



## Scope and Viability of Spaza Shops in a Selected Township in South Africa

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### Abstract

Spaza shops are an essential component of the South African township economy as they provide vital goods, employment and an income to most township dwellers. Despite this, the sustainability of spaza shops has been problematic, with most closing down within the first few years of operation. Against this backdrop, this paper assessed the scope and operation of spaza shops in the Mankweng area to understand the problems that inhibit their viability. A quantitative approach that utilised structured and closed-ended questionnaire was adopted to collect data from 50 spaza shop owners. A GPS device provided the coordinates utilised to map the spatial distribution of the spaza shops in the area. Most of the spaza shops surveyed were foreign owned with the preponderance of Ethiopians (34 per cent) and Somalians (34 per cent). South African spaza shop owners constituted only 26 per cent of the sample. The study notes that although spaza shops generate income for their owners and are integral to the township economy, they face a variety of challenges that inhibit their expansion. The study recommends that spaza shop owners form a union from which they can share strategies for overcoming challenges. Such a union would also enable the shop owners to access funding from government schemes and private investors alike so that their operations are expanded. This paper adopts an exploratory and integrated approach that focuses on exploring variables/relationships that may be utilised for more focused and streamlined studies on spaza shops.

**Keywords:** Spaza Shop Owners, Tuckshop, Informal Sector, Operational Challenge and South African Township

**JEL Classification:** L1, L26, M10, M13

**Paper Classification:** Research Paper

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### Introduction

Spaza shops are particularly relevant to South Africa and emerged against the backdrop of the apartheid discriminatory policies. The rapid increase in the country's population in the late

nineteenth century, coupled with limited access to land and a rise in unemployment mounted pressure on the ordinary black South African to turn to the informal sector for a livelihood (Terblanché, 1991; Charman, Petersen, & Piper, 2011). Such informal activities included hawking and the operation of spaza shops which become viable in the first half of the twentieth century (Ntema & Marais, 2014). Classified as informal small businesses, spaza shops make up a significant proportion of the township economy (Fatoki & Oni, 2016; Tengeh, 2016; Hikam & Tengeh, 2016; Mukwarami & Tengeh, 2017).

Under the current challenging economic environment in South Africa, characterised by a rising cost of living and unemployment, spaza shops offer a viable alternative livelihood for many residents in the townships (Valodia, 2007; Fatoki & Oni, 2016; Hikam & Tengeh, 2016; Peberdy, 2016; Mukwarami, Tengeh & Iwu, 2018; Tawodzera, 2019). Thus, spaza shops are an essential component of the South African township economy in that they provide goods, employment and income for most township dwellers (Mukwarami et al., 2018). Despite this perceived importance, the sustainability and success of the spaza shops has been problematic, with most of them closing within a few years of operation (Ligthelm, 2005; Fatoki & Odeyemi, 2010; Charman et al., 2011; Hikam & Tengeh, 2016; Hartnack & Liedeman, 2017; Mukwarami & Tengeh, 2017; Mukwarami, et al., 2018).

Some authors have linked the problems affecting spaza shops to the entrance of migrant entrepreneurs into the township economy (Charman et al., 2011, Hikam & Tengeh, 2016, Tengeh, 2016, Mukwarami & Tengeh, 2017; Hartnack & Liedeman, 2017). Yet, more research is needed to understand the nature of spaza shops, how they operate, and why they (mostly Native-owned) underperform. An understanding of these issues, as well as the environment in which they operate, will inform suggestions for the development of this critical sector of the South African township economy. Hence, this study aimed to determine the scope, operational challenges and viability of spaza shops in the Mankweng area. In attaining this goal, it was deemed necessary to gather information on the distribution of spaza shops and the profile of the spaza shops regarding ownership, establishment, operations and profitability.

