administration, marketing and human resources and also leadership skills. Entrepreneurship is an attribute which is not necessarily determined by the socio-economic backgrounds of individual people, as all people, whether from rich or poor backgrounds, can become entrepreneurs, as Nieuwenhuizen et al. (2008:2) have explained. Although people are able to venture into business without having acquired the necessary education, it is generally agreed that business management skills can be acquired from learning institutions such as schools and universities, through mentoring and through other sources such as textbooks and Internet publications.

2.10.1.6 A lack of government support services

According to Van Scheers (2010:6), owners of spaza shops are adversely affected by inadequate safety and security measures and services from the government. There is great concern among many owners concerning the lack of support which is given to emerging entrepreneurs who have started businesses. The believe is that once in business, further support with respect to safety, training and the acquisition of necessary skills is needed to assist to develop businesses in a sustainable manner.

2.10.1.7 A lack of networks

Owners of spaza shops suffer from the effects of a lack of effective networks. In the absence of sustainable networks, they are unable to make the contacts which benefit businesses. The same applies to bulk purchasing, which cannot be done if owners do not know how to network and to act collectively in order to make combined bulk purchases. Effective business networks are extremely beneficial, owners benefit from the contributions made by reliable counterparts and also by the distributors of goods and services, all of which make a positive contribution to the growth and development of businesses (Nieman & Nieuwenhuizen, 2009:192).

2.10.1.8 A lack of relevant information

It has been said that knowledge is power and without a reliable supply of relevant information it is not possible to know of the existence of the business support structures, services and initiatives offered by various different stakeholders, including private companies, governmental and non-governmental organisations. Most owners of spaza shops are not aware that the information needed in order to make businesses sustainable is available or where to obtain assistance with respect to startup capital and other related training organs or institutions (Van Scheers, 2010:6).

2.10.1.9 The locations of businesses

One of the greatest difficulties experienced by South African owners of spaza shops concerns the ability to identify suitable locations for businesses. Most are usually tempted to take the first available location, without considering the specific needs or the catchment area from where customers reside (Mariotti & Glackin, 2012:491). Fakoti and Garwe (2010:731) maintain that the location of a business has a direct bearing on the marketing perspective and the prospects for growth of new enterprises. Geographical proximity to crucial buyers produces a form of improved environmental scanning which enables first-time businesses easily to identify and exploit opportunities for growth in the market. According to Mariotti and Glackin (2012:492), there is a wide range of factors and needs to be considered and among them are the location, access to customers, access to suppliers, convenience, the cost of facilities in the form of rent, construction and so on, demographics, business incentives, governmental regulations and laws and the proximity to competitors.

2.10.2 Challenges encountered by South African-owned spaza shops during the growth phase

Among the various writers and researchers who have contributed to the present discourse concerning the challenges (Figure 3.2) faced by South African-owned spaza shops are Van Scheers (2010:6); and Ligthelm (2007:27).

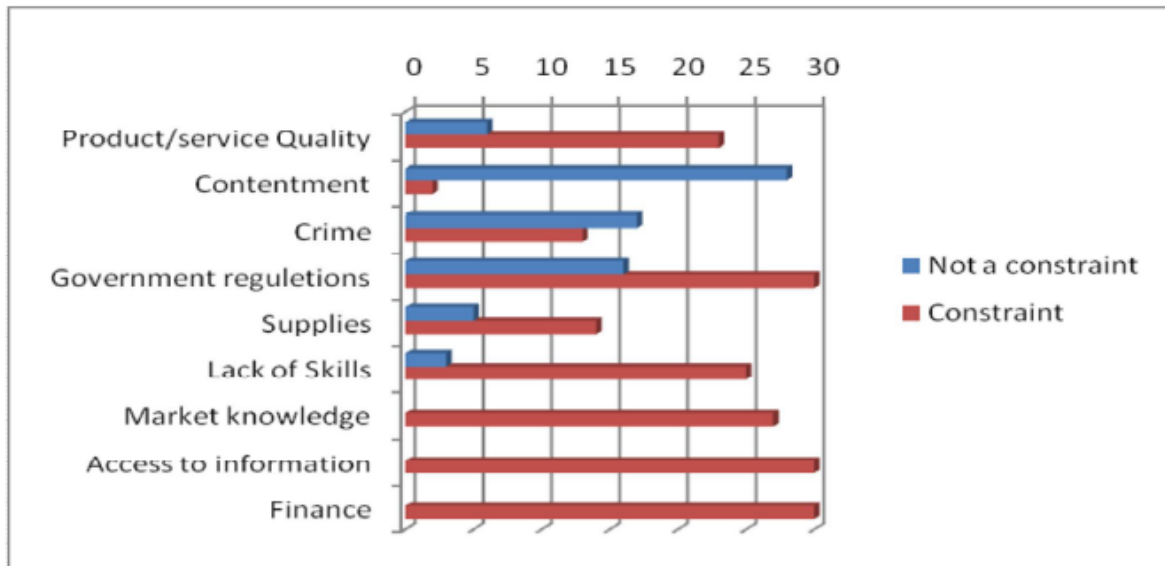


Figure 2.3 Constraints to business growth (Adopted from Van Scheers, 2010:6)

2.10.2.1 Competition

Competition occurs when different businesses are selling the same products and services to the same market (Lamb, Hair, McDaniel, Boshoff & Terblanche, 2008:100). A business may be a pioneer in a particular market and operate for as many as four years before other businesses begin to venture into the same market. According to Zimmerer and Scarborough (2008:303), although a business may record high sales and generate substantial profits in the absence of significant competition, a trend could begin to be reversed as competitors enter the market.

In most cases competition benefits consumers, as it tends to improve the quality of service and products. While there are undoubtedly other factors which affect the growth of spaza shops, increased competition has been singled out by Van Scheers (2010:6) as being among one of the most significant factors which slows the growth of spaza shops, particularly South African-owned ones. According to Liedeman et al. (2013), foreign owners of spaza shops, particularly Somalis, are out-performing South African owners to a very significant extent.

The stiff competition adversely affects the growth of South African-owned spaza shops emanates from two sources, namely, non-South African owners of spaza shops and the well-established businesses which operate in the malls. Most small businesses tend to concentrate on one specific line of business and in the case of the spaza shops in the townships the emphasis is on groceries (Bowen et al., 2009:2), resulting in a duplication of businesses operating in the same markets, which provides evidence of a lack of information concerning these markets and a corresponding lack of innovative entrepreneurship.

The government has identified the promotion of the establishment of spaza shops as a means of eradicating poverty and reducing levels of unemployment in the townships. While it is a fact that spaza shops need to be promoted in a sustainable manner, most of are struggling to achieve growth as a result of intense competition (Ligthelm, 2007). As the spaza sector is attracting a great many entrepreneurs, the sector is becoming highly populated and, as a consequence, survival depends upon owners becoming skilled in business management and marketing. The inescapable conclusion is that at present, owing to a lack of business skills, most owners of spaza shops are finding businesses increasingly less viable, as a result of stiff competition.

At the time of the attainment of democracy, the townships of South Africa were dominated mainly by informal businesses and the potential for the growth of spaza shops appeared to be great, but the mushrooming of shopping malls in the townships has been accompanied by competition which the owners of spaza shops cannot withstand, from large-scale retailers, who are able to sell at far lower prices. Recent studies of shopping malls have indicated that small businesses are recording lower sales, owing to competition which emanates from large chains such as Shoprite and Pick n Pay (Cokayne,2007:1),. According to Cokayne (2007:1), 75% of the small businesses in Soshanguve which are located less than one kilometre from shopping malls suffered a downward profit trend, compared with 36.8% for those located more than five kilometres away. A similar study conducted in Mumbai in India it was found that 71% of small businesses close to the shopping malls suffered a decline in both profits and volumes of sales, while 18% of the businesses which were located far from the malls had experienced unchanged business trends (Cokayne, 2007:1). The large-scale retailers bring a wide variety of products, accompanied by the added advantage for consumers of lower prices (Kalhan, cited by Rolfe, Woodward, Ligthelm & Guimarães, 2010:18).

Another dimension identified by Dentlinger (2009:1) is the competition from foreign entrepreneurs in the spaza sector. As a result of effective distribution networks and superior bargaining power in negotiating discounts, foreign owners of spaza shops in Khayelitsha have managed to outclass and out-perform South African owned shops, and, in turn, has resulted in tension developing between the two groups, owing to a clash of business interests (Dentlinger, 2009:1). The same study concluded that violence in Khayelitsha had not been caused by xenophobia, but by competition in business, which had seen immigrants competing at a great advantage over South African owners of spaza shops. According to Dentlinger (2009:1), South African owners of spaza shops usually have little capital, lack distribution networks and have limited varieties of products. The findings are also supported by Liedeman et al. (2013:3), who explain that foreign owners of spaza shops deliberately position shops to outclass South African owned entities by using attractive means to win customers, such as offering discounts and keeping well-stocked shops.

2.10.2.2 High transport costs

The prices of goods purchased from spaza shops are also affected by high transport costs. Ligthelm (2002; 2005b) and Kassim and Hendriks (2002:35) explain that informal businesses, including spaza shops, usually make use of public transport and privately-owned cars to transport purchases from wholesalers and other related suppliers. With the rising cost of fuel, owners of spaza shops have to contend with the high costs of making several trips in order to transport purchases to business premises. After recognising the cost of transport as a constraining factor, the MEC for Finance and Economic Affairs of Gauteng urged the owners of spaza shops to come together and to make collective efforts to negotiate with wholesalers for larger discounts and to have purchases delivered to the destined premises (Spaza News, 2003:2). Once achieved the necessary degree of organisation, the owners of spaza shops would be in a position to approach the government in order to receive assistance with warehouse space, which would enable them to ensure the safekeeping of wares and also serve to cut transport costs, as stock purchases could be made close by (Spaza News, 2003:2).

2.10.2.3 A lack of financial support

Informal businesses can grow in a sustainable manner if the necessary financial support is given. This point has been made by Van Scheers (2010:6), Ligthelm (2005b) and Gough et al. (2003), who point out that most owners of informal businesses have cited a lack of financial support as a major constraint which impedes the growth of businesses. Although it is true that loans can be

obtained, it is not always easy to do so, particularly in communities in which most entrepreneurs are from low-income backgrounds (Rolfe et al., 2010:12; Chan, 2008). Obtaining financial support is made particularly difficult by the fact that records of the performance of most of these informal businesses are not easy to obtain, which tends to dissuade institutions that are in a position to extend credit from taking abnormally high risks, which is further aggravated by a lack of guarantees in the event of non-repayment (Mbonyane, 2006:18). Because it is not easy to obtain loans from banks, most owners of spaza shops resort to using personal savings and asking relatives and friends for financial support, without which shops would be at a great risk of closing down (Ligthelm, 2005b:206; Gough et al., 2003). The main sources of obtaining finance for starting spaza shops have been summarised by Ligthelm (2008) and are shown in Figure 2.4 .

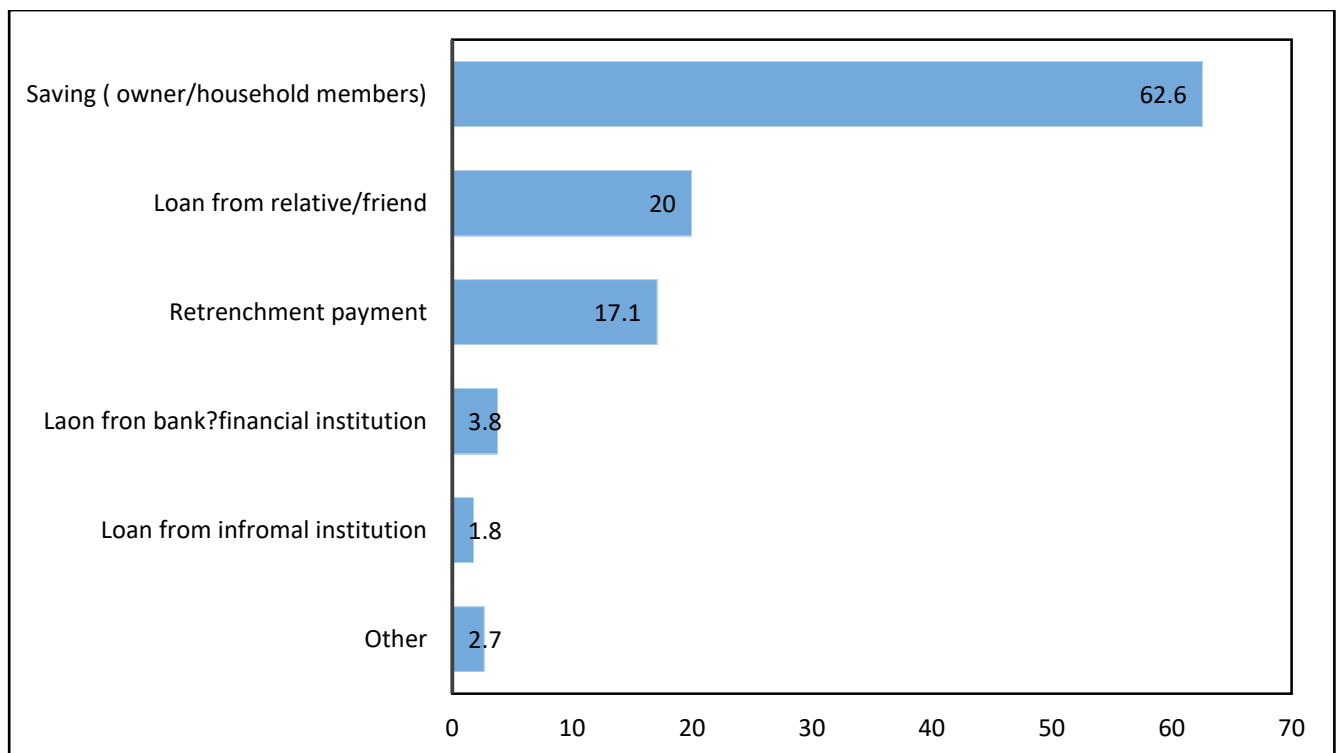


Figure 2.4 : Sources of finance (Adapted from Ligthelm, 2008)

Rolfe et al. (2010:12), maintains that financial support is provided to the operators of micro-enterprises needs to be improved by providing more finance, along with more holistic financial support, which includes deepening the understanding of entrepreneurs of entrepreneurship. According to Spaza News (2004:2), financial support from providers of credit needs to be accepted with cushions of credit. Owners of spaza shops are advised to keep copies of contracts which clearly articulate the terms of loans and to check registration status with the Micro Finance Regulatory Council (MFRC).

2.10.2.4 A lack of business skills

Spaza shops can survive and achieve growth only if owners have the required business skills. A number of writers and researchers have agreed that in the absence of business skills, owners of spaza shops will find it difficult to cope with the demands of achieving sustainable growth in businesses (Rolfe et al., 2010; Perks, 2010). According to Perks (2010:448), a diverse range of business skills is required and all are vital for the effective running of a business. The financial skills the owner of a spaza shop needs to possess include how to budget and how to draw up financial statements, journal entries and other related documents. Perks (2010:448) explains that business skills cover finance, marketing, purchasing, the storage of stock, stock control, labour relations, customer care and a great many management functions such as planning, controlling and organising. In addition to all the business skills, knowledge of cash-flow is essential and there needs to be a system to manage the inflow and outflow of cash (Longenecker, Moore & Petty, 2000: 298). As most owners of informal businesses start business without having received appropriate formal training, significant obstacles and problems are likely to arise as businesses grow. Rolfe et al. (2010:8) found that 11% of South Africa's operators of small businesses such as spaza shops, hawkers, and taxi owners admitted as not have received any prior training. Education plays a pivotal role in the survival and growth of businesses and, according to Rolfe et al. (2010) and Ligthelm (2003), there is always a positive relationship between high levels of education and success in business.

2.10.2.4 Marketing

Some small businesses entrepreneurs lack the marketing strategies which would enable them to be more competitive than their rivals. Most of them do not know how to approach the market and tend to perceive it as being homogeneous. In the absence of customer focus, integrated marketing communication and market focus, the owners of most small businesses find it extremely difficult to operate in markets where overall understanding is generally poor. In addition to poor marketing research, small business particularly spaza shops tend not to make good use of effective pricing strategies (Cant et al., 2013:6).

2.10.2.5 A lack of expansion capital

Once managed to start businesses, owners of spaza shops have to contend with the problem of securing additional capital in order to expand business operations in ways which create employment. A lack of expansion capital prevents owners from acquiring additional stock as well lack of finances to expand premises. This assessment aligns with the findings of recent

studies which have revealed that access to finance for owners of micro-businesses remains a barrier to growth (Turton & Herrington, 2012:45).

2.10.2.6 A lack of business resources

The growth of small businesses such as spaza shops is often severely compromised by a lack of resources. Even if owners desire to stock an increased range of different products, the owners of spaza shops are usually constrained by a lack of available space, and, apart from not being able to afford to carry sufficient stock, lack of necessary resources such as vehicles and high quality security systems are often issues hampering the success of the entities. A central concern to the availability of adequate business resources is the need for finance, which, as has already been noted, is not easy for most owners of spaza shops to obtain, and without adequate resources it is extremely difficult to achieve growth.

2.10.2.7 Business management skills

Although business management skills were mentioned among the challenges which affect small businesses during the startup phase, a lack of skills continues to present obstacles, even in the operating of spaza shops. Management skills pertain to accounting, administration, marketing and planning and a lack of skills, inevitably serve to inhibit the growth of small informal businesses. As many owners have received either little or no formal education, it is difficult to acquire management skills through workshop training.

2.10.2.8 A lack of access to markets

According to Nieman and Nieuwenhuizen (2009:36), a considerable amount of attention needs to be given to ensuring that products of small businesses are effectively marketed, as without an effective approach to marketing the businesses will inevitably fail. The owners of spaza shops encounter great difficulty in obtaining markets for the products, they tend to concentrate on lines of products whose profit margins are relatively minimal.

2.10.2.9 A lack of support from the government

Many owners of spaza shops have complained about the lack of support from the government in the form of services such as business advice, mentoring and financial assistance. Most government programmes are not accessible to the owners of spaza shops, resulting in not receiving valuable forms of support for expansion of businesses.

2.10.2.10 Marketing research

Although prior marketing research is a vital concern before entering into any type of business venture, it remains beyond the scope of most entrepreneurs in the informal sector. It is of crucial importance to be able to identify the factors which promote success and also the negative factors associated with each type of business. Apart from all of the factors which serve to inhibit the growth of the businesses of emerging South African entrepreneurs are also fatally undermined by poor networking, insufficient market research and limited engagement with the private sector (Kumah, 2014:5).

2.10.2.11 A lack of access to loans

The owners of most small businesses experience great difficulty obtaining loans to increase the size of business operations or to start new businesses. This point has been acknowledged by Worku (2013:1), who explains that although South Africa has some of the best financial institutions in Africa for assisting small businesses, but finances are inaccessible due certain restrictions. The commercial banks, include the Amalgamated Bank of South Africa (ABSA), First National Bank (FNB), Standard Bank and Nedbank, have strict lending requirements, presenting real barriers for most small businesses requiring financial assistance in order to achieve growth. The lending requirements include evidence of collateral security, which many small informal businesses do not have. These lending requirements are also imposed by new financial institutions such as the Industrial Development Corporation (IDC and Khula Enterprise Finance) and Business Partners Limited (BPL), both of which also have stringent requirements for obtaining access to loans. Although microfinance institutions may wish to provide assistance, their cash holdings do not allow to assist small businesses (Worku, 2013:1).

2.10.2.12 Cash-flow problems

Most cash-flow problems experienced by the owners of businesses are as a result of slow-moving or excessive stock, excessively generous credit terms, cash being wasted on unprofitable products and unnecessary expenditures on luxuries such as stylish homes and cars and costly holidays (Herbst, 1994:149). Problems concerning cash-flow have great potential to undermine and even to disrupt the operations of a business. Cash-flow is essentially the quantification of the money which comes into and leaves a business during a specific period of time. It reflects the amounts of money which actually flowed in and out of the business during the period in question. Inflow is money which is received from customers and other sources, while outflow is the money which is paid to suppliers or allocated to sundry expenses. As a business is able to

determine its liquidity and solvency to a large extent through determining that its cash-flow is sound, it improves its ability to obtain loans, as lending institutions are able to determine how much is flowing into the business (Pickle & Abrahamson, 1990:2021). This criterion reflects the importance of cash as a measure of the viability of a business, as it is indicative of the ability of the owner to carry out the daily operations and to cover the expenses incurred by the business. The availability of cash enables a business to evaluate changes in its assets, liabilities and equity, thereby enabling it to be in a position to resolve problems before occurrence and to make the changes that are necessary (McGregor, 2004:39). According to Tilley et al. (2003:73), cash-flow projections are of vital importance, as owners are assisted to arrive at decisions concerning the amount of cash which is needed for daily operations and at the same time to identify any signals of problems which could arise. According to Ladzani (2009:3), without the proper management of cash-flow, businesses will always find it difficult to flourish, making it imperative for any business to develop an effective means of managing cash.

