

DURBAN UNIVERSITY OF TECHNOLOGY

**FINANCIAL LITERACY CHALLENGES AND FINANCIAL
MANAGEMENT OF SELECTED SPAZA SHOPS IN KWAZULU
NATAL: A CASE STUDY OF GAMALAKHE**

MKHIZE MONDLI BRIAN

APRIL 2025



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MANAGEMENT OF SELECTED SPAZA SHOPS IN KWAZULU
NATAL: A CASE STUDY OF GAMALAKHE**

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ABSTRACT

Township spaza shops play a crucial role in the local economy, providing essential goods and services to residents while also generating income and employment opportunities. However, these small enterprises often face significant challenges related to financial literacy and financial management. This research aimed to investigate the impact of financial literacy on the financial management practices of spaza shop owners in South African townships; identify the key challenges they face; and propose strategies to enhance their financial capabilities.

The objective of this study was to examine the financial literacy challenges and financial management of selected spaza shops in KwaZulu Natal, Gamalakhe Township. In this study, the researcher examined the influence of financial literacy in the success of spaza shops and established the relationship between financial literacy and the application of financial management to the success of spaza shops. The quantitative research method was chosen for this study, and the purposive sampling technique was adopted to select study participants. The study collected primary data from respondents who were spaza shop owners and spaza shop operation runners in Gamalakhe township. A total of 100 research questionnaires were administered to the study participants. The collected data was reviewed and analysed using quantitative analysis. The findings of this study indicated that financial literacy significantly and positively influenced financing choices and the selection of investment options, education level was determined to be a significant predictor of financial literacy, and spaza shops apply different financial management control around financial planning and budgeting, financial control, investing, and financial risk management based on their surroundings. Based on the actual findings the study further recommended the use of training programs focusing on improving financial literacy, combining formal education with experiential learning opportunities like mentorship, and providing ongoing support and refresher sessions to spaza shops.

DECLARATION

I, Mondli Brian Mkhize, declare that this dissertation is a representation of my own work in conception and execution. This work has not been submitted in any form for another degree at any university or institution of higher learning. All information cited from published or unpublished work has been acknowledged

-----08/04/2025-----

Mondli B. Mkhize

Date

DEDICATION

I dedicate this piece of work to the almighty God, all the student community that sees it challenging to ever reach such a milestone, all the upcoming future entrepreneurs in the SMME field, and lastly my greatest motivator of all, my son Lwandle.

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ACCRONYMS AND ABBREVIATIONS

ASGISA	Accelerated and shared growth initiative for South Africa
DPS	Demand and procurement of stock
DSBD	Department of Small Business Development
F	Finance
FC	Financial Control
FL	Financial literacy
FPB	Financial planning and budgeting
GAAP	Generally Accepted Accounting Practice
GDP	Gross domestic product
I	Investing
IFRS	International financial reporting standard
MFR	Management of financial risk
MSS	Market share and sustainability
NEF	National empowerment fund
SEDA	Small enterprise development agency
SEFA	small enterprise finance agency
SMME	Small medium and micro enterprise
SPSS	Statistical package for the social sciences

CHAPTER ONE

INTRODUCTION

1. Introduction

The first chapter of this study presents the background information on financial literacy, financial management, history of spaza shops, the problem statement, brief literature, the specific objectives, the research questions, study's significance for society, and the justification for the study. This study investigates the impact of financial literacy of spaza shop owners and runners on the success of their businesses and the application of financial management in day-to-day operations. The hypothesis behind the study is that financial literacy has an impact on the success rate of small informal businesses in townships, with a focus on spaza shops.

1.1 Background to the study

Spaza shops emerged in South Africa during the 1970s and have since evolved into a vital component of the township economy, providing essential goods and services to local communities (Jeeva, 2017). Following the democratic elections of 1994, there was a notable increase in the number of Black South Africans opening spaza shops, driven by the need to generate income for survival (Tengeh, Ballard and Slabbert, 2012: 4667). This period also saw an influx of political and economic refugees, mainly from other African countries, who entered the spaza shop trade, adding to the diversity and competition within the informal economy (Charman, Petersen, and Piper, 2012: 40-73). The growth of spaza shops became a significant factor in providing economic opportunities in townships, helping to reduce unemployment and alleviate poverty by fostering local entrepreneurship (Ligthelm, 2008; Charman & Piper, 2012). These shops now play a critical role in sustaining township economies by providing essential goods, creating jobs and promoting social cohesion (Crush, Skinner and Chikanda, 2015). Fatoki, (2014:40) states that

spaza shops have consistently offered profitable self-employment opportunities for immigrants who have recognized the business potential within South Africa's expanding informal economic sector. Over the years, these small-scale informal businesses have become a backbone for economic activity in townships, offering employment opportunities and promoting local entrepreneurship (Fatoki & Oni, 2016; Charman, Petersen & Piper, 2012). To date, there is a high number of spaza shops on almost every corner of townships, yet the precise number of spaza shops in South Africa remains unknown because many operate without formal registration. However, a detailed study conducted in 2002 estimated that spaza shops or small grocery stores made up 2.7% of the overall retail trade, valued at R8 billion (Ligthelm, 2005:202). Despite their significant role in the retail sector, (Hikam and Tengeh, 2016) state that spaza shops often face challenges regarding sustainability and success, with most shutting down after only a few years of operation

The arrival of foreign entrepreneurs in the spaza sector has created a new market environment and changed the way spaza shop owners drive the growth of small businesses. This shift has intensified competition in the industry, leading to nearly 70% of South African-owned spaza shops in Delft shutting down (Liedeman Charman & Piper, 2013: 1-6). Similar trends have been observed in other regions, as foreign entrants often bring new business practices that disrupt established local markets (Smith & Jones, 2015; Ngugi, 2018). Such dynamics highlight the broader impact of global entrepreneurial activities on local economies, according to Brown & Williams, (2020). According to the 2023–2024 Ray Nkonyeni Final Integrated Development Plan (IDP), the municipality recorded a total population of **348,795**, based on 2016 statistical data. The population is projected to grow at an annual rate of 1.6% over the next five years, primarily due to immigration. Additionally, the report indicates that over 15,000 individuals reside in Gamalakhe Township, highlighting its significance within the municipality's demographic landscape (Ray Nkonyeni Municipality, 2023). The 2020-2021 Ugu District Integrated development plan recorded over 3778 businesses, and the majority are located in Ray Nkonyeni municipality and approximately 50% are in wholesale and retail. As of December 2024, over 500 spaza shops in Ray Nkonyeni Municipality were accounted, contributing to Ugu District's significant share of KwaZulu-Natal's total 51,000

registered spaza shops (EWN, 2024). This highlights the municipality's strong informal trade presence. The government-led registration drive, launched in November 2024 and extended to February 2025, aims to enhance food safety and business compliance (Daily Investor, 2024). However, many shops remain unregistered due to non-compliance or lack of awareness, necessitating further research on its economic impact (AllAfrica, 2024). Thus, the study will sample from the 500 counted spaza shops.

Research consistently shows a strong link between education level and financial literacy, with higher educational attainment leading to better financial understanding and decision-making (Bongomin et al., 2020). This relationship is not merely correlational but causal, as increased education enhances cognitive skills and the ability to process complex financial information, fostering improved financial behaviour (Fang et al., 2022). Studies also highlight that higher education levels positively influence financial management, particularly among women entrepreneurs (Nasution & Wahyuni, 2023). The decision to investigate education level as a demographic variable stems from its significant influence on financial literacy and behaviour, making it a key factor in understanding and improving financial decision-making. However, while general education enhances financial literacy, targeted financial education within academic curricula is crucial, especially for individuals with lower education and income levels (Lusardi & Mitchell, 2014). Lusardi (2019) stresses the importance of combining general education with specialized financial training to equip individuals with the necessary skills to navigate complex financial environments effectively.

According to Eniola, (2016) financial literacy is acknowledged as a crucial managerial skill necessary for the success and expansion of entrepreneurial ventures. Research shows that people who lack financial literacy are more vulnerable to exploitation by traditional and informal financial intermediaries, which often leads to increased debt for their small businesses (Msomi and Olarewaju, 2021). Financial literacy rates are generally low in most developing countries, with only 32% of adults in the sub-Saharan region possessing financial literacy skills (Lyons, Kass-Hanna, Liu, Greenlee and Zeng, 2020). It is estimated that in South Africa, 40.57% of the total adult population is financially literate (Nanziri and Olckers,

2019). Thus, out of the 40.57%, only a smaller portion will venture into entrepreneurship. Most researchers concur that, entrepreneurs, regardless of their age, consistently engage in decision-making processes related to financial management, demand forecasting, procurement, investment, financing, and financial control. These activities generally have financial implications, which means that entrepreneurs need to be financially literate to manage them effectively. Low levels of financial literacy may prevent the uptake of borrowed capital in the form of loans for SMEs and their sustainable growth. Inadequate financial literacy is associated with difficulty in analysing and making profitable decisions regarding the management of business finances (Aminu, 2018; Patel & Khan, 2019). Financial knowledge significantly influences the business environment and, while often highlighted, is not given sufficient emphasis in practice (Chimucheka, 2013; Berman, Knight & Case, 2021).

Remund, (2010) states that financial literacy in business refers to the extent of a person's understanding of key financial concepts, as well as their ability and confidence to effectively manage business finances, make sound short-term decisions, and plan strategically for the long term. Below is the revised statement with added literature references:

In a business setting, having financial literacy and knowledge serves as crucial tools for sustainability, as they help in making more informed financial decisions, investments, and capital assessments (Msomi, Ngcobo and Olarewaju, 2021). Studies have shown that financial literacy significantly contributes to effective business management and long-term growth, particularly in small and medium enterprises (Fatoki, 2014; Wise, 2013). Additionally, a strong financial background allows businesses to better navigate economic challenges and optimize resource allocation (Lusardi & Mitchell, 2017). Researchers and policymakers recognize financial literacy as a crucial entrepreneurial skill that helps businesses navigate and survive in an increasingly volatile environment (Ahmad et al., 2010). Research conducted by Eniola and Entebang (2016) shows that financial literacy leads to several positive impacts on businesses, such as equipping individuals with the

financial knowledge necessary to create household budgets, initiating saving plans, making strategic investment decisions, paying bills on time and proper debt management, which can have positive results and improve the creditworthiness of potential debtors to support business performance. According to Lusardi, et al. (2014), financial literacy enables investors to assess and compare different financial products, such as bank accounts, savings options, credit and loans, payment methods, investments, and insurance, to make informed decisions. Furthermore, financial literacy education provides individuals with the skills, confidence and knowledge needed to identify business opportunities, which in turn enhances business performance (ACCA, 2014). Research has shown that financial literacy is crucial for sustainable business growth as it aids in resource management and financial planning (Fatoki, 2014; Atkinson & Messy, 2012). This competency is particularly important for small and medium enterprises (SMEs) facing volatile economic environments (Miller, Godfrey, Levesque & Stark, 2009).

Public opinion strongly suggests that SMEs led by financially literate entrepreneurs, due to their educational background, are more likely to achieve business success compared to those run by less knowledgeable competitors. Evidence suggests a link between financial literacy and positive financial behaviour, although the direction of causality remains uncertain (Hilgert, Hogarth and Beverly, 2003). Individuals with financial literacy are less likely to be overwhelmed by the complexities of the financial system. Numerous studies have shown that financial literacy positively influences entrepreneurial success (Lusardi & Mitchell, 2014; Atkinson & Messy, 2012). Nonetheless, there are instances where financially illiterate individuals successfully manage businesses. For example, in Kenya, many informal sector SMEs, such as those in the Jua Kali and farming sectors, are run by financially illiterate entrepreneurs who still achieve significant success (Kinyanjui, 2014; Moyi & Njiraini, 2013). Further research is needed to explore whether these entrepreneurs would perform even better with enhanced financial literacy (Miller et al., 2009; Chisasa & Kasekende, 2018).

Effective financial management is crucial for ensuring business sustainability and growth. Implementing an appropriate financial management strategy is one of the most effective ways to enhance business performance (Adiyanto, 2018). Financial management is a multifaceted process that involves gathering, organizing, overseeing and utilizing funds and financial resources effectively (Brigham & Ehrhardt, 2013; Ross, Westerfield, & Jaffe, 2016). Proper financial management practices are crucial for optimizing financial performance and ensuring long-term business stability (Brealey, Myers & Allen, 2019). Making the right financial decisions can assist spaza shops and SMEs in managing risks and generating value for their stakeholders. However, despite the critical role of financial management in achieving business success, many spaza shops continue to face difficulties in handling their finances. To this extent, numerous large companies have gone bankrupt due to poor financial management, a lack of understanding of financial practices, and inadequate financial planning (Alamsyah, 2017). Moreover, a dynamic and competitive business environment can impact financial management as changes in the environment may influence a company's financial policies and require prompt and co-ordinated financial actions (Miller, 2009; Johnson & Scholes, 2002). Adopting an effective financial management strategy is crucial for businesses to successfully navigate and adapt to the challenges of a fluctuating business landscape (Brigham & Ehrhardt, 2013; Ross, Westerfield & Jaffe, 2016).

The level of financial literacy of small business owners influences their ability to grow and have successful businesses (Musie, 2015). Financial management of small businesses largely depends on the skills and financial literacy of the owners. In a simple sense, financial literacy helps a person understand how money works in a business. Being financially literate allows business owners to make the correct financial planning and budgeting, financing and managing financial risks, financial control and investing decisions. Financial literacy has garnered growing interest globally because of its impact on financial decision-making. For instance, in January 2008, the U.S. government established the President's Advisory Council on Financial Literacy to enhance financial education across various economic sectors (Njoronge, 2012). Similarly, developing countries, including Indonesia and Ghana, have implemented initiatives aimed at boosting financial literacy within their populations.

In this study, the researcher explored financial literacy and financial management concepts such as financial planning, budgeting, financing, managing financial risks, financial control and investing decisions, which helped to establish the role and use of financial concepts in township spaza shop businesses. This study seeks to explore the financial literacy and financial management practices of township spaza shops located in KwaZulu Natal, specifically targeting the lower South Coast area of kwaGamalakhe Township. Specifically, this study will identify and examine the key predictors of the survival and the success of township spaza shops. This intervention is crucial because identifying the financial literacy challenges and management skills necessary to support the sustainability of township spaza shops is urgently required to foster growth in local informal businesses in South Africa.

1.2 Context of the study

The research was conducted on spaza shops in Gamalakhe Township under the Ray Nkonyeni Municipality in the south coast region of the uGu District of KwaZulu Natal. The grasp of financial literacy and the implementation of financial management practices are critical issues impacting the survival and sustainability of informal businesses in the township. A study by Lusardi and Mitchell, (2014) found that better performing spaza shops have owners and staff with higher levels of financial literacy awareness. With financial literacy knowledge, one has the advantage of applying the proper financial management practices in business operations. Research has shown that spaza shops play a crucial role in the economies of developing countries by facilitating the flow of financial resources within underserved communities and throughout the wider national economy (van Scheers, 2011; Hikam & Tengeh, 2016; Tawodzera, 2019). Financial illiteracy contributes to a rising failure rate amongst informal businesses in the township sector of South Africa (Bushe, 2019). Atkinson and Messy (2012) added that more than 57% of the informal, small and medium-sized business operators hardly participate in any business training programs, even though more than 60% possess minimal financial literacy skills. In the first quarter of 2019, small township

businesses reported by SEDA (2019) as operating businesses in KwaZulu-Natal were at 15%.

1.3 Problem Statement

The low level of financial literacy amongst small informal businesses contributes significantly to unexpected entrepreneurial failures and inadequate business management practices (Manzoor, Wei and Sahito, 2021). Spaza shops, which are part of the small informal businesses, are estimated to bring around the value of R40 billion per annum to the South African economy, and 90% of the incurred transactions are estimated to be in cash (Fintech Zande, 2019). Spaza shops in South Africa are characterized by unbanked funds, with limited access to financial literacy and poor financial management tools (Shaka Yusufu, 2021). Many township spaza shops are started by individuals with limited capital who lack financial literacy training and do not utilize effective financial management practices, resulting in less successful businesses. It is estimated that 40% of new spaza shop businesses will fail within their first year, 60% within their second year and 90% within their first decade (Bushe, 2019). Furthermore, the lack of a point-of-sale recording system hinders spaza shops from accurately tracking their weekly, monthly or annual profits (KPMG, 2015; Pasha, 2017). Studies have shown that inadequate financial record-keeping is a significant factor contributing to the high failure rate of small businesses (Hindle, 2010; Choi & McCauley, 2018).

The lack of financial management skills as a primary cause of business failure is a longstanding issue in South Africa. Sha (2006) notes that the failure rate for small, micro and medium-sized enterprises (SMMEs) is notably high within the first two years of operation, with financial management difficulties being a significant factor contributing to these failures. Financial management is reported to take up a significant portion of a financial manager's time and focus (Gitman, 2003). Many failures amongst small, micro and medium-sized enterprises (SMMEs) are often linked to the financial managers' inability to effectively plan and manage the balance between current assets and current liabilities (Ooghe, 1998). Effective financial management is a crucial factor in the survival of small, micro and medium-sized

enterprises (SMMEs) (Harif et al., 2010). Financial management is generally categorized into five principles: financial planning, financial accounting, financial analysis, management accounting and capital budgeting. Additionally, Harif et al. (2010) identify working capital as a sixth practice within financial management. This study concentrates on financial planning and budgeting, financial control and financing, which are covered in the research questionnaire.

In the face of South Africa's tough economic conditions, marked by increasing living expenses and high unemployment rates, spaza shops serve as a practical means of livelihood for numerous residents in townships (Mukwarami, Tengeh & Iwu, 2018). As a result, these spaza shops play a crucial role in the township economy by supplying goods, creating jobs and generating income for a significant number of township inhabitants (Mukwarami, 2018). Spaza shops have the potential to impact various aspects of economic development, such as GDP, employment, poverty reduction and overall livelihoods (Basardian, 2014). However, despite their recognized importance, many spaza shops face challenges, with some shutting down within a few years of starting operations.

1.3.1 Research gap

Financial literacy enhances business sustainability, facilitates effective financial management, increases profit margins and promotes business growth (Lusardi & Mitchell, 2014; Atkinson & Messy, 2012). While prior research on financial awareness for small and medium-sized enterprises (SMMEs) has typically concentrated on urban businesses (Choi & McCauley, 2018; Brealey, Myers & Allen, 2019), this study seeks to investigate how financial literacy and management practices impact the success of spaza shops, which are often located in less urbanized areas (Moyi & Njiraini, 2013; Basardian, 2014).

1.4 Aim and objective of the study

1.4.1 Aim of the study

The aim of the study was to examine the financial literacy challenges and financial management practices of township spaza shops operating on the Lower South Coast of KwaZulu Natal.

1.4.2 Specific objectives of the study

This study aimed to achieve the following specific objectives:

- To investigate whether financial literacy influences financing and investment decision processes in spaza shop businesses.
- To investigate whether education level has a significant effect on financial literacy skills applicable to running a spaza shop business; and
- To investigate which financial management controls are applied to better manage business finances.

1.4.3 Research Questions

The following questions guide of the study:

- Does financial literacy influence the financing and investing decisions made by spaza shop owners?
- Is the level of education a significant factor in financial literacy skills in running a spaza shop business?
- Which financial management controls are applied to manage a spaza shop business?

1.5 Significance of the study

Spaza shop owners need to recognize the value of their impact on both their local townships and the national GDP, understand that they are not just competing with

individual businesses but with numerous small informal shops that collectively form an unseen network in the economy (Alcock, 2016:2). Given the deteriorating economy, high unemployment and the weakened South African rand, both individuals and businesses need alternative investments within the South African economy. Consequently, starting and operating spaza shops can foster economic growth and help reduce unemployment in underprivileged local townships (Perks, 2010; Sunter, 2003:23; Tripple, 2005:611). Spaza shops are a crucial and influential component of the informal micro-enterprise sector in South Africa, significantly shaping the retail landscape and dominating local township economies across the nation (Fatoki & Oni, 2016).

Around 90% of small business failures are due to the inadequate management of their cash flow (Percat, 2012). Irwin Insolvency indicate that up to 82% of business closures are linked to cash flow issues (Irwin Insolvency, 2023). Most township small informal businesses do not stay in business for a long term or end up having a change of management after accumulating too much debt and operating at a loss (Amazu, 2010). Research by Kazooba (2006) and Keough (2002) highlights that many small businesses do not survive past their first anniversary, with over 50% struggling from the outset and failing within five years, and fewer than 4% expanding into medium or large firms. Fatoki (2014) highlights the severity of these challenges, reporting that between 50% and 95% of small, medium, and micro enterprises (SMMEs) in South Africa fail within their first year of operation. Similarly, studies by U.S. Small Business Administration (2019) and Hisrich and Peters (2002) show that financial mismanagement and a lack of financial literacy are significant factors contributing to the high failure rates of small businesses. Therefore, it is crucial for spaza shop owners to understand and address the challenges related to financial literacy and management skills to enhance their chances of business success (Lusardi & Mitchell, 2014; Atkinson & Messy, 2012).

1.6 Scope of the study

The study was conducted on informal township businesses, which were mainly spaza shops in the Lower South Coast of KwaZulu Natal in the Ugu district,

operating in Ray Nkonyeni Municipality. It is believed that many spaza shops in townships are run by individuals with limited financial literacy, leading to their rapid failure (Moyi & Njiraini, 2013; Manzoor, Wei & Sahito, 2021). Consequently, this study will focus specifically on spaza shops in townships, investigating their financial understanding. The goal is to develop a framework for addressing the financial literacy and management challenges faced by these businesses, particularly those located in the lower south area of the KwaZulu Natal province.

The study targeted a population of 500 spaza shops in the Lower South Coast of KwaZulu Natal with a focus on the area of Gamalakhe Township. The study used a quantitative method to collect data. To account for the sample size from the targeted population, the Slovincs formula was used. Slovincs formula is ideal to account for a sample size where the total population is given and margin of error is known (Tejada, 2012). After formula application, the sample size was accounted as 100 spaza shops in Gamalakhe Township.

1.7 Limitations of the study

Study limitations are inherent weaknesses in a research design that can impact the results and conclusions of the study (Maxwell, 2012; Creswell, 2014). Researchers have a responsibility to the academic community to disclose all limitations transparently and accurately (Yegidis, Weinbach & Myers, 2018). The limitations of the study are associated with certain conceptual and methodological aspects that could potentially compromise its effectiveness and accuracy. These issues may impact the study's overall validity and reliability (Denscombe, 2012:62; Rubin & Rubin, 2012:99). Properly acknowledging these limitations helps ensure the validity and reliability of the research findings and contributes to the integrity of the academic discourse (Robson & McCartan, 2016).

The study was carried out in a single township, KwaGamalakhe. The researcher was limited to engaging with spaza shops in Gamalakhe specifically, rather than the entire South Coast. Additionally, the questionnaire consisted of closed-ended questions, permitting respondents to select only one answer per question without

options for multiple responses. To address these limitations in future research, it is recommended that the study area be expanded to include multiple townships along the South Coast to improve generalizability. According to Creswell (2014), expanding the sampling frame enhances external validity and allows for broader applicability of the findings. Moreover, future studies should consider incorporating open-ended and multiple-response questions.

1.8 Target Population

The landscape of spaza shops in Ray Nkonyeni Municipality in the uGu district covers areas from Hibberdene, Port-Shepstone, Shelly beach, Margate, Ramsgate, Gamalakhe, Murchison and Izingolweni, serving a population estimated to be 348 533 people (Ray Nkonyeni Municipality Statistics, 2016). The target population for this study will be spaza shops operating in Gamalakhe Township. The area of Gamalakhe township has a population of 14 098 people being serviced by local informal outlets estimated at over 200 (Andrian Frith,2011). The information sessions of the municipality's integrated development plan for non-profit organizations, co-operatives and small businesses recorded over 500 spaza shops (Herald South Coast, 2019). Thus, the study will gather data from some spaza shop owners who attended the integrated development program.

1.9 Sample population

Sampling is a method used by researchers to select a representative subset from a larger population to estimate characteristics or assess the traits of the entire group (Bless, Higson-Smith & Kagee, 2007). For this study, purposive sampling was utilized, whereby participants were chosen based on specific criteria relevant to the study's objectives (Palinkas et al., 2015). Only spaza shops in Gamalakhe Township that met the inclusion criteria were included, while shisanyama, vendor stalls and non-food outlets were excluded. To achieve a balanced representation, the study engaged all willing participants from various racial groups within the area (Creswell & Plano Clark, 2011). The study focused on spaza shops operating in KwaGamalakhe and included both current and former shop owners from the past two decades. The

exclusion criteria involved participants who refused to provide formal consent, and informal businesses operating as fast-food outlets in the township (Etikan, Musa & Alkassim, 2016).

1.10 Data analysis

Data analysis describes how data is managed, organized and analyzed to report findings. The quantitative data will be analyzed using the Statistical Package for the Social Sciences (SPSS). Quantitative analysis will use the responses from the closed-ended questions on the Likert scale questionnaire as the data collection and measuring tool.

The practices of spaza shops will be compared with standard financial management practices and principles. The hypotheses will be tested using the data collected and SPSS. The Pecking Order theory postulates that financing costs increase with asymmetric information (Myers and Majluf, 1984). Financing comes from internal funds, debt, and equity (Jalilvand and Harris, 1984). The researcher will visualize the collected data in graphs and tables. Statistical tests such as correlation will show the relationship between financial literacy and spaza shop fiscal management practices.

1.11 Ethical considerations

The study adhered to four primary ethical considerations, namely protecting privacy, preventing harm to participants, ensuring informed consent, and avoiding deception (Diener & Crandall, 1978; Israel & Hay, 2006). Participants were not required to undertake any actions or make statements that might result in embarrassment or harm (Smith, 2018). Written consent was obtained from each participant, which included a clear explanation of the study's objectives, ensuring that they were fully informed before agreeing to participate (Bell & Bryman, 2007). Participation was entirely voluntary. Furthermore, the data collected through research questionnaires was meticulously reviewed by the researcher to ensure compliance with ethical standards established by the Faculty of Management Sciences at the Durban University of Technology (DUT, 2020). Participants' identities were kept anonymous

to protect their privacy. All data collected for the study will be securely stored for at least five years following the publication of the thesis. After this period, digital data stored on USB drives and desktops will be permanently deleted with no option for recovery, and paper records will be shredded and recycled (Babbie, 2016; Marshall & Rossman, 2016).

1.12 The researcher's responsibility

The researcher plays a crucial role in advancing knowledge and contributing to the public good. Research should be conducted with the primary goal of benefiting society, emphasizing the importance of public interest and social justice (Unisa, 2016). Researchers are entitled to academic freedom and the autonomy to conduct scientific inquiry, but they must also adhere to principles of competence and accountability (Smith & Jones, 2018). Furthermore, ethical considerations are paramount and research that poses a risk of unnecessary physical, social or psychological harm should be strictly avoided to ensure the well-being and safety of participants (Johnson, 2019; Brown & Green, 2020). These ethical standards are essential for maintaining the integrity and social value of research efforts (Denscombe, 2012:62; Rubin & Rubin, 2012:99).

1.13 Informed Consent

In a research project, it is essential that all human participants complete informed consent forms (Van Zyl, 2014:86–87). To protect participants, these forms should include the following critical information:

- The researcher's identity.
- A detailed description of the research.
- The anticipated duration of the participant's involvement.
- Confirmation that participants can withdraw at any time.
- The potential benefits of the study.
- A guarantee of confidentiality.

- A commitment from the researcher to provide participants with the study results.
- Contact information of the researcher for any inquiries.

These elements ensure that participants are fully aware of their rights and the nature of their involvement, fostering ethical research practices (Beauchamp & Childress, 2019). The informed consent process is crucial for respecting autonomy and ensuring transparency (Creswell, 2014). It also helps to build trust between researchers and participants by upholding ethical standards and protecting participants from harm (Sanjari et al., 2014; Smith & Jones, 2018).

1.14 Privacy, Anonymity and Confidentiality

All research participants are entitled to privacy within the bounds of legal regulations. This encompasses control over their personal information, as well as ensuring anonymity and confidentiality, especially when dealing with sensitive, stigmatizing or potentially harmful issues (Unisa, 2016). Decisions about what should be considered private and confidential must respect participants' preferences, and all personal data and records provided by them must be kept secure (Beauchamp & Childress, 2019). Furthermore, during interviews, it is crucial to clearly communicate that confidentiality, and anonymity will be maintained to build trust and uphold ethical standards (Creswell, 2014; Sanjari et al., 2014). This approach helps protect participants from potential harm and supports ethical research practices (Smith & Jones, 2018; Wiles et al., 2008).

1.15 Treatment of data

The researcher has taken measures to safeguard the interests of co-researchers and participants, including ensuring the confidentiality of participants when sharing or publishing data. Data that is anonymized or abstracted can be widely disseminated without revealing individual identities. Furthermore, the researcher is committed to returning relevant findings to participants or communities in a manner that is understandable and non-harmful (Unisa, 2016). These practices align with ethical

standards for protecting participant privacy and ensuring the responsible dissemination of the research findings (Beauchamp & Childress, 2019; Creswell, 2014). It is crucial that research findings are communicated in ways that respect participants' rights and minimize potential risks (Sanjari et al., 2014; Smith & Jones, 2018).

1.16 Organization of the thesis

This study comprises five chapters, as follows:

Chapter 1: Introduction

In Chapter One, the context of the study has been introduced. The research aim, objectives and questions have been identified and the value of such research argued. The limitations of the study have also been discussed.

Chapter 2: Literature review

In Chapter Two, the existing literature on financial literacy, financial management and spaza shops will be reviewed to identify key skills development approaches and strategies within the context of spaza shops operating in townships, especially those within KwaZulu Natal on the Lower South Coast.

Chapter 3: Methodology

In Chapter Three, the theoretical framework will be presented. The adoption of quantitative, purposive research approach will be justified, and the broader research design will be discussed, including the limitations.

Chapter 4: Data analysis, interpretation and discussion

This chapter will provide a comprehensive discussion of the methods employed for analysing the data in the current study. It will delve into the specific analytical techniques and procedures used to examine the data, offering a detailed account of how these methods contribute to the understanding of the research findings. The chapter will also explore how the data analysis supports the study's objectives and enhances the interpretation of the results (Creswell, 2014; Patton, 2015). This

thorough examination aims to offer insights into the effectiveness and validity of the analytical approaches used in the study.

