

The Financial Self-efficacy of Spaza Shop Owners in South Africa

Olawale Fatoki¹ and Olabanji Oni²

¹*Department of Business Management, University of Limpopo, Private Bag X1106,
Sovenga, 0727, South Africa*

²*Department of Business Management, University of Limpopo, Private Bag X1106,
Sovenga, 0727, South Africa*

*E-mail:*¹<Olawale.fatoki@ul.ac.za>, ²<Olabanji.oni@ul.ac.za>

KEYWORDS Financial. Owners. Self-efficacy. Spaza Shops. South Africa

ABSTRACT The objective of the study was to investigate the financial self-efficacy of the owners of spaza shops in South Africa. Financial self-efficacy is about an individual's self-confidence to carry out a financial management task and is related to financial skill. The study used the qualitative research method. Structured interview method was used for data collection in a survey. The study was conducted in Mankweng in the Limpopo province of the Republic of South Africa. Convenience and snowball methods were used for sampling. Thematic analysis was used for data analysis. The results indicated weak levels of financial self-efficacy in the areas of financial planning, analysis and control, working capital management and sources of finance. Recommendations to improve the financial self-efficacy of spaza shop owners are suggested.

INTRODUCTION

Small and Medium Microenterprises (SMMEs) contribute significantly to the social and economic growth of South Africa (Chinomona and Pooe 2013). In both, developing and developed countries, SMMEs are one of the primary drivers of employment and inclusive economic growth (Organization for Economic Cooperation and Development 2014). The SMME sector contributes between twenty-seven and thirty-four percent the Gross Domestic Product, and seventy-two percent of all jobs in South Africa (Department of Trade and Industry 2008). South Africa has an unemployment rate of 26.7 percent (Statistics South Africa 2016). South Africa's rate of unemployment is one of the highest in the world (International Labor Organization 2014). South Africa's unemployment rate currently stands at 26.7 percent (Statistics South Africa 2016). South Africa also has high levels of poverty, income inequality and crime. The sustainability of SMMEs is one of the ways to address the development challenges facing South Africa (FinScope 2010; Abor and Quartey 2010).

Spaza shops form a part of the SMME sector. The definitions of a very small and a micro business fit the description of a spaza shop. If a spaza shop has five or more employees, it can be regarded as a very small business. If a spaza

shop has less than five employees, it can be described as a microenterprise (Perks 2010). A spaza shop can be described as an informal business that is conducted from a shack or a room in a small house. Customers stand outside to make their purchases. These are usually groceries and everyday small household items (Von Broembsen 2008; Van Scheers 2010). Litghelm (2002) points out that spaza shops usually operate from residential stands or houses, with an average employment of 2.9 persons, largely financed by private savings or loans from relatives and friends and usually sell groceries. Spaza shops grew out of the townships in South Africa and play an important role in the buying tendencies of customers (Cape Town Project Centre 2015). Spaza shops play a role as an important incubator of entrepreneurship in South Africa (Liedemanet et al. 2013; Basardien et al. 2014). Spaza shops dominate trade and commerce in the townships because of the legacy of apartheid in South Africa. In addition, many South Africans turn to informal spaza shops because they are unable to find work in the formal economy. Small-scale entrepreneurship is fundamentally synonymous with self-employment in South Africa (Litghelm 2004; Hadebe 2010; Charman et al. 2013; Rolfe et al. 2014).

The failure rate of small and microenterprises including spaza shops is very high. Spaza shops normally have a short lifespan and also

rarely grow. The challenges faced by microenterprises are environmental, financial and managerial in nature. Financial management is one of the obstacles facing spaza shops (Van Scheers 2010). Availability of management and financial information is a prerequisite for management competence. Financial issues that are important for small businesses success include financial planning and control, availability of funds, and working capital management (Perks 2010; Matlala et al. 2014). An entrepreneurs' ability is very important for the survival and growth of SMMEs (Perks 2010; Herath and Mahmood 2014). Individual and contextual factors, such as cognitive style and personality, can influence performance (Mathisen and Bronnick 2009). Individuals with low self-efficacy desire fewer options and seek for less information compared to individuals with high self-efficacy (Reed et al. 2012). Self-efficacy with regards to financial management is a critical success factors for SMMEs (Amatucci and Crawley 2011). Financial self-efficacy refers to the perceived ability of individuals to manage their finances (Lapp 2010; Lown 2011). This suggests that the financial self-efficacy of owners can help improve the performance and reduce the high failure of spaza shop in South Africa. This study makes a contribution to the literature on the factors that can positively impact the success of spaza shops in South Africa.