2.10.2.12 Financial literacy

According to Fatoki (2014:40), a lack of financial literacy is the source of many problems in the informal sector, as many micro-entrepreneurs do not appreciate the importance of keeping accounting records. This tendency creates a ripple effect, in that the owners of spaza shops become disadvantaged through failing to obtain financial support from financial institutions who always insist on financial accountability in the form of well-documented accounting records. Accounting records become easy to keep if the owners of businesses make use of computers to record transactions and to prepare year-end financial records.

2.10.2.13 Crime

The success and growth of businesses, particularly small businesses such as spaza shops, is affected by the high rates of crime faced by South African markets (Van Scheers, 2010:6). Although there has been a general decrease in the incidence of other categories of crimes, the incidence of crimes affecting businesses is showing no signs of decreasing more especially in Western Cape which recorded 17.8% second from Gauteng. (South African Police Service Crime Statistics: 2016). Most of crimes occur in the informal settlements and townships of South Africa, where small businesses such as spaza shops are victims of organised crime.

Although spaza shops have potential for growth and to create much-needed employment, factors such as crime serve to hamper both growth and success (Van Scheers, 2010:6). Crime constitutes

a major constraint and has a negative effect on the sustainability of spaza shops (Bear, Tladi & Pedro, 2004:3). In the townships, the widespread poverty and unemployment which pervade the informal settlements are the principle drivers of robbery, murder and related types of crimes. According to the research conducted by the Triple Trust Organisation (2003) in Cape Town, these crimes are prevalent because robbers and thieves are able to take advantage of the lack of security on the premises of most spaza shops (Bear, Tladi & Pedro, 2004:3). Spaza shops are always targeted, because most customers buy on a cash basis, making the businesses tempting targets. The owners of spaza shops do not make use of online payment systems because high cost involved. The high rates of crime in the townships serve to deter suppliers from delivering goods to spaza shops, which imposes an additional financial burden on the owners, who are obliged to incur additional costs to transport goods to the premises. The dangers to which owners and employees are exposed in spaza shops are poignantly illustrated by a case in which an owner and an employee in Khayelitsha were murdered by robbers who had demanded money and airtime vouchers (Hweshe, 2007:1). For the owners of spaza shops, the high costs which are entailed by protecting employees against robbers and thieves and those of replacing stolen items and repairing vandalised items all mitigate against the sustainability of shops. According to Spaza News (2004:2), the only way to ensure security is to install alarms, burglar proofing and surveillance cameras, which the owners of most spaza shops cannot afford (Bisseker, 2006:1).

Crime has the ability to cripple businesses, as frequent burglaries and robberies will inevitably hasten the failure of any business. This challenge has been acknowledged by Cant et al. (2013:6), who pointed out that operating businesses, particularly in the townships, is made very difficult and hazardous, owing to the high crime rates.

2.10.2.14 Other factors which hinder the growth of spaza shops

The various challenges are encountered by micro-businesses such as spaza shops have been identified by various researchers as being the ones responsible for the high failure rate of small enterprises in South Africa. Among the major challenges are inflation, the high cost of borrowing money, a low demand for the products and services, incorrect pricing strategies and poor locations for businesses (Cant et al., 2013:6). Other challenges have been identified include the inability to hire competent or qualified employees, the high cost of advertising, low levels of formal education, past histories of bankruptcy and poor infrastructure. Added to all of these negative factors is a lack of financial accountability, resulting from the poor maintenance of financial records, which, in turn, contributes significantly to the downfall of many micro-

businesses (Luiz, 2002:53-68). Entrepreneurs in the informal sector encounter obstacles related to human capital and the ability to innovate and, in the absence of resources, the owners of small businesses find it difficult to achieve stated goals and to justify the existence in terms of creating employment and generating profits (Ngek & Smit, 2013:7). Many of the challenges encountered by SMEs, such as the inability to hire qualified employees, the high cost of advertising and the misuse of funds, still need a great deal of attention from the government and other interested stakeholders.

Although the South African government has formulated and implemented policies and programmes intended to support small-scale businesses, small businesses such as spaza shops are still prone to high failure rates, reflecting a lack of consistency on the part of the government in the implementation of these policies.

2.11 Immigrant entrepreneurs

Immigrant entrepreneurs are non-South Africans who use innovative and creative skills to establish and run new businesses in a host country. The political and economic playing field in South Africa after the attainment of democracy in 1994 was perceived to be so conducive to surviving and flourishing by many non-South Africans, particularly from other African countries, who regarded South Africa as a viable destination for political and economic refugees. Many of the people who had fled their home countries, once secured legal status as residents in South Africa, established small businesses such as spaza shops, mostly in the townships, where the legal and formal requirements for starting small business entities are not very restrictive (Tengeh et al., 2012:6). Some developed countries have expressed the need to appreciate the benefits of immigrant entrepreneurs by providing foreign immigrants with special visas to establish business entities in countries (Fairlie et al., 2013).

There are many factors which encourage immigrants to start businesses, among the chief of is the difficulty of securing worthwhile employment in the labour market. As most non-South Africans establish and operate businesses as a means of survival, motivation is one of necessity (GEM, 2011). Most immigrants do not embark upon entrepreneurial activities from choice, but rather as a response to a lack of other opportunities, which makes establishing a business appear to represent the only viable option (Barrett et al., 2001:243). When people become entrepreneurs as a result of unemployment, a lack of upward mobility, loss of employment or poor salaries, the influence of push factors becomes pronounced, effectively “pushing” individuals to establish

micro-business enterprises. While push factors are motivated by necessities, pull factors tend to centre on the satisfaction of individual drive, such as the desire not to work under superiors, the wish to maximise wealth and the need which some people feel to make use of own knowledge and experience (Benzing et al., 2009: 62; Matlala et al., 2014).

2.11.1 The role of immigrants

There is empirical evidence which confirms that immigrant entrepreneurs create employment for natives of host countries and also for themselves. It has been found that immigrants are particularly likely to be self-employed and that rates of self-employment among people who are born to immigrants are generally higher than among the members of indigenous populations (Pinkowski, 2009:30). This assessment is shared by Fatoki (2014a), who explains that a number of immigrant entrepreneurs create employment for South Africans and also for themselves, which encourages the support of immigrant-owned businesses, as they tend to contribute to the reduction of local levels of unemployment.

Thomas J. Donohue, the president and CEO of the United States Chamber of Commerce, speaking at one of its events on January 12, 2012, said:

“We should allow the world’s most creative entrepreneurs to stay in our country. They are going to contribute and succeed somewhere—why shouldn’t it be in the United States? America’s prosperity has always depended on the hard work, sacrifice, drive, and dreams of immigrants. Our future will depend on them even more” (Hohn, 2012:3).

This statement is eloquent testimony to the extent to which some developed countries value the presence of immigrant entrepreneurs. The numbers of businesses opened by immigrants in America are growing and making a meaningful contribution to reducing unemployment. In 2005 450,000 workers were employed by technological companies, which generated revenues of R52 billion (Hohn, 2012:3). Immigrant-owned businesses make a particular contribution to economic success in America, as most immigrant entrepreneurs locate businesses in low-rent suburbs where economic activity is low. As New York City Mayor Michael Bloomberg said on March 23, 2011:

“Immigrant entrepreneurs and the businesses they launch have long been drivers of innovation and enterprise in New York City and across America. We need the federal government to fix our immigration system, but New York City can’t afford to wait. Today,

we are taking another step to help our economy by promoting immigrants' enterprise and entrepreneurship across our five boroughs" (Hohn, 2012:3).

2.11.2 What makes immigrants decide to become entrepreneurs?

According to Hohn (2012:3.), there are several reasons for which both immigrants and members of indigenous populations elect to embark upon entrepreneurial ventures. Because entrepreneurship can be an engine for sustainable economic growth, numerous studies have centred on factors which induce people to become entrepreneurs. The common reasons immigrants or other people may attempt entrepreneurial activity tend to be associated with their cultural and personal predispositions, regulatory environments which are supportive of entrepreneurship, commercially viable business ideas, access to capital and alternative employment options. These factors can have definite implications for immigrants and can help to explain the reasons for becoming entrepreneurs. The children of self-employed parents are also particularly likely to become self-employed.

2.11.2.1 Social networks

Social networks play a very important part in determining the decisions of people to become entrepreneurs. Immigrants tend to create strong networks with people from former countries, which enable them to take advantage of existing customer bases, support, capital and knowledge to start own businesses. As immigrants who arrive in host countries tend to experience difficulty learning the language of the host country, understanding local regulations and being accepted by the local people, as a result tend to connect well with people from former countries who are able mentors and able to provide capital. Saxenian (2002) explains that some of the Chinese and Indian business associations in various countries give seminars to Chinese and Indian immigrants, to enable such individuals to cope with the language of the host country, to negotiate successfully and to manage the stress which accompanies working in the markets of the host country.

2.11.2.2 A lack of other employment options

When immigrants arrive in a host country often it is difficult to secure suitable employment, which is further complicated by other problems, such as language barriers, a lack of contacts and questionable qualifications. Even if employment sometimes obtainable, the work is very often lowly paid. In order to overcome all of the barriers which are encountered in specific host countries, entrepreneurship often represents the most attractive option for immigrants. Also, as

most unskilled immigrants find it difficult to obtain employment which pays well, starting new businesses offers a form of employment with improved prospects of generating good incomes (Fairlie, 2012).

2.11.2.3 Regulations in the host country

When the regulations which govern the starting of new businesses are not particularly stringent, people, whether are immigrants or natives of the host country, can all be encouraged to start new business ventures. When the regulatory costs of starting businesses are minimal, there is an incentive for unemployed people to venture into business (Phayane, 2014:2). Regulations which impose high costs on those who aspire to start businesses tend to discourage the emergence of new entrepreneurs. An example could be provided by Italy, where prohibitive institutional barriers have resulted in the country having a significantly lower rate of new enterprises starting than the United Kingdom, France or Germany (Fairlie, 2012). Ardagna and Lusardi (2008) also cite regulatory barriers as one of the primary determinants of the degree of entrepreneurship to be nurtured in a particular country. According to Phayane (2014:2), “61 percent of immigrant entrepreneurs indicated that their businesses are not registered with the municipality, and are therefore not paying business licence fees; these businesses fall into, and increase the size of, the informal market within the municipal boundaries of Madibeng, in which Brits is situated.” This statement indicates how easy it is for aspiring entrepreneurs to enter the spaza sector in South Africa.

2.11.2.4 Culture

Culture plays a significant role in determining whether people decide to start new businesses. Parents who operated businesses during the time when children were growing up have a strong influence on whether children are likely to aspire to become entrepreneurs (Hout, Michael & Rosen, 1999:7344). Business family backgrounds produce the human capital needed for the development of successful entrepreneurs. People who come from entrepreneurial cultures are particularly likely to start own business ventures.

2.11.3 Strategies employed by immigrants to run their spaza shops

Immigrants who own spaza shops in the townships of South Africa have proved to be working significantly more effectively than South African owners in the execution of the business operations. Foreign owners of spaza shops employ several business strategies giving an edge over South African counterparts, including bulk buying, which results in larger discounts from suppliers (Liedeman et al., 2013:1-6; HSRC, 2014:12). Buying in bulk has an advantage in terms

of obtaining larger discounts, enabling entrepreneurs to offer products to consumers at lower prices than competitors. Foreign owners have a strict culture of saving and very often choose to forego all luxuries in the interests of ensuring the growth of businesses. Immigrant traders tend not to lead extravagant lifestyles and, as a consequence, are usually able to save money in order to finance the expansion of the businesses. The money which is saved by foreign owners of spaza shops is used to buy delivery vehicles, further expansion of the businesses and also to invest in marketing strategies such as the use of billboards. The extending of credit to customers is used to strengthen social ties with the members of the communities which serve and also to strengthen the loyalty of the customers (HSRC, 2014:12). The overall result is increased volumes of sales, which, in turn, result in improved profit margins. Immigrant entrepreneurs have forged strong social relationships with the people in the local communities by learning the local languages, which has enabled business operation less stressful. Strong business networks have enabled foreign owners to network in order to obtain supplies at the lowest possible prices.

Immigrant owners of shops tend to support fellow countrymen by advancing startup capital. Once in business, the people who have borrowed startup capital are allowed to operate businesses for a certain period, in order to allow the loans to be repaid completely, after which are enabled to make the transition from renting businesses from the people who have supplied the startup capital to buying outright (HSRC, 2014:12). Although it is true that crime constitutes a significant constraint for small businesses in South Africa, immigrant traders have invested in security, by ensuring that the shops have burglar bars and small windows.

Another strategy used by immigrant traders, is explained by Gumbo (HSRC, 2014:12), positioning of shops near street corners, in order to improve visibility for customers and, by doing so, increasing the attraction which their shops have for customers. Immigrants use brightly painted graphic billboards and also the use of local names for shops, in order to create a sense of belonging and familiarity.

Foreign owners of spaza shops use a pricing strategy which South African owners are unable to understand. Research has proved that the prices for items such as bread, rice, maize meal, milk, and eggs are generally lower than those of South African counterparts, which has attracted customers to a significant degree, to the disadvantage of South African owners of spaza shops (HSRC, 2014:12). The pricing strategy used by non-South Africans has strained the resources of South African owners as they try to compete with little success, which indicates why some have

decided to rent out premises. According to Liedeman et al. (2013), Somali owners of spaza shops have a huge advantage over South African owners with respect to certain key items as Somalis purchase directly from wholesalers, items such as sugar, and instances of bulk procurement ultimately determines the prices at the products can be sold.

According to the HSRC (2014:12), the business strategies listed in Table 2.2 are used by immigrant owners of spaza shops.

Table 2.2: Strategies used by non-South Africans

STRATEGY	KEY FINDINGS
Mentorships	High reliance on mentorship by relatives
Strategic location	Street corners to maintain visibility
Huge stocks	Stock to meet demand
Strict saving	Maintain simple lifestyles to save for the business
Small Profit Quick Returns	Aim not to maximise profits at once, for example only 20c profit is made on a loaf of bread
Long operating hours	Operating hours are usually from 6am to 9pm
Aggressive marketing	Advertising using bright paintings, product names and local shop names.
Network	Social, religious, migration and business ties
Adaptation	Language, customer preferences and expectations

(Adapted from the HSRC, 2014:12)

The most effective way to attract customers is to stock a wide variety of products. According to Liedeman et al. (2013), immigrant owners of spaza shops are dominating the market because of ability to diversify the product ranges. After the democratically-elected government of South Africa came to power, there were generally improved income levels for the households in the townships, which resulted in an increased demand for and consumption of certain products. Consequently, the spaza shops, particularly the foreign-owned ones, began to invest in diversifying the ranges of products, in order to cater for the increased needs of households whose levels of income had increased.

The non-South African owners are able to obtain cheap labour by employing citizens of the former countries, who are often prepared to earn low wages in order to secure employment. As foreign owners are generally financially better equipped than South African counterparts, are

able to take advantage of supply chain. On average, foreign owners of spaza shops have startup capital amounting to in the region of R45,000, compared with an average startup capital of R1,500 for South African owners (HSRC,2014:12). This competitive advantage, coupled with ethnic business networking, has promoted the growth of the foreign-owned shops who buy collectively in bulk from the manufacturers and wholesalers in order to receive increased discounts leading to correspondingly increased profits.

A business cannot survive if it ignores the importance of mixed business strategies, as the application of different strategies energises the growth of businesses (Bowen et al., 2009:2). The business strategies identified by researchers include special offers and discounts, high quality customer services and offering a comprehensive variety of products. If a business is not doing well in a specific area, it needs to relocate to an area more favourable to the market. Entrepreneurs need to place emphasis on fast-moving items, in order to avoid incurring losses as a result of products reaching expiry dates and fast-moving goods ensure that large storage spaces become of little importance (Bowen et al., 2009:2; Tengeh, 2013:4).

2.11.4 South African-owned spaza shops and foreign-owned spaza shops

According to Basardien and Friedrich (2014:2), "... the business practices between local and foreign spaza entrepreneurs are significantly different and are primarily caused by cultural differences and experiences of individuals involved. Non-South Africans are more collectivist in nature while locals are more individualistic. The distinct differences between the two groups have resulted in differences in buying methods, where non-South Africans do collective buying and thereby qualify for bulk discounts which impacts directly on the pricing strategies and competitiveness". These differences have also been identified by the Charman et al (2012) and are summarised in Table 2.3.

Table 2.3: Differences between South African and non-South African spaza shops

Characteristics	Foreign-owned spaza shops	South African-owned spaza shops
Capital investment	High competitive advantage resulting from the scale of investment, with an average of R45,000 for startup businesses	South Africans have an average startup capital investment of between R1,500 and R5,000, which is very low
	Benefits of ethnic business networking enables foreign spaza shops to purchase within buying collectives and achieve greater economies of scale	No collective purchase and consequently a lack of greater economies of scale
Stock procurement	Successfully use supply chain networking and price discounting to procure goods in a cost- effective manner. Each business benefits from a procurement and distribution chain which supports multiple stores	Unable to match the supply chain networking, price discounting, collective purchasing power and labour advantages of the foreign-owned businesses and have opted either to close their shops or to concentrate on commodities which enable them to sustain a competitive advantage, such as take-away food and liquor

Charman,Petersen,& Piper,:2012

2.12 Summary

This chapter was devoted to a comprehensive review of the relevant literature available at present. The reasons for the establishment of spaza shops were investigated, along with the challenges faced during the startup phase. The factors affect the growth of South African-owned spaza shops were also investigated. The first part of the chapter provided an overview of

entrepreneurship, included its essential characteristics, theories pertaining to entrepreneurship and the factors serving to promote its emergence.

The second part took the form of an overview of small businesses, was followed by a discussion of the legal framework for business in South Africa. A broad overview of the informal economy was also provided and associated theories and characteristics of the economy were discussed, with a specific focus on the challenges faced by South African owners of spaza shops, such as a lack of capital, crime, high transport costs, competition, limited business space, a lack of experience and a lack of business networks.

The final sections of the chapter examined the phenomenon of immigrant entrepreneurs, the reasons for becoming an entrepreneur, the role foreign entrepreneurs play in the South African economy and the strategies used to run successful spaza shops. The following chapter take the form of a detailed discussion of the research methodology in order to conduct the study upon related to the dissertation.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is devoted to a discussion of the research methodology used to obtain the findings presented and discussed in Chapter 4. The principal objective of this study was to determine the factors affecting the startup and growth of South African- owned spaza shops in the Gugulethu and Nyanga townships and investigate the specific challenges obstructing expansion. After a general discussion of the research methodologies used to conduct research in the social sciences, the chapter proceed to detail the research design and to describe the target population. Furthermore the methods used to select the research sample, the research instrument used to collect the data and the means used to ensure the reliability and the validity of the research instrument and the methods used to analyse the data will be under discussion, before concluding with a discussion of the ethics of professional research in the social sciences, which were respected at all times during the conducting of the study.

3.2 The rationale for a research methodology

A research methodology entails the rationale employed for using a particular procedure, method or technique in order to develop a particular research design (Kothari, 2004:31). According to Bloomberg and Volpe (2008:8), a quantitative research approach is “applied to describe conditions, investigate relationships, and study cause-effect phenomena”. In this research study, a quantitative approach was adopted, principally for the emphasis quantitative research places on the collecting of data which can be quantified and subjected to statistical treatment, in order to support or refute alternative knowledge claims (Creswell, 2003:153).

Various reasons have been advanced for the use of quantitative empirical research, among which are its simplicity, the quickness the research can be conducted and the relative ease with its research instruments can be administered and evaluated. A further attribute of quantitative research concerns the ability to compare numerical data easily between individual people, groups or organisations, allows the extent of agreement or disagreement between participants to be determined (Yauch & Steudel, 2003:73). The data obtained from quantitative research permits others to authenticate the original findings of a study by performing an independent analysis. Quantitative empirical research has the ability to record and verify information carefully, almost

always in the form of numbers, and the ability to assign the data to a computer-readable format (Neuman, 2006:14). As Worrall (2000:354) contends, one reason for which quantitative research enjoys extensive respect is its predictive advantage. Indeed, the ability to make accurate predictions is one of the outstanding traits of quantitative methodologies.

However, it needs to be acknowledged that the quantitative empirical research approach has its own drawbacks which includes the need for large sample sizes, which in most cases is not possible, owing to a lack of the resources needed to accomplish the research study in question (Dudwick, Kuehnast, Jones & Woolcock, 2006: 3).

3.3 Research design

A research design is the overall strategy developed and adopted in order to conduct a research study and it enables a researcher to plan the carrying out of a study in a manner which maximise the likelihood of gathering data aligned with the event, occurrence or phenomenon being studied (Burns & Grove, 2001:223). Research designs are divided into descriptive, exploratory and explanatory categories (Burns & Grove, 2001:223). According to Burns and Groove (2001:374), the exploratory approach is considered as research conducted in order to gain new insights, to discover new ideas and to increase existing knowledge of the phenomenon in question. This research study adopted an exploratory approach in order to investigate the phenomenon of spaza shops and to add to the body of knowledge pertaining to the factors which hinder the growth of South African-owned spaza shops in the Gugulethu and Nyanga townships.