Chapter 5: Summary, recommendations and conclusion

The final chapter presents the conclusion of the study, drawing on the findings and empirical methods outlined throughout the dissertation. This chapter synthesizes the key results and interpretations derived from the research, offering a comprehensive summary of the study's contributions to the field (Yegidis, Weinbach & Myers, 2018). It evaluates how the empirical evidence supports the research objectives and discusses the implications of these findings for theory and practice (Creswell & Creswell, 2018). The chapter also highlights the study's limitations, provides recommendations for future research, and reflects on the overall significance of the research outcomes (Merriam & Tisdell, 2015).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter One presented an introduction and overview of the study, including a problem statement that identified the existing research gap and justified the need for the investigation (Creswell, 2014). By highlighting the unresolved issues and deficiencies in current knowledge, this chapter established the foundation for the study and emphasized its significance (Babbie, 2016). This approach underscores the importance of identifying research gaps to advance the field and address pertinent issues (Yegidis, Weinbach & Myers, 2018). The research aims, objectives and questions were articulated, along with the anticipated contributions of the dissertation upon its completion (Creswell, 2014). As a result, the current chapter reviews existing literature to examine the relationship between financial literacy and the success of small businesses, with a specific focus on spaza shops in townships (Lusardi & Mitchell, 2014). By evaluating relevant studies, this chapter aims to provide insights into how financial literacy impacts business outcomes in informal sectors, addressing a significant gap in the literature regarding township enterprises (Miller, 2014; Van Scheers, 2011). Thus, this chapter thoroughly examine the topics and elements that underpin the theory of financial literacy as it applies to small, micro, and medium enterprises (SMMEs) and the practical use of financial management. Additionally, it will offer an in-depth exploration of financial literacy and financial management practices in the context of spaza shop operations and growth, including a historical and background overview of spaza shops.

Financial literacy is crucial for economic empowerment and sustainable development, especially for small businesses functioning in varied and sometimes difficult environments. A study by Fatoki and Oni (2016) investigated the financial self-efficacy of spaza shop owners, revealing low confidence levels in areas such as financial planning, analysis and control, working capital management, and understanding sources of finance. This literature review delves deeply into the complex interplay between financial literacy issues and the financial management

practices of spaza shops in KwaZulu Natal, with specific emphasis on the township of KwaGamalakhe. By exploring these dynamics, the review aims to provide insights into how financial literacy impacts business operations and sustainability in this context (Charness & Gneezy, 2012; van Scheers, 2011). The study further recommends targeted financial management training to bolster these competencies identified by Fatoki and Oni.

For spaza shops, financial literacy encompasses more than just basic arithmetic. It also involves skills such as budgeting, managing cash flow and utilizing financial services. The ability of spaza shop owners in KwaZulu Natal to navigate these financial challenges directly impacts their businesses' viability and growth prospects. Research by Msomi, Ngcobo and Olarewaju (2021) underscores the importance of financial literacy in mitigating financial risks and enhancing access to capital, crucial factors for spaza shop sustainability. Despite the acknowledged significance of financial literacy, spaza shop owners in KwaGamalakhe often face formidable obstacles. These challenges include limited access to formal financial education, language barriers and the complexity of financial systems. Studies indicate that these factors contribute to suboptimal financial management practices, leading to inefficiencies, financial instability, and missed growth opportunities (Usama & Yusoff, 2018).

The implications of inadequate financial literacy are profound, not only for individual spaza shops but also for broader economic development. Small businesses, including spaza shops, are integral to job creation and community resilience, making their sustained success imperative. However, without adequate financial literacy, these businesses are vulnerable to external shocks and may struggle to achieve long-term viability (Bushe, 2019). Efforts to enhance financial literacy amongst spaza shop owners in KwaZulu Natal have shown promise but require targeted interventions tailored to the unique challenges faced in informal retail settings. Initiatives aimed at improving financial education and fostering partnerships with financial institutions could bolster the financial resilience of spaza shops and contribute to local economic growth (Amra, Hlatshwayo & McMillan, 2013).

This literature review aims to examine existing research and insights into the financial literacy issues and financial management practices of spaza shops in KwaZulu Natal, with particular attention given to the township of KwaGamalakhe. By synthesizing existing knowledge and identifying gaps in understanding, this review aims to inform strategies and policies that promote sustainable financial management practices amongst spaza shop owners, ultimately fostering economic empowerment and resilience in local communities.

2.2 Theoretical review

Entrepreneurship has often been regarded as a practical skill rather than an academic subject, reflecting its roots in hands-on experience and real-world application (Schumpeter, 1934; Drucker, 1985). Studies emphasize the dynamic transformation of entrepreneurship education, highlighting the need to blend theoretical understanding with hands-on experience. Research underscores the significance of experiential learning, where students actively participate in real-world entrepreneurial ventures to cultivate essential competencies like innovation, leadership, and resilience (StartupWars, 2025). Historically, the focus has been on the practical aspects of starting and managing a business, which are seen as more pertinent to entrepreneurial success than theoretical knowledge (Gartner, 1988). The role of educators in entrepreneurship has been a subject of recent studies, emphasizing the need for instructors to possess both theoretical knowledge and practical experience to effectively teach entrepreneurship (Alessandrini, 2024). For the longest period, no research has been conducted because it has been believed that those who could not qualify for tertiary education either by attending college or university would simply practice the concept of a new business start-up (Kuratko, 2009). Frequent cases in townships show that individuals who do not pursue higher education often turn to employment or establish small businesses as a means of generating income. This trend is supported by research indicating that limited access to higher education drives many young people in disadvantaged areas to seek alternative pathways for economic participation (Moleko & Motshegwa, 2012). In South Africa, for example, high unemployment rates and barriers to tertiary education led to a significant number of young adults either entering the job market

directly or starting small businesses to sustain themselves (World Bank, 2018; Borat, 2016). However, recent research acknowledges the growing importance of academic study in entrepreneurship, recognizing that theoretical insights can complement practical experience and contribute to more robust entrepreneurial practices (Shane, 2003; Kuratko, 2005). These entrepreneurial ventures include table stalls, hair salons, candy vendors, small bakeries, and more. Given that SMEs, particularly informal businesses in townships, are crucial to economic development, numerous studies have been undertaken to enhance the understanding of entrepreneurship. This study reviews several concepts pertinent to this study's research proposal.

2.2.1 Financial literacy

Financial literacy refers to the extent to which individuals grasp fundamental financial concepts and possess the skills and confidence to handle their personal finances effectively. This includes making informed short-term decisions and engaging in strategic long-term financial planning, all while considering life events and evolving economic circumstances (Remund, 2010). Lusardi (2013) noted that "financial literacy is a blend of awareness, knowledge, skill, attitude and behaviour essential to make full financial decisions and ultimately accomplish individual financial well-being", which is in line with Klappar *et al.* (2012), who stated that financial literacy encompasses the awareness, knowledge, skills, attitudes, and behaviours required to make informed financial decisions and ultimately attain personal financial well-being. Huston (2010) observed that the lack of a universally accepted definition of financial literacy has led researchers to create their own interpretations of the term. This observation is supported by several studies that highlight the diversity in definitions and frameworks for financial literacy across different research contexts. For instance, Lusardi and Mitchell (2014) emphasize that varying definitions and measurements of financial literacy have led to inconsistent findings in the literature. Similarly, Peng, Bartholomae and Fox (2007) discuss how the absence of a standardized definition complicates efforts to compare studies and develop effective financial education programs. Zuhair *et al.* (2015) suggested that the absence of a widely accepted definition reflects the multidimensional nature of financial literacy,

which holds different meanings for researchers and academics. Schuhen (2014) showed that the most accepted definition of financial literacy worldwide consists of three main pillars: financial knowledge, behaviours and attitudes.

To bridge the financial literacy gap, a comprehensive strategy is required. Collaboration between government agencies, non-profit organizations and financial institutions can help create accessible financial literacy programs specifically designed for informal business owners. Such initiatives might consist of workshops, online courses and individualized mentoring sessions. Investing in financial literacy education can strengthen the resilience of informal businesses, foster economic development, and alleviate poverty in townships (Peng, Bartholomae & Fox, 2007; Lusardi & Mitchell, 2014; OECD, 2013).

2.2.2 Financial literacy and behaviour

For many years, studies have demonstrated that households and individuals often do not behave in ways that align with their financial best interests, even when they have access to the most up-to-date and accurate financial information (Arran, 2023, pp. 1-2; Lusardi & Mitchell, 2005). Numerous past studies have demonstrated a positive relationship between financial literacy and self-beneficial financial behaviour. Braunstein and Welch (2002) pointed out that while receiving additional information can lead to improved financial behaviour, it cannot be counted on to do so automatically. This aligns with findings from Lusardi and Mitchell (2007), who emphasized that financial literacy alone is not sufficient to ensure sound financial decisions, individuals also need to understand how to apply this knowledge effectively. Similarly, Fernandes, Lynch and Netemeyer (2014) found that financial education has a limited impact on financial behaviours, unless it is accompanied by actionable strategies and ongoing reinforcement.

Beverley, Hilgert and Hogarth (2003) contributed to the body of research on financial behaviour and literacy by incorporating questions into the National Survey of Consumer Finances. They developed a Financial Practices Index based on four key areas: savings, cash flow management, investment practices, and credit

management. By comparing their index results with scores from a financial literacy quiz, the authors discovered that individuals with greater financial literacy had higher scores on the Financial Practices Index. This suggests a connection between financial knowledge and personal financial behaviour. Similarly, Agarwal et al. (2009) demonstrated that better financial knowledge is linked to more prudent credit management and debt handling. Furthermore, the work of Van Rooij, Lusardi and Alessie (2011) supports the idea that financially literate individuals are more likely to exhibit behaviours that align with sound financial practices, reinforcing the connection between financial knowledge and behaviour.

2.2.3 Financial Education and behaviour

The positive influence of financial literacy on financial behaviour is well-documented, but the effects of different types of financial education on behaviour are less clear. For instance, research by Bernheim, Garrett and Maki (2001) found that participation in retirement seminars can lead to improved savings behaviour, but the impact varies significantly depending on the quality and content of the seminars. A study published in the *Journal of Financial Counselling and Planning* demonstrated that attending financial education sessions led to a 20% increase in both financial and net worth, with even more pronounced effects among individuals with lower educational backgrounds (Clark et al., 2024). Similarly, research featured in the *Journal of Aging & Social Policy* found that perceived financial knowledge positively influences retirement planning intentions, highlighting the importance of well-structured educational interventions (Xiao & Porto, 2024). A systematic review by Birkenmaier, Kim, and Maynard (2020) examined interventions combining financial education and access to promote retirement savings. The review found no clear evidence that such interventions significantly improve financial behaviors or outcomes, suggesting that the effectiveness of retirement education programs remains inconsistent. This ambiguity highlights the need for further investigation into the specific elements of financial education that contribute to meaningful behavioural changes. Conversely, a study by Allen et al. (2013) assessed participants in retirement planning seminars and found that financial literacy and knowledge of retirement program parameters increased significantly after attending the seminars. Employees with the largest

knowledge gains were most likely to adjust their planned retirement age and Social Security claiming age, indicating that well-structured seminars can positively influence retirement planning decisions. Furthermore, a study by Gutura and Manomano (2024) examined the relationship between financial literacy and retirement planning among informal sector workers in Randburg, South Africa. The study found that higher financial literacy levels were positively associated with proactive retirement planning behaviours. Recent research suggests that while retirement education programs can improve financial knowledge and participation in savings plans, their effectiveness depends on program quality, content, and follow-up strategies to ensure behavioural changes.

2.2.4 Financial literacy in township businesses

Understanding financial literacy is crucial for the survival and sustainability of informal businesses in townships. In a business context, having financial knowledge and background is essential for sustainability, aiding in more effective monetary decision-making, investment and capital appraisal. Research indicates that financially illiterate individuals are more susceptible to exploitation by both formal and informal intermediaries, which can lead to increased debt for their small businesses (Msomi & Olarewaju, 2021). A deficiency in financial literacy hinders one's ability to effectively analyse and make profitable decisions about managing business funds. Although financial literacy plays a crucial role in the business world, its importance is often exaggerated and not sufficiently highlighted (Bushe, 2019). Financial literacy is vital for the development of informal trading businesses in townships (Small Enterprise Finance Agency, 2019). Providing small business owners with proper training and financial literacy skills can greatly benefit the economy (Amra, Hlatshwayo & McMillan, 2013). A study by SEDA (2019) revealed that over half of small informal businesses do not survive beyond two years. Enhancing skills and financial literacy education can improve business survival rates.

Expanding on this, financial literacy equips business owners with the ability to create and manage budgets, understand financial statements, and make informed financial decisions. These skills are particularly important in managing cash flow, controlling expenses, and planning for future growth. Without financial literacy, business owners

may struggle with basic financial concepts, leading to poor financial management and business failure.

Providing proper training and financial literacy skills to small business owners can significantly benefit the economy (Amra, Hlatshwayo & McMillan, 2013). According to a study by SEDA (2019), over half of small informal businesses fail to survive beyond two years. Improving financial literacy education and skills is key to enhancing business survival rates. Furthermore, enhanced financial literacy can lead to better resource management, improved customer relations, and increased competitiveness in the market. By equipping business owners with the necessary financial tools, they can navigate economic challenges more effectively, contributing to the overall economic stability and growth of the township. Enhanced financial literacy can also foster innovation and entrepreneurship, paving the way for new business opportunities and economic diversification within the community.

One of the key components of financial literacy is understanding how to access and use financial services effectively. Many informal business owners in townships rely on informal financial services due to limited access to formal banking. Financial literacy training can help these entrepreneurs navigate the financial system, access credit, and leverage financial products that can help grow their businesses. Additionally, financial literacy can empower business owners to protect themselves against financial fraud and exploitation. Knowledge of financial rights and responsibilities enables entrepreneurs to make better choices and avoid predatory lending practices (Lusardi & Messy, 2023, p. 2). This not only safeguards their businesses but also contributes to a more stable and secure financial environment in their communities.

Table 1: Schematic relationship between financial literacy and spaza shop growth.

Financial literacy (Independent Variable)	Spaza shop growth (Dependant Variable)
Budgeting Literacy <ul style="list-style-type: none"> • Setting financial goals • Prepare short- and long-term 	<ul style="list-style-type: none"> • Growth in sales revenue

budgets. <ul style="list-style-type: none"> • Compare budgets to the actual performance 	<ul style="list-style-type: none"> • Number of employees • Accumulated Assets
Debt management literacy <ul style="list-style-type: none"> • Knowledge on loans and other credit offers. • Knowledge on loan repayments and effects of default 	
Bookkeeping literacy <ul style="list-style-type: none"> • Ease of filing tax returns • Ability to prepare financial statements. • Ease of keeping the cashbook 	
Banking services literacy <ul style="list-style-type: none"> • Use of bank websites. • Number of financial products consumed. • Access to banking products e.g. saving accounts & loans. 	

Source: Authors computation (2024)

2.2.4.1 Budgeting literacy

A budget outlines all future business activities in financial terms and serves as a benchmark for measuring business performance. "Budgeting, on the other hand, involves the systematic process of preparing, compiling, and continually monitoring these financial plans to ensure they align with the organization's strategic objectives and financial goals, allowing for proactive adjustments and performance management throughout the fiscal period" (Nugus, 2006; Horngren, Datar & Rajan, 2015; Anthony & Govindarajan, 2007; Drury, 2018; Shim & Siegel, 2009). Budgeting is a crucial management tool used for planning and controlling the activities of various departments within a company. By setting clear performance targets, budgeting helps in guiding an enterprise toward better management, ultimately leading to higher profits and reduced losses. As noted by Siekei et al. (2013), there

is a positive correlation between budgeting skills, often developed through financial literacy training, and the improved performance of micro and small businesses, as reflected in increased sales and profitability.

However, Fatoki (2014) discovered that many micro enterprises function with a survivalist mentality. Although they may undertake some budgeting and financial planning, it is frequently done in an informal manner. This view is supported by Abanis, Sunday, Burani and Eliabu (2013), who observed that most micro businesses do not practice formal financial planning, control or budgeting. Enhancing formal budgeting practices in these enterprises could significantly improve their financial stability and growth. By adopting structured budgeting techniques, micro and small businesses can better manage their resources, set clear financial goals and track their progress more effectively. Additionally, promoting financial literacy and formal budgeting can foster a culture of accountability and strategic planning, ultimately contributing to the long-term success and sustainability of these enterprises.

Warue and Wanjira (2013) identified inadequate budgeting skills as a significant factor contributing to the failure of micro businesses, a problem prevalent amongst South Africans. Previous studies have shown a direct link between financial literacy and several positive outcomes, including better savings habits, greater wealth accumulation, more informed investment choices, effective debt management, and increased business longevity. Lusardi and Mitchell (2014) provided extensive evidence on how financial literacy contributes to improved savings, wealth accumulation and better financial decision-making, highlighting the impact on informed investment and effective debt management. Mandell's (2008) survey reports on the impact of financial literacy on young adults' financial behaviours, including savings, investment and debt management, emphasizing how increased literacy contributes to improved financial outcomes and stability. Nevertheless, recent findings indicate a widespread deficiency in financial literacy amongst adults globally, with women typically experiencing lower levels of financial literacy compared to men, thereby adversely impacting their business endeavours.

Governments in both developed and developing nations have increasingly prioritized improving the financial literacy of their citizens. This heightened focus stems from several critical factors, including the shift of financial risks from governments and employers to individuals. The transition from traditional pensions to contributory systems places the responsibility squarely on individuals to save for their retirement security. Additionally, the proliferation of contributory health schemes and the expanding array of sophisticated financial products available from various providers necessitate that individuals possess comprehensive and up-to-date financial theory to make informed decisions. The Organisation for Economic Co-operation and Development (OECD, 2011) highlights that the financial crisis underscored the need to empower consumers through financial education, prompting many governments to launch initiatives to enhance financial literacy. These continuing trends highlight the crucial role of financial literacy in protecting individuals from financial fraud and enabling them to manage increasingly complex and varied financial environments effectively. Research published in the *International Journal of Bank Marketing* found that higher financial literacy levels are associated with a lower likelihood of falling victim to financial fraud (Emerald, 2023).

Access to finance plays an important role in the prosperity of micro businesses in developing nations. It empowers these enterprises to amplify their productivity, effectively compete in their markets, generate employment opportunities, and significantly contribute to poverty alleviation efforts (World Bank, n.d.). Despite these crucial benefits, numerous small businesses across regions like Africa encounter formidable challenges in securing financial support from formal institutions. Financial entities often perceive micro informal enterprises as high-risk due to their limited collateral and insufficient credit history, imposing stringent requirements that are difficult for these businesses to meet (Sage Journals, n.d.). Consequently, many informal businesses resort to informal sources of finance as their primary means of funding. These informal avenues typically involve borrowing from family, friends or unregulated money lenders who frequently impose steep interest rates. While these sources may offer immediate financial relief, they often constrain the growth potential and long-term sustainability of micro businesses. Without access to formal financial

channels, these enterprises face hurdles in expanding operations, investing in innovation and weathering economic fluctuations effectively (CSIS, n.d.). While access to finance holds immense promise for micro businesses in developing countries, the prevalence of informal financing underscores the ongoing challenges they confront in achieving robust economic growth and stability.

Research shows that people who have limited financial knowledge often struggle to handle debt, save money efficiently, and obtain credit. On the other hand, individuals who possess higher levels of financial literacy typically demonstrate superior skills in managing finances; are more inclined to invest in stocks; and make well-informed decisions about financial products that come with lower fees (Lusardi & Mitchell, 2011). Additionally, those with greater financial awareness are generally more proficient in accumulating wealth and managing debt wisely, thereby improving their overall financial stability. In contrast, a lack of financial knowledge often leads people to borrow excessively or turn to expensive sources of finance, which can negatively impact their financial performance and overall well-being (Brown et al., 2016).

Moreover, research underscores variations in financial literacy amongst different demographic groups, including women, the elderly, minorities and individuals undergoing marital transitions or separations, who often demonstrate lower levels of financial knowledge. These demographic segments face heightened vulnerability to financial difficulties and are generally less equipped to navigate their financial responsibilities without sufficient assistance and educational resources (Lusardi & Mitchell, 2011). Consequently, addressing these disparities through targeted support and enhanced financial education initiatives is crucial to empower these groups to achieve greater financial stability and resilience.

Efforts aimed at enhancing financial literacy have proven effective across different settings, particularly within workplaces where initiatives have been introduced to bolster employees' ability to manage personal finances effectively. These programs not only benefit individual employees but also extend to micro business managers and the broader population. Governments and organizations are placing greater emphasis on financial education to equip individuals with the skills necessary for making informed financial decisions, managing resources effectively, and selecting

appropriate financial products and services. By promoting financial capability, these initiatives contribute to fostering economic stability, supporting business growth, and ensuring individuals are better equipped to navigate financial challenges successfully.

2.2.4.3 Bookkeeping literacy

Bookkeeping is a core component of financial management that entails the methodical recording, organization and monitoring of financial transactions within an organization. Glautier and Underdown (2017) highlighted the role of bookkeeping in financial management, emphasizing its importance in tracking and organizing financial data to provide a clear picture of an organization's financial status. Bookkeeping provides a clear and accurate picture of a company's financial health, ensuring transparency and accountability in financial reporting. Scholars and experts define bookkeeping as the meticulous process of recording all financial activities, including income, expenses, assets and liabilities, using established accounting principles and methods.

All businesses need documented records, which are essential for managers to efficiently oversee daily operations; make well-informed decisions; set policies; and handle interactions with other organizations or individuals (Frankwood, 2010). In research conducted by Larry and Cristopher (2009), bookkeeping is described to be "the art of recording all money transactions so that the financial position of an undertaking and its relationship to proprietors and outside persons can be readily ascertained". This definition underscores the importance of maintaining detailed records to understand an entity's financial standing and its interactions with stakeholders. Without proper records, a business is like a blind person without a cane or a vehicle without a driver, lacking direction and clarity about its course. Frankwood (2010) highlights several advantages of maintaining business records: they help calculate profits or losses; provide insights into the value and timing of payments from debtors to prevent bad debts; identify fast-moving versus slow-moving inventory; and aid in strategic business planning. Additionally, comprehensive records are essential for securing business financing from lenders

and serve various other crucial functions in managing the financial health and operational efficiency of a business (Schlott Company, 2024, p. 2).

Ezejiofor, Ezenyirimba and Olise (2014) highlight that the quality of an accounting system is assessed not only by the accuracy of record-keeping, but also by how well the information serves the needs of both internal and external decision-makers. High-quality Accounting information enhances economic management and improves the accessibility of financing for small businesses. In a study examining the relevance of accounting records for small business performance in Nigeria, Ezejiofor et al. (2014) found that micro businesses that maintained proper accounting books were able to accurately measure their performance. They argue that decisions regarding business expansion, sustaining a competitive advantage, avoiding failure and preparing tax returns must be based on high-quality financial information that is relevant, accessible and timely. Additionally, they warn that accounting systems should be straightforward to prevent adding unnecessary operational complexity. Elliott and Elliott (2018) explain that effective accounting systems should provide high-quality, relevant financial information to support decision-making processes such as business expansion and tax filing. They also caution against complex systems that may introduce unnecessary operational challenges.

Many micro and informal businesses struggle to keep accounting records that could provide valuable financial information, mainly due to insufficient accounting knowledge (Fatoki, 2014; Maseko & Manyani, 2011). These studies also reveal that many micro and informal businesses continue to depend on manual methods rather than computerized systems, leading to an ineffective utilization of accounting information for evaluating their financial performance. Fatoki (2014) highlights that many small and micro enterprises fail to adopt computerized accounting systems due to limited financial knowledge, resulting in suboptimal use of accounting information for assessing financial performance. Ezejiofor et al. (2014) argue that aside from legal obligations, micro businesses often overlook the significance of implementing robust accounting practices. The insufficiency and inefficiency of these processes have resulted in the early failure of numerous small businesses. Moreover, many small business owners tend to hire unskilled personnel, particularly for clerical and accounting roles, which accelerates business stagnation and closure.

Unskilled Accounting staff are unable to maintain reliable records or accurately determine the profit or loss of the enterprise.

2.2.4.4 Banking Services Literacy

Banking literacy involves the comprehension and expertise needed to use banking services and products effectively. It includes a variety of skills and knowledge that empower individuals to make well-informed choices about their banking needs (American Bankers Association, n.d., p. 1; Khan Academy, n.d., p. 1). This encompasses, but is not limited to, the following elements:

Understanding Bank Products and Services: This involves knowing the different types of bank accounts (savings, checking, fixed deposits), loans, credit cards and investment options offered by banks.

Navigating Digital Banking: With the advent of technology, banking literacy also includes the ability to use online and mobile banking platforms to perform transactions, monitor account activity, and manage personal finances.

Knowledge of Banking Fees and Charges: Being aware of the various fees associated with banking services, such as account maintenance fees, ATM charges, overdraft fees, and how to minimize them.

Awareness of Interest Rates and Policies: Understanding how interest rates work for savings accounts, loans and credit cards, and being informed about the bank's policies and terms of service.

Security and Fraud Prevention: Knowing how to protect oneself from banking fraud and identity theft by recognizing suspicious activities and implementing security measures like strong passwords and two-factor authentication.

Regulatory Framework: Awareness of the regulatory environment governing banking operations, including consumer rights and the role of financial regulatory bodies.

The increasing variety and complexity of financial products necessitate that entrepreneurs possess a certain level of financial knowledge to effectively select the most suitable options for their entities. Andoh and Nunoo (2011) assert that the financial literacy of micro-enterprise owners plays a crucial role in determining how they utilize financial services. Without adequate financial literacy, micro businesses may struggle to understand and evaluate the financial products offered by institutions. On the other hand, managers of small, medium and micro enterprises (SMMEs) who possess financial literacy can apply competitive pressure on financial institutions to improve their products. Wachira and Kihui (2012) carried out a study utilizing data from the 2009 National Financial Access (FinAccess) survey and employed the multinomial logit model to examine how financial literacy affects households' access to financial services. Their findings revealed that factors such as income, borrower age, education level and gender significantly influenced access to financial instruments, while marital regime did not. Financial literacy was not highly valued in household decision-making, indicating that many individuals did not prioritize financial information when making decisions. However, financial literacy played a crucial role in explaining exclusion from the financial services market, with increased financial knowledge reducing the likelihood of exclusion by 8.5%. This suggests that greater awareness can draw more people into the financial system. Education enlightens individuals about available financial services and how best to utilize them. However, this study was limited to households and did not investigate the effect of financial literacy on business growth.

When financial regulators engage with knowledgeable customers, they are driven to improve the quality and efficiency of financial services. Consumers who are financially literate push financial institutions for more competitively priced and transparent services by comparing alternatives, raising relevant questions, and negotiating skilfully (Fatoki, 2014). Furthermore, consumers with financial literacy present a lower risk to the financial system because they use financial products and services responsibly, thereby supporting the stability of financial markets and

promoting overall economic growth (MasterCard, 2011; PISA, 2005). Siekei et al. (2013) observed that financially literate consumers can assess and comparing a range of financial products including bank accounts, savings options, credit and loan choices, payment methods, investments and insurance, thus enabling them to navigate complicated loan application processes and make the best possible decisions.

The Association of Chartered Certified Accountants (2014) points out that a major challenge faced by financial institutions is the limited financial awareness amongst numerous business owners. Lusardi and Mitchell (2014) discussed how inadequate financial literacy among business owners poses challenges for financial institutions. They emphasize that low financial awareness can hinder the effective use of financial products and services, impacting both individual and institutional financial management. Financial literacy also influences the ability to obtain and repay loans, which are crucial for funding business growth. Fatoki (2014) noted that insufficient personal financial literacy adversely affects the financial management of new businesses, which can increase the risk of failure for small, medium and micro enterprises (SMMEs). Therefore, a solid financial foundation is essential for entrepreneurs as it plays a critical role in determining business success and fostering growth. Enhanced financial literacy improves access to funding for new ventures (Wise, 2013); enables a more accurate assessment of the creditworthiness of SMMEs (Mills & McCarthy, 2014); lowers the risk of loan default; and increases sales and business performance (Fatoki, 2014).

2.3 Financial management

Financial management is an extensive area of business administration that includes the strategic planning, organization, direction and oversight of an organization's financial activities (Corporate Finance Institute, 2023; Skill trans, 2023; NetSuite, 2023). It involves applying management principles to the financial resources of an organization with the goal of maximizing their efficient use (Brigham & Houston, 2019). Financial management is crucial for ensuring the economic stability, efficiency and growth of a business. It includes various activities such as budgeting,

forecasting, investment analysis, risk management and financial reporting. Effective financial management ensures that an organization has adequate resources to meet its objectives and obligations, minimizes the cost of funds, maximizes the return on investments, and ensures balanced growth (Ross, Westerfield, & Jaffe, (2016). It also helps in managing the risks associated with financial transactions and maintaining the long-term sustainability of the organization.

Financial management comprises various key components that are crucial for maintaining the financial health and stability of any organization. Below is an extended discussion of these components, supported by relevant literature:

2.3.1 Financial Planning

Financial planning is a structured approach that focuses on the creation and implementation of strategies to manage an organization's financial resources effectively. It involves assessing the current financial situation, setting goals, and developing a roadmap to achieve those goals through optimal resource allocation. According to Gitman and Zutter (2015), financial planning plays a pivotal role in ensuring long-term growth and stability by aligning resources with strategic objectives. Additionally, Brigham and Ehrhardt (2017) emphasize that effective financial planning involves forecasting financial needs and ensuring that resources are allocated efficiently to meet both short-term and long-term objectives. This process allows organizations to be prepared for uncertainties and better manage their financial health.

2.3.2 Financial Control

Financial control is essential to ensure that the organization is meeting its financial objectives and operating efficiently. This involves monitoring performance using financial ratios, cost analysis, and profit margins to control the flow of financial resources. As noted by Horngren et al. (2014), financial control is a key element of the managerial accounting process, allowing organizations to track their financial performance and take corrective actions where necessary. Organizations use tools

such as budgetary controls, variance analysis, and financial performance reviews to monitor actual outcomes against planned targets. These controls provide transparency and allow for adjustments to be made to ensure financial sustainability.

2.3.3 Investment Decisions (Capital Budgeting)

Investment decisions, also known as capital budgeting, involve the allocation of resources to long-term assets that are expected to generate future returns. According to Ross, Westerfield, and Jaffe (2016), investment decisions are among the most critical financial decisions a firm face, as they determine the future direction of the company and its ability to generate future income. The evaluation of projects through methods like net present value (NPV), internal rate of return (IRR), and payback period ensures that only projects with a positive long-term impact on the company's profitability are selected. Thus, sound investment decisions contribute to maximizing shareholder wealth and maintaining financial growth.

2.3.4 Financing Decisions

Financing decisions refer to determining the optimal capital structure for an organization, which involves choosing between different sources of financing, such as equity, debt, or a mix of both. Brigham and Houston (2019) explain that an organization's financing decisions affect its overall cost of capital and financial flexibility. Companies must balance the benefits and risks associated with debt financing (lower cost but higher risk) and equity financing (higher cost but lower risk). The Modigliani-Miller theorem (1958) outlines how, in a perfect market, the choice between debt and equity should not affect the value of the firm, but taxes, bankruptcy costs, and agency problems make these decisions complex and critical to the firm's financial health. Studies show that firms in emerging markets tend to rely more on internal financing due to underdeveloped capital markets and high costs associated with external financing (Demirgüç-Kunt, Martinez Peria, & Tressel, 2021).