Objectives of the Study

Financial self-efficacy is one of the critical success factors for SMMEs. The primary objective of the study is to examine the financial self-efficacy of spaza shop owners in South Africa.

Literature Review

According to Ashford and LeCroy (2010), self-efficacy was developed by Albert Bandura as part of the Social Learning Theory, which later progressed into the Social Cognitive Theory. Self-efficacy is the major concept of social cognitive theory by Bandura. One of the arguments of the social cognitive theory is that beliefs, expectations, goals and intentions influence individual behavior. What people think, believe, and feel affects how they behave (Bandura 1986, 1989, 1997, 2012). Efficacy beliefs determine how individuals feel, think and act (Bandura 1995). Self-efficacy can be described as the confidence

in the ability of an individual to deal with a task or situation (Ormrod 2006; Hira 2010). Financial self-efficacy can be described as the perceived ability of individuals to manage their finances. Financial self-efficacy is about an individual's self-confidence to carry out a financial management task and is related to financial skill (Lapp 2010; Lown 2011).

Self-efficacy is a psychological concept and it is one of the best predictors of success in many areas of human endeavors (Lapp 2010). Failure to succeed at a task may be due to low levels of self-efficacy (Lown 2011). Self-efficacy plays an important role in the goal-setting theory. People with low self-efficacy establish lower goals than people with high self-efficacy (Locke and Latham 2002; Lunenburg 2011).

Torres and Watson (2013) and Herath and Mahmood (2014) find that self-efficacy has a positive impact on work-related performance. Kumar and Uzkuurt (2010) find a positive relationship between self-efficacy and individual innovativeness. Self-efficacy has implications for evaluating the innovation potential of an organization and training of employees. The organizational behavior of professionals is typically influenced by a significant amount of confidence (Cherian and Jacob 2013). Self-efficacy mediates the relationship between personal values and entrepreneurial orientation. High level of self-efficacy positively impacts entrepreneurial orientation (Mohd et al. 2014). Self-efficacy is one of the determinants of successful SMEs (Jasra et al. 2011).

METHODOLOGY

The study used the qualitative research method. Structured interview method was used for data collection in a survey. This is consistent with similar empirical studies such as Perks (2010) and Basardien et al. (2014). Perks (2010) argues that self-administered questionnaire might not give the required results, as the literacy level of spaza shop owners is not known. This may negatively impact the reliability of the results. Two trained field agents that understand the local language and English assisted with the interview. The study area was Mankweng in the Limpopo province of South Africa. Due to a lack of spaza shops sample frame, convenience and snowball methods were used for sampling. Participation in the survey was voluntary. The re-

spondents were assured that the data collected would be kept strictly confidential. The owners of the spaza were interviewed and the interviews were recorded. Question items to measure financial self-efficacy were adapted from Lown (2010) and Amatucci and Crawley (2011). A pilot study was conducted with five spaza shop owners to improve the validity and reliability of the research instrument. Thematic analysis was used for data analysis.

RESULTS AND DISCUSSION

Response Rate and Biographical Details

Fifty spaza shop owners were contacted and thirty-two participated in the study. Table 1 presents the biographical details of the respondents.

Table 1: Biographical details of the respondents

<i>Biographical details</i>	<i>Spaza shop owners</i>
<i>Gender</i>	
Male	14
Female	18
<i>Age of the Owner</i>	
Below 20	0
20-30	7
31-40	10
41-50	12
Above 50	3
<i>Qualification of the Owner</i>	
Below Matric or equivalent	9
Matric or equivalent	18
Above Matric	5
<i>Number of Years of Business Operation</i>	
Below one year	2
1-5 years	15
6-10	13
Above 10	2
<i>Number of Employees</i>	
0	11
1-2	19
3-4	2
5	0
Above 5	0

The majority of the participants are females in the 31 to 40 years age bracket, with matric qualification. Their businesses have existed for between one and five years, and have between one and two employees.

