

**EXPLORING THE BARRIERS TO THE SUSTAINABILITY OF SPAZA  
SHOPS IN ATTERIDGEVILLE, TSHWANE.**

**by**

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## DECLARATION

I declare that "***Exploring the barriers to the sustainability of the spaza shops in Atteridgeville, Tshwane***" is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references. I declare that this work has not been submitted before for any other degree at any other institution.

Signature .....

On this 30th day of November 2014

## ACKNOWLEDGEMENTS

It is with relief that I have come to this point, as this study has taken a rather lengthy period to complete. I received a lot of support from the following people whom I want to acknowledge for their contribution:

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## **ABSTRACT**

This study was undertaken to explore the barriers to the sustainability of the spaza shops in Atteridgeville (wards, 51, 62, 63, 68, 71 and 72) and to identify the support strategies necessary to assist these shops to grow into sustainable businesses. The study was motivated by the role and contributions of these stores in creating jobs for the majority of the previously disadvantaged people, particularly in the black township areas of South Africa. The study was exploratory, descriptive and qualitative in nature. Semi-structured interviews were conducted to obtain data from 18 spaza shop owners.

The findings from the research indicated the following barriers to be responsible for the failure of the spaza shops: lack of financial support, lack of business management skills, expensive transportation, limited trading space, crime, negative competition among spaza shop owners, and lack of cooperatives among spaza shop owners.

The study recommends that spaza shop owners should ensure that they have enough savings before embarking on business and that they should also attend training in business management to equip themselves. Spaza shop owners also need to establish collaborative ventures among themselves to enable them to voice their concerns as a collective, rather than as individuals. Government, in partnership with private sector, should improve the effectiveness of its support strategies, for example by assisting spaza shops in forming cooperatives and facilitating training in business skills. It is also recommended that the government, through the Department of Trade and Industry, should continue to find out better ways to aid these stores financially. It is the researcher's opinion that if these recommendations are followed, they could lead to the success of these stores.

## ACRONYMS

|       |  |
|-------|--|
| ACHIB | African Co-operative for Hawkers and Informal Business |
| ANC   | African National Congress                              |
| BMR   | Bureau of Market Research                              |
| DFID  | Department for International Development Agency        |
| GDP   | Gross Domestic Product                                 |
| HBE   | Home based enterprise                                  |
| LED   | Local Economic Development                             |
| ILO   | International Labour Organization                      |
| MFRC  | Micro Finance Regulatory Council                       |
| SLA   | Sustainable Livelihood Approach                        |
| SLF   | Sustainable Livelihood Framework                       |
| SMME  | Small Medium Micro Enterprises                         |
| SPSS  | Social Science Software                                |
| TTO   | Triple Trust Organization                              |
| USAID | United States Agency for International Development     |

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# CHAPTER 1: INTRODUCTION

## 1.1 Introduction

The primary objective of this study was to explore the barriers to the sustainability of the spaza shops in Atteridgeville, Tshwane (wards, 51, 62, 63, 68, 71 and 72) and to identify support strategies necessary to assist these shops to grow. The spaza shops in this area constitute an important livelihood strategy for a great many of the poor without employment, but also for those who are employed as a strategy to diversify their livelihoods. This chapter outlines and briefly discusses the background to this research, the motivation for this study, the research problem and objectives, research methodology, theoretical framework and the outline of the chapters.

## 1.2 Background

According to Ligthelm (2005b) spaza shops represent an important component of the informal trade sector within South African townships. These stores offer residents convenient access to necessities, such as bread, milk, cigarettes and other basic groceries, within the neighbourhood (Charman, Petersen & Piper 2011:1). These stores also provide a method of survival for the people running them, as a spaza shop will often be the shop owner's primary source of income, and potentially will also allow the owner to support other family members (Chebelyon-Dalizu, Garbowitz, Hause & Thomas 2010:1). Ligthelm and Van Zyl (in Chebelyon-Dalizu et al, 2010) further state that these enterprises are beneficial to their communities for several reasons, primarily because they offer convenient access to basic necessities and also keep money inside the community, rather than sending the money out of the community through people travelling long distances to supermarkets. Spaza shops, therefore, play a crucial role in the South African economy through providing livelihoods to hundreds and thousands of poor people who are unable to access jobs in the formal sector.

Spaza shops arose as a significant feature of the township landscape in the shadow of consumer boycotts of formal retail outlets, particularly those associated with the apartheid regime in South Africa (Spiegel 2002:238). Although there is no reliable data on the size of spaza shops in South Africa's, Ligthelm (2005b:202) estimates that the spaza shops account for 2.7 % of total retail trade, equivalent to approximately R8 billion in value.

Like other South African townships, Atteridgeville (which is the study area for this research) is also characterized by business activities of the spaza shops. This township is part of the City of Tshwane Metropolitan Municipality and is located to the west of Pretoria, South Africa. It is bordered to the west by Saulsville, to the east by Proclamation Hill, to the south by Laudium and to the north by Lotus Gardens (City Council 1999:1). All these residential areas were created for different racial groups by the then apartheid government. For example, Saulsville was originally established as a whites-only area in 1931, but was later de-proclaimed and incorporated into Atteridgeville to accommodate black people evicted from Lady Selbourne and Mooiplaas who were evicted under the Group Areas Act of 1950 (City Council 1999). Laudium was established in 1960 as a residential area for the Indian population of Pretoria, and Proclamation Hill was established for whites only. Lotus Gardens was subsequently established as an extension of the Indian community of Laudium (South African History Online 2013).

As with other townships of Pretoria (now named the City of Tshwane), Atteridgeville is a product of a period of political crisis in the history of South Africa. It was time when various pieces of restrictive legislation were created and implemented to restrict the rights of the black population. In particular, the Group Areas Act of 1950 determined where black people could be located, in particular, to provide cheap labour to white-owned businesses. The Slum Act of 1934 enabled the City Council to forcefully evict the black people who resided at Marabastad, Bantule and from numerous settlements all around the city (City Council 1999).

Atteridgeville was established in 1939 and in May 1940, the first black residents' evicted from Lady Selbourne and Mooiplaas areas were accommodated in houses built by the City Council. The original name proposed for this township was Motse Mogolo (Large Town), but it was replaced by Atteridgeville in honour of Mrs WH Atteridge, a chairlady of the Non-European and Asiatic Affairs department of the City Council in the 1930s (City Council 1999). Although water, electricity and sewerage services were provided to the township, this township was only laid out with a view to providing temporary residence, and not a balanced, permanent community. The total population of Atteridgeville was recently estimated at 64 425 by census 2011 (Frith 2013).

Atteridgeville is a diverse township where residents speak many languages. The most commonly spoken languages include Sesotho, Pedi and Setswana (Wikipedia 2012). A mixture of languages such as Afrikaans, Sesotho, English and isiZulu are sometimes fused together to form what is now a unique language style of the township, with a slight inclination to a slang known as 'tsotsitaal'. Other spoken languages in the community include Xitsonga, isiNdebele and Tshivenda (Wikipedia 2012). Atteridgeville is commonly known as "Phelindaba", which is an isiZulu expression for "end of the story". It is so nicknamed because of its proximity to the now defunct nuclear power site of Phelindaba.

The study of the spaza shops in Atteridgeville should, therefore, be understood in the context of denied opportunities, exploitation of black people and their exclusion from economic activities by the apartheid government. Therefore, from the very establishment of this township the main goal was that Africans would only provide cheap labour to white businesses and industries, and nothing else. Also important was the notion that Africans, in particular, were regarded as sojourners in the urban areas. Even the post-1994 government has not been able to overcome this legacy of exclusion, in particular its impact on the economic conditions of Africans.

This study took an interest in the spaza shops, particularly given their potential in providing a means of survival (a coping mechanism) and their role in incubating entrepreneurship spirit among the majority of the previously disadvantaged in South Africa who had been deprived by the discriminative apartheid laws. This study explored the factors inhibiting the sustainability of these shops, with an aim to identify necessary support strategies to aid these shops to grow in a sustainable manner. It is a view of the researcher that the government (both national and local sphere) should remove the entire restrictive legislative framework and create an enabling trade environment, geared to aiding these businesses. Adopting a positive attitude towards these informal enterprises could contribute in setting the City of Tshwane on a path of economic growth, thus overcoming the scourge of unemployment. Spaza shops encounter many challenges that hinder their ability to be profitable and successful. Among other challenges Chebelyon-Dalizu et al (2010:1) and Ligthelm (2005b) cite lack of financial support and lack of business management skills as leading to costly business mistakes. These shops receive no preferential treatment or discounts from wholesalers owing to lack of collective bargaining. They also have an inconvenient and costly method of transportation of goods to their shops. They also face the challenge of crime and limited trading space. Research into how these challenges could be overcome is critical in assisting these shops to grow in a sustainable manner, thus assisting in the creation of jobs.

### **1.3 Importance and rationale of the study**

The study of the spaza shops was necessitated by the role these enterprises play in creating jobs for the majority of those who are excluded from the formal sector. These shops provide an important livelihood strategy for the poor, particularly for those at the margins of society, in both urban and rural areas. This study, however, is based in the urban area of Pretoria (Atteridgeville). With unemployment on the rise and the formal sector failing to provide enough job opportunities, the activities of informal sector become

crucial as alternative avenue to provide jobs (Ligthelm, 2005b; Chebelyon-Dalizu et al 2010; Tshuma & Jari 2013; Gough, Tipple & Napier 2003). Tipple (2005:611) argues that although many informal businesses offer low incomes, they nevertheless play a significant role in the alleviation of poverty through offering a means of earning an income, regardless of how little it may be.

The current study is central and important to the development discourse as it seeks to investigate the barriers to this important livelihood strategy. Identifying and removing the barriers in the way of spaza shop owners is necessary for ensuring growth and sustainability of these businesses. Rogerson (1996:177) also argues that while certain general constraints can be identified across informal enterprises as a whole there is an urgent need to disaggregate the analysis and to focus on the specific problems confronting different types of informal enterprises. Hence, a better understanding of spaza shop activities and the barriers to their sustainability will help in the creation of a conducive trade environment that will enable these enterprises to grow.

#### **1.4 Research problem**

Although the spaza shops provide an important contribution to livelihoods of the poor who cannot find jobs in the formal sector they do not operate without difficulties and most of them have limited possibilities for expansion. In a study conducted by Gough et al (2003:266) in Accra (Ghana) and Mamelodi (Pretoria), it was discovered that the lifespan of most home-based enterprises (HBEs), including spaza shops, is relatively short. Gough et al (2003) highlighted that almost a third of the 150 HBEs they studied had been operating for a year or less, and just over half had been operating for three years or less. Their study identified specific issues that acted as barriers to the growth of these home-based enterprises. This study, therefore, intended to explore what barriers affected the growth and sustainability of the spaza shops in Atteridgeville (wards, 51, 62, 63, 68, 71 and 72).



### **1.4.1 Purpose and objective of the study**

As already highlighted, the purpose of this study was to explore the barriers to the sustainability and growth of the spaza shops in Atteridgeville (wards, 51, 62, 63, 68, 71 and 72). By identifying these barriers and understanding their dynamics, it is envisaged that necessary support strategies could be developed to aid these stores to grow in a sustainable manner.

The objectives of this study were the following:

- To identify the barriers to the sustainability of the spaza shops in Atteridgeville.
- To determine the nature of support needed by spaza shop owners to enable them grow their businesses in a sustainable manner.

### **1.5 Theoretical perspective**

This study adopted the Sustainable Livelihoods Approach (SLA) because of its ability to help understand the main factors that affect poor people's livelihoods, and the relationship between these factors, and this in turn facilitates the planning and implementation of more effective development interventions (DFID 1999). SLA is therefore deemed relevant to the study of spaza shops, which according to Terblanche (1991:1) represent an important livelihood strategy for the unemployed to support their families. What factors constrain or enhance this livelihood strategy of the poor? The SLA seeks to address such issues and it gives a more coherent approach to poverty alleviation. According to Serrat (2008:1) SLA presents a way of thinking about the objectives, scope, and priorities for development activities. It is based on evolving thinking about the way poor and vulnerable people live their lives and the importance of institutions and policies. Furthermore, the SLA helps formulate development activities that are driven by the following principles:

- People-centred

- Responsive and participatory
- Multilevel
- Conducted in partnership with public and private sectors
- Dynamic
- Sustainable.

According to Krantz (2001) in 1992 Robert Chambers and Gordon Conway put forward the following definition of a sustainable rural livelihood, which is applied most commonly at the household level and underpins all of the livelihood frameworks being used:

“A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term” (Krantz 2001:1).

According to Krantz (2001) Chambers and Conway argue that any definition of livelihood sustainability has to include the ability to withstand and recover from, stresses and shocks. According to Serrat (2008:3) vulnerability has two facets, an external side of shocks, seasonality, and critical trends, and an internal side of defencelessness caused by lack of ability and means to cope with these. de Satgé, Holloway, Mullins, Nchabeleng and Ward (2002:4) argue that despite the differences in emphasis by different practitioners the livelihoods framework helps us to:

- identify (and value) what people are already doing to cope with risk and uncertainty

- make connections between factors that constrain or enhance their livelihoods and the policies and institutions in the wider environment and also
- identify measures that can strengthen assets, enhance capabilities and reduce vulnerability.

All these qualities outlined above make the SLA relevant and useful to this study. The detailed discussion of SLA will be presented in chapter 4 of this study.

## **1.6 Research methodology**

This study was exploratory and followed a two-fold research approach, combining both qualitative and quantitative research methods, in order to detail a diversity of demographic and numerical facts, and also qualitative attributes, concerning the sampled spaza shops. The study was also exploratory since not much was known about the spaza shops in the area of Atteridgeville, Tshwane. According to Sekaran (2003:119-120) an exploratory study is undertaken to better comprehend the nature of the problem or the unit of analysis under investigation where very few studies have been considered in the area under examination. A detailed explanation of the research methodology, including data analysis methods applied, will be discussed in Chapter 3.

## **1.7 Demarcation and scope of the study**

This study focuses only on the spaza shops, defined as microenterprises operated from residential stand or home which provides neighbours with basic groceries and other domestic essentials. Therefore, the study excluded other township enterprises, such as general dealers, shebeens and any home-based enterprises which do not fall within the framework of a spaza shop.

## **1.8 Ethical consideration**

This study posed no harm to anyone; the issues addressed by this study caused no threat to anyone. The identities of the respondents were not revealed to anyone and were kept anonymous. Participation of the respondents was voluntary and participants did not object to the objectives of this study.

## **1.9 Layout of chapters**

### **Chapter 1: Research proposal**

This chapter presents background to the research problem, objectives of the study and motivation for this study. The chapter also covers a brief explanation of the research methods used.

### **Chapter 2: Literature review**

This chapter presents debates from various sources of scholarly literature on the definition and role of the informal sector in the country's economic development. The chapter also covers the barriers affecting spaza shops, as viewed by various scholars.

### **Chapter 3: Research methodology**

This chapter covers the research methods and techniques applied to collect and analyse data.

### **Chapter 4: Theoretical framework**

This chapter presents literature on the sustainable livelihood approach and its usefulness and relevance to this research.

### **Chapter 5: Research findings**

This chapter presents the findings of this study.

### **Chapter 6: Conclusion and recommendations**

This chapter draws conclusions and presents the major recommendations formulated on the basis of the findings described in Chapter 5. Areas of further or future research are then indicated, followed by a conclusion and the bibliography.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Introduction**

Spaza shops form a crucial part of the informal economic sector and have a significant impact on employment and income generation for the poor in developing countries. While this is true, there are numerous factors which derail and obstruct these microenterprises from growing into fully-fledged and sustainable businesses. In this chapter the researcher examines the existing literature against the key research question to try to understand what the current global thinking is and in particular to ascertain the South African context of the issues.

This literature review primarily focuses on the spaza shops, and excludes other township enterprises such as general dealers, shebeens and any home-based enterprises which do not fall within the framework of a spaza shop. For the purpose of this study, a spaza shop is defined as a microenterprise operated from residential stand or home that provides neighbours with basic groceries and other domestic essentials. In this chapter, the terms informal economy, informal work, informal sector, informal enterprises and informal economic activity are used interchangeably to refer to economic activities which are not registered for tax purposes.

The chapter begins with a broad discussion on the origins of the informal economy, its defining characteristics and the theories explaining its emergence. The chapter also discusses the South African informal sector and its key features. Lastly, the chapter narrows down to the discussion of spaza shops (microenterprises within the informal economy) as providing a livelihood strategy and identifies and discusses the barriers to their sustainability.

## 2.2 Defining the informal economy

The literature on the informal economy is fraught with disagreements over the conceptual definition of the term 'informal economy'. As a result, various labels have been used by scholars, influenced by different academic disciplines, to refer to this economic sector: "it has been called 'irregular economy' (Ferman & Ferman 1973); the 'subterranean economy' (Gutmann 1977; the 'underground economy' (Simon & Witte 1982; Houston 1987); the 'black economy' (Dinolt & Morris 1981); the 'shadow economy' (Frey, Weck & Pommerehne 1982; Casse & Cichy 1986); and the 'informal economy' (McCrohan & Smith 1986)" (in Losby, Else, Kingslow, Edgcomb & Malm 2002:2). Losby et al (2002) further states that the popular media uses terms such as invisible, hidden, submerged, shadow, irregular, non-official, unrecorded, or clandestine economic activities to refer to this economic sector. In general all these economic activities are not officially recorded. Nonetheless, most authors are in agreement that the informal economy concept gained prominence in the beginning of the 1970s and it was introduced into the academic literature by Keith Hart (a social anthropologist) (Gërkhani 2004:269; Yusuff 2011:624; Bangasser 2000:2). In spite of the early work by Hart, the pioneering research on the informal sector is widely considered to be the report of the International Labour Organization (ILO 1972) on employment in Kenya (Gërkhani 2004:269).

Bangasser (2000:2) also highlights the point that while the phrase 'informal economy' was introduced in the early 1970s its origins trace back to the economic development efforts of 1950s and 1960s. It was during the era of optimism following the successful re-establishment of Europe and Japan after the Second World War. According to Bangasser (2000) there seemed to be no reason why a similar sort of deliberate economy-building effort could not also be applied to the newly emerging countries in the decolonizing Third World. Unfortunately, the macroeconomic policies advocated by European scholars and theorists which predicted economic growth failed to bear positive results in developing economies. These countries "experienced rapid

population growth and significant rural to urban migration, leading to the problem of urban unemployment, and in general the growth of a potential labour force being much higher than the growth in urban employment in the process of the limited economic development that these countries were witnessing” (Bangasser 2000:4).

### **2.2.1 General characteristics of the informal economy**

In very general terms, the informal economy is the unregulated, non-formal portion of the market economy that produces goods and services for sale or for other forms of remuneration (Becker 2004). The informal economy is not homogenous; instead it consists of various economic activities which vary greatly according to type of activity, size, regulatory requirements and legal status, and as a result, no single definition of this economic sector exists, nor is anticipated (Ligthelm 2005b). Given the complexity of defining the informal economy, some authors (Gërxhani, 2004; Losby et al 2002; Becker 2004) have suggested that perhaps the best way to define this sector is by identifying the key characteristics of the informal economy. In this study the researcher has chosen to adopt the criteria used by Harding and Jenkins (1989) to describe the informal economy, these criteria were also used in Gërxhani (2004).

