

# MASIPHUMELELE SMALL BUSINESS SURVEY

## Survey Results



**AFRICA UNITE**  
**December 2007**





**Acknowledgements:**

This report was compiled by Kate Lefko-Everett, with assistance from Jaclyn Sheltry, Alice Mafuleka, Pablo Friedmann, and Merritt Buyer.

Africa Unite gratefully acknowledges the support of the Directorate of Social Dialogue and Human Rights, Department of the Premier, Western Cape Provincial Government, and collaboration with Islamic Relief Worldwide.

Africa Unite also thankfully acknowledges permission from the FinMark Trust for use of survey items included in the research instrument.



## **CONTENTS**

- I. Background & Introduction**
- II. Methodology**
- III. Legislative & institutional context**
- IV. Profile of business owners**
- V. Features of Masiphumelele businesses**
- VI. Conclusions and recommendations**

## **TABLES**

- Table 1: Diversity of Enterprises in South Africa**
- Table 2: Types of businesses in sample**
- Table 3: Most common goods/services offered**
- Table 4: Suggestions to improve the situation for business owners**

## **FIGURES**

- Figure 1: Survey fieldworkers**
- Figure 2: Fieldworkers conducting interviews**
- Figure 3: Age of businesses**
- Figure 4: Spaza shop**
- Figure 5: Business in Masiphumelele**



## I. Background & Introduction

Over the course of 2006, media reporting documented a spate of attacks against foreign nationals in different communities across South Africa. In the Western Cape province, these included attacks in areas across metropolitan Cape Town, as well as in Stellenbosch, Barrydale, Plettenberg Bay, George, and Mossel Bay.<sup>1</sup>

Similar attacks occurred in the community of Masiphumelele during August of 2006. Beginning on August 24<sup>th</sup>, Somali nationals reported to the police and other organizations that they felt under threat of violent attack by South African community members.

Subsequently, on August 29<sup>th</sup>, Somali-owned businesses in Masiphumelele were attacked by local residents, reportedly hired by South African business owners. In total, 27 Somali-owned shops were damaged or destroyed, while a reported 200 community members looted and stole food and other goods, including bread, flour, cooking oil and vegetables. While Somali residents fled the area, their homes were also targeted, and items including beds, stoves and other furniture were reportedly stolen. About 35 Somalis living in Masiphumelele were forced to seek refuge at the nearby Ocean View police station.

In early September, Africa Unite initiated a process of mediation and reconciliation in Masiphumelele, aimed at bringing about a peaceful solution to the conflict and ensuring that further attacks did not occur. Early meetings convened by Africa Unite and attended by local community members, including residents, community-based organisations and the Siyakha Business Association, revealed a number of economic and business-related issues underlying the attacks against Somali-owned businesses.

Media reporting emphasized high levels of competition between Somali and South African-owned businesses. Somali-owned businesses were generally believed to offer lower prices, effectively blocking South African businesses



from competition. An additional concern, however, was that Somali residents were believed to be opening and operating multiple businesses in Masiphumelele, further exacerbating already-high levels of competition in the community. Some community members questioned whether foreigners should be “allowed” to conduct business in Masiphumelele at all.

At the same time, many other community members also strongly supported Somali business owners. They suggested that Somali-owned shops in Masiphumelele offered more affordable prices, and better value for money than most South African-owned businesses.

Mbulelo Ntshangase, Chairman of the Gugulethu branch of the National Federation of Chambers of Commerce (NAFCOC), attributed conflict between local and foreign business owners in numerous communities to a lack of training, access to finance, and financial discipline amongst black South African small business owners. Ntshangase suggested that there is also “jealousy” directed towards more competitive, Somali-owned shops. Media reports also underscored cooperation and effective buying power amongst Somali business owners, who tend to buy goods collectively in bulk in order to get discounts from wholesalers and factories. Ntshangase has called for the government to provide ongoing training and education, to promote tolerance and improve business skills for South Africans.<sup>2</sup>

Throughout the mediation process supported by Africa Unite in Masiphumelele, community members and the Siyakha Business Association have called for a better understanding of the business climate in the area. Africa Unite, in partnership with Islamic Relief Worldwide and a Provincial Task Team established through the Department of the Premier, Western Cape, developed a survey aimed at gathering information about the types of businesses in Masiphumelele, the products and services they offer, the way in which businesses are operated, and possible interventions to improve the local business sector.

