

## **Township SMME Sustainability: A South African Perspective**

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**Abstract:** SMMEs in townships are countless overlooked as an important sector contributing to the economic growth and development of a country. Many SMMEs, however, fail within the first few years of starting their business. Hence, this research article argues that more has to be done to assist these SMMEs to become sustainable in their particular townships. It would be valuable to obtain some insight into township SMMEs in order to assist these businesses. Therefore, the main purpose of this research article was to examine the perceived sustainability of township SMMEs. The research study endeavoured to examine the perceptions of SMMEs in terms of the type of businesses considered to be feasible in townships; the impact of township size on the sustainability of SMMEs; and perceptions with regards to keeping current businesses operational in townships. An exploratory research approach was adopted for this research study and data was collected from 498 SMME owners across South Africa by means of a survey questionnaire. The main factors that contribute to the sustainability of SMMEs in townships were identified in the study. Moreover, the study found that respondents perceive the sustainability of SMMEs in townships across South Africa in a positive light. For that reason, it is suggested that institutions harness this positivity and assist these SMMEs to expand and grow their businesses. It is furthermore suggested that a dedicated approach is required to make township businesses viable and relevant.

**Keywords:** SMMEs; small businesses; townships; sustainability; development; perception; South Africa

**JEL Classification:** M00

### **1. Introduction**

The place and role of SMMEs are not always clear, therefore it is important to gain some understanding of the sustainability. In South Africa, in particular, an important sector that is many times overlooked is that of SMMEs that reside within township areas. It would be of great value to obtain some insights into township businesses in order to direct future support to these businesses and to enhance business

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development support strategies and programmes for this sector. The South African government recognises the importance of township SMMEs and their contribution to economic growth, employment creation and poverty alleviation. In this regard, the government has prioritised the implementation of the National Informal Business Upliftment Strategy (NIBUS), which impinges on the operations of the majority of township businesses. The government is privy to the challenges facing small businesses and cooperatives within the township economy. Government institutions focussed on SMMEs are expected to be at the forefront of SMME development also within the broader township economy in order to assist businesses through the provision of support and services, and to create a favourable environment for their growth and sustainability.

Two of the main issues that the government have to deal with in South Africa are the high levels of unemployment (30% to 35%) and poverty, especially in the rural areas. Townships have been a way of life for many years and it has become standard practice for SMMEs to try and establish themselves in the townships. Many entrepreneurs have started small businesses in order to make ends meet and are barely surviving, while others have managed to grow and establish themselves. Many SMMEs however do not survive over the long run (Ladzani & Netswera, 2009; Jackson & Alberts, 1998; Advanced Marketing Consultants, 2004). The question that needs to be asked is, to what extent do SMME owners see the township itself as being sustainable for the long term existence of their businesses. Government is intent on making the townships economically viable and therefore SMMEs need to be researched regarding their opinions/perceptions on the long term viability of their businesses. This paper argues that more needs to be done to assist SMMEs to become viable in their respective townships.

## **2. Literature Review**

### **2.1. The Small Business Sector**

The South African National Small Business Enabling Act (Act 102 of 1996) defines a small business as: “*a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy and which can be classified as a micro-, a very small, a small or a medium enterprise*” (Republic of South Africa [RSA], 1996, p. 2). SMMES consist of four categories as defined by the DTI and is summarised in table 1 below.

**Table 1. Average breakdown of SMMEs according to size or class**

Size	Employees	Annual turnover	Gross asset value
Medium	Less than 200	< R25 million	< R8 million
Small	Less than 50	< R10 million	< R3 million
Very small	Less than 10	< R2,5 million	< R0,7 million
Micro	Less than 5	< R0,5 million	< R0,1 million

*Source: Department of Trade and Industry (DTI) (1995)*

Townships can be accepted to have a combination of all these types of small businesses, and it can also be accepted that some would be more sustainable than others.

## 2.2. Defining a Township Economy

Prior to 1994, townships operated in segregation from the mainstream economy and society. After 1994 however, was the beginning of the transformation and integration of these areas through government initiatives, with varying degrees of success and failure (The Department of Co-operative Governance and Traditional Affairs, 2009, p. 6). According to McGaffin, Napier and Karuri-Sebina (2015, p. 10) the term “township” has recently been used to define areas developed through the housing subsidy programme. The micro-economic and related activities occurring within these areas (townships) further describe a ‘township economy’. It appears that the concept of a township economy is not widely understood; and is moreover perceived to be ill defined by many (Economic Development – Republic of South Africa 2014). However, Gauteng Province - The Office of the Premier (2014) unpacks the following definition of a township economy:

- It refers to businesses and markets based in the township;
- These businesses are further classified as diverse, with a high rate of informality and are survivalists; and
- Most businesses are described as necessity micro-enterprises (characterised by poverty and low-income) while some are opportunity enterprises – shaping fruitful black entrepreneurs who have graduated from exclusively serving the township economy.