## Literature Review

### Definition and History of Spaza Shops in South Africa

A spaza shop is a small entrepreneurial enterprise that functions within the informal economy of South African townships (Charman et al., 2011). The term spaza is taken from the isiZulu language, meaning hidden (Bear, 2005) or camouflaged (Terblanché, 1991). The term was used to describe grocery shops operated by black entrepreneurs in the apartheid days. Terblanché (1991) and Charman et al., (2011) believe that the apartheid laws forced Blacks to creatively find ways to meet the growing demand for everyday groceries in South African townships by opening these types of convenient shops. Today, informal businesses make a significant part of the African economy as a whole and the South African economy in particular (Charman, 2011, Fatoki & Oni, 2016; Tengeh, 2016; Hikam & Tengeh, 2016; Mukwarami & Tengeh, 2017). In other countries, spaza shops are known as tuckshops.

Though initially the lifeline of South Africans in the townships, the industry has witnessed the gradual encroachment of immigrants over the years. According to Ligthelm (2005) and Charman et al. (2011), spaza shops have shifted from the local to foreign ownership and from small to large-scale entrepreneurship. The drastic shift in the structure and operations of spaza shops in South Africa can be attributed to many factors, including competition. For instance, some authors claim that foreign spaza shop owners use favourable price discrimination techniques to undercut their local counterparts (Liedeman, 2013; Hare & Walwyn, 2019).

Studies on spaza shops in South Africa have grown over the years with an emphasis on different aspects. Interest has been mostly been around the characteristics of spaza shops (Chebelyon-Dalizu et al., 2010; Cant & van Scheers, 2007; Ligthelm, 2005) their success factors (Ligthelm, 2005; Charman et al. 2011; Mukwarami et al., 2018), challenges (Mukwarami & Tengeh, 2017), and strategies (Fatoki& Oni, 2016; Hare & Walwyn, 2019).

### **The Contribution of Spaza Shop**

Due to rising levels of unemployment, increasing costs of living, the structural hiccups of the apartheid dispensation, informal businesses have blossomed, and temporarily provided an alternative source of livelihood for South Africans and more recently to immigrants. Spaza shop activities through its ripple effects have the potential to contribute to many measures of economic development, including the GDP, employment, poverty reduction, and livelihood (Ligthelm, 2005; Basardian et al., 2014).

It is generally challenging for needy communities to generate alternative means of livelihood due to challenges such as land tenure, limited or no access to money and unavailability of resources (Terblanché, 1991). As such, spaza shops have been lauded for being a resourceful alternative means of livelihood. Perhaps this is because people need food daily besides other lower-order goods and services, therefore, incentivising trading in these items. As such, the spaza shop owners have a reliable source of income depending on the pace at which people are buying, the type of product sold, business structure, market area and the socioeconomic status of customers (Charman et al., 2011).

Studies have also confirmed that spaza shops play a vital role in the economy of developing countries by facilitating the flow of money within and amongst the more impoverished communities and the nation as a whole (van Scheers, 2011; Hikam&Tengeh, 2016; Tawodzera, 2019). Even so, spaza shops have become an indispensable source of employment for its owners, families and their respective neighbourhoods. In most cases, each spaza shop employs two people, where one is a cashier, and the other is responsible for deliveries (Charman et al., 2011).

### **Structure of Spaza Shops**

By its very nature, the informal economy exists outside the government sphere in Southern Africa. There are generally lesser or no regulatory policies to govern the operations of spaza shops (Schneider, 2004). Government deregulation of spaza shop business means that spaza shops operate informally. Generally, these traders require no permit to operate and more often are not obliged to adhere to any municipality's regulations. Their growth is also unregulated and therefore, challenging to trace and account for (Schneider, 2004). Most spaza shops in Southern Africa are individually owned and operated by families, with family members usually working in the shops. Most of these businesses are run from residential premises, although an increasing proportion has operated on commercial premises in recent years (Charman et al., 2011).