This report offers an overview of the research findings, and is intended primarily to provide information to Masiphumelele community members and local organisations, including Siyakha and other business associations. The report also aims to offer some recommendations for future interventions that could potentially lead to improvements for business owners in Masiphumelele. While the survey was not statistically representative, it did yield a great deal of important data, which is presented in following sections.

## II. Methodology

Following calls from the Masiphumelele business community for more information about the local business environment, a short survey was developed and administered to 185 local business owners.

In keeping with the aim of involving Masiphumelele community members in finding solutions to the problems faced by area business owners, ten active members of local youth organisations were selected for training as fieldworkers. Fieldworkers participated in a full day of training that focused on how to use the research instrument, and interview

techniques and ethics. Fieldworkers were also provided with clearly identifiable t-shirts, and the purpose and dates of the fieldwork were broadcast across the community.

Interviews were conducted between 8–16 February, 2007. Fieldworkers conducted interviews in teams of two persons each, and Somali fieldworkers assisted with translations where necessary. In total, fieldworkers conducted interviews with 185 business owners in Masiphumelele.

In general, fieldworkers indicated that business owners were interested in the survey process and its outcomes, although some reported that they had also

**Figure 1: Survey Fieldworkers**





been treated with suspicion. Other challenges fieldworkers encountered included difficulties in explaining the rationale of the survey to respondents, and language problems. Some respondents were also hesitant to participate, as they felt personal information might be shared with government, SARS, etc. After participating in the survey, many business owners also requested information on access to training and other services, as well as on membership in the Siyakha Business Association.

### **III. Legislative & institutional context**

The Masiphumelele Small Business Survey was conducted in a national legislative and institutional context that recognises the importance and value of small businesses in the larger South African economy, and underscores the need to support small business development and entrepreneurship. According to the Small Enterprise Development Agency (SEDA), “it is generally accepted that the small-business sector plays a significant role in the growth, structural transformation, and general performance of developing economies”, such as South Africa’s. Small businesses can be classified as either micro-, very small, small or medium enterprises, and collectively are generally referred to as SMME’s (Small, Micro and Medium Enterprises).<sup>3</sup>

SMME’s are regulated by the National Small Business Act of 1996 (and the subsequent National Small Business Amendment Bill of 2003), which defines a “small business” as follows:

*...a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column I of the Schedule.*

The Act also mandated the establishment of SEDA, which merged the previous small enterprise development agencies (Ntsika Enterprise Promotion Agency, NAMA Trust and the Community Public Private Partnerships) into a



single small enterprise support agency. SEDA's work is consistent with the Department of Trade and Industry (DTI's) Small Enterprise Development Strategy, which aims to:

- Strengthen support for SMME's access to finance
- Create an enabling regulatory environment
- Expand market opportunities for specific categories of small enterprises
- Localise small business support through a grid of SEDA-coordinated information and advice access points
- Initiate a national entrepreneurship drive and expand education and training for small business
- Co-fund minimum business infrastructure facilities in local authority areas across the country.<sup>4</sup>

SMME's have also been identified as a key sector under the Accelerated Skills and Growth Initiative for South Africa (ASGISA).

SEDA observes that the SMME sector in South Africa is extremely complex, "in terms of size, structure, degree of formalisation and level of sophistication". SEDA has captured the varying range of enterprises as follows, in Table 1 below:

**Table 1: Diversity of Enterprises in South Africa**

Variations	Categories of enterprises	Differentiation factors
Multinational corporation		Registration of business
Branches of foreign firms	←	→ VAT Registration
Franchisees	1. JSE-listed companies	Permanent employees Continuity of activities Fixed premises Fully operational (vs planning stage or start-up) Ownership structure Legality of activities Profit orientation vs non-profit Fully private vs (ltd) public-sector partnership or equity (non-reg)
Agencies	2. Large private enterprises	
Member of a co-operative	3. Close corporations and companies	
Event-focused <i>ad hoc</i> activities	4. Sole proprietors and partnerships (VAT-reg)	
Moonlighting jobs	5. Informal, regularly operating entities (non-VAT-reg)	
Hobby-type business activities	6. Occasionally functioning (non-reg) entities	
Subsistence farming	7. <i>Ad hoc</i> income-generating survival activity (non-reg)	
Urban informal agriculture		
<p>Source: SEDA, "Review of Trends on Entrepreneurship and the Contribution of Small Enterprise to the Economy of South Africa, 2000-2006". Available at: <a href="http://www.seda.org.za">www.seda.org.za</a></p>		

