



## The Availability of Infrastructure in Townships: Is there Hope for Township Businesses?

Michael C. Cant\*

Department of Marketing and Retail Management, University of South Africa, South Africa. \*Email: [cantmc@unisa.ac.za](mailto:cantmc@unisa.ac.za)

### ABSTRACT

Townships are part and parcel of the business landscape in South Africa although it was started during the apartheid era in South Africa. The impact of the apartheid era is still evident in the townships and is a testimony of abandonment, poor investment, overpopulation and isolation from urban areas and a serious lack of infrastructure and necessary resources in these areas (Thulo, 2015). A significant amount (60%) of the unemployed comes from townships and informal settlements (Thulo, 2015). It is evident that townships are complex and integrated at the same time with poor and middle class communities living side by side. Government has been attempting to kick start the economy and in the process to increase employment through small businesses and the generation of jobs in townships. This process is however hampered by a range of factors including a lack of infrastructure. The research highlighted the serious shortcomings in infrastructures throughout South Africa, and a need for advisory centres were indicated as being the most dire need in these areas to assist small business.

**Keywords:** Infrastructure, Small and Medium Sized Enterprises, Small Businesses, Township Businesses, South Africa

**JEL Classifications:** M00, M10

### 1. INTRODUCTION

Countries all over the world can be divided into two geographical sections, namely rural and urban areas; South Africa's geographical divide however further includes that of townships and informal settlements which comprise of large communities that are underdeveloped (The World Bank, 2014).

The term "township" has no official or formal definition (Pernegger and Godehart, 2007. p. 2) but generally refers to an area that is underdeveloped, mostly urban, residential areas that were reserved for non-whites (Indians, Coloureds and Africans), who had work in areas that were restricted for "whites-only" under the Apartheid regime (Pernegger and Godehart, 2007. p. 2; Marnewick, 2014; Thulo, 2015). In essence townships in South Africa were formed as a spatial link to white cities and the demand for labour (The World Bank, 2014). The legal description however denotes to a formally promulgated urban area which holds no racial implications (McGaffin et al., 2015. p. 10).

Today, South Africa's townships are remnants of the country's apartheid systems. The impact of past abandonment, poor

investment, overpopulation and isolation from urban areas is still evident; particularly represented by the lack of infrastructure and necessary resources and the high levels of unemployment (Thulo, 2015). A significant amount (60%) of the unemployed comes from townships and informal settlements (Thulo, 2015). While the government has been investing a lot of money into making South Africa's townships more liveable, the tussle continues, and the majority of the black population continue to live in poverty (Aiken, 2013. p. 192; Powell, 2014. p. 77). It is evident that townships have developed into complex communities where it is common to see the poor and slightly wealthier occupants living side by side. However, as a result of the geographically marginal spaces, some townships still remain areas of exclusion and containment (Powell, 2014. p. 77).

Approximately 50% of the urban population of South Africa live in townships and informal settlements, representing 38% of working-age citizens (Thulo, 2015). The growth and development of townships into more sustainable communities (economic and social) has received much growing interest over the years (McGaffin et al., 2015. p. 5).

## 2. CLASSIFICATION OF SMALL, MEDIUM AND MICRO-SIZED ENTERPRISE (SMMEs) IN SOUTH AFRICA

SMMEs are usually defined by three criteria namely: assets, number of employees and revenue generated per annum; however, these figures tend to vary by country and can even differ according to industry (Marnewick, 2014), therefore there is no formal worldwide definition for that of an SMME (Katua, 2014. p. 462). According to the Organisation for Economic Co-operation and Development (OECD, 2005), small and medium sized enterprises (SMEs) are independent, non-subsidiary firms that employ less than a certain number of employees. In the United States of America and Canada for example SMEs can be seen to have <500 employees and in the European Union, <250 employees. The most common is that of 250 employees, small firms often containing <50 employees and micro-enterprises not more than 10 and in some instances <5 (OECD, 2005; Katua, 2014. p. 462). SMEs can be categorised as survivalist, micro, very small, small and medium enterprises (Entrepreneurs Toolkit, 2009; Marnewick, 2014) hence the use of the term SMME. In South Africa, the terms SME and SMME are used interchangeably.

The national small business act (Act No. 102 of 1996) can be seen to define a small business organisation as follows (The Department of Trade and Industry, ND):

*“... any entity, whether or not incorporated or registered under any law, which consists mainly of persons carrying on small business concerns in any economic sector, or which has been established for the purpose of promoting the interests of or representing small business concerns, and includes any federation consisting wholly or partly of such association, and also any branch of such organization.”*

SMMEs can further be divided into established formal SMMEs in mainly urban areas and emerging SMMEs situated in informal settlements, rural areas and townships. The largest group of SMMEs fall into the survivalist/micro-enterprise category meaning that the majority of SMMEs are operating in the informal sector (Entrepreneurs Toolkit, 2009). For the purpose of this research emerging SMMEs will be the focus.

