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"Trade is in our blood": Reflections on trends and conflicts in township trade

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“Trade is in our blood”:

Reflections on trends and conflicts in township trade

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1. Introduction and problem statement

The World Bank estimates that 40% of the Gross Domestic Product (GDP) in developing countries is generated from the informal economy. Small informal retail businesses form a core part of this informal activity (Ligthelm, 2005). South Africa is no exception in this respect as informal retail businesses are commonly found in the country.

The available literature indicates that the pre-2000 landscape of South Africa's townships was dominated by small, mainly informal businesses referred to as *spaza* or tuck shops (Ligthelm, 2008; 2005). It is important to note that in this report both *spaza* and *tuck shop* will be used interchangeably. By the mid-2000s, strong competition had arisen from the formal sector; large retail firms such as Spar, Shoprite and Pick n Pay had located to the former black township areas. Mangaung township is no exception in this respect as Shoprite and Spar are two of the large retail stores currently operating in this area. These stores are both situated in a part of the Mangaung township called Rocklands. Despite this competition from the formal sector, spaza shops in this township (Mangaung) and elsewhere in the country have survived. They continue to provide basics such as bread, paraffin, candles etc. at prices perceived to be reasonable at times, through negotiated or arranged terms of payments. The ability of these spaza shops to respond to the daily needs of their local customers plays a crucial role in their survival (Ligthelm, 2005).

Along with economic formalisation, a large number of non-South African traders have also started enterprises in township areas. In Mangaung, a majority of these informal non-South African traders (as revealed by our 2010 survey results) are of Bangladesh and Pakistan origin. This has created the perception that these so-called foreigners have ousted the South African informal traders in the former black townships. Consequently, the business climate in former black townships (Mangaung included), has become volatile, with sporadic claims from these non-South Africans that they are the victims of township unrest and xenophobia, while South African informal traders have, in turn, blamed the government for failing to protect them against illegitimate foreign traders.

Whilst these pronouncements have made for some sensational newspaper headings, the true dimensions of this phenomenon remain largely unexplored in the South African context.

Using limited evidence, the claim is being made that limited economic resources seemed to have fuelled the hostile attitudes towards and attacks upon non-South Africans traders by South Africans in 2008 (HSRC, 2008). There is also evidence of similar trends in Botswana (Campbell, 2003). Within this context, the purpose of this report is to reach a deeper understanding of what characterises township trade conflict, with specific reference to Mangaung township in Bloemfontein.

This report is divided into seven further sections. It commences with a brief description of research methods (Section 2). Following this description, the next section outlines township trade in terms of characteristics and size. Section 4 contains a description of customers' perceptions of services and products available from informal and formal traders in Mangaung and Bloemfontein. Next is a description of the profile of informal traders in Mangaung. Following this, is a description of township trade conflict: its nature and scope. Section 7 analyses the roles played by different state institutions to solve the conflict. Finally, the conclusion and recommendations are presented. It should be noted that this study is a preliminary attempt and does not provide a detailed analysis of the situation.

2. Research methods

To collect the necessary data for this report, different methods were applied. First, a literature review was conducted on South African informal trade and its associated conflict. It is important to acknowledge that very little research has been done on this issue. The second methodological dimension of the study involved two separate surveys: one for customers and one for township traders. Interviews were conducted with 600 customers (see Annexure A) and 101 township traders (68 South African traders and 33 non-South African traders) (see Annexure B). One key criterion in selecting customers to interview was that such individuals had to be those responsible for making key financial decisions regarding household expenditures. Customers were identified through a systematic random sampling method, while traders were chosen randomly. The third methodological dimension of the study involved in-depth interviews with the following groups of people:

- Eight community members who are currently renting property to non-South African traders;
- Eight former South African traders who have since quit the business and are currently renting their properties to non-South African traders;
- One senior official at the Department of Home Affairs who is responsible for refugee and immigration issues;
- One senior official at Kopanong Police Station in the Freedom Square area;
- One senior official at the Mangaung Local Municipality who is responsible for overseeing township trade in terms of its general administration; and
- One official from the South African Revenue Services (SARS).

3. Township trade: characteristics and size

The nature and scale of township trade may be determined and measured by a variety of factors. The first factor important to understanding township trade is the customers. What is the magnitude of customers' buying power and the economic benefits and contributions thereof? Where, what, and why do these customers buy? With regard to the traders, this report also makes an attempt to provide a comprehensive profile of who they are and where and how they buy their products.

3.1 Socio-economic profile of township trade customers in Mangaung

The main focus of this section is to provide a socio-economic profile of township trade customers in Mangaung. Table 1 below is a list of selected biographic details of Mangaung residents who constitute a buying force for the township trade activity.

Table 1: Biographic profile of customers of township trade, Mangaung

Criteria	Percentage
Percentage male	21.8
Percentage female	78.2
Younger than 20	6.3
20-30	25
31-40	19
41-50	19
51-60	14
Above 60	17.3
Average age	42.7 years
Household size: Average	4.2 people
1-2 members	20.2
3-4 members	40.5
5-6 members	27.3
7 and more	12
Dual-headed households	47.2
Single-headed households	52.8

From Table 1 above, the following comments can be made with regard to the customers of township trade in Mangaung:

- The majority of people who are heads of households and responsible for making financial decisions are females (78.2%).
- In terms of age, the research findings indicate a fairly mature population of customers with an average age of 42 years.
- The average household size was estimated at 4 members.
- The average monthly income for households participating in the study was estimated at R3 680.00 (data not shown in table).

3.2 Income and expenditure patterns of township trade customers in Mangaung

This section considers the average size of township trade in the Mangaung township area. Respondents were asked to indicate the scale to which they spend money on bulk groceries and top-up groceries per month. The total grocery market for residents of Mangaung is, according to our research findings, estimated at R1 824 million per annum.

3.2.1 Expenditure on groceries by area

This section compares respondents' grocery expenditures at spaza shops, formal shops in Mangaung / Heidedal and at formal shops in Bloemfontein. A distinction was made between bulk groceries and groceries bought during the month to top-up the initial bulk purchase. Figure 1 provides an overview of the percentage of groceries bought in the different locations.

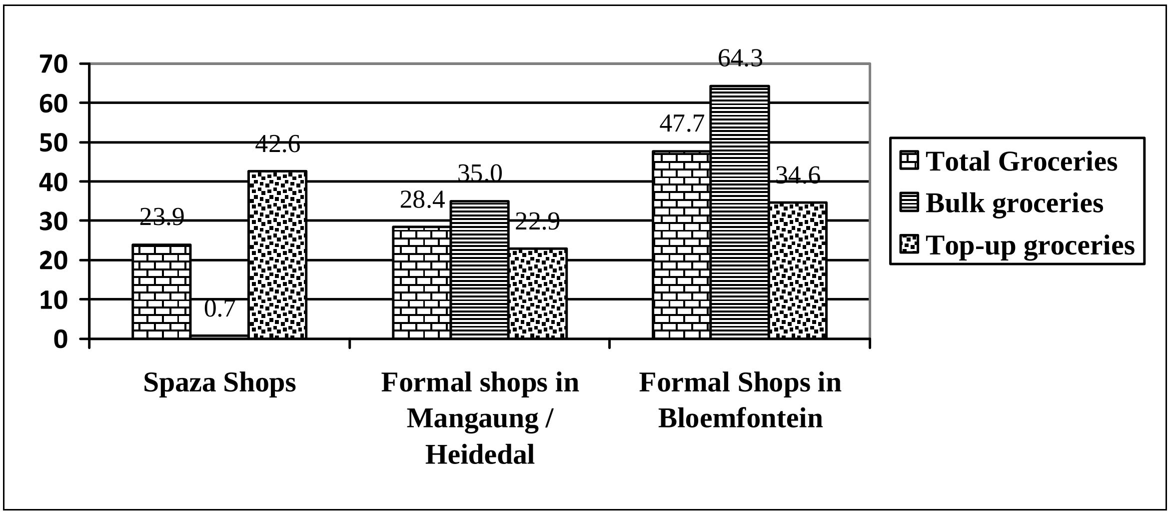

Figure 1: Proportional distribution of monthly groceries bought by respondents in Mangaung township and Heidedal, 2010

The following key notes can be made in respect of the above figure:

- Bulk groceries are bought from formal shops in either Mangaung / Heidedal or Bloemfontein.

- Spaza shops play to a large degree a convenience role as only 0.7% of the total bulk groceries are bought at these shops. However, 42.6% of the top up groceries - over R431 million per annum - are purchased at these shops.

- In terms of formal shops, Bloemfontein seems to have the largest market share concerning bulk groceries: over 64% are purchased there. Approximately 35% of the bulk purchases are made in formal shops in Mangaung.

3.2.2 Types of products sold in the spaza shop markets

This section presents an overview of the main products sold at the spaza shops in Mangaung (see Table 2). A more detailed analysis is provided in Annexure A.

