

How have the Challenges Faced by Gauteng-based Township Small Business Evolved since Covid-19?

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Abstract. This study examines the evolving challenges and potential solutions for township-based micro, small, and medium enterprises (MSMEs) in Gauteng, South Africa which are crucial in mitigating poverty and unemployment. Historically, MSMEs in townships were overlooked by policymakers, limiting their growth and sustainability. Through semi-structured interviews with 18 MSME owners, this study reveals that while some challenges remain consistent, they have shifted in nature. Before Covid-19, internal factors such as financial management, business operations, and human resources were predominant obstacles. Post-pandemic, however, external factors such as market survival, consumer buying power, and heightened unemployment emerged as significant threats. The pandemic left MSMEs in survival mode, with many unable to attract customers due to the declining purchasing power of their communities. Notably, mental health issues among business owners became a pressing concern, highlighting a need for psychological support. The study identifies job creation, skill development, and accessible government funding as essential solutions for fostering MSMEs resilience. Addressing these evolving challenges with targeted support could enhance the stability and growth of township MSMEs, promoting economic empowerment in the long term. The findings underscore the importance of adapting policies to the shifting needs of MSMEs in a post-pandemic landscape.

Keywords: Entrepreneurship; Post Covid-19; Small business challenges; Township entrepreneurs; Township MSMEs.

Abstrak. Penelitian ini menganalisis tantangan yang berkembang dan solusi potensial bagi usaha mikro, kecil, dan menengah (UMKM) berbasis perkotaan di Gauteng, Afrika Selatan yang sangat penting dalam mitigasi kemiskinan dan pengangguran. Secara historis, UMKM di perkotaan diabaikan oleh pembuat kebijakan, sehingga membatasi pertumbuhan dan keberlanjutannya. Melalui wawancara semi-terstruktur dengan 18 pemilik UMKM, penelitian ini mengungkapkan meskipun beberapa tantangan masih tetap ada, tantangan tersebut telah berubah. Sebelum adanya pandemi Covid-19, faktor internal seperti pengelolaan ke-

uangan, operasional bisnis, dan sumber daya manusia menjadi kendala utama. Namun, pasca-pandemi, faktor eksternal, seperti kelangsungan pasar, daya beli konsumen, dan meningkatnya pengangguran muncul sebagai ancaman yang signifikan. Pandemi Covid-19 membuat UMKM berada dalam kondisi bertahan hidup, yaitu banyak UMKM yang tidak mampu menarik pelanggan karena menurunnya daya beli masyarakat. Khususnya, masalah kesehatan mental di kalangan pemilik bisnis menjadi perhatian yang mendesak, sehingga perlu ada dukungan psikologis. Penelitian ini mengidentifikasi penciptaan lapangan kerja, pengembangan ketrampilan, dan pendanaan pemerintah yang dapat diakses sebagai solusi penting untuk mendorong ketahanan UMKM. Mengatasi tantangan yang terus berkembang seperti saat ini dengan dukungan yang ditargetkan dapat meningkatkan stabilitas dan pertumbuhan UMKM di daerah perkotaan, sehingga hal itu dapat mendorong pemberdayaan ekonomi dalam jangka panjang. Temuan ini menggarisbawahi pentingnya mengadaptasi kebijakan terhadap perubahan kebutuhan UMKM pascapandemi.

Kata kunci: Kewirausahaan; Pasca Covid-19; Pengusaha perkotaan; Tantangan usaha kecil; UMKM perkotaan.

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BACKGROUND

The South African economy heavily depends on Small, Medium, and Micro Enterprises (MSMEs) as a key economic driver, yet the sector faces significant challenges (Luiz & Mariotti, 2011). Many township businesses are micro or very small, often operating informally, defined as “business activity that is unregistered or otherwise untracked and thus unregulated, but not otherwise illegal” (Godfrey, 2011; Hart, 2006; Porta & Shleifer, 2008; McGahan, 2012). Unlike regions such as Asia and Latin America, South Africa’s informal sector has not substantially impacted unemployment, partly due to limited entrepreneurial spirit (Luiz & Mariotti, 2011).