#### **2.2.1.1 Political criterion**

According to Gërxhani (2004:271) this classification captures the influence of the informal sector on politics (involving lack of government regulation, illegal activities and national statistics). According to this criterion, the informal economy is a sector not regulated by government or which exists outside the law. Moreover, within this sector activities may be legal or illegal. Economic activities may be distinguished by the manner in which goods or services are produced or exchanged. Naidoo (in Ligthelm 2005b) states that some people



find employment in the informal economy as a result of a survival or employment strategy (working on casual jobs, having temporary or unpaid jobs, or holding more than one job). Others are involved in illegal or unofficial earning strategies (deliberately participating in tax evasion, avoidance of labour regulation). Generally, the majority of people in developing countries resort to the informal sector as their only means of survival, whereas willing illegal participants in the informal sector are found more frequently in the more developed countries (Ligthelm 2005b:201). The informal economy should, therefore, not be confused with criminal economy. Moreover, these activities are not accounted for in the national accounting systems, meaning they are not taxed.

#### **2.2.1.2 Economic criterion**

Besides the political criterion, the economic criterion also plays a crucial role in describing the informal economy. The status of labour is often used as a sub-criterion to describe this economic sector. Based on this criterion, the informal economy is the sum of all income-earning activities with the exclusion of those that involve contractual and legally regulated employment (Gërxhani 2004). With regard to the professional status of this sector, the informal workers are defined as the sum of the self-employed, family workers and domestic servants Hart (in Gërxhani 2004). Among other issues, the conditions of labour in this sector disregard the labour laws.

#### **2.2.1.3 Social criterion**

A survey of informal economy indicates that this sector requires low entry requirements in terms of capital and professional qualifications (Becker 2004). In other instances, informal operators do not have any qualifications at all. Another aspect of this sector is that it offers more flexibility and autonomy than in the formal sector. According to Gërxhani (2004) participants in this sector mostly in developed countries have the freedom to operate their own business and have flexibility in determining hours of operation. This criterion means that the occurrence of informal economic activities relates to the needs

of its participants to survive, mostly in developed countries. However, in developing countries this sector is dominated by survivalist activities (Portes, Castells & Benton 1989).

### **2.3 Theories related to the informal sector in general**

Economic theorists hold divergent opinions with regard to the origins of the informal economy, what role it plays, and who are the participants in it and how it relates with the formal economy in both developed and less developed countries. According to Becker (2004), Gërzhani (2004), Losby et al (2002) and Women in Informal Employment: Globalizing and Organizing (WIEGO 2013), the following schools of thought can be observed in the literature at large:

#### **2.3.1 The dualist school**

This school was popularized by the International Labour Organization (ILO) in the 1970s. Drawing on their initial study in developing countries, they subscribed to the notion that the informal economy is comprised of marginal activities – distinct from and not related to the formal economy – that provide income for the poor and a safety net in times of crisis (WIEGO, 2013) This school share a view that the informal economy persists due to insufficient jobs within the modern formal sector to absorb surplus labour. The limited capacity of agriculture and the formal economy to absorb surplus labour, together with increasing numbers of job seekers, has boosted the size of the informal economy (Becker 2004). According to this school, the informal economy is merely a temporary phenomenon which will fade if more jobs were to be created in the formal sector.

#### **2.3.2 The structuralist school**

This school was popularized by Caroline Moser (1978) and Castells and Portes (1989) in the late 1970s and 1980s (WIEGO, 2013). The school

subscribes to the notion that the informal economy should be seen as subordinate economic units (micro-firms) and workers that serve to reduce input and labour costs and, thereby, increase the competitiveness of large capitalist firms. According to Portes, Castells and Benton (1989) and Moser (1978) the structuralist in marked contrast to the dualist view the informal and formal economic sectors as inextricably connected and interdependent. This school believes that the nature of capitalist development, rather than a lack of growth, accounts for the persistence and growth of informal production relationships.

### **The legalist school**

According to WIEGO (2013) this school was popularized by Hernando de Soto in the 1980s and 1990s and subscribes to the notion that the informal economy is comprised of the micro-entrepreneurs who choose to operate informally in order to avoid the costs, time and effort of formal registration (De Soto 1989). Cumbersome government regulations are seen to be stifling the growth of the private sector.

#### **2.3.3 The il-legalist school**

this school was popularized by neo-classical and neo-liberal economists across the decades (WIEGO 2013). It is their view that the informal participants intentionally avoid regulation and taxation, and in some instances, to deal in illegal goods and services. This perspective is associated with idea that the informal economy is an underground or black market. Maloney (2004) believes that informal entrepreneurs choose to operate illegally to cut the costs of operating formally.

### **2.4 Informal economy in South Africa**

According to Ligthelm (2005b:32) the informal economy constitutes an important part of the South African economy. This sector has attracted considerable research attention during the past two to three decades, not only because of its sheer size but also because of its potential role in providing

income-generating and employment opportunities, particularly for the unemployed in South Africa. The informal economy in South Africa cannot be understood outside of the political background and its influence on economic, legal and social developments. The establishment of the apartheid regime, which took effect from 1948, by the Afrikaner Nationalist Party government cruelly and forcibly separated people and determined how and where they could earn their livelihoods. In particular, this state apparatus ensured the marginalization of the non-Europeans (non-whites) through its systematic policies of exclusion, oppression and exploitation, which it termed separate development (Mazibuko 2012:9).

Various discriminative laws were passed in the creation of apartheid which ensured exclusion, subjugation and exploitation of African people in all forms of life. Of note in this study are the Group Areas Act of 1950 and the Influx Control Act of 1923, which cut South Africa into urban and rural areas and controlled the movement of Africans between these areas (Bobby-Evans 2014). The result of this was that everyone who lived in town had to be white and Africans were only allowed to go to town to provide cheap labour during the day and vacate at night. These laws systematically ensured that Africans, in particular, never benefitted economically and were discriminated against, thus subjecting them to poverty.

The emergence of informal economic activities, in particular among Africans, should be understood within the context of denied opportunities to participate in the white-owned formal sector. For example, “the establishment and enforcement of the 1913 Native Land Act ensured that minority white people (Europeans) owned 87 % of the land while the majority African people was restricted to 13 % of marginal land” (Mazibuko 2012:9). Moreover, the introduction of the Bantu Education Act in 1953 established an inferior education system for Africans, intended to produce manual labourers and obedient subjects (Giliomee 2009:1). Without land and without proper education, Africans were systematically doomed and destined to lives of poverty. Given this political scenario, the vast majority of African men and women were confined to employment outside the formal economy. They

worked as mine labourers, domestic servants and field labourers. Street trading was also prohibited through a series of municipal by-laws within their residential areas (Hiralal 2010:29).

It is my argument that the participation of African people, in particular, in marginal, petty informal trading activities became the means of survival for those who could not access the white formal sector and for those who wanted to supplement their meagre income from white employers. This view is also supported by Hiralal (2010) and Lund (1998) who argue that participation in informal trading was the main source of livelihood for many non-whites, particularly Africans. Moreover, the state reacted to informal trade as a strategy negatively in ways to ensure that Africans (black people) were completely stripped of any chance to earn a living income. This view is also supported by Standing, Sanders and Weeks (1996:87) and Devey, Skinner and Valodia (2006:6) who argue that apartheid legislation obstructed the possibilities of Africans to establish successful businesses. One result of the political scenario described above is confusion – and often a conflation – of different economic categories.

In particular, during apartheid the terms ‘informal, ‘black’ and ‘illegal’ were often treated almost as synonyms in describing particular forms of economic activities that were formally discouraged by the government. Towards the late 1980s and early 1990s the South African government relaxed the restrictive legislation, following the reforms in other countries around the world to adopt a more libertarian free market approach to the informal economy (Skinner 1999). The new government of national unity from 1994 onwards adopted a more positive attitude towards the informal sector which culminated in the publication of the 1995 White Paper on Small, Medium and Microenterprises. This paper committed the state to creating an enabling trade environment for small businesses, including survivalist traders (Skinner 1999). “The re-birth of scholarly interest and debates about the informal economy in South Africa have been boosted since November 2003 by President Thabo Mbeki’s introduction of the notion of a ‘first’ and ‘second’ economy” (Rogerson 2007:1054). This concept is not something new at all,

however, it was used to describe “the reality of a mainly informal, marginalized, unskilled economy, populated by the unemployed and those unemployable in the formal sector” (African National Congress (ANC) 2004:7). The concept is now widely employed as part of the policy discourse of all levels of government in South Africa. The concept has been heavily criticized by local analysts as an “attempt to legitimize the favouring of the needs of business and to promote separate and unequal development of the rich and poor” (Frye, in Rogerson 2007). However, some scholars believe that the emergence of the second economy concept had at least one positive effect of reviving “interest in what the state has and can do for those working in the informal economy (Rogerson 2007).

Although the exact size and contribution of the informal sector is not known in South Africa, according to Devey et al (2006) based on South African Reserve Bank estimates this sector contributes about 7–12 % of gross domestic product (GDP). On the other hand, Budlender, Buwembo and Shabalala (2001) estimate it to contribute 8–12 % of GDP.

While it is true that the informal economic sector is growing and creates employment opportunities for the poor in developing countries, the main concern is whether these jobs are sustainable. According to Naidoo (2002:31) the informal economy plays an important, yet a controversial role. While it offers opportunities for the unemployed, jobs in this sector tend to be low-paid and have little job security. Moreover, entrepreneurial activity is promoted, but at the price of non-compliance in respect of tax, labour and other regulations. Governments in developing countries are faced with a challenge to create enabling trading environments for informal economic activities, especially those that contribute to the well-being of society, in order to create sustainable livelihoods.

## **2.5 The Spaza shop: a livelihood strategy**

South African literature generally defines 'spaza shops' as microenterprises operated from residential stands or homes that provide neighbours with basic groceries and other domestic essentials (Tladi & Miehlebradt 2003; Terblanche 1991:3; van Scheers 2010; Ligthelm, 2005a; Ligthelm 2005b & Spiegel 2002). According to Ligthelm (2005:202) the business practices of spaza shops entail ordinary retailing; that is, purchasing consumer goods from manufacturers, wholesalers, other retailers and private individuals and selling the goods to customers. For decades spaza shops have played an important role as retailers of household grocery items in township communities. They are also incubators of entrepreneurship, providing business foundations for generations of South African families whilst bringing additional income to households (Liedeman, Charman, Piper, Petersen 2013: 3).

There are various terms used in the literature to describe spaza shops, firstly, they are described as micro-businesses, according to Small Business Amendment Act (2003), and micro-businesses can be described as informal businesses, having less than five employees, and very few assets. Secondly, spaza shops are described as very small businesses, owner-managed, having more than five, but less than twenty employees and less than R2 million in assets (Small Business Amendment Act 2003:6).

According to Perks (2010:448) both definitions of micro and very small businesses could be identified as fitting the description of a spaza shop. If having the whole family involved (more than five employees but less than 20), spaza shops can be regarded as a very small business. Perks further highlights the point that a spaza shop can also be a micro-business, should it have fewer than five employees. According to Ligthelm (2005b:202) the terms spaza and tuck shop are often used interchangeably in the literature to refer to the same type of business. However, Rolfe, Woodward, Ligthelm and Guimarães (2010:3) hold a view that 'tuck shops' only refers to the micro-retailers operating separately from residences. Spaza shops are also referred to as home-based enterprises and family shops in the literature (Gough et al

2003; Strassman 1987; Kellet & Tipple 2000 & Ligthelm 2005b). I agree with Ligthelm (2005b) that various terms such as those mentioned, refer to the same type of business, especially within the townships: there are no distinguishing characteristics as suggested by Perks (2010) especially in the area where this study was conducted. Depending on their size, spaza shops are usually managed by 1 to 3 persons. Goods sold are often kept inside the spaza shop except for potentially hazardous products such as paraffin that are kept outside the shop (Basardien, Parker, Bayat, Friedrich & Appoles 2014:49).

Spiegel (2002:283) argues that there were no spaza shops before the mid-to-late 1970s, even though people did make various attempts to operate small retail outlets, particularly liquor outlets (shebeens), from their homes. Spazas only became popular from the early 1980s and onward. They arose as a significant feature of the township landscape in the shadow of consumer boycotts of formal retail outlets, particularly those associated with the apartheid regime in South Africa. "The word 'spaza' describes the way traders were forced to operate underground because they usually broke all rules and regulation" *The Dictionary of South African English* (1996:670). Spiegel (2002) states that the word "Spaza" comes from a Zulu verb 'isiphazamisa' (meaning, that which causes hindrance or annoyance). The spaza shops, therefore, reflected an action of resistance to apartheid legislation that had aimed to restrict African people's trading opportunities in the cities and their associated townships. It is the researcher's view that if legislation was enabling and not discriminative; there would not have been a need for people to operate their stores secretly.

This explanation differs with the view expressed by other authors such as Terblanche (1991) and Tladi and Miehlebradt (2003) who maintain that the word spaza means "camouflage or hidden". However, Spiegel (2002) argues that spaza shop owners operated in a clandestine manner as a survival strategy against the repressive regime. I think both these views contribute to the understanding of the origins of spaza shops in South African context. Operating a business in a clandestine manner was a way through which store



owners protected themselves against the oppressive apartheid regime, as well as a means of boycotting white-owned shops. One of the ways to avoid being recognized was to avoid using promotional indications (sign-posts). However, the changing political climate enabled the government to deregulate discriminative policies and to create an enabling trade environment. From 1994 onwards in South Africa, the government adopted a policy of free-market system which, among other things, recognized the positive role of the informal sector in the economy; this led to the deregulation of the informal enterprises.

Even in the post-1994 South Africa, spaza shops continued to play an important role of accommodating the jobless and those who needed to supplement their earnings. However, Mathenjwa (2007:15) points out that the changing business dynamics within black townships has resulted in the situation where spaza shops are now facing fierce competition from the big retailers that have moved into the townships. While these stores provide source livelihood for many poor people, like any business they face barriers that thwart their potential to grow further. Addressing these barriers is necessary and should be treated as a priority if the government is serious about job creation.

### **2.5.1 Barriers to the sustainability of the Spaza shops**

Numerous studies on the constraints confronting the informal economic sector (including microenterprises such as spaza shops) tended to focus on the barriers to entry into the informal sector and those limiting the growth or success of established informal businesses (Cichello, Almeleh, Mncube & Oosthuizen 2011; Skinner 1999; Chandra, Nganou & Noel 2002; Gough et al 2003; Ligthelm & Van Wyk 2004; Rolfe et al 2010; Terblanche 1991; Ligthelm, 2005b; Mboniyane 2006). Rogerson (1996:177) argues that while certain general constraints can be identified across informal enterprises as a whole, there is an urgent need to disaggregate the analysis and to focus on the

specific problems confronting different types of informal enterprises. This section focuses on those barriers which specifically impact on the sustainability of spaza shops. Of importance to emphasize is a need to understand that the barriers to spaza shops are not delinked from the legacy created by discriminative policies of apartheid regime; in fact, it is correct to argue that spaza shops are a direct creation of these policies that deprived people from pursuing their livelihood in a conducive environment. The analysis of literature on the spaza shops identified general barriers which are described in the following subsections.

#### **2.5.1.1 Lack of financial support**

Lack of financial support has been identified as a major factor that hinder the potential growth of microenterprises, including spaza shops (Ligthelm, 2005b; Cichello et al 2011; Gough et al 2003). According to Ligthelm (2005b) the aspirant entrepreneurs often consider lack of access to financial support as the most visible constraint. Rolfe et al (2010:12) and Chan (2008) also support this view by arguing that lack of access to financial support is a major barrier for informal entrepreneurs, especially those of low incomes, without a track record or without any form of guarantee.

Mbonyane (2006:18) has argued that while it is true that lack of financial support is an issue, it is equally important to understand that informal microenterprises operate in a highly uncertain environment and the information about their performance is hard to measure. In a study conducted by Gough et al (2003) in Mamelodi and Ghana, it was found that most Home-based business (HBEs) operators expressed their desire to expand their stores, but most failed and had to close down owing to lack of access to financial support.

As a result of an inability to access bank loans, which may also be burdensome to the traders, it was discovered that spaza shop owners rely on their personal savings and financial support from friends and family members (Ligthelm, 2005b:206; Gough et al 2003). Gough et al (2003) also asserted

that many HBEs in Madina (Ghana) operated through informal financial systems, whereby much of the buying and selling was on credit. The study also warned that although credit offers many possibilities, it is not without its limitations and some people decline credit offers to avoid being tied to a particular retailer or wholesaler. Spaza News (2004:1) also emphasized that although many spaza operators struggle to gain finance for their businesses, they must be careful when approaching money-lenders for loans. In order to avoid unfair lending practices which are rife, Spaza News (2004:2) advised spaza owners to be careful of the following issues when borrowing money from micro-lenders:

- Make sure that the lender is registered with the Micro Finance Regulatory Council (MFRC) and has valid documents
- The lender must not retain personal documents of the borrower, such as identity documents and bank cards
- Do not borrow more than you can afford to repay
- Do not sign a contract that has blank spaces
- Demand a copy of your loan contract.

With regard to the issue of financial lending, Ligthelm (2005b:207) draws an important distinction between access to finance at prevailing market rates of interest and access to subsidized or soft loans. He further argues that subsidized rates may be helpful to the very poor retailers who can become impoverished by debt, but they do not adequately prepare those aspirant entrepreneurs for the financial discipline that will be required after the start-up phase. Orford (in Rolfe et al 2010:12) also asserts that financial support to microenterprise operators needs to be improved by providing more finance, along with more holistic financial support which includes deepening the entrepreneur's understanding of entrepreneurship.

### **2.5.1.2 Crime**

Crime is also another major constraint that affects the ability of the retailers to maximize profit (Cichello et al 2011; Gough et al 2003; Ligthelm, 2005b & Skinner 2005). Ligthelm (2005b:211) highlights that 25,0 per cent of 340 spaza retailers interviewed, who were clients of Quatro Trading, indicated the high crime rate, robbery and burglary as the second major constraint to their businesses, after lack of financial support. The research by Triple Trust Organisations (TTOs) in Cape Town also highlighted high crime rates in townships as having a negative impact on the sustainability of spaza shops (Bear, Tladi & Pedro 2004:3). They argue that spaza shops were targets of robbery because of cash on premises, and noted that product manufacturers were reluctant to supply spaza shops directly for fear of being robbed ( Bear, Tladi & Pedro 2004:3). For example, Hweshe (2007:1) reported that in the Khayelitsha settlement, a spaza shop owner and employee were murdered by robbers after an undisclosed amount of cash and airtime vouchers were stolen. There are numerous cases of this nature in townships across the country which negatively hampers the growth of spazas.

According to Gough et al (2003) and Terblanche (1991) the comparative advantage of spaza shops over formal shops is convenience in terms of location and opening hours, although fear of crime means that spaza shops may lose that advantage as operators choose to close before dark. Gough et al (2003:272) conducted a comparative study of the HBEs in Madina (Ghana) and Mamelodi (South Africa) and their research revealed that the major difference between the businesses in the two settlements was the impact of crime. The researchers found that crime was more of a concern in Mamelodi than it was in Madina.

Numerous suggestions have been put forward to try to rescue the situation, such as encouraging spaza operators to install burglar proofing, alarm systems and surveillance cameras (Spaza News 2004:2). However, installing these security measures comes at a substantial cost which may be unaffordable for many spaza operators, since they are survivalist.

### **2.5.1.3 Limited trading space**

Spaza shops are generally run from home and as a result they operate from a limited trading space. Terblanche (1991:3) affirms that the limited trading space not only favours fast-moving brands but also has the effect of making the average catchment areas of spazas small. Limited trading space also means limited storage facilities, thus making it difficult to stock in bulk and most of them also lack infrastructure such as shelving and chest freezers (Terblanche, 1991). Gough et al (2003:268) reported that some of the respondents in their study of HBEs in both Madina and Mamelodi indicated that the limited trading space means that their business activities impinge on domestic space, for example their furniture is damaged by spitting cooking fat, especially in the case of spazas where food is cooked and sold.

