LIMITATIONS ON THE GROWTH OF ECONOMIC MULTIPLIERS IN THE SMALL BUSINESS SECTOR IN THE EASTERN FREE STATE

By

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DECLARATION

I, Puleng Josephine Lekhotla declare that the dissertation hereby submitted to the University of the Free State for the degree, Master of Arts in Geography, has not been previously submitted by me for a degree at any University; that this is my own work in execution and design, and that all material contained herein has been duly acknowledged.

Signed ....

Date 14 OCTOBER 2011

Place PHUTHADITJHABA

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ABSTRACT

Maluti-a-Phofung (MAP) municipal area is currently experiencing high unemployment and poverty rates. The structural weaknesses and problems of the economy of MAP local municipality highlight the importance and urgency of Local Economic Development (LED) in MAP. This paper reports the results of a study carried out to investigate constraints in the growth of multipliers around local shopping centres in the area south of Phuthaditjhaba, Maluti-a-Phofung. The methodology involved field observations, the administration of interviews to a random sample of ten households in the vicinity of each of the eight shopping centres and another sample of five business units at each centre. The results were analyzed using Pearson's correlation in order to test three hypotheses based on business structure, location and multipliers. The findings indicate that these shopping centres are not able to meet the diverse shopping needs of the community and patronage levels are extremely low. This has serious implications for these centres in generating economic growth multipliers in the local community.

LIST OF ABBREVIATIONS

ATM	Automatic Teller Machine
BEE	Black Economic Empowerment
DFI	Development Finance Institution
ESCOM	Electricity Supply Commission
FET	Further Education and Training
FDC	Free State Development Corporation
FSDP	Free State Development Plan
FSGDS	Free State Growth and Development Strategy
GDP	Gross Domestic Product
HDI	Historically Disadvantaged Individuals
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
ICOR	Incremental Capital Output Ratio
LED	Local Economic Development
MAP	Maluti-a-Phofung
NAMAC	National Co-coordinating Office of the Manufacturing Advisory Office
NEF	National Empowerment Fund
NSDF	National Spatial Development Framework
PDI	Previously Disadvantaged Individuals
QDC	Qwa-Qwa Development Corporation
SAPS	South African Police Service
SMME	Small, Medium and Macro Economies
STATS SA	Statistics South Africa
SWOT	Strengths, Weaknesses, Opportunities and Threats
TWIB	Technology for Women in Business

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CHAPTER 1: BACKGROUND OF THE STUDY

1.1 Introduction

The University of the Free State, South Africa, has identified six research niche areas through which it wishes to position itself as a major centre of knowledge production through the conduct of relevant and multi-disciplinary research. One such area is Strategic Cluster 2: New Frontiers in Poverty Reduction and Sustainable Development. The aim of this research cluster is, among other thrusts, to seek out new frontiers and perspectives as a means to promote the asset base of communities, their livelihoods, empowerment potential and quality of life. Hopefully, the products of such research endeavors should promote practical outcomes and impacts by being focused on generating policy responses, practical advice on problem-solving and ultimately produce a body of knowledge that appeals to both practitioners in the discipline-geography itself and a wide cross section of stakeholders both in the private and public sectors.

Developing countries face numerous challenges linked to low levels of human development and high levels of poverty and deprivation. Departing from traditional approaches in development associated with western schools of thought, it is important that we engage the twin issues of poverty reduction and sustainable development in a holistic and integrated fashion. To achieve this, the cluster has been sub-divided into four focus areas, namely: (1) Local Development in Resource-Poor Environments; (2) Empowerment, Leadership and Capacity Building for Development; (3) Governance and Management for Impact and (4) Economic Policy for Development and Poverty Reduction. Each of these Focus areas has also been broken down into appropriate research theme areas making it possible for inter-disciplinary and multi-discipline research teams to participate. One research theme focus area in Focus Area (1) centres on Business development in terms of SMME support, local business development, promotion of LED through economic multipliers, the socio-economic impact of tourism in remote and undeveloped areas, the economic impact of rates and taxation policies. Business development, a field that cuts across several disciplines in the social sciences and humanities is seen as having the potential to contribute to the development process in rural communities and, in the process, act as a trigger for generating activities whose cumulative impact is the reduction of poverty at household level. It is in this respect and sense that interest falls on "economic multipliers" as the organizing principle for a current project funded through the Directorate of Research Development, University of the Free State. This research therefore is housed within a larger project entitled: ***"Developing Economic Multipliers in the Small Business Sector"*** within the Geography Department at the University of the Free State.

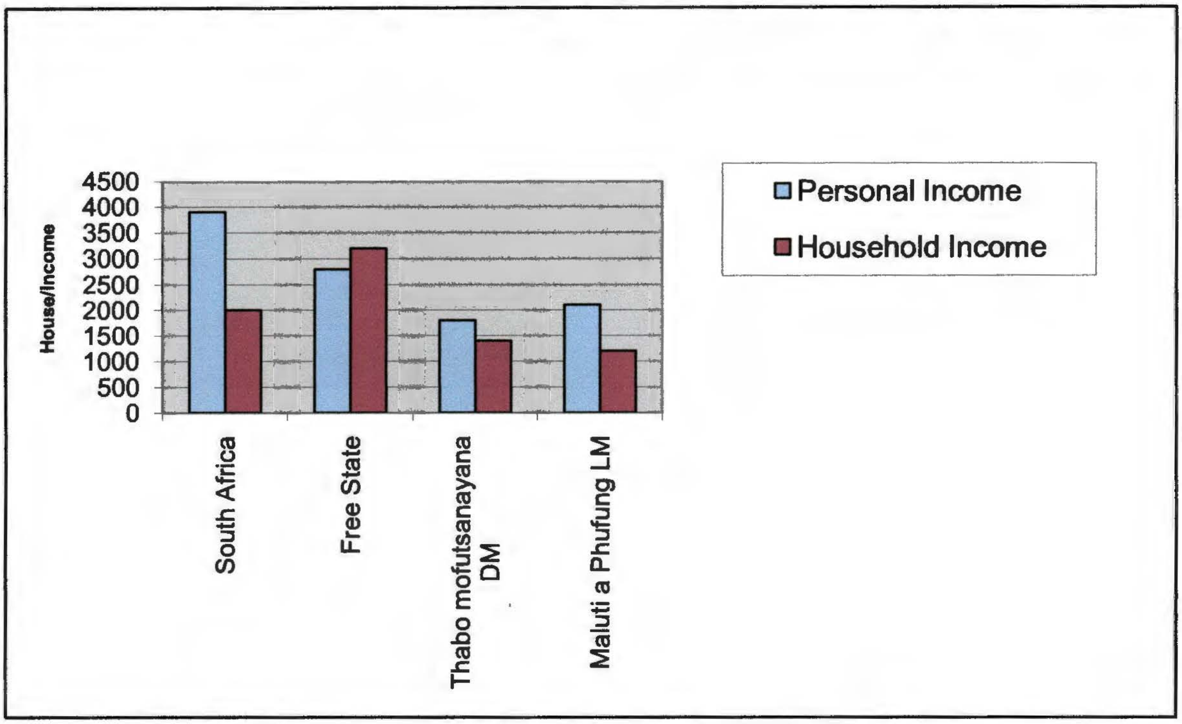
1.2 The Research Problem

TABLE 1. Statistics on unemployment in South Africa

Province	% Employment	Employed	Employable Age	Population	Household Size
Eastern Cape	20.4%	754,338	3,697,693	6,436,761	4.05
Free State	33.7%	591,000	1,752,693	2,706,776	3.55
Gauteng	45.0%	2,894,777	6,432,054	8,837,172	3.15
KwaZulu-Natal	27.8%	1,602,270	5,755,280	9,426,019	4.09
Limpopo	22.7%	663,846	2,924,557	5,273,637	4.07
Mpumalanga	33.0%	630,175	1,908,021	3,122,994	3.91
North West	31.8%	748,890	2,352,701	3,669,350	3.44
Northern Cape	39.4%	208,745	529,843	822,726	3.73
Western Cape	48.5%	1,489,723	3,074,286	4,524,335	3.58
South Africa	33.7%	9,583,764	28,427,128	44,819,770	3.69
Thabo Mofutsanyana	***29.0%***	***129,944***	***447,908***	***725,933***	***3.90***
Maluti-a-Phofung	*36.3%*	*49,696*	*137,087*	*360,751*	*3.98*

Source: Statistics South Africa, 2008

Figure 1: Comparison of Average Income Levels



Source: MAP LED Strategy, 2008

Figure 1 explains that, judged by the average monthly income levels, Maluti-a-Phofung is a poor area. This is especially relevant at the household level. Comparison of the household and personal income levels shows that only every second household has a bread winner.

With 10, 6% of South Africa's area, 6.4% of the population and 4, 9% of the country's Gross Domestic Product (GDP), the Free State Province is relatively large in physical area but small in population size and GDP contribution. The economy of the Free State province generates slightly less towards the South African economy than the relative size of the provincial population. This would suggest that the provincial economy is currently "under-performing" (FSG, 2005). The weak position of the Free State economy is further reflected by the relatively low (2002) per capita income level (R11 854 compared R17 164 for South Africa and R32 356 for Gauteng), a high unemployment rate of 38, 9 % (S.A. 40, 8%) close to 49% of the population "living in poverty". The Human Development Index for the Free State in 2004 was at 0, 67%, which is just below the national average of 0, 69 and the functional literacy rate was 69, 2% in 2003 (FSG, 2005). It is on the basis of this statement that the research focuses on the causes and the impact of limitations to the growth of the small business sectors in the MAP Local Municipality.

What is particularly interesting from the Table 1 is that the unemployment rate in MAP is higher than in Thabo Mofutsanyana District Municipality, and the provincial unemployment is also of the same order of magnitude as at the local level. This means that there is relatively little incentive to move elsewhere in order to obtain work. Therefore, the assessment is that the employment parameter is reasonably critical for MAP.

Apart from the current high unacceptable rate of unemployment and the low levels of economic growth, the challenges facing the province are the job losses in primary industries due to global cost drivers. Beneficiation in the mining industry, for example, would enable the Free State to move up the value chain by converting its raw materials into finished products and semi-finished products thereby creating much needed jobs. The Free State aims to optimize and broaden the province's current economic profile by placing more emphasis on the key economic sectors such as tourism, agriculture and manufacturing. In its commitment to bridge the gap between the first and second economies, the province will focus on developing and expanding the SMME sector, facilitating greater access to capital and creating opportunities for broad based Black Economic Empowerment (BEE). Turning to Maluti-a-Phofung local municipality, an area classified as a "resource-poor environment" the need for creative and flexible interventions which depart from conventional approaches need attention. High levels of unemployment, poverty, limited resources and low agricultural output means that we need to turn to the business sector as a potential engine of growth. A research gap is noted because little research has been carried out to enquire into a linked strategy that places the small business sector at the centre of poverty-reduction. While support services targeting the broader SMME sector are beginning to have effect throughout the country, there is a need to investigate internal and external forces that constrain the ability of small business to generate economic multipliers.

1.3 Purpose of the Study

The main focus of this study is to investigate problems facing the generation of economic growth multipliers by rural shopping centres as a way of understanding the role of the small business sector in addressing household poverty.

1.4 Objectives

Based on the social and economic development challenges of Maluti-a-Phofung local municipality, the following have been advanced as primary objectives of the study:

- To characterize the small business sector
- To describe the consumer profile in each locality
- To identify obstacles to local inter-firm transactions
- To isolate critical constraints to the growth of multipliers
- To comment on the contribution of the small business sector in poverty reduction
- To comment on the contribution of the study to the geography of uneven development

1.5 Statement of Hypotheses

Three hypotheses centred on business structure, location and multipliers respectively are advanced initially to provide a guide for the study. All these have been deliberately coined to indicate the central focus of the small business sector. We intend to investigate the generation of economic growth multipliers in the local environment from the point of business units and how they interact with the immediate market areas.

Hypothesis1. [Business Structure]

The structure of the business sector is responsive to the immediate needs of the consumer market .This requires that we describe the classes of business outlets represented at each centre, the product range available to the public, and design a method for measuring consumer satisfaction.

Hypothesis 2. [Location]

The relative location of business centres significantly affects their potential attractiveness. This calls for quantifying distance from centre to Phuthaditjhaba. It also calls for gathering data from household on mean trips and trip frequencies in order to map movement patterns. Distance will be expressed in terms of trip cost by public transport.

Hypothesis 3. [Multipliers]

The presence of a shopping centre in a locality has significant material benefits for the household. This calls for gathering household data within the immediate locality of the centre on such issues as shopping preferences, direct employment, participation in income-generating activities linked to the centre, access to services and on household productivity.

1.6 The Scope of the Study

Poverty and its eradication attract multi-disciplinary researchers from a wide range of backgrounds. Common participants are drawn from fields like sociology, geography, economics, development studies, politics, demography and public management. This study is housed within this multi-disciplinary approach and exploits theories, approaches and methods that are not unique to a particular discipline. Inevitably, however, the bias in geographical research will tend to fall on time-space interactions but with a clear bias for quantitative methodologies.