2.3.5 Working Capital Management

Working capital management focuses on managing a firm's short-term assets and liabilities to maintain sufficient liquidity to continue its operations smoothly. Proper management ensures that the organization has enough liquidity to meet its short-term obligations without disrupting operations. According to Hillier et al. (2020), effective working capital management involves optimizing accounts receivable, inventory, and accounts payable to ensure cash is not tied up unnecessarily. Companies that manage working capital effectively can minimize the cost of financing and improve their profitability. Poor working capital management, on the other hand, can lead to liquidity crises, even in otherwise profitable firms.

2.3.6 Risk Management

Risk management involves identifying, analysing, and mitigating financial risks that may impact the organization's operations and investments. Risks such as market volatility, credit risks, operational risks, and liquidity risks can have a significant impact on an organization's financial performance if not properly managed. According to Moles, Parrino, and Kidwell (2011), risk management frameworks allow firms to identify potential threats and develop strategies to mitigate or transfer those risks, thereby ensuring long-term sustainability. Techniques such as diversification, hedging, and insurance are commonly used to manage financial risks effectively.

2.3.7 Financial Reporting

Financial reporting is the process of preparing financial statements that provide insights into the financial performance and condition of the organization. These reports are essential for decision-making by internal management, investors, creditors, and other stakeholders. According to Deegan (2013), accurate and timely financial reporting is a cornerstone of transparency and accountability in financial management. Financial statements, including the income statement, balance sheet, and cash flow statement, provide a comprehensive overview of the company's financial health. Adhering to reporting standards such as International Financial

Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) ensures consistency and reliability in financial reporting, enhancing stakeholder trust and decision-making.

Financial management is conceptualized as a well-structured and specialized field that encompasses the systematic application of rational techniques, principles, and practices. These are essential for raising, allocating, and effectively utilizing financial resources to achieve specific entrepreneurial objectives (Goel, 1995, p.6). At the core of every developing and established business lies sound financial management, which is fundamental for ensuring stability and growth. The progress and prosperity of businesses are intrinsically tied to the availability of financial resources and their efficient deployment.

To maintain their efficacy, fiscal policies must be continuously reviewed and reinforced. This is crucial for optimizing revenue collection, managing expenditures, and servicing debts. The planning, mobilization, and use of business financial resources should be guided by an environment that emphasizes financial discipline, accountability, and transparency. Particularly in South Africa, there is a pressing need for financial discipline among small, micro, and medium-sized enterprises (SMMEs). This necessity is even more pronounced for Spaza shops, which operate in a rapidly growing and highly competitive industry.

A review of the literature indicates that financial management has evolved significantly over time. It has integrated theories, concepts, principles, and precepts from various disciplines, thereby adopting a multidisciplinary perspective, as noted by Gideon Zhou (2012). The term "financial" can also be referred to as "fiscal," which originates from the Latin word "fiscus." Historically, this term referred to a basket used by Roman emperors to store their treasury (www.britannica.com). Today, it broadly refers to all funds gathered by businesses or government entities, which are subsequently deposited into and withdrawn from the Consolidated Revenue Fund.

2.4 Financial Management process

2.4.1 Financial Policy Making

Financial or fiscal policy is central to financial management, serving as the primary framework for the mobilization, allocation, and oversight of an entity's financial resources. Like fiscal policy, monetary policy influences the availability of money, credit, and interest rates (Eshaq, 1983, 28). These views on fiscal and monetary policy align with the definitions provided by Schiller (2003, 298), Collander (2004, 301), and Musgrave and Musgrave (1984, 12). In companies, financial policies are primarily implemented through budgeting. Management budgets serve as tangible expressions of a company's financial policy. Effective fiscal policy measures need to be supported by a robust monetary policy framework. Musgrave and Musgrave (1984:17) highlight that "Fiscal and monetary policies interact and complement each other in many ways." This view of the interrelationship between fiscal and monetary policies is also reflected in the works of Erasmus and Visser (2002, 9) and Reynolds (1985, 128), which generally regard the impacts of these policies as mutually reinforcing. Today, economic stabilization is achieved through a combination of various elements from both fiscal and monetary policies, implemented via the budget. Fiscal policy can either increase or limit spending. It can also promote investment in underdeveloped areas. Conversely, stringent monetary policies with high interest rates can be employed to curb overall demand.

2.4.2 Revenue collection

Revenue collection is a fundamental function for all businesses, serving as a primary means of sourcing funds. Fjeldstad and Moore (2008, 1) note that by 2000, several African countries had established autonomous revenue authorities, including Mauritius (2005), Zimbabwe (2001), Gambia (2005), Malawi (1995), Tanzania (1996), Sierra Leone (2002), Uganda (1991), South Africa (1997), Kenya (1995), Ghana (1985), Ethiopia (2002), and Rwanda (1998). Revenue collection should adhere to widely accepted principles such as equity, ability to pay, convenience, economic efficiency, and certainty. It is essential to balance the need for sufficient revenue collection with considerations for socioeconomic welfare.

2.4.3 Borrowing

Borrowing is a crucial credit facility accessible to established businesses, allowing entrepreneurs to secure funds from a range of sources, including public and private financial institutions as well as non-financial organizations. This mechanism enables businesses to finance operations, expansion, and other capital needs. According to Berkovitch and Greenbaum (1991), borrowing is integral for business growth, offering the necessary capital to leverage opportunities and manage liquidity. Additionally, Stiglitz and Weiss (1981) emphasize that access to borrowing can significantly impact a firm's ability to invest in profitable ventures, influencing overall business success. Furthermore, Myers and Majluf (1984) discuss how the ability to borrow can affect corporate financial decisions and strategies, highlighting the importance of understanding the implications of debt on business performance.

2.4.4 Expenditure control

Business expenditures encompass the costs associated with delivering services or selling products, such as labour for service-oriented businesses and inventory for retail operations. Bailey (1995) and Shaw (2005) emphasize that effective expenditure control is critical for maintaining fiscal discipline and economic efficiency within organizations. According to Horngren, Datar, and Rajan (2015), expenditure control involves systematic oversight to minimize inefficiencies and prevent financial mismanagement. Additionally, Kaplan and Norton (1996) highlight that integrating expenditure control with strategic management processes can enhance overall business performance and sustainability. For small, medium, and micro enterprises (SMMEs), implementing robust expenditure controls is essential for safeguarding financial health and promoting growth, as noted by Beck and Demirguc-Kunt (2006), who assert that effective financial management practices are crucial for the success of smaller businesses.

2.5 Definitions of small, medium, and microenterprises (SMMEs)

The official definition of small businesses in South Africa was formalized in 1995 with the introduction of the White Paper on a National Strategy for the Development and Promotion of Small Businesses (Department of Trade and Industry, 1995:8). This paper categorized small businesses into four main groups: survival enterprises, microenterprises, small businesses, and medium-sized enterprises. This classification framework was designed to better target support and resources to various types of small businesses (Van Vuuren & Crous, 2001). According to the National Small Business Act (Act No. 102 of 1996), these categories help tailor policies and support programs to the specific needs of different business sizes and types. Additionally, the work of Herrington and Kew (2016) underscores the importance of these classifications in understanding the diverse challenges faced by small businesses and in designing effective development strategies.

These four categories are comprehensively defined as follows: Survival enterprises and microbusinesses are often grouped together.

- **Survivalist enterprises** are typically initiated by individuals who face challenges in securing formal employment or accessing desired economic opportunities. These businesses generate income that is often below the poverty threshold and require minimal startup capital and skill (Mbida, 2015). As described by the International Labour Organization (2014), survivalist enterprises are often characterized by their limited growth potential and minimal capital investment. According to Rogerson (2015), these enterprises primarily serve as a means of subsistence rather than a route to business expansion or formalization. The work of Devey, Skinner, and Valodia (2006) further emphasizes that such enterprises are crucial for addressing immediate economic needs but face significant barriers to scaling and integration into the formal economy.
- **Microenterprises** are typically characterized by their small scale, often run by an individual with minimal assistance from family or a small number of paid staff. They frequently operate without formal business

licenses or VAT registration, a situation common among spaza shops (Department of Trade and Industry, 1995:9). According to Parker (2009), microenterprises often lack formal business structures and face challenges such as limited access to capital and professional business management skills. The International Labour Organization (2012) notes that microenterprises are crucial for providing employment and income at a local level but struggle with scaling and formalization. Similarly, Smallbone and Welter (2001) highlight that the growth potential of microenterprises is constrained by their limited resources and informal operational practices.

- **Small businesses** are characterized by their relatively established status, often being managed or controlled directly by their founders or owners. These enterprises usually operate from dedicated business or industrial premises, maintain tax registration, and comply with formal registration protocols (Department of Trade and Industry, 1995:10). According to Stevenson and Lundström (2007), small businesses play a significant role in the economy by providing employment and contributing to economic growth, and they typically adhere to regulatory standards more rigorously than microenterprises. Additionally, work of Storey (1994) highlights that small businesses often face challenges related to scale and competition but benefit from their more formalized structures, which can enhance their operational efficiency and regulatory compliance.
- **Medium-sized enterprises (MSEs)** serve as a bridge between small and large businesses, characterized by their enhanced operational capabilities and management structures. They are usually managed by their owners or key managers but also feature an additional tier of management, reflecting some level of organizational decentralization (Department of Trade and Industry, 1995:10). According to the European Commission (2005), MSEs are crucial for economic growth and innovation, as they possess sufficient scale to impact markets

while maintaining flexibility. Additionally, the research by Beck and Demirguc-Kunt (2006) highlights that medium-sized enterprises often face unique challenges related to scaling and competition, yet their more structured management and operational capacities enable them to navigate these challenges more effectively than smaller businesses. Furthermore, the work of Wernerfelt (1984) supports the notion that medium-sized enterprises benefit from their ability to leverage both the advantages of smaller, flexible operations and the benefits of more formalized management structures.

The distinctions amongst small, medium and micro enterprises (SMMEs) established in the White Paper underpin the definitions outlined in the National Small Business Act of 1996 (NSB Act, 1996). This Act identifies small businesses as separate entities, which can include co-operatives and non-governmental organizations, and are managed by one or more owners. It classifies these entities into micro, very small, small and medium-sized categories, reflecting their role and impact across different economic sectors (NSB Act, 1996). The importance of this classification system is supported by the research of Herrington and Kew (2016), who note that accurate classification aids in tailoring support policies and resources to meet the specific needs of various business sizes. Additionally, the work of Rogerson (2004) emphasizes that clear definitions and classifications are crucial for effective policy formulation and for promoting the development and sustainability of small businesses in South Africa.

The sectors and sub-sectors following standard industrial classification are provided. The sectors are differentiated into sizes or classes, number of employees, total annual turnover in millions and total gross asset value.

Table 2: SMMEs differentiated by standard industrial classification

Sector or sub-sector in accordance with standard	Size of class	Number of full-time equivalents of paid	Total annual revenue	Total gross asset value (fixed property)
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industrial classification		employees		excluded)
		Fewer than:	Less than:	Less than:
Retail and motor trade and repair services	Micro	5	R0.15 m	R0.10 m
	Very Small	10	R3.00 m	R0.50 m
	Small	50	R15.00 m	R2.50 m
	Medium	100	R30.00 m	R5.00 m
Wholesale trade, commercial and allied services	Micro	5	R0.15 m	R0.10 m
	Very Small	10	R5.00 m	R0.50 m
	Small	50	R25.00 m	R4.00 m
	Medium	100	R50.00 m	R8.00 m
Catering, accommodation, and other trade	Micro	5	R0.15 m	R0.10 m
	Very Small	10	R1.00 m	R0.20 m
	Small	50	R5.00 m	R1.00 m
	Medium	100	R10.00 m	R2.00 m
Transport, storage, and communication	Micro	5	R0.15 m	R0.10 m
	Very Small	10	R2.00 m	R0.50 m
	Small	50	R10.00 m	R2.50 m
	Medium	100	R20.00 m	R5.00 m
Finance and business services	Micro	5	R0.15 m	R0.10 m
	Very Small	10	R2.00 m	R0.40 m
	Small	50	R10.00 m	R2.00 m
	Medium	100	R20.00 m	R4.00 m
Community, social and personal services	Micro	5	R0.15 m	R0.10 m
	Very Small	10	R1.00 m	R0.50 m
	Small	50	R5.00 m	R2.50 m
	Medium	100	R10.00 m	R5.00 m

Source: NSB Act (1996)

The earlier SME classification framework, which included employee count, revenue, and asset value, has been updated over time to reflect changing economic

conditions. However, inconsistencies still exist across government bodies, creating confusion for businesses seeking support. Similarly, in quantitative research, the reliance on closed-ended questionnaires presents limitations such as shallow responses and response bias (Tourangeau et al., 2000; Gibbs, 2018). Although literature supports enhancements like combining open- and closed-ended questions (Reja et al., 2003), reverse wording (Podsakoff et al., 2003), and ensuring anonymity (Joinson, 1999), these strategies are often underutilized. This highlights a research gap in both SME classification systems and the need for more refined, bias-aware quantitative data collection tools.

In the informal sector, businesses are generally classified into survivalist enterprises and micro-enterprises. These types of businesses are usually founded by individuals who face high unemployment rates and are unable to secure formal employment within their preferred sectors (Department of Trade and Industry, 1995). These enterprises often operate without official registration and involve minimal capital investment, with owners typically lacking formal business training (Fatoki, 2014). Survivalist enterprises are particularly characterized by their limited scale, employing fewer than five full-time staff and generating an annual turnover below R150 000 (NSB Act, 1996:15). Similarly, micro-enterprises, while operating under comparable conditions, may have slightly larger operations and revenue (King & McGrath, 2002). According to Schneider and Enste (2002), the informal sector plays a crucial role in providing livelihoods in environments with high unemployment, although these businesses often face significant challenges in accessing formal financial services and support.

Small businesses, as formally registered entities, generally operate from dedicated premises and employ between 5 and 50 full-time staff, with an annual turnover up to R15 million (NSB Act, 1996:15). This structure represents a substantial advancement over survivalist and micro-enterprises in terms of scale and organization (Storey, 1994). Medium-sized enterprises are characterized by even greater operational capabilities and advanced technological infrastructure. They employ 100 to 200 full-time employees, have an annual turnover up to R30 million, and hold gross assets valued around R5 million, excluding fixed property (NSB Act, 1996:15). According to the European Commission (2005), these businesses play a

critical role in economic growth and job creation due to their size and capacity. Additionally, research by Beck and Demirguc-Kunt (2006) highlights that medium-sized enterprises often experience a higher level of operational sophistication compared to smaller counterparts, allowing them to better navigate market challenges and capitalize on growth opportunities.

Small, medium and micro enterprises (SMMEs) are profoundly affected by macroeconomic factors, including political instability, economic variability, societal changes, technological evolution and environmental conditions (Donga, 2016:62). These external factors play a crucial role in shaping the operational strategies and growth trajectories of SMMEs, influencing their ability to compete and succeed. Key challenges include restricted access to capital, heightened market competition, unfavourable government policies tainted by corruption, security concerns such as elevated crime rates, and the swift pace of technological innovation (Donga, 2016:62). The importance of addressing these issues is underscored by Moyo (2015), who argues that creating a stable and supportive environment is vital for the long-term sustainability and growth of small businesses. Similarly, the work of Storey (1994) emphasizes that overcoming these external challenges can significantly enhance the resilience and competitiveness of SMMEs in dynamic economic landscapes.

2.6 Micro and small enterprise growth

The micro and small enterprise sector is crucial in both developed and developing economies, highlighting recent initiatives aimed at enhancing its growth and sustainability, especially within townships. Recent years have witnessed a concerted effort to amplify the growth and sustainability of these enterprises, spurred on by initiatives such as the Global Entrepreneurship Network. This international platform fosters collaboration through events like the Global Entrepreneurship Summits, drawing together diverse stakeholders to channel resources and expertise towards nurturing entrepreneurial endeavours across Africa and beyond (Global Entrepreneurship Network, 2024, pp. 1-2). The growth of enterprises can be assessed through various metrics. Gupta, Guha, and Shiva (2013) propose

quantitative indicators like revenue generation, value addition, asset volume and business volume, alongside qualitative factors such as product quality, market position and customer goodwill. In contrast, Mateev and Anastasov (2010) contend that financial structure, productivity, sales revenue and total assets more directly influence growth, suggesting that factors such as workforce size, research and development investment, and intangible assets have a less significant impact. Chaston and Mangles (1997) suggest that enterprises adopting multifaceted transformation strategies enhance their likelihood of achieving growth objectives.

Researchers have identified various factors influencing the growth of SMMEs. Muthaih and Venkatesh (2012) point out that institutional challenges, including interactions with government, legal requirements and taxation, along with financial constraints like limited access to capital, hinder growth. On the other hand, Lorunka, Kessler, Frank and Lueger (2011) argue that aspects such as the founder's gender, initial capital needs, entrepreneurial dedication and growth strategies play a crucial role in determining the success and expansion of small enterprises. They note a tendency for male-owned enterprises to experience faster growth, attributed partly to earlier exposure to financial literacy compared to women, who often acquire financial knowledge later in life, typically in response to significant life events such as the death of a spouse (Lusardi & Mitchell, 2013). Consequently, the pace and success of growth vary based on the enterprise's growth aspirations and the presence of conducive growth factors (McKaskill, 2010).

Moreover, research confirms that entrepreneurs often aspire to grow their enterprises for reasons such as establishing business legacies or enhancing customer service (Penrose, 1959). Kolvereid and Bullvag (1996) find a notable link between educational attainment, the industry sector, previous turnover growth, and aspirations for entrepreneurial growth. They conclude that entrepreneurs with higher education levels and those in manufacturing sectors are more likely to seek growth. However, Njoroge (2013) argues against education being the sole predictor of growth, citing instances in African nations where illiterate entrepreneurs successfully manage micro and small businesses, particularly in the informal sector, such as spaza shops and farming enterprises. This underscores the complexity of growth

determinants, necessitating a nuanced approach to measurement and enhancement strategies tailored to the unique contexts of micro-businesses.

Further research is essential to explore how financially literate skills could potentially enhance the growth trajectories of micro-enterprises, especially those operated by entrepreneurs with limited formal education.

2.7 The Informal Economy

The informal sector constitutes a diverse array of enterprises that are typically unincorporated and operate beyond the purview of formal regulatory frameworks, as articulated by Campbell (2018). These businesses play a pivotal role in the economy by engaging in the production and supply of goods and services that meet essential consumer needs, primarily serving low-income segments of society (Kubone, 2019). The spectrum of activities within this sector is broad and varied, encompassing a range of informal economic activities. This includes street trading, where vendors ply their goods on sidewalks and public spaces; shisanyama establishments that offer communal barbecues and social gatherings; carwashes providing automotive cleaning services; shebeens functioning as informal drinking venues; and spaza shops that serve as corner stores providing convenience items to local communities. Additionally, the sector includes general dealers offering a variety of household goods, beauty salons providing grooming services, shoe repair shops catering to footwear maintenance, as well as construction services and small-scale manufacturing operations conducted within residential areas (Kubone, 2019). These enterprises operate with varying degrees of formality, often lacking formal registration and compliance with legal regulations, yet they fulfill critical economic roles by generating income, providing employment opportunities, and meeting the daily needs of millions across both urban and rural settings.

The informal sector is crucial for providing income and employment in economies where formal job opportunities are scarce. As noted by Chen (2007), this sector often acts as a buffer against economic instability, allowing individuals to sustain themselves in the face of limited formal employment options. Additionally, Williams

and Nadin (2012) emphasize that the informal sector's flexibility and adaptability are significant advantages for entrepreneurs operating with limited resources. However, challenges such as a lack of access to formal credit, health benefits and social protection are prevalent in this sector, as highlighted by Poudel and Bhatta (2015). They argue that while the informal economy supports economic activity and employment, addressing its deficiencies is vital for improving overall economic development and worker welfare.

To fully understand the informal economy, it is essential to consider its evolution through various theoretical frameworks, including dualistic, structuralist and legalistic perspectives. The Dualistic approach, as discussed by Harris and Todaro (1970), views the informal sector as a residual segment of the economy that absorbs excess labor from the formal sector. The Structuralist perspective, highlighted by Meagher (2013), argues that the informal economy arises due to structural inequalities and inadequacies in formal economic systems. Meanwhile, the Legalistic approach, as described by Schneider and Enste (2000), focuses on the legal and regulatory dimensions that drive economic activities underground. Each of these perspectives provides valuable insights into the complexities and socio-economic roles of the informal sector, emphasizing its importance in addressing unemployment and economic disparities while also highlighting the need for improved regulatory and support mechanisms.

2.8 Spaza shops

Spaza shops occupy a central role within South Africa's informal economy, serving as vital small-scale enterprises situated predominantly in both urban and rural townships (Charman et al., 2011). These enterprises, often referred to as home-based grocery stores, fulfill a crucial role by providing essential goods tailored to meet the daily needs of residents. Commonly known as tuck shops or convenience stores, spaza shops are typically established in residential settings or makeshift structures within township communities (Basardien & Friedrich, 2014:2; Ligthelm, 2008:371). Originating from humble beginnings, spaza shops have evolved from clandestine operations during the apartheid era to legally recognized entities

essential for local economies. Initially characterized by their informal nature and lack of official registration, many spaza shops continue to operate under these conditions, despite efforts to formalize their status through licensing and regulatory compliance (Mathenjwa, 2007:15; Chimpuza & Phalatsi, 2019:2).

Historically, the term "spaza" derives from isiZulu, meaning obstruction or hidden, reflecting their origins as clandestine businesses during apartheid-era restrictions (Terblanche, 1991; Tladi & Miehlbradt, 2003). Initially illegal, spaza shops were later legalized in 1989 under conditions requiring trading licenses, although many continue to operate informally and without adherence to municipal regulations (Mathenjwa, 2007:15; Chimpuza & Phalatsi, 2019:2).

Post apartheid, the South African government embraced the informal economy, facilitating opportunities for disadvantaged individuals to establish spaza shops as a means of economic empowerment and community development. These shops play a crucial role in providing employment and household income within impoverished areas, contributing significantly to the informal sector's vitality (Basardien & Friedrich, 2014:2).

Recent studies highlight spaza shops' substantial presence, comprising 2.7% of South Africa's retail trade, with an estimated value of R8 billion (Spaza News, 2011). These enterprises thrive due to their accessibility and low barriers to entry, making them a viable option for those unable to secure formal employment (Basardien & Friedrich, 2014:2). Typically housed in corrugated iron structures or re-purposed containers, spaza shops have evolved to include modern features such as self-service and a wider variety of goods, resembling miniature supermarkets (Basardien & Friedrich, 2014:2). Modern spaza shops are increasingly adopting features akin to small supermarkets, offering self-service options and a broader array of products beyond traditional groceries (Basardien & Friedrich, 2014:2). This evolution reflects their adaptability and resilience in meeting evolving consumer demands while maintaining their roots as community-centric enterprises.

Spaza shops represent not only a cornerstone of South Africa's informal economy but also a testament to the entrepreneurial spirit and adaptive capacity of local

communities. Their continued presence underscores their importance in fostering economic activity, providing essential services and contributing to the social fabric of township life. Operated largely by family members, spaza shops maintain close ties with their communities, often extending credit facilities based on mutual trust and social connections. Owners benefit from autonomy in managing their businesses, setting their own hours and retaining all profits, reflecting the advantages of self-employment in a challenging economic landscape (Terblanche, 2006:11).

2.9 Factors affecting spaza shops daily

Research highlights that spaza shops, which are small, informal retail outlets common in many developing economies, face numerous external challenges. For instance, the lack of access to financial support is a significant barrier, as noted by Moyo (2017), who emphasizes that inadequate funding limits the ability of spaza shops to expand and improve their operations. Crime, another external factor, often impacts these businesses adversely by increasing operating costs and reducing overall safety (Mkhize & Tsoka, 2014). Furthermore, competition from both formal retail chains and other informal vendors can erode market share and profitability (Rogerson, 2013).

On the other hand, internal factors such as the location of the spaza shop and the level of formal business training available to the owner are crucial for growth. A strategic location can enhance visibility and customer access, which are key for attracting and retaining clientele (Rogerson, 2014). Moreover, formal business training provides essential skills and knowledge that can improve management practices, financial literacy, and strategic planning, thereby fostering business growth (Fatoki, 2014). For example, successful spaza shop owners in South Africa often benefit from training programs offered by local business development centers, which help them better navigate the challenges of operating in a competitive market (Venter & Urban, 2017).

2.9.1 Lack of financial support

The difficulty in obtaining financial resources greatly impedes the expansion and profitability of spaza shops. These small enterprises often require external funding to start or expand their businesses, yet the scarcity of financial assistance poses a significant constraint (Fatoki and Garwe, 2011:731). In many cases, spaza shop owners' resort to borrowing from family or friends to secure initial capital (Mbinda, 2015). Alternatively, some turn to unconventional sources like retrenchment packages from formal employment or seek finance from commercial banks and micro-lenders, commonly known as loansharks (Mbinda, 2015).

However, accessing formal financial institutions proves challenging for spaza shop owners due to several factors. One major hurdle is the lack of financial documentation and well-documented accounting records, which are typically required by banks to assess the creditworthiness and financial stability of businesses (Fatoki, 2014:40). Moreover, many spaza shop owners lack tangible assets or collateral, such as property deeds, which banks often require as security for loans (Donga, 2016:62). Without a clear credit history, solid business plans outlining revenue generation strategies, and proper financial statements, obtaining loans becomes even more daunting (Donga, 2016:62).

Furthermore, the absence of essential business skills amongst spaza shop owners exacerbates their difficulties in securing financial support. Many lack the necessary financial literacy and managerial competencies to prepare comprehensive financial statements or business plans that would reassure banks of their ability to repay loans (Fatoki, 2014:40). This skills gap diminishes their credibility in the eyes of financial institutions, making them less attractive candidates for loans. Compounding these challenges is the issue of predatory lending practices within the informal finance sector, where microlenders often charge exorbitant interest rates due to the absence of regulatory oversight (Chebelyon-Dalizu and Garbowitz, 2010). Spaza shop owners, desperate for capital, may fall prey to these unfair practices, further straining their financial viability.

Considering these barriers, it is crucial for spaza shop owners to exercise caution when seeking financial assistance, opting for reputable micro-lenders and ensuring they fully understand the terms and conditions of any loan agreements. Addressing

these systemic challenges requires both regulatory reforms to protect borrowers and targeted support programs to enhance financial literacy and business management skills amongst spaza shop owners.

Moloi (2014:24) suggests that spaza shop owners should consider the following steps when creating agreements with micro-lenders:

- Spaza shop owners should verify that the lender is officially registered with the Micro Finance Regulatory Council (MFRC) and possesses the appropriate documentation.
- The lender should not retain personal documents of the borrower, including identification cards and bank cards.
- Spaza shop owners should only borrow amounts they are able to repay comfortably.
- Contracts should not be signed if they contain any blank fields.
- A copy of the loan agreement should be requested by the borrower.

Due to limited financial resources, spaza shop owners frequently must choose between securing funds at high market interest rates or seeking subsidized loans from micro-lenders. These subsidized loans are especially valuable for spaza shops that are struggling with severe poverty as high-interest loans could exacerbate their financial difficulties (Moloi, 2014:24). Access to affordable financial support is crucial for the survival and growth of spaza shops as it helps them enhance their community services and stabilize their economic situation.

Extending this, several studies highlight the importance of microfinance in supporting small businesses in underserved areas. For instance, Ledgerwood (1999) emphasizes that microfinance institutions (MFIs) provide essential services that facilitate the financial inclusion of marginalized entrepreneurs. These institutions often offer lower interest rates and more flexible repayment terms compared to traditional financial sources. Similarly, Beck, Demirgüç-Kunt and Levine (2007) argue that access to affordable credit can significantly boost small business growth, particularly in developing economies where formal financial systems are

underdeveloped. Furthermore, research by the World Bank (2014) shows that well-structured microfinance programs can improve the resilience of small businesses, thereby contributing to local economic development and poverty alleviation.

2.9.2 Gender

In South Africa, male ownership of businesses surpasses female ownership (Ligthelm, 2005). Women entrepreneurs often run simpler enterprises in townships, including crèches, tuckshops, shebeens, recycling operations, street vending, tailoring, greengrocery, takeaways, health services, entertainment, and agricultural activities (Ngomane, 2020). They frequently deal in perishable items like fruits and vegetables, which are susceptible to spoilage when sold through street vending. Additionally, women are involved in crafts such as knitting, brewing beer and running barbershops (Mbida, 2015). Many women turn to street trading as a response to high unemployment rates, leading to a significant number of job opportunities primarily occupied by women, who dominate this sector (Ngomane, 2020). Despite their substantial role in the spaza shop sector, women face unique challenges, including restricted access to financial resources, social stigma, and gender-based discrimination (Ngomane, 2020).

In contrast, male entrepreneurs are more likely to engage in businesses such as appliance repair, construction services, arts and crafts, business services, car washing, shebeens, barbecue meat, micro-manufacturing, recycling, restaurants, shoe repair, transport services, wood and coal sales, takeaway food, mechanical and electrical services, and plumbing (Ligthelm, 2005). Older women typically garner more societal respect compared to younger women, who often encounter issues such as sexual harassment and theft (Chebelyon-Dalizu & Garbowitz, 2010:16).

Gender dynamics significantly impact the growth of spaza shops, with women often running a wide range of businesses that typically yield lower earnings compared to their male counterparts. Men generally benefit from better access to business tools and face fewer barriers related to education (Chen, 2007:4). Although women make up 52% of South Africa's population, many are disadvantaged by a lack of

fundamental business skills and knowledge, a legacy of historical inequities (Bhoola & Chetty, 2022). Persistent gender disparities are evident in various socioeconomic and political metrics, driven by ingrained socio-cultural biases, discrimination and personal obstacles (Rolfe et al., 2010). Additionally, female spaza shop owners face unique challenges such as difficulty in establishing networks with other shop owners and suppliers and managing business responsibilities alongside childcare duties.

2.9.3 Location

Spaza shops commonly operate from residential settings where the owners live, such as back rooms, garages or makeshift shacks. These establishments frequently fall short of meeting formal business regulations despite being allowed to function on residential properties (Donga, 2016:64). The ownership status of these premises varies, with some spaza shop owners owning the property, others renting, and some using unauthorized locations, which can sometimes lead to disputes with local authorities (Donga, 2016:64).

The location of spaza shops significantly affects their marketing and growth potential. Many are not optimally placed to meet customer demand due to their positioning on residential plots, which limits their visibility and access (Fatoki & Garwe, 2010:731). The lack of strategic location can impede their ability to attract and retain customers, particularly in comparison to businesses situated in more commercial or accessible areas (Mariotti & Glackin, 2012:492).

2.9.4 Competition

Spaza shops in South Africa operate in a fiercely competitive market with minimal barriers to entry, which makes it challenging for individual shop owners to differentiate themselves. Consequently, these shops usually capture a small, often unprofitable, market share. The primary challenge for spaza shops is to find a unique competitive edge over nearby competitors (Scarborough, 2011, p. 99). A competitive advantage is defined by distinct factors that encourage customers to choose one shop over another (Scarborough, 2011, p. 99). Intense competition between spaza

shops and larger retailers has a substantial impact on the viability and expansion of these small businesses (Strydom, 2015, p. 466).