### **Challenges of Spaza Shops in Southern Africa**

As African countries take stock of their achievements concerning the Millennium Development Goals, one wonders what role spaza shops played towards achieving these goals. With the legal framework in South Africa biased in favour of the formal sector, there is no doubt that the contribution of the informal sector becomes compromised (Van Scheers, 2011). As a result, the contribution of the informal economy to the GDP of the country is not well understood even though anecdotal evidence suggests that they are linked. Compounding the situation is the fact that structural difficulties hinder the documentation of the flows between these sectors. Hence,



accounting for informal sector practices are challenging, resulting in their relegation to the margins of the economy. More so, failure to account for informal sector earnings also means that its contribution to the GDP is often undervalued. Beyond, this growing evidence that suggests that spaza shops are not immune to the challenges that confront mostly small and informal businesses in South Africa. The problems typically relate to finance (Mukwarami & Tengeh, 2017; Mukwarami et al., 2018; Myeko & Iwu, 2019; Talom & Tengeh, 2020), crime, competition (Liedeman, Charman, Piper, & Petersen, 2013) and HSRC, 2014), limited support from the government and much more.

## Method and Materials

### Study Area

Mankweng is in the Capricorn District of Limpopo Province in South Africa. Mankweng occupies 12.5 square kilometres and is divided into seven units, ranging from Unit A to Unit G. The area is occupied by blacks, coloureds and whites, although blacks are in the majority. Financial and time constraints limited the study to three units, A, B and C, covering approximately 40 per cent of the total area of Mankweng. It was in the three regions that most of the spaza shops in the Mankweng area were concentrated.

### Sampling and Data Collection

Within the selected study area (Units A, B and E), a census, rather than a survey, was done since all the spaza were included in the study. The non-existence of a database from which to start informed the choice of the census approach. This paper, therefore, provides a baseline for future studies in the area. Of the fifty spaza shops included in the study, 26 were selected from Unit A; 11 in Unit B and 13 spaza shops in Unit E. Hence, the questionnaires were administered to 50 spaza shop owners to elicit information on the structure of their shops, the operations as well as the challenges that they faced.

### Mapping

A map showing the streets in Mankweng was used to traverse the area to identify the spaza shops located in the study area. The walkabout in the area along each road ensured that most of the spaza shops were quickly identified and their location recorded. A global positioning system (GPS) device was utilised to record the spatial location of the spaza shop in the form of X and Y coordinates. Also notable was the shop's name and the area/unit in which it was located. The collected GPS coordinates (and the respective attribute information) were captured into an excel spreadsheet and later inputted into the GIS software (ArcGIS software 10.2).

### Data Analysis

Anchored on the quantitative research approach, most of the questions in the questionnaires were closed-ended for ease of administration and capturing. The data collected using a survey questionnaire was analysed with the Statistical Package for Social Sciences (SPSS) software. The outcome was descriptive statistics, that was captured in the form of graphs and tables. Cross-tabulations were performed on some variables to establish the presence, or otherwise, of relationships between the variables. Spatial data showing the location of spaza shops in Mankweng were recorded and saved on a GPS device. Coordinates were captured, stored and manipulated within the GIS environment using ArcGIS software to create a map showing the location of the spaza shops surveyed during the study in Mankweng. Excel document in the

ArcGIS was converted into a point layer and superimposed with a digitised polygon of the study area so that spaza shop locations could be spatially represented in the map showing variables of this study using ArcMap document.

## Results and Discussion

### Spaza Shop Location

The spaza shops were not located in a specific pattern in the study area. Given that most of the spaza shop businesses operate independent of the law, they tend to locate wherever the owner desires. This notwithstanding, the majority of the spaza shops were found along roads. Perhaps this is because they can take advantage of customers passing along the streets. HSRC (2014) reckons this is a strategy utilised by most foreign-owned spazashops? A map of the study area notes an uneven distribution of the spaza shops within the study area. Perhaps the higher concentration of spaza shops on the eastern side of Unit A can be attributed to the presence of the University of Limpopo from where many customers come to buy. This area is thus one of the busiest and most favoured locations for informal sector entrepreneurs.