3.3.1 Target population

Both Polit and Hungler (1999:37) and Welma and Kruger (2002:46) refer to a research population as an aggregate or totality of all of the objects, subjects or members which conform to a particular set of specifications. Fox and Bayat (2007:51) explain that a representative research sample is drawn from an overall target population, in order to be able to generalise the results which are obtained from its members to the overall population (Collis & Hussey, 2009:209). In this study, the target population comprised all of the South African-owned spaza shops which operate in the Gugulethu and Nyanga townships, both of which fall under the Cape Town Metropole. The Gugulethu township has five sub-locations, namely, Gugulethu SP, New Rest, Phola Park, Zondi and Vukuzenzele, while Nyanga has 11 sub-locations, namely, Lusaka, KTC, Old Location, Maumau, Zwelitsha, Maholweni “Hostels”, Black City, White City, Barcelona, Kanana and Europe. The researcher selected Gugulethu and Nyanga townships because of being among the oldest townships in Cape Town, where trends, dynamics and development in the

spaza sector can easily be traced and compared. The spaza shops started operating a great many years ago and over the years anger, resentment and frustration have been building as a result of the poor performance of small grocery businesses owned by members of the indigenous population. Constraints resulted from a lack of time and financial resources precluded the researcher from being able to study the entire population of the spaza sector in South Africa.

3.2.3 Sample size

A sampling frame comprises the elements in a population from which a research sample is drawn. A research sample is a subset of items drawn from a population and scientifically and analytically chosen for possessing the specific attributes or properties being studied (Flick, 2011:253). In a research study, it is always advisable to use the largest possible sample because the larger the sample, the more representative it will be, while smaller samples will produce less accurate results because of the limitation in terms less representative of the population (LoBiondo-Wood & Haber, 1998:263-264).

In Gugulethu there are an estimated 3,920 spaza shops and this figure does not indicate how many are owned by non-South Africans, as opposed to South Africans (Krause,2013). The reality of actual number of spaza shops makes it extremely difficult to obtain a reliable estimate of South African-owned spaza shops to represent the population size in research studies. Tenengeh (2011:20) concurs with this assessment by explaining that the information needed to estimate the numbers of foreign-owned spaza shops is scant, making it an exceedingly difficult task to determine a sample size. The spaza shops eligible for selection in the sampling frame for the study were South African-owned spaza shops which had been in operation for more than three years. With the help of the Raosoft Sample Size Calculator, the researcher made use of a 5% margin of error with a confidence level of 95%, on the basis of an estimated overall population of 3,920 spaza shops and using a response distribution of 50%, which yielded an appropriate sample size for the Gugulethu and Nyanga townships of 346 respondents. Owing to the costs associated with covering all 346 spaza shops, it became immediately apparent that not every spaza shop in the sample size determined could be studied. Consequently, it was decided to limit the sample size to 130 spaza shops, and was chosen on the basis accessibility and proximity to the researcher.

Welma and Kruger (2001:48) stress the importance of having a sufficiently large sample in order to represent the population as a whole and to be able to generalise the findings to it. Saunders et al. (2009:218) concur by explaining that the larger the sample used, the lower is the degree of

error of generalising to the entire population of the study. In the context of this study, an error is defined as “the difference between the mean and the data value (observation)” (Collis & Hussey, 2009:334).

3.2.4 Sampling methods

Convenience sampling is a non-probability sampling technique by means participants are chosen because of easy accessibility and proximity to the researcher (Farrokhi, 2012:2). This method was preferred by the researcher because it is quick, cost-effective, easy and the subjects are readily available. In pilot studies, convenience sample is usually used because it allows a researcher to obtain basic data and trends concerning his or her study without the complications entailed by using a randomised sample (Farrokhi, 2012:2). The researcher chose to use technique because it allowed the selection of those owners of spaza shops who are known to have operated for three years or more to be included in the sampling frame. It is the considered opinion of the researcher that the owners of spaza shops have been in existence for more than three years could provide far more detailed and richer information concerning the factors affecting the growth of the businesses than those who have only recently entered the sector.

3.2.5 Unit of analysis

In a research project, the unit of analysis is the major entity which is analysed by a researcher in a research study, taken from different summary descriptions and explanations (Williams, 2006). In addition, in the context of research in the social sciences, a unit may include individual people, groups, organisations, social artefacts and social interactions. In this study, the unit of analysis comprises a group of individual people who are all South African citizens who own spaza shops in the Gugulethu and Nyanga townships in the province of the Western Cape, which fall under the auspices of the Fezeka Municipal Council. As individual characteristics such as gender, age and attitudes help to provide a composite picture of the group of people being studied, the conclusions are drawn based on an analysis of the responses which are given by a group of South African owners of spaza shops.

3.4 Research method used for data collection

The researcher distributed the questionnaires to the respondents. Dunnie, Yates and Pryor (2005:271) explain that “a questionnaire is a set of sequential questions predesigned to excavate numerical data and facts about the interaction of two or more phenomena.” The contents of a questionnaire are simplified, in order to ensure that the respondents find it easy to answer the questions, and were short, simple and straightforward, in order to motivate quick responses. Fox and Bayat (2007:89) describe a questionnaire as a list of questions which is compiled by a researcher for a particular investigation. The questions may be asked either in written form or orally, in order to obtain relevant information or answers from respondents (Fox & Bayat, 2007:89). Flick explains that this research instrument usually gives respondents limited options to answer the questions asked. For the purposes of this study, the instrument was chosen for its ability to gather objective and unbiased information (Cupido, 2003:58). Although in some instances be costly to distribute, questionnaires are easy to manage and to administer.

In addition, the fact that the respondents were not required to disclose names in the investigation reduced the likelihood of false information being supplied. A standardised questionnaire was administered to each respondent. The instrument introduced the research topic and explained the importance of conducting an investigation into the viability of South African-owned spaza shops. The respondents were clearly informed of the right to withdraw from participating in the study at any time and that the generally-accepted professional standards for ethical conduct in research studies used human subjects would be adhered to at all times. The instructions in the questionnaire were quite simple, clear and concisely written in understandable English. Five-point Likert Scale questions were asked in order to determine the extent to which respondents agreed with the statements contained in the questionnaire. Open-ended questions were also included in the questionnaire, in an endeavour to obtain honest answers and additional relevant details from the respondents.

Of the 130 questionnaires which were distributed to the respondents, 127 were returned. Of these 127 questionnaires, 6 were incomplete, which rendered them unsuitable for further processing, owing to the fact that they had been inconsistently answered. Consequently, the researcher was left with a total of 121 completed questionnaires, which were subjected to statistical analysis. This yielded a response rate of 93%.

3.5 Reliability and validity

Research in the field of the social sciences has shown that there is no measurement technique which is perfect, which obliges researchers to make frequent evaluations of the instruments to be used to collect the data, for validity and reliability (Bless et al., 2006:150).

3.5.1 Reliability

Bless et al. (2006:150) explain that reliability measures consistency in the use of an instrument with all of the subjects in a particular research study (Flick, 2011:252). Consequently, the reliability of a measurement is associated with the ability of the research instrument to produce similar results in more than one trial. Test-retest reliability was checked for the instrument used to collect data in the study. Burns and Burns (2008:414) describe test-retest reliability as “an index of a measure’s temporal reliability (stability over time) obtained by correlating the results of assessment.” Accordingly, a set of questionnaires was distributed to ten subjects who participated in the study during the first week of May in 2015. A set of questions used previously was distributed to the same subjects at the beginning of June in 2015. The responses were obtained on those two occasions and were then assessed for consistency of which seven of them correlated closely. The researcher was obliged to modify the instrument slightly in order to correct those instances in which correlation appeared to be lacking, in order to increase the overall reliability of the instrument.

3.5.2 Validity

Validity is defined as a measure of the truth or falsity of the data obtained through using the research instrument (Burns & Grove, 2001:226). The validity of an instrument may be regarded as the extent to which “... the instrument actually reflects the abstract construct being examined” (Burns & Grove, 2001:814). It is generally acknowledged that the validity of an instrument can be verified only if a panel of experts in a specific topic or field are given an opportunity to evaluate the questions for suitability to fulfil what they claim to measure (Hair, Underson, Tatham & Black, 1998, cited by Mwangi, 2011:88). While there are several types of validity, the researcher used content validity which by definition is a rational process that provide a links between the test items and the job-connected tasks (Bollen:1989). With regards to content validity, subject experts review the test items. The research instrument covered questions related to knowledge of spaza shops with respect to reasons for starting businesses, startup as well as growth challenges and strategies used by non-South Africans to excel in the businesses. The research instrument was verified and reviewed by the supervisor who is an expert in the field of

entrepreneurship. Therefore, the content of an instrument against the proposed objectives of the research was evaluated. The research statements as well as questions in the data collection instrument were substantiated to determine whether directly extracted and derived from what the literature of the study states about the subject matter under investigation. Accordingly, the instrument was considered to be valid for piloting the survey.

3.6 The administration of the questionnaires

The researcher presented the respondents with questionnaires on the premises of each targeted spaza shop in the Gugulethu and Nyanga townships. When it was necessary to do so, the researcher made appointments to meet with the participants. In those instances, in which participants did not wish to provide written answers, the researcher completed the questionnaires while respondents answered the questions verbally. As many of the respondents were Xhosa-speakers, the researcher asked each one to skim-read the questions before responding or taking the questionnaire home to complete. The skim-reading technique was introduced in order to enable the respondents to receive clarification from the researcher concerning any unfamiliar words or phrases which they may have encountered in the questionnaire. As soon as the collecting of the data had been completed and the data had been captured, the analysing of the data commenced.

3.6.1 Analysis of the data

The main reason for which data is analysed is to assist researchers to pin-point whether any dependable configurations emerge, in order to obtain a reasonably coherent overview of the findings. Once data was collected from the respondents it was then processed using a computer programme called Statistical Package for the Social Sciences (SPSS,24). The same programme was used to descriptively illustrate and present the data. The statistical methods employed through the use of the software include descriptive statistics, which covers cross tabulation, frequencies, ratio statistics and bivariate statistics, enabling variances, means, correlations and nonparametric statistics to be analysed.

3.7 Ethical considerations

As mentioned earlier in Chapter 1, Section 1.9, the research instrument clearly specified that the participation by respondent was completely out of interest to participate and with no use of forced or undue influence. A detailed account of the procedures were followed in order to ensure that all of the professional standards for ethical conduct in research in the social sciences were

respected and upheld at all times during the conducting of this research study. Respondents were also assured of the confidentiality of the information provided. After having evaluated the research instrument, the Research Ethics Committee of the university gave permission to the researcher to undertake the investigation.

3.8 Summary

This chapter provided a detailed discussion of the methodology was used to conduct the research study, including a justification of the use of questionnaires for the purpose of collecting the data and a discussion of the methods used to analyse the results obtained from the 121 questionnaires distributed to South African owners of spaza shops in the Gugulethu and Nyanga townships. The following chapter devotes to a presentation and an analysis of the findings of the research study.

CHAPTER 4

PRESENTATION AND DISCUSSION OF THE FINDINGS

4.1 Introduction

This chapter presents the findings which were obtained from the collecting of the data and an analysis of them which aligns with the research questions. It endeavours to analyse and discuss the findings, leading the researcher to draw reasonable conclusions and ultimately formulation of useful recommendations, in the following chapter. The results of the research is presented in the form of tables, graphs and also in Appendix C, with respect to business information, reasons for starting spaza shops, the challenges faced by South African owners of spaza shops during the startup phase, the challenges faced during the growth phase and finally, the strategies used by non-South African owners.

4.2 Analysis of the results of the research study

After having collected the data from the participants, the next phase entailed the processing of the data through the use of SPSS computer software. The software was used to capture and to analyse the data descriptively. The results were based on 121 sets of responses from the South African owners of spaza shops who participated in the study and completed the questionnaires distributed to them. The catchment area for the respondents was represented by the Gugulethu and Nyanga townships. The results were summarised in tables and depicted graphically in bar and pie charts.

4.2.1 Gender

According to Figure 4.1 males represent higher percentage of 58.7% than women 41.5%. In a similar study conducted by Fatoki and Chindoga (2011:163), social and cultural constraints often mitigate against the effective participation of women in economic activities, particularly in the domain of entrepreneurship.

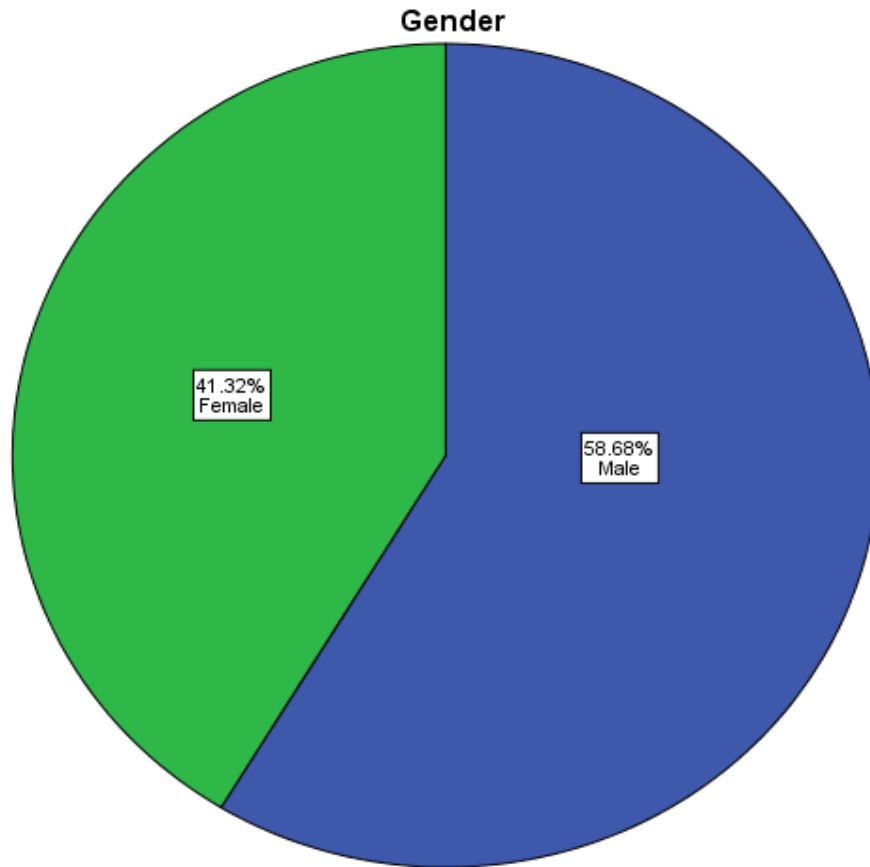


Figure 4.1: Gender representation of the respondents

The factors which mitigate against the participation of women include gender-based perceptions, family responsibilities and socio-cultural attitudes, all of which serve to hinder women from playing a meaningful role in the domain of entrepreneurship (Nieman & Nieuwenhuizen, 2009:31). As the Gugulethu and Nyanga townships are among the oldest townships in Cape Town, where the spaza sector has been in existence for a considerable number of years, the need for the equal participation of women in the sector should not be a matter for debate. Consequently, this finding has identified the need to bring an end to the gender imbalance which prevails in spaza sector.

4.2.2 Ages of the respondents

According to the results depicted in Figure 4.2, South Africans between the ages of 35 and 50 years are clearly the most entrepreneurially active group. The Global Entrepreneurship Monitor (GEM) (2010:36) reported that increased entrepreneurial activity is an indication of a maturing entrepreneurial population in South Africa, who regard entrepreneurship as a career choice. It was found in this research study that a majority of 40.5% of the respondents were between the ages of 35 and 50 years. This group was followed by the respondents who were between the ages of 22 and 35 years, who accounted for 31.4% of the research sample, while those who were 51 years old or older accounted for 13.2%.

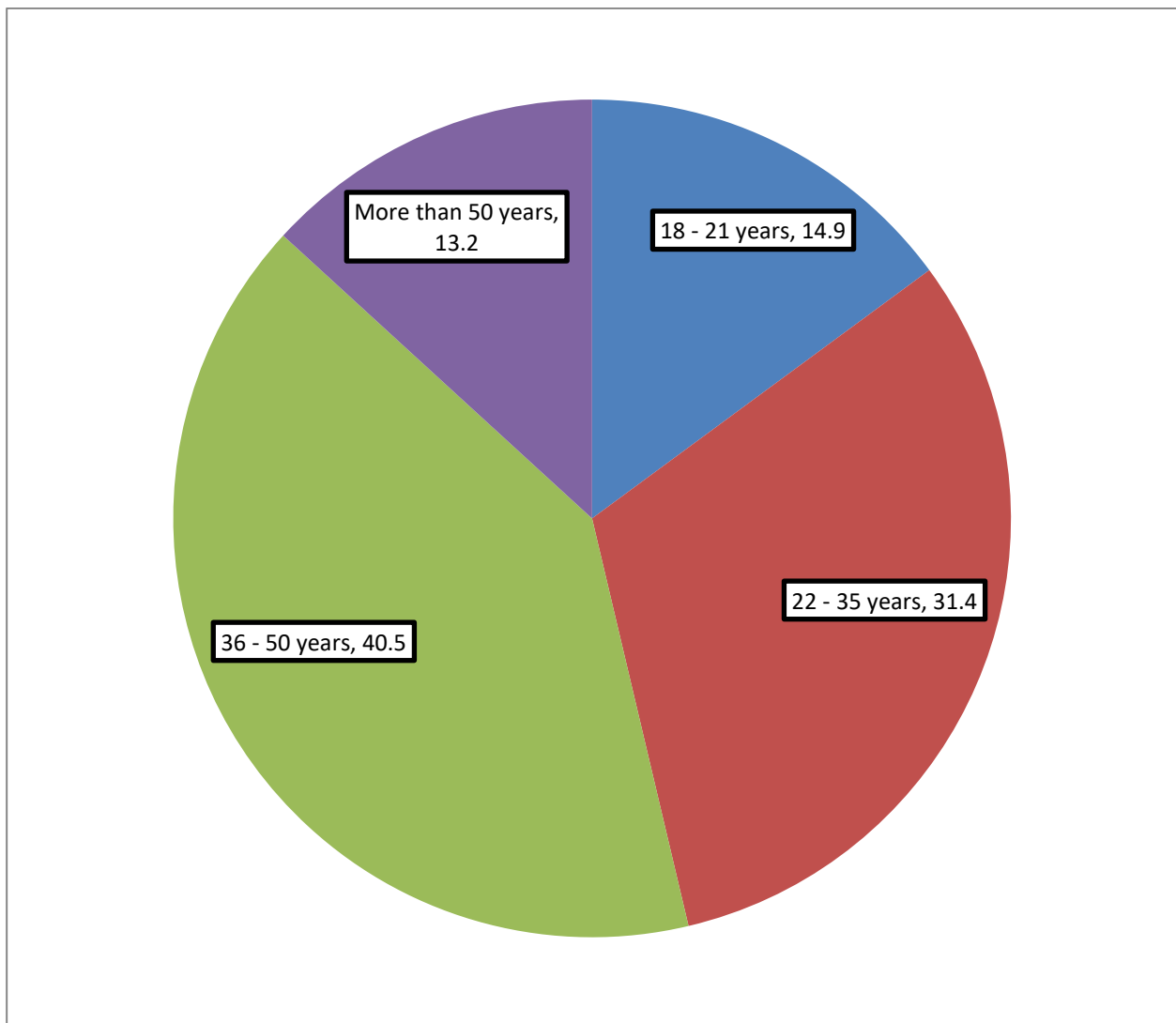


Figure 4.2: Ages of the respondents

As the group between the ages of 18 and 21 years accounted for 14.9% of the sample, it may be concluded that there is a wide range of ages among the owners of spaza shops in the Gugulethu

and Nyanga townships. The relatively low percentage may suggest that there is a general lack of an aggressive spirit of entrepreneurship in this age group, which contrasts with the global phenomenon of successful entrepreneurs who start at a very young age. Cases in point can be provided by Bill Gates (Uttal, 1986), the inventor of Microsoft Products, and Richard Branson of the Virgin Group (Branson, 2008). They are among the noted entrepreneurs who started at an early age. Entrepreneurship requires to be developed early in the minds of growing children, and can be accomplished only through the inclusion of entrepreneurship studies in school curricula.

4.2.3 Qualifications of the respondents

The results revealed that those respondents who had gone as far as the matriculation level in education constituted the largest group and accounted for 35% of the sample, followed by 33.9%, who had completed between Grades 8 and 11 and the smallest group of only 12.4%, who had received no formal education at all. This distribution is summarised in Table 4.1 below.