Since the township economy represents a high rate of informality it would be justifiable to describe an informal economy in this regard (Gauteng Province - The Office of the Premier 2014; Studies in Poverty and Inequality Institute, 2014). An “informal” economy generally includes micro-, small- and medium businesses. Across countries, several labels have been used to refer to an informal economy, some of which include the black, underground, irregular, shadow and grey economy (Losby, Else, Kingslow, Edgcomb, Malm & Kao, 2002, p. 2; The Economist, 2004). The informal economy is frequently assumed to be found at the margins of poor and underdeveloped countries, however, although it may represent a larger share of the

total output in such areas, it is present in rich and poor countries alike (The Economist, 2004). In the United States of America (USA) and Canada, the informal economy (more often referred to as the underground economy) is described as market-based, legal and illegal economic activities that elude measurement due to its hidden, illegal or informal nature (MPR News, 2013; Statistics Canada, 2015). In China, the informal economy denotes to small-scale units (micro and family enterprises as well independent service personnel) outside the legally established businesses (Becker, 2004, pp. 59-60). In other countries such as India, Bangladesh, Philippines and Thailand, an informal economy can be described as comprising of businesses which employ 10 people or less (Becker, 2004, pp. 59-60). Similarly, in South Africa, it can be defined as the non-registration of businesses in terms of national legislation, the non-registration of employees of businesses in terms of labour legislation and represents businesses that are small in nature (Studies in Poverty and Inequality Institute, 2014).

Taking the above into consideration as well as the International Labour Organisation (ILO), a township economy can be described as all economic activities that are in law or in practice not covered or inadequately covered by formal measures. The widened manifestation takes into account the substantial worker diversity and economic units in the different economy sectors and across rural and urban contexts.

Most township occupants either offer their services outside the township (leading to high travel costs) or engage in a range of small-scale economic activities within the township itself (McGaffin *et al.*, 2015, pp. 10-11). Townships can generally be described in terms of their geographic location:

- *Large metropolitan and secondary cities;*
- *Large to small towns;* and
- *Peri-urban or dense settlements* - disconnected from the central business district.

Township locations can be further classified as follows (McGaffin *et al.*, 2015, p. 11):

- *Core* - These townships are located in a considerably good area, however, there is some separability from the urban economy;
- *Periphery* - These townships are located further away from the core or another main node; and
- *Displaced* - These townships are located outside the urban boundary of the town or city.

Dependent on the specific location, multi-nodal nature and expansion of urban areas, some townships are more assimilated and better located than others. However, this does not necessarily result in the expected economic growth and development (McGaffin *et al.*, 2015, p. 11).

It is safe to say that the widespread transformation of the economy will manifest in the development of SMMEs. This is due to the role that SMMEs play in the development of the economy, its contribution to the country's GDP and its impact on job creation. Emphasis should be placed on the provision of infrastructure in townships and spatial transformation in order to create opportunities for SMMEs and enabling them to participate meaningfully on the market which would ultimately reinforce the value chains, both downstream and upstream.

### **2.3. Contributions of SMEs to Economic Development**

It is commonly known that SMMEs play an important role in the economic and social development of countries – and even more so in developing countries. From an economic perspective, these businesses are seen as the vehicles that can achieve the growth objectives of countries – including the generation of employment and the alleviation of poverty. In general, SMMEs are able to adapt easier and faster to changing market needs as compared to larger organisations. To this end they can withstand adverse economic conditions better because of their flexible nature (Kayanula and Quartey, 2000). SMMEs are more labour intensive than larger firms and therefore have lower capital costs associated with job creation (Abor & Quartey, 2010; Anheier & Seibel, 1987; Liedholm & Mead, 1987; Schmit, 1995). Due to the general labour intensiveness of SMMEs they have a better chance of success in the typical township economy with its unique structure. This can also assist social issues with less people migrating to the larger cities as they will be employed in their area of residence. Due to regional dispersion and labour intensity, it is argued, small-scale production units can promote a more equitable distribution of income than large firms (Abor & Quartey, 2010, p. 223). These businesses use available resources efficiently and in the process contribute to long term sustainability and growth (Kayanula & Quartey, 2000).

SMMEs like all other businesses contribute to the GDP of a country through the offering of services or by manufacturing goods. These goods and services are delivered either to local consumers or businesses or to international consumers or businesses (exporting). SMMEs account for about 91% of the formal business entities in South Africa, contributing between 52%-57% of GDP and provide about 61% of employment (Abor & Quartey, 2010, p. 223; CSS, 1998; Ntsika, 1999; Gumede, 2000; Berry *et al.*, 2002).

Given the above benefits SMMEs have in the economy, the additional advantage lies in the increased government income from taxation. The more successful these small businesses become the more they are paying taxes on their profits. Added to this is the stimulation of indirect taxes such as value added tax (VAT).

### **3. Aim of the Study**

The primary aim of the study was to examine the perceived sustainability of township SMMEs. This includes examining the perceptions of respondents in terms of the type of businesses that should be started in townships, the impact of the size of the township on the sustainability of the business, the focus of businesses in the township, perceptions with regards to staying in the current business and finally views with regards to a change in business.