Table 2: The seven most prominent products sold at spaza shops and their share of the spaza shop market, 2010

Items	Percentage of households purchasing this product	Average amount spent (in rand)	Market value of the product	Percentage of total spaza shop market	Percentage of Mangaung market
Bread	69.6	87.26	65,634,823.61	15.0	76.1
Airtime	56.2	107.56	65,232,509.95	14.9	65.2
Alcohol	15.0	235.00	38,091,399.66	8.7	62.7
Paraffin	34.4	91.55	34,013,989.88	7.8	54.1
Milk	37.1	56.71	22,722,252.95	5.2	58.8
Cigarettes	24.1	74.12	19,303,697.81	4.4	70.1
Cool drinks	37.4	39.68	16,043,299.83	3.7	66.2

Bread seems to be the item with the largest market share at spaza shops. Approximately 15% of the total trade in townships at spaza shops comprises bread sales and nearly 70% of residents interviewed mentioned that they buy bread at a spaza shop. Of the total bread market of residents residing in Mangaung, 76% is purchased at spaza shops. The overall bread market for residents in Mangaung is estimated at about R86 million per year. Bread is followed by airtime, alcohol, paraffin, milk, cigarettes and cool drinks in order of value purchased.

4. Customer perceptions

Given the key role that customers play in determining the future of any business, our enquiry into the township trade conflict has sought to explore the perceptions of ordinary community members who purchase from both informal and formal traders in Mangaung and Bloemfontein. This section analyses customers' perceptions with regard to the nature and type of trade in Mangaung and Bloemfontein.

4.1 Positive perceptions

This section reports on the positive perceptions that customers have about the four different types of enterprises (spazas owned by South Africans; spazas owned by non-South Africans; formal shops in Mangaung and formal shops in Bloemfontein). Table 3 contains selected perceptions of customers in these areas.

Table 3: Positive customer perceptions of the service and products at informal and formal shops in Mangaung and Bloemfontein, 2010

Perception	Spazas owned by South Africans (%)	Spazas owned by non-South Africans (%)	Formal shops in Mangaung (%)	Formal shops in Bloemfontein (%)
Affordable prices	11.6	13.0	20.6	19.6
Fresh/quality products	5.9	1.1	10.1	19.4
Good customer service	10.2	7.4	15.3	18.5
You always get everything you want	4.9	15.6	8.8	15.7
Sales and specials	0.4	0.1	17.8	12.2
Shops are clean/tidy	8.7	0.6	3.6	3.6
Shops close to my home	11.7	22.6	11.7	2.2
They give us credit	5.5	4.6	0.0	1.2

The three highest percentages were given for affordable prices at the formal shops (20.6% in Mangaung and 19.6% in Bloemfontein) and for proximity of non-South African-owned tuck shops (22.6%). More detailed comments relating to Table 3 can also be made:

- A significant percentage of customers stated that affordable prices in formal shops (in Mangaung and Bloemfontein) are a major positive attribute of these shops. 20.6% and

19.6% of customers said that prices are affordable in formal Mangaung and Bloemfontein shops, whereas only 13% and 11.6% felt the same for prices in tuck shops owned by non-South Africans and South Africans.

- The affordability perceived by the customers at the formal shops may be attributed to regular discount sales at these enterprises. This is confirmed by 17.8% of customers in Bloemfontein and 12.2% in formal shops in Mangaung who regularly experience sales and specials in formal shops. The comparative figures for the spaza shops are 0.4% for South African-owned tuck shops and 0.1% for non-South African-owned tuck shops.

- It is noteworthy that there is little difference between the perceptions of affordability recorded for South African-owned spazas and spazas owned by non-South Africans (11.6% and 13%, respectively). This finding is contrary to allegations that non-South Africans are selling products more cheaply. The results of this survey suggest that the average customers see no difference in respect of the prices at these two types of shops.

- Credit seems to be more readily available at the tuck shops, compared to the formal shops. In this respect, 5.5% of customers of South African spaza shops mentioned that one of the benefits at these shops is access to credit. The comparative figure for spazas owned by non-South Africans is 4.6%. These figures are considerably more than the percentages recorded for formal shops in Mangaung and Bloemfontein.

- As for customer service, formal shops in Bloemfontein and Mangaung are perceived to be considerably better than the spazas. Just over 18% of customers felt that customer service is a positive aspect of formal shops in Bloemfontein. The comparative percentage in formal shops in Mangaung was 15.3%. This is higher than the percentages recorded in spazas (10.2% for South African shops and 7.4% for non-South African shops). Local informal traders are perceived to practise better customer service than their foreign counterparts. This finding counters an alleged notion by South Africans that non-South Africans are usually more professional in their attitude and business conduct than their South African counterparts and that they are thus able to attract more support from customers.

- The degree to which stock is available was also recorded as one of the positive perceptions related to the four different types of shops. The highest response by customers in this respect was reported for formal shops in Bloemfontein (15.7%). Interestingly, the non-South African owned spaza shops were second in this respect with 15.6%. This percentage is significantly more than the 4.9% recorded for South African owned spazas. The important conclusion from this finding is that in Managung, customers are more likely to find what they want at tuck shops owned by non-South Africans than at tuck shops owned by the local traders or at formal shops in the area.

- In respect of cleanliness, South African owned tuck shops received the highest rating. Just under 9% of customers indicated that the cleanliness of South African spazas was their most positive aspect. Only 0.6% of the respondents made the same comment with regard to spazas owned by non-South Africans.

- The shops most highly rated in terms of the availability of fresh and quality products were the formal shops in Bloemfontein (19.4%). 10.1% and 5.9% of customers felt the same about products sold respectively in formal shops in Mangaung and tuck shops owned by South African traders. However, only 1.1% of customers expressed the same view about tuck shops owned by non-South Africans. These results suggest that customers have expressed a high level of dissatisfaction about the quality of products sold in spazas owned by non- South Africans.

In general, it seems as if proximity and the provision of credit provided by spaza shops are the two areas in which they are competitive.

4.2 Negative perceptions

This section turns to an assessment of customers' negative perceptions of the four categories of shops (see Table 4).

Table 4: Negative customer perceptions of the service and products at informal and formal shops in Mangaung and Bloemfontein, 2010

Responses	Spazas owned by South Africans (%)	Spazas owned by non-South Africans (%)	Formal shops in Mangaung (%)	Formal shops in Bloemfontein (%)
Far from where we live	23.7	6.3	4.2	21.4
Overcrowding and long queues	1.0	-	16.3	10.7
High prices	13.5	13.7	9.1	3.5
Nothing good about them	5.1	19.4	1.4	2.2
Selling expired products	1.1	18.6	2.9	1.8
Untidy / dirty shops	0.8	23.1	1.1	0.6
Limited/no stock always	5.9	0.5	1.5	0

Reflecting on the results portrayed in Table 4, the following key notes can be made:

- Customers are of the view that tuck shops in Mangaung are generally more expensive than formal shops in both Mangaung and Bloemfontein. 13.7% of customers stated that tuck shops owned by non-South Africans are more expensive in terms of prices they usually charge for their products and 13.5% of customers share the same view about tuck shops owned by non-South African traders. These percentages are significantly higher than the 9.1% of customers expressing the same view about formal shops in Mangaung and the 3.5% of customers expressing this view about prices in formal shops in Bloemfontein.

- Another concern that customers seem to have is the availability of stock from tuck shops owned by the South African traders (5.9% of the respondents had this concern). The comparative response for formal shops in Mangaung was 1.5%, 0.5% for spazas owned by non-South Africans, while no complaint or concern was levelled against formal shops in Bloemfontein. The significant percentage of customers complaining about limited stock in tuck shops owned by South African traders should be an area of concern to South African spaza shop owners if they are to compete with their foreign counterparts.

- Doubts expressed about the quality of goods at tuck shops owned by non-South Africans were articulated earlier in Section 4.1.

- In this respect, 18.6% of customers claim to have had the experience of buying an expired product(s) from a tuck shop owned by a non-South African. The comparative figures are: 2.9% for formal shops in Mangaung, 1.8% for formal shops in Bloemfontein and 1.1% for spazas owned by South Africans.

- Comments also need to be made about the perception of the cleanliness of shops owned by non-South Africans. Approximately 23% of customers are not impressed with the cleanliness of tuck shops owned by non-South Africans. Comparatively, the figure for South African owned tuck shops is 0.8%. While these findings raise serious questions about the enforcement of the National Health Act 61 of 2003 by the Mangaung municipality, they also support the allegations made by South Africans tuck shops owners that the government does not protect them against unfair competition from non-South Africans; it is claimed that non-South Africans are allowed to violate certain business rules without penalty. At the same time, it should be acknowledged that both South African owned and non-South African owned tuck shops may fail to comply with local regulations. Therefore, the motivation for any regulation should not be to oust non-South African owned enterprises; the rationale should rather be about basic health concerns. Applying of all regulations should also be a transparent process with the ability to appeal.

- Overcrowding was more commonly noted as a negative perception of formal shops in Mangaung (16.3%) and in Bloemfontein (10.7%). This complaint was virtually absent when describing the spaza shops.

- As noted earlier, convenience is a probably the main competitive advantage that tuck shops owned by non-South Africans have. South African owned tuck shops, on the other hand, are perceived as being far from where customers live (24%). 21% of customers had the same response in respect of formal shops in Bloemfontein. The percentages related to long distance to formal shops in Mangaung and spazas owned by non-South Africans were 4.2% and 6.3% respectively.

