

Hello

Measuring stimulus effects on the South African economy

Measuring Stimulus Effects in Greater Philippi

24th of March 2023

Authors: Shamima Vawda, Mélani Prinsloo & Martin Prinsloo



infusion.

Beyond the obvious.

Content

- Overview
- Purpose of the Study
- Research Methodology
- Findings
- Conclusion
- Appendix



Overview

- **Informal economy:** Functions outside of government regulations
- **Informal traders:** People who have businesses that are rarely registered at national or regional levels, are cash-based & do not pay taxes and usually don't have formal arrangements with employees (Nguyen & Canh, 2020)
 - Valuable role in informal economy; estimated informal contribution to gross domestic product is 6%
(Raniga & Ringson, 2022; Statistics South Africa 2014)
- **Source of Job creation & Income generation** the informal sector is becoming the focus of attention for policymakers
- **Classification of informal activities by Davies and Thurlow (2019)**
 - (i) informal producers
 - (ii) informal traders
 - (iii) workers who are informally employed in producing formal sector products
 - (iv) informally employed workers producing goods & services that are not produced by the formal sector

- informal economy = SHOCK ABSORBER for low-skilled workers (earning money & maintaining livelihoods)
 - Government support to stimulate a **favourable environment** for informal market activities (Khambule, 2020)
- **COVID-19 put assumptions to the test**
 - Rise to economic vulnerabilities & downturns
- **Response to the pandemic:** SA government funded measures of social & economic relief to stimulate the economy & protect most vulnerable segments
 - *“...unconditional cash transfers stimulate demand for informally produced products, thereby raising informal employment without undermining formal producers.”*
(Davies & Thurlow, 2019)

Purpose of the Study

Primary Aim

- To explore the **business realities of informal & small businesses** in the **Greater Philippi Area in the Western Cape**
- Where possible to look at differences in purchasing patterns between **2019 & 2022 based on a study that was conducted for Shoprite in 2019**
 - In 2019, Infusion Knowledge Hub (Pty) Ltd investigated the “trading environment in the informal & small business market to explore the viability of a potential value-added cash & carry shopping proposition for Shoprite

Specific Objectives

1. How has COVID-19 affected **informal & small traders' purchasing behaviour** (products, suppliers & shopping behaviour (incl. online)?
2. How has COVID-19 affected informal & small traders' **customer base**?
3. What **products/services** do SRD grant recipients & BEEI participants purchase?
4. Where do SRD grant recipients & BEEI participants **shop**?

Secondary Aim

- To explore the **purchasing behaviour of recipients/participants of the:**
 - Social Relief of Distress (SRD) grant
 - Basic Education Employment Initiative (BEEI)

Contribution to Measuring Stimulus Effects on the SA Economy

- *What are the impacts on the larger retail businesses servicing these communities and/or servicing local suppliers such as spaza shops?*
- *To what extent is such spending focused on particular product groups?*

Research Methodology

Research Techniques

- **121 participants** were interviewed face-to-face in a **3.5km of Stock Road in the Greater Philippi Area**
 - 60 informal traders
 - 30 SRD grant recipients
 - 31 BEEI participants
- Participants were called every two days after the interview to document their purchases for one month

Limitations

- The traders participating in the **2022 study were mostly different** from the respondents of the 2019 research
 - It is therefore impossible to conclude whether there were shifts in purchasing behaviour for specific traders
 - The field team replaced the 2019 traders with new traders who have opened in this area
- Study may be affected by **recall bias** even though the questions related to purchasing behaviour were carefully constructed & the field team trained
- Study was **limited to a 3.5km radius of Stock Road** in the Greater Philippi area that has a high density of wholesalers and used convenience sampling methodology
 - **The findings cannot be generalised**
- The questionnaires did not explore **disability status** and its impact on trading/purchasing behaviour
 - One trader participating in the 2022 study stressed that being blind made it more difficult to run his business

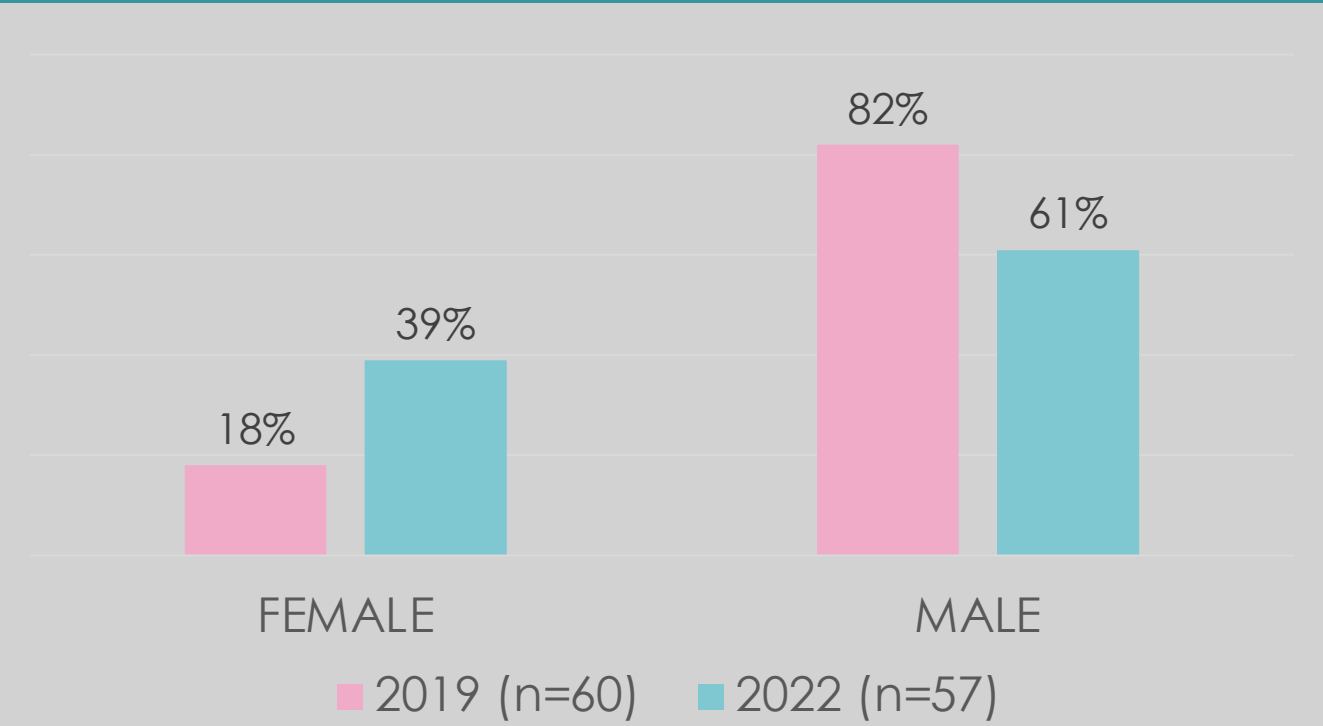
Unprompted, the grant recipients noted the number of traders who went out of business during the COVID-19 pandemic in this area

Findings: Traders

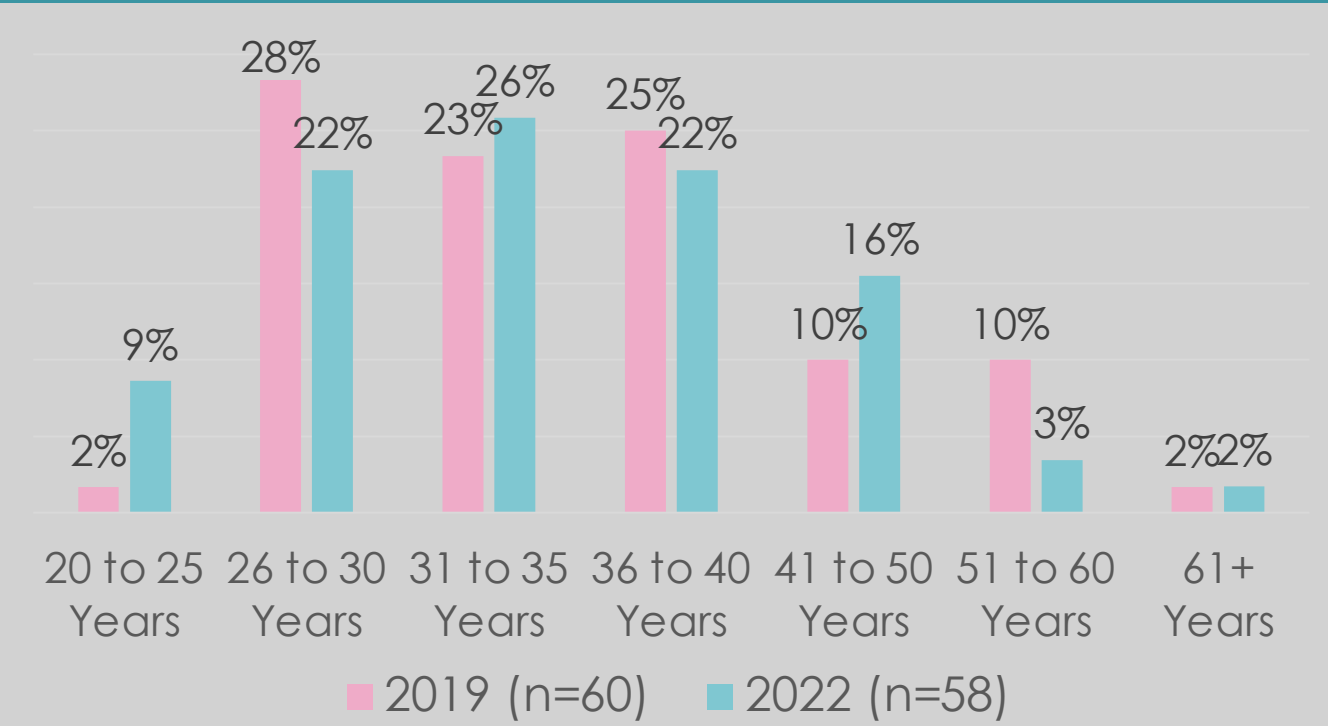


Findings: Traders' Profile

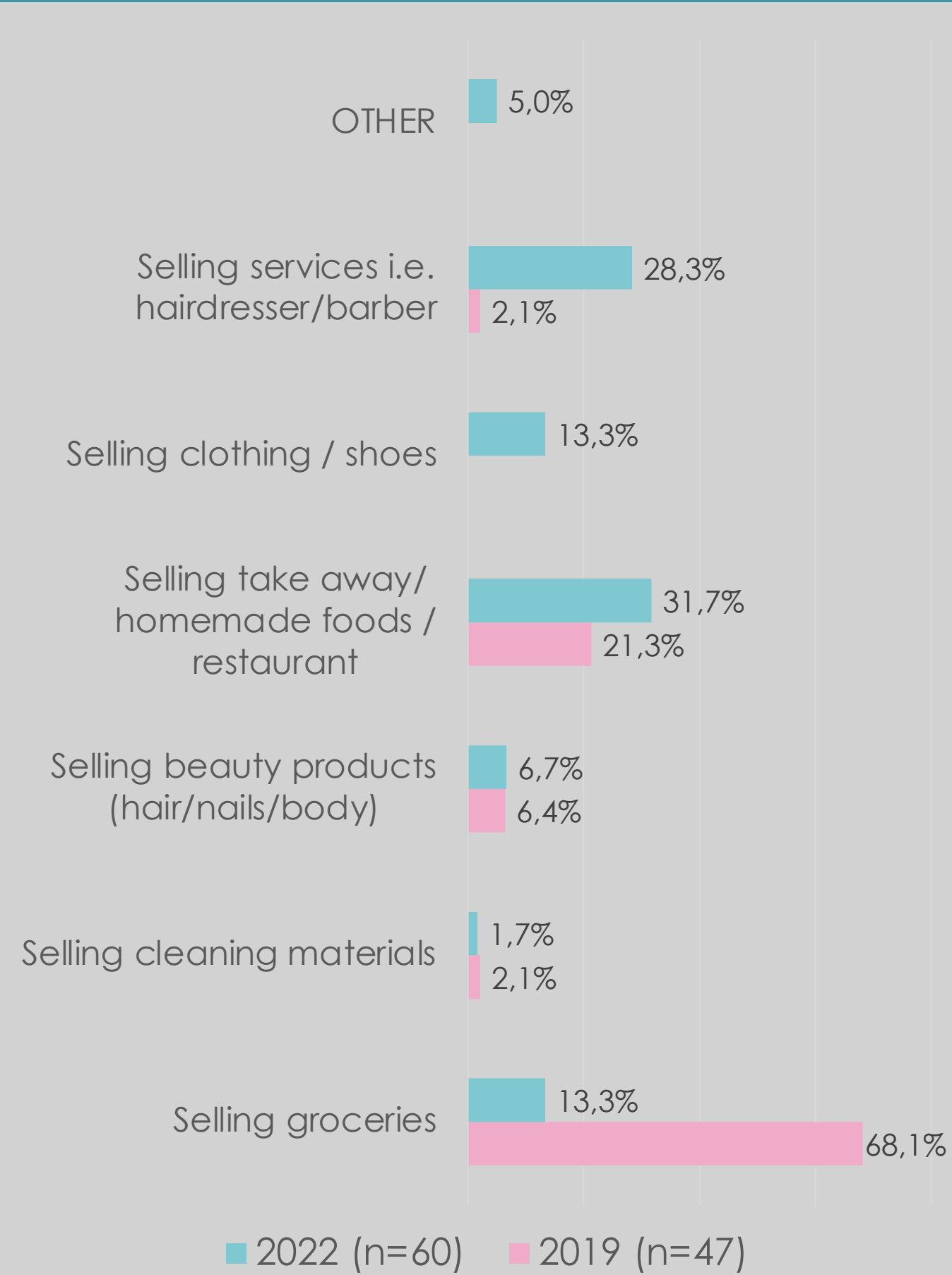
Gender



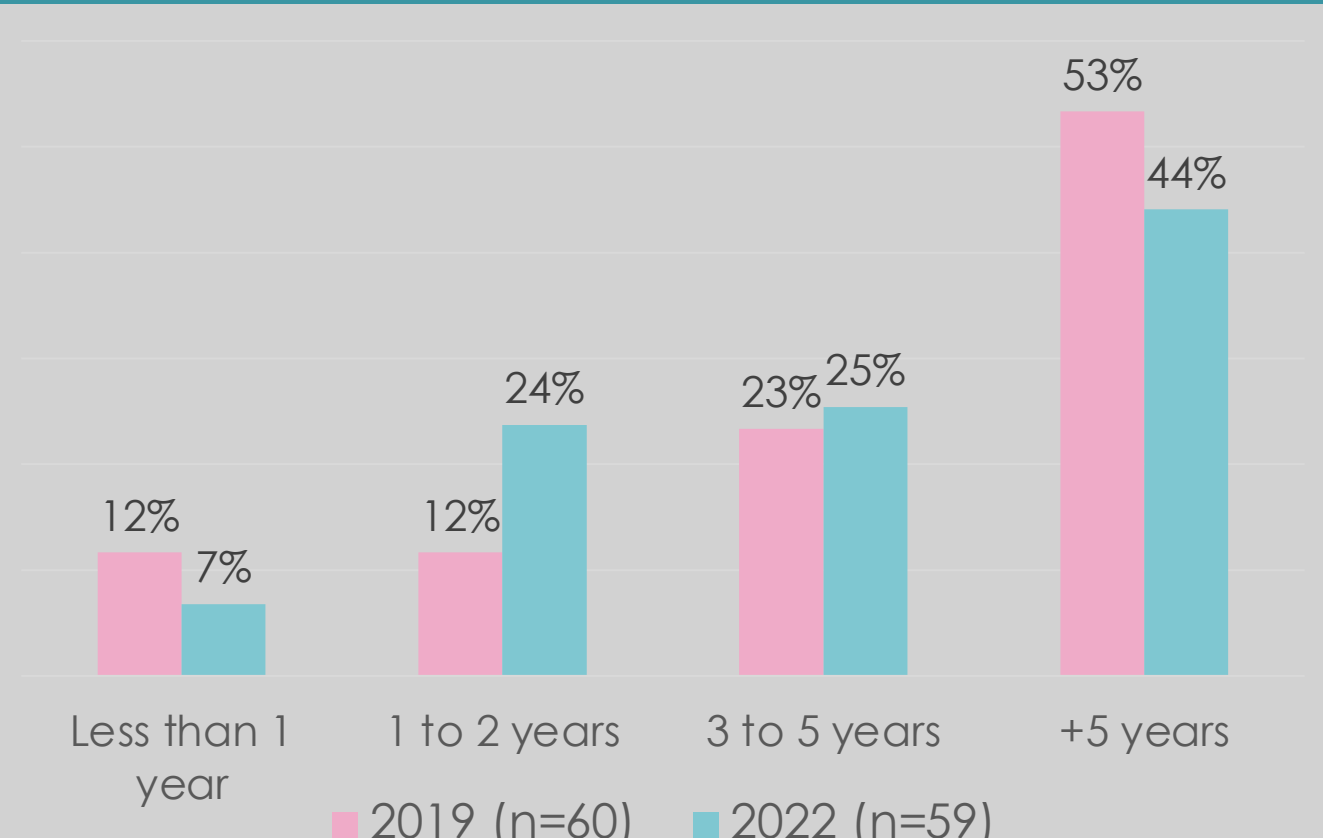
Age



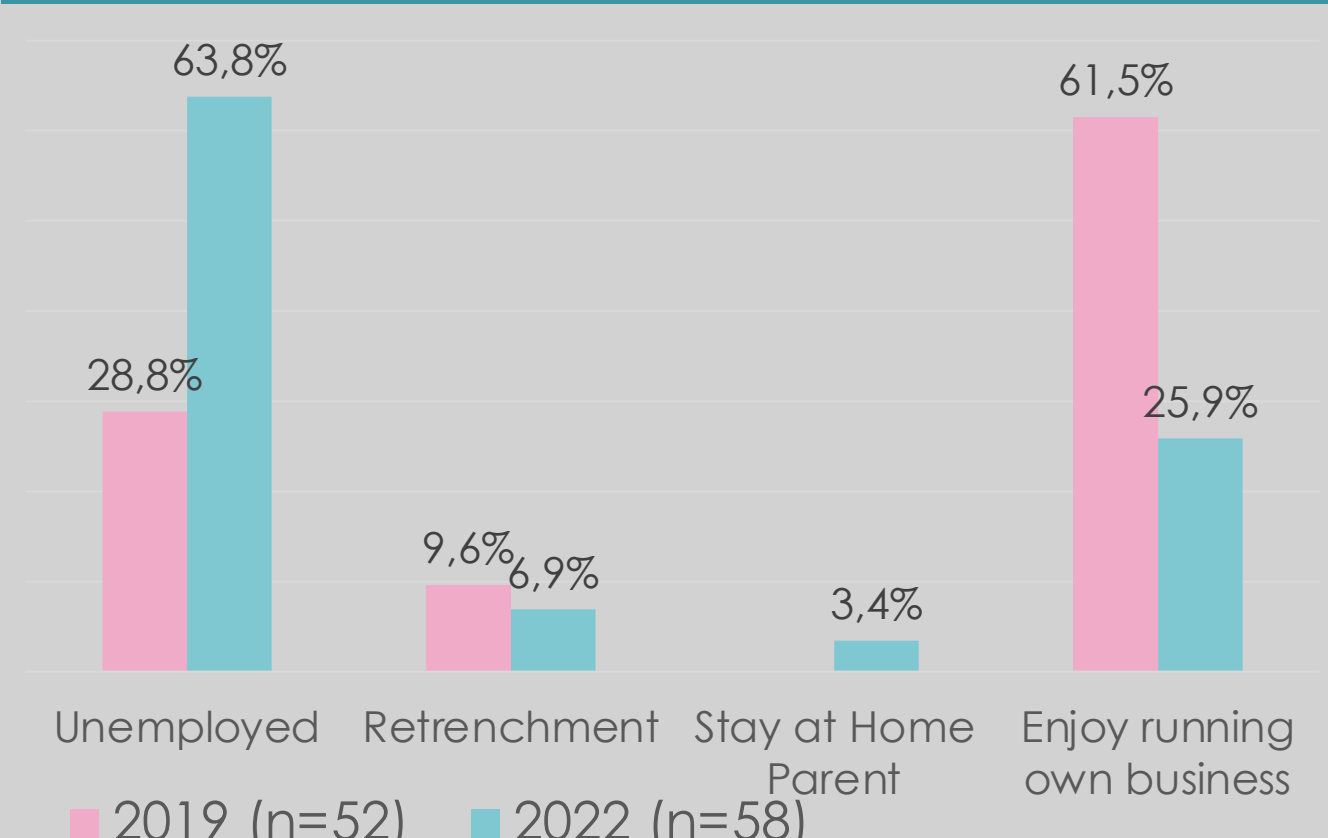
Core Business



Duration of Business

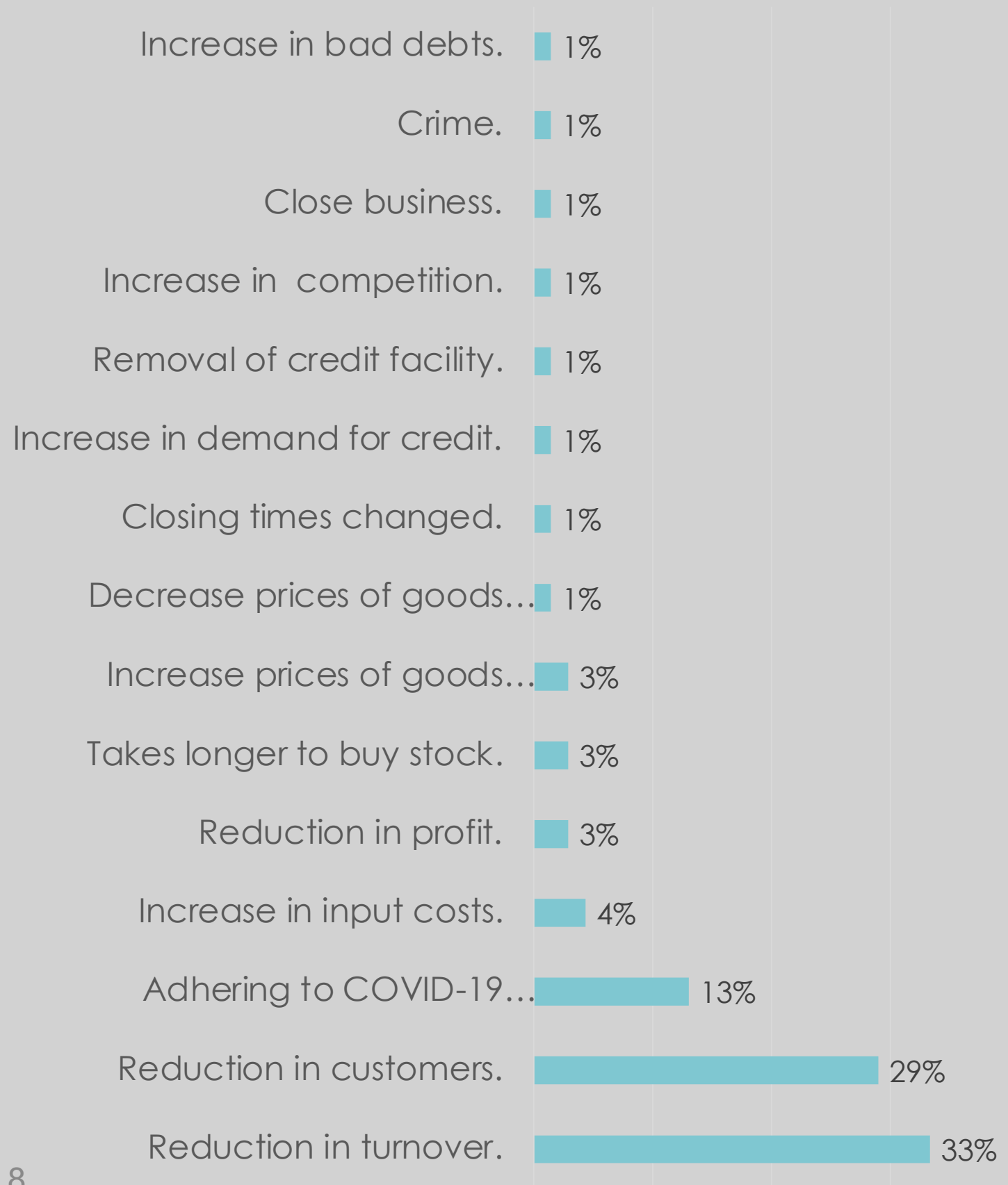


Reasons for Opening their Business



Trader Findings: COVID-19

Effects of COVID-19 on Informal & Small Traders



“COVID has brought nothing but bad news to all businesses. My car wash has been empty ever since COVID (sic) because now most people prefer to wash their own cars.” (Car Wash Trader, 2022)