According to the classifications above, most businesses featured in the Masiphumelele would fall into the enterprise categories 5 to 7. Informal businesses, according to SEDA, are:

*...generally defined as businesses not registered for VAT. Most of them are micro-enterprises (their turnover being below the compulsory VAT registration limit of R300,000), but other entities may be larger. Many informal activities are also **intermittent**, being started, discontinued and reactivated several times during a year, depending on the needs and availability of their owners.*

Most business featured in the survey would also be defined as "survivalist". In that they generate "income only below the poverty line".<sup>5</sup>

#### IV. Profile of business owners

The Masiphumelele Small Business Survey aimed in part to better understand the profile of persons conducting business in Masiphumelele.

**Figure 2: Fieldworkers conducting interviews**



Business owners interviewed ranged significantly in age, from the youngest owner aged 19, to the oldest aged 77. The average age of business owners was 35, but most survey respondents (115) were between the ages of 26 and 40.

A majority of the business owners interviewed were male (57%). Most were married (56%) while a further 47% were single or had never been married, and 5% were unmarried but living with a partner.

Many Masiphumelele business owners indicated that they had completed at least some secondary school. About 55% had completed up until Grade 11/Standard 9, and an additional 17% completed Grade 12/Matric. However, about one in five business owners (21%) had only completed a primary school education, and 2% had never been to school or had only received traditional or informal education. About 6% of business owners had a higher education diploma or a college or university degree.

Most of the business owners interviewed were South Africans (83%), and 17% were from other countries. These included nationals of Malawi, Mozambique, Ghana, Somalia, Tanzania and Zimbabwe. Of those business owners who are not South African, most (81%) stated that they are refugees or asylum-seekers, while others (19%) are permanent residents.

Relatively few interview respondents indicated that they owned more than one business. Of the 185 interviewed, only 19 stated that they owned at least one other business. Most additional businesses also appeared to be operating within Masiphumelele, rather than outside of the community.

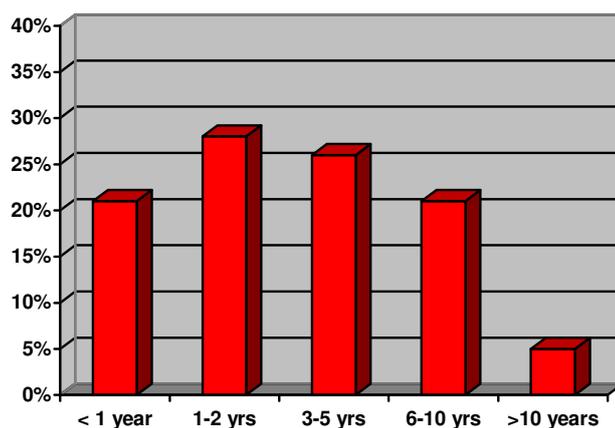
## V. Features of Masiphumelele businesses

This section provides research findings related to the features of businesses in Masiphumelele.

### *Age of businesses in Masiphumelele*

According to survey respondents, the age of businesses in Masiphumelele ranges widely, with some businesses operating for more than ten years. However, it is also clear that new businesses are emerging quickly. About 21% of businesses featured in the survey were less than one year old and a further 28% are one to two years old, meaning that about 89 new businesses have been established since 2005. An additional 26% of businesses are between 3 and 5 years old, 21% between 6 and 10 years old, and 5% more than ten years old. (See Figure 3)

**Figure 3: Age of businesses**



### ***Motivation for business ownership***

Interview participants were asked why they had started their businesses. In response, the majority stated that they were unemployed (76%), and an additional 4% that they had been retrenched, and therefore needed a source of income. Of all of the survey respondents, fewer than one in five (17%) indicated that they had specifically wanted to start a business.

### ***Types of businesses in Masiphumelele***

Although there is some variety in the types of businesses operating in Masiphumelele, many offer essentially the same products and services, with relatively little differentiation.