## 3. SMME ECONOMIC ACTIVITIES WITHIN TOWNSHIPS

McGaffin et al. (2015. p. 12) in their research deliberated seven key sectors that make up the most common economic activities in townships:

### 3.1. Agriculture

Agriculture involves the cultivation of animals and plants to produce food and other products either for direct consumption or for use in the manufacturing process. Agriculture within the township is often driven by survivalist and therefore not a significant driver of economic township growth. Therefore, in order for agriculture to thrive there are spatial requirements

which appears to be a challenge in the majority of townships such as vegetation, climate, rainfall and soil which affect the demand for, and use of, agricultural land. The scarcity of land in townships can serve as a major reason why agriculture appears to be an insignificant driver of township economic development. However, there are opportunities that exist such as successful urban agricultural projects.

### 3.2. Manufacturing

Manufacturing refers to the transforming of raw materials into finished goods on a large scale. Dependent on the type of market, and product and labour requirements, access to infrastructure is usually a prerequisite in order for this sector to thrive. This poses a challenge as most townships lack infrastructure, access to suppliers, and modern distribution networks. Existing capacity for large-scale manufacturing is accessible in other areas. The opportunity that arises in this sector however is that cheap land is usually available.

### 3.3. Retail Trade

Retail trade involves the sale of new and used goods/services for final consumption. In terms of township spatial requirements, retailers want a minimum turnover (i.e., sell a certain number or amount of goods) in order to be viable and to gain consumers' spending power. However, this depends on the amount of people with reasonable access to the retailer, disposable income, level of competition and the retailer's drawing power. Due to low incomes in the township, the market does not have enough depth to support retail activities. Smaller businesses appear to be more at risk in terms of failure and losing out to big shopping centres and the costs of new retail space cannot always be passed onto the (small) tenants through higher rents. Furthermore, business owners have the perception that the provision of suitable space is less vital than access to finance and customers. Opportunities in this sector however do exist; expenditure patterns are changing (frequent convenience shopping) as well as rising middle class and income which may lead to higher demand for retail products.

### 3.4. Personal and Household Services

Personal and household services cover a range of activities that contribute to the wellbeing of families and individuals: Child care, cleaning, medical, home repairs, gardening and electricians etc. The type of properties necessary will vary according to the type of service:

- Doctors may demand rooms to assist patients, and usually occupy a house that has commercial rights.
- Mechanics may run in the backyard of their house, or rent a garage.
- Hairdressers and beauticians may operate from their homes or commercial buildings.
- Certain services do not require property as they work at the clients' homes e.g., electricians and gardeners.

A challenge faced by townships in this regard is low levels of income. On the positive side however, location in the township is not a disadvantage, compared to other sectors such as manufacturing.

### 3.5. Business Services

The business service sector provides support services to other businesses and requires skilled staff and a broad client base which is limited in townships and therefore inhibits the growth of the sector. In order for this sector to thrive, fairly well-located office space is needed in order to access skilled staff and clients. Smaller-scale operations may run from residential properties first and as the business grows, more office space may be required. This sector is particularly space and labour intensive and also requires efficient and affordable power and access to airports in response to increasing globalisation of economic activity. The particular constraints that this sector faces, is the low level of activity within other sectors and the skills and education is of a low level. The opportunities that arise is the growing middle class within townships and that the provision of major public facilities in township areas may create a downstream demand for businesses services, such as doctor's rooms and lawyer's offices for example.

### 3.6. Transport

The transport sector encompasses the conveying of people or goods from one place to another. The public transport system constructs a structure of access and nodes, which influences business location decisions in townships. The spatial requirements needed in order for this sector to operate sufficiently are dependent on mode of transport: Airports for air travel, parking and loading space (ranks and terminuses) for taxis and buses and parking for private vehicles as demand increases. The problems this sector face are that inefficient systems are in place, whereby return journeys are empty thus resources are being wasted. In order to counteract this constraint there is an opportunity to increase transport infrastructure within township areas, such as train stations.

### 3.7. Tourism

The tourism sector's core focus is on providing information, accommodation, transportation, and other services to tourists; as well as recreational, cultural and sporting activities. The success of the sector is very much dependant on growth of tourism in the country, whereby international tourists dominate township tourism. The special requirements that the tourism sector face are mostly aligned to the historical, cultural and natural assets within an area, as well as to major events that may occur there. The sector faces constraints of not having access to finance for the marketing of establishments and the upgrading of property, there is also a lack of information on training and business. The opportunities of tourism within the township areas is that the B&B industry is entrepreneurially driven in the township area and that there is no locational disadvantage, as the business activity is related to the nature of the place (i.e., no or limited competition from areas in a city).