“It has changed for the worse because many ladies are now getting familiar with doing nails and technology is making things even easy (sic) for homemade nails.” (Nail Bar Trader, 2022)

“It has changed for the better because if it was not for COVID I would have never thought outside of the box. COVID is the reason that I am selling fish. COVID made me learn things about fast food. I was not working before COVID and made a plan during COVID to start my own business. Many people stayed at home, so I just started selling my fish.” (Fish Trader, 2022)

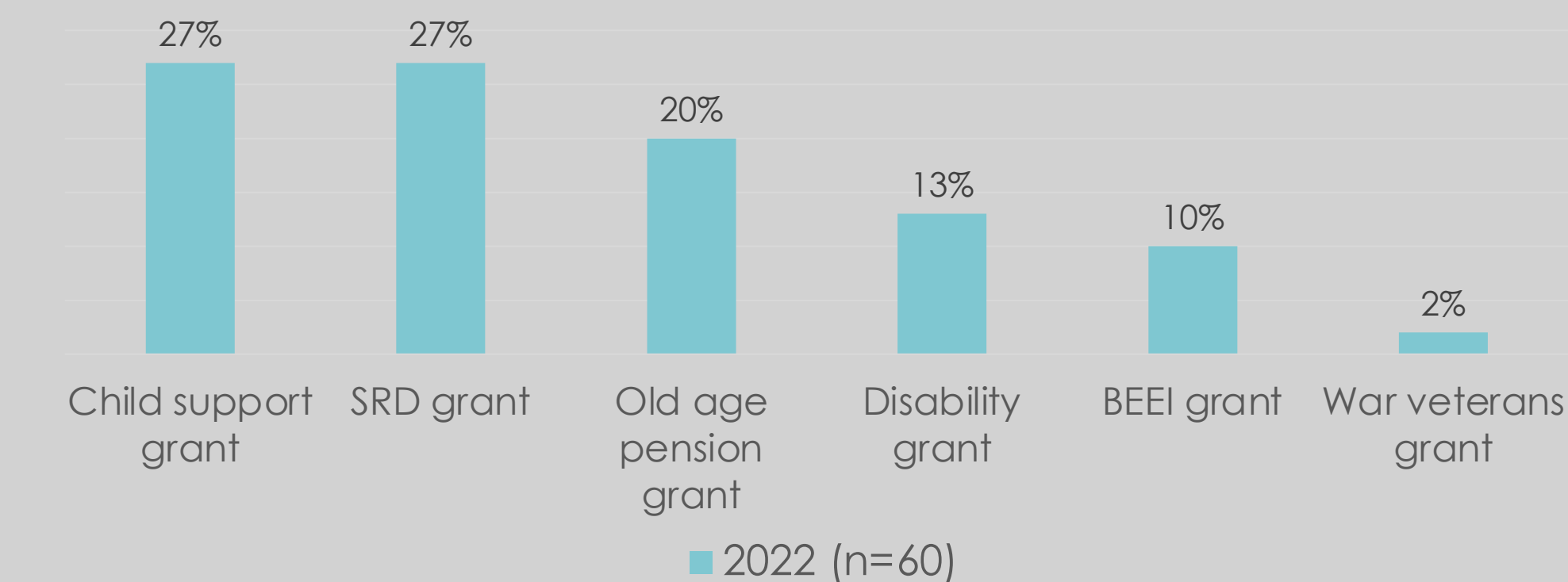
Trader Findings: COVID-19

COVID-19 Impact on Informal & Small Traders Business Operations

COVID-19

- Traders in 2019 worried about **CRIME**
- Traders in 2022 worry about **SURVIVAL**
 - Sustaining their customer base & keeping afloat
 - Fear closing down
- Traders in 2022 note a sharp increase in input costs – impacts...
 - Keep lower stock levels
 - Purchase stock on demand
 - Reduce the variety of goods & services
 - Increase price of goods & services
 - Reduce profit margins
- 46% of traders in 2022 reported that their customers receive government grants

Type of Government Grant Customers Received



“It affected my business in a positive way as they [BEEI participants] became my target market and I gave them credit. I know if they buy they will show others at work - especially teachers and staff.” (Shoe Trader, 2022)

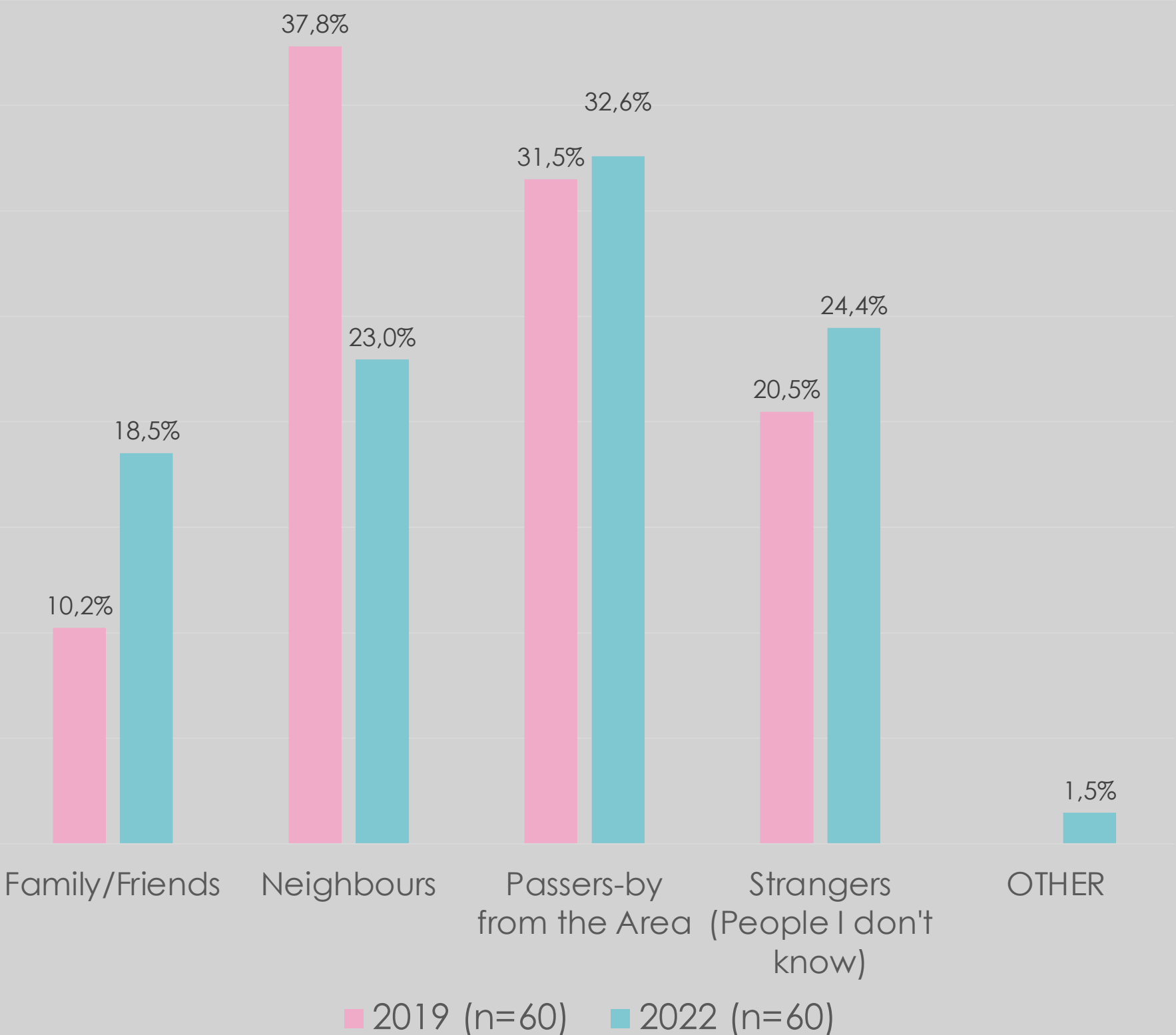
“People who are getting money from government are the most supportive people because they are still maintaining the standard.” (Nail Bar Trader, 2022)

“I am one of the people who was able to start a business and stock out of R350 SRD grant money. If it was not for it I would not have started my business and most people who support my business are the youth.” (Car Wash Trader, 2022)

Trader Findings: Operations

Shifts in Informal & Small Traders Business Operations

Customer Profile



Enablers

- Traders in 2019 strived to **NURTURE TRUST** in their respective communities
- Traders in 2022 ranked having **BANKABLE, LOYAL CUSTOMERS**

Goods & Services

- Traders in 2022 were offering **DIVERSE GOODS & SERVICES** compared to mainly grocers in 2019
- Traders in 2022 listed 237 unique items when reporting on their most popular stock items
 - This represent an increase of 177% (from 134) from 2019

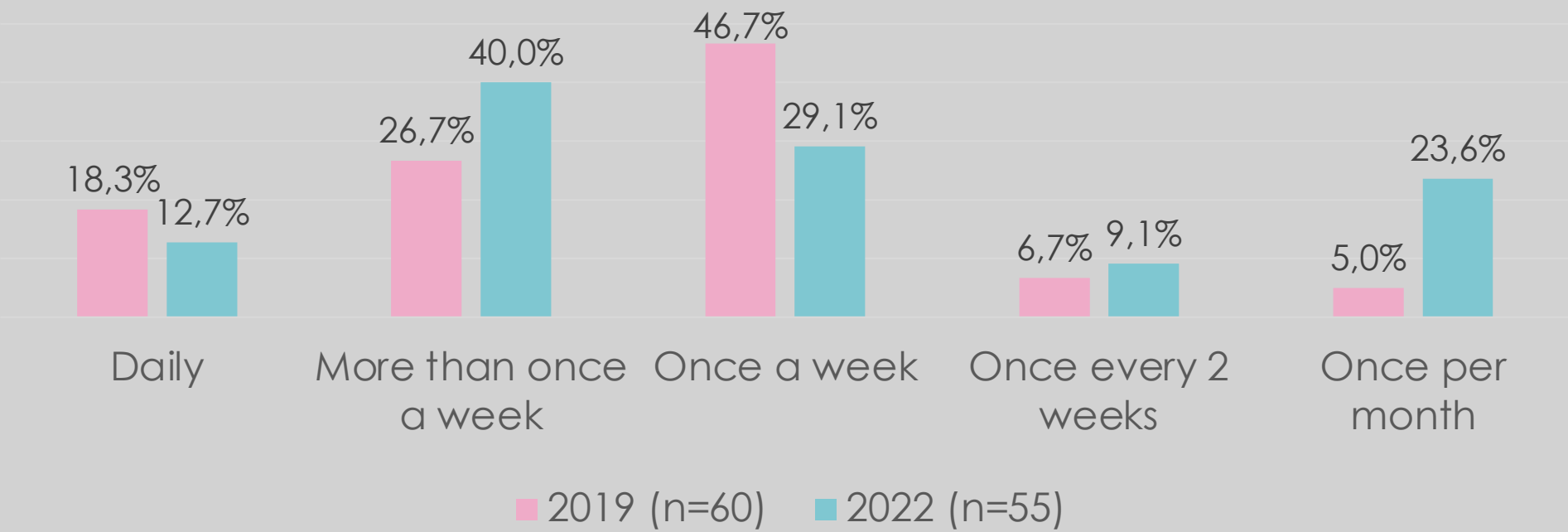
Suppliers

- In 2022, cumulatively the top suppliers represent 58 unique businesses compared to 49 in the 2019 study
- **2019 & 2022: WHOLESALERS ARE THE MAIN SUPPLIERS** to Informal & Small traders
- Sharp decline in group buying from 24% in 2019 to 10% in 2022