The focus of this study is on economic multipliers associated with shopping centre investments in a resource-poor rural environment of a single local municipality, in the Free State Province, South Africa. The study intends to unpack relationships centered on constraints that face the growth of multipliers in localities served by such centres. Interest falls on how to override such constraints. Once these are addressed, we believe that the small business sector would be in a stronger position to play a major role in poverty reduction at household level.

1.7 Significance of the Study

This type of research is important for several reasons. First, the small business sector in Maluti-a-Phofung, a local municipality officially classified as resource-poor has potential in addressing many of the socio-economic problems associated with poverty and deprivation. Such potential can be enhanced through deliberate policy interventions at provincial and local municipality levels. Second, programmes aimed at poverty reduction often reveal a stark failure to appreciate resource-base limitations and to counter these through private-public interventions that generate integrated and economically sustainable alternative livelihoods. Thirdly, apart from a multitude of studies on the so-called "second economy", the real potential of the small business sector in economic growth, in economic development and in poverty reduction, remains unfortunately poorly researched and understood.

1.8 The Study Area

Maluti-a-Phofung Local Municipality, hereafter referred to as MAP, was established in 1998 and proclaimed in 2000. It is one of the five municipalities of the Thabo Mofutsanyana District Municipality. There are three main towns in the MAP local municipality: Harrismith, Kestell and Phuthaditjhaba. There are also three townships: Intabazwe, Tlholong and Tshiame. Qwa-Qwa, Makholokweng and Swinburne form three rural areas in the node (FSG, 2003:4). Of these three rural areas in the node, the study will focus mainly on the shopping centres in Qwa-Qwa. Qwa-Qwa is found between the latitudes of 28 degrees 30'S and 28 degrees 45'S and the longitudes of 28 degrees 40'E and 29 degrees 00'E in the eastern part of the Free State Province. This predominantly mountainous area is situated at an average height between 1500m and more than 300m above the sea level.

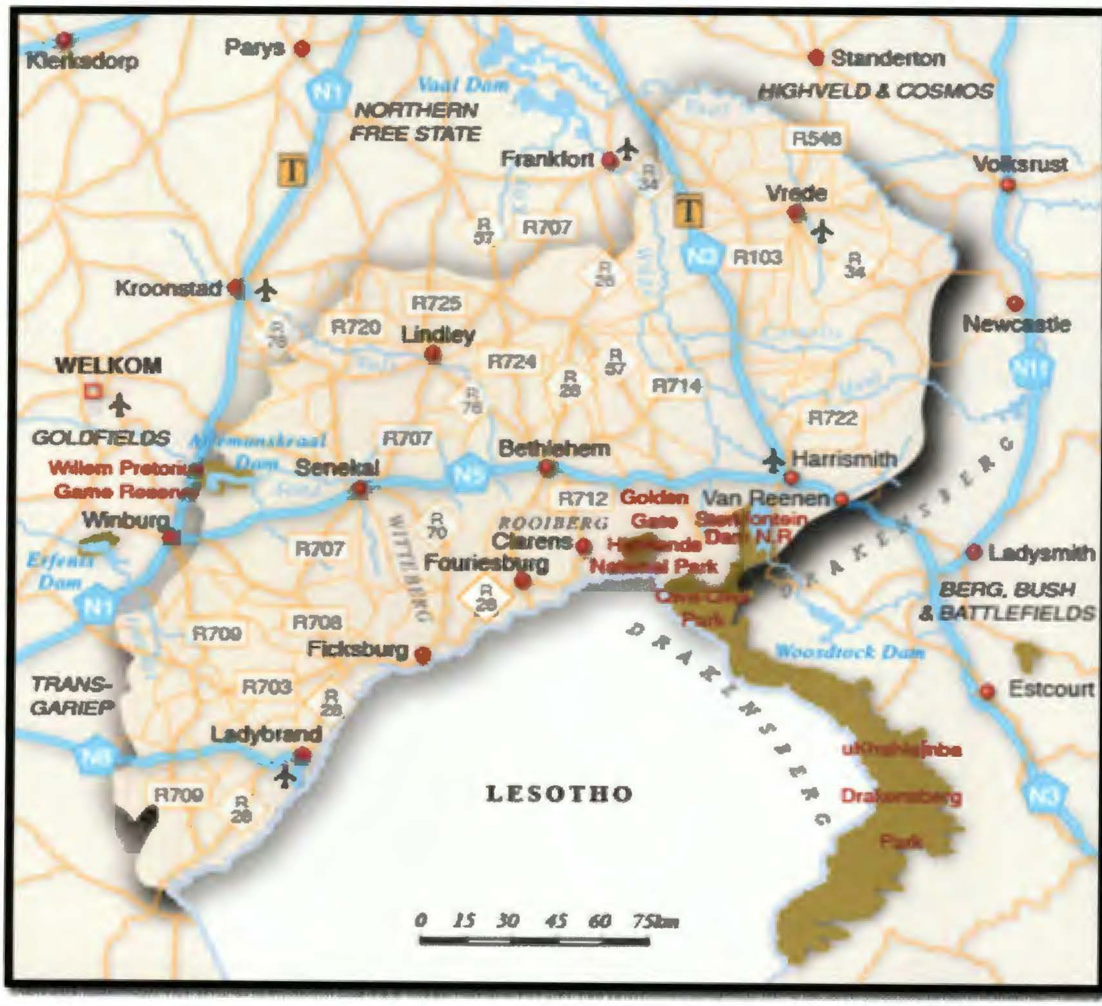
Figure 2: Map of Thabo Mofutsanyana District Municipality

Source: Provincial Maps, Free State ED 2 tif

In terms of population, Maluti-a-Phofung had a population of 360 000 people in 90 300 households in the 2001 census. This had grown to 385 413 people in 97 172 households by mid 2007 (Statistics South Africa, 2008). While Phumelala, Setsoto and Nketoana municipalities in Thabo Mofutsanyana district have registered a steady population decline since 2001, Maluti-a-Phofung has increased and accounted for 55% of the total population of the district in 2007.

A variety of activities include tendering, hawking, general dealing, professional services and catering. Support services such as government departments have been closing down since the movement to Bloemfontein after 1994. Manufacturing has also suffered a serious decline since 1995 due partly to the closure of the industrial incentives scheme (Ruhiiga, 2001). Since the closing down of support services and manufacturing, most people tend to go for the same businesses such as taxi business, taverns and tuck shops. The people overwhelmed this small market and the industry was overloaded. Lack of finance is also an impediment. Most shops in the rural shopping centres around Phuthaditjhaba show signs thereby aggravating poverty and joblessness.

Figure 3: The Eastern Free State



Source: http://www.roomsforafrica.com/dest/south-africa/free-state/regions/eastern-free-state.jsp

The study site is made up of eight (8) rural shopping centres in the QwaQwa area of MAP which developed in the late 1980's and early 1990's before the advent of the 1994 dispensation that saw the incorporation into South Africa of the former homelands.
These are Charles Mopeli (Mokudumela), Makeneng, Monontsha, Tseki, Bolata, Tsheseng (L.C. Mota), Makwane and Lusaka.

1.9 Definition of Key Concepts

Asset base is a description of the physical and human resources available to a given community

Business structure is the variety of business outlets in a shopping centre

Market segmentation is a classification of classes of consumers in terms of age distribution, employment status, income per capita and spending preferences

Economic growth is a cumulative physical measure of the production output by value and volume of a locality, area or municipality

Household productivity refers to all those value adding activities members of a single household are engaged in and which contribute to the total household income

Market area is a locality that has been demarcated in such a way as to include the sales area of a shopping centre

Market saturation refers to a situation where there just too many sellers and providers of support services compared to the maximum consumer demand in the area

Multiplier mechanism is the trigger effect of any investment that initiates a chain reaction in the environment leading to an increase in the volume and variety of economic activity

Tenant mix is the quality and variety of outlets found at the centre and the extent to which consumer shopping needs are addressed

Poverty may be defined as the lack of the economic means to meet ones basic needs and wants as a result of a very low purchasing power compared to the country's poverty line.

Poverty alleviation is a general term often mistakenly interchanged with "poverty eradication" which means the sum total of all those programmes whose aim is to lower the population classified as poor

Resource-poor environment refers to any recognizable administrative unit of land whose natural resources and human resources are in such an inadequate state as to undermine development possibilities

Small Business is a short term for the small, micro and medium enterprises [SMME] as understood in South Africa. Small business, as used in this study covers those outlets in the retail, construction, manufacturing and service sector with the upper cut-off of 100 employees (RSA, 1997)

Sustainable livelihoods are all those activities humans are engaged in which support people without damaging the availability of resources for current and continuous use

Sustainable development as a concept has in the past attracted different viewpoints as to its meaning. Sustainable development is development that is likely to achieve lasting satisfaction of human needs and improvement of the quality of human life (Allen, 1980). According to Coomer (1979), the sustainable society is one that lives within the self-perpetuating limits of its environment. According to Redcliff (1987) the term "sustainable development" suggests that lessons of ecology can, and should, be applied to economic progress. For the purpose of this study, sustainable development is an ideal balance in the development process where the rate of resource consumption, in spite of a probably increasing population, is such that the access to resources for future generations is not compromised by present consumption behaviour.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The question of why the pace of development differs between countries, regions and localities has been at the forefront of economic geography enquiry ever since. In this chapter we shall survey some of the major historical theories and schools of thought that have focused on the growth and development process, starting with the classical economists and then proceeding to Keynesian growth theory, as represented by the Harrod-Domar growth model, to neoclassical growth theory and the use of the production function, and to the so-called "new" growth theory or endogenous growth theory, and finally studies of the macro determinants of growth (Thirlwall,1999:82).

2.2 Business Growth Theories

Understanding how firms grow is a critical starting stage for reviewing growth theories.

A business according to Chandler (1962) may expand horizontally through extending production and sales into new markets. It may expand vertically by involving itself further in the production sequence through backward and forward linkages. The enterprise may diversify into a new range of products but closely related to its current line of output. Such firm behavior essentially is the outcome of the decision-making process, a process that may not necessarily be conditioned by concerns about firm location, a position propagated by some economic geographers of the 1950's and 1960's.

It is necessary to identify theoretical relationships and viewpoints that have been variously advanced to explain the growth of firms (read business) in time and space. Two classical growth theories are worth mentioning here.

2.2.1 Classical Growth Theory

One of Smith's most important contributions was to introduce into economics the notion of increasing returns, based on the division of labor (Thirlwall, 1999:83). Smith posited a supply-side driven model of growth via the simplest of production functions:

$$Y=f\,(L, K, T)$$

Where Y is output, L is labor, K is capital and T is land. He saw the division of labor (or gains from specialization) as a very basis of a social economy; otherwise everyone would be their own Robinson Crusoe producing everything they want for themselves. It is this notion of increasing returns, based on the division of labor that lay at the heart of his optimistic vision of economic progress as a self-generating process. According to him, the division of labor determines the level of labour productivity, but the division of labour is limited by the extent of the market. The extent of the market, however, partly depends on the division of labour as the determinant of per capita income.

2.2.2 The Harrod-Domar Growth Model

In the Harrod-Domar model, three different growth rates: actual growth rate, warranted growth rate and natural growth rate are used. The actual growth rate is defined as the ratio of savings to income and the actual incremental capital-output ratio, that is, the ratio of extra capital accumulation or investment to the flow of output. Warranted rate of growth is defined as the rate of growth which, if it occurs, will leave all parties satisfied that they have produced neither more or less than the right amount. Or it will put them into a frame of mind which will cause them to give such orders as will maintain the same rate of growth. The natural growth rate plays an important role in Harrod's growth model in two respects. First, it defines the rate of growth of productive capacity or the long-run full employment equilibrium growth rate. Second, it sets the upper limit to the actual growth rate, which brings cumulative expansion in the Harrod model to a sticky end (Thirlwall, 1999:91).

The Harrod-Domar model was influential in development economics literature during the third quarter of the twentieth century, and was a key component within the framework of economic planning. It was used to calculate a financing gap that needed to be filled if an economy was going to develop. It suggested that the key problem facing developing countries was simply to increase the share of resources devoted to investment. A target growth rate times, the incremental capital output ratio (ICOR), would give the required investment to meet the growth target. The financing gap was the gap between available financing for investment (such as domestic savings) and the required investment. Filling this gap with aid, the country would get required investment, which in turn, would yield the target growth rate (Ran, 2005).

A number of shortcomings have been identified for the Harrod-Domar model. Firstly, it shows that investment responds to the incentives to invest in the future. However, giving aid to a country does not change those incentives, and so, does not increase investment. People will consume a permanent flow of aid, not invest it, according to the permanent income theory of consumption. Moreover, the financing gap calculation creates perverse incentives for aid, the lower the domestic savings effort, the larger the gap and the more aid that is required (Easterly, 1998).

A further weakness of the Harrod-Domar model is the assumption of zero substitutability between capital and labour,(that is, a fixed factor proportions production function) which leads to an instability property that even for the long run, an economic system is at best balanced on " a knife-edge equilibrium growth" (Ran, 2005). This is a crucial but inappropriate assumption for a model concerned with a long-run growth and is also the main difference between the Harrod-Domar model and the Neo-Classical growth theory, which assumes a positive elasticity of factor substitution between the two inputs (An encyclopedia of macroeconomics, 2002:316).

