




Exploring the challenges to expansion faced by local Spaza shop entrepreneurs in the Kagiso Township, Gauteng

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DECLARATION

I hereby declare that the assignment submitted herewith to North-West University in partial fulfilment of the requirements for the Master of Business Administration (MBA) degree is my own original work. It has been text-edited in accordance with professional communication standards and has not been previously submitted to any other institution for evaluation.

Jeminah Mampope Qai

ABSTRACT

This research explored the various challenges linked to establishing and formalising spaza shop businesses in Kagiso Township, Gauteng. Township economies are a crucial but underdeveloped component of South Africa's economic landscape, and spaza shops are essential in stimulating entrepreneurship, creating employment, and providing low-cost commodities to communities. Although important, many local spaza shops still face challenges with sustainability and scalability. Specifically, the study aims to identify the critical constraints to their growth in order to encourage measures to expand their competitiveness and integration into the broader formal economy.

The problem statement underlines that spaza shop owners are confronted by numerous challenges, which range from financial and regulatory exclusion and far-reaching competition coming from foreign-owned stores and formal retail chains; notably, the lack of business capacities, fragile collaborative structures, as well as limited uptake of digital applications. These constraints collectively suppress growth prospects, limit profitability and generate social exclusion in township contexts.

The study is qualitative and exploratory within the interpretivist paradigm. Twelve spaza shop owners in Kagiso Township were interviewed using semi-structured interviews. Entrepreneurs had to have experience in starting, owning or managing entrepreneurial ventures and purposive sampling was employed. A thematic analysis was used to identify recurring patterns, and evidence of triangulation and member checking ensured the credibility and trustworthiness of the findings.

Six major themes emerged from the analysis that included financial constraints, regulatory requirements, competitive environment, digital capability disparities, lack of business knowledge and limited networking and cooperation. Respondents mentioned restricted access to formal funding, licensing concerns, and greater competition as significant obstacles to business growth. While some respondents had employed digital means such as mobile wallets to facilitate e-commerce, broad based integration of technology was hindered by costs, infrastructure gaps and digital illiteracy.

Scale was also inhibited by a general lack of leadership training and by a lack of cooperative participation. The results imply that these factors are interwoven, and together form a systemic barrier to sustainability.

The study revealed that the long-term development and growth of Spaza Shops require a holistic policy and support framework to expand, bearing in mind financial inclusion, simplified regulatory processes, business skills training, digitalisation, and cooperative networking. This research offered evidence-based inputs for policy makers, local development agencies and creditors based on the discussion of township economic development. The study suggests a move away from survivalist entrepreneurship to innovative and technologically enabled inclusive township-based enterprises that could make substantial contributions to economic resilience and social equity in South Africa.

Keywords: Spaza Shops, Township Economy, Sustainability, Infrastructure, Collaborative, Leadership, Entrepreneurship.

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Philippians 4:13

"I can do all things through Christ who strengthens me"

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LIST OF ABBREVIATIONS

Abbreviation	Definition
CIPC	Companies and Intellectual Property Commission
CSI	Corporate social investment
DSBD	Department of Small Business Development
DTIC	Department of Trade, Industry and Competition
ESG	Environmental Social Governance
Fintech	Financial technology
4IR	Fourth Industrial Revolution
ICT	Information Communication Technology
LED	Local Economic Development
NDP	National Development Plan
NGOs	Non-Governmental Organisations
NPO	Non-Profit Organisation
NWULIB	North-West University Library
POPI	Protection of Personal Information
SADC	Southern African Development Community
SARS	South African Revenue Service
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
SSSF	Spaza Shop Support Fund
TEDB	Township Economic Development Bill
TREP	Township and Rural Entrepreneurship Programme

CHAPTER 1 NATURE AND SCOPE OF THE STUDY

1.1 Introduction

Township economies have emerged as vital contributors to South Africa's economic development, with spaza shops constituting a cornerstone of this sector (Scheba & Turok, 2020:77-79). Kagiso Township, situated in the West Rand region of Gauteng, exemplifies this phenomenon, hosting a multitude of spaza shops that serve as crucial providers of essential goods and services to the local community (Kgaphola *et al.*, 2019:16; Mapengu, 2023:1). Small businesses, particularly spaza shops, are an integral component of South Africa's township economy and broader economic landscape. These informal micro-enterprises provide essential goods and services to township communities while creating employment opportunities and fostering entrepreneurship (Kgaphola *et al.*, 2019:16-19; Aigbavboa, 2022:19).

Kagiso Township microenterprises, particularly home-based spaza shops, encountered numerous challenges that inhibited their growth and sustainability. Among numerous other challenges, spaza shops are throttled by financial constraints, partnerships with fellow spaza owners, competition from bigger retailers, and regulatory overheads, all compounded by poor business skills provisioned by the lack of guidance, which clash with digital enablement resources. These barriers are inhibitive to business growth, the township economy, and the broader South African context (Thantsha, 2020:81). Although they remain integral to township life, these micro-enterprises continue to face significant obstacles to growth and formalisation within the contemporary South African economic landscape (Matsietsi, 2022:62).

According to Thantsha (2020:81), who has investigated the economic impact of spaza shops and the challenges of informal businesses, there are still gaps in understanding how regulatory compliance, collaboration, financial inclusion, competition, lack of business skills and digital transformation interact to influence the expansion of spaza shops in townships such as Kagiso.

This study proposes to fill these gaps and explore the challenges faced by local spaza shop entrepreneurs, as well as the strategic interventions that could assist their growth. The evidence will contribute to debates on small business development in township economies and inclusive economic policies in South Africa, with possible implications for other developing contexts confronting similar challenges.

The researcher further elaborate on the study's background and clarify concepts and keywords. Additionally, the study's significance, research objectives, problem statement and scope is discussed. Furthermore, the research methodology and design explains the research paradigm and approach, methodological choices, research strategy, time horizon, study population and sampling, measurement instrument design, data collection, and statistical analysis covered in this study. Finally, the study's trustworthiness, reliability, limitations, timeline, and ethical considerations were examined.

1.2 Background of the Study

The township economy is a crucial component of South Africa's broader economic landscape, supporting local livelihoods and fostering entrepreneurship in historically marginalised communities. Small spaza shops, which are informal retail businesses operating primarily in residential areas, have long been a fundamental part of the Township economy (Kgaphola, Tawodzera & Tengeh, 2019:16). In Kagiso Township, located in the West Rand region of Gauteng, spaza shops play a significant role in the daily lives of residents, offering accessible and affordable products while contributing to local economic activity (Mapengu, 2023:1). Despite their importance, many locally owned spaza stores confront ongoing obstacles that limit their growth and long-term viability. Financial limits, regulatory compliance concerns, competition, limited adoption of digital transformation initiatives, and a lack of business skills and mentorship are all significant challenges (Thantsha, 2020:13).

Many spaza shop owners struggle to access formal financing due to the informal nature of their businesses, which limits their ability to secure credit or business loans needed for expansion (Loghdey, 2024:26).

Small businesses in South Africa continue to face significant compliance and regulatory issues. Many spaza shop entrepreneurs operate unofficially due to the difficulty of registration requirements, stringent tax regulations, and limited access to legal assistance (Willie, 2023:675). A lack of awareness about compliance regulations can lead to unintentional violations and fines. Competition has also intensified in recent years, particularly with the rise of immigrant-owned spaza shops that benefit from cooperative purchasing strategies, enabling them to offer lower prices (Willie, 2023:675).

Additionally, the increasing presence of large retail chains in township areas has further eroded the customer base of traditional spaza shops (Thantsha, 2020:13). Lack of formal training and guidance impacts the ability of spaza shop owners to navigate the complexities of running a successful business (Hare & Walwyn, 2019:2). Another critical factor affecting the growth of spaza shops is the slow adoption of digital transformation. As the global economy shifts towards digital transactions and e-commerce, businesses that fail to integrate technology into their operations risk being left behind (Deokaran, 2023:15). In many township enterprises, however, digital illiteracy, inadequate infrastructure, and financial constraints prevent entrepreneurs from implementing digital payment systems and online business models.

Many of these difficulties can be addressed through digital transformation, which enhances business productivity, facilitates greater market access, and streamlines operations. The Fourth Industrial Revolution (4IR) has provided digital payment systems, e-commerce platforms, and mobile banking solutions, which could benefit spaza business owners by lowering cash dependency, security threats, and increasing competitiveness (Matsietsi, 2022:1). The South African government has introduced initiatives such as the Township Economic Development Bill (TEDB) to facilitate the formalisation of township businesses. Yet, many entrepreneurs struggle to comply due to bureaucratic inefficiencies and financial constraints (Modiba & Mdluli, 2023:10). One crucial concern is the potential limitations of present government programs designed to help small and medium-sized companies.

South Africa has a long history of establishing Small and Medium Enterprise (SME) support programmes to promote entrepreneurship and economic development. These projects often provide aspiring entrepreneurs with access to capital, business skills training, and mentorship opportunities (Malgas, 2019:371). Although various studies by Hare & Walwyn (2019:3) have examined the challenges faced by township businesses, there is a limited body of research focusing specifically on the barriers to expansion encountered by spaza shop owners in Kagiso Township. Understanding these problems in their local context is critical for devising tailored actions that promote the growth and sustainability of these businesses. Addressing financial, compliance, and regulatory constraints, as well as competitive and technological restrictions, a lack of business skills and mentorship can boost the profitability of locally owned spaza shops while also benefiting the township economy.

1.3 Definitions

The following section provides definitions to clarify essential concepts used in this study.

- i. An Entrepreneur is an individual who creates a new business or businesses, taking on financial risks in the hope of generating a profit (Cippitani, 2019).
- ii. Spaza-shops are small convenience food stores that provide essential commodities frequently sought by the community in which they operate (van Eyk, Amoah & Yase, 2022).
- iii. Small and Medium enterprises are business entity that falls within a specific size criterion in terms of their turnover, number of employees, or assets (Stewart *et al.*, 2020).
- iv. An immigrant/foreigner is a person who comes to live permanently in a foreign country (Penninx, 2019).

- v. The informal economy is defined as workers and businesses that are unregistered and unincorporated, yet engage in economic activity (Khuong *et al.*, 2021).
- vi. Sustainability, according to Crane *et al.* (2021), is related to the pursuit of development that meets present human needs while not compromising the ability of future generations to meet their own needs.

1.4 Problem Statement

Small businesses are commonly seen as central generators of economic growth and employment, especially in developing nations, where informal operations account for a sizable portion of the economy (Charman, Petersen & Piper, 2012:48). In South Africa, township economies are critical to Local Economic Development (LED), with spaza stores serving as an essential part of this informal sector (Rogerson, 2019:253). These enterprises provide essential goods and services to township residents while also creating opportunities for self-employment and contributing to poverty alleviation. Despite their economic relevance, locally owned spaza shops face ongoing problems that impede their growth and long-term viability (Hare & Walwyn, 2019:2). Financial constraints, a lack of business skills, regulatory compliance issues, competition, and barriers to digital transformation all exacerbate these issues (Hare & Walwyn, 2019:3).

Many spaza shop owners struggle to access formal financing due to the informal nature of their businesses, which limits their ability to secure credit or business loans needed for expansion (Loghdey, 2024:13). Regulatory compliance remains a substantial hurdle, with many spaza shop owners dealing with the complexity of business registration, tax regulations, and local bylaws (Mukwarami, 2017:56). Furthermore, rivalry from major retail chains and foreign-owned spaza shops has increased competition, thereby diminishing the market share of local entrepreneurs (Mukwarami, 2017:56). Another critical factor affecting the growth of spaza shops is the slow adoption of digital transformation. As the global economy shifts toward digital transactions and e-commerce, businesses that fail to integrate technology into their operations risk being left behind (Deokaran, 2023:23).

While spaza shops serve as vital components of the township economy, their potential is often hindered by a lack of formal training and guidance, which impacts their ability to navigate the complexities of running a successful business (Hare & Walwyn, 2019:10). The inability of these businesses to expand not only affects individual entrepreneurs but also limits the overall economic potential of township communities, contributing to the broader issue of financial exclusion in South Africa (Matsietsi, 2022:13).

This study aims to close the gap by examining what the impediments are to setting up spaza shops in Kagiso Township and to explore sustainable solutions on how they can be addressed or mitigated. The findings will also contribute to the existing discourse on financial inclusion, digital transformation and informal business growth in township economies. They will also provide insightful information for local entrepreneurs, business development organisations, and politicians.

1.5 Objectives of the Study

1.5.1 Primary Objective

The primary objective of this study is to investigate the challenges faced by local spaza shop entrepreneurs in expanding their businesses in Kagiso Township, Gauteng.

1.5.2 Secondary Objectives

To achieve the primary objective, the following secondary objectives are set:

- i. To explore the specific financial constraints impacting the expansion of spaza shops in Kagiso Township, Gauteng.
- ii. To assess the role of regulatory compliance and its impact on the growth of spaza shops in Kagiso Township, Gauteng.
- iii. To determine the extent to which competition from larger retailers and foreign-owned businesses affects the sustainability and expansion of local spaza shops in Kagiso Township, Gauteng.

- iv. To investigate the barriers to digital transformation and technology adoption among spaza shop entrepreneurs in Kagiso Township, Gauteng.
- v. To evaluate the impact of a lack of business skills among spaza shop owners and explore opportunities for improvement.
- vi. To examine opportunities for collaboration and networking with other spaza shop owners, suppliers, or local organisations in Kagiso Township, Gauteng.
- vii. To formulate recommendations and propose strategies to mitigate the challenges and promote the expansion of local spaza shops in Kagiso Township, Gauteng.

1.6 Scope of the Study

1.6.1 Field of the Study

This study falls within the fields of development economics and entrepreneurship, specifically focusing on the development of micro and small enterprises (MSEs) within the informal economy.

1.6.2 The Sector that will be Assessed

The informal retail industry, in particular spaza shops, will be the focus of the study. These small, typically family-run businesses play a vital part in providing township residents with essential goods and services.

1.6.3 Geographical Demarcation

The geographical demarcation is explicitly limited to Kagiso Township in the West Rand region of Gauteng, ensuring a focused and contextually relevant analysis of the barriers to spaza shop expansion within this specific township economy.

1.7 Contribution of the Study

This research explores the various barriers that hinder local spaza shop entrepreneurs from developing in Kagiso Township. The findings have implications for individuals, organisations, the community and the industry. Through the identification of risks and barriers such as financial, regulatory, technology access, mentorship and collaboration, competition-related constraints, this study will make recommendations that are practical to enhance business growth and survival in the township economy.

1.7.1 Contribution to the Individual

Individual spaza shop owners will benefit most from the findings, as they will be better prepared to overcome common business challenges. Entrepreneurs will gain a deeper understanding of financial management, marketing strategies, and regulatory compliance. Furthermore, the research will emphasise the importance of adopting digital payment systems and cooperative purchasing strategies to stay competitive. Individual business owners who implement these strategies can enhance their profits, operational efficiency, and long-term sustainability.

1.7.2 Contribution to the Organisation

This study will provide essential data on the extent to which companies can expand into entities serving small businesses, including microfinance banks, business development agencies, and local governments. These results could help policymakers make better help programs that are based on what township business owners need. Nonprofits and cooperatives will also use the information to make specific training programs and mentorship programs to help spaza shop owners get better at running their businesses.

1.7.3 Contribution to the Community

The study will benefit the entire community by promoting economic growth and sustainability in Kagiso Township. Strengthening local spaza shops creates jobs and

reduces unemployment, thereby improving the financial well-being of neighbourhood residents. Furthermore, successful businesses foster social cohesion by increasing the availability of goods and services, encouraging local entrepreneurship, and promoting economic self-reliance. The study will contribute to the long-term development and resilience of the local economy by addressing the challenges faced by spaza shop owners.

1.7.4 Contribution to the Industry

At the industrial level, the study will contribute to the broader issue of township economies and informal trade. It provides empirical data on how financial constraints, regulatory requirements, and competitive challenges affect small businesses. The study's findings will inform the development of legislative measures designed to facilitate the operation of small retailers. Industry participants, including wholesalers and suppliers, could use the study's findings to develop more inclusive supply chain models that involve local spaza shop owners, thereby fostering long-term economic development.

This study will make significant contributions at the individual, organisational, community, and industry levels by identifying and assessing the challenges faced by spaza shop owners in Kagiso Township. It offers practical solutions to empower small business owners, support organisations, strengthen community economic resilience, and influence government policies to foster a more resilient and inclusive township economy.

1.8 Limitations of the Study

All research studies inevitably have limitations that may influence the scope, generalisability, and interpretation of the results. The same applies to this study on the barriers to growth faced by small spaza shop owners in Kagiso Township. Recognising these limitations helps to define the boundaries of the research and provides guidance for future studies. Understanding the limitations of each research project is essential for accurately interpreting results and informing future scholarly work.

Although this study offers valuable insights into the challenges faced by spaza shop entrepreneurs in Kagiso, it also has its limitations. The following sections highlight the key limitations that should be considered when interpreting the findings and their implications. There are notable restrictions in this analysis of the challenges encountered by spaza shop owners within Kagiso Township. Firstly, variations in socioeconomic, regulatory, and competitive conditions are likely to limit how applicable the findings are to other townships and localities. Secondly, while the sample is representative, it is not sufficiently diverse to reflect the full heterogeneity of spaza shop owners in the region. Thirdly, data collection relied on self-reported information, which may introduce response bias. Fourthly, the study focused on specific traits and did not account for other demographic factors that could influence business growth. Lastly, the evolving regulatory and economic environments might influence the long-term relevance of the findings.

1.8.1 Limited Generalisability

The study's results have limited generalisability. The research focused on spaza shop entrepreneurs in Kagiso Township, Gauteng; therefore, the results may not apply to similar businesses in other towns or localities. The variability of socioeconomic, regulatory, and competitive factors limits the generalisability of these findings.

1.8.2 Sample Size and Representation

The study employed a predetermined sample size, which, while indicative of the target population, may not fully represent the diversity of all spaza shop owners in Kagiso Township. Entrepreneurs' business concepts, financial structures, and operational challenges may differ, and this study did not fully account for these.

1.8.3 Data Collection Constraints

Data gathering faced several challenges, including participants' availability and willingness to share detailed company information. Some respondents may have offered socially acceptable comments rather than genuinely honest opinions due to concerns about anonymity and potential competitive disadvantages.

Additionally, limited time and budget constraints restricted the ability to carry out more in-depth longitudinal research that could track changing business issues over time.

1.8.4 Focus on the Selected Variables

Although this study focused on the main elements influencing business expansion, it did not explore all potential variables that could affect entrepreneurial success. For instance, psychological resilience, informal support networks, and broader economic policies were not thoroughly examined, despite their possible significant influence on business growth potential.

1.8.5 Regulatory and Economic Changes

The regulatory and economic landscape is constantly changing, and developments occurring after the study's completion could influence its conclusions. Policies affecting small business growth, financial support systems, and macroeconomic shifts may modify the challenges and opportunities faced by spaza shop owners, requiring ongoing assessment and adaptation of the research results.

1.8.6 Infrastructure and Technological Limitations

Another limitation of this research is the impact of infrastructural difficulties, such as unpredictable electricity supply, limited digital access, and inadequate transport networks, which will not be thoroughly examined. These factors will significantly influence business expansion; however, further research may be required to fully understand their long-term effects. Despite these constraints, the study will offer valuable insights into the challenges faced by spaza shop owners in Kagiso Township. Recognising these limitations allows for a more nuanced interpretation of the data and highlights areas for future research. Broadening the scope of the study, increasing the sample size, and adopting longitudinal methods can help to address these limitations and deepen the understanding of entrepreneurial challenges within township economies.

1.9 Layout of the Study

This study adheres to a structured five-chapter framework.

Chapter 1 serves as the introduction, elucidating the study's topic, problem statement, research objectives, and methodology, and delineating its limitations.

Chapter 2 is dedicated to an exhaustive literature and theoretical review, focusing on evaluating the existing body of literature regarding the influence of entrepreneurial stewardship on value creation within institutions operating in the social sector.

Chapter 3 provides an intricate insight into the research's methodological underpinnings. It provides a review of various research methods, offering readers a compelling rationale for selecting the methodology used.

Chapter 4 is instrumental in presenting and dissecting the outcomes derived from the study. Herein, the researcher meticulously analyses the data and delves into the findings procured during the research.

Chapter 5 encapsulates the study's outcome. This final chapter briefly summarises the research findings, extrapolates conclusions pertinent to the research problem, and proffers recommendations grounded in empirical research and the reviewed literature. Furthermore, this chapter assesses the study's objectives and provides directions for future research.

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

In the initial phase of this study, a literature review was conducted to present relevant secondary research about the challenges and opportunities surrounding spaza shop expansion, particularly within the South African township economy. Manu and Akotia (2021) define secondary research as information collected and stored by others, emphasising its role in providing efficient and cost-effective solutions to research questions and serving as a foundation for primary research.

The main concepts discussed in this study include, but are not limited to, the key factors affecting the growth and sustainability of spaza shops in South Africa, with a particular focus on Kagiso Township. These factors include financial constraints, regulatory compliance burdens, competition, digital transformation, technology adoption, and collaborative opportunities. Understanding these factors is of great managerial importance, as spaza shops significantly contribute to the South African economy and are vital to township livelihoods.

The researcher obtained the information mentioned above by using reputable academic sources, such as Google Scholar, and conducting standard Google searches and searches through the NWULIB (North-West University Library) database. The literature included, but was not limited to, the following types of sources: books, academic journals, electronic newsletters, publications, dissertations and theses, internet articles and sources, conference papers, and scientific articles.

2.2 Financial Constraints

Spaza shops play a crucial role in the informal economy of South African townships, providing essential goods and services to local populations and sustaining livelihoods. Nonetheless, these enterprises have significant financial limitations that hinder their expansion and sustainability (Mukwarami, 2017:29).

This literature review examined the financial challenges encountered by spaza shop owners in Kagiso Township, utilising contemporary research and theoretical frameworks. Entrepreneurs operating in township economies often encounter systemic barriers that limit their ability to secure funding and expand their businesses. According to Kubone (2019), these challenges include limited access to formal financial institutions, high rejection rates for loan applications, and inadequate financial literacy among business owners. Many spaza shop owners operate from rented spaces or informal structures, which cannot be used as security for loans. The informal nature of many spaza shops exacerbates these issues, as they often lack the documentation required by banks. This issue is compounded by the high cost of credit in South Africa, which discourages borrowing even when loans are available (Kubone, 2019:20).

According to Buthelezi (2023), a multitude of entrepreneurs encounter challenges in securing finance and managing cash flow efficiently. The deficiency of financial resources constrains their ability to invest in infrastructure, inventory, and other critical business enhancements. Without sufficient capital, these businesses struggle to compete with larger retailers and foreign-owned shops, which often have better access to funding and supply chains (Kubone, 2019:20). Furthermore, constrained financial resources impede entrepreneurs' ability to recruit additional personnel or expand their activities. This not only hinders corporate expansion but also limits job creation within the community. Kubone (2019:20) asserts that township economies require targeted interventions to foster a conducive environment for the prosperity of small enterprises.

Diverse measures have been implemented to mitigate financial limitations in township economies. The Gauteng Provincial Government's Township Economic Revitalisation Strategy seeks to furnish financial assistance and training to small enterprises (Kubone, 2019:20). However, the effectiveness of these programs has been questioned due to bureaucratic inefficiencies and a lack of awareness among entrepreneurs about available resources (Kubone, 2019:23). The involvement of the business sector has been limited. While some microfinance institutions assist township entrepreneurs, their high interest rates sometimes negate the benefits of these loans. There is a demand for more innovative financial solutions tailored to the specific needs of spaza shop owners (Kubone, 2019:92).

In recognition of the ongoing financial exclusion faced by informal township companies, particularly spaza shop owners, the South African government has implemented targeted funding initiatives to enhance financial access and formalisation. An exemplary instance is the Spaza Shop Support Fund (SSSF), established by the Department of Trade, Industry and Competition (DTIC) in collaboration with Small Enterprise Finance Agency (SEFA) and the Department of Small Business Development (DSBD) (DTIC, 2023). This initiative provides working capital, access to bulk purchasing discounts, and business development assistance to eligible spaza shop proprietors, particularly those willing to register legally and comply with fundamental regulatory requirements.

The SSSF aims to integrate township-based shops into extensive supply chains by facilitating the procurement of items from authorised wholesalers and participating in legitimate economic systems (DTIC, 2023). This fund directly addresses significant financial and structural obstacles by connecting access to capital with institutional development and regulatory compliance. Furthermore, the SSSF signals a transition towards inclusive financial frameworks that acknowledge the contextual constraints faced by informal spaza shops. The fund aims to improve the financial literacy, digital skills, and supply chain involvement of micro-enterprises in township environments by providing financial assistance alongside business training and mentorship (DTIC, 2023).

Nevertheless, despite the impressive design of these initiatives, access remains unequal due to barriers like limited knowledge among entrepreneurs, documentation challenges, and delays in grant disbursement. The SSSF indicates progress in financial inclusion; however, its effectiveness relies on improved outreach strategies, simplified application procedures, and flexible governance aligned with the informal sector's dynamics. To overcome these shortcomings, targeted financial education and capacity-building activities are necessary. Training in basic bookkeeping, cash flow forecasting, and mobile financial applications has positively influenced the performance of informal enterprises (Mapengu, 2023:7)

Cooperative initiatives involving local governments, development financing entities, and non-governmental organisations are essential for providing these programs in accessible formats and vernaculars (Mapengu, 2023:7). Fortifying internal financial controls stabilises operations and bolsters the long-term sustainability of township-based firms, such as spaza stores.

2.2.1 Limited Access to Formal Financing

Limited access to traditional financial institutions is a significant barrier for spaza shop proprietors in the township economies of South Africa. Many spaza shops often lack the requisite legal registration, collateral, and audited financial statements required by banks and other lending institutions (Mukwarami, 2017:39). Consequently, they are generally marginalised from institutional credit markets and depend on personal savings, informal lending networks, and community-oriented financial systems such as stokvels (Mukwarami, 2017:4). Although these informal options provide temporary financial relief, they are inadequate for ensuring long-term sustainability or financing capital-intensive investments in inventory, infrastructure, or expansion. This exclusion perpetuates financial marginalisation and operational stagnation in the informal sector.

The structural divergence between the demands of informal enterprises and the standards established by conventional financial institutions considerably limits the scalability of spaza shops. Traditional banking systems are designed to serve formal, asset-backed corporations and sometimes enforce stringent lending requirements that informal businesses cannot meet (Matsietsi, 2022:32). Despite demonstrating operational resilience and providing community value, spaza shop owners sometimes encounter loan rejections due to inadequate formal documentation and unconfirmed cash flow figures. This situation forces many individuals to operate at subsistence levels or to engage with predatory informal lenders that charge exorbitant interest rates (Matsietsi, 2022:32). The lack of inclusive financing instruments restricts the development of these enterprises and diminishes their potential impact on local economic growth.

The financial ecosystem in South Africa is inadequately organised to meet the specific needs of informal enterprises, such as spaza shops. Government initiatives designed to promote inclusive growth, such as SEFA and the Township and Rural Entrepreneurship Programme (TREP), have not effectively reached numerous informal business owners, who frequently lack awareness of these funding opportunities or the requisite procedural knowledge to access them (Matsietsi, 2022:2). Xaba (2020) research indicates that the complex rules for applying for funds and the lengthy wait times for receiving them deter people from applying and increase their likelihood of relying on informal means to obtain money, such as stokvels and family loans.

Recent studies reveal that these programs often overlook the constrained administrative capabilities of township businesses, which are usually unregistered and lack tax compliance, two criteria for funding eligibility (Mogale, 2024:4). The structural gap between program design and the realities of informal company operations underscores a continual divergence between policy intent and practical implementation. Consequently, numerous spaza store owners consistently encounter financial marginalisation, sustaining cycles of underinvestment and restricted scalability. Scholars advocate for government funding schemes to implement a context-sensitive approach to improve accessibility and impact (Mogale, 2024:4).

This includes the adoption of simplified eligibility criteria, mobile-friendly application systems, and community-level outreach programs (Buteau, 2021:237). The integration of financial education with loan provision may enable informal entrepreneurs to evolve into more structured, growth-oriented enterprises. A significant obstacle to formal financial access for spaza shop operators is the risk perception held by banks. Informal businesses are often perceived as unstable and high-risk borrowers due to their unpredictable revenue streams, lack of formal registration, and absence of confirmed credit histories (Mapengu, 2023:17). As a result, even when small enterprises demonstrate growth potential or want to formalise their operations, they frequently face loan rejection due to stringent institutional lending criteria that prioritise formality and asset-backed collateral.

The persistent exclusion establishes a self-reinforcing cycle in which limited access to finance inhibits growth, while stagnation further solidifies informality (Buteau, 2021:236). There is an urgent need for adaptive financing methods tailored to the operating peculiarities of the informal economy. Alternative credit assessment mechanisms, such as transaction-based scoring, peer lending validations, and inventory-based collateral, have been recognised as viable alternatives to reduce entry barriers (Matsietsi, 2022:30).

These strategies, combined with financial literacy programmes integrated into community frameworks, may help informal entrepreneurs make better-informed financial decisions and interact more effectively with financial institutions. Additionally, township enterprises are mainly excluded from South Africa's digital banking system. Financial technology (fintech) has the potential to connect the formal and informal sectors; however, its adoption by spaza shop operators is limited by a lack of digital skills, trust issues, and poor infrastructure (Matsietsi, 2022:24).

Mobile credit platforms, digital wallets, and application-based accounting tools sometimes exhibit inaccessibility or inadequate adaptability for township environments (Ebrahim & van den Berg, 2024:1). technological gap further prevents informal businesses from accessing customised financial services and from engaging with the wider formal sector. Access to formal funding remains a significant barrier for spaza shop owners in South Africa's township economy. A multitude of these micro-enterprises operate outside the formal financial system due to insufficient credit history, collateral, or business registration, which are typical requirements for obtaining loans from conventional banks. The DTIC established the SSSF to provide targeted financial assistance to eligible entrepreneurs in the informal sector (DTIC, 2023).

The fund seeks to mitigate financial exclusion by providing operating finance assistance and facilitating access to pre-approved wholesalers under stipulated conditions. Nonetheless, although the project signifies an advancement in financial inclusion, adoption is frequently hindered by procedural complexities and knowledge gaps. This underscores the necessity for streamlined funding arrangements that align with the operating realities of informal enterprises, complemented by continuous financial education to enhance loan preparedness and responsible credit utilisation.

2.2.2 Cash Flow and Working Capital Management

Limited access to external financing, coupled with insufficient internal financial management, constitutes a significant barrier to the sustainability of spaza businesses in South African townships. Effective cash flow management is crucial for daily operations; nevertheless, several companies lack the necessary tools, training, and processes to monitor income and expenses accurately (Gray, 2025:4). Revenues are occasionally utilised immediately to satisfy both company and personal needs, with no formal distinction between the two, which compromises the ability to evaluate profitability or reinvest excess resources. This informal approach to financial decision-making leaves small enterprises poorly prepared to manage unexpected economic disruptions or to capitalise on new opportunities (Brijlal *et al.*, 2014:342).

Challenges related to working capital are common, intensified by behaviours such as providing informal credit to clients and upholding inconsistent payment terms with suppliers. While extending credit is perceived as a method to bolster client loyalty, it frequently results in liquidity constraints and disrupts the cash conversion cycle (Gray, 2025:4). Delays in inventory replenishment resulted in unrecovered fixed costs and adversely affected operations. Inflationary pressures and supply chain instability exacerbate the strain, hindering entrepreneurs' ability to meet market demand or plan for future growth (Matsietsi, 2022:23).

The primary issues stem from pervasive financial literacy deficiencies and inadequate record-keeping practices. Numerous spaza shop owners operate without budgets, ledgers, or digital tools, relying instead on mental calculations or informal inventory management methods (Matsietsi, 2022:23). This leads to resource misallocation, pricing inconsistencies, and insufficient understanding of which products yield the highest returns.

Owing to the absence of robust financial documentation, these entrepreneurs are excluded from conventional loan markets and are unable to present a credible business case to investors or supporting initiatives (Anthony, 2023:18). Efficient cash flow and working capital management are crucial for the sustainability of spaza shops, particularly given their reliance on daily transactions and limited access to credit

facilities. Numerous township-based shops operate with minimal profit margins, which complicates their ability to sustain sufficient inventory levels, remunerate suppliers promptly, or withstand fluctuations in demand. This often results in inventory shortages, lost sales opportunities, and strained supplier relationships.

The SSSF, initiated by the DTIC, aims to mitigate these challenges by offering working capital assistance designed to stabilise daily business operations. The fund enhances liquidity and alleviates cost pressures for informal retailers by facilitating bulk purchases from authorised suppliers and offering superior pricing models. The efficacy of these financial interventions depends on the recipients' ability to strategically manage cash flow, highlighting the need for fundamental financial training and tools to track revenue, expenses, and reinvestment practices in the informal retail sector.

2.3 Regulatory Compliance

Spaza shops are crucial to the informal economy of South African townships, offering essential goods and services while promoting entrepreneurial initiatives. However, regulatory compliance presents significant challenges to their expansion. This literature review examines the regulatory challenges faced by spaza shop entrepreneurs in Kagiso Township, focusing on company registration, taxation, and adherence to municipal regulations.

Regulatory compliance poses a significant problem for local spaza shop proprietors. Research reveals that the official processes for formalising a business can be lengthy and expensive, deterring numerous entrepreneurs from registering their firms. Furthermore, government aid programs for small businesses often do not benefit informal entrepreneurs due to stringent eligibility requirements and inefficient execution strategies (Ebrahim & van den Berg, 2024:2-3). The absence of regulatory compliance exacerbates the difficulties faced by spaza shop owners. A multitude of enterprises function informally, so restricting their access to governmental assistance and resources (DTIC). Recent initiatives, such as the DTIC fund, aim to address these challenges by providing regulatory compliance support and capacity-building programs (Matsietsi, 2022:28).

Municipal policies regarding township economies often fail to align with the challenges faced by spaza business proprietors. Zoning regulations and trade restrictions can constrain the locations and operational methods of these enterprises. The deteriorating infrastructure in townships exacerbates these difficulties by hindering entrepreneurs' ability to comply with health and safety regulations (Kubone, 2019:23). Furthermore, enforcement of these regulations is erratic, creating ambiguity for business owners. Certain entrepreneurs incur fines for non-compliance, while others operate without hindrance, resulting in an inequitable competitive landscape (Kubone, 2019:91).

Addressing these disparities requires a more inclusive approach to policymaking that considers the unique needs of township economies. Failure to meet regulatory criteria directly affects the growth potential of spaza shops. Non-compliance restricts access to formal financial institutions and government assistance programs, which are crucial for operational expansion (Kubone, 2019:60). Furthermore, businesses that do not comply with regulatory norms are frequently omitted from supply chains associated with larger retailers or wholesalers (Kubone, 2019:61). This exclusion hinders business growth. It inhibits attempts to integrate township economies into larger economic systems.