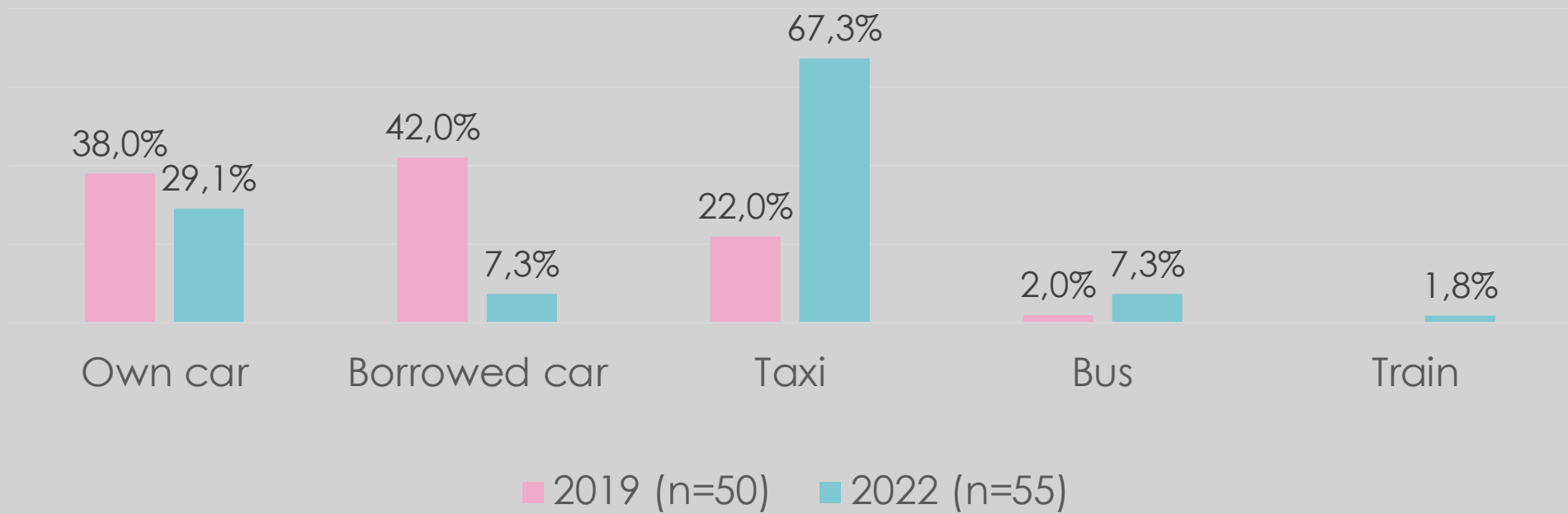
Trader Findings: Buying Stock

Shifts in Informal & Small Traders PURCHASING BEHAVIOUR

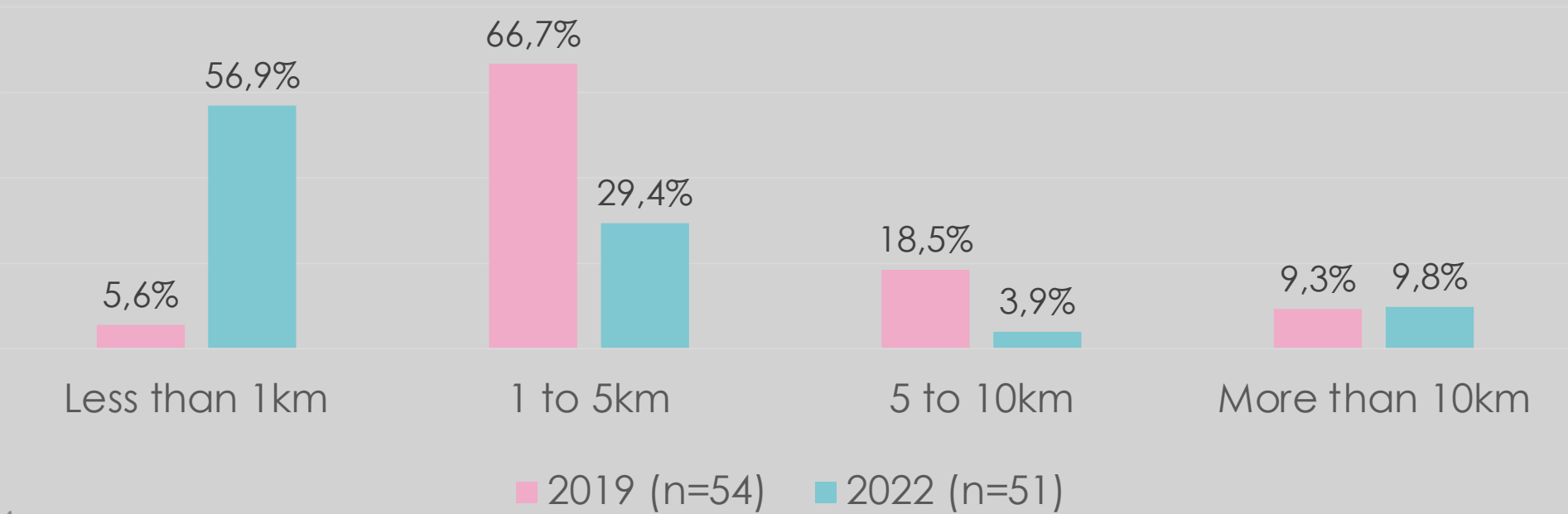
Frequency



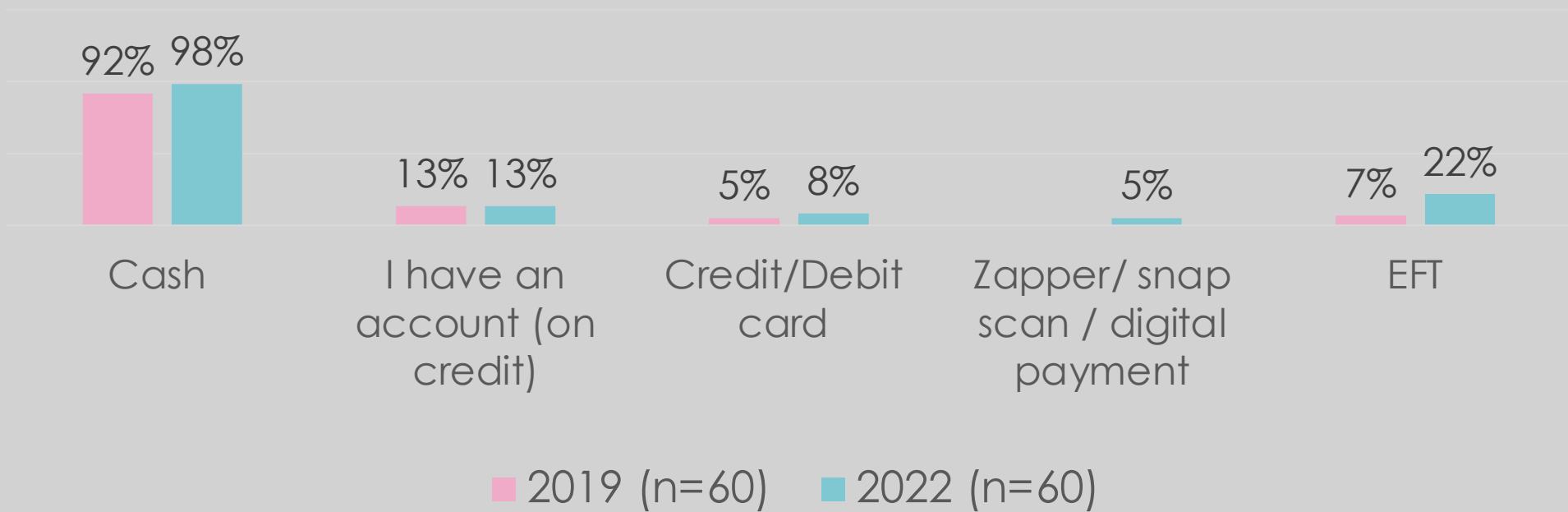
Travel Means to Suppliers



Distance from Business

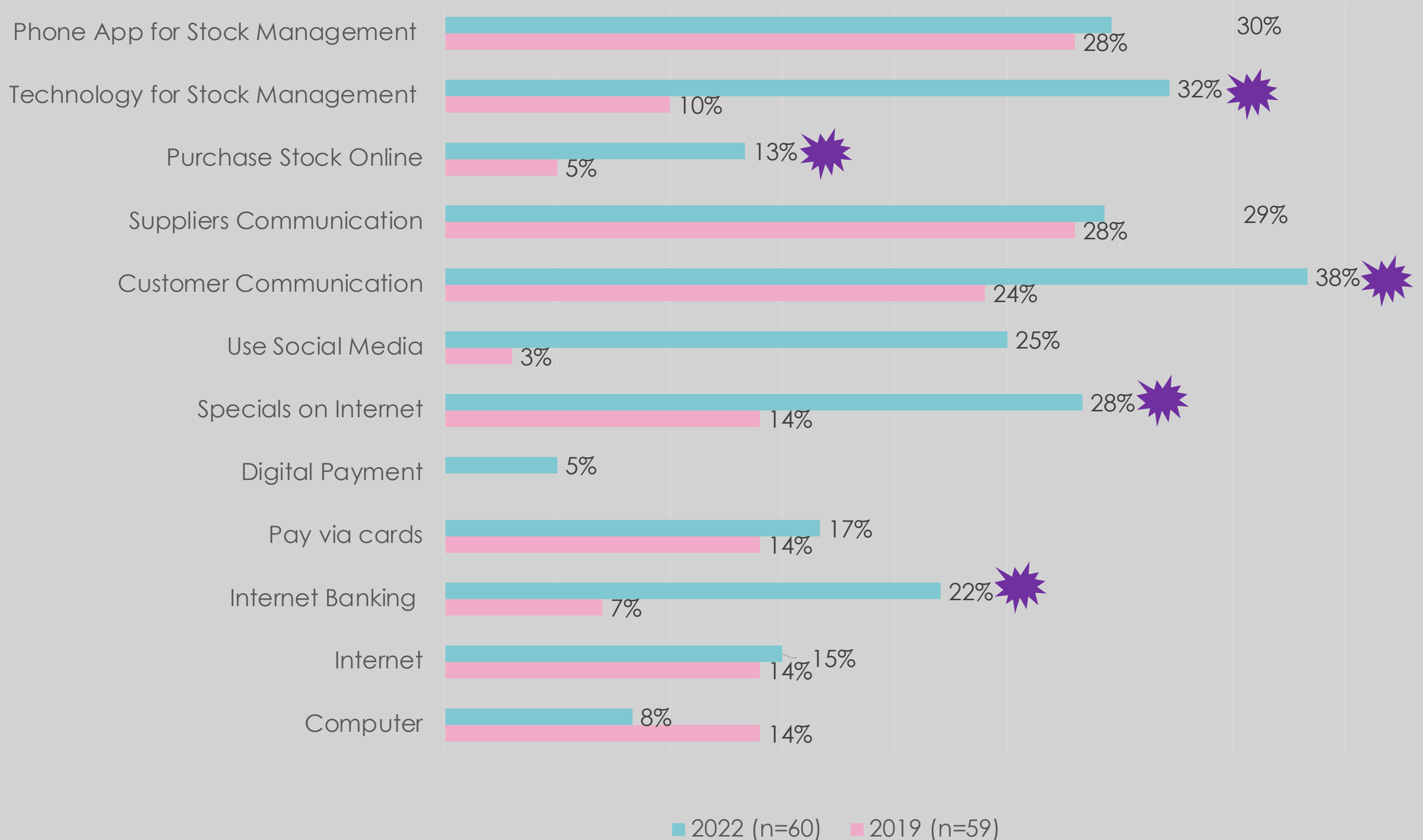


Payment Methods



Trader Findings: Technology

Shifts in Informal & Small Traders Technology Use



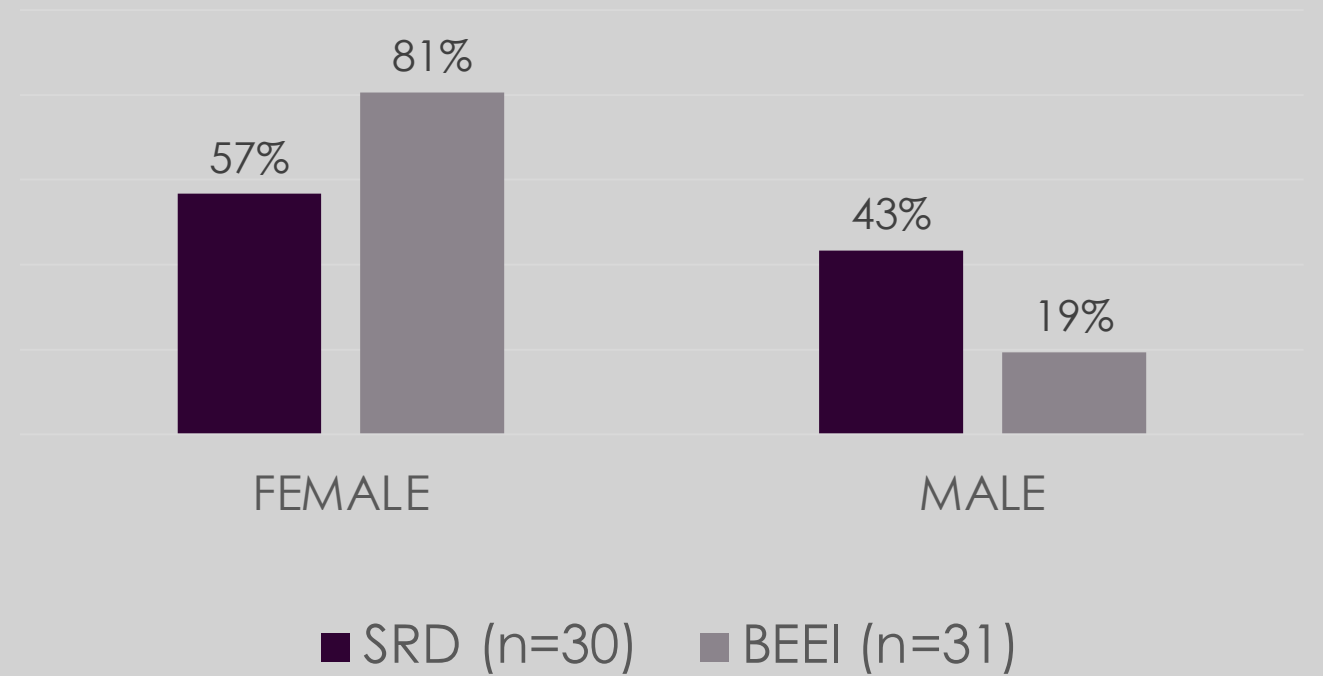
Prevalence of technology usage increased significantly from 2019 to 2022

Findings: SRD grant recipients & BEEI participants

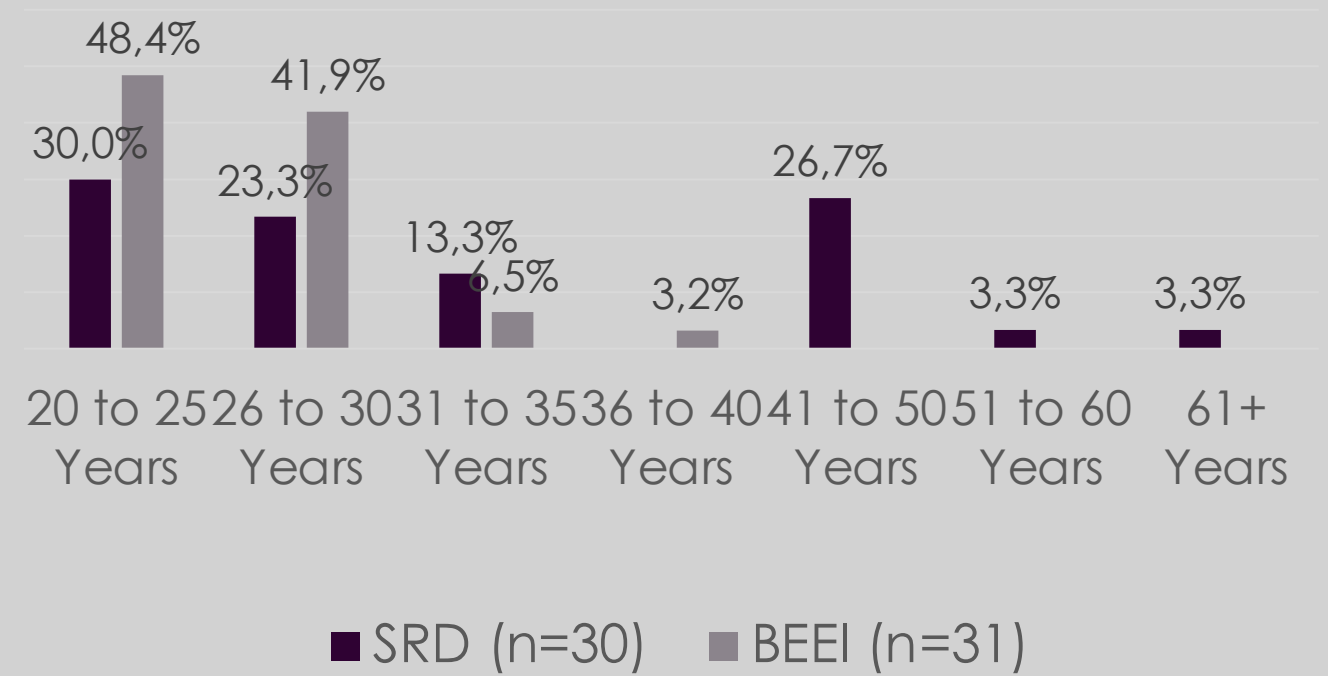


SRD Grant Recipients' & BEEI Participants' Profile

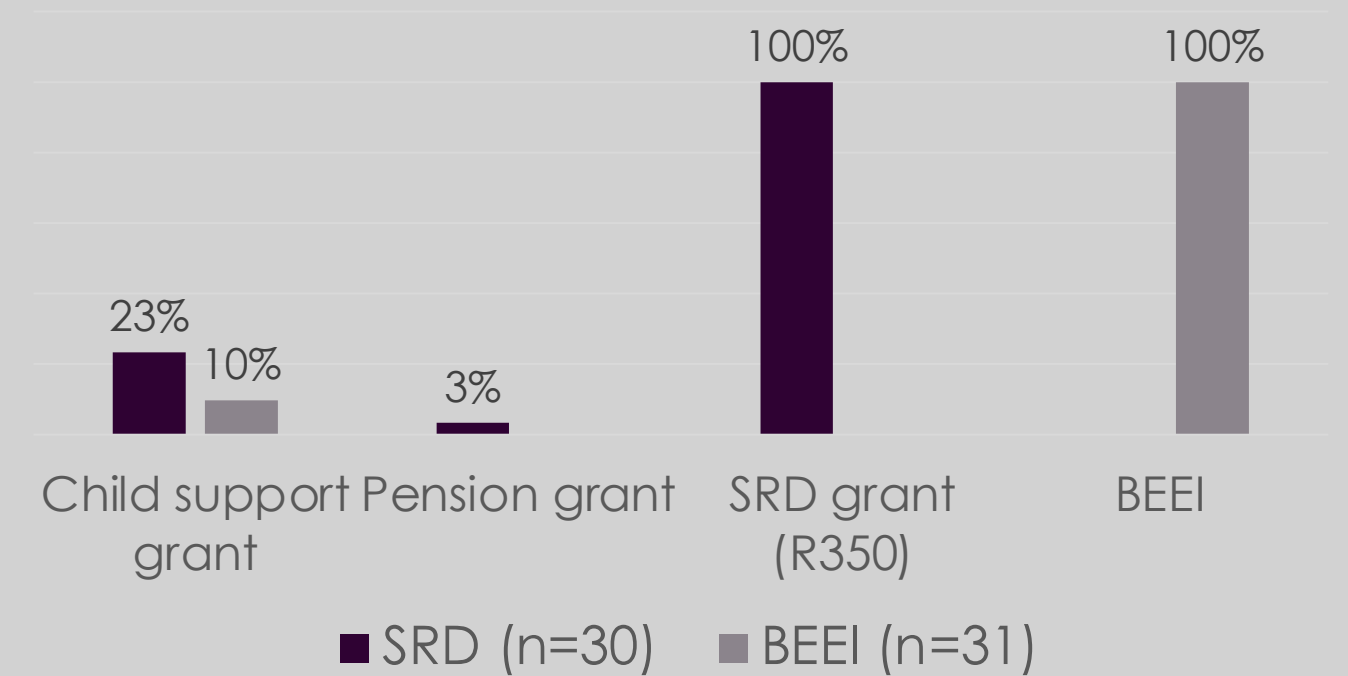
Sex



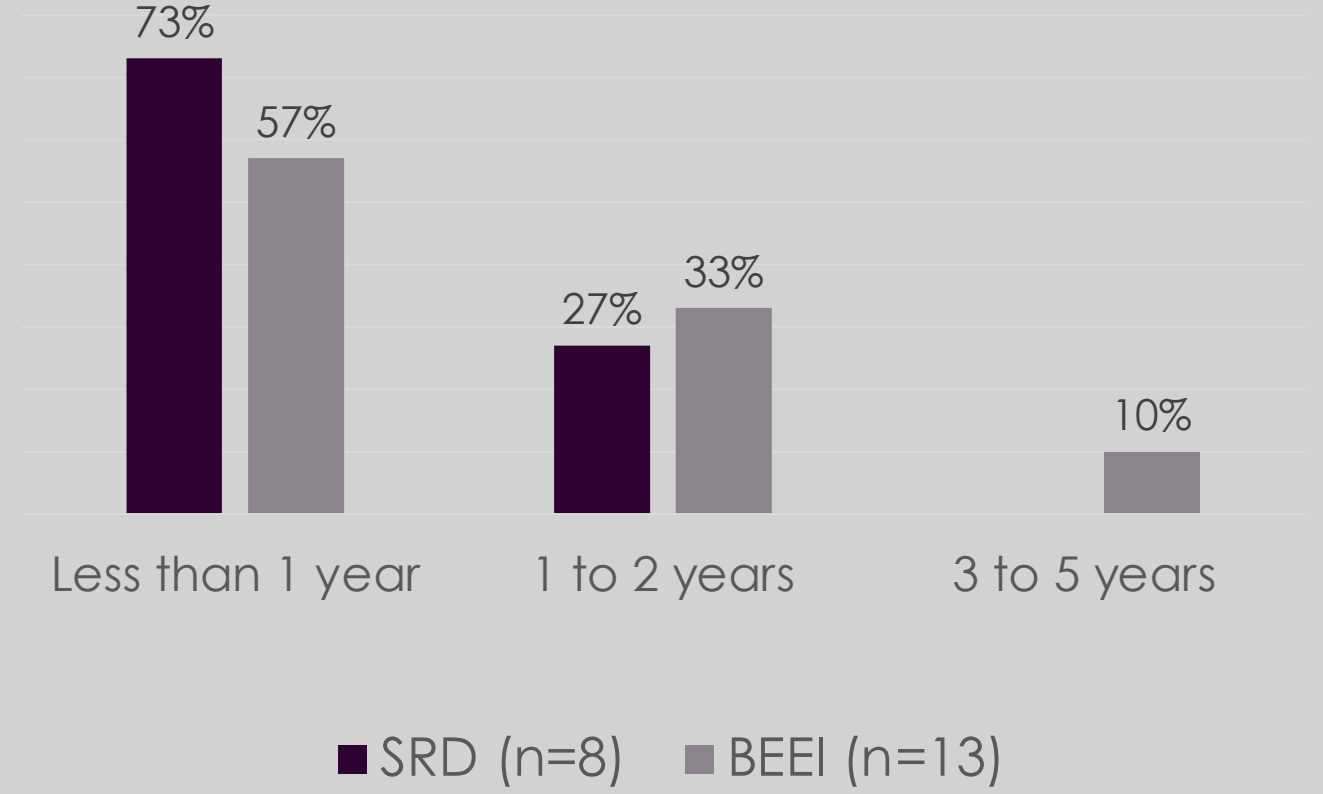
Age



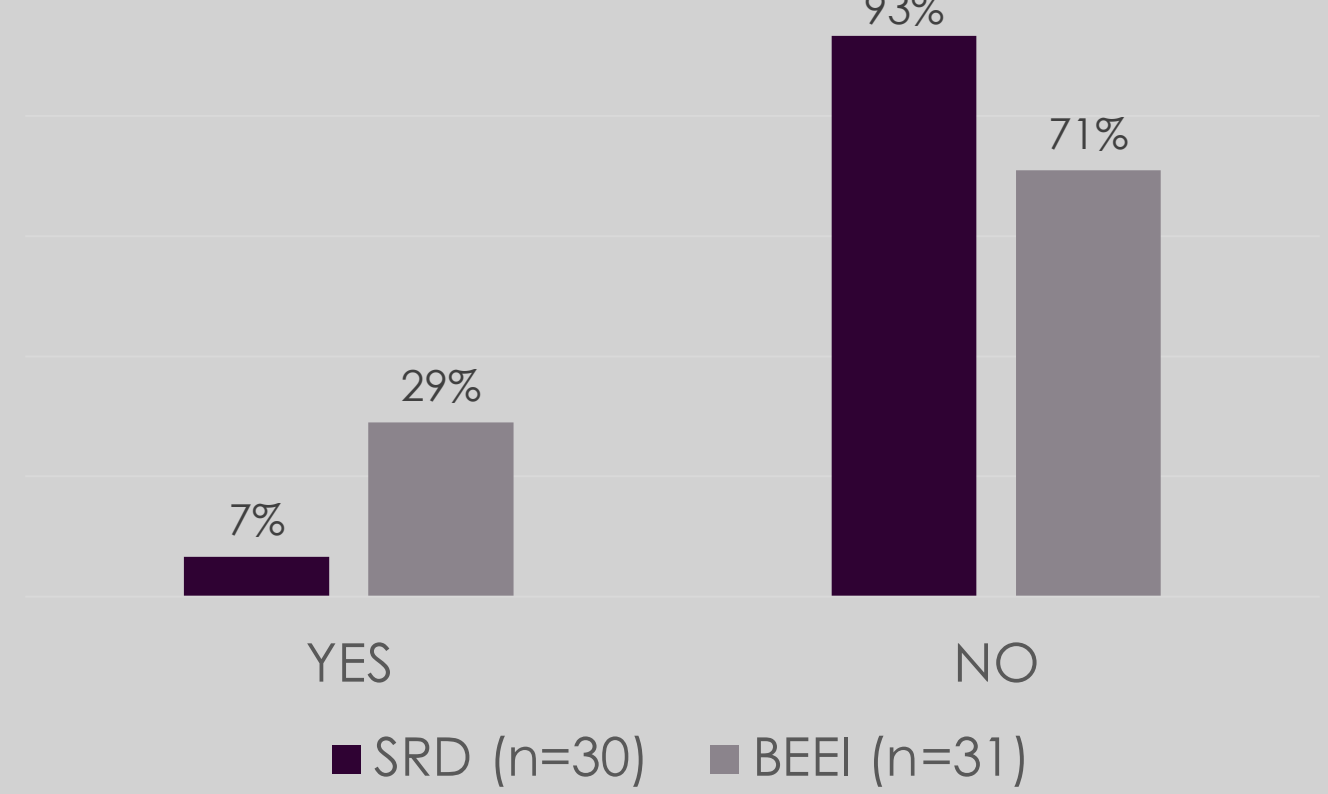
Grants



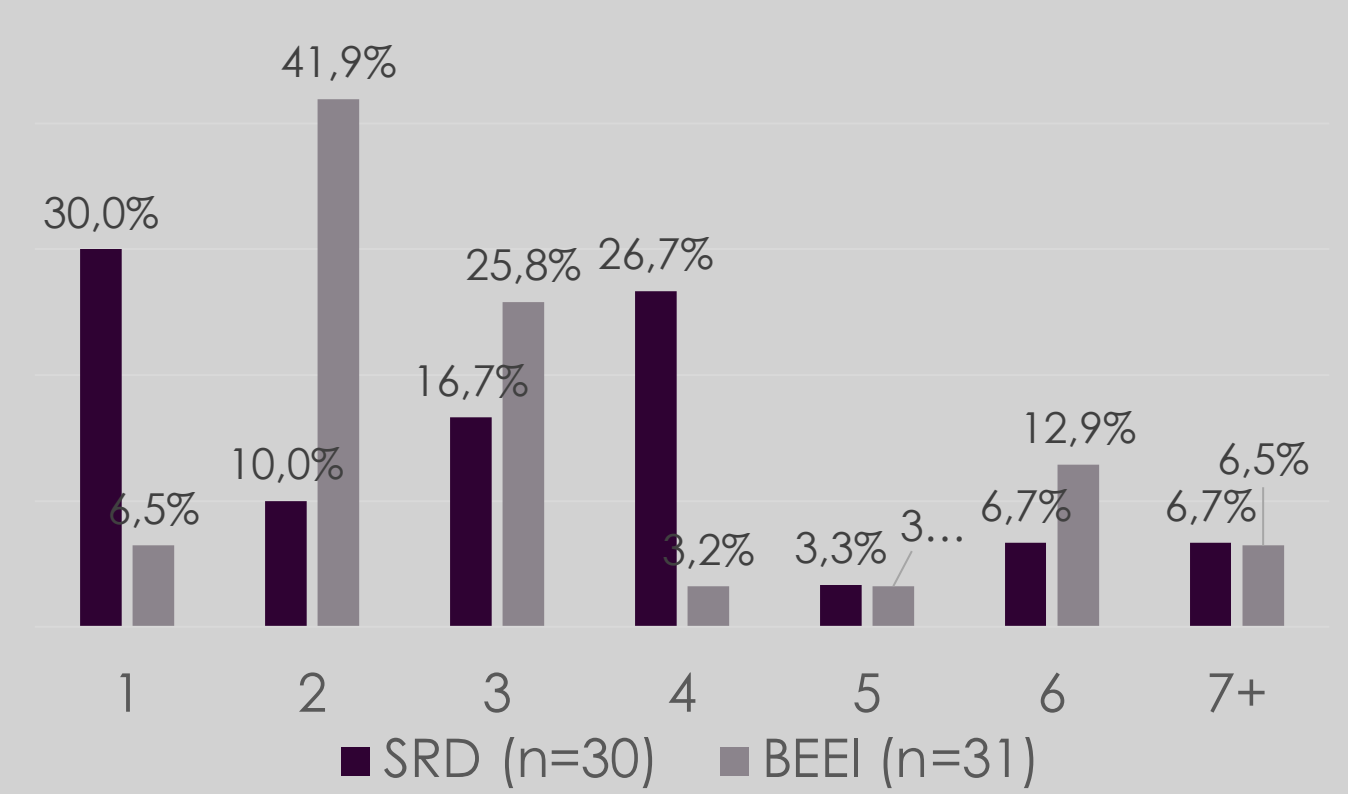
Grant Duration



Other Income



Dependents



Grant Recipient Findings: COVID & Purchasing

SRD Grant Recipients & BEEI Participants Perceptions About the COVID-19 Relief & Purchasing

