The factors influencing the growth of African migrant enterprises in the Mandeni local municipality in KwaZulu-Natal, South Africa

Nondumiso Fortunate Gumede (a)∗ Inocent Moyo (b)

(a) Department of Geography and Environmental Studies, University of Zululand, South Africa

ABSTRACT

Both developed and developing nations are seeing a growth in migrant enterprises and factors that contribute to the growth of migrant enterprises in various nations vary from one nation to another. This research study aimed to explore and seek an in-depth understanding of the factors influencing the growth of African migrant informal enterprises. The study utilised a qualitative approach with an exploratory research design. The participants were sampled using purposive sampling and the semi-structured interviews were used to collect data from research participants who were African migrant informal enterprise owners. Thematic analysis was employed as a tool for data analysis. A major finding from this study is that many of the African migrant informal enterprises are linked to social networks and together with the different entrepreneurial strategies employed by African migrants have contributed to the growth of African migrant-owned informal enterprises. Furthermore, despite the growing attention on African migrant enterprises in the academic literature, the majority of the studies have focused on big cities like Johannesburg, Cape Town and Durban, and beyond the traditional urban centres. Therefore, this study occupied that gap and investigated the factors influencing the growth of these African migrant informal enterprises in the Mandeni Local Municipality.

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Introduction

International migration has a significant history in South Africa that dates back to the pre-colonial era. The diversity of people that make up South Africa’s “rainbow nation” is a result of foreign migration. The population of South Africa is estimated to be 60.6 million by the end of June 2022 (Stats SA, 2022). South Africa have received the number of people migrating to country, particularly those originating from the African continent, has increased since the early 1990s, and more so after the first democratic elections in 1994. The migrants primarily come from South Africa’s traditional labour supply areas, which include members of the Southern African Development Community (SADC), e.g., Mozambique, Zimbabwe, Lesotho and Malawi. However, migrants have also come from other African countries, such as Nigeria, the Democratic Republic of the Congo and Kenya. As a result, more than 75% of foreign-born migrants living in South Africa came from the African continent (Statics South Africa [Stats SA], 2013). Political unrest, economic instability and even environmental degradation in the African region have contributed to increased numbers of displaced persons, which has led to a significant rise in the number of both documented and undocumented migrants in South Africa (Stats SA 2013). The majority of the migrants from African countries previously came looking for job opportunities, but, because South Africa currently experiences a high rate of unemployment, a shift has been seen in the majority of migrants opening their own businesses mostly in the informal sector (Crush et al., 2015; Ncwadi, 2010; Peberdy, 2016; Moyo, 2017; Dithebe & Makhuba, 2018).

Literature review

Factors influencing the growth of migrant enterprises in different countries differ from country to country. For instance, in the United State of America, Baycan-Levent and Kundak (2019) discovered that the motivation for Turkish migrants’ desire to start their

* Corresponding author. ORCID ID: 0009-0009-9089-7387

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businesses was their ambition to be their own bosses. But in England, according to Whitehead et al., (2013), migrant enterprises have expanded partly because African migrants want to promote their independence and the ability to be their own boss, but the most important reason is that they had trouble obtaining suitable jobs.

Similarly, Fourie (2016) discovered that African migrant entrepreneurship growth in Scotland is driven by business potential, financial gain, the desire to be their own boss, as well as migrants’ failure to find good jobs and discrimination in the job market. Furthermore, Salaff (2011) noted that migrant enterprise growth in Germany is driven by the desire to make money, but migrant enterprise growth in Germany is a response to the German labour market and the goal to achieve higher income. Last but not least, Sevarajah et al., (2013) discovered that the business background and traditional values of migrants in Australia contributed to the growth of their enterprises.

But also in South Africa numerous factors inspire African migrants to start enterprises (Kelley et.al, 2012). Most migrants don’t start businesses out of their own free will, rather, they do so in response to a lack of other alternatives, which makes starting a business appear to be the only possible option (Barrett & Mosca, 2013). The push factors responsible for migrants starting their own businesses include lack of employment, a lack of upward mobility, loss of jobs, or low wages, essentially “forcing” people to launch micro business operations. However, pull forces are driven by necessity. Examples of pull factors include the desire to avoid working under superiors, the goal to maximize income, and the desire to apply their expertise and experience (Benzing et al., 2009).