Table 4.1: Qualifications of the respondents

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	No formal education	15	12.4	12.4	12.4
	Primary school	17	14.0	14.0	26.4
	Grade 8 – 11	41	33.9	33.9	60.3
	Matriculation	43	35.5	35.5	95.9
	Diploma/Degree	5	4.1	4.1	100.0
Total		121	100.0	100.0	

The finding implies that there is a wide range of educational qualifications among the owners of spaza shops in Nyanga and Gugulethu. The finding concurs with the assertion of Rolfe et al. (2010:15) that a relationship exists between high levels of education and high incomes and sales. However, it was significant to discover that although some owners of spaza shops had attained only low levels of formal education, previous experience of working in a business environment assisted in managing respective shops. The finding demonstrates that practical skills are acquired

in a hands-on manner constitute a significant variable in determining the success of a business venture.

4.2.4 Home languages

Table 4.2 below summarises the distribution of the home languages of the respondents in the research sample.

Table 4.2: Home languages

				Valid	
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Afrikaans	2	1.7	1.7	1.7
	IsiXhosa	94	77.7	77.7	79.3
	Zulu	11	9.1	9.1	88.4
	Other	14	11.6	11.6	100.0
Total		121	100.0	100.0	

The largest proportion of the respondents comprised Xhosa-speakers (77.7%), followed by those who spoke other South African languages (11.6 %). Both Gugulethu and Nyanga townships are predominantly black townships, which were established in order to cater for black labourers during the 1960s. The IsiXhosa people, who originated from the province of the Eastern Cape, constitute the bulk of the people who migrated and settled in Cape Town, as a result of relative proximity to the Western Cape Province. This phenomenon explains why Xhosa-speakers accounted for the largest group of 77.7% of owners of spaza shops in the research sample, followed by the group comprised of other indigenous South Africans, including the Sotho, Venda and other tribes, and, in turn, was closely followed by a significant number of Zulu entrepreneurs.

4.2.5 Numbers of employees

It was found that most of the respondents (45.5%) did not have employees and that, instead, they occupy their spaces on their own. The results also revealed that a sizeable segment of 18% of the

respondents had one employee each, while 4% employed a total number of three workers each. The low overall numbers of employees could result from a lack of access to business funding to acquire the necessary resources such as capital to expand the businesses or a lack of access to large markets, which could have a negative effect on profitability and opportunities for growth. According to Fatoki and Odeyemi (2010:128), a lack of access to business funding may result in the retardation of the growth of businesses, resulting ultimately failure.

4.2.6 Years of operation

As it is generally held that the longer a business has been in operation, the more experience has been accumulated in its specific sector. The number of years for which a business has been in operation is also an indication of the likelihoods of its survival. It is often assumed that the older a business is, the more it will contribute to the economy of the country. The distribution of the years for which the businesses of the respondents have been in operation is provided in Table 4.3.

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	1	2	1.7	1.7	1.7
	2	6	5.0	5.0	6.6
	3	38	31.4	31.4	38.0
	4	20	16.5	16.5	54.5
	5	8	6.6	6.6	61.2
	6	9	7.4	7.4	68.6
	7	9	7.4	7.4	76.0
	8	4	3.3	3.3	79.3
	9	2	1.7	1.7	81.0
	10	5	4.1	4.1	85.1
	11	1	.8	.8	86.0
	12	1	.8	.8	86.8
	13	3	2.5	2.5	89.3
	15	3	2.5	2.5	91.7
	16	1	.8	.8	92.6
	18	1	.8	.8	93.4
	19	1	.8	.8	94.2
	23	1	.8	.8	95.0
	24	1	.8	.8	95.9
	25	2	1.7	1.7	97.5
	29	1	.8	.8	98.3
	30	2	1.7	1.7	100.0
	Total	121	100.0	100.0	

Table 4.3: Years of operation

It was found that the businesses of 31.4% of the respondents had been in operation for three years, followed by those of 16.5%, which had been in operation for four years. A minimal percentage of 2.5% of the respondents indicated that their businesses had been in operation for a period of 15 years and 1.7% were found to have been in operation for 30 years. An age bracket of between 3 and 30 years accounted for the businesses of 93.3% of the respondents. Although significant challenges have been identified, the owners of some spaza shops have demonstrated that with sufficient dedication and fortitude, a business can survive for as long as the owner has the will and the energy to soldier on.

4.2.7 Formal bookkeeping

A majority of 67.77% of the respondents were found not to make use of formal bookkeeping practices, while only 32.23% confirmed the use of accounting records. Similar findings from another study suggest that the indigenous owners of spaza shops in Monwabisi Park also fail to maintain book keeping practices (Chebelyon-Dalizu et al., 2010). The finding is consistent with the one depicted in Figure 4.3. Without proper accountability in terms of stock and finance, the prospects of growth are very uncertain.

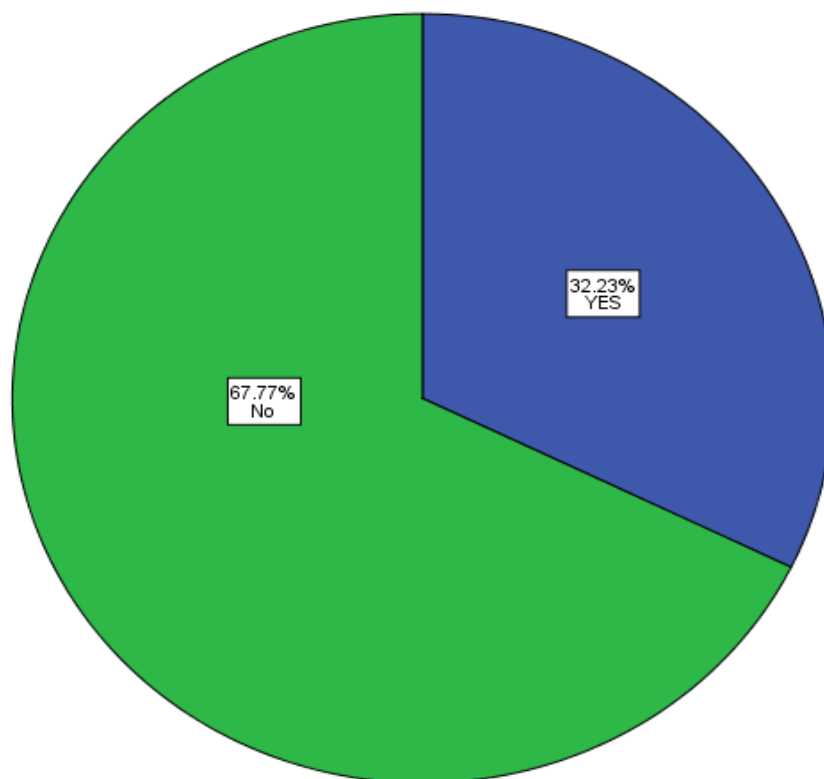


Figure 4.3: Formal bookkeeping

Formal business is characterised by the use of sound and appropriate financial information and record keeping in terms of inventory and cash books. Record keeping is a vital function of any business. A marked difference was found between the performance of those respondents who made use of formal bookkeeping practices and those who used informal means of record keeping.

4.2.8 Reasons for establishing spaza shops

One of the research objective, to determine the reasons why black South Africans start small grocery shops. Section C of the questionnaire asked questions to gain insight into the reasons why black South Africans start grocery store. The respondents were provided answers in a 5-Likert scale from strongly disagree to strongly agree. The data collected indicated the following:

4.2.8.1 Personal wealth

It was found that the desire to accumulate personal wealth was the driving force behind the establishment of many of the small grocery shops normally referred to as spaza shops, a finding which concurs with the assessment made by Nieman and Nieuwenhuizen (2009:35).

Table 4.4: Creating of personal wealth

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	6	5.0	5.0	5.0
	Disagree	18	14.9	15.0	20.0
	Not sure	4	3.3	3.3	23.3
	Agree	68	56.2	56.7	80.0
	Strongly agree	24	19.8	20.0	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Table 4.4 shows that 56.2% of the respondents agreed that their spaza shops had been established and were run for the purpose of creating personal wealth, and this number was augmented by a further group of 19.8% who strongly agreed. A smaller group of 14.9% disagreed that the creation of personal wealth had been prime reason for starting spaza shops. An even smaller group of 3.3% were not certain whether the spaza shops had been established for the purpose of creating personal wealth or not, while 14.9% disagreed and 5% strongly disagreed that the accumulation of personal wealth had been the primary motive behind the establishing of spaza shops.

4.2.8.2 A lack of secure employment

A significant 33.1% of the respondents agreed that they had started their spaza operations as a result of a lack of security in previous employment. This finding could be interpreted to mean that previous employment had not offered permanent status, which would normally guarantee a regular income. A larger group of 42.1% disagreed that they started own businesses because of lack of security in the previous employment, while a further 3.3% strongly disagreed that a lack of secure employment had supplied chief motivation. As Gugulethu and Nyanga townships have been in existence for many years, it has some of the spaza shops that has operated for more than 15 years., giving an indication that some of the owners could have inherited businesses from parents and not having any experience of being employment by someone else.

4.2.8.3 Poorly paid employment

The results clearly indicated the significant extent to which poorly paid employment had influenced many of the respondents to start own businesses, as depicted graphically in Figure 4.4.

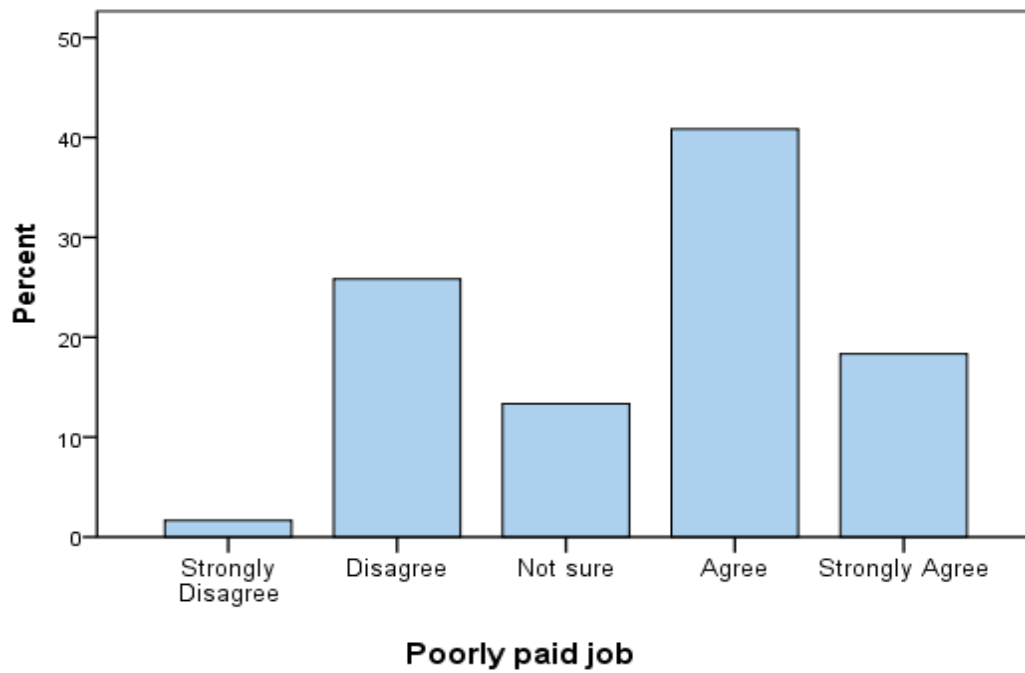


Figure 4.4: Poorly paid employment

A majority of 40% of the respondents agreed and a further 18.2% strongly agreed that poorly paid employment could, to some extent, have influenced the decisions to start own businesses, while 25.6% disagreed and 1.7% strongly disagreed.

4.2.8.4 The desire to be self-employed

Table 4.5 below shows that 47.9% of the respondents strongly agreed and a further 36.4% agreed that they had started the business entities as a means of achieving the freedom and autonomy as conferred by becoming self-employed and the status of not being answerable to anyone else at work.

Table 4.5 The desire to be self-employed

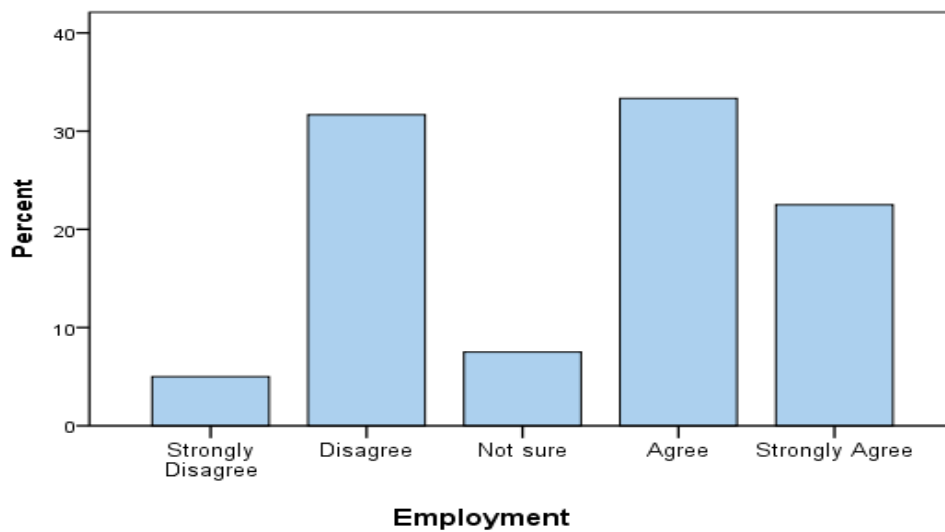
		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	2	1.7	1.7	1.7
	Disagree	10	8.3	8.3	9.9
	Not sure	7	5.8	5.8	15.7
	Agree	44	36.4	36.4	52.1
	Strongly agree	58	47.9	47.9	100.0
Total		121	100.0	100.0	

Consequently, it may be concluded that at least some of the respondents may have decided to leave previous employment because they no longer wished to take orders from employers and superiors. Some had been influenced by the fear of unemployment, as they had been employed on a contract basis and took the initiative of becoming own employers.

4.2.8.5 Employment

Figure 4.5 below shows that a significant majority of the respondents agreed and strongly agreed that unemployment had been the main factor which had induced them to take the initiative of starting own businesses. These two groups together comprised 55.4% of the research sample. This finding aligns with the assertion of Perks (2010), who explains that spaza shops constitute a major source of employment.

Figure 4.5: Employment



Consequently, the establishment of spaza shops may be regarded as a reaction to the plight of many members of township communities, owing to a lack of income for survival and the means to improve financial circumstances. The spaza shops constitute a source of employment and also a source of livelihood for most owners of spaza shops in the Gugulethu and Nyanga townships.

The possible factors which may have encouraged most of the respondents to establish own businesses include opportunities to make use of the qualifications obtained, and the skills acquired from previous employment and the inability to secure gainful employment.

4.2.8.6 Relevant qualifications

The Table 4.6 below shows that 43% of the respondents disagreed and a further 17.4% strongly disagreed that they started businesses because having the necessary qualifications, which in this context may include participation in business courses and related commercial training. By contrast, 26.4% agreed and 3.3% strongly agreed that they had started spaza shops because they were equipped with the necessary qualifications.

Table 4.6 Relevant qualifications

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	21	17.4	17.5	100.0
	Disagree	52	43.0	43.3	82.5
	Not sure	11	9.1	9.2	39.2
	Agree	32	26.4	26.7	30.0
	Strongly agree	4	3.3	3.3	3.3
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Having business qualifications will always enable people to use the skills and knowledge acquired to expand own entrepreneurial ambitions. Education and training in entrepreneurship to a very greater extent influence the extent to which businesses are able to achieve intended goals.

4.2.8.7 Motivation from non-South Africans

Figure 4.6 shows that 27.12% of the respondents agreed and 13.56% strongly agreed that their decision to enter the spaza sector had been influenced by the successes non-South Africans were achieving with spaza shops, while 38.14% disagreed, 11.02% strongly disagreed and 10.17% were not sure.

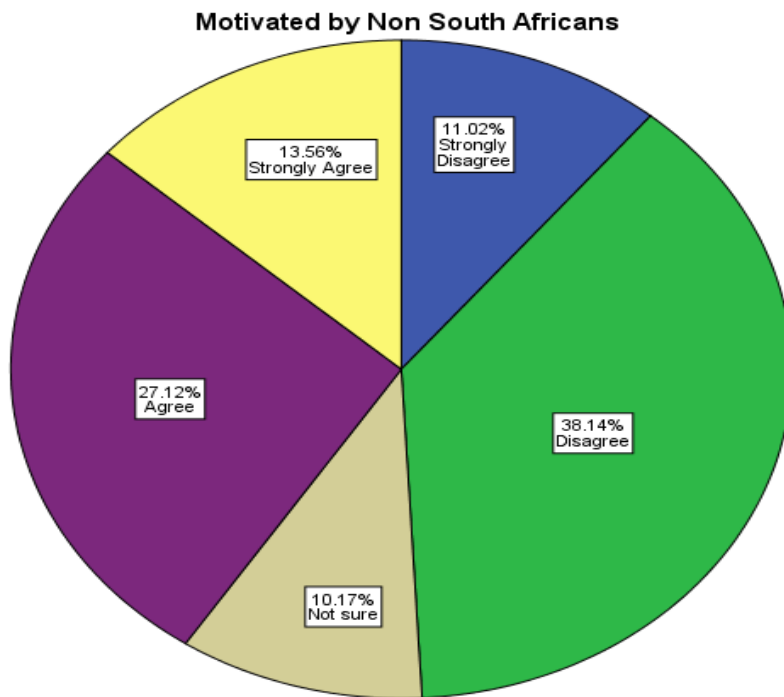


Figure 4.6: Motivation from non-South Africans

4.2.8.8 Previous business backgrounds

It was found that 34% of the respondents agreed, while 48.7% disagreed that they had no previous business backgrounds motivated them to start businesses. As it has been noted that the Gugulethu, Langa and Nyanga townships are the oldest townships in Cape Town, dating back to the 1960s, there would inevitably be people who live in them who had been employed in business sectors, either permanently or temporarily, who, after leaving previous employment, would have at least some knowledge of how businesses need to operate. Previous experience would certainly have contributed to a significant extent to succeeding generations becoming entrepreneurially-oriented.

4.2.8.9 Improved social standing as a motivating factor

Most of the respondents (67.8%) agreed that they had been motivated to start business as a means of acquiring social standing or of improving social standing in the communities in which they lived, while 5% strongly disagreed that they had started businesses for reason.

4.2.9 Challenges faced by owners of spaza shops during the startup phase

4.2.9.1 A lack of capital

Figure 4.7 below shows that 56.2% of the respondents agreed and 31.4% strongly agreed that a lack of capital had constituted a severe obstacle for the startup phases of businesses. Together, agreed and strongly agreed accounted for 87.6% of the respondents.

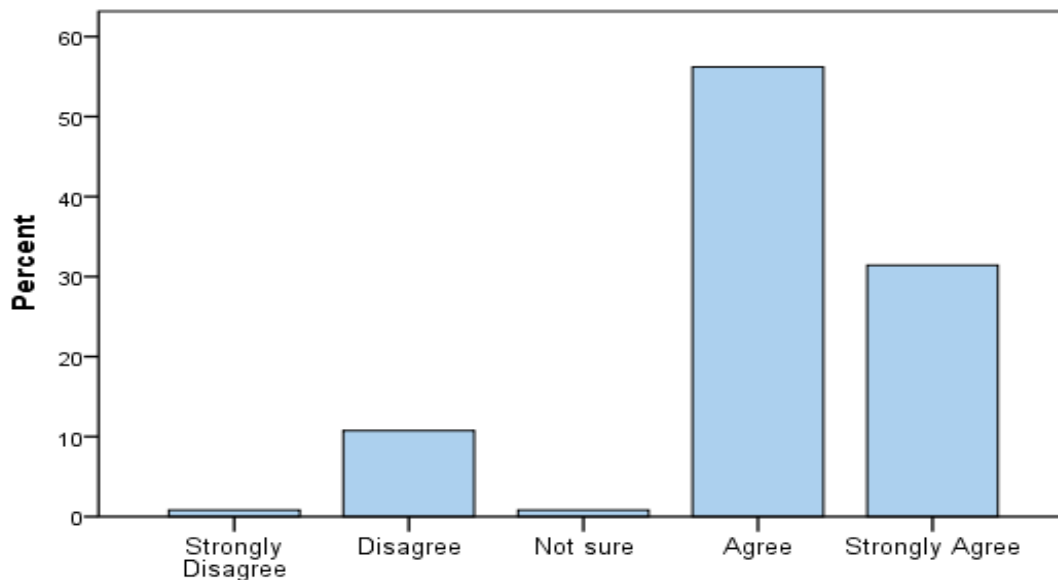


Figure 4.7: Startup capital

A limited amount of available startup capital obliges most owners of spaza shops to start businesses with little funding, which severely limits ability to invest in sufficient stock in order to make businesses viable (Van Scheers, 2010:6; Dickey, 1994:14). The lack of a sufficiently large capital investment creates a weak foundation for enabling take off effectively. A lack of capital determines the amount of stock with which an owner can start his or her business and it also affects the availability of sufficient space and other related infrastructure. It has been reported by the DTI (2008:7) that small businesses such as spaza shops have little access to sources of adequate capital. In addition, Dickey (1994:14) points out startup businesses have great difficulty expanding customer bases, as the capital they have at disposal does not allow them to advertise effectively, which jeopardises both sustainability and prospects of survival. It is generally acknowledged that a lack of startup capital severely hinders the effective taking off of newly-established businesses.