Given their role as economic drivers, SMME policies aim to provide financial support, expand market demand, and reduce regulatory barriers (Small Enterprise Development Agency, 2016). Post-apartheid policies support small business startups, and about 70% of South African entrepreneurs pursue self-employment to avoid poverty (Mahadea & Zogli, 2018). However, many “survivalist” businesses, which are often owned by Black and Coloured South Africans, struggle to achieve significant growth (Preisendörfer, Bitz & Bezuidenhout, 2012). With approximately 80% of South Africa’s population identifying as Black and many residing in townships (Statistics SA, 2017), township entrepreneurship faces unique challenges, including crime, financial management issues, limited startup capital, regulatory burdens, xenophobia, lack of education, and other psychological and economic barriers (Mbonyane & Ladzani, 2011). These barriers limit the potential of these businesses to drive economic growth meaningfully.

High failure rates in the sector are a major concern, with 70% of small businesses closing within 3-5 years, making South Africa one of the countries with the highest SMME failure rates globally (Wolmarans & Meintjes, 2015). Total Entrepreneurial Activity (TEA) rates for Black South Africans remain low at 2.9%-4.3% compared to higher rates among other racial groups (Preisendörfer et al., 2012), highlighting the need to focus on township entrepreneurs in this study. However, the Total early-stage Entrepreneurial Activity (TEA) rate in South Africa for 2022 was 8.5%.

The Covid-19 pandemic had a severe impact on South African MSMEs, which were largely unprepared for such a crisis, lacking crisis management strategies and flexibility (Engidaw, 2022). Nevertheless, MSMEs remain crucial to the economy, fostering job creation and community development (Wild & Cant, 2021). With over 250,000 formal MSMEs in South Africa accounting for 28% of all formal jobs, the sector represented 30% of total turnover in 2019, valued at R10.5 trillion (Statistics South Africa, 2020). MSMEs are particularly active in sectors such as Trade and Accommodation (39%), Community Services (15%), Finance and Business Services (12%), and Construction (14%) (SEDA, 2022).

MSMEs employ 50-60% of South Africa's workforce and contribute about 39% to the GDP, underscoring the need for sustainable growth in the sector (McKinsey & Company, 2020). For MSMEs to fulfil their role as drivers of economic growth, they require a supportive environment that encourages development. Sustainable MSMEs have the potential to impact poverty alleviation, employment, investment, and inclusivity, demonstrating their broad economic importance (Wild & Cant, 2021). The objective of this study was to explore the evolution of challenges experienced by township entrepreneurs before and after COVID-19, along with potential solutions from the perspective of these entrepreneurs.

LITERATURE REVIEW

In studying the challenges that township entrepreneurs experience this study looked at both exogenous and endogenous risk factors. These are challenges that emanate from external and internal factors respectively.

Overview of challenges faced by MSMEs

There are many exogenous and endogenous factors, unique to historical and spatial planning contexts, which adversely impact businesses established in townships. Previous research conducted by Cichello, Almeleh, Ncube and Oosthuizen (2006) enumerated some of these factors as crime, issues due to elevated capital financing, logistical costs, and psychological factors which include fear of failure and jealousy. While Mbonyane and Ladzani (2011) listed crime, poor financial acumen, overtrading, limited access to ICT, poor management skills, inadequate infrastructure, below-standard credit records and lack of information. Other research conducted on informal business challenges by Mahadea and Zogli (2018) identified government regulations, financial problems, lack of skills, poor infrastructure, and security. The common concerns faced by township businesses include a lack of infrastructure, access to funding, regulatory obstacles, a skills gap shortage (training

and development), access to markets, a low competitive environment and a lack of commercial and governmental support which stifles the growth and sustainability of MSMEs (Wild, & Cant, 2021). Additionally, MSMEs share of capital expenditure has risen year on year from 15.8% to 18.5% in 2022, and employment costs amounted to 52% according to SEDA, 2022. To derive the full economic benefit of MSMEs the above-listed imperatives need to be aided to facilitate a reduction in the number of SMME failure rates which ultimately enable economies to derive the full economic benefit from these businesses.

Challenges faced by MSMEs pre-Covid-19

Prior to the pandemic, South African MSMEs were already battling growth within a contracting economy, according to the World Bank. The South African economy, in contrast to the growth trends experienced by similar economies at the time, was not moving in an upward trajectory along with the rest of the global economy (Dladla, 2021). The additional headwinds because of the Covid-19 pandemic and looting further exacerbated pressures already straining the growth and sustainability of the SMEs (Rajagopaul, 2020).