- Finally, it is important to note that the majority of customers could not see anything wrong with the formal shops in Mangaung (50.9%) or Bloemfontein (50.1%). 32.1% expressed similar views about tuck shops owned by South Africans. These percentages are much higher than that of tuck shops owned by non-South Africans: only 9% of customers stated that there is nothing wrong with shops owned by non-South Africans.

4.3 Possible reasons for customers buying from tuck shops owned by South Africans:

From the above discussion, the following can be identified as factors encouraging customers to buy from tuck shops owned by South African traders. First, there is a belief amongst customers that prices in these tuck shops are affordable, similar to all other tuck shops. Secondly, customers believe that they are treated with respect (good customer service) by the shop owners. Thirdly, the cleanliness of these tuck shops as compared to those owned by non-South Africans might help to attract people to these tuck shops. Fourthly, the quality of products is generally perceived by customers to be of a high standard. Fifthly, customers are entrusted by tuck shop owners with credit.

A sixth factor is that there is perhaps some patriotism and sympathy from customers towards South African traders. Despite the fact that more customers (15.6%) commended tuck shops owned by non-South Africans for always being in a position of having enough stock, compared to the 4.9% of customers expressing similar opinions about tuck shops owned by South Africans, more of these customers (19.4%) in turn mentioned that in their opinion there is nothing good about tuck shops owned by non-South Africans; only 5.1% of customers expressed similar views of tuck shops owned by South Africans. Underlying this generalised negativity of customers towards tuck shops owned by non-South Africans could emanate from a biased attitude towards non-South Africans. Further evidence of patriotism and sympathy towards their fellow South African brothers and sisters comes from remarks made by some of the customers. One customer mentioned: *"I only buy from South Africans because they are our fellow people and we should support them so that their business grow and prosper....not these foreigners"*. Another stated that

"I don't like foreigners' attitudes; it is their strategy to ensure that spaza shops owned by South Africans collapse and fall."

Reflecting further, the general disapproval of non-South Africans trading in Mangaung by the broader community is the number of households who felt that they could not rent out their property to non-South Africans. Research findings from our 2010 survey in Mangaung indicate that about 83.3% of customers are opposed to the idea of renting out their property to non-South African traders. Although a few based their response on the lack of adequate space, the majority mentioned their disapproval and dislike of non-South Africans. Common in their responses were comments such as: *"All foreigners are trouble makers; I want nothing to do with them"* and *"Foreigners are everywhere in this country...eventually they will take over this country; I don't want to promote that"*. These and other similar remarks suggest that a sense of belonging and being patriotic could, to an extent, influence customers' perceptions.

4.4 Possible reasons for customers not buying from tuck shops owned by South Africans:

A number of factors could discourage customers from buying from tuck shops owned by the South African traders. Two factors came across most clearly in the interviews. First, is the absence of certain basic products (limited stock). Customers report that they are often told that an item is out of stock at tuck shops owned by South Africans. Second, is the inaccessibility of tuck shops owned by South African traders. In most cases, people report that they have to travel long distances to access tuck shops owned by South Africans. Expressing their frustrations, one customer mentioned: "*There are no tuck shops owned by South Africans in our area.....there are only shops owned by foreigners here"*, while another person expressed the fact that *"we don't have a choice but are forced to buy from foreigners because they are the only ones closer to our homes."*

4.5 Possible reasons for customers buying from tuck shops owned by non-South Africans:

The research findings indicate that more people may be customers of non-South African owned tuck shops than locally owned shops. To explain this statement, three prominent factors will be discussed. The most important reason for people buying from tuck shops owned by non-South

Africans seems to be accessibility. Tuck shops owned by non-South Africans are readily available, occurring on almost every second street in Mangaung.

One customer explained his situation: *"Because I am stranded, these foreigners are the only ones in our area; there are no South Africans running businesses here"*. Another customer expressed similar sentiments when she mentioned, *"I don't have a choice; foreigners are the only business people close to my home…after all, there is nothing really good about them"*. Secondly, the well stocked shops of non-South Africans is another factor encouraging customers to shop there. Thirdly, the affordability of products in these shops seems to have attracted customers. However, it should be noted that customers did not report much difference in respect of affordability between South African owned and non-South African owned spazas.

4.6 Possible reasons for customers not buying from tuck shops owned by non-South Africans

The following factors can be mentioned which may discourage people from buying from non-South Africans. First is the perceived tendency of non-South Africans to sell expired goods. Some complaints by customers include: *"I don't buy from them because they sell old stock"* and *"Most of their goods they sell are rotten"*. Other than expired goods, there are also allegations of non-South African traders selling counterfeit goods, in particular cigarettes. However, it is important to indicate that no evidence was found in this respect. Secondly, customers state that tuck shops owned by non-South Africans are untidy and unhygienic because they are being used both as a shop and as a home where the owners sleep, cook and bath.

Thirdly there are the negative perceptions and attitudes that ordinary community members have towards non-South Africans. There is a feeling amongst the customers that where possible, non-South African owned tuck shops should be the last option. Letting the citizenship of traders serve as the criteria for choosing from whom to buy, one customer mentioned that *"I only buy from them [foreigners] if and when I can't find what I need at the shops owned by our black people"*, while another person said: *"I only buy from them when stock in shops owned by the South Africans is finished."*

5. Profile of informal traders in Mangaung: South African citizens and non-South Africans

5.1 Demographic profile

In addition to surveying customers, this research project also interviewed traders, both South African and non-South African.

Table 5 contains a list of selected demographic variables which help to describe the profile of the township traders (both South Africans and non-South Africans) in Mangaung.

Table 5: Biographic profile of township traders in Mangaung, 2010

Criteria	Citizenship of traders	
	South African (%)	Non-South African (%)
Male	39	100
Female	61	0
Average age (in years)	43	29
Married	48	52
Single	38	48
Divorced	14	0
Average number of years in business	10	4

From Table 5 above, the following remarks can be made:

- Research findings indicate that more South African females (61%) than males (39%) are currently tuck shop owners in Mangaung. On the other hand, the research findings show that 100% of interviewed non South-African tuck shop owners were males. This may be due to the fact that according to research findings, most immigrants seem to be males, whereas the South African owned businesses seem to attract more female owners.

- If looked at through the lens of the government's programmes and the agenda on economic empowerment of previously disadvantaged groups (in this case women), it could be argued that in Mangaung, positive progress seems to have been made by women themselves (without government support) in ensuring that women become equal partners in participating and growing the local economy. On the other hand, given the historic nature of who is likely to be economic immigrants, it should not come as a surprise to have relatively young (29 years on average) males comprising the non-South African traders in Mangaung. Given their male gender and young age, they are also likely to comprise a very mobile and economically active group.

- An interesting finding is the percentage of traders from both groups who are married versus those who are single. While none of the non-South Africans visited during the study seems to have brought their partners from their country of origin (mainly Pakistan and Bangladesh) with them, research findings indicate that the majority of them (52%) are married, similar to their South African counterparts (48%). The implications of this could be minimal as these immigrants have no interest in investing in the local economy (Mangaung), since they have to send money back home to their families.
- In terms of age, research findings indicate a younger generation of non-South African traders as compared to an older generation of South African traders. The average age for non-South Africans is 29 years, while that of South African citizens is 43 years. Closely linked to the age gap between the two groups could be the difference in the average number of years they have spent thus far in business. South African traders have on average ten years of business experience, while non-South African traders have on average four years of business experience.

5.2 Business premises

This section focuses on the business profile of the traders. The majority of entrepreneurs (South Africans and non-South Africans alike) mentioned that they have some form of business premises on a residential property. The remaining 13 out of 101 respondents mentioned that they have a formal business stand. The available evidence did not suggest any significant difference between the percentage of formal stands for South Africans and non-South Africans.

5.3 Business finance

In an interesting question, respondents were asked to indicate the origin of their original business financing (see Table 6).

Table 6: Origin of business finance for spaza shop owners in Mangaung, 2010

Responses	SA		Non SA	
	n	%	n	%
Own Savings	33	60.0	4	14.3
Money from family	8	14.5	20	71.4
Pension fund	6	10.9	0	0.0
Bank loan	4	7.3	0	0.0
Stokvel	2	3.6	0	0.0
Business profits	1	1.8	0	0.0
From another business	1	1.8	0	0.0
Bangladesh government funds	0	0.0	2	7.1
Money from Bangladesh	0	0.0	2	7.1
Total	55	100.0	28	100.0

One's own savings was the most prominent source of business financing for South African owned enterprises. In the case of non-South Africans, money from family and friends dominated the source of business financing as 71.4% of the responses reflected that they received money from a 'brother' or other family member. This suggests some degree of social capital and network among non-South Africans and this is probably a competitive advantage.

5.4 Employment

In respect of the employment of other people, 30 of the 68 South African owned enterprises (43.4%), recorded that they are employing other people. The comparative percentage of spaza shop owners who are not South Africans is 72%. On average, the South African owned enterprises employed 1.13 people per shop compared to 1.21 for non-South African owners (figures exclusive of owners). It seems as if non-South African entrepreneurs employed only non-South Africans, but they nonetheless contributed to some degree of employment.

5.5 State of business

Both South African owned and non-South African owned shop owners were asked to what degree their business performance had improved, stayed the same or deteriorated during the past year. The results are reflected in Figure 2.