While SMMEs play an important role in the South African economy, they also face a number of challenges, with some having been highlighted above.

## 4. THE CHALLENGES FACED BY SMMEs IN TOWNSHIPS

Although defined differently in various countries, SMMEs from across the globe such as South Africa, Turkey, England, Republic

of Ireland, Romania, Cyprus, Canada, Malaysia, Hong Kong, Italy, Mauritius, Scotland among others face similar challenges, for example, economic and political instability, low productivity, difficulty in accessing finance, regulatory burden, competition, lack of demand for products and services, innovation and technology, lack of knowledge, and difficulty in finding a market (Khaliq et al., 2011. p. 399; Edinburgh Group, 2013; Katua, 2014. p. 467).

In addition to the above mentioned challenges, SMMEs in South Africa in particular can be seen to face the following challenges (Mthente Research and Consulting Services, 2012. p. 43-45; Small Business Academy Research Division, 2014; Agwa-Ejon and Mbohwa, 2015; The Banking Association South Africa, 2016; Bureau of Economic Research, 2016. p. 7-10; Bank Seta, Not Dated):

- A weak entrepreneurial culture/drive within South Africa;
- Crime and corruption;
- Many SMME owners lack management skills and experience and their staff lack the relevant skills;
- SMMEs lack the capital to run their business effectively and it is a challenge to secure the funding they require. According to the Department of Small Business Development (2015) a total of 79% of informal SMMEs do not have a bank account; 96.8% had loans from friends or family for daily operations. More than 95% have no credit facility, asset finance or a mortgage loan for their business;
- Complying with all the legislative requirements (regulatory compliance) of the country poses a challenge to SMMEs; and
- Lack of business and basic infrastructure.

SMMEs specifically in township locations experience the following challenges that hamper their growth (Gauteng Department of Economic Development, ND:4; Republic of South Africa, 2014):

- The spread of foreign-owned business: These businesses impact local entrepreneurs in that they do not follow local legislation and tend to drive local entrepreneurs out of business due to unregulated practices;
- Support initiatives provided by the government are far from townships;
- Responses from government officials when dealing with entrepreneurs and aspiring entrepreneurs are poor; and
- A lack of land, space and infrastructure in the townships to be able to function and operate.

## 5. THE GAPS IN TERMS OF THE NEEDS OF SMMEs IN TOWNSHIP ECONOMIES

South Africa's townships still face the dire threat of unemployment, widespread poverty and inequality (McGaffin et al., 2015. p. 12; Mail and Guardian, 2011). Over the years, the implementation of many development initiatives have been carried out in an effort to transform township economies, some still presently underway. During the period of 1994-2004 for example, programmes including the Special Integrated Presidential Programme and the Urban Renewal Programme were launched to improve living conditions. However, the programmes were criticised for having too much of an infrastructure focus and institutional related challenges respectively. In 2006, the Neighbourhood Development

Partnership Grant programme was introduced to leverage third party public and private sector investment for future and increased sustainable development (Infrastructure Dialogues, 2015). Currently, a multitude of institutions provide a range of services to assist small businesses in townships. The Industrial Development Corporation, National Youth Development Agency and Small Enterprise Finance Agency (SEFA) for example have formed a partnership to provide support and funding opportunities to small businesses (SEFA, ND). Potential grant applicants include and are not limited to businesses that operate either informally or formally; commonly recognised as micro-enterprises such as street traders, vendors, emerging enterprises etc. (SEFA, ND).

SEF assists the development of SMMEs within townships by providing appropriate infrastructure in the form of industrial parks (DA, 2015). This initiative was introduced in the 1980s to stimulate township economies, support small businesses and create employment (DA, 2015). However, there have been reports that industrial parks around the Gauteng province are severely crowded and lack cleansing services, security and the basic infrastructure needed to run a business (DA, 2015). This indicates the need to revitalise the township economy in order to foster SMME growth.

In his State of the province address 2015, Gauteng Premier David Makhura, further highlighted the following initiatives that are aimed to improve the township economy (Thulo, 2015):

- In the financial year 2015/16, over R300 million has been assigned to support township businesses with municipalities making significant investments in the township economy with focus on township Hubs.
- Over R300 million has been invested in ICT infrastructure over the next 3 years.