In other cases, the spaza operators do have space available in their yards to do business; however, running a business can lead to disputes between members of different households in compound houses or between tenants and landlords. Therefore, although spaza shops play a crucial role in providing livelihoods for the business owner, factors such as those highlighted raise concerns regarding their potential to grow into fully-fledged businesses.

### **2.5.1.4 Competition**

Competition among spaza shops has been cited as another factor that thwarts their potential to become sustainable businesses (Gough et al 2003; Snyman 1990; Chiliya, Herbst & Roberts-Lombard 2009; Ligthelm 2007). Snyman (1990:32) argues that as the numbers of such businesses increase, competition also increases, which, together with lack of business technique, may raise doubts about the viability of many of these enterprises. Another challenge for these businesses is that they not only compete among themselves, but also with formal retailers. According to Ligthelm (2007) the pre-1994 retail landscape in South African townships was dominated by small informal retailers offering basic products and services to a relatively low-income consumer market. Since the end of the 1990s, capitalizing on rising

household income and swelling numbers of township dwellers, as well as indications that most middle-income township residents intended to stay for the foreseeable future, property developers and large retail outlets moved in to exploit the substantial market potential of these environments.

The arrival of mass-market retailers such as Pick n Pay, Shoprite and Spar, at these new shopping malls is making life difficult for South African informal retailers, and unless something is done, job losses are inevitable (Bisseker 2006:1). For example, “in Soweto at least six shopping malls have opened their doors since 2005, and the township now hosts several well-known retail complexes, including the Maponya, Dobsonville, Protea Gardens, Jabulani and Bara Malls. The President of the African Co-operative for Hawkers and Informal Businesses (Achib) estimated that about 150 informal retail stores closed in recent years and about 1 500 jobs have been lost in Soweto, and that a thousand more could be lost nationwide, once the big retail chains have completed their expansion plans” (Bisseker 2006).

Kalhan (cited in Rolfe et al 2010:18) also conducted a study in India and Mumbai in which he examined the impact of shopping malls on small shops and hawkers. The study revealed that following the opening of nearby malls, 71 per cent of the small businesses experienced falling sales, while 18 per cent of the businesses were unaffected as a result of their distance from the malls. It is important to note that while new shopping centres offers a variety of choices and lower prices to local consumers, the competition that generates such choice and price flexibility could be the very thing that forces smaller business out of operation, displacing expenditure away from small operators to national chains and franchised outlets. Cokayne (2007:1) reported that according to a study of the Bureau of Market Research at Unisa titled “The impact of shopping mall development in Township Areas on small township retailers”, 75 per cent of businesses in Soshanguve, north of Pretoria, that were located less than 1 km from the mall reported a fall in profit, compared with only 36.8 per cent of those located about 5 km from the mall.

It is also important to acknowledge that competition is not only expressed in terms of informal and formal retailers, but also between the local traders and foreigners, and in townships this competition has led to violent crimes. In almost all the townships in South Africa, butcheries, bakeries, clothing and spaza shops owned by Asian or Middle Eastern foreign investors have sprung up (Chiliya et al 2009:71). According to Dentlinger (2009:1) in 2008 the City of Cape Town commissioned a study, carried out by Knowledge Link Services, into the underlying tensions between local and foreign spaza shop traders in Khayelitsha, Cape Town. The study found that the competitive edge foreign businessmen had over their local rivals, and not xenophobia, had fuelled the violence that drove thousands of people from their homes. Local spaza shop owners suffered from a combination of inadequate retail and merchandising knowledge and insufficient bargaining power to effectively negotiate discounts (Dentlinger 2009:1). The study also found the following:

- Local spaza shops owners had very little start-up capital. They also operated in a fragmented way and this affected their ability to grow their businesses and to compete effectively with foreign-owned spaza shops
- Local spaza shop owners bought most of their products from wholesalers. Foreign spaza shop owners had implemented local distribution networks which cut their costs
- The product and service mix of local traders was limited, compared with their counterparts
- Foreign spaza shops owners had more employees, on average, than locals (Dentlinger 2009:1).

These findings are also highlighted by Liedeman et al (2013) who affirmed that many foreign shops appeared to have positioned their businesses to compete directly with established South African businesses. Their study found that in a sample of six key commodities, foreigners' shops were cheaper and they clearly used price discounting as a strategy to capture the market from

existing stores. The foreign-run shops were better stocked and appeared to be generally favoured by local consumers (Liedeman et al, 2013:3).

All these challenges raises questions regarding the sustainability of small retailers, and confirms that there is a need for local traders to be empowered with skills to manage their businesses better for their own survival.

#### **2.5.1.5 Lack of business skills**

Lack of business skills is also highlighted as another barrier that limits the growth of spaza shops (Skinner 2005; Rolfe et al 2010; Perks 2010; Kassim & Hendriks 2002; Cichello et al 2011). According to Perks (2010:448), a spaza shop owner, as an entrepreneur, needs a range of abilities to be able to execute daily business operations. Various authors (Van Dyk, Nel, Loedolff & Haasbroek 2001:52) who are highlighted in Perk's (2002) article have identified various skills needed for managing a business, for example those dealing with financial aspects like budgeting, and interpreting financial statements. The following, among others, are cited as being the necessary skills, which deal with: accounting, business finance; marketing by developing a marketing strategy, selling, advertising, human resource management and labour relations, interpersonal skills for customer services, and stock control (Perks 2010:448). No matter how small the business is, it requires these skills in order to grow into a fully functional business. One other crucial problem that relates to skills is a lack of managing cash flow. Van Aardt, Van Aardt and Bezuidenhout (2000) and Longenecker, Moore and Petty (2000:298) argue that making and receiving payments is at the heart of a business, so it is essential to have a system that is optimized to maximize cash flow and manage information accurately. Rolfe et al (2010:8) mentioned that in 2007 the Bureau of Marketing Research at the University of South Africa conducted a major survey of small businesses across South Africa, which included hawkers, spaza shops, and shebeens, along with microenterprises in the retail sector near taxi stands and train stations. The survey revealed that only 11 per cent of the 764 respondents reported having business training. This means that many microenterprises are run without necessary business skills,



and as a result they may fail to adapt to a changing business environment, thus affecting income and sales. According to Kristiansen, Kimeme, Mbwambo and Wahids (2005) training does not only reflect acquired knowledge and skills, but demonstrates a desire to learn and to seek information.

Business training is therefore necessary as it may improve the spaza operators' understanding of the retail environment, thus empowering them with necessary skills to manage their businesses better and these could improve income and sales. Rolfe et al (2010) and Ligthelm (2003) have argued that higher levels of education correlate with the survival and growth of business.

#### **2.5.1.6 Expensive transportation**

Expensive transportation is another constraint affecting spaza shop owners (Ligthelm, 2002 & 2005b; Skinner 2005; Kassim & Hendriks 2002:35). According to the study conducted by Skinner (2005) in Durban, access to transportation was highlighted as a major problem facing informal traders. The study revealed that 40 % of 507 respondents indicated that they used taxis as a mode of transportation for their stock, only 26 % had access to their own transport, and just over 10 % of respondents used buses to transport their merchandise, while less than 6 % reported using trains. The study revealed that the cost of public transport is an issue among most traders, and with petrol prices increasing from time to time, transportation become more unaffordable. This means that spaza shop operators have to make costly trips to town to buy additional stock, thus reducing their profit.

According to the former MEC for Finance and Economic Affairs (Gauteng), Jabu Moleketi, "spaza owners need to organize themselves so that they can speak with one voice, once they are organized it will be easier to negotiate with big wholesalers and producers about prices and services, this includes transportation of their merchandise (Spaza News 2003). Moleketi further stated that once spaza owners are organized, they can challenge the government to provide warehousing solutions – places where spaza owners

can keep their stock in a safe and healthy environment. This would save spaza shop owners money, as they would then not have to travel as often to buy stock, and at the same time their goods would be kept in a hygienic environment, which is good for their customers (Spaza News 2003:2).

## **2.6 Conclusion**

Chapter 1 presented the rationale of the research, the motivation for the research, the research problem statement and objectives and also briefly discussed the research methodology for this research and the theoretical framework and an outline of chapters.

This chapter discussed the origins of the term 'informal economy', its defining general characteristics and the different theories explaining the emergence of this economic sector. The chapter also discussed the South African informal economy and its specific features, in particular, how the historical past shaped this sector. Lastly, the chapter narrowed down to a discussion of the spaza shops as a livelihood strategy for the poor and identified the major barriers to their sustainability. The following barriers to the sustainability of the spaza shops were identified and discussed: lack of financial support, crime, limited trading space, lack of business skills, expensive transportation, and competition. The next chapter (Chapter 3) provides the theoretical framework which informed this study: the sustainable livelihood approach (SLA); it looks at the applicability of the sustainable livelihood approach to this study, particularly the DFID.

## CHAPTER 3: THEORETICAL FRAMEWORK

### 3.1 Introduction

This chapter discusses the applicability of the sustainable livelihood approach (SLA), in particular that of the Department for International Development's (DFID) sustainable livelihood framework (SLF), to this study. Among other issues, it will also discuss the origins of SLA and its core principles as an approach to poverty alleviation. Lastly, the chapter will conclude with a discussion of the SLA framework and its core elements, as they relate to this study and the strength and limitations thereof.

As with most issues in South Africa, as highlighted in Chapter 2, the barriers facing spaza shops cannot be understood outside of the country's political background and its impact on economic, legal and social issues. Deliberate and systematic exclusion of black people from participation in the formal economy, through the racist laws referred to as institutions in the SLA framework (such as Group Areas Act, Native Areas Act and Wage Act), meant that informality and race are inextricably linked. These laws controlled the influx of Africans from rural 'homelands' (poorly resourced rural areas assigned to black people) to 'white' urban areas. Africans were only granted temporary permits to live in white urban areas and only to provide cheap labour. These laws deliberately excluded Africans from participating effectively in the country's economy, and from owning property in the country's urban areas, and in this way Africans had no options to earn their living except from being hired as a cheap labour for white employers (The History of apartheid South Africa 2012). Many African people resorted to employment in the informal sector as a survival strategy or to supplement their meagre income from white employers. The South African context in this chapter is mainly provided for the purpose of illustrating the usefulness of the SLA as an analytical tool.

This chapter is therefore informed by a critical analysis of two types of literature. Firstly, the literature on theoretical framework of SLA, and secondly,

the literature on political and socio-economic conditions created by the apartheid regime in South Africa and on how this regime shaped African people's livelihoods. Spaza shops should therefore be understood within this context.

### **3.2 The applicability of SLA in this study**

The sustainable livelihood approach to poverty reduction offers a distinct perspective on the understanding of poverty and on how to intervene to improve the conditions of people in poverty. It takes as its starting point not deprivation, but the assets, the strengths and capabilities of people living in poverty and the strategies they use to get by through drawing on these different assets. Connections are then made between the detailed household level information and wider context, and this information is then used to plan and prioritize possible actions to bring about positive change in people's lives (May, Brown, Cooper & Brill 2009:5; Mazibuko 2012:3). Farrington, Ramasut and Walker (2002:48-50) state that although SL approach originated in a rural context through the work of Chambers and Conway (1992) as a way of challenging assumptions about rural poverty, its main emphasis on 'sustainability' arose in part because of the dependence of most poor rural dwellers on natural capital. However, these authors argue that there is nothing inherent in urban areas to prevent the applications of SLA in that context. They state that there is in fact a pressing need to use this approach in urban areas to understand the range and dynamics of livelihoods and so find ways to strengthen the livelihoods strategies, since the cities are experiencing high population growths.

Kollmair and Gamper (2002:10) also emphasize that the applications of SLA are diverse and flexibly adaptable to many settings, including in the urban areas. De Satgé, Holloway, Mullins, Nchabeleng and Ward (2002:16) further adds that the SLF is not too rigid and that it makes it possible to focus on

particular aspects of a livelihood and makes a real effort to understand what actually constrain livelihood opportunities.

It is for these outlined reasons that SLA was considered relevant and applicable in this study, since it offers a systematic method to analyse the factors that can constrain or enhance a livelihood strategy. In particular, this approach provides an understanding of where to begin if interventions are to be embarked on to improve the livelihood.

The barriers facing spaza shops in today's context, as highlighted in Chapter 2 (literature review) and also as will be discussed in chapter 5 (findings) of this study, are not detached from a historical political context, in fact they are a direct consequences of the repressive apartheid regime. Mazibuko (2012:9) states that the South African state ensured marginalization and the resultant poverty among the majority of its people through its systematic policies of exclusion, oppression and exploitation which it termed separate development or apartheid. This was done in order to protect and preserve white supremacy. The racist policies (such as the Group Areas Act, Wage Act and Urban Areas Act) were used as a means to prevent African people from accessing and using assets in order to ensure that they never rose above colonial injustices. These laws systematically ensured that black people never actively participated in the country's formal economy, nor even resided in urban areas (which were reserved for white people only). Higgs (1971:21) further emphasized that the Group Areas Act (No. 41 of 1950, consolidated in 1966 by Act No. 36 of 1966) was one of the main pillars of the apartheid regime which enforced residential segregation in the cities and towns of South Africa. Under this Act the central areas of cities and the best suburbs were reserved for white occupation, with separate African, Coloured and Indian areas located at some distance from the cities. The non-whites (non-Europeans) had to commute to the city to work during the day and be out of sight at night.

The SLA framework highlights the role of the transforming structures (in particular, various organs of the government institutions), as well as the

processes (these are described as laws, policies and institutions), in ensuring the sustainability of livelihood strategies, particularly in determining who accesses the resources. The South African historical context, therefore, shows how the apartheid government through its restrictive policies deliberately underdeveloped other races, in particular Africans. For example, in Pretoria (formerly the capital city under apartheid) in 1940, African people were forcefully removed from areas such as Marabastad, Lady Selbourne, Newclare, and Bantule and relocated to the newly established Atteridgeville (South African History online 2013). The forceful removal of Africans from the City of Pretoria (now Tshwane) involved a loss of property for many, and those who had established their businesses there lost their homes and businesses. Many Africans in this newly established residential area resorted to informal trading activities (such as spaza shops and hawking) as survival strategies. It is also important to highlight the fact that even their participation in informal trading activities was not allowed by the authorities, and if caught, their merchandise would be confiscated and they could even be sent off to the rural Bantustans (these were areas of land set aside exclusively for black people). The South African historical context in this chapter is related only to show the usefulness of the SLF as an analytical tool, and in particular to show the role of institutions and policy processes in determining access to and use of resources.

### **3.3 Background to the Sustainable Livelihood Approach**

The sustainable livelihood approach has been a prominent theme of research and academic writing over the past decade. In the past few years, different development actors have begun to mainstream the concept into policy and programme design. However, there is still much that is misunderstood about the concept and its practical implementation. There are various interpretations and elaborations of the sustainable livelihood approach by different agencies and this has led to the development of various SL frameworks (de Satgé et al 2002:2). Through this study, the researcher intends to demonstrate the

usefulness of SLA as a practical analytical tool that can be used in various contexts, be it rural or urban, to highlight various factors that might constrain or enhance the livelihoods of the poor.

According to Arce (2003:202) the ideas that underpin sustainable livelihoods approaches were formulated in a period when policy-makers perceived nation states to be less politically important than regional markets or the economic global inter-dependence of national governments. Global support for national neo-liberal monetarist readjustment policies reversed the legitimization of welfare state policies, while promoting the withdrawal of the state from community development programmes, and favoured the promotion of a neo-liberal development discourse based on individual economic values (Arce 2003). The general failure of these conventional neo-liberal approaches (promoted by the World Bank and International Monetary Fund) to eradicate poverty, particularly in the developing countries, fuelled a paradigm shift in development discourse during the 1990s which led to the emergence of alternative approaches to poverty alleviation.

Gilling, Jones and Duncan (2001:303) reiterate that a change in approach to poverty reduction was attributable to the failure of international development efforts to curb the growing scourge of poverty in developing countries. Krantz (2001:10) cites the following three factors to elaborate why sustainable livelihoods approaches were crucial to poverty eradication:

- the realization that, while economic growth may be essential for poverty reduction, there is no automatic relationship between the two since it all depends on the capabilities of the poor to take advantage of expanding economic opportunities. Therefore, it is crucial to explore what constrains the poor from improving their lot in a given situation so that support activities might be designed accordingly.
- there was a realization that poverty, as perceived by the poor, is not just a question of low income, but also includes other dimensions such as bad health, illiteracy, lack of social services, bad social relations, insecurity, worry and fear, powerlessness, frustration, and

helplessness (Narayan, Chambers, Shah & Petesch 2002:31-37). Therefore, addressing poverty requires a mix of strategies and a holistic perspective.

- it is also realized that the poor themselves often know their situation and needs the best and must therefore be involved in the design of policies and projects intended to better their lot. Carney (2002:21-22) observe that this people-centred view provides a balance to the global and more strategic perspective normally offered by a sustainable development policy approach. These authors add that understanding poverty from the worldview of the poor provides a structured conceptual and programme framework for sustainable human development. This approach is seen as appropriate for achieving poverty reduction in the local development context as it ensures that policies are designed to enable better access for poor people to land, shelter, markets and sources of income, to information and education, and to health and other services (Kadozo 2009:42).

The SLA is therefore helpful in addressing the challenges of poverty, particularly in the local development context. As a tool it facilitates in the designing of relevant policies to positively improve people's livelihoods.

### **3.3.1 The concept of sustainable livelihood approach (SLA)**

According to Mazibuko (2012:6), the sustainable livelihood approach is essentially not defined as a theory because it does not explain any phenomenon, and neither can it be called a model, as it does not describe anything. It is rather an approach for doing things in a particular way. As an approach, it does not lay down procedures to be followed but instead it provides a scope and guidelines which can be implemented. Mazibuko (2012:2) further states that as a framework the sustainable livelihood approach only helps in considering the phenomenon and recognizing the patterns and it is this recognition that may lead to a model or theory.



According to Krantz (2001:6) and Kadozo (2009:39) the sustainable livelihoods idea was first introduced by the Brundtland Commission on Environment and Development in 1987, as a way of linking socioeconomic and ecological considerations in a cohesive, policy-relevant structure. The 1992 United Nations Conference on Environment and Development (UNCED) expanded the concept, especially in the context of Agenda 21, and advocated for the achievement of sustainable livelihood as a broad goal for poverty eradication. It stated that sustainable livelihoods could serve as “an integrating factor that allows policies to address development, sustainable resource management, and poverty eradication simultaneously” (Krantz 2001:6). In 1992 Robert Chambers and Gordon Conway proposed the following composite definition of a sustainable rural livelihood, which is applied most commonly at the household level:

A livelihood comprises the capabilities, assets and activities required for a means of living: a livelihood is sustainable when it can cope with and recovers from stress and shocks and maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term (Chambers & Conway 1992:9).

This seminal paper by Chambers and Conway (1992) had the great merit of clarifying the concept of sustainable livelihoods. More recently, the Institute for Development Studies (IDS) and the British Department for International Development (DFID) have been putting into operation the sustainable livelihood concept and approach and have proposed the following modified definition:

A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or

enhance its capabilities and assets while not undermining the natural resource base (Department for International Development (DFID) 1999).