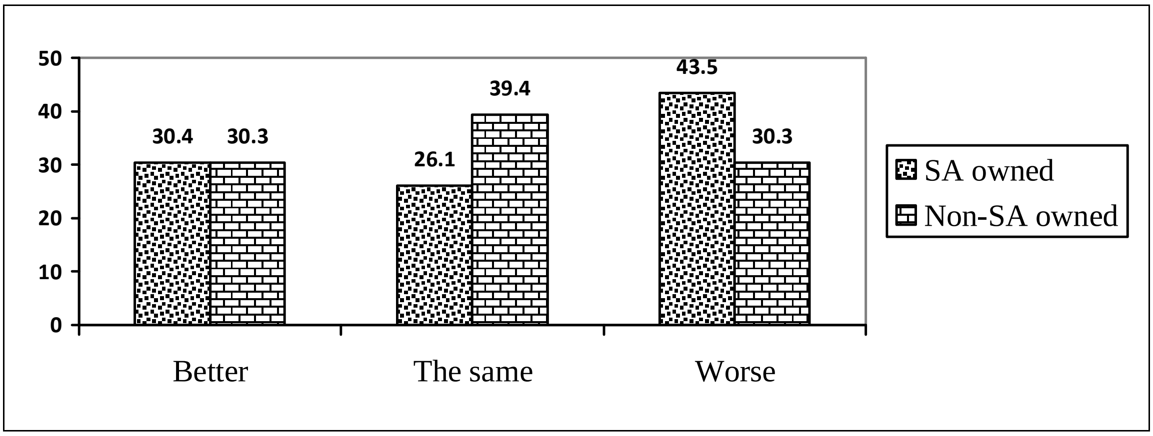

Figure 2: The degree to which business performance has changed during the past year, 2010

Considering the results of Figure 2, two comments can be made:

- The same percentage of South African and non-South African business owners mentioned that their enterprises were better off than the past year (30.4% for South African entrepreneurs and 30.3% for non-South Africans).
- The biggest difference comes in terms of the other two categories. In this respect, 43.5% of the South African entrepreneurs said that they were worse off than a year ago. Only 30.3% of the non-South Africans had the same response.

The significantly higher percentage of South African shop owners noting that they are worse off than a year ago is probably an indication of increasing competition in township trade. A more detailed description of the reasons shop owners gave for conditions being better or worse for their business as compared to 1 year ago is listed below. Reasons provided for being better off are:

- I have gained customers (x9)
- Business is up and down (x2)
- Better profit than last years'
- I can pay most of my staff

- I have improved my customer care/service skills
- I have more stock
- I have increased the range of products
- There was an increase in the number of people available
- My prices are cheaper

It is noteworthy that some of the reasons for improved performance are related to improved business practice: for example, improved customer service skills and an increase in the range of products which the spaza offers. Reasons why spaza shop owners felt they were worse off are:

- The increase of shops owned by foreigners (x5)
- Fewer customers (x5)
- Increased competition from other shops (x3)
- I do not make profit / decrease in profits (x2)
- It is winter and my stock does not sell well in winter (x2)
- Customers do not support me the way they have done previously
- My expenses have increased
- I am surrounded by many other shops
- My prices are too high
- Rent is too much
- Buying force has declined
- I have no stock
- Sales have decreased
- Competition from formal shops

The increase in competition in general and in competition from non-South Africans specifically are the two most frequently given reasons why respondents noted that their business situation is worse off compared to a year ago. This is further supported by 24 of the South African respondents noting that spazas owned by non-South Africans are their biggest competition. Of note is the fact that five of the respondents stated that the formal shops are regarded as their biggest competition. Approximately 60% of both the South African and the non-South African shop owners noted that there was an increase in competition compared to a year ago. No significant difference was found between the two groups in the number of respondents who noted that competition had stayed the same (about 32%) and who thought that competition had decreased (8%). An important conclusion in this respect is that South African and non-South African business owners view the current levels of competition similarly.

5.6 Business products

Section 3.2.2 discussed the types of products that customers purchase at spazas in Mangaung. The focus in this section turns to what business owners view as their most profitable products. Table 7 displays the fifteen most profitable products.

Table 7: The most profitable products identified by township traders, 2010

	South African		Non-South African		Total	
Items	**n**	**%**	**n**	**%**	**n**	**%**
Bread	34	11.5	18	13.1	52	12.0
Cold drinks	36	12.2	15	10.9	51	11.8
Milk	35	11.8	12	8.8	47	10.9
Sweets	23	7.8	20	14.6	43	9.9
Cigarettes	24	8.1	14	10.2	38	8.8
Sugar	25	8.4	8	5.8	33	7.6
Maize meal	17	5.7	11	8.0	28	6.5
Paraffin	19	6.4	4	2.9	23	5.3
Snacks	12	4.1	6	4.4	18	4.2
Airtime	6	2.0	7	5.1	13	3.0
Biscuits	3	1.0	7	5.1	10	2.3
Snoek(fish?)	9	3.0	0	0.0	9	2.1
Chicken	5	1.7	2	1.5	7	1.6
Tea	5	1.7	1	0.7	6	1.4
Chips	5	1.7	1	0.7	6	1.4

In both Table 2 and Table 7, bread has been identified as the first or second most important product offered in Mangaung. Other items which appear on both lists are cold drinks, milk, airtime, cigarettes, and paraffin. Alcohol is the only item in Table 2 which does not appear in Table 7. This is as a consequence of the fact that the survey of spaza shops did not include shebeens. What is noteworthy from Table 7 is the fact that the majority of the products listed are typical household products which need to be topped up from time to time.

5.7 Buying goods in bulk

One of the common allegations of South African traders is that non-South Africans have large financial support from one or two big business persons behind them which allows them to buy in bulk. This allegation was tested in a question to the traders (see Figure 3).

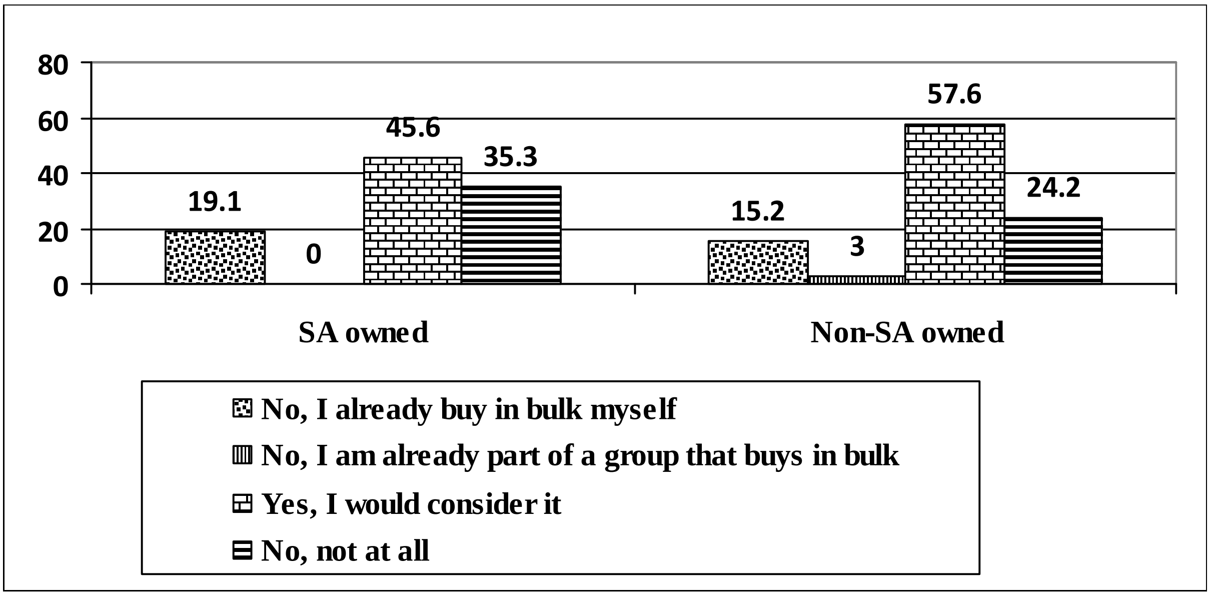

Figure 3: The degree to which traders buy in bulk, 2010

The responses to the question suggest that there is not much difference between the South African owners and the non-South African owners in terms of their bulk buying habits. Contrary to the allegations, it seems as if a slightly larger percentage of South African respondents than non-South African respondents are already buying in bulk.

One respondent (3%) from the non-South African group suggested that he was already part of a group that buys in bulk. Furthermore, a significant percentage (45.6% for South African owned entrepreneurs and 57.6% for non-South African entrepreneurs) said that they would consider buying in bulk. Just over one-third of the non-South African owned enterprises and just below one quarter of the foreign traders mentioned that they would not consider buying in bulk at all. One of the main reasons why non-South Africans do not buy in bulk is their fear of being robbed (to be discussed in more detail later).