Most survey respondents described their businesses as spaza shops (51%), with a further 14% as bottle stores or shebeens, and 7% as selling groceries and alcoholic beverages. Altogether, businesses selling groceries, alcohol or a combination of these constituted 72% of the sample. Businesses that appeared to offer a unique service or occupy a market niche included arts and crafts, bicycle sales/repairs, a car wash, and an inn/guesthouse. Businesses sampled are shown in Table 2 below:

<b>Business type</b>	<b>%</b>	<b>Business</b>	<b>%</b>
Arts/crafts	<1	Hair salon/barber shop	4
Bicycle sales/repairs	<1	Inn/guesthouse	<1
Bottle store/shebeen	14	Photo development/studio	1
Braai meat	2	Public phones	<1
Butchery	3	Restaurant/take-aways	3
Car wash	<1	Selling rocks	<1
Cell phone sales/repairs	1	Shoemaker/repairs	1
Clothing sales	3	Shop/spaza	51
Combination shop and bottle store/shebeen	7	Tailor/dress-maker	2
Cosmetics sales	2	Transport	<1

Crèche/Educare	2		
----------------	---	--	--

### ***Goods and services provided by businesses***

In keeping with the finding that a majority of the businesses featured in the survey were similar, most consistently offered the same kinds of goods and services. When asked to list the main goods and services offered by their business, the most common first responses included: alcoholic beverages (including spirits, beer and wine) (17%); groceries (13%); fruit (11%); drinks (7%); meat (7%); clothing (6%); bread (5%); and sugar (4%). Together these items constituted 70% of responses.

**Figure 4: Spaza shop**



Most interview participants gave multiple responses to the question of what main goods and services their businesses offer. When giving a second response, the most common goods and services offered by business owners were: alcoholic beverages (17%); vegetables (13%); drinks (10%); bread (6%);

chips (6%); fruit (5%); and paraffin (4%).

Amongst interview participants who listed a third main good or service offered by their business, most common responses were: drinks (9%); paraffin (6%); sweets (6%); and cigarettes (4%).

The four most common items listed in first, second and third responses from interview participants are shown in Table 3 below.

Table 3: Most common goods/services offered		
First response	Second response	Third response
Alcohol/beer (17%)	Alcohol/beer (17%)	Drinks (9%)
Groceries (13%)	Vegetables (13%)	Paraffin (6%)
Fruit (11%)	Drinks (10%)	Sweets (6%)
Drinks (7%)	Bread (6%)	Cigarettes (4%)
Meat (7%)	Chips (6%)	--

In looking at all responses given by interview participants in total, the most popular good/service offered is the sale of drinks, constituting 25% of all responses. This included alcoholic beverages (13%), and specifically: Amarula, Amstel, beer, Black Label, brandy, cider, Hansa, Hunter's Dry, Reds, Savannah, Smirnoff, Storm and wine. "Drinks" constituted a further 9% of responses, although respondents did not specify whether these were alcoholic or non-alcoholic. A further 3% were non-alcoholic drinks, including specifically Coke, Fanta, Sprite, juice, coffee, and *bompies*.

**Figure 5: Business in Masiphumelele**



Other common products included snack foods like chips and peanuts (4%) and sweets and ice cream (4%), as well as cigarettes (3%). Together, these items made up 11% of responses.

Of the total number of responses given by business owners, 5% simply said "groceries". However, some business owners were more specific about products, including: fruit and vegetables (13%); staple foods (bread, flour, mealie-meal, oil, rice, salt, samp and sugar)(11%); meat, fish and eggs (6%); milk and amansi (3%); candles, matches and paraffin (3%); soap and washing powder (2%); toiletries, toilet paper and nappies (1%); herbs and spices (1%). Together these grocery items made up 45% of all responses.



Non-grocery items included: clothes (3%); hair cuts and hair products (2%); cosmetics (1%); airtime and cell phone sales and repairs (1%); electronics sales and repairs (1%); hardware (1%); hot food and take-aways (1%); photo development and enlargement (1%); shoemaking and repairs (1%); and, tailoring and dress-making (1%).

### ***Saleability of goods***

Business owners were then asked about the goods and services that they find the easiest to sell, and that are the most popular amongst consumers in Masiphumelele. Of the total number of responses given, alcoholic beverages (14%) and drinks (14%)(unspecified whether alcoholic or non-alcoholic) constituted the highest percentage of goods listed as popular and easy to sell, followed by bread (9%), fruit (7%), sweets (7%) and chips (6%). Together, these items accounted for more than half (57%) of responses given.