Challenges faced by MSMEs during Covid-19

In a study done by the National Youth Development Agency (NYDA) in September (2020) on the impact of Covid-19 on business activities, the result overwhelmingly showed that SMEs are particularly vulnerable to economic shocks and crises as they have fewer resources to help them navigate and adapt to changing economic contexts (National Youth Development Agency, 2020). The NYDA study (2020) results illustrated key challenges faced by MSMEs because of Covid-19, these included: revenue generation, cash-flow challenges, and an inability to generate sales. 61 per cent of the MSMEs surveyed were established in township and rural areas across South Africa.

The effects of the pandemic had immediate impacts on the South African economic environment and the need for sustainable MSMEs has become a crucial focus for driving economic growth. Around the world governments have implemented relief funds and strategies to support struggling businesses. As a measure to curtail the devastating impacts of Covid-19 and losses because of the looting on MSMEs, and township-based businesses, the South African government implemented various relief measures. These included: tax deferral incentives, wage subsidies, direct-to-SME lending initiatives and policies aimed at enabling new market access (McLellan, 2021). The acknowledgement that sustainable MSMEs have the potential to deliver a multiplier effect, impacting poverty, employment, investment, growth, and inclusion illustrates its broad economic importance (Wild & Cant, 2021).

Inclusive entrepreneurship as a solution to the challenges faced by Township MSMEs

The key drivers of entrepreneurship ought to be understood from all levels which would include macro and micro levels (Luiz & Mariotti, 2011). Research indicates that, in South Africa, fewer Black people are involved in entrepreneurial activities (Preisendörfer, 2012). There are numerous debates about the factors impacting the success rates and factors that discourage success, especially in townships. The recently adopted Gauteng Township Economic Development Act (2022) aims to champion the inclusivity of township enterprises into the broader provincial economy. It seeks to facilitate and promote economic inclusivity

and growth while building towards a more equal society (Gauteng Department of Economic Development, 2022). Leading the way, the act makes provision for the provincial government to spend up to 40% of its procurement budget with township-based enterprises with the view of transforming townships into thriving commercially active zones (Business Day, 2022). What is important to note is how success is defined from a business context. Through the usage of the Five Stages of Small Business Growth, the first stage is existence, and the second stage is survival (Churchill & Lewis, 1983; Herrington et al., 2009) and only a few MSMEs in South Africa manage to get through the first and second stages. Therefore, studies like this are important in ensuring that such initiatives focus on what is key for township entrepreneurs.

RESEARCH METHODS

This was an interpretivism qualitative study that took an inductive approach to exploring the challenges and solutions of township MSMEs. The aim was to gain deep insights into the challenges experienced by the participants before, during and after Covid-19. This research aimed at attaining a greater level of understanding about the challenges impacting township small businesses. Semi-structured interviews were used to collect primary data from township MSMEs.

The target population for this study consisted of MSMEs located in townships around Johannesburg including the East, West, North, and South regions. Purposive sampling was employed to sample this population. The businesses involved in the study varied in size, ranging from survivalist and micro enterprises to very small and small businesses, with a total sample size of 18 businesses. The business life cycle of these enterprises spanned from start-up to mature stages.

Interviews were conducted at each business's location or at the business owner's home, and they were recorded by the researcher. The duration of the interviews ranged from a minimum of 45 minutes to a maximum of 120 minutes and included 20 questions, combining both open-ended and closed questions. Data was collected using an interview guide to capture the experiences and perceptions of township entrepreneurs and thematic analysis was utilised to analyse the data

RESULTS AND DISCUSSION

Business Profiles

For confidentiality purposes, pseudonyms were used for the participants and their respective entities. Table 1 shows the profile of the participants by depicting their sector, type of business and years in operations. A total of 18 participants were interviewed with 9 from retail and 9 from the services sector. The age of the businesses was vast from as little as 2 years to as high as 41 years.

Overview of findings

Figure 1 below highlights the challenges faced by township MSMEs pre- and post-Covid-19 and possible solutions to addressing them as perceived by the township SMME owners. It is evident that the challenges have changed though some remained the same. The pre-Covid challenges were primarily internal as they were about managing their businesses which included financial, business and human resource management and use of technology. Additionally, three external ones which were access to funding, and government regulations. Corruption and crime.