SRD Grant Recipients

- **Sole income**

"Since the grant I had something in hand to support my children. It relieved our starvation." (SRD Grant Recipient)

BEEI Participants

- **It changed lives! Independence!**

"Things are much easier now and I am able to improve my life." (BEEI Participant)

"Now I can manage myself." (BEEI Participant)

COVID-19 Effects on Purchasing

- **Sharp increase in prices**
- **Long queues because stores had retrenched staff**
- **Closure of local stores resulting in scarcity of goods**

Goods & Services Procured

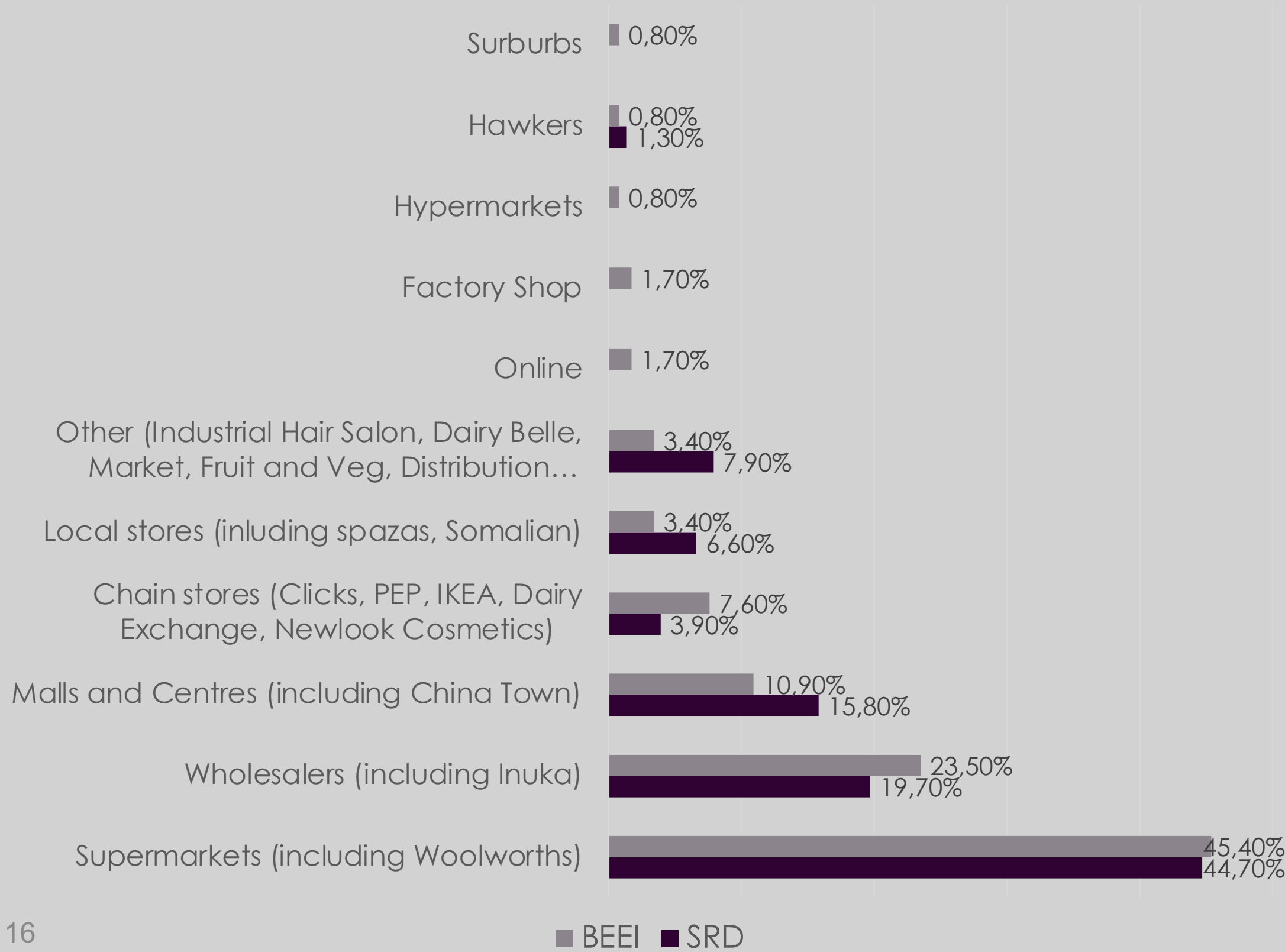
- **BEEI participants list cumulatively 253 unique goods & services**
- **SRD grant recipients listed 151 unique goods & services**
- **Most listed categories...**
 - Food
 - Household Energy
 - Toiletries
 - Apparel
 - Detergents
 - Airtime/data
- **BEEI participants purchase a bigger variety of non-perishable groceries, such as pasta, peanut butter, biscuits, etc.**
- **Perishable foods are more frequently bought**
- **Coldrinks are bought frequently although not mentioned in monthly purchases**

- Respondents did not list alcohol purchases as part of their regular goods bought
- Only one respondent listed cigarettes
- Two traders in the study, who sold alcohol, report that several of their customers receive government grants. One of the alcohol traders specifically report that his customers received the SRD grant & participated in the BEEI

Grant Recipient Findings: Suppliers

SRD Grant Recipients & BEEI Participants Suppliers

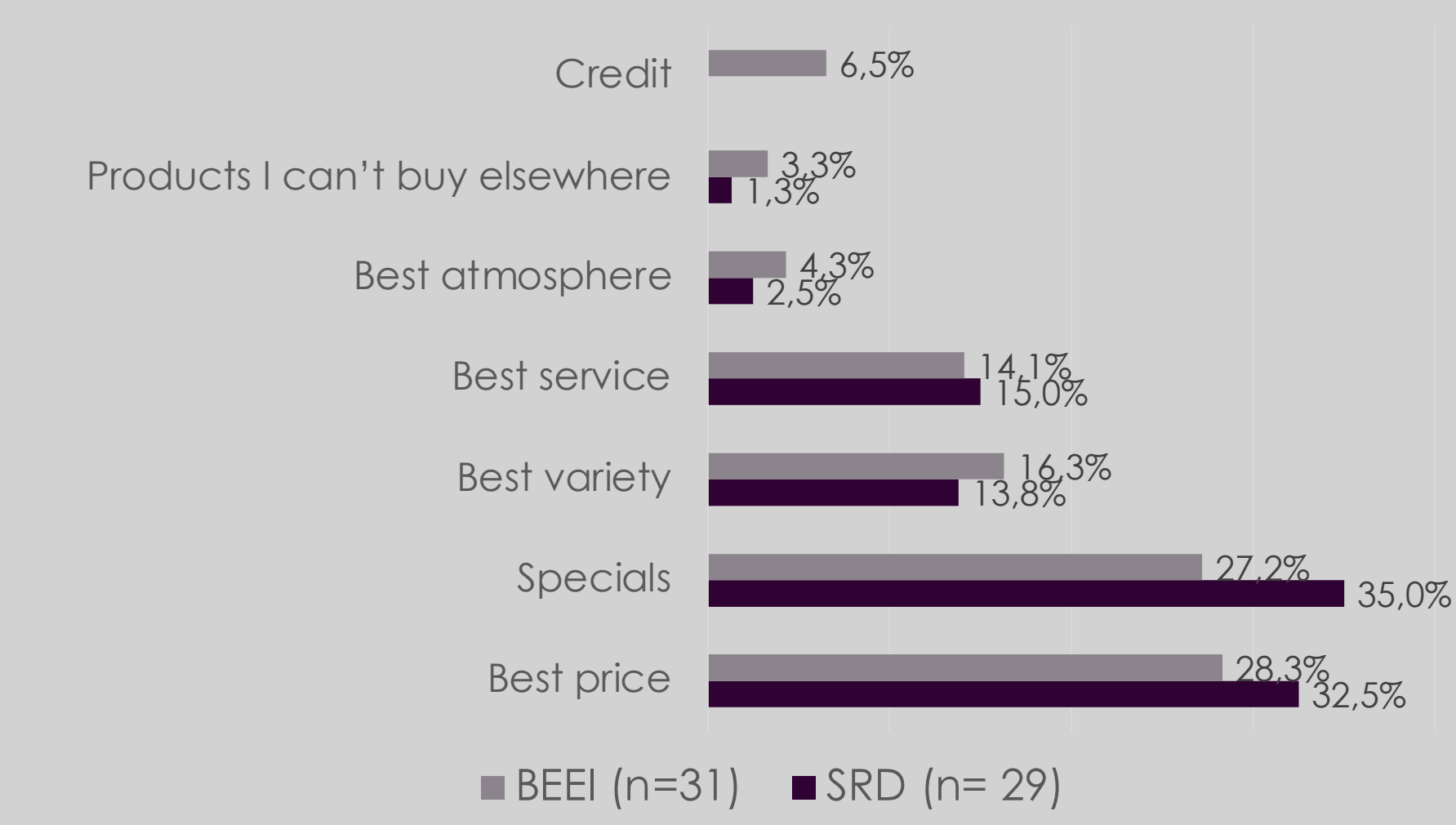
Stores supported



Suppliers

- **42 unique suppliers including informal traders**
 - SRD grant recipients shop at 26 different stores
 - BEEI participants shop at 33 different stores

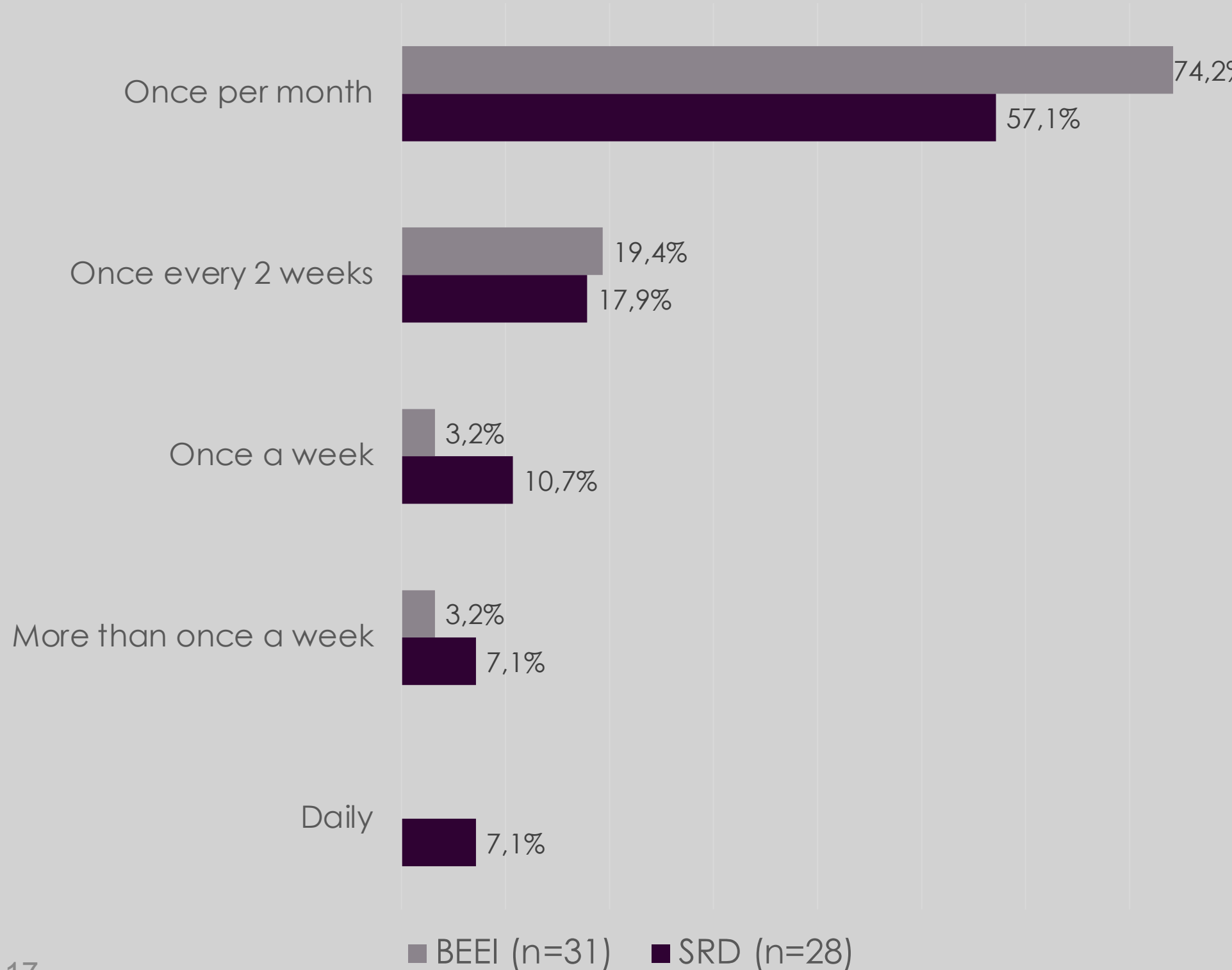
Supplier Characteristics



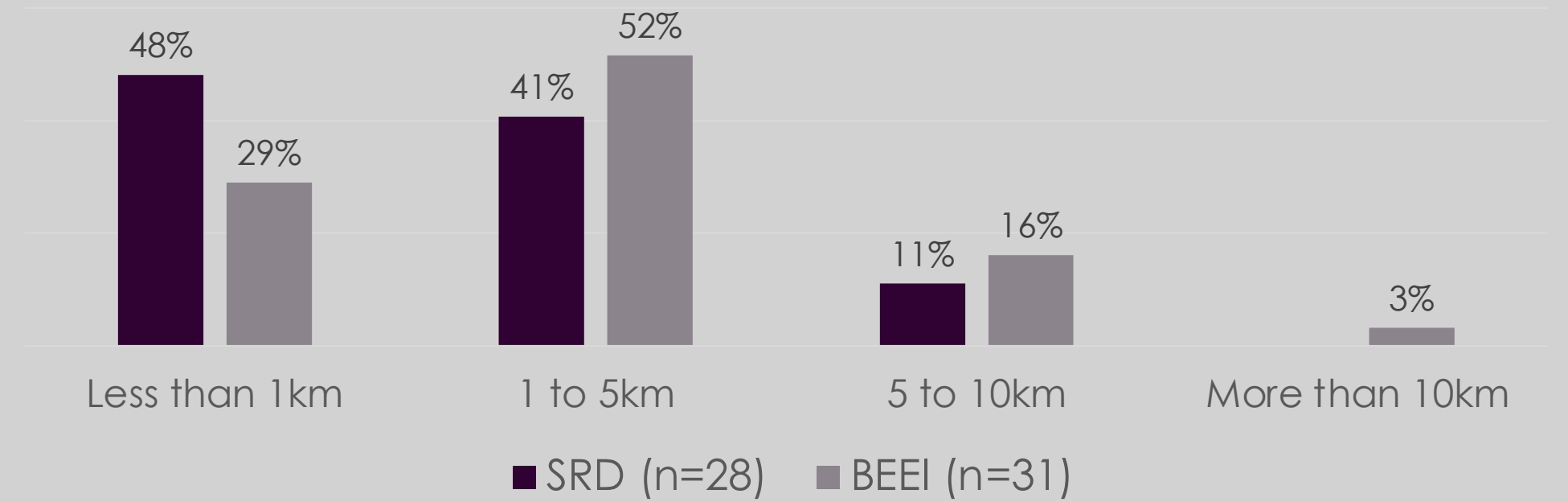
Grant Recipient Findings: Purchasing Behaviour