### Structure of the Spaza Shops

**Gender of respondents.** The findings indicate that gender imbalances exist in the ownership of spaza shops, with men dominating. Hence, men constituted 92 per cent of spaza shop owners while females made up only 8 per cent of the ownership. This result re-enforces the preponderance of males reported in Myeko and Iwu (2019). The significant difference in gender inequality amongst the spaza owners raises questions not only about the entrepreneurial ability of the different genders, but also about possible gate-keeping that may be hindering women from establishing and running such businesses.

**Spaza shop ownership by marital status.** The findings suggest that there were imbalances with regards to the marriage status and spaza shop ownership variables. For instance, the majority of the spaza shop owners were cohabiting (80 per cent) and the second-largest category was made up of those that were single (12 per cent), while those that were married constituted only 6 per cent.

**Race of respondents.** The spaza shop owners were categorised into Black, Coloured/Mixed and Indian/Asian in the attempt to capture the racial composition of the sample. The findings show that there were more coloured/mixed owned spaza shops (70 per cent), followed by Black (28 per cent) and Indian/Asian (2 per cent). Most of the shop owners in the mixed group were of Ethiopian and Somalian origin.

**Age of respondents.** About age, the results indicate that the majority (46 per cent) of the respondents were in the 31-40 age group, followed by the 51-60 age group (38 per cent). The 21-30 age group made up 14 per cent while those in the 61+ group constituted only 2 per cent. The age distribution indicates a dominance of the middle ages (31-50) while the older age groups are not well represented.

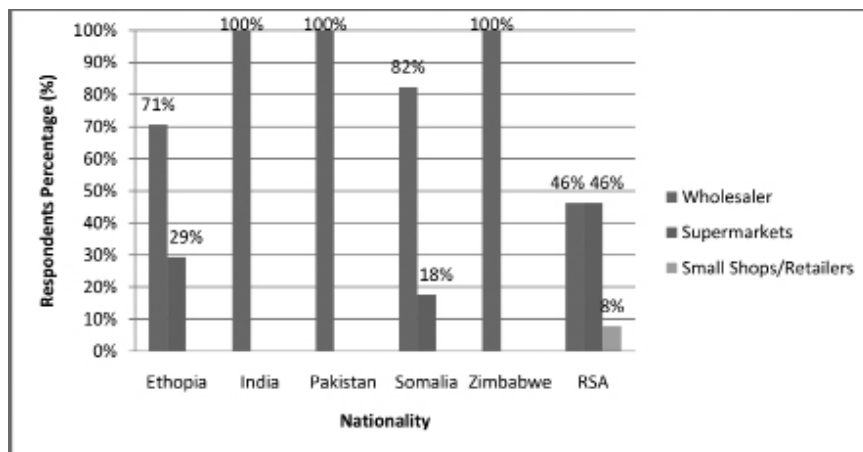
**Educational levels of respondents.** The results show that the majority (52 per cent) of spaza shop owners had attained a high school qualification while 36 per cent had some secondary education. The sample was, therefore, relatively educated. Only a few of the spaza shop owners, however, indicated having attained either a college certificate/diploma (8 per cent) or an undergraduate degree (2 per cent).

**Nationality of respondents.** In terms of national origin, most of the owners were Somalians (34 per cent) and Ethiopians (34 per cent). South Africans constituted 26 per cent of the spaza shop owners while the remainder were Zimbabweans (2 per cent), Indians (2 per cent) and Pakistanis (2 per cent). Ordinarily, one would have expected South Africans to dominate the sector in that they are in the majority, but this was not the case. Most South Africans preferred to rent out their spaza shops to foreigners rather than operate them.

**Source of spaza shop products.** This part of the survey sought to understand the source of the business stock among spaza shop owners. The results revealed that although there were multiple sources, the majority of the spaza shop owners sourced most of their goods from wholesalers (70 per cent), while others were sourced from supermarkets (28 per cent). Only a few spaza shops (2 per cent) were using small shops or retailers as their primary source of stock for the spaza shop. One of the arguments often advanced to explain the difference in profit levels between local and foreign informal sector entrepreneurs has been the issue of the source of goods sold in the business (Mukwarami et al, 2018).