McGaffin et al. (2015, p. 12) states that although a number of interventions have been put in place to address the challenges faced by township economies, they were not highly effective due to the lack of knowledge and understanding of a township economy, its functioning and requirements. These authors further mention that if the required rudiments of an economy are missing, attempts to support and nurture local township economic activities will not succeed.

In order to assist SMMEs best it is important that the following gaps be addressed as highlighted through the literature provided, a number of challenges need to be addressed in order for township economies to grow, and one of these are infrastructure development. Due to insufficient infrastructure within township economies, there is a dire need for government to enhance the infrastructure within township economies and provide more trading space for these businesses to thrive.

## 6. AIMS AND METHODOLOGY OF THE RESEARCH

The focus of the research was on the state of the infrastructure available in the townships and to evaluate their view on the state of the township infrastructure. In order to meet these objectives the following structured research process was

employed. The aim of the research was to evaluate township SMMEs perceptions on the state of the township infrastructure. In order to ascertain this aim, the following research process was employed.

Quantitative data was collected from randomly selected SMMEs in order to obtain the required insight to address the above-mentioned objectives. Qualitative comments were collected and categorised into tangible themes that assisted in making useful findings and recommendations.

The cities in which the research was conducted were Polokwane, Nelspruit, Tshwane, Johannesburg, Port Elizabeth, Bloemfontein, Upington, Durban and surrounds, Mafikeng/Rustenburg, and Cape Town. In each of these cities townships located in the broader area were included in the research. The aim was to ensure that a wide range of townships were included in the research process which was needed if a more holistic view of the current situation were to be obtained.

A sample size of 500 SMMEs were proposed for the project but the final total was 521. In each of the broader city regions referred to above a total of 50 SMMEs were aimed to be included. These respondents were to be split between at least two different townships in each city region. The sample size allowed for some flexibility to make provision for respondents who were not prepared to work together or those who refused all together. A number of fieldworkers were trained to conduct the research in the townships.

## 7. FINDINGS OF THE RESEARCH

### 7.1. Business Demographics

Respondents were asked to provide information relating to their business's demographics, including the type of business and the number of employees. The results obtained were as follows:

#### 7.1.1. Type of business

Table 1 provides an indication as to the type of business s that respondents operate in:

From Table 1 it can be seen that there were 77 different types of businesses identified, whereby the top five were food (7.8%, 37 respondents), hair salons (7.2%, 34 respondents), tuck shops (5.9%, 28 respondents) day care centres (5.1%, 24 respondents) and clothing shops (5.1%, 24 respondents). The next question posed to SMME owners then asked how many employees the business employed:

#### 7.1.2. Number of employees

Table 2 indicates the number of individuals employed by the SMME owners.

From Table 2 it can be seen that the majority of the respondents (58.4%, 251 respondents) employ between 2 and 5 employees, indicating that most township SMMEs fall under the category of micro-enterprises (OECD, 2005; Katua, 2014. p. 462).

**Table 1: Types of businesses operated by SMME owners in townships (n=473)**

S. No.	Different subgroups	Frequency (%)	S. No.	Different subgroups	Frequency (%)
1	Appliances	1 (0.2)	40	Manufacturing	12 (2.5)
2	B&B	9 (1.9)	41	Mechanic	13 (2.8)
3	Bedding and linen	2 (0.4)	42	Media Service	8 (1.7)
4	Biker shop	1 (0.2)	43	Medical	7 (1.5)
5	Boiler maker	1 (0.2)	44	Motor	10 (2.1)
6	Car dealer	1 (0.2)	45	Music	3 (0.6)
7	Carpentry	1 (0.2)	46	Nails & Make-Up	5 (1.1)
8	Cash loan	3 (0.6)	47	Panel Beater	7 (1.5)
9	Catering	14 (3.0)	48	Petrol Garage	1 (0.2)
10	Cell Phone	4 (0.8)	49	Pharmacy	2 (0.4)
11	Chisa Nyama	2 (0.4)	50	Photo	2 (0.4)
12	Cleaning service	6 (1.3)	51	Plastic Recycling	1 (0.2)
13	Clothing	24 (5.1)	52	Plumber	6 (1.3)
14	Coffee shop	1 (0.2)	53	Printing	2 (0.4)
15	Computer and internet	4 (0.8)	54	Production	3 (0.6)
16	Construction	15 (3.2)	55	Project management	1 (0.2)
17	Consultation	2 (0.4)	56	Renting	2 (0.4)
18	Crafting	2 (0.4)	57	Repair	2 (0.4)
19	Day care centres	24 (5.1)	58	Restaurant	12 (2.5)
20	Dentist	3 (0.6)	59	Retail	7 (1.5)
21	Drinks	5 (1.1)	60	Security	4 (0.8)
22	Driving school	2 (0.4)	61	Shebeen	1 (0.2)
23	Electrician	7 (1.5)	62	Shoe	5 (1.1)
24	Engineering	1 (0.2)	63	Spares supplier	4 (0.8)
25	Entertainment	1 (0.2)	64	Supermarket	10 (2.1)
26	Event planning	9 (1.9)	65	Supplier	3 (0.6)
27	Farmer	1 (0.2)	66	Tattoos	1 (0.2)
28	Finance	1 (0.2)	67	Tavern	11 (2.3)
29	Food	37 (7.8)	68	Tax	2 (0.4)
30	Funeral parlour	17 (3.6)	69	Trading	9 (1.9)
31	Garden services	2 (0.4)	70	Transport	6 (1.3)
32	Glass	1 (0.2)	71	Travel	1 (0.2)
33	Graphic design	3 (0.6)	72	Trucks	1 (0.2)
34	Gym	2 (0.4)	73	Tuck shop	28 (5.9)
35	Hair salon	34 (7.2)	74	Upholstery	4 (0.8)
36	Handy man	7 (1.5)	75	Waste	1 (0.2)
37	Hardware	10 (2.1)	76	Welding	6 (1.3)
38	Internet café	8 (1.7)	77	Welfare	1 (0.2)
39	Locksmith	1 (0.2)			