According to Krantz (2001:8), the main difference between this definition and the one presented by Chambers and Conway is that it does not include the requirement that, for livelihoods to be considered sustainable, they should also “contribute net benefits to other livelihoods”. Various interpretations and elaborations of the sustainable livelihood concept by various researchers gave rise to multiple methodological applications of the concept. De Satgé et al (2002:4) mention that, despite the differences in emphasis by different practitioners, the livelihoods framework helps us to:

- identify (and value) what people are already doing to cope with risk and uncertainty
- make connections between factors that constrain or enhance their livelihoods on the one hand, and policies and institutions in the wider environment on the other hand
- identify measures that can strengthen assets, enhance capabilities and reduce vulnerability.

### **3.3.2 The core principles of sustainable livelihood approach(es)**

According to Ashley and Carney (1999:45-46), de Satgé et al (2002:5-6), Krantz (2001:18) and Hussein (2002:14), sustainable livelihood approaches are informed by the following core principles that can be applied to any type of poverty-focused development activity:

- ***People-centredness***: Development policy and practice should flow from an understanding of the poor and their livelihood strategies and the poor should directly contribute to determining development priorities and be able to influence the institutions and process that

impact on their lives (de Satgé et al 2002:5). People, rather than the resources they use, are the priority concern in the livelihoods approach, since problems associated with development are often rooted in adverse institutional structures and are impossible to overcome through simple asset creation. Therefore, sustainable poverty creation will entail success only if development agents work with people in congruency with their current livelihood strategies, social environment and capabilities to adapt. At a practical level, this implies a detailed analysis of people's livelihoods and their dynamics over time. Ashley and Carney (1999) also emphasize that sustainable poverty elimination will be achieved only if external support focuses on what matters to people, understands the difference between groups of people, and works with them in a way that is congruent with their current livelihood strategies, social environment, and ability to adapt.

- **Holistic:** The approach encourages holistic analysis, with attention to identifying the factors inside and outside households that have beneficial or negative impacts on livelihoods. However, it does not assume that one must address all issues simultaneously (Krantz 2001). Rather, based on an analysis of the most important influences of the livelihoods, one can select specific, focused interventions while understanding how these relate to other issues that are not being addressed.
- **Dynamic:** Just as people's livelihoods and the institutions that shape them are highly dynamic, so is the approach in order to learn from changes and help in mitigating negative impacts, while supporting positive effects. External support must also recognize the dynamic nature of the livelihood strategies, respond flexibly to changes in people's situation and develop longer-term commitments (Krantz 2001:18).
- **Building on strengths:** A central issue of the approach is the recognition of everyone's inherent potential for his or her removing the

constraints and realization of potentials. This will contribute to the stakeholders' robustness and ability to achieve their own objectives.

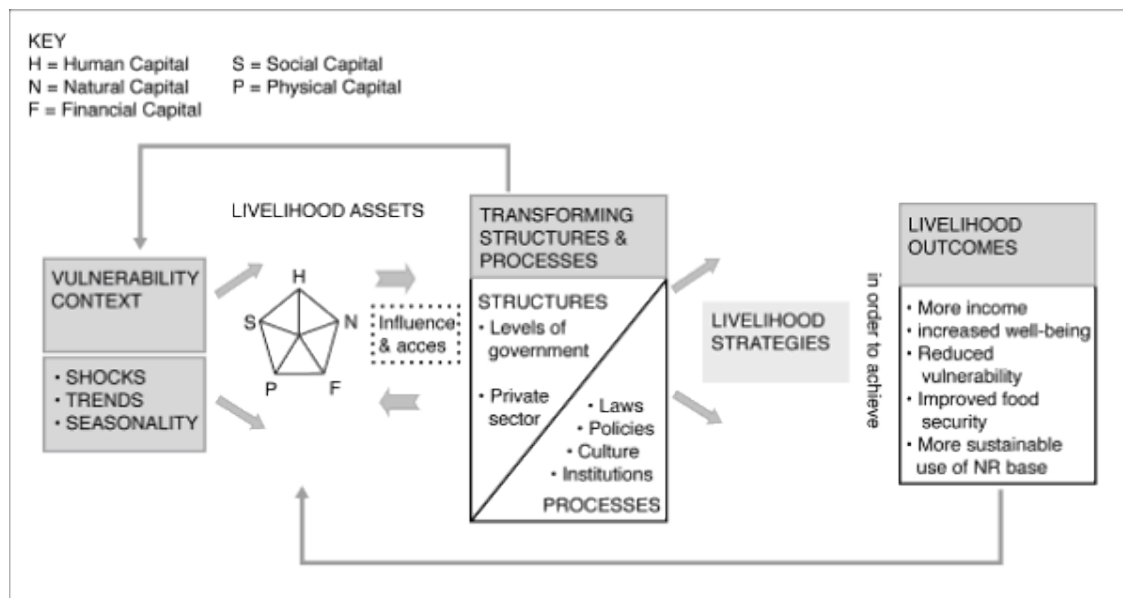
- **Macro–micro links:** Development activity tends to focus at either the macro- or the micro-level, whereas the SLA tries to bridge this gap in stressing the links between the two levels. As people are often affected from decisions at the macro-policy level and vice-versa, this relation needs to be considered in order to achieve sustainable development.
- **Sustainability:** A livelihood can be classified as sustainable when it is resilient in the face of external shocks and stresses, when it is not dependent upon external support, when it is able to maintain the long-term productivity of natural resources and when it does not undermine the livelihood options of others (Kollmair & St. Gamper 2002). There are four key dimensions to sustainability: economic, institutional, social and environmental sustainability and a balance must be found between them.

### 3.4 The DFID framework

The researcher is aware of the various SLA frameworks used by various organizations, such as CARE, Oxfam, UNDP, LAL and many more, but for the purpose of this study, he has chosen to employ the DFID. According to the DFID (1999) the main objective of the DFID's SL approach is to increase the agency's effectiveness in poverty reduction by seeking to mainstream a set of core principles and a holistic perspective in the programming of support activities to ensure that these correspond to issues or areas of direct relevance for improving poor people's livelihoods.

A central element of the DFID's SL approach is the SL framework (see Figure 4.1 below). This framework is not intended to be an exact model of reality but rather to provide an analytical structure to facilitate a broad and systematic understanding of the various factors that constrain or enhance livelihood

opportunities, and show how they relate to each other. Earlier we highlighted Mazibuko's (2012:6) contention that sustainable livelihood approach is essentially not defined as a theory because it does not explain any phenomenon, neither can it be called a model, as it does not describe anything. It is rather an approach for doing things in a particular way. As an approach, it does not lay down procedures to be followed but instead it provides a scope and guidelines which can be implemented. In this study I do not argue differently, but I take a view that SLA is an approach that provides guidelines that can be used to understand how households derive their livelihoods and to understand factors that may enhance or constrain the livelihood opportunities and to show their relationship. This approach was applied in order to understand variety of barriers to the sustainability of spaza shops as a livelihood strategy within Atteridgeville.



**Figure 4.1: the SL framework**

Source: DFID (1999:1)

In its simplest form, the framework shows the stakeholders as operating in a **context of vulnerability**, within which they have access to certain **assets**.

These gain their meaning and value through the prevailing social, institutional environment (**Transforming structures and processes**). This context decisively influences the **livelihood strategies** that are open to people in pursuit of their self-defined beneficial **livelihood outcomes**. The arrows within the framework are used as shorthand to denote a variety of different types of relationships, all of which are highly dynamic.

In the following section the core ideas represented in the SLF are explained together with how they relate to spaza shops in Atteridgeville:

### **3.4.1 Vulnerability Context**

Vulnerability (the first aspect in Figure 4.1 above) is characterized as insecurity in the well-being of individuals, households, and communities in the face of changes in their external environment. According to Serrat (2008:3) vulnerability has two facets: an external side of shocks, seasonality and critical trends; and an internal side of defencelessness caused by lack of ability and means to cope with these. In Chapter 2 of this study the researcher already highlighted the fact that spaza shops in South Africa arose as a significant feature of the township landscape in the shadow of consumer boycotts of white-owner retail outlets (Spiegel 2002). These stores reflected an action of resistance to apartheid legislation that had aimed to restrict Africans trading opportunities in the cities and associated townships. They were started as a means of earning an income by those who were denied the opportunities to participate in the white-owned formal sector and also by those who wanted to supplement their meagre income from the white-owned sector.

### **3.4.2 Livelihoods Assets**

The livelihoods approach is concerned first and foremost with people. It seeks to gain an accurate and realistic understanding of people's strengths (assets or capital endowments) and of how they endeavour to convert these into positive livelihood outcomes. The approach is founded on a belief that people require a range of assets to achieve positive livelihood outcomes; no single

category of assets on its own is sufficient to yield all the many and varied livelihood outcomes that people seek (DFID 1999:6). Mazibuko (2012:8) mentions that assets also exist within a particular context of vulnerability, as discussed in the previous section, and that the use and accessibility of assets is determined by societal structures represented by levels of government, the private sector and processes (policies and institutions). People's capability to pursue whatever livelihood strategy depends on the assets they possess.

As already indicated in Chapter 2, the apartheid government in South Africa ensured the marginalization of Non-Europeans, Africans in particular, to ensure their exclusion from participating and benefitting in the country's wealth. The racist policies (such as the Group Areas Act, Wage Areas Act, Urban Areas Act) were used as a means of ensuring that Africans were deprived from accessing or using assets in the effort to promote white supremacy. It is within this political context that spaza shops were born, and the primary concern here is to inquire into the assets that spaza shop owners possess which enable them to grow their enterprises sustainably. According to Serrat (2008:2) the livelihood assets, about which the poor must often make trade-offs and choices, comprise the following:

#### **3.4.2.1 Human capital**

Human capital represents the skills, knowledge, ability to perform labour, and good health that together enable people to pursue different livelihood strategies and achieve their livelihood objectives. Human capital (i.e. capital under livelihood assets in Figure 4.1 above) appears in the framework as one of the livelihood assets or a means of achieving livelihood outcomes. Therefore, changes in human capital have to be seen not only as isolated effects, but also as supportive factors for other assets. Human capital is important, though not on its own sufficient, for the achievement of livelihood outcomes (DFID 1999:7).

For example, in the context of this study the researcher has already indicated in Chapter 2 that the success of the spaza shops depends on the business

skills and knowledge and good health of the spaza operators. No matter how small the business is, it requires skills in certain aspects, such as budgeting, accounting, business finance; marketing by developing a marketing strategy, selling, advertising, human resource management and labour relations, interpersonal skills for customer services, stock control, in order to grow into a fully functional business (Perks 2010:448). At a household level, human capital is a factor of the amount and quality of labour available; this varies according to household size, skill levels, leadership potential and health status (DFID 1999). The importance of education as a means to improve human capital cannot be denied. According to Johnson (1982:214) in all societies education fulfils some basic functions; it transmits culture, trains people for specialized roles, and is simultaneously a force of continuity and change.

In South Africa, for example, the introduction of the Bantu Education Act in 1953 was a means through which the apartheid government controlled the human capital of African people. Bantu education served the interests of white supremacy; it denied African people access to the same educational opportunities and resources enjoyed by white people. Bantu education denigrated black people's history, culture, and identity (Johnson 1982:214). The lack of business skills and knowledge among traders in the townships should be understood within this context, and although the new democratic government has made attempts to bring about changes, the legacy of apartheid remains.

#### **3.4.2.2 Social capital**

There is much debate about what exactly is meant by the term 'social capital' (i.e. capital under livelihood assets in Figure 4.1 above) and the aspects it comprises. In the context of the sustainable livelihood approach, it is taken to mean the social resources upon which people draw in seeking their livelihood outcomes, such as networks and connectedness, and which increase people's trust and ability to cooperate or take up membership in more formalized groups and participate in their systems of rules, norms and sanctions (Kollmair & St. Gamper 2002:6). The apartheid regime in South



Africa forced social exclusion upon people. The Group Areas Act imposed the segregation of different racial groups, while the Mixed Marriage Act controlled people's lives even in their bedrooms by banning inter-racial sex and marriages (Mazibuko 2012:110). In this way the opportunities for the non-white people (Africans, in particular) to share in the knowledge and skills which could be attained through the education system were denied. Also, the opportunity to learn through interactions and exchanges of different cultural experiences among different racial groups was denied. Moreover, the very education system provided for Africans was tailor-made to disempower them. For example, spaza shop owners in townships had to hide their activities from the government as they were treated as illegal. Therefore, people could not even openly share experiences and knowledge to enable them to grow, owing to fear of being arrested for illegal trading and this legacy has shaped the image of the spaza shops in the townships.

### **3.4.2.3 Natural capital**

Natural capital (i.e. capital under livelihood assets in Figure 4.1 above) is the term used for the natural resource stocks from which resources flows and services (such as land, water, forest, air quality, erosion protection, biodiversity degree and rate of change) useful for livelihoods are derived. DFID (1999) emphasizes that natural capital is most important to those who derive all or part of their livelihoods from resource-based activities (farming, fishing, gathering in forests, and mineral extraction). However, its importance goes beyond this, as none of us would survive without the help of key environmental services and the food produced from natural capital. Mazibuko (2012:9) states that the Native Land Act of 1913 determined people's access to natural resources, such as land (which is a fundamental asset in an agrarian society). Africans only occupied 13 per cent of the land, while the minority white people had control over 87 per cent of the land. It became impossible for Africans to pursue livelihoods within the Bantustans, and these areas became overcrowded and over-cultivated and this in turn strained natural resources. In Chapter 2 of this study we highlighted limited trading

space as being a major factor limiting the potential of spaza shops to grow. Apartheid laws ensured that Africans within the townships only had small residential stands, and in particular, residential space was not permitted for trading, so this had an impact on those who initiated businesses. Ligthelm (2005b:212) and Terblanche (1991) support this view by pointing out that spaza shop owners often do not have much trading space available in townships and as a result they can only hold a limited amount of stock and this negatively impacts on their ability to expand their businesses.

#### **3.4.2.4 Physical capital**

Physical capital comprises the basic infrastructure and producer goods needed to support livelihoods, such as affordable transport, secure shelter and buildings, adequate water supply and sanitation, clean, affordable energy and access to information. Its influence on the sustainability of a livelihood system is best fit for representation through the notion of opportunity costs or trade-offs, as a poor infrastructure can preclude education, access to health services and income generation. Since infrastructure can be very expensive, not only is its physical presence important, but the pricing and secure disposition for the poorest groups of society must also be considered (Kollmair & St. Gamper 2002:7). The apartheid regime through its separate development policies deliberately ensured that black people did not own any property or any resources. Higgs (1971:11) points out that the implementation of the Group Areas Act resulted in catastrophic displacements for the non-white people, in particular Africans, who had already established residential and business premises in the areas marked out for white occupation. Their trading licenses and homes were expropriated, in many instances without compensation. In Chapter 2 of this study we highlighted the points that spaza shop owners struggle with expensive transportation and that most of them rely heavily on public transport to deliver their merchandise to their trading premises. Amongst the main reasons behind this problem is the poor public transportation system in township areas, which were initially established as temporary residence for black people employed in white-owned industries.

Therefore, the transportation system was not better planned to easily link the townships to the city centres.

#### **3.4.2.5 Financial capital**

Financial capital denotes the financial resources that people use to achieve their livelihood objectives and it comprises the important availability of cash or equivalent, which enables people to adopt different livelihood strategies. According to DFID (1999:5) financial capital is probably the most versatile as it can be converted into other types of capital or it can be used for direct achievement of livelihood outcomes. Two main sources of financial capital can be identified as the following:

- available stocks, comprising cash, bank deposits or liquid assets, such as livestock and jewellery, not having liabilities attached and usually independent of third parties.
- regular inflows of money, comprising labour income, pensions or other transfers from the state, and remittances, which are mostly dependent on others and need to be reliable.

Mazibuko (2012:11) mentions that under the apartheid regime, wages for Africans were highly controlled by the Wage Determination Act. Through this Act, wages for Africans were kept below those of other racial groups and thus ensured that Africans remained in poverty. Higgs (1971:3) also mentions that with no property and no trading licences, it was impossible for black people to obtain credit from the banks. In Chapter 2 of this study we highlighted the point that lack of financial support was the major challenge facing spaza shop owners, since most of them do not qualify for bank loans owing to lack of collateral security. For example, according to the study of informal retailing through home-based businesses in South Africa (spaza shops) conducted by Ligthelm (2005b:211) it was found that most spaza shop owners rely mainly on their financial savings or borrowing from relatives.

### **3.4.3 Transforming Structures and Processes**

Transforming structures and processes within the livelihoods framework are the institutions, organizations, policies and legislation that shape the livelihoods. These structures effectively determine access to various types of capital, livelihood strategies and to decision-making bodies and sources of influence (DFID 1999:10). In the context of South Africa, the government institutions systematically impoverished, oppressed, exploited and excluded African people from the country's economic affairs, thus ensuring their poverty (Higgs 1971:3). The government deliberately introduced racist laws (the Group Areas Act, Population Registration Act, Prohibition of Mixed Marriages Act, and The Bantu Authorities Act) in order to deprive black people from resources, thus promoting white supremacy (Suzman 2012). Mazibuko (2012:12) also states that these policies determined how black people would earn their livelihoods: without land, with poor education and limited physical assets, people were forced to earn their living through migration and remittances. The government's negative attitude towards informal retailers also had a major impact in discouraging the establishment of successful businesses within townships. However, since the dawn of democracy in 1994, the new government of national unity changed its attitudes towards informal traders and proposed new policies to attempt to create a conducive trade environment. While this is a positive move, it remains to be seen if this change will truly bring the desired economic success among black entrepreneurs in townships.

### **3.4.4 Livelihood Strategies**

Livelihood strategies comprise the range and combination of activities and choices that people undertake in order to achieve their livelihood goals. Livelihood strategies to be pursued are determined by institutions and policy processes. Structures and processes can either be obstacles to, or enablers of, the attainment of sustainable livelihood. As indicated in this discussion, the

apartheid government in South Africa shaped the context in which black people could pursue their livelihoods. For example, informal employment offered an alternative for the majority of Africans in South Africa to earn their living, since they could not have access to the white formal sector. Spaza shops, amongst other strategies, became a means of survival to those who were denied livelihood opportunities.

### **3.4.5 Livelihood Outcomes**

Livelihood outcomes are the achievements of livelihood strategies, such as more income, increased well-being, reduced vulnerability, improved food security and a more sustainable use of natural resources. Outcomes help us to understand the output of the current configuration of factors within the livelihood framework; they demonstrate what motivates stakeholders to act as they do and what their priorities are. They might give us an idea of how people are likely to respond to new opportunities and which performance indicators should be used to assess support activity (Serrat 2008:3; Kollmair & St. Gamper 2002:9). The livelihoods outcomes depend on the democratic functioning of the institutions that govern society. For spaza shops to be successful, they require supportive local government to create enabling policies that would create a conducive trade environment. Spaza shop owners themselves must have the skills to manage their business environment. It takes multiple factors for livelihood outcomes to be attained. After 1994 the new government adopted a positive attitude towards assisting microenterprises to grow. Among other things, the government's adoption of the White Paper on Small Medium Microenterprises in 1995 paved a new way of thinking on the side of the government. Successful implementation of these ideals would require partnership amongst various stakeholders, government, private sector, and the community of traders themselves.

