



South Africa Siyasebenza

Learning Series

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Emerging Community Retail Businesses – Paper 4

Sustainable Township Businesses:

A Longitudinal Study of the A2Pay

‘Access to Wireless Retail Technologies’ Project

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The Jobs Fund is a R9 billion fund established by the South African Government in 2011. It was established to encourage innovation and give greater impetus to initiatives with potential to generate sustainable employment. The Fund aims to catalyse innovation in job creation through structured partnerships with the private and public sectors as well as NPOs by awarding once-off grants to organisations through a competitive process. The Jobs Fund operates on challenge fund principles and aims to incentivise innovation and investment in new business approaches that directly contribute to long term sustainable employment creation.

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Abstract

A2Pay has been supporting peri urban Spaza based businesses in partnership with the Jobs Fund since 2012. The sustainability of these business ventures is an important part of the A2Pay business model. This paper presents data from a follow-on survey to test the sustainability of A2Pay-supported Spaza businesses in the country. The first survey was conducted on 100 A2Pay vendors in 2015 by Impact Economix and the second survey conducted by Upendo Consulting in 2020. The idea was to carry out a pre- and post-test on the state of these vendors' business operations between 2015 and 2020, with the same questionnaire administered each time. In 2020, only 20 of the respondents could be reached out of the 100 on the list. The results show that all 20 respondents were still in business and all, except two, reported an improvement in their perceived quality of life and attribute this improvement to the A2Pay supported businesses that they ran. This bodes well as a case study for the sustainability of technology supported businesses in the country and for the A2Pay business model in particular.

1. Introduction

The 'Community Access to Wireless Retail Technologies Project' was developed with the aim of using technological innovation to promote small business creation and improve income generation among unemployed youth in peri-urban areas. This was to be achieved through A2Pay vending technology with the support of the Jobs Fund. The project's implementation model, reflected in its Theory of Change (ToC) is premised on the provision of basic business skills to unemployed youth in peri-urban areas with the hope that these young people would transition into successful mobile vendors, selling a wide-range of pre-paid products within their communities. This would provide a necessary source of income for these youth, who would otherwise struggle to find economic opportunities within their communities.

The underlying assumption of the project was that unemployed youth could be transformed into entrepreneurs through the use of business technologies and basic business training.

It was also assumed that easy access to pre-paid products sold through the A2Pay vending machines would reduce the travel burden on households by eliminating the need for them to travel to the next big town/city to make these purchases.

The project was implemented over a period of thirty-six months beginning in July 2013 and concluded in March of 2016.

In late 2015, the A2Pay project was part of an independent evaluation on several Jobs Fund Incubation Projects. This was carried out by Impact Economix (a local South African development consultancy firm), that investigated the experiences of both the A2Pay vendors and the customers who frequented the Spaza Shops using the A2Pay technology.

One hundred (100) A2Pay supported vendors in different parts of the country participated in this evaluation in 2015 and responded to questions regarding their business viability, their Quality of Life (QoL) and the usefulness of the A2Pay support rendered to them.

There were mixed views about the sustainability of these businesses at the time. An A2Pay operative interviewed was of the opinion that it was difficult to instil during training a sustainable entrepreneurial mind-set that prioritised long-term thinking and patient determination as a road to business success in the participant youth. This would entail a longer-term behavioural intervention.

Sustainability is a very important and integral part of Jobs Fund supported initiatives. In order to test the sustainability of the businesses in the 'Community Access to Wireless Retail Technologies Project', a follow up survey of the 100 entrepreneurs was initiated as part of a larger study investigating the efficacy of the A2Pay Theory of Change and the assumptions underlying it. This study was carried out by Upendo Promotions and Consultancy Services in October 2020.

2. Method and Approach

2.1 General Research Design

In 2015, Impact Economix undertook a Meta-Evaluation for SMME Development. As part of this meta-evaluation, a survey was carried out on 100 A2Pay-supported vendors. This survey examined a range of issues pertaining to the views and performance of the vendors, including:

- Changes in the number of employees working at the vendors' businesses over the time they had been receiving A2Pay support,
- Changes in average monthly turnover (in Rands) at the vendors' businesses over the time they had been receiving A2Pay support,
- Vendors' self-reported perception of attribution of changes in employment and turnover at their businesses to A2Pay,
- Vendors' access to finance,
- Levels of satisfaction with A2Pay business training,
- Levels of satisfaction with A2Pay technical support, and
- Vendors' perceived changes in their own attitudes and behaviour towards different aspects of business development and entrepreneurship.