SRD Grant Recipients & BEEI Participants Purchasing Behaviour

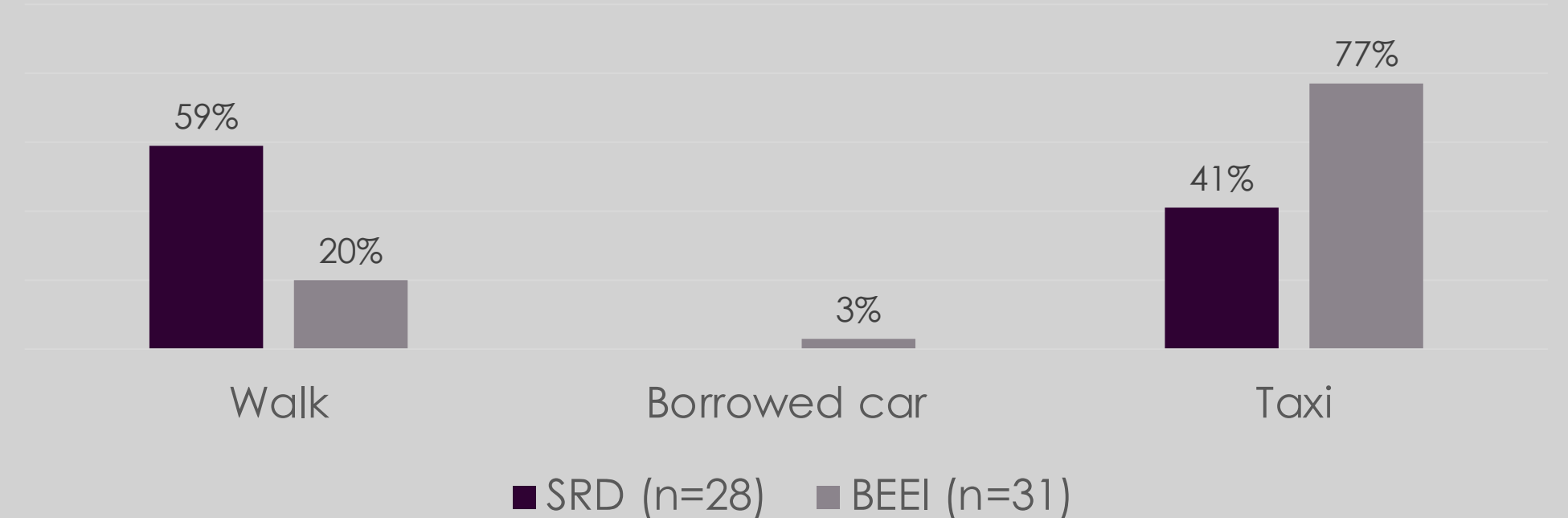
Frequency



Distance



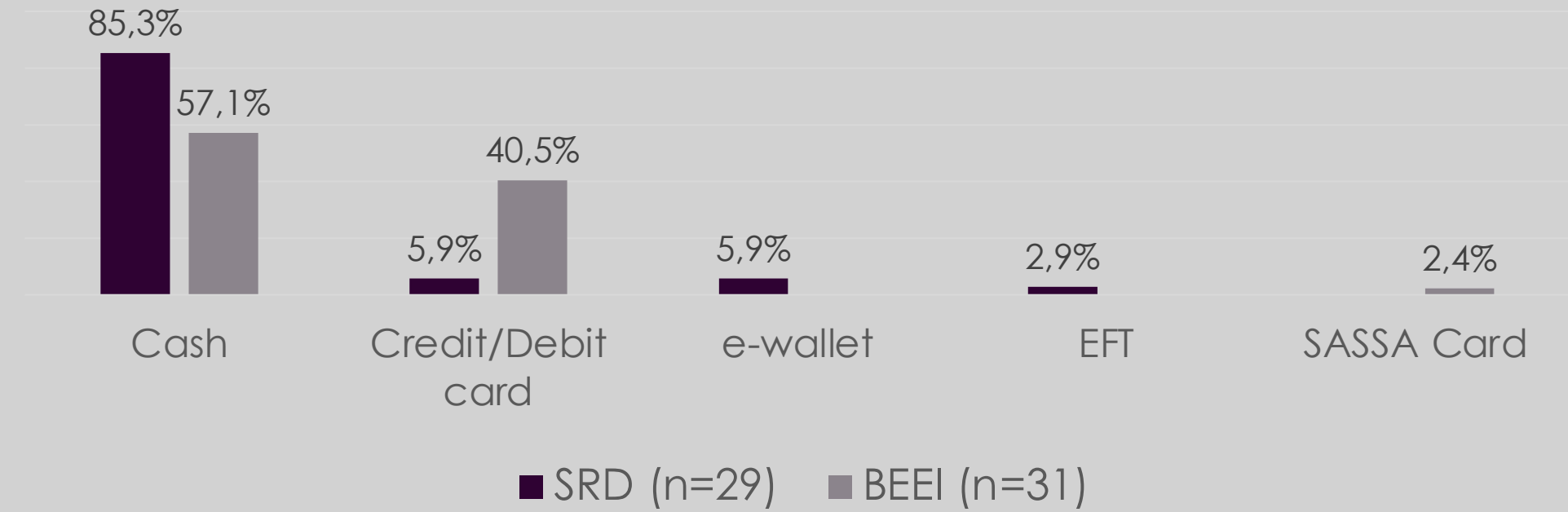
Transport



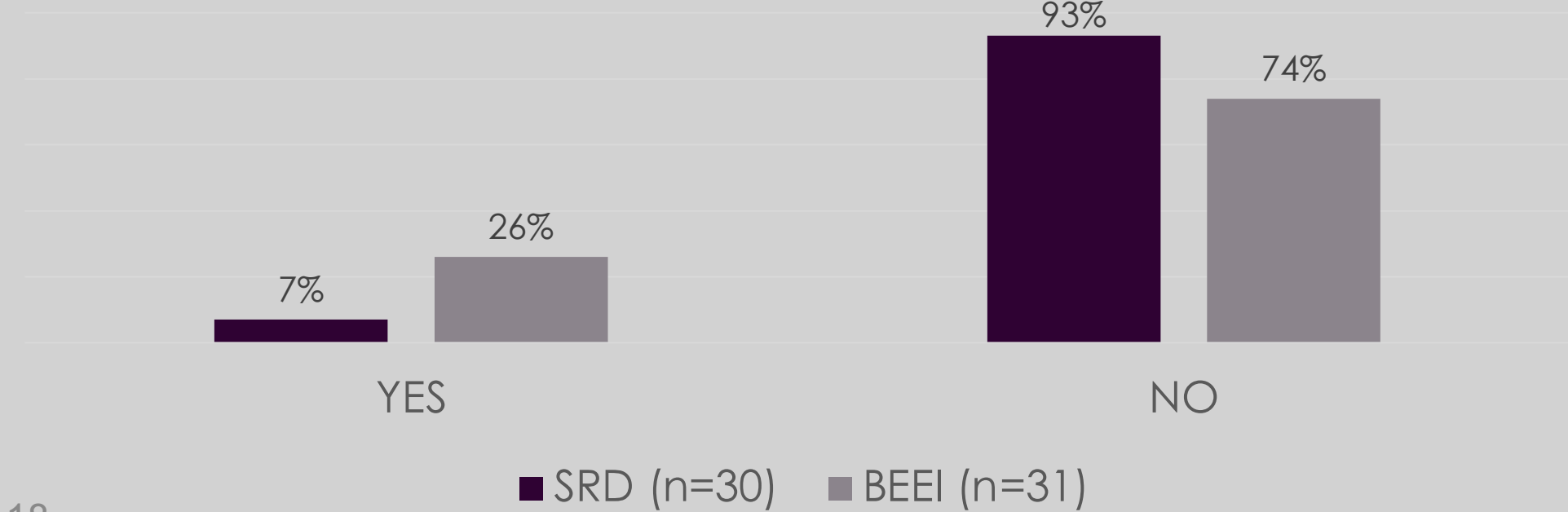
Grant Recipient Findings: Payment

SRD Grant Recipients & BEEI Participants Payment Methods

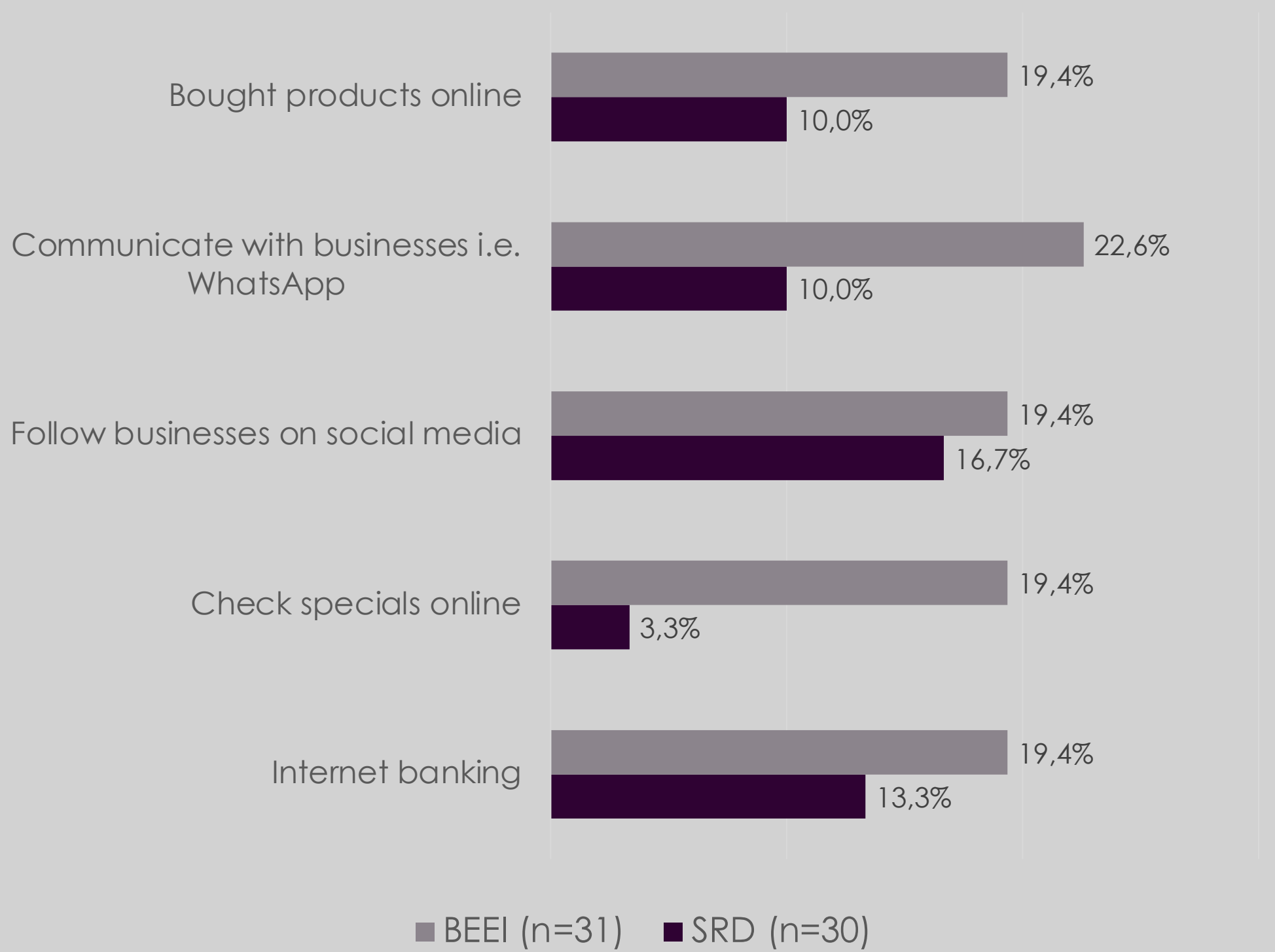
Payment



Credit



Technology



Conclusion



Conclusion

- **Vibrancy of the area & the value chain that it contributes to**
 - Diversity of goods & services purchased by informal/small traders
 - Wide range of suppliers supported
 - **COVID-19 negatively impacted variety of goods & services offered and stock on hand**
 - **Having 'no customers' followed by crime = biggest risks traders face in 2022**
 - Top ranked in 2019 = Crime
 - **While 'cash is king', it appears that the use of technology for transactional purposes is increasing**
 - More traders in 2022 use technology to buy & sell as compared to 2019
 - Roughly 2/5 BEEI participants and 1/10 SRD grant recipients use technology for transactional purposes
- **Traders tend to procure inputs from wholesalers**
 - **SRD grant recipients & BEEI participants mostly purchase from supermarkets followed by wholesalers**
 - **All the respondents are PRICE SENSITIVE**
 - **They also value good customer services, variety of products & quality of goods/services**
 - **Most of the items purchased by both groups are food-related followed by toiletries, detergents & household energy**

THE STUDY CONCLUDES THAT THE SRD GRANT & THE BEEI POSITIVELY IMPACT THE LARGER SUPERMARKETS & WHOLESALERS WHILE ALSO SUPPORTING SOME LOCAL/INFORMAL BUSINESSES

Thank You



infusion.

Beyond the obvious.

Contact Melani@in-fusion.co.za

Appendices



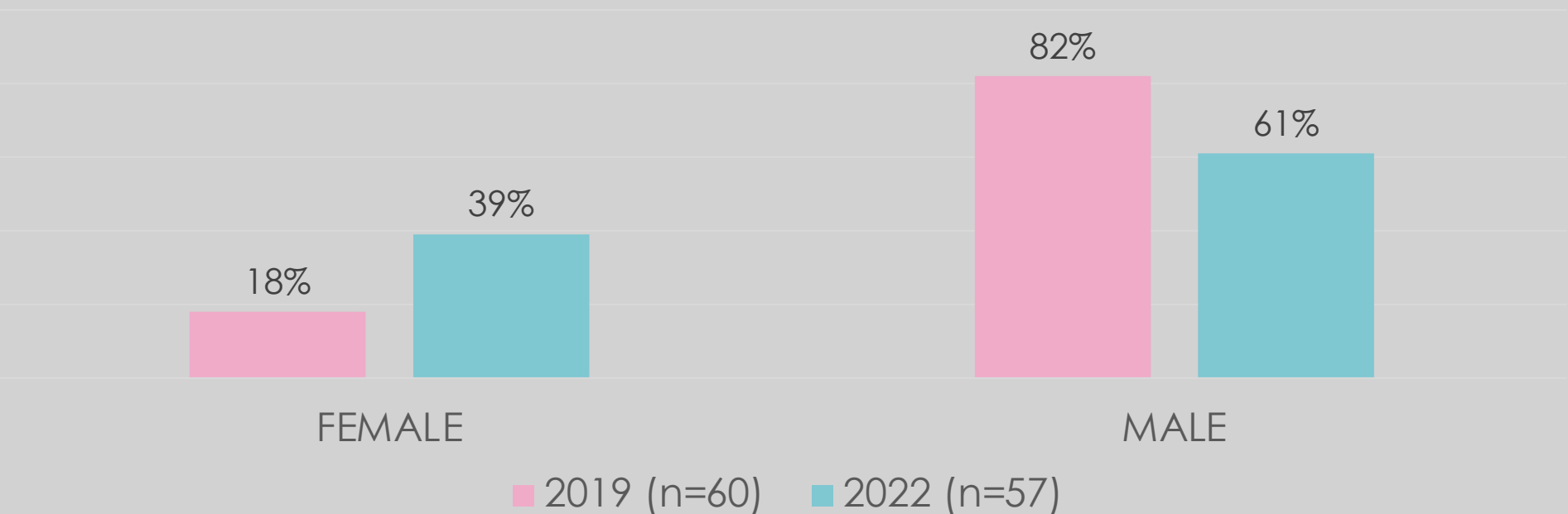
infusion.

Beyond the obvious.