Business owners were also asked to name the goods and services that they found least popular, or most difficult to sell in Masiphumelele. Notably, alcoholic beverages also constituted the highest percentage of responses (11%), suggesting that while these may be popular, they may also be difficult to sell due to saturation of the local market. Other goods identified as least popular, and most difficult to sell included staples such as mealie-meal (9%), samp (6%) and rice (5%).

### ***Stock purchases***

Survey findings suggest that almost all business owners have to purchase stock outside of Masiphumelele, and many travel long distances to do so. When asked where they purchase their stock, a majority of business owners stated that they buy goods from *Makro* stores (44%), with some specifying that they buy goods from the Ottery branch. A further 7% indicated that they travel to Phillipi and 6% to Epping. Only 6% of business owners surveyed stated that they were able to buy stock within Masiphumelele.



### ***Registration of businesses***

Survey findings revealed that most of the businesses sampled are not formally registered. Of the business owners interviewed, about 68% stated that their businesses are not registered. Twenty-three percent stated that their businesses are registered as sole proprietorships, 3% as partnerships, 2% as closed corporations, and 2% as Pty Limited businesses. Several non-profit organisations (NPO) were also included in the sample.

### ***Business Association membership***

Business associations, and the Siyakha Business Trust in particular, appear to have an active role within the Masiphumelele community.

However, most business owners interviewed (73%) stated that they are not members of a business association. Of those business owners who are members of an association (27%), some indicated that they are members of Siyakha Business Trust, and several named other associations. Some respondents who are not members of business associations also expressed an interest in joining an association.

### ***Business premises***

Survey findings suggest that of the Masiphumelele business owners interviewed, most operate their business within the constraints of limited facilities.

Most business owners operate from a residential premises, either from their own home (47%) or from a house rented for their business (41%). A small number of owners also operate from a back yard (6%), or from a garage (<1%), a container (<1%), or a stall (<1%), or do not have a fixed location (<1%). Five interview participants stated that they sell goods on school grounds.



There is a fairly even distribution of business owners who own their own premises (45%) and those who rent their premises (53%). Two percent of business owners stated that they use someone else's premises but do not pay rent.

The physical facilities available at most businesses are limited. While most business owners indicated that they have electricity (75%) and a cell phone (90%), very few have: running water inside (18%), a toilet inside (12%), a landline telephone (14%), a till or cash register (3%), or a computer (6%).

### ***Employees***

Many of the businesses currently operating in Masiphumelele are small, and a large percentage of business owners do not employ workers other than themselves (29%). However, 41% of business owners indicated that they employ one other person, and 14% that they employ two other people. Most employees appear to work on a full-time, rather than a part-time or casual basis.

The majority of business owners stated that all of their employees are South Africans (73%), although only 104 business owners answered this question. Of the 18% who stated that they employ workers from other countries, workers' countries of origin included Malawi, Mozambique, Somalia, Tanzania and Zimbabwe.

Survey results indicate that many business owners rely on assistance from members of their families. Although only 86 business owners responded to this question, 81% responded that they employ at least one member of their own family. Amongst those who do employ family members, many do not pay wages to their family members. In those businesses where owners do pay wages to family members, these ranged from R500 to R1,800 per month. However, only 8 business owners responded to the question of how much was paid in wages to family members.



Thirty-one business owners described the amount of wages paid to employees who are not family members, and these ranged from R300 to R1,800 per month, with an average of R782 per month. The most frequently occurring wage amount (mode) was R1,000 per month.

### ***Hours of operation***

The majority of businesses sampled are open seven days a week (88%). Most businesses also operate for relatively long hours, the majority closing either at 20h00 (14%), 21h00 (23%) or 22h00 (36%).

### ***Business owners***

As discussed above, most survey respondents interviewed stated that they had opened businesses in response to either unemployment or retrenchment, rather than from a specific interest in entrepreneurship.

Interview participants were asked about what they did before starting the business they currently operate. The majority of owners stated that they had a job (54%), but many also responded that they had been unemployed or had never worked (42%). Seven respondents indicated that they had previously owned another business.

Most respondents (71%) also stated that they do not have any other sources of income aside from profit from their business. However, 14% stated that they receive child grants, 11% salaries or wages, and 4% disability grants.