### **3.5 Limitations of the SLA**

Despite the strengths of the sustainable livelihoods approach as an analytical tool, the researcher also noted a few weaknesses that raise concern with using this approach. For example, although the sustainable livelihood approach acknowledges that there are critical trends, shocks and seasonality that impact negatively on the livelihood assets. The approach fails to provide a clear guideline on how to go about addressing them. According to Mazibuko (2012:12) the livelihood approach implicitly refers to those shocks and trends that originate from within the country. In this sense, the approach fails to address externally-induced trends and shocks. For example, the process of globalization and neoliberal economic policies promoted by international financial institutions (such as the IMF and World Bank) continues to undermine and wreck the economies of developing countries and thus negatively impacts on the livelihoods of the poor. The assumptions underlying the IMF and World Bank's support of neoliberal economic policies and marketization are informed by a notion of a democratic peace, which maintain that the global spread of capitalism would induce global stability and peace (Willett 2001:36). However, O'Hara (2005:2) has argued that globalization has contributed to cultural destruction, financial instability, global inequality, unfair/unhealthy labour conditions, transnational corporate control, and Western (especially US) hegemony in the global economy. Poor countries find themselves in difficulty as they do not have the capacity to compete fairly in global markets and their economies continue to sink (Thapisa 2000:172). This situation implies that these countries would not be able to provide enough jobs for their ever growing work-force. Small traders in these countries will continue to fail to maximize their earnings as they are also dependent on the success of their national economies.

Neoliberalism is similarly attacked for ignoring public goods and system functions, for reducing the material standard of living of working people in global south, for promoting corporate crises through insufficient governance, and also for leading to inadequate global effective demand (O'Hara 2005:2).

For example, according to Vandenberg (2009:3), the global economic slowdown (crisis) that began in 2008 in the United States of America resulted in a global financial, economic and employment crisis. The crisis that had started with the failure and insolvency of mortgage lending in the US, had a large-scale impact resulting in a liquidity crisis of the largest banks and financial institutions, and led to a disastrous fall of indices and market value of the biggest companies at the world's top stock exchanges. This caused a considerable production decrease in many countries, many micro-, small- and medium-sized enterprises were also severely affected by this crisis (Vandenberg 2009:3). This is one of the many examples of the effects that globalization and neoliberal economic policies can have on the stability of national economies.

The sustainable livelihood approach fails to provide a clear guideline on how to deal with these externally-induced shocks and trends. According to Ashley and Carney (1999:36) some critics feel that although SLA is people-centred, there is a concern that issues of power and politics are not explicitly highlighted in the SL principles and framework and this has a tendency to undermine poverty reduction efforts. De Satgé et al (2002:19) also mention that some critics argue that the livelihood framework implicitly accepts the status quo of poverty and inequality. Murray (2000) and Butler and Greenstein (in De Satgé et al 2002:20) also argue that the Sustainable Livelihood Framework (SLF) only focuses on encouraging the poor to use what they have in a better way. They argue that at times, the SLF conveys a sense of accommodating the way the world works. Even if it is used in an explicitly pro-poor fashion, some have found it scandalous to develop an analysis of poverty that enumerates the resources that characterize that context, labels them 'capital', and proposes that these constitute the building blocks to overcome that poverty. These are few weaknesses or concerns that could be raised against the SLA in this study.

### **3.6 Conclusion**

The sustainable livelihoods approach encourages thinking 'out of the box'. It frees development practitioners from conventional approaches that are restricted to identifying problems and finding solutions. It invites them to look at contexts and relationships so that development activities can become more process-oriented. SLA calls for a new style of policy appraisal that moves from universal prescriptions to context-specific approaches that allow alternative, local perspectives to reveal themselves in the policy framework.

Although SLA originated in the rural context, this chapter has suggested that it can also be used in an urban context to serve as an analytical tool to help create an understanding of the factors that constrain poor people's livelihoods. In this chapter, the sustainable livelihood approach (SLA), in particular the Department for International Development (DFID) Sustainable Livelihood Framework (SLF), was applied to demonstrate its relevance and applicability in exploring the barriers to the sustainability of the spaza shops. Despite the strengths of this approach, the researcher also highlighted the few limitations characterizing this approach.

The next chapter (4) will present the research methodology followed in this study.



## **CHAPTER 4: CHAPTER 4: RESEARCH METHODOLOGY**

### **4.1 Introduction**

The current chapter presents the research methodology followed in order to obtain the findings of the research presented in Chapter 5. Aspects of the research methods covered in this chapter include the type of research, the study area, population and unit of analysis, sampling method and sampling size, data collection techniques, data analysis and limitations of the study.

### **4.2 Rationale for research methodology**

This study followed a twofold research approach (mixed method approach), combining both qualitative and quantitative research methods, in order to detail a diversity of demographic and numerical facts and also descriptive (qualitative) qualities/attributes concerning the sampled spaza shops located in wards 51, 62, 63, 68, 71, and 72 in Atteridgeville. This study was conducted in two phases; phase one was a secondary literature review (described in Chapter 2 & 3) and phase two constituted primary interview based research. There are various research methods and techniques for collecting data in order to describe or explain a particular phenomenon. Comparing quantitative and qualitative research, Cook and Reichardt (1979) (noted in Knafel & Howard 1984:17) state that "By quantitative methods, researchers have come to mean the techniques of randomized experiments, multivariate statistical analyses, sample survey and the like. In contrast, qualitative methods include ethnography, case study, in-depth interviews, and participant observation". Quantitative research is the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect. Instead of generating numerical data supporting or refuting clear-cut hypotheses, qualitative research aims to produce factual descriptions based on face-to-face knowledge of individuals and social groups in their natural settings (Fossey, Harvey, McDermott & Davidson 2002:718).

Qualitative research is equated with those methods of data gathering technique which generate narrative as opposed to numerical data (Knafl & Howard 1984:17).

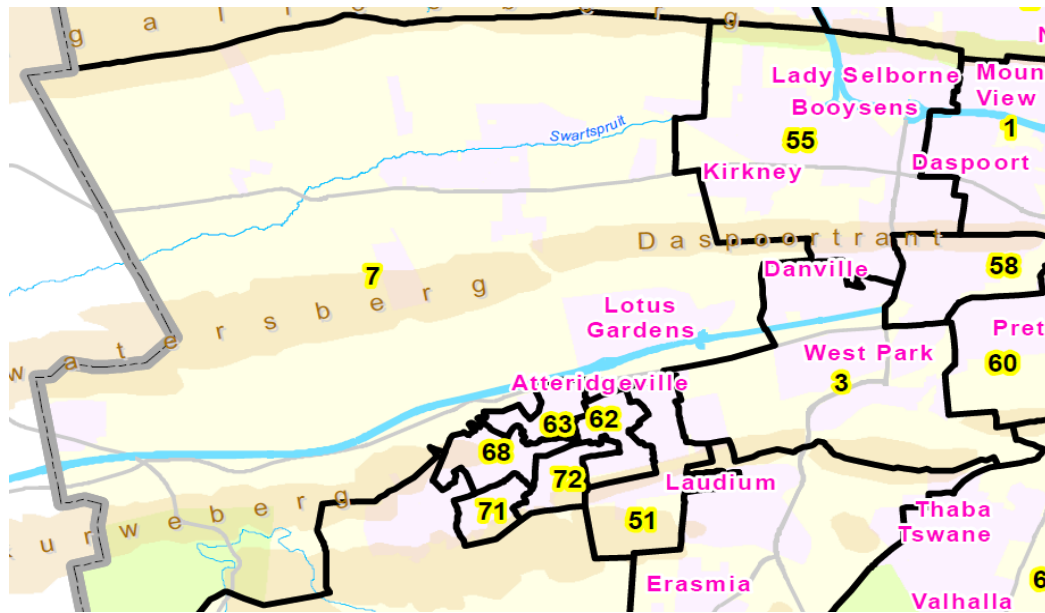
Strauss and Corbin (1998:11) also state that qualitative research method is the research about the persons' lives, lived experiences, behaviour, emotions, and feelings, as well as about organizational functioning, social movements, cultural phenomena, and interactions between nations. This approach is used to explore substantive areas about which little is known or about which much is known to gain novel understanding. Daft (1983:20) also states that qualitative research method cannot be objective and the researcher who chooses to follow a qualitative method must be comfortable with ambiguity and a subjective view of the world and must also want a close interaction with the informants. He further states that qualitative research is concerned with meaning rather than the measurement of phenomena. In other words, a qualitative researcher seeks to capture people's opinions, feelings and practice, their experience and the kind of atmosphere and context in which they act and respond. Qualitative researchers are interested in life as it is lived in real situations and they seek to discover the meanings that participants attach to their behaviour, how they interpret situations and what their perspectives are on particular issues (Woods 2006:5). Thus, central to the quality of qualitative research is whether the participants' perspectives have been authentically represented in the research process and the interpretations made from information gathered and whether the findings are coherent in the sense that they fit the data and social context from which they were derived (Fossey et al 2002:723).

While it is true that the two research methods expressed in this discussion are different, there is a growing need among researchers to triangulate these methods (Olsen 2004; Firestone 1987 and Fossey et al 2002). Firestone (1987:16) argues that qualitative and quantitative researches are not in contraposition to each other; instead they present the reader with different kinds of information and can be used to triangulate to gain greater confidence in one's conclusions. As indicated earlier in this discussion, this study was not

only qualitative, but also explorative in nature. Sekaran (2003:119-120) mentions that an exploratory study is undertaken to better comprehend the nature of the problem or the unit of analysis under investigation since very few studies might have been considered in that area. Exploratory studies are also necessary when some facts are known but more information is needed for developing a viable theoretical framework. Since the researcher was interested in the views of the spaza shop owners on what they considered to be the obstacles facing their businesses, the study was by nature qualitative.

### **4.3 Study area**

In Chapter 1(section 1.2) the researcher highlighted the history of the study area and also mentioned that Atteridgeville Township (Wards 51, 62, 63, 68, 71, and 72) is part of the City of Tshwane Metropolitan Municipality and is located to the west of Pretoria, South Africa. Therefore, in this section I shall avoid repeating these details and only present the map (Figure 3.1 below) to show the location of the study area and the wards where the research was conducted.



**Figure 3.1: Map 1, showing location of the study area and the wards covered**

#### **4.4 Population and unit of analysis**

The population of interest in this study comprised the spaza shop owners located in Atteridgeville (wards 51, 62, 63, 68, 71, and 72). According to Melville and Goddard (1996:29) a population refers to any group that is the subject of research interest. Welma and Kruger (2002:46) also agree that a population is the study object, which may be individuals, groups, organizations, human products and events, or the conditions to which they are exposed.

#### **4.5 Sampling method and sampling size**

For the purpose of this research, purposive sampling (also called judgmental sampling) was deemed the most appropriate non-probability sampling method to use to choose the spaza shop owners to be included in a sampling frame. There are various reasons why the researcher used this sampling method; firstly, this study did not focus on all microenterprises, but focused specifically on spaza shops. Secondly, the researcher used purposive sampling to

specifically select spaza shop owners (in each ward) who had been operating businesses for more than three years, for inclusion in the sample. The researcher was guided by the view that informants who have been involved for more than 3 years in the spaza business would provide more rich information on the challenges they have faced, than those who were new in the business. However, the main limitation with purposive sampling lies in its inability to allow a study's findings to be generalized from the sample to the population, and there are possibilities of bias (Cohen, Manion & Morrison 2007:115). The selection procedure was such that 3 spaza shop owners were chosen from each of the 6 wards highlighted on the map of Atteridgeville. This amounted to a total sample size of 18 spaza shop owners, ten (10) of these spaza shop owners were females and eight (8) of them were males (this information is also highlighted in Chapter 5).

## **4.6 Data collection techniques**

Data gathering techniques used in this study included the following:

### **4.6.1 Semi-structured Interviews**

All the spaza shop owners who were part of the sample in this study were interviewed using a personal, face-to-face format. The data gathering tool used was an in-depth, semi-structured interview schedule with open-ended questions. This tool extracted the relevant information needed in order to identify the barriers to the sustainability of the spaza shops in Atteridgeville. According to May (1997:111) and Cohen et al (2007:355), semi-structured interviewing refers to a manner in which the interviewer can seek both clarification and elaboration on responses given, and this gives the interviewer more latitude to probe beyond the questions in the interview guide and thus enter into a dialogue with the interviewee. Fossey et al (2002) also support the view that semi-structured interviewing is more flexible than standardized methods, such as a structured interview or survey. Although the interviewer in

this technique will have some established general topics for investigation, this method allows for the exploration of emergent themes and ideas, rather than relying only on concepts and questions defined in advance of the interview.

The semi-structured interviews used in this study provided flexibility in ensuring that when insightful comments were made through the interview, which were not in reply to the question asked, they could be noted under general comments.

The researcher pre-tested the interview questions with two spaza shop owners who provided meaningful feedback which was used to improve the final version of the interview guidelines. The researcher then proceeded to approach spaza shop owners in their physical locations where they operated their businesses in Atteridgeville. Each individual spaza shop owner was given an open-ended interview guideline which clearly stated the purpose of the interview, issues relating to confidentiality and anonymity, business and demographic information, and the questions to be asked. The open-ended interview guideline was provided to spaza shop owners prior to the date set for the interview to allow them sufficient time to prepare. Prior to the date of the interview, the researcher contacted the shop owners telephonically to remind them of the interview and to confirm their availability.

During the interview sessions with the spaza shop owners, the researcher asked questions in a friendly, conversational tone to avoid putting the spaza shop owners on the defensive, which might have limited their freedom to share their opinions. While talking with the spaza shop owners, the researcher took notes on the content of the conversations (by hand). The researcher's interpretation of the responses was recorded and confirmed by reading it back to the interviewee to ensure that it was correctly noted. In some instances the interviews were conducted in the local languages (particularly, Pedi, Tswana, Sotho and Zulu) then converted to English as some of the spaza shop owners were not comfortable expressing themselves in English. The duration of each interview was 15 to 25 minutes. Data collection took four weeks.

#### **4.6.2 Direct observations**

During the interview sessions conducted with the sampled spaza shop owners, as described in the previous section, the researcher also made direct observations and took notes of the physical setting and the conditions under which these spaza shops operated. The distinctive feature of observation as a research tool is that it offers an investigator the opportunity to gather live data from naturally occurring social situations. In this way, the researcher can look directly at what is taking place, rather than relying on second-hand accounts (Cohen et al 2007:396). Taylor-Powell and Steele (1996:1) argue that researchers often become involved in developing questionnaires to secure information from people to such an extent that they overlook the fact that considerable data can be collected by just observing. Observation provides the opportunity to document activities, behaviour and physical aspects without having to depend upon people's willingness and ability to respond to questions. In this way observation enables the researcher to see things that might otherwise be unconsciously missed and to discover things that participants might not freely talk about in interview situations, and to move beyond perception-based data (e.g. opinions in interviews) and to access personal knowledge (Cohen et al 2007:397).

Direct observation technique was also applied during the interview sessions with the spaza shop owners in order to better understand the problems facing the spaza shops. In particular, the researcher observed the physical structure of trading premises to check if the space was enough to enable the traders to operate their businesses. In chapter 5 we report on how the size of the trading premises impede on the ability of the shop owners to grow their shops. This technique helped to corroborate the responses of the spaza shop owners to the interview questions. The main advantage of using direct observation technique was that it allowed an opportunity to study a subject in his or her natural setting, thereby providing a richer understanding of the subject. In direct observation, the researcher tries to be as unobtrusive as possible so as not to bias the observations and the researcher seeks to observe certain

sampled situations of people, rather than trying to become immersed in the entire context (Taylor-Powell & Steele 1996:1).

## **4.7 Data analysis**

The following data analysis techniques were applied in this study:

### **4.7.1 Inductive approach**

An inductive approach was applied in order to analyse all the collected data from the 18 semi-structured interviews conducted. This approach enabled the researcher to identify common themes or categories emanating from the raw data. According to Thomas (2006), the inductive approach is a systematic procedure for analysing qualitative data where the analysis is guided by specific objectives. Elaborating further on this approach, he states that the primary purpose of the inductive approach is to allow research findings to emerge from frequent, dominant or significant themes inherent in raw data, without the restraints imposed by structured methodologies. The inductive approach is intended to aid an understanding of meaning in complex data through the development of summary themes or categories from the raw data. Durrheim (in Mbonnyane, 2006:22) also states that an inductive approach proposes an immersion in the details and specifics of the data to discover important categories, dimensions and interrelationships and begins by exploring genuinely open questions rather than by testing theoretically derived hypotheses.

### **4.7.2 Coding**

Data collected was classified according to the semi-structured interview questions contained in the open-ended interview guideline. All the responses from the semi-structured interviews were analysed to identify categories for each question and the categories with the same meaning were grouped together and coded as barriers and support strategies. The number of



frequencies that each category was mentioned was documented and counted. These frequencies were then used to calculate the percentages. According to Lockyer (2004) coding involves “a systematic way in which to condense extensive data sets into smaller analysable units through the creation of categories and concepts derived from the data”. As such, the coding technique enabled the researcher to classify responses to the interview questions into categories and themes.

#### **4.7.2 Statistical analysis**

Statistical analysis based on SPSS (Social Science Software), was used to analyse the open-ended interview questionnaires and to depict data statistically. Tables, graphs and pied-charts were used in order to show different demographics of the spaza shop owners and to enable comparative analyses of spaza shops in the study area.

#### **4.8 Reliability and validity of data**

According to Hussey and Hussey (1997:57) reliability is the instrument which measures the repetition of the research findings; whereas validity is the extent to which research findings accurately represent what is really happening in the situations. For the purpose of enduring reliability and validity of data in this study the researcher undertook the following measures:

- A pilot study preceded the actual interviews, as highlighted in section 4.6.1, the researcher pretested the interview questions with two spaza shops owners. Their meaningful feedback helped to improve the final version of the interview guidelines.
- The spaza shop owners were visited in their physical locations where they operate their businesses and were each given the interview guideline with a cover letter explaining the nature of the research project. The letter also assured them of their privacy and confidentiality of the information as well as guaranteeing their anonymity.

- In some instances the researcher conducted the interviews in the languages spoken by the spaza shop owners (namely, Pedi, Tswana, Sotho and Zulu) and then converted to English language. This was done in order to ensure that the respondents and the researcher interpreted the questions the same way. Moreover, the researcher took notes on the contents of the conversations and wrote them on paper, the researcher's interpretation of the responses were confirmed by reading it back to the respondents to ensure that the information was recorded correctly.

#### **4.9 Limitations of the research**

There were a few problems which were encountered during the data gathering exercise:

In some instances there was a general distrust about the intentions of the study, even though the objectives were clearly explained. As a result some spaza shop owners were not keen to disclose much about their businesses, in particular, about their finances, even though the researcher assured them of confidentiality. The researcher inferred that the reluctance might have been caused by the fear that other competing spaza shops would know their business strategies, thus putting them at a disadvantage.

Another challenge that faced the researcher was the busy operation of the spaza shops owners, in some instances some appointments had to be rescheduled to suit the respondent's availability. During the interviews customers would come from time to time to buy and this had an impact on the concentration of the spaza shop owners. In other cases, the researcher would find an employee and not the owner, even though an appointment had been made, and so some questions were not answered satisfactorily.

It was also difficult to organize a focus group discussion with various spaza shop owners, given the hectic schedules of running their spaza shops. Therefore, the researcher relied heavily upon the face to face interviews with

spaza shop owners, and direct observation of the spaza shops also provided important information on the state of these enterprises.

#### **4.10 CONCLUSION**

In this chapter the researcher discussed the research methodology followed in order to obtain information on the barriers to the sustainability of the spaza shops in Atteridgeville (wards, 51, 62, 63, 68, 71, and 72) and the support strategies needed to grow these shops. The research was exploratory and qualitative in nature, since the researcher sought to capture and report the views and the experiences of the key informants. A purposive sampling technique was used in order to select candidates to be included in the sampling frame, and semi-structured interviews and direct observation proved to be reliable tools for extracting information needed. The data analysis method used in this study included inductive approach, coding and statistical analysis. The chapter also discussed the limitations experienced by the researcher during this study. The next chapter (Chapter 5) will present the findings of this study and provide an analysis of data from the interviews conducted with 18 spaza shop owners in Atteridgeville.

