Small Business Development in Duncan Village: Towards a New Development Framework

by

Leslie Bank

with

Mandisi Jekwa, Phumeza Lujabe, Bongani Mlomo

Working Paper No. 70
## Development Studies
### Working Papers

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Author(s)</th>
<th>Year</th>
<th>Pages</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>49</td>
<td>Fest Quest 89: A survey of visitors to the 1989 Standard Bank Arts Festival</td>
<td>Bill Davies</td>
<td>1990</td>
<td>160</td>
<td>R8.00</td>
</tr>
<tr>
<td>50</td>
<td>Community-based co-operative ventures in Port Elizabeth</td>
<td>W J Davies</td>
<td>1990</td>
<td>101</td>
<td>R11.00</td>
</tr>
<tr>
<td>51</td>
<td>Controlling the burgeoning masses: Removals and residential development in Port Elizabeth's black areas 1800s - 1990</td>
<td>Beverley Taylor</td>
<td>1991</td>
<td>195</td>
<td>R11.00</td>
</tr>
<tr>
<td>52</td>
<td>Economic conditions among blacks in rural Ciskei</td>
<td>A. Roux and D. Gilmour</td>
<td>1991</td>
<td>74</td>
<td>R11.00</td>
</tr>
<tr>
<td>53</td>
<td>Economic conditions among blacks on Eastern Cape farms</td>
<td>A. Roux</td>
<td>1991</td>
<td>68</td>
<td>R11.00</td>
</tr>
<tr>
<td>54</td>
<td>Domestic strategies of rural Transkeian women</td>
<td>Laura Cloete</td>
<td>1991</td>
<td>68</td>
<td>R16.50</td>
</tr>
<tr>
<td>55</td>
<td>Local responses to political policies and socio-economic change in the Keiskammahoek district, Ciskei: anthropological perspectives</td>
<td>Chris de Wet, Cecil Manona and Robin Palmer</td>
<td>1992</td>
<td>235</td>
<td>R20.00</td>
</tr>
<tr>
<td>56</td>
<td>Development planning and land use practices in rural Transkei. An assessment of selected aspects of the Transkei Agricultural Development Study (July 1991)</td>
<td>P.A. McAllister</td>
<td>1992</td>
<td>15</td>
<td>R15.40</td>
</tr>
<tr>
<td>57</td>
<td>Participatory research for community development: an annotated bibliography</td>
<td>Hilde Van Vlaanderen</td>
<td>1992</td>
<td>15</td>
<td>R15.40</td>
</tr>
<tr>
<td>58</td>
<td>Educational needs of adults in Mdantsane</td>
<td>Patrick McAllister, Michael Young, Cecil Manona and Jo Hart</td>
<td>1992</td>
<td>49</td>
<td>R20.00</td>
</tr>
<tr>
<td>59</td>
<td>Community-based development organisations in the Eastern Cape: towards survival and sustainability</td>
<td>Bill Davies and Mzukisi Madlavu</td>
<td>1993</td>
<td>111</td>
<td>R30.00</td>
</tr>
<tr>
<td>60</td>
<td>“We are all friends here”: The social dynamics of a development project</td>
<td>Andrew Ainslie</td>
<td>1994</td>
<td>87</td>
<td>R30.00</td>
</tr>
<tr>
<td>61</td>
<td>Youth in rural Transkei: the demise of ‘traditional’ youth associations and the development of new forms of association and activity: 1975 - 1993</td>
<td>Patrick McAllister and Dumisani Deliwe</td>
<td>1994</td>
<td>47</td>
<td>R25.00</td>
</tr>
<tr>
<td>62</td>
<td>Means and ends: the development forum movement in the Greater Eastern Cape Region</td>
<td>Bill Davies</td>
<td>1994</td>
<td>132</td>
<td>R30.00</td>
</tr>
<tr>
<td>63</td>
<td>Urban women and civil society in the Eastern Cape</td>
<td>David Hirschmann</td>
<td>1994</td>
<td>58</td>
<td>R25.00</td>
</tr>
<tr>
<td>64</td>
<td>Gender, households and environmental changes in informal settlements in the Eastern Cape Province, South Africa</td>
<td>Cecil Manona, Leslie Bank and Karen Higginbottom</td>
<td>1995</td>
<td>107</td>
<td>R30.00</td>
</tr>
<tr>
<td>66</td>
<td>Regional development planning in the Border-Ciskei-Transkei region: an examination of its implementation, effects and implications</td>
<td>E.L. Nel</td>
<td>1996</td>
<td>50</td>
<td>R25.00</td>
</tr>
<tr>
<td>67</td>
<td>Resettlement in the Border/Ciskei region of South Africa</td>
<td>Chris de Wet, Phumeza Lujabe and Nosipho Metele</td>
<td>1996</td>
<td>69</td>
<td>R25.00</td>
</tr>
<tr>
<td>69</td>
<td>Poverty in Duncan Village, East London: A Qualitative Perspective</td>
<td>Leslie Bank</td>
<td>1996</td>
<td>86</td>
<td>R25.00</td>
</tr>
<tr>
<td>70</td>
<td>Small business development in Duncan Village: Towards a new development framework</td>
<td>Leslie Bank with Mandisi Jekwa, Phumeza Lujabe and Bongani Mlomo</td>
<td>1996</td>
<td>84</td>
<td>R25.00</td>
</tr>
</tbody>
</table>
Small Business Development in Duncan Village: Towards a New Development Framework

by

Leslie Bank

with

Mandisi Jekwa, Phumeza Lujabe and Bongani Mlomo

Institute of Social and Economic Research
Rhodes University
Grahamstown

December 1996

Development Studies Working Paper No. 70

ISBN No. 0-86810-322-5
ACKNOWLEDGEMENTS

This project was funded by the USAID as part of its commitment to supporting development initiatives in the Eastern Cape region. The USAID funds were channelled through the East London-based NGO (Non Governmental Organisation) Afesis-Corplan which co-ordinated the study on behalf of the Duncan Village Development Planning Team. The authors acknowledge the financial support of USAID and would also like to thank Afesis-Corplan and the Duncan Village Planning Team for allowing the report to be published as part of the Development Studies Working Paper Series.
## CONTENTS

### CHAPTER ONE:
**SCOPE AND AIMS OF THE PROJECT**

1.1 The Small Business White Paper .................................................. p.2  
1.2 Aim and Scope of the Report ......................................................... p.5  
1.3 Research Design ........................................................................ p.7

### CHAPTER TWO:
**THE DUNCAN VILLAGE INFORMAL ECONOMY:**  
**A SOCIO-ECONOMIC CONTEXT**

2.1 Introduction ................................................................................. p.8  
2.2 The Socio-Economic Context ......................................................... p.8  
2.3 Special Features of Duncan Village ................................................. p.12  
2.4 Urban Insecurity and the Informal Economy ................................... p.16  
2.5 Conclusion and Recommendations ................................................ p.22

### CHAPTER THREE:
**SURVIVALISTS OR SMALL BUSINESS OPERATORS?**  
**A PROFILE OF THE INFORMAL ECONOMY**

3.1 Introduction ................................................................................. p.25  
3.2 Characteristics of Informal Business Operators ............................. p.26  
3.3 Sectorial Profile Within the Informal Sector ................................. p.31  
3.4 Conclusions and Recommendations .............................................. p.38

### CHAPTER FOUR:
**SUPPLY CHAINS, MARKETING AND MANAGEMENT**

4.1 Introduction ................................................................................. p.44  
4.2 Supply Chain .............................................................................. p.44  
4.3 Marketing and Advertising ............................................................ p.49  
4.4 Business and Household ............................................................... p.52  
4.5 Conclusions and Recommendations .............................................. p.53

### CHAPTER FIVE:
**FINANCE, TRAINING AND INSTITUTIONAL SUPPORT**

5.1 Introduction ................................................................................. p.55  
5.2 The View from Above: Financing Institutions ............................... p.55  
5.3 The View from Below: Financing Institutions ............................... p.60  
5.4 The View from Above: Training Institutions .................................. p.62  
5.5 The View from Below: Training Institutions .................................. p.63  
5.6 The Problem of Business Premises ............................................... p.64  
5.7 Conclusions and Recommendation ............................................... p.68

### CHAPTER SIX:
**COMMUNITY INITIATIVES AND INFORMAL ASSOCIATIONS**

6.1 Introduction ................................................................................. p.67  
6.2 Siege Politics and Community Initiatives ...................................... p.67  
6.3 Savings Clubs and Credit Societies .............................................. p.72  
6.4 Conclusions and Recommendations .............................................. p.76

Appendix 1: Questionnaire ................................................................. p.79
CHAPTER ONE:
SCOPE AND AIMS OF THE PROJECT

High Hopes
"SMME's (Small, Medium and Micro-Enterprises) are the homes of the true entrepreneurs and they can and will be the saviours of the country and our province. This sector will provide the impetus needed for the total integration of the black entrepreneur into the mainstream of the economy. It will also be a catalyst leading to the improvement of the standards of living of all South Africans."

Professor Sheperd Mayathula commenting on the White Paper on Small Business Development at the opening of Enterprise Africa Exhibition in Bisho, 9 July 1996

1.1 The Small Business White Paper

Entrepreneurship is a dynamic factor which is very important for economic empowerment and development in the South African economy today. In Duncan Village there are a wide range of small, informal business undertakings which could potentially be developed to stimulate local-level economic upliftment and employment creation. Recent research undertaken by the Institute of Social and Economic Research (ISER) has indicated that there is a chronic shortage of formal sector employment opportunities for the residents of this township. In this context, formal sector employment cannot be seen as a panacea which will meet the future economic needs and aspirations of township residents. The current project was initiated by CORPLAN and the Duncan Village Residents Association (DVRA). The aim of these organizations was to initiate research into the Duncan Village informal sector as a first step towards planning and strategic intervention to encourage the growth and development of small-scale enterprises in this township.

This initiative comes at a time when the future of small-scale enterprises are being intensively debated at a national level. The release in March 1995 of a White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa by the Department of Trade and Industry has set the agenda for this debate. The White Paper offers a comprehensive overview of current government thinking and strategy on small business issues and provides an essential backdrop for this study. The aim of the White Paper is to focus on the growth of Small, Medium and Micro-Enterprises (SMME).
It begins from the premise that SMME's have historically been neglected in South Africa in favour of the interests of large-scale national and multi-national enterprises. The bias of previous government policy towards these enterprises created a highly inequitable and racially skewed distribution of income, capital and other economic resources. One of the major aims of the White Paper is to redress these inequities by creating economic opportunities for South Africa's historically disadvantaged communities.

In setting out the objectives of the small business development framework, the White Paper explicitly states that small businesses must always be seen within a broad context of economic growth and empowerment. It argues that one of the weaknesses of previous policies and initiatives was that they created an artificial separation between small business issues and wider economic development. The new White paper explicitly seeks to promote a integrated SMME strategy which is consistent with the broader aims of the Department of Trade and Industry and based on the creation new and dynamic partnerships at all levels in the economy.

The key objectives of the national strategy are summarized as follows:

* Create an enabling environment for small enterprises
* Facilitate greater equalization of income, wealth and earning opportunities
* Address the legacy of apartheid-based disempowerment of black business.
* Support the advancement of women in all business sectors
* Create long-term jobs
* Stimulate sector-focused economic growth
* Strengthen cohesion between small enterprises
* Level the playing fields between bigger and small business as well as between rural and urban businesses.
* Prepare small businesses to comply with the challenges of an internationally competitive economy

Against this backdrop, the White Paper makes explicit a series of underlying principles that will inform the small business development strategy. There are several departures here from previous policies. Firstly, the government commits itself to a dynamic and creative demand-driven approach. It states that: "Government believes that it is necessary to break away from the traditional and static approaches to small business development based narrowly on the provision of financial support" (p.19). It promotes a multi-faceted approach which is flexible and diverse. The White Paper speaks in terms of developing 'differentiated, targeted support
packages' (p 22). In other words, there is a recognition at the highest level that the small business sector is regionally and sectorally highly differentiated and that the needs of specific entrepreneurs should be carefully investigated to produce a range of sectorally specific needs-driven packages.

Secondly, it is suggested that the focus of SMME development must be brought into line with the general aim of the South African government of producing an efficient, internationally competitive economy. Small business development must form an integral part of this strategy (as it has been in many of the Asian economies). For SMME's to become competitive, it argues that there is an urgent need for greater co-operation, coordination and networking among smaller firms in specific sectors. These kinds of actions, it suggests, can assist with skill acquisition, marketing, and encourage new flow of information that will serve to counter-balance some of the 'economies-of-scale benefits' enjoyed by larger firms.

Thirdly, at the institutional level, the White Paper proposes that government intervention should aim to reduce the duplication of services and should streamline support-programmes. The focus here is on the better use of public funds invested in this sector, rather than on any dramatic expansion of such funds. Moreover, the government will aim to pursue a policy of 'appropriate regulation' based on the specific needs of SMME's. It will attempt to avoid the pit-falls of over regulation which inhibit growth and competition, while at the same time, it is opposed to complete deregulation which, in the past, has encouraged violence and disorder. The paper also recognises that there is a need for retraining government staff at all levels to meet the challenges of this new approach.

The White Paper also suggests that the new, flexible, demand-driven approach adopted by government cannot succeed without outside agencies playing a more constructive role in supporting small business. Research organizations and NGO's are singled out for attention. NGO's are criticised for operating in competition with one another and for not being effective in the services they offer. Research organizations are called on to develop a more practical, problem-solving orientation in their work. This research report is sensitive to these criticisms and will try as far as possible to make practical recommendations based on the analysis provided.
1.2 Aim and Scope of the Report

The main aim of this research project is to explore the nature and extent of the informal business sector in Duncan Village and to consider what actions and interventions might stimulate growth and development in this sector. In order to achieve this objective we have organised this report around five main themes: the socio-economic context, a profile of small business operators, supply and marketing strategies, finance and training programmes, and community involvement.

The 1995 White Paper gives considerable attention to creating 'an enabling environment for small business development'. In order to construct such an environment it is necessary to attempt to understand the local conditions and context within which people set about making a living. Chapter Two of this report provides such a context. The chapter looks at the socio-economic profile of the township and emphasises some of the specific features which sets Duncan Village apart from other urban townships in East London. Some of the special features referred to in this chapter are: the close proximity of Duncan Village to the city centre, the high degree of residential compactness in the township, the rapid population influx from surrounding rural areas over the past decade, the maintenance of close urban-rural linkages, the growing trend towards woman-led households in shack areas, and the high-levels of income outflow. The chapter also considers structural impediments to small business development in the township. Particular attention is given to the problems of fire, crime, insecure tenure and infrastructural backlogs. On the basis of the analysis provided specific policy interventions and actions are recommended which seek to create an environment which is conducive to small business development.

From an analysis of the 'enabling context', the report moves on to provide a detailed socio-economic profile of 403 small-scale entrepreneurs within the informal economy. Here, the report follows the directive of the 1995 White Paper by dividing the enterprises into four categories: survivalists, micro, small and medium enterprises. It uses these categories as a basis for an assessment of small-scale, informal enterprises. The chapter also picks up on the White Papers sectorial emphasis and provides a detailed breakdown of the four main sectors in this economy; retail, repair and maintenance, manufacture and personal services. The focus here is on the varying degrees of entrepreneurial success achieved in each of these sectors and on the operational dynamics of different types of small-business. On the basis of this analysis, we provide a number of general as well as sector specific recommendations.
The remainder of the report offers a more detailed investigation of some of the issues raised in Chapters Two and Three. Chapter Four investigates the thorny questions of supply chains and marketing in small-scale businesses. It explores the problems local entrepreneurs face in securing stocks and materials from cheap suppliers in the city. It also looks at marketing mechanisms in the small-scale sector and makes a number of recommendation on how supply chains might be shortened and marketing practices improved. The next chapter, concentrates on institutional links between small-scale business operators and banks in the city. It provides a detailed description of the types of services that different institutions have on offer, as well as on local perceptions of these institutions and their services. The chapter identifies a lack of institutional links between banks and township business people and makes a number of recommendations about how a better working relationship might be developed.

The final chapter in the report is more inward-looking and concentrates exclusively on the role of community initiatives and savings associations in small business development in the township. Two recent community initiatives, the Duncan Village Hawkers Association and the Entrepreneurial Development Centre, are scrutinized and an assessment is provided of their strengths and weakness. Furthermore, the chapter investigates the role that local, community-based savings and credit associations play in entrepreneurial development. Several suggestions are made as to how existing community initiatives in the field of small business could be made more effective.