Table 1. Business Profiles

Business sector	Type of business	Number of participants (18)	Years in operation
Retail	Grocery Store	2	41
	Hawker	1	10
	Liquor Store	1	8
	Spaza Shop	1	7
	Hair extension business	1	6
	Atchaar Business	1	3
	Food Takeaway Business	2	2
Services	Medical Practice	2	40
	Entertainment Business with car wash and shisanyama	2	23
	Hair Salon	1	10
	Vehicle Mechanic Repairing	1	9
	Taxi Business	1	7
	Driving school Business	1	5
	Photography Business	1	3

Source: Primary Data

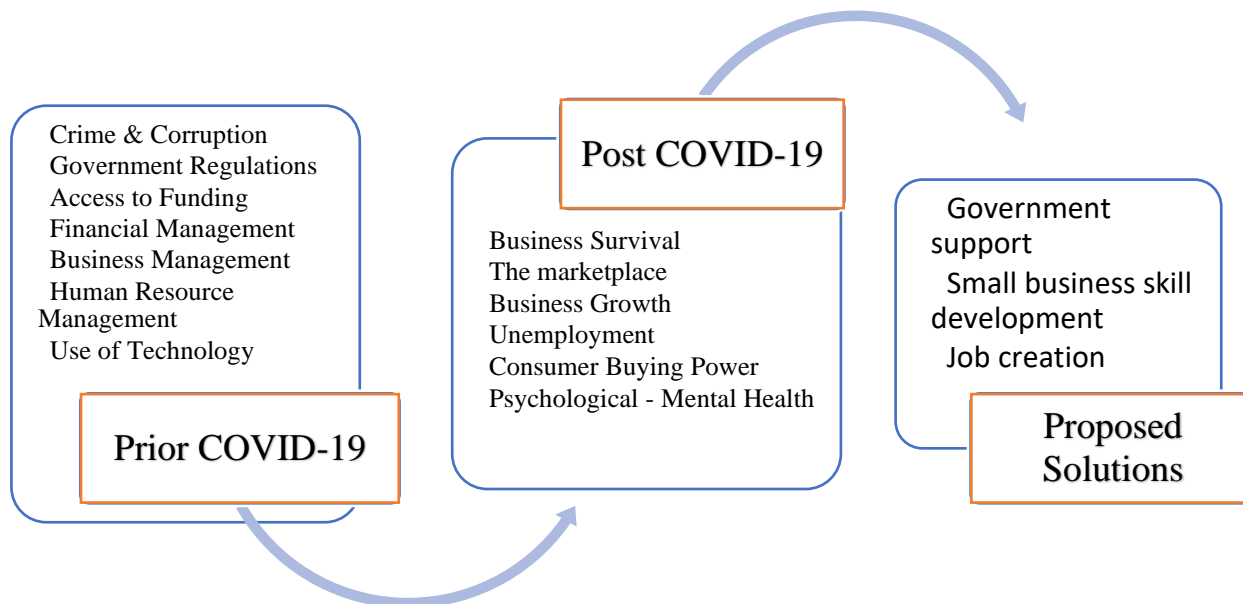
The post- Covid-19 challenges primarily were external factors, or their root causes were external which included business survival, the marketplace, business growth, unemployment and consumer buying power. The interesting takeaway here is that after Covid-19 all the businesses were fighting for survival and some of the things that threatened their survival were the fact that unemployment went up and potential customers did not have the money to buy goods and services from these township MSMEs. As a result, the proposed solutions to address this included job creation to enable buying power and small business skills development to capacitate the SMME owners to handle the challenges that arose. It was also evident that the challenges were so severe and that brought forward the issue of mental health which required psychological support which was not a major issue before Covid-19. Moreover, have the government bring forth accessible support to help mitigate all these issues.

Emerging Themes: Challenges pre-Covid-19

The themes that emerged from the findings before Covid-19 were derived from the participants' narratives. The researcher utilised the narratives to obtain codes, which were

then translated into themes. As a result, numerous themes emerged from the interviews, and these have been identified and presented in Table 2.

In South Africa before Covid-19, the economic environment was characterised by high interest rates, low growth rates (low consumption), high inflation rates, and declining exchange rates. In addition, the country was in economic recession for the first time in seventeen years due mainly to the global economic meltdown. The themes that have emerged are discussed below.