## **CHAPTER 5: FINDINGS AND DISCUSSIONS**

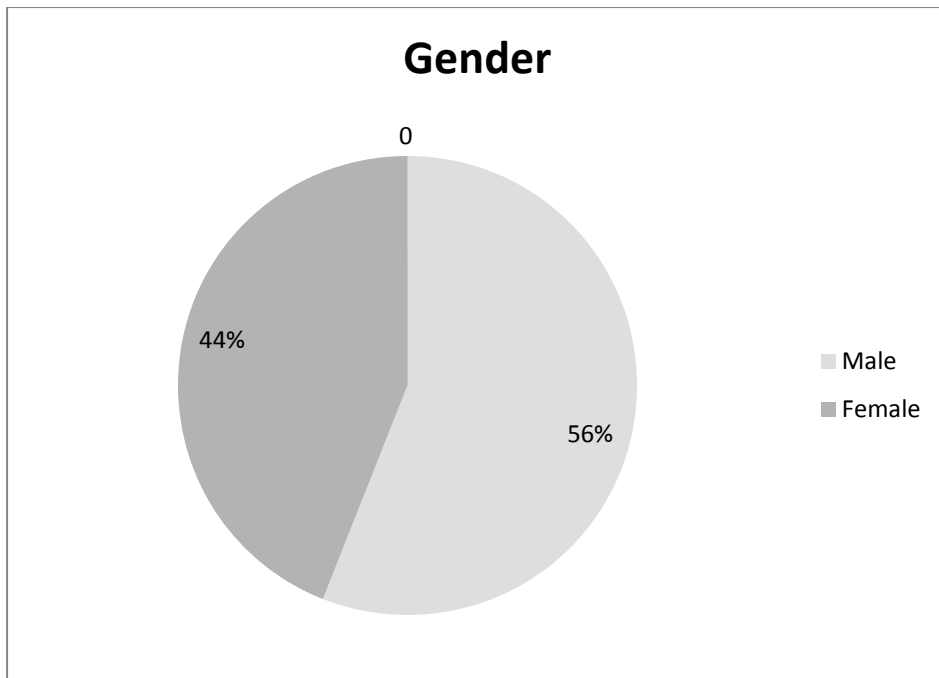
### **5.1 Introduction**

The current chapter reports on the findings of the research and provides an analysis of data from the interviews conducted with 18 spaza shop owners in Atteridgeville (wards 51, 62, 63, 68, 71, and 72). The chapter begins with a presentation of the demographics of the spaza shops and owners, the focus is particularly on gender, the age of spaza shop owners and their educational levels. This is followed by a presentation and discussion of the barriers facing spaza shop owners as found by this study and the support strategies necessary to assist these shops to grow. The chapter uses pie charts and graphs to allow statistical analysis and graphic presentation of the findings. The following barriers are covered: lack of finance; lack of business management skills; expensive transportation; limited trading space; crime; competition; and lack of cooperatives.

### **5.2 Demographics of the spaza shop owners**

#### **5.2.1 Gender composition of the spaza shop owners**

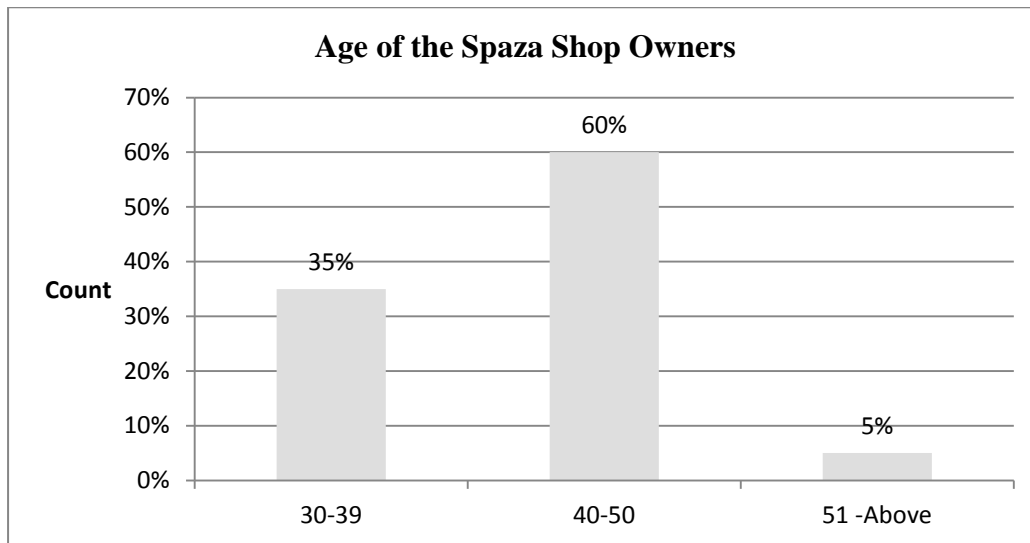
Figure 5.1 below shows the gender composition of the spaza shop owners interviewed: the sample revealed that 56 % of the spaza shop owners were females and only 44 % were males.



**Figure 5.1: Gender composition of the spaza shop owners**

These findings were also echoed by Rogerson (1996:10) who noted that the informal economy exhibits a sexual division of labour, with a proportionate clustering of women at the lower end of the South African informal economy.

## 5.2.2 Age of the spaza shop owners



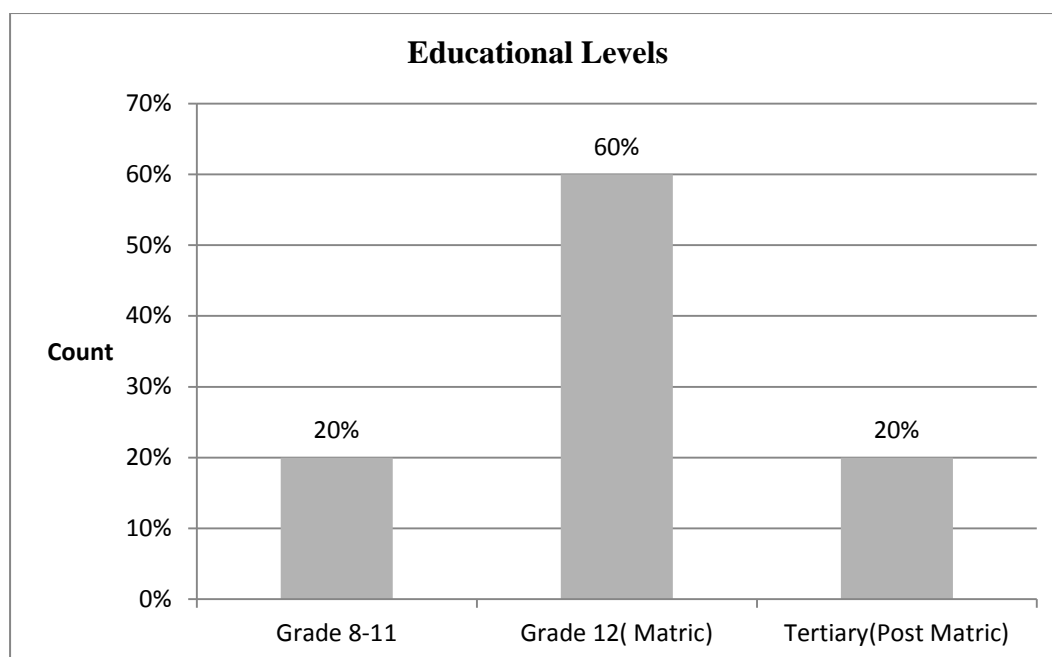
### 5.2.3 Figure 5.2 Age of the spaza shop owners

Figure 5.2 sets out the age composition of the spaza shop owners interviewed, and the indication of the age of the operators of these shops has implications for the experience of the owners in operating these enterprises.

The sample revealed that majority of the shop owners (60 %) were between the ages of 40 and 50 years. This was followed by 35 % who were between the ages of 30 and 39 years, and lastly, 5 % who were 51 years old and above. This implies that there is a mixture in terms of the age composition of the spaza shop owners in Atteridgeville.

### 5.2.4 Educational levels of the spaza shop owners

Figure 5.3 below shows the educational level of the spaza shop owners. The educational levels of the spaza shop owners positively correlate with the better management and profitability of their shops. According to the findings of this study, the majority of the spaza shop owners (60 %) had matric (grade 12), followed by 20 % who had studied from grades 8 to 11, and lastly, 20 % who possessed post-matric (tertiary) qualifications. This implies that there is a mixture in terms of educational qualifications of the spaza shop owners.



**Figure 5.3: Educational levels of the spaza shop owners**

Shop owners with lower levels of education expressed poor business management skills, compared with those with higher levels of education. This finding is also affirmed by Rolfe et al (2010:15) who maintain that higher levels of education correlate with higher income and sales. However, it was interesting to note that although some spaza shop owners had lower educational levels, they had experience of working in a business environment and this enabled them to manage their shops well. Therefore, practical skills, such as learning by doing, are also an important variable in determining the success of the shop owners. In Chapter 4 of this study we highlighted the importance of education as a means by which human capital can be improved. The sustainable livelihood framework also recognizes the importance of human capital in the attainment of sustainable livelihoods (DFID 1999:7).

### **5.3 The barriers to the sustainability of the spaza shops in Atteridgeville**

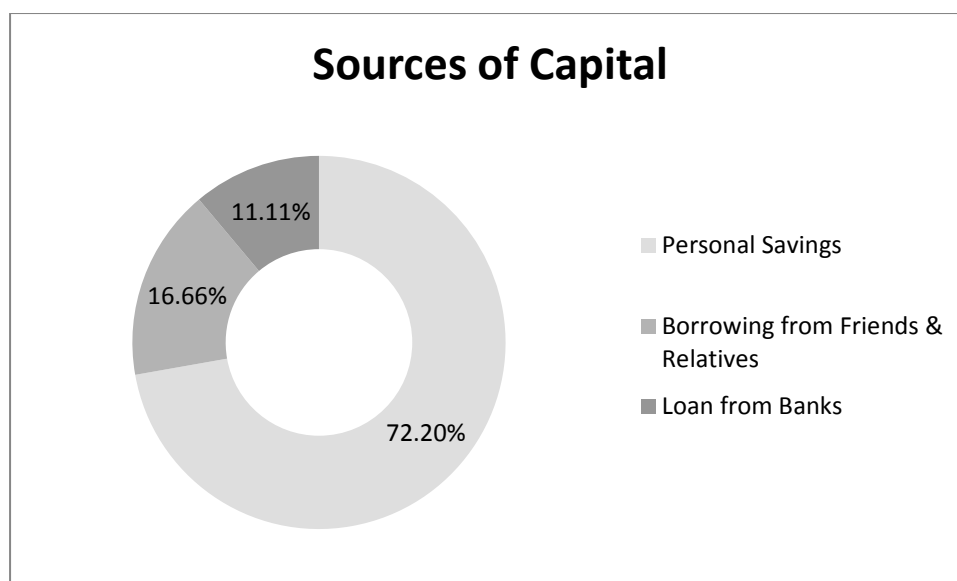
This section presents and discusses the barriers facing spaza shops according to the findings of this study, with reference to the sustainable livelihood approach. The section also discusses the support strategies necessary to assist these shops to grow.

#### **5.3.1 Lack of access to financial support**

Lack of access to finance was found to be a major impediment to the growth and sustainability of the spaza shops in Atteridgeville. During the face to face interviews, the spaza shop owners were asked to explain how they obtained the start-up capital for their shops. The primary aim of this question was to assess whether the shop owners had experienced any difficulties with acquiring finances to establish their stores.

The responses to this question (as presented in Figure 5.4 below) revealed that the majority of the spaza shop owners (72.20 %) used their personal savings for start-up capital, followed by 16.66 % who borrowed money from friends and relatives. Only 11.11 % of the spaza shop owners used bank loans to start their businesses.





**Figure 5.4: Sources of capital**

Most of the shop owners who used their personal savings and those who borrowed money from families and friends to start their businesses were unemployed when they started their shops. As a result of their unemployment status, it was difficult to secure loans from the banks since they did not have any collateral security. Those who had personal savings obtained them from various sources, and some respondents explained as follows:

After I was retrenched from my previous employment I invested the money I received for my pension funds with the bank. I used some of the money to start my shop. I erected a shack in my yard for my trading space, put shelves and bought a freezer, marketing boards and the initial items to sell to my customers (Female Spaza shop owner (aged 50), 4/10/2011).

Another respondent also explained as follows “I had to sell my late father’s building equipment and used the money I obtained as a start-up capital for my shop” (Male Spaza shop owner (aged 45), 10/2011).

On average, the start-up investment for most spaza shop owners in this study amounted to R5 000, mainly financed by private savings or loans from family

or friends. The lowest start-up investment in this study was R3 000, financed from personal investments. Respondents who borrowed start-up money from their families and friends explained that it was their only option as they did not have any personal savings and could not be assisted by the banks. Although borrowing money from friends and family was helpful for a start-up, some explained that it had not often made business easy. According to one of the respondents, borrowing money from a friend jeopardized their relationship when she was not be able to repay the money on agreed terms because the business had not made the expected profit. In another incident, the shop owner had to close down temporarily as a result of a family squabble over the money borrowed. The respondent had this to say:

I borrowed about R10 000 from my brother with whom we share the same house and the agreement was that I will repay half of his money within two year of running the shop. However, as the business was growing so fast and beginning to make profit he wanted all his money before the end of the term as per our agreement. This badly affected the budget for the business such that I was unable to raise the money to buy shop items and I had to close down the shop and reopened a year later (Male Spaza shop owner (aged 40), 10/2011).

Only a minority of the respondents (11.11 %) indicated that they were able to secure personal loans with banks and used the money as start-up capital for their businesses. These respondents were employed elsewhere, but needed to supplement their meagre salaries, and they used their employment salary slip to establish their creditworthiness with the banks. Although accessing credit was important in establishing their shops, some owners expressed their concerns about the high interest rates charged on their loans and the risk they may face should their business attempts fail. Gough et al (2003) also discovered similar findings in their comparative study of home-based enterprises in Accra and Pretoria (Mamelodi), where most entrepreneurs who could not qualify for loans with the bank had relied on savings and financial help from family and friends for a start-up capital. While it is true that access

to financial support appears to be a major challenge, it is also important to ensure that entrepreneurs are acquainted with the dynamics of the business environment. Improving financial access without equipping these shop owners with necessary skills to manage their businesses would also lead to failure.

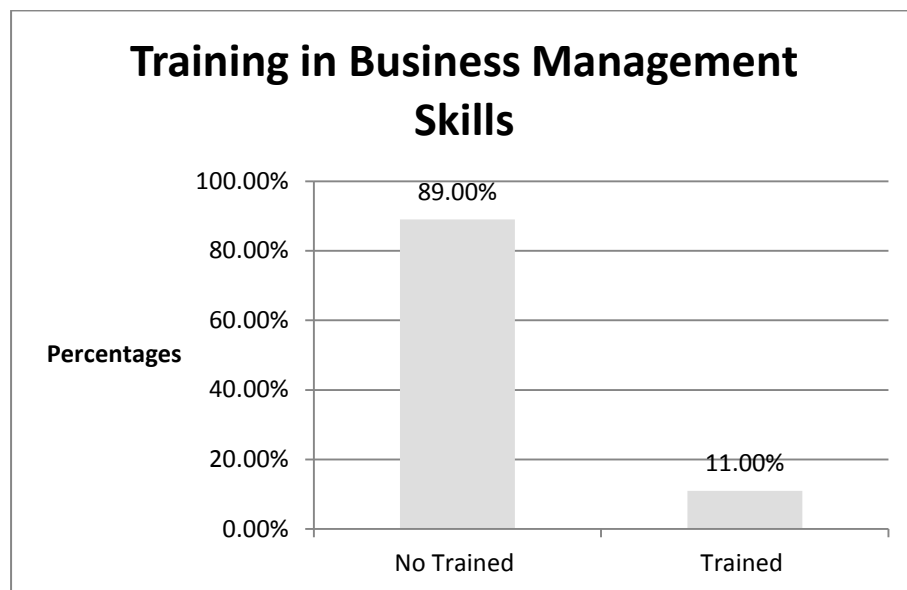
The sustainable livelihood approach (SLA) also affirms that access to financial capital is the cornerstone for the attainment of sustainable livelihoods. SLA believes that financial capital is the most versatile among the categories of the assets the poor have as it can be converted into other types of capital or assets and it can be used for the direct achievement of livelihood outcomes (DFID 1999). Financial capital denotes the financial resources that people use to achieve their livelihood objectives and it comprises the availability of cash or equivalent which enables people to adopt different livelihood strategies. Lack of financial capital has a negative impact on the ability of the livelihood strategy to become sustainable. For example, in the context of this study, the lack of access to financial resources negatively affected the ability of the spaza shop owners to expand their businesses. In particular, this lack of access hampered them in buying more merchandise, enlarging their trading space and also in improving the security measures around their stores.

### **5.3.2 Business management knowledge and skills**

Another major challenge facing spaza shop owners was their lack of business management skills. During the interviews, spaza shop owners were asked whether they had attended any business management training prior to starting their businesses. Through this question the researcher wanted to gain a better understanding of what skills the spaza shop owners possessed to enable them to manage their businesses better.

According to the responses depicted in Figure 5.5 below, the majority of the spaza shop owners (89 %) indicated that they had not attended any formal training in business management skills. Most of them only acquired business skills informally, from friends, and relatives, and some from previous

employment on how to run their businesses. Only 11 % of the spaza shop owners indicated that they had attended formal training in business management skills (others had certificates in business management and others had only attended workshops).



**Figure 5.5: Training in business management skills**

As highlighted earlier, most of the shop owners were unemployed when they started their shops; their main objective through operating the shops was to earn an income in order to support their families, rather than responding to a business opportunity. Most of these owners entered the market without any preparation or skills for understanding the dynamics of the business world. As a result, most of them did not keep proper business records to enable them to keep track of their purchases and expenses, sales and profits. In this way, some of the shop owners felt that their businesses were not as profitable as they had hoped.

One respondent (female, aged 50) explained that she gets assistance from her children to map out a financial budget for her store and to decide on what

items to buy and sell; however, when her children are not around, it becomes difficult and she makes many mistakes and loses out on her profit.