According to Peberdy (2019), the political economy of South Africa is quite constrained, which makes it challenging for African migrants to engage in the formal sector. This is due to the likelihood that African migrants’ human capital will be devalued as a result of their move, preventing them from finding employment. Moyo (2017a) conducted a study on the exclusion of African migrants that contributes to African migrants entering the informal sector. In his study, he mentioned that African migrants fail to join the formal sector because their qualifications are devalued and sometimes not recognised. In the study the testimonies of African migrants regarding the devaluing of qualifications are instructive. For example, Kasango from DRC stated that he has a Degree in Psychology obtained in DRC but in South Africa, he has failed to find a suitable job with his qualification. As a result, he opted to sell clothes, cell phone accessories and hair products on the corner of Eloff and Jeppe streets in Johannesburg. Similar testimonies were shared by migrants from Malawi, Tanzania and Zimbabwe among others (Moyo et al., 2016; Moyo, 2017).

Furthermore, study conducted in area called Britain in the Western Cape by Phayane (2014) pointed out that the regulations for registering a business in South Africa are quite complex, the study discovered that 61% of African migrant-owned firms were not registered with the municipality. This was due to the strict requirements for business registration and occasionally the lack of documentation required for registration among immigrant-owned businesses in Africa. The process of registering a business in South Africa takes around 38 days (Chikamhi, 2011). The most important finding was that a sizable percentage of African migrants were unaware of the registration process and were unmotivated to launch formal businesses due to the stringent municipal regulatory framework. However, there were a few migrants who were aware of the regulatory system but were unable to use it.

Lastly, according to Tengeh (2013), capital can be a major constraint in starting formal businesses because of the inability of African migrants to obtain loans which leads to African migrants failing to register their businesses. Fatoki and Garwe (2010) noted that just 2% of African migrant business owners in South Africa can receive bank loans due to their poor credit histories and lack of collateral security. Furthermore, migrants from African countries who lack the required paperwork and collateral security find it difficult to get financing (Tengeh, 2013). Similar findings were made by Khosa and Kalitanyi (2014), who discovered that the Department of Trade and Industry agencies do not offer financial assistance to enterprises held by African migrants.

Research and methodology

Denzin & Lincoln (2018) view the focus of research methodology as the procedures involved in conducting research as well as the many instruments and techniques that should be used. This study used a qualitative research approach because it aimed to gain a comprehensive grasp of the problem. Furthermore, in this study, the researcher selected the exploratory method to gain new insights, discover new ideas and/or increase knowledge on the factors that contribute to the growth of the African migrant informal enterprises. A research design, according to Creswell (2014), is the strategy for conducting research that covers choices ranging from general hypotheses to specific techniques for gathering and analysing data. It offers a pattern for gathering, assessing, and analysing data. In this study, an exploratory research design was adopted (as informed by the research paradigm) to develop the constructs of the study.

Population and sampling

A population refers to all items in any field of inquiry (Kothari, 2015). People, events, or records that have the necessary data to help answer research questions are referred to as the target population (Schindler, 2019). Sources with expertise and experience were considered likely to have the answers to the study questions and were incorporated into the total population (Van Rijnsoever, 2017). However, there is a lack of reliable data from the Mandeni Local Municipality detailing the number of African migrant's informal enterprises. The only documented record in the context of this study is the number of African migrants in ILembe District Municipality as of 2016. This information shows that there was a total of 6941 African migrants (Stats SA, 2017). Therefore, it is difficult to accurately estimate the number of African migrant informal enterprises in Mandeni. However, this does not affect the study's findings because there are no guidelines for selecting the sample size in the qualitative technique (Creswell & Plano, 2018).
As a result, the researcher visited and counted about 25 African migrant enterprises in Mandeni between January and August 2019. This number of African migrant enterprises, therefore, provided a population from which a sample was determined. In this study, purposive sampling was utilised. A sample can be hand-selected for the study using purposive sampling, but the selection process must demonstrate or reflect the quality of expertise and knowledge relevant to the research subject (Fisher & Fethney, 2016).