**Source of stock by nationality.** Figure 1 looks at the nationality of the respondents and where they bought their stock from. It was noted that most of the foreign-owned spaza shops such as those owned by Indians, Zimbabweans and Pakistanis bought their stock from wholesalers. The decision to stock from wholesalers was informed by the fact that they were likely to get significant discounts resulting in more profit. Somalian shop owners indicated that they stocked from both wholesalers (82 per cent) and supermarkets. Their rationale was that they sometimes find goods that were cheaper in the supermarkets, especially during sales promotions. The same explanation was advanced by the Ethiopians and South Africans who sourced from a variety of suppliers. The difference was that South Africans (8 per cent) had an additional source that was not being utilised by the other nationalities. For instance, sourcing from small shops and retailers. Given that prices of goods in the small shops and retailers are generally high, this may explain why some of the local spaza shops sell their products at relatively higher prices compared to non-locals. Aligned to several studies including Liedeman (2013) and Hare and Walwyn (2019), this result implies that the customer base of local spaza shops shrinks as customers tend to patronise spaza shops that are cheaper and owned by foreigners. Ultimately, spaza shops owned by the locals struggle to thrive and end up closing shop.

**Figure 1: Source of stock by nationality**



Source: authors

### Operation of Spaza Shops

Start-up date of the business. Attempts were made to collaborate the literature on the longevity of the spaza shops and especially those owned by South Africans. The results concede that most (58 per cent) of the spaza shops in Mankweng had been established between 2007-2012, while 40 per cent started operating from 2013 onwards. Only 2 per cent of the spaza shops had started running before 2007. Thus, only that 2 per cent of the sample had shops that had been operating for nine years or more, perhaps validating the literature claims that most of the shops have short life spans (Charman et al., 2011; Hikam&Tengeh, 2016; Hartnack&Liedeman, 2017; Mukwarami&Tengeh, 2017; Mukwarami, et al., 2018).

Location of spaza shop operation. An attempt was made to ascertain where spaza shops in Mankweng were located. The results indicate that most (34 per cent) spaza shops operating from a house/yard or garage while 30 per cent were run from a permanent stall in a market and 24 per cent were operating from a permanent stall on the street/roadside. Only 12 per cent of the spaza shops were working from homes.

Tenure status of spaza shop. As the preceding section shows, the spaza shops operated from different locations. This also meant that they had different conditions of tenure as well. The majority (45.7 per cent) of the spaza shop owners were paying rentals. Others (13 per cent) operated rent-free with permission while 19.6 per cent operated rent-free without permission. The other proportion (10.9 per cent), shared space with others to save on costs. This is a strategy that some spaza shop owners use to be able to reduce expenses and therefore increase their profits. Only 10.9 per cent of the spaza shop owners owned land and consequently operated freely from those premises.

Rental. How much rent were spaza shop owners paying in Mankweng? Most of the spaza shops owners (57 per cent) paid rentals of between R 500 – R1 000 per month, while 24 per cent were paid between R1001 – R1500 per month and the remainder (19 per cent) indicated paid less than R 500 per month. While some of the amounts that they paid does not seem to be much, their profit margins were also shallow. Hence any rentals paid significantly reduced the profits that the owners made in the business.

Founder of the spaza business. Concerning who founded the business, it was revealed that the highest proportion (36 per cent) of spaza shop owners started the business alone (36 per cent) while others began the stores with business partners (32 per cent). Only 18 per cent of the businesses were started with family members or with the extended family (12 per cent). Even fewer businesses were bought over (2 per cent). Overall, the majority of the spaza shops were generally started by individuals and business partners.

Motivation for starting the business. The spaza shop owners were motivated by different reasons to establish their business. The most significant proportion (38 per cent) indicated that they had always wanted to run their own business (see table 1). However, economic motivations seemed to dominate as 22 per cent ventured into the business because they had been unable to find jobs. In contrast, 14 per cent wanted to give financial security to their families. Other lesser reasons had to do with owners wanting money to survive (4 per cent) or the need to provide employment opportunities to family members (6 per cent). The finding concurs with other studies that believe that most township entrepreneurs were pushed into business (Nieman&Nieuwenhuizen, 2009; Tengeh et al., 2012).