4.2.9.2 A lack of security to obtain bank loans

Table 4.7 below shows that 57.8% of the respondents agreed that a lack of collateral security constituted an obstacle to securing bank loans for startup businesses. Without personal savings, coupled with collateral security, such as a house or other fixed assets, financial institutions are not very willing to lend money in order to establish small businesses. Banks are even more reluctant to advance loans to start spaza shops, owing to the general inability of prospective owners to draw up proper business plans.

Table 4.7: A lack of collateral security

				Valid	
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	1	.8	.8	.8
	Disagree	27	22.3	22.5	23.3
	Not sure	22	18.2	18.3	41.7
	Agree	51	42.1	42.5	84.2
	Strongly agree	19	15.7	15.8	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

A good case could be made for entrepreneurial training qualifications to become an important criterion for financial institutions to use in order to extend loans to assist with the startups of spaza businesses in those instances in which there is a lack of collateral security.

4.2.9.3 A lack of experience in business

A lack of business experience also severely undermines the startups of spaza shops.

Table 4.8: A lack of experience in business

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	8	6.6	6.7	6.7
	Disagree	33	27.3	27.5	34.2
	Not sure	13	10.7	10.8	45.0
	Agree	53	43.8	44.2	89.2
	Strongly agree	13	10.7	10.8	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Table 4.8, shows that 43.8% of the respondents agreed and a further 10.7% strongly agreed that a lack of experience in business constituted a stumbling block which impeded the success of their businesses. As mentioned earlier in section 2.10.1.4, Van Rensburg (2010) draws between entrepreneurship and playing golf, is an apt one, as plunging into establishing a spaza business without a sound foundation of hands-on experience is a recipe for failure. There can be little doubt that experience plays a very significant role in the success of startup businesses and in determining their future courses.

4.2.9.5 A lack of networks to buy cheaply in bulk

Figure 4.8 depicts the group of 59.5% of the respondents who agreed that a lack of business networking had made it difficult for them to take advantage of the large discounts which are associated with buying in bulk. In the modern business world, without assistance to facilitate the purchasing of stock at the most competitive prices and without proper contacts and associations it is not easy to add value to businesses (Nieman & Nieuwenhuizen, 2009:192). It was found that most South African-owned spaza businesses tend to confine the activities to working only with members of own families, effectively precludes them from building solid business networks

outside of immediate families and from establishing ties which are based on mutual trust with other established businesses establishments, effectively excluded from participating in business networking.

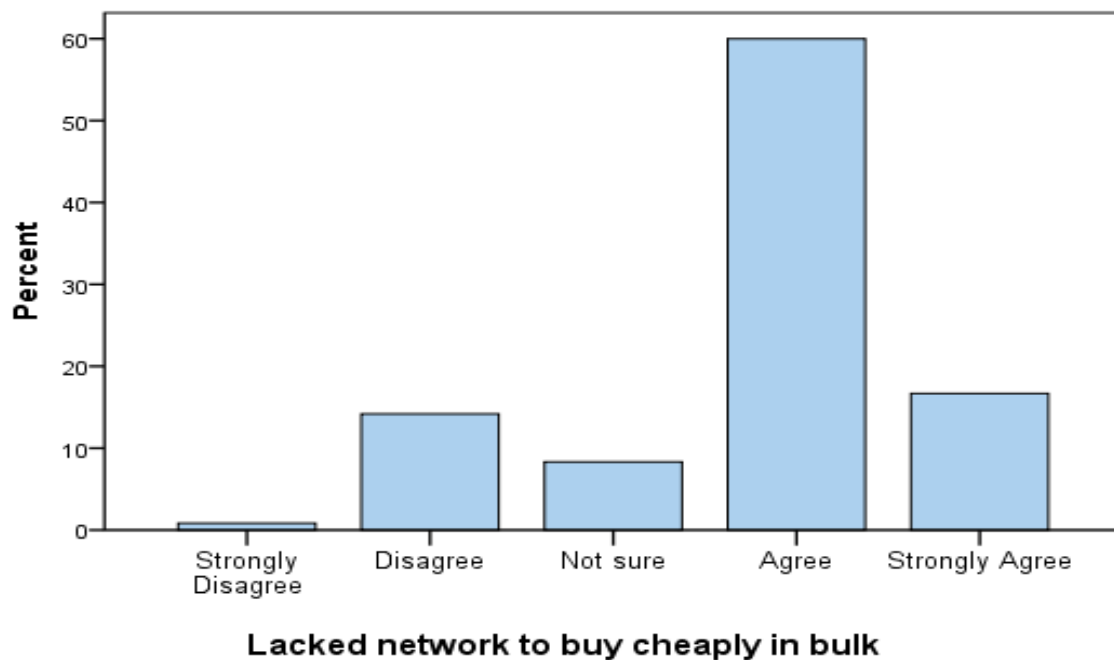


Figure 4.8: Lacked of business networks

This finding concurs with that of Chebelyon-Dalizu et al. (2010), who explain that spaza shops are not able to buy cheaply in bulk as a result of a lack of organised distribution network channels. As South African networks are weaker than those of their foreign counterparts owing to the inability of South African owners to establish associations characterised by mutual trust with other traders, they are unable to develop effective distribution networks.

4.2.9.6 High rental costs

As a majority of 52% of the respondents were found to be using their own homes or residential premises either to erect a shack or to locate a container as the premises from which they operate, the costs which are incurred through the paying of rentals were not considered to constitute a significant overhead for them, while 29.8% agreed and 12.4% strongly agreed that the cost of rentals constituted a major obstacle to the success of own businesses.

Table 4.9: High rental costs

				Valid	
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	9	7.4	7.4	7.4
	Disagree	54	44.6	44.6	52.1
	Not sure	7	5.8	5.8	57.9
	Agree	36	29.8	29.8	87.6
	Strongly agree	15	12.4	12.4	100.0
Total		121	100.0	100.0	

Table 4.9 above shows that the cost of rentals did not present any difficulties or obstacles for most of the respondents. To a certain extent this finding may be attributed to the fact that as the Gugulethu and Nyanga townships were established during the 1960s, the majority of the respondents owned the homes used as trading premises. This finding differs from that of Khosa and Kalitanyi (2014:213), who found that high rental costs constituted a significant overhead for non-South African entrepreneurs.

4.2.9.7 Improving security

Crime is a significant constraint which severely undermines the sustainability of spaza shops (Bear et al., 2004:3). This assessment was confirmed by the findings of this research study, as 39.7% of the respondents agreed and 17.4% strongly agreed that improving security consumes a considerable portion of their incomes, as spaza shops need to be fitted with burglar bars and alarms. A small minority of 3.3% of the respondents strongly disagreed and a further 24.8% disagreed that improving security had any appreciable effect on the incomes, which could suggest that these respondents may have inherited premises which are already satisfactorily secure. In addition, it could as well point to the fact that high profit return covers the cost of security for this group of respondents

4.2.9.9 A lack of business training

As can be seen in Table 4.10 below, a significantly large group of 48.7% of the respondents either agreed or strongly agreed that they had lacked the business training which is needed to ensure the success of businesses during the startup phase. Business training covers the acquisition of both management and financial skills. A significant portion of 29.8% of the respondents disagreed and a small minority of 3.3% strongly disagreed that they had lacked business training.

Table 4.10: A lack of business training

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	4	3.3	3.3	3.3
	Disagree	36	29.8	29.8	33.1
	Not sure	22	18.2	18.2	51.2
	Agree	51	42.1	42.1	93.4
	Strongly agree	8	6.6	6.6	100.0
Total		121	100.0	100.0	

In the absence of knowledge and training in sound business practices, owners of spaza shops find it difficult to cope with the demands of achieving sustainable growth in businesses (Rolfe et al., 2010; Perks, 2010).

4.2.9.10 Obtaining a business location

The respondents were fairly evenly divided in their responses to the question of whether obtaining a suitable location from which to operate businesses had constituted an obstacle during the startup phase, with 46.2% disagreeing that it had presented an obstacle, while 48% share the view that it was a challenge to get the space from which to operate businesses. This finding aligns with the assertion of Fakoti and Garwe (2010:731), who maintain that the location of a business is of vital importance, as it determines both the market potential and the opportunities for growth of new enterprises. As most South African owners of spaza shops use dwellings as

business premises, concerns such as market research and the locations of their businesses are coincidental in planning. Geographical proximity to both crucial buyers and supplier's results in a form of improved environmental scanning which promotes the ability of new businesses to identify and exploit opportunities for growth in the market. Mariotti and Glackin (2012:492) list the following considerations for deciding on a location for a business: accessibility for customers; access to suppliers; climate and geography; convenience; the cost of facilities such as rent or construction; demographics; economic conditions and business incentives; governmental regulations and laws; the labour pool; proximity to competitors and visibility.

4.2.9.11 Launching a business

As is shown in Table 4.11 below, a majority of 47.1% either agreed or strongly agreed that they had experienced difficulties in the launching of spaza businesses, which suggests that owners tend to start spaza businesses without formulating plans to ensure that the businesses will attract loyal customers. As most of these spaza shops operate within families, they tend to lack the degree of teamwork which is needed in order to develop a coherent vision with respect to the reasons from establishing the business.

Table 4.11: Launching a spaza business

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	1	.8	.8	.8
	Disagree	17	14.0	14.3	100
	Not sure	44	36.4	37.0	37.8
	Agree	33	27.3	27.7	85.7
	Strongly agree	24	19.8	20.2	58.0
	Total	119	98.3	100.0	
Missing	System	2	1.7		
Total		121	100.0		

Launching a business requires entrepreneurs who are connectors, in order to ensure that from the starting of the business a prospective customer base is created. In the launching of a business, it is of crucial importance to market and sell items for which customers are willing to pay. From the results which are reflected in Table 4.11 above, 36.4% of the respondents expressed uncertainty concerning the launching of business, implying that they were uncertain whether they had launched their businesses properly or not, which constitutes a respect in which the owners of spaza shops need to be properly empowered.

4.2.9.11 A lack of managerial skills

In Table 4.12 below it can be seen that 56.2% of the respondents either agreed or strongly agreed that a lack of managerial skills had undermined the success of their businesses during the startup phase. These skills pertain to components of management, which include planning, organising, leadership and coordinating. This finding is supported by the assertion of Perks (2010:448), who maintains that a lack of managerial skills constitutes a significant obstacle which limits and restricts the growth of spaza shops.

Table 4.12: A lack of managerial skills

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	1	.8	.8	.8
	Disagree	24	19.8	20.0	20.8
	Not sure	27	22.3	22.5	43.3
	Agree	61	50.4	50.8	94.2
	Strongly agree	7	5.8	5.8	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

These results could also be taken to bear out the assertion made by Van Rensburg (2010) that in order to achieve good entrepreneurial outcomes, entrepreneurs need to concentrate on developing the business and entrepreneurial skills. They could also align with the recommendation made by Nieuwenhuizen et al. (2008:2) that an entrepreneur should acquire a complete portfolio of management skills in order to manage a new business venture effectively, namely, project management, small business management, financial management, team-building and leadership and risk-management skills.

4.2.9.12 The lack of a family business background

A majority of 57.8% of the respondents either agreed or strongly agreed that the fact that no one in the families had operated a business had adversely affected the effective establishment of own spaza shops during the startup phase. In Table 2.13 below it can be seen that 24.7% disagreed and 7.4% strongly disagreed that they lacked a family business background. It may be concluded that these respondents may have been motivated to open shops because they had the foundation which is needed to run businesses of this sort. The value of well-structured mentoring and coaching programmes within family businesses can, to a certain extent, act as a vehicle for transferring skills and fulfil the need for succession planning. **The spaza trading culture dates back from the time when both Gugulethu and Nyanga townships were established, which would suggest that a great many of the present generation would be oriented towards entrepreneurship.**

Table 1.13: The lack of a family business background

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	9	7.4	7.4	7.4
	Disagree	30	24.8	24.8	32.2
	Not sure	12	9.9	9.9	42.1
	Agree	47	38.8	38.8	81.0
	Strongly agree	23	19.0	19.0	100.0
Total		121	100.0	100.0	

However, it needs to be borne in mind that the previous apartheid regime did not support the existence of spaza shops, which would have imposed severe restrictions on providing adequate mentoring and coaching programmes. According to Bolton and Thompson (2003:40), a family business may be compared with a relay race, in that the baton is always handed to another athlete to continue the race and in the case of a family business it is passed from parents to children, as a means of carrying on the legacy through succeeding generations. From another perspective, Bolton and Thompson (2003:41) also suggest that some children from solid business backgrounds tend to lack the willpower and drive needed for entrepreneurial success, because they have grown up to expect that all material desires will be fulfilled as a result of the affluence of their parents, without any effort being required of them.

4.2.10 Challenges faced by owners of spaza shops during the growth phase

4.2.10.1 The handling of financial records

The handling of financial records covers all aspects of keeping accounting records, which is a vital function of any business. Although it was evident that the respondents were aware of the importance of financial records, a majority of 51.2% agreed and a further 10.7% strongly agreed that they experienced great difficulty in the handling and maintaining of financial records. This finding aligns with similar findings obtained in a study conducted in Monwabisi Park in Khayelitsha, in which it was found that South African owners of spaza shops did not maintain financial records (Chebelyon-Dalizu et al., 2010). A significant portion of 29.8% of the research sample for this study disagreed, while a further 5% strongly disagreed, that they experience difficulty in the handling and maintaining of the financial records which enable owners to track the sales and profits generated during a given period.

Table 4.14: The handling of financial records

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	6	5.0	5.0	5.0
	Disagree	36	29.8	29.8	34.7
	Not sure	4	3.3	3.3	38.0
	Agree	62	51.2	51.2	89.3
	Strongly agree	13	10.7	10.7	100.0
Total		121	100.0	100.0	

As shown in Table 4.14 above, a total of 61.9% of the respondents felt that handling of financial records constituted an obstacle to the growth of businesses, which indicates that appropriate skills in financial accountability need to be developed if the spaza shops are to record meaningful growth.

4.2.10.2 Expansion capital

As can be seen in Figure 4.9 below, a large segment which comprised 49.15% of the respondents agreed and a further 16.10% strongly agreed that they believed that inability to obtain expansion capital was one of the main causes of the failure of businesses to achieve growth. The results of this study suggest that a lack of expansion capital is one of the chief inhibiting factors which affect the growth and expansion of South African-owned spaza shops.

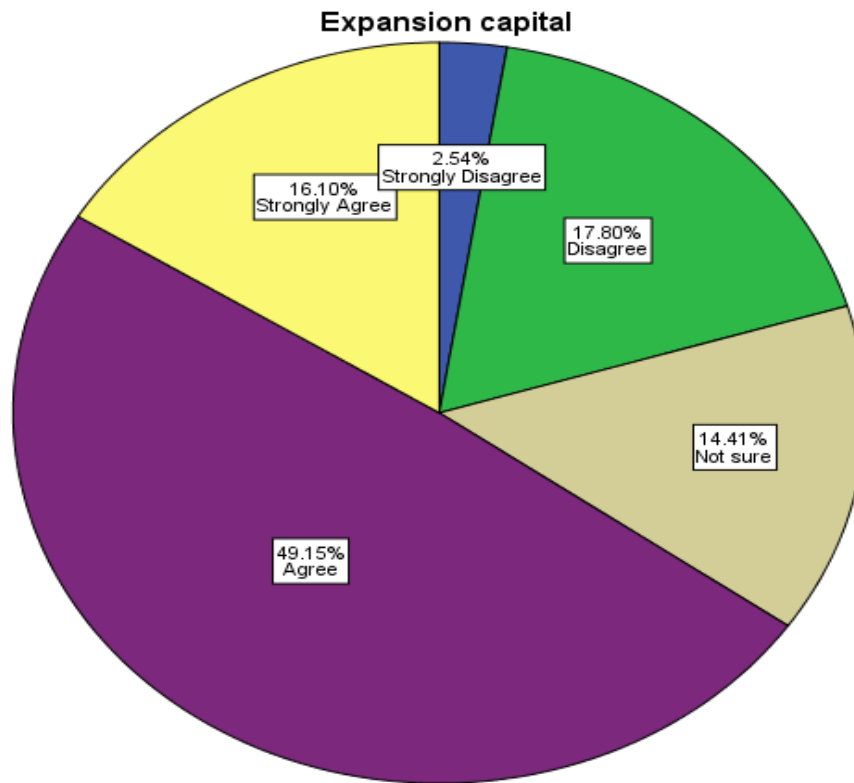


Figure 4.9: Expansion capital

These results align with the contention of Turton & Herrington (2012:45) in the literature which was reviewed that restricted access to business funding remains a hindering factor to the development of entrepreneurship. Limited startup capital obliges most South African-owned spaza shops to start with little capital and stock, which of necessity entails very slow rates of expansion (Dickey, 1994:14; Van Scheers, 2010:6) The availability of expansion capital would assist spaza shops to grow, and, in turn, would enable them to take advantage of the business opportunities which are to be found in the informal economy.

4.2.10.3 Transportation of stock

The costs entailed in the transportation of goods and merchandise from wholesalers or suppliers constitute another major concern for many South African owners of spaza shops. In Figure 4.10 there is a graphic depiction of the total of 71.9 % of the respondents who either agreed (47.9%) or agreed strongly (24%) that their operations were adversely affected by the costs incurred through the transportation of purchases from suppliers.

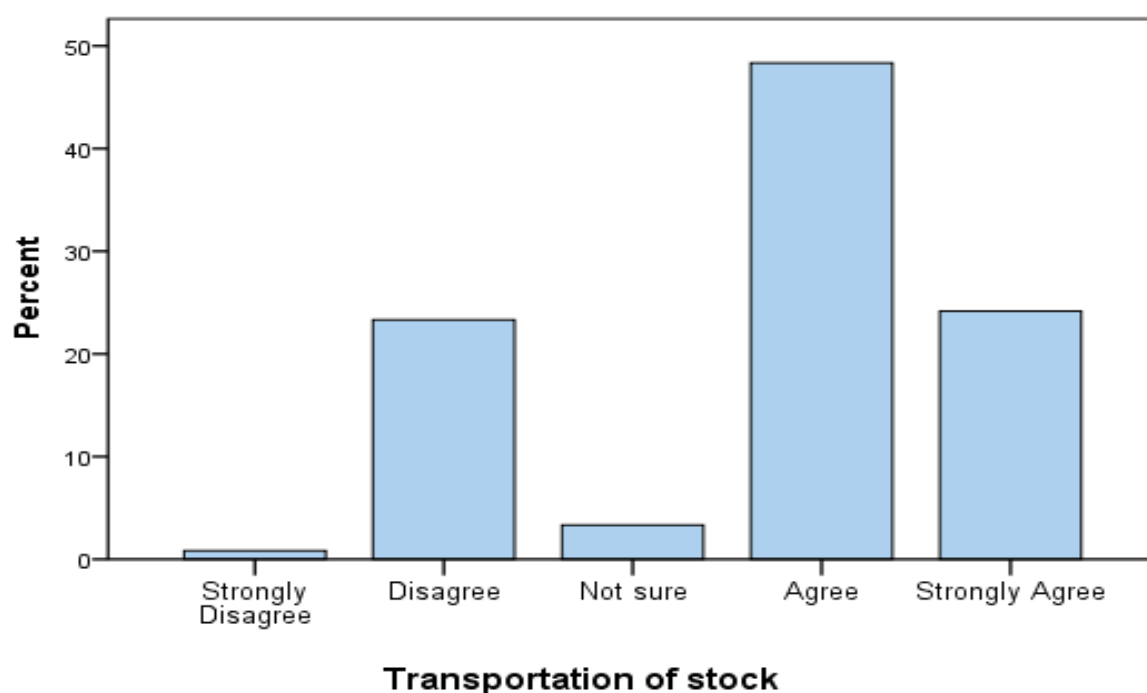


Figure 4.10: Transportation of stock

It was found that the owners of spaza shops were often obliged to make use of public transport to collect merchandise from wholesalers and to deliver it to the trading premises. This finding aligns with those of Ligthelm (2002; 2005b) and Kassim and Hendriks (2002:35), who found that owners of informal businesses such as spaza shops use public transport and privately-owned vehicles to transport purchases from wholesalers and other related suppliers.

