

**THE PERCEIVED EFFECTS OF LOCATION ON THE PERFORMANCE
OF SMMES (TSHWANE TOWNSHIPS)**

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Abstract

The aim of the study is to indicate the effects that business location has for Small Medium and Micro Enterprises located in the townships, and indicate how that affects their performance, access to market and their development as perceived by SMME owners/ operators. There is a necessity to understand the current dynamics of South Africa's small businesses located in the township. The paper contends that SMMEs located in the townships most of them came to being there as a result of the apartheid system that forced black people to be settled in townships, most of them are not located in the townships by choice, townships became a place where black people created their livelihood. Location of a business should be given an urgent consideration as a crucial factor; it has a potential of affecting the business positively. Successfulness of business is strongly linked to making the right location decisions, but in this case, those located in the townships were not given an opportunity to choose their business location. Regardless of the circumstances, they must be able to work on making it a success. South Africa before receiving its freedom, it was ruled by a system called Apartheid; it is also referred to as Apartness. The Apartheid government used this system to separate different racial groups and their development. Black people were forcefully relocated to areas that are undeveloped, areas that are far from the cities and their workplace. They were forced to leave their birthplace and be placed in these areas that were called townships, generally located on the periphery of towns and cities.

Keywords: Business Location, SMME, Township, Challenges, Entrepreneurship development

INTRODUCTION

The study focused only on the five townships of Tshwane, namely: (one) Atteridgeville, a lively and assorted township established in 1939, with many places of interest it is noted to be a common tourist attraction for both local and international tourists. It is well known for its many restaurants, shebeens, and taverns. (Two) Ga-Rankuwa known as "Place of the Sheep Farmer" but ironically today it is a modern township with no sheep to be seen. (Three) Mabopane, one of Pretoria's largest townships, and most residents are employed in nearby industrial areas such as Rosslyn and Mabopane Station. (Four) Mamelodi, the meaning of this word means "mother of melodies," this is where the unique jazz style "molombo jazz" originated from, derived from the Pedi drumming, Zionist gospel music mbaqanga, traditional Ndbele, and the African jazz guitar.

(Five) Soshanguve, mainly part of it is a residential area, boasts the world acclaimed Tswaing Crater, a 220 000 year old meteorite crater and the first eco-tourism site in South Africa. ("Townships around Pretoria - Showme,") We are informed by Naicker (2013, p. 14) in his article that most of the research done in support of the South African government has neglected to look into the rural and small-town SMMEs.

The study will be looking into SMMEs located in the townships as mentioned above, who are somewhat dispossessed of the mainstream market as compared to those located in the cities or near the city centers who have access to markets, access to government support programs and opportunities. SMMEs located in the township are more challenged in terms of sustaining their businesses, growing, competing in this competitive industry, attracting the market, attracting funders and receiving support from government support programs. SMMEs based in the townships are not positioned there by choice but because of the historical background of South Africa, ("2017/21 Integrated Development Plan City of Tshwane," 2017; Joyce, 2000). Black people were removed from their places of birth and were forced and relocated in this areas that were later called townships (Godehart, 2007) adds that townships or 'locations' were planned some distance away from the colonial towns. These areas are far from the cities, far from industries and far from places of work. They were not equally developed as areas where White people lived when it came to development, townships and informal settlements were left behind (Godehart, 2007)

(Dr Esther Njiro, 2010, p. 6) Defines township as a peculiarly South African phenomenon and a deliberate manipulation of urban planning that designs cities in terms of race.

Literature Review

SMMEs located in the townships, are not equally privileged as those located in the cities or more developed areas, and yet (Rakabe, 2017) townships are economically and politically prominent in South Africa, and yet they carry on to prowl on the margins of neighboring urban core economies, incapable of attracting formal private investment. (Tripathi S., 2017:58) states that small enterprises located in the cities benefit on high sales due to the higher demand for product and services. (Krugman, 1991) adds that firms located in large cities have the advantage of enjoying higher economies.

However black people were not given an opportunity of choosing a location for their homes and businesses, and it is understandable and well documented that location is a crucial part that one should carefully look into before deciding to open a business. (Patsula, 2001) agrees that businesses flourish or flounder naturally because prime or wrong locations were found. (Dr Esther Njiro, 2010) Informs us that apartheid denied people in the township infrastructure to their dwelling place and all manner of shelters. Those residing in the townships had limited access to capital, education and fundamental social and economic rights. They were also verboten from owning and operating a business.