The ultimate aim of this study has been to generate valuable information which could assist the people responsible for stimulating local economic development in Duncan Village. The research provides essential data on the nature and location of small businesses, the infrastructural needs of this sector, the institutional supports required for its development, and the measures needed for its integration into the broader economy of the East London. In compiling this report special attention has been given to the recent White Paper on small business since effective interventions and actions will only be possible if they are consistent with national policy and planning in this field.
1.3 Research Design

This research project was designed as a collaborative effort between staff at the Institute of Social and Economic Research at Rhodes, East London, members of the CORPLAN NGO and representatives from the Duncan Village community. The project was initiated through a relationship between these three organizations. CORPLAN identified small business as a topic worthy of investigation and set in motion the research process which has resulted in this report. The ISER was then commissioned to undertake the research in collaboration with DVRA. It was decided that local capacity building should constitute one of the aims of the project and, as a result, Mr. Mandisi Jekwa from Duncan Village was appointed to the research team. He took responsibility for the construction and administration of a socio-economic survey of small business operators in the township and also helped with the analysis of other research materials collected for this project. Other aspects of the research were undertaken by Phumeza Lujabe, Bongani Mlomo and Leslie Bank at the ISER.

In compiling this report several research techniques were used. Firstly, a review of recent journal articles, newspaper reports, small business publications was undertaken. Given the importance of the recent Small Business White Paper, special attention was given to this document. Secondly, a structured questionnaire was administered to a sample of 403 business operators in Duncan Village. The questionnaire was not able to draw a representative sample of small businesses, but it has attempted to cover the full range of operators in the township. The questionnaire is attached as Appendix A. Thirdly, a selective sample of 15 small business operators was drawn at random to gather more detailed information about the backgrounds and experiences of business people. These in-depth case studies gave us a sense of the organizational structure of small-businesses, the levels of specialization and their relationship to outside suppliers and concerns. Finally, a series of interviews were conducted with representatives from a range of organizations which are directly or indirectly involved in the small business sector in Duncan Village.
CHAPTER TWO:
THE DUNCAN VILLAGE INFORMAL ECONOMY:
A SOCIO-ECONOMIC CONTEXT

2.1 Introduction

The objective of this chapter is to provide a general socio-economic context within which small business activity in Duncan Village can be assessed. To achieve this objective, the chapter is divided into two sections. The first documents some of the key socio-economic features of the city of East London and Duncan Village in particular. The second part documents some of the major structural constraints on small business development in the township.

2.2 The Socio-Economic Context

East London is a minor coastal city with a fragile economy based largely on the food, motor and textile manufacturing sectors. Between 1945 and 1960 the economy of the city grew rapidly registering annual growth rates in excess of 10%. This growth was based on secondary industrialization in the manufacturing sector. However, since the inauguration of the homeland policy which wedged East London between two impoverished, self-governing homeland states, the Transkei and Ciskei, the economy of the city has fared less well. Low annual growth rates were recorded throughout the 1970s and 1980s, despite efforts by the Apartheid government to shore up the local economy by offering attractive industrial decentralization incentives in the region. The fragility of the city is not only based on its regional location, but on the absence of mineral and power sources and its distance from major metropolitan markets. Being situated in one of the poorest provinces in the country, East London's growth has always been limited by a weak local consumer market (Swilling 1987: 140).

While the economic prospects for the city have recently improved with the dismantling of the homeland system and the centralization of the Eastern Cape's regional government in nearby capital of Bisho (30 minutes drive from East London), the city is still badly in need of major economic investment to cater for its rapidly growing population. During the past decade, there has been a massive transfer of population from rural to urban areas in the Eastern Cape generally. This occurred as a result of a softening of homeland borders in the mid-1980s, the removal of the influx control laws in 1986, and the deterioration of agricultural prospects in a region gripped by a crippling drought throughout the 1980s. These factors ensured that East London became the target of a sustained wave of rural-urban migration. Dozens of new informal settlements have sprung up all over the city during the past five years, while the established townships within the city limits have become hopelessly overcrowded.
The research for this project was conducted in East London's most congested township, Duncan Village. In 1995, it had a population of approximately 100,000 people. Between 1964 and 1979, Duncan Village was the target of massive forced removals. In terms of the Apartheid policy of separate development it was decided that as a 'white city' East London should be cleared of its African population and that the residents of Duncan Village (located in the heart of the city) should be relocated to the Ciskei, where they would be housed in the massive dormitory township of Mdantsane. During this period 15,000 families were forcibly removed from Duncan Village to the Ciskei township, despite popular anger and protests. It was only in 1984 that this programme eventually was called off. This left only 8000 families in the old township. These people were mainly accommodated in one, two and four-roomed municipal houses. In 1985/86, the residents of Duncan Village wrested control over the township by deposing the state-supporting Gompo town council and set up their own residence structure, the Duncan Village Residence Association (DVRA) for the control of township affairs.

One of first decisions taken by the Duncan Village Residence Association, which grew out of the anti-removals committee of the early 1980s, was to denounce the policy of forced removal to the Ciskei and to open up the township for new settlement. It was decided that new opportunities should be created for Africans who had been systematically excluded from the city to live close to their places of work. As a result, dozens of informal settlements were created in Duncan Village after 1985. DVRA also permitted the erection of backyard shacks in the yards of formal houses. This has resulted in massive residential densification. In the oldest section of Duncan Village, only 10% of the homes are today made of brick and mortar, the rest are comprised of wood-and-iron free-standing and backyard shacks. In the other areas, the ratios between formal and informal dwellings range from 1:3 and 1:8. There are only two areas, B Hostel and Gompo (a small middle class housing estate) where the erection of shack dwellings has not been permitted.

In 1993, the NGO CORPLAN in East London conducted a broad socio-economic survey of the township. They made the following findings:

* that there are 16501 dwellings in the township.
  - 3564 formal one, two and four roomed houses
  - 5038 backyard shacks.
  - 7854 free-standing shack.
* that the average room occupancy in the township is 2.5 people and the residential densities often exceed 3000 people per hectare.
Map 2.1: The Location of Duncan Village

THE INDUSTRIAL AREAS OF THE GREATER EAST LONDON AREA.

Key:
- Built-up Areas
- Industrial Areas
- Main Roads
- Main Railway Lines

Map dimensions: 552.2x808.8
Map 2.2: Aerial Photograph of Duncan Village (Proper)
that 35% of these households are female-headed and 65% male headed.
that 51% of the population has less than a Std 5 education.
that 43% of the overall economically active population is unemployed.
that 50% of all households have a combined income of less than R400 a month and that 97% of households earn less than R1500 a month.
that classroom densities are in excess of 80 students.
that only 6% of all dwellings in the township were electrified in 1993.

These basic socio-economic indicators clearly identify Duncan Village as a deeply impoverished urban slum which is in desperate need of social and economic development. There is a chronic need for job creation both in the township and in the city as a whole which can act as a catalyst for other development projects. Given the current state of the formal economy in the city, it is unlikely that formal sector jobs alone can sustain economic and social development in this township. This is why careful attention needs to be given to the role that small and micro-businesses can play in Duncan Village. It is critical that action be taken on this front before the available RDP funds are depleted.

2.3 Special Features of Duncan Village

Many of the socio-economic features identified above, such as high unemployment, low educational levels, new shack development and over-crowding, are common in townships across the Eastern Cape. However, there are a number of problems and issues in Duncan Village that set this township apart from others in the province. In order to address questions of local economic development these special features need to be identified:

(a) Proximity to the City Centre: Duncan Village is one of a small group of historic townships in South Africa (such as Cato Manor in Durban and Alexandra in Johannesburg) which are located close to the central business district of the city. This is an enormous advantage for local economic development. Close proximity to the economic hub of the city makes the task of economic integration considerably easier than in cases where townships are located far away from the city centre. In particular, it creates opportunities for dynamic forward and backward linkages between the local township enterprises and the city business sector.

(b) Residential Compactness: Residential densities in Duncan Village are exceptionally high. Since 1986, when the influx control legislation was repealed, 60 000 people have flooded into backyard and free-standing shack areas. This influx has not been accompanied by the acquisition of new land and, as a result, it simply compacted existing residential areas. In some parts of the township, residential densities now exceed 3000 people per hectare. This has created enormous problems
for developers. Residential compactness has advantages for local entrepreneurs, however, because it gives them easy and direct access to a large consumer base.

One of the challenges facing policy-makers and planners is to extract the greatest economic advantage for local people from this situation. At present, local consumers send most of their income outside the township. In order to counteract this trend, local entrepreneurs must devise strategies to keep as much local income as possible circulating within the township economy.

© Rural Influx: Duncan Village can also be distinguished from other townships in the city by virtue of the intensity of rural influx over the past decade. Recent research undertaken in other informal settlements in the city shows that informal settlements are comprised mainly of long-term urban residents. The sudden and sustained influx of rural families into Duncan Village has given this township a specific demographic and social character. A recent survey conducted by the ISER (1995) indicates that only 24% of household heads in Duncan Village (Proper) were born and brought up in the township. The vast majority of local residents originated from rural areas, especially the former homelands of the Transkei and Ciskei. This trend is clearly shown in Tables 2.1 and 2.2:

Table 2.1: Settlement of Origin*

<table>
<thead>
<tr>
<th>Location</th>
<th>Municipal</th>
<th>FS Shacks</th>
<th>BY Shacks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Location</td>
<td>4 6%</td>
<td>30 20%</td>
<td>49 32%</td>
<td>83 22%</td>
</tr>
<tr>
<td>2. Farm</td>
<td>37 53%</td>
<td>12 8%</td>
<td>14 9%</td>
<td>63 17%</td>
</tr>
<tr>
<td>3. Rural Village</td>
<td>29 41%</td>
<td>107 72%</td>
<td>90 59%</td>
<td>226 61%</td>
</tr>
<tr>
<td>Total</td>
<td>70 100%</td>
<td>149 100%</td>
<td>153 100%</td>
<td>372 100%</td>
</tr>
</tbody>
</table>

Table 2.2: Length of Stay in Duncan Village*

<table>
<thead>
<tr>
<th>Year of Arrival</th>
<th>Municipal</th>
<th>FS Shacks</th>
<th>BY Shacks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-95</td>
<td>18 26%</td>
<td>122 85%</td>
<td>79 54%</td>
<td>219 61%</td>
</tr>
<tr>
<td>1975-84</td>
<td>14 20%</td>
<td>16 11%</td>
<td>41 28%</td>
<td>71 20%</td>
</tr>
<tr>
<td>1965-74</td>
<td>14 20%</td>
<td>3 2%</td>
<td>11 6%</td>
<td>28 8%</td>
</tr>
<tr>
<td>1955-64</td>
<td>10 15%</td>
<td>3 2%</td>
<td>9 6%</td>
<td>22 6%</td>
</tr>
<tr>
<td>Before 1955</td>
<td>13 19%</td>
<td>-</td>
<td>6 4%</td>
<td>19 5%</td>
</tr>
<tr>
<td>Total</td>
<td>69 100%</td>
<td>144 100%</td>
<td>146 100%</td>
<td>359 100%</td>
</tr>
</tbody>
</table>
By disaggregating these figures, it is also possible to establish that the rural catchment area for Duncan Village has been highly localised. The vast majority of people have moved in from rural areas that are situated within a 100km radius of the city. The majority came from the former Ciskei (39%) where agricultural resources were severely depleted by the drought of the 1980s, while 35% came from the rural areas in the East London district and the former Transkei.

(d) Rural-Urban Linkages: In view of these statistics it is perhaps not surprising that a significant proportion of the people of Duncan Village maintain active links with their rural places of origin. In Duncan Village (Proper), 33% of household heads regularly sent cash and groceries out of the city to support dependents in rural areas, while 25% of these household heads said that they had maintained a second home in the countryside. The existence of rural homes has meant that many among the urban poor have left their children behind in the countryside under the care of grandparents or relatives. This is demonstrated in Table 2.3 (notice the marked absence of children of school-going age). The table unmistakably shows that most of the people in the informal settlements are men and women of working age. In other words, the economically active proportion of the total population of these settlements is unusually high.

**Table 2.3: Demographic Profile of Duncan Village (Proper) Informal Settlements**

<table>
<thead>
<tr>
<th>DUNCAN VILLAGE</th>
<th>AGE IN YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>10</td>
</tr>
</tbody>
</table>

*Resident* and *Absent* members are those who ordinarily live in the house, but were away from the city at the time of the survey.*
(e) Female-Headed Households: The above demographic profile also indicates that growing numbers of women were living in shack environments. The predominance of working aged women in shack areas shows that rural women moved into Duncan Village in their thousands in the 1980s to escape the deepening cycle of poverty in rural areas. Many of these women constituted themselves as female-headed households in the shack land and set about trying to support themselves as single parent families in the city. After long periods of underemployment and reliance on relatives and friends, many of these women made their way into the township informal economy as hawkers and spaza shop owners. The ubiquitous presence of female-household heads in the informal economy is documented in greater detail in a later chapter. For the purposes of this discussion, it is simply necessary to note the growing presence of women in free-standing shack areas and in the informal economy generally.

(f) Outflow of Earning: The rural-urban connections documented above have critical economic implications for small business activity in the township. The monthly outflows of income from Duncan Village to the surrounding rural areas are difficult to calculate accurately. However, if we assume that about 15 000 men and women send R150 out of the city each month in the form of goods and cash, then R300 000 leaves the township monthly. This amounts to about R4 million a year. Clearly, it cannot be assumed that because local people earn wages in East London that they will necessarily spend them in the city.

This assessment of Duncan Village as an open social system is, of course, not entirely new. In fact, the social and economic fluidity that characterises this township has concerned urban planners and administrators in East London for decades. In the 1950s, a similar assessment of the economic and demographic profile of this township led state planners, city officials and local business interests to declare Duncan Village a pathological, dysfunctional slum. It was recommended that the township be 'stabilized' through a programme of mass relocation to Mdantsane. This effectively meant that migrants and permanently urbanized segments of the township population were segregated into spatially distinct zones within the parameters of Apartheid town planning (cf. Atkinson 1991, Minkley 1994; also see Case 2.1 below).

In the current RDP planning rhetoric in Duncan Village, there are chilling echoes of older planning models. There is, for instance, a strong bias within the state's housing policy towards encouraging urban permanence and 'stability', even if such permanence is unwanted by local residents. In the 1990s, the state is seeking to enforce closure on a fluid and open social system. The narrow focus in planning circles on family housing, conceptualised in terms of the Western family models, and the pursuit of private housing estates sets the agenda for this urban bias. It encourages planners to ignore conditions in the existing shack areas which are seen as 'temporary' or 'transitory' living environments. Not all households in Duncan
Village are trying to cast themselves as stable, urban family units. Many are pursuing complex survival strategies which involve forms of risk-spreading and mobility which are not recognised by urban planners. The evidence presented suggests that there is an urgent need for city planners to come to terms with the special social and demographic features of the Duncan Village situation and to start to design their plans accordingly. Planning needs to be based on interventions that empower, reinforce and strengthen successful local social and economic strategies. It should not try to overturn these by enforcing development strategies that run against the grain of peoples experiences and preferences. In short, Duncan Village needs to be planned on basis of a clear understanding of local conditions and circumstances.

2.4 Urban Insecurity and the Informal Economy

For entrepreneurship to flourish, it is necessary to provide entrepreneurs with a secure and stable environment within which to invest their resources. Current conditions in Duncan Village do not generate this confidence and commitment. In fact, it might be argued that one of the many reasons why so many residents continue to shift resources out of the city is because they do not feel that Duncan Village is a secure place to invest in. In this section, we explore some of the causes of urban insecurity and relate these to the experiences of entrepreneurs in the township. The four structural problems dealt with below are fire, crime, tenure and infrastructure.

2.4.1 Fire

Residential fires, as is now widely recognised, are a fact of life in Duncan Village. Over the past decade, 359 residential fires have been reported in this township which have destroyed over 2 300 homes. A fire breaks out, on average, once every ten days in Duncan Village and over the past ten years fires have destroyed peoples' homes at rate of almost one a day. Such shocking statistics point to the gravity of fire as a social problem.

The living conditions in Duncan Village are highly conducive to fire disasters. Firstly, residential densities in this township are among the highest in the country. In the shack areas, dwellings are spaced less than one metre apart. Secondly, most shacks are made of rough pine and card-board, which are waste products of industrial packaging. These materials are not only cheap and easily accessible, they are also highly flammable. Thirdly, because of low levels of electrification, there is an almost total reliance on paraffin for domestic energy requirements. Over 90% of fires result from domestic accidents involving candles or paraffin stoves.

The destructive potential of fire is exacerbated by poor infrastructure and communication. The absence of public phones in many areas means that it takes time for the fire department
Plate 2.1: Duncan Village Fire, July 1996

Plate 2.2: Mopping Up Operations, July 1996 Fire
to be notified of a blaze. Fire engines have to be brought to
the scene from the central depot across town which adds to the
delay. On arrival, firemen struggle to extinguish fires
because of the shortage of hydrants and the inaccessibility of
some shack areas. Their efforts are further hampered by the
total absence of taps in some informal settlements. In all
areas, the danger of fire is compounded by the presence of
hundreds of local Spaza shops which keep large quantities of
paraffin on site for resale.