**Table 1: Motivation for starting a business**

Reason	Percentage (%)
I was unemployed and unable to find a job	22
I had a job, but it did not pay enough	2
I wanted to employ members of my family	6
I need more money to survive	4
I wanted to give my family a more significant financial security	14
My family members have always been involved in business	4
I wanted to provide a product/service	4
I have always wanted to run my own business	38
I wanted to do something new and challenging	2
I wanted more control over my own time/ to be my boss	4
Total	100

Source: authors

Source of capital for spaza shop. There were different sources of capital utilised in starting the spaza business in Mankweng. Table 2 indicates that a higher proportion (64 per cent) of the businesses were started with money from personal savings. Other sources of capital included loans from informal financial institutions like stokvels (16 per cent) and loans from relatives (16 per cent). It is worthy to note that only 1 per cent of the spaza shops were started with money from micro-finance institutions and none from banks. Perhaps, this indicates that entrepreneurs in the informal sector have little access to formal sources of finance. Accessing start-up capital from informal sources may have an impact on the profitability and survival of the business as some of the interest rates are significantly high for business sustainability. About 88 per cent of the business owners surveyed indicated that they had never applied for a bank loan. The majority stated that they were sure that they would not be granted loans without the collateral, correct documentation, while some did not know how to go about it in obtaining loans. These results are in tandem with Tengeh et al. (2012), who highlighted informal financial sources as being central to business initiations. Some recent studies still argue that limit access to finance from formal sources remains a challenge for SMEs in developing countries (Mukwarami & Tengeh, 2017; Myeko & Iwu, 2019; Talom & Tengeh, 2020).

**Table 2: Sources of start-up capital for spaza shops**

Income source	Frequency (N)	Percentage (%)
Personal savings	32	64
Loan from informal financial institutions, e.g. stokvels	8	16
Loan from a micro-finance institution	1	2
Usurers/money lenders (Mashonisa)	1	2
Loan from relatives	8	16
Total	50	100

Source: authors

Capital used to start-up spaza shop businesses. Every business requires start-up capital, and the amount depends on the type of business and start-up costs. The results note that close to half of

the businesses (46 per cent) required start-up amounts of between R5001 and R10000. A further 18 per cent reported having started with a capital outlay of between R10001 and R15000. Only 12 per cent of the businesses required capital outlays of above R15001. This may validate assertions made in the literature that firms like the spaza shop that operates in the informal sector do not need colossal capital amounts to start (Tengeh et al., 2012).

**Spaza shop monthly profit.** One of the fundamentals of running a business like a spaza shop is to make a profit. As such, an attempt was made to ascertain how much spaza shops in Mankweng made monthly. The results suggest that half of the spaza shops (50 per cent) indicated that they were generating between R2 500 and R5 000 per month in profits. The other third (32 per cent) reported profits ranging above R5000 per month.

**Range of goods sold and shop sizes.** Spaza shops in Mankweng catered for a wide range of products. Most of these goods were household goods and electronics. This is primarily because household goods are in daily demand. Electronics, on the other hand, form part of people's daily entertainment and social networking. Household goods constituted 48 per cent of the goods sold while electronics accounted for 18 per cent of the goods sold from these spaza shops. Other products included cooked food (14 per cent), and accessories such as bags and sunglasses (6 per cent). Overall, one could easily conclude that the respondents took part in a range of entrepreneurial activities that could be broadly classified as trading in house goods (Tengeh et al., 2012).

There is an observable pattern between the size and the goods sold in the spaza shops in Mankweng. Small spaza shops ( $\leq 20$  m<sup>2</sup>) were mainly used to sell household products and a variety of goods excluding music, film, CDs and DVDs products, whereas the largest shops (31-40 m<sup>2</sup>), were mainly found to be selling electronics. This means that space is crucial when selling goods, such as electronics.