Foreign national spaza shop owners have established effective distribution networks and wield significant bargaining power, allowing them to secure discounts from their suppliers (Tengeh & Mukwarami, 2017, p. 64). By buying in bulk and collaborating, these owners can procure goods at lower costs. Foreign-owned spaza shops are either managed through shareholding agreements or by individuals with multiple strategically placed stores (Tengeh & Mukwarami, 2017, p. 64). These shops directly compete with established South African spaza shops by using strategies such as price discounting and extended operating hours, which help them attract more customers and offer lower prices (Tengeh & Mukwarami, 2017, p. 64). Consequently, foreign-owned shops are often better stocked and more popular among township consumers, outperforming their South African counterparts (Tengeh & Mukwarami, 2017, p. 64).

South African spaza shop owners struggle to secure favorable terms and negotiations from wholesalers and suppliers due to their smaller purchase volumes, typically made as private individuals. This results in higher costs and a reduced ability to mark up prices for profit (Tengeh & Mukwarami, 2017, p. 64). If South African spaza shop owners worked together and approached suppliers as co-operatives, they might be able to secure better terms and negotiations, benefiting their businesses (Chebelyon-Dalizu & Garbowitz, 2010).

2.9.5 Criminal activities

Elevated crime rates significantly contribute to robberies and violent crimes targeting spaza shops (Scheers, 2010). Research shows a strong link between crime rates and factors such as poverty, unemployment and social inequality (Mbinda, 2015). As a result of the high incidence of crime, spaza shop owners often need to enhance their security measures. However, many struggle to afford these improvements due to the high costs of installing effective security systems, which adds a substantial financial strain to their operating expenses (Scheers, 2010).

The problem of safety and protection is further complicated by the fact that transactions in spaza shops are typically conducted in cash (Mariotti & Glackin, 2012, p. 492). This makes these shops attractive targets for criminals, who can be confident that cash will be available on-site during a robbery attempt (Chebelyon-Dalizu & Garbowitz, 2010). Crimes targeting spaza shops often include robbery, vandalism and break-ins (Ladzani, 2011, p. 554). When a spaza shop is targeted by such crimes, the consequences can be severe, potentially leading to the closure of the business or leaving it with significant debt and liabilities (Mboyane & Ladzani, 2011). Additionally, the circulation of counterfeit notes presents another serious threat to these businesses. Spaza shop owners often lack the tools and knowledge to detect counterfeit currency, making them vulnerable to financial losses (Mboyane & Ladzani, 2011). The combination of poverty, unemployment and inequality has resulted in various criminal activities that specifically target spaza shops.

Spaza shop owners must navigate a complex environment where economic and social challenges directly influence their vulnerability to crime. The inability to afford advanced security systems not only increases their risk of being targeted but also undermines their overall business stability. Implementing community-based security initiatives or seeking support from local authorities might offer some relief, although these measures require collective effort and resources. Addressing the broader issues of poverty and inequality is essential for creating a safer environment for spaza shops and ensuring their sustainability and growth.

2.9.6 Business skills and training

The lack of formal training amongst spaza shop owners is a critical issue that hampers their ability to grow and sustain their businesses. Research indicates that entrepreneurial training can significantly enhance business performance by improving managerial skills and strategic decision-making (Kolvereid & Bullvåg, 1996). Moreover, a study by Becker et al. (2015) highlights that targeted training programs for small business owners can lead to increased profitability and business resilience. However, the financial constraints and lack of time faced by many spaza

shop owners create barriers to accessing such training (Berg, 2017). This underlines the need for more accessible and affordable training solutions tailored to the specific needs of informal sector entrepreneurs.

Furthermore, the absence of business education contributes to broader issues of low business survival rates and limited economic impact (World Bank, 2014). According to the International Labour Organization (ILO), providing small business owners with tailored training and support is crucial for enhancing their ability to manage their enterprises effectively and contribute positively to the economy (ILO, 2016). This highlights the importance of developing support structures that address the unique challenges faced by spaza shop owners, including financial constraints and the need for practical, accessible training solutions.

Management competencies encompass a blend of knowledge, skills, behaviors and attitudes essential for personal and professional effectiveness (Fatoki & Garwe, 2010). These competencies are vital for the survival and expansion of businesses, including spaza shops. Often, a lack of managerial expertise and skills contributes significantly to business failures. Many spaza shop owners struggle with essential business acumen (Mbinda, 2015). Effective business skills training, which provides formal education on various aspects of management, is crucial for these entrepreneurs (Mbinda, 2015). Moloji (2014) highlights that inadequate cash flow management for both expenditures and receipts are a major issue in business skills training. To improve their financial health, spaza shop owners need robust systems to enhance cash flow and manage financial information accurately.

The deficiency in business skills amongst spaza shop owners can be traced back to historical and systemic issues within South Africa's educational system and the limited educational opportunities available (Donga, 2016, p. 62). Offering educational opportunities is crucial for equipping entrepreneurs with the essential knowledge, skills and training needed for success. Entrepreneurial training involves a dedicated effort by educators to instill entrepreneurial qualities and skills, thereby fostering entrepreneurial identity and competence (Mbinda, 2015).

Addressing these gaps requires a multifaceted approach. Community initiatives and government programs could offer subsidized or accessible training sessions tailored to the needs of spaza shop owners. Online courses and local workshops could mitigate the barriers of cost and transportation. Additionally, creating mentorship programs where experienced business owners provide guidance could enhance the practical skills of spaza shop owners. By investing in education and skill development, spaza shop owners can improve their managerial capabilities, increase their business's sustainability, and contribute to the broader economic growth of their communities.

2.10 Summary

This literature review chapter explored the critical aspects of financial literacy and financial management, particularly focusing on their relevance to SMMEs within the informal sector, with an emphasis on spaza shops. Financial literacy, as defined by Fatoki and Garwe (2010), involves the knowledge and skills necessary for informed financial decision-making, which is essential for business survival and growth. However, many spaza shop owners, like those in other informal sectors, lack formal financial education, leading to poor financial practices such as inadequate cash flow management and ineffective separation of personal and business finances (Bruhn & Zia, 2011).

Furthermore, financial management challenges, including the absence of formal accounting records, are common in spaza shops, limiting their ability to track income and expenses (Mago & Toro, 2013). Ligthelm (2010) and Kotzé and Smit (2008) found a significant relationship between financial literacy and the financial health of businesses, with low literacy levels contributing to poor financial performance and high failure rates amongst spaza shops. This issue is particularly acute in areas like Gamalakhe township, where access to financial resources and education is limited (Fatoki, 2014). Choto et al. (2014) argue that targeted financial training programs can help address these gaps, improving financial management practices and boosting business sustainability. The next chapter will present the research

methodology adopted for this study, which will be aligned with the objectives of this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a comprehensive overview of the research methodology employed in the study. It includes details on the research design, the target population and the sampling techniques used. The chapter is organized into several sections: Section 3.2 outlines the research design; Section 3.3 describes the target population and sampling strategies; Section 3.4 covers the methods for data collection; Section 3.5 justifies the chosen methodology; Section 3.6 discusses how the research objectives are approached; Section 3.7 explains the data analysis process; Section 3.8 addresses issues of validity and reliability; Section 3.9 explores ethical considerations; Section 3.10 outlines the potential outputs of the study; and Section 3.11 wraps up the chapter with a conclusion.

3.2 Research design

A research design is a systematic approach involving methods, procedures and plans to gather data comprehensively, thereby ensuring credible, relevant and unbiased results (Dannels, 2018; Bloomfield & Fisher, 2019). Khanyile (2016) describes the research design as the structure essential for answering research questions and achieving study objectives. This design establishes a reliable framework for data collection and analysis. Msomi (2021) emphasizes that research should be designed to gather necessary and relevant information for analysis and problem-solving. Consequently, the research design acts as a guiding hierarchy for all research activities. It outlines how study variables are utilized, the selection process of the study population, data collection and analysis methods, and the control of variables to ensure that the research problem is effectively addressed, and the study's goals and objectives are met.

The research design addresses the defined research problem through systematic data collection, analysis, presentation of results, discussions and formulation of conclusions and recommendations based on the findings. This study employed both descriptive and inferential methodologies. A descriptive research design is used to thoroughly describe and characterize an existing population, situation or phenomenon (Sahin & Mete, 2021). Descriptive statistics offer a detailed overview of the data's key features, such as mean, median, mode, standard deviation and range. After understanding the data through descriptive analysis, inferential statistics allow for broader generalizations, hypothesis testing and future trend predictions. In this study on assessing financial literacy and financial management challenges in township spaza shops, descriptive statistics summarized the financial literacy levels, demographic characteristics and common challenges faced by spaza shop owners. Inferential statistics were then used to test the hypothesis that financial literacy influences the application of financial management practices in spaza shops.

Descriptive research methods are crucial for providing detailed insights into the characteristics of phenomena and relationships between variables. For instance, Creswell (2014) emphasizes that descriptive research can be employed to outline patterns and trends in a population, which can be instrumental for making informed decisions and developing targeted interventions. Similarly, Neuman (2014) highlights that descriptive studies are foundational for establishing benchmarks and generating hypotheses for further research. Additionally, Saunders, Lewis and Thornhill (2019) note that descriptive research is often used in the exploratory phases of research to gather comprehensive data, which can be essential for understanding complex social and business phenomena. This methodological approach ensures that researchers can draw meaningful conclusions based on a detailed analysis of collected data.

3.3 Research Approach

Selecting the appropriate research method is crucial for conducting a meaningful and scientifically sound study. This decision is fundamental to aligning the research objectives with the practicalities of research methodologies. Extensive research

across various disciplines has shown that researchers need to carefully choose amongst available methods and techniques that best suit their specific study requirements. The choice of research methods and techniques is often considered one of the most challenging and critical decisions in the research process. As such, this chapter aims to examine and compare two primary research approaches: qualitative and quantitative methods.

Qualitative research is characterized by its focus on exploring phenomena from a subjective perspective, aiming to understand the underlying meanings and experiences of participants (Creswell, 2013). It employs methods such as interviews, focus groups and content analysis to gather in-depth insights into complex issues (Denzin & Lincoln, 2018). In contrast, quantitative research emphasizes objectivity and quantification, utilizing statistical tools and structured methods like surveys and experiments to test hypotheses and measure variables (Bryman, 2016). It allows for the collection of numerical data that can be analysed to identify patterns and relationships (Field, 2013). The choice between qualitative and quantitative approaches depends on the research question and the nature of the data required. Qualitative methods are often preferred for exploratory research where the aim is to gain a deeper understanding of phenomena, while quantitative methods are suitable for studies requiring statistical analysis and generalization of findings (Silverman, 2016). This chapter will delve into the strengths and limitations of both approaches, providing a comprehensive overview of how each can be applied to achieve specific research objectives.

Welman and Mitchell (2005) stated that the research design can be categorized into two broad types, namely quantitative and qualitative. A quantitative research method uses numbers and statistics, while a qualitative research method addresses words and meanings. Moreover, the quantitative research method, commonly employed in various scientific fields, is typically used to test or validate theories and hypotheses. In contrast, qualitative research focuses on gaining insights into concepts, beliefs, or experiences. Qualitative methods involve gathering data through open-ended questions and diverse approaches. Instead of providing questions with only specific answers, it allows people to express themselves. In return, researchers can

investigate methodologies with greater accuracy and search through recordings to find new data.

In academic research, the roles of qualitative and quantitative methods are recognized as fundamentally distinct. Qualitative research adheres to the interpretivist paradigm, focusing on exploring how individuals or groups perceive and interpret social phenomena (Dawadi, Shrestha & Giri, 2021; Braun & Clarke, 2022). It is primarily exploratory, aiming to understand the meaning and experiences associated with a specific phenomenon. This approach often employs open-ended and flexible questionnaires designed to uncover insights rather than test hypotheses (Hennink, Hutter & Bailey, 2020). The qualitative method is guided by logical reasoning to develop hypotheses that can evolve into formal theories (Armstrong et al., 2018). Key data analysis techniques in qualitative research include coding, comparison, integration, triangulation and interpretation, all of which are crucial for deriving meaningful and valid research findings.

In contrast, the "quantitative approach" refers to a research methodology grounded in objectivism and positivism, requiring clear and logical reasoning to support or refute hypotheses (Maarouf, 2019; Maama & Mkhize, 2020a). This approach is closely linked with the collection and analysis of numerical data to explore and test theories and hypotheses by examining relationships between variables (Park, Konge & Artino, 2020; Paoletti et al., 2021; Uher, 2021). The quantitative method is often termed confirmatory or deductive because it seeks to validate theoretical concepts through statistical analysis and empirical evidence (Álvarez & Echavarría, 2021). According to Creswell (2014), quantitative research is essential for establishing generalizable findings that can be applied across various contexts. This method typically involves the use of structured tools such as surveys and experiments to generate data that can be subjected to rigorous statistical tests (Field, 2013). Additionally, quantitative research enables researchers to identify patterns and make predictions, contributing to the development of more refined and reliable theories (Bryman, 2016).

Quantitative research methods, rooted in the positivism paradigm, focus on measuring objectives that are often expressed in numerical terms. This approach

employs statistical analyses, such as descriptive and inferential statistics, to interpret data. This study utilizes a traditional quantitative research approach favored by post-positivists (Abutabenjeh & Jaradat, 2018). Positivist social theory suggests that universal truths can be observed externally and objectively (Goduka, 2012; Panthee, 2020). Although quantitative research is fundamentally grounded in positivism, it asserts that social realities are stable and can be measured objectively. This research method is characterized by its complexity, involving data collection tools such as surveys, standardized tests, polls and econometric models. The quantitative approach involves systematically gathering data and applying statistical analysis to derive conclusions (Apuke, 2017; Boeren, 2018; Clark & Vealé, 2018; Aspers & Corte, 2019).

In quantitative research, statistical analysis is a key component, encompassing both descriptive and inferential statistics. Descriptive statistics often involve metrics such as percentages, standard deviations, means, medians, minimum and maximum values, while inferential statistics include techniques such as variance analysis, correlation analysis, t-tests, and regression analysis (Kaur, Stoltzfus & Yellapu, 2018; Amrhein, Trafimow & Greenland, 2019; Mishra et al., 2019). The primary objective of applying statistical methods in quantitative research is to systematically track and interpret the data collected, identifying trends and significant changes (Nielsen et al., 2020; Assaad et al., 2022; Sarstedt & Danks, 2022). A notable advantage of quantitative research is its ability to distill large volumes of data into meaningful units, which helps in achieving specific research goals and managing complex datasets efficiently (Rahman, 2020; Usoro, 2022).

Scholars like Panthee (2020) have pointed out several limitations associated with the quantitative research method. These limitations often arise because quantitative approaches can become abstract, potentially failing to offer a thorough and universally applicable depiction of the variables under investigation. Furthermore, the quantitative method faces notable challenges in precisely defining the spatial and temporal dimensions of the analysis (Van Baalen & Mobjörk, 2018). Such difficulties in contextualizing data can impact the depth and relevance of the findings as they may not fully capture the nuances of the phenomena being studied. Additionally, quantitative methods can sometimes overlook the complexities of individual

experiences and contextual factors, which are crucial for a comprehensive understanding of social phenomena (Creswell & Creswell, 2017; Bryman, 2016). This can lead to a gap in understanding the multifaceted nature of variables that might be better addressed through more qualitative or mixed-method approaches.

In this study, a quantitative research methodology was chosen due to its appropriateness for addressing the research objectives. Data was collected from participants using closed-ended questions on a five-point Likert scale questionnaire, enabling the study to effectively address its research questions and test its hypotheses. The questionnaire was designed to ensure clarity, requiring spaza shop owners to carefully read and comprehend the questions before answering. To enhance the accuracy and reliability of the data, a pilot test was conducted to eliminate any potential ambiguities on the questions. Utilizing a survey questionnaire allowed the researcher to gather substantial data efficiently and cost-effectively, minimizing the risk of bias using standardized questions aimed at a specific audience.

Supporting this approach, literature indicates that quantitative methods, particularly those involving structured questionnaires, are effective in producing reliable and generalizable data. For instance, according to Creswell (2014), structured questionnaires facilitate the collection of large amounts of data in a cost-effective manner, allowing for a clear analysis of patterns and trends. Similarly, Bryman (2016) notes that the use of a standardized questionnaire reduces the likelihood of researcher bias and enhances the consistency of responses across participants. Furthermore, pilot testing of questionnaires, as highlighted by Van Teijlingen and Hundley (2001), is crucial for refining questions and ensuring that they accurately capture the intended information, thereby increasing the validity of the study.

3.4 Target population and sampling

3.4.1 Target population

The population of a study refers to a specific group of people, items or organizations with shared attributes that are of interest to the researcher (Pandey & Pandey, 2021). According to an article by Frith (2011), there are over 200 local informal outlets in the Ugu district. Additionally, the municipality's integrated development plan sessions for non-profits, co-operatives and small businesses recorded more than 500 spaza shops operating within the Ugu district (Herald South Coast, 2019). The selection method of participants from each section ensured balance in representation, facilitated fair comparisons, and provided a comprehensive view of the study's population. This approach reduced bias by preventing over- or under-representation of any section, aligning with research objectives that require proportional group comparison (Etikan et al., 2016; Creswell, 2014). Balanced selection also helped capture diverse perspectives and meets study design requirements for ensuring fairness and reducing the risk of skewed data (Palinkas et al., 2015; Maxwell, 2013).

Table 3: Target population and sample size

Area	Ward/Section	Nature of participant	Target sample size
Gamalakhe ext 1	Esikhaleni	Spaza shop owner/Manager	13
	College	Spaza shop owner/Manager	13
	Market/Rank	Spaza shop owner/Manager	13
Gamalakhe ext 2	17	Spaza shop owner/Manager	13
	14	Spaza shop owner/Manager	13
Gamalakhe ext 3	22	Spaza shop owner / Manager	13

	Madakane	Spaza shop owner/Manager	13
	Nkanyezini	Spaza shop owner/Manager	13
Gamalakhe ext 4	1	Spaza shop owner/Manager	13
	2	Spaza shop owner/Manager	13
Gamalakhe ext 5	26	Spaza shop owner/Manager	10
TOTAL			140

Source: Authors' compilation (2024)

3.4.2 Sampling techniques

In basic terms, a sample is a subset of a population (Etikan, Musa & Alkassim, 2016). Sampling refers to the strategy or process a researcher employs to collect a representative sample from a target population, aiming to establish a framework or assess the characteristics of the whole population (Bless, Higson-Smith & Kagee, 2007). There are two common types of sampling techniques: probability sampling and non-probability sampling (Sekaran & Bougie, 2010). Probability sampling is defined by its distinctive feature where each unit in the population has a known and non-zero chance of being included in the sample (Etikan, Musa & Alkassim, 2016). This implies that every individual in the population has an equal opportunity to be selected. By utilizing probability sampling, each member of the population is given a known and non-zero chance of being chosen through a random selection process.

This approach is widely recognized for its robustness in producing representative samples, thereby enhancing the generalizability of the study's findings (Cochran, 1977; Groves et al., 2009). Probability sampling techniques, such as simple random

sampling, stratified sampling, and cluster sampling each offer distinct advantages depending on the research design and objectives (Krejcie & Morgan, 1970; Creswell & Creswell, 2018). For example, simple random sampling ensures that every member of the population has an equal chance of being selected, thus minimizing selection bias and supporting the validity of statistical inferences (Fink, 2013). Stratified sampling, on the other hand, improves precision by ensuring representation across key sub-groups, which is particularly useful in heterogeneous populations (Thompson, 2012). Cluster sampling is often employed in large-scale surveys to reduce costs and logistical challenges by grouping the population into clusters and randomly sampling these clusters (Lenth, 2001). The use of probability sampling is instrumental in achieving statistical significance and reliability in research as it allows for the accurate estimation of population parameters and supports rigorous hypothesis testing (Field, 2013; Pallant, 2016). Consequently, probability sampling is a foundational method in quantitative research, ensuring that the sample accurately reflects the population and that the results are both reliable and generalizable. On the other hand, non-probability sampling does not rely on randomization to select a sample from the population. Instead, a subjective method is used to determine which elements should be included in the sample.

Consequently, this sampling technique means that "samples are collected in a process that does not give all participants or units in the population equal opportunities to be included" (Etikan, Musa & Alkassim, 2016). The three main non-probability sampling techniques are purposive sampling, convenience sampling, and quota sampling. Purposive sampling allows researchers to select participants based on specific characteristics relevant to the study, ensuring targeted data collection (Palinkas et al., 2015). Convenience sampling is often used when accessibility and ease of data collection are prioritized, making it a practical choice in exploratory research (Saunders, Lewis, & Thornhill, 2019). Quota sampling ensures that specific subgroups are proportionally represented, even without random selection, thus maintaining diversity within the sample (Battaglia, 2011). Despite its disadvantages, non-probability sampling is useful when randomization is not feasible, particularly in large populations or when the researcher has limited resources, time, and workforce capacity (Patton, 2015).

Purposive sampling, or judgment sampling, involves intentionally selecting participants based on specific attributes or characteristics relevant to the research. Unlike random sampling, this method does not rely on statistical theories or predetermined sample sizes (Statistics by Jim, 2024; ATLAS.ti, 2023; Laerd Dissertation, 2021). Instead, the researcher determines what information is needed and selects individuals who possess the required knowledge, skills or experience to provide that information (Bernard, 2002). This approach allows researchers to focus on individuals who can offer deep insights into the research topic, thereby enhancing the relevance and quality of the data collected.

Purposive sampling is particularly useful in qualitative research where the goal is to gain a deeper understanding of a phenomenon from those who have first-hand experience. For instance, in studies examining niche markets or specialized fields, purposive sampling can ensure that participants have the relevant background to provide meaningful insights (Palinkas et al., 2015). However, this method has limitations, including potential biases introduced by the researcher's subjectivity in selecting participants, and challenges in generalizing findings to the broader population (Etikan et al., 2016). Despite these challenges, purposive sampling remains a valuable tool for exploring complex issues where detailed and specific knowledge is required.

Although purposive sampling is primarily associated with qualitative research, it can also be applied in quantitative research when researchers need to focus on a specific subgroup with relevant characteristics. Purposive sampling can be effectively used in quantitative research when the focus is on a specific subgroup with relevant characteristics. Instead of random selection, participants are chosen based on predefined criteria that align with the study's objectives, ensuring the relevance of the collected data (Etikan, Musa, & Alkassim, 2016). This method is particularly useful in survey-based studies where structured questionnaires target a specific group, such as senior managers in corporate leadership research (Saunders, Lewis, & Thornhill, 2019). To enhance representativeness, purposive

sampling can be combined with stratification, ensuring diversity within the selected group while maintaining research validity (Battaglia, 2011). Although it does not allow for probability-based generalization, applying statistical techniques such as descriptive analysis and regression can strengthen the internal validity of findings. Researchers should acknowledge selection bias as a limitation but can still achieve meaningful insights by focusing on relevant, context-specific data. Thus, purposive sampling in quantitative research is useful when randomization is impractical, especially in studies requiring expert opinions, specialized populations, or controlled experimental settings.

Data collection plays a fundamental role in research as it generates critical insights that support the study's theoretical framework. Choosing an appropriate data-gathering method and selecting participants require careful planning, as errors in data collection cannot be corrected through analysis alone (Muthukrishna & Henrich, 2019). In this study, purposive sampling is utilized because it enables the researcher to deliberately select participants based on their relevance to the research objectives. This sampling method is not only cost-effective and time-efficient but also enhances the accuracy and reliability of the collected data. By identifying specific information needs, the researcher can strategically select individuals with the necessary knowledge or expertise, ensuring access to rich, meaningful data sources (Palinkas et al., 2015). Additionally, maintaining sample homogeneity is essential for consistency in findings, which is achieved by selecting participants who share common characteristics, such as owning or managing spaza shops or informal market stalls (Etikan, Musa, & Alkassim, 2016). This approach strengthens the validity of the study by ensuring that participants provide relevant and context-specific insights.

3.5 Sample size

Sampling is a method employed by researchers to select a representative sample from a population of interest to determine variables or assess the characteristics of the entire population (Bless, Higson-Smith & Kagee, 2007). For this study, the

researcher will use purposive sampling to collect data, deliberately selecting subjects based on specific characteristics. To ensure balanced group sizes, the researcher will consider the diverse racial composition of the study area. Using inclusion and exclusion criteria, the researcher will focus on spaza shops within Kwa Gamalakhe township that possess relevant characteristics for this study.

To account for the sample size of the targeted population, the researcher used Slovin's formula to compute the sample size in a study given the total population and margin of error (Tejada, 2012). Slovin's formula is defined as follows:

$$n = \frac{N}{1 + Ne^2}$$

where:

n = Sample size

N = Total population (500 spaza shops within Ugu district)

E = Margin of error (0.09, which is calculated at the 90% confidence level)

For this study, the total population is disclosed to be 500 potential participants, and the margin of error to be used is 9%. These figures applied to the formula are as follows:

$$n = \frac{500}{1 + 500(0.09)^2} = 99$$

Therefore, for this study as determined by above slovins formula a size of 99 is determined. However, to enhance data reliability and address potential challenges such as non-response, incomplete questionnaires, and participant attrition, the researcher plans to recruit approximately 140 individuals as per the targeted population size in table 3. This strategy aligns with the recommendations of Fowler (2014) and Creswell (2014), who advocate for oversampling to secure a final sample size that is adequate for rigorous analysis. Oversampling is particularly effective in addressing common limitations in survey-based research, including missing data and dropout, which may threaten the validity and reliability of the findings.

3.6 Inclusion and exclusion

In research, setting inclusion and exclusion criteria is essential for designing a study. These criteria establish the qualifications that determine if participants are eligible (or not) for the study (Bless, Higson-Smith & Kagee, 2007). Inclusion criteria define the attributes that participants must possess to be included in the study, ensuring that the sample accurately represents the population under investigation and that the research questions can be effectively addressed. On the other hand, exclusion criteria specify the characteristics that exclude potential participants, which helps to reduce confounding variables and improve the study's internal validity.

Inclusion criteria are essential for focusing the study on a specific population, thus facilitating the collection of relevant data. They helped in creating a homogeneous group that shared common features, which is particularly important in studies aiming to investigate specific conditions, behaviours or outcomes. For instance, in a study examining the financial management practices of small businesses, inclusion criteria might include factors such as the type of business, the size of the business, and the geographical location (Bless, Higson-Smith & Kagee, 2007). In this study, the inclusion criteria were spaza shops operating in kwaGamalakhe, and due to lower respondents expanded to cover the area of Ray Nkonyeni Municipality, as well as current and former spaza shop owners within the past two decades.

Exclusion criteria, on the other hand, are employed to eliminate subjects that might introduce bias or variability into the study. These criteria help to control for extraneous variables that could potentially distort the findings (Patino & Ferreira, 2018, p. 84; Nikolopoulou, 2022). For example, excluding businesses that have been operating for less than a year might be necessary to avoid the inclusion of businesses that have not yet stabilized their financial practices. Exclusion criteria ensured that the data collected was as accurate and relevant as possible, thereby enhancing the reliability of the study's conclusions (Muthukrishna & Henrich, 2019).

For this study, participants that did not give their full and informed consent were excluded and any fast-food outlet or stable was not added.

The careful selection of inclusion and exclusion criteria was fundamental to the integrity of this research. It ensured that the study sample accurately reflected the population of interest and that the findings were both valid and generalizable. By clearly defining who were included and excluded from the study, researchers were able to minimize bias, improve the reliability of their results, and draw more meaningful conclusions.

3.7 Research Participants

In human research, participants are often termed 'subjects' as they are the focus of the researcher's observations. In this study, participants were spaza shop owners or managers who were asked to complete a research questionnaire. They volunteered to participate. The selected participants were either the spaza shop owners or an appropriate representative of the owner, given that their businesses function as spaza shops or tuck shops, providing essential daily goods to the community.

The researcher personally conducted the recruitment process by visiting tuck shop owners to explain the purpose of the study. Detailed information about the research was provided on-site. Initially, potential participants were invited to join the study through word-of-mouth. The questionnaires were available in both English and IsiZulu and included an information/consent page that introduced the research and questions to the respondents. Those who agreed to participate indicated their consent by signing the information/consent form. Participants then completed the questionnaire in one sitting, with assurances of confidentiality and anonymity provided.

3.8 Data collection method

Data collection is a fundamental component of the research process, providing the essential information needed to address research questions, test hypotheses, and evaluate outcomes (Creswell & Creswell, 2017; Babbie, 2020; Yin, 2018; Saunders, Lewis & Thornhill, 2019; Neuman, 2014). Accurate, reliable and valid data collection methods are essential for maintaining the credibility and integrity of a study. The selection of appropriate data collection techniques is guided by the specific research problem, the objectives of the study, and the kind of data needed (Creswell & Plano Clark, 2017). According to Saunders, Lewis and Thornhill (2019), selecting the right data collection methods also involves considering practical constraints such as time, budget and accessibility to data sources, which can significantly impact the quality and scope of the research. Furthermore, Yin (2018) emphasizes that well-chosen data collection strategies enable researchers to construct robust and comprehensive evidence that strengthens the study's findings. Babbie (2020) adds that triangulating multiple data collection methods can enhance the reliability and validity of research by providing a more nuanced understanding of the research problem. Therefore, the careful consideration of data collection methods is critical to the overall success and integrity of any research endeavour.

In research, data collection techniques are generally divided into two main categories: quantitative and qualitative. Quantitative methods utilize structured instruments like surveys, questionnaires and standardized tests to collect numerical data that can be analysed statistically (Bryman, 2016). This method is particularly useful for studies aiming to quantify variables, measure relationships, and generalize findings from a sample to a population. For instance, in a study examining financial literacy and management practices in spaza shops, quantitative methods can help identify prevalent trends and statistically significant factors affecting business performance.

In contrast, qualitative data collection emphasizes obtaining non-numerical information through techniques like interviews, focus groups and observations (Denzin & Lincoln, 2018). This approach is used to explore complex phenomena, understand participants' experiences, and gain in-depth insights into specific

contexts. Qualitative methods are valuable for developing a deep understanding of underlying motivations, attitudes and behaviours, thus providing rich, detailed data that quantitative methods may not capture. The integration of both quantitative and qualitative methods, known as mixed-methods research, can provide a comprehensive approach to data collection. This approach leverages the strengths of both methods, offering a more holistic understanding of the research problem (Creswell & Plano Clark, 2017).

For the present study, quantitative data collection was employed using structured questionnaires. This method was chosen due to its efficiency in gathering data from a large sample; its ability to facilitate statistical analysis; its convenience to participants; it is cheaper to administer; and its suitability for identifying patterns and correlations amongst variables. The questionnaires, designed with both closed-ended and Likert scale questions, enabled the collection of specific, quantifiable data, ensuring a robust analysis of the financial literacy and management challenges faced by spaza shop owners.

In conclusion, selecting an appropriate data collection method is crucial for the success of any research study. It not only influences the accuracy and validity of the data collected but also impacts the overall findings and conclusions of the research. By carefully choosing and implementing suitable data collection methods, researchers can ensure that their study effectively addresses the research objectives and contributes valuable insights to their field of inquiry (Kumar, 2019; Saunders, Lewis & Thornhill, 2016).