### **4. Research Methodology**

#### **4.1. Procedure and Design**

An explorative approach was adopted for the current study with a survey questionnaire having been used to collect data from various SMMEs across South Africa. For the purposes of this study, several questions pertaining to businesses in townships as well as the sustainability of businesses in townships were included. These were utilised to firstly examine the perceptions of respondents regarding the types of businesses that would be successful in townships and secondly to ascertain the perceived sustainability of SMMEs in the township.

The questions included in the survey questionnaire included:

- a) What other types of businesses do you think should start in your township? Please provide a reason for your answer;
- b) Do you think the township from which you operate is big enough to sustain your business? Please provide a reason for your answer;
- c) Should Township businesses only focus on the township also in securing business elsewhere? Please provide a reason for your answer;
- d) Do you see yourself staying in your current business/or still be in business for the next 3 to 5 years? Please provide a reason for your answer;
- e) If you had to change now, what type of business would you start and why?

#### **4.2. Sample**

The overall sample for the study consisted of 498 respondents (N = 498) with the majority being African (n=377, 75.7%). In terms of gender, 299 respondents were male (60%) with 185 females (37.1%). Table 2 below provides a detailed demographic breakdown of the sample:

**Table 2. Demographic breakdown of sample**

Race			Gender		
n	%		n	%	
African	377	75.7%	Male	299	60%
White	15	3%	Female	185	37.1%
Coloured	39	7.8%	Missing	14	2.9%
Indian	30	6%			
Other	21	4.2%			
Missing	16	3.2%			
Age					
18-25	45	9%	41-50	91	18.3%
26-30	93	18.7%	51-60	40	8%
31-35	116	23.3%	Older than 60	6	1.2%
36-40	94	18.9%	Missing	13	2.6%

Table 3 below provides a breakdown of the type of SMMEs respondents are involved in:

**Table 3. Type of business**

Type of business			Type of business		
n	%		n	%	
Service providers/ stores	113	22.7%	Manufacturing	13	2.6%
Food	42	8.4%	Medical	9	1.8%
Salon/Beauty	41	8.2%	Entertainment	8	1.6%
Tuck shop/ Spaza shop	93	7.8%	Accommodation	8	1.6%
Internet/ Electronic stores	20	4%	Security	3	0.6%
Day care	16	3.2%	Other	22	4.4%
Funeral parlour/ service	16	3.2%	Missing	43	8.6%
Construction	14	2.8%			

The majority of respondents (n=113, 22.7%) indicated that they are involved in businesses which provide services. These services include mechanical services, garden services, carwash services, repair services, welding services, upholstery services, transport services, dry cleaning as well as various business services, such as bookkeeping, printing and communications. The other major types of businesses respondents highlighted included the food industry (n=78, 15.7%). These businesses include restaurants, catering, taverns and liquor stores. Various retail stores (n=42, 8.4%), hair and beauty salons (n= 41, 8.2%) and tuck-shops or spaza shops (n=39, 7.8%) were also among the types of businesses predominantly identified by respondents.

**Table 4. Townships**

Township			Township		
n	%		n	%	
Johannesburg	41	8.2%	New Brighton	7	1.4%
Seshego	35	7%	Port Elizabeth	7	1.4%
Cape Town	30	6%	Rocklands	6	1.2%
Upington	29	5.8%	Mhluzi	5	1%
Soshanguve	28	5.6%	Ramochana	5	1%
Batho	23	4.6%	Pabalello	5	1%
Hazyview	16	3.2%	Colenso	4	0.8%

Gugulethu	16	3.2%	Bochabela	4	0.8%
Phillippi	15	3%	Bloemfontein	4	0.8%
Joza	14	2.8%	Hambanathi	3	0.6%
Rustenburg	13	2.6%	Mokapane	3	0.6%
Hammanskraal	13	2.6%	Lekazi	3	0.6%
Rosedale	13	2.6%	MISC	11	2.2%
Lebokwagomo	12	2.4%	U姆hlazi	11	2.2%
Ladysmith	10	2%	Phumula	8	1.6%
Motherwell	8	1.6%	Saulspoort	8	1.6%
Others*	63	12.7%	Missing	14	2.8%

\* Other category contains all townships with a frequency of 2 or less

The total sample consisted of respondents from a total of 86 different townships across South Africa. The townships with the highest representation stemmed from Johannesburg (n=41, 8.2%), Seshego (n=35, 7%), Cape Town (n=30, 6%), Uppington (n=29, 5.8%), Soshanguve (n=28, 5.6%) and Batho (n=23, 4.6%). Although these represent the townships with the largest frequencies, the sample of respondents was widely dispersed between various Townships as indicated in Table 3 above. In the interest of clarity and practicality, all townships identified with a frequency of 2 or fewer respondents were grouped together in the 'Other' category (see Table 4).

### 4.3. Data Analyses

Basic descriptive statistics were utilised to analyse the data in conjunction with thematic analyses to identify the main themes stemming from the data. Frequencies and percentages were used to provide a graphic presentation of the data and were used to merely provide a robust indication as to the relevance or importance of the extracted themes.