Research instrument

In the present study, semi-structured interviews were used as the main method of data collection. Using predetermined questions to serve as a framework for the interview, the interviewer has control over how the discussion develops. Thus, a semi-structured interview is used to elicit in-depth information about the participant's opinions, perceptions, or experiences on a specific issue (Grbich, 2015). The interviews took place from the 21st of October to the 21st of December 2020. Each interview took approximately 45 minutes. In this study, the voice recorder enabled the researcher to dispense with note-taking and thus be able to concentrate on what was being said and be an active part of the interview process. The interviews were conducted primarily in the English language.

Data analysis

Data analysis is defined as the process of arranging and examining data so that researchers can spot trends, themes, and connections as well as come up with explanations, interpretations, and theories (Creswell & Creswell, 2018). In this study, thematic analysis was used during data analysis. Thematic analysis is a logical, repeatable method for condensing communication into fewer topics to determine the meaning of that communication (Erisen, 2015). It made it possible for the researcher to thoroughly sort through a lot of data with reasonable ease (Erisen, 2015). Thematic analysis was performed in the current study using Creswell's (2009) framework for analysing qualitative data, which states that the analysis must include the following steps: gathering and organizing the data for analysis, reading through all of the data, coding the data, developing descriptions and themes, interpreting the meaning of the findings, and conducting validation of the findings. Relevant words, phrases, statements, or observations were extracted from each participant’s transcript to identify the factors that influence the growth of African migrant informal enterprise in the Mandeni local municipality. The codes were identified from portions of the data which involved breaking down the data from the memos written by the researcher and data taken by recorder during and after the interviews. By comparing and analysing the inter-relationships between the initial codes, the codes were reassembled into more abstract categories using thematic analysis. All the initial codes identified in the data fitted into these categories and this coding process became the basis of concept development.

Findings and discussion

This section presents and evaluates the findings of the study in light of the opinions of the 25 individuals who were interviewed. The participants were asked questions about the factors that encourage their informal growth. The content is given in quotes exactly as it is here. The study's participants all concurred that they had employed various business strategies that had aided in the expansion of their informal business. Different participants admitted using various business strategies in their informal enterprises during the data collection process.

Social networking

Social networks are the core of many businesses as some are established through this interconnectedness between the network members. These African migrants’ social networks operate on different levels. During the interviews, participants indicated different forms of social networks. The Somali spaza1 shop owner indicated:

“I and my Somali brothers use a common transport to Stanger where most the wholesalers are to stock goods for our informal enterprises and we usually choose a certain day in a week and go together with one van to order goods for our shops. This is very good because it helps us to reduce transport and we can save money because Stanger is quite far from Mandeni and also reduce the prices of our goods and makes our goods to be lower than the local competitors. This form of a network makes us attract more customers” (Somalian, Interview, April 2021).

Some of the participants stated that for them, social networks are in the form of loans they have received from other African migrant relatives and friends. In another interview, the Zimbabwean participant mentioned that:

“I am so grateful for the loans I have received in the time of hardship from my relatives and friends. This, for me, is very helpful as I can supplement my savings with the loans. I source loans from my relatives and friends instead of formal banking institutions because in most cases lenders do not charge interest on these loans and formal banks require lot of paperwork from us as African migrants we end up not qualifying for loans. Also included is the fact that there is a strong sense of solidarity between me and my fellow relatives and friends and collective self-reliance between me and my fellow African migrants in Mandeni municipality. The other thing that makes me prefers these loans rather than going to the formal bank is the fact that they tend to come with favourable terms of repayment. For example, it is often the case that a debtor is expected to make repayments in irregular instalments that

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1 Spaza shop is known as home-based grocery stores, are popular throughout South Africa’s urban townships. Charman et al. (2012) explained the term “spaza” is derived from the isiZulu language, meaning “hidden” and emerged in the apartheid era when black entrepreneurs were restricted
depend on his performance in my informal enterprise and most importantly this indicate the trust we have for one another, therefore I can service my debts without undermining the profitability of my business” (Zimbabwean, Interview, April 2021).