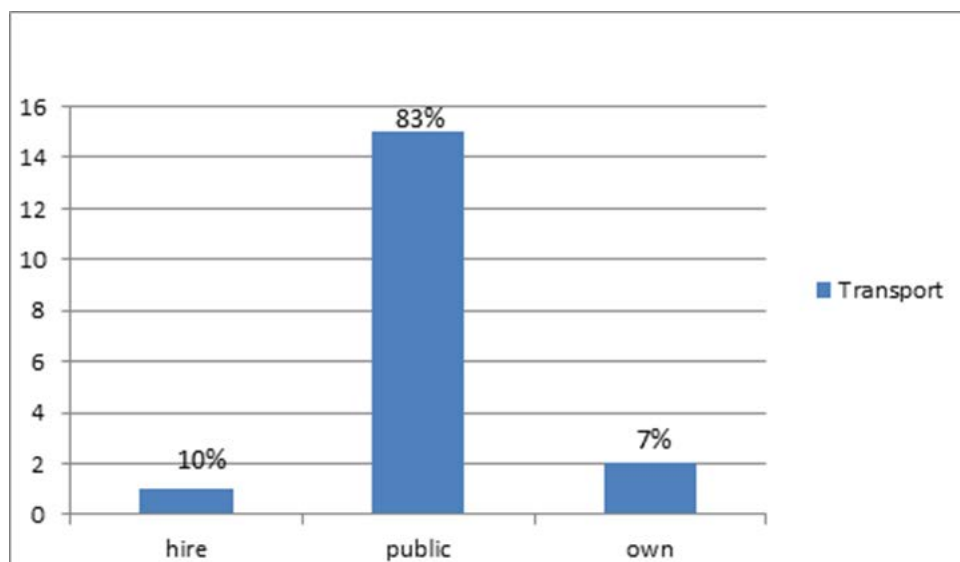
On the other hand, the minority of those who had attended business training were able to keep their business records, and particularly market their spaza shops better. Their spaza shops performed much better as they were able to interpret financial statements and they could market their businesses better. Spaza shop owners who did not attend business training expressed their need for such training; although, some were more concerned about the costs such trainings might incur and also about the time they might have to spend away from their shops. These were a few concerns that were raised by some of the respondents, but it seems clear from their viewpoints that the lack of business knowledge and skills does impede the success of their stores and acquiring such knowledge could be beneficial to them. Ligthelm and Cant (2002:6-7) also cite lack of skills in areas, such as financial management, budgeting, and marketing, as well as inability to set strategic goals, plan forward, and reluctance to seek advice, as all having a negative impact on the success of the shops. Perks (2010) also affirms that South African small-scale entrepreneurs often have poor business management skills and that in order to effectively manage microenterprises, such as spaza shop, it is necessary to apply some measure of management skills (such as budgeting, interpreting financial statements and marketing).

The sustainable livelihood approach also acknowledges the importance of human capital in ensuring the sustainability of the livelihood strategy. According to Farrington et al (2002:26-27) human capital consists of education, skills, knowledge, health, values, leadership capacity and interpersonal skills. Human capital is a critical building block in achieving livelihood outcomes. Its accumulation can be an end in itself. Many people regard ill-health or lack of education as core dimensions of poverty, and thus overcoming these conditions may be one of their primary livelihood objectives (DFID 1999:10). For example, in the case of spaza shop owners, access to financial capital is not the only ingredient for a successful business; it must also be combined with high levels of human capital to achieve great results.

Running a spaza shop successfully requires skills to budget, market, and to plan well. Regardless of how much access to money one might have, without the skills to plan well, it will be impossible to achieve great results; therefore, both financial capital and human capital are mutually dependent components for a successful sustainable livelihood strategy.

### 5.3.3 Transportation/Distribution system

Transportation of goods/merchandise from wholesalers or suppliers is another major issue of concern among the spaza shop owners. According to the findings of this study (see Figure 5.6 below), 83 % of the spaza shop owners used public transport to collect and deliver merchandise from wholesalers to their trading premises. Only 10 % of the respondents indicated that they hired private transport, and lastly, 7 % of the respondents used their own transport.



**Figure 5.6: Types of transportation**

According to these results, there is no doubt that the majority of these traders struggle with transportation, and in particular, that their trading time is affected

as they have to close their stores in order to collect their merchandise from the suppliers or wholesalers. While a few suppliers do deliver their products to spaza shops (bakeries, Coca-Cola, dairy-products and maize-meal), most suppliers do not owing to the fear of crime. Spaza shop owners using public transport complained about the exorbitant taxi fares they must pay, especially if they ask for delivery to their trading premises. Moreover, most taxi drivers are not willing to drop them at their trading premises as it inconveniences other passengers. One of the respondents explained as follows:

I use taxis to collect my merchandise from wholesalers since I don't have my own transport; in most cases I have to go to the wholesale twice in a week as the space in a taxi is not sufficient to carry everything. This takes much of my time and when my children are not around it means I must close the store. I also face the challenge of having to carry the items by myself and I'm no longer physically strong to carry everything (Female (aged 45),11/10/2011).

In a similar study conducted by Skinner (2005) it was found in Durban that 40 % of 507 respondents interviewed indicated that they rely on public transport (taxis), only 26 % of respondents had access to their own transport, just over 10 % of respondents used buses to transport their merchandise, while less than 6 % reported using trains. It is undeniable that the cost of public transport is an issue of concern among most traders, and with petrol prices increasing from time to time, transportation will become more unaffordable.

Perhaps the biggest challenge facing the traders is a lack of cooperatives to address their concerns as a collective, rather than as operating individually. For example, spaza shop owners could pay a fee collectively to hire a truck to deliver the goods to their premises, once or twice a month. Another strategy could be to pay an extra fee collectively to the suppliers or wholesalers to have their merchandise delivered to their homes. In this way they could save

money and time, including reducing the risk of being robbed, thus allowing them to spend more time at their stores.

The problem of transportation within the townships should be understood within the context of discriminative laws created by the apartheid regime. These laws ensured that cities were only reserved for white people. Africans had to reside far away from the cities; therefore, the roads within the townships were poorly designed, mainly to transport those who had to provide cheap labour. Although the new government for national unity after 1994 made efforts to reverse the situation, this legacy still remains.

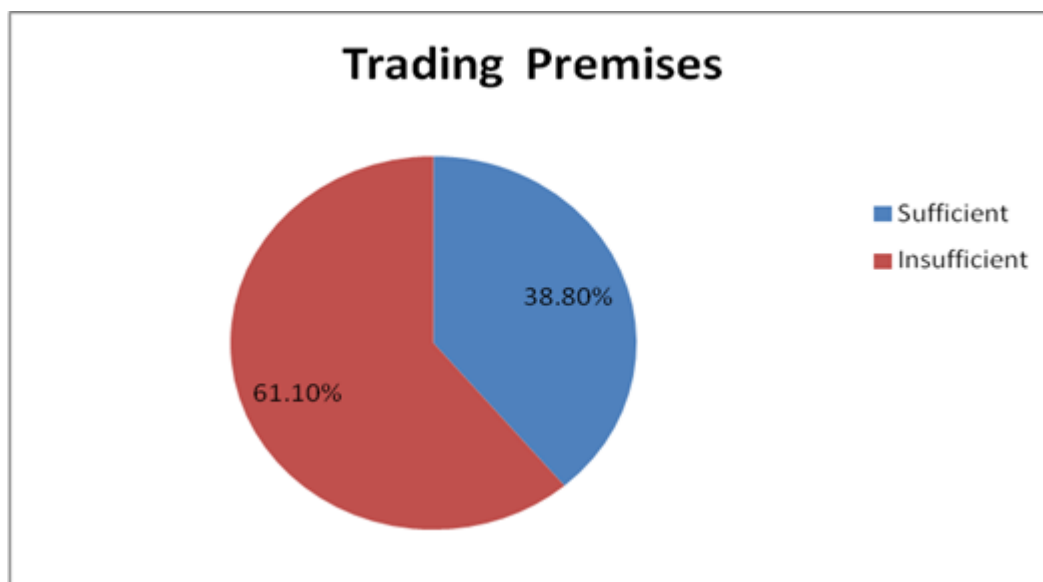
The sustainable livelihood approach also acknowledges the importance of physical capital in achieving the sustainable livelihoods. According to DFID (1999) physical capital comprises the basic infrastructure and producer goods needed to support livelihoods; the following components of infrastructure are usually essential for sustainable livelihoods: affordable transport, secure shelter and buildings, adequate water supply and sanitation, clean, affordable energy, and access to information (communication). In the case of spaza shops, reliable and affordable transportation remains critical in ensuring the attainment of sustainable livelihoods.

#### **5.3.4 Trading space**

Spaza shops are by nature very small, home-based enterprises, often operated from a shack within the yard or a room within the house, and as a result they have a limited trading space. During the interviews with the shop owners, the researcher asked whether they considered their trading space sufficient for their businesses. According to the responses (see Table 5.7 below), 61.10 % of the spaza shop owners felt that their trading space was not sufficient to allow them to grow their businesses, and only 38.80 % of the spaza shop owners responded that their trading space was sufficient for their businesses. The responses to this question revealed the ambitions of the



shop owners behind the establishment of their shops, which are the desires to either grow or to keep the business small.



**Figure 5.7: Trading space**

During the interviews it was also easy to observe that the nature of the trading premises poses a big problem for growing some of the stores: some of the traders had at least managed to erect a structure next to their house for trading, but some were trading from their kitchens and the space was not sufficient. Limited trading space meant limited storage facilities, thus making it difficult for the owner to stock in bulk, and also prevented the owners from installing shelves and chest freezers. However, some of the owners did not have a problem as their yards were big and they sold from their garages. In some cases, especially where the owner operated from their kitchens, it meant that the shop activities were intertwined with their household activities, such as cooking for the family while attending to the customers. One spaza shop owner, when asked about the trading space, had this to say:

My trading space is too small and the main challenge is I have to share the kitchen with my wife for trading and for household activities such as cooking, at times it gets so busy that we don't even have a family time so I become forced to close early, thus

losing out on some customers, since I get most customers in the evening (Male Spaza shop owner (aged 50), 11/10/2011).

In another case the shop owner explained that initially the space was not a problem, but it became a challenge when the business started to grow, as some neighbours were jealous. According to the respondent, some of the neighbours started to complain that the shop attracted criminals and also that some of his customers parked their cars in front of their yards. Depending on the reasons behind establishing their shops, the traders' views on their trading space were not the same, but for majority it is clear that they desired to have much bigger space to enlarge their gains.

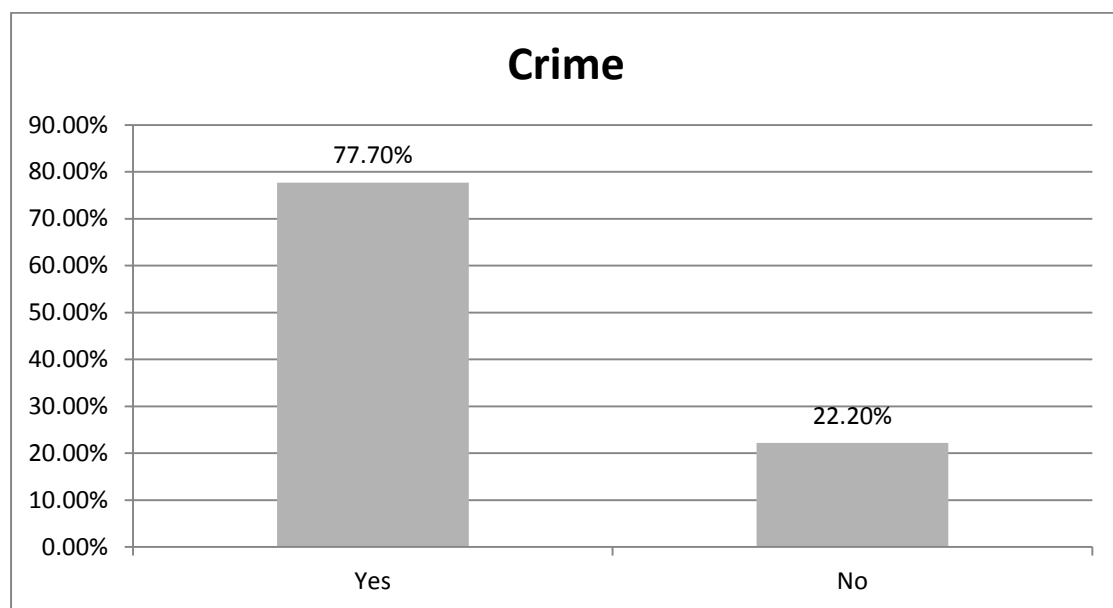
Another respondent had this to say regarding the trading space: "I started my store only to supplement my salary [from] my formal employment. I was not expecting something big; I only wanted to concentrate on few items, such as bread, milk, sweets and tin-packaged food which do not require much space and that's how I have kept my business, so I'm happy with my trading space" (Interview 10/2011). Therefore, not all spaza shop owners were concerned about the limited trading space, but those who were ambitious to see their business grow were more concerned. Terblanche (1991:3) also support this finding by stating that although limited trading space favours fast-moving brands, it also has the effect of making the average catchment area of spaza shop small.

According to the sustainable livelihood approach, infrastructure/housing (as an aspect of the physical capital) is critical in the attainment of sustainable livelihood (DFID 1999). For example, in the case of the spaza shops as home-based businesses, the lack of secure shelter with enough space or yard directly limits the activities of ambitious traders. As highlighted earlier, most of these traders run their shops from their kitchens and those with bigger space use their garage, while some erected a shack as a trading space. In most cases these traders are not able to extend their trading space owing to physical and legal limitations imposed by municipalities. For most of these

traders it is a risk they have to take, given the strict regulations and by-laws which prohibit using private accommodation as a business space.

### 5.3.5 Crime

Crime (or the fear of crime) is another major factor that negatively affects the growth or success of the spaza shops in Atteridgeville. During the interviews spaza shop owners were asked whether they considered crime to be a barrier to the growth of their businesses. According to the responses (see Figure 5.8 below), 77.70 % of the spaza shop owners answered 'yes' to this question, and only 22.20 % of the respondents answered 'no'. These results clearly suggest that crime is an impediment to the success of the spaza shops in this area. The type of crime experienced by most shop owners is burglary, and in some cases robbery during daylight, and sometimes in the evening.



**Figure 5.8: Crime**

One respondent explained that since she opened her store she has been robbed several times (3) and she is now afraid to collect more stock and that she now closes earlier before it gets dark to avoid criminals. She further

explained that as a result of closing early she has lost some customers since her business is mostly a convenience store for the neighbours who cannot go to the malls late (Female Spaza shop owner (aged 55), 10/10/2011).

Spaza shops make a very appealing target for criminals because they are largely cash-based businesses. In most instances the customers often pay in cash and as a result the robbers are confident they will get money. Although these shops play a major role in the livelihood of the poor families, the main challenge is the risk of outsiders entering one's domestic space. Respondents who answered 'no' indicated that although they have not been robbed, they are concerned that it might happen. In another instance, the shop owner explained that she was robbed in the morning when she heard a knock at the door and thought it was a customer, only to find it was a criminal demanding money. In another study conducted across South Africa, Ligthelm (2005b:11) found that 25% of the 340 spaza shop owners, who are clients of Quatro Trading, experienced high crime rates (robbery and burglary) as the second major constraint to their businesses, following after lack of financial support.

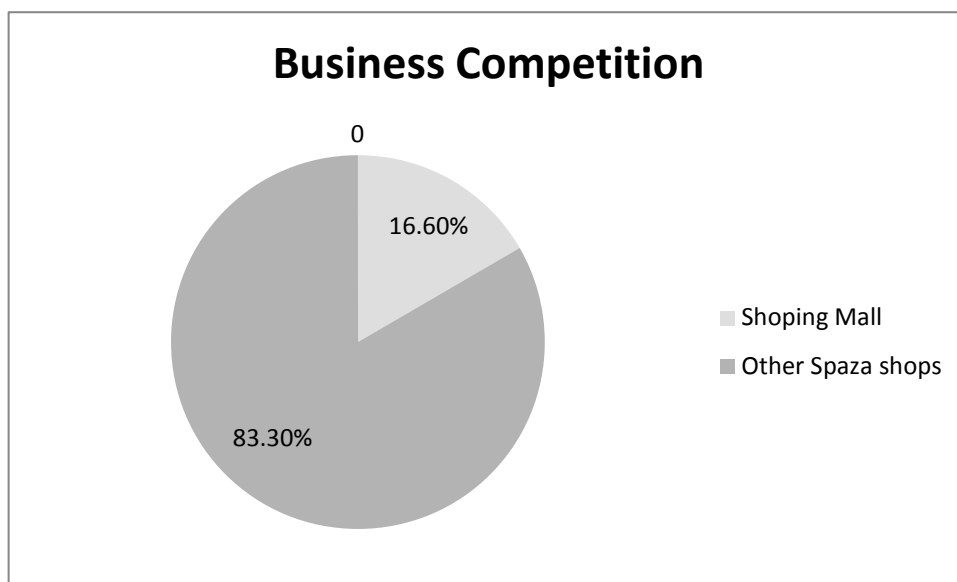
It is important that spaza shop owners pay attention to safety measures. For example, the installation of burglar doors and cashless payment systems, such as debit cards or credit systems, can help to reduce cash transactions on their premises. However, in most cases spaza shop owners do not have money to afford these measures. It is also crucial to encourage shop owners to become part of community policing forums, where they exist, as this will help in the fight against crime.

The sustainable livelihood framework acknowledges the role of structures and processes in creating the enabling conditions or environment for livelihoods to thrive. According to DFID (1999) the transforming structures and processes within the livelihoods framework are the institutions, organizations, policies and legislation that shape livelihoods. These structures and processes must be sensitive to the needs of the masses and be geared towards addressing the challenges faced by the poor. For example, the local government through law enforcement agencies must take the responsibility to create a safe

environment, free from criminal activities, but to attain this they must partner with the communities. Decision-making processes should also be enabling to allow for members of the community (spaza shop owners included) to make an input in such processes.

### 5.3.6 Competition

Competition is another major factor that thwarts the success and growth of the spaza shops. Spaza shops not only compete among themselves but they now have to face big retailers since the advent of shopping malls in townships. During the interviews, spaza shop owners were asked to mention who their main competitors were. According to the responses (see Figure 5.9 below), 83.30 % of the spaza shop owners considered other spaza shops in the area to be the main competitors, and only 16.60 % of the respondents felt that the shopping malls were a threat to their growth.



**Figure 5.9: Business competition**

Most spaza shop owners explained that their target market are people within the neighbourhood, therefore, they are not necessarily in competition with big retailers as they do not have the same capacity as the established stores.

Their concern was mainly regarding the proliferation of the spaza shops within the neighbourhood, selling almost the same items as they do. Competition on its own is not a bad thing as it should motivate owners to work hard, however, in the case of spaza shops, there are too many shops trading the same items at a close range. In some instances during this research, there were two spaza shops in adjacent houses and it was difficult for both owners to share ideas as their shops are in competition.

One respondent explained as follows:

When I started my shop I was the only one operating within my neighbourhood and my business was doing well, but now there has been a proliferation of the spaza shops in my area, such that in every street there is a shop operating and in most cases we sell the same products. It is even difficult to share ideas since there is a problem of jealousy amongst the owners as we compete for the clients (Male Spaza shop owner (aged 40), 12/10/2011).

It is mostly the spaza shops which were located proximate to the shopping malls that had experienced low turnover and some had even closed down their shops because of loss of customers. One shop owner explained that shopping malls offer variations in terms of prices and products, which is not the case with spazas. Some customers complained about the prices at the spaza shops and the quality of products they sell and accordingly the spaza shops could no longer attract clients.

Within the context of this study, the establishment of the new shopping malls did not affect all the spaza shops, except for those located close to these new shopping centres. In fact, spaza shops continue to proliferate, especially in areas far from the shopping malls. These findings differ from the argument raised by Snyman (1990) and Ligthelm (2007) that the establishment of the new shopping centres will have a tremendous effect on the success of spaza shops in townships and may even close these shops down. It is therefore

important for spaza shop owners to devise means to strengthen themselves, business-wise, through the establishment of cooperatives.

### **5.3.7 Lack of cooperatives**

The lack of cooperatives among spaza shop owners is another factor that thwarts the potential growth of the spaza shops in Atteridgeville. During the interviews, spaza shop owners were asked to indicate whether they belonged to any traders' association or a cooperative. It raised a concern for the researcher to realize during the interviews that none of the respondents belonged to cooperative, and that each shop owner operated individually. The lack of cooperatives meant that spaza shop owners lose out on the potential benefits of collective bargaining with the wholesalers or suppliers.