In an effort to address the matter, as stated above, this research study was embarked on with the intention of developing a clearer understanding of the effect of location on business performance of small enterprises

Located in the townships. (Bown, 2016) Laitinen (2002, p. 66) Outlines performance as “the skill of an object to produce results in a dimension determined a priori, concerning a target.”

Among the realization factors that have been of great interest to researchers, entrepreneurs, and policy makers comparable is the location factor. Sridhar & Wan (2010) defined location as the choice of where a business is to be positioned it can either be medium, small, and large cities or urban or rural locations. (Lucky, Esuh Ossai- Igwe Lucky) Stresses that factors such as location can successfully and positively affect entrepreneurial development as well as that of the firm performance. JG Longenecker (2000, pp. 188-189) informs us of the importance of a business location; if the choice is poor, the business might not be able to grow, develop or even get off the ground.

(Bown, 2016:5) Adds on the essential contribution of a vibrant small enterprise sector in the national economic and social expansion of a country has been widely acknowledged (e.g. Birch, 1989; Storey, 1994; The European Commission, 2011). In view of its growing importance, the performance of small businesses has been of curiosity to many researchers, to both local and international organizations, including policymakers, since the Bolton report (1971), and therefore has become the subject of a big deal of analysis. Devotion to this sector has amplified because of the globalizing economy and the gradually severe competition that is inherent in the sector. It is noted that researchers have displayed interest in the variables associated with firm performance and one of the variables is the location, it has been identified as a critical factor that influences business performance.

According to (Marnewick, 2014) the formation of the term township, it instigated in the apartheid era and commenced when non-white people were restricted to living near or working in white-only communities. (Godehart, 2007) Informs us that townships, their formation was encouraged by colonial town planning. Colonial planning intentionally and deliberately spatially isolated three classes of citizens, which generally accorded with race groups:

- the white, colonial elite, (wealthy)
- the colonized middle-class comprising of Indians and some Africans working in the colonial bureaucracy, (middle-class)
- the urban majority of Africans working for the elite (poor)

Black people were not allowed or given the privileges of opening their businesses in developed areas or the cities, (History, 2011) adds that ownership of property and business rights for a black person was confined to the townships or rural areas only. It is sad as this meant that black people had to relocate from their homes where they had lived for years and go to live in strange places

which they knew little or nothing about because they lived in a Group Area designated for another race. However, this did not discourage black people; township residents worked on rebuilding their lives despite inadequate housing, material poverty, and the constant danger of arrest for not carrying a passbook.

Garwe (2010) agrees that location has bearings on the market and growth forecasts of new enterprises. According to Mariotti and Glackin (2012), the factors to be considered when finding a location for your business include proximity to customers, access to suppliers, convenience, the cost of facilities (rent, construction, etc.). Such however were not options given to black people when they were forced only to conduct their businesses in the townships. (Eze, 2015, p. 295) Adds that it is expected that businesses will search for locations that increase revenues and reduce costs because high revenue and low cost and this will result in high profit. But in South Africa during the apartheid regime the business location of a black person was decided upon by the National Party (NP), representing Afrikaners, who won the national election on a podium of racism and

Segregation under the slogan of 'apartheid' and all government action and reaction was decided according to the policy of apartheid. (History, 2017)

(Eze, 2015:296) Indicates that business operators should place location at the top of their minds and that location that is far has a negative effect on reducing the frequency of customers visiting the business, ("The Correlation Between Business Location And Consumers,") businesses located in a city benefit from being next door to remote customers. In a rapidly changing and unfriendly environment, owner-managers of Small enterprises are required to engage in the practice of careful selection of their location in order to make the most of business performance. The study seeks to develop a clearer understanding of the effect of location on business performance, as perceived by local small enterprise owners/managers/operators.