## 5. Findings and Results

In order to ascertain the perceptions of respondents with regards to the sustainability of businesses in townships, the results will be presented by firstly examining the type of businesses which may be started and would be successful in townships according to the perceptions of respondents. Following this the perceived sustainability of businesses in townships will be examined and finally the perceptions of respondents regarding alternative businesses in townships will be presented.

### 5.1. Businesses to be Established in Townships

For the purpose of examining the perceptions of respondents with regards to which type of business may be successful in townships, respondents were required to indicate which type of business they think should start in their township. Table 5 below provides a breakdown of the main themes elicited from their responses:

**Table 5. Other type of business to start in township**

Type of business			Type of business		
	n	%		n	%
Service Provider/Stores	38	7.6%	Clothing	5	1%
Supermarkets/Malls	22	4.4%	Security	5	1%
Business Support	22	4.4%	Construction	5	1%
Food	19	3.8%	Medical	4	0.8%
Manufacturing/ Production	19	3.8%	Property	3	0.6%
Internet/Computer/ Electronic Stores	16	3.2%	Agriculture	3	0.6%
Wholesalers/Supply Stores	15	3.0%	Photography	2	0.4%
Butchery/Bakery/ Fruit & Veg	13	2.6%	Business Support	22	4.4%
Social Enterprise/Community Lifestyle	11	2.2%	Food	19	3.8%
Salon/Beauty	10	2%	None	14	2.8%
Training/Development	8	1.6%	Any	11	2.2%
Garage/Petrol Station	7	1.4%	Unsure	7	1.4%
Service Provider/Stores	6	1.2%	Other	16	3.2%
Supermarkets/Malls	38	7.6%	Missing	223	44.8%
	22	4.4%			

The primary type of business to be started in townships identified by respondents centered on businesses providing services (n= 38, 7.6%). These include businesses providing service in the following domains: mechanical services, panel beaters, transportation services, day care services, cleaning services, tailoring services, handyman services, upholstery services, car wash services and printing services (see Table 5).

Further main themes that emerged regarding types of businesses, included businesses such as supermarkets or malls (n= 22, 4.4%) and businesses focusing on business support services such as accounting and financial services, business advice services and legal services (n=22, 4.4%). Businesses focused on the food industry such as restaurants, catering businesses and taverns/bars (n= 19, 3.8%) as well as manufacturing and production businesses (n=19, 3.8%) also emerged as main themes (see Table 4). "Internet cafés/computer/electronic stores" (n=16, 3.2%), "Wholesalers/supply stores" (n=15, 3%) and "Butchery/bakery/fruit & veg businesses" (n=3, 2.6%) were further put forward by respondents.

Themes that emerged to a more minor degree included businesses focusing on social enterprise and community projects such as feeding schemes, soup kitchens, old age homes and shelters for children (n=11, 2.2%) along with businesses related to lifestyle such as gyms (n=10, 2%). Businesses proposed by respondents falling within the 'Other' category included general ideas such as establishing franchises along with ideas such as software development, a bookstore and storage space.

In line with the above, respondents were also asked to provide a reason for their answer regarding the type of business that they think should be established in the Township. Respondents indicated a lack of the availability in the township of the

product or service and a demand or need for the product or service as a motivating factor. This was closely linked to the perception that there may be an opportunity in the market to capitalise on by establishing the business identified.

*“There is a shortage of this in townships”; “There is a need for it”; “There is a market for this”; “There’s only a few of them in the Township”; “There is a lot of money to be made”.*

With regards to business support services and training, respondents linked this to improving skills and knowledge in order to contribute to and improve the chances of business success in the Township. The fact that a business of this type of business was mentioned by the respondents may allude an experienced need in townships for business support services in order to assist SMMEs in being successful and sustainable.

*“To support local business community”; “People open business but they lack skills and training”; “Business is carried out blindly because those [business support] services are not there”; “to help small businesses run better”.*

Respondents further highlighted the creation of jobs and job opportunities as a reason for starting various types of businesses in the Township, linking this with economic growth.

*“That can create jobs”; “Need to create jobs”; “To empower and decrease poverty”; “It provides more job opportunities for low class people”; “To boost the economy”.*

## 5.2. Sustainability of Business in Township

In order to investigate the perceptions of respondents with regard to the township environment and sustainability, respondents were required to indicate whether they felt that the township within which they operate was big enough to sustain their business.

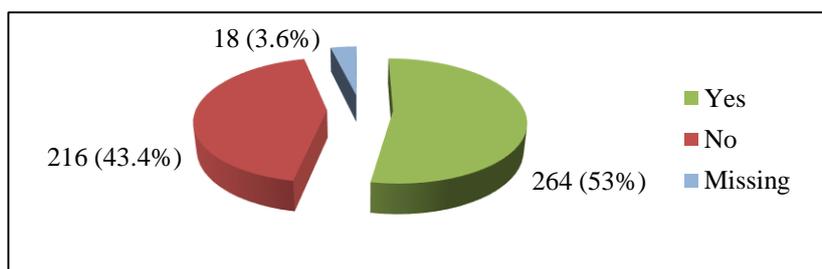


Figure 1. Township big enough to sustain

Respondents were somewhat divided in their response with 53% (n=264) indicating that they did believe the Township was big enough to sustain their business and 43.3% (n=216) indicating otherwise.