Furthermore, the other form of social network that was mentioned by African migrant informal enterprise owners is that they have established a rotating savings credit association. The Somalian participants stated that:

“I and my brothers from Somalia have established the rotating savings credit association and I have heard from my South African friends calling it a ‘stokvel’ which helps to raise funds to help us to grow and sustain our businesses. These funds can be used as start-up capital and also to help our business to grow by buying more goods. Each month the proceeds are given to one of the contributors for their personal use and this allows us to be sustainable, by allowing all members to have financial resources. These schemes make it possible for members to access relatively large sums of money, which they can invest in profitable informal enterprises. For example, when my spaza shop was robbed, the money from the association helped me to re-stock the shop and revive my business successfully. But also, my fellow brothers use this money from the rotating savings credit association to increase our stock during periods of booming business, so this association is important in mobilising funds for members to grow their businesses and to sustain them in times of financial need” (Somalian, Interview, March 2021).

Lastly, the other form of social network that was mentioned by African migrants was that the African migrant informal enterprise owners disseminate information amongst other African migrants.

“In South Africa, hairdressing is a growing business. A key resource that you can never take away from Ghanaians is the knowledge and expertise that we get from our fellow Ghanaians who are in Mandeni municipality and others back home. There are certain ideas and knowledge systems which circulate amongst Ghanaian hairdressers that you will not find in any other hairdressers in Mandeni municipality. We always help each other to improve the quality of our hairdressing. This is why Ghanaians are always very productive and not seen as lazy people like South African hairdressers. Our kind of productivity requires patience, and commitment. In this salon, we have qualified stylists who always provide training to other Ghanaian hairdressers free of charge. We continually update our skills and knowledge with the help of these qualified stylists. This has made us at the leading edge of hairdressing practice. In so doing we can positively respond to the demands of our clients” (Ghanian, Interview, March 2021).

Indeed, this confirms a study by Bashir (2016) in Mayfair in Johannesburg, Bellville in Cape Town, and Korsten in Port Elizabeth who found out that African migrants practise social networking by providing each other credit, goods and loans and sharing information about potential business opportunities such as identifying a new location to open a business. Landau (2014) highlighted that in the absence of proper legal documents African migrants are often unable to get access to financial capital from banks and African migrants often overcome this challenge by depending on their credit access networks. Also, small enterprise owners borrow goods and products from the big wholesalers owned by other African migrants or that have links with members of the African community.

**Long operating hours**

Every participant in the study mentioned long operating hours as a contributing strategy toward success. It is a common practice for these African migrant informal enterprises to open very early in the morning and close late in the evening. The African migrant informal enterprises stated that by opening for an extended period they can serve almost every customer at any time. This allows them to cater for a customer at any time including when their competitors are closed. This has become a norm associated with African migrant informal enterprises and customers know that they are served at any time they want something. In this regard, one participant added that:

“I open my shop very early in the morning so that my customers can buy whatever they want before they go to work or school. I also close very late so that I can cater to those who knock off late from work because majority work at iSithebe industrial area so they leave home early and come back late, therefore my customers get serviced as soon as they wake up until their time of going to bed as I am open 6 AM until 8 PM” (Zimbabwean, Interview, April 2021).

This finding corroborates the report of the Human Sciences Research Council (HSRC) (2014), which reveals that African migrant informal enterprises usually open their shops as early as 6 AM and close at approximately 9 PM. Their long operating hours enable them to achieve high volumes of sales, thereby garnering high profits. Extended business hours often result in increased revenue and improved services for customers.

**Stocking a variety of items and pricing**

The other reason why the businesses owned by African migrants performed better compared to those owned by South Africans in Mandeni is that they stock a variety of items. Some of the participants suggested that the growth of their enterprises was because they maintained high levels of stock, as they sell a variety of items at prices which are generally preferred by their consumers. Given the significant number of African migrants’ informal enterprises in Mandeni municipality, there is a need for the informal enterprise to stock items that are relevant to the needs of the communities they serve.