Challenges facing SMMEs in the townships is more significant than that of their counterparts in the cities or more developed areas, (Ogbu, 2011) townships residents are assertive to transform these relegated settlements into vital hubs of commerce, political power, and diverse social agendas. This is a battle on its own that an SMME owner located in the townships has to battle each day to ensure that their marginalized businesses are turned to important hubs of commerce and they are able to drive the social agendas of improving the lives of their community members. Creating employment, providing adequate service and products that can improve and give a better chance of living to the generation that grows in the townships, by also growing the township economy to eventually grow the economy of the country and eliminate poverty that is seen in most townships. (Godehart, 2007) Clearly states that township is often underdeveloped segregated urban areas. They are seen as poor locations, the bulk of township populations are inadequate and that the unemployment rate is very high. (Charman, 2017) township economy necessities to be revitalized.

(Writer, 2017) Informs us that some small business owners in the townships are challenged by land ownership and access to decent working premises, having no access to title deeds, and

unclear ownership outlines of properties mean that those entrepreneurs are less likely to invest further in their businesses, and this might lead to not getting external funders. Some business operates in tight working spaces. Spaces which she says “are not well planned for the work that business owners do.” Unlike those who are privileged enough to operate in cities within well-designed buildings that are dedicated for business use, township business owners have it differently.

In some townships like Diepsloot (Writer, 2017) says, business owners have to deal with bad roads, imperfect road works, and spaces with no covering which is open to the elements. Moreover, in those few areas that offer better infrastructure, we normally see overcrowding. Some of the premises also often do not have proper electricity and water. Clients want to spend their money at a place which is well kept, roads are well constructed, water and electricity is available and even a well air-conditioned environment. These are some of the reasons that lead some consumers to rather travel outside the township to spend their money in the cities, instead of supporting township enterprises, (Tripathi S., 2017:58). Krugman (1991) explained that there is an advantage for firms or industries located in the large agglomerations as it provides a larger number of consumers with higher wages/income (as consumers locate close to their supplier experience a reduced transportation cost) and higher demand, further, a firm enjoys economies of scale by reducing fixed cost through being located in the large agglomerations.

It was noted by (Ogbu, 2011) that South Africa’s townships continue to be places of struggle and pliability, as they have been throughout their history. The struggle for SMMEs located in the township is not over; it continues.

One might think that because of the freedom achieved by South Africans in 1994 by getting rid of the apartheid system and voting into power the new government, things will be easy for those in the townships, and however, that is not the case. The injustice that was done to black people for hundreds of years left permanent bruises, (Godehart, 2007) states that many townships, especially those built in the 1970s and 1980s like Soshanguve in Pretoria are still far away from opportunities. This also applies to the small businesses located in those areas; they are far from opportunities.

There is a massive need to support SMMEs located in the townships and rural areas of the country, (Rakabe, 2017) agrees that the agenda for encouraging township economies and supporting small businesses should be pursued without hesitation, including policy support as they play an essential role in development and poverty- alleviation by providing livelihoods to many poor households.

Some of the undertakings of the apartheid legacy as reported by (Dr Esther Njiro, 2010):

- Formulated policies that deliberately ensured limited access to capital and education and limited fundamental social and economic rights to black people; most black people were not allowed to own a business.

- The quality and type of education called the Bantu education, was designed in a way that restricted opportunities for the attainment of technical and professional skills by black people and entrepreneurial education, this was done to discourage the youths from entering the business and attaining a culture of entrepreneurship
- The Segregation concept ensured to increase the distance between black residences and working areas, in turn, increases the costs and risks of piloting a business.
- Curbing of property ownership rights for black people made it difficult to secure assets that could serve as collateral to obtain finance loans. Women were not allowed to have a business.

(Marne wick, 2014) adds that small businesses located in the township play a significant role in the creation of wealth and employment within the dominion of townships, as there are no other forms of work in those areas. (Godehart, 2007) Talks to the question about the employment creation aspects of township revival that it is important to make job opportunities accessible, however, the township regeneration is more crucial because it addresses the platform for future job creation. Small businesses are not only vital to provide townships residents with employment, services, and products but play a vigorous role to achieve the objective of increasing local economic activities.