To further investigate these perceptions, respondents were required to provide a reason for their answer to the above. Table 6 below provides a breakdown of the main reasons identified by respondents to this end:

**Table 6. Township big enough to sustain business**

	n	%		n	%
<b>Big enough (n=264)</b>			<b>Not big enough (n=216)</b>		
Opportunities/ Large Market	54	20.5%	Unemployment	29	13.4%
Need/ Demand for Business	37	14%	Limited Market	19	8.8%
Support from Community	7	2.7%	High Level of Competition	15	6.9%
Current Success	6	2.3%	Lack of Infrastructure/ Resources	11	5.1%
Lack of Competition	2	0.8%	Crime and Corruption	3	1.4%
Contradictory	24	9.1%	Lack of Knowledge	3	1.4%
Other	4	1.5%	Other	10	4.6%
Missing	130	49.2%	Missing	129	59.7%

The majority of respondents who indicated that they felt that the township was big enough to sustain their business cited business opportunities and a large market due to an increasing client base (n=54, 20.5%) as well as a need/demand for their products and services in the township (n=37, 14%) as the primary reasons underlying their response (see Table 6).

*“There’s a lot of opportunities”; “There is diversity of customers/ clients”; “More and more development is taking place”; “population has increased tremendously”; “There’s a big gap in the market”; “The demand is high”; “There is a demand for what I do;” “There is a high demand for access to internet”; “There is a lot of businesses that need my services”; “People are near and require the service offering”.*

Minor themes included receiving support for their business from the community (n=7, 2.7%), currently being successful in their business (n=6, 2.3%) and a lack of competition in the Township (see Table 6).

*“People are being supportive”; “People tend to work hand in hand and show support”; “My business is doing good so I think it is enough”; “We are doing fine for now”; “There is not much competition”.*

Interestingly 9.1% (n=24) of respondents who indicated that they did perceive the Township as being big enough to sustain their business, provided contradictory statements when supplying a reason for their answer (see Table 6). These statements essentially identified problems in the Township that need to be addressed in order to make business sustainable and were predominantly phrased in the form of an ‘if’ statement. Essentially these responses indicated that respondents believe that the

Township will be able to sustain their business, but only if certain problems or challenges are addressed.

*“If they can be funded”; “If we have the support of our people”; “If it is well financed it is easy to sustain the business”; “Many people, they just need jobs”.*

With regards to respondents who indicated that they did not think the Township was big enough to sustain their business, the majority highlighted unemployment (n=29, 13.4%), a limited market (n=19, 8.8%) and high levels of competition within the Township as their primary concerns (see Table 6). These themes were closely related with unemployment linked to a decrease in buying power from the client base and a limited market which is ultimately exacerbated by high levels of competition within the township.

*“Too many people unemployed”; “Because it’s a small township and statistics of unemployed people is high”; “Not enough buying power”; “Market is too small”; “Small space for business”; “Competition is too high”; “Too many similar businesses”; “With retailers like Shoprite, Cashbuild and Build-it we’re fighting for customers”.*

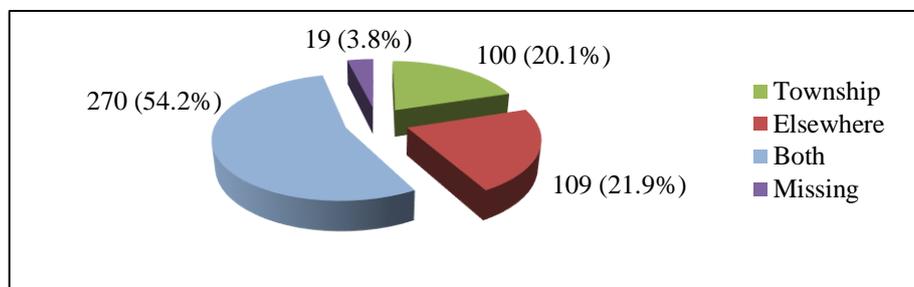
In addition to the above, the lack of infrastructure also emerged as a theme from the data with respondents highlighting the lack of infrastructure in the township as having an adverse effect on their business (see Table 6).

*“Lack of infrastructure and shop offices for my business”; “It’s an undeveloped settlement”; “The buildings are small”; “The municipality needs to extend the place”.*

Minor themes stemming from the data included a lack of knowledge on the part of the clients concerning the business (n=3, 1.4%) as well as crime and corruption within the Township (n=3, 1.4%) (See Table 6).

*“Not enough people know about my business”; “Not a lot of people know of my place”; “Too much crime”; “There is a lot of corruption”.*

To further examine the perceptions of respondents regarding the sustainability of businesses in the township environment, respondents were asked whether township businesses should only focus in the township environment, should also focus on securing business elsewhere outside the township or whether the focus should be on both.



**Figure 2. Focus of business**

The majority of the respondents (n=270, 54.2%) indicated that business should focus within the township environment as well as outside the township environment in securing business with 21.9% (n=109) indicating that business should be secured outside the township and 20.1% (n=100) advocating that the focus of business should merely be within the township itself (see Figure 2).