3.9 Data collection plan

The data were collected upon approval from the Durban University of Technology's (DUT) Faculty of Management Sciences Research Committee and Institutional Research Ethics Committee (IREC). The data were collected physically from participants using manual questionnaires. After the questionnaires were completed,

the participants' responses were scanned onto a hard drive. The questionnaires were transferred to the researcher's OneDrive and Dropbox accounts, with encryption applied to ensure data security, for a duration of five years. Following this period, the data will be disposed of in accordance with the guidelines provided by the DUT Ethical Clearance Committee to uphold the safety and integrity of the dataset.

3.10 Data collection instrument

The data collection instrument, which is the research questionnaire, is presented in Appendix I of this thesis.

3.11 Methodology justification

The selection of a quantitative research methodology for this study is justified by several key factors aligned with the research objectives and the nature of the inquiry. Firstly, the primary aim of this study is to quantify financial literacy levels and identify financial management challenges amongst spaza shop owners in township areas. Quantitative methods are particularly suited for such objectives as they facilitate the measurement and analysis of variables across a large population, providing the ability to generalize findings (Bryman, 2016). Secondly, the structured nature of quantitative research allows for the collection of standardized data, which is essential for statistical analysis. Standardizing data collection ensures that the data remains consistent, reliable, and comparable, thereby improving the study's validity (Creswell & Plano Clark, 2017). By employing structured questionnaires with closed-ended questions and Likert scale items, the research can systematically capture the financial literacy levels and management practices of the participants, allowing for clear, quantifiable insights.

Moreover, the quantitative approach is advantageous in testing hypotheses and examining relationships between variables. In this study, hypotheses related to the impact of financial literacy on financial management practices can be rigorously tested using statistical techniques. This enables the researcher to identify significant

patterns and correlations, providing robust evidence to support or refute the hypotheses (Saunders, Lewis & Thornhill, 2016). Additionally, quantitative research methods are efficient in terms of time and resources, particularly important given the scope of this study. Collecting data through surveys allows for reaching a larger sample size within a limited timeframe, thus ensuring comprehensive coverage of the target population (Kumar, 2019). This efficiency does not compromise the depth of analysis but rather enhances the ability to draw meaningful and generalizable conclusions. Lastly, the objective nature of quantitative research minimizes researcher bias, as the data collected is numerical and can be objectively analysed. Maintaining this objectivity is essential for preserving the study's integrity and ensuring that the results are grounded in empirical evidence rather than personal interpretation (Denzin & Lincoln, 2018).

In conclusion, the quantitative research methodology is justified in this study due to its ability to measure and analyse variables systematically, test hypotheses, provide generalizable results, and ensure objective and reliable data collection. This approach is well-suited to achieving the research objectives of understanding and addressing the financial literacy and management challenges faced by spaza shop owners.

3.12 Research Objective Approach

This quantitative research method was used to achieve the following research objectives: to identify the influence of financial literacy on spaza shop financing and investing decisions; to determine how education levels affect the application of financial literacy to small businesses (SMEs) and to financial management; and to understand which measures of control are applied.

3.13 Data Analysis

Data analysis describes how the data were managed, organized and analysed to report their findings. The quantitative data were analysed using the Statistical Package for the Social Sciences (SPSS). Quantitative analysis utilizes responses from a set of closed-ended questions in a Likert scale questionnaire, a common tool for measuring attitudes, perceptions and behaviours in research (Likert, 1932). The data is coded numerically in SPSS, where nominal data is assigned codes, such as one (1) for “yes” and two (2) for “no”. This coding process is crucial for transforming qualitative responses into quantifiable data that can be statistically analysed (Field, 2018). For ordinal data, a 5-point Likert scale is employed, ranging from (1) “strongly disagree” to (5) “strongly agree”, providing a simple yet effective way to gauge the intensity of respondents' opinions or attitudes (Boone & Boone, 2012). Descriptive statistics are then used to summarize and describe the main features of the data through visual tools like graphs, bar charts and pie charts, which help in simplifying complex data and making it more interpretable (Creswell & Creswell, 2017). Meanwhile, inferential statistics, such as t-tests and regression analyses, allow researchers to generalize from the sample to the broader population, thereby extending the study's findings beyond the immediate dataset (Cohen, Manion, & Morrison, 2018). These methods help establish patterns and relationships, enhancing the validity and reliability of the research conclusions (Trochim & Donnelly, 2008).

The practices of spaza shops will be compared with standard financial management practices and principles. The researcher depicted the collected data in the form of graphs and tables. Statistical tests such as correlations will show the relationship between financial literacy and spaza shop fiscal management practices. Studies have shown that financial literacy is critical in influencing small business management, as it enhances decision-making and promotes better fiscal practices (Lusardi & Mitchell, 2014). Additionally, financial management practices, including budgeting, record-keeping, and forecasting, are crucial for the sustainability of small businesses, particularly in resource-constrained environments like spaza shops (Hinson, 2006; Gichuki, 2014). By analyzing these relationships, the study aims to understand financial literacy and financial management challenges that affect spaza shops in townships

3.14 Pilot study

The exercise of a pilot study is to assist the researcher to identify unclear or vague statements from developed questionnaires. A suggestion made by Whitehead, Julious, Cooper and Campbell (2016) is that the general rule of thumb for a pilot study is a minimum of 12 respondents. To dispose of errors in the questionnaire, the researcher conducted a pilot study on 20 Spaza shops within the area of Amandawe that were purposively selected. The 20 pilot study respondents were as per the submitted proposal to IREC. Purposive sampling was more appropriate to allow the researcher to use their own judgement in selecting suitable forms of Spaza shops outlets to be included as part of the study.

The pilot study questionnaire was evaluated for reliability using a reliability calculator. The initial questionnaire was organized into three sections: Section A focused on demographic information, Section B on financial literacy and the financial management of spaza shops, and Section C on the market share sustainability of spaza shops. In research, the reliability of a questionnaire is critical to ensure consistency in the measurement of variables (DeVellis, 2016). The Cronbach's alpha coefficient is a widely used measure of internal consistency, with values close to 1 indicating strong reliability. An alpha value above 0.80 is generally considered acceptable, while a value of 0.9 or higher is considered nearly perfect (Nunnally & Bernstein, 1994). The initial test produced a Cronbach's alpha of 0.59, which is below the acceptable threshold, suggesting that the items in the questionnaire were not consistently measuring the intended constructs.

As a result, a revision of the questionnaire was necessary. According to Kline (2015), revising a questionnaire by refining ambiguous items, removing redundant questions or clarifying unclear language can significantly improve its reliability. The revised version consolidated the content into two sections: Section A for demographic information and Section B for financial literacy and the financial management of spaza shops. This streamlined structure likely improved the focus and coherence of

the items. Upon re-evaluation, the revised questionnaire achieved a Cronbach's alpha of 0.92. This high alpha score falls within the range considered "excellent" by George and Mallery (2016), demonstrating that the revised questionnaire items were well-aligned and consistently measured the intended constructs. The improved reliability suggests that the modifications made to the questionnaire were effective in enhancing its internal consistency, thereby ensuring more robust and dependable data for the study.

3.15 Validity and reliability

Validity and reliability, while interconnected, are distinct qualities of a measurement instrument. Reliability refers to the instrument's consistency, meaning that it produces stable results over repeated trials (Tavakol & Dennick, 2011). In contrast, validity determines whether the instrument truly measures the intended concept (Heale & Twycross, 2015). An instrument may be reliable, consistently producing the same results, but lack validity if it does not accurately measure the target construct. However, for an instrument to be valid, it must also be reliable, as validity presupposes consistency in accurately reflecting the intended concept, although reliability alone does not confirm validity (Sürücü & Maslakci, 2020). Achieving both validity and reliability is crucial for accurate, dependable research outcomes (Ibrahim, Hami & Abdulameer, 2020). Validity also supports consistent findings, allowing replication by other researchers and strengthening the study's conclusions (Andrade, 2018).

The effectiveness of a research design, method and sampling techniques in delivering accurate results and generalizing findings to a wider population hinges on both validity and reliability. Bryman and Bell (2015) explain that validity evaluates whether a tool measures what it is supposed to measure, while reliability assesses the tool's consistency over time. To achieve both validity and reliability, this study will utilize Slovin's formula, which allows researchers to determine the appropriate sample size with a specified margin of error set at 10% in this case, which is deemed acceptable for this research.

Quantitative validity includes four key types: face validity, content validity, criterion-related validity and construct validity (Struwig & Stead, 2001). Face validity concerns whether the test items appear to measure what they are intended to, and this was addressed in the study through pilot testing and subsequent refinement based on feedback. Content validity evaluates whether the questions accurately reflect the theoretical content they are meant to measure, with expert reviews ensuring that the questionnaire aligns with the theoretical framework (Content validity is assessed through expert judgment, ensuring that the items comprehensively cover the construct being measured.) (Struwig & Stead, 2001). 'Criterion-related validity' examines the correlation between the instrument and other measures of the same construct, validating the tool against established criteria (Struwig & Stead, 2001). 'Reliability' is further analysed through stability reliability, which assesses whether the instrument yields consistent results over time. A strong theoretical foundation supports this consistency (Struwig & Stead, 2001). The questionnaire was developed based on existing literature and studies related to small business development and financial literacy, particularly within South African township and rural contexts. It was pilot tested and refined to improve clarity, reliability, and better align with the objectives of the study, following best practices in research instrument design (DeVellis, 2016).

3.16 Ethical consideration

The study adhered to four fundamental ethical principles: safeguarding privacy, preventing harm to participants, ensuring informed consent, and avoiding deception. These principles are crucial in maintaining ethical standards in research and protecting participants' rights (Israel & Hay, 2006). Ensuring participants' privacy involves safeguarding their personal information from unauthorized access, a practice that aligns with ethical guidelines for research (Wiles et al., 2008). The study will also ensure that participants are not subjected to any actions or statements that could lead to embarrassment or harm, reflecting the commitment to non-maleficence (Beauchamp & Childress, 2019).

Informed consent is a critical component of ethical research, requiring that participants are fully aware of the study's purpose, procedures and potential risks before agreeing to participate (Diener & Crandall, 1978). This study will obtain written consent from participants, detailing the study's objectives and ensuring that participation is voluntary, aligning with best practices for ethical research conduct (Nuffield Council on Bioethics, 2016). Data collected through research questionnaires will be meticulously reviewed by the researcher to ensure compliance with ethical standards mandated by the Faculty of Management Sciences at the Durban University of Technology. This approach aligns with the principles outlined by the American Psychological Association (APA), which stresses the importance of maintaining ethical oversight throughout the research process (APA, 2017).

Confidentiality of participants' identities will be strictly maintained, and responses will be securely stored at the university. The use of "code words" instead of identifiable information helps ensure anonymity, a key aspect of protecting participants' privacy (Kaiser, 2009). All data, whether collected electronically or in hardcopy, will be securely stored and protected with encryption, as recommended by data protection guidelines (General Data Protection Regulation, 2018). This practice ensures that participants' information is shielded from unauthorized access and breaches, reinforcing the commitment to ethical data management (Sweeney, 2015).

3.17 Potential outputs

To contribute to academic knowledge, the thesis will be published in peer-reviewed journals, and a physical copy will be deposited in the DUT library. Additionally, the research will result in the publication of one research paper.

3.18 Chapter Conclusion

This chapter outlined the research design, which employs a quantitative research approach. It detailed the target population and sample. Primary data were gathered through research questionnaires and analysed using SPSS, with the findings displayed in graphs and tables. The study will ensure both reliability and validity. Ethical considerations were addressed, including maintaining the anonymity of participants. The next chapter presents a discussion of the results obtained from the research respondents.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

The previous chapter discussed the general research methods adopted for this study. The chapter perused the research design, research approach, the population of the study, the data collection procedures that were employed, and the data analysis method. This current chapter addresses the outcome of the survey analysis conducted. The study aims to examine the financial literacy challenges and financial management practices of township spaza shops operating on the Lower South Coast of KwaZulu Natal, emphasizing from Gamalakhe Township. Data collected from respondents was analysed using a statistical analysis package called the Statistical Package for the Social Sciences (SPSS). The chapter further presents and discusses the impact of financial literacy to the application of financial management in small informal businesses.

4.2 Response rate

As outlined in the preceding chapter, the study initially targeted a total of 140 participants for the administration of the research questionnaire. Ultimately, 99 completed questionnaires were retrieved and processed for data analysis, yielding a response rate of approximately 71%. The demographic characteristics of the respondents are analysed and presented in Section 4.3, based on the relevant section of the research instrument.

4.3 Analysis of demographic information

This study yielded two (2) categories of demographic data from the survey respondents, namely gender and age group.

4.3.1 Gender

A total of 88 respondents were males, representing 88% of the respondents' rate, and only 12 were females, representing 12% of the respondents. This finding implies that the spaza shop industry in townships is dominated by males. Figure 1 below portrays the graphic detail of the survey respondents' gender.

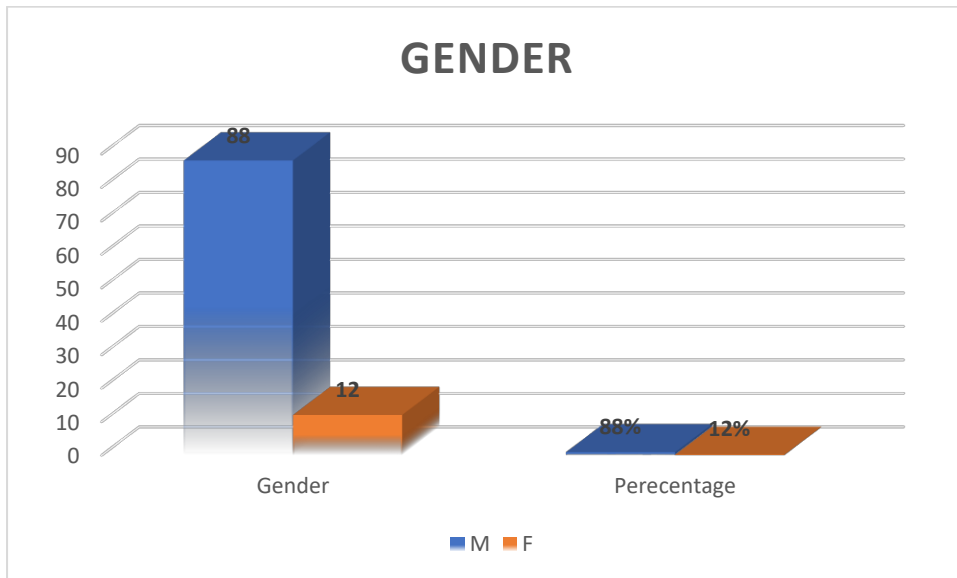


Figure 1: Gender

Source: Authors' compilation (2024)

4.3.2 Age Group

The survey respondents were asked to indicate their age category. The analysed data in the figure below revealed that only 1 respondent, representing (1%) of survey was under 20 years old; 30 respondents, representing (30%) were at age range 21-30 years old; 58 respondents presenting (58%) were at age range 31-40 years old; and 11 respondents presenting (11%) were over 40 years old. These figure findings present that the greatest number of people that own or run spaza shops are aged 31-40 years old. The respondents' age groups are indicated in the figure below.

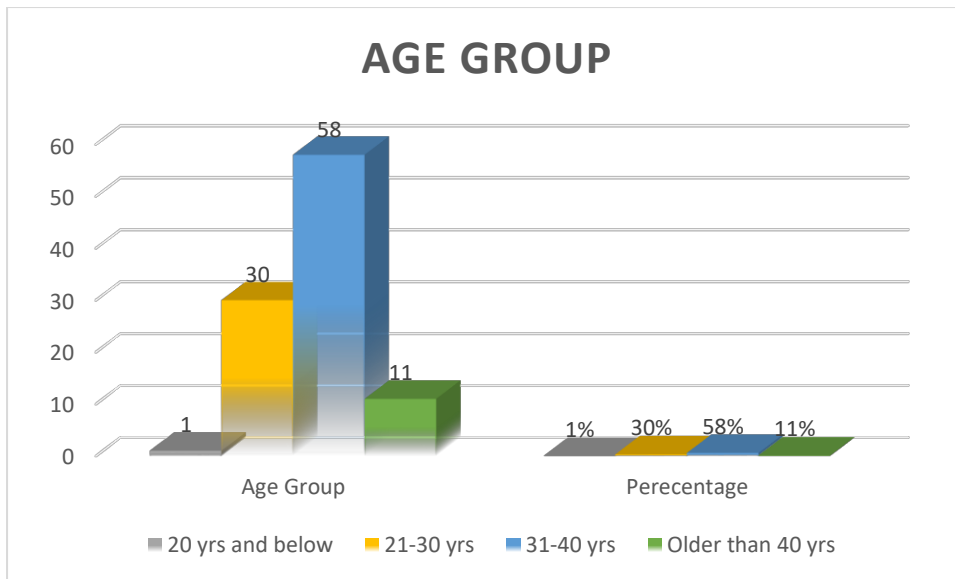


Figure 2: Age Group

Source: Authors' compilation (2024)

4.3.3 Educational background

The respondents were asked to indicate their educational background. The analysed data in the figure below revealed that 35 respondents (35%) have matric certificates; 7 respondents (7%) have Higher certificates; 2 respondents (2%) have bachelor's degrees and 56 respondents (56%) of survey have other education backgrounds, either studied in another country or did not hold any formal education. No respondent held a national diploma, master's degree nor a Doctor of Philosophy. These findings implied that educational background has no significant effect on the ownership or running of a spaza shop. The researcher went further to align which respondents tested positive under financial literacy knowledge and financial management applied methods, and under which educational background.

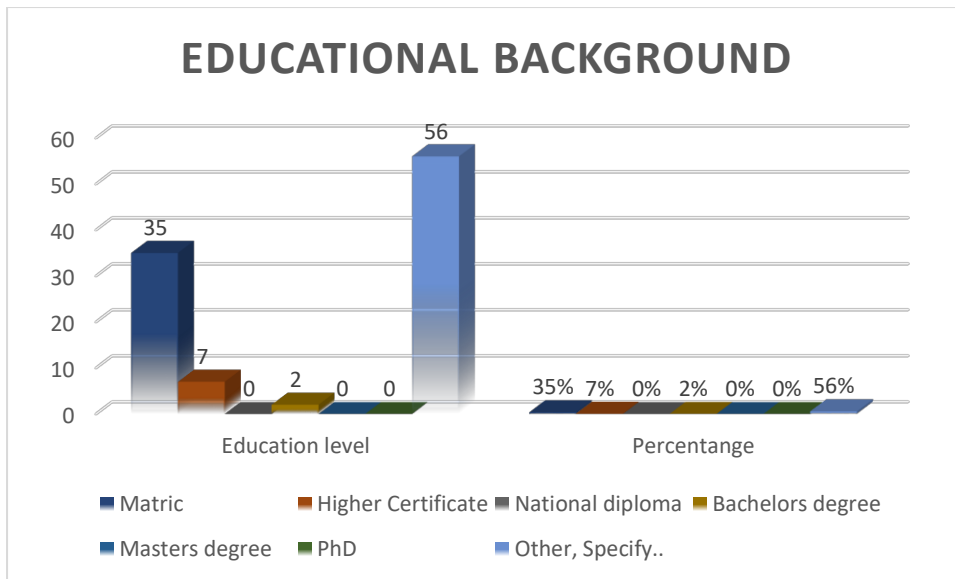


Figure 3: Educational background

Source: Authors' compilation (2024)

4.3.4 Work Experience

The survey respondents were asked to indicate their work experience. The analysed data in the table below revealed that 55 respondents (55%) had 1-5 years of experience; 32 respondents (32%) had 6-10 years of experience; 11 respondents (11%) of survey had 11-15 years of experience; and 2 respondents (2%) had over 15 years of experience. These findings presented that slightly over half or 50% of spaza shop owners possessed minimal work experience before starting the spaza shop business. The respondents' work experience is indicated in the figure below.

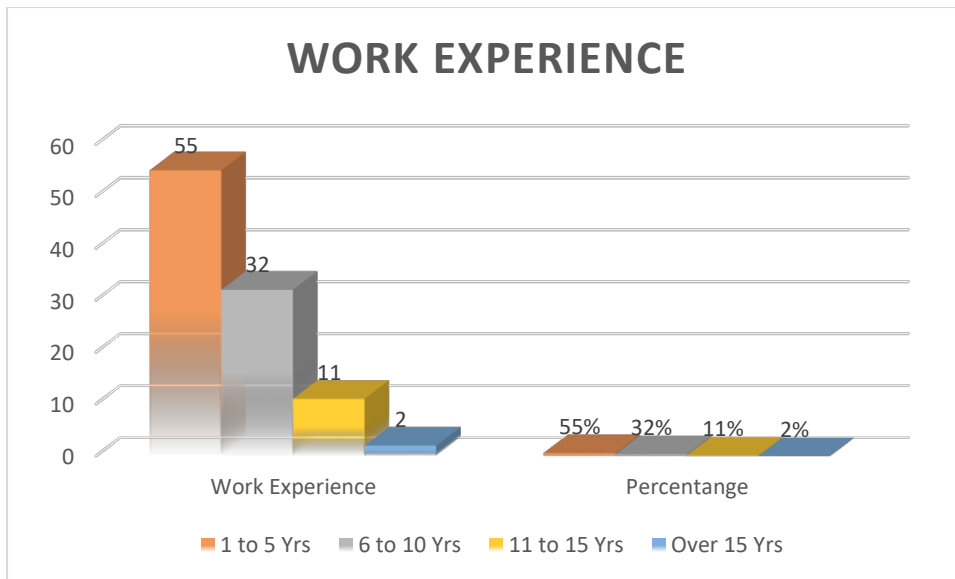


Figure 4: Work experience

Source: Authors' compilation (2024)

4.3.5 Years of business existence

The survey respondents were asked to indicate the number of years the business has existed. The analysed data in the figure below revealed that 15 respondents (15%) survey have been operational for 1-2 years; 29 respondents (29%) have been operational for 2-4 years; 28 respondents (28%) have been operational for 5-6 years; and 28 respondents (28%) have been operational for over 7 years. These findings show that a majority of spaza shops have been operational for over a period of four (4) years.

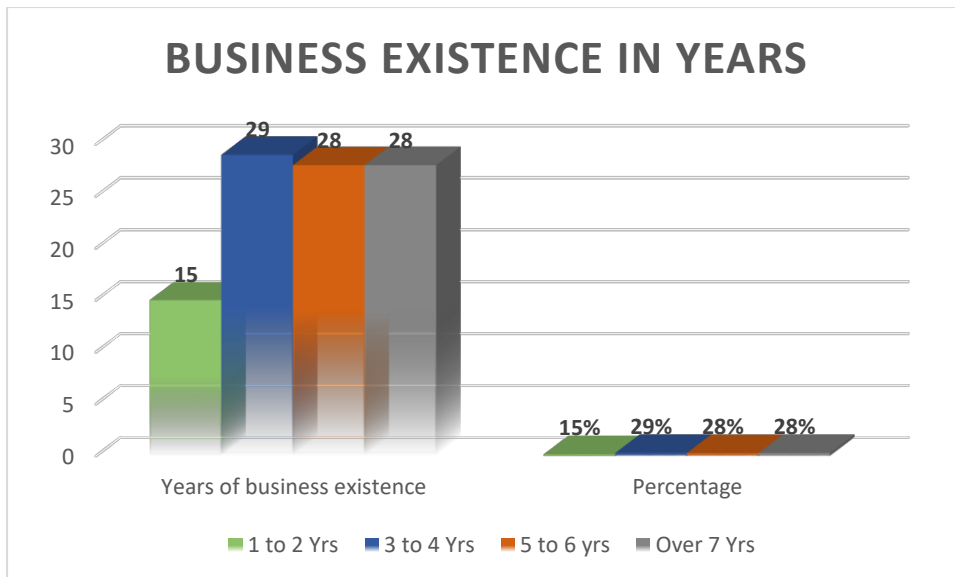


Figure 5: Business existence

Source: Authors' compilation (2024)

4.3.6 Source of Capital

The survey asked respondents about their sources of capital for starting or expanding their spaza shops. Respondents could choose from options such as family and friends, commercial banks, venture capital, and government agencies. The data revealed that 27% of respondents borrowed from family and friends, while 46% relied on personal savings, acting as their own venture capitalists. Another 27% combined funds from family and friends with personal savings. Notably, no respondents reported sourcing capital from commercial banks or government agencies. This indicates a predominant reliance on personal and familial networks for capital, highlighting the limited role of formal financial institutions in funding spaza shop ventures.

This reliance on personal savings and informal networks aligns with findings by Fatoki and Asah (2011), who emphasize the critical role of personal and familial resources in small business financing. Beck, Demirgüç-Kunt, and Levine (2005) also discuss the barriers that small businesses encounter when seeking credit from formal financial institutions, further underscoring the reliance on alternative funding

sources. Additionally, Cassar (2004) highlights the importance of personal savings as a fundamental element in the capital structure of small businesses, especially in environments with restricted access to formal financial systems.

4.3.7 Awareness of financing houses for SMMEs

The survey explored respondents' awareness of finance funding organizations specifically designed to support small and medium enterprises (SMMEs) in townships and rural areas. Participants were asked if they were familiar with key funding bodies such as the Accelerated and Shared Growth Initiative for South Africa (ASGISA), Small Enterprise Development Agency (Seda), Khula Enterprise Finance Limited, Small Enterprise Funding Agency (SEFA), National Empowerment Fund (NEF), and the Department of Small Business Development (DSBD). The results revealed that 19% of respondents were aware of Seda, 5% knew about SEFA, 4% were familiar with NEF, and only 1% had knowledge of the DSBD. Additionally, 8% of respondents reported being aware of more than one funding house. However, no respondents had heard of ASGISA or Khula Enterprise Finance Limited. Alarming, 60% of respondents were unaware of any of these SMME funding organizations.

This lack of awareness aligns with the findings of Herrington, Kew, and Kew (2010), who highlighted that insufficient knowledge of financial resources is a significant obstacle for SMMEs in developing regions. Similarly, Fatoki and Chindoga (2011) argue that targeted information campaigns can improve access to financial support for small businesses, especially in rural and underserved areas. Rogerson (2008) also points out that despite the availability of various funding programs, many entrepreneurs remain uninformed, which hinders their ability to secure necessary funding and sustain their businesses.

4.4 Descriptive analysis of the survey respondents' responses on questionnaire

The analysis of the survey response on financial literacy challenges and financial management for spaza shops is presented from Table 4 to Table 11. The responses are presented in means and standard deviations of each variable from the scale of a minimum value of 1 and maximum value of 5.

4.4.1 Financial Literacy

The data table below highlights areas of strength and potential gaps in financial literacy (FL) amongst the respondents. Items with higher mean scores and lower variability indicate a strong understanding or agreement, while items with lower scores or higher variability may point to areas where further education or clarification is needed. Overall, this data provides valuable insights into the financial literacy levels of the surveyed population.

Table 4: Financial literacy descriptive analysis

Item	N	Minimum	Maximum	Mean	Std. Deviation
FL1	99	1	4	2,74	,906
FL2	99	2	5	3,82	,557
FL3	99	2	4	3,33	,842
FL4	99	1	5	2,54	1,009
FL5	99	3	5	3,92	,307
FL6	99	2	5	3,97	,300
FL7	99	1	4	1,73	,566
FL8	99	1	4	2,80	,804
FL9	99	1	4	2,52	,835
Valid N (listwise)	99				

Note: N = Number of respondents

Source: Authors' compilation (2024)

The results from the financial literacy theme table (Table 4) of item FL5 and FL6 were rated the highest with means of 3.92 and 3.97 respectively. The low standard deviations for these items indicate strong consensus amongst respondents, suggesting an agreement of understanding of the line item. This implies that respondents agree to have the skills required to assess the financial outlook for the business and have the skills to minimize losses and place the business at profit level. Item FL7 was the lowest rated item with a mean of 1.73, indicating that respondents disagreed with the statement. The low standard deviation confirms the consistency of this finding. This implies that respondents disagreed to have bought any formal insurance for their shop's assets. Item FL4 showed the most variability in responses, as indicated by a standard deviation of 1.009. This suggests no clear confirmation amongst respondents, indicating potential differences in the application of the line item. This implies that respondents remain neutral on whether they have received training on bookkeeping. Items FL1, FL3, FL8 and FL9 had moderate mean scores and standard deviations, suggesting that these aspects of financial literacy are understood at varying levels

4.4.2 Financial planning and budgeting

Table 5: Financial planning and budgeting descriptive analysis

Item	N	Minimum	Maximum	Mean	Std. Deviation
FPB1	99	1	4	2,60	,853
FPB2	99	1	4	2,48	,937
FPB3	99	3	5	4,04	,281
FPB4	99	2	5	3,38	,749
FPB5	99	1	5	3,06	1,033
Valid N (listwise)	99				

Note: N = Number of respondents

Source: Authors' compilation (2024)

The results from the financial planning and budgeting theme table (Table 5) of item FPB3 had the highest mean score of 4.04 and the lowest standard deviation of 0.281. This strongly implied that respondents do consider forecast from previous ordering prices when they run their orders. Item FPB1 and FPB2 both had lower mean scores (2.60 and 2.48 respectively) with moderate standard deviations (0.853 and 0.935). The range of responses (1-4) suggested that some respondents rated these items low. These findings implied that there is a possible gap in spaza shops preparing budgets at the beginning of their fiscal year, reviewing budgets at year end, and preparing monthly income statements. FPB4 had a mean of 3.38 and standard deviation of 0.749, suggesting a moderate level of item application. The range scores (2 – 5) indicated that while some respondents rated it lower, most rated it higher. This implied that although some spaza shops do not list their monthly expenses, a majority does list their monthly expenses on book. FPB5 had a mean of 3.06 and the highest standard deviation of 1.033. The wide range of scores (1 - 5) indicated considerable variability in how respondents apply the item. This implied that some respondents may hold saving accounts and some may not.

4.4.3 Financing

Table 6: Financing descriptive analysis

Item	N	Minimum	Maximum	Mean	Std. Deviation
F1	99	1	5	2,77	,941
F2	99	1	4	2,79	,868
F3	99	1	4	2,43	,913
F4	99	1	4	2,36	,916
F5	99	2	4	2,65	,744
Valid N (listwise)	99				

Note: N = Number of respondents

Source: Authors' compilation (2024)

The results from the financing theme table (Table 6) of item F1 had a mean score of 2.77 with a standard deviation of 0.941. The responses ranged from 1 to 5, indicating that while most respondents rated this moderate or neutral, there is still some variability, with a few participants rating it either strongly disagree or strongly agree. F2 had a slightly higher mean score of 2.79, with a standard deviation of 0.868. The responses ranged from 1 to 4, indicating a slightly more consistent level of agreement although still with some variability. This implied that a majority of spaza shops do consider the costs of borrowing in the form of interest before taking loans. F3 had a lower mean score of 2.43, with a standard deviation of 0.913. The range is from 1 to 4, suggesting that respondents are less confident about the line item, with moderate variability. This implied that respondents are not aware of the process to acquire funding from funding institutions, be it either commercial banks or private lenders. F4 had the lowest mean score of 2.36, with a standard deviation of 0.916. Similar in finding to F3, this indicated lower overall agreement with moderate variation. This implied that although some are not, most respondents are not paying any existing loans.