Kubone (2019:61) posits that fostering a conducive environment for small enterprises requires specific measures to reduce regulatory obstacles and encourage formalisation. Compliance with local bylaws and regulations poses a substantial hurdle for spaza shop owners (Moyo, 2022:485). The costs associated with compliance, including registration fees and potential fines, can be prohibitive for micro-enterprises with limited financial resources (Thantsha, 2020:9). One of the main challenges is the complexity and cost of business registration. Entrepreneurs often lack the necessary knowledge and resources to navigate bureaucratic processes. Additionally, municipal regulations governing zoning and trading permits can be restrictive, particularly for businesses operating in residential areas (Kubone, 2019:91). The SSSF emphasises regulatory compliance as a condition for obtaining financial and business development assistance, therefore promoting the formalisation of informal township businesses.

Applicants must either be formally registered or demonstrate intent to register with the Companies and Intellectual Property Commission (CIPC), acquire a municipal trading permit, and comply with the regulations of the South African Revenue Service (SARS). This legal framework aims to integrate spaza shop proprietors into the formal economy, thereby enhancing their eligibility for government assistance and participation in larger market systems. Although these regulations aim to establish a more accountable and organised informal sector, they also present a hurdle for several entrepreneurs who lack the digital competencies, legal knowledge, or resources to navigate bureaucratic processes. Consequently, while the SSSF advocates for compliance as a means to sustainability, its efficacy depends on the presence of complementary support mechanisms, including company registration help, streamlined compliance procedures, and localised communication programs (DTIC, 2023).

Although regulation aims to protect consumers, foster fair competition, and improve tax revenue, overly complex and costly compliance requirements can dissuade informal businesses from transitioning to the formal sector. This section analyses two essential facets of these challenges: the intricacy of business registration processes and local government regulations and ordinances (DTIC, 2023). The SSSF represents significant progress in equitable economic development; yet the requirement for formal business registration continues to pose a substantial challenge for many businesses in townships. Applicants are required to register with the CIPC and possess a valid municipal trading permit to meet the qualifying conditions (DTIC, 2023). This process, however, remains complex and often inaccessible for informal vendors who may lack internet connectivity, digital literacy, or a thorough understanding of regulatory procedures.

Moreover, obtaining the necessary documentation, such as proof of residence, tax compliance certification, and certified identification, can be difficult for those operating from informal sites. Bureaucratic impediments hinder participation and perpetuate informality, particularly in low-income areas where governmental support systems are inadequate.

Consequently, without additional support mechanisms such as mobile registration units, walk-in advisory centres, or digital literacy initiatives, the company registration procedure undermines the participation of the targeted beneficiaries that the fund seeks to empower.

2.3.1 Complexity of Business Registration Processes

The bureaucratic barriers associated with registering and formalising a business in South Africa remain a significant deterrent for many township enterprises. Spaza store owners often cite burdensome documentation, inadequate digital skills, high registration costs, and lengthy processing times as obstacles to formalisation (Moyo, 2022:486). Despite the digitisation of specific processes by the CIPC, numerous informal traders remain oblivious to these platforms or lack the necessary resources and expertise to utilise them (Ebrahim & van den Berg, 2024:3). Furthermore, many township enterprises operate from home premises or informal structures, complicating compliance with zoning and licensing rules under existing national and municipal frameworks.

The outcome is a dual economy in which informal businesses function outside the legal system, restricting their access to institutional funding, government contracts, and assistance programs. The proposal to streamline the registration process, deploy mobile registration units in township regions, and include business education within the registration framework could markedly enhance compliance and facilitate gradual formalisation. The complexity of business registration procedures is a considerable obstacle to the formalisation of spaza stores in township economies. Numerous informal traders lack the administrative capacity, digital access, and procedural understanding needed to navigate the bureaucratic processes required to register with the CIPC or obtain a municipal trading permit. The SSSF, established by the DTIC, highlights these issues by requiring formal registration as a prerequisite for obtaining financial and operational assistance (DTIC, 2023).

The effort aims to include informal companies in the formal economy; however, the prerequisites frequently disqualify those who are digitally illiterate or lack essential documentation, such as proof of address, tax registration, or certified identification. Thus, the formalisation process, while designed to foster growth and regulatory adherence, may unintentionally sustain exclusion unless it is supplemented by targeted help, streamlined procedures, and community-oriented support services to alleviate registration challenges.

2.3.2 Local Government Enforcement and Bylaws

Local government regulations, especially concerning zoning, health and safety standards, and prohibitions on informal trading, add a layer of regulatory complexity for spaza businesses. The irregular enforcement of legislation and inadequate engagement with local businesses have led to strained relations between municipalities and the informal sector (Mapengu, 2023:8). Certain communities adopt a facilitative approach, whilst others impose penalties, seize assets, or cease activities for non-compliance, often lacking adequate support systems or previous notifications. These enforcement methods not only jeopardise livelihoods but also foster animosity between informal entrepreneurs and regulatory authorities.

Dlamini (2022) asserts that compliance frameworks typified by punitive measures, rather than developmental initiatives, tend to discourage interaction and perpetuate informality. Promoting cooperative governance, where local authorities partner with informal trader organisations and provide compliance support, may cultivate trust and improve adherence to municipal norms. Tailored measures, such as bylaw education seminars and subsidised compliance kits, may enhance participation in regulatory frameworks while preserving productivity in the informal sector (Mapengu, 2023:7). Local government enforcement and municipal rules are crucial for controlling spaza shop operations, though they often pose administrative and operational obstacles for informal traders. Numerous spaza shop owners operate without the requisite trading permissions due to ambiguity in local bylaws or the erratic enforcement of restrictions across various towns.

The SSSF, administered by the DTIC, requires traders to obtain municipal consent and comply with local governance structures to be eligible for assistance (DTIC, 2023). Inconsistent enforcement procedures and insufficient institutional support from local authorities often lead to misunderstandings, mistrust, and non-compliance among spaza store proprietors. Moreover, spatial planning limits, zoning requirements, and health and safety standards are often incongruent with the actualities of township operations, rendering compliance both onerous and expensive. To improve formalisation and foster equitable development, local governments must implement more transparent, supportive, and culturally appropriate enforcement tactics that address the specific characteristics of informal township economies.

2.4 Competition Dynamics

The competitive landscape in the spaza store sector has seen substantial evolution throughout time. Spaza stores originated as informal enterprises to cater to township residents during apartheid, a period when black entrepreneurs were barred from formal economic involvement (Charman *et al.*, 2012:48). The historical marginalisation of black entrepreneurs from formal business possibilities continues to influence current competitive dynamics, as numerous local spaza shop proprietors find it challenging to compete against better-resourced competitors (Tengeh & Mukwarami, 2017:43). Local spaza businesses initially prospered due to the scarcity of choices for township inhabitants; however, the deregulation of South Africa's economy following apartheid provided new competition (Nkwana & Roberson, 2025:3).

Owners of local spaza shops in Kagiso Township are facing increasing competition from foreign-owned spaza shops and large retail chains. Phalatsi and Chipunza (2019) assert that foreign entrepreneurs, especially from the Somali and Ethiopian communities, have developed successful business models that utilise bulk purchasing, prolonged operation hours, and exceptional customer service to secure a competitive edge.

Large retailers expanding into township economies pose a challenge to small spaza shops by providing lower prices and a greater product assortment (Nkwana & Roberson, 2025:2). This competitive climate limits the ability of locally owned spaza enterprises to expand their market share and operations. Local spaza shop owners compete not only with bigger shops and foreign-owned enterprises, but also among themselves. The elevated concentration of spaza shops in Kagiso Township leads to market saturation, resulting in diminished profit margins for individual enterprises (Charman *et al.*, 2012:58). Entrepreneurs often engage in price wars to attract customers, which undermines the financial sustainability of their operations (Nkwana & Roberson, 2025:2). Furthermore, many local spaza shops lack differentiation in their product offerings or services, making it difficult for them to establish a competitive edge within their immediate market (Mukwarami, 2017:56).

Consumer choices significantly influence competition among spaza establishments. Residents of the township are increasingly emphasising price, convenience, and product diversity in their shopping decisions (Charman *et al.*, 2012:65). Large stores and foreign-owned spaza shops frequently synchronise their operations with these tastes more efficiently than local enterprises. Foreign-owned establishments are recognised for offering a variety of products at reduced pricing in comparison to locally held enterprises (Kgaphola *et al.*, 2019:26). This change in consumer behaviour intensifies the difficulties encountered by local spaza shop proprietors in Kagiso Township. The competitive dynamics of Kagiso Township's informal retail sector are intricate and varied. Historical disparities, competition from large stores, and foreign-owned enterprises collectively impede the expansion and sustainability of local spaza shops.

Resolving these concerns requires focused initiatives that foster equitable competition while enabling local entrepreneurs through skill enhancement and increased access to resources (Kgaphola *et al.*, 2019:26). The competitive landscape for spaza shop owners in township economies has intensified due to concurrent challenges from foreign-owned micro-retailers and the growing dominance of large formal retail chains. The DTIC recognises this challenge by creating the SSSF as a strategic measure to improve the competitiveness of locally owned spaza shops (DTIC, 2023).

The SSSF seeks to equalise opportunities for local traders, who often operate in isolation with reduced bargaining power, by providing access to bulk purchasing networks, preferred supplier agreements, and formalised business contacts. These strategies aim to mitigate the operational advantages held by competitors with greater resources, such as lower input costs, extended operating hours, and a diverse product assortment. Ensuring competitiveness among local spaza shops requires not only financial support but also coordinated efforts to establish cooperative business models, improve supplier connections, and foster innovation in township retail environments (DTIC, 2023).

2.4.1 Competition from Large Retail Chains

The expansion of large retail chains in township economies has significantly altered the competitive landscape for spaza shop owners. Retail brands such as Shoprite, Pick n Pay, and Boxer have systematically expanded their operations into areas like Kagiso Township, offering a diverse product range, competitive pricing, loyalty programs, and consistent stock availability. These corporations leverage economies of scale and sophisticated supply chain management systems to provide products at prices that informal sellers cannot match (Thantsha, 2020:22). Their strong capital base, established brand recognition, and significant marketing investments make them formidable competitors in retail sectors previously dominated by informal microenterprises. The market share of local spaza shops is declining as consumers are more drawn to the affordability, convenience, and reliability offered by large retail enterprises (Charman, Petersen & Piper, 2012:59).

The projected expansion of formal retail outlets into township areas has generated asymmetrical competition, thereby placing local spaza shops at a structural disadvantage. These major retail chains achieve success not only through competitive pricing but also by cultivating consumer confidence through consistent branding, return policies, loyalty programs, and well-structured customer service models, attributes that are generally lacking in irregular spaza shops. Infrastructural developments in townships sometimes prioritise legitimate retail outlets, such as mini-malls and branded retail plazas, thereby marginalising informal merchants who lack the financial means and legal legitimacy to secure similar places (Thantsha, 2020:87).

The prominence and accessibility once granted to spaza shops are gradually decreasing, resulting in a reduction of spontaneous foot traffic and daily revenue. This increased competition creates structural constraints on locally owned spaza shops, particularly those lacking financial resources, formal training, and negotiating leverage within supply chains. Unlike large retailers, township entrepreneurs often operate in constrained environments characterised by limited profit margins, unpredictable demand, and insufficient storage capacity. Their inability to compete on pricing or selection impedes client retention and revenue growth. The rise of retail giants undermines community loyalty, forcing many spaza shops to rely solely on geographic proximity to sustain client flow. This transformation signifies a continual threat to the sustainability of informal shops unless targeted interventions, such as supplier partnerships or cooperative structures, are implemented to level the competitive landscape (Mukwarami, 2017:116).

Large retail chains can benefit from structural advantages, such as municipal support, access to infrastructure, and streamlined regulatory compliance. This logistical and institutional support enables them to withstand better shocks, such as inflation, supply chain disruptions, or policy changes, qualities that local spaza shops cannot replicate due to their limited scale and informal structure (Kgaphola *et al.*, 2019:18). In the absence of strategic actions to support informal firms, such as zoning protection, supplier cooperatives, or public-private partnerships, township economies may become increasingly dominated by formal entities, thereby undercutting indigenous micro-enterprises and community entrepreneurship (Mukwarami, 2017:118).

The competition posed by huge retail chains significantly jeopardises the viability and sustainability of spaza shops inside township communities. Supermarkets and formal retailers leverage economies of scale, sophisticated logistics, and centralised procurement systems, enabling them to offer lower prices, a wider array of products, and more reliable service than their informal rivals. These advantages diminish the client base of local spaza shops, especially in regions where formal retail establishments have infiltrated township marketplaces. The DTIC, through the SSSF, acknowledges this structural disparity and aims to enhance the competitiveness of local merchants by providing access to bulk purchasing, connecting shop owners with approved suppliers, and promoting cooperative models (DTIC, 2023).

However, without significant measures to address pricing and operational inequities, spaza shops would continue to face systemic disadvantages in the market. Improving the competitiveness of township merchants necessitates both financial assistance and strategic policy measures to restrict retail growth and promote equitable competition within local economies.

2.4.2 Foreign-owned Spaza Shops and Local Rivalry

Foreign-owned spaza shops, particularly those operated by Somali and Ethiopian immigrants, have emerged as significant competitors in township markets, enhancing operational efficiency and driving pricing competition. These entrepreneurs generally employ collaborative strategies, such as bulk purchasing cooperatives and community lending initiatives, to minimise administrative expenses and optimise economies of scale (Kgaphola *et al.*, 2019:24). Their business practices often include extended operating hours, diverse inventory options, consumer credit, and improved stock management, all of which help foster greater client loyalty. Consequently, foreign-owned spaza stores are regarded as more professional and attuned to market demands, allowing them to surpass local competitors in gaining and retaining customers (Fatoki, 2016:103).

This dynamic has created socio-economic tensions among township communities, particularly as local entrepreneurs express concerns about market saturation and perceived inequitable competition. Numerous local spaza shop proprietors function as sole proprietors, lacking access to the collaborative structures that advantage their overseas counterparts. The concentration of spaza shops in confined geographic areas leads to excessive rivalry, price undercutting, and reduced profitability across the sector. The lack of synchronised business plans across local companies intensifies this difficulty, impeding their capacity to develop or compete successfully (Kgaphola *et al.*, 2019:21).

This context underscores the need for targeted policy and community-oriented interventions to support local spaza entrepreneurs in enhancing their business competencies and fostering cooperative networks. Foreign-owned spaza shops sometimes employ coordinated, collaborative tactics in township trade.

Their establishment of collaborative supply chains, internal lending networks, and specialised familial labour frameworks affords them operating efficiency and scalability that surpasses that of most local companies (Kgaphola *et al.*, 2019:24). Many businesses pursue horizontal expansion into neighbouring areas, enabling dominance not only through pricing strategies but also via geographic control and market saturation (Fatoki, 2016:102).

The resilience of foreign-owned spaza stores is enhanced by access to informal import channels and transnational finance networks, which lower input costs and expand stock diversity (Kgaphola *et al.*, 2019:24). These advantages are enhanced by significant reinvestment and efficient workforce strategies. Addressing these competitive gaps requires more than restrictive laws; it necessitates empowering local entrepreneurs through collective bargaining mechanisms, business education, and supplier cooperatives (Fatoki, 2016:103). Governmental and community activities should prioritise supporting local spaza shop owners to succeed in a diverse and inclusive township economy, rather than promoting enmity.

The increasing prevalence of foreign-owned spaza shops has heightened local competition and created substantial structural difficulties for entrepreneurs in South African townships. Foreign-owned enterprises, frequently characterised by robust internal networks, resource pooling, and disciplined operational frameworks, are seen as superior to locally owned spaza shops in terms of pricing, stock availability, and extended trading hours. This competitive advantage has led to the marginalisation of local merchants, many of whom lack the financial resources, economies of scale, and managerial capabilities to compete effectively.

The DTIC, through the SSSF, aims to address this disparity by enhancing the competitiveness of South African-owned spaza shops and promoting formalisation, cooperative purchasing, and supply chain integration (DTIC, 2023). Without more intentional policy interventions to limit market entry and ensure fair competition, foreign-owned retailers may continue to destabilise local township economies and exacerbate conflicts within communities. An equitable strategy that fosters both inclusivity and competitiveness is crucial for sustainable local economic growth.

2.5 Digital Transformation Dynamics

The sluggish adoption of technology by local spaza shop proprietors presents an additional obstacle to business expansion in the era of internet commerce. Digital payment systems, e-commerce platforms, and mobile banking services can enhance corporate productivity and expand market reach (Matsietsi, 2022:4). However, many local businesses are unable to incorporate technology into their operations due to a lack of digital literacy. According to Mukwarami (2017), increased digital use can enhance competitiveness and generate new growth opportunities for township enterprises.

The adoption of digital technologies remains low among spaza shop entrepreneurs, limiting their ability to compete effectively (Ncube & Matlala, 2023:123). Factors such as limited access to affordable technology, lack of digital literacy, and inadequate infrastructure hinder the digital transformation of these businesses (Ncube & Matlala, 2023:123). The initial step in digital transformation is for spaza business owners to recognise and understand the available digital technologies. Numerous spaza shop proprietors possess a limited understanding of the potential benefits of digital solutions, including mobile payment systems, inventory management software, and online marketing platforms (Ebrahim & van den Berg, 2024:2-3). This lack of awareness often arises from limited exposure to digital technologies and a limited understanding of how these technologies can address their specific business challenges (Ncube & Matlala, 2023:652).

In the absence of a comprehensive comprehension of the value proposition of digital tools, spaza store proprietors may hesitate to invest in and embrace these technologies (Tawodzera, 2019:449). Despite sufficient awareness, access to digital infrastructure and resources remains a significant obstacle to digital transformation for spaza shops. This encompasses access to dependable internet connectivity, cost-effective smartphones or PCs, and requisite gear and software. Numerous spaza shops are situated in regions with inadequate or unstable internet infrastructure, hindering the optimal use of online platforms and digital services (Charman *et al.*, 2017:41).

The expenses associated with digital gadgets and data can be exorbitant for most spaza shop owners, thereby constraining their ability to engage in the digital economy (Fatoki, 2016:103). Successful digital transformation necessitates that spaza shop proprietors and their staff acquire the requisite skills and training to utilise digital technology proficiently. This encompasses fundamental digital literacy competencies, including using mobile applications, overseeing online accounts, and executing online transactions (Mukwarami, 2017:50). Numerous spaza shop owners lack these competencies, hindering their ability to leverage the benefits of digital tools fully. Implementing specialised training programs and digital literacy initiatives can effectively address this skills gap and enable spaza store owners to embrace digital technology with greater assurance.

The implementation of digital technologies can significantly modify numerous facets of spaza store operations (Ebrahim & van den Berg, 2024:3). Mobile payment systems enhance transaction efficiency and mitigate theft risk, whereas inventory management software optimises stock levels and minimises shrinkage (Ebrahim & van den Berg, 2024:2). Online marketing platforms can enable spaza shops to reach a broader customer base and promote their products and services more effectively (Ebrahim & van den Berg, 2024:9). By embracing digital technologies, spaza shops can enhance their competitiveness, improve their operational efficiency, and increase their profitability (Tawodzera, 2019:451). Another critical factor affecting spaza shop growth is the slow adoption of digital transformation (Deokaran, 2023:16).

As the global economy shifts towards digital transactions and e-commerce, businesses that fail to integrate technology into their operations risk being left behind (Deokaran, 2023:16). Digital illiteracy, inadequate infrastructure, and financial limitations hinder entrepreneurs from adopting digital payment methods and online business models. The reluctance to embrace digital transformation constrains spaza shops' capacity to enhance productivity, expand market access, and optimise operations. The 4IR has introduced digital payment methods, e-commerce platforms, and mobile banking solutions that may assist spaza business owners by reducing cash dependency, mitigating security risks, and enhancing competitiveness (Matsietsi, 2022).

The integration of digital technologies into informal retail activities is recognised as essential for competitiveness and sustainability in township economies. The SSSF emphasises the need for digitisation by enabling spaza store owners to access digital systems that improve inventory ordering, payment processing, and company oversight (DTIC, 2023). These digital solutions reduce cash handling risks, improve data-driven decision-making, and optimise supply chain coordination. Nevertheless, despite the fund's emphasis on digital inclusion, many spaza shops persistently face digital exclusion due to insufficient Information Communication and Technology (ICT) infrastructure, digital illiteracy, and the exorbitant costs of devices or data services. Recognising the transformative potential of digital tools needs parallel investments in digital literacy training, accessible technology, and locally tailored platforms that correspond with the practical realities of township merchants (DTIC, 2023).

2.5.1 Integration of Spaza Shops into the Digital Ecosystem

The efficacy of digital transformation in township economies depends on the degree of integration of informal enterprises, such as spaza shops, into larger digital ecosystems. The solitary implementation of technologies, such as mobile payment systems, serves as an initial step; nevertheless, it frequently does not produce transformative results unless integrated into a digital infrastructure that facilitates data analytics, inventory optimisation, and digital supply chains (Ebrahim & van den Berg, 2024:7).

To derive substantial benefits, spaza shops must establish connections with formal service providers, fintech solutions, and digital platforms that facilitate efficient transaction documentation, supplier collaboration, and customer interaction. In the absence of institutional integration, the digitisation of township retail remains disjointed and unsustainable. The majority of current digital platforms are not tailored to the specific limitations of township firms. Suboptimal user interface design, increased data expenses, and limited language support create usability obstacles that hinder adoption among small-scale traders (Nkwana & Roberson, 2025:3). This digital exclusion encompasses not only infrastructure but also inadequate representation in platform governance, data-sharing frameworks, and policy formulation.

A digitally inclusive township economy requires deliberate collaboration among commercial technology developers, local cooperatives, and state institutions to co-create digital tools that align with the distinct business practices and technological capabilities of spaza shop operators (Nkwana & Roberson, 2025:4). The incorporation of spaza shops into the digital ecosystem is increasingly recognised as a vital strategy for enhancing efficiency, competitiveness, and long-term sustainability in township economies. Digital technology offers opportunities for improved inventory management, mobile payments, e-commerce integration, and access to data-driven decision-making tools.

The DTIC promotes digital transformation through the SSSF by advocating for the use of digital platforms that connect shop proprietors with suppliers, facilitate electronic transactions, and ensure adherence to regulatory standards (DTIC, 2023). Notwithstanding these initiatives, the use of digital tools is inconsistent owing to inadequate digital literacy, insufficient access to affordable devices and internet connectivity, and pervasive mistrust or unfamiliarity with technical systems. To facilitate effective integration into the digital economy, spaza shop proprietors require specialised digital training, accessible infrastructure, and contextually relevant technologies tailored to the operational conditions of informal township businesses.

2.5.2 Government Support and Policy Alignment for Digital Inclusion

Despite frequent discourse on digital transformation within national development goals, South Africa's policy environment often lacks coherence and effective alignment with the realities of the informal economy. National Information Communication Technology frameworks and SME digitisation programs have predominantly concentrated on formalised enterprises, inadvertently marginalising the micro-enterprises that prevail in township economies (Ebrahim & van den Berg, 2024:4). Consequently, spaza shop proprietors infrequently benefit from government-initiated digital assistance programs, including subsidised connectivity, platform training, or public-private innovation hubs. The disparity between national policy narratives and local execution hinders the rapid and equitable dissemination of digital tools in township retail.

To facilitate scalable, sustained digital uptake in the informal sector, policy must transition to a decentralised, inclusive innovation framework. This encompasses the incorporation of township-specific indicators into national broadband initiatives, the provision of micro-digitalisation incentives, and the establishment of regulatory sandboxes that enable informal enterprises to test emerging technologies without compliance obligations (Ebrahim & van den Berg, 2024:2). Township-based digital service providers should be prioritised in procurement and funding procedures to ensure that technological advancements are contextualised with accountability for implementation, thereby significantly improving digital preparedness among spaza shops and facilitating their deeper integration into South Africa's digital economy.

Government assistance and consistent policy alignment are crucial for facilitating digital inclusion in township-based spaza shops. The South African government, via the DTIC, has recognised the digital divide in the informal retail sector and has included digital enablement as a strategic element of the SSSF. The initiative advocates for digital tools to facilitate ordering, inventory management, and electronic transactions, aiming to enhance operational efficiency and formal sector integration (Ebrahim & van den Berg, 2024:4). Successful digital inclusion requires integrated policies at the national, provincial, and local levels, rather than standalone interventions, to ensure access to internet infrastructure, affordable data, and digital skills training. The lack of coherence among economic development objectives, ICT policies, and small-business support frameworks hinders a cohesive, scalable digital transformation of spaza shops. A multisectoral policy strategy is crucial for fostering inclusive digital ecosystems that meet the needs of informal entrepreneurs.

2.6 Lack of Business Skills

The lack of sufficient business acumen severely impedes the development and viability of spaza shops. Numerous entrepreneurs managing these enterprises lack formal education in critical domains such as financial management, marketing, and supply chain optimisation, which are vital for operating a successful business (Tengeh & Mukwarami, 2017:44).

Entrepreneurs frequently lack the requisite training in financial management, marketing and sales, and supply chain optimisation (Brijlal, Enow & Isaacs, 2014:342). Efficient financial management is crucial for the sustainability and growth of any enterprise, particularly spaza stores. Nevertheless, several spaza store proprietors lack the requisite skills to manage their finances effectively (Brijlal, Enow & Isaacs, 2014:342). They may encounter difficulties with fundamental accounting techniques, like monitoring income and expenses, managing cash flow, and preparing financial statements. This shortcoming may result in suboptimal decision-making, excessive expenditure, and an incapacity to obtain financing from formal institutions (Fatoki, 2016:104).

Without proper financial management skills, spaza shop owners may struggle to accurately assess the profitability of their business and make informed investment decisions (Brijlal, Enow & Isaacs, 2014:342). Marketing and sales are crucial for consumer acquisition and retention; yet, several spaza shop proprietors lack the proficiency to sell their enterprises successfully (Tengeh & Mukwarami, 2017:38). They may depend on conventional tactics, such as word-of-mouth advertising, which are frequently inadequate in today's competitive industry. The deficiency in marketing skills constrains their ability to distinguish themselves from competitors, acquire new clients, and increase sales (Brijlal, Enow & Isaacs, 2014:343).

Acquiring marketing and sales acumen is essential for spaza shop proprietors to proficiently convey the value of their products and services to prospective customers. Effective supply chain and inventory management are crucial to ensuring that spaza shops have the right products at the right time and at the right price. Numerous spaza business owners struggle to manage their supply chains efficiently. They may encounter obstacles such as inconsistent suppliers, elevated transportation expenses, and issues in demand forecasting (Ebrahim & van den Berg, 2024:2-3). Poor inventory management can lead to stockouts, overstocking, and spoilage, which can negatively impact profitability (Brijlal, Enow & Isaacs, 2014:347). Enhancing supply chain and inventory management competencies can help spaza shop proprietors minimise costs, increase efficiency, and elevate customer satisfaction.

Participation in training and mentorship programs can equip spaza shop proprietors with essential business acumen for success. Nevertheless, numerous spaza shop proprietors are deprived of accessible and pertinent training options (Nkwana & Roberson, 2025:3). Government agencies, non-profit groups, and private sector enterprises can contribute by offering training and mentorship programs tailored to the specific requirements of spaza shop owners (Nkwana & Roberson, 2025:11). These programs may encompass subjects including financial management, marketing, supply chain management, and customer service. Mentorship programs can offer spaza shop owners essential guidance and support from seasoned company experts (Nkwana & Roberson, 2025:11). A lack of business acumen poses a considerable challenge for spaza shop owners.

Confronting this challenge requires a comprehensive strategy that encompasses specialised training programs, facilitating networking and collaboration, and enhancing access to resources and assistance. A significant barrier to the growth and sustainability of spaza enterprises in township economies is the inadequate business acumen among several informal entrepreneurs. The SSSF, initiated by the DTIC, addresses this issue by combining financial assistance with business development services, such as essential financial literacy, inventory management, and record-keeping training (DTIC, 2023).

These solutions acknowledge that many spaza shop owners lack formal business education, often relying on informal practices that hinder profitability and long-term strategic planning. Without essential skills in budgeting, inventory management, and customer relationship management, these enterprises struggle to address competitive pressures or expand their operations effectively. Therefore, while financial aid is crucial, the DTIC's implementation of structured capacity-building programs is imperative to enabling spaza shop owners to formalise their operations, make informed decisions, and ultimately transition from survivalist to growth-oriented businesses.

2.6.1 Entrepreneurial Mindset and Growth Orientation

Although numerous spaza shop owners exhibit resilience in their everyday operations, only a minority possess a systematic entrepreneurial attitude conducive to innovation and sustainable growth. An entrepreneurial mindset encompasses attributes such as proactivity, opportunity identification, and adaptability, skills essential for responding to dynamic market fluctuations. In township environments, limited access to formal entrepreneurship education and role models hinders local traders' capacity to transition from survivalist to growth-oriented business methods. Consequently, numerous spaza shop entrepreneurs prioritise immediate revenue above strategic investments or product diversification, thus constraining their capacity to expand operations. Fostering this attitude requires more than technical education; it involves access to mentorship, entrepreneurial frameworks, and practical learning that facilitate critical thinking and innovation (Nkwana & Roberson, 2025:11).

In the absence of systematic treatments that cultivate cognitive and behavioural entrepreneurial skills, the majority of informal merchants are unlikely to evolve into formalised or competitive firms. Programs that incorporate goal planning, risk assessment, and creativity exercises into company development support may enable spaza owners to transition from simply survival to value generation. Consequently, cultivating an entrepreneurial attitude should be integral to township economic empowerment initiatives. The cultivation of an entrepreneurial mindset and a growth-oriented perspective is essential for the sustainability and competitiveness of spaza shops in South African townships.

Numerous informal traders operate from a survivalist perspective, focusing predominantly on daily sustenance rather than long-term business growth. This mentality constrains their capacity to innovate, expand operations, or strategically respond to market opportunities. The SSSF, established by the DTIC, aims to mitigate this limitation by promoting company formalisation, providing financial and operational support, and enhancing engagement in organised supplier networks (DTIC, 2023). These solutions aim to provide financial stability while also fostering business ambition and long-term planning.

Nonetheless, promoting a growth mindset necessitates more than financial resources; it demands ongoing coaching, familiarity with business development methodologies, and a shift in perspective from informal survivalist trade to formal enterprise development. Enhancing entrepreneurial orientation among spaza shop proprietors is essential for realising the complete potential of township economies.

2.6.2 Business Decision-making Under Uncertainty

Spaza shop owners often operate in volatile settings characterised by price volatility, informal rivalry, and erratic consumer behaviour. Formulating sound business judgments in these situations requires the ability to assess risk, interpret market signals, and apply fundamental financial forecasting skills, which are often lacking among many township traders (Brijlal *et al.*, 2014:342). The absence of decision-making capacity under unpredictable conditions often leads to inadequate inventory management, reactive pricing strategies, and the misallocation of scarce resources. Many entrepreneurs inaccurately assess profit margins or underestimate the hidden costs of providing informal credit to customers.

The restricted use of fundamental business tools, such as spreadsheets, sales logs, and inventory trackers, exacerbates the lack of data-driven decision-making. This fosters an excessive dependence on intuition or prior experiences instead of empirical investigation (Nkwana & Roberson, 2025:11). Improving decision-making in uncertain conditions necessitates customised interventions that incorporate streamlined business analytics, scenario planning, and risk management training. Case-based training that accurately reflects township economies can enhance spaza shop proprietors' confidence and competence in managing uncertainty. Addressing this skills deficit is crucial for improving profitability, sustainability, and competitiveness within the informal sector. Spaza shop owners often function in contexts marked by significant uncertainty, encompassing variable consumer demand, unstable supplier pricing, erratic regulatory enforcement, and constrained financial reserves. These circumstances necessitate that entrepreneurs make pivotal business decisions based on insufficient or incorrect information, frequently depending on intuition, prior experience, or informal counsel.

This unpredictability obstructs strategic planning, inventory management, and long-term investment decisions. The SSSF aims to reduce specific risks by providing financial support, linking traders to reliable supply chains, and promoting formalisation to stabilise business operations. (DTIC, 2023).

The persistent absence of structured business support, market intelligence, and decision-making tools leaves numerous traders vulnerable to adopting reactive rather than proactive management approaches. Enhancing decision-making under conditions of uncertainty requires equipping spaza store owners with financial literacy, scenario-planning skills, and access to up-to-date market information, which are essential for fostering resilience and supporting sustainable business growth within township economies.

2.7 Networking and Collaborations

Collaboration and networking are essential elements of corporate and societal success, particularly in addressing complex challenges and promoting sustainable development. These topics are thoroughly examined within the framework of governance, economic growth, and social harmony in NDP 2030. Spaza shop owners may benefit from various networking opportunities, encompassing both formal and informal networks. Formal networks encompass industry groups, corporate forums, and government-sponsored initiatives that offer access to training, funding, and mentorship (Nkwana & Roberson, 2025:11). Informal networks encompass contacts with suppliers, consumers, and fellow spaza shop owners, offering significant assistance and counsel (Fatoki, 2016).

Collaboration and networking are essential for the viability and expansion of spaza shops, enabling them to overcome diverse challenges and capitalise on new opportunities. Nevertheless, numerous spaza shop owners operate in isolation, forgoing the benefits of collective knowledge, resources, and support (Tawodzera, 2019:453). Networking and collaboration with other enterprises and groups can furnish spaza shop owners with essential resources and assistance.

Associations and cooperatives are essential in fostering collaboration and networking among spaza shop owners. These associations can provide a platform for spaza shop proprietors to exchange experiences, access resources, and advocate for their interests (Tawodzera, 2019:453). Associations can offer training, mentorship, and business development services to enhance the skills and knowledge of spaza shop proprietors. Cooperatives allow spaza shop proprietors to consolidate their resources and procure goods in bulk, thereby diminishing expenses and improving their negotiating leverage (Liedeman *et al.*, 2013:4).

Networking facilitates the exchange of knowledge, access to new markets, and collaboration on collaborative ventures. Local entrepreneurs operate autonomously, although foreign-owned businesses generally engage within robust community networks. Engaging in community events and trade exhibits can offer the opportunity to connect with prospective consumers and partners (Mampheu, 2019:9). Promoting cooperative buying groups and company alliances can help reduce costs and enhance competitiveness (Mampheu, 2019:8). Local spaza shops can thrive through collaboration in marketing, supply chain management, and knowledge sharing. By cultivating robust relationships with suppliers, consumers, and other stakeholders, spaza shop proprietors can enhance their business opportunities and strengthen their resilience (Mampheu, 2019:8).

Digital platforms can enhance networking and collaboration among spaza shop proprietors by offering online forums, social media groups, and mobile applications that enable them to communicate and exchange information (Nkwana & Roberson, 2025:3). These platforms can further offer access to online educational courses, business tools, and market intelligence. By utilising digital channels, spaza shop proprietors can transcend geographical limitations and engage with an extensive network of colleagues, mentors, and collaborators (Nkwana & Roberson, 2025:3). Networking is essential for stimulating economic growth by promoting knowledge sharing, innovation, and market accessibility. The NDP 2030 designates networking as a strategy to integrate South Africa into global value chains and enhance its competitiveness in international markets.