2.2.3 Neo-Classical Growth Theory

The neo-classical growth model, also known as the Solow model after Robert Solow (1956) and Swan (1956), starts from the neo-classical aggregate production function: $Y=F(K, ZL)$

Where Y is output, K is capital, L is labour, and Z is a measure of technology. ZL can be seen as the labour force measured in efficiency units, which incorporates both the amount of labour and the productivity of labour as determined by the available technology. The basic building block of the neo-classical model is the production function exhibiting constant returns to scale. Therefore, the production function can be set as an equation:

$Y= F(K)$. Where $y= Y/ZL$, $k= K/ZL$, and $f(k) =F(k, l)$. This production function relates output per efficiency unit of labour (Mankiw, 1995).

The neo-classical model emphasizes how growth arises from the accumulation of capital. At any moment, the capital stock is a key determinant of the economy's output, but the capital stock can change over time, and those changes can lead to economic growth:

$$K = s\,f(k) - (n + g + \text{\textasciitilde})\,k$$

Where k is the change in the capital stock between one year, and the next s is the rate of growth in technology, and ~ is the rate at which capital depreciates. The model takes

s, n, g, and ~ as exogenous (Mankiw, 1995).

There are three basic propositions of this theory: first, the growth of output is determined by the rate of growth of the labour force in efficiency units, that is, by the rate of growth of the labour force plus the rate of growth labour productivity. Second, the level of per capita income depends on the ratio of saving and investment to Gross Domestic Product. Third, there will be an inverse relation across countries between the capital-labour ratio and the productivity of capital, so that poor countries with a small amount of capital per head should grow faster than rich countries with a lot of capital per head, leading to the convergence of per capita living standards across the world (Thirlwall, 1999: 94). This theory is designed to show that an economy will tend towards a long-run equilibrium capital-labor ratio. Therefore, the model predicts long-run growth equilibrium at the natural rate. Criticism of the neo-classical model is that it leaves growth of technology as an exogenous factor (i.e. external to the behavioral variables of the model). Without growth of technology, the model asserts that economic growth will ultimately cease (Ran, 2005).

2.2.4 Endogenous Growth Theory

Endogenous growth theory or new growth theory was developed in the 1980s as a response to criticism of the neo-classical growth model. In neo-classical growth models, the long-run rate of growth is exogenously determined. In other words, it is determined outside of the model, generally by an assumed rate of technological progress and an assumed rate of labor force growth. This does not explain the origin of growth, which makes the neo-classical model appear very unrealistic. Endogenous growth theorists see this as an over-simplification.

The value of endogenous growth theory is twofold. First, it helps to explain the existence of worldwide technological progress, which the neo-classical growth model takes as given. This theory introduces the formation of knowledge, either as part of labor or as abroad notion of capital into the theory endogenously. Second, it offers a more realistic description of research and development. In this theory, even though knowledge is largely public goods, much research is done in firms that are driven by the profit motive. Research is profitable because innovations give firms temporary monopolies (Mankiw, 1995).

Endogenous growth theory tries to overcome this shortcoming by indigenizing the rate of technological progress. Several competing models have been developed by various authors. This growth theory usually relies on virtuous cycles. Crucial importance is usually given to the "production" of new technologies and human capital. Firms and individuals have an incentive to invent in order to exploit an advantage over their competitors, thereby improving their own productivity. Some of the knowledge associated with the innovation "spills over" to other economic actors, which increases those actors' ability to innovate. The virtuous cycle arises through this mechanism.

In contrast to the older neo-classical growth theory, endogenous growth theory argues that policy measures can have an impact on the long-run growth rate of an economy, even if they do not change the aggregate savings rate. Subsidies on research and development or education increase the growth rate in some endogenous growth theory models by increasing the incentive to innovate. The most significant theoretical differences to the neo-classical growth theory stem from discarding the neo-classical assumption of diminishing marginal returns to capital investments. This assumption would permit increasing returns to scale in aggregate production, and is frequently focusing on the role of externalities in determining the rate of return on capital investments (http://www.statemaster.com). Yet for practical macroeconomics trying to understand international differences, the payoff from endogenous growth theory is not clear. Models that emphasize immeasurable variables such as knowledge are hard to bring to data. It is not surprising, therefore, that these models have appealed to more theoretically inclined economists, and that there have been few attempts to evaluate these models empirically (Mankiw, 1995).

In sum, the exogenous and endogenous growth theories focus on the proximate causes of growth, such as labour, physical capital, human capital, and productivity. These determinants allow economists to better understand and explain the 'how' of growth. However, they lack mechanism for explaining 'why' countries grow at different rates. This implies that one cannot hope to find the magic bullet by using economic analysis alone. To explain growth 'miracles' and 'disasters' requires an understanding of the fundamental determinants of economic growth (An encyclopedia of macroeconomics, 2002: 197-198).

While these approaches throw some light on the process of economic growth in general, they are inadequate in interpreting the behavior of individual business unit, hereby referred to as "firms'. The firm today is understood to be any organization which mobilizes factors of production-land, labor, capital and technology to make a product or provide a service in the market for which it expects returns (Ruhiiga, 2002a: 31). To be profitable, the firm must invest in input combinations that approach the optimal in time and space, subject to limitations imposed by the factor market and management. While firms may reap satisfactory returns without real growth, for them to become profitable, they must of necessity achieve growth. Different firms grow at different rates and require different input factors. Assuming a hypothetical firm and technology is held constant; an increase in all inputs should lead to a proportional increase in outputs. These economies of scale dictate the size of the firm for performing particular functions and explain the variety of growth options that can be exercised by a single firm. They also partly explain why without growth, most firms may be unable to survive the harsh reality of competition in the market place (Ruhiiga, 2002b:25).

2.3 The Multiplier Mechanism

Multipliers translate a known or assumed direct effect into an estimated total impact equal to the direct effect plus an indirect effect. For example, 200 jobs in a new shopping centre (the direct effect) might lead indirectly to 80 more jobs in the local service sector (the indirect effect). In this case, the total impact would be 280 jobs and the employment multiplier would be 2:8. The indirect effects may result from several kinds of linkages. Some examples would be new sales to the shopping centre, sales to the new workers, additional sales to the sellers and even expanded sales to expanded government made necessary to an expanded economy.

Early proponents of the multiplier theory advanced the view that the trigger for growth is generated from outside the locality (Lloyd & Dickens, 1978:389) at least in the early stages. Today, what is important is that every new investment in a locality will have some multiplier effect. Investment theory developed in economics provides significant insights on firm behavior under different investment scenarios. Direct effects of the multiplier are followed by a chain-reaction that induces expansion in the productive output of the locality. Since the chain reaction operates as a diffusion of growth impulses outwards from the original core, it follows that with increasing distance from that core, the effects should in theory become less and less. While we may visualize the multiplier in terms of, for example, impact on employment creation, the true effects are reflected down the line in terms of changes in income. Whenever a given centre has a considerable market area and where the nearest higher order centre is quite far, then such a centre will not suffer much from the effects of buying power leakages (Ruhiiga, 2000a).

Miller (2007) an extension economist at the University of Arkansas, added by writing that economic multipliers help leaders predict the "ripple effects" of new industry and business expansions. A multiplier, according to Miller, summarizes the total impact that can be expected from change in a given economic activity. For example, a new manufacturing facility or increases in exports by a local firm are economic changes which can spur ripple effects or spin-off activities. Multipliers measure the economic impact of these new exports, thereby including the resulting spin-off activities. A new or expanding industry can have economic impacts beyond the jobs and income generated by the original project. If used wisely, multipliers provide planners and community leaders with estimates of employment, gross sales and income that will result from new economic activity.

Change may be measured in several ways. Some community leaders may be primarily concerned with employment or income while others may want to estimate the total value added to the local economy. Four multipliers are commonly used to assess impacts of an initial increase in sales, usually called final demand in multiplier analysis. The four are: output, employment, income and value added multipliers. The output multiplier estimates the total change in local sales, including the initial \$1 of sales outside the area, resulting from a \$1 increase in sales outside the study area (final demand). Multiplying the increase in sales of the exporting industry by the output multiplier provides an estimate of the total increase in sales for the study area, including the \$1 export sales. The output multiplier is used to assess the interdependence of sectors in the local economy.

Communities often wish to know the number of jobs that will be created as a result of a new economic activity. The employment multiplier measures the total change in employment resulting from an initial change in employment of an exporting industry. The additional employment in the new activity multiplied by the employment multiplier for the industry provides an estimate of the total new jobs created in the study area.

The income multiplier measures the total increase in income in the local economy resulting from a \$1 increase in income received by workers in the exporting industry. Multiplying the initial change in income by the income multiplier for the industry provides an estimate of the increase in income for all individuals in the study area resulting from the initial growth of one industry. The value added multiplier provides an estimate of the additional value added to the product as a result of this economic activity. Value added includes employee compensation, indirect business taxes, and proprietary and other property income.

Practical limitations arise in trying to measure direct and indirect multipliers centred on a single shopping centre. These are related to identifying and separating effects due to the centre's existence and those that develop simply by coincidence; fixing time on the initiation of a multiplier, for example employment, and on the limit to its effects; tracing variations in the impact of the effect since the original investment; linking economic activities to the presence of the centre when they may have already outgrown such links and, finally delimiting and imposing market boundaries which in reality are fluid and unreliable.

2.4 The Small Business Sector

The small business sector represents an important vehicle in addressing the challenges of job creation, economic growth and equity (Ruhiiga, 2008). As of 1995, it is estimated that the sector had close to 1 million registered enterprises (RSA, 1995). As at the end of 2006, at least 25% of South Africa's labour force of 15 million people was accounted for by the small business sector while an additional 3.5 million people operate in the second economy. The sector accounted for close to 50% of formally employed people and contributed 37% of the country's GDP (RSA, 2006). The sector remains diverse in terms of structure, type of problems faced, extent of formalization, level of access to money markets and state support services. Given the increasing levels hardships due to large-scale unemployment and the current economic recession set into motion partly by the oil crisis, the number of enterprises in the small business sector should be in the region of +-4 million as of June 2008. Three categories may be distinguished in the sector; micro-enterprises, very small enterprises and small enterprises. Martins and Van Wyk (2004) identifies differences on the basis of the number of full time employees: micro- with 1-5 employees, very small with 6-20 employees and small with 21-50 employees. Clearly then the bulk of enterprises in the SMME sector falls within the small business sector.

The place of the small business sector in national policy documents regarding development effort is emphasized. In its endeavour to harmonize planning across the three spheres of government, the National Government mandated the National Department of Provincial and Local Government to develop a planning tool that would align the processes at national and local government spheres, that is the National Spatial Development Framework (NSDF) as well the Integrated Development Plans (IDP) respectively. The process gave rise to the development of the Growth and Development Strategy at the provincial government level. In 2002, the Free State Provincial Government in pursuance of its developmental mandate of creating a prosperous province and fulfilling the social needs of its entire people, embarked on creating a comprehensive plan called the Free State Development Plan (FSDP), which has now run its course. In this next decade of a democratic dispensation, the province has extended the methodology in a seamless manner into a ten-year strategy. The over aching goal of the Free State Growth and Development Strategy (FSGDS) is to align the provincial and national policies and programmes and to guide development in terms of effective and efficient management and governance to achieve growth and development. The strategy is a living document that uses the latest business planning and evaluation tools in order to maximize the effect of all spending. A consultative process was embarked on through which social partners, i.e. organized business, organized labor, Small, Medium and Macro Enterprises (SMME's), youth organizations provided valuable inputs which culminated in the FSGDS, that is truly a product of all the people of the province (Office of the Premier, 2005).

The government has committed itself to the development of small businesses through the National SMME development strategy, whose objectives are to create an enabling environment for small enterprises, level the playing fields between big and small businesses, as well as between rural and urban businesses, to facilitate greater equalization of income, wealth and earning opportunities, and address the legacy of apartheid-based disempowerment of black business. To support the advancement of women in all business sectors, Create long-term jobs, and stimulate sector-focused economic growth. It is necessary to strengthen cohesion between small enterprises, and prepare small business to meet the challenges of an internationally competitive economy (South African Yearbook, 2003: 168).

To render its mission, the government further established intermediaries such as Ntsika Enterprise Promotion Agency, National Co-ordinating Office of the Manufacturing Advisory Office (NAMAC) and Technology for Women in Business (TWIB) to offer financial and non-financial support services to the SMME sector. Ntsika's mission is to render non-financial support services to the SMME sector through a broad range of intermediaries. This is achieved through initiatives in the areas of management and entrepreneurship development, marketing and business linkages, research and business development services and targeted assistance. The achievement of Ntsika can be categorized into capacity-building of the retail distribution network and direct services to SMME's through these retailers (South Africa Yearbook, 2003:169).