The human tragedy of fire is immense. Fire picks on the
poorest of the urban poor. It destroys their homes and claims
their possessions. These people are seldom left with more than
the clothes on their backs and money in their pockets. Many of
them are unemployed and have no way of replacing what they
have lost. It seems that when disaster strikes, those who are
least able to endure it are often the worst hit. But it is not
only the unemployed who suffer. The losses incurred by home-
based entrepreneurs during disasters were immense. In April
1995, for instance, a fire which claimed 65 shacks on Tappa
Street left local businesses in tatters. David Tsholisi lost
two refrigerators, a freezer, a bedroom suite, radios, as well
as clothes and a large quantity of liquor (Daily Dispatch
8/4/1995). For every fire that breaks out there are always a
number of 'David Tsholisi's' involved.

Case 2.1: The Tyranny of Fire

Patricia is a 44 year old single mother of six children who
came to East London in the early 1970's from the rural areas
of King William's Town to find work. In 1988, she started a
small shebeen to supplement the family income. The business
expanded rapidly and, by 1995, she was selling 80 cases of
beer every two weeks.

On 15 August 1995 fire struck in her area. Her shack was
engulfed in flames and burnt to the ground. At the time she
had 2 x 200 litres of paraffin on the premises as well as 2
x 19 kg gas cylinders which supplied her gas-driven freezer.
When the fire reached her shack, the gas cylinders exploded
sending flames hundreds of metres into the air.

As a result of the fire, Patricia lost shop stock valued at
over R10 000 and cash savings of R 2 500 which she hid in
her shack. Patricia kept no bank account nor did she have
any house or business insurance. It is not possible to get
insurance in a shack area in Duncan Village. The only, small
consolation for Patricia was that she had removed many of
her valuable possessions to her rural home in the King
William's town district where her children live with her
mother.

The social and psychological impact of fire in Duncan
Village encourages feelings of fear and powerlessness. Because
residential fires are random, uncontrollable and constant,
people are encouraged to think of themselves as victims who lack effective control over their own lives. Fire serves to entrench a culture of poverty, where people believe in their own powerlessness and fear. It encourages fatalism and a view of the urban environment as insecure, unstable and violent. Furthermore, the persistent tragedy of fire teaches people to be cautious and suspicious of urban investment. It encourages them to romanticize rural life and to seek survival strategies which straddle town and country. To survive fire, many have learnt, it is imperative to be risk-adverse and to keep as many options open as possible. Patricia realised this and had made considerable effort to ensure that her most valuable personal possession as well as her children were moved out of the city and into the countryside.

Fires in Duncan Village seriously undermine business development. Every year hundreds of budding entrepreneurs have to watch their hard work and savings razed to the ground by fires. Given that these entrepreneurs have little savings and no access to insurance it is incredibly difficult for them to recover after fire disasters. Moreover, because they are aware of the severe consequences of fire, many are reluctant to risk new investment in their businesses. A fire-free environment is a pre-requisite for small business development and investment in Duncan Village.

2.5.2 Crime

It is often reported in South African newspapers that rising crime in urban areas has seriously undermined foreign investor confidence in the South African market. What is less often reported is the impact on crime of the informal economy within townships themselves. Crime is a serious problem in Duncan Village. Most of our respondents identified it as one of the key factors limiting the effectiveness of their small business operations. They suggested that the criminal elements (tsotsis) harassed their clients and prevented suppliers from bringing goods and services into the township (cf. chapter 4).

Women and pensioners were especially vulnerable to criminals and they had to be particularly cautious to avoid exposing themselves to the threat of crime. 68% of all the small-scale entrepreneurs in Duncan Village are women. This means that they fall within a high risk category:
Case 2.2: Crime and Running a Creche

Nosipho, a middle-aged women, lives in a shack area where many residents have young children. Some fathers are in full-time employment and their wives or lovers either work as maids or as factory workers. Nosipho soon realised that there was a desperate need for a creche in the area and started to collect toys from her employer. By mid 1993, she opened a creche with 8 children ranging from 2 - 6 years. Nolusapho explained that running a creche in a high crime area was a problem because every time she took a child under her care to the toilet or to fetch water she feared for the safety of the others. She explained that in 1995 she decided that she could no longer continue with her business because she could not guarantee the safety of the children under her supervision.

The crime situation in Duncan Village spawned fear and insecurity among small business operators. We also discovered that some business people used crime and violence as a means of intimidating their competitors:

Case 2.3: Crime and Intimidation

Nolusapho, a 37 year old woman, was born and brought up in Transkei, in a small town called Ngqamakwe. Her late husband had been working for the East London municipality since the 1970's and was living in B Hostel. In the mid-80s she came to join him and they left the hostel to live in a backyard shack in Dunga Street. Nolusapho got a job as a babysitter for the Van Rensberg family, who lived in a 'Coloured area' known as Parkside. The income she got helped her to supplement her husband's income for their household needs. In 1991, her husband, Sipho Mabece, was tragically killed in a car crash. Nolusapho was unable to pay the rent, so she was forced to move to a free standing shack area.

She was among the first to move to this new squatter settlement and was lucky to get a big site where she set up a spaza shop. The spaza shop worked reasonably well for about six months, but she soon began to have second thoughts about the business when criminals in the area targeted her business. Tsotsis would come to the shop and demand money and groceries. They accused her of 'stealing' from the established businesses in the neighbouring area. After being abused and harassed on several occasions she decided to close down her shop. She said that she was not prepared to sacrifice her life for the sake of making a living. She explained that, if her husband was still alive, she might have continued with the business, but as a single women she felt very vulnerable.
The intimidation of Nolusapho was no simple affair. It appears from her testimony that businesses in the surrounding formal housing area were keen to capitalise on the business opportunities arising out of the creation of a new shack area. They thus hired criminals to harass their competitors. Their strategy was successful in this case because Nolusapho was a soft target: a single woman living on her own in an area where she did not have an established support network.

The problem of crime, therefore, affected small-scale business operators in Duncan Village at three levels. Firstly, there are the perceptions among suppliers that Duncan Village is a high risk area which should be avoided. This has created enormous problems for small-scale retailers and manufacturers in the township. Secondly, we have seen how the fear of random crime can have a negative impact on individual entrepreneurs. This fear caused Nosipho to close her business. Thirdly, we have seen how more organised crime can be used to reduce and regulate competition. To stimulate business confidence and development in this township, crime needs to be addressed at all these levels.

2.5.3 Premises and Tenure

In Duncan Village, most small-scale entrepreneurs run their enterprises from premises they do not legally own. In free-standing shack areas, individual families have acquired the right to occupy land or sites through the Duncan Village Residents Association (DVRA). Access to land remains dependent on the benevolence of the civic association. In backyards, the rights of entrepreneurs are even more tenuous since they can technically be evicted by the landlord at any time. DVRA has tried to limit the number of unfair evictions by offering mediation in these cases. This has provided backyards with additional residential security, but it has not fundamentally changed their position. They are still extremely vulnerable to the power of landlords. In fact, the only families who enjoy relative security of tenure in the township are those who either rent or own municipal houses. As long as these people pay their rents or their bonds they are secure.

One of major objectives of the government policy has been to transfer land ownership into black hands and to increase security of tenure in historically disadvantaged communities. This is especially important for small-scale business development as entrepreneurs need to have security of tenure in order to raise capital. They need to be able to invest resources in the knowledge that they will not lose access to the sites from which they operate. They also need to be given the choice of acquiring business premises, which are not situated on their current residential sites. The acute shortage of suitable business premises and the lack of secure tenure arrangements, especially in the shack areas, is a serious impediment to the expansion of small-scale enterprises in this area.
2.5.4 Infrastructural Backlogs

Linked to the question of tenure, is the issue of infrastructural development. During the 1960s, when it became official state policy to relocate the residents from Duncan Village to Mdantsane, the central state and the East London municipality decided to scale-down their commitment to infrastructural development in this township. In this period, it is fair to say that the underdevelopment of Duncan Village was official state policy. Only in recent years has the state and the local authority renewed their commitment to funding major infrastructural developments in this township. This legacy of three decades of neglect was compounded in the 1980s by civil unrest which targeted municipal installations, schools and other government buildings. In 1986, an estimated R3.5 million worth of damage had been done to the electricity supply in the township. A continuing and sustained commitment to infrastructural development and upgrading in Duncan Village is an important prerequisite for the success of schemes to stimulate small business development in the township.

Conclusions and Recommendations

In this chapter we have characterised Duncan Village as a complex and socially fluid residential slum where migrants, commuters and urbanized families live cheek by jowl in conditions of grinding poverty. Current unemployment rates in the township exceed 40%, housing conditions are appalling, people live in shacks, and there is a absence of adequate services for the population. These conditions have been compounded by a massive influx of people into the township from surrounding rural areas over the past decade. Residential instability is further compounded by continuous shack fires, rising crime and insecure tenure. This situation fuels feelings of insecurity and generates a low-level of commitment among the general population to invest in urban permanence within this township. This does not bide well for small business development. Too much of what is earned by local residents leaves the township without passing through the hand of local business people. Furthermore, business people feel reluctant to commit themselves to investment in residential areas where they have no security.

In sum, Duncan Village finds itself in the invidious position where it has enormous potential for small business development, but this potential is not being realised due to the factors mentioned above. In order to begin to redress this situation we would make the following recommendations:
Recommendations

2.1 High density residential environments should be supported in Duncan Village because they are conducive to economic growth and small business development. We believe that this objective should be affirmed in the current replanning of the township. To achieve this, planners need to upgrade existing shack at the same time as providing new opportunities for housing developments on the fringes of the township. The current confusion and inertia that surrounds township upgrading and development cannot continue.

2.2 The socio-economic links that exist between town and country need to be recognised by development planners and efforts should be made to make these connections more dynamic in order to create new entrepreneurial opportunities in both areas. We are opposed to policies that seek to enforce unwanted urban permanence.

2.3 We are opposed to the current housing subsidy scheme in so far as it limits investment to house structures and services. Why is it not possible for creative individuals to use their state subsidies in entrepreneurial ways? Why can they not invest the R15 000 subsidy into their businesses, rather than their homes? Would this not create more jobs, empower more people, and ultimately stimulate a stronger housing market? Can the provincial government not be persuaded to restructure the subsidy scheme (in Duncan Village) to allow for greater flexibility.

2.4 To facilitate stronger flows of goods and commodities between town and countryside we propose that development planners investigates the possibility of identifying a site for the creation of general, open-air market within Duncan Village. It is envisaged that such a market, like the urban markets in other African countries, could sell a range of goods which are produced in both town and country. Moreover, if properly planned and managed such a venture might prove to be an important tourist attraction in the city in future and could provide an outlet for locally produced goods. This might be seen as a longer-term objective which would require additional research.

2.5 In the short-term, strategies must be developed to help redirect consumer spending away from the city centre in order to build stronger small and medium-sized enterprises in Duncan Village itself. To achieve this small business development must receive top priority in local economic planning. It is also necessary for banking services to be provided inside the township. People tend to spend money where they draw it. Introducing ATM's in the township will therefore promote local consumer spending. The SBDC centre is a good, secure location for such outlets.
2.6 Urgent attention should be given to finding short- and medium-term solutions to the tyranny of fire in Duncan Village. This is particularly important for entrepreneurs in shack areas who are highly vulnerable to these disasters.

2.7 Local efforts to control and reduce crime need to be intensified. This objective needs to be achieved as a matter of urgency, not only to guarantee the safety of ordinary people, but to encourage greater confidence in the township economy. Mechanisms also need to be found to ensure greater security of tenure for business people.

2.8 There is an immediate need for a task team to be set up to investigate the contents of the new Small Business Act which is in the process of being approved by cabinet. The Act makes provision for a new institutional framework for black small business development. Particular attention should be given to enlisting the support of the new Ntsika Enterprise Promotion Agency which has been established to expand and coordinate the provision of non-financial support in this sector.
CHAPTER THREE:
SURVIVALISTS OR SMALL BUSINESS OPERATORS?
A PROFILE OF THE INFORMAL ECONOMY

3.1 Introduction

In terms of the national White Paper on the Development and Promotion of Small Business in South Africa gazette on the 28th March 1995 small business undertaking in South Africa can be classified under the following headings:

(1) **Survivalist enterprises** are activities by people who are unable to find paid employment or get into an economic sector of their choice. Income generated from these activities usually falls far short of even the minimum income standards, with little capital invested and virtually no skills training in the particular field and only limited opportunities for growth into a viable business. Support strategies should primarily help these people - most of them women - get out of this sector.

(2) **Micro-enterprises** are very small businesses, often involving only the owner, some family members and at most one or two paid employees. They usually lack formality in terms of business licenses, value-added tax (VAT) registration, formal business premises, operating permits and accounting procedures. Most of them have a limited capital base and only their operators possess technical or business skills. However, many micro-enterprises have matured into viable small businesses. Earning levels of micro-enterprises differ widely, depending on the economic sector, growth phase of the business and access to relevant support.

(3) **Small enterprises** constitute the bulk of the established businesses, with employment ranging from 5 to about 50 people. The enterprise will usually be owner-managed or directly controlled by the owner-community. They are likely to operate from business or industrial premises, be tax registered and meet other formal registration requirements. Classification in terms of assets and turnover is difficult, given the differences between the various business sectors, like retailing, manufacturing professional services and construction.

(4) **Medium enterprises** constitute a category difficult to demarcate vis-a-vis the small and big business categories. It is still viewed as basically owner/manager controlled, though the shareholders or community control base could be more complex. The
employment of 200 people and capital assets (excluding property) of about R5 million are often seen as the upper limit.

During January 1996, a survey of 403 small-scale business operators was conducted in Duncan Village. The sample drawn for the survey was taken from a wide range of neighbourhoods in the township. The aim of the survey was to gather basic demographic and socio-economic data on as broad a spectrum of informal business operators as possible in the township. Although a scientific sampling procedure could not be followed due to fact that we were unable to determine the exact size of the sector, we do believe the data gathered provides a sound basis from which to highlight some of the general characteristics of Duncan Village's small-scale, informal sector.

The first aim of this chapter is to provide a profile of the types of individuals involved in small-scale enterprises in Duncan Village. We will try to use the data at our disposal to develop a profile of the typical small-scale entrepreneur in the township. The second aim of the chapter is to offer a sectorial breakdown of informal businesses, focusing on the specific opportunities and constraints effecting entrepreneurs in the different sectors.

3.2 Characteristics of Informal Business Operators

Table 3.1 below provides a breakdown of the age characteristics of those within the sample. It shows that 69% of entrepreneurs were between the ages of 30-59, while only 21% were between 20 and 29 years. This shows that the bulk of the entrepreneurs were mature, working-aged men and women. There was no evidence to suggest that the high levels of youth unemployment in Duncan Village were translated into high levels of youth participation in the informal economy. It appears that youth continued to look for jobs in the formal economy before turning to the informal economy as the mainstay of their economic strategies.

Table 3.1: Age Characteristics

<table>
<thead>
<tr>
<th>Age</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Under 20 years</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>2. 20 – 29 years</td>
<td>83</td>
<td>21</td>
</tr>
<tr>
<td>3. 30 – 39 years</td>
<td>147</td>
<td>36</td>
</tr>
<tr>
<td>4. 40 – 59 years</td>
<td>133</td>
<td>33</td>
</tr>
<tr>
<td>5. 60 and above</td>
<td>34</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>403</td>
<td>100</td>
</tr>
</tbody>
</table>
The gender composition of the sample demonstrates that there were twice as many women as men participating in the informal sector. One of the reasons for this was that women often sought home-based economic opportunities that could be combined with child-care and the other domestic responsibilities. Small-scale commerce provided women with earning opportunities without threatening their roles as mothers and homemakers. Active female participation in this sector can also be explained in terms of the paucity of formal employment opportunities for women in East London. Outside the textile industry, women are generally confined to niches in the urban labour market where working conditions and wages are poor (such as domestic work).

Table 3.2: Gender Characteristics

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Male</td>
<td>130</td>
<td>32</td>
</tr>
<tr>
<td>2. Female</td>
<td>273</td>
<td>68</td>
</tr>
<tr>
<td>Total</td>
<td>403</td>
<td>100</td>
</tr>
</tbody>
</table>

However, it is also necessary to recognise that men generally resisted entry into the informal sector because they preferred to find a stable formal sector employment. In Duncan Village, local images of successful masculinity are tied up with the ability of men to fulfil their roles as household breadwinners. In this township, there is a strict gender division of labour and this results in very different expectations of men and women: men are ideally expected to be household earners while married women are expected to be mothers and homemakers. Although grinding poverty often forces men and women to deviate from these ideals, they nevertheless provide important local models for social action. Thus, it is common for men to look for work much longer than women. They will usually try every available option before acknowledging failure and turning to the informal economy as a survival strategy.