SMME: Small, medium and micro-sized enterprise

**Table 2: Number of individuals employed within the SMME (n=430)**

Number of employees	Frequency n (%)
None	7 (1.6)
1	67 (15.6)
2-5	251 (58.4)
6-10	74 (17.2)
11-20	19 (4.4)
20+	12 (2.8)

SMME: Small, medium and micro-sized enterprise

### 7.1.3. Current township economic situation

SMME owners were next asked questions relating to the current township infrastructure situation. This section comprised of two questions. Firstly, respondents were asked what type of infrastructure is needed in townships in order to assist their businesses, Table 3 is indicative as to the main findings.

From Table 3 it can be seen that business advice centres (BACs) (74.9%, 390 respondents) are the most needed within township, followed by office/shop space (57.8%, 301 respondents), sanitation

**Table 3: Infrastructure needed and available in the townships (n=521)**

Infrastructure	Frequency f (%)	
	Needed	Available in township
Tarred roads	177 (34.0)	316 (60.7)
Electricity	139 (26.7)	386 (74.1)
Sanitation	189 (36.3)	256 (49.1)
Office/shop space	301 (57.8)	129 (24.8)
BACs	390 (74.9)	60 (11.5)
ASCs	344 (66.0)	60 (11.5)
Water	130 (25.0)	357 (68.3)
Other	33 (6.3)	23 (4.4)

\*Total responses may not equal n and percentages may not equal 100 as this question was a multiple-choice multiple-response question, BACs: Business advice centres, ASCs: Admin support centres

(36.3%, 189 respondents) and tarred roads (34.0%, 177 respondents). While the respondents did indicate availability of certain infrastructure there is a definite association between responses on what is available and what is needed. E.g. 11.5% (60 respondents) indicated that there are BACs, and when asked on what is needed, 74.9% (390 respondents) indicated that BACs are needed.

The values in Table 4 are a measure of association, based on Pearson’s Correlation Coefficient (denoted by  $\phi$ ). The values range from -1 to 1. The results can be interpreted as follows:

- -1.0 to -0.7 strong negative association.
- -0.7 to -0.3 weak negative association.
- -0.3 to +0.3 little or no association.
- +0.3 to +0.7 weak positive association.
- +0.7 to +1.0 strong positive association.

Values that indicate a weak to strong relationship are highlighted in green in Table 4. From Table 4, it can be seen that there is a weak positive association between specifying that Electricity is needed and that Tarred Roads are needed ( $\phi \approx 0.45$ ). This indicates that a respondent who specified that electricity is needed, is likely to also specify that tarred roads are needed.

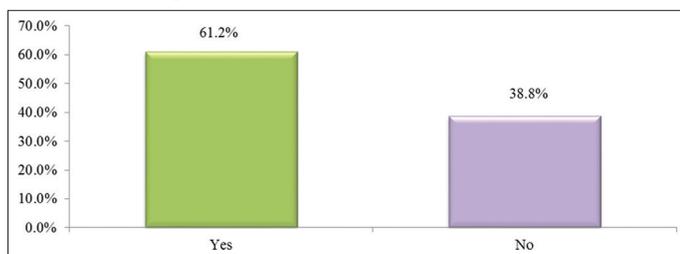
It is interesting to note that respondents who indicated that water is available, were also likely to indicate that tarred roads, electricity and sanitation were available. Respondents who indicated that water is needed, were also likely to indicate that tarred roads, electricity and sanitation are needed. Respondents who indicated that other types of support are available, were also likely to indicate that BACs and admin support centres (ASCs) are available. Next, respondents were asked if the current township environment met their requirements when doing business. The following results were obtained as indicated in Figure 1:

From Figure 1 it can be seen that 61.2% (312 respondents) of respondents felt that the township environment met their current business requirements. While the environment might meet their current business requirements it is important to note that in order for township businesses to improve infrastructure is needed as highlighted in the previous question. The sub-question then asked for respondents to provide reasons for their responses. The following results were obtained as indicated in Tables 5 and 6.

Table 5 shows that the respondents who felt that the current township environment meets their business requirements supported their view by indicating that services/goods are needed daily (27.0%, 38) and support is received from the community (22.7%, 32). The respondents however that did not feel the township met their business requirements can be seen in Table 6:

From Table 6 it can be seen that 40.9% of respondents (38) felt that the township had poor infrastructure. There is a clear need for improvements in the infrastructure available in townships as indicated by the responses above. The availability of BACs

**Figure 1:** Does the current township environment meet the requirements for doing business? (n=510)



**Table 4:** Table summarising the association between selecting what is available and what is needed by respondents

	Needed					Available				
	Tarred roads	Electricity	Sanitation	Office/shop space	Other	Tarred roads	Electricity	Sanitation	Office/shop space	Other
Tarred roads	1.00					1.00				
Electricity	0.45	1.00				0.49	1.00			
Sanitation	0.39	0.38	1.00			0.41	0.42	1.00		
Office/shop space	0.06	-0.04	0.12	1.00		0.13	0.20	0.20	1.00	
Admin support centres	0.09	-0.02	0.09	0.27	1.00	0.08	0.03	0.07	0.28	1.00
ASC	-0.02	-0.12	0.08	0.35	0.51	0.11	0.10	0.04	0.51	1.00
Water	0.46	0.60	0.41	0.00	-0.04	0.47	0.57	0.42	0.13	0.00
Other	0.01	0.04	0.03	-0.10	-0.03	0.08	0.04	0.07	0.22	0.39
Available										
Tarred roads	-0.48	-0.18	-0.10	0.11	0.19	0.06	0.13	0.02	0.06	0.05
Electricity	-0.09	-0.33	-0.06	0.15	0.27	-0.13	-0.15	-0.13	-0.13	0.45
Sanitation	-0.19	-0.23	-0.48	0.04	0.15	-0.19	-0.19	-0.13	-0.13	0.28
Office/shop space	-0.09	-0.07	-0.10	-0.52	-0.20	-0.06	-0.04	0.02	0.02	0.28
BAC	-0.07	-0.03	-0.01	-0.22	-0.50	-0.24	-0.01	0.05	0.05	0.13
ASC	-0.07	-0.03	0.04	-0.18	-0.26	-0.36	-0.03	0.05	0.05	0.13
Water	-0.07	-0.18	-0.08	0.11	0.21	0.27	-0.33	-0.11	-0.11	0.04
Other	-0.08	-0.05	-0.03	-0.12	-0.26	-0.18	-0.02	0.06	0.06	0.05

BACs: Business advice centres, ASCs: Admin support centres

**Table 5: “Yes” the current township environment meets business requirements (n=141)**

Response	Frequency n (%)
Services/goods needed daily	38 (27.0)
Receive support from community	32 (22.7)
Many faithful customers	13 (9.2)
Large customer base	12 (8.5)
Perfect location	12 (8.5)
High demand/interest	11 (7.8)
Easy access to customers/facilities	11 (7.8)
Good marketing	6 (4.3)
Making profit/successful	6 (4.3)

While the option “Yes” was selected by respondents as seen in Figure 1, some respondents did not provide an answer and others provided more than one, therefore the n-value in this regard might be higher or lower

**Table 6: “No” the current township environment does not meet business requirements (n=93)**

Response	Frequency n (%)
Poor infrastructure	38 (40.9)
Limited office space/land	12 (12.9)
No high demand/interest	8 (8.6)
Unemployment	8 (8.6)
High competition	7 (7.5)
Little/no support	7 (7.5)
Too much crime/corruption	7 (7.5)
No easy access to markets	6 (6.5)

\*While the option “No” was selected by respondents as seen in Figure 1, some respondents did not provide an answer and others provided more than one, therefore the n-value in this regard might be higher or lower

and ASCs can be seen as a similar need that can be crucial in any attempt to revive and develop the township economies. By having a dedicated more formalised structure in place via a type of business centre all the other issues indicated by respondents such as mentors, marketing, tax and legal advice, training, etc. can be addressed. The crux will however be in the way such a centre is structured and managed.