The manufacturing advisory role office's role is to supply high-quality advisory and information services to new and existing SMME's, to ensure improvement in their quality, competitiveness and productivity in manufacturing. National Co-coordinating Office of the Manufacturing Advisory Office (NAMAC), currently has offices in all the provinces in South Africa, 415 business referral and information network locations; provide franchise information and has established one-stop shops for business support to 1400 enterprises; creation of 1800 new jobs in those enterprises, and ensuring that more than 15000 jobs were sustained through the interventions of the Manufacturing Advisory Centres (South Africa Yearbook, 2003).

To address the imbalances in the business world, Technology for Women in Business (TWIB) was formed. It aims to enhance the use of technology by women in business, promote innovation among women and encourage young girls and women to choose careers in science and technology (South Africa Yearbook, 2003). The Umsobomvu Youth Fund, which was reconfigured and restructured under a new name in early 2009, was initiated by government to promote an environment in which young people can develop the right skills to access sustainable jobs, start their own small and medium businesses (S.A. Yearbook, 2003). Following dismal performance of the fund, it was replaced by another agency in mid 2009. Further more, the government created the National Empowerment Fund (NEF), a trust that holds equity stakes in state-owned enterprises and other private enterprises on behalf of Historically Disadvantaged Individuals (HDI). The aim of the NEF is to overcome the perceived risk associated with BEE financing, showing that it is possible to successfully finance BEE businesses. The following are some of the government third party empowerment financiers in South Africa:

The Industrial Development Corporation (IDC) is a self-financing national Development Finance Institution (DFI). The IDC's original objective was to contribute to economic growth and industrial development. It has, since 2001, included empowerment as one of its objectives of financing activities. The IDC funds Small Medium Enterprises directly and indirectly. Directly, through strategic business units focusing on specific sectors, and indirectly, through its wholesale division which makes funds available to external fund managers. Depending on the type of fund, the IDC's funds have different selection criteria ranging from growth objectives to sector development, job creation, empowerment and poverty alleviation (IDC Annual Report, 2002).

The National Empowerment Fund (NEF) is a state-owned provider of empowerment finance established in 2001 as part of the Department of Trade and Industry's group of development finance agencies. The NEF was created by the National Empowerment Fund Act 105 of 1998, and forms part of the department of trade and industry's group of development finance agencies. It has a BEE focus in that its aim is to promote economic participation of previously disadvantaged individuals, and has a mandate to facilitate successful and sustainable BEE through finance and investment activities. Monkman (2003:2) states that the NEF has three main product offerings:

Private Equity provides acquisition and enterprise finance in the form of equity, quasi-equity and debt to support empowerment focusing on transactions requiring funding between R25 million and R200 million. Venture Capital provides seed money, early stage, start-up, expansion and acquisition capital to entrepreneurs in the form of debt, equity and quasi-equity; and lastly. Investment Services, which focus on design and packaging of mass empowerment products, which seek to, address participation of PDI's in financial markets, with emphasis on the development of mass empowerment investment and savings products supported by targeted programmes of the investor.

The term "Local Economic Development" (LED) is widely used by government local authorities and academics in South Africa as a generic term to describe the socio-economic interventions undertaken by local authorities (Rogerson, 2000). LED is recognized as a priority by almost all local authorities. A range of LED strategies are being implemented and given central government support provided through its LED fund. Introduced in 1999 and targeted specifically at poverty alleviation project, this fund forms part of the government's provisional poverty relief program. It is administered by the Department of Provincial and Local Government, and finances employment-generating projects in the smaller local authority areas. However, very real operational constraints are impeding progress. LED is a defined part of the Integrated Development Planning (IDP) process which all local authorities are obliged to undertake.

Chapter 5 of the Municipality Systems Act, 2000, (RSA, 2000) requires all municipalities to engage in the process of IDP. This IDP is defined in the newsletter (2000) as a process through which municipalities prepare and produce a strategic development plan of five years. This plan acts as the principal strategic planning instrument, which guides and informs all planning, budgeting, management and decision making in municipalities. A survey of the IDP document for Maluti-a-Phofung municipality since 2002 indicates a clear separation between the manufacturing sector, the rest of the economic sectors and the need to support what they call the "informal sector" so that it becomes formalized. A closer scrutiny of sector strategic planning fails to indicate for the period up to the 2008/2009 IDP the extent to which the local municipality intends to engage the small business sector and or whether the sector is given preferential treatment in tendering for municipal contracts as the preferential procurement policy –Act.No.5 of 2000 would dictate (Mahlangu, 2008)

2.5 Resource-Poor Environments

Today several areas are classified by the government as resource poor (see Figure 1 on page 3). These are distributed in various provinces with the Eastern Cape accounting for the majority. These areas are characterized by a peculiar set of circumstances that compound efforts at economic development and poverty reduction. With almost no exception, these areas are remote in terms of the development of transport networks. Some suffer from the added problem of being located far from service centres. Being rural areas, one would expect the agricultural sector to be a major source of employment and production output. Unfortunately, these areas suffer from a combination of poor and degraded soils with a low agricultural potential and constrained access to markets for farm produce. Services, where they exist are poorly developed so that problems of access compound hardships. These rural areas essentially serve as a labour reservoir for urban areas far and near since they are incapable of sustaining the existing populations. With the exception of Central Karoo in the Western Cape and Ukhahlamba in the Eastern Cape, the rest of these resource-poor areas are located in the former homelands (MAP, 2008).

These were historically areas not meant for any major economic activities and in this context, the concept of 'sustainable development' has gained wide acceptance and has become a standard model for thinking about the environment, development and the economy.

Table 2: Resource-Poor Areas

Province	Municipality	Province	Municipality
Eastern Cape	Chris Hani	**Free State**	**Maluti-a-Phofung**
	O.R.Tambo	Western Cape	Central Karoo
	Ukhahlamba	Northern Cape	Kgalagadi
	Alfred Nzo	Limpopo	Sekhukhune ,Bohlabela
Kwa Zulu Natal	Ugu		
	Umziyanyathi		
	Zululand		
	Umkhanyakude		

Source: MAP, LED Strategy, 2008

Most countries attending the Rio Earth Summit in 1992 accepted the general idea of sustainable development, for example, as enshrined in the Agenda 21 process agreed at this summit (UN, 1993). Approaches in environmental science suggest three possible ways in which these values could be generated. First, the preferences of individuals give rise to values that, with a complete set of perfect markets, are reflected in the prices of goods and services. Market failures suggest that the environment will not be adequately accounted for in the operation of market economies. Second, the source of environmental values is that of social preferences. It has been suggested that the poor in developing countries are the most dependent on the environment. Thus, if social preferences are to give weight to the circumstances of the poor, the environment should be given greater weight than would occur from simple aggregation of the individual values placed on the environment. Third, the ecological-values view suggests that greater weight should be attached to the environment than would be given by taking just social values or simple aggregation of individual values (Thirlwall, 285).

Economic development and environmental protection are not opposed to each other. On the contrary, more often than not, development and protection go hand in hand. Improving one enhances the other and environmentalists and economists are in fact natural allies (Schramm & Warford, 1989: 2). However, what commonly happens in real life is that the pursuit of economic development often ignores or pays little attention to the negative environmental impacts generated by human activities (Miller, 2007:12).

2.6 Small Business and Poverty Reduction

Malnutrition is caused by a lack of access to food, but this does not only depend on the availability of food. Pacione (2005:568) suggests how to combat malnutrition through the need to improve the quality of food, the role of breast-feeding, education, legislation, provision of family planning, reduction of infection in children and mothers and improvements in informal food supplies. It also depends on people's entitlement to food. Vast sections of the population may go short of food and experience famine conditions, not primarily because food has become scarce, but because their entitlement to food has been impaired. This is the powerful thesis put forward by Sen in 1984 cited by Thirlwall (1999:65) who argues that to understand poverty and starvation, and the malnutrition associated with it, it is necessary to understand both ownership patterns and exchange entitlements, which in turn requires an understanding of modes of production and the class structure. The entitlement to food depends on the availability of individuals to exchange productive resources and goods for food. This in turn, depends on: first, the ownership and employment status of individuals; second, productivity; third, non-working income in the form of subsidies and transfer payments; fourth, the terms of trade between food and other goods.

The major cause of poverty is inadequate incomes, and incomes result in most industrial societies from employment; employment creation is thus perceived as the main goal of most poor countries and small business are believed to be a fruitful source of jobs. Employment is not the only way of relieving poverty; those with jobs may still remain poor. Nevertheless, small businesses, broadly defined, have displayed a remarkable capacity to absorb labor, and it is reasonable for governments and others to promote them, or to desist from destroying them, for that reason alone. Any government which is concerned with the opinions of the mass of the people, and not only of the wealthy and often foreign elites, must at least appear to address its policies towards the activities of the masses (Harper, 1984: 10). The opening of a large factory may be dramatic and politically attractive, but the urban and rural poor are coming to realize that effective assistance to small-scale agricultural and non-farm enterprises is far more likely to benefit them. Small enterprise promotion thus becomes a political necessity. The struggle for political independence has been won in most countries, but it is an empty victory if the economy is controlled by foreign interests, or if local public or private enterprises rely on technology, methods and expertise from abroad. The same applies to the small business sector.

The products of small enterprises tend to originate from indigenous craft traditions, and they are also more likely to satisfy the needs of poor people than are the products of large enterprises and foreign technology. In many developing countries there is a severe shortage of large numbers of commodities; it is more equitable if scarce promotion resources are used to assist enterprises which make things that poor people buy. Investigations into the demand for soap in Bangladesh; shoes in Ghana; furniture in Kenya and bicycles in Malaysia, indicates that there is a tendency for local products produced in small units using labor intensive equipment to be more appropriate for the needs of the poorer people. While it is true that income alone does not explain the occurrence of poverty, activities that enhance income-opportunities offer the best approach against poverty.

Furthermore, Harper (1984) states that small businesses satisfy local needs not only by making differentiated products, but being themselves scattered throughout the country. This, according to Harper, ensures that whatever employment opportunities are provided, are equitably spread throughout the country, more or less in proportion to population and that raw material producers are able to find local markets. Much has been written in recent years about the role of women in poor countries. They all too often remain in rural areas as the hewers of wood; drawers of water and bearers of children, and their maternal responsibilities cut them off from whatever benefits are to be gained from wage employment in the modern sector. Small businesses provide a valuable alternative source of income and personal development, whether it is a home-based cottage industry or a rather larger enterprise to which a mother can travel for a few hours a day when her children are cared for by an elder sibling or other relative. Female-owned trading enterprises have a long history in many parts of the world, such as West Africa. Certain manufacturing activities, such as sewing, simple machine knitting, food preparation and many types of handicrafts provide more opportunities for employment and for outside contacts for women who have traditionally been confined to farming and domestic labor (Harper, 1984).

Most of the national interventions in South Africa in the form of poverty alleviation projects lack focus, an integrated approach and are not sustainable (FSG,2004; FSG,2003). Various government departments, among them, Department of Social Development & Department of Health finance and deliver poverty projects through sector departments in municipalities in various provinces. Almost without exception, such projects are neither negotiated with local municipalities nor are they built into the IDP's of such municipalities. They remain outside of mainstream municipal planning with the result that municipalities cannot be accountable for their performance. It is not surprising, therefore that at least in the Free State and especially in Maluti-a-Phofung, they have suffered from failure (FSG, 2004).

The small business sector has potential in playing a major role in improving the livelihoods of households in Maluti-a-Phofung. This is especially so given the poor resource base of the area and the fact that the public sector remains the largest employer. For the small business sector to be effective in this role, it requires not only direct support in the form of access to money markets and business support services, it has to be brought on-board as a key player in literally all the sector strategic planning processes of the local municipality. Improved access to financial resources and business skills should encourage greater formalization of players in the current second economy thereby boosting productivity. From existing research literature there is little reference to the critical role of multipliers in the growth potential of the small business sector.

CHAPTER 3: RESEARCH METHODS

3.1 Introduction

As evident in the first two chapters, the nature of the subject under investigation is such that no single research project would be sufficient. The nature and role of rural shopping centres is under-researched in South Africa. The sample was chosen from the population and both qualitative and quantitative methods of data collection were used. The method involved two tasks: primarily; the conduct of observations at all the eight shopping centres to capture characteristics and the administration of two interviews; one to a random sample of ten households in the vicinity of each of the eight shopping centres and the other, to a sample of five business units at each centre. For secondary data, information was collected from chapters in books, articles in journals, several dissertations, government publications and electronic media. Numbers and percentages were used as qualitative data for research. These were used as a way of investigating how the constraints in growth of business at the shopping centres in Qwa-Qwa have had an impact on the rural communities.

3.2 The Research Design

This research employed essentially a quantitative research design mainly because the majority of the variables of interest on shopping centres, on individual business units, on spatial relationships in market areas and on households, are of a numerical nature. Where qualitative scales are used, then quantitative methods were supplemented with appropriate qualitative approaches of analysis.

3.3 The Unit of Analysis

It is important that the unit of analysis is specified. This study focuses on shopping centres as an organizational structure. It also looks at individual business units at each of these centres. In addition, this study includes the gathering of information from households in the market area of each centre. Three specific units of analysis are therefore proposed here. The first is the Shopping centre which is seen and studied as an example of an investment decision. The second are individual business units which were studied in terms of responses from the owner-operator-manager. The third is the household. Households were demarcated in the form of a circular market area around each of the shopping centres.