The view among men that entry into the informal sector was born of the failure to secure stable formal sector employment is changing in Duncan Village. Men were beginning realise that access to formal sector employment is often the exception rather than the rule, and they are starting to adjust to this reality.

In Table 3.3 below we note that some 45% of the entrepreneurs in the sample were still looking for wage employment while involved in the informal sector. Many of these individuals were men who ran low profit enterprises that could not support their families. Some single women, by virtue of their position as household breadwinners, shared the views of these men. On the other hand, married women who ran small-scale enterprises from their homes
tended to be less interested in formal sector employment, and seemed happy to combine business with home-making, irrespective of the profits they were able to generate.

Table 3.3: Looking For Wage Employment

<table>
<thead>
<tr>
<th>Character</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>180</td>
<td>45</td>
</tr>
<tr>
<td>2. No</td>
<td>216</td>
<td>53</td>
</tr>
<tr>
<td>3. Did not respond</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>403</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3.4, which summarizes the marital status of entrepreneurs in the sample, shows that a large number of entrepreneurs were single (50%), mostly women. The men in the sample tended to be married or living together with women. As family heads, single women in Duncan Village must generate income and, if they cannot do this through the formal job market, they must turn to other activities in order to keep their families alive. Most of these single women were involved in the retail trade as spaza shop owners or hawkers. They were often the only breadwinners in their households. Men, on the other hand, were usually married and were involved in domestic arrangements where they could rely on their wives/lovers for support. The inability of many single women to draw on the support of an earning spouse or lover often affected the success of their enterprises. With no-one to look after their children or to manage their household, these women struggled to succeed in overtraded market niches.

Table 3.4: Marital Status

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Married</td>
<td>172</td>
<td>43</td>
</tr>
<tr>
<td>2. Single</td>
<td>204</td>
<td>50</td>
</tr>
<tr>
<td>3. Divorced</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>4. Widowed</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>403</td>
<td>100</td>
</tr>
</tbody>
</table>

The survey results also revealed that only 19% of male entrepreneurs and 6% of women were involved in wage employment. In other words, 90% of entrepreneurs relied solely on their businesses for survival. In a few cases, individuals were helped by other household members who were in regular employment. This is shown in Table 3.5 which documents the amount of time entrepreneurs spent on their business activities on a daily basis:
Table 3.5: Time Spent On A Daily Basis

<table>
<thead>
<tr>
<th>Time Spent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Half day (4 hours)</td>
<td>44</td>
<td>11</td>
</tr>
<tr>
<td>2. Full day (8 Hours)</td>
<td>244</td>
<td>61</td>
</tr>
<tr>
<td>3. More than full day</td>
<td>115</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>403</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The importance of these businesses in the lives of entrepreneurs is demonstrated in the fact that 28% of the entrepreneurs spent more than a full day working in their enterprises. The above table also shows that 79% of those in business worked at their enterprises on a full-time basis. These statistics not only reveal the commitment of individuals to their enterprises, but they also highlight the extent of local peoples dependence on small-scale entrepreneurship for survival. To suggest, as some have in the past, that the small-scale sector serves mainly as a mechanism for subsidizing formal sector wages is simply untrue in this case. In fact, the inverse seems to hold more truth, namely that the income generated from formal employment within households often play a critical role in subsidising small-scale entrepreneurial activities.

Table 3.6: Duration Of The Business

<table>
<thead>
<tr>
<th>Duration</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Less than 6 months</td>
<td>34</td>
<td>8</td>
</tr>
<tr>
<td>2. 6 - 11 months</td>
<td>47</td>
<td>12</td>
</tr>
<tr>
<td>3. 1 - 2 years</td>
<td>94</td>
<td>23</td>
</tr>
<tr>
<td>4. 3 - 5 years</td>
<td>93</td>
<td>23</td>
</tr>
<tr>
<td>5. More than 5 years</td>
<td>135</td>
<td>34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>403</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Due to the precarious nature of most informal business activities in this township, we discovered that people often experimented with a wide variety of income-earning activities. Table 3.5 demonstrates that over 40% of the sample had been in their current business for less than 2 years. This points to a number of trends. Firstly, it indicates that many entrepreneurs were not averse to suddenly changing the nature of their enterprises to suit new circumstances. Secondly, these figures also suggest that levels of investment in informal businesses as very low, and that the high degree of flexibility within this sector was, in part, a function of the very low levels of capital investment. Thirdly, the figures indicate high levels of attrition within the small-scale sector. Many operators simply go out of business. Lack of continuity
within the township informal sector is indicative of the general economic weakness of the sector.

Table 3.7 below documents the ownership status of the small enterprises. The table shows that individual ownership was the norm and that very few operators were engaged in partnerships or family businesses. This meant that most entrepreneurs were forced to rely heavily on their own meagre resources to get their business up and running. This is reinforced by the figures in Table 3.8 which show that over 90% of the sample has access to no credit facilities. Access to credit is a basic requirement for any successful enterprise. In the absence of this facility, small-scale entrepreneurs were forced to rely entirely on their own resources and those of supportive family members. The problem of credit within this sector is addressed in greater detail in Chapter Five.

Table 3.7 Ownership Status

<table>
<thead>
<tr>
<th>Status</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Own business</td>
<td>392</td>
<td>97</td>
</tr>
<tr>
<td>2. Family Business</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>3. Partnership</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>4. Communal Project</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5. Fronting</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>403</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3.8: Access to Credit Facilities

<table>
<thead>
<tr>
<th>Access to Credit</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>30</td>
<td>7.4</td>
</tr>
<tr>
<td>2. No</td>
<td>364</td>
<td>90.3</td>
</tr>
<tr>
<td>3. Not Applicable</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>4. Did Not Respond</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>403</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

On the basis of the tables presented above it is possible to arrive at a general profile of the 'average' small-scale informal enterprise in Duncan Village. This enterprise would probably be run by unmarried, single women in her 30s with little or no formal education. Her business would probably be a small retail outlet of one kind or another and she would provide the main source of household income. She would only have been running her business for a couple of years, having entered business either after losing a casual or permanent job or after a
previous entrepreneurial endeavour had collapsed. The daily turnover of her business would be small, perhaps between R30 and R80, and she would have little or no capital to invest in her enterprise. She would also not employ any permanent staff and would rely mainly on her own labour and that of her children to run the business.

This woman would in all likelihood be living in a shack area where she would be denied access to on site water, sanitation or electricity. She would also not have access to a telephone. The world of her business would be the world of her neighbourhood. She would have few contacts with businesses, NGO's or other organizations outside of the township. She would probably not be a member of any local business, civic or political organization. However, she might participate in a local savings club or church group (cf. Chapter 6).

Despite these factors, she would be strongly committed to making a success of her business and would spend the bulk of her time working at the business. She might even keep her business open until 9pm at night for the convenience of clients. The profile presented above, however, leaves one in little doubt that the majority of small-scale entrepreneurs in Duncan Village fall within the 'survivalist category' as specified within the 1995 White paper. This suggests that policy intervention and other enabling actions should be focused mainly on this category of enterprise. To deepen our understanding of the specific conditions within the small-scale sector and to appreciate the diversity of local enterprises, we adopt a sectorial focus in the discussion below.

3.3 Sectorial Profile within the Informal Sector

The survey divided businesses into four main types: retail (spaza shops, shebeens, hawkers, etc.), repair and maintenance (watch, shoe, vehicle, radio/TV repairs etc.), manufacturing (carpenters, metal workers, weavers, etc.) and personal services (hair salons, herbalists, creches, etc.). Table 2.2 below provides a breakdown of the distribution of local businesses between these four categories. These figures confirm the dominance of retailing as the mainstay of the small-scale sector.

Table 3.9: Type of businesses

<table>
<thead>
<tr>
<th>Type Of Business</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Retail</td>
<td>336</td>
<td>83%</td>
</tr>
<tr>
<td>2. Repair and maintenance</td>
<td>37</td>
<td>9%</td>
</tr>
<tr>
<td>3. Manufacturing</td>
<td>18</td>
<td>5%</td>
</tr>
<tr>
<td>4. Personal Services</td>
<td>12</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td>403</td>
<td>100%</td>
</tr>
</tbody>
</table>
3.3.1 The Retail Sector

The table shows that 83% of businesses in the township were located in the retail sector. Most of these business were *spaza shops* which sell a limited range of basic needs items, including mealie-meal, samp, sugar, bread, salt, washing powder, soap, paraffin, cigarettes and a few others. Shebeens are also ubiquitous in this sector and are probably the second most common type of business followed by street hawkers. In Duncan Village, there was a strong inclination towards *home-based* retail trading. This is the result of two factors: firstly, the general shortage of cheap business premises inside the township and, secondly, the dominance of working-aged mothers within this sector. Women comprised 254 of the total 336 operators, most of whom were mothers between the ages of 30-59 years. Men comprised only 24% of the sample and they were less involved in home-based retail businesses.

The bulk of these business people fell firmly into the survivalist category. They operated at extremely low levels of profitability and were concentrated in over-traded sectors of the township economy. The survivalist orientation of most of the business people we interviewed was borne out by comments such as: "The only reason I do this is to raise enough money to feed my family" or "I do this business to help my husband whose wage is not enough for us to live on". Few of the operators held out much hope that their businesses would ever become small- or medium-sized enterprises. They viewed their operations strictly in survivalist terms.

This was demonstrated in the constant confusion in many of these enterprises between household and business demand and expenditure. Both, as we will see in the next chapter, were managed from the same pocket. Spaza owners seldom had a clear sense of the profitability of their enterprises. In fact, the range of products they sold seemed to be determined as much by the owners daily consumer needs as by consideration of profitability. Many women sold paraffin not because it was a high profit item, but rather because they needed it on a daily basis. The conflation of 'household' and 'business' demand and expenditure was a major cause of economic involution in this sector. It meant that the range of products offered in spaza's were not maximised in relation to the market potential. This has resulted in overtrading in certain commodities and under trading in others (such as cooked food, clothing etc). Increasing the diversity of products sold within this sector must be connected with changing the business practices of small-scale operators.
expenditure because of the physical separation of these activities. They seemed more in control of their stock flows than spaza operators and more aware of the profit structure of their businesses.

One of the real limitations on profitability was the inability of hawkers to move stock around. Without access to transport, most hawkers were only able to display the stock that they could physically carry to trading points. We observed that some hawkers used shopping trolleys to transport goods from the township into town, others used wheelbarrows, and yet others bags and suitcases that they could load onto taxis. The lack of secure, overnight storage facilities at trading points also had a negative impact on the profits of these operators.

Another problem for hawkers was competition for 'spaces' from which to trade. In the hawking business, there is no such thing as a permanent trading space. Access to a site worked on a first-come, first-served basis. However, the habitual use of particular spaces did give entrepreneurs special claim to those spaces. In the absence of clear-cut, enforceable rules and regulations, the politics of accessing trading sites was complex and caused many disputes. We found that such conflicts were usually resolved by local traders themselves, especially those who had experience of working from a particular site. The recent political action by local traders over the 'intrusion of outsiders' (other Africans) into the city centre and the complaints of wealthy consumers that hawkers clog up the pavements does, however, raise the issue of regulation.

In view of the competitiveness of the local retail market, respondents felt that they had to make their businesses as attractive as possible in order to survive. Various techniques were discussed. One technique was the use of credit to attract clients. Traders said that one had to be careful in extending credit in a township where so many people were unemployed. "The best strategy", one spaza owner remarked, "is to focus on those who get welfare grants or pensions". Another said: "I only give credit to people with reliable jobs. I cannot consider people who are casually employed or without work. It is too much of a risk". Most operators, however, said that they would not consider giving out credit because they did not receive any credit from the wholesalers. They said that they could only consider selling on credit, if they could buy on it too.

In assessing the retail market as a whole, we do not believe that over-trading is the product of a lack of demand as much as of the inability of retailers to access new segments of this market. For instance, we believe that there is considerable scope for growth in the cooked food market. At the moment, cooked foods are only sold to
expenditure because of the physical separation of these activities. They seemed more in control of their stock flows than spaza operators and more aware of the profit structure of their businesses.

One of the real limitations on profitability was the inability of hawkers to move stock around. Without access to transport, most hawkers were only able to display the stock that they could physically carry to trading points. We observed that some hawkers used shopping trolleys to transport goods from the township into town, others used wheelbarrows, and yet others bags and suitcases that they could load onto taxis. The lack of secure, overnight storage facilities at trading points also had a negative impact on the profits of these operators.

Another problem for hawkers was competition for 'spaces' from which to trade. In the hawking business, there is no such thing as a permanent trading space. Access to a site worked on a first-come, first-served basis. However, the habitual use of particular spaces did give entrepreneurs special claim to those spaces. In the absence of clear-cut, enforceable rules and regulations, the politics of accessing trading sites was complex and caused many disputes. We found that such conflicts were usually resolved by local traders themselves, especially those who had experience of working from a particular site. The recent political action by local traders over the 'intrusion of outsiders' (other Africans) into the city centre and the complaints of wealthy consumers that hawkers clog up the pavements does, however, raise the issue of regulation.

In view of the competitiveness of the local retail market, respondents felt that they had to make their businesses as attractive as possible in order to survive. Various techniques were discussed. One technique was the use of credit to attract clients. Traders said that one had to be careful in extending credit in a township where so many people were unemployed. "The best strategy", one spaza owner remarked, "is to focus on those who get welfare grants or pensions". Another said: "I only give credit to people with reliable jobs. I cannot consider people who are casually employed or without work. It is too much of a risk". Most operators, however, said that they would not consider giving out credit because they did not receive any credit from the wholesalers. They said that they could only consider selling on credit, if they could buy on it too.

In assessing the retail market as a whole, we do not believe that over-trading is the product of a lack of demand as much as of the inability of retailers to access new segments of this market. For instance, we believe that there is considerable scope for growth in the cooked food market. At the moment, cooked foods are only sold to
school-children on a regular basis. Workers also need to eat and it is possible that a wider range of cooked foods could be offered on the street or even in shebeens. This would help to diversify and specialise the market.

We also see possibilities for the creation of a new intermediate strata of spaza type operators: a type of retail operators that falls between a supermarket and a small home-based spaza. A few of these operators do exist in the shack areas, but because of a lack of trading and storage space they find it very difficult to develop and expand their businesses. One solution to this problem is the introduction of shipping containers (with electricity) into shack areas. These containers which are highly mobile could be strategically situated at street corners and fulfil the function of corner cafes. They also offer security and are fundable through existing financial institutions (cf. Chapter 5).

3.3.2 Repair and Maintenance

The second category of business in Duncan Village is that of repair and maintenance. Access into this sector is limited to those with technical and artisanal skills - like shoe repair, appliances repair, motor repair, and so on. The respondents involved in this type of enterprise comprised only 9% of the sample. The vast majority (80%) of these operators were men, most of whom had acquired their skills in formal employment. Many said that they had worked as semi-skilled workers in local panel beating workshops, garages, battery factories, electrical stores, and even on construction sites. In most cases, we found that they only entered business on a full-time basis after they had been retrenched or had lost their formal sector jobs.

The profit margins in the repair and maintenance business were generally higher than those in the retail trade. Many of these operators could be classified as micro- rather than survivalist entrepreneurs. This was related to the fact that there were far fewer of them, which was a function of restricted access to the sector. To enter the repair and maintenance business, one needed to have some technical training and, given that this kind of training was not available at local schools, it had to be acquired through participation in 'on-the-job training' in local industries or elsewhere. However, given the limited range of industries located in East London this sector has been built on a very narrow skills base. The gender specific composition of the cities industrial work force meant that women were generally excluded from access to this sector.

The scarcity of appropriate skills, combined with a rapidly growing demand for general repair and maintenance work in the township, placed many of these operators in a
reasonably strong economic position. This was reflected in their ability to demand 'cash-up-front' for services rendered. Most enterprises expected clients to pay 50% of the cost of repairs upfront. Operators said that this practice was necessary to offset the costs incurred when their clients did not collect their repaired items. The ability of these entrepreneurs to dictate the terms of trade was nevertheless indicative of their relative strength within the township informal economy.

By contrast to the retail sector which is grossly over-subscribed, there is evidence to suggest that the repair and maintenance sector will grow in Duncan Village over the next few years. This growth is likely to be offset by the mass electrification programme currently underway in the township. With thousands of new appliance-users, the local demand for electrical appliance repair is likely to escalate. The introduction of electricity will also have positive implications for type of capital equipment used and the range of services offered by these operators. If new technology can be introduced, there is little doubt that many small-scale operators will be able to transform survivalist or micro-enterprises into genuine small businesses. To achieve this new training programmes will have to be launched and new business premises found for repair and maintenance businesses. The absence of proper workshop facilities in the township as a whole must be seen as an urgent development challenge.