In most, if not all townships, there is a need to improve the infrastructure to a level that will support businesses in the area. This includes roads, sanitation, shop space, and other essential services required by businesses to operate. This is the responsibility of each municipality and needs to be impressed on them to deliver to the needs of the market. Without these basic infrastructure requirements there cannot be hope that businesses will grow and prosper.

## 8. CONCLUSION, LIMITATIONS AND AREAS FOR FUTURE RESEARCH

This study has shown that townships have developed in and around major cities with the primary aim of feeding the larger metropolitan areas with labour. This resulted in infrastructure being developed in these areas in order to sustain these townships, but due to the restrictive policies of the then apartheid government, these developments were not always up to standard or sufficient for the needs of the community. The study showed that there is a need to have properly tarred roads in the townships, as well as sufficient administrative support, BACs, office and retail space as

well as acceptable levels of sanitation and electricity in order to do business. The fact that there is a disconnect between what is available in townships and what is needed is a concern that needs to be addressed by municipalities and national governments alike. It is encouraging on the other hand to see that small businesses are keen to grow and develop and to utilize new and better infrastructure for the growth of their businesses.

Although the study has given good insights into the state of the infrastructure in townships, there are a few limitations to the study worth noting. These are:

- The focus was on formal businesses in the townships and did not include informal businesses.
- A clear distinction between the infrastructure needs of the different sectors (manufacturing, retail, service) was not established.
- More specific information is needed as to the administration needs of small businesses, type of office and retail space needed including services, as well as what type of specific business advice is required from the business centres.

It is recommended that future research in the township economy should address the issues as indicated in the limitations as this will assist government and other institutions to provide more specific services and assistance to small businesses.

## REFERENCES

- Agwa-Ejon, J., Mbohwa, C. (2015), Financial challenges faced by SMMES in Gauteng South Africa. International Association for Management of Technology, IAMOT 2015 Conference Proceedings. p520-534.
- Aiken, N.T. (2013), Identity, Reconciliation and Transitional Justice: Overcoming Intractability in Divided Societies. Abingdon: Routledge.
- Bank Seta. (Not Dated), Small and Micro-Enterprises (SMEs). Available from: [http://www.bankseta.org.za/downloads/Small\\_and\\_Micro\\_Enterprises\\_Brochure.pdf](http://www.bankseta.org.za/downloads/Small_and_Micro_Enterprises_Brochure.pdf). [Last downloaded on 2016 Feb 02].
- Bureau of Economic Research. (2016), The Small, Medium and Micro Enterprise Sector of South Africa. Available from: <http://www.Seda.org.za/Publications/Publications/The%20Small,%20Medium%20and%20Micro%20Enterprise%20Sector%20of%20South%20Africa%20Commissioned%20by%20Seda.pdf>. [Last downloaded on 2016 Mar 03].
- DA. (2015), Job-Creating Gauteng Township Industrial Parks Should be Minister Zulu’s Top Priority. Available from: <https://www.da.org.za/2015/04/job-creating-gauteng-township-industrial-parks-should-be-minister-zulus-top-priority>. [Last accessed on 2016 Mar 30].
- Department of Small Business Development. (2015), Minister Lindiwe Zulu: Small Business Development Department Budget Vote 2015/2016. Available from: <http://www.gov.za/speeches/minister-lindiwe-zulu-small-business-development-dept-budget-vote-201516-20-may-2015-0000>. [Last accessed on 2016 Jan 01].
- Edinburgh Group. (2013), Growing the Global Economy through SMEs. Available from: [http://www.edinburgh-group.org/media/2776/edinburgh\\_group\\_research\\_-\\_growing\\_the\\_global\\_economy\\_through\\_smes.pdf](http://www.edinburgh-group.org/media/2776/edinburgh_group_research_-_growing_the_global_economy_through_smes.pdf). [Last downloaded on 2016 Feb 02].
- Gauteng Department of Economic Development. (Not Dated), Gauteng Department of Economic Development: Revitalisation of the Township Economy Strategy Draft. Available from: <http://www>.