3.4 Population

Identifying the population of interest is conditioned by the units of analysis earlier specified. The intention is to focus on eight (8) shopping centres. A ground census of business units was carried out in the study area. This provided information on the number of outlets at each of these centres. Market areas have been demarcated for each centre, and a ground household census was carried out to establish the variations in the number of households. The population of households was coded in terms of house numbers for each market area.

3.5 Sampling Procedures

Sampling involves selecting a group of people, events, behaviors, or other elements with which to conduct a study (Burns & Holden, 1995: 293). Sampling has two major categories, namely: probability and non-probability sampling. In probability sampling, it can be specified in advance that each segment of the population was represented in the population. In this study, the manner in which sample units were selected is randomization. Thus, simple random sampling was the most appropriate for this research. For each market area, the list of coded households was used against a table of random digits to select a sample of 10 households in each of the eight market areas. A sample of 80 households was seen as adequate for this type of study.

3.6 Specification of Variables

Two samples are dealt with here. One for business units, and the other, for households around each of the shopping centres. It is necessary to derive a y-variable for each of the three hypotheses advanced in Chapter 1.

Table 3: Variables of Business Units

Code	Variable	Description	Measurement
X1	Location	Place name of the shopping centre	Name identity
X2	Class	Category of business unit	Categorical
X3	Age	Age of business in years	Count/numerical
X4	Education	Highest level of formal education in years	Count/numerical
X5	Workforce	Number of people employed by the business outlet	Count/numerical
X6	Finance	Amount borrowed as loan	ZAR
X7	Hazard	Occurrence of crime in area (frequency)	Count/numerical
X8	Crime class	Type of common crimes against business in the area	Categorical
X9	Market	Specification of the particular market served by the outlet	Categorical
X10	Patronage	Extent of community support for the business unit	Categorical
X11	Planning	Whether outlet has a business improvement plan	Categorical

Source: Author

Table 4: Variables for the Households sample

Code	Variable	Description	Measurement
X12	Location	Where the household is located relative to the centre	Place name
X13	Age	Age in years of the respondent	Numerical
X14	Family Size	Number of people in the household	Numerical
X15	Residence	Type of building of the respondent	Categorical
X16	Employment	Work status of the respondent	Categorical
X17	Dependants	Number of dependants in the household	Numerical
X18	Income	Household monthly income	Numerical, ZAR
X19	Grocery	Size of household monthly grocery account	Numerical, ZAR
X20	Purchase	% of monthly grocery bought from the local centre	Numerical, %
X21	Preference	The most important shopping centre for the household	Nominal
X22	Transport	Cost of transport by taxi to and from Setsing, Phuthaditjhaba	Numerical, ZAR
X23	Dependency	Number of adults working in the family	Numerical
X24	Class	Type of work family members are engaged in	Categorical
X25	Participation	Whether any family member operates a business at the centre	Nominal
X26	Business	Class of business engaged in by a family member	Categorical
X27	Supply	Whether respondent sales any goods to the centre	Nominal
X28	Services	Services required by the community not available at the local centre	Categorical
X29	Impact	Individual perception of the role of the shopping centre	Categorical
X30	Perception	How the community measures the importance of the local	Categorical

		shopping centre	
X31	Consumer	What consumer need local business outlets to provide	Categorical

Source: Author

3.7 Choice of Instruments

Measurement by observation is most commonly used in qualitative studies. Unstructured observation involves spontaneously observing and recording what is seen with a minimum of prior planning. Although unstructured observation gives freedom to the observer, there is a risk of loss of o objectivity and the observer may not remember the details of the observed event. The researcher took notes during observation periods. However, in this study, a flexible observation schedule was used.

A questionnaire is a printed self-report form designed to elicit information that can be obtained through written responses of the subject. The information obtained through questionnaires is similar to that obtained by interviews, but the questions turn to have less depth. Therefore, questions need to be presented in a consistent manner, thereby creating less opportunity for biasness. An interview involves verbal communication between a researcher and the subject, during which information is provided to the researcher. For the purpose of this study, interview questions were similar to those in the questionnaire. This is important to accommodate those subjects unable to read and write. For this research, questionnaires were administered by the researcher. Hence, an observation schedule will be used to gather data on shopping centres in general, while a questionnaire was used for business units and another questionnaire for households.

3.8 Design of Instruments

The instruments for this study were designed in a simple language so that they are easy to record responses or observations. The instruments have a maximum of twenty questions. The questions in the two questionnaires were phrased in such a way as to avoid confusing the respondents. Most of the questions are of the close-ended type to avoid soliciting responses that cannot be processed. Only where a qualitative response is desired questions left as open-ended.

3.9 Pilot Survey

The three instruments for data collection were tested in the study area long before the actual administration. From the feedback, it was possible to make adjustments, replace and to-rephrase the wording where necessary.

3.10 Planning Administration

An action plan was designed to guide the administration of data collection. Such a plan catered for instances where the researcher had to make a return trip to particular respondents. The plan indicated a schedule of dates, respondents to visit and prior appointments.

3.11 Ethical Considerations

The South African Constitution makes provision of the following human rights which are not going to be compromised in this study: the right to privacy, the right to autonomy and confidentiality and the right to fair treatment. All basic human rights enshrined in The Bill of Rights shall be observed throughout data collection process. Since the study does not require any information which might be perceived confidential, there are reduced possibilities that these factors may affect data collection. Furthermore, permission to conduct this research was requested to relevant authorities in charge. These include Maluti-a-Phofung Local Municipality and the local chiefs.

3.12 Data Collection

This will be as per the Action Plan in 3.9. This was carried out in three phases. Phase one was concerned with Observations in the study area to gather primary data on the state of local shopping centres, to identify households within a two-kilometre radius of each centre and to draw household lists. Phase two dealt with the administration of interviews with owner/manager of a sample of business outlets in the study area. In the third phase, following the selection of a household sample, interviews were arranged and conducted. The entire data collection exercise covered the period April-July, 2009. Thereafter, the responses so collected were then arranged in the form of tables.

CHAPTER 4: RESULTS AND ANALYSIS

4.1 Introduction

In this chapter various data collected shall be analyzed. The key objectives based on the social and economic development challenges of Maluti-a-Phofung local municipality, as outlined in chapter 1 shall also be assessed. Three characteristics of the local shopping centres are, amongst others advanced: first, they provide goods and services; second, they play a role in addressing the challenges of job creation; third, they help in poverty alleviation. In theory, therefore, local communities with access to shopping centres nearby, benefit through savings in their expenditure. As stated in chapter 2, the study site is made up of eight rural shopping centres in the Qwa-Qwa area of Maluti-a-Phofung. These shopping centers developed in the late 1980's and early 1990's, through the homeland government's Qwa-Qwa Development Corporation (QDC) and the now Free State Development Corporation (FDC). The three methods of collecting data, that is, first; through observation, second; by interviewing businesses, and third; by interviewing households shall be analyzed. Furthermore, the findings and results of the research are also outlined.

4.2 Observation

The observation method of collecting data was conducted in April 2009 at each of the eight rural shopping centres in the Qwa-Qwa area of MAP. During observation, tenant mix, patronage levels, variety and quality of products, direct as well as indirect jobs created by the centres were considered. Table 3 was designed to show existing businesses at each of the eight rural shopping centres.

What is particularly important about table 5A and table 5B is that in all the 8 shopping centres there are business outlets closed. This factor alone clearly shows that instead of growing and generating other businesses linked to the centres, the business centres are deteriorating. Mostly the types of businesses are in a retail trade. Service providers are poorly represented; it is found that, for example, there are no private doctors in 5 shopping centres. Some bigger business outlets which, for example, were meant to be supermarkets, are utilized as churches. This is evident in shopping centres such as Makwane, Makeneng and Bolata. Clearly tenant mix in these shopping is generally poor, thus, the needs of the rural communities are not met satisfactorily.

Table 5A: Existing business units in each of the eight rural shopping centres

TYPE OF BUSINESS	MONONTSHA	MOKODUMELA	TSEKI	TSHESENG
Bank/ATM	0	2	0	0
Bakery	0	0	0	0
Butchery	0	2	1	0
Café& Take-Away	1	2	1	1
Clothing & Footwear	0	3	1	0
Dairy Shop	0	0	1	0
Dress Making	0	0	1	0
Dry-Cleaner	0	1	1	1
Financial Broker	0	0	0	0
Filling Station	0	0	0	0
Funeral Parlor/Service	0	1	0	3
Fruit & Vegetables Shop	1	1	1	1
Game/Toy Shop	0	0	0	1
General Dealer	0	1	0	1
Gift Shop	0	0	0	0
Hair Salon	1	3	1	1
Hardware	0	1	0	0
Herbalist	0	1	0	0
Liquor Store	1	2	0	1
Tavern/Bar	2	0	1	1
Typing/Copy Shop	0	1	1	1
Phone shop	1	3	0	0
Post Office	0	1	1	0
Private Doctor	0	3	0	0
Livestock Market	0	0	0	0
Shoe Repair	0	0	0	0
Super/Mini Market	3	3	1	2
Uniform Store	0	0	0	0
Used/ Furniture Shop	0	1	0	1
Universal Church	0	0	0	0
TOTAL	**10**	**40**	**12**	**15**
TOTAL CLOSED OUTLETS	**5**	**6**	**6**	**5**
TOTAL OUTLETS PER CENTRE	**15**	**46**	**18**	**20**

Source: Author

Table 5B: Existing business units in each of the eight rural shopping centres

TYPE OF BUSINESS	BOLATA	LUSAKA	MAKENENG	MAKWANE
Bank/ATM	1	0	0	0
Bakery	0	0	0	1
Butchery	0	0	0	0
Café & Take-Away	2	0	1	0
Clothing & Footwear	0	1	0	1
Dairy Shop	0	1	0	0
Dress Making	0	1	0	0
Dry-Cleaner	0	1	1	1
Financial Broker	0	0	0	0
Filling Station	1	0	0	0
Funeral Parlor/Service	0	1	1	1
Fruit & Vegetables Shop	1	1	1	1
Game/Toy Shop	0	0	1	0
General Dealer	1	1	0	1
Gift Shop	0	0	0	0
Hair Salon	0	1	1	1
Hardware	0	0	0	0
Herbalist	0	0	1	0

Liquor Store	1	0	0	0
Tavern/Bar	1	1	1	0
Typing/Copy Shop	0	0	0	0
Phone shop	2	1	1	0
Post Office	0	0	0	1
Private Doctor	1	0	0	1
Livestock Market	0	0	1	0
Shoe Repair	0	0	0	0
Super/Mini Market	0	1	1	0
Uniform Store	0	1	0	0
Used/ Furniture Shop	0	0	0	0
TOTAL	**11**	**12**	**11**	**09**
TOTAL CLOSED OUTLETS	**4**	**4**	**6**	**2**
TOTAL OUTLETS PER CENTRE	**15**	**16**	**16**	**11**

Source: Census of existing Business Units in the study area conducted by the author in April 2009

From the observation method of collecting data, the following findings were advanced:

There is poor maintenance of the centres by the management. This is evident in that, of the eight shopping centres, six are without fences, which is regarded as the primary security system. Sanitation standards are poor or non-existent, and some business units have since closed down and vandalized. The reason for this state of affairs is that the rural shopping centres are neglected in terms of maintenance by the FDC and the local municipality. The photographs below explain these findings.

Photo 1: Monontsha Shopping Centre with no fence

Photo 2: Makeneng Shopping Centre with no fence

Photo 3: Closed business outlets in Tseki Shopping Centre

Photo 4: Closed business outlets in Monontsha Shopping Centre

Photo 5: Vandalized Business Units in Tseki and Makeneng Shopping centres

Photo 6: Vandalized Sub-station in Tseki

Furthermore, what was observed from the rural centres is that many shops have very low stock levels and a variety of products is less. Tenant mix is also very poor, about 98, 5% of business units are in a retail trade. Service providers are poorly represented. Example of this is in shopping centres such as Tsheseng, Makeneng, Qholaqhwe, Tseki and Monontsha where there are no doctors. There are no banks/ ATM's in all the centres except for Mokudumela and Bolata. Other service providers such as Post Offices, ESKOM pay-points and repair outlets are not found in some shopping centres. Of the eight shopping centres, petrol station is only available in one centre, and that is Bolata. Apart from Mokudumela, Tseki and Bolata shopping centres, patronage levels are extremely low.

From the observation method of collecting data, several aspects of business are reported. There is poor maintenance of the centres by the management. This is evident in that, of the eight shopping centres, six are without fences, which is regarded as the primary security system. Sanitation standards are poor or non-existent, and some business units have since closed down and vandalized. Underlying this state of affairs have been problems of management since the change over from the QwaQwa development Corporation to the FDC following the re-incorporation of the homeland. Persistent problems have been reported that revolve around the inability of lease tenants to keep up-to-date rental payments to the FDC. Today, tenants owe the corporation thousands in unpaid rent. In addition, the FDC itself has not been active in maintaining the infrastructure at these centres and providing security. While the official policy of the corporation is to provide services, the loss-incurring operations, as these centres are perceived, are no longer a business investment priority. While the local municipality is aware of the deteriorating state of infrastructure at these centres, no reference since 2002 is made about the need to provide back-up strategies for their revitalization.