3.3.3 Manufacturing

The third category of business in this settlement is that of manufacturing. In Duncan Village, the focus of this business is mainly on the production of household items such as chairs, letter boxes, burglar bars, tables, clothes, duvets, mats etc. The sector is currently small and dominated by dressmakers, carpenters and a few metal workers: the former trade is dominated by women and the latter two by men. The materials used for manufacture are usually gathered or purchased as 'waste products' from larger industries in the city. Much of the wood (rough pine) used by carpenters, for instance, comes from waste packaging in the motor industry. Dressmakers, on the other hand, use cheap off-cuts from textile factories to make garments. The quality of products produced in this sector is currently low. This is largely a function of the inability of entrepreneurs to access funds to upgrade equipment and the absence of on-site electricity. Hand-driven or pedal sewing machines are the norm among dressmakers. This technology is outdated, slow and arduous to use. In the case of carpenters, there is an urgent need for precision tools to be introduced to improve the quality of the products they produce.
Like the repair and maintenance operators, small-scale manufacturers tended to work from their homes. One of their primary complaints was that they lacked sufficient space to operate efficiently. The backyards of formal houses were filled with shacks which left little space for storage or for the erection of work benches. In the shack areas, where dwellings are crammed together, these problems were merely exaggerated. Work spaces were always multi-purposes spaces and as such were open to competing demands at different times of the day. Tools, sewing machines, and materials would have to be moved to make way for eating, cooking, studying, drinking and recreation. This obviously had a negative effect on the productivity of manufacturers. Moreover, the absence of adequate lighting impacted both on the amount of work that could be done and quality of the work produced.

In manufacturing, as in the repair business, it was common for the producer to demand a 50% deposit before the work was done. This was necessary to cover the costs of materials and to ensure that customers were committed to the products they ordered. An assessment of the small manufacturing sector in Duncan Village reveals that the introduction of new training programmes, infra structural upgrading, and access to business finance could foster development in this sector in future. Such expansion will, however, only be possible if the general quality of products in the sector is improved and if the skills of existing and potential entrepreneurs are upgraded.

3.3.4 Personal Services

The last category of micro-business identified in Duncan Village was that of 'personal services'. The focus is on the provision of services such as baby-sitting, domestic work, hair-styling, traditional healing, and so on. Traditional healers are ubiquitous in Duncan Village. There is a huge demand for their services among the urban poor who tend to use traditional or faith healers as a first port of call in the case of illness. The services provided by these healers are cheap and accessible. These healers are trained informally within churches or under the tutelage of established traditional healers. Entry into this sector depends on many factors, including religious orientation, charisma, and economic circumstances. Both women and men become healers and are able to earn extra income in accordance with their status and skills.

Another activity which is growing in popularity is the provision of creche services for the children of working mothers. Our evidence suggests that the opening of informal creches in squatter areas is a relatively recent phenomenon. In the past, working women would leave their children with neighbours, relatives or friends. More recently, unemployed women have commercialised these
services and are now charging for child-care, usually between R20 and R60 a month per child. If food is not provided by the mother, the rates go up. Most of the child-minders we encountered only took on a couple of children a day. They complained that they had no premises to expand their operations and that they earned very little as a result.

Hairstyling was another popular activity. Local hairstylists offered a wide range of treatments, including perms, plaits and braids. The lack of access to electricity was a serious problem in men's hairstyling salons because of the growing popularity of the close-cropped 'German-cut' for men which requires an electrical shaver to get the desired effect. The issue of premises was slightly less important in this sector as hairstylists liked to work on the pavement where passers-by could see the products of their labour. However, in the case of technical treatments indoor facilities are needed. In the 1990s, young men and women in Duncan Village are investing more and more money in clothes, hairstyles and shoes. There is a strong demand for personal services which are connected to the seemingly insatiable desire for fashion among the youth. There is certainly growth potential in this market.

The levels of profitability within the personal services sector varied. On the one hand, we encountered a few traditional healers who made a relatively good living from their trade, while on the other, the women who ran small-scale creches in informal settlements, were barely able to make a living. The long-term growth of the personal service sector is dependent on infrastructural development in the township. For instance, the provision of such basic services such as on-site water, sanitation and electricity is vital. How can you run a hair-styling salon without on-site water? Access to better housing is also imperative because most personal service operations are home-based and will continue to be home-based in the future. The quality of the home environment is therefore important to the type and range of clients a entrepreneur is able to attract.

3.4. Conclusions and Recommendations

Several points emerge from the above discussion. The first and most important of which is that most of the informal businesses in Duncan Village still fall within the survivalist category. This demands particular attention and should provide the framework for policy intervention. Secondly, there is a need to build and develop organizational capacity and cooperation within the small-scale sector by introducing entrepreneurs to a world of transactions and opportunities outside of their parochial neighbourhoods. More information and better
connections with the outside world are essential. Thirdly, there is an urgent need for training programmes to be launched to improve business skills and encourage greater continuity in this sector. Technical training for new entrepreneurs who wish to enter the repair, maintenance and manufacturing sectors is also required. New efforts need to be made to allow small-scale operators to gain access to credit facilities from wholesalers and financial institutions. Fourthly, special attention needs to be given to finding alternative business premises for entrepreneurs. Finally, it is essential that particular target groups (such as repair operators) are recognized as having specific problems and needs.

The specific recommendations that emerge from the above analysis might be summarised as follows:
General Recommendations

3.1 We have established that the majority of small-scale, informal entrepreneurs in Duncan Village are single women in their thirties. We have discovered that they generally have low levels of education and skills and are usually the sole breadwinners in their families. Moreover, it has been established that some of the most motivated informal entrepreneurs fall within this category. As a result, we would suggest that entrepreneurial support and training programme should target these single women for special attention.

3.2 We have noted that there is a very high turn-over of small-scale enterprises. Most enterprises do not survive for much longer than two years. High rates of attrition need to be addressed. The development of genuine skills and employment creation in this sector is only possible with specialization and long-term exposure to business conditions within particular sectors. One of the objectives of policy interventions should be to encourage enterprise stability and continuity, even if this conflicts with profitability over the short-term.
3.3 Ownership patterns need to be addressed. Individuals are not succeeding in expanding their businesses on their own resources. Special attention needs to be given to cooperative ventures of various kinds. One possibility is to encourage existing credit clubs to become investment club. Social bonds at the local-level need to be strengthened to encompass new collective entrepreneurial endeavours. Further research is needed in this area.

3.4 We have noted that most informal entrepreneurs are highly motivated and spend most of their time working at their enterprises. Entrepreneurs consequently need to be taught to translate effort into profit. They need to be trained in profit-orientated business practice and technique. The type of training offered needs to be sensitive to local conditions and problem-orientated. It needs to be able to offer practical strategies for business growth and development in this township.

Specific Sector Recommendations

In accordance with the recent White Paper we adopted a sectorial approach to informal enterprises in Duncan Village. We discovered that each sector had its own set of problems and challenges. As a result, we offer sector specific recommendations:

3.5 The Retail Sector

3.5.1 A campaign should be launched to encourage local residents to spend a greater proportion of their income at township enterprises. Money needs to change hands as many times as possible inside the township.

3.5.2 There is a need for greater product diversity in the retail sector. We believe that particular attention might be given to exploring ways to develop the cooked food market. At present, the range of cooked foods sold on the streets in Duncan Village is small and targeted mainly at school children. There is potential in this market and research has shown that small operators can compete with larger, formal concerns in this sector.

3.5.3 There is a need for enterprise diversity in the retail sector. The sector will not grow as long as it is dominated and overwhelmed by tiny, home-based spaza shops. It is necessary to encourage an intermediate strata of enterprise. We believe that this strata is particularly needed in shack areas and can be created through the use of shipping containers to create 'corner cafe'-type businesses.
3.5.3 The container concept has many advantages. These units are mobile, lockable and can be financed through existing banks and financial institution. They can also be introduced very quickly.

3.5.4 There is a desperate need for organizations, such as the Duncan Village Hawkers Association (DVHA), to market the collective buying power of township retailers to wholesale concerns and businesses in East London. Retailers in the township need to get organized in order to become effective.

3.5.5 It is necessary for increasing numbers of retail operators in Duncan Village to look beyond the township for markets to sell their products. Hawkers, however, do need support if they are going to be more mobile. They need better transport and safe storage facilities outside the township.

3.5.6 Housing development programmes hold the key to further expansion in this market. As people start to take real pride in their living environments, they will start to invest more in them.

3.6 Repair, Maintenance and Manufacturing

3.6.1 The critical issue in these sectors is the absence of suitable business premises. It is not acceptable for operators to work in multi-purpose spaces. Shipping containers are one possibility, but other options also need to be considered.

3.6.2 Financial institutions need to be encouraged to devote more resources to the provision of loans for the purchase of capital equipment in this sector. This is vital at this time because of the introduction of the mass electrification programme in the township.

3.6.3 The quality of manufactured products need to be upgraded. Local operators must be able to access markets outside of the township. One area that needs careful consideration is the production of curios and other items for the local tourist industry.

3.6.4 Training in the repair and maintenance sector is a necessary and an ongoing requirement. Special attention should be given to training electricians who can work on the repair of electrical appliances. There is also scope for expansion in the TV/Audio visual repair and service sector.
3.7 Personal Service

3.7.1 Infrastructural development such as the provision of on-site water, sanitation and electricity hold the key to growth in this sector.

3.7.2 More street sites which will allow operators to advertise their services need to be created. The issue of marketing and advertising is very important in this sector and will be dealt with in greater detail in the next chapter.
CHAPTER FOUR: SUPPLY CHAINS, MARKETING AND MANAGEMENT

4.1 Introduction

This chapter will focus on the operational dynamics of Duncan Village small enterprises in the retail and manufacturing sectors in particular. It adopts an "outside-in" approach towards the survivalist and micro-enterprises under discussion by following the passage of goods from the suppliers, through the delivery process and its attendant problems, local marketing and advertising strategies, and to the management of resources at the household level. The concluding section will attempt to recommend policy changes that might effectively combat the problems of supply and distribution identified in the body of the chapter.

As a preliminary it is important to note that the CBD area of East London is little more than 5km from the Duncan Village township (study area). Therefore wholesalers and manufacturers are within reach of entrepreneurs. Even the two industrial areas, West Bank and Wilsonia, are only a few kilometres outside of the city centre. Entrepreneurs involved in the retail business enjoy the greatest advantage in that suppliers such as Metro wholesalers, Weirs Cash & Carry, etc are especially close by, though entrepreneurs often purchase their goods from retailers rather than wholesalers.

4.2 The Supply Chain

1. A Manufacturing Business

Case 4.1: Recycling Waste

Nonkululeko is a single female migrant from the former Transkei who came to East London to look for greener pastures in 1986. She could not find work and had children to feed. She started a business selling sweets at the local schools during break time. These sweets were waste sweets from the sweet factories which she would collect every afternoon from the rubbish dump. She was not in the business long before the schools discovered that the sweets were waste and therefore, not hygienic and she was banned from selling.

When her business of selling sweets collapsed Nonkulelo used what little money she had to purchase a second-hand sewing machine. She invested R30.00 on pieces of waste materials that she bought from a shop in town. With this material she makes 20 aprons (takes her two days) that she sells at the taxi rank at R 5.00 each. Of the R 70.00 profit a week nearly half was reserved for purchasing more material for the following week.
80% of the entrepreneurs in the manufacturing sector initiated their businesses as direct response to poverty and lacked any formal training or experience in business management. Operators involved in the manufacturing business did not typically purchase stock from wholesalers or retailers. Most relied on waste materials from factories and rubbish sites outside the city centre, which were subsequently recycled for consumption (at times in a literal sense). Nonkulelo was one such operator who used reject sweets and sewing materials to generate a little more than a subsistence income.

4.2.1 Retail Concerns

The discussion that follows analyses the supply chain of entrepreneurs who are mainly involved in the retail business. The table below shows where business operators interviewed purchase their stock.

Table 4.1: Stock Supply

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retailer in town</td>
<td>181</td>
<td>45</td>
</tr>
<tr>
<td>Retailer in Duncan Village</td>
<td>53</td>
<td>13</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>132</td>
<td>32.8</td>
</tr>
<tr>
<td>Other</td>
<td>36</td>
<td>9</td>
</tr>
<tr>
<td>Did not respond</td>
<td>1</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>403</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

As this table indicates, business operators in Duncan Village do not typically utilise the cheapest suppliers of products. 58% of the 403 sample interviewees purchase their stock from local retailers and retailers in the city: 45% buying from retail stores in the city and the other 13% from Duncan Village retail stores. Under a third of the sample cases (32.8%) purchased their stock from wholesalers using the benefit of having a hawker's license.

Operators involved in the manufacturing and services business constitute the remaining 9%. As noted in the previous section, they usually acquire their materials from dump sites or factories.

There were some cases of a striking degree of rationalisation in the purchase of stock. Business operators like Thomas (below) went to great lengths in order to purchase his stock from the cheapest possible outlets: be they in the neighbouring suburbs of Quigney, Wilsonia or Fort Jackson.
Plate 4.1: Waste Materials Used by a Carpenter

Plate 4.2: Finished Products
Case 4.2: Shopping Around

Thomas is a 35 year-old man who came from the rural areas of the former Transkei. He is currently sharing a shack with his newly-wed wife and a toddler. On his arrival in the city he worked as a trading store assistant up until 1993. He left his job because he was earning very little money making it impossible for him to meet his basic needs.

Thomas started a shebeen business using the little savings he had operating from his shack, but it was not long before he lost everything that he had in a fire incident. He later got himself a hawker's licences, a bigger site where he now owns a grocery business.

Thomas travels to the supply centres such as Metro wholesalers and others to purchase stock for the business. He always buys from the cheapest possible suppliers and he shops around comparing prices of suppliers. For example, he purchases eggs from the Quigney area, sweets, vegetables, from Wilsonia, maize products from Fort Jackson, etc. Despite relatively expensive taxi fares (approximately R40.00 per trip), Thomas does not mind these trips as he is able to sell these products at cheaper prices than other spaza shops. The only disadvantage of shopping around is that he has to be away from the business which means closing down when his wife has gone to the rural areas.

Such extensive 'shopping around' and use of wholesalers was, however, the exception rather than the rule. Few other entrepreneurs rationalised their purchase of stock to this degree. As noted above, most purchased from city and local retailers at marked up prices. There were a number of reasons for this practice. Firstly, some operators did not have sufficient capital buy in large quantities at wholesalers. The travel inconveniences mitigated against purchasing in small quantities from distant wholesale outlets. Secondly, many retailers were unwilling to invest in a hawker's licence. Thirdly, poor planning is one of the major problems where spaza operators are not aware of how much sells, so they 'under-buy' at the wholesalers having to make up the shortfall at local and city retail stores.

Cases like that of Lerna King are more typical and demonstrate the constraints of major rationalisation in very small scale survivalist enterprises. Profits in this case are not the major consideration, as the money generated is used for subsistence and such entrepreneurs buy small quantities to meet those needs.
Case 4.3: Keeping the Lamp Burning

Lerna King is a widow who came to live in Duncan Village in the mid-1960's from the rural areas of King William's Town. She was a domestic worker until her retirement in 1992 and presently lives with two grandchildren who are of school-going age. Although she draws a pension, she supplements her pension fund by selling paraffin, candles and cigarettes from her house, a business she started in 1993. She buys a carton of cigarettes and 5 packets of candles a week. The money generated from these items is used to buy bread and school lunch for the children.

Lerna purchases her cigarettes, candles and paraffin from a local retail store in Duncan Village. Given the modest nature of her means and enterprise purchasing from town or wholesalers was described as "far too expensive".

4.2.2 The Problems with Delivery

Suppliers differ in policy on delivery services to their customers. Some offer these services at a price, whilst others offer services free of charge to loyal clients. But in most cases entrepreneurs are unable to procure delivery services as the result of a number of structural and infrastructural problems associated with entrepreneurial activity in Duncan Village.

Firstly, the very nature of survivalist and micro-enterprises usually militates against any large scale purchases. Wholesalers tend to be reluctant to deliver goods on small commissions. Secondly, the township is a high risk crime area. In numerous separate reported incidents, delivery vehicles have been robbed en route to their clients. Only occasionally were suppliers willing to make flexible arrangements with their customers to combat these dangers e.g. paying at their stores so that their drivers do not carry any cash with them. Thirdly, many entrepreneurs operate from areas with poor or inadequate infrastructure. The paucity of structured roads and space between shacks acts as a major deterrent to would-be delivery suppliers. Those entrepreneurs with shacks in the most densely occupied areas therefore operate at the greatest infrastructural disadvantage.

Case 4.4 illustrates some of the problems of delivery faced by business operators in Duncan Village.
Case 4.4: Delivery and Supply Chain Problems

Billy lives in a shack where he runs a retail and shebeen business, which he started in 1994 after he lost his job. Many of the suppliers that he purchases from do not offer delivery services because of the insecurities in the township. For example, a city liquor store delivered for him until their vehicle was hi-jacked whilst doing deliveries in the township in late 1994. The bakery and paraffin suppliers are the only suppliers that deliver for him as he is a regular client and buys in bulk. Even these deliveries are conditional upon payment at supply centres as the suppliers do not want their drivers carrying cash with them.