Financial Self-efficacy

Financial self-efficacy relates to an individual's self-confidence to carry out financial man-

agement tasks and is a reflection of the financial skill of the individual. It is a reflection of the financial skills of individuals (Lown 2011). The study focused on the following financial management tasks as identified by Phenya (2011), Okafor (2012) and Fatoki (2012), that is, financial planning and control, keeping of accounting books, sources of finance and working capital management

Financial Planning and Control

The participants were asked the following question on financial planning and control, that is, "Are you confident about your abilities to undertake financial analysis and control?"

Only two participants felt confident and thirty respondents did not feel confident about financial analysis and control.

Participant: *I have never done any financial planning and control. I do not even prepare books of account.*

Participant: *I did financial management at school. I started this spaza shop because of unemployment problem. I am confident in my ability to do financial planning, prepare budgets and have financial control.*

Books of Account

The participants were asked the following question on books of account "How confident are you in your ability to keep accounting books such as sales book, purchases book and expense books?"

Nineteen participants are confident about their ability to prepare and keep sales book, purchase book and expense book, and thirteen respondents are not confident about their ability to keep books of account

Participant: *I have the ability to always keep sales, purchase books. It makes me have an understanding of my sales and profit.*

Participant: *I have never kept any accounting book because I don't know what to put in those books. I just sell my goods without any bookkeeping.*

External Sources of Finance

The participants were asked the following question on external sources of finance "How confident are you in your ability to understand external sources of finance for your business?"

Five participants are confident in their ability to understand external sources of finance, and twenty-nine participants are not confident in their ability to understand external sources of finance.

Participant: *I know the various sources of debt and equity including government agencies that support small businesses.*

Participant: *I do not understand the sources of finance that small businesses can tap.*

Working Capital Management

The questions on working capital management focused on the confidence in the ability to manage cash, credit and stock management. Fifteen respondents are confident in their ability to manage credit customers, and seventeen are not confident of their ability to manage credit customers. Fifteen respondents are confident in their ability to manage their cash, and seventeen are not confident of their ability to manage to manage cash. With regards to stock management, fourteen respondents are confident of their ability to manage stock while eighteen respondents are not confident.

Financial Management Training

All the respondents agreed that they need financial management training to improve their level of financial self-efficacy.

The results of this study are consistent with the findings of Sucuahi (2013) and Eresia-Eke and Raath ý(2013) that the level of financial skill of small business owners is low. Deficiency in financial skill can negatively impact the performance of small businesses (Freiling and Laudien 2013). There is a strong association between financial skill and the ability to make sound financial decisions by entrepreneurs (Cole and Fernando 2008).

CONCLUSION

This study investigated the financial self-efficacy of spaza shops owners in South Africa. Financial self-efficacy is about an individual's self-confidence to carry out a financial management task and is related to financial skill. The study focused on four areas of financial management namely, financial planning, analysis and control, accounting information, working capi-

tal management, and sources of finance. The results indicate that spaza shops owner have low level of financial self-efficacy in the areas of financial planning, sources of finance and working capital management. However, spaza shop owners are confident of their ability to keep books of account. It can be concluded that the financial self-efficacy of spaza shop owners is very weak in the areas of financial planning, analysis and control, and sources of finance, and fairly strong in the keeping of books of account.

RECOMMENDATIONS

Spaza shop owners need to be proactive and be involved in management and entrepreneurship learning and training. Spaza shops owners should attend training programs on financial management for non-financial managers organized by universities and non-governmental organizations that support entrepreneurship. In addition, government agencies that provide training programs for SMMEs in South Africa such as the Small Enterprise Development Agency should have field agents that physically visit and provide training to spaza shop owners on financial literacy. These agencies should include information on financial skills for spaza shops on their websites. The impact of spaza shop owners' gender and level of education on their financial self-efficacy can be explored by other studies. Many spaza shops in South Africa are owned by immigrants. Other studies can compare the financial self-efficacy of immigrant and native spaza shop owners.