4.3 Variables for the Business Units

Location (X1)

All the eight shopping centres are located in good areas. Infrastructure is also good in that roads are accessible and tarred. Apart from being accessible to the community, these centres are also accessible to schools, clinics and police stations.

Table 6: Relative Location of Centres

Centre	Trip Cost BUS in ZAR	Trip Cost TAXI in ZAR	Distance KM	Trips per Month
Makwane	4.50	7.50	12.8	4
Tseki	4.50	7.00	11.0	6
Mokudumela	4.00	7.00	8.4	7
Bolata	3.50	7.00	7.5	7
Monontsha	3.50	7.00	8.0	5
Tsheseng	8.00	8.00	23	4
Makeneng	6.50	8.00	12.3	4
Lusaka	4.50	7.00	12.4	5
Mean	*4.88*	*7.25*	*11.9*	*4*

Source: Author

The finding from Table 6 is that distance and transport cost do not play a major role regarding shopping preferences of the rural communities. The fact of the matter is that at least once every week people from rural communities travel to the main shopping centre in Phuthaditjhaba to purchase goods and services that may not be found in their surrounding shopping centres.

Class (X2)

Table 7 shows the distribution of outlets per class with Monontsha scoring 90% and Makwane 55% of retailing establishments. Mokudumela, on the other hand scores a significant presence of service providers. Most shops sell the same products to the public and the quality of the products is low. The class of businesses is such that discounts and bargains are not offered to the local communities. Credits are also seldom offered to the local people. This is a clear indication that tenant mix is poor, and that service providers are poorly represented. Therefore, people prefer to neglect the centres in their vicinity and do their shopping needs in Setsing, Phuthaditjhaba.

Table 7: Distribution of outlets per class per centre

Centre	Retail	Personal Services	Commercial Services	Total
Monontsha	9	1	0	10
Mokudumela	20	2	10	32
Tseki	8	0	4	12
Tsheseng	9	0	6	15
Bolata	6	1	4	11
Lusaka	8	0	4	12
Makeneng	6	1	4	11
Makwane	5	1	3	09

Source: Author

Age (X3)

About 90% of the businesses have been in operation for 2-3 years, while 6% have been operating for 2-4 years, and just 4% of businesses have been operating for over 10 years. It is clear that these shopping centres are not able to give permanent jobs to both the owners and their employees. The significance of this finding is that is that these centres have not had an effect on job creation and on the sustainability of the already existing jobs. Growth and development is, therefore, not happening in these shopping centres.

Education (X4)

Of the 40 respondents, 92% have gone up to high school level; 5% have gone up to primary school level; and only 3% have post-matric qualifications. This brings the conclusion that the rural shopping centres are dominated by unskilled labour force and low skill jobs. These centres are not capable of attracting significant investments.

Workforce (X5)

Table 8: Workforce

Employees Per Outlet	Interval midpoint	Outlets	Total employees	% Frequency Distribution
1-3	1.5	30	45	52.3
4-5	4.5	07	32	7
6-8	7.0	01	07	1
9-10	9.5	01	1	1
11-12	11.5	01	1	1
		40	86	

Source: Author

Table 8 shows that outlets in the sample account for 86 full time jobs. Given that these are forty outlets in the sample, their owner/managers make up an additional 40 full time jobs. All together, these outlets have created employment for 126 people. The 9-10 and 11-12 intervals correspond to Tseki and Mokudumela where there are supermarkets. Note that over 50% of the outlets employ 1-3 people showing the small size of these outlets.

Finance (X6)

Out of the 40 business units interviewed, 98% have not obtained a business loan, while only 2% have borrowed money to start their businesses. This is an indication that most of the businesses live from 'hand-to-mouth', thus, long term growth and development of the businesses is not expected.

Hazard (X7)

About 98% of owner/managers interviewed said that crime is a serious problem occurred in their businesses. However, 2% of the business units (Dry cleaners and Funeral Service Offices) have not experienced any kind of criminal activities. This shows that crime does take place in the shopping centres, and this is a hindrance to growth and development of the businesses. Widespread crime including shop-lifting generally create a negative perception of these centres.

Crime Class (X8)

Robbery as indicated by 98% of the interviewees is the most common type of crime against businesses in the shopping centres. Consumable goods are the most at risk. This prevents growth and development as business managers prefer to keep stock at a lower level to avoid loss.

Market (X9)

It has earlier been seen that the retail trade sector accounts for the largest representation of outlets at these centres. This means that tenant mix is very poor and service providers are poorly represented. Most shops sell the same goods; as a result, these rural shopping centres have not developed into major commercial nodes meeting community needs, and are therefore not capable of generating economic growth multipliers.

Patronage (X10)

The extent of community support for 6 of the 8 shopping centres is low. Only Mokudumela and Tseki shopping centres have higher patronage levels as some service providers such as doctors, ATMs, are available there. The existence of a night-club at Tseki has created an additional attraction on patrons.

Planning (X11)

Only 5% of the business owners/managers are having a business improvement plan. 95% Of the business owners/managers who do not have any improvement plans, added by saying the negative effects of crime and low levels of patronage by the community are not encouraging any business improvement nor growth. Once more, this is a clear indication that growth and development of the businesses is slow or non-existent. This results in joblessness and poverty rate increase.

4.4 Variables for the Households

Location (X12)

The eight shopping centres are located on or close to tarmac and paved roads. They are all close and accessible to the communities they expected to serve, and are situated along the main roads. However, being situated along the main roads, it makes it easy for the people to travel one centre to the nearest other centre of the same order.

Age (X13)

Out of 80 respondents, 60 are between the ages 21-35; 9 are between the ages 36-55; and 11 are over 56 years of age. This finding clearly indicates that the majority of respondents in the sample constitute the youth who experience the highest levels of unemployment. This structure of age distribution also means that at the level of households, the burden of dependency is of serious concern.

Family Size (X14)

Table 9: Family Size

No. of Members Per Family	No. of Respondents	% Frequency Distribution
1-3	18	22.5
4-6	34	42.5
7-9	20	25
10+	8	10

Source: Author

A range of scores for family size of the households in the vicinity of the rural centres came to 4-6 members. This means that the size of families is not so big although the rate of dependency is high.

Residence (X15)

Of the 80 households, the type of buildings ranges from 85% brick houses, 10% shacks and 5% temporary buildings. From this variable, the conclusion is that most families reside in permanent houses.

Employment (X16)

Table 10: Employment Status

Centre	No. of Employed Respondents	No. of Unemployed Respondents	% Unemployment rate
Makwane	3	7	70
Tseki	2	8	80
Mokudumela	3	7	70
Bolata	4	6	60
Monontsha	4	6	60
Tsheseng	2	8	80
Makeneng	5	5	50
Lusaka	2	8	80
Total	*25*	*55*	68.9

Source: Author

Table 10 shows that of the 80 households interviewed, close to a mean 70% rate of unemployment is reported. Even when we allow for pensioners, this is an extremely high rate.

This result has negative effects on the spending power of local households. So, while official statistics indicate that wards located south of Phuthaditjhaba have a high concentration of people, this does not necessarily translate in significant buying power.

Dependents (X17)

The scores for number of children range from 1-4. This means that in each household there are dependents. Recall that in X16, close to 70% of adults at household level are not employed. Dependency levels are abnormally high thereby increasing poverty rates.

Income (X18)

At least 6% of the household income ranges between R1101-R1500. 4% of household income ranges between R1701+, and 90% Of household income ranges between R800-R1000 per month. Households which reported no income still have access to remittances from relatives and working members and also grants.

Grocery (X19)

About 96% of the household grocery account ranges from R600-R1200, whereas 4% of the household grocery account for those who are professional workers ranges from R1000-R1500 per month. Furthermore, this indicates that most households do not afford the cost of living.

Purchase (X20)

For each of the shopping centres, respondents were asked to provide information on the estimate of the % the monthly grocery account bought at the local shopping centre. Table 11 shows the distribution of mean responses for each locality. Apart from Tseki and Mokudumela, over 90% of the monthly shopping for grocery is done in Phuthaditjhaba.

Table 11: Extent of shopping at local centres

Centre	% Local	Centre	% Local
Makwane	5	Monontsha	4
Tseki	10	Tsheseng	8
Mokudumela	10	Makeneng	5
Bolata	6	Lusaka	6

Source: Author

Preference (X21)

100% of the respondents interviewed responded by mentioning the main shopping centre in Setsing, Phuthaditjhaba, as the most convenient centre for their shopping needs. This according to them is because there is quality and variety of products, discounts and credits are available, and service providers such as different doctors, filling stations, hardware stores, furniture shops and communication services are available. This is a clear indication that there is leakage of money from the local shopping centres to the one in Setsing, Phuthaditjhaba.

Transport (X22)

The highest transport costs, to and from Setsing shopping centre monthly, amounts to about R200 for people residing in Tsheseng village. For people residing in other villages the transport costs per month amounts to about R150. This implies that too much money is used for transport, and this money could have been used to purchase additional goods and services in the local centres.

Dependency (X23)

Out of 4 adult family members, only 1 is working in households. This shows that other than dependents in terms of age, there are additional adult dependents in most households.

Class (X24)

90% of family members are engaged in unskilled/odd labour, whereas 4% are pensioners, and 6% are professional workers. This finding furthermore, signifies the high unemployment rate in the rural areas of Qwa-Qwa.

Participation (X25)

Table 12: Participation of Household Members in the Centre

Centre	Households in Business	Centre	Households in Business
Makwane	0	Monontsha	0
Tseki	1	Tsheseng	0
Mokudumela	1	Makeneng	1
Bolata	0	Lusaka	0
		Total	3

Source: Author

Of the 80 interviewed respondents, just 2% of family members operate a business at the centre; one in Makeneng and Mokudumela shopping centres respectively, and the other one in Tseki shopping centre. The finding of this variable is that the local shopping centres fail to create jobs for the local communities.

Business (X26)

One family member in Makeneng and Mokudumela is engaged in a Take-Away business and another one in Tseki is engaged in a Fruit & Vegetable Market. The significance of this variable is that there is less relationship between the local centres and the community. These centres fail to create jobs for the community.

Supply (X27)

None of the respondents supplies any goods to the centres. This shows that the relationship between centres and the surrounding communities is low. This is a clear indication the centres are not capable of generating economic growth multipliers.

Services (X28)

Except for Mokudumela and Tseki shopping centres, services required by the communities, such as banks/ATMs, post offices, doctors, petrol stations, hair salons, to mention a few, are not available at the local shopping centres.

Impact (X29)

Table 13: Impact of the Centre on Households

Centre	Little	Medium	High
Makwane	✓		
Tseki		✓	
Mokudumela		✓	
Bolata	✓		
Monontsha	✓		
Tsheseng	✓		
Makeneng	✓		
Lusaka	✓		
Total	6	2	0

Source: Author

About 98% of the respondents indicated that, apart from Mokudumela and Tseki where patronage levels higher, the local shopping centres play a little role in as far as their shopping needs are concerned. Therefore, these centres have very little impact on the communities they are expected to serve. This results in limited patronage and current outlets suffer from low capitalization, thus, these shopping centres do not have enough funds to expand operations.

Perception (X30)

Perception of the local shopping centres by the community is generally negative. This is because not even a quarter of the community's needs and services are met by these centres. Failure of these centres to generate multipliers and creating jobs also adds to the negative perception by the communities.

Consumer (X31)

Rural communities in general need rural business centres to provide quality and a variety of goods and services. Service providers such as, doctors, banks/ATMs, post offices, ESKOM pay-points, and communication services like typing, photocopying, e-mailing and other important services hardly exist in the area. The greater the ability of the centre to render services, the greater will be the growth of multipliers. If the centres grow, poverty shall be reduced by providing jobs to the surrounding communities. For the reason that these rural shopping centres fail to satisfy the needs of their communities, communities neglect these centres and resort to the main centre in Phuthaditjhaba. Therefore, the significance of this finding is that there is no relationship between the centres and the nearby communities.

4.5 Hypothesis Testing

Hypothesis1. [Business Structure]

The structure of the business sector is responsive to the immediate needs of the consumer market.
This requires that we describe the classes of business outlets represented at each centre and measure consumer satisfaction. Hypothesis 1 on business structure tests the view that the local business sector is responsive to the consumer market. This calls for testing the extent of satisfaction felt by consumers. Several variables enter into the description of consumer shopping satisfaction. These include the frequency of shopping trips per month at destinations other than the nearest centre; the perception of the importance of a centre in the lives of local households; the perception of service availability at the local centre. Since business structure shows a

dominance of retailing at the expense of other forms of outlets, the relative % of retail outlets at each centre is used as the (x) variable for this hypothesis. What this means is that changes in the size of the retail sector at each centre should have an impact on the extent to which consumer needs for goods and services are satisfied.