Among other benefits cooperatives can provide is a good avenue for spaza shop owners to communicate with each other on matters affecting their businesses, such as crime, transportation, marketing and the sharing of business skills. During an interview, one of the local officials from the Tshwane Metropolitan Municipality (Business Unit) said the following:

It is very difficult to provide assistance in the form of business training or any information that may be trade-related to spaza shop owners, since most of them operate individually and are scattered all over the township. What we need to do is to encourage the shop owners to have associations or cooperatives; in this way we can address their concerns as a collective. Although we do not provide any financial assistance, we can help organize business training workshops to assist the shop owners (Interview,10/2011).

In chapter 2 (page 34) we mentioned that the former MEC for Finance and Economic Affairs (Gauteng), Jabu Moleketi, has also asserted that "spaza shop owners need to organize themselves so that they can speak with one

voice, once they are organized it will be easier to negotiate with big wholesalers and producers about prices and services, this includes transportation of their merchandise” (Spaza News 2003). Bear, Brandnum, Tladi and Pedro (2005) also state that if spaza shop owners could pay a more reasonable fee to have their goods delivered straight to their stores, they would save time and money and it would greatly benefit their businesses. Despite the emphasized need for shop owners to collaborate, there are various reasons as to why spaza shop owners do not collaborate. One respondent explained as follows:

You see as business people we are in competition and there is a problem of jealousy amongst us and we are unable to trust one another. But if we could find a way, I think there would be many benefits for us, especially on the issue of transport for our product and discount on prices and most importantly resolving the problem of crime (Male Spaza shop owner (aged 55), 11/10/2011).

It is crucial for spaza shop owners to fortify their strategies of survival, especially given the encroachment of the shopping malls in townships that threaten their livelihoods. As a collective, spaza shops owners would have more chances of surviving the competition from these big retailers and grow stronger. However, in order for this to happen, shop owners must be committed to building working relationships for their common benefit. The sustainable livelihood approach also views social capital as one of the essential components in the attainment of sustainable livelihoods (DFID 1999).

Mazibuko (2012:8) mentions that social capital refers to the ability to socialize with other people, for example in local organizations, having access to information, and any form of social support either from family or friends. For example, in the case of spaza shops there is a need to encourage collaboration among shop owners through the formation of cooperatives. This



collaboration would create more opportunities for spaza shop owners to speak as a collective and in this way they will be taken more seriously by the government, and by the police in the case of fighting crime. Moreover, collaboration among shop owners might also create opportunities for the shop owners to share the cost on transportation of merchandise from wholesalers, and also for negotiating better deals with the suppliers.

### 5.3.8 Support strategies for spaza shops

In the light of the identified general barriers to the growth and success of the spaza shops in Atteridgeville, spaza shop owners were asked to identify the areas where they need to be supported. The majority (52.90 %) of the spaza shop owners (depicted in Figure 5.10 below) indicated a need for training in business skills. Secondly, 29.40 % of the respondents identified the need for financial support, and lastly, 17.60 % of the shop owners highlighted the need to address crime as an issue of concern towards building a healthy business environment.

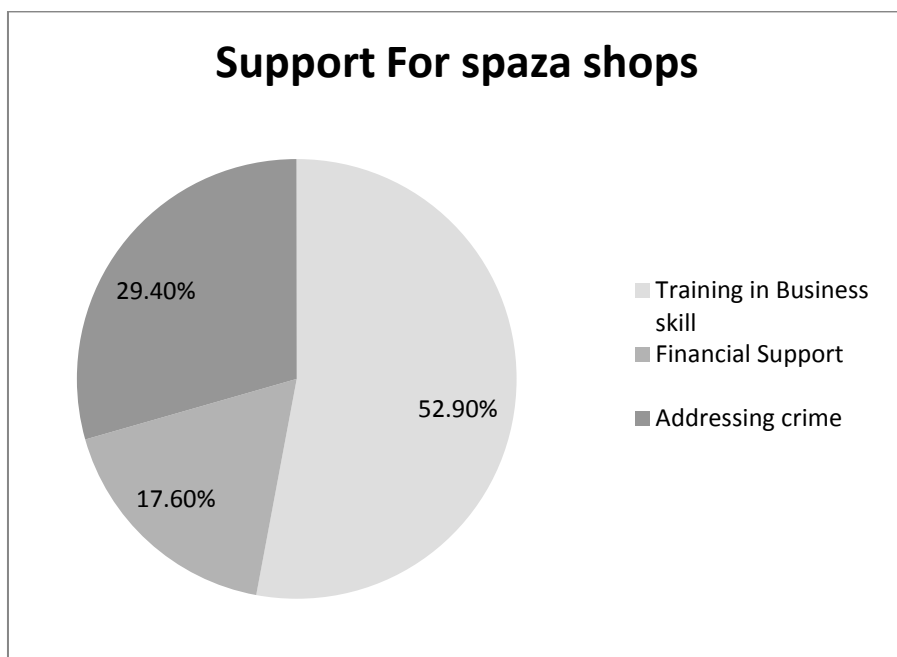


Figure 5.10: Support for spaza shops

Although the respondents only highlighted a few areas where they need to be supported, the researcher also identified various areas (based on observations during the interviews) that need attention for spaza shops to succeed in Atteridgeville, and these are set out in the following subsections.

#### **5.3.8.1 Improving access to information and advice**

Access to relevant information and advice is the big problem affecting spaza shop owners. Since most of the shop owners were unemployed and had started their businesses as survival strategy, most of them were not carefully prepared to deal with the dynamics of the business environment. As a result, most of them lack the professional business acumen to handle their businesses in a competitive manner. Although there is a Local Economic Development Unit (LED) in Tshwane, many spaza shop owners are not aware of how they may be assisted. Information on issues pertaining to trading by-laws, business registration, and any form of advice relevant to assist them needs to be made easily accessible to the traders. The major responsibility lies with the shop owners to take the initiative, but it is equally important for the officials to find innovative ways of making known the services they could offer to help these traders. An official from LED unit had this say:

We can assist spaza shop owners with providing workshops/training on business management skills and information on how to register their businesses. However, it's difficult to organize such activities since most of them don't belong to associations and they run their shops individually this makes it difficult for us. We therefore, would encourage shop owners to form joint ventures so that we address them as a collective (Interview 03/10/2011).

### **5.3.8.2 Joint ventures**

Much has already been said about this in previous sections that spaza shop owners must unite in order to grow. The formation of cooperatives should be encouraged, so as to enable the shop owners to tackle their challenges as a collective. These could benefit many of them to negotiate better prices with wholesalers and to organize the joint transportation for their products. Moreover, it would enable them to speak with one voice in tackling the problem of crime in the area, and in particular, to strategize against the impact of the shopping malls on their businesses. Joint ventures could also be an avenue for sharing skills on how to best manage their businesses and improve their skills.

The application of sustainable livelihood approaches in this study has been helpful in providing a structured method for identifying areas which need attention in order to improve the sustainability of livelihoods of the poor. Mazibuko (2012:3) asserts that the SLA is strength-based, rather than needs-based, and it does not inquire into what needs to happen but rather how things should happen, and it takes as a starting point what people have and then develop them to higher levels. This approach looks at the assets (capitals) the poor have and the context within which they exist (vulnerability context) and looks at how transforming structures and processes influences livelihood strategies in order to attain higher livelihood outcomes. For example as far as the spaza shops are concerned, it is clear from the findings of this study that most spaza shop owners lack the financial capital, human capital, physical capital and social capital needed to turn their situations around. Secondly, spaza shop owners do not have much support from municipalities (as local government units) which apply strict control measures, rather than offering ways on how to improve the working conditions of these traders. Most by-laws are restrictive in nature and are not helpful in creating an enabling business environment. This makes it difficult for these traders to strategize on better ways to improve their businesses. There is, therefore, a general need

for partnerships between traders and government to collaborate in building an enabling business environment.

#### **5.4 Conclusion**

In this chapter the findings from the research interviews with 18 spaza shop owners in Atteridgeville (wards, 51, 62, 63, 68, 71 and 72) were presented and discussed. The following barriers were identified and discussed: lack of start-up capital and financial support; lack of business knowledge and skills; expensive transportation; limited trading space; crime; competition among spaza shop owners; the impact of the shopping malls; and the lack of cooperatives among spaza shop owners. Secondly, the chapter identified and discussed various support strategies necessary to assist these spaza shops to grow. The application of the SLA in this study proved to be relevant and useful in providing a structured framework to identify the barriers to the sustainability of these spaza shops. Moreover, areas were identified that need attention if intervention is to be made to provide support to these shops.

The next chapter will provide a summary and draw conclusion regarding the findings of this study, as well as providing the recommendations.

## **CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 Introduction**

This chapter provides a summary of the main findings in this study and it also provides recommendations, followed by bibliography.

### **6.2 Summary of main findings**

#### **6.3 Chapter 1**

This chapter discussed the background to the research, the motivation and rationale of this research, the research problem and objectives, the research methodology followed in this research and the theoretical framework which informed this study, lastly, it provided an outline of the chapters covered in this study.

#### Chapter 2

This chapter discussed the origins of the concept informal economy, its defining general characteristics and the divergent theories explaining the emergence of this sector. The chapter also discussed the South African informal sector and its specific features, particularly, how the apartheid regime shaped this sector. Lastly, the chapter narrowed down to a discussion of the spaza shops as a livelihood strategy for the poor and identified the major barriers to their sustainability.

#### Chapter 3

This chapter discussed the applicability of the sustainable livelihood approach, in particular, the DFID framework. Among other issues, the chapter discussed the origins of the SLA and its core principles as an approach to poverty alleviation. The chapter concluded with a discussion of the SLA

framework and its core elements as they relate to the barriers to the sustainability of the spaza shops in Atteridgeville.

#### Chapter 4

This chapter presented the research methodology followed in this study. Aspects of the research methodology covered included type of research, the study area, population and unit of analysis, sampling method and sampling size, data collection techniques, data analysis and limitations of the study.

#### Chapter 5

This chapter reported on the findings of the research and provided an analysis of data from the interviews conducted with 18 spaza shop owners in Atteridgeville (wards 51, 62, 63, 68, 71 & 72).

The following general barriers were identified:

- Lack of access to financial support was found to be the major stumbling block facing the spaza shop owners. Most of the shop owners relied on their personal savings as a source of start-up capital, while others borrowed money from their friends and relatives. Only few acquired financial help from banks. The main reason why most spaza shop owners could not access financial assistance from the banks was attributable to lack of collateral security, as many of them were unemployed. Although accessibility of credit was an important issue among most spaza shop owners, some expressed their concern about the high interest rates charged on their bank loans and the risk they would face, should their business attempts fail.
- Another major barrier facing the spaza shop owners in this area was the lack of business skills. While the lack of access to financial help was the major barrier, the lack of business acumen further complicated their capacity to build sustainable businesses. The majority of these traders entered the market without any preparation to understand the dynamics of the business world. Most of them did not have proper

business records or a clear business plan, which made it difficult to measure the success of their businesses.

- Lack of access to reliable and proper transportation or distribution system is another factor that had a negative impact on the success of the spazas. Most spaza shop owners relied heavily on public transport, in particular taxis, to collect their merchandise from the suppliers/wholesalers. This has had a negative impact on the trading time of the spaza shop owners, as most of them had to close their stores to collect their merchandise from the suppliers. Not only was their trading time affected, but most of them also complained about exorbitant taxi fares and also the inconvenience of carrying the merchandise by hand from where the taxis drop them to the trading premises. Only a few suppliers were able to deliver their products directly to the trading premises of the spaza shops, but most would not owing to the fear of crime. Only a few spaza shop owners had access to their own private transportation.
- Another major challenge impeding the growth of the spaza shops was limited trading space. The majority of the shop owners felt that their trading spaces were not sufficient to enable them to grow their businesses. Some used their kitchens as trading spaces and as a result it was not possible for them to put shelves or chest freezers in their houses, and therefore they could only keep limited stock. Those with big yards were able to erect shacks and use these as trading spaces, which enabled them to install shelves and organize their shops better. Only a few shop owners felt that their space was sufficient for their businesses, as they did not want to run bigger stores.
- Crime (including the fear of crime) is another major barrier to the sustainability of the spaza shops in this area. Most spaza shop owners indicated that they had been robbed several times and others reported

attempted robberies at their shops. As a result, some spaza shop owners were afraid to buy more stock and other resolved to close their stores earlier, and as a result they lost customers. Crime, therefore, has a negative impact on the prospects for these shops to grow in a sustainable manner. Most spaza shop owners do not have enough money to improve their security and as a result they suffer a loss of profit, and others even had to close down.

- The proliferation of the spaza shops selling the same items within the township means that spaza shops compete negatively. This is another issue that affects their ability to grow in a sustainable manner, and with time, some close down. Not only do spaza shops compete among themselves, but the establishment of the shopping malls around Atteridgeville has further added to their challenges. People prefer to shop at the malls for better prices and fresh products, rather than buying from the spaza shops.
- The absence of cooperatives among spaza shop owners is another stumbling block to their success. All the spaza shop owners interviewed during this study operated their shops individually and none belonged to any traders association or cooperative. Operating individually meant that they were not able to access benefits, such as discounts from suppliers when buying in bulk, and shared costs on transportation of their merchandise. Moreover, operating in a collective might address other challenges, such as crime and the lack of their training. Negative competition among them was cited as a major reason for not collaborating.



## 6.4 Recommendations

In the light of identified barriers to the sustainability of the spaza shops in Atteridgeville, this section provides some recommendations necessary to enable spaza shop owners to grow their businesses in a sustainable manner.

- With regard to financial barriers, spaza shop owners are encouraged to rely on their personal savings as the best source of start-up capital for their businesses. Since the majority of them are not employed, and they started their businesses as survival strategy, borrowing money from commercial banks and micro-lenders may add enormous financial burden owing to the high interest rates charged on loans. Apart from personal savings, spaza shop owners might also rely on borrowing from their friends and family members for financial assistance. This may enable them to achieve better repayment options, as compared with commercial banks. It is also recommended that the government (through the Department of Trade and Industry) continue its commitment to strengthening the link between microenterprises and financial institutions in order to find alternative financing methods. The Department of Trade and Industry should deploy its mobile offices to the townships as a way to ensure that information is easily accessible to the spaza shop owner as to how best to improve their businesses. Spaza shop owners must also take advantage of such opportunities, if made available, to grow their businesses.
- With regard to lack of business skills, it is recommended that spaza shop owners should have at least a basic knowledge of the business world before rushing into any kind of business endeavour. Training and education are necessary to equip spaza shop owners with the skills they need to run successful business enterprises. For most of those who are already running spaza shops, it is necessary to attend business management training workshops to improve their understanding of the business world and the dynamics involved. Access to financial assistance without the knowledge to manage a

business is a major reason behind the failure of most spaza shops. Taking responsibility for the education and training of the spaza shop owners requires partnership between the government and non-government institutions. Big businesses, particularly in townships, should work with microenterprises, as part of fulfilling their corporate social responsibility, for example by sponsoring basic training in entrepreneurship for spaza shop owners. Besides big businesses, universities, as part of their community engagement task, could also offer tailor-made courses aimed at improving the skills of the traders. Government must, therefore, play an intermediary role to ensure that these partnerships become successful.

- Spaza shop owners must form cooperatives as a strategy for their own survival when faced by the big retailers. Government should help spaza shops through providing information on how to establish cooperatives. Cooperatives could offer spaza shop owners various benefits, such as the following:
  - Enabling them to tackle the problem of crime as a collective, rather than as individuals, and in this way they will be able to speak with one voice.
  - They could also address the problem regarding transportation of their goods collectively. Spaza shop owners could hire a truck or bakkie to deliver their merchandise, thereby sharing delivery costs, and in this way the transportation burden could be more manageable.
  - They could collectively negotiate better price deals when they buy in bulk and then share the benefits among themselves.
  - The shop owners could collectively tackle their business challenges as a collective, for example, by sharing the costs of training in business skills. Collaborative ventures offer an

avenue for spaza shop owners to share ideas on how to overcome their challenges.

With regard to the problem of combating crime, spaza shop owners must unite and work with local police to come up with ways to protect themselves. Another way to ensure their safety is through ensuring that their trading premises have burglar proofing, but they should also avoid closing their stores too late so as to minimize the likelihood of being robbed. Spaza shop owners must also ensure that their merchandise is insured against criminal activities.

- Recommendations to Government and Large retailers operating in Townships:
  - The results of this study have shown that most spaza shop owners do not have business skills and also have poor education background. It would be valuable if local government could partner with non-profit organisations in the training of the individual owners on business skills. Such interventions would communicate the message that indeed the government is interested in local economic development and this could contribute positively to the growth and success of these businesses. Large retailers must also join hands with the government to uplift small businesses, it is not good for large retailers to be perceived as negatively affecting local businesses, especially to be contributing to unemployment. I therefore suggest that as part of their corporate social responsibility initiative, they need to assist in the training of small entrepreneurs within the townships; they could also supply some products at a discount to the spaza shops. In this way large retailers would be seen as a helping hand in uplifting the communities.
- Recommendation to the Sustainable Livelihood Approach (as an analytical framework used in this study).

While it is true that this framework has been a helpful tool that provided an analytical structure to facilitate a broad and a systematic understanding of various factors that constrain or enhance livelihood opportunities. Much needs to be done to improve this tool. For example, gender issues are not clearly highlighted by this toolkit, the vulnerability context and livelihood assets sections creates an impression that men and women are equally affected, whereas women are in most cases at the lowest level of the scales of poverty. It is my view that this framework should be explicit on gender disparities, in fact the gender dimension should be included as one of the pentagon in the framework, this would help to highlight the gender challenges.

Secondly, it is my recommendation that the framework must be improved to also provide clear guidelines on how to address externally induced shocks, trends and seasonality. This will avoid the existing impression that the framework accepts these factors as given without even seeking a way to resolve them. As it has been perceived by some scholars that the framework conveys a sense of accepting the way the world works without even suggesting ways to challenge these inequalities.

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## APPENDIX

### INTERVIEW GUIDE FOR SPAZA SHOP OWNERS

#### BACKGROUND:

Thank you for giving me this opportunity to interview you. I am an MA (Masters of Arts) student at Unisa. My research topic is “Exploring the barriers to the sustainability of the spaza shops in Atteridgeville”. This interview is conducted with an aim to identify the barriers facing the growth of spaza shop owners to grow their businesses. This interview will be treated as confidential, your name is not necessary. The results of the research can be made available to you should you require them.

| <b>Business information</b>    |               |                              |     |
|--------------------------------|---------------|------------------------------|-----|
| Date                           |               |                              |     |
| Type of Business               |               |                              |     |
| Age of Business                |               |                              |     |
| <b>Demographic Information</b> |               |                              |     |
| Gender                         | Male          | Female                       |     |
| Age                            | 20-30         | 30-40                        | 50> |
| Educational Level              | Grade<br>0-12 | Post-Matric<br>Qualification |     |
|                                |               |                              |     |

## **Interview questions:**

### **1. Questions related to financial difficulties**

How did you start your business?

What challenges did you come across?

### **2. Questions related to business knowledge and management skills?**

Did you acquire any business knowledge prior to starting your business?

Do you handle your business financial statements by yourself or do you get assistance?

### **3. Questions related to transportation**

What mode of transportation do you use?

What challenges do you face with this mode of transportation?

### **4. Questions related to trading premises**

Do you think your trading space is enough for your business?

### **5. Questions related to crime**

Is crime a challenge in your area? If yes, explain in what way it has affected your business.

### **6. Questions related to business competition**

Who are your competitors?

Do shopping malls affect the performance of your business?

### **7. Questions related to business association**

Do you belong to any spaza shop owners association?

What are the benefits of your membership?

## **8. Questions related to support for spaza shops**

What support do you think you need in order to grow your shop?

## **9. General comments**

What other things can you tell me about your business?

(Thank you for allowing me to conduct this interview)

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