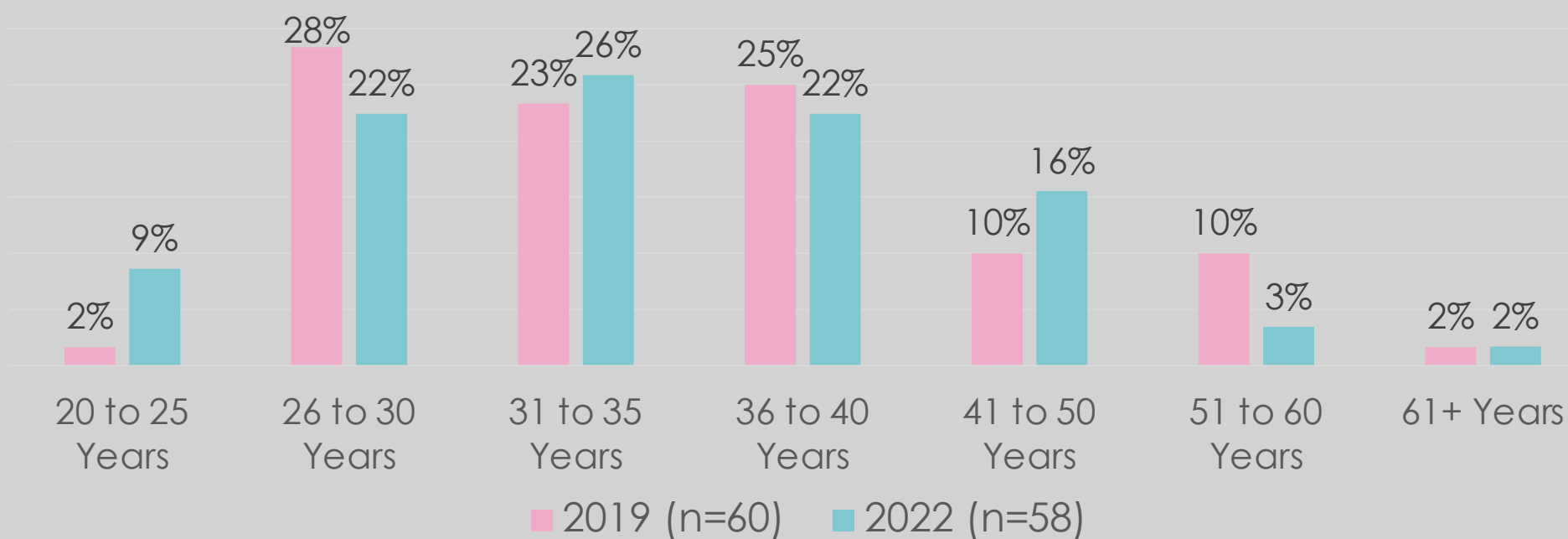
Findings

Profile of Informal & Small Traders

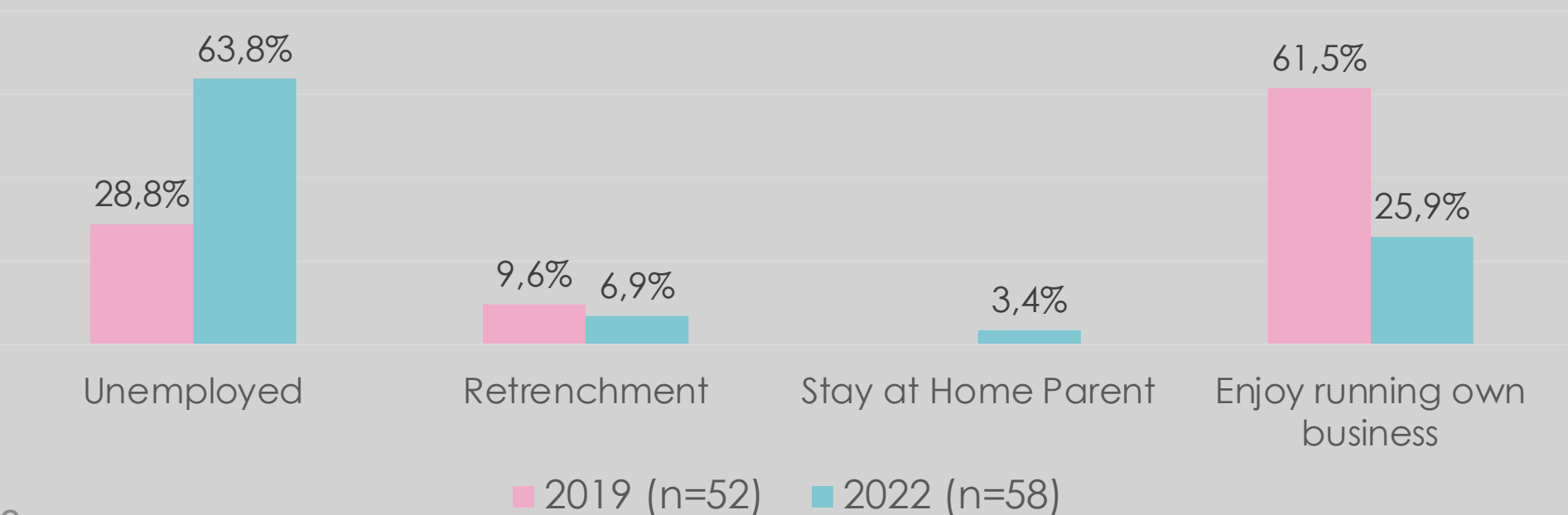
Gender



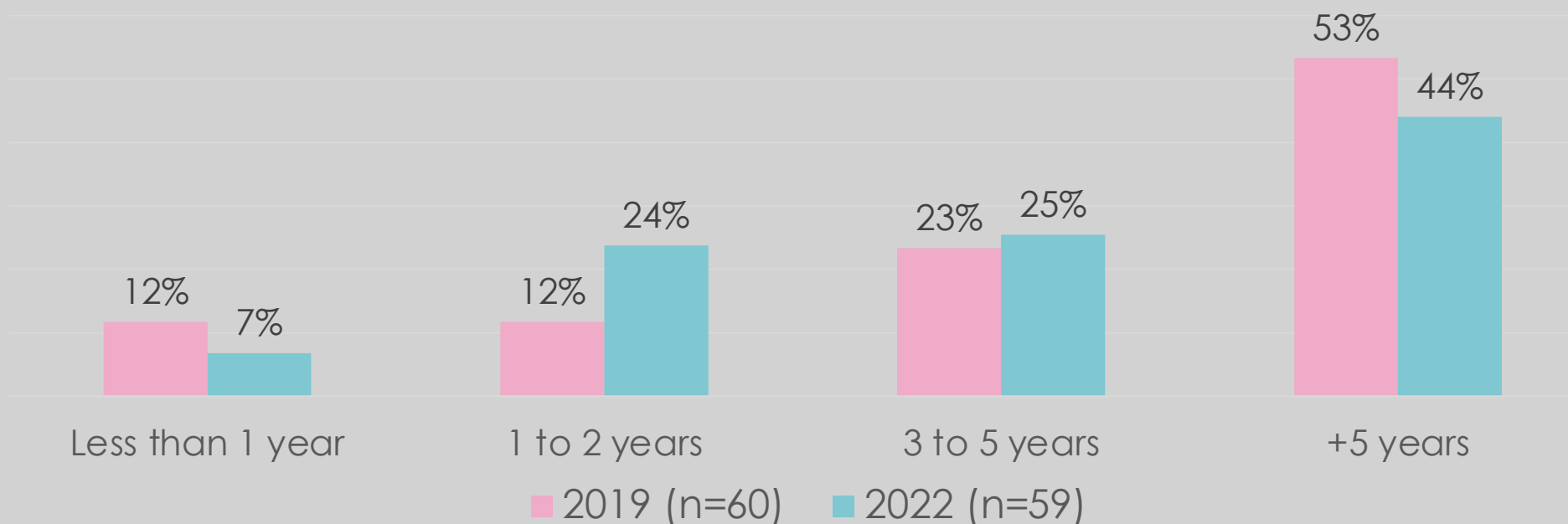
Age



Reasons for Starting their Business



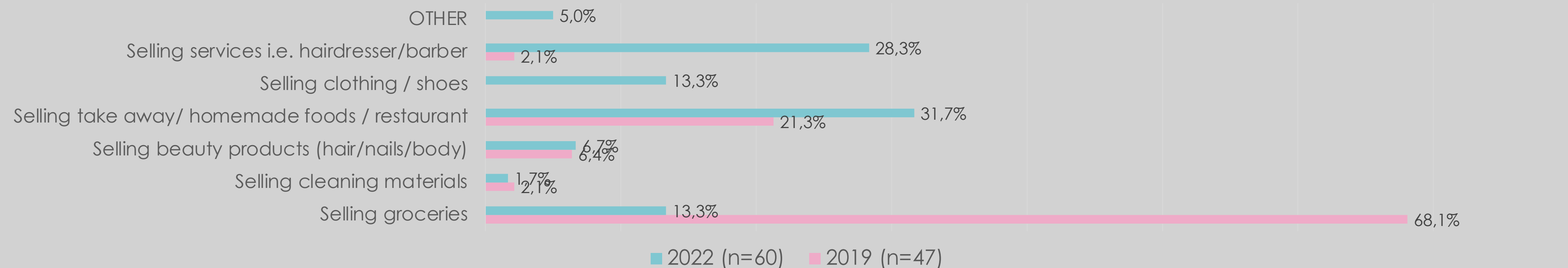
Duration of Business



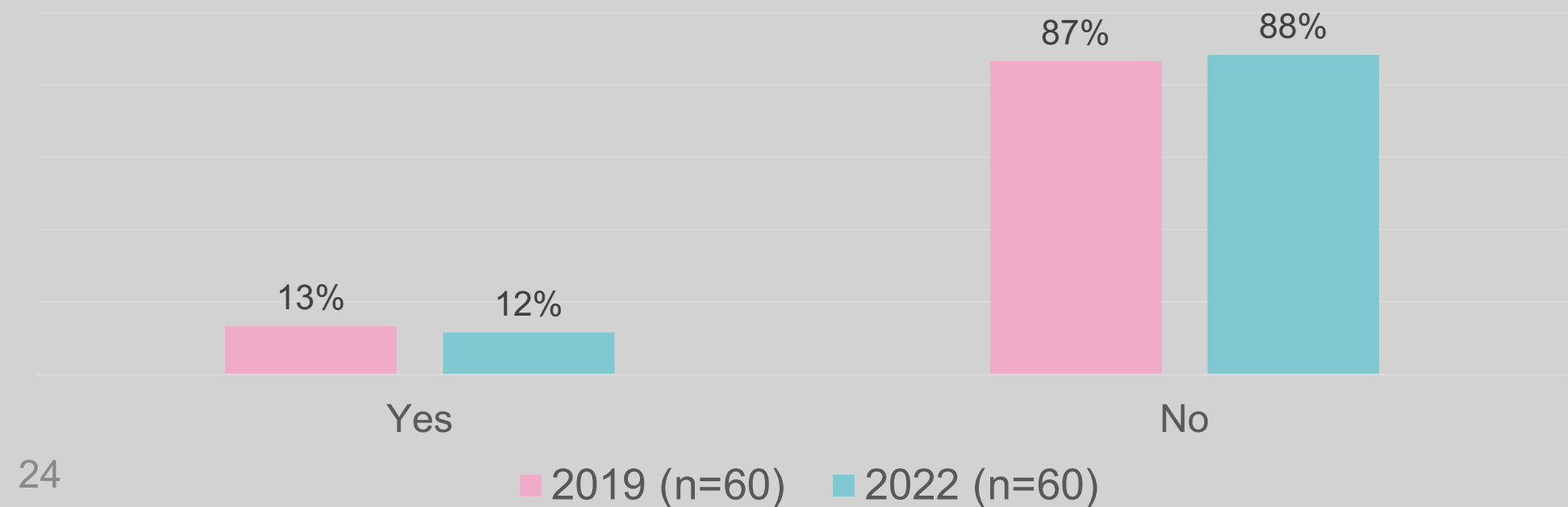
Findings

Profile of Informal & Small Traders

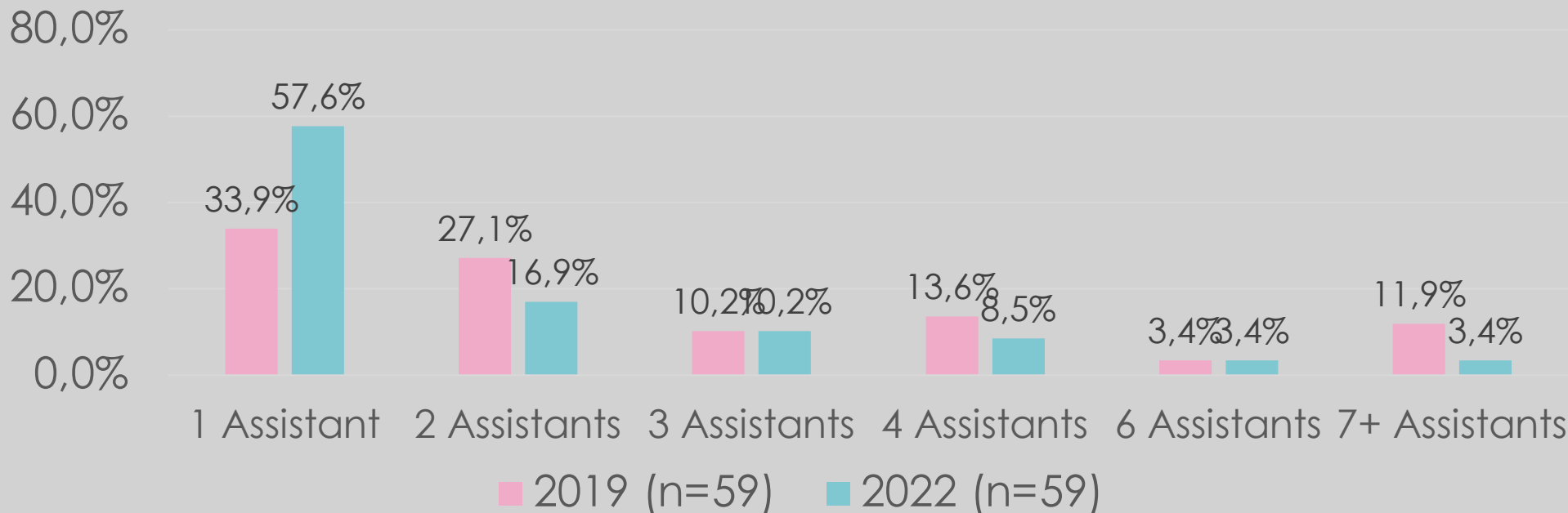
Core Business



Operating a Second Business

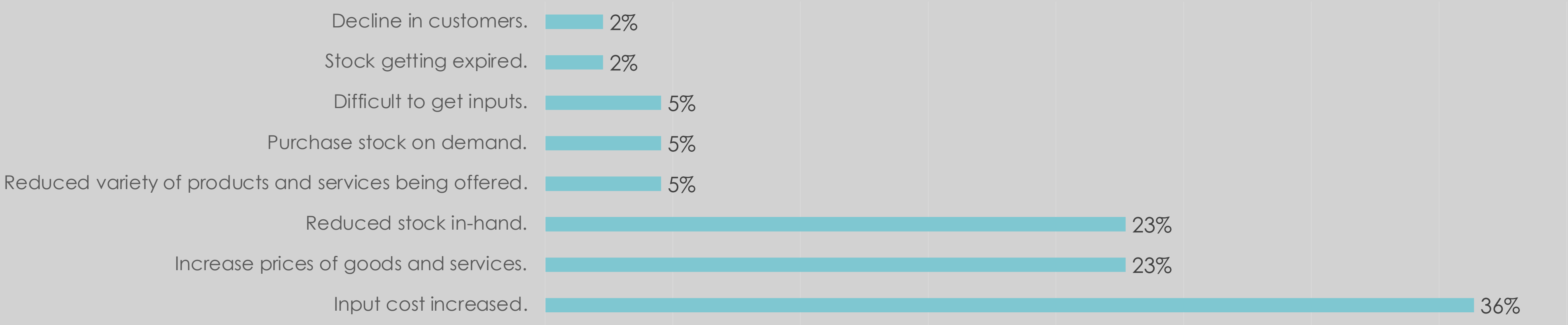


Number of Assistants



Findings

Effects of COVID-19 on Goods and Services Offered



“I only buy few products and mostly am (sic) just braaiing the chicken feet which makes me not use costly things.” (Shisanyama Trader, 2022)

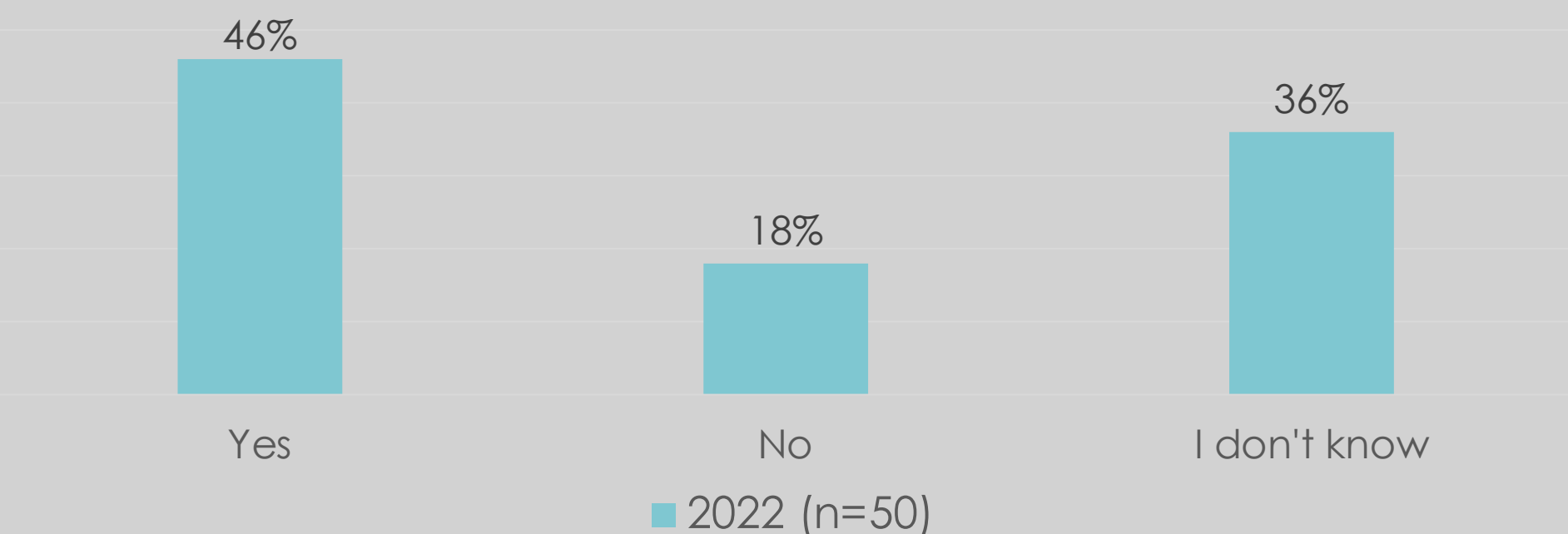
“Fabrics are way too expensive which makes me not to just design what’s on my mind because I know it will stay in my shop longer. Not because it is not good but it’s because of the change in price.” (Tailor, 2022)

“Since I am a foreigner in South Africa from Lesotho, the people from Lesotho go together when buying stock. We hire a bakkie from one of us and we select two people to go. In this way the price is still the same.” (Grocer, 2022)

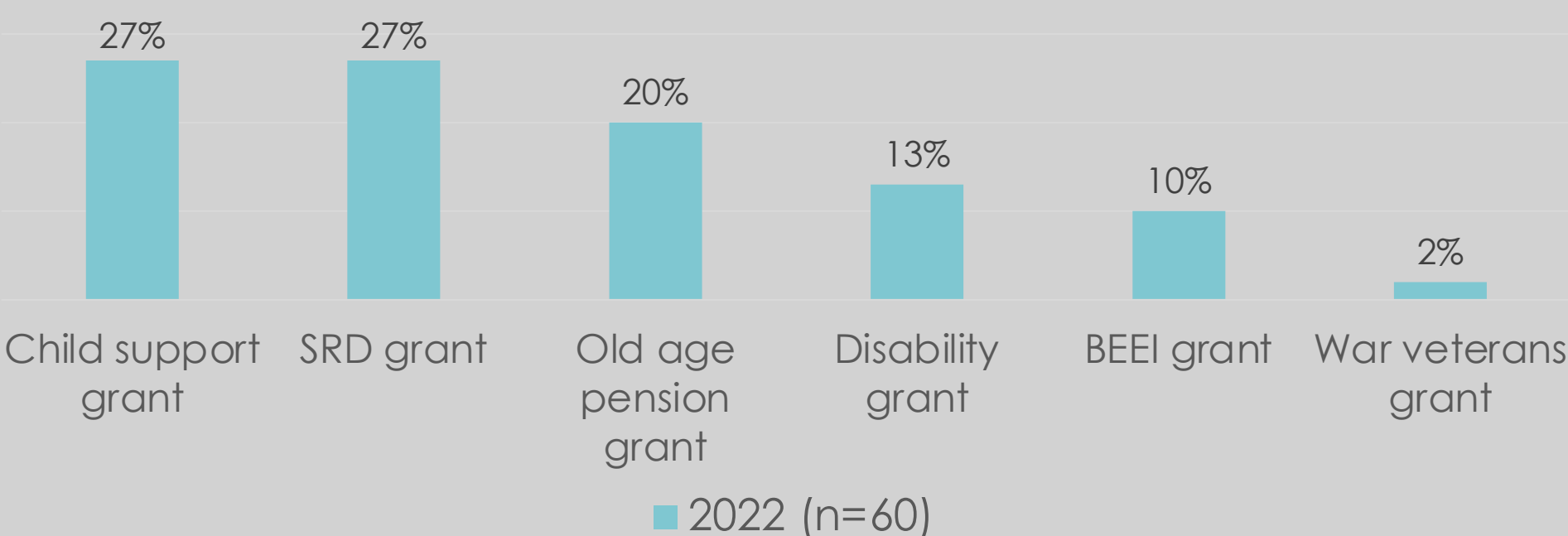
Findings

Effect of Government Grants on Informal & Small Traders

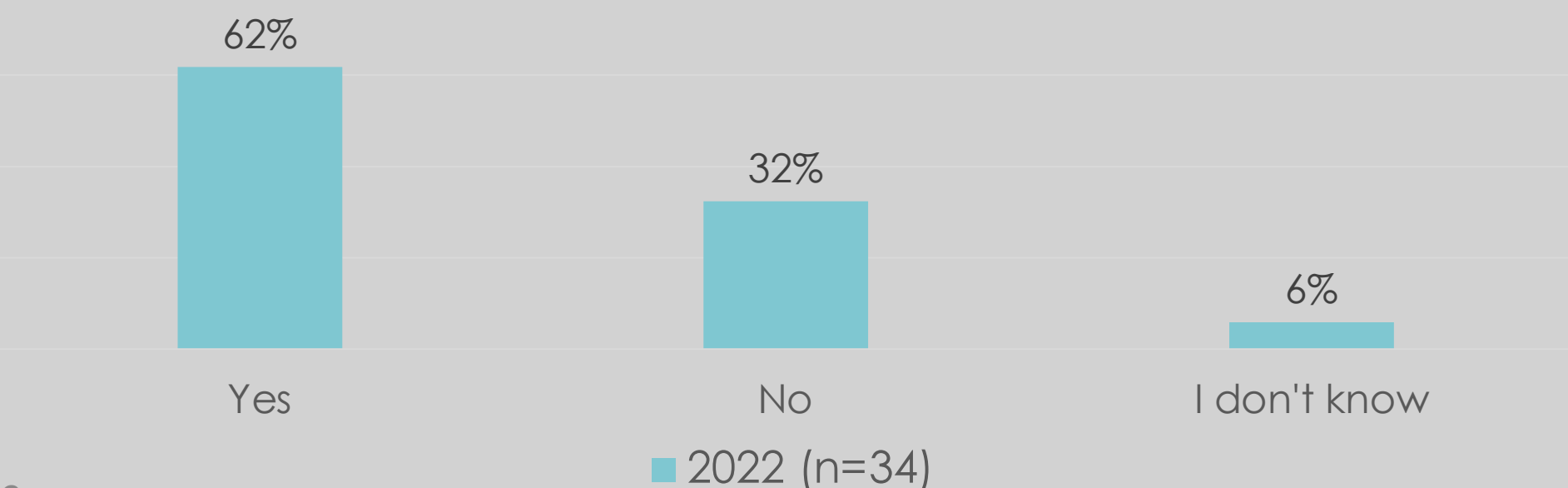
Government Grant Customer Base



Type of Government Grant Customers Received



Positive Impact of SRD/BEEI on Business



*"It affected my business in a positive way as they [BEEI participants] became my target market and I gave them credit. I know if they buy they will show others at work - especially teachers and staff."
(Shoe Trader, 2022)*

*"People who are getting money from government are the most supportive people because they are still maintaining the standard."
(Nail Bar Trader, 2022)*

*"I am one of the people who was able to start a business and stock out of R350 SRD grant money. If it was not for it I would not have started my business and most people who support my business are the youth."
(Car Wash Trader, 2022)*

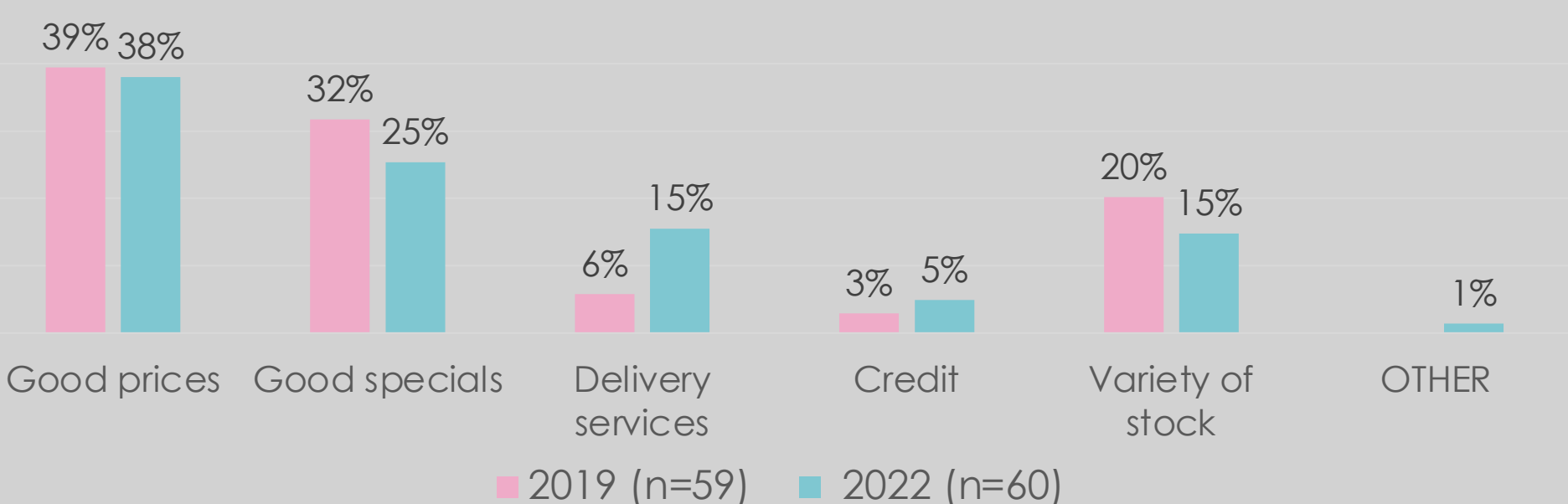
Findings

Top Suppliers to Informal & Small Traders

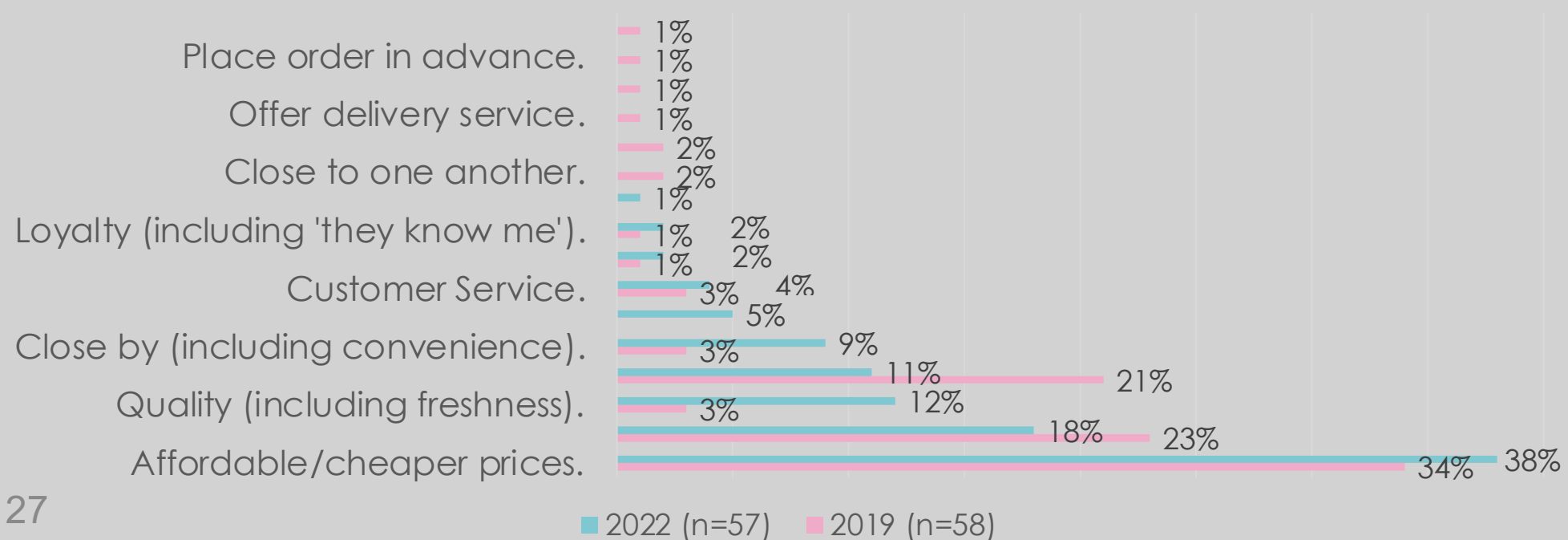
Top Suppliers to Informal & Small Traders

Suppliers	2019 (n=57)	2022 (n=59)
Jumbo	29	3
Goal Wholesalers	11	13
J&K wholesaler	11	4
1 Up Cash & Carry	9	2
New Look	2	3
Shoprite	1	4
Nyanga Junction	1	2