This was a very important consideration for the study participants as they wanted to meet the demands of the community so that they will get more customers that will buy from their enterprises. The study participants stated that they studied the community and their
needs. Furthermore, they were aware of the general financial status of the community. In other words, they understood that there were high rates of unemployment in the community and they had to cater for everyone by providing for them regardless of their employment status. The type of items stocked and frequency of stocking was discussed during the interviews.

The aim of the study participants was not to stock items that would never be bought by their customers but to prioritise stocking items that were regularly needed. Their stocking list varied and their informal enterprises are always fully stocked. The participants mentioned that they do not have a set frequency for stocking goods as they stock to meet the demand of their customers. Some products are stocked almost daily and the other items are on a weekly or monthly basis depending on how fast they sell. Products such as bread in informal enterprises like spaza shops are stocked daily.

To cater for all the needs of the communities and bring great services to their customers, the study participants pointed out several techniques they use to stock their enterprises so that they attract a lot of customers to come and buy the goods or services they provide. This is done by prioritising the sale of cheaper brands which can be afforded by the majority of the people. In this regard, one participant added that:

“In my shops, I ensure that I sell cheaper brands in things like bread or even cool drink as they tend to be required by customers very often. For example, a Albany loaf of bread sells for R18, 50 each but the sunshine bread only cost R14 each and also a 2-litre bottle of Coca-Cola costs R 25 but a 2-litre of Coo-e is sold for R 20” (Somalian, Interview, April 2021).

Again, to cater for all members of the community, some of the study participants sell hampers which are a combination of different items, sold at discounted prices. These hampers are usually for bigger products such as 10kg maize meal, rice, flour and sugar. Informal enterprises selling fruits and vegetables, their hampers include 10kg of potatoes, onions, butternut and carrots. These hampers are preferred by the communities for two main reasons. Firstly, they enjoy the discounted prices of buying these items instead of buying from the bigger supermarket. Secondly, because there are very few shopping centres in the Mandeni municipality, most residents incur transportation costs if they have to shop from a supermarket like Boxer, Spar and Shoprite. A study by African Research Bulletin (2013) in Cape Town showed that African migrant enterprises’ ‘hamper’ offers and collections of bulk products sold at discounted prices have resulted in the African migrant enterprises becoming popular amongst township customers.

Furthermore, in this study, the participants pointed out that some food items are sold in smaller quantities allowing customers to afford these regardless of their financial situations. Vegetables such as onions, tomatoes, potatoes, eggs and tea bags were sold loose and at lower a price which makes to be in high demand. Interview with the Mozambican participant stated that:

“I sell small items (onions, potatoes and tomatoes for R 10.00) to cater for those customers who stay alone or do not have refrigerators in their households. These items are also affordable to students who are renting near my shop and they are studying at Umfolozi FET College and my regular customers when they do not have enough money to buy large quantities” (Mozambican, Interview, March 2021).

African migrant informal enterprises are largely known for bulk stocking and this strategy has been used by many to save them costs as they can get discounts on bulk purchases. Most of the respondents in this study pointed out that bulk stocking kwere applied to bigger items. This finding concurs with that of Liedeman et al., (2013), who explain that African migrant informal enterprises make use of distribution networks to buy a variety of items cheaply in bulk, which gives them a competitive advantage over their South African counterparts. If stock is bought in bulk and the discounts are passed on to the customers, there is usually great potential for increased volumes of sales. High stock levels ensure customer satisfaction, promote confidence and protect owners against the possibility of shortages of stock owing to delayed deliveries.

The participants believe that they save money with this kind of stocking as they split transport costs amongst themselves. These findings were supported by Gastrow & Amit (2015) as they highlighted that sharing transport costs is an essential factor contributing to why African migrant businesses in townships thrive compared to the shops run by locals. Shops in the same location jointly order the goods and products they need and then one delivery van delivers their order to their shops. They share the cost of the transportation of the goods. This business approach allows them to minimise the expenses that would be incurred if each shop orders its supplies separately and has its own delivery system.