4.3 Marketing and Advertising

There is little in the way of formal, structured advertising or marketing by survivalist and micro-enterprise operators in Duncan Village. There are a number of channels that small-scale entrepreneurs neglect or bypass, whether because of lack of knowledge or lack of resources. For example, none of the entrepreneurs interviewed made use of wider information networks like radio, newspapers or bill boards.

Survivalist enterprises invariably advertised their businesses at a more local and informal level. The most common form of advertising was the use of advert stickers of products on the outside walls of the shack or house where the business operates. Hand written posters and writings on the walls are also very popular.

The informal advertising networks relied on the vocal as well as the visual, and entrepreneurs encouraged word-of-mouth marketing at the work place, in the neighbourhood, at clubs or in more distant rural areas. When a new business starts operating word is passed around in the neighbourhood about it and the owner will recruit friends and 'abakhaya' to purchase from the business. Those who are employed and involved in some form of business try to market their products to colleagues at work. This is especially popular in the clothing business. Other entrepreneurs and their families or friends sell products to rural areas during visits home. In a number of cases, business operators use associations or clubs to advertise their products.

Another strategy used by these business people is to attract customers by offering them a credit facility. This benefit is only for those who have a reliable source of income, notably pensioners and the employed. Fostering friendly and flexible relations with clients was remains the most basic way of securing a regular client base. One of the customer's interviewed explained his change of drinking venue in these terms: "I buy from this shebeen
because the owner is friendly and treats us very well, where I used to drink the owner always had a long face and would not have time to cheat-chat with us."

Plate 4.3: An Advert for Live Chickens

Plate 4.4: List of Prices at a Hair Salon
Plate 4.5: Commercial Advertising at a Spaza Shop

Plate 4.6: Paraffin for Sale!
A further strategy used by survivalist and micro-enterprises was to adopt a highly flexible working schedule, opening very early and closing late at night. Shebeeners are sometimes woken up at night by customers and make allowance for such inconveniences. A spark of recent armed robberies at odd hours of the night led some interviewees to caution against such practises.

4.4 Business and Household

Most of the businesses under review draw no clear distinction between business and household finances. 80% of the operators initiated their businesses to try and overcome poverty and rely solely on the business to maintain the household. None of these entrepreneurs have prior financial training. Profits are usually just siphoned off to cover the basic needs of the household allowing virtually no room for expansion or development. Those limited profits generated are often remitted directly to rural homesteads, as outlined in chapter two.

Duncan Village's informal business sector is dominated by women and over half the sample cases were single women. No less than 96% of those interviewed had dependents. The high dependency rate requires these women to generate some form of income (see case 3.2 above). These women do not have partners to assist them financially or otherwise and have sole responsibility for the running of both household and business. Money generated is used for the maintenance of the household and what little was left would be used to purchase more stock. In the case of Nonkululeko (3.1), a single mother of 6 children, she does her sewing from home and has to find a baby-sitter when she goes to sell her aprons. For single women like her, the responsibility of looking after dependents makes it all the more difficult to manage the business efficiently. They have no option but to operate from their households and either go with the youngest to sell or find someone to look after the children.

This makes it very difficult for these women to differentiate between household and business. For one thing there is no difference between business premises and household. Products produced or sold are used for both purposes and therefore it is difficult to budget and separate business finances and those of the household. This is common to all types of business. For example, a refrigerator used for business purposes would also be used for the household or paraffin lighting in the house would be used whilst sewing for the business. In this case profits are not an issue money generated is used to cover expenses for both household and business.

The remaining 20% of operators are able to supplement their businesses with income generated from other
activities such as full-time employment, casual employment and welfare. These are usually male-headed households and exercise stricter control over finances. Although their overall business management skills are not any different in terms of planning and budgeting, they manage their cash flow more efficiently as they are able to separate business and household finances. Income generated from other activities can be used mainly to finance all household expenses, while profits can be ploughed directly back into the business.

The table below gives a breakdown of other income generating activities in the households of Duncan Village entrepreneurs:

Table 4.2: Involvement In Other Income Generating Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time employment</td>
<td>45</td>
<td>11</td>
</tr>
<tr>
<td>Welfare</td>
<td>25</td>
<td>6</td>
</tr>
<tr>
<td>Casual Work</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Not applicable</td>
<td>320</td>
<td>80</td>
</tr>
<tr>
<td>Total</td>
<td>403</td>
<td>100</td>
</tr>
</tbody>
</table>

As this table indicates, most of the households drew their alternative source of income from full-time employment with welfare or casual work comprising less than 10% of sample cases collectively.

4.5 Conclusion and Recommendations

In this chapter we tried to identify the social and economic implications that these dynamics might have on the present business operations. The section below is on policy recommendations which addresses supply chains of production, marketing, advertising, business transactions between suppliers and operators, and means of separating business and household finances.
Recommendations

4.1 Encourage entrepreneurs in retail or manufacturing to purchase their stocks from wholesalers rather than other retailers.

4.2 Organise better and easier access to company waste materials.

4.3 Provide financial management training programmes to develop the skills of business operators and gear them towards profit.

4.4 Standardise delivery services and improve the infrastructure that could better accommodate delivery.

4.5 Formalise marketing and advertising strategies by 1) allowing informal sector entrepreneurs to advertise their services in the local community paper 'Ilizwi' at low cost; 2) creating space at the entrance of the township for advertising bill boards; 3) setting up a community radio station assist the process.

4.6 Encourage all entrepreneurs to separate business and household expenditure.
CHAPTER FIVE:

FINANCE, TRAINING AND INSTITUTIONAL SUPPORT

5.1 Introduction

The main focus of this chapter is on the finance, training and institutional support system which has an impact on the informal business sector in Duncan Village. In the light of a legacy of discriminatory legislation, the informal business sector has experienced enormous problems in disadvantaged areas like Duncan Village. This chapter will analyse the nature of the existing relationship between financial institutions and business operations in Duncan Village, drawing special attention to inherent structural problems and the gulf between perceptions form above and below. The chapter will conclude with policy recommendations for changes in this relationship that may assist business development in Duncan Village. With a new government and new legislation in place (see chapter one), the role of this formal support system has never been so crucial.

5.2 The View from Above: Financing Institutions

We had discussions with a number of financing institutions involved in business support for entrepreneurs based in Duncan Village. These include the Independent Business Enrichment Centre (IBEC), Community Bank of South Africa (CBSA) and the Small Business Development Centre (SBDC). These institutions all the same broad general intention of harnessing the power of entrepreneurship in the township.

The loans which are given out to individual entrepreneurs in Duncan Village range from R500 to R2000. Clients who seek this service have to pay a certain percentage of the loan in advance as a deposit. This deposit, the institutions argue, serves as security which the client is willing to commit and the institution it holds back until the loan is fully repaid. Financing institutions vary on the percentage of the loan they charge as a deposit, but the average is 10%. A client borrowing say R500 would therefore be required to pay deposit of R50.

The most common strategy the financial institutions use to secure their investment is to retain the ownership of the business' assets. In the case of Duncan Village, the only business assets of sufficient value to stand as surety are the machines used for production, like sewing machines, battery re-charging machines or freezers.

Aware of the lack of proper financial management skills of most business operators in Duncan Village, and acknowledging the risk of investing money in such
businesses, Ibec follows a policy of "cash flow management supervision". It does this by delegating its officials the task of inspecting and supervising the recording of income and monthly expenditure by township entrepreneur. According to Ibec's manager, it therefore seeks to secure its investments, while assisting entrepreneurs with their financial management and record keeping.

The institutions interviewed in this study all indicated that their lending policies are flexible and tailored to suit individual needs. Each client's financial situation is carefully taken into account and reflected in the terms of the contract. Loan repayment periods and premium rates are clearly explained and discussed with the client prior to the endorsement of the contract. Premiums are set according to the net income businesses are able to generate. In the case of the micro and survivalist enterprises found in Duncan Village, factors such as the level of production, the cash flow patterns and the potential consumer market are major indices. For these low profit-generating businesses in Duncan Village, the institutions claimed that they only charge "very low premiums at incredibly low interest rates", ranging from 15% to 20%. Some financing institutions claimed that they made arrangements to re-invest loans in the businesses if the client had a successful repayment record.

The boxes A, B, & C below give a much more detailed outline of how three major financing institutions implement their strategies and regulate their relationships with clients:

**Box A**

**Independent Business Enrichment Centre (IBEC)**

IBEC has its national office here in East London having been established in 1991. Its main focus has always been to assist business entrepreneurs with training, counselling, financing and administration of their businesses. Training and financing form the bulk of its activities, especially with regard to business in historically disadvantaged areas such as Duncan Village.

It is on record as one institution which has assisted budding entrepreneurs with finance for a variety of issues (capital, business machinery, and business premises). It charges a 16% interest rate on loans ranging from R 500.00 to R 50 000.00 depending on a number of factors. The factors considered are: proof of employment or surety in the case of the unemployed, certification for business management skills qualification. The loan re-payment period is usually over 12 months which is negotiable.
Continuation of Box A

The other service offered is that managed the training department, working closely with the finance division for monitoring and evaluating the respective client's performance. For training a client has to pay a fee which varies according to the kind of training given to him or her. For example, IBEC runs a 3-weeks Basic Business Management course for potential entrepreneurs who do not have any certification in business management at the rate of R 150.00. There are other more advanced German-designed courses including the Business Growth And Expansion Course for micro-and medium entrepreneurs.

IBEC has successfully employed as its strategy a Participatory Teaching Method. This method has proved to have fruitful results, especially for illiterate and slow pace learners. Ibec also claims to have trained disabled entrepreneurs (deaf and blind) who are usually marginalised in many skills training programmes. With regard to Duncan Village based entrepreneurs, the organisation claims that it has dealt with a considerable number of clients such that it has devised means of dealing with the situation which is particular to this township. For example, in the light of the fact that there are immense structural constraints to business operation there (lack of proper and affordable business premises, high risk to fire and crime), Ibec is the process of establishing a deal with a container depot agency for the use of the shipping containers by the D.V. entrepreneurs as business premises either to be sold or leased to them. Ibec, however, also acknowledges that compared to other areas (e.g Mdantsane) Duncan Village has not made maximum use of the services it offers and it is working on its marketing strategy by initiating workshops.
CBSA has its head office in Gauteng, it only came to the Eastern Cape's East London in January 1996 a branch of this bank was opened in East London after intensive research was conducted by the Community Foundation which is a section of the organisation that deals with research and training. The bank operates in the same manner as any other bank but it has a special focus and interest in promoting businesses operating at a small scale and in need of financial assistance and business management training. They expect to achieve this by marketing their services to the communities that have been historically marginalised. The bank markets itself to communities by running workshops in townships such as Duncan Village and also the surrounding rural areas of East London.

As the bank is still in its initiating stage it is using other strategies such as the media, distributing hand-outs and visiting associations (hawkers' association) in trying to avail its services to the public. The bank has not yet started the process of giving out loans to the public except for individuals who already have assets that could be used as some form of surety. The organisation is still recruiting people to become members of the bank by opening savings accounts from as little as R20.00.

When one becomes a member, one will receive free training on what banking is all about, how to manage a banking account, as well as other business management skills. The bank account is usually monitored for 6 months and if the bank is satisfied with the way the account is handled and the progress with the training, the member then qualifies for a loan. Their loans range according to the different individual business needs, for example, hawkers who operate from the streets selling perishable items would receive loans of between R250.00-R500.00. The bank claims that these small loans are very costly to maintain but that is overridden by its commitment to assist the disadvantaged communities.

The interest rate charges for the loans are 8% prime rate per annum. This interest rate was calculated in such way that it is not too much for the member, but also enough for the bank to sustain the program. As mentioned earlier, there were no details in terms of figures of the Duncan Village based business operator's involvement in the Community Bank schemes.
Small Business Development Co-operation Limited (SBDC)

The SBDC was established in 1981 - a joint-venture of the government and the private sector. Of the total investments in this organisation, the government laid claim to 25% of the shares, the private sector claiming 25%, and the remaining 50% belonging to the organisation itself. Since its inception, the SBDC has been providing assistance to the budding entrepreneurs, especially in historically disadvantaged areas such as Duncan Village. This was justified by the amount invested by the government into the funds of the organisation which was intended to subsidise the charges to these entrepreneurs.

The support service rendered to the entrepreneurs was in the form of affordable business premises, business financing, as well as training in business management. The business financing programmes of the SBDC fall into four categories, namely:

(I) Mini Loan Scheme, (ii) Comprehensive Assistance Scheme, (iii) Small Builder's Bridging Finance Scheme, and (iv) Finisher's Development Scheme

In 1995 the SBDC experienced a major setback of a cut in the government funded business subsidy, forcing it to cut down a considerable amount from its financing schemes, eventually closing down its financing wing. By that time the organisation was also running at a loss as most of their clients (especially from Duncan Village) were unable to pay back the loans.

In the light of these problems the SBDC decided to go private, refusing to partake in a government initiated move of amalgamating all development co-operations which used to operate in the former homelands (Transido, TDC, CPDB, SBDC, etc). The main objective of the organisation now is to complete its restructuring to become purely profit-oriented so that it can sustain its activities. It is its policy now that clients have to pay the unsubsidised charges for the services rendered to them. The charges are unfortunately for the Duncan Village based entrepreneurs higher than the previous ones.
5.3. The View from Below: The Structural Problems facing Small Business Operators and their Perceptions of the Financing Institutions

Despite the verbal commitment of financial institutions to business development in historically disadvantaged areas, there remains a clear discrepancy between theory and practice in this regard. The table below gives a breakdown of how micro and survivalist entrepreneurs generated the capital to start their businesses:

Table 5.1: Form of capital to initiate a business

<table>
<thead>
<tr>
<th>Form of cash</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Own savings</td>
<td>360</td>
<td>89</td>
</tr>
<tr>
<td>2. Family support</td>
<td>35</td>
<td>9</td>
</tr>
<tr>
<td>3. Grant</td>
<td>6</td>
<td>1.5</td>
</tr>
<tr>
<td>4. Financial Institutions</td>
<td>2</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>403</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Astonishingly, only two of the survivalist and micro entrepreneurs interviewed, or 0.5% of the 403 sample cases, used formal financial institutions to assist in starting up their businesses! Table 4.1 indicates that almost nine out of every ten entrepreneurs interviewed used their own limited savings to raise the initial capital. This is remarkable given that Duncan Village has an unemployment rate of 43% of the economically active; an average combined income of R400 in 50% of households and of less than R1500 in 97% of households.1 Most of the remaining cases relied on family support to kick-start the businesses.

The reasons for the extremely limited use of financing institutions for assistance relate, in the first instance, to major structural constraints. Financing institutions are far more inclined to enter into relationships with medium and small enterprises than with micro and survivalist enterprises. The reasons for this relate not only to security (as presented above), but also to the operation dynamics of the latter group. As noted in chapter three, survivalist and micro enterprises experience major problems relating to supply chains, marketing strategies and financial management.

---

1. Report for the World Bank on Poverty In Duncan Village, East London: A qualitative Perspective; 1995; (Lujabe, P; Mlomo, B; Bank, L) ISER.
But the problems in the relationship between financing institutions and Duncan Village entrepreneurs are also the product of a yawning gulf between perceptions from above (as indicated in the preceding section) and the perceptions from below.

To the entrepreneurs operating in Duncan Village, the criteria established by the financial institutions for access to loans are typically perceived as forms of exclusion and discrimination. The fact that institutions require a deposit as some form of security (refer to box A and B above), has been interpreted as discriminatory towards entrepreneurs with limited capital. This attitude is supported by allegations that financing institutions are well aware of the poor state of the entrepreneurs in disadvantaged areas. According to one respondent: "...if you are from Duncan Village do not expect assistance from these institutions because they say we are living in shacks and they do not give money to shack dwellers ...in order for them to give you financial assistance, you have to give them some money first...we come to them because we have no money, so where do they expect us to get the money?".

Other interviewees also emphasised that few local entrepreneurs are able to raise the deposit required: "...I do not know how these institutions operate, but heard from other people that you must have a certain amount of money before they can assist you with anything..."

These allegations of bias were accompanied by an even greater skepticism regarding the financing institutions. Local business operators are prepared to do almost anything in their power to expand and maintain their businesses without seeking assistance from such institutions. They believe that financial institutions cheat people: if they lend you some money you have to pay it for the rest of your life. Many business operators who fall in this category do not even bank their money. They keep it around the shack or a house arguing that "...why do you have to let another person to lock after your money for you while you have worked hard to earn it..."