It was determined that carrying out a longitudinal follow-up survey (a pre- and post-approach) with those individuals surveyed in 2015 would allow the evaluation to track the development of those entrepreneurs who were supported and who were still in business in 2020. In particular, it was assumed that having comparative data from 2015 and 2020 would provide a sense of how sustainable the enterprises supported by the project have been, moving from a time in which active A2Pay support was still being provided to a time where these enterprises were supposed to be operating independently of A2Pay support.

The questionnaire used by Impact Economix in 2015, as well as a complete dataset that provided the responses of the 100 surveyed vendors, was

utilised. Crucially, this dataset also contained the contact information for each respondent.

Some level of attrition is expected with most longitudinal surveys and becomes particularly challenging with longer periods of time between data collection points. This proved to be the case with the follow-on survey. Concerted effort was made to contact each of the 100 individuals listed in the 2015 dataset. However, only 28 individuals were contactable. The remainder had phone numbers that were no longer in use, or which were being used by other individuals who were not associated with the 2015 survey. Of these 28 still-contactable individuals, only 20 were willing to participate in the follow-up survey leading to a relatively high attrition rate of 80%. And a very small sample size.

A small sample size presents challenges and it is not scientifically possible to generalize the observations from the 20 available respondents to the group of 100 respondents surveyed in 2015. The approach taken in this study is to treat the observations as a case study of a small group of vendors and the changes they have experienced in the performance of their businesses over the five-year period between the surveys.

This approach does not necessarily align with a true pre- and post-approach that was originally intended. It should also be noted that this research design also places limitations on the extent to which attribution can be determined. The approach is therefore focused primarily on understanding trends pertaining to business sustainability, directly comparing relevant metrics at two different points in time and constructing a narrative around how this small group of businesses have fared, while informing a brief discussion around the business-focused assumptions in the ToC.

3. Results & Findings

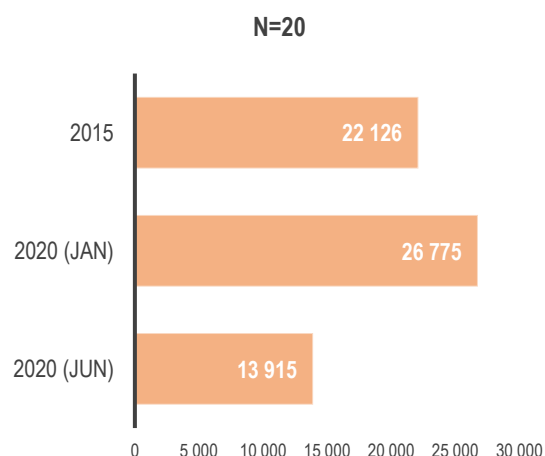
Of the 20 respondents 15 (75%) were male and 5 (25%) were female. Thirteen (13) of the respondents (65%) were aged 50-59 years. This was a significant shift from the intended objective of reaching unemployed youth.

All the 20 surveyed vendors valued their relationship with A2Pay and were appreciative of the occasional support they still received from A2Pay's technical staff, whether to resolve technical issues with their pay points or to access financial support in the form of Covid-19 relief funds.

Figure 1 shows the effect that Covid-19 has had in reducing the average monthly turnover for all of the surveyed vendors between January and June 2020. For most, the decrease in turnover amounted to between 35-50% of the January 2020 turnover. For three (3) of the respondents this decrease was over 80%.

In spite of this drop due to COVID between January and June of 2020, 17 of the 20 respondents (85%) reported that their average monthly turnover (pre-Covid-19) had increased over the previous five years (particularly those starting from a low base in 2015). In addition, vendors have also improved on their financial management and good management practices such as Stock Management and record

Figure 1 - Average Monthly Turnover in Surveyed Businesses (2015, 2020)



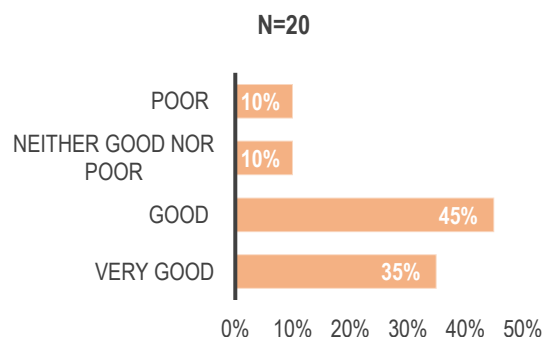
keeping

Only 2 respondents reported a poor Quality of Life (QoL) in 2020 (Figure 2). For those vendors who reported improvements in their QoL, the reasons given were typically related to the performance of their businesses. The most common responses included:

- Improved growth in their businesses in terms of turnover or physical expansion,

- Greater self-confidence in running their businesses, and
- Improved household income, usually linked to improved business performance.

Figure 2 - Vendors' Perceptions of their Quality of Life



When respondents were asked to report the extent to which their improved QoL was attributed to the A2Pay intervention, 13 of the vendors (65%) attributed these changes 'to a high extent' to A2Pay.