Source: Primary Data

Figure 1. Overview of Findings

Crime and Corruption

Crime and corruption have adverse repercussions on a broader scale for all businesses, for MSMEs the effects are detrimental. Crime increases the expenses for South African MSMEs, which are known to already have a high failure rate globally (Wolmarans & Meintjes, 2015). Security measures, as a crime preventative method, based on this research appear to be a reactive mechanism as opposed to a proactive mechanism. The businesses which have experienced a history of crime were the ones which have taken recourse to minimize it in future. On the contrary, the ones which lacked any crime experience in their history of business had no preventative measures in place.

The perceptions on crime varied among the participants, as some highlighted methods that they utilised to mitigate crime, and others had no methods and strongly believed that they did not require any mitigation methods. Participant 13, an entrepreneur who sells fruits and vegetables (a hawker) stated the following:

“I do not need any security because I am a man of prayer. At our church, we put God first, he protects us, and we rely on him. I have 2 businesses one a salon and the other is fruits and vegetables business. I have never encountered any problems in terms of crime or been put in a position where my business has felt threatened.” – Participant 13

Table 2. Study Themes Challenges Before Covid-19

Theme	Category	Codes
Crime and corruption	Security Nepotism	<i>Theft, Gun, Business insurance, Connections, Camera, DVR, Volt, Armed response, Pick pocketers, Alarm system, Defraud.</i>
Financial Management	Day-to-day funds Capital Structure	<i>Business Account, Savings, Invest, Day to day living, Pricing issues, Break-in business, Under charge, No profit, Collect deposit</i>
Economy	Exchange rate Interest rate Inflation	<i>Petrol fluctuations, Duty tax, Inflation, Fluctuating prices from suppliers, and Currency fluctuations.</i>
Logistics	Transport Supply Chain	<i>Public transport, Taxis, Own car, Delivery trucks</i>
Business Management	Marketing Operations Strategy HRM	<i>Advertise, Specials, No marketing, Supply problems, Parking Space, Bulk buy, Operational problems, Credit customers, Customer service</i>
Business Environment	N/A	<i>Location, Relocation, Complaints from neighbours, Main street</i>
Access to Funds	Banks Government Funding	<i>No funding, Bad Credit, No bank account, Business account, Personal accounts</i>
Psychological/Social	N/A	<i>Donations, CSI program, Charities, Jealousy</i>
Government laws, Policies and Regulation	N/A	<i>SARS, Labour Department, Department of Health, Liquor Licensing, Compliance, Government Checks, Salaries</i>
Education Level	N/A	<i>Matric, Business Certificate, Bachelors, Grade 11, Tertiary, Grade 8, N5, College, Diploma, Doctor, Nurse</i>
Technology	N/A	<i>Hard drive, POS system, ATMS, Software, Cloud Storage, Data</i>

Source: Primary Data

Participant 15, an entrepreneur of a liquor store stated the following:

“We have security for our business which was not originally there when we started the business. We have cameras, DVR recordings, a volt, an alarm system and insurance. These are all requirements for insurance now, especially a camera and a volt. We have it to prevent crime, because of the history of crimes, and robberies that have occurred. The past December we got security guards because robberies are high during that period, but that was seasonal.” – Participant 15

Throughout the interviews, Participant 15 placed heavy emphasis on how security for his business, a costly expense is incurred monthly.

Government Law, Regulations, and Policies

Some participants noted that government policies and regulations hinder their businesses' growth. One participant mentioned that red tape from SARS, the labour department, and the health department has worsened his business's sustainability challenges. He highlighted a 100% increase in liquor license fees, which has reduced profits. To comply with various taxes, minimum wage laws, and hygiene standards, he has had to lay off employees and maintain a minimal workforce. During busy periods, he hires temporary staff.

Another participant, who owns a fast-food takeaway restaurant, explained that government regulations hinder compliance. Non-compliance prevents them from accessing crucial government funds for expansion. They argued that the government prioritizes compliance over the needs of small, medium, and micro enterprises (MSMEs), placing them at a disadvantage. The participants believe that MSMEs create community opportunities and should be exempt from certain compliance requirements. They must find a proper location for their business, as operating from home does not meet health department standards. Participant 17, an importer of hair extensions and wigs from China, stated that import duties and taxes significantly impact her profits. At times, she has no choice but to temporarily close her business while seeking solutions.