One cannot ignore that fact that SMMEs are the heartbeat of any country's economy, regardless of their locations, they are responsible for employment and the growth of the economy. (Marnewick, 2014) Agrees that the contribution made by a small business in generating jobs is near-universally documented. Equal to it is the acknowledgment that a healthy and much expanded small business community could be a foundation of a new economic deal for South Africa. Tripple discovered in 2005 that Small enterprises have a significant value for the residence of Tshwane Townships, it is reported that Home Bases Enterprises are contributing over 70 percent of income (Tipple, 2005). (Bown, 2016:4) Informs that small enterprise play a focal role in the development of the country. The importance of small enterprises is evidenced by their high presence in the economic structure of the country. However, an important matter rises concerning the ability of small enterprises to cope in a very challenging environment through the location factor. (Dr Esther Njiro, 2010, p. 6) Indicates to us that in 2006, a report was given by Mandisa Mpahlwa, the former Minister of Trade and Industry states that small business sector encompassed 2 million small businesses representing 98 percent of the total number of firms. This informs us that small enterprise employed 55 percent of the country's labor force, contributing just about 42 percent of the country's total wage bill. However, and black people own the great majority of these, and 87 percent of the small enterprises are survivalists, women own only 41 percent. SMMEs sector in South Africa cannot be undermined as they provide solutions to high rates of unemployment and a means to increase the growth rate.

(Rakabe, 2017) states that the government has recently acknowledged that support for township's small enterprises is a crucial way in which township spatial and economic marginalization can be addressed, and local growth be kindled.

(Patsula, 2001, p. 7) States the importance of a business location, it should be as close as possible to suppliers and providers of raw materials. Suppliers offer electricity, water, natural resources, the manufactured goods necessary for the manufacturing process, and everything else you prerequisite to functioning. A poor location may result in having a higher operating cost.

(Tengeh, 2017, pp. 335-336) Has noted that finding a suitable business location seems to be a challenge for spaza shop-owners. Most of the spaza shop-owners frequently are tempted to take the first available location without considering the needs and the catchment area from where they would draw their customers (Mariotti & Glackin, 2012). Fatoki and Garwe (2010) argue that location has bearings on the market and growth prospects of new enterprises. According to Mariotti and Glackin (2012), the factors to be considered include proximity to customers, access to suppliers, convenience, the cost of facilities (rent, construction, etc.), demographics, business incentives, governmental regulations and laws and proximity to competitors.

Methodology

The study used data collected through a validated questionnaire (qualitative and quantitative) among 250n SMMEs operating from the five townships of Tshwane, Gauteng province. The design of the questionnaire is that of an open and closed-ended question.

Data collection and analysis methods: This section describes how the data was collected and analyzed.

Data was collected from SMME owners/operators in the following townships of Tshwane; Attredgeville, Ga- Rankuwa, Mabopane, Mamelodi and Soshanguve. SMMEs operating in the following sectors; Agriculture, Bed and breakfast or tourism operator, Education or training, Engineering (construction, civil, mechanic...) Entertainment (catering, PR, restaurant, events) Food outlet, restaurant or bakery, Fuel station or car wash shop, Hair salon, Barbershop, Beautician's shop of spa, ICT services and support, Internet café, Mini-market or fruits and vegetables shop, Real estate, Security services, Sports or gym shop, Textile, clothing or footwear shop, Transportation and shuttle services.

Analysis Methods: Data analysis was done in the statistical package STATA version 13 (STATA Corporation, 2013). Statistical methods such as frequency tables, summary statistics, cross-tab analyses (Pearson's chi-square tests of association), were used for performing quantitative data analyses.

Sampling: Sample of this study was n250 SMMEs located in the five townships of Tshwane, the research team distributed validated, and pre-tested questionnaires in the mentioned five townships of Tshwane and allowed research participants to complete the questionnaire before moving to the next SMME owner/operator. In collecting data, there was no language barrier.

Ethical consideration: Standard ethical procedures and guidelines were followed during the study. The researcher was mindful of and upheld standard ethical principles and guidelines. Participants took part in the study voluntarily. Data collection was done by use of a structured and validated questionnaire that did not make offensive, discriminatory, or other unacceptable languages; Privacy and anonymity of sample group members were maintained. The works of other authors used in any part of the study were acknowledged with the use of referencing system such as Harvard, APA, etc. The ethical principles considered in this research were: accurate reporting of results, proper credit of sources cited, and a thorough literature review. Ethical approval was acquired from the institution’s Research Ethics Committee of the Tshwane University of Technology. This was done through the supervisor of the study. Research approval was secured before the study was implemented -FCRE2017/FR/09/001/-MS (2).