Such deep skepticism was certainly partially a product of mistrust bred in the apartheid era, but also relates to the failure of financial institutions to provide information to the small business community on how they operate. Word-of-mouth knowledge of financing institutions ("I heard from other people") were the rule rather than the exception.

It has come out clearly in the research that there seems to be a lack of reliable information amongst the respondents on how financial institutions operate. Those interviewed in this study often showed a misconception of
the responsibilities attached to loans, such as the commitment to make regular payment of premiums with interest added. Others misunderstood the issue of security. For example, one interviewee Mbulelo insisted that his claims for a loan had been rejected on discriminatory grounds, but it transpired that he lacked the necessary security.

In the light of these structural constraints, gulfs of perceptions from above and below, local entrepreneur scepticism and misperception, the relationship between financing institutions and Duncan Village entrepreneurs clearly needs urgent attention. Firstly, issues such as security, interest rates, premiums and repayment period should be structured in such a way that they accommodate the disparities of entrepreneurship in historically disadvantaged areas. Certain measures such as subsidy allocation, provision of incentives for competence in financial management, establishment of co-operatives to access financial assistance with guaranteed security for the financing institutions, etc, should be instituted. Secondly, local entrepreneurs should be better informed regarding the services offered by financial institutions. This would involve more active efforts from the financing institutions themselves and a process of re-educating township residents towards a more constructive view of the possible benefits to be derived from assistance through more formal channels. Only then will local entrepreneurs begin to make more constructive use of formal loans in setting up their businesses.

5.4 The View from Above: Training Institutions

The lack of training in entrepreneurship and effective business management for the black population means that few entrepreneurs have the business skills needed to realise their financial goals. Certain institutions like Ibec (refer to Box A) have taken the responsibility of redressing the crisis by offering training programmes in skills relevant for business operation. In as far as the formal institutional support network for the Duncan Village based entrepreneurs is concerned, the training function is performed by the institutions which also provide financial assistance (refer to Boxes A, B, & C).

The most common training programme presents entrepreneurs with a basic course on small business management which is normally known as a start-up course for a potential entrepreneur. Usually this course is over a week period at the least and should be attended by all small business people who were never taught business management skills. The course covers areas such as: financial management (e.g management of the cash flow, budgeting, etc), employee management, marketing, production management, etc.
Depending on the educational level of the trainees, the course is designed and presented in a group situation and some institutions use games and role-playing to teach trainees. There is, however, a realisation among institutions that there is a need for individual trainee attention if the training programme is to realise its objective, hence the special sessions with those who struggle to grasp or to keep up with the learning pace of other trainees.

These institutions also offer training programmes for those who have the basic business management skills. These are generally for business revitalisation or business expansion. They take the form of an evaluation of the initial business plan against the practical experience of the particular entrepreneur over time. In some institutions this course is compulsory for all their clients and is used as a learning exercise for the potential entrepreneurs who are then exposed to practical experiences of the more experienced business operators. Other training programmes are conducted on the site of the respective businesses. Training officers visit the particular clients who are undergoing the training and offer advice pertaining to the business operation. This helps in keeping contact with the trainees by monitoring progress, instituting interventionist strategies where necessary.

5.5 The View from Below: Structural Problems and Local Perceptions of Training Institutions

To begin with, it is important to note that access to these training programmes is dependent on a number of factors, which put the Duncan Village business community at a disadvantage. Firstly, one has to pay a certain fee (refer to boxes A & B) for registering for the courses, be it short business start-up courses or extended business expansion courses. Secondly, many Duncan Village entrepreneurs do not have a fluent command of English, the language in which most of these training programmes are run. Thirdly, many survivalist entrepreneurs even lack the basic numeracy skills required to engage in this learning process.

Some of the training institutions, notably Ibec, have evidently made some attempt to address these constraints. The instruction in this particular institution is done in both the official English language and in the vernacular language - Xhosa. Use of conventional teaching methods for numeracy skills is also a major feature of its training sessions (refer to Box A) and this has had a certain level of success in terms of the relevance of the programmes to entrepreneurs.

Again the problems in the relationship between local entrepreneurs and formal institutions were also partially
the product of perceptions and misperceptions. If Duncan Village entrepreneurs were sceptical regarding borrowing, they were equally sceptical, if not outrightly dismissive, of training programmes and their potential value.

To the business operators in Duncan Village training was usually interpreted as the acquisition of skills to produce the goods for the business. The skills required for the financial management of the business were deemed relatively insignificant. This has led most entrepreneurs to ignore or of express little interest in the training programmes, as they claim to have the skills' needed in their respective businesses. Nomphelo, who has a shebeen was quoted as saying:

"... I do not think these training institutions, whichever they are, have anything to do with my shebeen business. I have been in this business for years, at least six years now, I know how to do my business...what do these people know about shebeens? ...I would rather use the registration fee to those courses to buy more cases of beer for my shebeen..."

Nomphelo was not an exception. There were many responses like this to questions about the potential value of training institutions. This attitude is unfortunate and has had a negative impact on small business development in Duncan Village. Local business operators deprive themselves of an opportunity to acquire sound business management skills. The absence of such skills makes financial institutions all the more reluctant to provide loans for these businesses. Entrepreneurs in Duncan Village who are sceptical of the training institutions have also missed the chance to learn how to develop their businesses (through expansion and regeneration of the business). This is particularly true for the those in the survivalist enterprise category who would open up new avenues to move beyond the threshold into the micro or even small business categories.

5.6 Financial Institutions and the Problem of Business Premises

The final subsection of this chapter looks at the financial institutions and the problem of proper business premises. Very few entrepreneurs have separate business premises and, although financial institutions have offered some potential solutions, these are again viewed in negative terms by local entrepreneurs.

Table 5.2 below gives us an idea of where businesses operate from in the township.
Table 5.2: Location of the business

<table>
<thead>
<tr>
<th>Location</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Premises</td>
<td>15</td>
<td>4</td>
</tr>
<tr>
<td>2. House or yard</td>
<td>272</td>
<td>67</td>
</tr>
<tr>
<td>3. Street</td>
<td>107</td>
<td>27</td>
</tr>
<tr>
<td>4. Other</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>403</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The figures presented in this table confirms the fact that business is operated within structures or sites which were not initially meant to be business premises. 67% of the businesses in our sample operate within structures which were meant for household activities - in their homes or yards. This one of the distinguishing features of survivalist type enterprise category under which most businesses in Duncan Village fall. In the chapter on operational dynamics mention was made of the fact that entrepreneurs hardly distinguish between business expenditure/items and household items. Both business activities and household activities are done within a limited space. What is striking here is the fact that the house is adjusted to accommodate business activities. For example there would be multi-purpose use of a room i.e it be a combination of a kitchen, a bathroom, a lounge, a bedroom, on top of that as a room where stock is kept and sold.

Plate 5.1: 'Multi-purpose shack'
It is also not surprising to find out in our sample that 27% of the respondents in our sample operate their businesses on the street. This particular group is dominated by businesses in the retail and repair categories, which are highly congested and competitive. Business operators tend to choose strategic positions where there is a flow of traffic in and out of the township. A number of such businesses have temporary stands in the light of high competition for such 'spots' which offer access on a first come first served basis. This arrangement has caused arguments and has a potential to create more tensions amongst business operators. In a number of cases these have been resolved by the entrepreneurs themselves.

And, significantly, only 4% of the respondents in the sample were operating their businesses from separate business premises. Even in these 15 sample cases, the premises usually lacked basic (electricity, water, telephone, etc) which are essential for efficient and effective business operation. This situation is a threat to business operation in this township, which should rather be a challenge to both the formal support and the business community in this township. The other factor worth mentioning in this regard is tendency to opt for non-payment of service charges (refer to chapter 2). This has provided entrepreneurs with a good opportunity to
operate their businesses without any such expenses as the payment of rent and service charges.

The SBDC (refer to Box C) has been channelling its resources moving from the premise that operators of businesses in historically disadvantaged areas have the skills and the motivation to develop their businesses. To the SBDC, business which has struggled to survive under a recurring problem of a lack of premises with proper facilities has posed a challenge for its intervention. It has thus erected business premises all over East London, especially in the townships to accommodate business operatives. Duncan Village was no exception, thus the building of the Duncan Village Shopping Complex. Business premises of different sizes in this complex have been offered to business entrepreneurs at rentals ranging from R100 to R200 a month, excluding water and electricity rates.

Business operation in this township is that the client market is a very competitive one, especially for the retail-type of business which is overcrowded. It is a fact then that business operators would ensure that they increase their client base in every possible way. Any actions which may deprive them of this opportunity may be ignored, if not avoided. It is problematic for business operators who have operated in their respective houses or specific areas to move to other areas. The idea of relocating the businesses from other kinds of premises to a business complex with proper services has been received by many operators with mixed feelings. Firstly the fact that they have established for themselves a client base in their respective areas of operation has made them reluctant to relocate. To them relocation would mean starting all over again to establish a client base, something which they are not willing to do despite its projected spin-offs. This negative attitude to the relocation of the businesses from their operating sites to the shopping complexes has been confirmed by the fact that few business operators who occupy these premises are outsiders i.e not from Duncan Village.

In other cases, for example with IBEC, the use of shipping containers has been seen as the best strategy to address the problem of the lack of business premises. They have clients in Duncan Village who have started a small business venture of providing a public telephone service to local people. Others would use the containers as a workshop where they can do their businesses of shoe repair or even trading household items like food and fuel. In all of the above mentioned cases, the premises from which the business is being carried out still belongs to the institution up to such a time when the business can manage to pay back the full amount for the purchase of the container. IBEC in particular, acknowledges the positive impact the provision of
shipping containers to small business has. Currently it is in the process of entering into contract (on behalf of its clients) with the shipping companies here in East London. This is because of its realisation and commitment to use the local resources for local economic development. In the case of Duncan Village, the fact that East London is one of the few cities which has a harbour to send and receive exported and imported goods respectively.

5.7 Conclusion and Recommendations

From the above analysis it is evident that: 1. Duncan Village survivalist and micro businesses make very limited use of formal financial institutions 2. That this is partially a product of structural factors that need to be addressed, but remain more difficult longer term problems. 3. But that they are also related to the major discrepancy between the views from above and below that have to be brought more closely into accord with one another i.e. the problems are also largely problems of perception and misperception which can be addressed directly in the shorter term.

In the latter regard, financing institutions need to be made aware of the scepticism of township residents - a skepticism bred by the apartheid legacy, but also by a lack of the proper marketing of information by these institutions. Township entrepreneurs, on the other hand, need to be made more fully aware of the potential benefits that can be derived from formal financial institutions like Ibec, CBSA and SBDC: benefits relating to the lending of money, the development of financial management skills through accessible training programmes and of the use of separate business premises.
Recommendations

1) Loans

* Greater access to financial assistance for those with limited resources

* Subsidy on deposits required for loans

* Flexible contract terms (interest, premiums, period of repayment)

2) Training

* Training costs to be part of the loan

* Re-organisation of training programmes to incorporate the use of the vernacular (Xhosa) and attention to basic numeracy skills

* Training programmes to be offered to township entrepreneurs at more convenient times and venues

3) Business Premises

* Development of affordable separate business premises

* Better provision of services to these premises

B) Recommendations relating to the Gulf in Perceptions

* Financial institutions to market themselves better and offer a clearly structured package as to the services available to small scale entrepreneurs

* Hold workshops in conjunction with Duncan Village Hawkers Association to accommodate better understanding

* Attempt to eradicate local township skepticism regarding formal financial institutions
CHAPTER SIX:
COMMUNITY INITIATIVES AND INFORMAL ASSOCIATIONS

6.1 Introduction

In the previous chapter, we noted that the formal banking institutions within the city provided very little direct support for informal enterprises in Duncan Village. Our investigation brought us to the conclusion that, although institutions were currently paying lip service to the needs of micro-enterprises, they provided little material support to informal enterprises. The basic position of the banks is that Duncan Village is an extremely high risk area for investment. As a result, informal entrepreneurs are being refused access to loans and credit from financial institutions. This has forced entrepreneurs to rely heavily on personal and community-based resources in order to further their business interests.

In this chapter, we will focus on a range of community-based initiatives, including informal savings and credit clubs, which service the informal business sector in the township. We begin our discussion with two recent initiatives to bring small-scale entrepreneurs together into community-based associations which aim to further the interests of local business. Thereafter, we turn specifically to the role of informal savings and credit clubs in the township. The basic argument of the chapter is that informal institutions, such as the ones described below, need to be fostered and supported because they have a key role to play in small business development. However, we do suggest that the expansion and development of these initiatives must occur within a framework of a positive and constructive relationship between the people of Duncan Village, local government structures, formal business organizations and political parties.

6.2 Siege Politics and Community Initiatives

Since the mid-1980s, the people of Duncan Village have been locked in a bitter and vitriolic struggle with city councillors, government representations, and even political parties over their right to decide on their own destiny. The roots of this struggle can be traced to 1982 when the state-led Duncan Village removals campaign was finally called off and the township placed under a new black local authority. After an period of cooperation, the people of Duncan Village rejected this black local authority on the grounds that it was unrepresentative of the people and merely an arm of the apartheid state - a revamped version of the hated Eastern Cape Administration Board. The new councillors were now cast as stooges of the white government and, in August 1984, they were forcibly evicted from the township. In the ensuing struggle for control of the township, local residents placed their
faith in the Duncan Village Residents Association (DVRA), an outgrowth of the old, anti-removals committee.

In 1984, the rent boycotts which started in the Vaal Triangle spread to Duncan Village. The initiation of the rent boycott provoked direct police intervention. On the 6th August 1984, 35 people were killed by police and the army in Duncan Village, including an 18 month old toddler. A mass funeral was held on the 11 August 1984, where a number of activists were arrested. Two years later, on the 12th June 1986, a state of emergency was declared and 400 people were detained, including most of DRVA's leadership. On the 16th June, a further 300 people were arrested for holding a commemoration service on Soweto Day. The mass arrest of hundreds of comrades provoked radical action as mobs of youths swept through the township destroying municipal and government property (including vehicles, buildings and even infrastructural instalments). In 1986, an estimated R3.5 million worth of damage had been done to the electricity supply alone.

This history of resistance and struggle in Duncan Village has left an indelible mark on the politics of the township. It has created an oppositional politics within the city, of 'us' and 'them', of township insiders and city outsiders. The DVRA, which has established itself as the sole representative of the people of Duncan Village, continues to dominate and control township politics, although its grip and support-base has weakened since the 1994 elections. The activists and struggle politicians of old remain powerful and continue to set the agenda for interactions with outsiders, such as the new city council and the East London business community and even the city ANC. The internal politics of Duncan Village today remains, to a large extent, built around a siege mentality. It is fundamentally inward-looking, strongly monopolistic and intolerant of internal criticism. In the 1980s, this type of politics served to unify local people in a common struggle against oppression. In the 1990s, it merely silences the multiplicity of opinions and 'voices' that need to be heard by developers, NGOs and government planners.

On the other hand, however, it needs to be recognised that outside agencies, including elements within the ANC, have continued to attempt to make interventions within Duncan Village without proper consultation. These interventions are not welcomed by DRVA and SANCO agents and serve only to promote mistrust and suspicion. The current politics of development in Duncan Village bears the imprint of the past political struggles and is still fraught with tensions which reinforce old patterns of interaction and conflict. In the discussion which follows we will explore two recent community initiative within the field of small business development. We suggest that neither of these initiatives can be understood outside of the political context referred to above.
6.2.1 The Duncan Village Hawkers Association (DVHA)

The Duncan Village Hawkers Association was formed in 1993, by the Local Economic Desk of Duncan Village SANCO (formerly known as D.V.R.A). The main aim of the association was to bring Duncan Village-based retail entrepreneurs together under a single umbrella body which could represent their collective interests. It was felt that the organization could use its collective muscle to promote the interests of small-scale retail operators. During the first two years of its operation, DVHA achieve little success in mobilizing hawkers and spaza shop owners. One of the problems DVHA faced was that it had no premises and, therefore, could not be easily identified and accessed by entrepreneurs. On the 16 May 1995, DVHA was consequently relaunched, following an agreement with the Small Business Development Corporation (SBDC) for office space in the Duncan Village shopping complex.

Since its relaunch, DVHA has strengthened its position in the township and has increased its membership. At the moment, the association is funded solely by its members contributions. These include a R7 joining fee and monthly contribution of R10 per member. The subscription fees cover administration expenses and the salaries of the office bearers. The selection of staff for the DHVA has been a political process. Old activists and loyal supporters of DVRA, few of whom have any prior experience with small business issues, have been appointed to positions in DHVA. This is not surprising given that the DVHA is a SANCO initiative and that this organization feels bound to appoint SANCO members to the association. However, the lack of business training and experience among DVHA staff constitutes a major problem in the organization and hinders its effectiveness. Organizational efficiency is also hampered by the limited financial resources. The DVHA lacks such basic facilities as a telephone, a computer, a fax machine, stationary, secretarial assistance, and transport.