Access to Funding

The perception of corruption discourages many entrepreneurs from pursuing government funding. There is a strong belief that access to government funds relies on nepotism and connections. Additionally, government employees often lack a clear understanding of their roles in funding institutions, making it difficult for MSMEs to secure financial support. Corruption stifles the growth potential of these businesses. Most participants reported that their ventures were self-funded, with no alternative financial aid available. One entrepreneur selling Atchaar products in her neighbourhood revealed she relied on a family friend for funding. However, her investor's limited resources hindered her business expansion. She also expressed concern that the investor frequently demanded a share of profits, complicating her growth efforts. Despite the challenges, she acknowledged the legitimacy of these requests. Access to funding for start-ups, particularly MSMEs in townships, is severely limited in South Africa. Often, these businesses require additional funding shortly after starting, as expansion is essential for survival. Poor or non-existent credit records further restrict access to financing. Many business owners have been retrenched or lack formal employment history, and some MSMEs cannot produce financial management records.

Business Management

Comprehensive strategic business planning is often lacking in many businesses, particularly those run as sole proprietorships, where the owner serves as both operator and workforce. This setup raises concerns about business continuity and sustainability; if the owner's health falters, the entire operation becomes vulnerable to closure, making continuity highly dependent on the owner's well-being. Despite aspirations for expansion, many

businesses struggle with planning and executing these objectives. A limited understanding of the market highlights risks that lead to inadequate business strategies. Most strategic plans focus on large-scale growth, which typically requires significant funding. However, opportunities for growth, such as diversification and partnerships, may not demand substantial investment. For instance, a successful grocery store could expand by collaborating with other grocery owners to create a collective franchise rather than relying solely on its brand. Furthermore, evidence suggests a lack of marketing skills among some businesses, stemming from inadequate awareness of their market position, competition, and customer needs. Many businesses underutilize their negotiation power and neglect to foster sustainable relationships, crucial for success. As a result, overall business management may be poorly understood and inefficiently executed.

Human Resource Management

Township entrepreneurs often overlook human resource management and strategy. In South Africa, labour laws are stringent, with no exceptions for small, medium, and micro enterprises (MSMEs). Due to the size and nature of these businesses, many township MSMEs have very few, if any, employees beyond the owner. A key concern is the business culture and low employee engagement, which are evident in high staff turnover, negative attitudes towards the business, and instances of theft, particularly in businesses that keep stock or inventory. Additionally, the recruitment process poses challenges for these owners, as they often lack clearly defined key performance indicators (KPIs) to outline job responsibilities.

Use of Technology

The use of technology among township MSMEs (Small, Medium, and Micro Enterprises) is minimal for everyday business operations; however, it is more commonly utilized for security purposes. Some businesses have plans to incorporate technology to enhance their operational efficiency. The primary concern regarding technology is that its costs may not always provide a return on investment, particularly for certain business models. For instance, technology may not necessarily add value to a hawker selling fruits and vegetables. Therefore, the adoption of technology is often closely linked to the type of business and the target customers.

Table 3: Study Themes during and Covid-19

Theme	Category	Codes
Cash Flow	Profit margins	<i>Cost of growing the business, paying rent, paying employees, buying, and selling stock on credit</i>
Business Survival	The marketplace Business growth Business competitors	<i>Closed business, selling various products outside the core business, using various marketing strategies,</i>
Unemployment	Consumer buying power Disposable income	<i>Retrenched people, cutting off working hours, people stop buying, no customers</i>
Psychological	Mental Health	<i>The well-being of the family, losing jobs</i>
Business volatility	Poor economy	<i>Fluctuating prices from the supplier due to poor economy, Currency fluctuations, and slow business.</i>

Source: Primary Data

Emerging Themes: Challenges during and post Covid-19

The themes that emerged from the findings during and after Covid-19 were also derived from the participants' narratives. Numerous themes emerged from the interviews, and these have been identified and presented in Table 3.

Business Survival

1. The Marketplace

The competition level significantly influences market potential and development opportunities for MSMEs. High competition, market conditions, and technological changes were challenges highlighted by Participant 9 during Covid-19.

"The competition was the first. The market was the second. The third one was the cost and technological changes. The fourth one then focused on the company's efforts to expand." - Participant 9

For MSMEs to thrive, understanding the dynamics of competition in the industry is crucial. Managers must monitor environmental changes, especially the intensity of current or potential competitors. Participant 8 shared a challenge faced by larger corporations with greater financial power, impacting their market.