The less than a majority (48 per cent) of spaza shops sold domestic products. Of these, 26 per cent operated in a  $\leq 20$  m<sup>2</sup> spaza shop capacity and 22 per cent in a 21-30 m<sup>2</sup> spaza shop capacity. Furthermore, 54 per cent of spaza shops traded in  $\leq 20$  m<sup>2</sup> capacity shops sold all varieties of goods, except music/films/CDs & DVDs in Mankweng Units A, B and E. Based on spaza shop average area, 21-30 m<sup>2</sup>, there is 44 per cent of spaza shops selling a variety of goods.

**Bulk stocking.** About 40 per cent of the spaza shops that re-stocked from wholesalers indicated that they generally buy their goods in bulk. The reasons for preferring bulk stocking (70 per cent) included the fact that it was cheaper to stock as bulk buying afforded discounts compared to buying in small quantities. Another proportion (25 per cent) revealed that they had no personal transport. Thus, when they hire bakkies to transport their goods from the wholesalers, they prefer to do it less frequently, hence buy in bulk to save on transport costs that may accrue if one buys more regularly. Inline, with Liedeman et al. (2013) and HSRC (2014) bulk buying reduces cost and remains a competitive strategy.

**Table 3: Reasons why spaza shop owners prefer to buy in bulk**

Reason	Frequency	Percentage (per cent)
Bulk stock is cheap	14	70
Not having buying permits	1	5
Not having reliable transport	5	25
Total	20	100

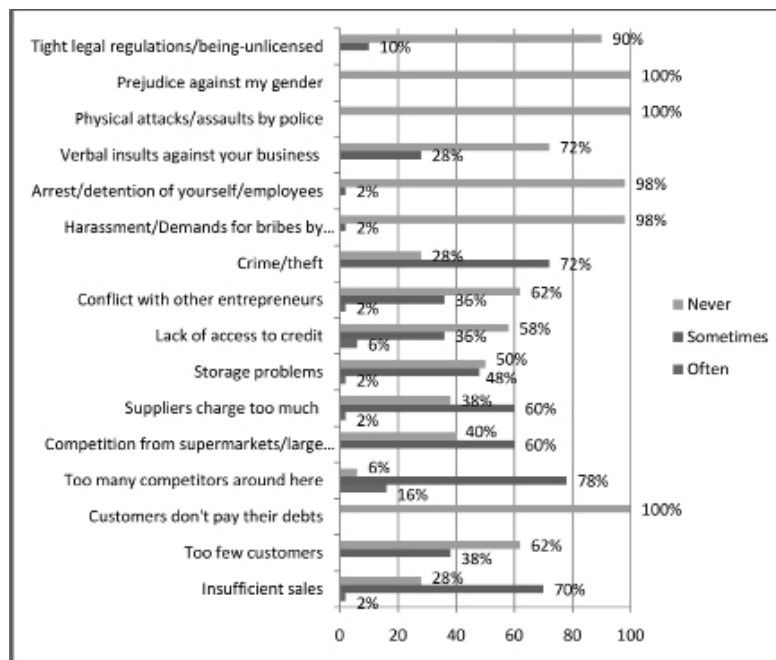
Source: authors

Value of the spaza businesses. The net worth of the spaza shops as of the time of the study varied considerably. Perhaps this could be attributed to many reasons, including the stage in the start-up process and level of growth achieved over the years. The spaza shops in Mankweng’s worth range from R5 001 to R500 000. It is worth noting that the majority were valued at between R30001- 50 000 inclusively. On average of all the spaza shops had a net value of R32 858, 14.

**Challenges of Spaza Shops**

The problems that impacted negatively on the growth and sustainability of the typical spaza shop in Mankweng included (see Figure 2): the inability of spaza shop owners to access credit from official and formal sources like banks and credit houses so that they end up borrowing money from money lenders (Mashonisa) at high-interest rates. Competition came up as a common challenge amongst spaza shops, and this results in fewer customers per individual spaza. Competition has been reported in other studies, including that of Liedeman (2013) and Hare, and Walwyn(2019).