6. Description of township trade conflict in Mangaung

The immigration of non-South African informal traders into Mangaung township is, according to our research findings, perceived by South African traders largely in three distinct ways. In the first place, non-South Africans in general are viewed to be in South Africa illegally. Secondly, local business owners view the non-South African traders as participating in unfair business practices (such as selling expired goods, fake goods, etc.). Thirdly, non-South Africans are viewed as having a deliberate strategy to oust the South African traders. These perceptions amongst South African traders have added to the strained trade relationships with their non-South African counterparts in the Mangaung township (a point to which this study will return later).

Furthermore, South African traders put blame on the municipality for failing to regulate township trade, while other state departments such as the Department of Home Affairs and the South African Police Service are being blamed for turning a blind eye to these immigrants of whom the local traders claim that a majority are both illegally staying in the country and being allowed to trade illegally. There is a general belief held by South Africans that they are expected by the government to comply with the two key documents regulating township trade: 1) the National Business Act 71 of 1991 and 2) the National Health Act 61 of 2003, while the majority of non-South African traders are not required to comply. Consequently, South African traders feel they have been left unaided when dealing with the consequences of unfair competition resulting from the alleged failure by their own government to regulate the influx of non-South African traders. These issues are discussed in more detail in the remainder of this section.

From the interviews with both non-South African and South African traders, the following four themes emerged as areas of conflict and tension:

- Competition for resources
- Non-compliance with legislation
- Legitimacy and controlled influx of non-South African traders in Mangaung
- Issues of safety and security in the business environment

6.1 Competition for markets and resources

Through an organisation called Mangaung Business Owners (MBO), the local informal business people in Mangaung have, over the past 5 years, expressed their unhappiness with regard to the competition from non-South Africans trading in their area.

During one of several meetings with members of Mangaung Business Owners, one MBO member sadly recalled that *"since the arrival of these illegal Bangladesh and Pakistan traders we are no longer making any profit...they have unfairly wooed our customers, and worse, they have conspired against many of our former business partners who could not survive their evil conspiracy and have since quit business...soon some of us here will follow, unless government protects us"*. Seconding this notion, one of the former South African traders who quit following the arrival of non-South African competitors mentioned *"My business completely shut down shortly after the arrival of Shoprite and these foreigners...These Bangladesh people usually use our own black people and send them to our shops to spy on our prices and then use that information to lower their prices by ten to twenty cents; obviously customers will go to them."*

These two quotations suggest the following key aspects:

- Non-South African traders are viewed to be in the country illegally;
- There is a suspicion that non-South African traders have an orchestrated plan to oust South African business people;
- There is the expectation that the government should protect the South African traders; and

- Formal shops entering the township boundaries are also seen as competition, but there seems not to be a major problem about the motives of these chain stores.

The other side of the coin should also be mentioned: how South Africans benefit. Two specific aspects should be addressed. Despite the growing tension between South African traders and non-South African traders, there is evidence that some ordinary South Africans do, in fact, benefit from businesses run by non-South Africans as they rent premises from South Africans to operate their businesses. Achieving what could not have been possible had it not been for monthly rental income from non-South Africans, one of the landlords mentioned *"I am benefiting a lot from our rental agreement...I am using their money to pay for my daughter's fees at college and other household expenses"*. Thus, while local traders see the influx of non-South African traders as a strategy to infiltrate and rob them of their loyal customers with the ultimate intention being to oust them (locals) from township business, ordinary South African community members providing accommodation to non-South African shop owners earn extra income. It should, however be noted that some allegations were made by South African traders that many of these contracts are not actually benefiting the South Africans renting their premises. The second way in which South Africans benefit is in terms of the convenience and variety offered by the spaza shops owned by non-South Africans. Evidence from the customer survey suggests that non-South African shopkeepers are more likely to have available the types of products required than their South African counterparts. In some cases, the extra competition offered by non-South African shop owners might also result in lower prices for the customers.

6.2 Non-compliance with business and health regulations by non-South Africans

One of the allegations made by the South African traders against their non-South African counterparts is that unlike them, these immigrants are not being regulated and thus are being allowed, in particular by the Mangaung municipality, to violate amongst other things the National Business Act 71 of 1991 and the National Health Act 61 of 2003. South African traders believe that they put extra effort and resources into ensuring that the health and safety of customers is paramount. The effort and resources of non-South Africans, on the other hand, are channelled into profit making at the expense of the health and safety of customers, as well as undermining the National Health Act 61 of 2003.

To determine the extent of non-compliance with the National Health Act 61 of 2003 and the failure by the Mangaung municipality to enforce this act and others, a number of interviews were held with customers; South African and non-South African traders and municipal officials responsible for the regulation of informal township trade in Mangaung. It is important to state that according to one of clauses in the National Health Act 61 of 2003, local authorities are designated to appoint their own local health officers or inspectors to ensure the compliance by business institutions with this act through routine inspections, monitoring and enforcement. However, this research found a few interesting trends in this regard.

There is evidence of non-compliance with health regulations by the majority of township traders in Mangaung, in particular the non-South Africans. Overall, there are two main ways in which spaza shop owners do not comply. First, the physical conditions of these shops are not conducive to trading. Second, doubts have been expressed about the condition/state of food that is sold in these shops. Concerns from customers about the physical condition of the shops was discussed earlier, with significantly more customers raising these concerns in respect of spazas owned by non-South Africans than by South African owned shops. Regarding the state of food, research findings indicate that only 1.1% of customers mentioned the fact that they had purchased expired goods from South African spazas compared to 18.6% of customers who did the same from tuck shops owned by non-South Africans.

A number of qualitative comments confirming the quantitative results were also expressed. The feeling of loss while trying to uphold the law is well summarised in the following comment from a South African spaza shop owner: *"Look at the shelves and refrigerators, they are empty...not because things have been bought; it is simply because I had to give some away to relatives while eating some with the family before they expire...I don't think that would have been the case with these foreigners; they would have kept them until they were bought"*. One of the landlords of a non-South African owned business stated *"What I don't like about them (foreigners) is their tendency to sell poor quality products; for example, selling expired milk and when a customer returns it they argue and refuse to take it back."*

Objective data confirming the above subjective comments were made by a senior manager in the Managaung municipality.

The manager mentioned *"Last year in September we had a pilot project in collaboration with the SAPS and Home Affairs where we checked on the hygiene status of tuck shops in Mangaung. On that specific day we closed about 32 tuck shops, of which 30 belonged to Bangladeshis, while two belonged to local people...we found that foreigners were sleeping inside their shops and there were products on their shelves with expired dates."*

The above evidence suggests that regulations are often not followed by shop owners, perhaps because of a lack of consistent regulation by authorities. The lack of basic regulation probably also has an impact on the overall health status of society. There seems to be enough evidence to suggest that some form of regulation should be applied. Such regulation should be applied irrespective of the origin and citizenship of the traders, even if it might also have a negative impact on South African owned enterprises.

6.3 Legitimacy and uncontrolled influx of non-South African traders in Mangaung

One area which locals perceive as unfair competition and which fuels tension/conflict amongst traders in Mangaung township is the questionable legitimacy and uncontrolled influx of trading non-South Africans into the Mangaung area,. There is a general perception amongst South African traders that the majority of the competing non-South African traders do not have legitimate documents which legalise their stay in the country.

If these non-South African traders are not properly documented, there is a possibility (as claimed by the locals) that the majority of them are also not registered with either the local municipality or the South African Revenue Services (SARS). Due to these allegations, this study intended to thoroughly investigate issues around the legitimacy and legal status of non-South Africans trading in Mangaung township. The legitimacy of non-South Africans is looked at from two angles: obtaining legal documents from Home Affairs and obtaining business licences from the Mangaung municipality.

With regard to the involvement of Home Affairs, this study revealed that the majority of non-South Africans trading in Mangaung hold asylum seeker permits. About 97% (all but one) of the 33 non-South African traders that were interviewed voluntarily produced asylum seeker permits. Legally, as explained by officials at the Department of Home Affairs, an asylum seeker permit is a three-month temporary document which the government issues to a non-South African who claims to have left his/her country of origin on the basis of life threatening situations. The three month period (as indicated by these officials) would usually afford the Department the opportunity to confirm and verify the background and status of these applicants with their country of origin before granting them refugee status. In that period (three months), such applicants are, by law, entitled to public health services, schooling and seeking employment to survive, amongst other rights. However, it does not seem as if they are permitted to become employers. Furthermore, from the point of view of Home Affairs, it is also not clear whether these asylum permit holders may, by law, operate a business, something which should perhaps be clearly stated.

Despite the above explanations by officials at the Department of Home Affairs, research findings have revealed three issues pertaining to the holders of asylum seeker permits, with specific reference to those trading in Mangaung township. First, the majority of them were found to have been on asylum seeker permits for more than five years. While they indicated their willingness to patiently wait for their turn to finally be naturalised, they nevertheless expressed their frustrations at the unfair treatment by Home Affairs Officials in the Port Elizabeth (PE) offices. They stated that they usually face unfair and inconsistent treatment when they apply for extensions of their asylum seeker permits in PE. While officials mentioned three months as the maximum extension period for an asylum seeker permit holder, traders indicated that the period of extension actually depends on the amount an individual is prepared to pay as a bribe to Home Affairs officials. They claim that individuals who are able to afford high bribery amounts can obtain extensions of between six and twelve months. One of the traders mentioned: *"The reason why we have different periods of extension on our asylum papers is that our people are being forced to pay kickbacks for their asylum at PE...we sometimes pay as much as R5000.00"*. While on the one hand, this highlights the plight of these non-South African traders, on the other, it renders the legitimacy of their status in South Africa as questionable.