"... we were a business that was running material supply, and we had Cashbuild and Builders Warehouse next to us. So, they became our competitors. Why am I saying that? Because we are selling the same materials, so they are our competitors. And they have a buying power than us, do you understand, so that was our challenge. Okay, even if you were to stock and get a good price. You will have to stock huge materials, and we do not have the financial muscle. Cashbuild and Builders Warehouse, they have huge financial muscles. So that was our huge challenge." - Participant 8

2. Business Growth

Economic factors unevenly impact businesses across various industries and regions, influencing the attractiveness of different strategies and consumption patterns. Participant 7 noted a significant challenge: the dynamic price volatility affecting profitability as the economy changes.

"The challenge is that prices fluctuate all the time. Yes, you purchase something with the intention of making a profit. You do not make money off it. Because, as you may know, the economy has changed again." - Participant 7

This interview revealed a sense of helplessness, as many factors lie beyond a business owner's control. Businesses thrive in tandem with their communities. During Covid-19, many shifted productions to create medical masks and clothing, while some MSMEs struggled to adapt and shut down due to a lack of resources. Even prior to the pandemic, South Africa faced high unemployment rates and weak job creation, well below the norms for upper-middle-income countries. Despite a strong government response, the job market was severely impacted, and recovery has been slow (World Bank, 2021).

3. Unemployment

Low-income workers were disproportionately affected by job losses during COVID-19, increasing already severe inequalities. Participant 5 emphasises how job losses have affected the entrepreneurial sector.

“For now, people are being retrenched, and many businesses are closing because they can’t afford to pay rent, their staff and everything else.” - Participant 5

While many sources indicate that self-employment and entrepreneurship present South Africa with the greatest opportunity to generate new jobs, particularly given the rising number of start-ups, these expectations were seriously compromised by Covid-19 as many start-ups shut down and could not pivot quickly enough.

4. Consumer Buying Power

Consumers in South Africa continued to experience declines in income, consumption, and savings during Covid-19. Spending on discretionary items remained low as South Africans aggressively developed money-saving practices (McKensey, 2020). Participants 7, 4, and 9 bring this to light:

“Obviously we did not come to work, people stopped working. Yes, people stopped having money. Then people stopped buying. We used to sell very, very little, especially during the lockdown, which was hard.” - Participant 7

“During COVID-19, people were still not allowed to go out and buy things. We were reducing working and operating hours even though we were in operation. These are the issues that are causing us difficulties.” - Participant 4

“Everyone shut down since there were no customers. Therefore, you are without a marketing strategy. There was no one to which you could talk. Many people had lost their employment. It is quite challenging for people to make it through.” - Participant 9

Despite lower household incomes, the participants were willing to open their doors to customers with the hope that the situation would improve as this pandemic affected everyone.

5. Psychological - Mental Health

The Covid-19 crisis has been emotionally challenging for many people, changing day-to-day life in unprecedented ways. Moreover, mental health challenges during the pandemic occurred against high rates of mental illness before the crisis (Panchal et al., 2021).

Many people nationwide have lost their jobs or sources of income, which has generally impacted their mental health. During the interview, there was a noticeable level of anxiety as Participant 2 expressed her concerns about Covid-19.

“...to us, it was about life, we did not want to die. So those are the things about which I was worried. My work or if I lose my job, I would not be able to take care of my kids. I was worried about my kids, my parents.” - Participant 2

One explanation for the increase in the unprecedented stress caused by the social isolation resulting from the pandemic is linked to people's inability to work, seek support from loved ones and engage in their communities (World Health Organization, 2022).

Evolution of SMME Challenges

There is empirical evidence to show that the challenges MSMEs faced in the township have changed since Covid-19 and the evolution has been summarised and depicted below.