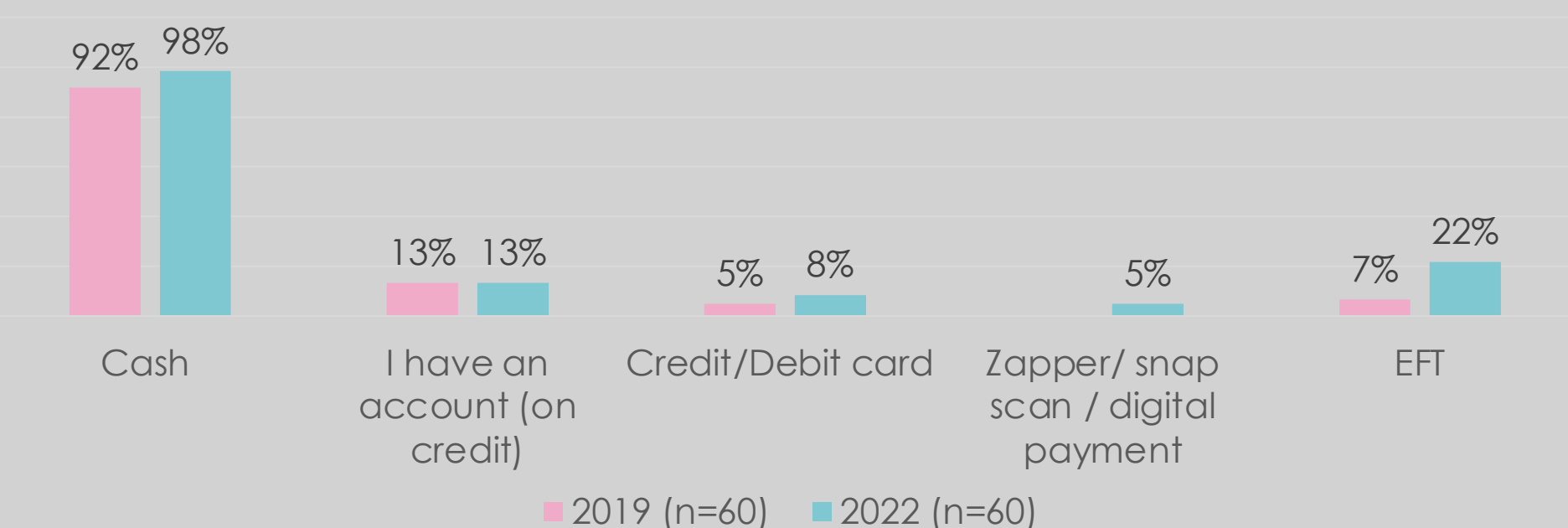
Attractive Supplier Characteristics



Reasons for Patronage



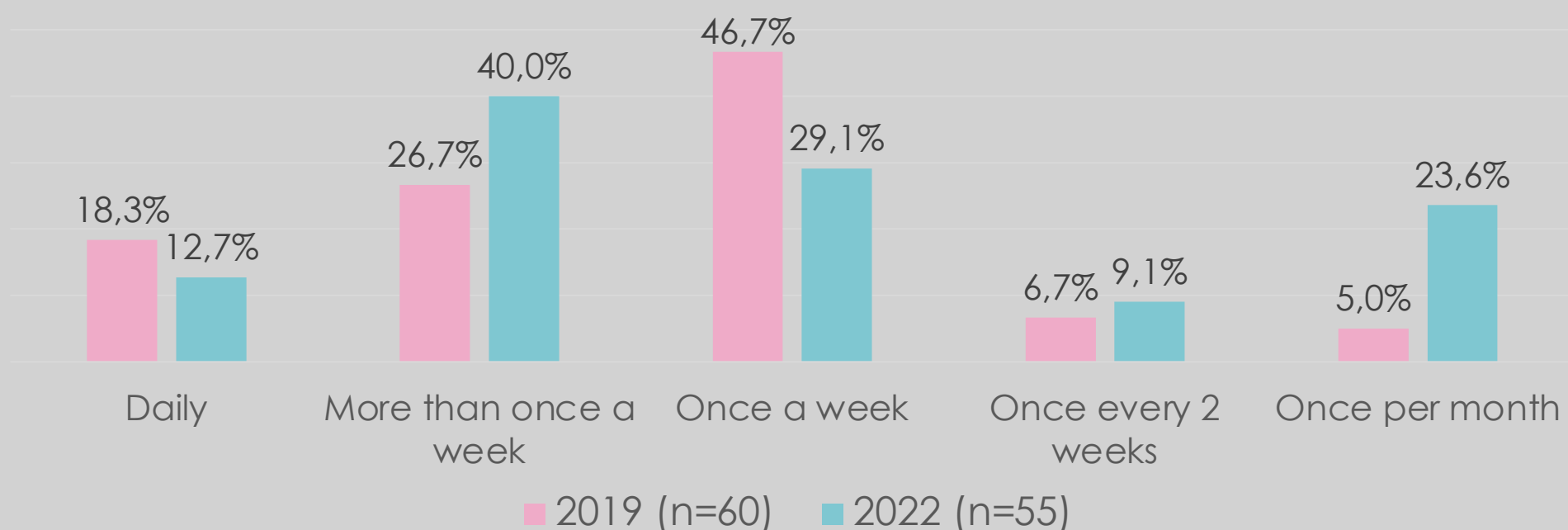
Payment Method



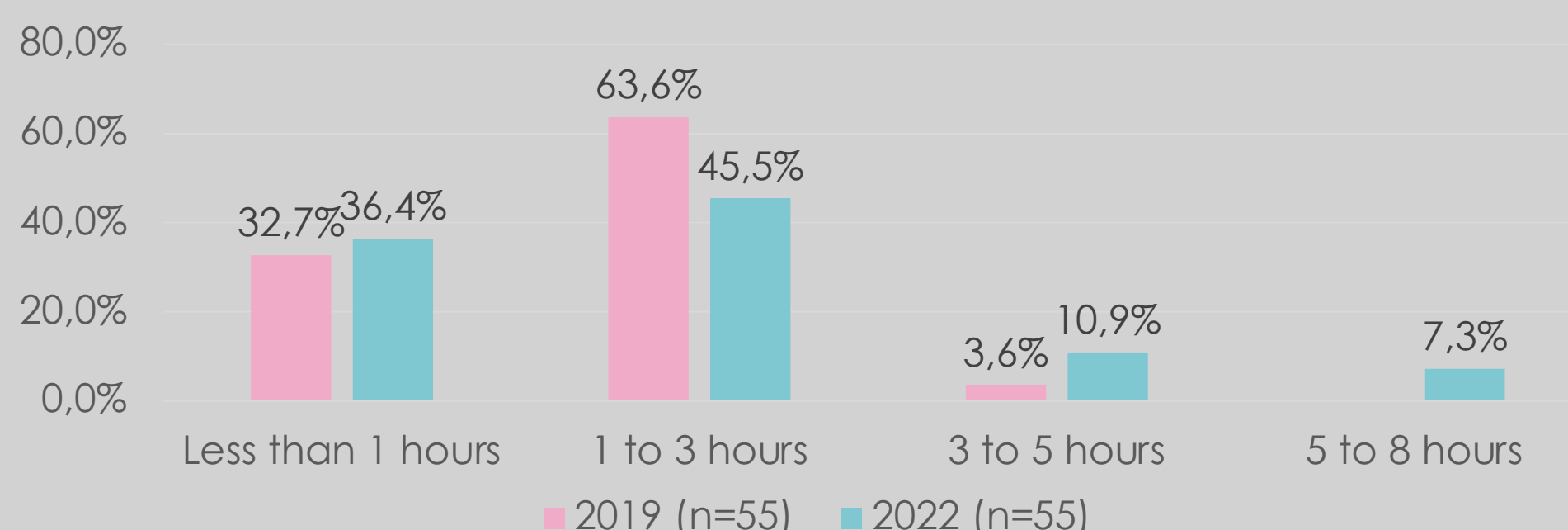
Findings

Purchasing Behaviour of Informal & Small Traders

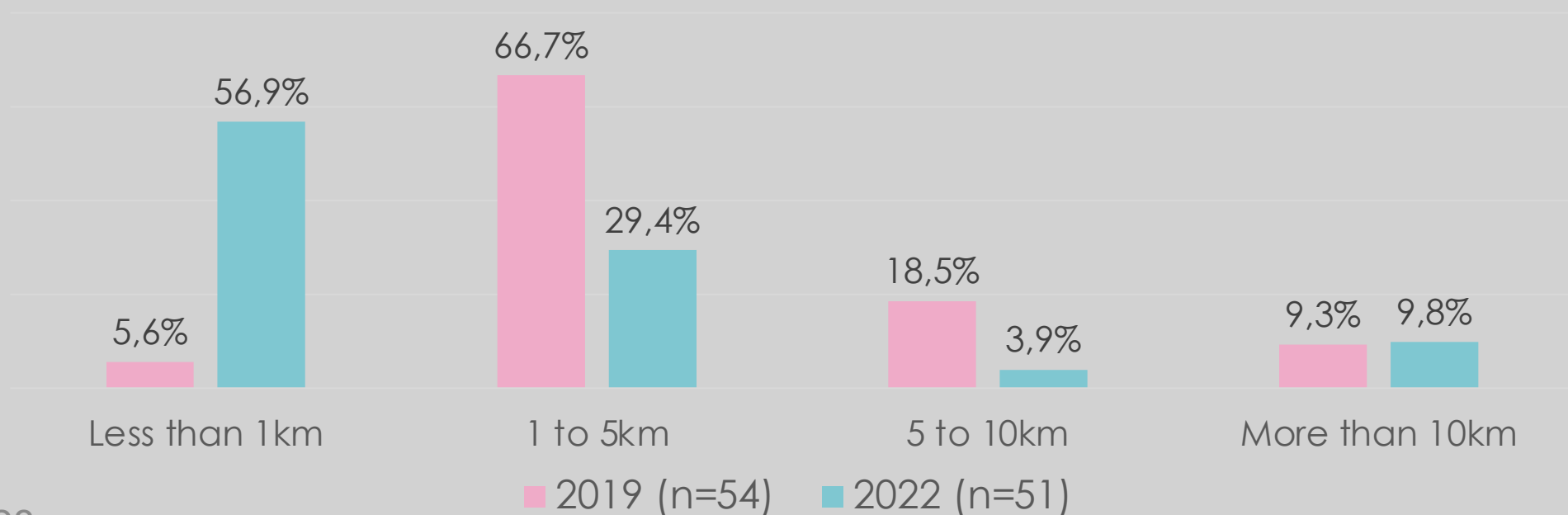
Frequency



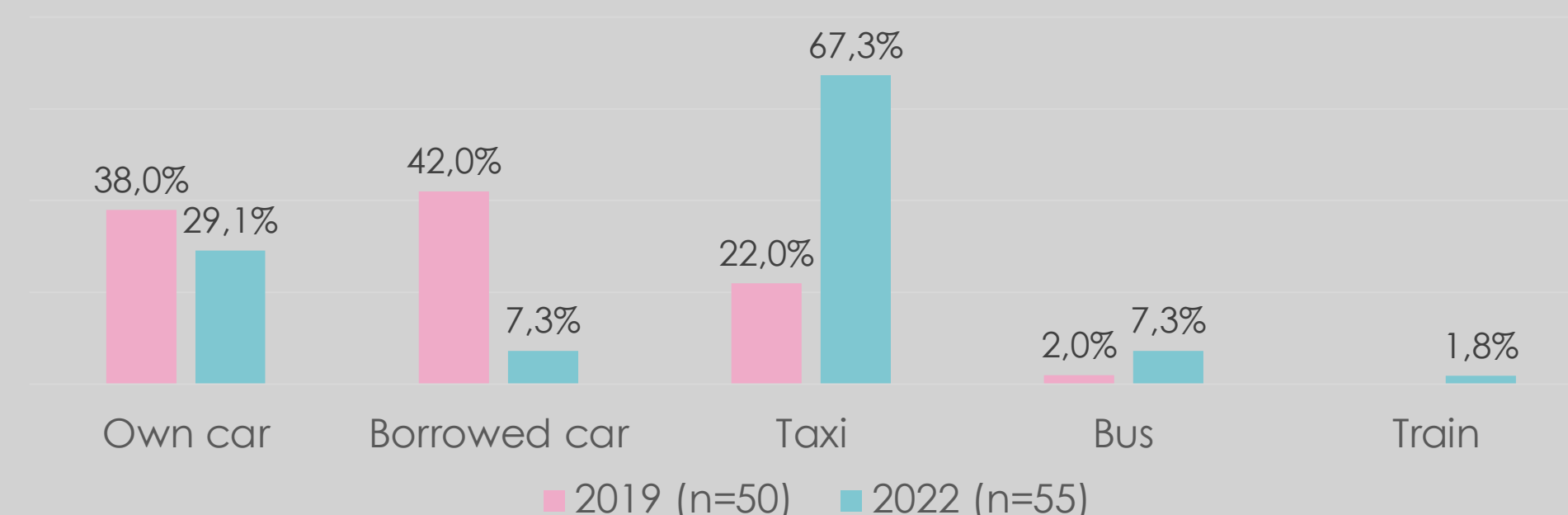
Time Away from Business



Distance from Business



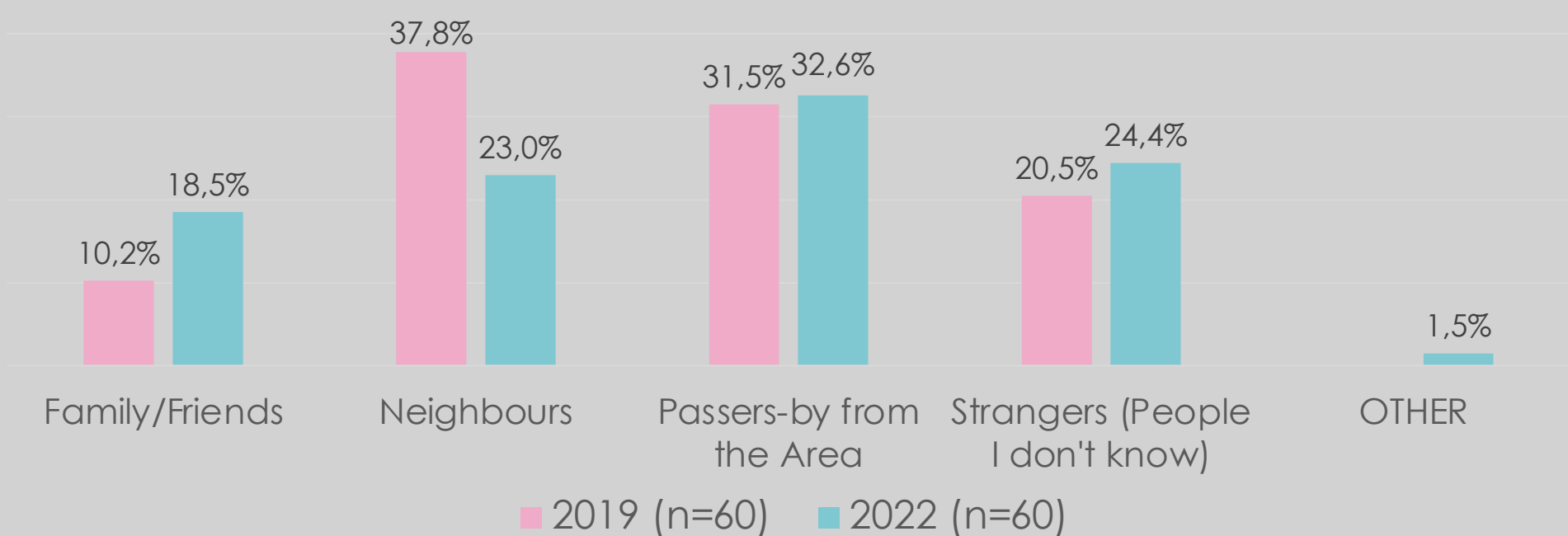
Travel Means to Suppliers



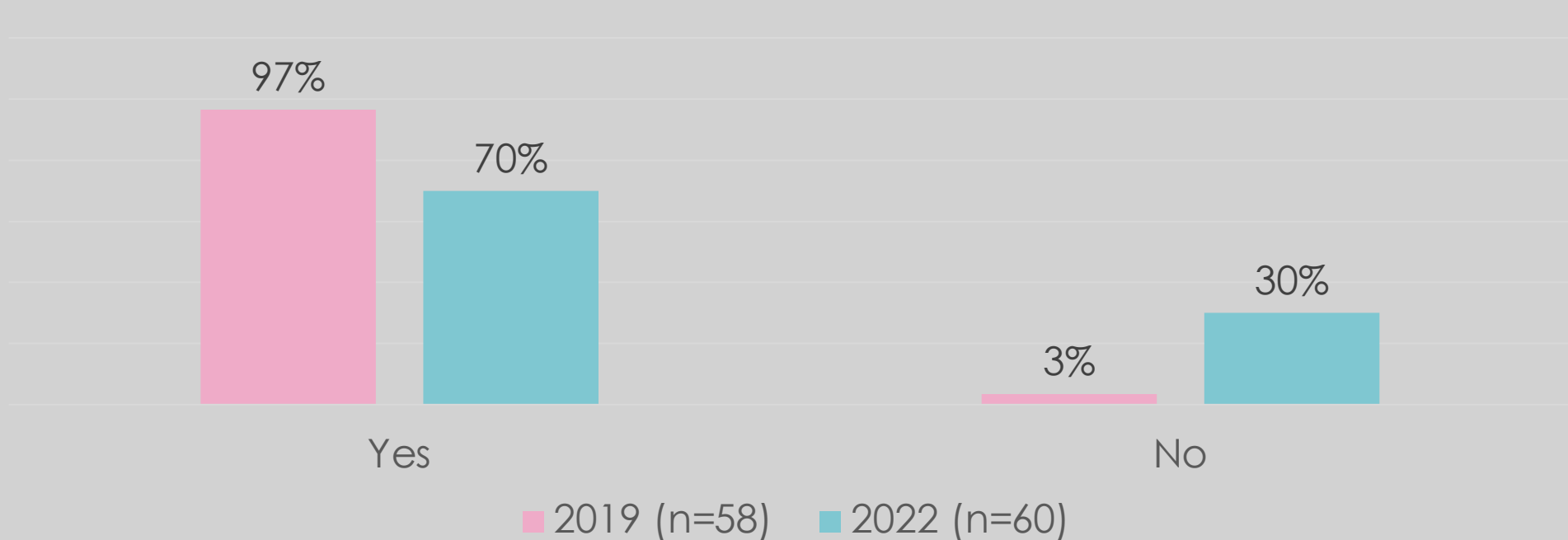
Findings

Customer Profile of Informal & Small Traders

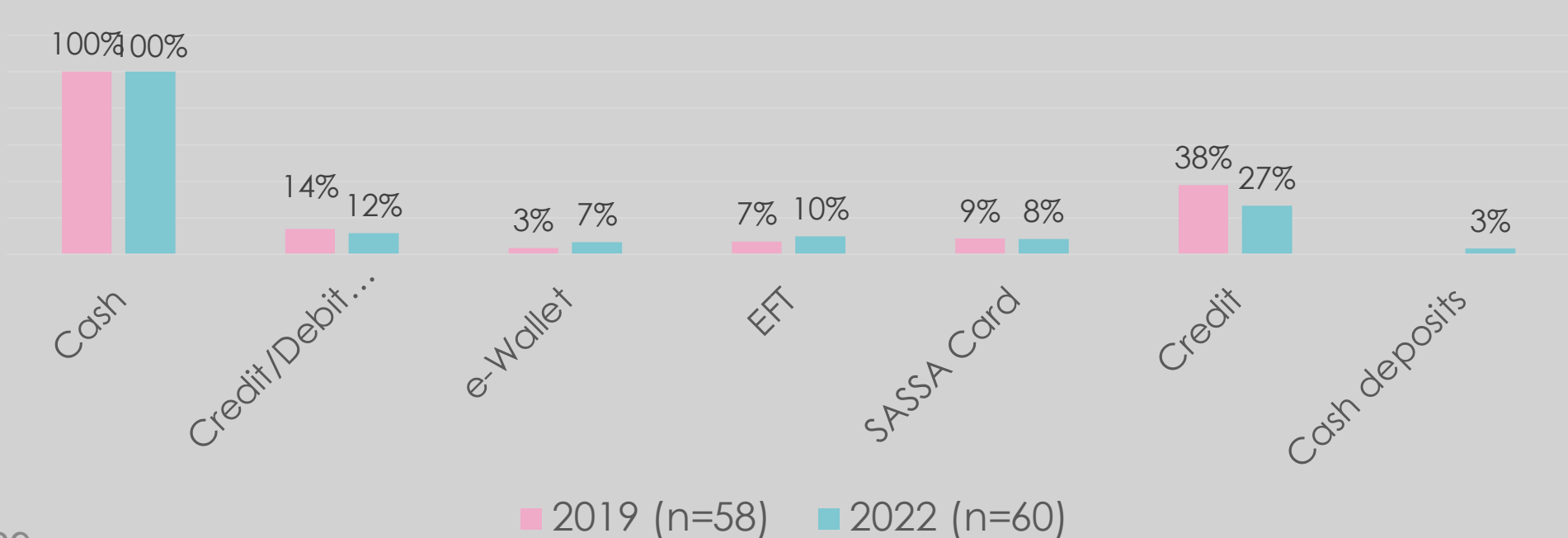
Customers



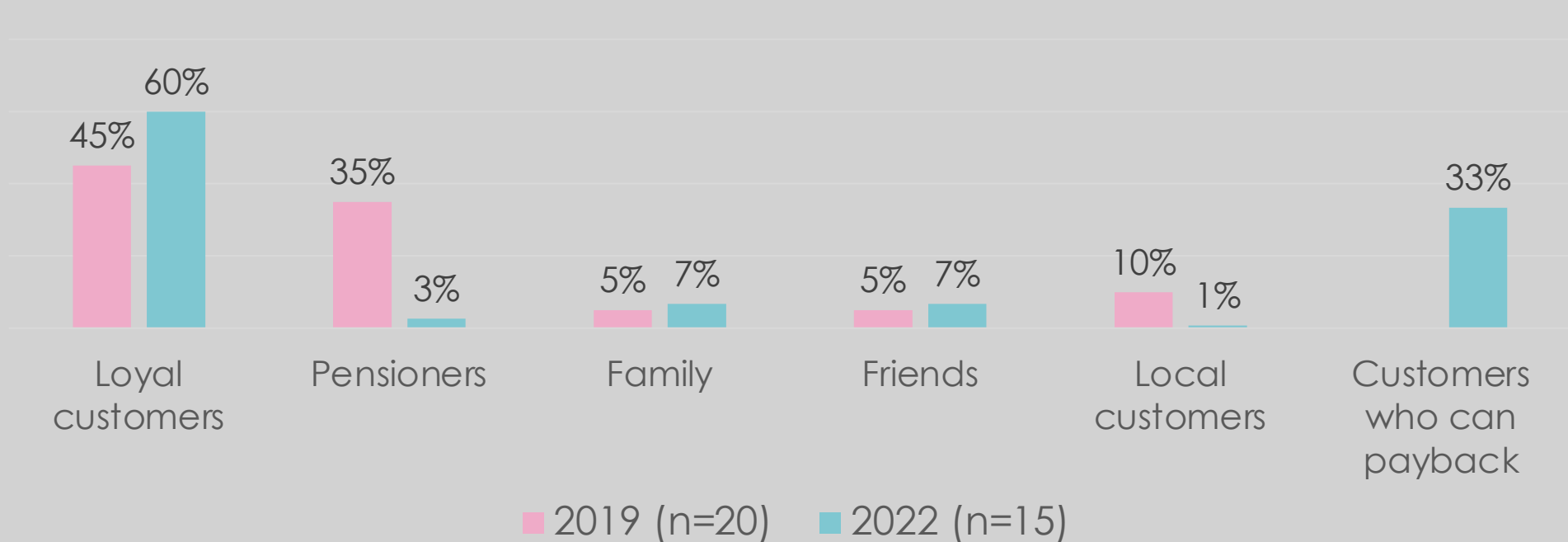
Loyalty



Payment



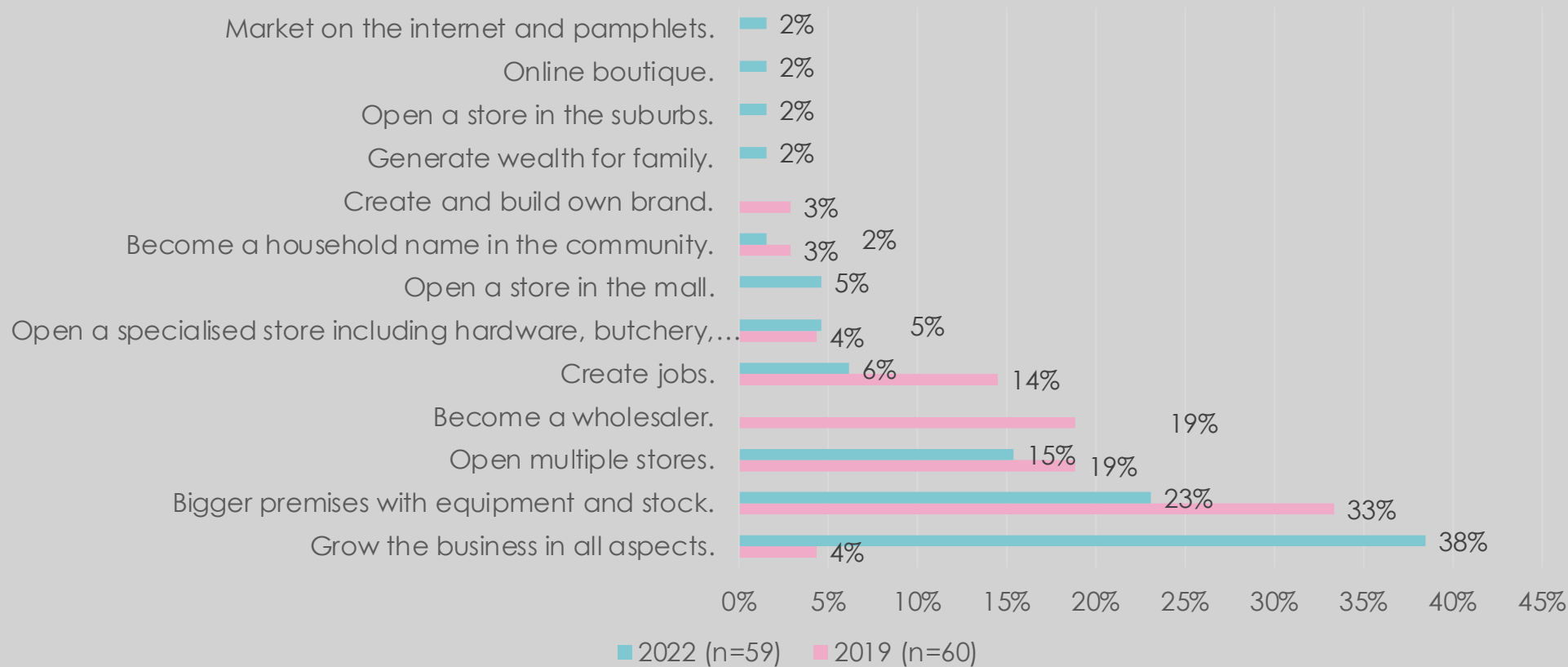
Debtors



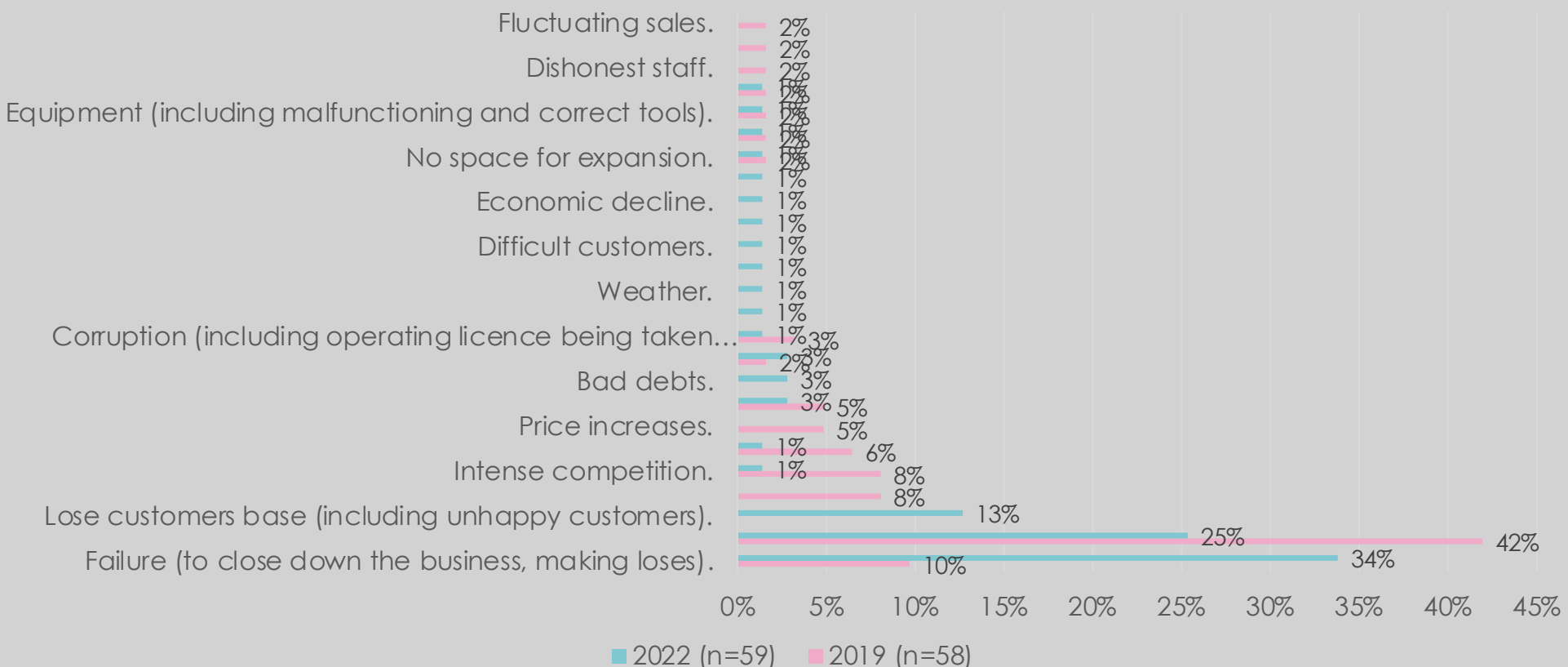
Findings

Hopes, Fears, Enablers, Barriers

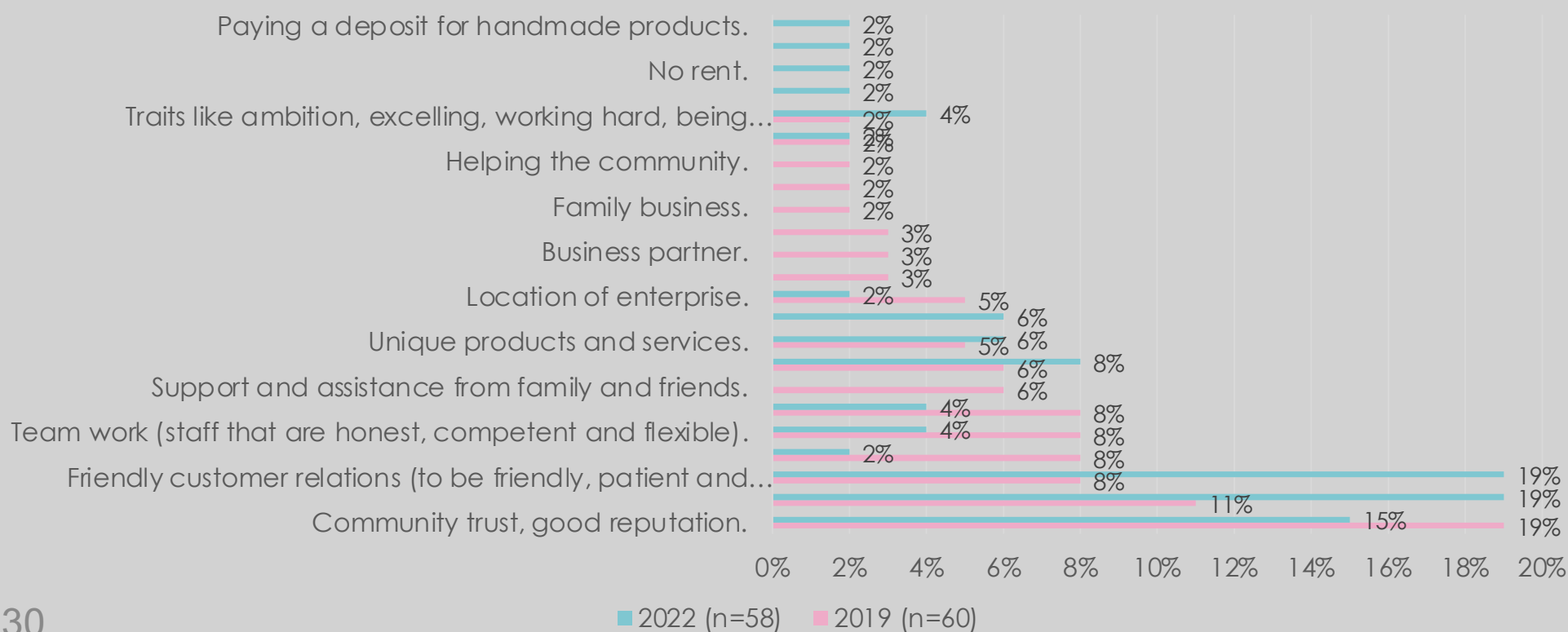
Hopes



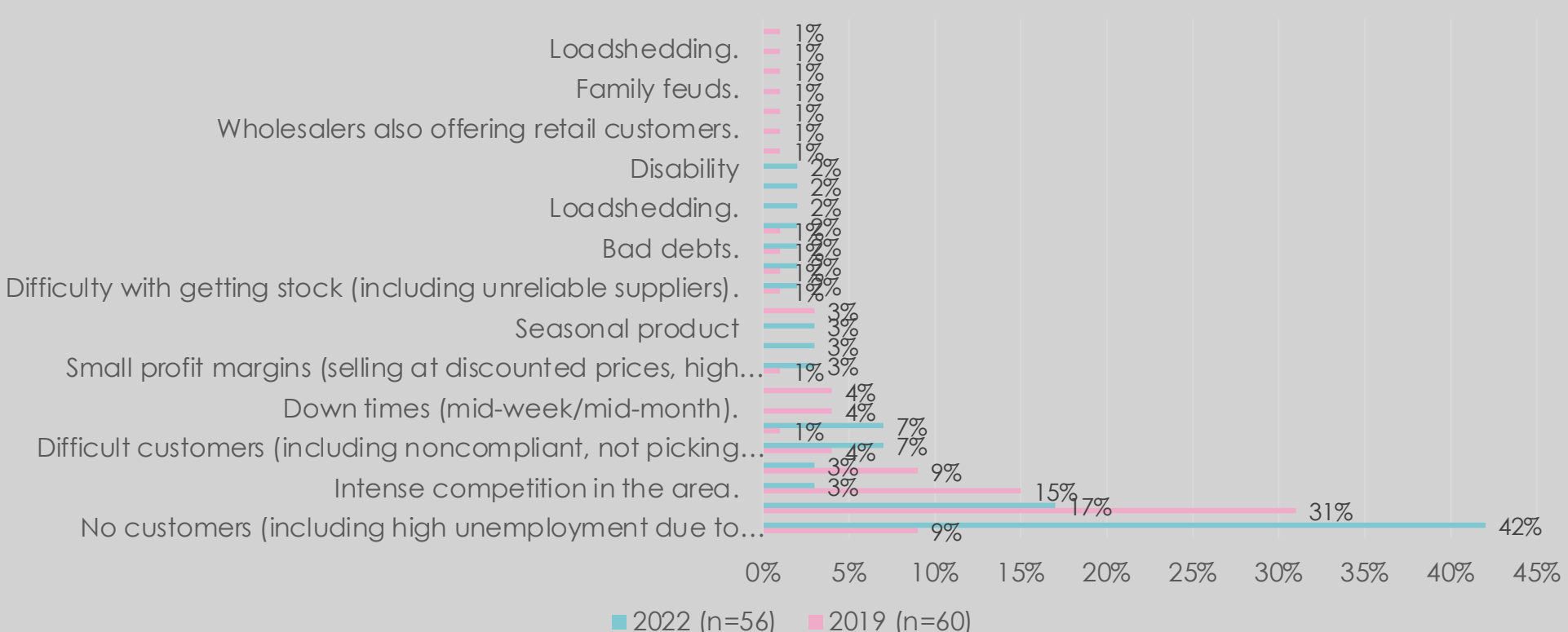
Fears



Enablers

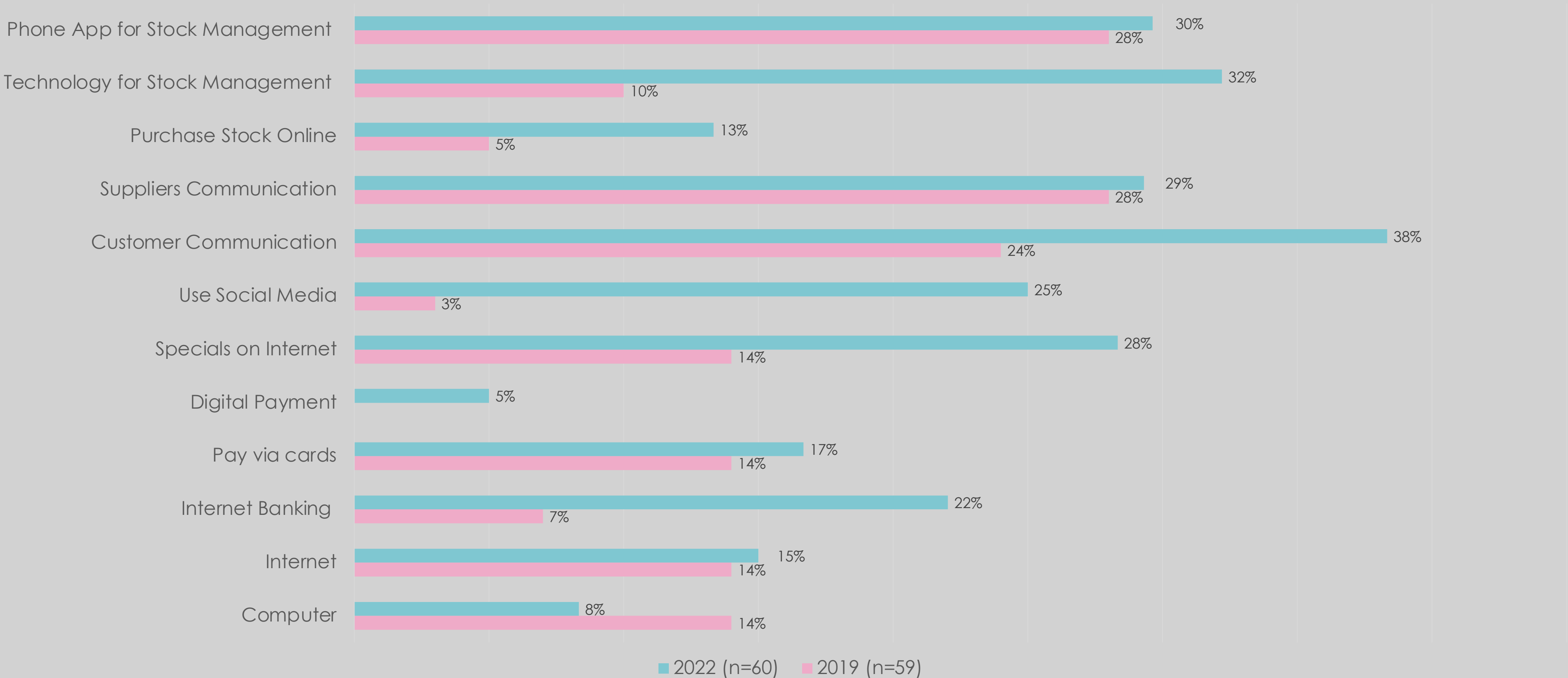


Barriers



Findings

Informal & Small Traders Technology Use



Findings

SRD Grant Recipient & BEEI Participants Monthly Purchases

Items	SRD (n=30)	BEEI (n=31)
Non-perishable groceries (coffee, sugar, oil, pasta, bread, beans, flour, sugar, milk powder, spices, sweets, biscuits and crisps, etc.)	45.90%	48.00%
Toiletries including (sanitary towels and sanitiser)	13.30%	4.80%
Detergents	5.90%	2.80%
Vegetables	4.40%	9.10%
Diary (cheese, milk, margarine, yoghurt, butter, amazi, eggs)	4.40%	7.90%
Meat (chicken, mutton, lamp, pork)	4.40%	3.60%
Electricity	4.40%	4.40%
Apparel (clothes and shoes, underwear, accessories, mask)	3.00%	5.20%