Academic use: This research contributes to the theory about SMME development in that it indicates the issue of location; it is a noteworthy factor in the perception of achievement. Implications - The results of the study has the potential of inspiring the government to adopt and develop policies that will assist SMMEs located in the townships, for them in benefiting from advantages that are analogous to those that are available to those in the cities and in more developed areas. Better devotion to the perceptual effects of location would be advantageous. The research findings are freely available, to policymakers, the community in general and academics. Separately from theoretical suggestions, the study has several significant effects for practitioners, educators, and policymakers.

Results

Gender of Respondents

Data on the variable relation to the gender of respondent in the business was collected on the following categories Male, Female. It is important to indicate gender in the operation of the business to determine the dominating gender, and the results are presented as follows:

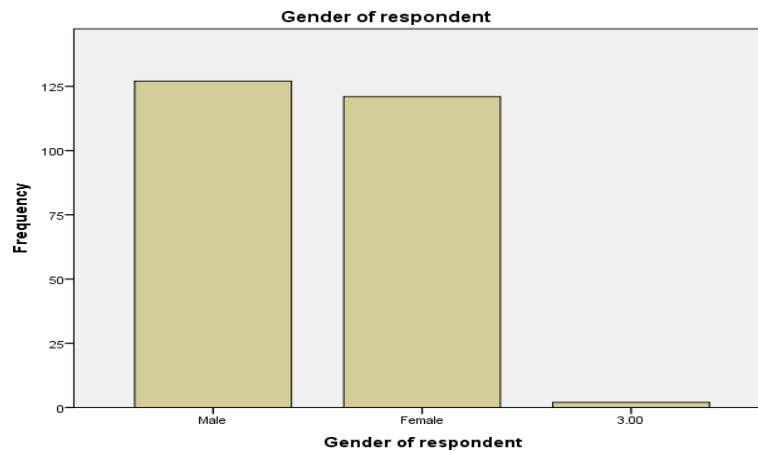


Figure 1: Gender of Responded

Age of Respondents

Six categories were used to summarize the age of the 250 respondents who took part in the study. These were; Younger than 18 years old, 18 to 24 years, 25 to 29 years, 30 to 34 years, 35 to 39 years and 40 years old or older.

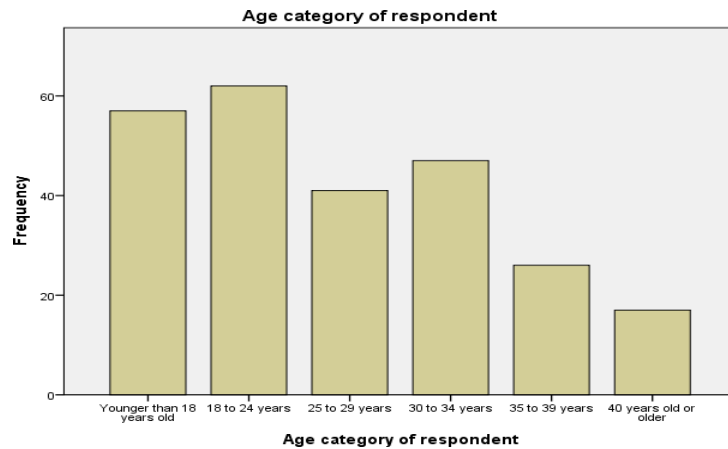


Figure 2: Age categories of respondents

In the city of Tshwane, young people under the age of 35 years are over 1 million, that is, they account for

35.7 percent of the total population in the City. This highlights the apparent youth bulge in Tshwane’s population profile. Shaakira Karolia (2016)

Source of the Business Initial Capital

It is important to determine the source of capital so that an analysis can be made to determine the source of capital utilized by the respondents. Moreover, it clearly shows on the table below that the majority of respondents used their personal savings.