Table 4. Evolution of Township MSMEs

Themes challenges before Covid -19		Themes During and After Covid -19	
Theme	Category	Theme	Category
Crime and corruption	Security Nepotism	Cash Flow	Profit margins
Financial Management	Day-to-day funds Capital Structure	Business Survival	The marketplace Business growth Business competitors
Economy	Exchange rate Interest rate Inflation	Unemployment	Consumer buying power Disposable income
Logistics	Transport Supply Chain	Psychological	Mental Health
Business Management	Marketing Operations Strategy HRM		
Business Environment	N/A		
Access to Funds	Banks Government Funding		
Psychological/Social	N/A		
Government laws, Policies and Regulation	N/A		
Technology	N/A		

Source: Primary Data SMME Owners' Proposed Solutions



These are the proposed solutions that emerged from entrepreneurs that can lessen the challenges identified. During the interviews with SMME owners, we have encountered a variety of responses for overcoming these challenges and growing beyond Covid-19. Broadly speaking MSMEs are emphasising government support, small business skill development, and job creation.

“The government should subsidise the businesses with something to help recover from the Covid-10 period. A lot of damage occurred. And even now, we have not recovered fully from that. So, I mean, this thing is as close to two years now.” - Participant 11.

“...solutions, they are supposed to come from the government. The government need to ensure that the economy is better for the people to get jobs. When people

have good jobs, then they have money to spend... what we call disposable income. So, when people have jobs, they can be able to buy the things that we sell. But people cannot buy them now because they do not have jobs. Therefore, finding jobs for individuals is the answer.” - Participant 7

“Hey, you see a lot of people are not working, people are tired. People are tired of the poverty, and hence we see all these things happening. If government can make sure that there is employment and our children can find jobs, I think that will be a solution. And skills, our children do not have skills. Because when you go outside, you can see people who comes outside of our country, they have skills. You understand, and for us South Africans we do not have anything, no skills. It is also important that our kids get these skills while they are still young. So, every cent that the government has should be invested in the skills for our children.” - Participant 12

This study shows that the financial impact on township MSMEs during and after the Covid-19 pandemic is the main challenge. As a result, a lot of other issues emerged as depicted above. Government and other external support were limited among the participants and awareness on support that is already there is very minimal. The consensus was that government assistance is the key to resolving most of the Gauteng township MSMEs' challenges according to the entrepreneurs who were interviewed in this study.

CONCLUSION AND RECOMMENDATION

MSMEs in most developing countries are a catalyst for a growing economy. In South Africa, they account for almost 91% of businesses operated (Abor & Quartey, 2010) and the government must focus on policies that support these MSMEs, especially in townships. Given the population of townships, it is alarming to comprehend that MSMEs that operate there do not thrive the way they should, based on their potential. The research included a business which had been in operation for 41 years in the exact location and had not experienced any growth based on business goals. On the contrary, the business was experiencing a decline in clientele and profits which illustrates the issue of no growth within township MSMEs.

This study aimed to explore current challenges hindering the growth of township businesses in Gauteng, specifically those surrounding the Johannesburg region. Apart from exogenous challenges that had adverse effects on the business because of the complexities of prediction and mitigation methods, there were many endogenous challenges that business owners themselves could attempt to mitigate. For example, one of the issues highlighted in the research was that there was evidence of financial management, as most profits went to personal use and were lost due to poor business management. The poor business management encompassed marketing, human resource management, and strategic planning, impacting daily operations.

The research also highlighted that unemployment and poverty could motivate entrepreneurship. However, even when alleviated from these conditions through employ-

ment, many business owners preferred entrepreneurship over traditional employment. In addition, the research emphasised the limited, if not wholly absent, engagement between the government and township businesses. Despite all the policies and ministries developed for the assistance of MSMEs, it was clear that there was poor communication between both parties and misalignment.

The government is certainly a significant player in the ecosystem of MSMEs, and after Covid-19, there are additional challenges that will require the government to be even more vigilant in ensuring that limited resources are used properly, and that employment is created. Since most business owners would benefit from additional training, the government should continue to make sure that SMME owners are given the skills and resources they need to recover and expand their businesses after Covid-19.

The government should establish engagement mechanisms for better communication with township entrepreneurs, such as incubation centres focused on mentoring and consultation. These centres must prioritize long-term sustainability amid political changes. Their main objective should be to equip township MSMEs with the necessary knowledge and skills for efficient business management. As support providers enhance their efforts, they should adapt to the evolving needs of township entrepreneurs. MSMEs in townships should maintain financial records and allocate a specific amount for salaries to instil basic accounting practices for improved financial management. Business owners can leverage the entrepreneurial ecosystem to build sustainable relationships, paving the way for partnerships, especially for franchising with limited funds. For example, if multiple stores collaborated to create a new grocery brand, they could form a franchise chain.

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