**Figure 2: Challenges faced by Spaza Shops in Mankweng**



Source: authors

Furthermore, spaza shops were slightly affected by other businesses offering similar services around them as they (78 per cent) noted that this happens sometimes. Lack of credit did not come up as a significant obstacle to growth. Only 42 per cent of the spaza shop owners indicated that limited access to credit constituted a constraint. This result is contrary to most other studies that they have emphasised access to credit as a limitation (see Fatoki & Odeyemi, 2010; Tengeh, Ballard & Slabbert, 2012). One plausible reason for the 'lack of credit' being downplayed in this study is the fact that the Ethiopians and Somali who made up the bulk of the sample tend to have a cordial relationship with their suppliers and this translates to credit facilities for them.

The results further note that 72 per cent of the spaza shops were slightly affected by theft, with only 28 per cent who never experienced this challenge. The overall results portray that crime is not a common challenge in Mankweng.

Figure 1 further indicates that 90 per cent of the respondents never experienced tight legal regulations and just 10 per cent, which they experienced it sometimes. This means that there are no substantial legal requirements for one to run a spaza shop. Looking at the level of education, most of the spaza shop owners did not go to higher education institutions, especially for business knowledge. Entrepreneurship schools or business training centres would have been valuable with information regarding how to run a small business at a rate that will be manageable to avoid given losses and other challenges.

### Conclusion and Recommendations

This paper notes the predominance of foreign-owned spaza shops in Mankweng. Even so, the foreign-owned spaza shops seem to outperform their native counterparts concerning profitability and survival. Perhaps, this stems from the fact that foreign spaza shop owners tend to cooperate where it matters most. For instance, they drive down cost by sharing everyday expenses and purchasing goods in bulk. This, in turn, puts the foreign-owned spaza shops in a position to gain more market share through price manoeuvres.

It was also observed that some of the spaza shops owned by foreigners, especially by the Somalians and Ethiopians had been established through funding accessed from church organisations and with relatively better conditions and repayment terms of the loans. This has probably facilitated the increase in the number of foreign-owned spaza shops in Mankweng because they get financial support to start a business.

Out of the 50 spaza shops in the study area, 26 were from Unit A, 13 from Unit E and 11 from Unit B. Most of these spaza shops clustered in Unit A due to the proximity of the location to a University that in turn broadens the customer base. The typical challenges that the respondents reported included fewer customers, competition from other spaza shops and other bigger chain shops. Unresolved, these challenges generally lead to the closure of most spaza start-ups, and this is particularly grave for the shops owned by the locals.

One of the recommendations is for spaza shop owners to gain the essential skills in running a business through workshops and short courses. Furthermore, local spaza shop owners are encouraged to establish a spaza shop business union, where their numbers and unity could enable them to benefit from bulk buying and price setting in the same way that foreign spaza shop owners do. Civil society organisations are urged to lend a hand in the areas of business plan and legal matters.

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**Godfrey Tawodzera** is currently an independent researcher and consultant at Global Tech Research & Survey in Cape Town, South Africa. Previously, he served as a post-doctoral researcher in the African Centre for Cities (ACC) and lectured at University of Limpopo, South Africa. Godfrey's interest lies in research on the emerging field of Urban Food Security, particularly issues around patterns and causes of food insecurity in African cities, urban food distribution patterns, urban household survival strategies, rural-urban food linkages, medium and long-term food security strategies and policies, the migration-urban food security nexus, the link between HIV/AIDS & urban food security as well as the food security status of migrant households in African cities.

**Robertson Khan Tengeh** is an Associate Professor and currently heads the Department of Entrepreneurship and Business Management at the Cape Peninsula University of Technology, Cape Town, South Africa. He has published over 60 articles in peer-reviewed journals. He has also authored book chapters and technical reports. Furthermore, he has presented papers at both local and international conferences. He sits on the editorial board of many international journals. Within the broad areas of entrepreneurship and management, his research interests include immigrant entrepreneurship, entrepreneurship development, entrepreneurship education, small business management, and strategic management.

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