4.4.4 Managing financial risks

Table 7: Managing Financial risks descriptive analysis

Item	N	Minimum	Maximum	Mean	Std. Deviation
MFR1	99	1	4	2,50	,759
MFR2	99	1	5	3,69	1,220
MFR3	99	1	4	2,64	,969
MFR4	99	1	5	3,21	1,166
MFR5	99	1	4	2,78	1,040
Valid N (listwise)	99				

Note: N = Number of respondents

Source: Authors' compilation (2024)

The results from the managing financial risk's theme table (Table 7) of MFR1, MFR3, and MFR5 had mean scores of 2.50, 2.64 and 2.78 respectively, with standard deviations ranging from (0.759 to 1.040), which indicated a moderate or neutral level of application of the items with relatively low variability. This implied that a fair number of spaza shops consistently compare management accounts on a predetermined basis; deposit their revenue weekly; and separate the business banking account and personal banking account. MFR2 and MFR4 seemingly behave in one accord with high mean scores of 3.69 and 3.21 respectively, and standard deviations of 1.220 and 1.166 respectively, indicating that respondents feel more confident on these items, though with high variation. This implied that spaza shops do appoint response units in the case of emergency or break-in attempts and do install burglar guards at cashier points and fences around the service counter. Very few may not apply these financial risk managing tools.

4.4.5 Financial control

Table 8: Financial control descriptive analysis

Item	N	Minimum	Maximum	Mean	Std. Deviation
FC1	99	1	4	2,55	,796
FC2	99	2	4	3,82	,479
FC3	99	2	5	3,56	,574
FC4	99	2	4	3,78	,440
Valid N (listwise)	99				

Note: N = Number of respondents

Source: Author's computation

The results from the financial control theme table (Table 8) of item FC2, FC3 and FC4 has mean scores of 3.82, 3.56 and 3.78 respectively with standard deviation ranging from 0.440 to 0.574. The response range in FC2 was 2 to 4; FC3 was 2 to 5;

and FC4 was 2 to 4. In all these items, there was a suggestion that respondents agree on the items and the low standard deviations confirming the readings. This implied that respondents could analyse their shops' financial performance, they cash deposit and double count the deposited cash. If their shops are with assistants, there is a segregation of duties. FC1 had a mean score of 2.55 with a standard deviation of 0.796. The range of responses (1 to 4) suggested that while some respondents rated this item low, there is moderate variability. This implied that whilst many respondents do not monitor their cashflow projections, some may moderately do.

4.4.6 Investing

Table 9: Investing descriptive analysis

Item	N	Minimum	Maximum	Mean	Std. Deviation
I1	99	1	4	2,57	,795
I2	99	2	4	3,36	,578
I3	99	1	4	1,80	,636
I4	99	2	5	1,71	,743
Valid N (listwise)	99				

Note: N = Number of respondents

Source: Authors' compilation (2024)

The results from the Investing theme table (Table 9) of item I1 had a mean score of 2.57 with a standard deviation of 0.795. The range of responses (1 to 4) indicated a moderate level of application of the item. This implied that most respondents do invest their surplus cash to generate more for the future, whilst a minimal number may not agree. I2 had the rated mean score of 3.36 and a relatively low deviation of 0.578. The range response (2 to 4) suggested that respondents agree on the item and are consistent in responses. This implied that the investment of surplus cash is invested in the addition of spaza shop outlets. I3 and I4 had the lowest mean scores of 1.80 and 1.71 respectively, with standard deviations ranging from 0.636 to 0.743.

The response range 1 to 4 in I3 implied that though the majority responses did not hold a strong alignment of the investing activities to their business going concern, some did vary to holding the alignment. The range of response of 2 to 5 in I4 implied that most respondents do not buy new PPE as per depreciation counts.

4.4.7 Demand and procurement of stock

Table 10: Demand and procurement of stock descriptive analysis

Item	N	Minimum	Maximum	Mean	Std. Deviation
DPS1	99	1	5	3,16	,748
DPS2	99	2	5	2,88	,879
DPS3	99	2	5	3,82	,482
DPS4	99	2	5	3,30	,745
DPS5	99	2	5	3,72	,637
Valid N (listwise)	99				

Note: N = Number of respondents

Source: Authors' compilation (2024)

The results from the demand and procurement of stock theme table (Table 10) for item DPS1 and DPS4 had mean scores of 3.16 and 3.30 respectively, with standard deviations of 0.748 and 0.745. The recorded mean scores indicated a moderate agreement upon respondents with consistent responses as per the recorded standard deviation. This implied that respondents moderately agreed to be using less than 3 suppliers over the past 12 months and moderately agreed to be having solid relationship with their suppliers. Items DPS3 and DPS5 had mean scores of 3.82 and 3.72 respectively, with standard deviations of 0.482 and 0.637 respectively. The mean scores on the items indicated a confident agreement, and the low standard deviation indicated a strong consensus of the responses. This implied that spaza shops do partner with other spaza shops to buy stock in bulk and that they conduct a supplier evaluation every quarter. DPS2 recorded the lowest mean score

of 2.88, with a standard deviation of 0.879. The response range of 2 to 5 indicated a slightly lower level of agreement with more variability. This implied that respondents had different views on whether they purchase their stock directly from the supplier.

4.4.8 Market share sustainability

Table 11: Market Share sustainability descriptive analysis

Item	N	Minimum	Maximum	Mean	Std. Deviation
MSS1	99	2	4	2,82	,479
MSS2	99	2	5	3,68	,649
MSS3	99	1	5	3,14	1,005
MSS4	99	2	5	3,87	,464
MSS5	99				
Valid N (listwise)	99				

Note: N = Number of respondents

Source: Authors' compilation (2024)

The results from the market share sustainability theme table (Table 11) for item MSS1 had a mean score of 2.82 with a standard deviation of 0.479. The range of responses 2 to 4 suggested that respondents had moderate agreement and consistent responses. This implied that respondents believe they have enough market share for their spaza shops. MSS2 had a mean score of 3.68 with a standard deviation of 0.649. The response range of 2 to 5 indicated that respondents feel confident about the item although there is minor variation. This implied that most respondents could reach their monthly sales target value, which they can value by being able to pay off all their monthly expenses. MSS3 had a mean score of 3.14 with a standard deviation of 1.005 which is the highest variability amongst the items. The range of responses of 1 to 5 suggests that while many respondents agree, there is a significant difference in opinions. This implies that respondents agree to being able to supply adequate stock to the market, but not all agree. MSS4 with the highest

mean score of 3.87 and lowest standard deviation of 0.464 indicated a strong consensus amongst respondents. This implied that respondents agree that the presence of the owner on the business is of high importance.

4.5 Results reliability test

Chapter Three of this thesis, the researcher details using a pilot study to test the internal consistency of the designed questionnaire as a data collection tool. On first findings, the questionnaire resulted in a Cronbach's Alpha score of 0.59, which is deemed to be poor. The researcher further amended the questionnaire to align consistency and resulted in a new Cronbach's Alpha of 0.92, which is deemed to be excellent internal consistency. The researcher further assesses the internal consistency of participant responses. The researcher employed the Cronbach Alpha reliability test, used to evaluate the reliability of individual item data, calculated by dividing the average co-variance between items by the average total variance (Cronbach, 1951). Cronbach's alpha measures the degree of agreement amongst a set of items, determining whether they continuously measure the same attribute. With a coefficient range of 0 to 1, higher values suggest higher reliability. Researchers utilise Cronbach's alpha to evaluate the quality of surveys and assessment instruments during the design and testing phases. It is particularly useful when multiple items measure the same concept or construct.

A high alpha value indicates a strong relationship between items, suggesting that the inter-item covariance accounts for a significant portion of the overall variability. Importantly, Cronbach's alpha is influenced by the number of items, with additional items tendentially increasing the alpha value, thereby impacting the reliability estimate.

Table 12: Cronbach's Alpha reliability table

Cronbach's Alpha	Internal Consistency
$\alpha > 0.9$	Excellent (May indicate redundancy)
$0.8 < \alpha \leq 0.9$	Good
$0.7 < \alpha \leq 0.8$	Acceptable
$0.6 < \alpha \leq 0.7$	Questionable
$0.5 < \alpha \leq 0.6$	Poor
$\alpha \leq 0.5$	Unacceptable

Source: George & Mallery, (2003); Tavakol & Dennick, (2011)

The figures and tables presented below display the results of the Cronbach's Alpha reliability test, conducted to assess the internal consistency of the data presented of each item under the eight (8) tested themes of the research, thereby determining the degree of consistency or inconsistency in the responses.

4.5.1 Financial Literacy

Figure 6: Financial Literacy reliability count

Reliability Statistics	Cronbach's Alpha	Number of Items
Financial literacy	0.670	9

Source: Authors' compilation (2024)

The 9-item scale produced a Cronbach's Alpha of 0.670, suggesting questionable internal consistency. As per standard guidelines, a value of 0.7 or above is generally deemed acceptable for psychological and social science studies (Nunnally & Bernstein, 1994). According to Tavakol and Dennick (2011), a Cronbach's Alpha between 0.6 and 0.7 may still be considered acceptable in exploratory research, but lower values suggest that the scale might need further refinement. DeVellis (2016) emphasizes that although 0.7 is often the threshold for acceptable reliability, in some

contexts, especially in the early stages of scale development, slightly lower values can still be tolerated. Therefore, while the scale shows some level of reliability, it would benefit from additional refinement, such as revising or removing problematic items, to enhance its internal consistency and align with the standard recommendations for reliability in Social Science research.

To further explore the contribution of each item to the overall reliability, Item-Total Statistics were analysed.

Table 13: Financial Literacy reliability item results

Item	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
FL1	24,63	8,276	,486	,606
FL2	23,55	10,210	,311	,651
FL3	24,04	9,594	,255	,667
FL4	24,83	7,173	,636	,555
FL5	23,45	11,422	,054	,681
FL6	23,40	11,071	,235	,666
FL7	25,64	11,303	,001	,699
FL8	24,57	8,732	,474	,612
FL9	24,85	8,331	,540	,593

Source: Authors' compilation (2024)

The Corrected Item-Total Correlation indicated the extent to which each item correlated with the sum of the other items in the scale. Higher correlations suggested that the item was consistent with the overall scale, whereas low correlations indicated that the item may not fit well with the construct being measured.

When assessing the reliability of a scale, Corrected Item-Total Correlations play a crucial role in determining the consistency of individual items with the overall scale. Items FL1, FL4, FL8, and FL9 demonstrated high Corrected Item-Total Correlations (above 0.45), which suggested that these items are well-aligned with the construct being measured. These values indicate that the items contribute positively to the reliability of the scale, supporting the claim that they are essential for measuring the underlying construct. For instance, DeVellis (2016) notes that items with higher Corrected Item-Total Correlations are usually more homogeneous with the construct and contribute significantly to the internal consistency of the measure. In the case of FL4, the highest correlation of 0.636 further reinforces its strong association with the construct. The removal of such an item would result in a substantial decrease in Cronbach's Alpha, from 0.636 to 0.555, highlighting its importance to the scale's overall reliability. This observation aligns with Tavakol and Dennick (2011), who argue that items with high item-total correlations should be retained as they enhance the internal consistency of the scale.

In contrast, items FL2, FL3 and FL6 demonstrated moderate Corrected Item-Total Correlations, ranging between 0.235 and 0.311. While these correlations are still within acceptable ranges, they are lower than those observed for other items. This indicates that while these items are moderately consistent with the overall scale, they may not contribute as strongly to its internal reliability. As pointed out by Nunnally and Bernstein (1994), items with moderate correlations can still contribute to the overall reliability, but revisions may be necessary to enhance their alignment with the construct. Removing these items would result in a slight increase in Cronbach's Alpha, implying that these items are slightly weaker contributors to the internal consistency compared to other items. However, Schmitt (1996) warns against removing items based solely on moderate correlations, as doing so could weaken the theoretical construct being measured. Therefore, it may be more prudent to revise these items rather than eliminate them outright.

Items FL5 and FL7, on the other hand, showed very low Corrected Item-Total Correlations (0.054 and 0.001 respectively). Such low values suggest that these

items are poorly aligned with the construct and do not correlate well with the other items on the scale. According to Field (2013), items with extremely low correlations contribute little to the overall reliability and may distort the measurement of the construct. Removing FL5 and FL7 would increase Cronbach's Alpha to 0.681 and 0.699 respectively, which is a clear indication that these items reduce the scale's internal consistency. Gliem and Gliem (2003) recommend revising or removing items with low item-total correlations, as retaining them can compromise the overall reliability of the scale and lead to inaccurate conclusions about the construct.

Overall, the findings suggest that while most items are well-aligned with the construct of financial literacy, some items may require revision or removal to enhance the scale's overall reliability. By refining or eliminating items with low Corrected Item-Total Correlations, researchers can improve the scale's internal consistency, as recommended by Clark and Watson (1995). Moreover, attention should be given to revising moderately correlating items, as they may still be valuable in maintaining the theoretical breadth of the construct being measured. Ultimately, a carefully revised scale would result in a more reliable and valid measure of financial literacy.

4.5.2 Financial planning and budgeting

Figure 7: Financial planning and budgeting reliability results

Reliability statistics	Cronbach's Alpha	Number of Items
Financial planning and budgeting	0.738	5

Source: Authors' compilation (2024)

The Cronbach's Alpha of 0.738 reflects a satisfactory level of internal consistency for the five-item scale. In Social Science research, an Alpha value exceeding 0.7 is typically deemed acceptable, indicating that the items are effectively capturing the concept of financial planning and budgeting.

To further evaluate each item's contribution to the overall reliability, the Item-Total Statistics were analysed.

Table 14: Financial planning and budgeting item's reliability results

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
FPB1	12,96	5,190	,558	,669
FPB2	13,08	4,377	,722	,592
FPB3	11,52	7,404	,395	,751
FPB4	12,18	5,987	,420	,721
FPB5	12,50	4,616	,542	,685

Source: Authors' compilation (2024)

FPB1 recorded a Corrected Item-Total Correlation of 0.558 and a Cronbach's Alpha if the item was removed of 0.669. This suggests that removing FPB1 would lower the Alpha, indicating that it contributes positively to the scale's reliability. According to Tavakol and Dennick (2011), items with higher Corrected Item-Total Correlations generally align well with the overall construct and are essential for maintaining internal consistency. Therefore, FPB1 plays a significant role in ensuring the scale's reliability and should be retained.

FPB2 exhibited the highest Corrected Item-Total Correlation of 0.722. Removing FPB2 would substantially decrease Cronbach's Alpha to 0.592, which underscores its crucial role in upholding the scale's internal consistency. DeVellis (2016) highlights that items with high Corrected Item-Total Correlations contribute strongly to the internal consistency of a scale. Thus, FPB2 is critical for the scale's reliability and should remain as part of the instrument.

FPB5 recorded a Corrected Item-Total Correlation of 0.542 and a Cronbach's Alpha if the item were removed of 0.685. Like FPB1 and FPB2, removing FPB5 would reduce reliability, suggesting that it is also a valuable component of the scale. As noted by Nunnally and Bernstein (1994), items with moderate to high Corrected Item-Total Correlations support the overall reliability of the scale, indicating that FPB5 should be retained.

FPB4 had a Corrected Item-Total Correlation of 0.420 and a Cronbach's Alpha if the item were removed of 0.721. This indicates moderate consistency with the scale. Although removing FPB4 would slightly lower the Alpha, its retention is advisable, although it may need revisions for better alignment with the construct. Field (2013) suggests that items with moderate correlations can still be valuable but may require refinement to enhance their fit with the scale's intended measure.

FPB3, with the lowest Corrected Item-Total Correlation of 0.395 and a Cronbach's Alpha if the item were removed of 0.751, suggests that removing FPB3 would improve the scale's reliability. Gliem and Gliem (2003) recommend revising or removing items with low Corrected Item-Total Correlations, as these items may not align well with the construct and could compromise the scale's overall reliability. Therefore, FPB3 may not align well with the construct of financial planning and budgeting and should be considered for revision or removal.

In summary, FPB1, FPB2 and FPB5 contribute positively to the scale's reliability and should be retained, while FPB4, despite moderate consistency, may benefit from revision. FPB3, due to its low alignment with the construct, should be revised or removed to enhance the scale's overall reliability.

4.5.3 Financing

Figure 8: Financing reliability results

Reliability statistics	Cronbach's Alpha	Number of Items
Financing	0.757	5

Source: Authors' compilation (2024)

The Cronbach's Alpha recorded a value of 0.757, which indicated good internal consistency. This suggested that the items in the scale reliably measured the same underlying construct related to financing.

Table 15: Financing item's reliability results

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
F1	10,23	6,159	,589	,688
F2	10,21	6,329	,622	,678
F3	10,57	6,975	,413	,754
F4	10,64	6,758	,462	,736
F5	10,35	7,038	,559	,706

Source: Authors' compilation (2024)

F1 recorded a Corrected Item-Total Correlation of 0.589, indicating a moderate to high correlation with the overall scale. The Cronbach's Alpha if F1 were removed was 0.688, lower than the overall Alpha, suggesting that removing F1 would reduce the scale's reliability. This finding aligns with Tavakol and Dennick (2011), who assert that items with moderate to high Corrected Item-Total Correlations contribute positively to a scale's internal consistency. Therefore, F1 positively impacts the scale's reliability and should be retained.

F2, with a Corrected Item-Total Correlation of 0.622, demonstrated the highest correlation amongst the items, reflecting a strong alignment with the overall scale. The Cronbach's Alpha if F2 were removed was 0.678, which is significantly lower than the overall Alpha, highlighting the crucial role of F2 in maintaining internal consistency. DeVellis (2016) emphasizes that items with higher Corrected Item-Total Correlations are vital for the scale's reliability, reinforcing the importance of F2 in sustaining the scale's robustness.

In contrast, F3 had the lowest Corrected Item-Total Correlation of 0.413, indicating a weaker connection with the overall scale. The Cronbach's Alpha if F3 were removed was 0.754, higher than the overall Alpha, suggesting that removing F3 would enhance the scale's reliability. Gliem and Gliem (2003) suggest that items with low Corrected Item-Total Correlations might not fit well with the construct and may require revision or removal to improve the scale's overall reliability. Hence, F3's removal could improve the scale's reliability, making it a candidate for revision or exclusion.

F4 showed a Corrected Item-Total Correlation of 0.462, which indicates a moderate contribution to the scale's reliability. The Cronbach's Alpha if F4 were removed was 0.736, slightly lower than the overall Alpha, suggesting that F4 contributes moderately to the scale's internal consistency but could be optimized. Field (2013) notes that items with moderate correlations are valuable but may benefit from refinement to enhance their alignment with the overall construct.

F5 recorded a Corrected Item-Total Correlation of 0.559, demonstrating a good alignment with the overall scale. The Cronbach's Alpha if F5 were removed was 0.706, which is lower than the overall Alpha, indicating that F5 positively contributes to the scale's reliability. According to Nunnally and Bernstein (1994), items that maintain a good correlation with the total scale and result in a lower Alpha when

removed are crucial for the scale’s reliability. Thus, F5 should be retained to preserve the scale’s internal consistency.

In summary, F1, F2 and F5 each play an important role in the scale’s reliability and should be retained. F3, with its low correlation and the potential to enhance reliability if removed, might need revision or removal. F4, while moderately contributing to reliability, could benefit from further refinement to better align with the construct. These considerations align with established guidelines in the literature for optimizing scale reliability and validity

4.5.4 Managing Financial Risks

Figure 9: Managing financial risks reliability results

Reliability statistics	Cronbach’s Alpha	Number of items
Managing financial risks	0.709	5

Source: Authors’ compilation (2024)

The Cronbach's Alpha recorded value of 0.709, which indicated an acceptable internal consistency. This suggested that the items in the scale are reasonably consistent in measuring the construct of managing financial risks.

Table 16: Managing financial risks item reliability results

Item	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
MFR1	11,32	12,078	-,015	,796
MFR2	11,13	8,417	,377	,706
MFR3	11,18	7,664	,739	,549
MFR4	10,61	6,766	,733	,528

MFR5	11,04	8,241	,544	,627
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Source: Authors' compilation (2024)

MFR1 recorded a Corrected Item-Total Correlation of -0.015, reflecting a negative correlation that indicates poor alignment with the overall scale and potential reduction in its reliability. According to Tavakol and Dennick (2011), a negative Corrected Item-Total Correlation suggests that an item may be inversely related to the scale and could be diminishing its overall reliability. The Cronbach's Alpha if MFR1 were removed was 0.796, which is higher than the overall Alpha, indicating that removing MFR1 would significantly enhance the scale's reliability. This observation aligns with Nunnally and Bernstein (1994), who emphasize that items with negative or low correlations often detract from the internal consistency of the scale and should be considered for removal.

MFR2 had a Corrected Item-Total Correlation of 0.377, suggesting a moderate correlation with the total scale. The Cronbach's Alpha if MFR2 were removed was 0.706, which matches the overall Alpha. DeVellis (2016) notes that items with moderate correlations might contribute less to the scale's reliability compared to items with higher correlations. Consequently, MFR2's removal would not substantially impact the scale's internal consistency, indicating that it contributes less to the overall reliability.

MFR3 demonstrated the highest Corrected Item-Total Correlation of 0.739, reflecting a strong alignment with the overall scale. The Cronbach's Alpha if MFR3 were removed was 0.549, lower than the overall Alpha, suggesting that removing MFR3 would decrease the scale's reliability. This finding is supported by Gliem and Gliem (2003), who argue that items with high Corrected Item-Total Correlations are critical for maintaining the scale's internal consistency and should be retained to ensure reliable measurement.

MFR4 recorded a Corrected Item-Total Correlation of 0.733, indicating a strong contribution to the scale's reliability. The Cronbach's Alpha if MFR4 were removed was 0.528, lower than the overall Alpha, showing that removing MFR4 would reduce the scale's reliability. Field (2013) suggests that items with strong correlations contribute positively to the scale's consistency and should be retained to maintain the reliability of the measurement.

MFR5 had a Corrected Item-Total Correlation of 0.544, demonstrating good alignment with the overall scale. The Cronbach's Alpha if MFR5 were removed was 0.627, lower than the overall Alpha, implying that removing MFR5 would decrease reliability. Schmitt (1996) supports this by noting that items with positive Corrected Item-Total Correlations are important for the internal consistency of the scale and should be kept ensuring the scale's reliability.

In summary, MFR1, with its negative correlation, diminishes the scale's reliability and should be considered for removal. MFR2, with a moderate correlation, contributes less to the scale's reliability, so its removal would have minimal impact. MFR3, MFR4 and MFR5 each contribute positively to the scale's internal consistency and should be retained to preserve the scale's overall reliability. This aligns with established literature on scale development and reliability, which emphasizes the importance of retaining items that support internal consistency and revising or removing those that do not.

4.5.5 Financial Control

Figure 10: Financial control reliability results

Reliability statistics	Cronbach's Alpha	Number of items
Financial Control	0.541	5

Source: Authors' compilation (2024)

The Cronbach's Alpha recorded a value of 0.541, which indicated moderate internal consistency. This suggested that while there is some degree of reliability in the items of the questionnaire, the internal consistency is not very strong.

Table 17: Financial control item reliability results

Item	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
FC1	14,09	2,345	,282	,512
FC2	12,82	3,179	,151	,558
FC3	13,71	1,804	,524	,308
FC4	13,08	2,620	,386	,443
FC5	12,86	3,132	,220	,531

Source: Authors' compilation (2024)

FC1 had a Corrected Item-Total Correlation of 0.282, which is relatively low, suggesting a weak correlation with the overall scale. This indicates that FC1 may not align well with the construct of financial control. According to Tavakol and Dennick (2011), items with low Corrected Item-Total Correlations often contribute less to the overall reliability of a scale. The Cronbach's Alpha if FC1 were removed was 0.512, which is lower than the overall Alpha, indicating that removing FC1 would not significantly enhance reliability. This suggests that FC1 contributes only modestly to the scale's consistency, as supported by Nunnally and Bernstein (1994), who argue that items with low correlations should be scrutinized for their impact on overall scale reliability.

FC2 recorded the lowest Corrected Item-Total Correlation of 0.151, indicating a weak correlation with the total scale and suggesting that FC2 may not effectively measure the intended construct of financial control. The Cronbach's Alpha if FC2 were removed was 0.558, slightly higher than the overall Alpha, implying that removing

FC2 would improve the scale's reliability. DeVellis (2016) notes that items with very low Corrected Item-Total Correlations are often misaligned with the construct being measured and can diminish the overall consistency of the scale. Thus, FC2 might be detracting from the scale's effectiveness.

FC3 exhibited a Corrected Item-Total Correlation of 0.524, showing a moderate to strong alignment with the total scale. The Cronbach's Alpha if FC3 were removed was 0.308, which is significantly lower than the overall Alpha, indicating that removing FC3 would substantially reduce reliability. Gliem and Gliem (2003) emphasize that items with moderate to high Corrected Item-Total Correlations are crucial for maintaining the internal consistency of a scale. Therefore, FC3 is essential for the scale's reliability and should be retained to ensure consistent measurement.

FC4 had a Corrected Item-Total Correlation of 0.386, reflecting a moderate correlation with the total scale. The Cronbach's Alpha if FC4 were removed was 0.443, lower than the overall Alpha, suggesting that removing FC4 would decrease reliability. Field (2013) suggests that items with moderate correlations still play a significant role in the scale's consistency but may benefit from improvement to better align with the construct. Hence, FC4 positively contributes to the scale's reliability and might need refinement to enhance its alignment.

FC5 recorded a Corrected Item-Total Correlation of 0.220, which is relatively low and indicates that FC5 does not strongly align with the total scale. The Cronbach's Alpha if FC5 were removed was 0.531, slightly higher than the overall Alpha, suggesting that removing FC5 would improve reliability. Schmitt (1996) highlights that items with lower Corrected Item-Total Correlations may reduce the scale's overall consistency and should be reviewed for potential removal or revision. Therefore, FC5 may be impacting the scale's reliability negatively and could be considered for removal or improvement.

In summary, FC1 and FC5, with their low correlations, contribute modestly or negatively to the scale's reliability and might be considered for revision or removal. FC2 also shows weak alignment, indicating that it might diminish overall consistency. Conversely, FC3 and FC4, with their moderate to strong correlations, are important for maintaining internal consistency and should be retained, although FC4 may benefit from further refinement. These conclusions are consistent with the literature on scale development and reliability, which emphasizes the importance of retaining items that support overall internal consistency and revising or removing those that do not.

4.5.6 Investing

Figure 11: Investing reliability results

Reliability statistics	Cronbach's Alpha	Number of items
Investing	0.552	4

Source: Authors' compilation (2024)

The Cronbach's Alpha recorded a value of 0.552, which indicated moderate internal consistency. This suggested that while the questionnaire has some degree of reliability, its internal consistency is not very strong.

Table 18: Investing item reliability result

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I1	8,87	1,730	,439	,382
I2	8,08	2,054	,538	,341
I3	9,64	2,475	,200	,581
I4	7,73	2,219	,230	,575

Source: Authors' compilation (2024)

I1 had a Corrected Item-Total Correlation of 0.439, reflecting a moderate correlation with the total scale. This suggests that while I1 aligns reasonably well with the construct of investing, it does not significantly enhance overall reliability. The Cronbach's Alpha if I1 were removed was 0.382, which is lower than the overall Alpha, indicating that removing I1 would reduce the scale's reliability. According to Tavakol and Dennick (2011), items with moderate correlations can contribute to scale reliability but may not be essential for maintaining overall consistency. In this case, I1 plays a modest role in the scale's internal consistency.

I2 had a Corrected Item-Total Correlation of 0.538, which is stronger than other items, suggesting a good alignment with the investing construct. The Cronbach's Alpha if I2 were removed was 0.341, significantly lower than the overall Alpha, indicating that removing I2 would greatly diminish reliability. DeVellis (2016) emphasizes that items with higher Corrected Item-Total Correlations are crucial for maintaining a scale's internal consistency. Therefore, I2 is essential for preserving the scale's reliability and should be retained.

I3 exhibited the lowest Corrected Item-Total Correlation of 0.200, indicating a weak correlation with the total scale and suggesting poor alignment with the investing construct. The Cronbach's Alpha if I3 were removed was 0.581, higher than the overall Alpha, implying that removing I3 would improve the scale's reliability. Gliem and Gliem (2003) highlight that items with low Corrected Item-Total Correlations can undermine a scale's reliability and should be considered for removal or revision. Thus, I3's removal could enhance the overall consistency of the scale.

I4 recorded a Corrected Item-Total Correlation of 0.230, showing a weak correlation with the total scale, suggesting that it does not contribute strongly to the investing construct. The Cronbach's Alpha if I4 were removed was 0.575, slightly higher than the overall Alpha, indicating that removing I4 would improve reliability. Field (2013) notes that items with weak correlations may not align well with the construct and

could be diminishing the scale’s consistency. Therefore, I4 should be reviewed for potential removal or revision to enhance the scale’s overall reliability.

In summary, I1 contributes moderately to the scale’s reliability and plays a modest role in overall consistency. I2 is crucial for maintaining the scale’s internal consistency and should be retained. In contrast, I3 and I4, with their weak correlations, are likely undermining the scale’s reliability and could benefit from revision or removal. These conclusions are supported by established literature on scale development, which underscores the importance of retaining items that support internal consistency and revising or removing those that do not.

4.5.7 Demand and procurement of stock

Figure 12: Demand and procurement of stock reliability results

Reliability statistics	Cronbach’s Alpha	Number of items
Demand and procurement of stock	0.287	5

Source: Authors’ compilation (2024)

Cronbach's Alpha recorded a value of 0.287, which indicated poor internal consistency. This suggested that the items in the questionnaire do not collectively measure the construct of demand and procurement of stock reliably.

Table 19: Demand and procurement of stock item’s reliability results

Item	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
DPS1	13,70	2,091	,293	,080
DPS2	13,97	2,540	-,025	,426

DPS3	13,02	2,489	,341	,121
DPS4	13,55	2,373	,135	,243
DPS5	13,12	2,720	,052	,310

Source: Authors' compilation (2024)

DPS1 had a Corrected Item-Total Correlation of 0.293, indicating a weak correlation with the total scale. This suggests that DPS1 does not align well with the construct of demand and procurement of stock. Tavakol and Dennick (2011) emphasize that items with low Corrected Item-Total Correlations often contribute less to the scale's reliability and may affect the overall internal consistency. The Cronbach's Alpha if DPS1 were removed was 0.080, lower than the overall Alpha, which implies that removing DPS1 would decrease the scale's reliability. This suggests that DPS1 may be contributing to overall inconsistency rather than enhancing reliability.

DPS2 recorded a Corrected Item-Total Correlation of -0.025, reflecting a negative correlation with the total scale. This indicates that DPS2 may not effectively measure the intended construct and could be adversely impacting the overall scale. DeVellis (2016) notes that items with negative correlations can detract from the scale's validity and reliability. The Cronbach's Alpha if DPS2 were removed was 0.426, higher than the overall Alpha. This suggests that removing DPS2 would improve reliability, reinforcing the idea that DPS2 might be diminishing the overall consistency of the scale.