Second, while the majority of these non-South African traders seem to have an average of four years in business, most of them first started as employees of different companies before they could finally use their personal savings to start their own business.

Contrary to the conditions of asylum seeker permits (as outlined by officials), the majority of these traders were found to have been sole shop owners who currently employ their own fellow countrymen.

From the local authority perspective, it is imperative to indicate that all businesses that render sale or supply meals or perishable foodstuffs are classified as Schedule 1 businesses according to the National Business Act 71 of 1991. Despite the stipulations in this act that "No person shall carry on any business in the area of that licensing authority: unless he/she is a the holder of an appropriate licence issued to him/her by the licensing authority in respect of the business premises concerned", the research findings indicate that the majority of current non-South African traders in Mangaung have not applied to the Mangaung municipality for business licences and the few who have, have not yet received feedback from the municipality regarding their applications. The municipal official database of non-South African tuck shop owners in Mangaung comprises about 125 names of shops and respective owners, of which more than half have not submitted any application for business licences. The few who have, have not yet been issued with a licence. Furthermore, upon comparing the official municipal list of around 125 names of non-South African tuck shops with the list of shops that participated in the study, it was discovered that many non-South African tuck shops do not even appear on the list. For instance, out of the 33 tuck shops owned by non-South Africans we visited during the study, plus/minus 20 (60%) of them are not on this list. As mentioned by municipal officials, a possible reason for the backlog in the municipal licence issuing process for the very few who have applied, may be the result of delays caused by the Department of Home Affairs first needing to verify an applicant's status and claims before issuing him/her with the appropriate refugee permit. In other words, a non-South African trader cannot receive a permit for his/her shop if he/she does not have a valid residency permit.

Supporting the above argument are remarks made by senior officials from both Home Affairs and the Mangaung local municipality. Regarding a prolonged initial three-month period for asylum seekers, a senior official at Home Affairs mentioned: *"Due to a huge demand by foreigners applying for asylum seeker permits and administrative delays in their countries of origin, the verification process gets prolonged beyond the stipulated three months, sometimes taking us more than two years while waiting for such feedback"*.

Highlighting the negative impact this has had on the municipal mandate to issue business licences to non-South African applicants, a senior official from the Mangaung municipality remarked: *"Before issuing a business licence or permit to these foreigners, we first have to rely on Home Affairs to confirm for us whether their asylum papers are still valid...we requested such information last year in September. To date, we have never received any feedback from Home Affairs; it is so frustrating for us!"* The findings and remarks above lead to two issues. First, the majority of non-South African traders in Mangaung are trading illegally without a business licence from the municipality. Secondly, the possibility exists (following remarks made by Home Affairs officials) that had the process of verification been completed by Home Affairs, many of the current non-South African traders might have not met the requirements of asylum seekers, thus they would be in the country illegally.

The legitimacy of asylum seekers in particular, seems not to be a local or regional challenge but rather a national one. This challenge has been emphasised by the Deputy Minister of Home Affairs, Malusi Gigaba. According to Gigaba, one of the serious challenges regarding asylum permits facing the department is the clogging up of the system by economic migrants who apply for asylum seeker permits (News 24, 2010). This, in turn, hinders the ability of the Department of Home Affairs to meet its obligation to protect genuine asylum seekers. At the moment, it seems as if there is no clear-cut line between a genuine asylum seeker and an economic migrant. A critical question could then be: How many economic migrants have benefited from delays in the system and remained in South Africa as asylum seeker applicants for many years?

Perhaps due to their alleged illegitimacy, research findings indicate that despite huge outcries (82%) by non-South African traders for being easy targets of criminals, they seldom open cases against criminals. This reluctance to open cases has led South African traders, as well as senior officials within the SAPS to believe that by virtue of being illegal, it is always difficult for non-South African traders to interact with any law enforcement authority such as the police or magistrates. Current SAPS records indicate far fewer cases of business robbery of non-South Africans proceeding to courts of law, despite frequent complaints of burglary and robbery. Citing fear of being arrested for trading illegally as the main reason for such a low rate of cases proceeding further, a senior police official at Kopanong Police Station (Freedom Square) mentioned: *"With the information we usually get from detectives, foreigners who are* *complainants do not appear in courts when their cases are heard...they are afraid because some of them are illegally in South Africa with forged papers and that negatively affects the number of cases that land up in the courts."*

Further fuelling the tension between South African and non-South African traders could be a loss of faith of South African traders in the municipal systems to protect them. South African traders seem to be of the opinion that the current municipal bylaws are either deliberately not being enforced in order to protect non-South Africans at the expense of law abiding citizens of this country, or they are simply non existent. This, in turn, has driven South Africans to engage in activities that could ensure that a moratorium is enforced on the influx and opening of new tuck shops by non-South Africans. This followed allegations by South African traders that more and more illegal traders from other provinces (Northern Cape in particular) are being invited by those already in Mangaung to come and join them under false pretences, that it is easier to open a new shop in Mangaung than anywhere else in the country. Thus, in terms of an agreement which was signed on 15 July 2010 (see Annexure C), the responsibility of giving permission to a new business person in Mangaung is to be shifted from the municipality to an established committee which consists of South African traders and non-South African traders. The possible danger of this agreement is that it is outside of the legal system and is not officially endorsed by the municipality. Thus, there is danger when one of the parties does not honour this arrangement. Such an agreement could be more of a ticking time bomb than a solution to the current problem.

In summary, it is appropriate to argue that the legitimacy of non-South African traders continues to remain questionable. Neither the Department of Home Affairs nor the Mangaung Local Municipality's administrative systems seem to assist in creating an environment of trust.

6.4 Issues of safety and security in the business environment

One contributing factor to a stable and successful business is a crime free environment. Our research findings indicate that one of the possible consequences of a business environment full of hostility and crime could be mistrust and allegations of victimisation amongst members of the same group of business people. In addition, when the business environment lacks safety and security, there is a possibility of businesses collapsing completely.

In this section, the report attempts to reveal how safety and security in township trade has influenced first, the general operation of trade and second, the relationship between local and non-local traders.

From the interviews with former local business people, it emerged that one of the major challenges they have to face is the constant burglary of their shops. Ultimately, some of these people decided to quit business, with some renting out their property to non-South African traders and others renting to South Africans. One former business person who has since become a hawker stated that *"As a businesswoman I could not survive the weekly break-in by thugs into my business; it was just getting too much for me"*. Another person sadly recalled her downfall from a once successful and promising tuck shop in this manner: "*The main reason why I have decided to quit and rent my business premises to foreigners is that we would be robbed by thugs and tsotsis on regular basis. They would come at night and steal a lot of our profitable stock such as cigarettes and maize meal bags,"*

While these two above examples might appear to have not fuelled any kind of conflict between native and non-South African traders, there are instances where the occurrence of burglary seems to have created such tension. It should be noted that according to the research findings, more non-South African traders seem to have been victims of crime than South African traders. About 82% of non-South African traders as compared to 36% of South African traders cited crime as their biggest disadvantage. Some non-South Africans had this to say: "*We no longer buy in bulk because once these criminals see a bakkie offloading stock in the morning, that evening we are robbed of everything...unlike us, the local traders are free to buy a lot of stock"*. Another non-South African trader mentioned: *"South Africans have the advantage of being local, and that prevents them from being the soft targets of thugs and criminals"*. Yet another said: *"Although we would like to, we are afraid of leaving our shops, even if is for few hours, just to stretch our legs and be part of the community. We would be attacked; therefore you see us always having to spend our time behind these heavily burglar guarded doors of our shops."*

Non-South African traders also believe that some of the South African traders are behind the hostility towards them. The majority of business-related cases filed at the Kopanong Community Police Station are laid by non-South Africans, with South African traders seldom reporting anything. Upon further discussion between the police and the reporting non-South Africans, it is always alleged that some of the South African traders might be behind these attacks. Confirming that non-South Africans suspect a dirty game played by some of the South African traders, a senior police official at Kopanong Police Station mentioned that *"When asked who they suspect to be behind the attacks, these foreigners would always allege that the Lesotho nationals are being used by the local traders to attack and scare them as a strategy to drive them out of the township."*

In what could further be interpreted as a vendetta by South African traders against non-South African traders, one of the South African traders who once rented out his property to a non-South African trader and is now back in business mentioned: *"When xenophobia attacks started in 2008, we got letters from a representative of MBO requesting that we immediately cancel and stop renting our properties to the foreigners for business, because that could result in our lives and buildings being in danger."*

In addition to the conflict between South African and non-South African traders, further evidence points to conflict amongst non-South Africans. According to the police official, SAPS receive a number of cases that involve two groups of Bangladeshis fighting each other. There are also reports of clashes and conflicts between members of the Bangladeshi business community and a group of Somalis. Central to these conflicts within the Bangladeshi community and those between Bangladeshis and Somalis is the competition for business sites in different parts of Mangaung, with each group accusing the other of invading their business territory. The senior Police Official at Kopanong Police Station confirmed that *"Apart from the conflict between local people and foreigners, there is also conflict between foreigners themselves.....according to the reports we get when we investigate some of complaints, we find that there are two groups of Bangladeshi people fighting each other and there are also Somalis who come to us and complain that they are being told by Bangladeshi people to vacate their business premises as those areas belong to them (Bangladeshi people)."*

In a nutshell, more non-South Africans than South African traders are victims of business-related crimes in Mangaung and the non-South African traders claim that they are being targeted by thugs hired by the South African traders whose goal is to scare and hopefully discourage them from continuing to run businesses. No hard evidence exists to back up this claim and complicating the process further, could also be reluctance by victimised non-South Africans to present evidence before a court of law.