### ***Business management***

According to the results of the survey, a majority of business owners (59%) do not keep any records of their business transactions. Of those who do keep records (41%), most stated that they have a system of book-keeping or record-taking. Others stated that they use bank statements to keep track of business transactions, and one respondent used a system of stock-taking.



Most respondents (63%) also stated that their business does not have a bank account. In addition, 95% stated that they had never applied for a bank loan, while 5% stated that they had applied for and received a loan.

Although many business owners do not have systems for keeping track of their business transactions, 46% feel that their business is growing or expanding over time, and 41% that their business has stayed “the same”. Only 13% feel that their business is getting smaller, or slowing down over time.

A further 46% of business owners feel they make a profit from their business, and 44% that their business affords them “just enough profit to get by”. Ten percent feel they are losing money from their businesses.

### ***Business skills***

Business owners were asked to name the main skills they use in their businesses. Generally, these skills related to customer service rather than to technical abilities. The most frequent responses to this question were: customer care (20%); communication (18%); working with plug boards (7%); business management skills (6%); and, marketing/street advertising (6%).

When asked where they had learned the skills used in their business, most owners indicated that they had “taught themselves” (52%). Other sources of skills included family members (14%), training/courses (11%), and a friend or mentor (10%). A further 6% stated that they had learned their business skills from a previous job. Only 3% mentioned that they had learned their skills from school, and 3% from college or university.

Business owners were also asked about any new skills which they felt might help them to run their businesses more effectively. Responses to this question generally related to improving business management, and to expanding and diversifying current businesses. Of all of the responses given to this question,



most related to acquiring business or management skills (29%), financial skills and management (13%), bookkeeping and record keeping (8%), and safety, security and crime prevention (8%).

### ***Problems encountered in running businesses***

Business owners were next asked to list the problems that they encounter in running their businesses. Of all of the responses given, crime (including stealing and fighting) was the most frequent (15%). Many business owners also mentioned problems with transportation (14%). Other frequent responses related to customers, including “bad behaviour” from customers and “rude people” (7%), non-payment from customers (6%), and customers wanting credit and credit management (5%). A further 6% of responses related to competition from other businesses.

### ***Goods and services***

Business owners were then asked about the goods and services they use which are not available in Masiphumelele, and therefore require them to travel outside of the community. Business owners were also asked to name any unique goods and services they offer to customers, which are not available through other businesses in Masiphumelele. This was in order to establish whether they occupy specific niches in the market.

A majority of businesses owners stated that most of the goods they sell are available in Masiphumelele, and that they therefore have to travel elsewhere for stock (36%). Specific stock items not available in Masiphumelele included: fruit and vegetables (13%), groceries and food (9%) and meat (9%).

From the survey results, it appears that most businesses do not offer any goods or services that are not also available elsewhere in Masiphumelele, creating high levels of competition. Of all responses, 32% indicated that they do not offer any goods or services that are not available elsewhere. 18% indicated that they sell pet food and 14% furniture, which were viewed as less



available than other products in Masiphumelele; however, high numbers of responses indicate that these products are not unique or limited to a few businesses.

### ***Future of businesses***

Business owners were then asked about what they would like to happen in their businesses in future. The overwhelming majority of responses (74%) related to growing or expanding current businesses, with an additional 8% indicating that they wanted a larger premises, or a new premises altogether. About 7% of responses also related to introducing new stock items, but again, most of the items listed are already available within other businesses, including alcoholic drinks, chickens, clothing, pet food, phones, and meat.

Owners were also subsequently asked about additional goods and services they would like to introduce into their business in future. Similarly, the goods and services most frequently mentioned were already widely available in Masiphumelele: meat/butchery (16%); alcohol (8%); clothing (6%); food/groceries (6%); phones (5%); restaurant/hot food/take-aways (5%); and, fruit/vegetables (4%).

Close to three in four business owners (72%) has never developed a Business Plan for the future.

Business owners were also asked about what would happen to their businesses in future, if for some reason they were no longer able to work. Most owners (58%) indicated that a family member would take over, or in some cases, a business partner (12%). But many others responded that they did not know or had not thought about it (19%), or that their business would close (9%).