Regional collaboration in Africa, primarily through entities such as the Southern African Development Community (SADC), is emphasised to enhance trade, investment, and infrastructure development. Collaboration is crucial for efficient governance, particularly in a developmental state like South Africa. The NDP 2030 emphasises the need for a competent state that collaborates with citizens, civil society, and the corporate sector to address historical imbalances and achieve collective developmental objectives. The plan emphasises that collaborative efforts are essential for addressing intricate issues such as poverty, inequality, and unemployment. This necessitates cultivating collaborations across several industries to utilise resources, experience, and innovation. Collaborations among enterprises, educational institutions, and governmental bodies are essential for cultivating innovation ecosystems. These networks facilitate the dissemination of scientific results, technical innovations, and entrepreneurial prospects (Nkwana & Roberson, 2025:11-12). The NDP advocates for strengthening such linkages to build a knowledge-based economy that can create sustainable employment opportunities.

Collaborative governance promotes inclusivity by involving marginalised groups, like women and youth, in decision-making processes. Collaborative initiatives foster confidence between the government and society, essential for enduring stability and advancement. Although collaboration and networking offer various advantages, they also pose obstacles that must be addressed to optimise their potential. These encompass power disparities among stakeholders, a lack of trust, resource limitations, inadequate communication channels, competition, and divergent interests (Hikam & Tengeh, 2016:105-106).

Numerous spaza shop proprietors are hesitant to disclose information or resources to their rivals, apprehensive that it could jeopardise their enterprises. These problems necessitate establishing trust and cultivating a collective purpose among spaza business owners (Tengeh & Mukwarami, 2017:119). Organising frequent meetings, workshops, and social events can enhance relationships and foster collaboration. The NDP recognises these obstacles and advocates robust leadership to resolve conflicts, promote mutual respect, and ensure equal participation in collaborative initiatives. Moreover, establishing effective networks necessitates ongoing investment in capacity development.

Stakeholders must possess the requisite skills and tools to manage complex interactions and achieve shared goals. This encompasses training programs in negotiation, dispute resolution, and strategic planning. The absence of cooperation among local spaza shop proprietors constitutes a considerable obstacle to their growth and viability. Promoting collaborations through mentorship programs or government-backed initiatives may cultivate trust and cooperation within the community.

These initiatives would not only enhance individual enterprises but also foster the overall advancement of township economies (Nkwana & Roberson, 2025:11). By bridging this gap in collaboration and networking, locally owned spaza stores can enhance their resilience and competitiveness in a progressively demanding market landscape. The SSSF emphasises the importance of fostering collaborative networks among township entrepreneurs to improve competitiveness and sustainability. The DTIC asserts that the fund promotes structured relationships between spaza shop owners and authorised wholesalers, hence enabling access to bulk purchase contracts and standardised pricing structures (DTIC, 2023).

The program promotes collective purchasing and supplier alliances, facilitating collaboration among informal traders and augmenting their negotiating power and market resilience. These efforts aim to create inclusive value chains and reduce operational costs for individual store owners. The effectiveness of these collaborative methods depends on establishing trust, building social capital, and maintaining ongoing support structures that foster lasting connections. Improving these networks is essential to transforming isolated microenterprises into integrated, sustainable contributors to the township economy.

2.7.1 Trust and Social Capital in Entrepreneurial Collaboration

Trust is a fundamental element in promoting collaboration among informal entrepreneurs; however, it is frequently insufficiently cultivated within township business networks. Numerous spaza store owners are reluctant to participate in collective arrangements due to past experiences of exploitation, non-reciprocal partnerships, or inconsistent commitment from associates (Fatoki, 2016:102).

The absence of trust undermines the possibility of resource pooling, collective procurement, and collaborative marketing, essential elements in low-margin, highly competitive settings. Furthermore, social capital among local entrepreneurs is fractured, frequently shaped by ethnic, linguistic, or geographic barriers that weaken collective cohesion (Tawodzera, 2019:454).

To promote collaboration, intentional measures must be implemented to build trust through consistent communication, collaborative training sessions, and integrated conflict-resolution strategies within entrepreneurial support frameworks. Community-based associations and cooperatives can significantly facilitate relationship-building by offering impartial platforms for trade and accountability (Nkwana & Roberson, 2025:11). Establishing trust-based networks fosters collective learning and resilience while augmenting negotiating leverage with suppliers and regulators. This can enhance the long-term sustainability and expansion of spaza shops in township economies.

Trust and social capital are essential for promoting collaboration among spaza business proprietors and facilitating collective responses to the challenges of township entrepreneurship. In contexts with limited formal support systems, social interactions, collective norms, and informal networks become essential resources for company sustainability and reciprocal aid. Trust promotes the exchange of information, collaborative purchasing, and collective problem-solving, thereby augmenting the ability of small merchants to withstand external shocks and competitive challenges.

In acknowledgement of this, the SSSF, operating under the DTIC, advocates for collaborative methods, such as bulk purchasing through sanctioned supplier networks, which rely significantly on mutual trust and coordinated efforts (DTIC, 2023). Nevertheless, diminished trust, frequently stemming from prior instances of exploitation, rivalry, or non-adherence, can compromise these initiatives. Enhancing social capital requires not only incentives for collaboration but also the creation of inclusive, transparent, and accountable support systems that foster trust among township entrepreneurs and promote sustained cooperative involvement.

2.7.2 Digital Networking Platforms and Informal Trade Integration

Digital platforms offer a significant yet underutilised opportunity to enhance collaboration among informal enterprises. Mobile applications, WhatsApp groups, and community-oriented e-commerce platforms can enhance bulk purchasing, knowledge sharing, and peer assistance among spaza shop proprietors (Ebrahim & van den Berg, 2024:3). These solutions enable geographically separated enterprises to establish virtual cooperatives and exchange market knowledge, promotional ideas, and supplier suggestions in real time. The practical implementation of digital networking tools in informal economies relies on contextualisation, accessibility, and community ownership. Platforms must be engineered to operate on low-end smartphones, accommodate local languages, and provide functionalities such as vendor evaluations, group ordering, and conflict resolution.

Collaborations with Non-Governmental Organisations (NGOs) or local entities can help streamline onboarding and training processes. When well executed, digital platforms can transform township enterprises from isolated operations to integrated economic ecosystems, enhancing efficiency, competitiveness, and resilience within the informal sector (Nkwana & Roberson, 2025:3). Digital networking platforms offer a transformative opportunity to integrate informal traders into broader economic systems by enhancing connectivity, visibility, and coordination across the value chain. For spaza shop proprietors, such platforms enable efficient communication with suppliers, access to real-time inventory and pricing data, and involvement in collective buying initiatives.

The DTIC, through the SSSF, acknowledges the significance of digital platforms in formalising informal trade and enhancing operational efficiency by promoting digital adoption among township entrepreneurs (DTIC, 2023). These solutions enhance transactional transparency and provide digital footprints that can be utilised to establish credit histories and access future financial services. Limited digital literacy, financial obstacles, and insufficient infrastructure hinder the incorporation of digital networking in the informal sector.

To fully leverage the advantages of digital networking, interventions must address these deficiencies and ensure that platforms are contextually tailored, user-friendly, and supported by capacity-building programs for informal traders.

2.8 Summary of the Chapter

The literature review analysed the challenges and opportunities affecting the sustainability and expansion of spaza shops in Kagiso Township, South Africa. Fundamental challenges, including financial limitations, regulatory adherence, competitive forces, digital evolution, insufficient business skills, and inadequate networking and collaboration, have been thoroughly examined to illustrate the intricate reality of operating within the informal retail sector. Financial exclusion, characterised by limited access to money, inadequate collateral, and deficient financial literacy, persists as a significant impediment to entrepreneurial development. Regulatory obstacles, such as onerous business registration and compliance requirements, further hinder the integration of spaza shops into the formal economy. The intensity of competition, particularly from well-funded, foreign-owned companies and established retail chains, poses a substantial challenge to the viability of local businesses.

The analysis highlights the digital gap, noting that numerous spaza shop proprietors lack the digital knowledge and resources necessary to effectively utilise emerging technologies that could enhance operational efficiency and competitiveness. A lack of essential business skills continues to hinder strategic planning, record-keeping, and financial administration, thereby restricting growth potential.

Nonetheless, the essential socio-economic function of spaza businesses in promoting employment and local economic activity highlights their significance within township economies. Confronting these multifaceted difficulties requires a cohesive, inclusive policy framework that fosters customised financial products, streamlined regulatory processes, skills development initiatives, and strategic partnerships between the public and private sectors. Ultimately, empowering spaza shop proprietors through these interventions can unleash their potential as agents of economic transformation and grassroots development.

Chapter 3 delineates the research design and methodological framework of this study, offering a structured overview of the research paradigm, approach, sampling strategy, data collection methods, and analytical techniques utilised to empirically investigate the challenges affecting the growth of spaza shops in Kagiso Township

CHAPTER 3 RESEARCH DESIGN AND METHODOLOGY

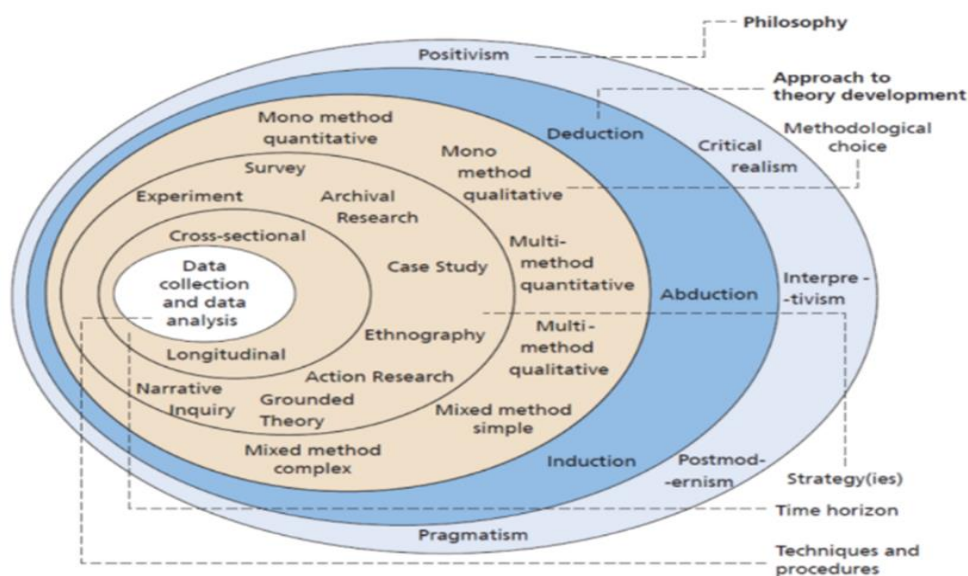
3.1 Introduction

The second phase of this study involves an empirical investigation dedicated to identifying the specific challenges faced by spaza shop entrepreneurs in Kagiso Township, utilising qualitative data gathered through semi-structured interviews to provide in-depth insights into their experiences and perspectives.

3.2 Empirical Study

The research onion (Figure 3.1) is a visual framework developed by Saunders and Lewis to guide researchers through the various layers of choices they need to make when designing a research project. It represents a systematic and structured approach to developing a robust and well-defined methodology (Saunders *et al.*, 2023:128). Each layer of the onion represents a different aspect of the research design process, and researchers must peel back each layer in a logical sequence to arrive at a suitable research approach.

Figure 3.1: The research onion



Source: (Saunders *et al.*, 2023:108)

Here's an explanation of each layer, starting from the outer layer and moving towards the core:

I. Research philosophy

This is the outermost layer and serves as the foundation for your research strategy. It represents your fundamental views and assumptions about the nature of knowledge and how it should be obtained. Common research philosophies include positivism, interpretivism, and Pragmatism.

II. Research approach

This layer concerns the overall approach to reasoning that will guide your research. There are three main approaches: the Deductive Approach, the Inductive Approach, and the Abductive Approach.

III. Methodological choices: Mono, multi, and mixed methods

The research onion framework provides a structured approach to study design, and the methodological approach (mono-method, multi-method, or mixed-method) significantly impacts the data-gathering and analytical methodologies used. These approaches differ in their use of qualitative and quantitative methods (Saunders *et al.*, 2023:128-132).

IV. Research strategy

This layer outlines the overall plan or strategy for conducting your research. Common research strategies include Experiment, Survey, Case Study, Ethnography, Action Research, Grounded Theory, and Archival Research.

V. Time horizon

This layer relates to the time frame of the research project. A researcher can choose between Cross-Sectional Studies and Longitudinal Studies.

VI. Data collection methods

This layer specifies the techniques you will use to gather data for your research. Standard data collection methods include Questionnaires, Interviews, Observations, and Document analysis.

VII. Data analysis techniques

This is the innermost layer and concerns the methods you will use to analyse the data you have collected. The choice of data analysis technique depends on the type of data collected and the research objectives. Standard data analysis techniques include Statistical Analysis, Thematic Analysis, Content Analysis, and Discourse Analysis.

3.3 Research Paradigm

A paradigm is a basic set of beliefs that guides action (Guba & Lincoln, 1994:107). Research paradigms can be grouped into three main interpretive categories: interpretivism, positivism, and pragmatism.

Interpretivism interprets the world in which participants (human beings) live and work, seeking to understand their experiences, which vary depending on their individual realities. Positivism, on the other hand, relates to observable reality within society, which can be measured and known and consequently, leads to the production of generalisations. Positivism is most likely measured using a quantitative method.

Pragmatism: A versatile paradigm that selects the most appropriate methods for the research inquiry, often blending diverse techniques and worldviews (Creswell, 2013:11-12).

- i. Interpretivism: associated with qualitative research, suggests that reality is created by human experiences and social contexts, aiming to grasp the world from the viewpoints of its actors (Creswell, 2013:24-25).

- ii. Positivism: Linked to quantitative research, it views reality as stable and objectively observable, employing statistical analyses (Creswell, 2013:7).
- iii. Pragmatism: embraces both quantitative and qualitative designs, hence it underpins the mixed-methods philosophical paradigm (Creswell, 2013:11-12).

The outermost layer of the research onion represents the philosophical paradigm that underpins the research. This study employs an interpretivist philosophical approach to understand better the issues faced by spaza business owners in Kagiso Township. Interpretivism focuses on analysing the subjective experiences and perspectives of spaza business owners (Creswell, 2013:24-25). The primary goal is to interpret the meanings that these entrepreneurs assign to their firms, the obstacles they face, and the elements that influence their success or limitations in Kagiso's dynamic spaza store environment. In line with the research objectives, the interpretivist paradigm, combined with qualitative research methods, is employed to identify the key issues influencing the expansion of spaza shops.

3.4 Research Approach

The research approach can be either deductive, inductive or abductive. A deductive approach involves testing pre-existing theories, while an inductive approach consists of developing theories from the data (Saunders *et al.*, 2023:191-192). Given the exploratory nature of this study, an inductive approach is most suitable. As Charmaz and Belgrave (2019) note, inductive approaches allow researchers to build theory from the ground up, based on the data collected.

The challenges faced by spaza shop owners in Kagiso Township can be complex and specific to the context, and an inductive approach helps identify emerging themes and patterns that might not be visible at the beginning of the research. This study used a qualitative research method, aligning with the exploratory nature of the research question and the aim to gain detailed insights into the experiences and perspectives of spaza shop entrepreneurs in Kagiso Township.

Specifically, an interpretivist philosophy is adopted, recognising that reality is socially constructed and that understanding the subjective experiences of spaza shop owners is crucial. Interpretivism emphasises understanding the subjective meanings that people attach to their experiences (Saunders *et al.*, 2023:158). As Saunders *et al.* (2023) suggests, interpretivism seeks to explore and understand the lived experiences of individuals within their specific social and cultural contexts. By employing this inductive, qualitative approach, the study will contribute to a deeper understanding of the complex interplay of factors affecting the growth and sustainability of spaza shops in Kagiso Township, ultimately informing the development of targeted interventions to support these vital micro-enterprises.

3.5 Methodological Choice

A mono-method qualitative approach is employed in this research. Qualitative research is concerned with understanding the meaning and significance of human behaviour (Bryman, 2016:392). Qualitative methods are especially suitable for exploring complex social phenomena and generating rich, detailed insights. In this study, a mono-qualitative approach will enable a focused and comprehensive examination of the experiences of spaza shop owners, without the need to incorporate quantitative data. This approach aligns closely with the interpretivist paradigm and the inductive research method. The preference for a mono-qualitative approach is motivated by the goal of achieving a deep, nuanced understanding of the challenges faced by spaza shop owners in Kagiso Township. It facilitates the collection of rich, descriptive data through methods such as interviews.

As Denzin (2018) suggests that qualitative research is particularly valuable for exploring complex social phenomena and uncovering the underlying meanings and motivations of individuals.

3.6 Research Strategy

The research strategy outlines the overall plan for conducting the research, including methods such as case studies, grounded theory, ethnography, and action research

(Saunders *et al.*, 2023:6). Given the exploratory nature of this research and the interpretivist paradigm, a qualitative research strategy employing semi-structured interviews was utilised.

Semi-structured interviews, which are particularly relevant to the study's qualitative technique, allowed the researcher to adapt their questions in response to new material (Ruslin *et al.*, 2022:23-24). This approach helped to better understand the socioeconomic and cultural factors that influence entrepreneurial stewardship in South African social community organisations. Semi-structured interviews provided a flexible yet focused approach to data collection, enabling in-depth exploration of participants' experiences and perspectives (Brinkmann & Kvale, 2018:97-99).

These interviews facilitated an exploration of the complex phenomena under investigation, enabling participants such as social entrepreneurs, Nonprofit Organisation leaders, and stakeholders to share their opinions and experiences. An interview guide was created based on the research objectives, covering topics such as challenges in securing finance, lack of business skills, navigating regulatory requirements, competing with larger retailers, collaborating with other businesses, and adopting digital technologies.

The interviewer remained flexible, allowing participants to elaborate on their experiences and raise issues not explicitly included in the guide (Brinkmann & Kvale, 2018:99). This flexibility is crucial for uncovering unforeseen barriers and gaining a holistic understanding of the challenges faced by spaza shop owners in Kagiso Township.

The interviews were conducted in the participants' preferred language, whether English or a local language with which they were comfortable. Using semi-structured interviews aligns with the inductive approach because themes and patterns will naturally emerge from the data collected during the interviews, rather than being pre-determined (Braun & Clarke, 2019:89).

3.7 Time Horizon

In cross-sectional surveys, a single respondent is asked to complete a questionnaire or participate in an interview, providing a snapshot of the subject. On the other hand, longitudinal surveys are distinguished by their extensive temporal scope, encompassing numerous data collection occasions over an extended period (Saunders *et al.*, 2023:212). A cross-sectional study was conducted, involving data collection at a single point in time (Saunders *et al.*, 2023:7). This approach is appropriate given the time constraints of the research project and the focus on understanding the current challenges faced by spaza shop owners.

3.8 Study Population and Sampling

To identify and recruit spaza shop owners and key informants in Kagiso Township, a snowball sampling technique was employed. Snowball sampling, also known as chain referral sampling, is a non-probability sampling method that relies on initial participants to refer the researcher to other potential participants who meet the study's criteria (Bryman, 2016:415). This method is beneficial when the target population is difficult to reach or identify through conventional sampling methods (Bryman, 2016:415).

Implementation of snowball sampling

- i. Initial contacts: The research began by establishing contact with a small number of spaza shop owners in Kagiso Township. These initial participants were identified through local business associations, community leaders, and through existing contacts within the township (Mawhinney & Rinke, 2019:503).
- ii. Referral process: After conducting interviews with the initial participants, they were asked to refer other spaza shop owners or individuals who are familiar with the challenges faced by these businesses (e.g., suppliers, community leaders, or local government officials) (Mawhinney & Rinke, 2019:503).
- iii. Chain of referrals: The researcher then contacted the individuals referred by the initial participants, explained the study's purpose, and invited them to participate in an interview. Upon agreeing to participate, they were also asked

to refer other potential participants. This process continued until a sufficient sample size was reached and the data became saturated, meaning that no new information or insights were being obtained from additional interviews (Mawhinney & Rinke, 2019:503).

To ensure relevant, firsthand knowledge and insightful contributions, the inclusion criteria for potential participants required active engagement in the operational or managerial aspects of spaza shops within Kagiso Township.

Inclusion criteria:

- i. Participants must currently operate or manage a spaza shop in Kagiso Township at the time of the study.
- ii. Participants must actively engage in the ownership or daily management of a spaza shop currently operating in Kagiso Township. This offers direct experience and understanding of the local business environment.
- iii. Participants must have managed their spaza shop for at least a year. This ensures they understand the business's seasonal challenges and opportunities.
- iv. Participants should be directly responsible for major business decisions such as inventory management, pricing strategy, and financial management, or be able to provide informed insights in these areas.
- v. Participants must be willing to provide relevant (anonymised) financial data, such as revenue, expenses, and funding sources, to enable a complete assessment of the issues related to expansion.
- vi. Participants should be willing and capable of granting informed consent and taking part in open-ended interviews about their experiences and thoughts.

In contrast, the exclusion criteria aim to identify individuals who have no direct or significant involvement with Spaza Shop activities in Kagiso Township or who cannot provide valuable insights for the study.

Exclusion criteria:

- i. Individuals operating spaza shops outside Kagiso Township's boundaries will be excluded from the study, as this helps maintain a focus on the area's specific economic situation.
- ii. Employees who do not hold management roles or possess decision-making authority within the spaza shop will be excluded, as their understanding of expansion issues may be limited.
- iii. Individuals who lack sufficient knowledge or experience concerning the financial, operational, or strategic aspects of spaza shop management.
- iv. Individuals who refuse to give informed consent or fully participate in interviews or surveys will be excluded to uphold ethical research standards.
- v. Registered spaza shops with reliable access to formal funding sources (such as bank loans) will be excluded from the study, which concentrates on the challenges faced by informal, under-resourced businesses.

Justification for snowball sampling

Snowball sampling is particularly suitable for this study because it enabled the researcher to access a population that may be challenging to reach through traditional sampling methods (Mawhinney & Rinke, 2019:503). Spaza shop owners might be hesitant to take part in research because of worries about privacy, regulatory rules, or possible negative impacts on their businesses. By using snowball sampling, the researcher can tap into the trust and relationships within the community to access participants who might otherwise be unwilling. Plus, snowball sampling helps identify a variety of perspectives and experiences within the spaza shop community.

This strategy is motivated by the need to speak with informed respondents who can provide significant insights into the complexities of spaza shop operations and the hurdles to their expansion (Bryman, 2016:415). The sampling frame will be established using existing networks of spaza shop owners, community leaders, and local business directories in Kagiso Township. To identify potential participants, relevant organisations, and community network information, the following sources were accessed: The directors, managers, and owners of spaza shops participating in the study will have diverse backgrounds and experiences in Kagiso Township, ensuring a range of opinions from different community areas.

The study adhered to the criteria of the Protection of Personal Information (POPI) Act to protect participants' privacy rights and personal information (Adams *et al.*, 2021:1). All data collection, storage, and dissemination practices complied with the Act's provisions. Before any data collection, participants were provided informed consent, ensuring they were fully aware of the study's objectives and how their data would be used. Additional safeguards were taken to ensure data integrity and confidentiality throughout the study process, in compliance with the Act's provisions (Staunton *et al.*, 2021:33).

Sample size considerations

The principle of saturation determined the sample size for this study. As Guest, Namey & Chen, (2020) suggest that data saturation occurs when new data no longer provides new insights or information relevant to the research questions. By interviewing 10 to 12 participants and gaining insights, the study aimed to strike a balance between data-collection feasibility and analytical depth. This sample size is considered suitable for providing comprehensive, contextually relevant data and for identifying significant themes and patterns related to the issues Spaza Shop owners encounter in Kagiso Township.

3.9 Designing the Instrument

The measuring instrument for this study was a semi-structured interview guide, carefully designed to align with the qualitative research approach, research objectives, and problem statement. The instrument was constructed to ensure clarity, validity, and understandability for participants, while avoiding sensitive questions to mitigate potential risks and ethical concerns (Mawhinney & Carol R Rinke, 2019:509). The tool employed open-ended questions in a semi-structured format to investigate the various barriers to expansion faced by local spaza shop entrepreneurs in Kagiso Township. These questions covered key topics, including budgetary constraints, regulatory and

compliance challenges, competition and market dynamics, access to resources and support, digital transformation, a lack of business skills, mentoring, technology adoption, and opportunities for collaboration.

This method offered greater flexibility for exploring emerging themes and for developing a clearer understanding of participants' experiences. Each question was carefully designed to capture the core of the study's objectives while enabling participants to reflect on their experiences and observations regarding the expansion of spaza shops. The questions were reviewed and refined to ensure clarity and to minimise any potential bias that could influence participants' responses. Probing questions were used to facilitate a more in-depth investigation of participants' viewpoints and experiences (Fatoki, 2016:106).

The instrument included a cover letter that clearly explained the study's aim, the interview method, and the participants' rights, with an emphasis on the informed consent process and the key elements of the consent form. The cover letter also contained contact details for the researcher and the supervisor so that participants can reach out with any questions or concerns. The instrument collected basic, non-sensitive personal information from participants, such as age range, gender, years of experience operating a spaza shop, ownership status (e.g., owner, manager), and the size of the spaza shop (e.g., employee count). This demographic information served as context for analysing and interpreting interview data (Mukwarami, 2017:141-142).

3.10 Collection of Data

Data collection involves gathering information for research to generate new insights and develop tools and procedures related to the research issue. A data collection instrument is a tool used in research to gather and organise data, serving as a crucial part of study analysis. The primary data collection method was semi-structured interviews. Based on the research objectives, an interview guide was developed to address key themes, including securing financing, navigating regulatory requirements, competing with larger retailers, collaborating with other businesses, and adopting digital technology. The interviews were performed in the participant's choice of

language, whether English or a local language they are familiar with (Thantsha, 2020:40-43).

Semi-structured interview guide:

To address the research questions and objectives, semi-structured interviews were conducted with spaza shop entrepreneurs in Kagiso Township. The primary data collection tool was carefully designed along with a semi-structured interview guide, which served as a roadmap for the interviews while allowing flexibility to explore emerging themes and individual experiences (Rubin, 2016:67-68).

Structure and content of the Interview guide:

The semi-structured interview guide included a set of open-ended questions organised around major themes identified in the literature study that are relevant to the issues experienced by spaza shop owners in Kagiso Township (Mawhinney & Carol R. Rinke, 2019:504).

These themes are derived from the attached research proposal and encompass:

I. Financial constraints

Questions explored the difficulties faced by spaza shop owners in accessing formal financing, managing cash flow, and securing credit or business loans for expansion (Loghdey, 2024:11).

II. Regulatory compliance

Questions addressed the challenges associated with navigating registration requirements, tax regulations, and local bylaws (Willie, 2023:675).

III. Competition

Questions explored the competitive landscape, including rivalry from larger retailers and foreign-owned businesses (Thantsha, 2020:44).

IV. Digital transformation

Questions investigated the adoption of digital technologies, such as digital payment systems and e-commerce platforms, and the associated barriers (Thantsha, 2020:97)

V. Business skills

Business skills are essential for the success of spaza shops, including financial management, marketing, and operational efficiency (Phalatsi & Chipunza, 2019:6). The following questions examined the current level of business skills among spaza shop owners and explored opportunities for improvement.

VI. Collaboration and networking

Questions examined opportunities for collaboration with other spaza shop owners, suppliers, or local organisations (Phalatsi & Chipunza, 2019:6).

Question format and probing techniques:

The interview guide utilised open-ended questions to encourage participants to provide detailed and nuanced responses (Brinkmann & Kvale, 2018:96). The interviewer employed probing techniques to elicit further information and clarification, such as:

- i. Follow-up questions: “Can you tell me more about that?” or “What do you mean by that?”
- ii. Clarification questions: “Can you give me an example?” or “Can you explain that in more detail?”

- iii. Reflective questions: “So, if I understand correctly, you are saying...”

Pilot testing and refinement:

The interview guide was pilot tested with a small sample of spaza shop owners who are not included in the main study sample (Brinkmann & Kvale, 2018:96). The purpose of the pilot testing was to identify any ambiguities, biases, or areas for improvement in the interview guide. Based on feedback from the pilot testing, the interview guide was refined to ensure it is clear, concise, and effective at eliciting the desired information.

3.11 Statistical Analysis

Due to the qualitative nature of this study, data analysis focuses on thematic interpretation rather than numerical measurement. Thematic analysis is used to identify, interpret, and report recurring patterns in interview and open-ended questionnaire data. This approach helped to understand participants’ lived experiences, perspectives, and concerns about the operation of spaza shops in Kagiso Township.

The analytical process began with transcribing and familiarising oneself with the textual data, followed by systematic coding to organise responses according to emerging themes.

Codes were then reviewed, refined, and grouped into broader theme categories aligned with the study’s objectives. NVivo software aided in the efficient management and structuring of qualitative data, enabling researchers to identify patterns, link concepts, and develop interpretive insights. This analytical approach ensured that the findings are rooted in participant narratives, thereby strengthening the credibility, reliability, and contextual richness of the research.

3.12 Trustworthiness

In qualitative research, the conventional quantitative metrics of reliability and validity are supplanted by the concept of trustworthiness, which underscores the credibility

and integrity of the research findings (Guba & Lincoln, 1994:114). Trustworthiness encompasses several interrelated criteria, including credibility, transferability, dependability, and confirmability, each contributing to the overall defensibility of the study's conclusions (Creswell, 2013:246). Instead of aiming for consistent outcomes across multiple measures, as in quantitative research, the emphasis shifts to ensuring a rigorous, transparent, and reflective research process that reflects participants' experiences and viewpoints. This involves a commitment to methodological consistency and to the researcher's self-awareness of their role in shaping the study narrative.

This study has several strategies in place to establish credibility, ensuring that these findings are believable and true (Guba & Lincoln, 1994:114). A lengthy involvement with the spaza shop community in Kagiso Township provided ample time to build trust and rapport with research participants, allowing for the collection of rich data and the development of a nuanced understanding. However, the researcher was expected to conduct unstructured observations in the study spaza shop setting, which provided background information and corroborated interview data. (Guba & Lincoln, 1994:115).

Credibility was also enhanced through triangulation, adding data from various sources (i.e., interviews and document analysis) (Creswell, 2013:332-333). The researcher used member checking, in which they shared interview transcripts and preliminary findings with participants to ensure they had accurately represented their perspectives and to address potential misinterpretations. Lastly, peer debriefing, in which discussions with other researchers served as an external review of the research process, helped identify potential biases (Guba & Lincoln, 1994:115).

Along with credibility, this study explored transferability, dependability, and confirmability to increase the overall trustworthiness of the findings. Transferability was enhanced by including detailed descriptions of the research context, participants, and findings, allowing readers to assess the relevance of the findings to different contexts and assumptions. (Mapengu, 2023:39). To ensure dependability, a reflection on the research process and decisions made was documented in an audit trail. A code-recode procedure was employed at different stages of the data analysis process to achieve consistency (Mapengu, 2023:41).

Confirmability was enhanced through reflexivity, where the researcher acknowledges and addresses their own biases and assumptions (Mapengu, 2023:39), and through the provision of an audit trail, which allowed external reviewers to assess the extent to which the findings are grounded in the data (Mapengu, 2023:39). By systematically addressing these aspects of trustworthiness, the study aimed to produce findings that are both credible and defensible, contributing to a deeper understanding of the challenges faced by spaza shop entrepreneurs in Kagiso Township and informing targeted interventions to support their growth.

Several methods were implemented during the study to ensure that the research is credible and trustworthy. To prevent errors and inconsistencies, rigorous data-gathering methods were established, including pilot testing of data-collection instruments (Mapengu, 2023:39). Data analysis was conducted methodically, with complete documentation of coding frameworks and decision-making processes to promote transparency and auditability. Furthermore, member verification was used to verify interpretations and ensure that the findings accurately reflect the participants' perspectives. The study's limitations, including potential biases and constraints, are fully disclosed to ensure a fair and transparent review of the research findings. (Mapengu, 2023:39).

Additionally, data sources and procedures were triangulated to enhance the reliability and validity of the research findings. Multiple data sources, including interviews, surveys, and observations, were utilised to cross-check information and identify convergent trends. This technique helped limit reliance on a single data type or procedure, thereby enhancing trust in the study's findings. Furthermore, peer review and expert assistance were sought throughout the research process to verify the study's rigour and reliability (Mapengu, 2023:39-41). Peer and expert feedback were used to improve the study's design, data analysis, and results interpretation.

This study aimed to provide vital and trustworthy insights into the challenges faced by spaza shop entrepreneurs in Kagiso Township by adhering to these demanding conditions and employing various strategies to promote reliability and trustworthiness (Mapengu, 2023:39-41).

3.13 Ethical Considerations

Before starting interviews, participants were fully informed about the study's aim, the voluntary nature of their involvement, and their right to withdraw at any point. All participants gave informed consent, and their anonymity and confidentiality remained protected throughout the research process. The interview process was designed with ethical considerations in mind. Below are the essential moral issues for a research study on the barriers to expansion experienced by local spaza shop entrepreneurs in Kagiso Township (Mapengu, 2023:39-41).

Informed consent: Obtaining free and informed consent from spaza shop owners who participate in the study was crucial. The researcher clearly explained the study's purpose, data gathering methodologies, potential risks and benefits, and the participants' right to withdraw at any time (Mapengu, 2023:39-41).

Confidentiality and anonymity: The study safeguarded participants' personal and business information and ensured their anonymity in any published results. Measures were taken to protect respondents' privacy, and the data acquired (Bryman, 2016:132).

Minimising harm: The research design and data collection processes were scrutinised to avoid causing physical, psychological, social, or economic harm to spaza business owners. Potential threats were addressed and reduced as much as possible (Mapengu, 2023:39-41).

Beneficence: While the primary purpose of the study is to gather information, the research should also be designed to provide direct or indirect benefits to participating spaza shop owners and the general Kagiso Township population. This involved sharing perspectives and suggestions for support interventions (Bryman, 2016:125).

Justice and equity: Participant selection and recruitment ensured a fair and equitable representation of the spaza shop entrepreneur community in Kagiso Township,

regardless of individual characteristics and socioeconomic situation (Cresswell *et al.*, 2022:144)

Scientific validity: To ensure the findings are valid and reliable, the study employed scientific methods, data collection, and analysis. This was crucial for obtaining accurate findings that led to practical analysis (Bryman, 2016:125).

By addressing these crucial ethical considerations, the research study safeguarded the rights and well-being of spaza shop entrepreneurs while also providing high-quality, practical insights to help these small businesses grow and thrive in Kagiso Township.

3.14 Summary of the Chapter

Chapter 3 discussed the research design of this study. The chapter took a qualitative research perspective, capturing in-depth subjective experiences of these township entrepreneurs, focusing on the meanings they attach to their spaza shops and the constraints that shape their lived operational worlds. Chapter 3 elucidated how these perspectives were accessed and why an interpretivist approach was considered most appropriate for understanding what it is like to be a spaza shop owner.