(y)= extent of consumer satisfaction with the nearest local shopping centre as measured by household monthly trips to alternative centres

Table 14: Business response to the consumer market

Centre	x	y	xy	x^2	y^2
Makwane	90%	4	3.6	8100	16
Tseki	63%	6	37.8	3969	36
Mokudumela	67%	7	46.9	4489	49
Bolata	60%	7	42.0	3600	49
Monontsha	55%	5	27.5	3025	25
Tsheseng	67%	4	26.8	4489	16
Makeneng	55%	4	22.0	3025	16
Lusaka	56%	5	28.0	3136	25
TOTAL	$\sum x=513$	$\sum y=42$	$\sum xy=234.6$	$\sum x^2=33833$	$\sum y^2=232$

Source: Author

Table 13 on the Consumer perception of the centres showed that in 6 out of 8 localities, households see the centres as of little significance while only in two localities, Tseki and Mokudumela- do local households rank them as of medium significance. These two happen to be the best business outlets.

Correlation analysis generated an r-score of-0.0285 translating into a coefficient of determination R^2 score of 0.081%. The correlation coefficient is extremely low and the impact of x- can only explain less than 1% of the variation in y. This means that there is practically no statistically significant relationship between the relative % of retail outlets at each of the centres and the extent of consumer satisfaction with the local shopping centre. On the basis of this outcome, the research hypothesis is rejected meaning that there is actually no statistically significant difference. The null hypothesis which posits a no difference is upheld.

Hypothesis 2. [Location]

The relative location of business centres significantly affects their potential attractiveness. Distance is expressed in terms of kilometres from the centre to Setsing, Phuthaditjhaba. It is necessary to identify a y-variable that captures variations in the ***attractiveness*** of each shopping centre within the study area. Variable X21 on shopping preference and variable X20 on the % of monthly grocery purchased from the local centre provide a clue for this.

Table 15: Location and attractiveness

Centre	X	y	xy	x^2	y^2
Makwane	12.8	5	64	163.84	25
Tseki	11.0	10	110	121.00	100
Mokudumela	8.4	10	84	70.56	100
Bolata	7.5	6	45	56.25	36
Monontsha	8.0	4	32	64.00	16
Tsheseng	23	8	144	529.00	64
Makeneng	12.3	5	61.5	151.29	25
Lusaka	12.4	6	73.4	153.76	36
TOTAL	$\sum x=95.4$	$\sum y=54$	$\sum xy=613.9$	$\sum x^2=1309.7$	$\sum y^2=402$

Source: Author

The higher the mean values for X20, the greater is the attractiveness of the local shopping centre assuming trip cost is not part of the equation. Therefore, for Hypothesis II on Location, ***y=the attractiveness of a centre in terms of the % of monthly grocery spending at the local shopping centre.***

Correlation analysis generated an r-score of -0.056 translating into a coefficient of determination R^2 score of 0.31%. The correlation coefficient is generally low and x does not actually explain any significant variation in y. Once again, the research hypothesis is rejected meaning that the null hypothesis, which posited the claim that there is no relationship between the location of a shopping centre and its attractiveness is instead accepted.

Hypothesis III [Multipliers]

The presence of shopping centres in a locality has a significant material benefits for household in the study area. This calls for gathering household data within the immediate locality of the centre on direct employment, participation in income-generating activities linked to the centre and household productivity. On the basis of results on Workforce (X5), it is possible to compute the total workforce of the eight shopping centres. From a sample of 40 outlets, results in Table 8 show that 86 full time jobs have been created. When this is added to owner/managers of each of these outlets, this generates a figure of 126 working people. Information extracted from table 5 indicates that there are 120 operating outlets and 38 outlets which closed down. If a mean score of 3 people is used as the number of full time jobs created by each outlet, the 80 outlets not included in the sample should account for an additional 240 full time jobs. All together, there are +-366 people working at these centres. This number does not include street traders and periodic mobile hawkers who frequent these centres to sell wares.

Information in Table 12 shows that out of 80 households in the sample, only three of these own business at these centres. Results on X27- whether household supply services and or goods to the centres, registered a negative response across the entire study area. Information from table 9 indicates that a mean family size of 5 people per household can be used for the whole study area. On the basis of the sample size of households, a total of 645 people depend for their livelihood on these centres. Using the total number of outlets at the eight shopping centres, this translates to at least 1845 people. It was not possible to trace changes in mean monthly household incomes as a result of direct employment at these centres or due to participation in business. *Nevertheless, these centres do indeed have a significant income multiplier effect on local households.* Hypothesis III is therefore accepted.

4.6 Discussion

The Small Business Sector

In terms of distribution by class of outlet, the results show that conventional retailing account for 55% to 90% while service providers account for 10% to 45%. While there are differences in the relative size of these classes from centre to centre, the overwhelming dominance of retailing- basic foodstuffs, clothing & footwear- has negative implications for the centres.

The small business sector in the study area has been characterized through the presentation of results on eleven different variables. It has been shown that across the entire study area, the small business sector is struggling to survive. Results from observation have highlighted concerns about the crumbling physical infrastructure at these centres, capital flight as evidenced by the high number of close d down outlets and a lack of maintenance. In addition, this research has shown that severe constraints face the small business sector here. This state of the business sector can be explained with reference to historical developments in the former QwaQwa homeland through re-incorporation, the TLC era and the new IDP approach of municipalities since 2001. Superimposed on this base are problems of the failure over the years to develop a significant pool of skilled local entrepreneurs not only in the study area itself but in practically the entire black community of Maluti-a-Phofung municipality. Responses of business owners/managers to the interview indicate that literally over 95% of operations have not received any form of financing from the local money market in the last ten years. This shows that local credit providers are unlikely to provide loan capital for growth and diversification. Lack of management and maintenance by the FDC, negatively impacts on the growth and attractiveness of these rural shopping centres. These reinforce the negative perception of the centres by the community. As a result, there is limited patronage of the centres by the rural communities. Current outlets suffer from low capitalization. Rural shopping centres have failed to attract significant investments, thus, they do not have enough funds to expand operations. However, one of the weaknesses summarized in MAP LED SWOT analysis is that "the municipality lacks the capacity to develop small businesses" (MAP, 2005:52). This results in leakage of buying power from rural centres to the main shopping centre in Setsing, Phuthaditjhaba.

Note that in hypothesis testing, hypothesis I was rejected. This means that the characteristics of local business, especially the dominance of retailing, are not responsive to the needs of the local community. This may due to a failure on the part of owner-managers to study the local market.

Inter-firm Transactions

The vibrancy of a market area is often shown by the range, direction and intensity of inter-firm transactions within such an area. Responses from owner/managers indicate that there are practically no such transactions between outlets within the study area. All outlets source their supplies either from wholesale chains in Phuthaditjhaba or receive deliveries from far afield-Harrismith, Bethlehem and Durban. The absence of inter-firm transactions within the local market area has arisen as a result of the dominance of similar trading activities- leaving no scope for individual outlets having anything they can purchase locally. These points to a lack of variety and specialization within the local business sector. In addition, it indicates that tendencies towards developing an integrated business sector with strong lateral and vertical capital flows do not exist. As support for the small business sector is a key component for municipal local economic development (LED) strategies, the need for developing such local relationships through private-public partnerships is poorly appreciated.

The Consumer Profile of Households

Responses from consumers within the vicinity of each of the eight shopping centres were measured through twenty variables. Certain key characteristics of households in the study area centre around low levels mean household income; an insignificant segment of spending power is allocated within the local area, high levels of adult dependency as measured by labour participation rates, the dominance of Phuthaditjhaba in the shopping preference behaviour of consumers and as a destination for employment. Overall, consumers do not find local shopping centres as an important alternative to shopping in Phuthaditjhaba. They complained about the quality, variety and price of products; the absence of many commercial services and the fact that credit is hard to come by. Local shopping centres do not attract the type of patronage that would sustain them and make them grow; instead, over 90% of shopping by value is done in Phuthaditjhaba. Even when high cost of public transport-especially by taxi is considered- local shopping centres, apart from Mokudumela on the R57 road- are not perceived as important in the lives of local households. This was not the case in the past indicating perhaps that underlying this perception are changing consumption habits of the local people and the fact that Phuthaditjhaba has seen a boom in investments since 2002 making it a very attractive shopping destination.

Participation in Local Economy

The extent to which local households participate in income generating activities due to the presence of a local shopping centre was investigated. It was found that indeed, a significant number of local people are employed at these centres; others are engaged in street trading while yet others own business outlets at these centres. It was however noted from observation and through administering the interview that there is a significant presence of Asian and of recently Somali entrepreneurs who control most established outlets- apart from the *Bibi Supermarket* chain which runs outlets at Makeneng and Tseki. But when households were asked about produce sold or services supplied to the centre nearest to their residence, all responses were in the negative. What this means is that local shopping centres do not actually purchase produce locally or create opportunities for local service providers. This has a direct negative effect on the growth potential of households in the area because the households must by necessity have to look for paid labour. Others have instead established trading channels especially in fresh produce and livestock with vendors in Phuthaditjhaba.

Note in accepting hypothesis III, we are saying that these centres- in spite of constraints identified- still generate significant multipliers through employment creation. But as has already been shown, these multipliers are not reinforced with an increase in the participation of household in income generating activities. From an LED viewpoint, such a situation does not contribute to the overall growth of the local economy. It is important to identify environmental components that undermine the growth of multipliers because such multipliers underlie the growth process.

One of the objectives this study was to identify growth multipliers that could develop in the local area centred on these shopping centres. On the basis of the findings, it is necessary to recap the key findings that talk to this objective. First, the local business sector is in a *state of decline* and is increasingly unable to meet the shopping and service needs of the local population. Second, local households have not established *networks* with local shopping centres through which they would become suppliers of both products and services to these centres. Income generating activities are not linked to local centres nor do they benefit from the presence of these centres. Instead, their transaction dealings appear to be dominated by trade links with vendors in Phuthaditjhaba. Third, the *location* of these centres so close to Phuthaditjhaba is a disadvantage because they cannot develop as autonomous commercial nodes. Within the study area itself these centres are so close to each that they are actually trading in the same market area. This drastically reduces the potential market area each centre can serve and the consumer spending power each centre can attract. Fourth, state small business *support interventions* especially through the IDP do not appear to reinforce growth of the business sector as such. Instead, evidence shows increasing marginalization and capital flight to better locations. Fifth, the *structure of local business* does not appear to be a direct response to the needs of the consumer market. These points to problems of business skills and the failure to respond to changing consumption needs of the local market. Sixth, local business is disadvantaged by a *crumbling infrastructure* at these centres and constraints in accessing loan capital from *money markets.* Under these conditions, economic growth multipliers triggered by the presence of shopping centres have not taken place on any significant scale and they are unlikely in the near future. This has implications for the role of business in poverty reduction.

Small Business and Poverty Reduction

Maluti-a-Phofung local municipality is one of the poorest not only in the Free State province, but in the whole country. As such, it is important to link the findings of this study to the potential role the business sector can play in poverty alleviation. The approach of this study has been to locate households as important products units and to relate such activities to the responses of the business sector. The greater the level of interaction between business and households, the greater will be the opportunities for participating in income-generating activities which would access markets created by local business through services and product supply.

It is increasingly becoming evident that reducing poverty is a complex phenomenon that requires a multi-dimensional, co-operative, inter-institutional, and an integrated approach. Despite the need at local municipal level to bring into play participatory processes, they acquire a large degree of support from national and provincial departments of government. However, the support has often resulted in widespread confusion regarding the role which local municipalities themselves have to play. The main challenges facing these institutions are evident in their inability to use IDP's and LED strategies as service delivery mechanisms that improves the quality of life of their communities. At the policy level, government continues pursuing interventions which are short-term, reactive, limited in reach and which ultimately are not sustainable. A policy re-think on approaches to poverty alleviation is urgent.

The internal and external environments of a municipality are interdependent on each other. This implies that if the municipality is internally weak, the chances of being able to deal with external and communal problems are low. The findings presented by this study highlight a large proportion of households living below the poverty threshold in Qwa-Qwa. This is a result of the high unemployment rate, reduced income-generating activities, and failing SMME's development in specific municipal wards in the municipal area of MAP. There is also a significance of dependency on the informal sector and survival activities as a result of low educational status of households and business operators in the rural areas of MAP, as well as increased perceptions around the level of crime. With regard to the rural business centres, the majority of households and business operators displayed higher levels of dissatisfaction concerning the roles played by the shopping centres. Furthermore, the findings of the research present numerous challenges faced by the municipality with special reference to poverty reduction and satisfaction of the needs of the communities rural shopping centres serve. Finally, the findings of this study lead to recommendations that are generic, in the sense that, they can be utilized as a model in the implementation of the IDP,s and LED strategies, as poverty alleviation tools at local municipal levels of government in any province.