According to the Secretary of DVHA, the organization has attempted to operate as a resource centre for entrepreneurs in the township. It has become involved in dispute resolution among business operators, has helped an unspecified number of local entrepreneurs draft business plans, and has negotiated on their behalf with wholesalers and suppliers. The secretary also claimed that the association helped entrepreneurs who, for one reason or another, had fallen victim of unfair treatment by criminal and business elements in the township. He said that single women, who are conspicuous in the informal sector, were often the target of criminal elements. The DVHA narrow focus on dispute resolution is no surprise. Indeed, one of the major achievements of SANCO and DVRA in particular has been their ability to solve day-to-day township problems by mediating between conflicting parties. The fact that DVHA has adopted this as its primary role reflects the political background and experience of its staff.
DVHA has, however, been far less successful in making decisive interventions outside of Duncan Village. It remains an inwardly-looking organization which has achieved little success in building lasting partnerships with organizations outside of the township, nor has it secured meaningful benefits for its members at local suppliers and wholesalers. The failure of the organization in making these connections is one of the reasons for its lack of popular support. Nombulelo, who sells small amounts of paraffin from her shack, said that she saw no reason to belong to DVHA: 'I do not see the need for me to pay R7 and R10 monthly contributions because I only run this business to buy food for my children... Anyway when I get a job there will be no need for me to sell paraffin anymore since I will have enough money to buy bread for them... I cannot see what this organization can do for me. If offers no good advice on how to make more money!' Many informal entrepreneurs shared these sentiments. Those we interviewed showed little or no interest in DVHA, and the few who did belong seemed to be more interested in the DVHA monthly receipts than in the services offered by the organization. Many stated that they only paid their monthly contributions in order to be recognised as legitimate traders by city wholesalers. They said that these monthly receipts helped them to gain access to goods at wholesale prices. The same motivation seems to underpin the recent rush by city hawkers to make monthly contributions of R10 to the Amatola London District Council. These receipts are seen as a form of license.

In assessing the role of the DVHA several points might be made. The major strength of the DVHA lies in the fact that it is a genuine township initiative. It was established independently of outside intervention and has the potential to emerge as a key actor and mediator in their small-scale retail business. On the other hand, there is an urgent need for DVHA to recognise its own internal limitations and to build its internal capacity. It needs personnel who are familiar with commercial banking procedure, business management practice and retail marketing. In order to develop this capacity, existing DVHA staff need to be retrained in these fields. There is also a need to recruit additional staff with these skills. The DVHA needs to develop a package of support services that can be offered to its clients. To achieve this, the organization need to be much more outward-looking in its approach and should attempt to secure some external funding.

6.2.3 Entrepreneurial Development Centre

The EDC is a recent initiative which has emerged out of the Duncan Village Development Forum, the body charged with the responsibility of managing RDP projects in this township. The basic aim of the EDC is to use the available presidential RDP funds to offset local economic development. The main mechanism through which this is to be achieved is through the allocation of tenders for RDP projects to local business
people. For example, it is envisaged that a locally-owned, brick-making plant could be set up in Duncan Village to supply RDP projects. It has also been suggested that a joinery manufacturing wooden windows could also be established under the tutelage of the EDC. The director emphasised that similar initiative would be considered in other areas. The role of EDC would in the process be to draw together suitable qualified local entrepreneurs, to provide training and offer managerial assistance to local entrepreneurs. The director, however, suggested that overall project management would in all cases be retained within the EDC.

As far as future projects were concerned, the Director explained that the available RDP funds could be used as a form of security against which local business people could draw credit from other financial or business institutions. By using RDP funds in this way, he envisaged that the EDC would be able to attract huge amounts of capital investment and would set itself up as an important intermediary in stimulating the local economy. In order to achieve these objectives, he felt that the EDC would also have to focus on capacity building within the local entrepreneurial sector by offering a range of training programmes and workshops. Through these interventions, he argued that RDP projects could have real and lasting benefits for the people of Duncan Village, especially in the field of job creation and entrepreneurial development.

The EDC initiative is based on sound principles and can become an important vehicle through which the benefits of the RDP can be spread as widely as possible within the township. However, the proposals of the EDC are unlikely to garner favour with the city's struggling construction industry which has been looking to the Duncan Village RDP projects as a basis for much needed growth and expansion in the industry. Business would obviously like to compete freely for whatever RDP projects are on offer. Business is also likely to argue that all East London-based RDP projects should be designed to benefit the city as a whole and not only selected interests. If the EDC is to succeed in its mission, it can create greater scope for partnerships which offer mutual benefit to township insiders and city-based investors. Without creating a framework for such partnerships, the EDC is unlikely to attract much outside funding.

There are other problems associated with the EDC. Firstly, it will certainly delay RDP interventions in the township. After three years of promises and little delivery, it is not surprising that the people of this township refer to the RDP as 'false hope for the hopeless'. Real urgency is needed to get the RDP moving in Duncan Village. If the EDC is to succeed, it must act quickly and decisively. Secondly, the EDC, like DVHA, has its political roots are firmly located within DVRA and as such it has provided a home for former DVRA operatives who do not necessarily have the skills or the managerial capacity to run all the entrepreneurial projects it proposes. The EDV is an ambitious project which can only hope
to succeed if meaningful partnerships are established with outside organizations, such as NGO's and other sympathetic organizations, to draw in managerial capacity. Thirdly, it is absolutely essential that EDC operatives resist the temptation of monopolising entrepreneurial opportunities for themselves. They must be able to facilitate without feeling the need to control.

6.3 Savings Clubs and Credit Societies

In addition to these community initiatives, Duncan Village is home to a wide range of informal, self-help savings clubs. These clubs have been widely identified in South African townships and are often referred to as stokvels (Thomas 1992) or alternatively in the international literature as ROSCA's (rotating savings and credit associations). In the Eastern Cape, informal savings clubs are generally known as umgalelo (cf. Wilsworth 1979; Buijs and Atherton 1995). These types of clubs can be broadly defined as 'a core of participants who agree to make regular contributions to a fund which is given, in whole or in part, to each contributor in rotation' (Ardener 1964). While rotation and regularity are the common features, the rules governing local savings practices and the social basis for cohesion within these groups varies widely across countries, regions and social settings.

Moore and Schoonbee (1995) have recently noted that there are about 24 000 stokvels in South Africa's major metropolitan areas with a combined monthly buying power of R80 million. They suggest that the existence so many of these clubs demonstrates that, contrary to the assertion of formal financial institutions, savings practices are common in South African townships. Furthermore, they argue that the resources located within these clubs provide an important basis for small business development in township settings. In order to tap this potential, it is necessary to find out more about how these clubs work. In the discussion below, we consider the range of ROSCA's encountered during our fieldwork in Duncan Village.

6.3.1 Umgalelo

Savings clubs, better known as umgalelo, consist of a group of people, who decide among themselves to save certain amount of money every week/fortnight/month. In Duncan Village, these clubs usually consist of people who are working for the same firm or lived in the same neighbourhood. We also discovered that most clubs were organized and run by women. Male clubs or mixed clubs were far less common than women only clubs.

How do the savings clubs work? There are two ways in which these savings clubs operate. There are rotating savings clubs in which members decide among themselves that every week, fortnight or month, members will take turns in receiving the
money from other members. For example, if the savings club has 3 members and the amount payable fortnightly is R40.00. A sum of R120.00 (40 X 3) will be collected by each member every three months. In the second type of club, payouts occur over a longer term (usually a year). The members of the club decide among themselves to pay a certain amount of money into the club on a weekly, fortnightly or monthly basis. The money will be collected by the treasurer, who will be elected by the members, and deposited in the bank account of the club. Over the designated period interest is accumulated on the investment and just before Christmas, the total amount is drawn out of the bank and it is divided amongst members.

To survive, savings clubs are very strict about payments. In the case of burial societies and other voluntary societies, it is common for members to be given 'a chance' when they are unable to pay. In these associations arrears often accumulate over several months. This is not the case in savings clubs. If a member misses a payment they are in danger of being expelled from the club. In some cases, members are given a month to bring their payments up to date, but after that they will be expelled and will lose their investments in the clubs. We found that there was a greater tolerance of defaulters in the longer-term savings clubs than in the short-term rotating credit clubs. This was simply because there was more time in these clubs for defaulters to catch up on their payments.

How is payment enforced? Ensuring that members pay up on a regular basis is obviously critical to the success of these clubs. In a rotating credit club situation failure to keep up with payments undermines the very existence and sustainability of the clubs. To reduce the risk of defaulting, clubs are always constituted among people who are, not only seen to be able to afford the monthly or weekly installments, but have some kind of prior social relationship. For instance, women working at the same firm who are already friends might decide to set up a club among themselves. In such a case, it is known that they all receive a regular income and that they will see each other a daily basis. This provides a solid basis for club formation. At the neighbourhood level, these clubs are more difficult to sustain because members are often in different types of jobs and might not necessarily see each other on a daily basis. Relations of trust and reliability are, therefore, more difficult to sustain over time and the members within these clubs need to work hard to keep the social fabric of collective saving in tact. Their efforts are not always successful and these clubs do collapse.
Case 6.2 : Birthdays and Business Equipment

Phumla is a 44 year old single mother of four children all of whom are of school going age. She lives in the municipal house she inherited from her deceased parents. It is from this house that she operates a small business that sells soft drinks and ice-cream cones. Phumla is currently out of a work. She was retrenched from Wembley Blanket factory in 1994. Since then she has struggled to support her family.

Fortunately for Phumla she was an active member of the birthday club in her neighbourhood at the time of her retrenchment and had already invested generously in acquiring gifts for other members of her club. She explained that the club operated in such a way that each member would contribute a certain amount twice a year. In Phumla's club the amount would vary from R150.00 to R250.00 per member. This money would usually be used to purchase household appliances of the members choice. On her birthday, Phumla decided to ask for a freezer for her pay-out with the intentions of starting a business of selling soft drinks and ice-cream cones. Her house is close to a primary school and thus provides her with a good opportunity to establish a client base. In view of her retrenchment, she had thought carefully about her pay out and had decided that it would be best to request an appliance that could be used for business purposes.

Phumla's small business, which was launched after the acquisition of her freezer, supports her family. She is very impressed and satisfied with her birthday club as it provided her with a perfect opportunity to start a business.

6.4 Conclusions and Recommendations

One of the starting points for black empowerment in the Small Business White Paper (now the Small Business Act) is that entrepreneurial development must be based on the creation of effective partnerships among entrepreneurs and between them and other outside agencies and institutions. Mechanisms are set up in the new legislation to promote this process. In Duncan Village, we have seen that local political actors and small business people are struggling to set up meaningful economic partnerships outside the township. The relationship between Duncan Village entrepreneurs and financial sector in the city is weak and under-utilised. There is also no evidence that local agents have networked within the NGO sector to find support for specific small business training and management programmes. The relationships between DVRA operatives and township outsiders are fraught with tension. This situation needs to be addressed and an environment more conducive to the creation of economic partnerships needs to be developed.

On the basis of this analysis, the following recommendations are made:
Recommendations

6.1 Urgent attention needs to be given to resolving current conflicts that exist between major players within Duncan Village. It is also important that the relationship between DVRA, city councillors, and business representatives is improved so that economic partnerships and social contracts can be established between these parties.

6.2 The DVHA needs to build internal capacity through the acquisition of skilled staff who can deal with the day-to-day problems of hawker and spaza shop owners in Duncan Village. To achieve this, DVHA needs to campaign to increase its membership and find additional funding to upgrade its operation. It needs to market itself by specifying the range of services it can offer and by advertising these services. It also needs to offer training workshops and courses for small-scale traders. In addition, greater accreditation and recognition is needed from within the formal business sector and the government.

6.3 Entrepreneurs in other sectors need to consider setting up their own organizations which might or might not be linked to DVHA, but will address specific problems in their areas of operation.

6.4 EDC is a bold initiative which should be supported. The initiative is based on sound development principles and, if properly managed, can achieve real economic empowerment and growth for small and medium-sized entrepreneurs. However, we believe that it is important that the focus of EDC activity is not on monopolising local opportunities, but on facilitating investment, growth and job creation in the township.

6.5 For the EDC initiative to become sustainable over the longer-term, its activities need to be extended beyond current RDP infra structural development projects and should set out to penetrate other arenas of business activity which fall outside the RDP brief.

6.6 The EDC should focus on generating new skills within Duncan Village through training programmes. It should also seek to establish a large measure of independence from local-level political structures. It is imperative that this initiative is not dragged into the vortex of community political struggles and patronage networks.
6.7 Procedures and guidelines need to be set up which allow local entrepreneurs to compete for tenders in a fair and equitable manner. The long-term survival of the EDC is linked to its ability to uncouple itself from the political forces that have brought it into existence.

6.8 Informal savings clubs need to be encouraged as they are a primary mechanism for saving within Duncan Village. These local institution also need to find ways of linking up to the formal financial sector by using their collective assets and credit history to access financial services and loans. More investigation needs to be done into how this might be achieved.

6.9 At the moment, savings clubs are used by individuals to further their own business interests. Opportunities need to be created for savings clubs to constitute themselves as cooperative businesses ventures.
APPENDIX 1

SMALL ENTERPRISES IN DUNCAN VILLAGE

Interviewer: ..................................
Area: ..........................................
Form No: ......................................
Interview Location: house/shack/street

1. What is your name ........................
2. Your address: ............................

3. How old are you?
   (A) < 20 yrs  (D) 40 - 59 yrs
   (B) 20 - 29 yrs  (E) 60 and above
   (C) 30 - 39 yrs

4. What is your sex?
   (A) Male  (B) Female

5. What is your current marital status?
   (A) Married  (B) Single
   (C) Divorced  (D) Widowed

6. How many dependents do you have? ............... 

7. Do you have other
   (A) Full time employment  (C) Welfare
   (B) Casual work  (D) N/A

8. If unemployed, are you currently looking for wage employment?
   (A) Yes  (B) No

9. Is the business better than wage employment.
   (A) Yes  (B) No
10. Explain why. ...........................................

11. What business are you in?
   (A) Retail  (C) Manufacture
   (B) Repairs & Maintenance  (D) Services

12. What do you make or sell? ....................................

13. The ownership status of the business.
   (A) Own business  (C) Partnership
   (B) Family business  (D) Communal project
   (E) Fronting (work for another person)

14. Where did you get the cash to start the business?
   (A) Own Savings  (D) Grant (specify).....
   (B) Family support
   (C) Bank (specify)........

15. If it was a loan, how much are you supposed to pay back per month. ..................

16. Are you able to keep up with repayment?
   A) Yes  (B) No

17. If not, why? ..........................................

18. Are you a member of business group/association?
   A) Yes  (B) No

19. What benefits do you get as a member? ..................

20. Have you had any small business experience before starting this business.
   A) Yes  (B) No

21. If yes, what was your last business? ....................
22. Did you need a licence to start the business?
   A) Yes  (B) No

23. If yes, how and where did you get it? ...............
   .......... ..................................................

24. How long have you been in this business?
   (A) Less than 6 months.  (D) 3 - 5 yrs
   (B) 6 - 11 yrs  (E) More than 5 yrs
   (C) 1 - 2 yrs

25. Where does the business operate?
   (A) Premises  (C) Street
   (B) House/yard  (D) Other (specify)...........

26. How much time do you spend on the business per day on weekdays.
   (A) Half day (4 hrs)  (C) More than 8 hrs
   (B) Normal full day (8 hrs)

27. Do you work on weekends?
   A) Yes  (B) No

28. Where do you buy your stock?
   (A) Wholesale  (C) Retailer in town
   (B) Retailer in Duncan Village(D) Other.........

29. Are you allowed to buy on credit from your supplier?
   A) Yes  (B) No

30. Did you sell any goods/services yesterday?
   A) Yes  (B) No

31. If yes, for how much? .........................

32. How many people help you in this business? ..........

33. How many of these do you pay? .................

34. If a TLC or a community support centre was established for small businesses in Duncan Village, what sort of support would you like? ......................
35. Which of the following services or facilities do you still need and are willing to pay for?

(A) Water
(B) Electricity
(C) Other
(D) Shelter/premises
(E) Telephones

****
REFERENCES

1. Newspapers

Daily Dispatch 1995-6

2. Government Documents


3. Journals and Books


The Development Studies Unit (DSU) at Rhodes University is located within the Institute of Social and Economic Research (ISER).

The DSU recognises that development is a multi-faceted, people-orientated process in which explicit cognisance must be taken of the economic, social and political needs and aspirations of all communities, especially those that are disadvantaged, discriminated against and excluded from access to opportunities for democratic participation in building a regional economy.

Through its research, the DSU probes and attempts to expose underlying causes of inequality and relative deprivation, in order to identify alternative ways of facilitating development, and establishing a socio-political framework within which development can be pursued.