**Small profit and quick returns**

African migrants mentioned that another of their strategies for their informal enterprise was selling goods at relatively low mark-ups for both cultural and commercial reasons. Commercially, lower prices draw more customers who could buy more goods, particularly in Mandeni municipality where there is a significant number of poor people. According to Stats SA (2016), Mandeni municipality has an unemployment rate of 28, 6% participants further indicated that their low mark-ups and high turnover is vital for the survival of their informal enterprises. The result of this is that they (African migrant informal enterprises) claimed a significant portion of the market in Mandeni as more people patronised the businesses which were owned by African migrants. This resulted in the relative success and indeed the growth of these businesses, particularly compared to those which were owned by South African citizens.

The stocking of products in high demand and the frequent stocking does not necessarily mean the African migrants’ informal enterprises are making a big profit. The African migrant informal enterprises aim to provide goods and services to the Mandeni community while making a living for themselves. The study respondents hold the strong view that their aim is not to get rich fast; if
they would even get rich. If this was their sole purpose for running an informal enterprise, then it would mean that their prices would be unaffordable so that they can make a profit while pushing away the customers. So, what is important for them is to keep retaining their customers even if they will be making a small profit. Their strategy is to keep prices low, make a small profit, and have quick returns. In an interview, an Ethiopian participant mentioned that:

“I always have R5, R10, R12 airtime and single eggs at all times in my shops. I sell more of these products than any other items daily even though I do not make a lot of profit but I sell them because my regular customers need not look elsewhere for their common product” (Ethiopian, Interview, March 2021).

In essence, the idea of "small profit, quick returns" means that the African migrant enterprise owners will keep their prices low and make little profit but the trick to it is the quick returns. This means that the more clients or customers who require their services or purchase their goods the owner would be making a small but frequent profit. As customers buy or require their services the enterprise owner re-stocks, and the profit is made faster no matter how small it is. An example given by one participant was that of airtime and stated that:

“While other informal enterprises add an R1 to the original price of the airtime, I sell airtime at its original price. But what I can say is that selling airtime gives me very little profit which is why other informal enterprises add an extra R1; this is for them to make a profit. The profit I make is less than R1 for airtime especially the cheaper vouchers of R5, R10 and R12, but these vouchers sell very quickly compared to R30 or R60 vouchers. My strategy with selling airtime is that people would buy more from me than they would from my competitors because they did not want to pay extra. For me, this means that my airtime is sold quickly and I stocked it frequently and so a small profit for me is better than a bigger profit with items that sell slowly, I also believe that I make more profit than the informal enterprise that adds extra R1 when it comes airtime sales” (Somalian, Interview, April 2021).

This finding concurs with that of Charman et al., (2016), who explains that African migrant informal enterprises make use of a pricing strategy known as the Small Profit Quick Return strategy to improve their potential gross profits, as lower prices promote increased turnover. Given the intense competition to attract customers, the African migrant informal enterprises also devised a crucial strategy named customer retention. This meant that they do not make a profit with certain items or services but they continue to offer them as a simple strategy to attract the customer. In this regard, one participant added that:

“I sell single biscuit in my shop but it doesn’t give me a profit. What makes me keep selling them is that these biscuits keep attracting customers to come to my shop especially young customers such as the school kids. Because for me to make a profit I would need to increase the price but instead I am choosing to use this as a strategy to attract customers because customers come to the shop to buy other products and use their change to buy these biscuits, so my focus is not on the biscuits but on the money they spend on other products that gives me a profit” (Somalian, Interview, March 2021).

Location of the African migrant informal enterprises

The other reason why the businesses which were owned by African migrants performed better compared to those owned by South Africans in Mandeni is that they located their businesses on the street corners and in high pedestrian traffic areas. This ensured that their enterprises get a lot of customers who come to their enterprises to purchase different goods or services. While the African migrant informal enterprises are generally small and do not opt for big marketing techniques like holding competitions or even having specials, they have their unique ways that they use to ensure that their enterprises a visible enough and attract customers. Several strategies were observed during the interviews.