Contribution to the geography of uneven development

What then is the contribution of this study in the context of contemporary economic geography and specifically, to the geography of uneven development? In South Africa, a significant volume of literature on local economic development (LED), on municipal integrated development (IDP), tourism development and on industrial clusters already exist-(Rogerson, 2006a & 2006b; Nel & Rogerson, 2005; Khanya, 2004; HSRC, 2006). This study departs from mainstream approaches in economic geography- for its focus on selected shopping centres in a peri-urban locality as a starting point in understanding the multiplier mechanism as applicable in local economic growth. The multiplier mechanism is used as a platform to describe processes through which local shopping centres as source points trigger ripple effects which diffuse into the local economy through impacts on individual households. It has been shown that understanding the internal dynamics of the business sector at these centres provides insights into the workings of the local economy and the influence of the external environment. It has been shown that for local centres to generate agglomeration forces (Krugman, 1991), local business outlets need support-financial, entrepreneurial skills and invention infrastructural –in order to increase the attractiveness (North & Kotze,2004) of these centres so that they are able to exert a greater pull on consumer spending power. Findings of this study show that the spatial pull of Phuthaditjhaba on consumer shopping behaviour can be exploited by planning interventions so that these peri-urban centres are seen simply as an extension of Phuthaditjhaba in the municipality's IDP instead of being categorized as "rural".

The greater economy of Phuthaditjhaba offers better growth opportunities for all rather than focusing on rural localities. Observations indicate that the business sector in Phuthaditjhaba is dominated by three classes of owners: branches of established chain stores that run supermarkets, clothing and footwear stores, motor spares; local South African Asian community; local black entrepreneurs in the taxi industry, small scale construction, catering, hair salons and funeral parlour; and, a significant presence of African immigrant traders. There is no space for indigenous local people of MAP to set up business in Phuthaditjhaba proper; indeed, extremely exorbitant rentals undermine business viability. Under these conditions, it is essential that LED planning emphasize increasing the attractiveness of peripheral shopping centres by providing security, up-to date physical infrastructure and commercial services like post offices, insurance and banking. In this way, the boom in Phuthaditjhaba should spread into these localities as preferred destinations for new investment since hopefully rental overheads would be lower. What this amounts to is that the local municipality has to put in place an incentive scheme, in addition to capital investments to modernize these places. The IDP of Maluti-a-Phofung municipality (MAP, 2007 & 2008) does not mention any such interventions in its growth strategies.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The purpose of this study was to identify constraints to economic growth multipliers based on shopping centres in a part of Maluti-a-Phofung municipality. Five objectives were listed in Chapter 1 followed by a statement of hypotheses, scope and a brief description of the study area. Fieldwork for data collection was based on both quantitative and qualitative measures and the results were analyzed using various descriptive and statistical techniques.

The first objective centred on a characterization of the business sector in the study or is beset by internal and external problems such that it is unable to serve the shopping

The second objective was to describe the consumer profile of households in the study area. It has been shown that poverty is widespread in this part of the municipality as evidenced by high unemployment figures, limited opportunities and a low rate of participation in income-generating activities. The findings confirm work by Khanya (2004) on the nature of poverty in this part of the country. The tendency for most households to do shopping in Phuthaditjhaba instead of centres nearest to their residence indicates the effects of a wider choice, credit facilities, quality of produce and access in Maluti-a-Phofung to services.

The third objective dealt with identifying obstacles to inter-firm transactions in the study area. These have been shown to be linked to the dominance of retailing in the area at the expense of commercial and personal services such that little trade can take place between local outlets.

The fourth objective dealt with economic growth multipliers. It has been shown from the findings and discussion that the study area is disadvantaged by its close proximity to Phuthaditjhaba, problems of accessing loan capital from conventional money markets, a crumbling infrastructure around these centres and an absence of maintenance of facilities. In addition, concerns about the limited pool of entrepreneurial skills in the area are expressed. In spite of these drawbacks, these shopping centres do generate a significant income multiplier effect on the local economy.

The fifth objective was to comment on the contribution of the small business sector to poverty reduction. It has been shown that so long as local business is in a state of general decline, its ability to generate multipliers and increase the participation of households in mainstream economic activities remains limited. This concern does not appear to be fully understood by architects of the municipality's IDP.s since 2002.

The purpose of this study was to outline and explore the limitations on the growth of economic multipliers in the small business sector, as well as to explore the multidimensional nature of poverty, and on how the small business sector can play a role in poverty alleviation. The study suggests that local municipalities need to rethink the place of business in strategies aimed at addressing poverty.

The sixth objective was to provide a contribution to contemporary economic geography. This study has identified internal and external constraints that face the small business sector. These constraints make it difficult for the sector to grow and to have a greater impact in the local economy. The author argues that these constraints can be turned around through a more flexible IDP and LED planning that encourages the integration of the local economy into that of Phuthaditjhaba thereby creating a larger and more integrated market space that provide opportunities for growth.

The findings presented by this study highlight a large proportion of households living below the poverty threshold in Qwa-Qwa. This is a result of the high unemployment rate, reduced income-generating activities, and failing SMME's development in specific municipal wards in the municipal area of MAP. There is also a significance of dependency over the informal sector and survival activities as a result of low educational status of households and business operators in the rural areas of MAP, as well as increased perceptions around the level of crime. With regard to the rural business centres, the majority of households and business operators displayed higher levels of dissatisfaction concerning the roles played by the shopping centres. Furthermore, the findings of the research present challenges faced by the municipality with special reference to poverty alleviation.

5.2 Conclusion

In conclusion, this study has highlighted critical constraints-both internal and external-that small business face in the study area. The state of decline of the business sector means that local business is not able to act as an engine of growth in the local economy. It has been shown that changing consumption patterns, the booming economy of Phuthaditjhaba and the failure of the municipality to incorporate small business in its LED planning means that business in the study area is increasingly marginalized. Finally, under these conditions, the contribution of the local business sector in poverty reduction remains limited.

5.3 Recommendations

The research conducted has identified the potential of the small business sector in creating jobs. More research should be undertaken in order to apply these initiatives and to evaluate the effects of such programmes. The recommendations outlined hereafter are equally important and deserve the attention of policy makers, the management of MAP local municipality and the rural communities of Qwa-Qwa. In addition, investors in commercial enterprises, those in regional planning and practitioners in the general field of development should find this study a valuable contribution. Finally, the findings of this study lead to recommendations that are generic, in the sense that, they can be utilized as a model in the implementation of the IDP,s and LED strategies, as poverty alleviation tools at local municipal levels of government in any province.

Education and Training

The skills and capacities of the whole community, but most specifically, the disadvantaged population, should be improved in order to improve productivity as well as to contribute towards improving the community in general. Formal training centres should be established to provide training, thereby giving people the opportunity to start their own small businesses. This can be achieved by upgrading Tshiya Education Resource Centre and/or Maluti Further Education and Training Colleges (FET) in terms of facilities and trainers, and the development of the priority areas for job creation and training of SMME's in Qwa-Qwa.

Skills Development

Most of the residents are unskilled and they have to compete with unskilled workers from other areas for jobs in a volatile employment situation. Being skilled in areas most in demand for the local economy will make people more employable. This can be achieved through the FDC's Ithute Bokgoni Skills Development Programmes.

Agriculture

Agriculture is one of the priority catalysts that could be used to reduce poverty. Due to the fact that the MAP area is mainly a rural area with high potential arable land and a farming community, the focus in a number of projects should be on agriculture. Effort should be to provide opportunities for people to enter the market through ensuring access to land, encouraging linkages to the formal economy and training. Furthermore, the development of food gardens will contribute towards poverty alleviation and income generation. In the process of creating jobs for the community, the food garden becomes evident. There are certain vegetables that the community of Qwa-Qwa plant in order of priority. People within the villages who produce for the market would also have an advantage in the sense that they can supply fresh vegetables directly to the consumer, and the consumer does not have to buy large quantities. In fact, they can buy everyday for the next day's meals. Since many residents spend the highest percentage of their income on food items in the area, there is a strong case to support agro-processing and such businesses. This means that the production of food items that are bought in Qwa-Qwa can also take place locally, and many jobs can be created and supported by the local economy in this way.

Marketing

It is also recommended that marketing should become one of the key components of MAP local economic development strategy. It should be a basic principle that agricultural industries should provide raw products and agro-processing industries should add value by making these into final products. The LED strategy should also focus on consumption. Components of consumption include retail development, tourism, conferences and summits, sports events, cultural events, museums, as well as festivals.

Small Business Development

The development of sustainable new ventures in Qwa-Qwa should receive urgent attention as a way of developing the economy of the area, and to encourage the circulation of money in the area. Small business development activities must be promoted by creating a positive environment for such activities. A positive environment could include formal facilities as well as training facilities to provide skills training to aspiring small business people and entrepreneurs, in so doing, jobs would be created and poverty being alleviated.

Crime Prevention

Undoubtedly, crime has a negative impact on development. The community must be involved in crime prevention. Various programmes and initiatives in conjunction with the police (SAPS) will achieve this, for example, community awareness programmes such as 'don't do crime' campaign, community and municipal participation in various community policing forums, community inputs and participation in the relevant sections and local business support and involvement such as in the case of closed-circuit television monitoring systems in the rural shopping centres. Prevention of crime would encourage people to start and sustain businesses.

Management and Maintenance

The Free State Development Corporation (FDC) should focus on property management and ensure that proper maintenance of the rural shopping centres and the surroundings thereof, takes place. The FDC should, furthermore, focus on SMME finances and running projects on behalf of government. Dilapidated buildings, closed and vandalized business units, and poor sanitation standards must be renewed. It is also recommended that fences be erected, security guards be placed and closed-circuit televisions be put in place at all the centres to prevent or minimize crime. It is the duty of the management to ensure that rural centres attract and meet the community's. The management can achieve this by ensuring that the tenant mix is of an acceptable standard in the rural shopping centres. The shopping centres should attract different businesses and various service providers. In doing so, the local communities with access to shopping centres with good tenant mix and various service providers nearby, will benefit through savings in their expenditure.

Developing the business purpose

The business purpose is a simple yet complex statement that represents the reason why the business exists. Woolley (2005:39) explains that there are many approaches to distilling this purpose, which can be a valuable tool in aligning the minds of the employees around what the employer/manager wants to achieve. It is up to the employer/manager to ensure that employees know and understand what the business is about; why it matters; and what it wants to achieve. From a business perspective, it is useful to focus the efforts of all employees around these value drivers. Every employee should know how their role contributes to the overall value of the business and how they can increase this value while containing or reducing costs. Most employees in the rural shopping centres could not describe the nature of their jobs in physical terms; they do not understand how their jobs fitted into the 'bigger picture' of the business. It quickly became clear that they do not have an idea what the business was about. The value drivers and business purpose can be used not only to get everyone singing in tune, but singing with pride and gusto. It, therefore, becomes clear that there is a need for the employees/managers to capacitate and motivate their employees.

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APPENDICES

Appendix A: Interview for the Business Units

INTERVIEW FOR SMALL BUSINESS UNITS IN MAP

1. Location:

TSHESENG		TSEKI	
MAKENENG		MONONTSHA	
MOKODUMELA		MAKWANE	
BOLATA		LUSAKA	

2. Type/class of business:...

3. How long have you been in this business?

0-2 years		6-8 years		4-6 years	
2-4 years		8-10 years		Over 10 years	

4. Highest level of formal education in years of the owner/manager

None		Post matric certificate		Diploma	
1-4		8-10		Degree	
5-7		11-13			

5. How many people are employed by this business?

1-3	4-5	6-8	9-10	11+

6. Have you ever obtained a business loan?

YES	NO

6.1 If yes, who provided this financial support? ....

7. Has any business unit in this centre been a victim of crime in the last 12 months?

YES	NO

7.1 If yes, what kind of crime?

ASSAULT	ROBBERY	MURDER	ABDUCTION	RAPE	OTHER

8. Indicate your main/primary target markets for your business
....
....

9. In your view, is the business supported by the local community?

....
....
....
....

10. Do you have a Business Improvement Plan?
....
....
....
....

THANK YOU VERY MUCH FOR YOUR PATIENCE!!

Appendix B: Interview for the Households

<u>Please make a cross (x) to the relevant response</u>

1. Location relative to particular centre ....

2. Age of the respondent ....

3. Family size ....

4. Type of residence:

BRICK	SHACK	TEMPORARY

5. Employment status ....

6. Dependents ....

7. Monthly Income in rand:

200-500	501-800	801-1100	1101-1400	1401-1700	1701+

8. Grocery account for the month ....

9. % of grocery account sourced locally:

5%	10%	25%	50%	50%+

10. Where do you do the bulk of your grocery purchases? ....

11. Public transport cost by taxi ....

12. How many household members are employed in the business centre?

NONE	1-2	3-4	5+

13. If there is some, what kind of employment are they in?

....

14. Is any member of the household operating a business?

....

15. If yes, what type of business

....

16. Is there anyone in the household supplying produce to the centre?

....

17. If yes, what kind of product/produce is supplied?

....

18. What impact does the centre have on the household?

....

19. In your view, how important is the centre in the lives of the community?

....

....

20. What do you suggest should be done in the business centre to satisfy most of your needs?

....

....

THANK YOU VERY MUCH FOR YOUR TIME AND PATIENCE!!