**Table 7. Focus of township business**

	n	%		n	%
<b>Township (n=100)</b>			<b>Elsewhere (n=109)</b>		
Lack of expansion opportunity	17	17%	Growth/expand business	24	22%
Boost township economy	4	4%	Access larger client base	18	16.5%
Demand/ need in township	4	4%	Increase job opportunities	4	3.7%
Support from community	2	2%	Generate more income	4	3.7%
Contradictory	10	10%	Other	8	7.3
Other	7	7%	Missing	51	46.8%
Missing	56	56%			
<b>Both (n=270)</b>					
Grow/ expand business	38	14.1%	Generate more income	20	7.4%
Ensure sustainability	20	7.4%	Access larger client base	19	7%
Capitalise opportunities/ alternatives	11	4.1%	Create exposure	8	3%
Other	21	7.8%	Missing	133	49.3%

The main theme which emerged from respondents who indicated that the focus of business should only be in the township itself predominantly centred on the lack of expansion opportunities (n=17, 17%) for the business (see Table 7). The lack of expansion opportunities was not necessarily linked to a lack of business opportunities or market opportunities, but rather to practical considerations such as a lack of finances and the necessary resources to expand the business beyond the township environment.

*“Too much finance needed for another place”; “I don’t have equipment”; “Not enough money to move”; “No money to open another business”; “It’s difficult to manage two places”; “Too far to drive, petrol is expensive”.*

In line with the above, several respondents also provided statements which did not seem to provide a reason for focusing only on the township for business, but which

rather were negative and contradictory in nature. Statements within the 'Contradictory' category (n=10, 10%) seemed to advocate for the focus of business within the township only, yet simultaneously highlighted the challenges which may be associated with this (see Table 7).

*"Puts food on the table but not growth"; "There is always an unemployment problem"; "It very unsafe and there's a lot of house breakings taking place".*

With regards to respondents who advocated for a focus outside the township for securing business, the main reasons which emerged included the opportunity to ensure the growth and expansion of the business (n=24, 22%) as well as gaining access to a larger client base (n=18, 16.5%).

*"The business should expand in more places so that it grows to ensure that there is growth"; "Expand the business elsewhere for more growth in the business"; "To extend your business and to get your client base bigger in the area"; "Must access other areas to improve buying power".*

Similar to the above, respondents who indicate that the focus of business should be within the township itself as well as beyond, highlighted the opportunity to ensure the growth and expansion of the business (n=38, 14.1%), the opportunity to generate more income (n=20, 7.4%) as well as gaining access to a larger client base (n=19, 7%) as the primary considerations for their perceptions.

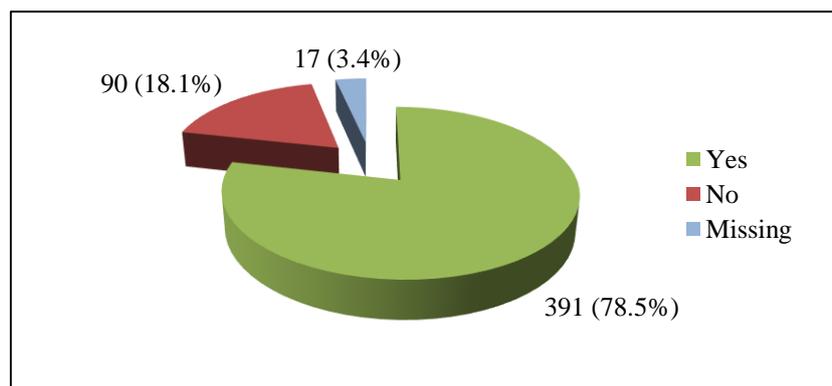
*"The business must grow and that can only happen by expanding the business elsewhere"; "Focusing on both means growth"; "It's always good to expand and access new markets"; "Because it means more opportunities/clients".*

In addition, other themes included ensuring the sustainability of the business (n=20, 7.4%), capitalising on business opportunities and alternatives (n=11, 4.1%) and generating greater exposure for the business (n=8, 3%) (see Table 7). Ensuring the sustainability of the business was closely associated not only with achieving success but also included sentiments pertaining to ensuring the growth of the economy and creating job opportunities.

*"To sustain the business for long period"; "Both can be beneficial to the economy's growth"; "This helps as it sustains the country's economy"; "It helps generate the economy faster (in a way)"; "For more job creation".*

From the data it is clear that the majority of the respondents equate a business focus beyond the township with growth and expansion, access to a larger market and larger client base, greater income and ultimately with greater sustainability and success for the business. Respondents advocating a focus merely within the township environment seem to be focused merely on the practical considerations of the current situation and the challenges they currently perceive as permeating within the township environment.

As a means to investigate the perceptions of the respondents in terms of the perceived sustainability of their current business, respondents were required to indicate whether they see themselves remaining in their current business or staying in business for the next 3 – 5 years.