4.2.10.4 Trading space

A majority of 48.8% of the respondents agreed that a shortage of trading space constituted an obstacle to the growth of own businesses, while 33.9% disagreed. By nature spaza shops tend to be very small and are often operated from a container, a shack or a room in the house of the owner and, as a result, they usually have limited trading space, with limited space for expansion from the outset (Terblanche, 1991; Gough et al., 2003:268). The structures from which spaza shops operates, usually cannot be extended, owing to physical limitations. Mugobo and Ukpere (2012), cited by Khosa and Kalitanyi (2014:210) conducted a similar study in which they found that only 46% of the participants believed that their businesses were adversely affected by a lack of trading space.

4.2.10.5 Crime

Crime or the fear of crime is another significant factor which negatively affects the growth and the success of the spaza shops in both the Nyanga and the Gugulethu townships. Figure 4.11 below depicts the 67.8% of the respondents who either agreed or strongly agreed that crime adversely affected the growth of own businesses. This finding clearly suggests that the high incidence of crime in the townships is perceived by most owners to constitute an impediment to the success of the spaza shops in these areas.

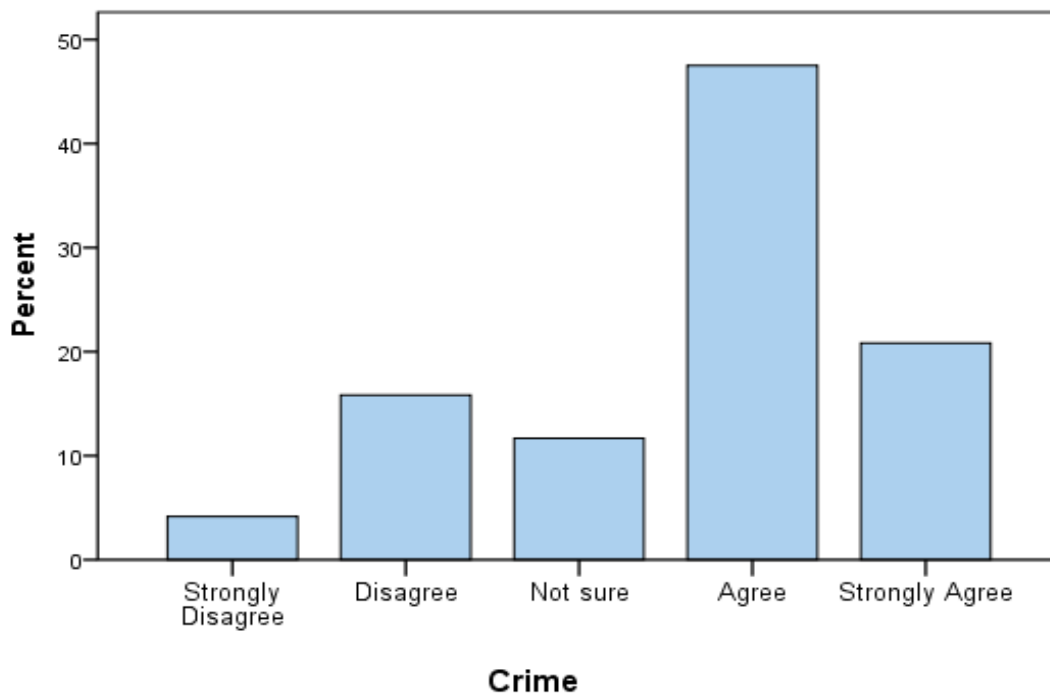


Figure 4.11: Crime

According to Bear et al. (2004:3), crime affects the sustainability of spaza shops, as such entities are always targeted by robbers and thieves, who associate them with having cash on premises. The major type of crime which affects most owners is burglary, although they are also vulnerable to robbery, during both the daylight hours and also in the evenings. In another study which was conducted across South Africa, Ligthelm (2005b:11) found that 25% of the 340 owners of spaza shops who were clients of Quatro Trading rated high rates of crime, in the form of robbery and burglary, as the second most severe constraint with which businesses are faced. There is a great need for owners of spaza shops to give adequate attention to safety measures. The installation of burglar doors could serve to discourage burglars to a certain extent and cashless payment systems such as debit cards or credit systems could help to reduce the numbers

of cash transactions made on the premises. However, in most cases the owners of spaza shops cannot afford to take these measures. It is also of crucial importance to encourage owners to join community policing forums in those instances in which they exist in their communities and to promote the formation in those instances in which they do not, as they have a key role to play in the fight against crime.

4.2.10.6 High security costs

Spaza shops need to have adequate security if they are to protect the wares from thieves. As both Gugulethu and Nyanga are among the most crime-ridden townships in South Africa, by default security becomes a vital priority for any entrepreneur who intends his or her business to survive.

Table 4.15: High security costs

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	7	5.8	5.8	5.8
	Disagree	38	31.4	31.7	89.2
	Not sure	19	15.7	15.8	57.5
	Agree	43	35.5	35.8	41.7
	Strongly agree	13	10.7	10.8	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

The results in Table 4.14 above show that 37.2% of the respondents did not regard the costs entailed by installing adequate security measures as a factor which affected businesses adversely. This finding could be attributable to the fact that as many of the spaza shops are operated from one of the rooms of the house in which the owner lives, it is likely that they would be adequately protected. The 46.2% of the respondents who did regard the cost of security measures as

affecting businesses adversely operated their shops from shacks or containers, where stock needs to be well secured.

4.2.10.7 Competition from the shopping malls

Competition is another significant factor which thwarts the success and growth of spaza shops. Spaza shops are obliged not only to compete among themselves, but more recently face stiff competition with the large-scale retailers who are operating in shopping malls which have been built in the townships.

Table 4.16: Competition from the shopping malls

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	6	5.0	5.0	5.0
	Disagree	27	22.3	22.7	27.7
	Not sure	19	15.7	16.0	43.7
	Agree	50	41.3	42.0	85.7
	Strongly agree	17	14.0	14.3	100.0
	Total	119	98.3	100.0	
Missing	System	2	1.7		
Total		121	100.0		

In the Gugulethu township large-scale retailers such as Spar and Shoprite are housed in the Gugulethu Square Mall, where they sell most of the items which are carried by spaza shops at lower prices, which has resulted in the emergence of a competitive business environment in which spaza shops are on the losing end. According to the responses reflected in Table 4.16 above, 55.3 % of the respondents perceived the malls as constituting a threat to the growth of own businesses, while a smaller group of 27.3% disagreed and 15.9% were not sure. This finding is similar to that of Chebelyon-Dalizu et al. (2010), who found that competition poses a real threat to small businesses, particularly to those which are located close to the shopping malls.

4.2.10.8 Competition from spaza shops owned by non-South Africans

Competition from spaza shops owned by non-South Africans has had a pronounced negative effect on the growth of South African-owned spaza shops. This assessment is borne out by the responses quantified in Table 4.17, as a significant majority of 75.2% of the respondents believed that the growth of spaza shops was being particularly negatively affected by competition from spaza shops are owned by non-South Africans. Only 14.1% did not perceive spaza shops owned by non-South Africans as a threat to the growth and the survival of businesses.

Table 4.17: Competition from non-South African owners of spaza shops

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	6	5.0	5.0	5.0
	Disagree	11	9.1	9.2	14.3
	Not sure	11	9.1	9.2	23.5
	Agree	63	52.1	52.9	76.5
	Strongly agree	28	23.1	23.5	100.0
	Total	119	98.3	100.0	
Missing	System	2	1.7		
Total		121	100.0		

A case in point could be provided by the township of Delft on the outskirts of Cape Town, where competition between non-South Africans and South Africans resulted in most South African owners of spaza shops losing businesses to foreigners (Liedeman et al., 2013:1-6; HSRC, 2014:12). The main reason cited for the declining of the South African-owned businesses was the inability of South Africans to match the pricing strategies of the Somali owners. This disadvantage was further aggravated by changing business relationships with wholesale distributors who were no longer willing to supply small shops. Before the rise of foreign-owned

spaza shops, shops which were operated from houses had been able to benefit from wholesale distribution networks (Dentlinger, 2009:1).

4.2.10.9 Assistance from the South African Spaza and Tuckshop Association

The purpose of the South African Spaza and Tuckshop Association is to encourage its members to move towards an inclusive approach to business, by means of which members are enabled to purchase their stock in a financially sensible manner by buying products collectively in bulk, instead of doing so as individual traders. The aim of this strategy is to ensure larger discounts, in order to enable members to sell at cheaper rate. It was found that the association was active in the Gugulethu and Nyanga townships and that 28.1% of the respondents agreed that they received assistance from the association, while 57.9% disagreed. Consequently, it may be assumed that although the association has a presence in the two townships, it is not yet achieving its stated goal of ensuring that South African owners of spaza shops are able to benefit from bulk purchasing, as a result of large discounts and reduced transport costs, in Gugulethu and Nyanga. This is because most owners of spaza shops are yet to avail themselves of the benefits association offers. According to Liedeman et al. (2013), foreign owners of spaza shops, particularly Somali owners, are proving to run businesses in a far more competitive manner than South African counterparts, which has been attributed to effective distribution networks and bargaining power in negotiating increased discounts through the use of well-established contacts (Dentlinger, 2009:1).

4.2.10.10 A lack of support from the government

Table 4.18 below shows that a total of 37.5% maintained that they did not receive support from the government in the form of services such as the providing of business advice, mentoring and financial assistance.

Table 4.18: A lack of support from the government

				Valid	
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	5	4.1	4.2	4.2
	Disagree	54	44.6	45.0	77.5
	Not sure	16	13.2	13.3	32.5
	Agree	18	14.9	15.0	19.2
	Strongly agree	27	22.3	22.5	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

A group which comprised 49.2% of the respondents either disagreed or strongly disagreed that they did not receive support of from the government. These findings indicated that support from the government in the form of programmes which are intended to assist South African owners of spaza shops to achieve growth in businesses were not accessible to a significant number of owners. These findings underline the need for strategies to enable easy access for small businesses to development services which promote entrepreneurship from the government in both the Nyanga and Gugulethu townships. According to Kumah (2014:1-8) and Van Scheers (2010:6), there is a general lack of support from the government for owners of spaza shops, particularly for those who are in the process of entering the sector.

4.2.10.11 A lack of information concerning services provided by the government

It was found that 47.9% of the respondents agreed and a further 14% strongly agreed that they lacked information concerning the services which are provided by the government to entrepreneurs in the informal sector, which served to hinder the growth of their businesses. This finding suggests that a great many owners of spaza shops are not aware of the structures the

government has created and the services offered to assist to achieve growth in businesses. This state of affairs is the result of a general lack of access to information pertaining to developing small business enterprises (Kumah, 2014:1-8).

4.2.10.12 Load-shedding and water-shedding

Figure 4.12 below depicts the distribution of perceptions of the respondents concerning whether or not load-shedding and water-shedding had adversely affected the growth of spaza shops. Although South Africa does not have a long history of load-shedding, during the past two years it has wrought havoc in both the formal and the informal sectors, quite apart from the inconvenience which it has caused to the general public of South Africa.

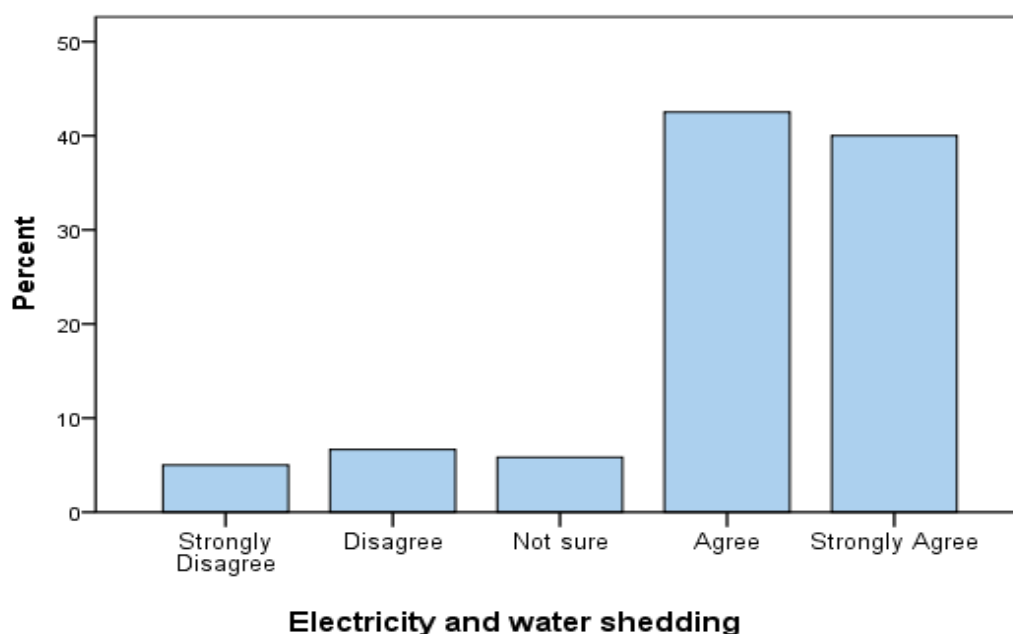


Figure 4:12: Load-shedding and water-shedding

A significant portion which comprised 39.7% of the respondents agreed and a further 38% strongly agreed that load-shedding and water-shedding had hindered the growth of their businesses, which accounted for 77.7% of the research sample. If load-shedding occurs from about 6:30 pm, it will have a direct effect on whether customers patronise the spaza shops in communities, as many would be afraid to walk to the shops, owing to the very real possibility of being attacked by criminals. For the owners of spaza shops, stocks of perishables such as margarine, fresh milk and chicken, which depend on refrigeration, are likely to be either contaminated or destroyed and to result in financial losses. In the event of load-shedding

occurring during the early evening, owing to fear of robbers, some owners elect to close shops early, in order to avoid further losses.

4.2.11 Strategies adopted by non-South African owners of spaza shops

What follows are the findings of the perceptions of black South African owners of spaza shops of the strategies which are adopted by foreign owners, in order to dominate the market.

4.2.11.1 Selling cheaply

As can be seen in Table 4.19 below, 81% of the respondents believed that spaza shops owned by non-South Africans sell products more cheaply than South African-owned ones do. As has been noted, non-South African owners employ several business strategies which give them an advantage over their indigenous counterparts, such as buying in bulk, in order to obtain increased discounts (HSRC, 2014:12; Liedeman et al., 2013:1-6). The point has already been made that the larger discounts which are made possible by bulk purchasing enable foreign entrepreneurs to adopt a pricing strategy to which South African owners of spaza shops are unable to respond in a competitive manner, which severely undermines the growth of shops.

Table 4.19: Selling cheaply

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	2	1.7	1.7	1.7
	Disagree	13	10.7	10.7	12.4
	Not sure	8	6.6	6.6	19.0
	Agree	52	43.0	43.0	62.0
	Strongly agree	46	38.0	38.0	100.0
Total		121	100.0	100.0	

Research has proved that items such as bread, rice, maize meal, milk, and eggs are generally cheaper when purchased from foreign-own spaza shops than when purchased from South

African counterparts, which has attracted significant numbers of customers to the foreign-owned shops, to the detriment of the growth of South African-owned ones (HSRC, 2014:12).

4.2.11.2 Having extended business hours

As Table 4.20 shows, a total of 69.4% of the respondents either agreed or strongly agreed that non-South African owners of spaza shops have extended trading hours, as it is generally believed that most close their shops at approximately 9 pm.

Table 4.20: Having extended business hours

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid		3	2.5	2.5	2.5
Valid	Disagree	10	8.3	8.3	8.3
	Not sure	27	22.3	22.3	30.6
	Agree	52	43.0	43.0	73.6
	Strongly agree	32	26.4	26.4	100.0
Total		121	100.0	100.0	

This finding aligns with the report of the HSRC (2014:12), which reveals that non-South African owners of spaza shops usually open shops as early as 6 am and close at approximately 9 pm. Foreigners spaza owners work for long operating hours enabling them to achieve high volumes of sales, thereby garnering high profits. Extended business hours often result in increased revenue and improved services for customers.

4.2.11.3 Maintaining high stock levels

As can be seen in Table 4.21 below, a total of 76.6% of the respondents either agreed or strongly agreed that foreign spaza shops maintain high levels of stock, as they sell a variety of items generally favoured by South African consumers.

Table 4.21: Maintaining high stock levels

		Valid			
		Frequency	Percentage	percentage	Cumulative percentage
Valid	Strongly disagree	7	5.8	5.8	5.8
	Disagree	6	5.0	5.0	10.8
	Not sure	13	10.7	10.8	21.7
	Agree	66	54.5	55.0	76.7
	Strongly agree	28	23.1	23.3	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

This finding concurs with that of Liedeman et al. (2013), who explain that non-South African owners of spaza shops make use of distribution networks to buy a variety of items cheaply in bulk, which gives them a competitive advantage over South African counterparts. This strategy improves the potential gross profits of foreign-owned spaza shops, as lower prices promote increased turnover, a pricing strategy which is known as Small Profit Quick Return. If stock is bought in bulk and the increased discounts passed on to the customers, there is usually great potential for increased volumes of sales. High stock levels ensure customer satisfaction, promote confidence and protect owners against the possibility of shortages of stock owing to delayed deliveries.

4.2.11.3 Having simple and austere lifestyles

A total of 76.86% of the respondents either agreed or strongly agreed that non-South African owners of spaza shops led simple and austere lives and adhered to saving practices by foregoing all of the luxuries which could jeopardise the growth of their businesses.

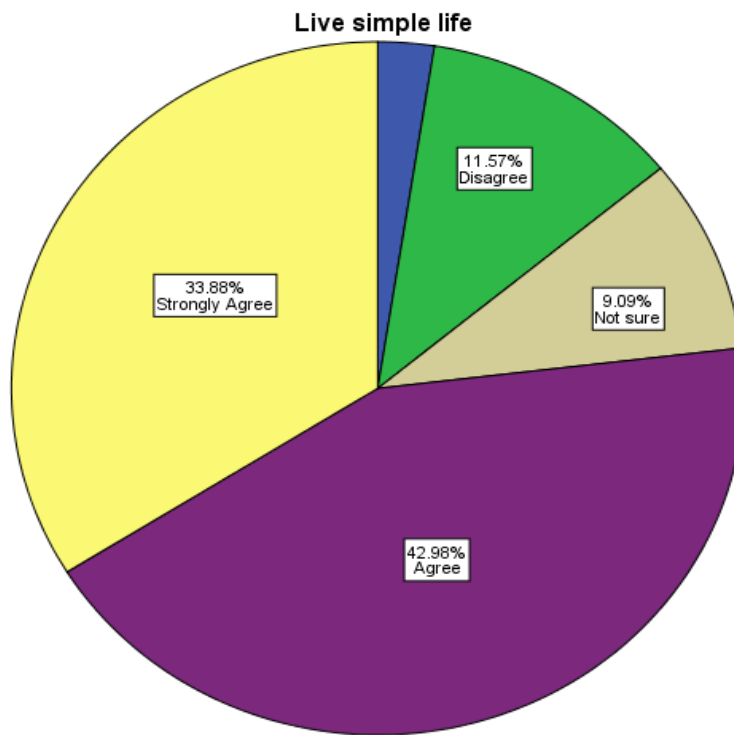


Figure 4.13: Perceptions of respondents of the simple and austere lifestyles of foreign owners of spaza shops

The findings which are depicted in Figure 4.13 align with the report of the HCRC (2014:12), which explains that as immigrant entrepreneurs in the informal sector do not have extravagant lifestyles, are able to save financial resources in order to maintain and to expand businesses. The money which is saved by foreign owners of spaza shops is often used to make infrastructural purchases, such as delivery vehicles and increased trading space, and also to invest in marketing strategies such as the use of billboards.

4.2.11.4 Making use of associations to buy cheaply in bulk

Non-South African entrepreneurs in the spaza sector tend to adopt a more collectivist approach to the running of businesses than South African counterparts, whose approach thus far has generally been more individualistic. The distinct differences between the business practices of the two groups have resulted in differences in buying methods, with non-South Africans practising collective buying in order to qualify for bulk discounts, which have a direct influence on pricing strategies and competitiveness. It was found that a significant majority of 78.5% of the respondents were aware that non-South African counterparts used their trading associations to buy cheaply in bulk, in order to achieve the competitive edge which is associated with doing

so. Whether South African entrepreneurs in the spaza sector are to make the best possible use of this awareness remains to be seen.

4.3 Summary

This chapter has presented the results upon which the findings of this research study are based. The results were obtained from the responses to the questions the research instrument was comprised, which were analysed with the help of SPSS software and presented in the form of frequency tables, bar graphs and pie charts. The presentation of each finding was accompanied by a discussion, which endeavoured to align each finding with the relevant literature, which had provided both an appropriate context and a theoretical framework for the research study. The results confirmed that South African owners of spaza shops are faced with a number of obstacles, particularly in the establishment of their businesses and achieving growth. These obstacles were found to include a lack of both financial and non-financial support, a lack of business management skills, a lack of entrepreneurial skills, a lack of business resources and a lack of experience in business management. At the same time, there is still great potential for the development of entrepreneurship in the Gugulethu and Nyanga townships. The findings of this study suggest that the government of South Africa needs to do more to ensure the sustainability of South African-owned small businesses such as spaza shops in the informal sector. It is the considered opinion of the researcher that there is a great need for aggressive measures to be adopted in order to promote the development of a favourable business environment for spaza businesses in these communities. The conclusions drawn from the findings of this study are presented and discussed in the final chapter, which will also offer recommendations on the basis of them.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The objective of this research study was to determine the factors which affect the startup and growth of South African-owned spaza shops in the Gugulethu and Nyanga townships. This chapter summarised the analysis of the results and endeavour to draw relevant and appropriate conclusions from the findings. It commenced with summaries of each chapter of the dissertation, before discussing the limitations of the study and proceeding to the conclusions which were drawn on the basis of a rigorous analysis of the findings. Recommendations were made on the basis of the conclusions which were drawn.