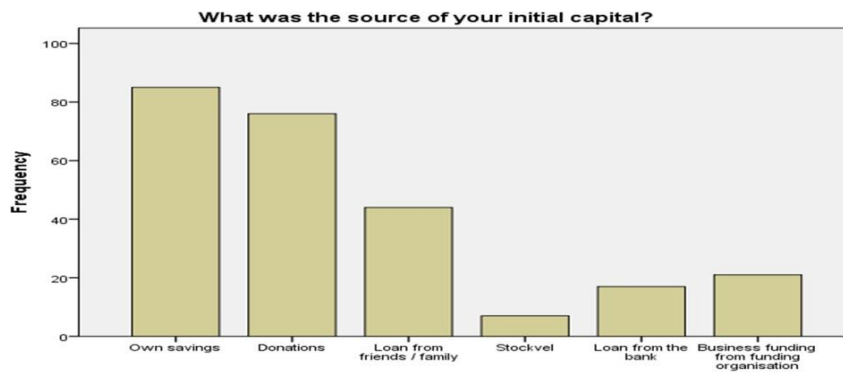


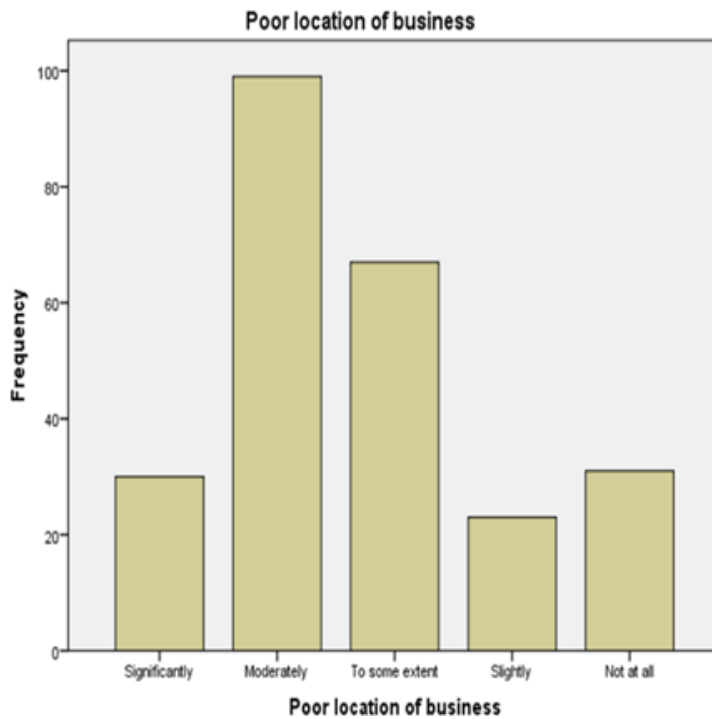
Figure 3: Source of initial capital

In the literature on small business growth, it is shown that location is a factor that influences the growth of firms Krasniqi (2012, p. 258) Location has always been an essential element when starting a business. Of the total n250, about 219 respondents indicated that they believe their business is poorly located for their market. This in return affects the growth and sustainability of the business, because the location of the business you choose has an effect on your income and also on your expenses. Perception of the location of the business is crucial as it dictates how the business is perceived. It is not easy for those whose SMMEs are located in the townships to be equally perceived as those in the CBD; hence Virtual office address come into the picture, but it comes with a cost to the business.

Sleuwaegen and Goedhuys (2002) study of firm growth in Nigeria noted that firms located in the commercial capital of the country were more likely to engage in networking and subcontracting, which provided a more significant opportunity for growth than firms located in other parts of the country. It seems that better-supplied regions are conducive to the development of firms in developing countries. Krüger (2011, p. 259) informs us that most SMMEs owners do not realize the importance of the location of their business, it can negatively affect the survival of their business, it can have negative or positive influence on the business.

Respondents believe that poor business location of their business is a factor that is also affecting the growth and development of their business.

Figure 3: Source of initial capital



Conclusion

The study also discovered that access to the market is also a challenge for those operating in the townships, in addition to it, we saw that geographical location is also a cry for those located in the township. It is there highly recommended for SMME support programs or organisation to view SMME located in the townships with a different lens, understand their unique challenges and needs. More research in this area is needed; (Charman, 2017, p. 3) informs us that South African researchers have dedicated little attention to understanding the impact of the institutional context on township business development.

Government SMME support programs need to reach out to these businesses and offer support. There is a significant, massive need to apply entrepreneurial education to schools and academic institutions.

What is needed, she says, is more cosmoes and business infrastructure like business pivots in the township. As most townships are located a distance from urban cities, this she says would help so that entrepreneurs do not have to go to city centers to do business. (Writer, 2017)

There is a necessity to harness and promote woman-owned businesses and youth entrepreneurial spirit since woman were previously neglected and are currently owning businesses and the youth are indicated to be the majority in the sector.

There is a need for advanced interventions and the creation of a more favorable business environment for small enterprises located in the townships.

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