The qualitative nature of the orientation facilitated insight into these issues, enabling an interpretation of how they together affect business growth and longevity. Chapter 3 strengthened the integrity of the inquiry by laying down strict protocols for gathering, coding, and extracting themes from data, and for locating them within South Africa's discourse on small-business development, village economic rehabilitation, and inclusive growth. Chapter 4 will examine the study's findings, using the primary data to highlight its importance.

CHAPTER 4 PRESENTATION OF FINDINGS BY RESEARCH THEMES

4.1 Introduction

This chapter presents and evaluates empirical data collected through interviews with twelve spaza shop owners in Kagiso Township, Gauteng. Its aim is to provide an informed understanding of the main challenges faced in establishing locally owned spaza businesses, aligning with the study's research objectives. The chapter begins by outlining the respondents' demographic and business characteristics, then explores the primary constraints identified, including financial difficulties, regulatory compliance issues, competitive pressures, limited digital adoption, a lack of business skills, and weak networking and collaboration structures. These findings, first introduced here, reveal a complex interaction between structural and operational factors impacting entrepreneurial sustainability. The discussion situates these findings within the broader theoretical and policy frameworks examined in Chapter Two, linking respondents' real-world experiences to existing literature. The chapter concludes by summarising key insights, offering recommendations to entrepreneurs, governments, and development agencies, and suggesting avenues for future research.

4.2 Demographic and Background Information of Respondents

4.2.1 Profile of the Participants

The participants' profiles are presented in Table 4.1 on page 67. The study involved twelve participants, comprising seven men and five women, aged between 29 and 73 years. Their educational backgrounds ranged from incomplete secondary education to bachelor's and honours degrees in business administration. Entrepreneurial experience varied considerably; some had been in business for as little as two years, while others had over twenty years of operational experience. This range provided a variety of perspectives on both start-up motivations and long-term sustainability issues.

Table 4.1: Participant profiles

Participant	Gender	Age	Position	Industry	Highest Qualification	Years of entrepreneurial experience
PAR001	Male	55	Entrepreneur	Retail	Diploma in Business Management	10 years
PAR002	Female	41	Entrepreneur	Retail	Diploma in Education	2 years
PAR003	Male	58	Entrepreneur	Retail	Standard 8	12 years
PAR004	Male	52	Entrepreneur	Retail	N6 Electrical Engineering	6 years
PAR005	Male	57	Entrepreneur	Retail	Standard 9	18 years
PAR006	Female	52	Entrepreneur	Retail	Bachelor of Business Management	15 years
PAR007	Male	46	Entrepreneur	Retail	Standard 9	5 years
PAR008	Male	42	Entrepreneur	Retail	BCom Honours in Strategic Management	2 Years
PAR009	Female	43	Entrepreneur	Retail	Bachelor of Business Management	3 years
PAR010	Male	41	Entrepreneur	Retail	N6 in Business Management	4 years
PAR011	Female	29	Entrepreneur	Retail	Bachelor of Business Management	6 years
PAR012	Male	73	Entrepreneur	Retail	Standard 9	20 years

Source: Own compilation (2025)

4.2.2 Interview Details

As summarised in Table 4.2 on page 68, interviews were intended to last for 30 minutes. The researcher ensured that they were conducted efficiently and stayed relevant to the research objectives. In some cases, participants gave brief responses; as a result, most interviews lasted only a few minutes. Four participants, identified as PAR001, PAR005, PAR006, and PAR011, provided very detailed responses, leading to slightly longer sessions.

These in-depth interviews offered a deeper understanding of the daily operational realities and challenges faced by spaza business entrepreneurs in Kagiso Township.

Table 4.2: Interview summary

Participant	Date of interview	Length of interview	Mode	Recorded
PAR001	20.09.2025	36:13 minutes	Physical	Yes
PAR002	20.09.2025	16:28 minutes	Physical	Yes
PAR003	20.09.2020	06:59 minutes	Physical	Yes
PAR004	20.09.2025	09:32 minutes	Physical	Yes
PAR005	20.09.2025	27:46 minutes	Physical	Yes
PAR006	20.09.2025	25:37 minutes	Physical	Yes
PAR007	23.09.2025	11:57 minutes	Physical	Yes
PAR008	11.09.2025	09:22 minutes	Physical	Yes
PAR009	11.09.2025	10:19 minutes	Physical	Yes
PAR010	12.09.2025	13:54 minutes	Physical	Yes
PAR011	21.09.2025	25:26 minutes	Physical	Yes
PAR012	21.09.2025	13:54 minutes	Physical	Yes

Source: Own compilation (2025)

4.2.3 Presentation of Themes

As summarised in Table 4.3 on page 69, the acquired data were interpreted using a qualitative thematic analysis approach. This method used colour coding to identify and organise recurring categories, concepts, and themes that emerged from participant responses (see Figure 4.1 on page 71). The methodical structuring of data through this process enabled the researcher to categorise the information into several thematic groups, each reflecting a key component of the participants' company operations, experiences, and issues in the township economy.

This analysis highlighted recurring issues such as financial constraints, regulatory compliance, competition dynamics, digital transformation, business skills, and collaborations and networking as key themes. These themes collectively reflected the lived experiences of spaza store owners and provided a comprehensive understanding of the challenges they encounter in sustaining and growing their

businesses. The strategy allowed for the identification of both broad themes and finer details, illustrating how individual entrepreneurs manage their operational realities within a competitive, resource-limited environment.

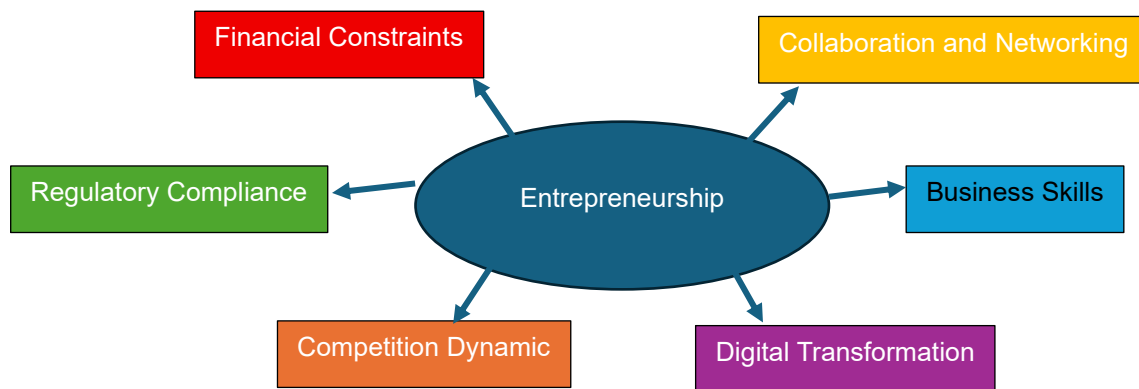
The topic analysis was aligned with the research aims and the context described in Chapters 1 and 2. This ensured that the highlighted themes accurately reflected the participants' operating environments and were relevant to the study's goal, to investigate the challenges faced by spaza shop entrepreneurs in expanding and sustaining their businesses in Kagiso Township. Each theme provided valuable insights into how participants navigated the restrictions of informality, regulatory pressures, and limited resources while striving for profitability and business survival. Overall, the theme analysis offered a structured, evidence-based understanding of how these entrepreneurs operate within the township economy, emphasising both systemic challenges and adaptive strategies for survival and steady growth.

Table 4.3: Themes and differentiating colours

Theme	Description	Colour
Financial Constraints	To explore the specific financial constraints impacting the expansion of Spaza Shops in Kagiso Township.	Red
Regulatory Compliances	To assess the role of regulatory compliance and its impact on the growth of Spaza Shops in Kagiso Township.	Green
Competition Dynamics	To determine the extent to which competition from larger retailers and foreign-owned businesses affects the sustainability and expansion of local Spaza Shops in Kagiso Township.	Orange
Digital Transformation	To investigate the barriers to digital transformation and technology adoption among Spaza Shop entrepreneurs in Kagiso Township.	Purple
Business Skills	To evaluate the impact of the lack of business skills, collaboration, and networking on the expansion and sustainability of Spaza Shops in Kagiso Township.	Blue
Collaboration and Networking	To evaluate the impact of collaboration and networking opportunities on the growth of Spaza Shops in Kagiso Township.	Yellow

Source: Own compilation (2025)

Figure 4.1: Different themes for this study



Source: Own Compilation (2025)

4.2.4 Nature and Operations of Businesses

Most respondents operated family businesses from their homes, garages, or converted structures. Items sold included groceries, fast food, airtime, electricity tokens, spirits, and, in some cases, betting vouchers. Employment levels were generally low, with many relying on family labour to reduce costs. Despite their small scale, these businesses were vital to community livelihoods, offering convenient and affordable goods in residential areas.

4.3 Presentation of Findings

4.3.1 Financial Constraints

4.3.1.1 Question 1: Firstly, can you tell me about your business and its funding?

- *Probe:* What motivated you to start this business?
- *Probe:* What products or services do you offer, and how has your business evolved since its inception?

This question aims to investigate participants' financial plans for securing the funding needed to start their spaza shop. Furthermore, it seeks to determine which products and services they offer and how their businesses have evolved since their inception. Table 4.4 shows different participants' responses to Question 1.

Table 4.4: Question 1 Empirical findings

Participant	Raw Data: Response	Category
PAR001	<p>I started this business in order to maintain my two nephews, as they lost their parents. I needed money to come in as I was struggling to maintain them, and I also wanted them to learn how to be independent. They are both my employees, meaning if I am not in the spaza shop, they run it on my behalf. I am offering basic needs for my customers, maize meal, sugar, tea, bread, cooking oil, airtime, etc. I do not get any help from the government in terms of funding, compliance. I waited for a year to get my trading permit, municipality certificates take time to acquire, registration takes time, and all this forces me to work from hand to mouth. I have been waiting for my compliance certificate for over a year. This means even if I try to apply for funding, I will not get it, as my spaza shop is not compliant. I started my business (Spaza) 10 years ago with my own funds. I have never received any funding from the government or any sponsors. I started this business due to demand from customers, and in addition to that, I have my two nephews whom I look after as their mother passed on. I needed them to have something that they could fall back on as they were unemployed. I started selling snacks like chips and sweets, and then the business grew from there. We sell groceries, airtime, data, Betway vouchers, and we also have customers paying their service bills. We also sell perfumes that are produced locally, we also sell peanuts and juice that are produced by people who stay in Kagiso, which assists the community in dealing with unemployment.</p>	<p>Self-funding and compliance challenges; community-based motivation; and local product diversification.</p>
PAR002	<p>We received funding from the Family Tree; they were assisting with spaza shops. With all the things that</p>	<p>External donor finance, social</p>

	<p>have been happening with foreign nationals, and kids getting sick from consuming expired products sold from foreign spaza shops, that is the reason we got motivated to start the business and to give back to the black community. We have many foreign nationals in our community, and our people are not developing and going into business, so this is our way of showing that we can also run our own businesses as black people instead of always running to foreign national spaza shops. We provide bulk stock, and people can also come and buy individually. We have evolved because we are now working with Pepsi. Pepsi is assisting us with the card. Pepsi is also assisting people with opening new businesses in terms of funding.</p>	<p>responsibility motive, and supplier chain coordination.</p>
PAR003	<p>I never got funding; I started selling sweets and kota, then moved to selling groceries. I grew up in a family of business. When I left school, I started working for the family. I sell fast food, groceries and cold drinks.</p>	<p>Self-financing, incremental business growth, and the influence of family entrepreneurship.</p>
PAR004	<p>I never got funding; I started with my own money. I got motivated during COVID because there was no job, so I wanted something to survive on. I sell kotas, cool drinks, sweets and snacks.</p>	<p>Self-funding and necessity-driven entrepreneurship.</p>
PAR005	<p>I was working as a driver. I started the business from my own pocket while I was working as a driver. I didn't get any funding. I got motivated in my school years; I used to sell during my high school years. I was always motivated to get extra cash even when I was still working. I wanted to get extra income in case my normal 8-5 job ended. I sell groceries and snacks.</p>	<p>Hybrid funding (employment income) and precautionary motivation.</p>
PAR006	<p>I never got funding; I used my own money to start the business. I got motivated by poverty to start my</p>	<p>Self-financing, poverty-driven</p>

	business, and the fact that getting a job is so difficult. I sell groceries, airtime, lotto, electricity, DSTV and sports betting.	entrepreneurship, and service diversification.
PAR007	I don't have funding. I started the spaza shop as a liquor business, then went on to add some grocery items. I got motivated to start the business because I saw people in my area travelling long distances to go to shops. I sell groceries.	Self-funded; opportunity recognition based on local demand.
PAR008	I started working as a floor manager at Pick Pay before I started running a business. It was difficult to find funding at first because I applied for government funding, and I didn't get it, so I used my savings, accompanied by a loan from ABSA. I come from a family that runs a business. My aunt and uncles run their own businesses, so I wanted to start my own business. I sell groceries, and I offer services like mobile airtime, data and other bill payment.	Mixed funding (personal savings plus a loan); prior business experience; multi-service operations.
PAR009	I used to save money before I started my business. I started selling sweets until my business grew. I got motivated to start the business because I grew up in a family of businesspeople. I sell only groceries.	Savings-based finance, gradual expansion, and inherited entrepreneurial culture.
PAR010	I used to work at a retail shop. So, I got retrenched, so with the money I saved, I opened my business. I got motivated to start my business through the experience I gained from working at a retail shop. I fell in love with the buying and selling of goods, and the margins behind it and the experience I got from retail, the training and all was an eye opener to show there are more opportunities out there. From the history of the company I was working for, it gave me the idea that as an individual, you can start something small and go big with it. I sell basic stuff,	Retrenchment savings, experience-based motivation, and product diversity.

	like maize meal. I sell fast food and bakery items as well. I sell bread, data and airtime.	
PAR011	Luckily, I didn't have to go around applying for funding. My family members were keen to invest in my business. So, my family supported me. I got motivated because there have been a lot of foreign nationals infiltrating the community and taking over the business world, so I wanted to show people that we can also run a business. I sell food and airtime.	Family funding, community empowerment, and motivation.
PAR012	I funded my own business. I got motivated to start the business due to unemployment. I sell airtime and data.	Self-financing; unemployment-induced entrepreneurship; limited product offerings.

Source: Own compilation (2025)

4.3.1.2 Question 2: What financial challenges do spaza shop entrepreneurs in Kagiso Township experience, particularly in relation to access to credit and funding opportunities, and how do these constraints affect their capacity for business growth?

- *Probe:* Could you provide an example that comes to mind?

This question aims to investigate the financial challenges Spaza Shop entrepreneurs face in Kagiso Township, specifically regarding credit and funding. It seeks to determine how these financial constraints affect their ability to build and sustain their enterprises. Table 4.5 shows different participants' responses to Question 2.

Table 4.5: Question 2 Empirical findings

Participant	Raw Data: Response	Category
PAR001	It affects us badly as we do not qualify for credit. However, I was fortunate to have a company called A to pay that gave me a till point to operate on and	Limited access to formal credit, reliance on private

	<p>this till assists me with tracking stocks that sell the most and when it is about to run out. A to pay assists with loans, but it's not enough for us to buy stock. I buy stock through them with credit, but I need to pay them daily. For example, I have R8 000 credit on stock, and I pay them R160 per day. It becomes easier if you have customers who come to your store regularly. In addition to this, I pay R10 per day to service my till points and speed points so that if they break, they can send a technician to fix them. This programme works well only if you are consistent in terms of using money for business only; however, I struggle with consistency as the money that comes from the business needs to maintain my family, and we all depend on it.</p>	<p>microlending, and cash-flow constraints due to household dependency.</p>
PAR002	<p>Most of the time, you find spaza shop owners do not comply, and sometimes we find our competition buys in bulk, we don't buy in bulk, so competition will always have everything for customers, unlike us. Competition also gives out credit to customers, and we don't do that because we are still new in the business, which works against us. We don't give credit because we are only starting now, we can't give credit, we have to build the business first. We need to build a clientele first before we can give credit.</p>	<p>Noncompliance limits funding availability and creates a competitive disadvantage due to reduced stock-purchasing capability.</p>
PAR003	<p>Funding is my biggest challenge. I need funding to continue buying stock. So, I end up ADDING from my pocket.</p>	<p>Self-financing due to a lack of external funds and a stock replenishment limitation.</p>
PAR004	<p>Getting funding is difficult. These bigots need to obtain a trading license certificate. It's challenging to obtain the certificate, so it's not easy to get funding.</p>	<p>Regulatory compliance requirements limit financing eligibility.</p>

PAR005	The funding I get is very limited; I have the business account, but it's not working because I don't make enough profit. I end up eating my profit because I can't pay myself from the profit. After all, it's too little. I also have services that I need to pay for my business operation, and my profits are sustainable enough for me to be able to pay for such services.	Profit inadequacy and working capital depletion; inadequate income separation between personal and business finances.
PAR006	I never got funding. The government tried to partner with Family Tree to make things better, like giving us stock on credit and paying back the money in monthly instalments.	Credit support provided by the government; financial aid is available in restricted quantities.
PAR007	My biggest challenge is business registration since I don't have a place to run my business. I'm currently using my brother's place to run the business. So, I can't get funding for running a business from someone's place.	The lack of formal premises and registration restricts credit access.
PAR008	The bills we had to pay at the end of every month, including electricity, had piled up over the years. With load shedding, we had to get a generator, and we also had to add new solar panels to the business. We faced a lot of backlash when it came to the financial aspect of the business.	Operational cost burdens and infrastructure investment demands.
PAR009	During the month, you have people who don't have money come for credit, and sometimes they don't pay, and I must take money out of my pocket to sustain the business.	Customer credit default risk: relying on personal income to maintain cash flow.
PAR010	Sometimes you can order stock, then you pay cash, and you find that you do not have customers who buy the stock at the right time. At the end of	Stock turnover imbalance; dependency on

	the day, I need to take money from my pocket to pay rent, electricity and my employees in order to sustain my business.	personal capital to ensure operational continuity.
PAR011	Generating capital as a spaza shop owner is the most challenging thing. You don't get access to an application for credit because your income is solely profit, and it fluctuates all the time; it's not fixed, so you cannot guarantee that the bank will approve your application. Lack of resources and knowledge is also an issue.	Credit qualifying is limited due to income instability and limited financial understanding.
PAR012	I wish I could get funding. I believe it will help me grow my business. I always lack the capital to run the business. I can't buy enough stock, so that affects my business.	Undercapitalisation: unmet finance demands stifle growth.

Source: Own compilation (2025)

4.3.1.3 Linking findings with literature review: Financial constraints

Most participants identified financial constraints as the primary obstacle to business growth. A lack of collateral, business registration, and credit history restricts access to funding from banks and government agencies. Entrepreneurs often rely on their own savings; some utilise their pension funds or informal financing methods such as stokvels.

Example: *"We want to grow, but banks don't trust us because we don't have business papers or collateral,"* explained one participant (PAR002). *"We ultimately have to use our own funds"*.

Respondents highlighted that limited funds impede their ability to diversify product lines, upgrade facilities, or buy in bulk. This supports the finding that spaza shop retailers operate with low profit margins and rely on a cash-dependent economy. All discussions focused on the difficulties of securing adequate financing to start or grow a business. Most entrepreneurs indicated they fund their enterprises through personal savings, stokvels, family contributions, or small informal loans.

Formal funding sources, such as banks, were mainly unavailable due to a lack of collateral, inadequate documentation, and irregular salaries that could not guarantee payback. This exclusion from formal funding is consistent with the findings of Kubone (2019) and Loghdey (2024) who argue that bank structural restrictions disadvantage informal businesses. Several respondents stated that revenues were frequently eaten by household expenses, leaving little for reinvestment. Others complained that even when informal credit was available (such as supplier-linked stock finance), it required daily repayments, which further strained finances.

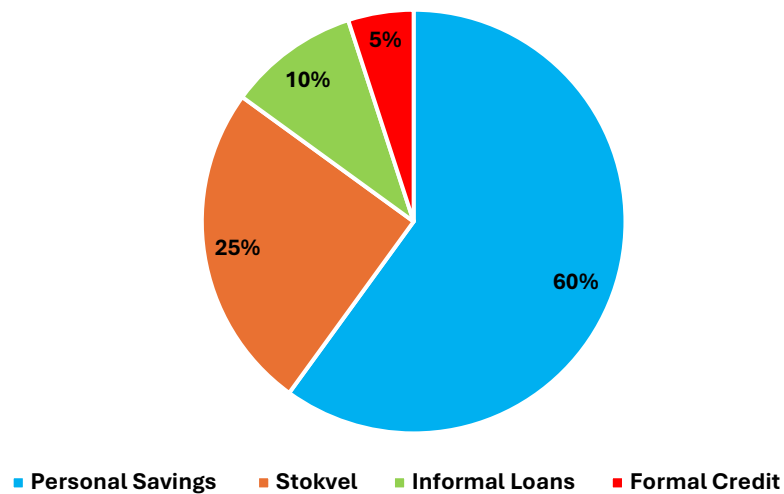
The inability to secure finance limited not only inventory purchases but also opportunities for adopting new technology and upgrading infrastructure. Cash flow was another major concern. Others offered informal credit to customers, which often went unpaid, further straining liquidity. Constraints on working capital hampered entrepreneurs' capacity to buy bulk merchandise, leaving them unable to compete on price with foreign-owned businesses that benefit from cooperative bulk buying. This is consistent with Matsietsi (2022), who identified cash flow mismanagement as a significant factor in the failure of township businesses.

Furthermore, regulatory expenses such as trade licences, fire safety certifications, and municipal compliance drained scarce financial resources, diverting funds from company expansion. One respondent mentioned that paying for fire compliance alone exceeded their monthly income, forcing them to operate illegally despite the risks. Therefore, financial exclusion results from internal pressures that reduce liquidity and external factors funding. As shown in 4.2 on page 79, the primary sources of business capital include personal savings, stokvel, informal loans and formal credit.

The study revealed that financial exclusion remains the primary hurdle to spaza shop expansion in Kagiso Township. Because there are few legal financing sources available, most entrepreneurs rely on personal savings, informal loans, or stokvels. The lack of collateral, registration documentation, and a poor credit history make it difficult to establish contact with commercial banks and microfinance organisations. This finding is consistent with Kubone (2019) and Yende, Mahlangu and Mkhwanazi (2024), who observed that formal financing frameworks usually disadvantage informal township businesses.

Participants also noted that government initiatives such as the SSSF and the Township and Rural Entrepreneurship Programme (TREP) exist but are inaccessible owing to a lack of awareness and complex application processes. As a result, entrepreneurs remain trapped in a cycle of low investment and slow growth, emphasising the crucial need for more open financial systems. Figure 4.2 below on page 80, shows, primary source of business capital.

Figure 4.2: Main source of business capital



Source: Own compilation (2025)

4.3.1.4 Primary theme: Financial constraints

Table 4.6 on page 81 summarises the findings under the key issue of Financial Constraints, which emerged as the most significant barrier to the expansion and sustainability of spaza shop operations. The table includes numerous sections illustrating the complex financial realities faced by small informal traders. Each category represents a different aspect of economic hardship, showing how limited access to resources and systemic restrictions impede operational capacity and long-term viability.

The first category highlights the lack of access to formal financing as a significant issue. Many respondents reported that traditional financial institutions, such as banks and government funding programs, were difficult to access due to strict requirements,

including collateral, business registration, and compliance documentation. Consequently, most entrepreneurs relied on personal savings, family contributions, or informal community loan mechanisms like stokvels to establish or sustain their businesses.

The second category concentrates on working capital and cash flow shortfalls. Daily profits are often used to meet family needs, and unmet client commitments further decrease liquidity. This cyclical limitation restricts investments and reduces corporate growth potential. In many cases, store owners had to supplement their business income with side jobs or personal savings to keep their shops open. Another important concern highlighted in the table is the limited purchasing power of local entrepreneurs. Local entrepreneurs buy in small quantities, unlike foreign-owned spaza outlets that use collective purchasing to lower prices. This increases per-unit costs while reducing price competitiveness, emphasising their vulnerability in the township retail sector.

Finally, the table highlights the high cost of compliance as a barrier to company growth. Regulatory obligations, such as obtaining trading authorisation, health and safety certifications, and managing frequent inspections, use up limited financial resources. These compliance-related fees divert potential investment funds away from expansion or innovation efforts, prolonging a cycle of slow growth.

Overall, Table 4.6 on page 81 shows that financial constraints are driven by a combination of structural exclusion, daily economic pressures, and institutional hurdles, rather than by a lack of capital. These factors contribute to the insecure financial ecosystem in which spaza store owners operate.

Table 4.6: Primary theme: Financial constraints

Primary Theme	Categories Merged	Explanation
Financial Constraints	Lack of access to formal financing (banks, government initiatives).	Most respondents began with personal funds, stokvels, or familial support. Formal loans were unavailable due to a lack of

		collateral, compliance, and business registration.
Financial Constraints	Working capital and cash flow shortages.	Daily gains/profits are frequently allocated to home costs, but outstanding consumer credit limits liquidity. Many store owners rely on personal income to keep their businesses running.
Financial Constraints	Limited bulk buying power.	Unlike foreign-owned shops, which buy in bulk, locals buy in tiny quantities, resulting in rising costs and diminished competitiveness.
Financial Constraints	High cost of compliance restricting reinvestment.	Regulatory expenses (permits, certifications, and compliance checks) deplete scarce funds, limiting the potential to grow.

Source: Own compilation (2025)

4.3.2 Regulatory Compliance

4.3.2.1 Question 3: What challenges do you face in meeting regulatory requirements, and how do these compliance issues influence your daily operations and potential for expansion?

This question explores the regulatory compliance challenges entrepreneurs face and examines how these issues affect their daily operations and business growth. Table 4.7 below gives different participants' responses to Question 3.

Table 4.7: Question 3 Empirical findings

Participant	Response	Category
PAR001	<p>The first challenge is land and property to trade. I use my garage to sell groceries, and as you can see, I am not compliant in a lot of things in order to even apply for funding. Compliance and regulatory requirements require money to fix some things, for example, the people from the municipality came and told me to fix the ceiling and move fridges that are no longer in use. I do not want to throw away the fridge as I still need it. I repaired it two months ago, but because we have power outages, it affects my lights and fridges. Crime contributes a lot to our challenges; unemployment affects us badly as people look for handouts, and they also want to buy with credit, which I cannot afford to give, as I need to buy stock the following day. Funding application, there's a lot of red tape and a lot of documents are needed, which I struggle to get in order to be registered. As I indicated earlier, it took me years to get some of the documents. I do not have a budget to fix all the things that have been identified, and I find it difficult to repair some things, as I do not have cash.</p>	<p>Informal commerce, financial impediments to compliance, and infrastructural and administrative challenges.</p>
PAR002	<p>I've noticed that we don't comply in terms of health, we don't have safety equipment inside the shop, we don't comply with the most basic, small things that we take for granted, and we don't have fire certificates in order to handle uncertainties. We did not train in terms of emergencies in our business. If the Department of Health comes into the shop, is the place clean and safe to meet the standard for selling food?</p>	<p>Noncompliance with health and safety regulations; inadequate corporate training and certification.</p>
PAR003	<p>Our municipality is a problem in assisting us with the need for compliance. They are very lazy, and they</p>	<p>Institutional inefficiency and corruption in</p>

	don't give us a chance. The problem is that they need money before they come and make an inspection.	local law enforcement.
PAR004	In order to comply, you must get a lot of things. You must get a Health and Safety certificate; you must get a plan (building plan) for your shop. A plan for building can cost about R5000, and a Health and Safety certificate about R3000 and sometimes your shop/business makes less than that amount, so it becomes difficult to comply.	High compliance costs relative to firm income; financial inability to formalise.
PAR005	My business is not compliant because it needs a lot of things. These things need money, which I don't have.	Financial limits impede compliance attempts.
PAR006	Regulations are important. The municipality is failing us with regard to the business licence. You register the business tax, but the municipality needs to do the business licence, but they make things very difficult, they demand things you don't even know where to get them, and that is a little bit of a challenge. The municipality is not working hand in hand with us. We are trying to have all the documents, but they are not making it easy, even if we have papers to show we are running the business like CIPC, we do have another compliance and SARS.	Regulatory fragmentation and institutional misalignment.
PAR007	I haven't registered the business, so that's one of my challenges because I'm running the business from my brother's place. I need to get my place so that my business can comply.	The lack of trading premises prevents registration and compliance.
PAR008	I'm currently ADDING a liquor section to the business. There is a lot of red tape when it comes to acquiring the licences, so it took me about 9 months before I got	Bureaucratic licensing; procedural delays in

	the license, and you need approval from the city to add a liquor store.	sector-specific regulations.
PAR009	My business is not yet registered. I've been doing research, and I don't know where to go for registration. I don't have any information on which channel to follow.	Information and knowledge gaps exist in regulatory processes.
PAR010	My business is not registered. I've been planning on registering it. I've been doing research on what I need to register	Lack of awareness and procedural comprehension.
PAR011	The whole process of acquiring all the necessary documentation so that you can operate according to government regulations is a tedious process because I have been in the process for 2 years. It takes a long time because they take you up and down with no improvements.	Prolonged administrative delays and inefficiency.
PAR012	Municipality red tape is so difficult to manage because of the cost of following regulations.	Municipal bureaucracy and financial inability are hurdles to compliance.

Source: Own compilation (2025)

4.3.2.2 Linking Findings with Literature Review: Regulatory Compliance

Regulatory compliance was often described by entrepreneurs as challenging and misaligned with the realities of informal township enterprise. Several respondents noted that formalisation is hindered by the time and costs associated with licensing, registration, and municipal inspections.

Example: PAR006 stated, *“The registration process is confusing, and we don't know where to go. We get fined, but there is no guidance.”*

While participants agreed that registration might lead to formal support or financing, they viewed municipal restrictions as punitive rather than encouraging progress. This outcome exemplifies the wider conflict between ambitions for formalisation and the practicality of the informal sector. Respondents highlighted the high costs and bureaucratic challenges of complying with municipal and national regulations. Some had been waiting for years to obtain trading licences or compliance certificates, while others continued to operate informally. Standards for health and safety, such as construction plans and fire certificates, were identified as extremely expensive, often exceeding the business's monthly income. Many were compelled to keep trading despite not fully meeting the compliance requirements, which prevented them from accessing formal funding schemes.

These stories are consistent with research demonstrating that the challenges of business registration and local bylaw enforcement perpetuate informality in township enterprises (Matsietsi, 2022:28). Respondents in Kagiso directly linked compliance costs to lost competitiveness, claiming that funds that could have been utilised to increase stock or improve services were instead diverted to regulatory fees.

Beyond the financial implications, respondents expressed dissatisfaction with the irregular and unpredictable nature of regulatory enforcement. While some spaza shop owners faced penalties or threats of closure for non-compliance, others in the same area were allowed to operate without formal trade permits. This inconsistent enforcement fostered a sense of unfairness and undermined trust in municipal governance institutions. Kubone (2019) agrees, arguing that fragmented enforcement tactics undermine regulatory confidence and prevent informal companies from adopting formalisation pathways. Many Kagiso businesses viewed compliance as an unavoidable cost with little tangible reward, rather than a means of entering broader markets.

Respondents highlighted a lack of accessible training and support from government officials during compliance activities. Several participants stated that the permit, zoning approval, and tax registration applications were highly complex, requiring expertise and extensive paperwork lacked. This is similar to Mukwarami (2017) findings that claim small enterprises usually lack the digital literacy, legal experience,

and financial resources required to comply with regulations. The absence of accessible, township-focused support systems sustains the informal sector cycle and reinforces the idea that regulatory structures are intended for larger, better-funded corporations rather than micro-businesses.

Finally, individuals described noncompliance as both necessary and risky. While being informal allowed spaza shop owners to focus scarce resources on inventory and household needs, it also limited their access to government funding, supplier networks, and development programs. This trade-off is consistent with Meyer's (2020) theory, which holds that informality, while suitable for short-term survival, constrains long-term growth potential.

Several Kagiso Township respondents expressed concern that ongoing exclusion from formal economic systems could lead to the marginalisation and eventual closure of locally owned spaza shops. This underscores the tension between survival strategies and long-term growth, suggesting that without reforms to simplify and subsidise compliance, township businesses will remain caught in a cycle of limited development and persistent vulnerability.

According to the respondents, about 70% of entrepreneurs' businesses are not registered, while 30% of spaza shops in Kagiso Township are registered (see Figure 4.2 on page 87). Regulatory compliance concerns identified during the interviews, such as lengthy licence delays, high registration fees, and insufficient municipal support, are consistent with the constraints documented by Meyer (2020) and Moyo *et al.* (2023). The lack of readily available compliance guidance prevents many entrepreneurs from formalising their businesses, resulting in continued exclusion from financial and developmental support programs.

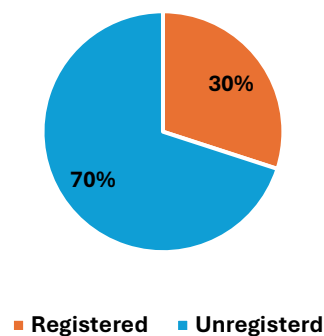
The findings confirm Ncube and Matlala (2023) assumption that the digital revolution in the township economy occurs gradually. Despite greater knowledge of digital tools, adoption is limited due to high costs, inadequate infrastructure, and insufficient skills. A few entrepreneurs who employed mobile payments or POS systems reported greater productivity and consumer convenience, validating Matsietsi (2022) claims about the revolutionary force of digital inclusion.

The findings revealed that local entrepreneurs saw regulatory compliance as punishing rather than constructive. Many participants reported problems registering with the CIPC or meeting local bylaw requirements.

These administrative impediments promote informality while restricting access to government support. This conclusion supports Meyer (2020) and Moyo *et al.* (2023), who found that small businesses in South Africa frequently get unregistered due to bureaucratic delays and inconsistent enforcement. Entrepreneurs in Kagiso complained that a lack of local government assistance and follow-up restricts the actual benefits of formalisation. Thus, while compliance is essential to receive assistance, the system's complexities discourage involvement.

Figure 4.3 below shows awareness and participation in business registration among different entrepreneurs.

Figure 4.3: Awareness and participation in business registration



Source: Own compilation (2025)

4.3.2.3 Primary Theme: Regulatory Compliance

Table 4.8 on page 89, it summarises the findings under the key issue of Regulatory Compliance, which emerged as a critical institutional challenge affecting spaza shop operations and expansion. The table combines several interconnected categories to show how bureaucratic inefficiencies, high compliance costs, and a lack of institutional support prevent the formalisation of township firms. The first category highlights that business registration is a time-consuming and expensive process, with participants

citing lengthy municipal delays that can last years and charges ranging from R3,000 to R5,000 for required certificates and planning permissions.

The complexity and high cost impede compliance and formal registration. The second group exhibits a lack of municipal support, with respondents stating that local governments impose strict restrictions without offering sufficient guidance or consistent enforcement, resulting in unfair competition between compliant and non-compliant traders. The table also highlights a lack of understanding of compliance norms as a significant factor in informality, as many business owners are unaware of the necessary procedures or lack access to the required documentation.