5.2 Summary of preceding chapters

Chapter One

This chapter provided an introduction and presented the relevant background to the research study, before proceeding to state the research problem and to list the research questions and the objectives of the study. Relevant concepts were explained and key words were defined, before proceeding to a discussion of the significance of the study and providing an introductory overview of the research design and the methodology which was used to conduct the study. A comprehensive discussion of the professional ethical standards of research in the social sciences, which were respected and rigorously adhered to at all times, was also included in this chapter.

Chapter Two

In this chapter the relevant available literature pertaining to the topic was reviewed in relation to the research questions of this study, by drawing on the findings of previous related research. Literature provided an international perspective enabled the phenomenon which the study sought to investigate to be viewed within a global economic context.

The study endeavoured to determine the reasons for which South African entrepreneurs in the informal sector embark upon establishing spaza shops communities and also the factors which affect the startups and the growth of these small grocery shop businesses, within the context of South Africa's informal economy.

The chapter commenced with a discussion of entrepreneurship, the theories which are related to the concept and the reasons associated with its various manifestations. The legal framework in South Africa which pertains to the informal economy was discussed, followed by a broad discussion of the informal economy and the theories associated with its emergence. The discussion also covered spaza shops as a means of earning a living, with a particular emphasis on the challenges associated with their startup and growth phases. Among the most significant challenges during the startup phase for South African entrepreneurs are a lack of startup capital, a lack of savings and collateral security, a lack of business networks, a lack of business experience and a general lack of information pertaining to the effective running of small businesses in the informal sector. The challenges inhibit the growth of spaza shops once established include a lack of expansion capital, crime, an inability to handle and maintain financial records, competition, limited trading space, a lack of access to loans and an inability to manage cash-flow.

In addition, the chapter provided a brief discussion of non-South African entrepreneurs and the strategies which enable them to outclass South African-owned spaza shops. These strategies included bulk buying, the avoidance of extravagant lifestyles, strict saving practices, the extending of credit facilities to customers, strong business networks, the use of cheap labour, providing their customers with special offers and discounts and a small profits and quick returns pricing strategy.

Chapter Three

This chapter was devoted to a discussion of the methodology employed to conduct this research study, including the approach adopted, the research design and the instrument used to collect the data. It also provided a detailed discussion of the measures taken in order to ensure the validity and the reliability of the research instrument. The chapter also included a justification of the methods and procedures followed by the researcher and an explanation of why they were deemed suitable for the purposes of the study.

Chapter Four

This chapter took the form of a presentation and an analysis of the data and a discussion of the findings. The quantitative data was collected through self-administered questionnaires. The data was presented and analysed in relation to the research questions. The findings were presented in both tabular and graphic formats, followed by an analysis and an interpretation. The findings

addressed the research questions and research objectives of the study, and were compared with literature reviews and other studies.

The first of the findings presented concerned the demographic details of the respondents, which included the respondents' gender, ages, home languages and the highest levels of education attained. These were followed by information pertaining to their businesses, such as the numbers of years for which their spaza shops had been in operation, whether or not they used formal bookkeeping practices and the numbers of employees whom they employed, if they employed any. The second part of the findings concerned reasons for starting spaza shops and the specific challenges faced, during both the startup and the growth phases of their operations. The chapter concluded by providing an overview of the strategies which are employed by non-South African owners of spaza shops, which enable them to maintain a very competitive presence in the sector.

Chapter Five

This chapter concludes the study. Recommendations made concerning both South African owners of spaza shops and the relevant municipal authorities. These recommendations are intended to provide guidance concerning how South African owners of spaza shops may overcome the challenges which they encounter during the startup and the growth phases of their businesses, in order to enable them to develop businesses in a manner which makes them more sustainable. The objectives of the research study were achieved and the research questions were answered. The researcher believes that the results, the conclusions and the recommendations align with one another to an acceptable degree.

5.3 Objectives and findings

The main objective of this study was to determine the factors which affect the startup and growth phases of South African-owned spaza shops in the Gugulethu and Nyanga townships.

The following sub-objectives were articulated in order to achieve the main objective:

5.3.1 Sub-objective 1

To determine the reasons for which black South Africans choose to start small grocery shops or spaza shops

It was found that the reasons were:

- The creation of personal wealth was considered as a significant motivation for starting a spaza shop.

- In order to provide employment through becoming self-employed.
- As previous employment had not provided security, opening a spaza shop had been considered to provide an improved guarantee of sustainable employment.
- Motivation had been provided by non-South African entrepreneurs who were running successful spaza shops.
- Some respondents were encouraged to start businesses as a result of previous experience in other industries.
- The prospect of improved social standing had motivated a significant number to start their small grocery shops.
- The desire to become self-employed had inspired some of the respondents to embark upon the establishment of spaza shops.

5.3.2 Sub-objective 2

To determine the challenges which affect South African-owned spaza shops during the startup phase

The findings were:

- A lack of startup capital constitutes a significant obstacle for many South African entrepreneurs who endeavour to start spaza businesses.
- A lack of collateral security precludes the obtaining of loans from banks, as banks and other financial institutions are not prepared to advance capital in the absence of adequate collateral security.
- High rental costs can present obstacles to starting spaza businesses if the businesses are not to be run from the homes of owners.
- Limited space for running businesses was perceived as an obstacle to starting a business by some of the respondents.
- A lack of adequate networks to enable the making of bulk purchases was perceived by some of the respondents to retard the ability of startup businesses to take off.
- A lack of managerial skills had contributed to the difficulties which had been encountered during the startup phase.
- The lack of a family background in business had made the startup phase difficult for many of the respondents.
- A lack of business training affected the effective establishment of several spaza shops.

- Financing adequate security measures was too costly for many owners of spaza shops, particularly during the startup phase.
- A lack of experience in running any form of business created severe difficulties for many South African owners of spaza shops.
- Ensuring the effective launching of their spaza businesses presented difficulties for many owners of startup spaza shops.

5.3.3 Sub-objective 3

To determine the factors which inhibit the growth of South African-owned spaza businesses

The findings were:

- Competition is a constraint to growth.
- The inability to handle and maintain financial records impedes the growth of South African-owned spaza shops.
- As expansion capital is generally not easily obtainable, growth is effectively constrained.
- The cost of transporting stock inhibits the ability to sell at competitive prices.
- Small trading spaces limit the ability of spaza shops to expand.
- Crime severely undermines the growth of spaza businesses.
- High security costs absorb profits which could be used for expansion.
- Competition from the shopping malls undermines the potential for growth of spaza businesses.
- Competition from non-South African-owned spaza shops constitutes a significant obstacle to growth for South African-owned spaza businesses.
- A lack of understanding of the services which are offered by government agencies to small businesses hinders the growth of South African-owned spaza businesses.
- Load-shedding and water-shedding adversely affect the growth of spaza shops.

5.3.4 To determine the strategies which are used by non-South Africans to promote sustainability of their spaza shops

The findings were:

- Having extended trading hours promotes growth for foreign-owned spaza shops through increased volumes of sales.

- Foreign owners of spaza shops make use of associations to buy cheaply in bulk.
- Foreign-owned spaza shops offer customers very competitive prices.
- Foreign owners of spaza shops lead austere lifestyles, in order to allocate financial resources to measures which promote the growth businesses.
- Foreign-owned spaza shops stock a wide variety of products.

5.4 Recommendations

The following recommendations are made on the basis of the findings, an analysis and the conclusions drawn. The recommendations should assist South African owners of spaza shops to develop effective strategies in order to overcome the challenges faced during the startup and the growth phases of businesses, to enable them to mature as entrepreneurs and to make the transition to owning formal businesses. The recommendations will also endeavour to assist both the management of the City Council of Cape Town and the banks, in order for a concerted effort to be made to promote the sustainability of South African-owned spaza shops.

On the basis of the findings of this research study, the following recommendations are made:

5.4.1 Recommendations for South African owners of spaza shops

Recommendation 1

As effective networking constitutes one of the most significant factors for the success and growth of all spaza businesses, South African owners of spaza shops need to form viable and reliable distribution networking associations, which need to be based on the conducting of collective transactions with wholesalers and suppliers. Networking associations of this sort have the ability to enable the members of the associations to benefit from reduced transport costs and from the increased discounts which bulk purchases permit. Mobile technology can also be used by owners of spaza shops to strengthen their networking business dealings through forming WhatsApp business groups, through which members of the groups are able to place orders in a manner which enables all of the members of the group to determine whether combined orders are sufficiently large to warrant large discounts from their suppliers. Through these groups, members would be able to share best practices and also to share information concerning funding and alternative suppliers.

Recommendation 2

At present crime severely undermines the growth of spaza shop businesses, as owners are always vulnerable to the debilitating effects which result from robbery and burglary.

Owners of spaza shops need to initiate the formation of organisations of community-based safety volunteers, with the endorsement of community leaders, in order to patrol the hot spots which have been identified during certain times of the day and night. Owners would also need to support the safety volunteers by paying them a stipend as an incentive for assuming an active role in measures to prevent crime. In the absence of safety volunteers and a visible police presence, owners of spaza shops need to be acutely aware of the dangers which are inherent in remaining open until late and they need to prioritise security installations on their premises. The challenge crime presents can be effectively dealt with if owners, the police and the members of communities work together for the good of communities. There is a great need for real cooperation in terms of sharing information concerning known criminal elements, in order to enable the police to have an insider's perspective of the workings of the organised criminal elements in the various township communities. South African owners of spaza shops need to work collectively together in this respect and to forge strong links with local police departments, in order to enable them to report suspicious activities, whenever it is possible to do so, before crimes are committed. Police visibility is of crucial importance in townships such as Gugulethu and Nyanga. Owners of spaza shops need to have access to police section commanders, in order to enable them to report instances of police on duty not reacting promptly when crimes are reported.

Recommendation 3

The problems caused by load-shedding in Gugulethu and Nyanga make it necessary for the owners of spaza shops to become proactive by considering other sources of energy, such as solar energy and electrical generators, to keep perishable products refrigerated. While load-shedding is in progress, owners need to ensure that premises are well lit, both inside and outside. A well-lit business environment attracts customers, as they are able to see in order to make purchases and a well-lit environment will always be regarded by customers as being less threatening than a dimly-lit one. Owners also need to store cash in very safe places, in order to be able to make use of it when emergencies arise, such as when ATMs are not working, as a result of load-shedding.

Recommendation 4

Inadequate access to finance was identified as a severe obstacle for South African-owned spaza shops, during both startup and growth phases. Access to finance is of vital importance, particularly during the start-up phase, in which considerable outlays are required for the purchasing of sufficient stock, advertising, security upgrades and the paying of electricity bills. Owners of spaza shops need to explore the various ways in which capital can be raised, such as through personal savings with stokvels such as Umgalelo or partnering with people whose financial resources enable them to invest in business ventures. Partnering with people who have the necessary financial resources ensures the availability of increased startup capital, which can be used to purchase a wide variety of stock, to pay for security upgrades and to promote the successful launching of their businesses. In some instances, money can be borrowed at favourable rates of interest from members of the families of owners in order to expand their businesses, when they are able to articulate their visions for their businesses sufficiently well to them.

Recommendation 5

It was found that the transporting of stock from suppliers constituted another stumbling block which negatively affected the success of South African-owned spaza shops and that individual owners were often obliged to make use of means of transportation which were costly. It is recommended that owners of spaza shops should form WhatsApp groups enabling them to communicate with other owners in order to make use of a collective transport system. There are private transport operations whose owners are always prepared to assist if they are approached by organised groups of this sort. Although some owners have vehicles which could be used to transport stock for other owners at reasonable prices, because they are involved in negative competition with other owners, which in some cases results in intense jealousy or even hatred, the possibility of meaningful collaboration in the South African-owned segment of the sector is usually precluded. Until the value of collaboration is recognised by South African owners of spaza shops and they are able to work together in order to achieve reduced operating costs, the success of their businesses is likely to continue to lag behind that of their foreign counterparts.

Recommendation 6

Limited business space was also identified as constituting an obstacle to the growth of South African-owned spaza-shops. As it has already been noted, South African owners usually use containers, shacks or rooms within their homes and these structures cannot accommodate the

need for additional space. In order to maximise their ability to make good use of the space which is available to them, owners need to concentrate on fast-moving stock. However, if they are holding large quantities of particular items of stock, they need to display only a few of each on shelves and to store the rest of the merchandise in the boxes in which it was purchased and to keep the sealed boxes beneath the shelves. As far as it is possible to do so, owners need to avoid carrying slow-moving items. Successful owners could consider moving to larger operating spaces, provided that they are able to retain their customer bases by doing so.

Recommendation 7

As it has been noted, the strategies which are used by non-South African owners of spaza shops are perceived by South African counterparts to threaten and to destabilise the growth of businesses. It is recommended that South African owners should study these strategies and adapt them to meet their own needs, by establishing effective collaborative distribution networks to enable them to buy stock in bulk, in order to make use of the increased discounts which foreign counterparts have used very effectively to their own advantage to date. Adopting strategies of this sort would enable them to sell their products to their customers at competitive prices and living frugally in order to allocate most of their resources to own businesses would enable maximisation of the capital which is available for expansion and growth.

5.4.2 Recommendations for the management of the City of Cape Town Council

Recommendation 1

A lack of management skills and a lack of business training, coupled with inadequate knowledge of financial accountability, have created immense obstacles for emerging entrepreneurs in the informal sector in South Africa. In the case of the townships which fall within the Cape Town Metropole, the City of Cape Town Council and the private sector need to work together to prioritise investment in business training and management for entrepreneurs in the informal sector and to promote the development of entrepreneurship, particularly in less privileged communities such as the Gugulethu and Nyanga townships. Developmental investment in business skills needs to have a strong focus on empowering owners of spaza shops in the domains of management skills, finance, marketing and business training. Owners need to be given in-service training which will enable them to make use of the practical knowledge. Once entrepreneurs are well equipped with the necessary skills, even those financial institutions which are reluctant to extend credit in the form of loans to the informal sector will become more

amenable to doing so, as their confidence in the financial abilities of properly trained entrepreneurs in the sector grows. Appropriate training holds the key to granting easy access to business funding to South African owners of spaza shops who wish to increase their expansion capital.

Recommendation 2

In Gugulethu there are schools which specialise in practical training, such as the Siviwe School of Skills and the Gugulethu Comprehensive Secondary School. These schools are very productive, as they offer training in trades such as engineering, welding, automotive maintenance, food and nutrition, building, garment manufacture and computer literacy. The researcher recommends that the Western Cape Education Department, through schools of this sort, should visit South African-owned spaza shops in order to market the products which they offer, as these entrepreneurs represent a ready market for them. Products such as confectionery and other bakery products can be purchased at reasonable prices from the Siviwe School of Skills, although a solution may need to be found in order to offset the high transport costs which may be entailed. The owners of spaza shops, as members of the same community which the schools serve, would be able to bargain with the schools in order to negotiate prices which would enable them to compete with their foreign counterparts and in the process, they could encourage the schools to be productive. The schools have state-of-the-art equipment, supplied by the Western Cape Education Department. These resources are intended to be used to train learners, in order to enable them to become self-reliant once they have left school. The security of spaza shops could also be improved at reduced prices by contracting schools of this sort to carry out work such as the fitting of burglar bars. Products and services can always be provided at special prices by these schools, as no labour costs are involved and learners perform the work as a part of on job training, which would enable them to generate additional income for their schools by doing so.

Recommendation 3

Training in management and finance can be provided if the City of Cape Town Council and the private sector establish resource centres at the schools which are dedicated to providing training in skills which are needed by the economy of the country. In the Gugulethu and Nyanga townships there are schools such as ID Mkhize High, a designated school of commerce and management. These schools already have the necessary infrastructure and other resources to enable them to offer training in entrepreneurship to owners of spaza shops. Follow-up training

can also easily be offered, as the trainers or facilitators, who in this case are teachers of commerce, will either live or work in the same townships as the owners of the spaza shops. Government support structures, such as the DTI, need to become more visible in the disadvantaged townships of Gugulethu and Nyanga, as the services they provide are most needed in areas in which economic development is of crucial importance to social upliftment.

Recommendation 4

The managers of the city and the financial institutions need to work in partnership, in order to cultivate a culture of saving among South African owners of spaza shops. It needs to be made compulsory for owners of spaza shops to contribute a portion of their profits to Umgalelo or bank savings club accounts. These funds could then be withdrawn after a particular period of time, in order for them to be used to expand businesses. Membership of Umgalelo or a bank savings club could also be used as criteria for banks to provide entrepreneurs in the informal sector with loans. Umgalelo is a community-based association, which was started in order to meet the micro-financial needs of its members, in the form of receiving financial assistance and of being able to provide assistance to one another. The fact that the members of these associations have positive bank balances ought to be sufficient to convince the finance institutions to discard collateral security as the sole criterion for the issuing of loans. Instead, the banks could employ some of the leaders of recognised stokvels or senior staff of Umgalelo as consultants. The consultants could assist with information to enable members to apply for loans on the basis of histories within the informal organisations to which they belong. Financial institutions should treat the stokvels as partners and share information which promotes the sustainability of spaza shops.

Recommendation 5

The cost of rent was cited as a factor which constrained growth by a significantly large group of respondents. It is recommended that effective use of the South African Spaza and Tuckshop Association to negotiate acceptable rentals yields beneficial results for those owners who need to rent premises. With the assistance of the City of Cape Town Council, officials who represent the council could be tasked with visiting each owner who requires assistance, in order to determine how much he or she may be paying to rent his or her business premises. Council officials, working in collaboration with the association, would be in a position to arrive at fair rentals which could be used as a starting point for negotiation. Individual owners of spaza shops also need to learn to negotiate, in order to convince landlords to charge reasonable rentals.

5.4.4 Recommendations for financial institutions

Recommendation 1

The inability to handle and maintain financial records constitutes yet another significant impediment for most owners of spaza shops. Although the major banks have branches in the Gugulethu and Nyanga townships, the role of banks such as Absa, FNB and Standard Bank needs to be extended. There is a need for banks to organise business forums for spaza shops, using community facilities as schools and churches, in which financial institutions provide education in financial literacy and clearly explain their roles to entrepreneurs in these communities and how they are able to assist the owners of small grocery shops. As the banks are among the chief providers of loans, they are able to educate the owners of spaza shops concerning how financial records such as journals, source documents and income statements are maintained. The banks usually always insist on financial accountability as a criterion for the advancement of loans. Accordingly, a relationship of mutual trust needs to be developed between the banks and the associations of the spaza shops, and the only way in which one could be effectively achieved would be through the banks taking a leading role in the instilling of financial literacy. Accounting records would be much easier to maintain if the spaza owners were to be taught to use computers and accounting software to record transactions and to prepare year-end financial statements.

Recommendation 2

Most owners of spaza shops are not able to obtain expansion capital in the form of loans because the banks always consider collateral security as prerequisite for provision of loans. Most owners of spaza shops do not own assets of any sort which they could offer as a guarantee against non-payment. It is recommended that banks should not use collateral security as a requirement for obtaining loans and that, instead, they should insist on proper training in business and finance. If this criterion were to be applied, it would encourage entrepreneurs in the informal sector to acquire formal business training, which would, in turn, facilitate the transition to formal businesses, which could have very positive implications for the overall development of the economy of the country.

5.5 Limitations of the study and suggestions for further research

As it was explained in Chapter 1 section 1.8, one of the limitations of this study is that it was conducted only in the Gugulethu and Nyanga townships in Cape Town. Consequently, the

findings concerning the factors which affect the growth of South African-owned spaza shops may not be able to be generalised to other geographical areas of South Africa, as their circumstances in terms of business training and the development of entrepreneurship development may be different. It is recommended that further research should be conducted in townships in other parts of South Africa which have similar socio-economic characteristics to those of the Gugulethu and Nyanga townships, in order to gain a more comprehensive understanding of the unique needs of each. This suggestion is made on the basis of the conclusion that should a specific intervention be proposed, it should subsequently be customised to meet the specific needs of each individual township, in an overall strategy to provide the degree of socio-economic development required in order to fulfil the promises which were made to the people of South Africa in 1994.

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Appendix A: Letter of consent from ward councillor for Gugulethu and Nyanga

Consent Letter



**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**

Making progress possible. Together.