6.5 How non-South African traders outcompete their South Africans counterparts

Section 4 noted a number of ways that non-South Africans out-compete their South African counterparts. If one looks beyond the issues related to the legality of their enterprises and the problems associated with health regulations, the question should be asked as to why non-South African traders seem to out-compete South Africans in the trading environment. This question was posed to a prominent non-South African business person who suggested four reasons:

- First, he argued that although there is a huge social network supporting these enterprises, non-South Africans owners are not in a comfort zone and know they must make it work.

- Consequently, the non-South African owners work much harder than their South African counterparts. They open their shops earlier and close later in the evening. The responses from customers confirmed this to a large degree and showed that non-South African business people perform the function of a convenience store significantly better than their South African counterparts.

- Third, he argued that the non-South African traders are significantly better educated than their South African counterparts and therefore have a sounder base from which to operate as business people. This does not come as a surprise, considering the dismal performance of the South African education system (historically and more recently) when compared with other countries.

- Fourth, he argued that trading was in their blood, making the point that the culture of entrepreneurship amongst the majority of these entrepreneurs is better entrenched than in South Africa.

Despite the fact that many South African traders might not agree with the above claims and might continue arguing about some of the structural issues related to visas and regulations, the above four remarks should not be ignored.

7. Institutional responses

Underlying the tension and allegations by local traders against their non-local counterparts is the perception of the failure by state institutions such as the Department of Home Affairs, the South African Police Service and the Mangaung Local Municipality to protect their business by regulating the influx of illegal non-South African traders in Mangaung.

In this section, the input of senior officials from the earlier-mentioned state institutions will be discussed and analysed in order to better describe the origin and possible intervention strategies that have been taken and are yet to be taken to resolve the conflict.

7.1 Department of Home Affairs

Reference has already been made to how traders enter the country as asylum seekers. The process of how asylum seekers access legal rights in South Africa is directly related to the service provided by the Department of Home Affairs. The flaws in this process have already been alluded to. The Department of Home Affairs acknowledges that there is a backlog with countries of origin in the verification process of the status of many of these non-South African informal traders claiming to be refugees. In this regard, an official acknowledged: *"Due to the huge demand by foreigners applying for asylum seeker permits and administrative delays in their countries of origin, the verification process is prolonged beyond the stipulated three months, sometimes taking us more than two years, while waiting for such feedback...some of these countries through their embassies do not respond at all."*

One of possible consequences of this backlog could be a large number of non-South Africans, including informal traders, who have been allowed into the country for many years (some for more than five years) carrying asylum seeker permits, while in fact, they may not qualify for refugee status.

Another possible consequence of the ever increasing number of long outstanding and unconfirmed claims of economic migrants claiming to be refugees could be South Africa not meeting its international obligation to protect genuine asylum seekers.

Given the explanation by a senior official in the Department of Home Affairs of conditions under which they issue an asylum seeker permit, two characteristics of the majority of non-South African traders in Mangaung immediately raise some concerns. First, the majority are from Bangladesh, a democratic country with no recent incidents of economic or political turmoil making international headlines as in Zimbabwe. Second, while 100% of the traders are males and about 52% of them claim to be married, none of them immigrated with either their wives or children. The above two issues further indicate the need to ensure a more effective and efficient system of verifying immigrant status, especially for those seeking refugee status.

Due to the weakness of the South African immigration system (as outlined above) and the inability of officials at the Department of Home Affairs to categorically state and confirm the legitimacy of claims by applicants for refugee status, one could argue that there is a strong possibility that many of the non-South African traders currently living in the country as asylum seekers might, in fact, be economic migrants rather than refugees as they claim in their applications.

7.2 South African Police Services (SAPS)

As the supreme law enforcement authority, one of key responsibilities of the South African Police Services is to work in close partnership with the local municipality to enforce compliance with rules and regulations applicable to township trade. At the same time, any business-related conflicts or disagreements not resolved by the parties involved should be referred to the relevant Police Station. From the research findings, it is evident that the police are actively involved in resolving business-related conflicts involving informal traders in Mangaung.

However, the challenge is that serious cases of robbery or burglary, where non-South African traders are the victims are usually reported as mere complaints, with the police being requested not to make any arrests.

Where police push for the arrest of the suspects, the complainant does not usually appear in court to provide testimony, thus forcing the police to withdraw charges and stop the case from proceeding further. The police confirm that business-related crime usually affects non-South Africans rather than South Africans.

Despite acknowledging the possibility of some non-South Africans trading in Mangaung being illegal and the long history of the township trade conflicts, there was not one mention by a senior SAPS official of any previous partnership with either the Department of Home Affairs or the Mangaung local municipality to address the conflict by utilising the strategy of raiding the business premises of non-South African traders to verify their legitimacy.

7.3 Municipality

Emanating from the interviews held with two senior officials at Mangaung municipality, are two critical issues. First, enforcement of the National Business Act 71 of 1991 and the National Health Act 61 of 2003 remain a serious challenge.

Further complicating the situation is the outdated town planning schemes. An official told us: *"Currently we are faced with the problem of being without a revised town planning scheme which could address business-related challenges in the old Managung and Heidedal areas: there is still a differentiation between town planning schemes for the former Bloemfontein area and the former Mangaung township and Heidedaal."*

Second, the municipal official database of traders, in particular the non-South Africans trading in Managaung, does not correspond with the reality on the ground, as there are many unlicensed trading non-South Africans in the area. The failure of the municipality to register all the non-South African traders can partly be blamed on the ineffectiveness of the Department of Home Affairs in issuing relevant documents to non-South Africans. While a solution to the challenge faced by the municipality would require a collective responsibility and a strengthening of interdepartmental relations, the municiple officials stated that in order to address the issue, the municipality would need to:

- Intensify its educational programmes which are meant to improve both business skills and knowledge amongst traders; and
- Encourage compliance through one-on-one negotiations with traders, only applying full law enforcement where there is a deliberate unwillingness from traders to uphold the law.

7.4 SARS

An in-depth interview with a senior official responsible for the registration of traders (formal and informal) with the South African Revenue Services (SARS) revealed a serious lack of understanding of the operations of SARS, particularly by informal traders. According to the SARS official, a great problem facing SARS at the moment from an informal trading perspective is widespread noncompliance of the rules and regulations of SARS by informal traders. Noncompliance occurs at two levels. First, businesses fail to register with SARS; second, there is the problem of complying with tax requirements by those businesses that, on the basis of their annual income turnover, qualify to pay annual tax. Owing to a lack of information and an inability to distinguish between the processes of registration on the one hand and ultimate compliance on the other, the majority of informal traders do not want to be known to SARS.

Important information that still needs to be effectively communicated by SARS to informal traders in particular is that, by law, every business is required to register with SARS, but not all (based on their annual income turnover) are required to pay tax. Thus, the registration of a business with SARS is not an automatic qualification for the payment of tax, as SARS would still need to conduct an annual assessment of each business to ascertain the base for such a tax qualification.

8. Conclusion and recommendations

The conclusion is divided into two sections. First, an attempt is made to summarise the current reality in respect of township trade. This is followed by recommendations for both the Department of Home Affairs and for the Mangaung municipality.

8.1 Current reality

The following main points summarise the current reality:

- The value of township trade in Mangaung is estimated at R431 million per annum.
- There are significant numbers of informal traders in Mangaung who originate from other countries.
- Many of these non-South African traders have found their way to South Africa in an illegal way (allegedly assisted by corrupt officials and workload problems at the Department of Home Affairs). In reality, a certain percentage of non-South African traders are illegally in the country, but it should also be acknowledged that significant percentages are legal.
- The existing regulatory framework around municipal traders and health is not enforced by the local municipality.
- There is conflict between South African and non-South African informal traders. South African traders argue that non-South African traders are illegally in South Africa, do not follow the regulatory requirements and have a deliberate strategy to oust South African traders. It was difficult to investigate the last allegation, but it seems that at least there is an extensive social network of non-South African traders assisting one another in their business endeavours. In turn, non-South African owned enterprises argue that there is a deliberate attempt to force them out of townships by organised crime, amongst other means. It seems from the available evidence in this report that some of these allegations possess, at least, some degree of truth.
- Non-South African traders seemingly perform the role of convenience stores better than their South African counterparts by making sure they have the right stock and being open for longer hours. Although South African customers have issues relating to hygiene and customer service with the non-South African traders, the convenience of buying from them outweighs these concerns.

8.2 Recommendations

Recommendations for both the Mangaung municipality and the Department of Home Affairs are summarised in the table below.