Fruit	1.50%	2.00%
Processed meat (polony, burgers, viennas, russians, sausages)	1.50%	2.40%
Baby Food	1.50%	0.00%
Baby diapers	1.50%	0.00%
Candles	1.50%	0.40%
Cosmetics	1.50%	2.00%
Data	1.50%	1.20%
Fish (including pilchards/tinned)	0.70%	0.80%
Take Away	0.70%	0.00%
Paraffin	0.70%	1.60%
Linen (Towels)	0.70%	0.00%
Hair Dryer	0.70%	0.00%
Juices	0.00%	1.60%
Dog food	0.00%	0.40%
Gas	0.00%	0.40%
Airtime	0.00%	0.40%
Dishes and buckets	0.00%	0.80%
Cigarettes	0.00%	0.40%
Total	100%	100%

SRD Recipients & BEEI Participants Daily Purchases

Items	SRD (n=30)	BEEI (n=31)
Non-perishable groceries (coffee, sugar, oil, pasta, bread, beans, flour, sugar, milk powder, spices, sweets, biscuits and crisps, etc.)	49.50%	45.70%
Diary (cheese, milk, margarine, yoghurt, butte, amazi, eggs)	16.80%	13.90%
Toiletries including (sanitary towels and sanitiser)	7.00%	5.50%
Meat (chicken, mutton, lamp, pork)	6.50%	6.80%
Vegetables	6.00%	8.50%
Detergents	5.20%	4.60%
Processed meat (polony, burgers, viennas, russians, sausages)	3.30%	3.10%
Fish (including pilchards/tinned)	1.70%	1.50%
Cold drinks	1.70%	2.00%
Electricity	1.60%	1.40%
Fruit	1.50%	1.40%
Paraffin	1.20%	0.90%
Candles	0.60%	0.50%
Apparel (clothes and shoes, underwear, accessories, mask)	0.40%	1.20%
Juices	0.20%	0.70%
Cosmetics	0.20%	0.50%
Vetkoek	0.20%	0.10%
Dog food	0.10%	0.00%
Linen (Towels)	0.10%	0.10%
Airtime/Data	0.10%	0.50%
Baby Food	0.00%	0.10%
Baby diapers	0.00%	0.10%
Medicine	0.00%	0.10%
Wine	0.00%	0.30%
Gas	0.00%	0.10%
Hair Dryer	0.00%	0.00%
Dishes and buckets	0.00%	0.10%
Cigarettes	0.00%	0.20%
Total	100%	100%