Finally, the discussion highlights how unregistered businesses often face barriers to financing, being frequently barred from legitimate financial and government support programmes. Overall, the findings demonstrate that regulatory constraints not only hinder formalisation but also extend economic exclusion and cause operational instability within the township enterprise sector.

Table 4.8: Primary theme: Regulatory compliance

Primary Theme	Categories Merged	Explanation
Regulatory Compliance	Business registration is a lengthy and costly process.	Participants highlighted municipality delays (up to years) in providing licences, as well as expensive expenses for planning and certificates (R3,000-R5,000), as factors discouraging compliance.

Regulatory Compliance	Lack of municipal support.	Respondents believe municipalities impose expectations without support, and inconsistent enforcement generates unfair competition.
Regulatory Compliance	Limited knowledge of compliance requirements.	Many entrepreneurs were unaware of the processes or couldn't obtain the necessary paperwork, resulting in informality.
Regulatory Compliance	Impact on funding eligibility.	Many entrepreneurs were unaware of the processes or couldn't obtain the necessary paperwork, resulting in informality.

Source: Own compilation (2025)

4.3.3 Competition Dynamics

4.3.3.1 Question 4: How does competition affect the performance of your Spaza Shop? What is the nature and extent of competition from larger retailers and foreign-owned businesses, and how does this competition affect the sustainability of local Spaza Shops?

- *Probe:* Who are your competitors and how close are they to your spaza shop?
- *Probe:* What is your strategy in dealing with this competition?

This question examines how competition, particularly from larger retailers and foreign-owned businesses, impacts the performance and sustainability of local Spaza Shops. Table 4.9 below shows the different participants' responses to Question 4.

Table 4.9: Question 4 Empirical findings

Participant	Response	Category
PAR001	My challenge is stock availability; the foreigners buy in bulk as a group. I only buy a few items daily. If we were buying in bulk, our business would have been successful. My prices are slightly higher than my competitors as I have a lot of costs that I need to cover, like transport costs, and with regard to foreigners, it's easy as they get free deliveries from their warehouse. We tried having a warehouse for South African-owned spaza shops in phase two, but we didn't succeed, as it requires a lot of money to run it. I tried partnering with other spaza shops, but it didn't work as our fast-selling lines and finances do not allow us to buy any stock. My competitors are foreigners and big retail stores; my advantage is that I target people who want convenience. I have a lot of customers who are renting rooms, and they don't want to get into a taxi to go buy items that are needed urgently. My strategy is hygiene and cleanliness. My store is a walk-in in as you can see, I do not have burglars in front of the store, meaning customers can choose what they need for themselves instead of asking someone to hand it over to them.	Bulk purchase disadvantage; failed cooperative projects; differentiation by hygiene and consumer convenience.
PAR002	With our foreign nationals, they buy in bulk, they come together and get a discount, so it worked for them, but we suffer on the other hand because we don't work together and buy in bulk, because it's much cheaper buying in bulk, unlike individually. Our foreign nationals are our biggest competitors, rather than the	Price disadvantage due to fragmented local networks; intentional cost

	big retail shops, which are a bit far from us. In terms of strategy, try to look for a cheaper brand; we try to go directly to the manufacturer, unlike the middleman, because prices become cheaper.	savings via direct sourcing.
PAR003	Competition is good, but the problem is that we don't have the money to challenge our competitors. People don't want to support us, and we don't have enough stock to compete with our competitors. We offer good service and enough stock, that's the only way we can deal with competition. Foreign nationals are our competitors. In terms of strategy, we make sure we have enough stock, and we offer good service to customers.	Capital constraints hinder competitiveness; a service-based differentiation strategy.
PAR004	Most Foreign spaza shops have their own cash and carry, so they buy there at cheap prices. Foreign spaza shops compete with big retailers like Shoprite. Foreign entrepreneurs have about 100 spaza shops, and they also have societies which help them buy in bulk, and they make their prices very low. Foreign nationals are my competitors.	Foreign market supremacy through collective purchasing; local traders' structural disadvantage.
PAR005	I don't have competition. I have a lot of customers. They love my place. I have about four competitors, and I have a good relationship with my competitors. If I don't have something, I refer my customers to my competitors. In terms of strategy, it's a bit difficult to compete with my competitors because most of the time, I lack certain items because I don't buy in bulk. So, it's quite difficult to compete with them.	Limited competition management, cooperative peer relationships, but low purchasing power.
PAR006	I can't say big retailers are a bit of a challenge; the challenge I have is the foreign national spaza shops. I'm surrounded by 19 shops. It depends on the community on how much they support you. So, some people believe they should buy where the food is	High-density competition, with quality assurance and

	<p>original. So, I always avoid buying fake food, since I don't want to be in trouble, making people sick. So, I buy at retailers like Micro sunshine, Jumbo, so that I can also be safe. When you buy, you need to have a tax invoice, so that even when they come around, they do need it. It helps to keep safe. I cannot complain because I have my loyal customers.</p>	<p>customer trust as strategies.</p>
PAR007	<p>My biggest competitors are foreign spaza shops. They are my biggest competition because they sell at low prices. In terms of strategy, I push my own things. They really don't bother me.</p>	<p>Price competitiveness; individualistic coping style.</p>
PAR008	<p>When you have a lot of competitors you have to be mindful of the prices you charge because you have a lot of competitors that are nearby, so the moment you increase your prices by R50 cent, you've driven away maybe 5% of your customers to the other outlet, so competition as impaired me not to over-charge and the profitability of it I have to be mindful of it. Operating in a local area is very difficult because everyone is close, so even 500 meters from my spaza shop, there is a tavern operating, even a kilometre away, there is another retail outlet operating, so competition is very tight. In terms of strategy, I would say sourcing my own material. I'm lucky because I was able to acquire a huge deal with a company that supplies products for retail outlets at a cheaper price, so I'm able to charge lower prices, so that my stronger point, so I'm cheaper compared to the other competitors.</p>	<p>High market saturation, strategic supplier alliances and price management.</p>
PAR009	<p>Competition does have a negative impact on my business. In terms of prices, I'm not sure where my competitors are getting stock because their prices are lower; if I compete with them, I won't be able to make a profit. My competitors are foreign nationals; they stock in bulk, hence their prices are low. In terms of strategy, I participate in my community so that they</p>	<p>Bulk purchasing gap; community-based marketing as a survival tactic.</p>

	can support me, and have some promotions so that I can attract customers.	
PAR010	The pricing is an issue because I'm surrounded by foreign nationals in a spaza shop. Their prices are cheaper, and I can't grow below them because I would lose profit. My competitors are foreign national spaza shops. In terms of strategy, I need to gain trust from my customers by selling fresh food and making sure they are not expired. Give them the guarantee that my food is fresher than my competitors.	Price competitiveness; differentiation by quality assurance.
PAR011	My biggest competitors are foreign nationals. Their prices are so low because they buy in bulk. Their prices are so low, and it's so difficult to compete with them. I don't get impacted by my large retailers.	Foreign price supremacy and minimal exposure to formal retail competition.
PAR012	My biggest challenge is stock more than prices. My biggest competitors are foreign nationals. Big retailers do not affect me that much because their prices are high.	Stock capacity is limited, and foreign companies dominate the local supply chain.

Source: Own compilation (2025)

4.3.3.2 Linking Findings with Literature Review: Competition Dynamics

Competition has become a major concern, mainly due to foreign-owned spaza shops and larger retail chains. Respondents consistently reported that overseas traders possess a competitive edge through bulk buying, cooperative networks, and improved supply chain systems, enabling them to offer lower prices. Larger formal merchants, despite being located further from residential areas, attracted customers with a wider range of products and special deals. Local entrepreneurs found it difficult to compete, often relying on personal strategies such as emphasising proximity, product freshness, or superior customer service. One respondent, for instance, mentioned that they used

store hygiene and walk-in accessibility to differentiate their shop from the competition. These findings are consistent with previous research that has identified cooperative purchasing and customer price sensitivity as essential variables in township retail competition (Mampheu, 2019:8)

Example: PAR004 explained, *“Foreigners buy together, so they get discounts. We can’t match their prices, so customers go there.”*

Respondents consistently noted that competition from foreign-owned spaza shops had changed the retail landscape in Kagiso Township. Foreign entrepreneurs, especially those from Somali and Ethiopian groups, were expected to benefit greatly from cooperative approaches such as bulk purchasing, longer opening hours, and pooling financial resources. These strategies allowed them to offer lower prices and a broader product range than local businesses could sustainably match. Similar patterns emerge from Phalatsi and Chipunza's (2019) research, which found that collaborative business models among foreign-owned spaza stores yield economies of scale, increasing profitability and market dominance. In many local markets, this competitive imbalance led to lower sales and client loyalty.

Competition from large retail chains was also identified as a major concern, especially with the emergence of supermarkets and discount stores in township areas. Participants talked about how established companies such as Shoprite and Boxer attract customers through loyalty programmes, consistent pricing, and a wide range of products.

While spaza shops have traditionally thrived on convenience and community trust, respondents agreed that these advantages are being undermined by the official sector's ability to lower prices and meet higher consumer demands. As Rogerson (2019) points out, the growing presence of formal retailers in township marketplaces erodes the niche traditionally occupied by spaza shop enterprises, leaving local entrepreneurs with low margins and few opportunities for differentiation. Finally, respondents indicated that competitiveness extended beyond external influences to include saturation within the township itself. Kagiso Township has numerous spaza shops, which generate price wars and competition among local business owners.

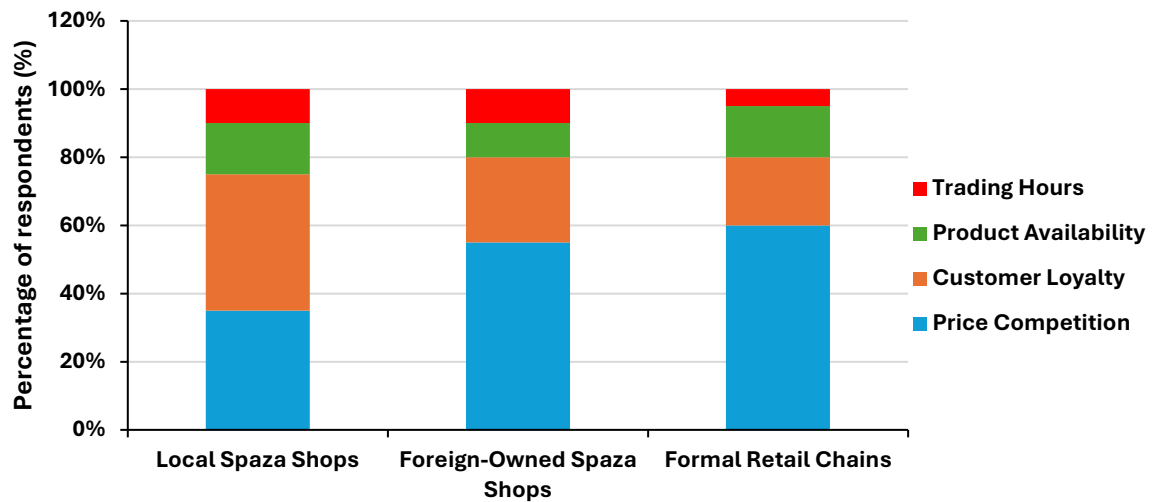
Several entrepreneurs admitted to lowering prices to unsustainable levels to retain customers, often resulting in lower profits and strained relationships with suppliers.

Charman *et al.* (2017) discovered that market overcrowding in township economies affects individual enterprises' profitability, particularly when entrepreneurs lack innovative strategies to differentiate themselves. Respondents emphasised that without collaborative channels such as pooled purchasing groups, supplier agreements, or collective marketing, local spaza shops remain fragmented and vulnerable, sustaining a competitive cycle that prioritises survival over long-term profitability. Local entrepreneurs reported declining profit margins as competitors employed aggressive pricing and bulk-buying advantages. Many acknowledged losing customers to stores that offered lower prices or longer opening hours.

Competition emerged as the most pressing issue, with respondents citing pressure from both foreign-owned spaza shops and giant retail chains. Competition from foreign-owned spaza shops and formal retail chains reinforces trends identified by Kgaphola, Tawodzera and Tengeh (2019) and Rogerson (2019) who discovered that foreign traders achieve operational efficiencies through bulk purchasing and collaboration, while local businesses remain fragmented and less competitive. Local businesses have reported losing consumers to competitors that profit from bulk purchases and longer trade hours. According to Fatoki (2016) and Thantsha (2020), the unequal competitive landscape has exacerbated the gap between small and established stores.

Participants also highlighted how the expansion of multinational businesses into townships through convenience stores and delivery platforms undermines the pricing power of local entrepreneurs. Individual spaza shops cannot attain economies of scale unless they join cooperative networks or participate in group purchasing. This structural disadvantage increases dependence on high-cost wholesalers, which cuts profit margins and impacts long-term sustainability profitability. As indicated in Figure 4.4 below, there are five factors contributing to market competition, which include: trading hours, product availability, customer loyalty and price competition.

Figure 4.4: Factors contributing to market competition



Source: Own compilation (2025)

4.3.3.3 Primary theme: Competition Dynamics

Table 4.10 on page 97, it summarises the main issue of competition from foreign and retail chains, emphasising the significant market pressures faced by local spaza business owners. The table is categorised to illustrate how inequalities caused by scale, geography, and consumer preferences hinder the profitability and sustainability of township-based businesses. The first section highlights foreign-owned retailers' bulk purchasing power, which allows foreign traders to buy in large quantities, benefit from supplier discounts, and sell products at lower prices, placing local competitors at a structural disadvantage.

The second category focuses on closeness and saturation, noting that many respondents work in areas densely populated with foreign-owned businesses, with 3 to 5 within walking distance, leading to price wars and declining profit margins. Despite these challenges, small businesses adopt adaptive strategies to retain customers, such as maintaining strong client relationships, emphasising hygiene and freshness, and relying on community referrals, even with poor profit margins. Finally, the table highlights competition from formal retail chains like Shoprite and Pick n Pay, whose low prices, promotions, and wide product ranges further erode the market share of spaza shops.

Overall, these findings demonstrate that competition from both foreign operators and established retail chains increases the economic vulnerability of local spaza shops and constrains their long-term growth potential.

Table 4.10: Primary theme: Competition dynamics

Primary Theme	Categories Merged	Explanation
Competition from Foreign and Retail Chains	Foreign-owned shops' bulk purchasing power	Foreigners buy in bulk, receive supplier discounts, and lower costs, making it challenging for locals to compete.
Competition from Foreign and Retail Chains	Proximity and saturation.	The township is crowded with competitors. Some respondents are surrounded by more than 15 foreign-owned spaza shops within walking distance.
Competition from Foreign and Retail Chains	Strategies used by locals	Focus on hygiene, client trust, fresh produce, limited promotions, and recommendations to other local businesses; yet margins remain low.
Competition from Foreign and Retail Chains	Competition with formal retailers.	Chains such as Shoprite and Pick n Pay entice clients with low prices and a wide range of products, diminishing spaza customer bases.

Source: Own compilation (2025)

4.3.4 Digital Transformation

4.3.4.1 Question 5: How has your company reacted to and integrated digital transformation?

- *Probe:* What are the primary obstacles preventing spaza shops in Kagiso Township from adopting digital transformation strategies, and how would these strategies enhance their competitiveness and operational efficiency?
- *Probe:* What tactics have you employed to get over these obstacles, and how successful have they been?

This question explores how spaza shops in Kagiso Township are responding to digital transformation, the barriers they face in adopting such strategies, and the impact on their competitiveness and efficiency. Table 4.11 below gives different participants' responses to Question 5.

Table 4.11: Question 5 Empirical findings

Participant	Response	Category
PAR001	<p>Like I said earlier, A to Pay came in handy for us as we scan each and every item that we sell for our customers. We sell airtime, electricity, water coupons, and customers can now pay their DSTV with us. It helps with monitoring our stock levels. We also have speed points, and we want to be cashless in the future, as this will minimise the risk of handling cash. Finance is a problem in terms of upgrading, as you need to service these machines. If you make R300 per day, you are lucky, and on top of that, you need to pay for equipment services.</p> <p>I had a foreigner opening a spaza shop in front of my spaza, and the community was saying I won't survive with him in front of my spaza. I used a different strategy compared to them. I used my walk-in store, improved hygiene, stock rotation, and improved customer service. I also ensured that I do not run out of stock, and I took</p>	<p>Partial digital adoption through A-to-Pay; cost constraints on system maintenance; customer service and hygiene as non-digital differentiator measures.</p>

	customer requests seriously. I also worked on the store lighting, and the equipment was serviced timeously. I also ensured the store was clean.	
PAR002	<p>We have been using digital transformation from the beginning. We use POS and Mart shopper. Lack of knowledge, understanding of what we are doing, sometimes we open shops in order to survive without knowledge, education, and they don't have the training to use digital things.</p> <p>Before the due date for the expired product, we make the product cheaper, like making a combo, so that they can sell it.</p>	Advanced digital integration: digital skills gap; fundamental digital strategy for stock rotation and sales optimisation.
PAR003	I have a machine for people to pay with when buying. I have an A-to-Pay system and a cash registration fee.	Adoption of digital payments improves transaction efficiency.
PAR004	We only use cash for business. I'm selling cold drinks, sweets and snacks. I'm selling something that my competitors don't have to be different from them.	Non-digital operations and product differentiation as a competitive strategy.
PAR005	We use cash only for business.	Non-adoption of digital systems; conventional corporate practices.

PAR006	<p>I was donated by A to Pay; they gave me a cash till. The cash till is doing everything; it records stock, and it alerts me if the stock is running out. It tells me how many items are left; how many are sold. Before, I used a book to record all my stock, which was time-consuming. You must be dedicated; you must love what you are doing. The shop needs to be cleaned and organised. You must also love your customers and treat them with respect. Respect goes a long way. You must always be welcoming. A good customer service.</p>	<p>Non-adoption of digital systems; conventional corporate practices.</p>
PAR007	<p>My customers can swipe, and they can even ask for cashback. I do customer analysis, and I check which items my customers buy the most. Another problem I have is that I don't have a supplier. So, pricing becomes an issue. I can't even buy in bulk. I'm not even partnering with anyone.</p>	<p>Limited supply chain integration and partial use of digital payments.</p>
PAR008	<p>Since I have added a liquor section to my business, I have created a profile on Facebook to post a function every weekend, so it attracts a lot of customers, and it boosts the business. We used Facebook, Instagram, WhatsApp and a lot of digital platforms that young people use. When we started the business, I faced a lot of challenges when it came to acquiring skilled employees. Now, I felt like it was a problem, so I had to teach them how to manage money and to serve customers because customer service is very important.</p>	<p>Adoption of digital marketing, skill development program, and use of social media for business success.</p>
PAR009	<p>We just started going digital, and they can pay with a bank card. We do cash withdrawals as well. The promotions that I have in the township help a lot. I create an event in my place so that I can attract customers.</p>	<p>Basic digital transition: hybrid marketing, which combines digital and physical outreach.</p>

PAR010	<p>I'm still working on that to assist with inventory and make my business convenient.</p> <p>It's always about knowing the weak points of your competitors. A lot of my customers always complain that my competitors are selling expired stock, so I'm trying to avoid such things by giving customers trust that I sell fresh food, and I get loyal customers through it.</p>	Intended digital adoption: a quality-based customer retention approach.
PAR011	<p>I do cash withdrawals. I always sell original things. I avoid selling fake products which are unsafe. So, I gain customers through that.</p>	Limited digital integration; trust and authenticity are essential competitive assets.
PAR012	<p>I don't have a machine for digital purposes. So, I accept cash only. I always try to stock more. I have regular customers, and I know what they buy the most, so I focus on that.</p>	Digital exclusion: conventional operations rely on customer connection knowledge.

Source: Own compilation (2025)

4.3.4.2 Linking Finding with Literature Review: Digital Transformation

The adoption of digital technologies was inconsistent among participants. While some adopted point-of-sale systems, speed points, or mobile payment solutions, others continued to operate solely with cash.

Example: PAR007 remarked, *"I would love to use card machines, but the data and fees are too high. Customers also prefer cash."*

While most entrepreneurs recognise the potential advantages of digital tools such as card payments and mobile marketing, their adoption remains limited. High data charges, a lack of digital literacy, and inconsistent connectivity all hinder the integration of technology into daily activities. Only a few individuals mentioned using digital platforms (such as WhatsApp groups or Yoco card machines) for transactions or engaging with consumers. The rest relied mainly on cash payments, which limited efficiency and record-keeping.

Entrepreneurs recognised the potential advantages of digital solutions for inventory management and security but cited budgetary restrictions, frequent power outages, and a lack of expertise as barriers. Interestingly, those who implemented digital systems for stock tracking, such as “A-to-Pay,” reported positive effects, including fewer errors and improved stock-level control. However, most respondents agreed that cost constraints and a lack of training hindered widespread adoption. This parallels broader concerns identified in the literature on digital inclusion gaps in township economies (Tengeh & Mukwarami, 2017:44).

Respondents also noted that digital adoption was often reactive rather than purposeful. Several entrepreneurs said they initially turned to digital solutions after experiencing theft, stock losses, or difficulties reconciling daily transactions. This suggests that crisis management has a greater influence on digital adoption than proactive company planning. According to Matsietsi (2022), without structured training and institutional support, many township entrepreneurs would be unwilling to pursue digital solutions until they encounter insurmountable challenges.

In this context, digital transformation is seen as a last resort rather than a growth catalyst, indicating a misunderstanding of its long-term strategic importance. A key issue raised by participants was the lack of infrastructure to support comprehensive digital integration. Frequent load shedding and unreliable internet connectivity were recognised as significant obstacles to operating electronic systems. Even after mobile payment networks were introduced, power outages often caused downtime, forcing a return to cash transactions and undermining customer trust. Deokaran (2023) has similar concerns, tying South Africa's infrastructure flaws to the slow pace of digital change among micro-enterprises.

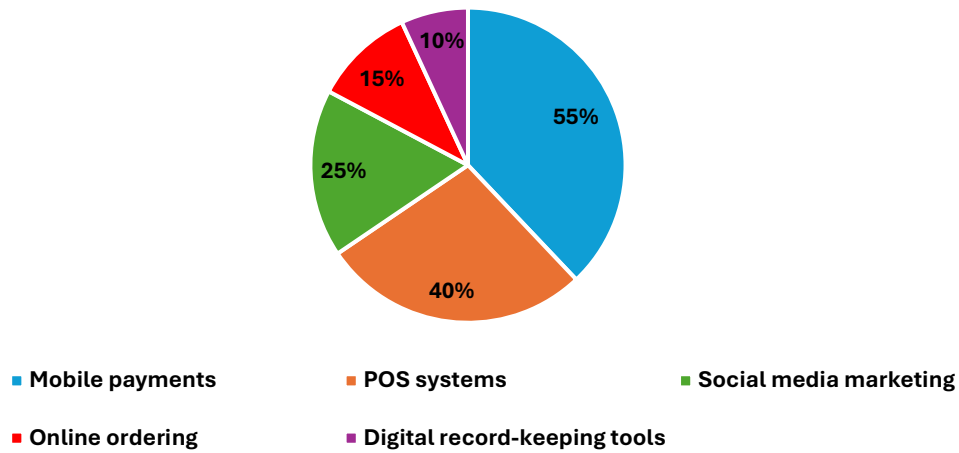
These external constraints compounded existing financial and talent shortages, prohibiting spaza shop owners in Kagiso from effectively capitalising on the benefits of digital technologies.

Despite these challenges, some respondents recognised the benefits of digital platforms in expanding customer reach beyond their local community. Several individuals expressed interest in using social media or messaging apps to promote deals, take orders, and organise deliveries. Although adoption at this level was limited, it reflects a growing awareness of the value of digital ecosystems in enhancing competitiveness. This backs up the findings of Chisoro-Dube and Das Nair (2020), who observed that township entrepreneurs who combine digital marketing and online engagement are better positioned to compete with larger retailers. However, participants understood that such ventures required both training and continuing financial investment, which many were hesitant to commit to without outside aid.

The findings indicated that digital adoption among spaza shop owners in Kagiso remains limited. Most respondents continue to rely solely on cash systems, with only a small use of mobile payments and digital record keeping. High data costs, poor connectivity, and low digital literacy were identified as major barriers. This supports the findings of Matsietsi (2022) and Deokaran, (2023), who argue that township entrepreneurs confront systemic impediments to entering South Africa's digital economy. Only a few participants reported attempting to use digital platforms for inventory management or online marketing. Those who did so reported increased productivity and customer convenience, demonstrating technology's revolutionary power when made more accessible.

Figure 4.5 on page 105 shows various uses of digital tools among spaza shop owners.

Figure 4.5: Use of digital tools among spaza shop owners



Source: Own compilation (2025)

4.3.4.3 Primary theme: Digital transformation

Table 4.12 on page 105, the findings are summarised under the core theme of Digital Transformation, which examines the scope, benefits, and obstacles of technological adoption among spaza shop owners. The table demonstrates the uneven rate at which digital technologies are being integrated into township businesses, as well as the institutional barriers that continue to impede progress.

The first category concentrates on partial adoption of POS and fintech systems, with some companies implementing tools such as “A-to-Pay” tills, speed points, and point-of-sale systems to handle airtime, electricity, and bill payments. This limited integration shows that digitalisation happens in stages rather than as a single process.

The second group highlights cost, skill, and infrastructure challenges, with respondents mentioning affordability issues, a lack of digital literacy, and ongoing problems such as load-shedding as obstacles to long-term adoption. Those who successfully implemented these technologies, however, reported notable benefits, including improved stock management, reduced cash-handling risks, and increased customer comfort.

The third category shows little government or NGO support, with participants claiming that training and financial aid for digital tools remain insufficient, barring many small traders from participating in larger digital economies. The findings in Table 4.12 show that, while digital transformation holds tremendous promise for efficiency and competitiveness, its uneven adoption highlights continuing socioeconomic and infrastructural disparities within township firms.

Table 4.12: Primary theme: Digital transformation

Primary Theme	Categories Merged	Explanation
Digital Transformation	Partial adoption of POS/fintech systems	Some used “A-to-Pay” tills, speed points, and point-of-sale systems to pay for airtime, electricity, and bills.
Digital Transformation	Barriers: cost, skills, infrastructure.	Many respondents cited a lack of understanding, inability to afford service costs, and load shedding and reductions as factors influencing the use of digital tools.
Digital Transformation	Benefits of adoption.	Those who used systems claimed improved stock tracking, lower cash risk, and greater customer convenience.
Digital Transformation	Limited government/NGO support	Participants said that training and support for digital technologies are limited, leaving many people excluded.

Source: Own compilation (2025)

4.3.5 Lack of Business Skills

4.3.5.1 Question 6: How does a lack of business management skills limit the growth and development of spaza shops in Kagiso Township, and in which specific areas do entrepreneurs require support and guidance?

- *Probe:* How would you rate your understanding of how to run a successful business?
- *Probe:* Are there any current government and non-governmental support programs available to assist spaza shops in Kagiso Township in terms of business management skills?

This question investigates how limited business management skills affect the growth of spaza shops in Kagiso Township and identifies key areas where entrepreneurs need support. Table 4.13 below gives different participants' responses to Question 6.

Table 4.13: Question 6 Empirical findings

Participant	Response	Category
PAR001	<p>A lot of people, more especially our youth, want quick cash without putting effort into the business or to learn how to make the business profitable. Lack of skills does affect the sustainability of our spaza shops, especially the lack of financial management. I can rate myself 8 out of 10 in terms of business skills. I have been running my spaza shop for 10 years now; however, I lack a lot in the administration part. I struggle a lot with record-keeping. I am teaching myself how to record takings daily, checking my fast-selling lines so that I can manage my spaza better, but I am struggling in that regard. I also research new lines in order to attract new customers.</p> <p>The government is failing us, as I do not have any initiatives that are assisting me in terms of growth. We had a family tree that was launched for us, Spaza shop owners, but it didn't yield any results. They sent us to</p>	<p>Moderate business skills; shortcomings in administration and financial management; self-directed study.</p> <p>Ineffective government initiatives, incomplete program execution, and reliance on</p>

	workshops, they told us that they will be building a warehouse in Chamdor, so that we can compete with foreigners. We have a wholesaler behind us that was supposed to supply us with stock, but the only thing they did was to paint our spaza shops, and they disappeared.	informal networks for assistance.
PAR002	<p>We need business skills because most people just run the business without understanding how to deal with the finance, how to handle the finance, they run a business without understanding how to make a profit, When we attended the ABSA training, we get training on how to manage me the business, how to manage your finances, how to do the makeup sometimes we open the business for survival not for growing hence most of the time you find people closing the business because they don't know how to handle the money, we don't have bank account to save profits so that when you ask for funding they can actually see that your business is growing, you are making money. I grew up in business. I have a clear understanding of business because my mother has been in the business for years. I have an understanding of business leads and my target market.</p> <p>The government is failing us, as I do not have any initiatives that are assisting me in terms of growth. I am now befriending foreigners for assistance or for help.</p>	Structured financial management training is required, as are limited record-keeping methods and a survivalist approach to corporate operations.
PAR003	<p>We need financial support and an educational course for the business so that we can manage the business.</p> <p>We don't have any government programme assisting us. We had a family tree that was launched for us, Spaza shop owners, but it didn't yield any results.</p>	Programmes to improve capability in financial and operational management are needed.
PAR004	It's difficult to get equipment and a place where you will be selling your products.	Infrastructure and resource

	<p>The government is failing us, as I do not have any initiatives that are assisting me in terms of growth. We had a family tree that was launched for us, Spaza shop owners, but it didn't yield any results.</p>	<p>constraints pose indirect management issues.</p>
PAR005	<p>I don't have any business skills. Even if you don't have business skills, you can still run a business. Running a business is a God-given talent. You just need to be smart enough to know how to run a successful business.</p> <p>We don't have any government programmes assisting us. We had a family tree that was launched for us, Spaza shop owners, but it didn't yield any results. They sent us to workshops, they told us that they would be building a warehouse in Chamdor, to supply us with stock, but they disappeared.</p>	<p>Lack of formal entrepreneurial training; relies on experiential learning.</p>
PAR006	<p>Business skills are very important; you can't run the business without knowing what you are doing. ABSA decided to take me to school in order to empower me and to teach me how to run the business. Financially, I am struggling. I need help with finance. I can't manage finance at the moment.</p> <p>We don't have any government programmes assisting us. We had a family tree that was launched for us, Spaza shop owners, but it didn't yield any results. They sent us to workshops, they told us that they would be building a warehouse in Chamdor, to supply us with stock, but they disappeared.</p>	<p>Corporate mentoring exposure; continuing financial management weakness.</p>
PAR007	<p>I don't have any business skills. I'm a self-made entrepreneur; I didn't go to school to learn how to run a business. In terms of guidance and support, I need training to assist with entrepreneurship since I'm a self-made entrepreneur.</p> <p>We don't have any government programmes assisting us. We had a family tree that was launched for us,</p>	<p>Lack of formal education; strong drive for entrepreneurial training.</p>

	Spaza shop owners, but it didn't yield any results. They sent us to workshops, they told us that they would be building a warehouse in Chamdor, to supply us with stock, but they disappeared.	
PAR008	I would give myself an 8/10 because you can never be sure of customers; they can change their minds anytime. My own understanding of the experience I had at Pick'n Pay over 10 years of working has given me an understanding of customers' needs and wants. I need support and guidance when it comes to skills development because my employees come from different background because most of them they do not understand the financial aspect of the business, when I tell them there is something they need to implement, they would question if thing is going to be profitable for the business, so the training aspect is what I currently need help with.	Strong practical experience is a requirement for staff development and team-based financial literacy.
PAR009	I still need more experience to run a successful business. I rate myself 4 out of 5. I need support and guidance in marketing my business. I still have customers who ask for credit and still run away to other shops because they avoid paying.	Basic business knowledge; deficiencies in marketing and credit control.
PAR010	I have N6 in Business Management, and I have experience from working at a retail shop, so I will rate myself 9/10. The world is moving in another direction, so I need training in the modern thing, where I can have a modern system where I don't have to capture things in a book, where I can scan it on the back, which will help me with inventory, and I can manage the shrinkage, the shortages. I was in a program at a spaza shop with ABSA, attending a Business Management course. They train entrepreneurs on how to manage the business. Customer service, Entrepreneurship, finance, customer	Formal business qualifications are required, as is a desire to integrate digital corporate processes.

	care and bookkeeping. The programme is trying to empower us on how to manage the business.	
PAR011	<p>Operating blindly is not a good idea; you need to familiarise yourself with a lot of things in business. You need to broaden your knowledge so that you can grow the business. Communication is also the key. Knowledge to get funding will come in handy for entrepreneurs. Even business seminars can help.</p> <p>We don't have a programme, but they try to have courses for us so that they can help, which are from the government (ABSA). The problem is that we are a few black spaza shops in Kagiso. We do get invitations from the government for business sessions in town to meet businesspeople. In terms of funding, they are not helping.</p>	Need to expand knowledge, with emphasis on communication and networking abilities.
PAR012	<p>I believe a lack of business skills affects a lot of entrepreneurs. I have been on a programme of spaza shops to teach me about finance and marketing.</p> <p>I have been on a SETA programme. They said they will fund us, so we need to have the requirements.</p>	Exposure to business development training and early-stage skill application.

Source: Own compilation (2025)

4.3.5.2 Linking Findings with Literature Review: Lack of Business Skills

Several respondents reported having limited knowledge in record keeping, financial management, and marketing. Most lacked budgets and accounting systems, relying instead on intuition or informal methods. Although a few people had taken training courses or benefited from family business expertise, knowledge gaps remained a significant barrier. Some entrepreneurs claimed that a lack of competence restricted their ability to develop or formalise operations.

These accounts support academic findings that low entrepreneurial capacity limits growth potential in township enterprises. Spaza shop owners who do not use organised management approaches are less likely to negotiate competitive issues or utilise institutional support structures.

Example: PAR003 remarked, *“I’ve been running this shop for 10 years, but I’ve never attended any business course. Everything I know comes from mistakes I’ve made.”*

Data suggests that a lack of business literacy reduces productivity, profit margins, and competitiveness. Throughout the interviews, participants often mentioned a deficiency in professional management skills. Many entrepreneurs run their businesses based on intuition and trial and error rather than structured training or mentoring. This lack of administrative capacity impacts budgeting, pricing, inventory control, and marketing. Respondents frequently expressed a desire for training but cited time constraints and limited access to development programmes as barriers.

Without the necessary financial and managerial skills, most entrepreneurs adopt a reactive approach to problem-solving, concentrating on short-term cash flow needs rather than long-term growth strategies. Entrepreneurs who received training or mentorship from local NGOs or supplier seminars demonstrated better record-keeping and stock management. This suggests that capacity-building activities could considerably enhance firm sustainability and operational performance in township economies.

Respondents also claimed that insufficient financial literacy has a direct influence on sustainability. Several entrepreneurs admitted to comparing business income with household spending, making it impossible to determine profitability or reinvest in the company. This lack of difference between personal and company finances is congruent with the difficulties raised by Nasimiyu (2023) who also claims that inadequate bookkeeping processes contribute to cash flow instability and exclusion from official credit markets. In Kagiso, the lack of regular financial management made it difficult for businesses to negotiate favourable terms with suppliers or submit legal applications for microfinance assistance.