**Figure 3. Business prospects within 3 – 5 years**

Majority of the respondents (78.5% or n=391) indicated that they do see themselves remaining in their current business with only 18.1% (n=90) indicating that they do not (see Figure 3). Table 8 below provides a breakdown of the main themes associated with the reason put forward by respondents for their answers:

**Table 8. Stay in business or not for next 3 – 5 years**

	n	%		n	%
<b>Stay in business (n=391)</b>			<b>Not staying in business(n=90)</b>		
Want to grow/expand	85	21.7%	Not sustainable	22	24.4%
Passion for work	60	15.3%	Explore other opportunities	14	15.6%
Successful/sustainable	44	11.3%	High level of competition	7	7.8%
No option/only skill	32	8.2%	Insufficient income	6	6.7%
Only income	8	2%	Other	9	10%
Other	13	3.3%	Missing	32	35.6%
Missing	149	38.1%			

The major themes which emerged with regards to respondents who indicated that they do see themselves remaining in business include: wanting to grow and expand the business (n=85, 21.7%), having a passion for the business and work they are in (n=60, 15.3%) and the current business being successful and sustainable (n=44, 11.3%) (see Table 8).

*“Potential for growth is good”; “I see growth and demand from customers”; “Because it’s what I love doing”; “I love doing this job”; “Because the business is slowly but surely improving”; “I’m running at a profit and its sustainable”; “Because it is making money”; “It is sustainable”; “It is a stable kind of business”.*

In addition, 8.2% (n=32) of respondents indicated that they had no other option as they did not have the knowledge, skill or qualification to pursue other work or businesses. This was closely linked with having no other source of income (n=32, 8, 2%) (see Table 8).

*“Because of the skills and knowledge of the field I am in”; “Only training and skill I have”; “No other option in this economy”; “It’s what brings food to the table”; “It is the only thing that is giving me money”; “Nowhere else to go”; “Getting a job is difficult so I would rather stay in my business but seek financial assistance from the government or relevant organisations”; “Unemployment rate is high; jobs are scarce”.*

Respondents who indicated that they do not see themselves remaining in their current business indicated a lack of sustainability (n=22, 24,4%), insufficient income (n=6, 6.7%) as well as high levels of competition (n=7, 7.8%) as the main reasons underlying their motivations (see Table 8). The themes noted by respondents are closely related with insufficient income combined with high levels of competition ultimately having an adverse effect on the sustainability of the businesses of respondents.

*“Business slow and economic crisis”; “Not sure I can survive”; “Not sure if I can hold on any longer”; “Costs go up, sales lower or same, cannot survive”; “There’s no more income, not sustainable”; “There is too much competition”; “Sales are dropping. Need to find something else”.*

In addition, several respondents (n=14, 15.6) indicated the pursuit of other opportunities as the reason for not remaining in their current businesses (see Table 8). This includes exploring other business opportunities as well as going back to school or furthering their education.

*“Exploring other business opportunities”; “I want to do other type of business in art and fashion”; “Want to go to school and study and go my own way and do B.com Marketing”; “Gonna go back to school”.*

### **5.3. Alternative Businesses**

In order to provide a further examination of the perceptions of respondents with regards to sustainability of businesses within the township, respondents were asked which alternative business they themselves would start in the township if they had to change their business.

Although this question is similar to the previous question regarding which type of business respondents think should be started in the township, the current question adopts a more personal approach by having respondents indicate what business they themselves would start. Whilst the previous question thus focuses on a general identification of businesses which may be needed or which may be sustainable in the

township, the current question provides a deeper insight into the personal perceptions of respondents regarding what businesses they would personally become engaged with and which they think would be successful and sustainable.

Table 9 below provides a breakdown of the various types of business respondents identified as alternative business they would start:

**Table 9. Alternative business to start if had to change**

n			%		
Type of business	n	%	Type of business	n	%
Food	31	6.2%	Security	6	1.2%
Service provider/store	29	5.8%	Agriculture	5	1%
Clothing	11	2.2%	Accommodation	4	0.8%
Internet/Electronic store	11	1.4%	Entertainment/ production	4	0.8%
Wholesale/Supplier	10	2%	Garage/ Petrol station	3	0.6%
Butchery/Bakery/ Fruit & Veg	8	1.6%	Salon/Beauty	2	0.4%
Construction	8	1.6%	Would not change	71	14.3%
Property	8	1.6%	Not Start Any	8	1.6%
Social Enterprise/ Community	7	1.4%	Other	23	4.6%
Training/ Development	7	1.4%	Missing	235	47.2%
Manufacturing	7	1.4%			

The main themes which emerged centered on businesses focusing in the food industry such as restaurants, catering services and taverns and bars (n=29, 5.8) as the primary alternative types of businesses, which they would start. In addition, business providing various services (n=29, 5.8%) also emerged as one of the main themes (see Table 9). The services encapsulated in this type of business highlighted by respondents include: transportation services, printing services, mechanical and repair services, handyman services, cleaning services, day care services and car wash services. Specific emphasis was placed on transportation services by respondents.