### ***Changes that would assist business owners***

Finally, business owners were asked about changes in Masiphumelele that would assist the business community in general. Survey results indicated that combating crime/drug abuse and greater security were the most significant concerns amongst owners, making up 15% of responses. A further 12% identified a need for training and skills development. About 10% of responses related to the need for a market, business sites, or stalls. Other changes included: unity/cooperation within the community and amongst business owners (10%); housing (6%); business cooperatives (4%), standard pricing across businesses (4%); and more wholesalers, or deliveries from wholesalers (4%). Additional suggestions are shown in Table 4 below.

<b>Table 4: Suggestions to improve the situation for business owners</b>			
<b>Suggestion</b>	<b>%</b>	<b>Business</b>	<b>%</b>
Assistance/support from govt	3%	Local paper	<1%
Bank loans	2%	No competition	1%
Business centre	1%	No jealousy	<1%
Business cooperatives	4%	Nothing	2%
Business sites/stalls/market	10%	Permission to sell inside the school	1%
Combating crime and drugs/security	15%	Refugees should go home	<1%
Combating fires	1%	Renew the Craft Centre	<1%
Communication	<1%	Shopping centre	1%
Depot	1%	Standard pricing	4%
Development/electrification/infrastructure	2%	Skills/training workshop	12%
Don't know	3%	To be rich	<1%
Grow/expand business	1%	Tourism	<1%
Hard work	1%	Unity/cooperation amongst community/business owners	10%
Housing	6%	Wholesalers/deliveries	4%
Insurance	<1%	Work with/train youth	1%
Job creation	1%	Pensions	<1%
Land	2%		

## **VI. Conclusions and recommendations**

Masiphumelele is a relatively small community, confined within a very limited geographic space, and with little room for expansion. However, survey findings suggest that the local business sector has grown rapidly, and many of the businesses featured in the survey have been established within the last two years.

While numbers of local businesses have continued to increase, survey findings suggest that there is little diversification in the types of businesses currently operating, or in the goods and services they offer. Most businesses featured in the survey sell alcoholic beverages, groceries, or a combination of both. Other common stock items include soft drinks, snack foods, cigarettes, and fruit and vegetables. As a result, few business owners have any competitive advantage over others, or have occupied a niche market for consumers in the area. The few exceptions to this include businesses offering childcare, bicycle sales and repairs, tours, and car washing.

At the same time, most business owners are entirely dependent on their profits as a single source of income. Rather than a specific interest in entrepreneurship, most indicated that they had established their business in response to unemployment or the loss of a job.

Homogeneity across businesses in Masiphumelele has contributed to high levels of competition, which are also likely fuelled by consistent dependency on business profits for household income. If business owners wish to gain any advantage, they must begin diversifying the products and services their businesses offer.

Survey findings also suggest that many business owners appear to operate in a relatively isolated manner. Most businesses are informal and unregistered, and in spite of the high profile of the Siyakha Business Association in the community, membership was fairly low. Some business owners participating in the survey specifically expressed an interest in joining a business



association, which could potentially allow for the development of shared solutions to common problems, such as high levels of crime, the need for transport to wholesalers, and tension within the business community.

Business owners also do not appear to use commercial financial services. More than 60% do not have bank accounts, potentially increasing vulnerability to crime when cash is kept on site. Overall, 95% indicated that they have never applied for a bank loan, for example, to invest in their business or premises. Several also mentioned that lack of access to insurance is problematic, particularly given levels of crime in the community.

Notably, more than 40% of business owners indicated that they employ workers, although many others depend on assistance from family members. This is understandable given consistently long hours of operation across most businesses, and the need to compete with other businesses in the community. Support for successful businesses may in fact create more job opportunities within Masiphumelele, and could potentially help to lessen numbers of new businesses opening in future.

Although the survey was not representative, most participating business owners were South African citizens, and not foreigners from other countries. In addition to the Somalis interviewed, some business owners were nationals of Malawi, Mozambique, Ghana, Tanzania and Zimbabwe. However, they appeared to be operating outside of conflict between South African and Somali business owners.

Most business owners had some education, and many had attended secondary school. However, few had received specific training on business or financial management. Almost 60% stated that they do not keep any records of their business transactions, and 72% have never developed a business plan for the future. While many felt that their businesses are growing at present (46%) and that they are making a profit (46%), these perceptions are not based on bookkeeping or business records. Further, 20% have not given



any thought to what would happen to their business if they were unable to work in future.