REFERENCES

- Abor J, Quartey P 2010. Issues in SME development in Ghana and South Africa. *Int Res Jour of Fin and Eco*, 1(39): 218-228.
- Amatucci FM, Crawley DC 2011. Financial self-efficacy among women entrepreneurs. *Int Jou of Gen and Ent*, 3(1): 23-37.
- Ashford JB, LeCroy CW 2010. *Human Behaviour in the Social Environment: A Multidimensional Perspective*. Belmont: Cengage Learning.
- Bandura A 1977. Self-efficacy: Toward a Unifying Theory of Behavioural Change. *Psy Rev*, 84(2):191-215.
- Bandura A 1986. *Social Foundations of Thought and Action: A Social Cognitive Theory*. Englewood Cliffs: Prentice Hall.
- Bandura A 1989. Human agency in Social Cognitive Theory. *Ame Psy*, 44: 1175-1184.
- Bandura A 1995. *Self-Efficacy in Changing Societies*. New York: Cambridge University Press.

- Bandura A 1997. Editorial. *Ame Jou of Health Prom*, 12(1): 8-10.
- Bandura A 2012. On the functional properties of perceived self-efficacy revisited. *Jour of Man*, 38(1): 19-44.
- Basardien F, Parker H, Bayat MS, Friedrich C, Appoles S 2014. Entrepreneurial orientation of Spaza shop entrepreneurs' evidence from a study of South African and Somali owned Spaza shop entrepreneurs in Khayelitsha. *Sing Jou of Bus, Eco and Man Stu*, 2(10): 45-61.
- Cape Town Project Centre 2015. Strengthening Spaza Shops. From <<http://wp.wpi.edu/capetown/projects/p2010/spaza/>> (Retrieved on 19 October 2015).
- Charman AJ, Petersen LM, Piper L 2013. Enforced informalisation: The case of liquor retailers in South Africa. *Dev Sou Africa*, 30(4): 580-595.
- Cherian J, Jacob J 2013. Impact of self-efficacy on motivation and performance of employees. *Int Jou of Bus and Man*, 8(14): 80-88.
- Chinomona R, Poole RD 2013. The influence of logistics integration on information sharing and business performance: The case of small and medium enterprises in South Africa: Original research. *Jour of Transport and Supply Chain Man*, 7(1): 1-9.
- Cole S, Fernando N 2008. Assessing the Importance of Financial Literacy. Asian Development Bank. From <<http://www.adb.org/Documents/Periodicals/Micro-finance/finance-200803.pdf>> (Retrieved on 27 March 2014).
- Department of Trade and Industry 2008. Annual Review of Small Business in South Africa. From <<http://www.tips.org.za/files/2008>> (Retrieved on 19 October 2015).
- Erasie-Eke CE, Raath C 2013. SMME owners' financial literacy and business growth. *Med Jou of Soc Sci*, 4(13): 397-406.
- FinScope 2010. South Africa Small Business Survey. From <http://www.btrust.org.za/downloads/0_nsbs_finscope_small_business_survey_final_report_march_2011.pdf> (Retrieved on 19 October 2015).
- Freiling J, Laudien M 2013 Explaining New Venture Failure: A Competence-based Approach From <http://cdiaims2013.sciencesconf.org/conference/cdiaims2013/pages/cdiaims2013_Freiling_Laudien.pdf> (Retrieved on 17 October 2015).
- Hadebe T 2010. *Township Home-based Enterprises: The Case of Pimville*. PhD Thesis, Unpublished. Johannesburg: University of Witwatersrand.
- Herath HM, Mahmood R 2014. Strategic orientations and SME performance: Moderating effect of absorptive capacity of the firm. *Asian Soc Sci*, 10(13): 95-107.
- Hira T 2010. The NEFE Quarter Century Project: Implications for Researchers, Educators, and Policy Makers From a Quarter Century of Financial Education. Denver: National Endowment for Financial Education. From <<http://www.nefe.org/LinkClick.aspx?fileticket=A2P8jPuIqkw%3dandtabid=934>> (Retrieved on 19 October 2015).
- Kumar R, Uz Kurt C 2010. Investigating the effects of self-efficacy on innovativeness and the moderating impact of cultural dimensions. *Jour of Int Bus and Cul Stu*, 4(1): 1-15.