Clothing businesses (n=11, 2.2%), wholesale/supply stores (n=10, 2%) and specialist stores like internet cafés (n=11, 2.2%) further emerged as the key business which participants would engage in.

In terms of the reasons behind the choice of respondents regarding the specific type of business they would start, the main reasons cited related to the potential for higher income, to address a particular need/demand in the community and a passion for the kind of work or business. Interestingly, the majority of respondents (n=71, 14.3%) indicated that they do not want to change from the business that they were currently involved in (see Table 9). The main reasons put forward by respondents include having experience and knowledge in their current field and business as well as having a love and passion for the work they do.

The fact that the majority of the sample indicated that they do not wish to move away from their current business may allude to the possible success and sustainability respondents are experiencing in their current environment. This is in line with the previous findings regarding the fact that 78.5% of respondents see themselves staying in their current business for the next 3 – 5 years (see Figure 3).

## **6. Discussion**

From the data it is clear that a myriad of SMMEs operate within the township environment with various factors within this environment which may impact on the sustainability and success of these businesses.

The main factors identified which contribute to sustainability include opportunities for growth and expansion, access to a strong client base with sufficient buying power and a need/demand for the product or service within the community or township. Conversely, factors such as unemployment, which has a detrimental effect on the township economy and the buying power of the client base, in conjunction with high levels of competition and a lack of expansion opportunities due to practical considerations may have a detrimental effect on the ultimate success and sustainability of township businesses.

From the perceptions of respondents regarding the focus of township business, it is clear that a business focus beyond the township is equated with growth and expansion, access to a larger market and larger client base, greater income and ultimately with greater sustainability and success for the business. Identifying the correct focus for securing business may thus play a key role in ensuring sustainability for township businesses.

If it is considered that the majority of respondents indicated that they do see themselves remaining in the same business or staying in business for the next 3-5 years, in conjunction with the fact that majority of respondents indicated that they would not start an alternative business, the township environment itself does seem to have the potential to sustain SMMEs operating within that environment to some degree. Whilst the data may allude to this fact, the specific and unique factors which may permeate within the various townships as well as the characteristics of each specific business will inherently play a key role in determining success and sustainability for any business within each unique environment.

Finally, the identification of business support services by respondents as one of the types of businesses which should be started in townships may be indicative of a specific need and address a key element which may be lacking in townships which could contribute greatly to the success and sustainability of businesses.

## **7. Conclusion**

Overall the success and sustainability of businesses within the township environment is ultimately dependent on the type of business and the environmental and economic factors which permeate within the given township.

Success and sustainability not only require identifying the right type of business and potential market opportunities, but also requires an intent and willingness from SMMEs and SMME owners to explore different opportunities beyond the township environment and to capitalise on opportunities that arise in order to ensure the success and sustainability of their business.

### **7.1. Support for Current Business**

The fact that the majority of SMMEs (80.5%) see themselves staying in their current business or that they will still be in business for the next 3 to 5 years is a sure sign of their positive disposition. This is an encouraging sign and shows that the SMMEs have confidence in their businesses and the potential it offers. This however now needs to be cemented and developed in a structured way. The reasons garnered from the businesses as to their inclination to stay in the business is due to a passion for what they are doing, they want to make a success of their business and make money (profit), see it as being sustainable, and that they are delivering on a need in the market and in a field in which they are qualified. This is in line with the fact that many owners started their business because they saw an opportunity and that they are entrepreneurial. This positive inclination by SMMEs presents an opportunity to roll out support programmes and other incentives and initiatives to assist these entrepreneurs to become more successful. This will however require a different and more focussed approach in order to overcome the overall reserved perception many SMMEs in the townships have of government institutions and their level of support.

### **7.2. Sustainability of Township Business**

It is significant that a large number of businesses are of the opinion that the township they are in are sufficient to sustain their businesses. As indicated in figure 1, just over half of the SMMEs (54.7%, 274) were of the opinion that their township is big enough to sustain their businesses, while 45.3% (227) said no. This can be seen as a positive sign that prevails in the township and will go a long way to support genuine attempts to develop the townships. This in itself presents an opportunity for institutions to harness this positivity and assist these business to expand and grow (as many indicated in their responses). The reasons why these SMMEs were so positive about the sustainability of their business in the township include the fact that they have a large customer base who if they can be gainfully employed will become part of their customer base; there is a need for a diverse group of businesses in the townships, it will help the community to grow if their business grows; and that if the community can become supportive of township businesses they will prosper. It is

clear from this and other comments from SMMEs that they see a bright future for township businesses and that they require the assistance of government institutions to help give them direction and support as indicated. If this is the case, then it gives credence to the fact that the economies in the township have potential and that it must be cultivated.

There is a strong feeling that township businesses should not be relegated to only focus on the township, but rather that it should expand its presence also outside of the township area. As indicated by the respondents, just over half of them (55.6%, 279) were of the opinion that township businesses should focus on both the township as well as outside the township. It is significant that only 20.7% of businesses felt that the main focus should be only on the township. This perception from SMMEs in townships clearly shows a need to expand the reach of township businesses, and that a structured and dedicated approach is required to make township businesses viable and relevant.

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