Besides financial management, issues related to marketing and consumer engagement were identified as obstacles to growth. Participants noted that their lack of ability to effectively promote products, diversify their ranges, and implement pricing strategies heightened competition from larger shops and foreign-owned spaza businesses. Many Kagiso store owners relied mainly on word of mouth, but competitors employed flyers, social media, and loyalty programmes. This emphasis on passive client retention techniques reflects what Fatoki (2016) refers to as a survivalist mindset, in which businesses emphasise current sales over long-term market position. The inadequate use of traditional marketing methods increased their susceptibility in a highly competitive marketplace.

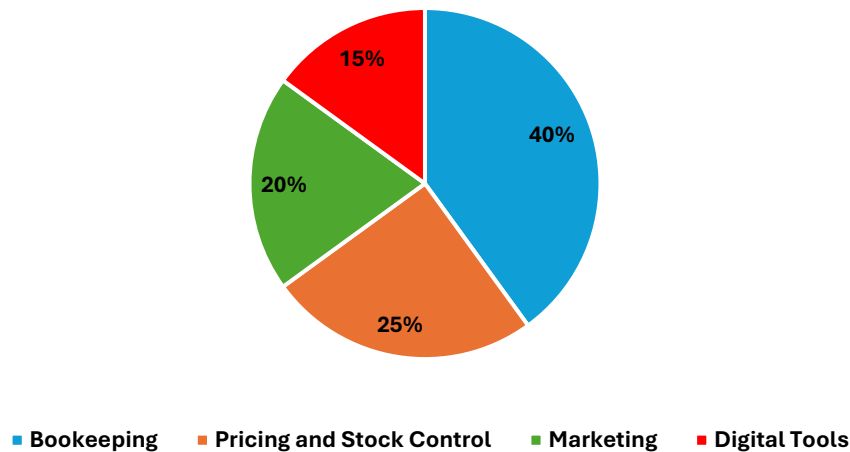
Finally, respondents highlighted their need for customised mentorship and training to enhance their business skills. While several had undertaken brief courses offered by the government or NGOs, they emphasised that these programmes were often generic and failed to address the specific challenges of operating in townships economies. This study lends support to Malgas and Zondi (2021) argument that entrepreneurship training must be contextualised in order to be effective. In Kagiso, inconsistent mentorship forced many entrepreneurs to depend on trial-and-error learning, slowing their progress and exposing them to costly mistakes. Consequently, inadequate skills in planning, financial management, and marketing remained structural barriers to growth, emphasising the need for targeted capacity-building initiatives for township-based businesses.

Another important finding from this study is that entrepreneurs lack business and managerial skills. Aside from a few responses, everyone openly admitted to having limited knowledge in areas such as financial planning, stock control, and marketing. The absence of regular and extensive mentorship or training opportunities worsens the situation by fostering inefficient operations and encouraging a short-term outlook.

Neneh, Tengeh & Mukwarami (2016) previously identified a link between entrepreneur competency and business resilience. For example, in Kagiso Township, respondents with NGOs' experience or training displayed superior record-keeping and strategic planning skills.

The identified training programs are an excellent example of the potential benefits of targeted capacity-building for township businesses. Figure 4.6 on page 113 shows areas where training is needed among spaza shop owners.

Figure 4.6: Areas where training is needed among spaza shop owners



Source: Own compilation (2025)

4.3.5.3 Primary Theme: Lack of Business Skills

Table 4.14 on page 114, it summarises the findings under the main theme of a lack of business skills, which emerged as a key obstacle to the effective management and growth of spaza shops. The table combines various relevant criteria to show how a deficiency in managerial skills and practical training weakens company performance and sustainability. The first group highlights poor financial literacy and record-keeping, as many respondents lacked formal accounting systems, budgets, or planned reinvestment strategies, instead relying on informal mental tracking of income and expenses. The second group concentrates on traders' inadequate marketing and customer service skills, indicating a lack of formal understanding of pricing tactics, product differentiation, and promotional techniques.

The findings also indicate that the entrepreneurial attitude is mainly shaped by necessity rather than opportunity. Many people started their businesses because of unemployment or poverty, rather than a strategic goal, which hampers creativity and

long-term planning. Lastly, the table reveals a lack of access to training and mentorship opportunities, with respondents strongly expressing the need for workshops, coaching, and government support to enhance their business skills. Overall, the findings demonstrate that a lack of organised business skills and developmental support results in inefficiency, hampers competitiveness, and restricts the growth potential of township-based enterprises.

Another important finding from this study is that entrepreneurs lack business and managerial skills. Almost all respondents openly admitted to having limited knowledge in areas such as financial planning, stock control, and marketing. The scarcity of regular, extensive mentorship or training opportunities worsens this issue by promoting inefficient operations and focusing on the short term. This study validates the findings of Neneh *et al.* (2016), who previously identified a link between entrepreneur competency and business resilience. For example, in Kagiso Township, respondents with NGOs' experience or training showed greater proficiency in record-keeping and strategic planning. The identified training programmes serve as an excellent example of the potential benefits of targeted capacity building for township businesses.

Table 4.14: Primary theme: Lack of business skills

Primary Theme	Categories Merged	Explanation
Lack of Business Skills	Weak financial literacy and record-keeping.	Many operated without official accounting, budgets, or explicit profit reinvestment strategies, relying solely on mental tracking.
Lack of Business Skills	Limited marketing and customer service training.	There are a few formal skills in promotion, price strategy, and product differentiation.
Lack of Business Skills	An entrepreneurial mindset is shaped by necessity.	Several people started businesses because they were unemployed or poor, rather than because they wanted to be entrepreneurs,

		which limits their growth potential.
Lack of Business Skills	Inadequate exposure to training/mentorship.	Respondents advocated for more workshops, mentorship, and government business assistance programs.

Source: Own compilation (2025)

4.3.6 Networking and Collaborations

4.3.6.1 Question 7: How do collaboration and networking opportunities, or the lack thereof, impact the ability of Spaza Shops to grow and thrive in Kagiso Township?

This question explores the role of collaboration and networking in the growth and success of spaza shops in Kagiso Township, and how the absence of such opportunities may hinder their development. Table 4.15 below, shows the different participants' responses to Question 7.

Table 4.15: Question 7 Empirical findings

Participant	Response	Category
PAR001	Finance impacts us badly, as we cannot buy the same items as Spaza shop owners. If we can get funding, it will be easier to buy in bulk. Remember, if we buy in bulk, we are able to reduce pricing and make nice profits, and the business runs smoothly. I think if we can work together, it will be easier for us, but unfortunately, due to finances, we cannot do collaborations.	Financial impediments to collaboration: understanding the potential benefits of cooperative purchasing.
PAR002	People keep information to themselves, they don't share, they don't comply, people don't know where to start, and they comply. We don't come together; we	Lack of trust and information sharing; poor

	don't have a strategy that can work for us. We don't help each other to combat these challenges.	cooperative culture.
PAR003	We work individually; we don't collaborate with others. We don't have a network.	There is an absence of networking and communal engagement.
PAR004	Initially, we had a mini society where we decided to collaborate with one another and compete with foreign nationals. They advised me to start a business so that I can join Family Tree (government programme), the government add money via ABSA into Family Tree in order to empower township businesses. They give every local township entrepreneur R50 000 in stock.	Government-supported collaboration: a short-term cooperative initiative.
PAR005	We do collaborate. But the collaboration is not working because we still can't beat the foreign national.	Limited resources and foreign traders' market domination resulted in ineffective collaboration.
PAR006	We do collaborate. The MC took us all and opened a group chart. We opened a stokvel for business. We tried networking to help each other in order to grow. It's a bit of a challenge with regards to retail because we are few. With retail, I think we are 3 or 4, so it's difficult to buy in bulk. A lot of people run small businesses like selling kotas, a bakery, and cool drinks. I think people are scared to run such a big business because of foreign nationals. It's a very sad situation. Some companies are trying to help us by organising wholesale; they are trying to help us buy	Small-scale cooperative efforts face structural and psychological impediments to growth.

	stock in bulk, and they provide free delivery. We cannot even buy a pallet because we are few.	
PAR007	I don't have any collaborations. I can't even buy in bulk with other entrepreneurs. So, I end up buying as an individual entrepreneur.	Individualistic enterprise with financial and logistical isolation.
PAR008	We work individually; we don't collaborate with others. We don't have a network.	Disconnection from peer networks results in solitary corporate activities.
PAR009	I work individually; I don't collaborate with others.	Solo entrepreneurship; absence of business connections.
PAR010	Spaza shop owners are selfish out there; they won't tell you where they get cheap items. So, I don't collaborate with anyone. I find my own suppliers.	Entrepreneurs have low social capital and are distrustful of one another.
PAR011	As small black businesspeople, we don't necessarily see how much growth we could have if we collaborated because we compete with each other. So it would be much better to come together.	Awareness of the potential benefits of collaboration, but limited implementation of cooperative projects.
PAR012	We are not collaborating; we have secrets, and people are so selfish with information.	Information hoarding: cultural

		and interpersonal impediments to networking.
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Source: Own compilation (2025)

4.3.6.2 Linking Findings with Literature Review: Network and Collaboration

The evidence of coordination among local spaza shop owners was weak. Respondents cited mistrust and a lack of cooperation as reasons for the absence of bulk purchasing or coordinated marketing initiatives. Attempts to establish cooperative warehouses for South African-owned firms were unsuccessful due to financial and organisational challenges. As a result, individual entrepreneurs remained isolated and vulnerable to competitive pressures from larger groups.

Example: PAR009 stated, *“We don’t have a group or association. If we worked together, we could buy stock cheaper.”*

This lack of cooperation hinders the development of a unified economic community within Kagiso Township, reducing competitiveness and long-term sustainability. The research supports this conclusion, indicating that low trust and social capital restrict collaboration in township enterprises. However, working together is vital to overcoming competitive disadvantages faced by larger, foreign-owned retailers.

Respondents also claimed that the absence of established business associations or institutional support networks worsened their sense of isolation. Unlike foreign-owned enterprises, which typically operate within closely connected community organisations that promote information exchange and cooperative purchasing, local entrepreneurs in Kagiso reported working independently. This fragmentation limited their ability to negotiate wholesaler pricing and get access to cost-cutting supply chains.

Charman *et al.* (2017) discovered that South African-owned spaza shops have little associational life, reducing their collective bargaining power and putting them at a structural disadvantage compared to better-organised competitors.

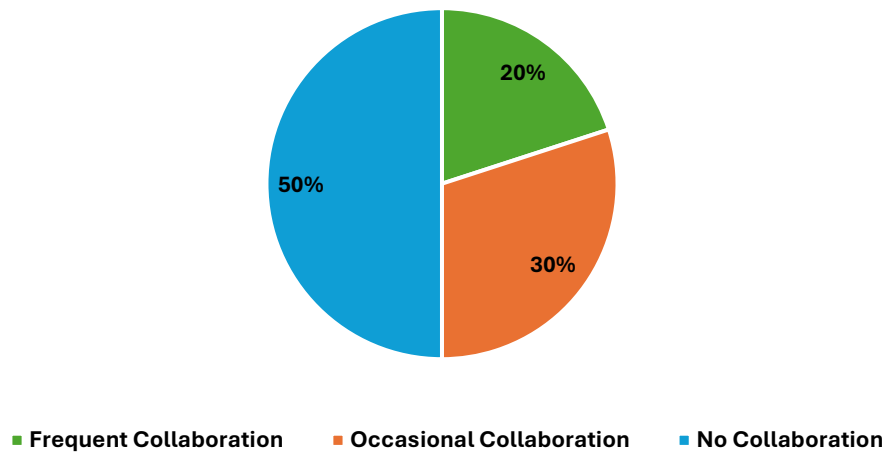
Another common concern was the apparent lack of sufficient institutional backing for collaboration. While government programmes like TEDB and SSSF promote cooperative models, respondents observed that these initiatives often fail to materialise at the local level due to bureaucratic obstacles and a lack of follow-up. Matsietsi (2022) observes that, while policy frameworks encourage collective action, implementation is usually hampered by inadequate coordination and low engagement from entrepreneurs who distrust government systems. This disconnect enhanced the propensity of spaza shop owners in Kagiso Township to work independently, despite the fact that cooperation would increase competitiveness.

Despite these challenges, some respondents expressed a desire to establish collaborative systems if trust and openness were assured. Cooperative purchasing groups, shared storage facilities, and community-based savings schemes were among the potential strategies to reduce costs and enhance resilience. These ideas are consistent with global evidence showing that collaborative activities can increase small businesses' access to finance, supply chain stability, and market presence (ILO, 2021). However, the long-term viability of such ventures requires not only financial investment but also a determined effort to generate social capital and leadership within local business organisations. Joint ventures are likely to break down or be short-lived in the absence of such a foundation.

The survey revealed a widespread lack of cooperation arrangements among Kagiso spaza business owners. Most businesses operate independently, which restricts opportunities for bulk purchasing, shared logistics, and information exchange. Participants recognised the benefits of collaboration, but cited mistrust, competitiveness, and a lack of coordination as key barriers/impediments. This is consistent with Tawodzera (2019) assertion that social capital boosts enterprise resilience in informal industries. A lack of collaboration diminishes negotiating power and creative potential, leaving entrepreneurs alone.

Figure 4.7 on page 121 shows the extent of collaboration among spaza shop entrepreneurs.

Figure 4.7: Extent of collaboration among spaza shop entrepreneurs



Source: Own compilation (2025)

4.3.6.3 Primary Theme: Collaboration and Networking

Table 4.16 on page 121, it summarises the key theme of Collaboration and Networking, which examines the level of collaboration and social capital among spaza shop proprietors. The table combines several interconnected categories to highlight a pervasive culture of isolation and mistrust, which restricts opportunities for social growth and resilience. The first category addresses a lack of trust among entrepreneurs, as attempts to establish cooperatives such as shared warehouses or collective purchasing systems have failed due to concerns about financial mismanagement and accountability.

The second category highlights the failure of collective buying operations, as native traders struggle to coordinate effectively, while immigrant-owned businesses collaborate well in bulk purchases, giving them a competitive advantage. The findings also indicate that businesses are becoming more isolated, with many working alone and missing opportunities to exchange resources, suppliers, and industry information. Despite these challenges, respondents recognised the potential benefits of collaboration, stating that coordinated efforts could reduce costs and enhance competitiveness. However, cultural, institutional, and trust-related barriers continue to hinder such efforts.

Overall, the table demonstrates that the lack of effective networking and coordination restricts township entrepreneurs' overall ability to build sustainable, competitive businesses.

Table 4.16: Primary theme: Collaboration and Networking

Primary Theme	Categories Merged	Explanation
Collaboration and Networking	Lack of trust among entrepreneurs.	Efforts to establish cooperatives (such as warehouses) failed owing to mistrust and financial mismanagement.
Collaboration and Networking	Failure of collective buying attempts.	Locals are unable to efficiently pool resources, whereas immigrant nationals are better coordinated in bulk purchases.
Collaboration and Networking	Isolation of businesses.	Many businesses operate alone, missing out on opportunities to exchange knowledge, find suppliers, and market.
Collaboration and Networking	Acknowledgement of potential benefits.	Participants observed that collaboration could lower costs and increase competitiveness, but cultural/structural impediments impede progress.

Source: Own compilation (2025)

4.4 Emerging Patterns and Relationships

Several trends emerged from the data analysis. Financial exclusion and regulatory noncompliance are closely linked; entrepreneurs without registration and legal documentation face additional funding barriers. This cyclical constraint fosters informality and discourages investment. Similarly, low digital literacy and limited business skills reinforce each other, as owners who cannot maintain accurate records or budgets struggle to incorporate digital technologies for tracking sales or inventory management.

Competition from foreign-owned companies and retail chains worsens these weaknesses. Local entrepreneurs' inability to buy in bulk or keep prices competitive stems from financial and collaborative challenges. The findings suggest that collaboration could help overcome some of these issues, including joint purchasing, shared logistics, and information sharing, thereby boosting bargaining power and cutting costs. However, persistent mistrust and poor coordination mechanisms limit its potential.

A broader pattern of "survivalist entrepreneurship" emerges, in which businesses operate solely to meet daily needs rather than to expand. This conclusion supports (Charman *et al.*, 2012:50). claim that a lack of a growth mentality limits innovation and strategic expansion. Notably, the poll identified a small group of entrepreneurs using adaptive strategies to differentiate their operations, such as integrating mobile payments or improving cleanliness and customer service, demonstrating the potential for scalability if provided with adequate training and tools.

4.5 Summary of Key Findings

This study demonstrates that spaza shop owners in Kagiso Township encounter interconnected barriers to business growth and formalisation. The main findings are summarised below.

- Limited funding, inadequate capital, and low financial literacy could affect operational stability and reinvestment.

- Regular registration can be expensive, time-consuming, and confusing, leading to informality and limited access to state and private support.
- Local entrepreneurs face tough competition from foreign-owned spaza outlets and formal retail chains that utilise economies of scale.
- Barriers to digital transformation adoption include cost, talent level, and infrastructure. However, adopters report substantial operational improvements.
- Inadequate business skills, poor record-keeping, limited marketing knowledge, and reactive decision-making hinder strategic growth.
- Collaboration and networking are limited by entrepreneurial isolation and mistrust, which can improve competitiveness and resilience.

Collectively, these findings demonstrate that the success of spaza shops relies not only on financial assistance but also on an integrated framework that includes capacity building, digital inclusion, cooperative structures, and regulatory support.

4.6 Summary of the Chapter

Chapter 4 presents and reviews empirical data collected from interviews with spaza shop entrepreneurs in Kagiso Township. The research is divided into six main themes: budgetary restrictions, regulatory compliance, competition dynamics, digital transformation, a lack of business skills, and collaboration and networking. Together, these issues offer insights into the numerous barriers to the expansion and viability of local spaza shops.

The findings showed that financial exclusion remained the biggest barrier to business growth, with entrepreneurs mainly relying on personal savings, family support, and informal lending institutions because of a lack of institutional credit and working capital. Another major challenge is regulatory compliance, as costly, complex, and time-consuming registration processes hinder formalisation, while inconsistent local enforcement weakens fairness and trust. Local businesses are disadvantaged by limited bulk-buying power, market saturation, and shrinking customer bases, making it even more difficult to compete with foreign-owned stores and formal retail chains.

Digital change was seen as both a potential enabler and a current obstacle. Although some entrepreneurs have partially adopted digital technologies such as point-of-sale systems and mobile payments, their wider use is limited by high costs, poor infrastructure, and low technological awareness. A shortage of vital business management skills, especially financial literacy, marketing, and record-keeping, hampers operational efficiency and profitability. Finally, the data showed a lack of collaboration and networking among entrepreneurs due to mistrust, fragmented coordination, and cultural barriers, despite broad recognition of the benefits of collective effort.

Chapter 4 emphasised that the growth constraints faced by spaza shop owners in Kagiso Township are systemic and interconnected, covering structural, institutional, and capacity-related challenges. These findings provide the empirical basis for Chapter 5, which will evaluate the data in relation to previous research, identify emerging correlations, and suggest ways to enhance the sustainability and competitiveness of township enterprises.

CHAPTER 5 MAIN FINDINGS, LIMITATIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter offers a synthesis of the study's findings, conclusions, and recommendations, based on the data analysed in Chapter 4 and supported by the theoretical insights discussed in Chapter 2. The study explored the barriers to establishing and growing locally owned spaza shops in Kagiso Township, Gauteng, employing a qualitative approach to examine how financial constraints, regulatory compliance, competition, digital transformation, managerial skills, and collaboration affect township enterprise operations.

This chapter has three parts: firstly, to summarise the main findings related to the study's research objectives; secondly, to offer practical and evidence-based recommendations for enhancing the sustainability and competitiveness of spaza shop enterprises; and thirdly, to highlight areas for future research that will deepen understanding of township-based entrepreneurship.

The chapter combines empirical data from participants' lived experiences with existing research to offer a comprehensive overview of the interconnected structural, behavioural, and institutional factors influencing business expansion in the township economy. The findings show that financial exclusion, regulatory constraints, competitive disparities, technical barriers, personnel shortages, and limited collaborative networks all hinder these enterprises' growth potential.

This chapter's focus shifts from empirical validation to theoretical synthesis and strategic thinking. Each problem is scrutinised to assess its relevance to the study's objectives and its contribution to the broader goal of fostering inclusive and sustainable entrepreneurship in township contexts. Additionally, the chapter evaluates the study's limitations, examines how the research objectives were achieved, and concludes with practical, evidence-based recommendations for legislators, entrepreneurs, and development groups.

Finally, this chapter goes beyond identifying challenges to explore their wider significance in South Africa's socioeconomic landscape. It recognises the ongoing inequities in financial access, institutional support, and digital participation that limit township businesses, while emphasising their resilience and adaptability. The findings from Kagiso Township offer a framework for creating targeted policy measures, capacity-building initiatives, and digital inclusion strategies to foster fair, sustainable growth in township economies.

5.2 Limitations of the Study

The study's sample size was small, and its geographic focus on Kagiso Township may have limited generalisability. Self-reported data from participants may be biased or underreported. Additionally, time and resource constraints prevented a longitudinal assessment of business performance.

Although this study provides an important examination of entrepreneurial dynamics within township-based firms, several limitations should be considered when interpreting the findings. One notable constraint arises from South Africa's unique sociopolitical and economic context. The specific challenges faced by township firms, such as ongoing inequality, high unemployment, limited market access, and dependence on informal institutions, may restrict the applicability of these findings to other regional or national settings. Distinct historical legacies and structural disparities shape the township economy; thus, its difficulties and opportunities may differ considerably from those in more formalised corporate environments.

The research's temporal scope is also a drawback, as township entrepreneurship is a dynamic area affected by technological progress, legislative shifts, and macroeconomic fluctuations. The findings of this study represent conditions at a specific moment and may evolve with new interventions, digital tools, or market frameworks. Likewise, limited access to organisational data, such as sales figures, profit margins, and supplier details, restricted the scope of certain enquiries.

Although qualitative interviews provided detailed narratives, a lack of longitudinal and quantitative data limited the ability to monitor long-term business performance trends. The study's sample size and its focus on Kagiso Township restricted its capacity to generalise findings to other South African townships. Participants were selected based on their availability and willingness, which could have excluded less visible or struggling entrepreneurs whose perspectives might have offered additional insights. Self-reported data from participants also introduced the possibility of bias or under-reporting, especially regarding financial information and informal practices.

Finally, time and resource limitations prevented a longitudinal study of spaza store development over several years. As a result, the study offers a snapshot rather than a time series of entrepreneurial growth and adaptation. Despite these limitations, the findings are vital for further understanding the structural and behavioural factors that influence township enterprise sustainability. Future research could expand on this work by using larger comparative samples, longitudinal designs, and mixed-methods approaches to gain a more comprehensive understanding of township entrepreneurship in South Africa.

5.3 Achievement of Research Objectives

5.3.1 Primary Objective

The primary aim of this study is to investigate the challenges faced by local spaza shop owners when expanding their businesses in Kagiso Township. This aim was achieved through qualitative analysis of interview data. The study discovered that financial exclusion, legal restrictions, market competition, low digital adoption, limited business skills, and a lack of collaboration and networking all hinder long-term growth and formalisation. The findings highlighted that spaza shop owners encounter a complex mix of structural and behavioural barriers. Limited funding became a key impediment, with entrepreneurs relying mainly on personal savings, informal loans, and stokvel contributions for operating capital (Loghdey, 2024:9-14,41-45).

Many respondents claimed that a lack of collateral and established credit histories precluded them from participating in mainstream funding programs like SEFA and TREP (Nkwana & Roberson, 2025:3). These findings support Kubone's (2019) claim that informal township traders continue to encounter severe impediments to accessing institutional lending markets.

Furthermore, regulatory compliance issues such as business registration, taxation, and licensing have been found to impose administrative and financial constraints that impede formalisation (Mapengu, 2023:31). Respondents reported that municipal enforcement was inconsistent and sometimes intimidating, supporting Meyer (2020) assertion that excessive regulation stifles small-scale entrepreneurship. Competition also offered a considerable challenge. Foreign-owned spaza stores and formal retail chains exploited economies of scale, cooperative purchasing, and established supplier networks to reduce domestic pricing (Thantsha, 2020:90). This competitive imbalance, combined with low consumer loyalty and declining profits, harmed the profitability of locally owned stores.

Finally, the study showed that digital transformation is still in its early stages among spaza shop entrepreneurs. Many participants recognised mobile payment systems but lacked the digital literacy and infrastructure to use them effectively. This technical gap reduces operational efficiency and limits access to rapidly expanding digital markets. Finally, the primary goal of identifying and assessing the key challenges encountered by spaza shop entrepreneurs in Kagiso was successfully achieved through empirical validation and theoretical verification (Matsietsi, 2022:62).

5.3.1.1 Research Question Aligned with the Primary Objective

Table 5.1 on page 129, the research question is presented to satisfy the primary goal of this study. This question was extracted to directly correspond with the study's primary goal: to investigate and assess the hurdles to the growth and sustainability of spaza shop entrepreneurs in Kagiso Township.

By aligning the research question with the main objective, the study maintained a consistent approach to data collection and analysis, leading to a comprehensive understanding of the socioeconomic, regulatory, financial, technological, and collaborative factors influencing small-business growth in township economies.

Table 5.1: Research question aligned with the primary objective

Primary Objective	Corresponding Research Question
To investigate the challenges faced by local spaza shop entrepreneurs in expanding their businesses in Kagiso Township	What are the main obstacles faced by spaza store owners in Kagiso Township, and how do financial restrictions, regulatory compliance, competitiveness, digital transformation, business skills, and teamwork affect their capacity to grow and sustain their businesses?

Source: Own compilation (2025)

5.3.2 Secondary Objectives

All secondary objectives were successfully met:

1. **To explore the specific financial constraints impacting the expansion of Spaza Shops in Kagiso Township.** Kubone (2019:60) confirms that informality and a lack of collateral continue to limit entrepreneurs' access to formal funding, and a lack of financial literacy stymies investment and scalability. Entrepreneurs acknowledged difficulty maintaining working capital and managing cash flow, supporting Buthelezi (2023) view that financial fragility is a distinguishing feature of township businesses.
2. **To assess the role of regulatory compliance and its impact on the growth of Spaza Shops in Kagiso Township.** Bureaucratic inefficiencies discourage registration and restrict access to support services (Kubone, 2019:60). This goal was met by demonstrating that significant bureaucratic barriers and a lack of municipal advice contributed to low registration and tax compliance.

The findings back up Willie (2023) contention that disorganised local enforcement damages trust between small traders and the government.

3. **To determine the extent to which competition from larger retailers and foreign-owned businesses affects the sustainability and expansion of local Spaza Shops in Kagiso Township.** Larger shops and foreign-owned outlets outcompete local dealers due to better supply chains and price strategies (Nkwana & Roberson, 2025:2). According to participant testimonials, fierce pricing competition from foreign-owned and multinational retailers has reduced the clientele of local merchants. These findings are consistent with Rogerson's (2019) assessment of market saturation and unequal access to supplier chains as persisting structural disadvantages for township enterprises.
4. **To investigate the barriers to digital transformation and technology adoption among Spaza Shop entrepreneurs in Kagiso Township.** Digital illiteracy and inadequate infrastructure restrict technology inclusion (Matsietsi, 2022:1). The study identified digital illiteracy, restricted internet access, and mistrust of online transactions as essential hurdles. Participants expressed both curiosity and fear about digital systems, which supports Matsietsi, (2022) theory that poor technological adoption is caused by a lack of training and infrastructure in townships.
5. **To evaluate the impact of a lack of business skills, collaboration, and networking on the expansion and sustainability of Spaza Shops in Kagiso Township.** The absence of mentoring and collaborative frameworks reduces operational efficiency and market resilience (Tawodzera, 2019:453). According to the research, most entrepreneurs had limited professional experience in accounting, marketing, and inventory control. Their decision-making style is primarily experiential and reactive. Hare and Walwyn (2019) believe that such skill disparities perpetuate inefficiency and stymie growth, a pattern that is clearly visible in Kagiso Township.

6. To examine opportunities for collaboration and networking with other spaza shop owners, suppliers, or local organisations in Kagiso Township.

Identify opportunities for collaboration and networking. This aim was also achieved. Respondents indicated limited cooperation among local traders. Only a few people entered into informal stock-sharing or supplier-group agreements. Those who did reported greater stability and purchasing power. This lends weight to van Eyk, Amoah & Yase (2022) argument that social capital and trust drive collective efficiency.

The secondary objectives were addressed through a structured thematic analysis that identified causal links between these variables. The combination of empirical evidence and the literature strengthens the study's internal validity and provides a foundation for future research.

5.3.2.1 Research Questions Aligned with Secondary Objectives

Table 5.2 below is a list of the research questions developed to address each secondary purpose of this study. These questions were designed to ensure that the study's objectives aligned with the qualitative data collection process, enabling the researcher to explore how various financial, regulatory, competitive, technological, managerial, and social constraints influence the expansion of spaza shops in Kagiso Township. The table illustrates the direct connection between the objectives and the corresponding interview questions presented to participants, ensuring that each issue was thoroughly examined throughout the empirical process.

Table 5.2: Research questions aligned with the secondary objectives

Secondary objective	Corresponding interview question
To explore the specific financial constraints impacting the expansion of spaza shops in Kagiso Township.	What financial challenges do spaza business owners in Kagiso Township experience, particularly in terms of credit and financing options, and how do these constraints affect their company's growth potential?

To assess the role of regulatory compliance and its impact on the growth of spaza shops in Kagiso Township.	What challenges do you face in satisfying regulatory standards, and how do these compliance concerns affect your daily operations and opportunities for growth?
To determine the extent to which competition from larger retailers and foreign-owned businesses affects the sustainability and expansion of local spaza shops in Kagiso Township.	How does competition influence the performance of your spaza shop? What is the nature and scope of competition from larger merchants and foreign-owned enterprises, and how does it impact the viability of local spaza shops?
To investigate the barriers to digital transformation and technology adoption among spaza shop entrepreneurs in Kagiso Township.	How has your company handled and incorporated digital transformation initiatives like mobile payments or online marketing?
To evaluate the impact of a lack of business management skills and explore opportunities for improvement.	How does a lack of business management skills impede the growth and development of spaza shops in Kagiso Township, and in what areas do entrepreneurs require assistance and guidance?
To examine opportunities for collaboration and networking among local spaza shop owners, suppliers, or organisations in Kagiso Township.	How do collaboration and networking possibilities, or a lack thereof, affect spaza shops' potential to expand and thrive in Kagiso Township?

Source: Own compilation (2025)

5.4 Research Conclusions

The study's findings highlight the complex interaction of financial capacity, regulation, competition, digital transformation, business skills, collaboration, and networking that impacts the performance and sustainability of locally owned spaza shop businesses in Kagiso Township. The findings reveal the structural and behavioural complexities of township entrepreneurship, showing that growth challenges cannot be solved in isolation but need to be addressed from multiple angles. Financial exclusion and regulatory barriers are the main obstacles maintaining cycles of informality and undercapitalisation.

The lack of business expertise and digital skills among entrepreneurs makes them vulnerable in a growingly competitive retail environment dominated by established and multinational corporations. The absence of collaborative frameworks limits collective purchasing, lobbying, and shared learning, which could strengthen their competitive position in local markets.

Despite these constraints, the study found that spaza enterprises continue to play a vital role in the township economy by providing jobs, local access, and community cohesion. However, their survivalist mindset restricts scalability and innovation. Addressing these issues requires a coordinated approach involving policy, education, and infrastructure. The findings reaffirm the importance of government initiatives such as the Township and Rural Entrepreneurship Programme (TREP) and the Spaza Shop Support Fund (SSSF), but also highlight the need for increased accessibility, easier procedures, and specialised training. The future success of Kagiso's spaza industry depends on integrating formalisation incentives, financial literacy, and digital adoption with the realities of informal township business.

Table 5.3 highlights the key results by matching each secondary purpose to the associated empirical observation and to the supporting literature from Chapter 2. This integrated overview demonstrates how the study's theoretical hypotheses were tested using field data and emphasises the interconnectedness of the factors of township enterprise growth.

Table 5.3: Secondary objectives - key findings and literature alignment

Secondary objective	Key findings (Empirical)	Supporting literature (Theoretical)
Financial constraints impacting expansion	Growth and reinvestment are hampered by limited credit availability, reliance on informal savings programs, and the high cost of borrowing.	(Kubone, 2019) Loghdey (2024)
Regulatory compliance and business growth	Complex registration and tax systems impede formalisation, while inconsistent local enforcement erodes trust.	Willie (2023) Meyer (2020) Rogerson (2019)

Competitive pressures from larger and foreign retailers	Formal merchants' price undercutting and greater supply networks reduce local shops' market dominance.	(Thantsha, 2020) Rogerson (2019)
Barriers to digital transformation	Digital illiteracy, poor connectivity, and fear of fraud limit technology adoption.	(Deokaran, 2023) (Matsietsi, 2022)
Deficit in business management skills	Inadequate record-keeping, budgeting, and marketing skills reduce operational efficiency.	Hare and Walwyn (2019)
Lack of collaboration and networking	The absence of collective purchasing, information exchange, and formal associations lowers bargaining strength and competitiveness.	Gazu (2024) van Eyk, Amoah and Yase (2022)

Source: Own compilation (2025)

The synthesis above reveals several overarching conclusions:

- i. **Systemic Interdependence:** Financial, regulatory, and skill-related issues reinforce each other, forming a self-perpetuating cycle of restrictions.
- ii. **Persistent Informality:** Entrepreneurs who minimise regulatory costs often choose to stay unregistered, resulting in financial exclusion.
- iii. **Market Displacement:** Competition from formal and foreign-owned retailers diminishes local participation in the township economy.
- iv. **Digital Exclusion:** Spaza stores lack the technological ability to run e-commerce and mobile payment systems.
- v. **Capacity Deficit:** Limited business knowledge hinders long-term planning, innovation, and investment.
- vi. **Social Fragmentation:** A weak cooperative culture obstructs collective efficiency and advocacy. These findings reveal that township entrepreneurship is both resilient and fragile, adaptable yet susceptible to structural instabilities. To

achieve long-term transformation, integrated initiatives such as financial inclusion, regulatory reform, digital literacy, and social network development will be essential.

Figure 5.1 below shows the alignment of secondary objectives with core themes.

Figure 5.1: Alignment of secondary objectives with core themes



Source: Own compilation (2025).

Summary of research conclusions

The overall research conclusions from this study are summarised as follows:

- i. The growth of spaza shops is driven by both individual entrepreneurial ability and institutional frameworks.

- ii. Government and financial organisations should prioritise credit access, regulatory simplification, and digital infrastructure to promote equal participation.
- iii. Empower entrepreneurs through targeted skills training and collaborative platforms for joint purchasing and market bargaining.
- iv. Integrating digital technologies, teamwork, and inclusive finance is essential for revitalising township economies.

Together, these discoveries establish the empirical basis for the recommendations and strategic frameworks outlined in the following sections of this chapter.