Business owners feel that they have skills related to customer care and communication, but require other specific training in business and financial management. Other specific interventions that could assist business owners in future include: broadening/strengthening membership in the business association; efforts to reduce crime; establishment of a dedicated business site or market area; and cooperation between business owners on issues such as pricing and access to wholesalers. Business owners also called for assistance from government in improving housing and infrastructure in the area.

Recommendations emerging on the basis of these findings include:

- Training for business owners:

Business owners are in need of training on a wide range of issues, including: financial and business management; diversification of goods and services; and credit management. Training should also be available on job-seeking in general, if business owners or other community members wish to seek other employment, therefore alleviating some pressure on the business sector. Critically, training must also be offered on human and constitutional rights, and conflict resolution

- Information for business owners:

Interventions should provide business owners with a wide range of information on commercial or public products and services available to SMME's, including: banking services; loans; advantages/disadvantages of business registration; SARS registration; and insurance.

- Business associations:

Survey findings suggest that there is interest in broadening membership to business associations within Masiphumelele. There is a potential role for Siyakha or other associations in developing solutions for common problems, such as difficulties in transportation and access to wholesalers, promoting cooperatives, community solutions to stop crime, and the possible identification/development of a market or business site area.

- Upgrading and service delivery:

Survey findings also underscore the need for physical improvements within Masiphumelele, including improvements to housing, roads, and infrastructure, and greater access to land. Services required also include electrification, improved policing and security, fire-fighting, and access to social assistance grants.

---

<sup>1</sup> See: Ryan, M. "Foreigners in SA have plenty to offer", *Tribune*, 24 September 2006, p 10; Peete, F. and du Plooy, C. "Foreigners reeling under wave of hatred", *The Star*, 6 January 2006, p 6; Roberts, H. "Is xenophobia fuelling attacks on foreigners?", *Cape Times*, 23 August 2006, p 1; du Plooy, C., Peete, F., and SAPA. "Three die in violence near Pretoria", *Pretoria News*, 5 January 2006, p 3; Mahlangu, L. "Five die in Pretoria township clashes", SAPA/Reuters, 4 January 2006; Simao, P. "Police arrest 27 after anti-Somali rioting", Reuters, 13 February 2007; *Cape Times*. "Somali killings are 'not xenophobic' – police", *Cape Times*, 20 September 2006, p 3; Breytenbach, K. "Somalis are 'suffering brunt of xenophobia'", *Cape Times*, 7 August 2006, p 6; Dolley, C. "32<sup>nd</sup> Somali slain in 'horrendous killing'", *The Star*, 2 October 2006, p 3; Tromp, B. "Abdullahi's dream come true", *Cape Argus*, 11 October 2006, p 13; SAPA. "Attacks on Somalis have Cabinet worried", SAPA, 26 October 2006; Breytenbach, K. "Cape Town Somalis feel safer", *Cape Times*, 27 November 2006, p 4; Schmidt, M. "'Jealousy and racism' behind Somali attacks", *Saturday Star*, 9 September 2006, p 6; Staff writer. "Somali shopkeeper attacked by gunmen in Paarl", *Cape Times*, 10 October 2006, p 3; Tromp, B. and Joseph, N. "Somalis targeted for murder by local rivals", *Cape Argus*, 11 October 2006, p 1; Ismail, S. "Somalis live in fear in South Africa", *Mail & Guardian* online, 3 October 2006; *Cape Argus*. "Tolerance a test for Masiphumelele dwellers", *Cape Argus*, 11 October 2006, p 13; *Daily News*. "We all get called Baraka here", *Daily News*, 13 October 2006, p 9; Ndenze, B. "SA, Somali traders meet to solve conflict", *Cape Times*, 23 October 2006, p 3.

<sup>2</sup> Gophe, M. "Fierce competition blamed for deadly attacks", *Cape Argus*, 2 September 2006, p 7.

<sup>3</sup> SEDA. "Review of Trends on Entrepreneurship and the Contribution of Small Enterprise to the Economy of South Africa, 2000-2006", pp 6, 23. Available at: [www.seda.org.za](http://www.seda.org.za)

<sup>4</sup> <http://www.seda.org.za/content.asp?subID=1>

<sup>5</sup> SEDA. "Review of Trends on Entrepreneurship and the Contribution of Small Enterprise to the Economy of South Africa, 2000-2006", pp 6, 23. Available at: [www.seda.org.za](http://www.seda.org.za)