The vendors surveyed in the second round were unanimous in the view that:

- Their businesses had grown,
- The vending technology had increased their customer base, and
- The record-keeping practices they had been trained to adopt were contributors to their business sustainability.

Surveyed vendors were also firmly of the opinion that the general business knowledge they had obtained through A2Pay-facilitated training had enabled them to operate as more confident business-people.

4. Conclusions & Recommendations

The findings from this longitudinal survey are admittedly constrained to the case of the 20 vendors who took part in the second round, and a more generalisable set of conclusions is not possible due to the low response rate. However, a few points from this analysis are worthy of discussion.

The fact that each of the 20 respondents were still operating their businesses, and still operating them with their A2Pay vending machines, bodes well for the sustainability of these businesses.

However, given the literature on the fragility of small informal retailers in South African townships and the struggles they face, the fact that the surveyed vendors are still operating is undoubtedly a very strong indication of the sustainability of the A2Pay business model in general. It also suggests that the assumption in the A2Pay ToC that mentorship and technology serve as a sustainability-boosting combination that allows vendors to maintain competitiveness and potentially grow their businesses (even in a challenging operating environment), has credibility.

Care should be taken not to over-interpret the data on monthly turnover and employment creation drawn from a sample of only 20 vendors. These gains have been largely affected, and in some cases even reversed, as a result of the Covid-19 induced lockdown restrictions on business activity in the country; a situation that the Jobs Fund's provision of COVID-19 financial relief will hopefully help to remedy.

The survey results indicate that there are reasonably high prospects for long term sustainability of businesses created with the A2Pay offering of services over several technological platforms. However, it is to be expected that as technology advances, the efficacy of the model could be reduced in that these product offerings will be available on other platforms, e.g., smart phones, and the lure of the A2Pay physical vending machine may diminish as a result.

That being said, the likelihood of this technology becoming obsolete in the short to medium term is low, and the use of the A2Pay tech as an efficient Information Management System in Spaza Shops is likely to remain relevant. In addition, the place and role of the Spaza shop as a convenient “backyard supermarket” for peri-urban locations in South Africa is unlikely to diminish in prominence in these communities.

The growth of the informal sector has been recognised as a significant employment generator, while also being able to offer essential services to under-developed communities. The A2Pay model of coupling business development support/training and technology is critical in growing micro enterprise and bringing services and goods closer to remote communities. Stimulating the economy at a local level and expanding access to services are fundamental elements in developing competitive and inclusive economies. Technology can be a driver of this change and offer broader opportunities for the most vulnerable.



5. References

1. Final report. Impact Evaluation of the A2Pay projects, Upendo Consulting, December 2020

Notes on the Emerging Business Learning Series

The Emerging Community Retail Business series consists of four papers:

1. *Emerging Community Retail Businesses – Paper 1: A Qualitative Evaluation of the A2Pay 'Innovation and Application of Technology' Project*

This paper is the first in a series of four papers that present the results of the impact evaluation conducted by Upendo Consulting on the implementation of the A2Pay technology support to Spaza shops in the country. The paper presents the results of the qualitative component of the study conducted in KwaMashu, Inanda, Soweto, Katlehong, Khayelithsa and East London.

2. *Emerging Community Retail Businesses – Paper 2: Technology and Coaching to Enhance Business Performance of Spaza Shops, The case of A2Pay*

This paper is the second in a series of four intended to highlight findings from a larger evaluation of A2Pay that used different research methodologies. It presents the results of a survey conducted on Spaza shops in four provinces in South Africa (Eastern Cape, Kwa Zulu Natal, Gauteng and the Western Cape) using a quasi-experimental approach to investigate the business performance outcomes of A2Pay supported Spaza shops in the four provinces

3. *Emerging Community Retail Businesses – Paper 3: Transport effects on households accessing the A2Pay supported Spaza outlets in Soweto*

This is the third of a series of four papers representing the different aspects of the findings drawn from the evaluation study on A2Pay done by Upendo Consulting. It presents the results of a household survey conducted in Soweto by the Jobs Fund as part of a larger evaluation study of the A2Pay project's impact on project participants between 2017 and 2020.

4. *Emerging Community Retail Businesses – Paper 4: The Sustainability of Township Businesses: A Longitudinal study of the A2Pay 'Access to Wireless Retail Technologies' Project*

This paper is the last in a series of four papers that present the results of the impact evaluation conducted by Upendo Consulting on the implementation of the A2Pay technology support to Spaza shops in the country. It uses a longitudinal approach to study the sustainability of supported business ventures. It presents data from a follow-on survey to the first survey that was conducted in 2015 on 100 A2Pay vendors by Impact.