5.5 Recommendations (Based on the Literature Review in Chapter 2)

Drawing on the theoretical and conceptual insights presented in Chapter 2, this part presents four strategic recommendations to address the systemic and structural barriers to the growth of spaza shop entrepreneurs in Kagiso Township. Meyer (2020), Rogerson (2019) and Scheba and Turok (2020) all emphasise the principles of inclusive entrepreneurship, sustainable development, and digital transformation that underpin these approaches. Each solution is based on theoretical ideas, including financial inclusion, regulatory change, innovation adoption, and collaborative entrepreneurship.

i. Enhance Financial Inclusion and Capital Accessibility

The literature consistently identifies limited credit availability as a fundamental impediment to small-business development in township economies (Kubone, 2019:20). To address this, the government and financial institutions should establish microlending systems and community-based financing models for informal traders. These could include rotating savings and credit associations, blended finance partnerships, and low-interest township development funds.

Furthermore, offering financial literacy training through local business support centres will assist entrepreneurs in managing cash flow, reducing debt, and reinvesting profits wisely. Improved financial inclusion will enable entrepreneurs to formalise their activities and compete within regional supply networks.

ii. Simplify regulatory frameworks and strengthen local enforcement support

The research literature stresses how bureaucratic red tape and inconsistent municipal enforcement impair business registration and compliance (Ebrahim & van den Berg, 2024:2-3). To address this, the municipality should establish a single-window registration system for informal traders, integrating permits, health compliance, and tax registration on a single digital platform. Training municipal authorities to act as developmental partners rather than punitive enforcers would help rebuild trust between local governments and small enterprises. Such reforms would reduce administrative barriers, boost formal participation, and expand eligibility for government support programmes such as TREP.

iii. Promote digital transformation and technological literacy

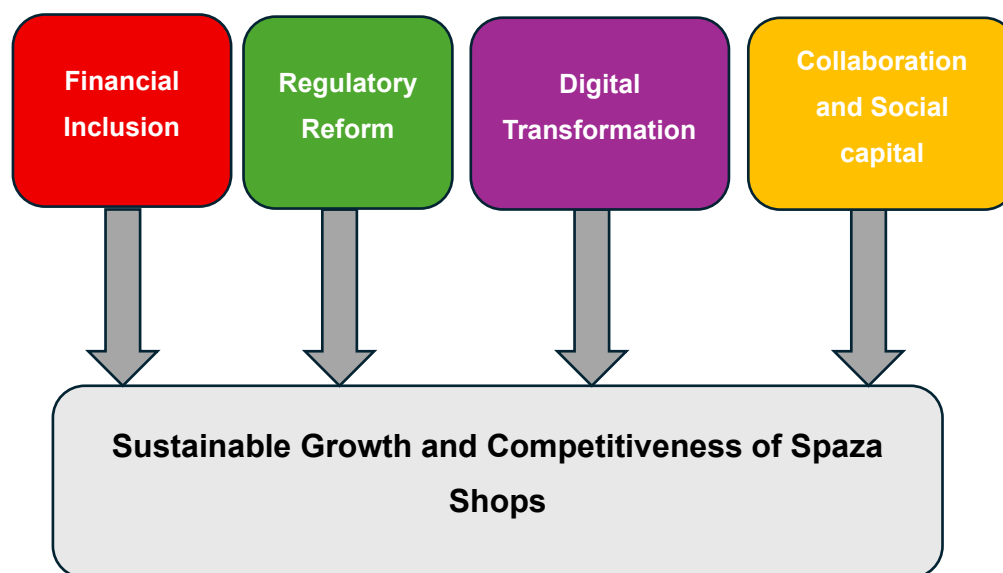
According to research, digitalisation is both a growth driver and a hurdle for inclusion (Matsietsi, 2022:4). The literature indicates that digital adoption enables small businesses to integrate into modern supply chains, enhance operational efficiency, and expand their customer reach. To facilitate this shift, measures such as subsidised data access, smartphone-based business management software, and brief mobile payment system training sessions should be implemented. Public-private partnerships between network providers and fintech firms could accelerate the process. Incorporating digital skills training into local community facilities will help ensure long-term sustainability and reduce the township's digital divide.

iv. Foster entrepreneurial collaboration and collective efficiency

Research on informal-sector resilience shows that social capital and collective action significantly influence competitiveness. Spaza shop owners should be encouraged to

form local business groups or cooperatives to enable collaborative procurement, shared logistics, and coordinated marketing. This approach would lower costs, enhance bargaining power with suppliers, and promote economies of scale. Moreover, establishing peer-learning platforms and networking forums would foster trust and facilitate knowledge sharing among traders, leading to a more cohesive township enterprise ecosystem. According to Rogerson (2019), collective organisation transforms fragmented microenterprises into unified market actors capable of influencing policy and integrating supply chains. Figure 5.2 shows different strategic recommendations based on the literature review.

Figure 5.2: Strategic recommendations based on the literature review



Source: Own compilation (2025).

5.6 Recommendations (Based on empirical findings in Chapter 4)

Building on the empirical findings presented in Chapter 4, this section offers practical, evidence-based solutions to the real-world challenges faced by spaza shop owners in Kagiso Township. The qualitative findings identified six interconnected constraints: financial exclusion, regulatory complexity, competitive pressures, technical lag, a lack of business acumen, and ineffective collaboration.

The following recommendations are derived from participant narratives and observations and have been transformed into practical steps to foster sustainable and equitable growth.

i. Expand access to microfinance and local credit schemes

Participants emphasised that financial exclusion remains the most significant obstacle to business growth. Entrepreneurs depend heavily on stokvels, informal lenders, and personal resources to support their operations, which restricts their potential to expand. Consequently, the research suggests the establishment of community-based microfinance institutions in collaboration with local banks and cooperatives.

These institutions should provide small working capital loans, asset finance, and flexible payback arrangements for informal traders. Entrepreneurs should also obtain ongoing advice on budgeting, debt management, and reinvestment approaches to ensure long-term capital utilisation (Nkwana & Roberson, 2025:3).

ii. Streamline regulatory support and build municipal partnerships

Based on the actual data, businesspeople are dissatisfied with licensing, compliance, and municipal enforcement. Participants see regulatory officials as punitive rather than supportive, which fosters hostility towards formalisation. Local governments should reposition themselves as development facilitators by implementing simpler registration procedures and mobile assistance desks in townships. Workshops co-hosted by the Gauteng Department of Economic Development and local municipalities may assist entrepreneurs in navigating compliance requirements and connecting to business incentives available through the Township Economy Revitalisation Programme (Willie, 2023).

iii. Strengthen competitive position through cooperative procurement

Competition from foreign-owned and corporate retailers continues to undermine local businesses' customer base. To counter this, entrepreneurs should join cooperative purchasing organisations that offer bulk buying at lower prices, shared storage, and

pooled transportation. Participants who occasionally used stock pooling reported higher margins and greater consistency. Governments and NGOs should encourage the formation of such cooperatives by providing technical assistance and connecting them with wholesalers, in accordance with Rogerson (2019) suggestion on collective efficiency in informal trade.

iv. Accelerate digital Integration through training and subsidies

The survey showed that while most participants were aware of mobile payment methods, they lacked the confidence and skills to use them. To address this, digital literacy workshops could be organised at community halls or local development centres, focusing on basic smartphone use, digital record-keeping, and online marketing. When combined with private network providers, subsidies for data use and mobile devices can boost adoption rates. Matsietsi (2022) suggest that digital inclusion would increase efficiency and transparency while also enabling access to digital marketplaces and mobile banking.

v. Develop targeted entrepreneurial training and mentorship

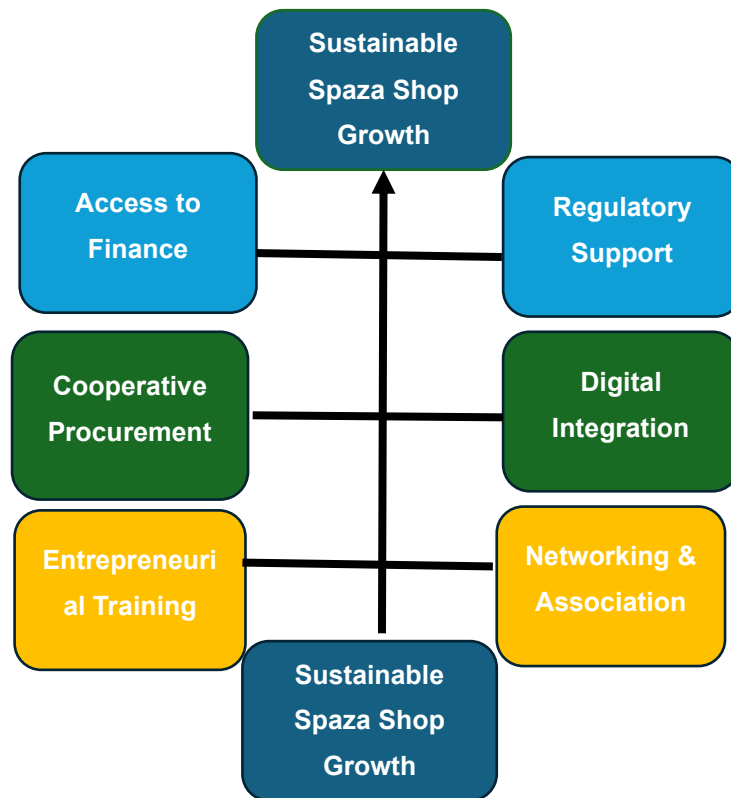
Participants reported a lack of professional expertise in financial management, marketing, and business planning. Short, context-specific courses in local languages should be provided by organisations such as the Small Enterprise Development Agency (SEDA). These should cover things like bookkeeping, inventory management, pricing strategies, and customer service. Mentors could be experienced entrepreneurs, creating a peer learning structure that promotes knowledge sharing. This is consistent with Hare and Walwyn (2019) proposal that skill development is a key driver of microenterprise resilience.

vi. Foster networking and local business associations

Weak teamwork was seen as a serious hindrance to competitiveness. Entrepreneurs often work alone, without established ties or support networks. Creating local spaza shop groups would allow for joint lobbying, knowledge exchange, and supplier negotiation. These associations could also coordinate community safety and advocacy

initiatives, enhancing local cohesion and representation. Van Eyk, Amoah & Yase (2022) and Gazu (2024) both believe that network-based collaboration is crucial to the survival and influence of small-scale entrepreneurs. Figure 5.3 below shows the different strategic recommendations based on the empirical findings.

Figure 5.3: Strategic recommendations based on the empirical findings



Source: Own compilation (2025).

5.7 Overall Recommendations

Drawing on the theoretical insights from Chapter 2 and the empirical findings from Chapter 4, this section offers recommendations to tackle the structural, operational, and behavioural challenges faced by spaza shop owners in Kagiso Township. These suggestions aim to create a strategic roadmap for governments, financial institutions, development agencies, and township enterprises. By integrating lessons from literature with real-world findings, the framework fosters resilience, competitiveness, and inclusive growth in the township economy.

Summary of overarching recommendations

i. Inclusive financial systems

Expand microfinance and hybrid finance programmes to provide low-cost working capital. Encourage financial institutions to adopt simplified qualification rules suitable for informal businesses.

ii. Regulatory and policy alignment

Simplify the business registration and licensing processes and prepare municipal officials to serve as facilitators for business support. Establish township-specific business desks within the local administration.

iii. Digital empowerment and innovation

Integrate digital literacy and mobile payment adoption into township entrepreneurial initiatives. To support e-commerce planning, provide a subsidised internet connection and build relationships with banking institutions.

iv. Entrepreneurial education and skills development

Develop modular training initiatives for accounting, marketing, customer retention, and business planning. Establish mentorship programmes that link successful businesses with new traders.

v. Cooperative and networking structures

Encourage the formation of spaza shop organisations to support joint procurement, advocacy, and supplier negotiations. Develop trust-based networks to enhance information sharing and overall efficiency.

vi. Sustainable market linkages

Township vendors can be incorporated into official retail supply chains through partnership agreements, local sourcing initiatives, and municipal market hubs. By connecting local enterprises to broader economic systems, these links can be strengthened, helping them become more sustainable and legitimate.

Integrated framework for sustainable growth

The analysis showed that the barriers to business growth in Kagiso Township are complex, highlighting the need for a collaborative approach that tackles both external structural barriers and internal entrepreneurial skills. To achieve lasting change, interventions must work across three connected levels.

1. Government and financial agencies are spearheading institutional and structural reform initiatives to enhance inclusiveness and reduce systemic barriers.
2. Developing entrepreneurial capacity by equipping entrepreneurs with the essential skills and information for effective business management.
3. Promote collaborative networks, partnerships, and digital linkages among local traders to develop a cooperative ecosystem.

This approach ensures that township businesses are not only surviving but also positioned to develop, innovate, and compete sustainably.

Strategic alignment with Sustainable Development Goals (SDGs)

These recommendations also align with the United Nations Sustainable Development Goals, especially:

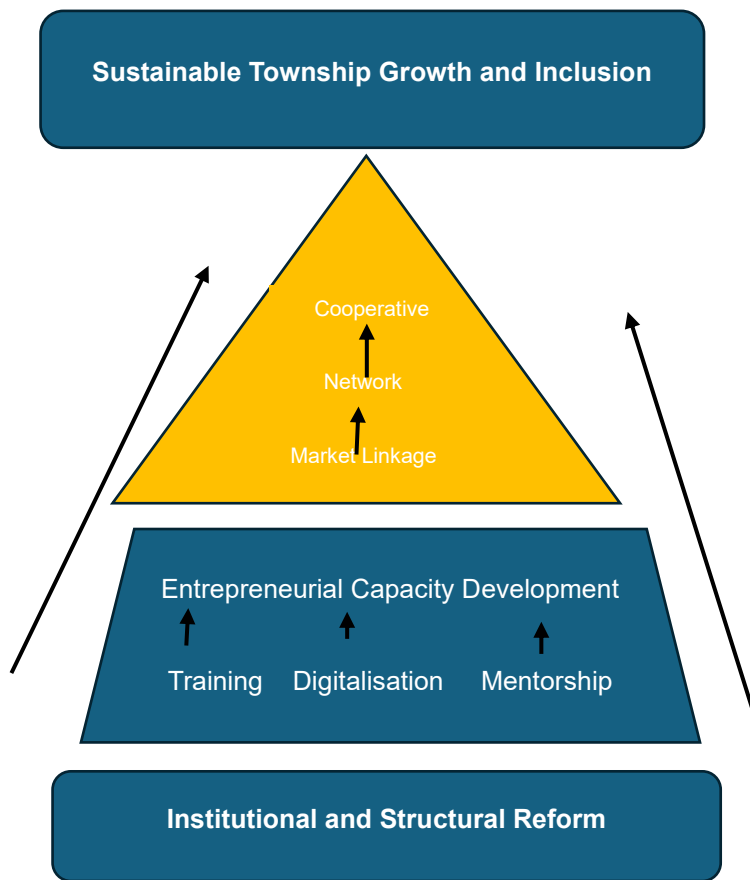
- Achieve SDG 1 (No Poverty) by creating employment opportunities and generating income.
- Supporting SDG 8 (Decent Work and Economic Growth) through entrepreneurship and enterprise resilience.

- Achieve SDG 9 (Industry, Innovation, and Infrastructure) by supporting digital inclusion and small business infrastructure.
- Achieve SDG 17 (Partnerships for the Goals) through collaborative and cross-sectoral engagement.

By integrating these principles, the township economy serves as a catalyst for inclusive economic transformation within the wider South African context.

Figure 5.4 on page 145, depicts the conceptual framework that emerged from this study's findings and literature synthesis. The triangular structure depicts the hierarchical link between the main ingredients that drive sustained township enterprise growth. The foundation encompasses the essential drivers of financial inclusion, regulatory support, and infrastructure that uphold the stability required for small businesses in Kagiso Township. The intermediate layer emphasises capacity-building, including entrepreneurship training, digital transformation, and mentorship, to enhance operational efficiency and foster innovation. At the top is the desired outcome of sustainable growth, which is bolstered by teamwork, social capital, and community empowerment. The ascending structure illustrates progressive connectivity across levels, indicating that long-term growth in township firms can only be realised by overcoming foundational challenges and effectively integrating capacity-building strategies.

Figure 5.4: Integrated framework for sustainable township enterprise growth



Source: Own compilation (2025).

5.8 Practical Implications

The study's findings and recommendations have notable practical implications for the development of township businesses, particularly spaza shop owners in Kagiso Township. They emphasise the importance of a multi-tiered strategy that includes legislative reform, financial innovation, digital inclusion, and capacity building. The research highlights that sustainable township growth cannot be achieved through isolated measures; instead, it requires coordinated collaboration among entrepreneurs, the public sector, and private enterprise.

i. Implications for entrepreneurs

The findings emphasise the need for entrepreneurs to adopt a development mindset supported by structured organisational processes. Spaza shop owners should start maintaining accurate financial and inventory records, embrace digital technology to improve efficiency, and participate in collaborative networks to gain a competitive edge. Entrepreneurs involved in local business organisations or cooperatives may lower procurement costs, strengthen their bargaining power, and access new market channels. Digital payment systems and online platforms can broaden the customer base while reducing the risks linked to cash transactions. The findings highlight the importance of ongoing education, advising entrepreneurs to undertake short training programmes and seek mentorship to improve their financial management, marketing, and leadership skills. These abilities enable the shift from survivalist traders to organised micro-enterprises with the potential for sustainable growth.

ii. Implications for policymakers and government institutions

The findings suggest that local governments and policymakers should shift their focus from enforcement of compliance to facilitating development. Streamlined business registration processes, readily accessible municipal support offices, and dedicated township business desks are essential for formalising the industry. Furthermore, financial inclusion should be expanded through local credit cooperatives and municipal enterprise development funds. Partnerships between the government and microfinance institutions could enhance informal entrepreneurs' access to affordable loans, as they are often excluded from commercial banking systems. Digitalisation should also be considered a key policy priority. Municipalities can promote digital participation and inclusion, which are essential for 4IR-aligned economic transformation, by investing in township ICT infrastructure and subsidising data access (Nkwana & Roberson, 2025:2).

iii. Implications for financial institutions and development agencies

Financial institutions must reassess the risks associated with informal companies. The findings show that flexible, relationship-based funding, supported by community

vetting or collective accountability models, can improve repayment predictability and create confidence (Nkwana & Roberson, 2025:3). Development agencies such as SEDA, SEFA, and the Gauteng Enterprise Propeller can broaden their impact by providing integrated packages that include financial assistance, training, and mentorship, rather than separate initiatives. These institutions might also fund township innovation incubators to motivate spaza shop owners to participate in digital commerce and expand their product range.

iv. Implications for private sector partnerships

The business sector plays a vital role in building inclusive value chains. Wholesalers, suppliers, and retailers can collaborate to integrate township traders into preferred-supplier programmes and mentorship initiatives. These agreements would not only stabilise the spaza ecosystem but also develop new local distribution networks that benefit both parties. Corporate social investment (CSI) programmes should focus on business skills training and supporting digital infrastructure to enable township entrepreneurs to fully engage in the formal economy. These initiatives contribute to shared prosperity and help fulfil the company's Environmental, Social, and Governance (ESG) commitments in line with SDGs 8 (Decent Work and Economic Growth) and 9 (Industry, Innovation, and Infrastructure).

v. Implications for communities and social development

At the community level, encouraging local entrepreneurship promotes economic resilience and social cohesion. As more spaza stores formalise and expand, job opportunities grow, local income circulates, and dependence on global retail chains diminishes. Supporting community ownership through cooperative organisations ensures that wealth creation remains localised within the municipality. Additionally, merchant collaboration enhances safety, service delivery, and civic participation, thereby improving the quality of life in Kagiso and surrounding towns.

Summary of practical impact

These implications demonstrate that sustainable township enterprise development relies on three interrelated factors:

1. Equipped entrepreneurs with managerial and digital skills. .
2. Institutions that streamline regulation and encourage inclusivity. .
3. Developing collaborative ecosystems to incorporate informal traders into broader markets.

When these elements work together, the township economy shifts from a basic survival network to a well-structured, vibrant, and competitive micro-enterprise sector that significantly contributes to South Africa's GDP and social transformation objectives.

5.9 Suggestions for Future Research

Although this study offered valuable insights into the factors challenging the establishment of spaza shops in Kagiso Township, further research could enhance and expand our understanding of township entrepreneurship. These ideas aim to support future scholars and policymakers in developing evidence-based strategies for inclusive economic growth.

i. Comparative and cross-regional studies

Future research should include comparative analyses of Kagiso Township and other township economies, such as Soweto, Alexandra and Tembisa, to understand how geographical, cultural, and institutional variations influence economic dynamics. Such a study would indicate whether the limits discussed here are uniform across South Africa or are impacted by local government and demographic factors (Kgaphola, Tawodzera & Tengeh, 2019:16-17). A cross-provincial perspective would also enable the development of tailored support measures based on individual township conditions.

ii. Longitudinal analysis of business performance

Given the changing legal and technological backdrop, a longitudinal examination of spaza shop performance over time should provide valuable insights into entrepreneurial adaptability and resilience. Monitoring how interventions, such as microfinance or digital-skills programs, alter growth trajectories might help determine if strategies yield long-term results (Mapengu, 2023:83). A multi-year follow-up research might investigate how township firms recover from economic shocks such as inflation, energy instability, and market saturation.

iii. Quantitative modelling of growth determinants

While this study utilised a qualitative methodology to capture lived experiences, future research could employ quantitative or mixed-method approaches to assess the statistical significance of factors influencing growth. For example, regression or structural equation models could be used to study the relationships between financial access, digital adoption, and profitability. Such models would enhance qualitative narratives and offer empirical support for policy design (Kgaphola, Tawodzera & Tengeh, 2019:17).

v. Evaluation of digital-transformation interventions

As digital inclusion has emerged as a vital growth driver, experimental or quasi-experimental research could be conducted to assess the impact of specialised digital-training programs on business productivity, sales, and customer reach. Pilot projects in townships that install mobile payment systems, e-commerce platforms, or inventory management apps could yield measurable outcomes and influence scalable national policy (Mapengu, 2023:30).

vi. Exploration of gender and youth entrepreneurship

Another critical option is to explore the relationship between gender, age, and entrepreneurship in township economies. Many informal enterprises are led by women and teenagers, but their experiences, limitations, and coping strategies may differ

significantly from those of older or male entrepreneurs. Investigating these demographic features may aid in formulating inclusive policies and equitable resource allocation (Mapengu, 2023:21).

vii. Impact of cooperative networks and social capital

Future research should focus on how cooperative structures and business groups influence market access and collective bargaining. Researchers can employ social network analysis to assess trust, collaboration frequency, and information flow among township business groups (Mapengu, 2023:30). This line of research could reveal if formalised collaboration leads to tangible economic rewards and enhanced community resilience.

viii. Integration with sustainable development and policy evaluation

Finally, future studies should clearly link township entrepreneurship to the Sustainable Development Goals (SDGs), namely SDGs 1, 8, 9, and 17. Evaluating how local economic activities contribute to poverty reduction, job creation, industry innovation, infrastructure development, and collaboration can help shape national policy. Furthermore, policy impact assessments could analyse the efficacy of the TREP and other measures to promote inclusive growth throughout South Africa.

ix. Implications for future research and support mechanisms

Future studies should concentrate on evaluating existing support mechanisms, emphasising their accessibility, effectiveness, and flexibility in local circumstances. These findings will significantly enhance the overarching objective of inclusive and sustainable economic growth in South African townships.

5.10 Final Summary

The study highlights the importance of sustainable growth for township enterprises through systemic changes, including improved access to finance, regulatory inclusion, digital empowerment, and the development of entrepreneurial skills. Kagiso Township spaza shop entrepreneurs have the potential to shift from merely surviving to becoming innovative contributors to South Africa's inclusive economic transformation, provided they receive the necessary institutional support and structural opportunities. The aim of this study was to explore the barriers preventing spaza shop owners in Kagiso Township from expanding and maintaining their businesses.

A qualitative analysis of lived experiences uncovers a complex interaction of financial, legal, technological, and social factors that collectively define the township business environment.

The findings revealed that the main challenges faced by township entrepreneurs include insufficient capital, strict regulatory frameworks, stiff competition from foreign-owned and multinational merchants, low digital literacy, poor business management skills, and limited teamwork. Despite these challenges, the study showed that participants exhibited outstanding resilience, adaptability, and innovation, emphasising the township's economy's hidden potential. The primary aim of the study, thoroughly assessing the difficulties faced by spaza shop retailers in Kagiso Township, was accomplished by synthesising findings from the literature review (Chapter 2) with empirical data (Chapter 4).

The secondary objectives were also addressed through a thematic approach that combined theory and practice, shedding light on how institutional structures, behavioural patterns, and market conditions interact to influence entrepreneurial success. The study's findings emphasise the vital need for a comprehensive framework that integrates financial inclusion, regulatory simplicity, digital transformation, and cooperative entrepreneurship. The ideas in this chapter, both theoretical and empirical, offer a roadmap for enhancing competitiveness and ensuring the long-term sustainability of township enterprises.

In practice, adopting these concepts will enable spaza shop owners to secure fair loans, confidently participate in formal markets, embrace digital technology, and join collaborative networks that promote collective bargaining and creativity. For policymakers and development agencies, the study highlights the importance of integrating township-support measures with the realities of informal entrepreneurship, ensuring that programmes are both context-specific and enduring.

Finally, this study contributes to the ongoing debate on inclusive economic development in South Africa by highlighting township entrepreneurs as vital contributors to achieving fair growth.

Their success not only boosts household income and employment but also enhances community cohesion and neighbourhood resilience. Future research, as mentioned in Section 5.9, should build on this by combining longitudinal and quantitative approaches to evaluate the long-term effectiveness of intervention schemes. Incorporating township economies into South Africa's overall economic strategy will continue to be vital for achieving national aims such as poverty reduction, innovation, and sustainable development (SDGs 1, 8, 9, and 17). Ultimately, the study indicates that when adequately supported and structurally integrated, township entrepreneurship can shift from informal survivalism to a thriving force of local economic revitalisation. Kagiso Township, therefore, is not only a case of limitations but also a sign of opportunity, where policy, partnership, and perseverance can unite to foster long-term, inclusive prosperity.

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ANNEXURE A: INDIVIDUAL ANALYSIS

Question 1: Firstly, can you tell me about your business and its funding?:

- *Probe:* What motivated you to start this business?
- *Probe:* What products or services do you offer, and how has your business evolved since its inception?

Participant	Response	Category
PAR001	<p>I started this business in order to maintain my two nephews, as they lost their parents. I needed money to come in as I was struggling to maintain them, and I also wanted them to learn how to be independent. They are both my employees, meaning if I am not in the spaza shop, they run it on my behalf. I am offering basic needs for my customers, maize meal, sugar, tea, bread, cooking oil, airtime, etc. I do not get any help from the government in terms of funding, compliance. I waited for a year to get my trading permit, municipality certificates take time to acquire, registration takes time, and all this forces me to work from hand to mouth. I have been waiting for my compliance certificate for over a year. This means even if I try to apply for funding, I will not get it, as my spaza shop is not compliant. I started my business (Spaza) 10 years ago with my own funds. I have never received any funding from the government or any sponsors. I started this business due to demand from customers, and in addition to that, I have my two nephews that I look after, as their mother passed on. I needed them to have something that they could fall</p>	<p>Self-funding and compliance challenges; community-based motivation; and local product diversification.</p>

	<p>back on as they were unemployed. I started selling snacks like chips and sweets, and then the business grew from there. We sell groceries, airtime, data, Betway vouchers, and we also have customers paying their service bills. We also sell perfumes that are produced locally, we also sell peanuts and juice that are produced by people who stay in Kagiso, which assists the community in dealing with unemployment.</p>	
PAR002	<p>We received funding from the Family Tree; they were assisting with spaza shops. With all the things that have been happening with foreign nationals, and kids getting sick from consuming expired products sold from foreign spaza shops, that is the reason we got motivated to start the business and to give back to the black community. We have many foreign nationals in our community, and our people are not developing and going into business, so this is our way of showing that we can also run our own businesses as black people instead of always running to foreign national spaza shops. We provide bulk stock, and people can also come and buy individual. We have evolved because we are now working with Pepsi. Pepsi is assisting us with the card. Pepsi is also assisting people with opening new businesses in terms of funding.</p>	<p>External donor finance, social responsibility motive, and supplier chain coordination.</p>
PAR003	<p>I never got funding; I started selling sweets and kota, then moved to selling groceries. I grew up in a family of business. When I left school, I</p>	<p>Self-financing, incremental business growth, and the influence</p>

	started working for the family. I sell fast food, groceries and cold drinks.	of family entrepreneurship.
PAR004	I never got funding; I started with my own money. I got motivated during COVID because there was no job, so I wanted something to survive on. I sell kotas, cool drinks, sweets and snacks.	Self-funding and necessity-driven entrepreneurship.
PAR005	I was working as a driver. I started the business from my own pocket while I was working as a driver. I didn't get any funding. I got motivated in my school years; I used to sell during my high school years. I was always motivated to get extra cash even when I was still working. I wanted to get extra income in case my normal 8-5 job ended. I sell groceries and snacks.	Hybrid funding (employment income) and precautionary motivation.
PAR006	I never got funding; I used my own money to start the business. I got motivated by poverty to start my business, and the fact that getting a job is so difficult. I sell groceries, airtime, lotto, electricity, DSTV and sports betting.	Self-financing, poverty-driven entrepreneurship, and service diversification.
PAR007	I don't have funding. I started the spaza shop as a liquor business, then went on to add some grocery items. I got motivated to start the business because I saw people in my area travelling long distances to go to shops. I sell groceries.	Self-funded; opportunity recognition based on local demand.
PAR008	I started working as a floor manager at Pick & Pay before I started running a business. It was difficult to find funding at first because I applied for government funding, and I didn't get it, so I used my savings, accompanied by a loan from ABSA. I come from a family that runs a	Mixed funding (personal savings plus a loan); prior business experience;

	business. My aunt and uncles run their own businesses, so I wanted to start my own business. I sell groceries, and I offer services like mobile airtime, data and other bill payment.	multi-service operations.
PAR009	I used to save money before I started my business. I started selling sweets until my business grew. I got motivated to start the business because I grew up in a family of businesspeople. I sell only groceries.	Savings-based finance, gradual expansion, and inherited entrepreneurial culture.
PAR010	I used to work at a retail shop. So, I got retrenched, so with the money I saved, I opened my business. I got motivated to start my business through the experience I gained from working at a retail shop. I fell in love with the buying and selling of goods, and the margins behind it and the experience I got from retail, the training and all was an eye opener to show there are more opportunities out there. From the history of the company I was working for, it gave me the idea that as an individual, you can start something small and go big with it. I sell basic stuff, like maize meal. I sell fast food and bakery items as well. I sell bread, data and airtime.	Retrenchment savings, experience-based motivation, and product diversity.
PAR011	Luckily, I didn't have to go around applying for funding. My family members were keen to invest in my business. So, my family supported me. I got motivated because there have been a lot of foreign nationals infiltrating the community and taking over the business world,	Family funding, community empowerment, and motivation.

	so I wanted to show people that we can also run a business. I sell food and airtime.	
PAR012	I funded my own business. I got motivated to start the business due to unemployment. I sell airtime and data.	Self-financing; unemployment-induced entrepreneurship; limited product offerings.

Question 2: What financial challenges do Spaza Shop entrepreneurs in Kagiso Township experience, particularly in relation to access to credit and funding opportunities, and how do these constraints affect their capacity for business growth?

- *Probe:* Could you provide an example that comes to mind?

Participant	Response	Category
PAR001	It affects us badly as we do not qualify for credit. However, I was fortunate to have a company called A to pay that gave me a till point to operate on and this till assists me with tracking stocks that sell the most and when it is about to run out. A to pay assists with loans, but it's not enough for us to buy stock. I buy stock through them with credit, but I need to pay them daily. For example, I have R8 000 credit on stock, and I pay them R160 per day. It becomes easier if you have customers who come to your store regularly. In addition to this, I pay R10 per day to service my till points and speed points so that if they break, they can send a technician to	Limited access to formal credit, reliance on private microlending, and cash-flow constraints due to household dependency.

	fix them. This programme works well only if you are consistent in terms of using money for business only; however, I struggle with consistency as the money that comes from the business needs to maintain my family, and we all depend on it.	
PAR002	Most of the time, you find spaza shop owners do not comply, and sometimes we find our competition buys in bulk, we don't buy in bulk, so competition will always have everything for customers, unlike us. Competition also gives out credit to customers, and we don't do that because we are still new in the business, which works against us. We don't give credit because we are only starting now, we can't give credit, we have to build the business first. We need to build a clientele first before we can give credit.	Noncompliance limits funding availability, resulting in a competitive disadvantage due to reduced stock purchasing capability.
PAR003	Funding is my biggest challenge. I need funding to continue buying stock. So, I end up adding from my pocket.	Self-financing due to a lack of external funds and a stock replenishment limitation.
PAR004	Getting funding is difficult. These bigots need to obtain a trading license certificate; it's difficult to obtain the certificate, so it's not easy to get funding.	Regulatory compliance requirements limit financing eligibility.
PAR005	The funding I get is very limited; I have the business account, but it's not working because I don't make enough profit. I end up eating my profit because I can't pay myself from the profit because it's too little. I also	Profit inadequacy and working capital depletion; inadequate income separation between

	have services that I need to pay for my business operation, and my profits are sustainable enough for me to be able to pay for such services.	personal and business finances.
PAR006	I never got funding. The government tried to partner with Family Tree to make things better, like giving us stock on credit and paying back the money in monthly instalments.	Credit support provided by the government; financial aid is available in restricted quantities.
PAR007	My biggest challenge is business registration since I don't have a place to run my business. I'm currently using my brother's place to run the business. So, I can't get funding for running a business from someone's place.	The lack of formal premises and registration restricts credit access.
PAR008	The bills we had to pay at the end of every month, including electricity, had piled up over the years. With load shedding, we had to get a generator, and we also had to add new solar panels to the business. We faced a lot of backlash when it came to the financial aspect of the business.	Operational cost burdens and infrastructure investment demands.
PAR009	During the month, you have people who don't have money come for credit, and sometimes they don't pay, and I must take money out of my pocket to sustain the business.	Customer credit default risk: relying on personal income to maintain cash flow.
PAR010	Sometimes you can order stock, then you pay cash, and you find that you do not have customers who buy the stock at the right time. At the end of the day, I need to take money from my pocket to pay rent, electricity	Stock turnover imbalance; dependency on personal capital to

	and my employees in order to sustain my business.	ensure operational continuity.
PAR011	Generating capital as a spaza shop owner is the most challenging thing. You don't get access to an application for credit because your income is solely profit, and it fluctuates all the time; it's not fixed, so you cannot guarantee that the bank will approve your application. Lack of resources and knowledge is also an issue.	Credit qualifying is limited due to income instability and limited financial understanding.
PAR012	I wish I could get funding. I believe it will help me grow my business. I always lack the capital to run the business. I can't buy enough stock, so that affects my business.	Undercapitalisation: unmet finance demands stifle growth.