DPS3 showed a Corrected Item-Total Correlation of 0.341, indicating a weak to moderate correlation with the total scale. This suggests that while DPS3 somewhat aligns with the construct, it does not significantly contribute to reliability. According to Gliem and Gliem (2003), items with weak to moderate correlations may still be relevant but do not greatly enhance the overall reliability of the scale. The Cronbach's Alpha if DPS3 were removed was 0.121, lower than the overall Alpha, suggesting that removing DPS3 would decrease reliability and that DPS3 contributes moderately to the overall consistency of the scale.

DPS4 had a Corrected Item-Total Correlation of 0.135, indicating a weak correlation with the total scale. This suggests that DPS4 does not strongly align with the demand and procurement of stock construct. Field (2013) highlights that items with weak correlations can affect the overall internal consistency of a scale and may need revision. The Cronbach's Alpha if DPS4 were removed was 0.243, lower than the overall Alpha, suggesting that removing DPS4 would decrease the scale's reliability and that it contributes modestly to the overall consistency.

DPS5 recorded a Corrected Item-Total Correlation of 0.052, reflecting a very weak correlation with the total scale. This suggests that DPS5 does not effectively contribute to measuring demand and procurement of stock. Schmitt (1996) points out that items with very low correlations may not align well with the construct and can reduce the overall consistency of the scale. The Cronbach's Alpha if DPS5 were removed was 0.310, higher than the overall Alpha, indicating that removing DPS5 would improve reliability and suggesting that DPS5 might be negatively impacting the scale's overall consistency.

In summary, DPS1 and DPS5, with their low correlations, contribute modestly or negatively to the scale's reliability and may be considered for revision or removal. DPS2 shows a negative correlation, which could be impacting overall consistency and suggests that its removal could be beneficial. DPS3 and DPS4, while moderately contributing to the scale, show weak correlations and could benefit from further refinement. These findings align with established literature on scale development and reliability, which emphasizes the importance of retaining items that support internal consistency and revising or removing those that do not.

4.5.8 Market share sustainability

Model 1: Market share sustainability reliability results

Reliability statistics	Cronbach's Alpha	Number of items
Market share sustainability	0.049	4

Source: Authors' compilation (2024)

The Cronbach's Alpha value of 0.049 indicated very poor internal consistency. This suggested that the items in the questionnaire did not consistently measure the construct of market share sustainability. A value this low implied that the items may not be related to each other, or that some items may be negatively affecting the overall scale reliability.

Table 20: Market share sustainability items reliability results

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
MSS1	10,69	1,428	,254	-,230 ^a
MSS2	9,83	1,274	,173	-,214 ^a
MSS3	10,37	1,488	-,224	,626
MSS4	9,64	1,586	,127	-,072 ^a

Source: Authors' compilation (2024)

MSS1 had a Corrected Item-Total Correlation of 0.254, indicating a weak relationship with the total scale. This suggests that MSS1 does not align well with the market

share sustainability construct. According to Tavakol and Dennick (2011), items with weak correlations often contribute minimally to the reliability of a scale. The Cronbach's Alpha if MSS1 were removed was -0.230, which is lower than the overall Alpha. This implies that while MSS1's contribution is limited, its presence still has a slight positive effect on the scale. Field (2013) notes that even weakly correlated items may still provide some benefit to scale consistency, thus suggesting that MSS1 should be retained despite its low correlation.

MSS2 had a Corrected Item-Total Correlation of 0.173, indicating a weak correlation with the total scale. This suggests that MSS2 has limited relevance to the construct being measured. DeVellis (2016) highlights that items with low correlations might not significantly contribute to the construct but also do not severely detract from scale reliability. The Cronbach's Alpha if MSS2 were removed was -0.214, lower than the overall Alpha. This indicates that removing MSS2 would further decrease reliability, suggesting that although MSS2 does not significantly enhance the scale's consistency, it does not significantly harm it either.

MSS3 showed a Corrected Item-Total Correlation of -0.224, reflecting a negative correlation with the total scale. This suggests that MSS3 might be measuring a concept different from the other items, thus reducing the scale's overall reliability. Schmitt (1996) explains that items with negative correlations can undermine the internal consistency of a scale. The Cronbach's Alpha if MSS3 were removed was 0.626, significantly higher than the overall Alpha. This indicates that removing MSS3 would greatly improve reliability, highlighting its detrimental impact on the scale's internal consistency.

MSS4 recorded a Corrected Item-Total Correlation of 0.127, showing a very weak correlation with the total scale. This suggests that MSS4 contributes minimally to the market share sustainability construct. Gliem and Gliem (2003) suggest that items with very weak correlations may not be effective in measuring the construct and may affect overall consistency. The Cronbach's Alpha if MSS4 were removed was -0.072,

lower than the overall Alpha, suggesting that removing MSS4 would further decrease reliability. This implies that despite MSS4's weak contribution, it should remain in the scale for now as its removal might negatively impact the scale's overall reliability.

In conclusion, MSS1 and MSS2, with their weak correlations, have limited but not detrimental effects on the scale's reliability. MSS3, with its negative correlation, significantly undermines reliability and should be considered for removal. MSS4, despite its very weak correlation, should remain in the scale as its removal would further reduce reliability. These conclusions are supported by established literature on scale development, which emphasizes the importance of carefully evaluating the contribution of each item to ensure the overall reliability and validity of the scale.

4.6 Descriptive statistics

This table provides an analysis of the descriptive statistics for various financial and operational measures, including Financial Literacy (FL), Financial Planning and Budgeting (FPB), Financing (F), Managing Financial Risks (MFR), Financial Control (FC), Investing (I), Demand and Procurement of Stock (DPS), and Market Share Sustainability (MSS). The statistical measures presented include the mean, standard error, confidence intervals, median, variance, standard deviation, skewness, and kurtosis.

Table 21: Descriptive statistics

		Statistic	Std. Error
FL	Mean	3,04	,038
	95% Confidence Interval for		
	Mean	Lower Bound	2,97
		Upper Bound	3,12
	5% Trimmed Mean		3,04
	Median		3,00
	Variance		,144

	Std. Deviation		,379	
	Minimum		2	
	Maximum		4	
	Range		1	
	Interquartile Range		1	
	Skewness		,386	,241
	Kurtosis		-,710	,478
FPB	Mean		3,11	,057
	95% Confidence Interval for	Lower Bound	3,00	
	Mean	Upper Bound	3,22	
	5% Trimmed Mean		3,10	
	Median		3,00	
	Variance		,323	
	Std. Deviation		,569	
	Minimum		2	
	Maximum		4	
	Range		2	
	Interquartile Range		1	
	Skewness		,458	,241
	Kurtosis		-,797	,478
F	Mean		2,60	,063
	95% Confidence Interval for	Lower Bound	2,48	
	Mean	Upper Bound	2,72	
	5% Trimmed Mean		2,57	
	Median		2,40	
	Variance		,392	
	Std. Deviation		,626	
	Minimum		2	
	Maximum		4	
	Range		2	
	Interquartile Range		1	
	Skewness		,720	,241

	Kurtosis		-,357	,478
MFR	Mean		2,76	,071
	95% Confidence Interval for	Lower Bound	2,62	
	Mean	Upper Bound	2,90	
	5% Trimmed Mean		2,80	
	Median		3,00	
	Variance		,503	
	Std. Deviation		,709	
	Minimum		1	
	Maximum		4	
	Range		3	
	Interquartile Range		1	
	Skewness		-,688	,241
	Kurtosis		-,475	,478
FC	Mean		3,33	,038
	95% Confidence Interval for	Lower Bound	3,25	
	Mean	Upper Bound	3,40	
	5% Trimmed Mean		3,32	
	Median		3,20	
	Variance		,147	
	Std. Deviation		,383	
	Minimum		3	
	Maximum		4	
	Range		1	
	Interquartile Range		1	
	Skewness		,072	,241
	Kurtosis		-1,201	,478
I	Mean		2,86	,045
	95% Confidence Interval for	Lower Bound	2,77	
	Mean	Upper Bound	2,95	
	5% Trimmed Mean		2,86	
	Median		2,75	

	Variance		,205	
	Std. Deviation		,453	
	Minimum		2	
	Maximum		4	
	Range		3	
	Interquartile Range		0	
	Skewness		,057	,241
	Kurtosis		,848	,478
DPS	Mean		3,38	,037
	95% Confidence Interval for	Lower Bound	3,30	
	Mean	Upper Bound	3,45	
	5% Trimmed Mean		3,38	
	Median		3,40	
	Variance		,136	
	Std. Deviation		,369	
	Minimum		2	
	Maximum		4	
	Range		2	
	Interquartile Range		0	
	Skewness		-,139	,241
	Kurtosis		,762	,478
MSS	Mean		3,38	,035
	95% Confidence Interval for	Lower Bound	3,31	
	Mean	Upper Bound	3,45	
	5% Trimmed Mean		3,39	
	Median		3,25	
	Variance		,122	
	Std. Deviation		,349	
	Minimum		3	
	Maximum		4	
	Range		2	
	Interquartile Range		1	

Skewness	-,225	,241
Kurtosis	-,053	,478

Source: Author's computation (2024)

For financial literacy, the mean financial literacy score is 3.04, indicating a moderate level of financial literacy amongst respondents. The positive skewness suggests a slight tendency towards higher scores, while the negative kurtosis indicates relatively flat tails compared to a normal distribution. The variance and standard deviation reflect moderate variability in the scores. The mean score for financial planning budgeting behaviour is 3.11, suggesting that respondents generally engage in some level of financial planning. The positive skewness indicates a tendency towards higher scores, with some individuals exhibiting stronger financial planning behaviours. The negative kurtosis shows that the distribution has lighter tails. The mean financial control measures score is 3.33, indicating that respondents generally feel confident about their financial controlling situation. The distribution is nearly symmetric, with very low skewness and kurtosis, suggesting that the responses are normally distributed with moderate variability. With a mean of 3.38, respondents generally have effective demand and procurement of stock strategies. The slightly negative skewness and positive kurtosis indicate that most scores are clustered around the higher end, with a few outliers contributing to the heavier tails. The mean score for the market share sustainability is 3.38, suggesting that respondents generally receive good support in their customers. The distribution is slightly left-skewed with near-normal kurtosis, indicating a generally symmetrical distribution with moderate variability.

The mean financing knowledge and application score is 2.60, indicating lower financing application. The positive skewness suggests that there are a few respondents with much higher financing knowledge, whereas most scores are clustered lower. The distribution is flatter with light tails. With a mean of 2.76, respondents show a moderate level of their management of financial risks. The negative skewness indicates that many respondents have higher scores than the mean, suggesting a concentration of higher values. The distribution is flatter with

light tails. The mean income score is 2.86, suggesting a moderate level of investing. The near-zero skewness and positive kurtosis indicate that the distribution is close to normal, but with slightly heavier tails.

Overall, the data shows that respondents exhibit moderate levels across most financial variables, with some variability in scores. Financial Control, Demand and Procurement of Stock, and Market Share Sustainability tend to have higher means and exhibit less variability compared to other variables. Financing and Managing Financial risks show more variability and skewness. These descriptive statistics provide a foundational understanding of the respondents' financial literacy and attitudes.

4.7 Correlations

Table 22: Financial literacy correlations

Correlations		FL	FPB	F	MFR	FC	I	DPS	MSS
FL	Pearson Correlation	1	,577*	,410*	,480*	,698*	,384*	,338*	-,010
	Sig. (2-tailed)		<,001	<,001	<,001	<,001	<,001	<,001	,919
	N	100	100	100	100	100	100	100	100
FPB	Pearson Correlation	,577*	1	,411*	,221*	,603*	,156	,230*	,131
	Sig. (2-tailed)	<,001		<,001	,027	<,001	,122	,021	,194
	N	100	100	100	100	100	100	100	100

F	Pearson Correlation	,410*	,411*	1	,015	,421*	,105	,166	-,002
	Sig. (2-tailed)	<,001	<,001		,879	<,001	,298	,099	,982
	N	100	100	100	100	100	100	100	100
MFR	Pearson Correlation	,480*	,221*	,015	1	,676*	,535*	,293*	-,057
	Sig. (2-tailed)	<,001	,027	,879		<,001	<,001	,003	,575
	N	100	100	100	100	100	100	100	100
FC	Pearson Correlation	,698*	,603*	,421*	,676*	1	,378*	,350*	,073
	Sig. (2-tailed)	<,001	<,001	<,001	<,001		<,001	<,001	,470
	N	100	100	100	100	100	100	100	100
I	Pearson Correlation	,384*	,156	,105	,535*	,378*	1	,210*	,054
	Sig. (2-tailed)	<,001	,122	,298	<,001	<,001		,036	,592
	N	100	100	100	100	100	100	100	100
DPS	Pearson Correlation	,338*	,230*	,166	,293*	,350*	,210*	1	,409*
	Sig. (2-tailed)	<,001	,021	,099	,003	<,001	,036		<,001
	N	100	100	100	100	100	100	100	100
MS	Pearson Correlation	-,010	,131	-,002	-,057	,073	,054	,409*	1

	Sig. (2-tailed)	,919	,194	,982	,575	,470	,592	<,001	
	N	100	100	100	100	100	100	100	100
**. Correlation is significant at the 0.01 level (2-tailed).									
*. Correlation is significant at the 0.05 level (2-tailed).									

Source: Authors' compilation (2024)

To understand the relationships between financial literacy (FL) and various financial behaviours and attitudes, a Pearson correlation analysis was conducted. The variables included financial planning and budgeting (FPB), financing (F), managing financial risks (MFR), financial control (FC), investing (I), demand and procurement of stock (DPS), and market share sustainability (MSS). The results of this analysis are summarized below.

Financial Literacy (FL) was found to have significant positive correlations with several key financial behaviours and attitudes:

- **Financial Control (FC):** The correlation between FL and FC was the strongest observed, with a Pearson correlation coefficient of **0.698** ($p < 0.001$). This indicates a strong positive relationship, suggesting that individuals with higher financial literacy tend to exhibit greater confidence in their financial controls decision-making.
- **Financial Planning and Budgeting (FPB):** A moderate positive correlation was found between FL and FPB, with a Pearson correlation coefficient of **0.577** ($p < 0.001$). This suggested that individuals with higher financial literacy are more likely to engage in effective financial planning and budgeting.
- **Managing Financial risks (MFR):** The correlation between FL and MFR was **0.480** ($p < 0.001$), indicating a moderate positive relationship. This suggested that higher financial literacy is associated with better management of monetary risks.

- **Financing (F):** FL also showed a moderate positive correlation with financing decisions (F), with a coefficient of **0.410** ($p < 0.001$). This highlighted that individuals with greater financial literacy tend to possess more financing knowledge or financing methods.
- **Investment (I):** The correlation between FL and investments was **0.384** ($p < 0.001$), indicating a moderate positive relationship. This suggests that higher financial literacy is associated with higher tolerance to investing business funds.
- **Demand and procurement of stock (DPS):** FL was also positively correlated with demand and procurement of stock, with a Pearson correlation coefficient of **0.338** ($p < 0.001$). This implies that individuals with higher financial literacy are more likely to have effective strategies for the procurement of stock.

Market share sustainability (MSS) was the only variable that did not show a significant correlation with financial literacy. The correlation coefficient between FL and MSS was **-0.010** ($p = 0.919$), indicating no meaningful relationship. This suggests that market share sustainability does not appear to be directly related to an individual's level of financial literacy.

Relationships Amongst Other Variables

- **Financial Planning and budgeting (FPB)** showed moderate positive correlations with both financing (F) ($r = 0.411$, $p < 0.001$) and financial control (FC) ($r = 0.603$, $p < 0.001$). This indicates that better financial planning is associated with effective financing applied and better financial control measures.
- **Management of financial risks (MFR)** had a strong positive correlation with financial control (FC) ($r = 0.676$, $p < 0.001$), suggesting that individuals who place financial risks management tools tend to feel more confident in their financial control measures.

- **Demand and Procurement of Stock (DPS)** was moderately correlated with financial control (FC) ($r = 0.350$, $p < 0.001$) and market share sustainability (MSS) ($r = 0.409$, $p < 0.001$), indicating that the effective procurement of stock is associated with both higher financial control and greater sustainability of their market share.

The correlation analysis highlights the significant relationships between financial literacy and several important financial management tools. Financial literacy is strongly associated with financial control and is moderately linked to behaviours such as financial planning, management of financial risks, and demand and procurement strategies. The analysis also suggests that while financial literacy is important, its relationship with sustainability of their market share is negligible, implying that other factors may be more influential in this domain.

These findings underscore the critical role of financial literacy in shaping positive financial management, suggesting that efforts to improve financial literacy could have widespread benefits across various aspects of financial well-being.

4.8 Analysis of research questions

4.8.1 Part A - Research question one part one

Estimating the impact of financial literacy on financing options

This chapter presents the results of the statistical analysis conducted to estimate the impact of financial literacy on financing options. The analysis was performed using a logistic regression model, and the results are detailed below.

Model 2: Model Fitting information (Financing)

Model Fitting Information				
Model	-2 Log Likelihood	Chi-Square	df	Sig.

Intercept Only	269,714			
Final	257,755	11,960	1	<,001
Link function: Logit.				

Source: Authors Computation (2024)

The model fitting information was crucial in understanding the significance of financial literacy in predicting financing options. The initial -2 Log Likelihood for the intercept-only model was 269.714. When financial literacy was included in the model, the -2 Log Likelihood decreased to 257.755. This decrease in the -2 Log Likelihood corresponds to a Chi-Square value of 11.960 with 1 degree of freedom, which is highly significant ($p < 0.001$). This indicated that the inclusion of financial literacy significantly improved the model's ability to predict financing options.

Model 3: Goodness of fit

Goodness-of-Fit			
	Chi-Square	df	Sig.
Pearson	215,811	155	<,001
Deviance	172,853	155	,155
Link function: Logit.			

Source: Authors Computation (2024)

The goodness-of-fit statistics provided insight into how well the model explained the observed data. The Pearson Chi-Square statistic is 215.811 with 155 degrees of freedom, and the associated p-value is less than 0.001. This suggested potential concerns with the model's fit. However, the Deviance Chi-Square statistic is 172.853 with 155 degrees of freedom, yielding a p-value of 0.155, which suggested that the model fits the data reasonably well according to the deviance criterion.

Model 4: Pseudo R-Square

Pseudo R-Square	
Cox and Snell	,113
Nagelkerke	,114
McFadden	,026

Link function: Logit.

Source: Authors Computation (2024)

The Pseudo R-Square values, including Cox and Snell (0.113), Nagelkerke (0.114) and McFadden (0.026), indicated the proportion of variance in financing options explained by financial literacy. While these values were relatively low, they were typical for behavioural and social science research. These results suggested that financial literacy explains between 2.6% and 11.4% of the variation in financing options.

Table 23: Parameter estimates

Parameter Estimates								
		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[F = 1,60]	,252	1,722	,021	1	,883	-3,122	3,627
	[F = 1,80]	2,525	1,464	2,974	1	,085	-,345	5,395
	[F = 2,00]	3,812	1,462	6,802	1	,009	,947	6,677
	[F = 2,20]	4,336	1,472	8,680	1	,003	1,452	7,221
	[F = 2,40]	5,109	1,495	11,675	1	<,001	2,178	8,040
	[F = 2,60]	5,466	1,508	13,140	1	<,001	2,510	8,421
	[F = 2,80]	5,852	1,522	14,783	1	<,001	2,869	8,835
	[F = 3,00]	6,210	1,535	16,360	1	<,001	3,201	9,219
	[F = 7,004]	7,004	1,566	20,00	1	<,001	3,935	10,072

	3,20]			8				
	[F = 3,40]	7,105	1,570	20,48 7	1	<,001	4,028	10,182
	[F = 3,60]	7,454	1,584	22,12 9	1	<,001	4,348	10,559
	[F = 3,80]	8,113	1,620	25,07 2	1	<,001	4,937	11,288
Location	FL	1,636	,486	11,332	1	<,001	,684	2,589
Link function: Logit.								

Source: Author's computation (2024)

The parameter estimated provided specific insights into the relationship between financial literacy and financing options. The threshold estimates represented the cut-off points between categories of the dependent variable. For instance, the threshold [F = 2.00] had an estimate of 3.812, which is statistically significant ($p = 0.009$).

The estimate for financial literacy (FL) was 1.636, with a standard error of 0.486. The Wald statistic was 11.332 and the p-value was less than 0.001, which indicated that financial literacy has a significant positive impact on the likelihood of choosing more favourable financing options. The 95% confidence interval for this effect ranges from 0.684 to 2.589, further supporting the robustness of this finding

Model 5: Test of parallel lines (Financing)

Test of parallel lines				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Null Hypothesis	257,755			
General	211,850 ^b	45,905 ^c	11	<,001
The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.				

Source: Authors Computation (2024)

The test of parallel lines examined whether the assumption of equal slopes across different categories of the dependent variable holds. The test yielded a significant Chi-Square value of 45.905 with 11 degrees of freedom ($p < 0.001$), indicating that the assumption of parallel lines was violated. This suggested that the impact of financial literacy on financing options may vary across different levels of financing options.

The analysis revealed that financial literacy significantly influences the choice of financing options. The model fits the data reasonably well, although there are indications that the relationship between financial literacy and financing options may not be uniform across all levels. The findings underscore the importance of financial literacy in making informed financing decisions, which can lead to more favourable outcomes for businesses.

4.8.1 Part B - Research question one part two

Estimating the impact of financial literacy on investing option

To examine the effect of financial literacy on the choice of investment options, an ordinal logistic regression model (Model 1b) was employed. The model aimed to estimate the likelihood of individuals selecting higher levels of investment options as a function of their financial literacy (FL) scores.

Model 6: Model Fitting information (Investing)

Model Fitting Information				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	200,178			
Final	184,110	16,068	1	<,001
Link function: Logit.				

Source: Author's computation (2024)

The model fitting results, as shown, indicated a significant improvement in model fit when financial literacy is included as a predictor. The -2 Log Likelihood for the final model was 184,110, compared to 200,178 for the intercept-only model. The associated Chi-Square value of 16.068 (df = 1, p < 0.001) confirms that the inclusion of financial literacy significantly improves the model fit investing options.

Model 7: Goodness-of-fit

Goodness-of-Fit			
	Chi-Square	Df	Sig.
Pearson	111,564	103	,265
Deviance	112,687	103	,242
Link function: Logit.			

Source: Author’s computation (2024)

Goodness-of-fit statistics further supported the adequacy of the model. The Pearson Chi-Square ($\chi^2 = 111,564$, df = 103, p = 0.265) and the Deviance Chi-Square ($\chi^2 = 112,687$, df = 103, p = 0.242) both indicated that the model fits the data well, as the p-values exceed the conventional threshold of 0.05, suggesting no significant lack of fit.

Model 8: Pseudo R-Square

Pseudo R-Square	
Cox and Snell	,148
Nagelkerke	,152
McFadden	,042
Link function: Logit.	

Source: Authors’ compilation (2024)

The Pseudo R-Square values provided additional insights into the model's explanatory power. The Cox and Snell R-Square was calculated at 0.148, Nagelkerke R-Square at 0.152 and McFadden R-Square at 0.042. These values suggest that the model explained a modest proportion of the variance in investment

option choices, with McFadden's R-Square indicating that approximately 4.2% of the variance is accounted for by financial literacy.

Table 24: Parameter estimates

Parameter Estimates								
		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[l = 1,50]	1,056	1,769	,357	1	,550	-2,411	4,523
	[l = 2,00]	2,901	1,518	3,651	1	,056	-,075	5,876
	[l = 2,25]	3,780	1,497	6,374	1	,012	,846	6,714
	[l = 2,50]	4,672	1,503	9,664	1	,002	1,726	7,618
	[l = 2,75]	6,019	1,545	15,168	1	<,001	2,990	9,048
	[l = 3,00]	7,186	1,597	20,258	1	<,001	4,057	10,315
	[l = 3,25]	8,278	1,644	25,357	1	<,001	5,056	11,500
	[l = 3,50]	9,292	1,701	29,848	1	<,001	5,958	12,625
Location	FL	1,942	,503	14,901	1	<,001	,956	2,927
Link function: Logit.								

Source: Author's computation (2024)

The parameter estimates presented highlighted the relationship between financial literacy and investment choices. The financial literacy coefficient was estimated at

1.942 (SE = 0.503), with a significant Wald statistic of 14.901 ($p < 0.001$). This finding suggested that higher levels of financial literacy were associated with an increased likelihood of selecting more advanced investment options. The 95% confidence interval for this estimate ranged from 0.956 to 2.927, further supporting the robustness of this effect.

The thresholds, which represent the cut-off points between different levels of investment options, varied in significance. While lower thresholds were not statistically significant, higher thresholds (e.g., $[I = 3.00]$ and beyond) were highly significant, indicating clear distinctions between more advanced investment options.

Model 9: Test of parallel lines (Investing)

Test of parallel lines				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Null Hypothesis	184,110			
General	169,782 ^b	14,328 ^c	7	,046
The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.				

Source: Authors Computation (2024)

Finally, the test of parallel lines assessed the assumption that the relationship between financial literacy and investment choices are consistent across different levels of the dependent variable. The results ($\chi^2 = 14,328$, $df = 7$, $p = 0.046$) suggested a marginal violation of this assumption, implying that the effect of financial literacy may not be uniform across all categories of investment options.

In conclusion, the findings provided strong evidence that financial literacy positively influences the selection of higher-level investment options. While the model fits the data well, the relatively low Pseudo R-Square values indicate that other factors, not included in the model, may also play a significant role in investment decision-making. Additionally, the marginally significant result from the test of parallel lines suggests

that the impact of financial literacy may vary across different levels of investment choices, warranting further investigation.

4.8.2 Research question two

Estimating the impact of level of education on financial literacy

To investigate the relationship between individuals' level of education and their financial literacy, an ordinal logistic regression model (Model 2) was utilized. This model estimates the likelihood that higher levels of education are associated with greater financial literacy.

Model 10: Model fitting information

Model Fitting Information				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	154,452			
Final	134,206	20,247	3	<,001
Link function: Logit.				

Source: Authors Computation (2024)

The model fitting information presented revealed that the inclusion of education level as a predictor significantly improves the model. The -2 Log Likelihood for the final model (which includes education level) was 134,206, compared to 154,452 for the intercept-only model. The Chi-Square statistic for the improvement in fit was 20.247 with 3 degrees of freedom ($p < 0.001$). This significant p-value indicates that education level is a significant predictor of financial literacy, and its inclusion in the model provides a substantially better fit than a model without it.

Model 11: Goodness of fit

Goodness-of-Fit			
	Chi-Square	Df	Sig.
Pearson	62,778	36	,004
Deviance	70,877	36	<,001

Link function: Logit.

Source: Authors Computation (2024)

However, the goodness-of-fit statistics revealed mixed results. The Pearson Chi-Square test yielded a value of 62.778 (df = 36, p = 0.004), and the Deviance Chi-Square test returned a value of 70.877 (df = 36, p < 0.001). These significant p-values suggest a potential lack of perfect fit. However, given the sensitivity of these tests to sample size, these results do not necessarily invalidate the model but suggest that it may not capture all the complexities of the data.

Model 12: Pseudo R-Square

Pseudo R-Square	
Cox and Snell	,183
Nagelkerke	,185
McFadden	,041
Link function: Logit.	

Source: Authors Computation (2024)

The model’s explanatory power was assessed using Pseudo R-Square measures. The Cox and Snell R-Square was calculated at 0.183, Nagelkerke R-Square at 0.185, and McFadden R-Square at 0.041 (see Table 4.5). These values indicated that the level of education explains approximately 18.5% of the variance in financial literacy according to the Nagelkerke R-Square, with the McFadden R-Square suggesting that about 4.1% of the variance is explained by the model. While these values demonstrate that education level has a notable effect, they also implied that other factors are likely influencing financial literacy.

Table 25: Parameter estimate (Educational level)

Parameter Estimates						
	Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval

							Lower Bound	Upper Bound
Threshold	[FL = 2,33]	-3,688	,728	25,673	1	<,001	-5,114	-2,261
	[FL = 2,44]	-2,743	,480	32,711	1	<,001	-3,683	-1,803
	[FL = 2,56]	-1,894	,349	29,363	1	<,001	-2,579	-1,209
	[FL = 2,67]	-1,013	,279	13,218	1	<,001	-1,559	-,467
	[FL = 2,78]	-,603	,262	5,273	1	,022	-1,117	-,088
	[FL = 2,89]	-,070	,254	,076	1	,783	-,568	,428
	[FL = 3,00]	,731	,265	7,591	1	,006	,211	1,251
	[FL = 3,11]	1,186	,283	17,572	1	<,001	,632	1,741
	[FL = 3,22]	1,410	,295	22,860	1	<,001	,832	1,988
	[FL = 3,33]	1,596	,306	27,125	1	<,001	,995	2,196
	[FL = 3,44]	2,038	,341	35,818	1	<,001	1,371	2,706
	[FL = 3,56]	2,522	,390	41,805	1	<,001	1,757	3,286
	[FL = 3,67]	3,852	,622	38,374	1	<,001	2,634	5,071
Location	[EL=1,00]	,363	,377	,927	1	,336	-,376	1,103
	[EL=2,00]	1,974	,727	7,374	1	,007	,549	3,398
	[EL=4,00]	23,734	,000	.	1	.	23,73	23,73

	0]						4	4
	[EL=7,0 0]	0 ^a	.	.	0	.	.	.
Link function: Logit.								
a. The location parameter is set to zero because it is redundant.								

Source: Authors Computation (2024)

The parameter estimates table detailed the parameter estimates and threshold values for the ordinal logistic regression. The threshold estimates indicated the cut-off points between different categories of financial literacy scores. For instance, the threshold for [FL = 2.33] was -3.688 (SE = 0.728, $p < 0.001$), indicating a significant distinction between this and lower financial literacy scores. As financial literacy scores increase, the threshold estimates also rose, reflecting higher cut-off points for higher financial literacy categories, with all but one threshold estimate being statistically significant.

The location parameters provided insight into the effect of different education levels on financial literacy. The reference category (EL = 1.00) did not significantly differ from other categories ($p = 0.336$). However, individuals with a level of education at EL = 2.00 had a significantly higher likelihood of possessing greater financial literacy, as indicated by the estimate of 1.974 (SE = 0.727, $p = 0.007$). The parameter for EL = 4.00 was reported as 23.734, although the associated standard error was not provided, complicating its interpretation. The EL = 7.00 parameter was set to zero, indicating that it was used as a reference category in the model.

Model 13: Test of parallel line

Test of Parallel Lines^a				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Null Hypothesis	134,206			
General	20,284 ^b	113,922 ^c	36	<,001
The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.				

Source: Authors Computation (2024)

The assumption of proportional odds, which states that the relationship between the predictor (education level) and the outcome (financial literacy) was consistent across all categories of the outcome, was tested using the Test of Parallel Lines. The results, summarized in the Table, indicate a significant Chi-Square value of 113.922 (df = 36, $p < 0.001$). This significant result suggests that the proportional odds assumption does not hold, indicating that the effect of education on financial literacy may differ across the levels of financial literacy.