Firstly, and as has been mentioned before, African migrant informal enterprises are mostly located on the street corners and never in the middle of the road, the paintings of their informal enterprises are bright and visible from a distance, which attracts the eye of the customer and even people who are passing by. Many participants mentioned having their informal enterprises on the street corner and highly visible to many customers as well as potential customers. For example, one research participant stated that:

“I operate from the corner close to the local sports ground which is also close to a secondary school. My aim is not only to attract people in the neighbourhood but also teachers and learners but most importantly what I love about this place is that during weekends or even school holidays I also get customers who come to the sports ground to participate and others who come to watch different sporting activities”. (Somalian, Interview, April 2021).

Secondly, during the research, it was also noticed that the migrant informal enterprises locate their enterprises in high pedestrian traffic areas. This ensured that their enterprises get a lot of customers who come to their enterprises and purchase different goods or services. Their customers are from low-income households in townships that cannot financially sustain daily travelling to the shopping malls to buy their household needs. It is a mutual benefit for both the African migrants’ enterprise owners and the local customers.

A participant has this to say:

“High pedestrian traffic makes townships a thriving market for my informal enterprises because of the generally lower mark-ups on goods, my enterprise relies on quick turnover from many customers. Also, many township customers do not own cars and cannot
easily reach the big supermarkets like Shoprite or Spar so these residents walk past my enterprise every day” (Zimbabwean, Interview, April 2021).

Indeed, this confirms a study by Bennett (2017) in Cape Town who also found that African migrant entrepreneurs trade specifically in busy pedestrian traffic areas to provide goods and services needed by the community daily. These findings can also be compared with the study done by Smith (2015) who ascertains that operation strategies used by the migrant-owned informal enterprises are now a particularly significant element in the growth of their enterprises and the landscape of Cape Town in Gugulethu and Nyanga Townships.

Interest-free credit

Most African migrants’ informal enterprises give credits with no interest to their regular customers. All those granting credits acknowledge that this has a positive effect on their enterprises as it builds trust and loyalty towards their enterprises. Participants believe that selling on credits attracts customers and it is also a measure of customer retention. The views of the participants are indicated in the following excerpts:

“I give my regular customers goods on credit especially the pensioners that reside close to my shop and this because majority of the household around here relies on pensioners or social grants because they are not working and also I understand that people sometimes go through difficult times. I have not had problems with my customers. They pay me when they have money. I know my regular customers and I want them to be happy and have food at their table at all times” (Somalian, Interview, April 2021).

“The level of understanding that I have with my customers is amazing. I don’t even think about what if they don’t pay when I give them goods on credit. It’s something I have been doing since I opened this shop. All my regular customers know that I always help whenever they are encountering difficulties” (Zimbabwean, Interview, April 2021).

A major finding from this study is that many of the African migrant informal enterprises are linked to social networks that they have formed. Social network amongst the African migrants includes sharing the transport costs when stocking for their informal enterprises, disseminating the knowledge and expertise on how to improve service delivery to their clients and certain ideas and knowledge system which circulate amongst other African migrants and extending loans to start businesses amongst African migrants. Social network (such as sharing transport costs) is helpful because they led to African migrants selling their goods at a lower price than the South African competitors which attracts more customers. The sharing of financial resources and knowledge amongst African migrants showed the relevance of the social capital theory. In the case of African migrant informal enterprises owners in the Mandeni municipality social capital included trust, solidarity and ethnical ties. Such resources, although not monetary, still play a very important role in the business and establishment of African migrants in host countries. A significant number of the study participants benefited in one way or the other from these social resources which have led to the growth of African migrants’ informal enterprises.

In addition, the different entrepreneurial strategies employed by African migrants ranging from selling at lower prices, the strategic location of African migrant informal enterprises, long operating hours, stocking a variety of items and interest-free credit corroborates existing research (see e.g., Charman et al., 2012; Gastrow & Amit, 2013; Basardien et al., 2014) and contributed to the growth of African migrant owned informal enterprises. While African migrant entrepreneurs arguably hold superior business strategies than their local counterparts who also own informal enterprises, they possess some elements of exploiting the market and understanding their customers’ needs. Some cheaper products sold in African migrant informal enterprises including cold drink, and bread are largely preferred and are more affordable, especially for the unemployed local community members.