- Jasra JM, Khan MA, Hunjra AI, Rehman RA, Azam R 2011. Determinants of business success of small and medium enterprises. *Int Jour of Bus and Soc Sci*, 2(20): 274-280.
- Lapp WM 2010. The Missing Link: Financial Self-Efficacy's Critical Role in Financial Capability. From <http://www.earn.org/static/uploads/files/Missing_Link_Financial_SelfEfficacy_Critical_Role_in_Financial_Capability.pdf> (Retrieved on 19 October 2015).
- Liedeman R, Charman A, Piper L, Petersen L 2013. Why are foreign run spaza shops more successful? The rapidly changing spaza sector in South Africa. From <<http://www.econ3x3.org/.../Liedeman%202013%20Spaza%20shops%20FINAL>> (Retrieved on 19 October 2015).
- Ligthelm AA 2002. Characteristics of Spaza Retailers: Evidence from a National Survey. From <<http://www.unisa.ac.za/contents/faculties/ems/docs/press305.pdf>> (Retrieved on 5 November 2015).
- Ligthelm AA 2004. Profile of informal microenterprises in the retail sector of South Africa. *Sou African Bus Rev*, 8(1): 39-52.
- Locke EA, Latham GP 2002. Building a practically useful theory of goal setting and task motivation. *Amer Psy*, 57(9): 705-717.
- Lown JM 2010. Immediate annuities: A behavioral finance approach to address longevity risk, home and family perspective. *Jour of the Utah Asso of Fam and Con Sci*, 11: 22-32.
- Lown JM 2011. Development and Validation of a Financial Self-Efficacy Scale. From <<http://ssrn.com/abstract=2001554>> (Retrieved on 8 August 2015).
- Lunenburg FC 2011. Self-efficacy in the workplace: Implications for motivation and performance. *Int Jour of Man, Bus and Admin*, 14(1): 1-6.
- Matlala LS 2012. *The Impact of Business Support for Women Owned Small Business Enterprises in Agriculture: A South African Perspective*. PhD Thesis, Unpublished. Pretoria: University of South Africa.
- Mathisen GE, Bronnick KS 2009. Creative self-efficacy: An intervention study. *Int Jour of Edu Res*, 48: 21-29.
- Mohd R, Kirana K, Kamaruddin BH, Zainuddin A, Ghazali MC 2014. The mediatory effect of self-efficacy on the relationship between religious values and entrepreneurial orientations: A case of Malay owner managers of SMEs in manufacturing industry. *Procedia - Soc and Beh Sciences*, 130: 96-104.
- Organisation for Economic Cooperation and Development. 2014. SMEs and Entrepreneurship. From <<http://www.oecd.org/cfe/smes>> (Retrieved on 2 October 2015).
- Ormrod JE 2006. *Educational Psychology: Developing Learners*. Upper Saddle River: Pearson/Merrill Prentice Hall.
- Perks S 2010. Exploring the management abilities of Spaza shop owners in the Nelson Mandela Metropolitan Municipality. *Sou Afric Jour of Eco and Man Sci*, 13(4): 447-463.
- Reed AE, Mikels JA, Löckenhoff CE 2012. Choosing with confidence: Self-efficacy and preferences for choice. *Jud and Dec Mak*, 7(2): 173-180.
- Rolfe R, Woodward D, Ligthelm A, Guimarães P 2011. The viability of informal microenterprise in South Africa. *Jour of Dev Entr*, 16(1): 65-86.

- Sucuahi WT 2013. Determinants of financial literacy of micro entrepreneurs in Davao City. *Int J of Acc Res*, 1(1): 44-51.
- Statistics South Africa 2016. South Africa Unemployment Rate. From <<http://statssa.org.za>> (Retrieved on 18 May 2016).
- Torres JLN, Watson W 2013. An examination of the relationship between manager self-efficacy and entrepreneurial intentions and performance in Mexican small businesses. *Contaduría y Administración*, 58(3): 65-87.
- Van Scheers L 2010. Challenges of small family groceries shops in South Africa. *World Jour of Ent, Man and Sus Dev*, 6(3): 221-231.

Paper received for publication on October 2015
Paper accepted for publication on June 2016