In summary, the results from Model 2 indicate that education level is a significant predictor of financial literacy, with higher education levels generally associated with higher financial literacy scores. However, the goodness-of-fit statistics suggest that the model may not fully capture the complexity of the relationship, and the Test of Parallel Lines indicated potential variability in the effect of education across different levels of financial literacy. These findings suggested that while education plays a crucial role in financial literacy, other factors must also be considered, and further investigation is needed to understand the varying effects of education on financial literacy across different groups.

4.8.3 Research Question Three

Which financial management controls are applied to manage the spaza shop business? Effective financial management involves the integration of several critical components, such as financial planning, control, investment and risk management, that collectively ensure the long-term financial health and stability of an organization. The application of these principles, as highlighted in the literature, enables businesses to optimize their financial performance; make informed decisions; and navigate the complexities of financial markets. By aligning financial resources with organizational objectives, firms can ensure sustainable growth and value creation. For township spaza shops, effective financial management controls such as cash flow monitoring, stock control, budgeting and cost management are essential for staying competitive and profitable. Even in an informal setting, applying these basic

controls helps mitigate risks, improve decision-making, and ensure that the business can sustain itself over time.

To gain a deeper understanding of the applied financial management controls in spaza shops, each item or theme that has relevance to financial management control was sampled from the descriptive analysis tables.

4.8.3.1 *Financial planning and Budgeting*

The findings from the descriptive analysis show that under theme FPB, several financial management control measures are utilized by spaza shop businesses. Specifically, FPB 3 (businesses consider forecasts based on previous ordering prices), FPB 4 (companies keep a list of monthly expenses) and FPB 5 (having a savings account) have mean scores of 4.04, 3.38 and 3.06 respectively. This indicates that respondents generally agree that they implement these financial management controls in their spaza shops.

4.8.3.2 *Financial control*

The results from the descriptive analysis indicate that spaza shop businesses effectively implement several financial management controls under theme FC. Specifically, the practices of analysing financial performance (FC 2); depositing cash and double-checking the deposited amounts (FC 3); and segregating duties within the shop (FC 4) have mean scores of 3.82, 3.56 and 3.78, respectively. These scores reflect a robust application of these controls, demonstrating a significant commitment by spaza shop owners to managing their financial resources effectively.

4.8.3.3 *Investing Decisions*

The findings from the descriptive analysis under Theme I reveal that only one financial management control measure, I2, is positively applied by spaza shop businesses. This measure involves using surplus cash to invest in expanding the business, either by acquiring or building additional shop locations. This approach

indicates a proactive strategy for growth and resource utilization, reflecting the shop owners' commitment to leveraging their financial surplus to enhance their business operations and achieve long-term expansion goals.

4.8.3.4 *Financial risk management*

The findings from the descriptive analysis under theme MFR indicate that only one financial management control measure, MFR 2, is actively applied. This measure involves establishing a designated response team to address emergencies or security breaches at the shop premises. Implementing such a response unit demonstrates the shop's commitment to safeguarding its assets and ensuring a swift, organized reaction to unforeseen incidents, thereby enhancing overall security and operational resilience.

4.9 *Discussion of research objectives*

Findings on financial literacy's influence on financing and investing options in spaza shops

The objectives of the study were addressed and answered through the research questions. For instance, Objective One was to investigate whether financial literacy influences financing and investment decision processes in spaza shop businesses, and the research question asked was: Does financial literacy influence the financing and investing decisions made by spaza shop owners? The objective was divided into two parts: 4.8.1-part A and 4.8.1-part B. The drawn results from Table 4.20, supported by figure part A, concluded that financial literacy significantly influences the choice of financing options, although there are indications that the relationship between financial literacy and financing options may not be uniform across all levels. The results for part B, revealed strong evidence, supported by Table 4.21, that financial literacy positively influences the selection of higher-level investment options.

These findings align with existing literature that demonstrates the crucial role of financial literacy in shaping financial decision-making, particularly in small and informal businesses like spaza shops. According to Fatoki (2014), financial literacy is a key determinant of entrepreneurial success, especially in the context of micro-enterprises where owners often lack access to formal financial education. His study emphasized that financially literate entrepreneurs are better equipped to understand and evaluate financing options, making informed decisions that improve their business sustainability.

Similarly, Lusardi and Mitchell (2014) found that higher financial literacy correlates with more prudent investment decisions, suggesting that individuals with greater financial knowledge are more likely to engage in long-term financial planning and select complex financial products that yield higher returns. These conclusions mirror the findings in part B of the present study, where spaza shop owners with higher financial literacy opted for more sophisticated investment strategies. In a related study by Wise (2013), the author explored the impact of financial literacy on the performance of small businesses and concluded that inadequate financial knowledge often leads to sub-optimal investment choices, which in turn affects overall business growth. These further underscore the importance of enhancing financial education programs targeted at small and informal business owners.

Thus, the results of this study add to the growing body of evidence that highlights the direct relationship between financial literacy and the ability of small business owners to make sound financing and investment decisions, thereby strengthening their overall business performance.

Discussion of the findings on educational level significance in financial literacy skills application

The next research objective was to investigate whether education level has a significant effect on financial literacy skills applicable to running a spaza shop business. This was addressed through the research question: Is the level of education a significant factor in financial literacy skills in running the spaza shop business? The objective question was responded to in Section 4.8.2, and the results revealed that education level is a significant predictor of financial literacy, with higher education levels generally associated with higher financial literacy scores. It also detailed that, while educational level influences financial literacy scores, other factors must also be considered. Further investigation is needed to understand the varying effects of education on financial literacy across different groups.

This finding aligns with the broader body of research. For instance, Lusardi and Mitchell (2011) found a strong positive correlation between education and financial literacy, where individuals with higher educational attainment demonstrated better financial decision-making skills. Their study emphasized that formal education equips individuals with basic numeracy and problem-solving skills essential for understanding financial concepts, which are crucial for running small businesses like spaza shops. In the context of small businesses, Drexler, Fischer and Schoar (2014) highlighted that education improves not only financial literacy but also the ability to manage business finances effectively. Their research, which focused on micro-enterprises, showed that business owners with higher educational levels were more adept at tracking cash flows, budgeting and accessing external financing, all of which are critical for business success.

However, as indicated in the current study, the relationship between education and financial literacy is not entirely linear, as other factors such as age, experience and access to financial resources also play a role. According to a study by van Rooij, Lusardi and Alessie (2011), individuals with more life experience and exposure to financial products tend to display higher financial literacy levels, even when formal education is limited. This suggests that financial literacy can be enhanced through practical experience, not just formal education.

Furthermore, Cole, Sampson and Zia (2011) explored the impact of financial education programs on entrepreneurs in developing countries and found that while education is a significant factor, the effectiveness of financial literacy depends on how education is delivered and applied in real-life situations. This echoes the call in the present study for further investigation into how education interacts with other variables to influence financial literacy, especially in different social and economic contexts. Overall, the findings affirm that while education is a key determinant of financial literacy. It is necessary to consider a broader spectrum of influences to fully understand how spaza shop owners develop the skills needed to manage their businesses effectively.

Discussions of findings on financial management controls applied by township spaza shops

Finally, the last research objective was to investigate the financial management controls applied to better manage business finances, which was addressed through the question: Which financial management controls are applied to manage the spaza shop business? The objective question was responded to in Section 4.8.3, and the results show that the financial management controls applied by spaza shops are financial planning and budgeting, financial control, investing choices and financial risk management. These findings focus on broad themes, and further analysis is needed to identify the exact items applied under each theme for future research.

The findings align with existing literature on small business financial management, which emphasizes the importance of these controls for improving financial performance. For instance, Eniola and Entebang (2015) underscore the critical role of financial planning and budgeting in small and medium-sized enterprises (SMEs). Their study found that businesses that engage in regular financial planning and budgeting are more likely to allocate resources efficiently, leading to better profitability and financial sustainability. This supports the idea that spaza shops can benefit from structured financial planning practices. Similarly, studies on financial

control, such as by Fatoki (2014), have highlighted the significance of implementing robust financial controls in micro-enterprises like spaza shops. Fatoki's research pointed out that financial control mechanisms such as tracking expenses, controlling cash flow and maintaining accurate financial records are vital for preventing financial mismanagement, ensuring liquidity and supporting long-term business viability.

In relation to investment choices, research by Van Auken (2015) found that small businesses that carefully consider investment options and balance short-term needs with long-term growth opportunities tend to perform better financially. This suggests that spaza shop owners who make informed investment decisions can optimize their capital use and enhance the growth prospects of their businesses. Financial risk management, another key theme identified in the findings, has also been widely recognized in literature. According to Chileshe and Berko (2010), effective risk management strategies such as diversifying income streams, managing credit risks, and insuring against unforeseen events are essential for small businesses, particularly in volatile markets like those in which spaza shops operate. These strategies help mitigate risks and protect businesses from financial shocks.

However, as the findings indicate, the focus on broad themes necessitates further exploration into the specific financial management practices under each category. Studies by Maduekwe and Kamala (2016) suggest that analysing specific financial tools and practices such as cash flow forecasts, financial ratio analysis, and break-even analysis can provide deeper insights into how small businesses like spaza shops manage their finances on a day-to-day basis.

In conclusion, while the study identifies key financial management controls applied by spaza shops, further research is needed to delve into the exact items and practices within each theme to provide a more comprehensive understanding of how these businesses manage their finances effectively.

4.10 Summary and conclusion of the chapter

The study revealed a positive relationship between financial literacy and key financial activities in financing and investing, as well as between educational level and financial literacy. Additionally, it highlighted the varying financial management controls applied in spaza shops. These findings align with previous studies focusing on financial literacy and financial management in SMMEs. However, the study also identified certain external factors, beyond the scope of this research, that may influence the application of financial literacy in financing and investing, as well as the connection between educational level and financial literacy. These factors warrant further investigation in future studies. By contributing to the existing literature on these topics, this study builds on previous research for each of its objectives, offering detailed figures, models and tabled results. The results consistently demonstrated the positive correlations between financial literacy, financing and investing, as well as the role of educational level in enhancing financial literacy. Additionally, the findings regarding financial management controls showed that their application varies depending on each respondent's surrounding environment, suggesting the need for context-specific approaches to managing business finances in similar settings.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

This chapter presents the summary, recommendations and conclusions to this study on the financial literacy challenges and financial management of selected spaza shops in KwaZulu Natal, with findings from Gamalakhe. The contribution of this study to existing knowledge, limitations of the study and possible areas of further research are also stated.

5.2 Summary of the study

This thesis is structured in five chapters. In the first chapter, the background, context and research gap of the study, as well as the aims, objectives and research questions were introduced. The problem statement, which is the low level of financial literacy amongst small informal businesses, particularly spaza shops in South Africa, contributing significantly to high failure rates and poor financial management practices, was addressed in the literature. Despite their role in generating around R40 billion annually and providing essential goods and employment in townships, many spaza shops face challenges such as unbanked funds, a lack of financial literacy, and inadequate financial management tools. This study addressed the issues of the research through a survey using a closed-ended questionnaire to explore the level of financial literacy and the applied financial management control on the sustainability of spaza shops.

The study described the research methodology in Chapter 3, detailing the research paradigm, design and data collection procedures, specifically targeting 100 spaza shops in Gamalakhe township. The findings from the survey on financial literacy challenges and management practices in these shops addressed the research objectives and revealed the complexities of financial practices. Finally, the summary

of the study's results is presented and recommendations for improving the financial literacy and management practices of Small, Medium and Micro Enterprises (SMMEs), emphasizing practical solutions for their sustainability, is presented.

5.3 Summary of the major findings

The study addressed three key objectives, with the first being divided into two parts. Part A aimed to examine whether financial literacy impacts financing decisions in spaza shops. As anticipated, the results revealed that financial literacy significantly influences the selection of financing options. The model presented in Table 4.19 further corroborates these findings, showing a very strong confidence interval, which strongly supports the influence of financial literacy in financing decisions. Entrepreneurs with higher financial literacy are better equipped to assess and select suitable financing options, which aligns with the findings of the current study. Similarly, Van Rooij, Lusardi, and Alessie (2011) provide evidence that financially literate individuals are more likely to opt for sound financial products and services, reflecting the same significant impact on financing decisions.

Part B of the first objective explored whether financial literacy affects investment decisions in spaza shops. As expected, the evidence demonstrated that financial literacy positively influences the choice of higher-level investment options. Lusardi and Mitchell (2014) found that financial literacy significantly impacts the likelihood of choosing more sophisticated investment options, which is consistent with the current study's findings that spaza shop owners with higher financial literacy tend to select higher-level investment opportunities. Additionally, further analysis revealed that although financial literacy plays a critical role in investment decisions, other factors also significantly contribute to these choices. Studies like that of Cole, Sampson and Zia (2011) point out that while financial literacy is essential, factors such as behavioural biases, market access and socio-economic conditions also play critical roles in shaping investment decisions. Thus, these studies confirm the findings of the current research, demonstrating that financial literacy is a key driver in both financing

and investment decisions, but it should be considered within a broader context of influencing factors.

The second objective focused on determining whether the level of education significantly influenced the application of financial literacy skills. The results, as shown in Model 2 (Chapter Four, Table 4.30), revealed that education level does indeed have a considerable impact on how financial literacy is applied. The model also suggested that while education is a key factor, other elements, such as experience, contribute to the effective application of financial literacy skills. Supporting the current findings, previous studies have emphasized the interplay between education and other factors in enhancing financial literacy. Lusardi and Mitchell (2011) found that while formal education improves basic financial knowledge, the practical application of financial literacy often depends on real-world experience and exposure to financial decision-making environments. Similarly, Fernandes, Lynch and Netemeyer (2014) argue that although education is crucial, experiential learning such as managing finances over time can significantly improve one's ability to apply financial literacy concepts effectively.

Moreover, Huston (2010) highlights that financial education programs alone may not be sufficient to ensure skilful financial decision-making, unless paired with ongoing practical experience. This aligns with the current study's findings, reinforcing the idea that education enhances financial literacy but must be complemented by factors like experience for better application.

5.4 Recommendations and implications of the study

Based on the actual findings of the research, several recommendations can be made to enhance financial literacy and decision-making in spaza shops. Firstly, training programs focused on improving financial literacy should be prioritized for spaza shop owners, as the study highlights the significant impact of financial knowledge on financing and investment decisions. Such programs could provide entrepreneurs

with the skills to evaluate and select better financing options and higher-level investment opportunities, aligning with findings by Van Rooij, Lusardi and Alessie (2011), emphasizing that financially literate individuals are more likely to make sound financial decisions. Additionally, it is essential to address other influencing factors like market access, behavioural biases and socio-economic conditions that also affect decision-making. Policymakers and business support services should create initiatives that reduce barriers to market entry and offer practical solutions to overcome behavioural biases in financial decision-making, as highlighted by Cole, Sampson and Zia (2011).

Furthermore, the study shows that while education plays a critical role in enhancing financial literacy, real-world experience is just as important in its application. Therefore, combining formal financial education with experiential learning opportunities, such as mentorship or financial management workshops, would better equip spaza shop owners to apply their financial literacy in practice. This approach is supported by Lusardi and Mitchell (2011), who argue that the practical application of financial knowledge is crucial for effective decision-making. Lastly, ongoing support and refresher programs could be implemented to ensure that financial decision-making remains effective and adaptive to changing business environments, reflecting Huston's (2010) assertion that financial education must be complemented by continued practical experience for lasting impact.

The implications of the study suggest that enhancing financial literacy could lead to more informed financing and investment choices, ultimately fostering business growth and stability within the spaza shop sector. Furthermore, the study shows that while education plays a critical role in enhancing financial literacy, real-world experience is just as important in its application. Therefore, combining formal financial education with experiential learning opportunities, such as mentorship or financial management workshops, would better equip spaza shop owners to apply their financial literacy in practice. This approach is supported by Lusardi and Mitchell (2011), who argue that the practical application of financial knowledge is crucial for effective decision-making. Lastly, ongoing support and refresher programs could be

implemented to ensure that financial decision-making remains effective and adaptive to changing business environments, reflecting Huston's (2010) assertion that financial education must be complemented by continued practical experience for lasting impact. The overall implication of these recommendations is that fostering a financially literate community can enhance economic resilience and empower entrepreneurs to make better financial choices, which is vital for the sustainability of their businesses in a competitive marketplace.

5.5 Findings Conclusion

Based on the findings of the study, several key conclusions are drawn. Firstly, it is evident that financial literacy plays a crucial role in enhancing individuals' financing and investing decisions, as supported by Lusardi and Mitchell (2014), who found that higher financial literacy correlates with better financial outcomes and investment choices amongst various populations. Additionally, the study highlights that the level of education significantly influences how individuals apply their financial literacy, echoing findings by Bernheim et al. (2001), which indicate that education level is a strong predictor of effective financial decision-making. Finally, it was found that spaza shops do not fully implement financial management control measures, with their application varying according to the surrounding environment. This observation aligns with the research of Agyemang and Agyemang (2019), who noted that small businesses often struggle to apply effective financial management practices due to contextual factors, including socio-economic conditions. Overall, these findings emphasize the necessity for improved financial literacy education and tailored financial management practices to foster better economic decisions and outcomes, thus reinforcing the broader implications of financial literacy in both individual and business contexts.

5.6 Limitations of the study

This study proffers valuable insights into the financial literacy challenges and financial management practices of spaza shops, highlighting conditions in

Gamalakhe that are reflective of broader trends in South Africa and Africa. While the use of closed-ended questionnaires was efficient for data collection, it also presents an opportunity for future research. By incorporating open-ended questions or qualitative interviews, future studies can delve deeper into the diverse experiences and perspectives of participants, further enriching ones understanding of financial management controls in similar contexts across the continent.

5.7 Suggestions for further research

Based on the findings of this study, several suggestions for future research are proposed. Firstly, it would be beneficial to explore the long-term impacts of financial literacy training programs on the performance and sustainability of spaza shops, assessing whether improvements in financial decision-making translate into measurable business growth over time. Additionally, future research could investigate the interplay between financial literacy and other socio-economic factors, such as access to financial services, community support systems and local economic conditions, to gain a more comprehensive understanding of how these elements collectively influence entrepreneurial success. Furthermore, examining the role of technology in enhancing financial literacy, especially amongst younger entrepreneurs who may be more inclined to use digital tools, could provide valuable insights into innovative educational approaches. It would also be worthwhile to conduct comparative studies across different regions or types of informal businesses to identify best-practices and tailored strategies for improving financial literacy in diverse contexts. Lastly, qualitative research exploring the personal experiences and perspectives of spaza shop owners regarding their financial decision-making processes could complement quantitative findings and deepen the understanding of the factors influencing their choices.

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Appendix A: Questionnaire

PART A: DEMOGRAPHIC INFORMATION

Please mark 'X' in the box provided for answers applicable to you. (Only one answer should be given for each question).

1. Gender

- Male
- Female

2. Age group

- 20 years or below
- 21 to 30 years
- 31 to 40 years
- older than 40 years
-

3. Educational background

- Matric
- Higher certificate
- National diploma
- Bachelor's Degree
- Master's Degree
- PhD
- Other, specify _____

4. Work experience (Previous employment experience)

- 1 to 5 years
- 6 to 10 years
- 11 to 15 years
- More than 15 years

5. How many years has the business existed

- 1 to 2 years
- 3 to 4 years
- 5 to 6 years
- More than 7 years

6. Where does the business borrow money from? [Tick your option]

- Family and friends
- Commercial banks
- Venture capitalists
- Government agencies

7. Are you aware of the availability of the following source of finance for small township/rural businesses [Tick your option]

- Accelerated and Shared Growth Initiative for South Africa (ASGISA)
- Small Enterprise Development Agency (SEDA)
- Khula Enterprise Finance Limited (Khula)
- Small Enterprise Funding Agency (SEFA)
- National Empowerment Fund (NEF)
- Department of Small Business Development (DSBD)

PART B: FINANCIAL LITERACY AND FINANCIAL MANAGEMENT OF SPAZA SHOPS

Please indicate the option that best suits your opinion with an 'X', in a box which you deem appropriate.

- Strongly Disagree = 1
- Disagree = 2
- Neutral = 3
- Agree = 4
- Strongly Agree = 5

S/N		Statement	1	2	3	4	5
Financial Literacy (FL)							
a.	1	I have basic accounting knowledge					
b.	2	I can manage business finances as a sole proprietor					
c.	3	I understand the impact of inflation on my business and my pricing method					
d.	4	I have received training on book-keeping					
e.	5	I have the skills required to assess the financial outlook for the business.					
f.	6	I have skills to minimizing losses and place the business at profit level.					
g.	7	I have bought formal insurance for the shop's assets.					
h.	8	I understand the importance of a credit profile.					
i.	9	I can use math skills to account interest and premium on loan payments.					
Financial Planning and Budgeting (FPB)							
a.	1	The business prepares the budget at the beginning of the fiscal year and review at the year end					
b.	2	I prepare monthly income statements					
c.	3	Business considers forecast from previous ordering prices					
d.	4	Does the company list monthly expenses					
e.	5	I have a savings account					
Financing (F)							
a.	1	How likely is the business to consider taking a loan (Expansion or Stock)					
b.	2	The business considers the cost of borrowing (Interest rates before taking loan)					
c.	3	The business is fully aware with the process to acquire funding from institutions either retail bank or private lender					
d.	4	Is the business paying off any existing loan.					
e.	5	I can calculate the interest rates and loan payment term correctly					
Managing Financial Risks (MFR)							
a.	1	The business consistently compares management accounts on a predetermined basis, e.g., bi-annual, annual					
b.	2	An appointed response unit in case of emergency or break in.					

c.	3	Cash deposited weekly.					
d.	4	Burglar guards on cashier points and fence around the service counter.					
e.	5	Separate business bank account and personal bank account					
Financial control (FC)							
a.		Does the Spaza monitor their cashflow projections.					
b.	1	I can analyze the shops' financial performance.					
c.	2	I prepare monthly income statements.					
d.	3	I cash deposit money and double count the deposited cash.					
e.	4	If Shop is with assistants, Is there segregation of duties.					
Investing (I)							
a.	1	The business invests its surplus cash to generate more income in the future					
b.	2	The business invests its surplus cash to build/ buy more spaza shop outlets					
c.	3	There is strong alignment of the investing activities to the business going concern					
d.	4	The business buys new PPE as per depreciation					
Demand and Procurement of Stock (DPS)							
a.	1	Less than 3 suppliers used in the past 12 months.					
b.	2	Is stock purchased directly from the supplier					
c.	3	Does the shop partner with other shops to buy in bulk					
d.	4	Business has solid relationship with supplier					
e.	5	Business conducts a supplier evaluation quarterly.					
Market Share Sustainability (MSS)							
a.	1	Business has enough market share					
b.	2	Business meets targeted monthly sales value					
c.	3	Business can supply adequate stock to the market					
d.	4	Owners' daily presence to the business is of high importance					
e.	5	Business has a solid relationship with its customers					

The end. Thank you for your co-operation.

Appendix B



LETTER OF INFORMATION

Title of the Research Study: Financial literacy challenges and management of township spaza shops: The case study of Gamalakhe township spaza shops.

Principal Investigator/s/researcher: Mondli Brian Mkhize. ND: Accounting, BTech: Cost and management accounting.

Co-Investigator/s/supervisor/s: Shame Mugova, Ph.D., MBA

Brief Introduction and Purpose of the Study: The purpose of the study is to examine financial literacy challenging concepts such as budgeting, saving, and capital consumption which will help to establish the role and use of financial literacy to better business management tools for sustainable spaza shops.

Introduce yourself to the participant: I am a student at the Durban University of Technology doing a master's in business administration under the faculty of management sciences. I am focusing my dissertation on entrepreneurs that are running small businesses (spaza shops) that operate in Gamalakhe township.

Invitation to the potential participant: I would like to invite you to participate in my study to give in your insight and understanding on **financial literacy and business management**. Your input as an entrepreneur will be highly appreciated and could have a positive impact on many future business owners that are looking to be business owners.

Outline of the Procedures: The research will be investigating financial literacy challenges and management of spaza shops. The goal of this study is to help the owners of the small businesses operating in townships in understanding financial concepts that will help them manage their business money for the succession of their businesses. Participants are responsible for answering questions that are provided by the researcher. It is the responsibility of the researcher to seek participants, inform them of the study, and give all guidelines that will be adhered to throughout the study until completion. Data will be collected by the researcher for a month and a half which will be comprised of a total of five trips traveling to the research place. The survey will be done on the premises of the business owners to prevent them from conducting their daily business. There will be the use of notepads and recording devices to ensure that the researcher can transcribe information at a later stage.

Risks or Discomforts to the Participant: There are minimal risks for participants or discomforts.

Explain to the participant the reasons he/she may withdraw from the Study: The participant will not be held responsible for withdrawing from the research as they participate voluntarily. Should the participant request to withdraw from the research a drafted letter will be signed by both the participant and researcher. Under unforeseen circumstances, the research may be placed on pause and all involved stakeholders will be notified.

Benefits: The study will benefit spaza shop owners in terms of gaining financial literacy skills and identifying financial literacy-related challenges that hinder business sustainability. The benefit of the researcher will be research publications in accredited journals.

Remuneration: You will not receive any remuneration for participating in the study.

9 June 2022

Costs of the Study: You will not be expected to cover any costs towards the study.

Confidentiality: All information will remain confidential. The information will not be used for any other purpose other than this research study. There will be no identifying information of participants mentioned in the write-up of the dissertation.

Results: The results of the study will be kept safe for a minimum of 5 five years and can be accessed from the DUT (Durban University of Technology) library and online resources. Should there be relevant added information that comes up within the span of a minimum of five years, the participants shall be made aware. After five the recording devices will be crushed and those on paper will be shredded.

Research-related Injury: There will not be any compensation for any research-related injury because it is very unlikely that there will be any injury that occurred while answering the questionnaire.

Storage of all electronic and hard copies including tape recordings: The researcher will source new materials that will only be used for this research. Electronic data and manuals will be stored inside the researcher's backpack whilst gathering data. After recording the data, the resources will be stored in a steel safe that is six digits locked. After the study, the materials will be safely kept for a minimum of 5 years. Limited access will be granted to three stakeholders.

Persons to contact in the Event of Any Problems or Queries:

Researcher: (08). Mondli.ngunezi@gmail.com

Supervisor: Dr (061) MugovaS@gmail.com

Institutional Research Ethics Administrator: (031 373 2375).

Complaints can be reported to the Acting Director: Research and Postgraduate Support Prof K Motaung on TtiDirector@dut.ac.za

Once again, your participation of this study is voluntary. You may refuse to participate or withdraw from the study at any time with no negative consequences. Confidentiality and anonymity of records identifying you as a participant will be maintained by the University.

Thank you for participating.

Your assistance is greatly appreciated.



CONSENT

Full Title of the Study: Financial literacy challenges and financial management of selected spaza shops in KwaZulu Natal: A case study of Gamalakhe

Names of Researcher/s: Mondli Brian Mkhize

Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, Mondli Brian Mkhize, about the nature, conduct, benefits, and risks of this study - Research Ethics Clearance Number: IREC052/23.
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

Full Name of Participant Thumbprint	Date	Time	Signature /	Right
--	-------------	-------------	--------------------	--------------

I, Mondli Brian Mkhize herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

_____	_____	_____
Full Name of Researcher	Date	Signature
_____	_____	_____
Full Name of Witness (If applicable)	Date	Signature
_____	_____	_____
Full Name of Legal Guardian (If applicable)	Date	Signature

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EDITOR'S LETTER

Researchers Beyond-Borders (PTY) LTD
Umhlanga, Durban
South Africa
1 November 2024

To whom it may concern

Editing of Masters Dissertation: Mondli B. Mkhize (Student number -21606627)

Title of dissertation: Financial literacy challenges and financial management of selected spaza shops in KwaZulu-Natal: A case study of Gamalakhe

This letter serves as confirmation that the aforementioned dissertation has been language edited.
Any queries may be directed to the author of this letter.



Regards

Maleni Pillay
Researchers Beyond-Borders
consult@researchersbeyondborders.com
www.researchersbeyondborders.com



PROOF OF REGISTRATION To Whom It May Concern

09-Apr-2025

It is hereby confirmed that the under mentioned person is a registered student at DURBAN UNIVERSITY OF TECHNOLOGY.

Surname: MKHIZE
Student Number: 21606627
Registration Year: 2025
Block: POST-GRAD ANNUAL REGISTRATIONS
Department: ENTREPRENEURIAL STUDIES & MGMT

First Names: MONDLI BRIAN
Qualification: MMBAD1 M MANAGEMENT SCIENCES (BUS ADMIN)
Offering Type: Durban Campus Full-time
Period of Study: Study period 4
Faculty: FACULTY OF MANAGEMENT SCIENCES

Subject	Description	PreReq/Exp	Block	Class Group	Offering Type	Exam Year	Exam Month	Cancel	Amount
RSB451	Registration Fees/Levies P0 POST-GRAD ANNUAL REGISTRATIONS RESEARCH (4TH REGISTRATION)		P0	A	D1	2025	11	N	3250.00
								Subtotal:	3250.00
								Total:	3250.00

* Subjects with Requisites will be cancelled if the requisite rules are not met in mid-year exams. Refer to Department handbook.

Outstanding Balance: 35267.22

Please verify and rectify the above registration details with the Faculty Office to avoid academic and financial penalties before the dates published in the General handbook.

Faculty Officer



Institutional Research Ethics Committee
Research and Postgraduate Support Directorate
2nd Floor, Berwyn Court
Gate 1, Steve Biko Campus
Durban University of Technology

P O Box 1334, Durban, South Africa, 4001

Tel: 031 373 2375

Email: lavishad@dut.ac.za

http://www.dut.ac.za/research/institutional_research_ethics

www.dut.ac.za

27 November 2023

Mr M B Mkhize
P O Box 215
Scottburgh
4180

Dear Mr Mkhize

Financial literacy challenges and financial management of selected spaza shops in KwaZulu Natal: A case study of Gamalakhe
Ethics Clearance Number: IREC 052/23

The DUT-Institutional Research Ethics Committee acknowledges receipt of your final data collection tool for review.

We are pleased to inform you that the data collection tool has been approved. Kindly ensure that participants used for the pilot study are not part of the main study.

Please note that **FULL APPROVAL** is granted to your research proposal. You may proceed with data collection.

Any adverse events [serious or minor] which occur in connection with this study and/or which may alter its ethical consideration must be reported to the DUT-IREC according to the DUT-IREC SOP's.

Please note that any deviations from the approved proposal require the approval of the DUT-IREC as outlined in the DUT-IREC SOP's.

It is compulsory for a student or researcher to apply for recertification on an annual basis. The failure to do so will result in withdrawal of ethics clearance. It is the responsibility of the researcher and the supervisor to apply for recertification.

Please note that you are required to submit a Notification of Completion of Study form together with an abstract to the DUT-IREC office on completion of your study.

Yours Sincerely

Prof J K Adam
Chairperson: DUT-IREC