Table 8: Key recommendations

Actor	Recommendations
Department of Home Affairs	1. Ensure that the international laws governing asylum seekers are adequately applied. 2. Investigate and eliminate the allegations of bribery of officials by asylum seekers. 3. Develop a far more efficient system to record and monitor immigrants entering the country. 4. Regain the trust of South Africans in handling matters concerning non-South African citizens. 5. Utilise a more integrated information system. 6. Have a clear position on whether or not asylum permit holders are allowed to operate a business in South Africa.
Mangaung Municipality	1. Appoint an advisory committee which could help to reflect on the current levels of conflict. 2. Implement an effective and up to date database of existing economic practices in Mangaung. The database should be updated annually and changes should be reported. 3. Undertake a careful investigation of existing regulatory frameworks for enterprises in Mangaung. This should be done irrespective of the origin of the traders. Health concerns could be central to the rationale in this respect. Traders could be divided into three groups: 1) those who comply; 2) those who comply partially and should be given an opportunity to rectify; 3) Those that will be closed down. It should be well understood that such an approach might also lead to the closure of South African owned enterprises. 4. Form an appeal committee for those enterprises who do not receive the green light. 5. Run a programme to sensitise the community about accommodating non-South Africans. 6. Review the municipal town planning schemes.

Mangaung Business Organisation	1. Pay attention to the reasons why enterprises owned by non-South Africans out-compete locals. 2. Take note that customers do not want to buy from non-South African owned enterprises, but instead buy from them because they are more convenient (in terms of hours and range of products). 3. Develop and implement a support programme for local businesses. 4. Create partnerships between non-South African and South African business people. 5. Develop a programme of healing between non-South African and South African business people.
South African Revenue Services	1. Conduct regular community outreach campaigns and workshops that will bring awareness, visibility and eventually increase the rate of registration and compliance with SARS' tax requirements amongst informal traders. 2. Form a partnership with Customs and the SAPS to investigate allegations of counterfeit goods sold by traders, in particular non-South Africans.

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Annexure A:

A. For office use	**HOUSEHOLD QUESTIONNAIRE**

Date		Questionnaire number	
Name of respondent			
Address of respondent	*Street name and number:*		
	Suburb / Area:		
Enumeration area			
Contact number	(h)	(c)	

My name is ________ and I am conducting research on behalf of the Centre for Development Support at the University of the Free State. The research focuses on the current nature of trade (both informal and formal) that is taking place in former black townships. May I please speak to the person in the household who does most of the household shopping? The interview will take approximately 10 to 15 minutes. We would greatly appreciate your assistance.

B. Biographic profile

1. **Gender of respondent:** Male 1 Female 2

2. **Age of respondent:**

3. **Number of people in household**

   3.1 Number of adults *3.2 Number of children (18 years and younger)*

4. **Type of household** *(Fieldworker to explain)*

Single-headed household	1
Dual-headed household	2
Other *(explain)*	

C. Expenditure patterns

What amount do you spend **per month** at the following places for the following products?

List items	**Spaza** shop in *Mangaung / Heidedal* ***(provide name of spaza shop)***	**Formal** shop in *Mangaung / Heidedal* ***(provide name of formal shop)***	**Formal** shop in *Bloemfontein* ***(provide name of formal shop)***	**Other**
1. Bulk groceries for the month				
Top-up items				
1. Bread				
2. Milk				
3. Sugar				
4. Candles				
5. Paraffin				
6. Tea				
7. Coffee				
8. Meat				

9. Cool drinks				
10. Sweets				
11. Alcohol				
12. Cigarettes				
13. Cleaning materials				
14. Soap				
15. Toilet paper				
16. Newspapers				
17. Magazines				
18. Cheese				
19. Margarine				
20. Cooking oil				
21. Flour				
22. Maize meal				

23. Tinned products				
24. Salt				
25. Take-way foods				
26. Other				
27. Airtime				
28. Gas/petrol				
29. Medicines				
Other items				
30. Clothes				
31. Shoes				
32. Household appliances				
33. Furniture				
34. Hairdressing & beauty				
35. Cell phones				

36. Medicine (see item 29)				
37. Gas (see item 28)				

D. Perceptions of shops

1. What is the most POSITIVE aspect of buying from:

1.1 Spaza shop	Owned by South Africans	
	Owned by non-South Africans	
1.2 Formal shops in *Mangaung / Heidedal*		
1.3 Formal shops in *Bloemfontein*		

2. What is the most NEGATIVE aspect of buying from:

2.1 Spaza shop	Owned by South Africans	
	Owned by non-South Africans	
2.2 Formal shops in *Mangaung / Heidedal*		
2.3 Formal shops in *Bloemfontein*		

3. **If you buy from spaza shops, how often do you buy from shops owned by South Africans and from those not owned by South Africans?**

Shops owned by **SA citizens**	Daily	1	**Motivate your answer**
	2-3 times per week	2	
	Weekly	3	
	Once in two weeks	4	
	Once a month	5	
	Less than once a month	6	
Shops owned by **non-SA citizens**	Daily	1	**Motivate your answer**
	2-3 times per week	2	
	Weekly	3	
	Once in two weeks	4	
	Once a month	5	
	Less than once a month	6	

4. **Would you rent out your property to a foreign person for business purposes? Motivate your answer**

Yes	1	**Motivate your answer**
No	2	

5. **Household income**

List all people earning an income	**Salary income** *(see income categories)*	**Grant income**	**Other (remittances, etc.)**

Salary income categories

No income	1	R3501– R4000	8	R9001– R10000	15
R1 – R500	2	R4001– R4500	9	R10000 – R12500	16
R501 – R1000	3	R4501– R5000	10	R12501 – R15000	17
R1001 – R1500	4	R5001– R6000	11	R15001 – R20000	18
R1501 – R2000	5	R6001– R7000	12	R20001 – R25000	19
R2001 – R3000	6	R7001– R8000	13	R25001 – R30000	20
R3001 – R3500	7	R8001– R9000	14	Above R30000	21

THANK YOU FOR YOUR PARTICIPATION!

Annexure B

A. For office use	SPAZA SHOPS QUESTIONNAIRE

Date		Questionnaire number	
Name of respondent			
Name of shop			
Address of shop	*Street name and number:*		
	Suburb / Area:		
Enumeration area			
Contact number	(h/w)	(c)	

My name is ________ and I am conducting research on behalf of the Centre for Development Support at the University of the Free State. The research focuses on the current nature of trade (both informal and formal) that is taking place in former black townships. May I please speak to the person in the charge (owner) of this spaza shop? The interview will take approximately 10 to 15 minutes. We would greatly appreciate your assistance.

B. Biographic profile

5. **Gender of respondent:** Male 1 Female 2

6. **Age of respondent:**

7. **Highest school education (grade or standard)**

   a. Indicate any other training or higher education.

8. **Marital status**

Married	1	Single	3	Widow	5
Life partner / living together	2	Divorced	4	Other	6

C. Business questions

1. **Number of years in business**
   (When did you start this business?)

2. **Type of business structure:**____

3. **Number of people employed in the business.**

4. **How did you acquire finance to start the business?**

5. **Is your business doing better, the same or worse than a year ago:**

Better	1	*Give a reason for your answer:*
The same	2	
Worse	3	

6. **Who is you biggest competition? Give a reason for your answer:**

7. **Did the competition increase, decrease or stay the same during the last year:**

Increase	1	*Give a reason for your answer:*
Stay the same	2	
Decrease	3	

8. **Which five items in your shop are the most profitable:**

1.
2.
3.
4.
5.

9. Would you consider working with other traders to buy in bulk?

5.1	**No**, I already buy in bulk myself.	1
5.2	**No**, I am already part of a group which buys in bulk.	2
5.3	**Yes**, I would consider it.	3
5.4	**No**, not at all.	**4**
5.5 Provide a reason for your answer above		

10. Considering your location what is your:

10.1	Biggest **advantage?** :
10.2	Biggest **disadvantage / risk?** :
10.3	Whom do you suggest should do what, to address your biggest challenge / risk as stated

above?

11. On a scale of one to ten below, rate your business success:

Unsuccessful **Successful**

1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**

12. What type of support would you expect from government:

13. Do you think that non-South African traders are more successful than South African business traders? Please motivate your answer.

Yes	**1**	*Motivate answer*
No	**2**	

14. Do you own any other business? If yes, what other businesses do you own?

Yes	**1**	*If **YES**, what other businesses?*
No	**2**	

15. Would you rent out your property to a foreign person for business purposes? Motivate your answer.

<table>
<tr><td>Yes</td><td>1</td><td rowspan="2">Motivate your answer</td></tr>
<tr><td>No</td><td>2</td></tr>
</table>

THANK YOU FOR YOUR PARTICPATION!

Annexure C:

AGREEMENT BETWEEN

TOWNSHIP TRADERS

We Township traders had a meeting that includes National and Non-National, (Foreigners) who trade in the township.

On this date 15 July 2010 we agreed upon the following:

(1) No new shops will be opened in the township.
(2) Shops will not move until the committee has made a ruling.
(3) Whoever intends opening a new shop should contact the committee chosen.

Local Representatives:

(1) ....
(2) ....
(3) ....

Foreign Nationals Representatives:

(1) ....
(2) ....
(3) ....