**Endlovini Hall
Koornof Street
New Crossroads
7755**

**Councillor Luvuyo Zondani
Ward 38

Cell: 082 494 0521
luvuyo.zondani@capetown.gov.za**

16 May 2016

RE: Consent letter for a research project

“Factors affecting the growth of local owned spaza shops in selected Townships in South Africa”

Attention: CPUT Research Committee

Dear Sir/Madam

As a Ward Councillor of Gugulethu, Nyanga and New Crossroads I fully endorse and support an initiative to execute this research in our community.

We will also appreciate, if the conclusion of the research where possible to be supplied with the final report of the research.

We wish your Maters Student (Mr Josephat Mukwarami) the best for the 1 month ahead whilst doing this research in our community.

Feel free to call me, if need arise.

Regards
Cllr Zondani

Appendix B: Research questionnaire

QUESTIONNAIRE

Dear owners of spaza shops in Gugulethu and Nyanga,

I am a student who is carrying out a research study concerning the factors which affect the growth of locally-owned spaza shops in the Gugulethu and Nyanga townships. I am requesting your cooperation with regard to your participation in this survey. It is important to inform you that your participation in this survey is completely voluntary and that all of your views will be kept confidential and treated with the utmost respect. This academic research is also guided by the ethical codes of conduct which are prescribed by the university which I attend. This survey will not take more than 40 minutes of your time. By completing this survey, you indicate your willingness to participate. Thank you very much for your time and your valuable input.

Mark the applicable block with a cross (X). Complete the applicable information.

SECTION

A:

What is your gender?	Male		Female	
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DEMOGRAPHIC INFORMATION

1.

2.

How old are you?	0 – 20 years	15 – 21 years	22 – 35 years	36 – 50 years	51 years and above

3.

What is the highest level of education which you have attained?	No formal education		Matric	
	Primary		Diploma / Degree	
	Grade 8 – 11		Postgraduate	

4.

Home language	IsiXhosa	Afrikaans	Zulu	Other

SECTION B: BUSINESS INFORMATION

5.	How long have you been operating this spaza shop?	
6.	Do you make use of a formal bookkeeping system? (Yes / No)	
7.	How many people are working or employed in this business?	

SECTION C : MAIN REASONS FOR STARTING A SPAZA SHOP.

	STATEMENT	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
		1	2	3	4	5
8.	To create personal wealth through owning a successful business					
9.	Lack of security in previous employment					
10.	As my previous employment did not pay me well, opening a shop was an alternative for					
11.	I wished to become self-employed					
12.	To be self-employed, as I could not find any other form of employment					
13.	Qualifications have given me the confidence to run a business of my own					
14.	I was motivated by non-South Africans who are running successful spaza shops					
15.	My business background inspired me to consider starting a spaza shop					

16.	To improve my social standing in my community					
-----	---	--	--	--	--	--

17. Apart from the main reason for starting the spaza shop which you have provided above, did you have any other reasons which might have encouraged you to start a spaza shop business? .Please specify them:

Section D: Challenges faced by spaza shop during the startup phase

	STATEMENT	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
		1	2	3	4	5
18.	Startup capital was not easy to raise					
19.	I lacked collateral security to borrow money from the bank					
20.	I did not have experience in running any form of business					
21.	I did not have a network to assist me to buy cheaply in bulk					
22.	The cost of rent was too high					
23.	I spent a considerable amount of money on improving the security of my shop					
24.	A lack of business training affected my business.					

25.	Obtaining a suitable business location was a challenge					
26.	A lack of prior business knowledge affected the successful launching of my spaza business					
27.	Managerial skills contributed to the challenges of an effective startup.					
28.	A lack of involvement in a family business early in life hindered my progress in business					

29. Apart from the startup challenges which you have mentioned above, did you have any other startup challenges which you would like to bring to my attention? Please, specify them: _____

Section E: Challenges faced by spaza shops during the growth phase

	STATEMENT	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
		1	2	3	4	5
30.	Handling financial records is still a challenge					
31.	Expansion capital is not easily obtainable					
32.	Transportation of stock is very costly					
33.	The availability of trading space limits the expansion of the shop					
34.	Does crime affect the growth of your business?					
35.	High security costs are absorbing a part of my expansion capital					
36.	Competition from shopping malls is affecting the performance my business					

37.	Competition from foreign spaza shops is affecting the growth of my spaza business					
38.	Being a member of the South African Spaza and Tuckshop Association assists me					
39.	The South African government is not supportive of spaza shops.					
40.	I do not have a good understanding of the services which are offered by government agencies to small businesses					
41.	Load-shedding and water-shedding are affecting the growth of spaza shops					

42. Apart from the challenges which you have mentioned above, do you have any other challenges which you would like to bring to my attention ? Please specify them: _____

SECTION F: BUSINESS STRATEGIES USED BY NON-SOUTH AFRICANS

	STATEMENT	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
		1	2	3	4	5
43.	Foreign owners of spaza shops sell more cheaply than South African owners of spaza shops					
44.	Keeping spaza shops open for long hours allows foreign-owned spaza shops to grow, as they make more sales					
45.	Non-South African-owned spaza shops have higher stock levels than South African-owned spaza shops					

46.	Non South African owners of spaza shops lead simple lifestyles to enable them to save their finances in order to promote the growth of their businesses					
47.	Non-South African owners of spaza shops make use of their associations to buy cheaply in bulk					

Thank you for co-operation

Dr R.K. Tengeh (Supervisor of Researcher)

Email: tengehr@cput.ac.za

Tel: +27 21 460 3450 Cell: 082 640 8558

Mr J.Mukwarami (Researcher) Email: jolief2006@yahoo.com

Cell:0718665514

Appendix C: Statistical analysis

Frequency Tables

Q1 Gender

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	F	50	41.3	41.3	41.3
	M	71	58.7	58.7	100.0
	Total	121	100.0	100.0	

GenderCat Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	M	71	58.7	58.7	58.7
	F	50	41.3	41.3	100.0
	Total	121	100.0	100.0	

Q2 Age

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	0 - 21 years	18	14.9	14.9	14.9
	22 - 35 years	38	31.4	31.4	46.3
	36 - 50 years	49	40.5	40.5	86.8
	More than 50 years	16	13.2	13.2	100.0
	Total	121	100.0	100.0	

Q3 Highest qualifications

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Diploma	5	4.1	4.1	4.1
	Grade 8 - 11	41	33.9	33.9	38.0
	Matriculation	43	35.5	35.5	73.6
	No formal education	15	12.4	12.4	86.0
	Primary school	17	14.0	14.0	100.0
	Total	121	100.0	100.0	

Qualifications

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	No formal education	15	12.4	12.4	12.4
	Primary school	17	14.0	14.0	26.4
	Grade 8 - 11	41	33.9	33.9	60.3
	Matriculation	43	35.5	35.5	95.9
	Diploma/Degree	5	4.1	4.1	100.0
	Total	121	100.0	100.0	

Q4 Home Languages

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Afrikaans	2	1.7	1.7	1.7
	IsiXhosa	94	77.7	77.7	79.3
	Other	14	11.6	11.6	90.9
	Zulu	11	9.1	9.1	100.0
	Total	121	100.0	100.0	

LanguageCat Home Languages

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Afrikaans	2	1.7	1.7	1.7
	IsiXhosa	94	77.7	77.7	79.3
	Zulu	11	9.1	9.1	88.4
	Other	14	11.6	11.6	100.0
	Total	121	100.0	100.0	

Q5 Years of operation

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	1	2	1.7	1.7	1.7
	2	6	5.0	5.0	6.6
	3	38	31.4	31.4	38.0
	4	20	16.5	16.5	54.5
	5	8	6.6	6.6	61.2
	6	9	7.4	7.4	68.6
	7	9	7.4	7.4	76.0
	8	4	3.3	3.3	79.3
	9	2	1.7	1.7	81.0
	10	5	4.1	4.1	85.1
	11	1	.8	.8	86.0
	12	1	.8	.8	86.8
	13	3	2.5	2.5	89.3
	15	3	2.5	2.5	91.7
	16	1	.8	.8	92.6
	18	1	.8	.8	93.4
	19	1	.8	.8	94.2
	23	1	.8	.8	95.0
	24	1	.8	.8	95.9
	25	2	1.7	1.7	97.5
	29	1	.8	.8	98.3
	30	2	1.7	1.7	100.0
	Total	121	100.0	100.0	

Descriptive statistics

	N	Range	Minimum	Maximum	Mean	Std. deviation	Variance
Q5 Years of operation	121	29	1	30	6.70	6.137	37.661
Q7 No of employees	121	16	0	16	1.44	2.295	5.265
Valid N (listwise)	121						

Q6 Formal Bookkeeping

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	No	82	67.8	67.8	67.8
	Yes	39	32.2	32.2	100.0
	Total	121	100.0	100.0	

Q6Cat Formal Bookkeeping

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Yes	39	32.2	32.2	32.2
	No	82	67.8	67.8	100.0
	Total	121	100.0	100.0	

Q7 No of employees

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	0	55	45.5	45.5	45.5
	1	22	18.2	18.2	63.6
	2	21	17.4	17.4	81.0
	3	13	10.7	10.7	91.7
	4	3	2.5	2.5	94.2
	5	3	2.5	2.5	96.7
	6	1	.8	.8	97.5
	10	1	.8	.8	98.3
	12	1	.8	.8	99.2
	16	1	.8	.8	100.0
	Total	121	100.0	100.0	

Q8 Creation of personal wealth

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	6	5.0	5.0	5.0
	Disagree	18	14.9	15.0	20.0
	Not sure	4	3.3	3.3	23.3
	Agree	68	56.2	56.7	80.0
	Strongly agree	24	19.8	20.0	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q9 Lack of secure employment

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	4	3.3	3.4	3.4
	Disagree	51	42.1	43.2	46.6
	Not sure	17	14.0	14.4	61.0
	Agree	40	33.1	33.9	94.9
	Strongly agree	6	5.0	5.1	100.0
	Total	118	97.5	100.0	
Missing	System	3	2.5		
Total		121	100.0		

Q10 Poorly paid employment

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	2	1.7	1.7	1.7
	Disagree	31	25.6	25.8	27.5
	Not sure	16	13.2	13.3	40.8
	Agree	49	40.5	40.8	81.7
	Strongly agree	22	18.2	18.3	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q11 The desire to be self-employed

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly Disagree	2	1.7	1.7	1.7
	Disagree	10	8.3	8.3	9.9
	Not sure	7	5.8	5.8	15.7
	Agree	44	36.4	36.4	52.1
	Strongly Agree	58	47.9	47.9	100.0
	Total	121	100.0	100.0	

Q12 Employment

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	6	5.0	5.0	5.0
	Disagree	38	31.4	31.7	36.7
	Not sure	9	7.4	7.5	44.2
	Agree	40	33.1	33.3	77.5
	Strongly agree	27	22.3	22.5	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q13 Relevant qualifications

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	21	17.4	17.5	100.0
	Disagree	52	43.0	43.3	82.5
	Not sure	11	9.1	9.2	39.2
	Agree	32	26.4	26.7	30.0
	Strongly agree	4	3.3	3.3	3.3
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q14 Motivation from non-South Africans

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	13	10.7	11.0	11.0
	Disagree	45	37.2	38.1	49.2
	Not sure	12	9.9	10.2	59.3
	Agree	32	26.4	27.1	86.4
	Strongly agree	16	13.2	13.6	100.0
	Total	118	97.5	100.0	
Missing	System	3	2.5		
Total		121	100.0		

Q15 Business backgrounds

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	5	4.1	4.2	4.2
	Disagree	54	44.6	45.0	85.8
	Not sure	15	12.4	12.5	40.8
	Agree	29	24.0	24.2	28.3
	Strongly agree	17	14.0	14.2	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q16 Improved social standing as a motivating factor

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	6	5.0	5.0	5.0
	Disagree	12	9.9	10.1	15.1
	Not sure	19	15.7	16.0	31.1
	Agree	42	34.7	35.3	66.4
	Strongly agree	40	33.1	33.6	100.0
	Total	119	98.3	100.0	
Missing	System	2	1.7		
Total		121	100.0		

Q18 Startup capital

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	1	.8	.8	.8
	Disagree	13	10.7	10.7	11.6
	Not sure	1	.8	.8	12.4
	Agree	68	56.2	56.2	68.6
	Strongly agree	38	31.4	31.4	100.0
	Total	121	100.0	100.0	

Q19 A lack of security to obtain bank loans

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	1	.8	.8	.8
	Disagree	27	22.3	22.5	23.3
	Not sure	22	18.2	18.3	41.7
	Agree	51	42.1	42.5	84.2
	Strongly agree	19	15.7	15.8	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q20 A lack of experience in business

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	8	6.6	6.7	6.7
	Disagree	33	27.3	27.5	34.2
	Not sure	13	10.7	10.8	45.0
	Agree	53	43.8	44.2	89.2
	Strongly agree	13	10.7	10.8	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q21 A lack of networks to buy cheaply in bulk

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	1	.8	.8	.8
	Disagree	17	14.0	14.2	15.0
	Not sure	10	8.3	8.3	23.3
	Agree	72	59.5	60.0	83.3
	Strongly Agree	20	16.5	16.7	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q22 High rental costs

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	9	7.4	7.4	7.4
	Disagree	54	44.6	44.6	52.1
	Not sure	7	5.8	5.8	57.9
	Agree	36	29.8	29.8	87.6
	Strongly agree	15	12.4	12.4	100.0
	Total	121	100.0	100.0	

Q23 Improving security

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	4	3.3	3.3	3.3
	Disagree	30	24.8	24.8	28.1
	Not sure	18	14.9	14.9	43.0
	Agree	48	39.7	39.7	82.6
	Strongly agree	21	17.4	17.4	100.0
	Total	121	100.0	100.0	

Q24 A lack of business training

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	4	3.3	3.3	3.3
	Disagree	36	29.8	29.8	33.1
	Not sure	22	18.2	18.2	51.2
	Agree	51	42.1	42.1	93.4
	Strongly agree	8	6.6	6.6	100.0
	Total	121	100.0	100.0	

Q25 Obtaining a suitable business location

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	9	7.4	7.6	7.6
	Disagree	47	38.8	39.5	47.1
	Not sure	5	4.1	4.2	51.3
	Agree	40	33.1	33.6	84.9
	Strongly agree	18	14.9	15.1	100.0
	Total	119	98.3	100.0	
Missing	System	2	1.7		
Total		121	100.0		

Q26 Launching a spaza shop

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	1	.8	.8	.8
	Disagree	44	36.4	37.0	37.8
	Not sure	24	19.8	20.2	58.0
	Agree	33	27.3	27.7	85.7
	Strongly agree	17	14.0	14.3	100.0
	Total	119	98.3	100.0	
Missing	System	2	1.7		
Total		121	100.0		

Q27 A lack of managerial skills

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	1	.8	.8	.8
	Disagree	24	19.8	20.0	20.8
	Not sure	27	22.3	22.5	43.3
	Agree	61	50.4	50.8	94.2
	Strongly agree	7	5.8	5.8	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q28 The lack of a family business background

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	9	7.4	7.4	7.4
	Disagree	30	24.8	24.8	32.2
	Not sure	12	9.9	9.9	42.1
	Agree	47	38.8	38.8	81.0
	Strongly agree	23	19.0	19.0	100.0
	Total	121	100.0	100.0	

Q30 The handling of financial records

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	6	5.0	5.0	5.0
	Disagree	36	29.8	29.8	34.7
	Not sure	4	3.3	3.3	38.0
	Agree	62	51.2	51.2	89.3
	Strongly agree	13	10.7	10.7	100.0
	Total	121	100.0	100.0	

Q31 Expansion capital

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	3	2.5	2.5	2.5
	Disagree	21	17.4	17.8	20.3
	Not sure	17	14.0	14.4	34.7
	Agree	58	47.9	49.2	83.9
	Strongly agree	19	15.7	16.1	100.0
	Total	118	97.5	100.0	
Missing	System	3	2.5		
Total		121	100.0		

Q32 Transportation of stock

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	1	.8	.8	.8
	Disagree	28	23.1	23.3	24.2
	Not sure	4	3.3	3.3	27.5
	Agree	58	47.9	48.3	75.8
	Strongly agree	29	24.0	24.2	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q33 Trading space

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	4	3.3	3.4	3.4
	Disagree	37	30.6	31.1	34.5
	Not sure	19	15.7	16.0	50.4
	Agree	36	29.8	30.3	80.7
	Strongly agree	23	19.0	19.3	100.0
	Total	119	98.3	100.0	
Missing	System	2	1.7		
Total		121	100.0		

Q34 Crime

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	5	4.1	4.2	4.2
	Disagree	19	15.7	15.8	20.0
	Not sure	14	11.6	11.7	31.7
	Agree	57	47.1	47.5	79.2
	Strongly agree	25	20.7	20.8	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q35 High security costs

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	7	5.8	5.8	5.8
	Disagree	43	35.5	35.8	41.7
	Not sure	19	15.7	15.8	57.5
	Agree	38	31.4	31.7	89.2
	Strongly agree	13	10.7	10.8	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q36 Competition from the malls

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	6	5.0	5.0	5.0
	Disagree	27	22.3	22.7	27.7
	Not sure	19	15.7	16.0	43.7
	Agree	50	41.3	42.0	85.7
	Strongly agree	17	14.0	14.3	100.0
	Total	119	98.3	100.0	
Missing	System	2	1.7		
Total		121	100.0		

Q37 Competition from spaza shops owned by non-South Africans

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	6	5.0	5.0	5.0
	Disagree	11	9.1	9.2	14.3
	Not sure	11	9.1	9.2	23.5
	Agree	63	52.1	52.9	76.5
	Strongly agree	28	23.1	23.5	100.0
	Total	119	98.3	100.0	
Missing	System	2	1.7		
Total		121	100.0		

Q38 Assistance from the South African Spaza and Tuckshop Association

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	3	2.5	2.5	2.5
	Disagree	67	55.4	56.3	83.2
	Not sure	15	12.4	12.6	26.9
	Agree	14	11.6	11.8	14.3
	Strongly agree	20	16.5	16.8	100.0
	Total	119	98.3	100.0	
Missing	System	2	1.7		
Total		121	100.0		

Q39 A lack of support from the government

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	5	4.1	4.2	4.2
	Disagree	18	14.9	15.0	19.2
	Not sure	16	13.2	13.3	32.5
	Agree	54	44.6	45.0	77.5
	Strongly agree	27	22.3	22.5	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q40 A lack of information concerning services provided by the government

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	4	3.3	3.3	3.3
	Disagree	14	11.6	11.7	15.0
	Not sure	27	22.3	22.5	37.5
	Agree	58	47.9	48.3	85.8
	Strongly agree	17	14.0	14.2	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q41 Load-shedding and water-shedding

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	6	5.0	5.0	5.0
	Disagree	8	6.6	6.7	11.7
	Not sure	7	5.8	5.8	17.5
	Agree	51	42.1	42.5	60.0
	Strongly agree	48	39.7	40.0	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q43 Selling cheaply

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	2	1.7	1.7	1.7
	Disagree	13	10.7	10.7	12.4
	Not sure	8	6.6	6.6	19.0
	Agree	52	43.0	43.0	62.0
	Strongly agree	46	38.0	38.0	100.0
	Total	121	100.0	100.0	

Q44 Having extended business hours

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	3	2.5	2.5	2.5
	Disagree	10	8.3	8.3	8.3
	Not sure	27	22.3	22.3	30.6
	Agree	52	43.0	43.0	73.6
	Strongly agree	32	26.4	26.4	100.0
	Total	121	100.0	100.0	

Q45 Maintaining high stock levels

		Frequency	Percentage	Valid Percent	Cumulative Percent
Valid	Strongly disagree	7	5.8	5.8	5.8
	Disagree	6	5.0	5.0	10.8
	Not sure	13	10.7	10.8	21.7
	Agree	66	54.5	55.0	76.7
	Strongly agree	28	23.1	23.3	100.0
	Total	120	99.2	100.0	
Missing	System	1	.8		
Total		121	100.0		

Q46 Having simple and austere lifestyles

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	3	2.5	2.5	2.5
	Disagree	14	11.6	11.6	14.0
	Not sure	11	9.1	9.1	23.1
	Agree	52	43.0	43.0	66.1
	Strongly agree	41	33.9	33.9	100.0
	Total	121	100.0	100.0	

Q47 Making use of associations to buy cheaply in bulk

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	2	1.7	1.7	1.7
	Disagree	6	5.0	5.0	6.6
	Not sure	18	14.9	14.9	21.5
	Agree	53	43.8	43.8	65.3
	Strongly agree	42	34.7	34.7	100.0
	Total	121	100.0	100.0	

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TO WHOM IT MAY CONCERN

This is to certify that the thesis titled "Factors affecting the growth of locally owned spaza shops in selected townships in South Africa" by Josephat Mukwarami has been edited by David Masters.

Should anyone want to discuss or clarify any points of grammar, I may be contacted by e-mail at gailfrank@nahoonreef.co.za and my telephone number at home is (043) 726 4829

Yours sincerely,

David Masters