Question 3: What challenges do you face in meeting regulatory requirements, and how do these compliance issues influence your daily operations and potential for expansion?

Participant	Response	Category
PAR001	The first challenge is land and property to trade. I use my garage to sell groceries, and as you can see, I am not compliant in a lot of things in order to even apply for funding. Compliance and regulatory requirements require money to fix some things, for example, the people from the municipality came and told me to fix the ceiling and move fridges that are no longer in use. I do not want to throw away the fridge as I still need it. I repaired it two months ago, but because we have power outages, it affects my lights and fridges. Crime contributes a lot to our challenges;	Informal commerce, financial impediments to compliance, and infrastructural and administrative challenges.

	<p>unemployment affects us badly as people look for handouts, and they also want to buy with credit, which I cannot afford to give, as I need to buy stock the following day. Funding application, there's a lot of red tape and a lot of documents are needed, which I struggle to get in order to be registered. As I indicated earlier, it took me years to get some of the documents. I do not have a budget to fix all the things that have been identified, and I find it difficult to repair some things, as I do not have cash.</p>	
PAR002	<p>I've noticed that we don't comply in terms of health, we don't have safety equipment inside the shop, we don't comply with the most basic small things that we take for granted, and we don't have fire certificates in order to handle uncertainties. We did not train in terms of emergencies in our business. If the Department of Health comes into the shop, is the place clean and safe to meet the standard for selling food?</p>	<p>Noncompliance with health and safety regulations; inadequate corporate training and certification.</p>
PAR003	<p>Our municipality is a problem in assisting us with the need for compliance. They are very lazy, and they don't give us a chance. The problem is that they need money before they come and make an inspection.</p>	<p>Institutional inefficiency and corruption in local law enforcement.</p>
PAR004	<p>In order to comply, you must get a lot of things. You must get a Health and Safety certificate; you must get a plan (building plan) for your shop. A plan for building can cost about R5000, and a Health and Safety certificate about R3000 and sometimes your shop/business makes less than that amount, so it becomes difficult to comply.</p>	<p>High compliance costs relative to firm income; financial inability to formalise.</p>

PAR005	My business is not compliant because it needs a lot of things. These things need money, which I don't have.	Financial limits impede compliance attempts.
PAR006	Regulations are important. The municipality is failing us with regard to the business licence. You register the business tax, but the municipality needs to do the business licence, but they make things very difficult; they demand things you don't even know where to get them, and that is a little bit of a challenge. The municipality is not working hand in hand with us. We are trying to have all the documents, but they are not making it easy, even if we have papers to show we are running the business like CIPC, we do have another compliance and SARS.	Regulatory fragmentation and institutional misalignment.
PAR007	I haven't registered the business, so that's one of my challenges because I'm running the business from my brother's place. I need to get my place so that my business can comply.	The lack of trading premises prevents registration and compliance.
PAR008	I'm currently adding a liquor section to the business. There is a lot of red tape when it comes to acquiring the licences, so it took me about 9 months before I got the license, and you need approval from the city to add a liquor store.	Bureaucratic licensing; procedural delays in sector-specific regulations.
PAR009	My business is not yet registered. I've been doing research, and I don't know where to go for registration. I don't have any information on which channel to follow.	Information and knowledge gaps exist in regulatory processes.

PAR010	My business is not registered. I've been planning on registering it. I've been doing research on what I need to register	Lack of awareness and procedural comprehension.
PAR011	The whole process of acquiring all the necessary documentation so that you can operate according to government regulations is a tedious process because I have been in the process for 2 years. It takes a long time because they take you up and down with no improvements.	Prolonged administrative delays and inefficiency.
PAR012	Municipality red tape is so difficult to manage because of the cost of following regulations.	Municipal bureaucracy and financial inability are hurdles to compliance.

Question 4: How does competition affect the performance of your Spaza Shop? What is the nature and extent of competition from larger retailers and foreign-owned businesses, and how does this competition affect the sustainability of local Spaza Shops?

- *Probe:* Who are your competitors and how close are they to your spaza shop?
- *Probe:* What is your strategy in dealing with this competition?

Participant	Response	Category
PAR001	My challenge is stock availability; the foreigners buy in bulk as a group. I only buy a few items daily. If we were buying in bulk, our business would have been successful. My prices are slightly higher than my competitors as I have a lot of costs that I need to cover, like transport	Bulk purchase disadvantage; failed cooperative projects; differentiation by

	<p>costs and with regard to foreigners, it's easy as they get free deliveries from their warehouse. We tried having a warehouse for South African-owned spaza shops in phase two, but we didn't succeed, as it requires a lot of money to run it. I tried partnering with other spaza shops, but it didn't work as our fast-selling lines and finances do not allow us to buy any stock. My competitors are foreigners and big retail stores; my advantage is that I target people who want convenience. I have a lot of customers who are renting rooms, and they don't want to get into a taxi to go buy items that are needed urgently. My strategy is hygiene and cleanliness. My store is a walk-in in as you can see, I do not have burglars in front of the store, meaning customers can choose what they need for themselves instead of asking someone to hand it over to them.</p>	<p>hygiene and consumer convenience.</p>
PAR002	<p>With our foreign nationals, they buy in bulk, they come together and get a discount, so it worked for them, but we suffer on the other hand because we don't work together and buy in bulk, because it's much cheaper buying in bulk, unlike individually. Our foreign nationals are our biggest competitors, rather than the big retail shops, which are a bit far from us. In terms of strategy, try to look for a cheaper brand; we try to go directly to the manufacturer, unlike the middleman, because prices become cheaper.</p>	<p>Price disadvantage due to fragmented local networks; intentional cost savings via direct sourcing.</p>
PAR003	<p>Competition is good, but the problem is that we don't have the money to challenge our competitors. People don't want to support us,</p>	<p>Capital constraints hinder</p>

	and we don't have enough stock to compete with our competitors. We offer good service and enough stock, that's the only way we can deal with competition. Foreign nationals are our competitors. In terms of strategy, we make sure we have enough stock, and we offer good service to customers.	competitiveness; a service-based differentiation strategy.
PAR004	Most Foreign spaza shops have their own cash and carry, so they buy there at cheap prices. Foreign spaza shops compete with big retailers like Shoprite. Foreign entrepreneurs have about 100 spaza shops, and they also have societies which help them buy in bulk, and they make their prices very low. Foreign nationals are my competitors.	Foreign market supremacy through collective purchasing; local traders' structural disadvantage.
PAR005	I don't have competition. I have a lot of customers. They love my place. I have about four competitors, and I have a good relationship with my competitors. If I don't have something, I refer my customers to my competitors. In terms of strategy, it's a bit difficult to compete with my competitors because most of the time, I lack certain items because I don't buy in bulk. So, it's quite difficult to compete with them.	Limited competition management, cooperative peer relationships, but low purchasing power.
PAR006	I can't say big retailers are a bit of a challenge; the challenge I have is the foreign national spaza shops. I'm surrounded by 19 shops. It depends on the community on how much they support you. So, some people believe they should buy where the food is original. So, I always avoid buying fake food, since I don't want to be in trouble, making people sick. So, I buy at retailers like Micro sunshine, Jumbo, so	High-density competition, with quality assurance and customer trust as strategies.

	that I can also be safe. When you buy, you need to have a tax invoice, so that even when they come around, they do need it. It helps to keep safe. I cannot complain because I have my loyal customers.	
PAR007	My biggest competitors are foreign spaza shops. They are my biggest competition because they sell at low prices. In terms of strategy, I push my own things. They really don't bother me.	Price competitiveness; individualistic coping style.
PAR008	When you have a lot of competitors you have to be mindful of the prices you charge because you have a lot of competitors that are nearby, so the moment you increase your prices by R50 cent, you've driven away maybe 5% of your customers to the other outlet, so competition as impaired me not to over-charge and the profitability of it I have to be mindful of it. Operating in a local area is very difficult because everyone is close, so even 500 meters from my spaza shop, there is a tavern operating, even a kilometre away, there is another retail outlet operating, so competition is very tight. In terms of strategy, I would say sourcing my own material. I'm lucky because I was able to acquire a huge deal with a company that supplies products for retail outlets at a cheaper price, so I'm able to charge lower prices, so that my stronger point, so I'm cheaper compared to the other competitors.	High market saturation, strategic supplier alliances and price management.
PAR009	Competition does have a negative impact on my business. In terms of prices, I'm not sure where my competitors are getting stock because their	Bulk purchasing gap; community-based marketing

	prices are lower; if I compete with them, I won't be able to make a profit. My competitors are foreign nationals; they stock in bulk, hence their prices are low. In terms of strategy, I participate in my community so that they can support me, and have some promotions so that I can attract customers.	as a survival tactic.
PAR010	The pricing is an issue because I'm surrounded by foreign nationals spaza shop. Their prices are cheaper, and I can't grow below them because I would lose profit. My competitors are foreign national spaza shops. In terms of strategy, I need to gain trust from my customers by selling fresh food and making sure they are not expired. Give them the guarantee that my food is fresher than my competitors.	Price competitiveness; differentiation by quality assurance.
PAR011	My biggest competitors are foreign nationals. Their prices are so low because they buy in bulk. Their prices are so low, and it's so difficult to compete with them. I don't get impacted by my large retailers.	Foreign price supremacy and minimal exposure to formal retail competition.
PAR012	My biggest challenge is stock more than prices. My biggest competitors are foreign nationals. Big retailers do not affect me that much because their prices are high.	Stock capacity is limited, and foreign companies dominate the local supply chain.

Question 5: How has your company reacted to and integrated digital transformation?

- *Probe:* What are the primary obstacles preventing Spaza Shops in Kagiso Township from adopting digital transformation strategies, and how would these strategies enhance their competitiveness and operational efficiency?
- *Probe:* What tactics have you employed to get over these obstacles, and how successful have they been?

Participant	Response	Category
PAR001	<p>Like I said earlier, A to Pay came in handy for us as we scan each and every item that we sell for our customers. We sell airtime, electricity, water coupons, and customers can now pay their DSTV with us. It helps with monitoring our stock levels. We also have speed points, and we want to be cashless in the future, as this will minimise the risk of handling cash. Finance is a problem in terms of upgrading, as you need to service these machines. If you make R300 per day, you are lucky, and on top of that, you need to pay for equipment services.</p> <p>I had a foreigner opening a spaza shop in front of my spaza, and the community were saying I won't survive with him in front of my spaza. I used a different strategy compared to them. I used my walk-in store, improved hygiene, stock rotation, and improved customer service. I also ensured that I do not run out of stock, and I took customer requests seriously. I also worked on the store lighting, and the equipment was serviced timeously. I also ensured the store was clean.</p>	<p>Partial digital adoption through A-to-Pay; cost constraints on system maintenance; customer service and hygiene as non-digital differentiator measures.</p>
PAR002	<p>We have been using digital transformation from the beginning. We use POS and Mart shopper. Lack of</p>	<p>Advanced digital</p>

	<p>knowledge, understanding of what we are doing, sometimes we open shops in order to survive without knowledge, education, and they don't have the training in order to use digital things.</p> <p>Before the due date for the expired product, we make the product cheaper, like making a combo, so that they can sell.</p>	<p>integration: digital skills gap; fundamental digital strategy for stock rotation and sales optimisation.</p>
PAR003	<p>I have a machine for people to pay with when buying. I have an "A-to-Pay" system and a cash registration fee.</p>	<p>Adoption of digital payments improves transaction efficiency.</p>
PAR004	<p>We only use cash for business. I'm selling cold drinks, sweets and snacks. I'm selling something that my competitors don't have to be different from them.</p>	<p>Non-digital operations and product differentiation as a competitive strategy.</p>
PAR005	<p>We use cash only for business.</p>	<p>Non-adoption of digital systems; conventional corporate practices.</p>
PAR006	<p>I was donated by A to Pay; they gave me a cash till. The cash till is doing everything; it records stock, and it alerts me if the stock is running out. It tells me how many items are left; how many are sold.</p>	<p>Non-adoption of digital systems;</p>

	<p>Before, I used a book to record all my stock, which was time-consuming. You must be dedicated; you must love what you are doing. The shop needs to be cleaned and organised. You must also love your customers and treat them with respect. Respect goes a long way. You must always be welcoming. A good customer service.</p>	<p>conventional corporate practices.</p>
PAR007	<p>My customers can swipe, and they can even ask for cashback. I do customer analysis, and I check which items my customers buy the most. Another problem I have is that I don't have a supplier. So, pricing becomes an issue. I can't even buy in bulk. I'm not even partnering with anyone.</p>	<p>Limited supply chain integration and partial use of digital payments.</p>
PAR008	<p>Since I have added a liquor section to my business, I have created a profile on Facebook to post a function every weekend, so it attracts a lot of customers and boosts the business. We used Facebook, Instagram, WhatsApp and a lot of digital platforms that young people use. When we started the business, I faced a lot of challenges when it came to acquiring skilled employees. Now, I felt like it was a problem, so I had to teach them how to manage money and to serve customers because customer service is very important.</p>	<p>Adoption of digital marketing, skill development program, and use of social media for business success.</p>
PAR009	<p>We just started going digital, and they can pay with a bank card. We do cash withdrawals as well. The promotions that I have in the township help a lot. I create an event in my place so that I can attract customers.</p>	<p>Fundamental digital transition: hybrid marketing, which combines digital and</p>

		physical outreach.
PAR010	<p>I'm still working on that to assist with inventory and make my business convenient.</p> <p>It's always about knowing the weak points of your competitors. A lot of my customers always complain that my competitors are selling expired stock, so I'm trying to avoid such things by giving customers trust that I sell fresh food, and I get loyal customers through.</p>	Intended digital adoption: a quality-based customer retention approach.
PAR011	<p>I do cash withdrawals. I always sell original things. I avoid selling fake products which are unsafe. So, I gain customers through that.</p>	Limited digital integration; trust and authenticity are essential competitive assets.
PAR012	<p>I don't have a machine for digital purposes. So, I accept cash only. I always try to stock more. I have regular customers, and I know what they buy the most, so I focus on that.</p>	Digital exclusion: conventional operations rely on customer connection knowledge.

Question 6: How does a lack of business management skills limit the growth and development of Spaza Shops in Kagiso Township, and in which specific areas do entrepreneurs require support and guidance?

- *Probe:* How would you rate your understanding of how to run a successful business?

- *Probe:* Are there any current government and non-governmental support programs available to assist Spaza Shops in Kagiso Township in terms of business management skills?

Participant	Response	Category
PAR001	<p>A lot of people, more especially our youth, want quick cash without putting effort into the business or to learn how to make the business profitable. Lack of skills does affect the sustainability of our spaza shops, especially the lack of financial management. I can rate myself 8 out of 10 in terms of business skills. I have been running my spaza shop for 10 years now; however, I lack a lot in the administration part. I struggle a lot with record-keeping. I am teaching myself how to record takings daily, checking my fast-selling lines so that I can manage my spaza better, but I am struggling in that regard. I also research new lines I order to attract new customers.</p> <p>The government is failing us, as I do not have any initiatives that are assisting me in terms of growth. We had a family tree that was launched for us, Spaza shop owners, but it didn't yield any results. They sent us to workshops, they told us that they will be building a warehouse in Chamdor, so that we can compete with foreigners. We have a wholesaler behind us that was supposed to supply us with stock, but the only thing they did was to paint our spaza shops, and they disappeared.</p>	<p>Moderate business skills; shortcomings in administration and financial management; self-directed study.</p> <p>Ineffective government initiatives, incomplete program execution, and reliance on informal networks for assistance.</p>
PAR002	We need business skills because most people just run the business without understanding how to deal with the finance, how to handle the	Structured financial management

	<p>finance, they run a business without understanding how to make a profit, When we attended the ABSA training, we get training on how to manage me the business, how to manage your finances, how to do the makeup sometimes we open the business for survival not for growing hence most of the time you find people closing the business because they don't know how to handle the money, we don't have bank account to save profits so that when you ask for funding they can actually see that your business is growing, you are making money. I grew up in business. I have a clear understanding of business because my mother has been in the business for years. I have an understanding of business leads and my target market.</p> <p>The government is failing us, as I do not have any initiatives that are assisting me in terms of growth. I am now befriending foreigners for assistance or for help.</p>	<p>training is required, as are limited record-keeping methods and a survivalist approach to corporate operations.</p>
PAR003	<p>We need financial support and an educational course for the business so that we can manage the business.</p> <p>We don't have any government programme assisting us. We had a family tree that was launched for us, Spaza shop owners, but it didn't yield any results.</p>	<p>Programmes to improve capability in financial and operational management are needed.</p>
PAR004	<p>It's difficult to get equipment and a place where you will be selling your products.</p>	<p>Infrastructure and resource constraints pose indirect</p>

	<p>The government is failing us, as I do not have any initiatives that are assisting me in terms of growth.</p> <p>We had a family tree that was launched for us, Spaza shop owners, but it didn't yield any results.</p>	management issues.
PAR005	<p>I don't have any business skills. Even if you don't have business skills, you can still run a business. Running a business is God talent. You just need to be smart enough to know how to run a successful business.</p> <p>We don't have any government programmes assisting us. We had a family tree that was launched for us, Spaza shop owners, but it didn't yield any results. They sent us to workshops, they told us that they would be building a warehouse in Chamdor, to supply us with stock, but they disappeared.</p>	Lack of formal entrepreneurial training; relies on experiential learning.
PAR006	<p>Business skills are very important; you can't run the business without knowing what you are doing. ABSA decided to take me to school in order to empower me and to teach me how to run the business. Financially, I am struggling. I need help with finance. I can't manage finance at the moment.</p> <p>We don't have any government programmes assisting us. We had a family tree that was launched for us, Spaza shop owners, but it didn't yield any results. They sent us to workshops, they told us that they would be building a warehouse in Chamdor, to supply us with stock, but they disappeared.</p>	Corporate mentoring exposure; continuing financial management weakness.

PAR007	<p>I don't have any business skills. I'm a self-made entrepreneur; I didn't go to school to learn how to run a business. In terms of guidance and support, I need training to assist with entrepreneurship since I'm a self-made entrepreneur.</p> <p>We don't have any government programmes assisting us. We had a family tree that was launched for us, Spaza shop owners, but it didn't yield any results. They sent us to workshops, they told us that they would be building a warehouse in Chamdor, to supply us with stock, but they disappeared.</p>	Lack of formal education; strong drive for entrepreneurial training.
PAR008	<p>I would give myself an 8/10 because you can never be sure of customers; they can change their minds anytime. My own understanding of the experience I had at Pick'n Pay over 10 years of working has given me an understanding of customers' needs and wants. I need support and guidance when it comes to skills development because my employees come from different background because most of them they do not understand the financial aspect of the business, when I tell them there is something they need to implement, they would question if thing is going to be profitable for the business, so the training aspect is what I currently need help with.</p>	Strong practical experience is a requirement for staff development and team-based financial literacy.
PAR009	<p>I still need more experience to run a successful business. I rate myself 4 out of 5. I need support and guidance in marketing my business. I still have customers who ask for credit and still run away to other shops because they avoid paying.</p>	Basic business knowledge; deficiencies in marketing and credit control.

PAR010	<p>I have N6 in Business Management, and I have experience from working at a retail shop, so I will rate myself 9/10. The world is moving in another direction, so I need training in the modern thing, where I can have a modern system where I don't have to capture things in a book, where I can scan it on the back, which will help me with inventory, and I can manage the shrinkage, the shortages.</p> <p>I was in a program at a spaza shop with ABSA, attending a Business Management course. They train entrepreneurs on how to manage the business. Customer service, Entrepreneurship, finance, customer care and bookkeeping. The programme is trying to empower us on how to manage the business.</p>	Formal business qualifications are required, as is a desire to integrate digital corporate processes.
PAR011	<p>Operating blindly is not a good idea; you need to familiarise yourself with a lot of things in business. You need to broaden your knowledge so that you can grow the business. Communication is also the key. Knowledge to get funding will come in handy for entrepreneurs. Even business seminars to also help.</p> <p>We don't have a programme, but they try to have courses for us so that they can help, which are from the government (ABSA). The problem is that we are a few black spaza shops in Kagiso. We do get invitations from the government for business sessions in town to meet businesspeople. In terms of funding, they are not helping.</p>	Need to expand knowledge, with emphasis on communication and networking abilities.
PAR012	I believe a lack of business skills affects a lot of entrepreneurs. I have been on a programme of	Exposure to business

	<p>spaza shops to teach me about finance and marketing.</p> <p>I have been on a SETA programme. They said they will fund us, so we need to have the requirements.</p>	<p>development training and early-stage skill application.</p>
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Question 7: How do collaboration and networking opportunities, or the lack thereof, impact the ability of Spaza Shops to grow and thrive in Kagiso Township?

Participant	Response	Category
PAR001	<p>Finance impacts us badly as we cannot buy the same items as Spaza shop owners. If we can get funding, it will be easier to buy in bulk. Remember, if we buy in bulk, we are able to reduce pricing and make nice profits, and the business runs smoothly. I think if we can work together, it will be easier for us, but unfortunately, due to finances, we cannot do collaborations.</p>	<p>Financial impediments to collaboration: understanding the potential benefits of cooperative purchasing.</p>
PAR002	<p>People keep information to themselves, they don't share, they don't comply, people don't know where to start, and they comply. We don't come together; we don't have a strategy that can work for us. We don't help each other to combat these challenges.</p>	<p>Lack of trust and information sharing; poor cooperative culture.</p>
PAR003	<p>We work individually; we don't collaborate with others. We don't have a network.</p>	<p>There is an absence of networking and communal engagement.</p>

PAR004	Initially, we had a mini society where we decided to collaborate with one another and compete with foreign nationals. They advised me to start a business so that I can join Family Tree (government programme), the government add money via ABSA into Family Tree in order to empower township businesses. They give every local township entrepreneur R50 000 in stock.	Government-supported collaboration: a short-term cooperative initiative.
PAR005	We do collaborate. But the collaboration is not working because we still can't beat the foreign national.	Limited resources and foreign traders' market dominance led to ineffective collaboration.
PAR006	We do collaborate. The MC took us all and opened a group chart. We opened a stokvel for business. We tried networking to help each other in order to grow. It's a bit of a challenge with regards to retail because we are few. With retail, I think we are 3 or 4, so it's difficult to buy in bulk. A lot of people run small businesses like selling kotas, a bakery, and cool drinks. I think people are scared to run such a big business because of foreign nationals. It's a very sad situation. Some companies are trying to help us by organising wholesale; they are trying to help us buy stock in bulk, and they provide free delivery. We cannot even buy a pallet because we are few.	Small-scale cooperative efforts face structural and psychological impediments to growth.
PAR007	I don't have any collaborations. I can't even buy in bulk with other entrepreneurs. So, I end up buying as an individual entrepreneur.	Individualistic enterprise with financial and

		logistical isolation.
PAR008	We work individually; we don't collaborate with others. We don't have a network.	Disconnection from peer networks results in solitary corporate activities.
PAR009	I work individually; I don't collaborate with others.	Solo entrepreneurship; absence of business connections.
PAR010	Spaza shop owners are selfish out there; they won't tell you where they get cheap items. So, I don't collaborate with anyone. I find my own suppliers.	Entrepreneurs have low social capital and are distrustful of one another.
PAR011	As small black businesspeople, we don't necessarily see how much growth we could have if we collaborated because we are in competition with each other. So it would be much better to come together.	Awareness of the potential benefits of collaboration, but limited implementation of cooperative projects.
PAR012	We are not collaborating; we have secrets, and people are so selfish with information.	Information hoarding: cultural and interpersonal impediments to networking.

ANNEXURE B: ETHICAL APPROVAL



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Senate Committee for Research Ethics
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6 June 2025

ETHICS APPROVAL LETTER OF STUDY

Based on approval by the **North-West University Economic and Management Sciences Research Ethics Committee (EMS-REC)** on 6 June 2025, the Economic and Management Sciences Research Ethics Committee hereby **approves** your study as indicated below. This implies that the North-West University Senate Committee for Research Ethics (NWU-REC) grants its permission that, provided the special conditions specified below are met and pending any other authorisation that may be necessary, the study may be initiated, using the ethics number below.

Study title:	Exploring the challenges to expansion faced by local spaza shop entrepreneurs in Kagiso Township in Gauteng province																																															
Study leader/Supervisor (Principal investigator/Researcher):	Prof S.P. van der Merwe	University no.:	10085458																																													
Student:	J. Qai	University no.:	54554818																																													
Ethics number:	<table border="1" style="width: 100%; text-align: center;"> <tr> <td>N</td><td>W</td><td>U</td><td>-</td><td>0</td><td>0</td><td>6</td><td>9</td><td>8</td><td>-</td><td>2</td><td>5</td><td>-</td><td>A</td><td>4</td> </tr> <tr> <td colspan="3">Institution</td> <td colspan="5">Study number</td> <td colspan="2">Year</td> <td colspan="5">Status</td> </tr> <tr> <td colspan="15">Status: S = Submission; R = Re-submission; P = Provisional authorisation; A = Authorisation</td> </tr> </table>			N	W	U	-	0	0	6	9	8	-	2	5	-	A	4	Institution			Study number					Year		Status					Status: S = Submission; R = Re-submission; P = Provisional authorisation; A = Authorisation														
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Institution			Study number					Year		Status																																						
Status: S = Submission; R = Re-submission; P = Provisional authorisation; A = Authorisation																																																
Application type:	Single study - Postgraduate research	Risk level:	Low/minimal risk																																													
Commencement date:	6/6/25																																															
Expiry date:	6/6/26																																															
<p><i>Approval of the study is initially provided for a year, after which continuation of the study is dependent on receipt and review of the annual (or as otherwise stipulated) monitoring report and the concomitant issuing of a letter of continuation.</i></p>																																																

Special in process conditions of the research for approval (if applicable):

None.

General conditions:

While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, the following general terms and conditions will apply:

- The study leader/supervisor (principal investigator)/researcher must report in the prescribed format to the EMS-REC:
 - annually (or as otherwise requested) on the monitoring of the study, whereby a letter of continuation will be provided, and upon completion of the study; and
 - without any delay in case of any adverse event or incident (or any matter that interrupts sound ethical principles) during the course of the study.
- The approval applies strictly to the proposal as stipulated in the application form. Should any amendments to the proposal be deemed necessary during the course of the study, the study leader/researcher must apply for approval of these amendments at the EMS-REC, prior to implementation. Should there be any deviations from the study proposal without the necessary approval of such amendments, the ethics approval is immediately and automatically forfeited.
- Annually a number of studies may be randomly selected for an external audit.
- The date of approval indicates the first date that the study may be started.
- In the interest of ethical responsibility, the NWU-SCRE and EMS-REC reserves the right to:
 - request access to any information or data at any time during the course or after completion of the study;
 - to ask further questions, seek additional information, require further modification or monitor the conduct of your research or the informed consent process;
 - withdraw or postpone approval if:
 - any unethical principles or practices of the study are revealed or suspected;
 - it becomes apparent that any relevant information was withheld from the EMS-REC or that information has been false or misrepresented;
 - submission of the annual (or otherwise stipulated) monitoring report, the required amendments, or reporting of adverse events or incidents was not done in a timely manner and accurately; and / or
 - new institutional rules, national legislation or international conventions deem it necessary.
- EMS-REC can be contacted for further information or any report templates through the secretariat. Botlanyana Maluleka (Botlanyana.Maluleka@nwu.ac.za / +27 18 2852436) or the chair Prof Diana Viljoen-Bezuidenhout (Diana.Viljoen@nwu.ac.za / +27 16 9103403).

The EMS-REC would like to remain at your service as scientist and researcher, and wishes you well with your study. Please do not hesitate to contact the EMS-REC or the NWU-SCRE for any further enquiries or requests for assistance.

Yours sincerely,

Prof Diana
Viljoen-
Bezuidenhout

Digitally signed by Prof
Diana Viljoen-
Bezuidenhout
Date: 2025.06.17
08:57:20 +02'00'

Prof Diana Viljoen-Bezuidenhout

Chairperson: NWU Economic and Management Sciences Research Ethics Committee

ANNEXURE C: INFORMED CONSENT

INFORMED CONSENT

JEMINAH MAMPOPE QAI

Exploring the challenges to expansion faced by local spaza shop entrepreneurs in Kagiso Township in Gauteng

Dear participant,

You are invited to participate in a research study by Jeminah Mampope Qai, a Master of Business Administration student at North-West University. This study aims to investigate the challenges local spaza shop entrepreneurs in Kagiso Township face regarding the expansion and sustainability of their businesses.

Your participation is highly valued in helping to shape this important research. Your participation is voluntary, and you can withdraw at any time without consequence.

Purpose of the Study:

This research aims to identify the key barriers hindering the growth of Kagiso Township's spaza shops. These barriers may include financial constraints, regulatory burdens, competitive pressures, lack of mentorship and business skills, limited access to digital transformation, and other related challenges. The findings of this study will contribute to a better understanding of the township economy and inform the development of strategies to support the growth and sustainability of spaza shops.

Procedures:

We would greatly appreciate it if you would take part in this research. If you agree to participate, you will be asked to:

- Participate in a face-to-face interview with the researcher. The interview will last approximately 30-40 minutes.
- Answer questions about your experiences as a spaza shop owner in Kagiso Township, including the challenges you face in expanding your business.

Important notices, terms and conditions:

- The study is part of a post-graduate qualification conducted by North-West University.
- This study is subject to the Protection of Personal Information Act (POPI Act 4 of 2013), and the researchers commit to complying with the regulations of this legislation. Any personal identifying information, such as demographics will remain confidential.
- This interview is voluntary, and you are under no obligation to participate.
- You will have no negative consequences if you do not participate in the interview.

- Results will only be used and presented anonymously, and you will not be named at any time (We will use pseudonyms).
- By participating in the interview, you agree that the information you provide can be used for research purposes, specifically for potential academic publications and conferences.
- The interview will be recorded to ensure accurate transcriptions and coding.
- Data will be password-protected, kept and destroyed based on the NWU guidelines and protocols.
- There are no correct or incorrect answers to any of the questions.
- Your participation in this study may contribute to a better understanding of the challenges spaza shop owners face in Kagiso Township. The findings of this research may inform the development of policies and programs to support the growth and sustainability of these businesses. You will also be able to share your experiences and perspectives, which could help other entrepreneurs facing similar challenges.
- There is no direct compensation for participating in this study. However, your contribution is valuable and will help improve the understanding of the challenges spaza shop owners face in Kagiso Township.
- This study has been approved by the Economic and Management Sciences Research Ethics Committee (EMS-REC), which reserves the right to audit this study to ensure compliance.

Contact Information:

If you have any questions or concerns about this study, please contact:

- Jeminah Mampope Qai (Researcher): [54554616@mynwu.ac.za] or [073094198]
- Prof Stephan Van Der Merwe (Supervisor): [Stephan.VanDerMerwe@nwu.ac.za]

Consent:

By signing this consent form, you acknowledge that you have read and understood the information provided above and voluntarily agree to participate in this research study.

Participant Name (Printed)

Participant Signature

Date

Researcher Signature

Date

ANNEXURE D: INTERVIEW GUIDE

INTERVIEW GUIDE: JEMINAH MAMPOPE QAI

Exploring The Challenges to Expansion Faced by Local Spaza Shop Entrepreneurs in Kagiso Township, Gauteng

My name is Jeminah Mampope Qai, an MBA (Master's in Business Administration) student at the North-West University Business School. **The purpose of this study is to understand the challenges you, as a Spaza Shop entrepreneur in Kagiso Township, face in expanding and sustaining your business. Your insights are valuable and will help inform strategies to support the growth of local Spaza Shops.**

Before we begin, I need to ask for your verbal confirmation of informed consent. Are you willing to participate in this interview, understanding that it will be audio-recorded for transcription purposes, and that your responses will be kept confidential and anonymised in the final report? Please note that you are free to withdraw from the interview at any time, and you may decline to answer any question you are uncomfortable with.

Before we begin the interview, I would like to gather some demographic information to create a profile of the participants. Please be assured that this information will be kept confidential and used for research purposes only.

Please state the following:

1. Could you please share your current age?
2. What is the highest level of academic education you have achieved?
3. Before starting your entrepreneurial ventures, what kind of professional experience have you accumulated?
4. In which industry does your business operate?
5. What is the geographic location of your business?
6. Could you provide information on the number of full-time employees currently working within your business?
7. How long has your business been in operation?

Thank you, we will now proceed with the interview questions.

Interview Questions

1. **Business Overview:** Firstly, can you tell me about your business and its funding?
 - *Probe:* What motivated you to start this business?
 - *Probe:* What products or services do you offer, and how has your business evolved since its inception?

2. **Financial Constraints:** What financial challenges do Spaza Shop entrepreneurs in Kagiso Township experience, particularly in relation to access to credit and funding opportunities, and how do these constraints affect their capacity for business growth?
 - *Probe:* Could you provide an example that comes to mind?

3. **Regulatory Compliance:** What challenges do Spaza Shop entrepreneurs in Kagiso Township face in meeting regulatory requirements, and how do these compliance issues influence their daily operations and potential for expansion?

4. **Competition:** How does competition affect the performance of your Spaza Shop? What is the nature and extent of competition from larger retailers and foreign-owned businesses, and how does this competition affect the sustainability of local Spaza Shops?
 - *Probe:* Who are your competitors and how close are they from your spaza shop?
 - *Probe:* What is your strategy in dealing with this competition?

5. **Digital Transformation:** How has your company reacted to and integrated digital transformation?
 - *Probe:* What are the primary obstacles preventing Spaza Shops in Kagiso Township from adopting digital transformation strategies, and how would these strategies enhance their competitiveness and operational efficiency?
 - *Probe:* What tactics have you employed to get over these obstacles, and how successful have they been?

6. **Business Skills:** "How does a lack of business management skills limit the growth and development of Spaza Shops in Kagiso Township, and in which specific areas do entrepreneurs require support and guidance?"
 - *Probe:* How would you rate your understanding of how to run a successful business?

- *Probe:* Is there any current government and non-governmental support programs available to assist Spaza Shops in Kagiso Township in terms of business management skills?

7. **Collaboration and Networking:** How do collaboration and networking opportunities, or the lack thereof, impact the ability of Spaza Shops to grow and thrive in Kagiso Township?

Thank you so much. This is the end of the interview. Thank you for your time and valuable contribution to this research.

ANNEXURE E: TURNITIN REPORT

54554616:Jeminah_Mampope_Qai_54554616-
Final_Research_Document_Edited_Final.docx

ORIGINALITY REPORT

8% SIMILARITY INDEX	6% INTERNET SOURCES	6% PUBLICATIONS	2% STUDENT PAPERS
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PRIMARY SOURCES

1	repository.nwu.ac.za Internet Source	1%
2	Submitted to Mancosa Student Paper	<1%
3	Mapengu, Rirhandzu. "An Investigation of Factors Hindering the Growth and Development of Locally Owned Spaza Shops.", University of Johannesburg (South Africa), 2024 Publication	<1%
4	hdl.handle.net Internet Source	<1%
5	Submitted to Stadio Holdings Student Paper	<1%
6	fastercapital.com Internet Source	<1%
7	core.ac.uk Internet Source	<1%