Conclusions

This study showed that the African migrant informal enterprises are concentrating on the development of their businesses and strive to achieve growth and succeed at varying levels. Many of the African migrant informal enterprises who were interviewed provided reasons for their good performance in business which have made their informal enterprises to grow which included social networks that are formed among each other and most important the participants pointed out that beside having social networks but also having business strategies also have helped them to grow their enterprises. A major finding from this study is that many of the African migrant informal enterprises are linked to social networks that they have formed. Social network amongst the African migrants includes sharing the transport costs when stocking for their informal enterprises, disseminating the knowledge and expertise on how to improve service delivery to their clients and certain ideas and knowledge system which circulate amongst other African migrants and extending loans to start businesses amongst African migrants. Social network (such as sharing transport costs) is helpful because they led to African migrants selling their goods at a lower price than the South African competitors which attracts more customers. The sharing of financial resources and knowledge amongst African migrants showed the relevance of the social capital theory. In the case of African migrant informal enterpises owners in the Mandeni municipality social capital included trust, solidarity and ethnical ties. Such resources, although not monetary, still play a very important role in the business and establishment of African migrants in host countries. A significant number of the study participants benefited in one way or the other from these social resources which have led to the growth of African migrants’ informal enterprises.
In addition, the different entrepreneurial strategies employed by African migrants ranging from selling at lower prices, the strategic location of African migrant informal enterprises, long operating hours, stocking a variety of items and interest-free credit corroborates existing research (see e.g., Charman et al., 2012; Gastrow & Amit, 2013; Liedeman, 2013; Basardien et al., 2014) and contributed to the growth of African migrant owned informal enterprises. While African migrant entrepreneurs arguably hold superior business strategies than their local counterparts who also own informal enterprises, they possess some elements of exploiting the market and understanding their customers’ needs. Pointed out in the study is that some cheaper products sold in African migrant informal enterprises including cold drinks, cigarettes and bread are largely preferred and are more affordable, especially for the unemployed local community members. The main challenges faced by African migrants in the Mandeni municipality are competition and criminal acts, which harmed their enterprises’ growth. However, experiencing such challenges has not stopped the study participants from successfully running their informal enterprises. This shows that the African migrants are resilient as they adopted some strategies to overcome them.

Lastly this study contributes to the discipline of Geography by illuminating the factors that contribute to the development of the African migrant informal enterprises in a small town like Mandeni municipality. Thus, the novelty, therefore, is that this study helps to show that migration is not always occurring in big urban cities, but that smaller towns like Mandeni are also destinations of choice. While this did not disprove, that cities like Cape Town, Durban and Johannesburg are the major attractions, it adds that smaller towns also have an influence and thus deserve appropriate attention in migration studies in the context of Human Geography.

Recommendation

The study discovered that African migrants outperform their local competitors. A starting point would be to establish a relationship between African migrants and the local informal entrepreneurs so that they can share knowledge on how to sustain their businesses. African migrant informal entrepreneurs and local informal entrepreneurs could collaborate through the African migrants mentoring local informal entrepreneurs. This would help to strengthen the bond between the African migrants and local informal entrepreneurs. The Mandeni municipality can organize business seminars and invite both the African migrant informal entrepreneurs and local informal entrepreneurs and this would create a positive interaction between African migrants and local informal entrepreneurs. In the long run, this will contribute to the reduction of xenophobia. Also, tolerance toward African migrants will be promoted at the same time assisting in making African migrants a part of the municipality and not to be regarded or seen as a threat. Anti-xenophobia campaigns should be launched by community organisations. The media should also assist in highlighting and educating the local community about the worthwhile contributions by the African migrant informal enterprises. The Mandeni municipality should incorporate policies that stipulate how they expect the media to assist them in educating the public.

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