- ecodev.gpg.gov.za/Documents/Draft%20GTER%20Strat.pdf. [Last downloaded on 2016 Mar 03].
- Industrial Development Corporation. (2014), About IDC. Available from: <http://www.idc.co.za/about-the-idc.html>. [Last accessed on 2016 Feb 02].
- Infrastructure Dialogues. (2015), Township Economies. Available from: <http://www.infrastructuredialogue.co.za/dialogues/township-economies>. [Last accessed on 2015 Feb 02].
- Katua, N.T. (2014), The role of SMEs in employment creation and economic growth in selected countries. *International Journal of Education and Research*, 2(12), 461-472.
- Khalique, M., Isa, A.H.B., Shaari, J.A.N., Ageel, A. (2011), Challenges faced by the small and medium enterprises (SMES) in Malaysia: An intellectual capital perspective. *International Journal of Current Research*, 3(6), 398-401.
- Mail and Guardian. (2011), Poverty and Inequality in South Africa. Available from: <https://www.mg.co.za/article/2011-09-16-poverty-and-inequality-in-south-africa>. [Last accessed on 2017 Sep 29].
- Marnewick, C. (2014), Information and Communications Technology Adoption amongst Township Micro and Small Business: The Case of Soweto. Available from: <http://www.sajim.co.za/index.php/SAJIM/article/view/618/769>. [Last accessed on 2016 Jan 29].
- McGaffin, R., Napier, M., Karuri-Sebina, G. (2015), South African Township Economies and Commercial Property Markets: A Conceptualisation and Overview. Available from: [http://www.urbanlandmark.org.za/downloads/SACN\\_ULM\\_township\\_economies.pdf](http://www.urbanlandmark.org.za/downloads/SACN_ULM_township_economies.pdf). [Last downloaded on 2016 Jan 02].
- Mthente Research and Consulting Services. (2012), Analysis of the Needs, State and Performance of Small and Medium Businesses in the Agriculture, Manufacturing, ICT and Tourism Sectors in South Africa. Available from: <http://www.Seda.org.za/Publications/Publications/Analysis%20of%20the%20needs,%20State%20and%20Performance%20of%20Small%20and%20Medim%20Businesses%20in%20the%20Agriculture,%20Manufacturing,%20ICT%20and%20Touri.pdf>. [Last downloaded on 2016 Mar 15].
- National Youth Development Agency. (2015), What is NYDA? Available from: <http://www.nyda.gov.za/About-Us/nyda/Pages/default.aspx>. [Last accessed on 2016 Feb 10].
- Organisation for Economic Co-operation and Development (OECD). (2005), Glossary of Statistical Terms. Available from: <https://www.stats.oecd.org/glossary/detail.asp?ID=3123>. [Last accessed on 2016 Feb 02].
- Pernegger, L., Godehart, S. (2007), Townships in the South African Geographic Landscape-Physical and Social Legacies and Challenges. Available from: <http://www.treasury.gov.za/divisions/bo/ndp/TTRI/TTRI%20Oct%202007/Day%201%20-%2029%20Oct%202007/1a%20Keynote%20Address%20Li%20Pernegger%20Paper.pdf>. [Last downloaded on 2016 Feb 09].
- Powell, C. (2014), Rethinking Marginality in South Africa: Mobile Phones and the Concept of Belonging in Langa Township. Cameroon: Langaa.
- Republic of South Africa. (2014), Minister Lindiwe Zulu: Launch of Start-Up Nations South Africa. Available from: <http://www.gov.za/minister-lindiwe-zulu-launch-start-nations-south-africa>. [Last accessed on 2016 Feb 02].
- SEFA. (Not Dated), Small Enterprise Finance Agency. Available from: <http://www.sefa.org.za>. [Last accessed on 2016 Feb 09].
- Small Business Academy Research Division. (2014), Khayelitsha Small Business Project-Needs and Challenges of Small Businesses in Khayelitsha.
- The Banking Association South Africa. (2016), SME Enterprise. Available from: <http://www.banking.org.za/what-we-do/sme/sme-enterprise>. [Last accessed on 2016 Feb 02].
- The World Bank. (2014), Economics of South African Townships-Special Focus on Diepsloot. Available from: <http://www.worldbank.org/en/country/southafrica/publication/the-economics-of-south-african-townships-special-focus-on-diepsloot>. [Last accessed on 2016 Feb 05].
- The World Bank. (2014), The Economics of South African Townships. Available from: <http://www.worldbank.org/en/country/southafrica/publication/the-economics-of-south-african-townships-special-focus-on-diepsloot>. [Last accessed on 2016 Feb 09].
- Thulo, L. (2015), Gauteng SOPA 2015: What it Means for SMEs. Available from: <http://www.smesouthafrica.co.za/Gauteng-SOPA-2015-What-it-means-for-SMEs>. [Last accessed on 2016 Feb 18].
- Thulo, L. (2015), The State of SA's Township Entrepreneurship. Available from: <http://www.smesouthafrica.co.za/15427/The-state-of-SAs-township-entrepreneurship>. [Last accessed on 2016 Jan 01].