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SPAZA SHOPS

## Access to capital opens doors for entrepreneurs

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Spaza shop owner Ntombizonke Mkhize has a dream. Since securing a small loan last year, she has been able to buy new stock, hire two new employees and even open a new shop.

Speaking outside her spaza, Sisters Tuck Shop in the KwaZulu-Natal township of KwaMashu, Mkhize says the funding has helped her.

"I also sell 10kg maize meal now. I'll soon have my own supermarket – that's my dream," she says. For now, she is happy to be able to provide for herself, her son and their extended family.

Mkhize is part of a network of spaza shop owners benefiting from a special tranche of funding, to help them expand their businesses.

The lowly spaza shop is an oft-forgotten part of SA's retail supply chain. These informal convenience shops, the mom and pop stores where many South Africans stop for at least their daily milk and bread, operate across the country.

They are a critical part of the burgeoning township economy which is quickly turning into a battleground for market share: spaza owners can't compete on price or product selection with large retail chains and supermarkets.

Spaza shops also battle to get loans – and this is where businessman Ketso Gordhan comes in.

He is the head of the SA SME Fund, a vehicle that is dishing out money to small businesses.

The fund has over 50 corporate shareholders who together contributed R900m, and three public sector investors – the Public Investment Corp, the Unemployment Insurance Fund and the



Sisters are doing it for their neighbours: Ntombizonke Mkhize outside her shop

Funding dreams: how a small business fund has identified the oft-forgotten spaza shop as a way to grow new business

Compensation Fund, which have collectively committed R500m.

Gordhan says 10 months after its launch the fund has disbursed R1.2bn of the R1.4bn that it was entrusted with. The money was shared among its 11 subsidiary funds, which were already in existence at the initiation of this umbrella fund.

This week the SA SME Fund announced its investment in A2Pay, a fintech fund manager that focuses its attention on expanding the financial inclusion of spaza shops.

A2Pay has an existing partnership with the government through the Jobs Fund. With money from Gordhan's fund, it will distribute about R25m to roughly 1,500 spaza shop owners in the form of loans.

A group of nearly 50 spaza shop owners in KwaMashu are the

first to qualify, getting loans of between R25,000 and R50,000.

"So far we've extended 81 loans, amounting to R3m, to 46 beneficiaries," says A2Pay COO Tina Mason.

All the KwaMashu recipients repaid their original loans and some went on to take new loans to open new shops in different locations. "There was an 80% success rate with those ventures," she says.

The company says it was relatively simple to identify qualifying candidates from their 1,500-member database.

The fund is filling an important gap in funding for people like Nelisiwe Kunene, another of the beneficiaries of the A2Pay loan scheme.

"You would go to a bank and they would fail to approve you even for a R10,000 loan," says the single mother of two, speaking at her home in Lindelani, KwaMashu.

Banks, she says, fail to recognise spaza shop owners as professionals.

She sought funding for stock for

her first Spaza shop.

Previously, the people in her area would travel all the way to Durban, about 40 minutes away, to do grocery shopping.

Now they have the option of going to her shop. "And our prices are the same as big retailers, because we are able to buy in bulk."

"The whole community is benefiting, they used to spend time and money travelling to Durban – not anymore."

Kunene has other plans for growth to take her beyond just the spaza shop. She has purchased land in Verulam and plans to build cottages which she will rent out.

"I've managed to renovate my homestead and I am taking care of my brothers – we are all dependent on the money I make," she says. Her eldest daughter is employed at her recently opened second store.

Gordhan says the main objective of most of the loan recipients is to cover operational costs. Most were able to pay off their loans quickly and are already looking to



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invest in other businesses.

"People are very innovative as long as they have got access to capital," he says. "And if they can fund their operating costs, I think they can grow."

"One of the recipients says he will be buying an Uber car soon and will use his spaza shop as collateral for the loan," Gordhan says.

Ultimately, says Mason, the fund hopes to benefit up to 10,000 spaza shop owners nationwide, over a period of about 10 years.

A2Pay also provides coaching to these local entrepreneurs, to help them improve the running of their businesses.

Already, the combination of the loans, technology, and training has resulted in a 25%-30% sustained increase in their revenues, says Mason.

Gordhan says: "Our next logical step is to fund them with a warehouse so they can bulk-buy."

And he says there is more in store for the SA SME fund, which will announce new investments in the second half of the year.

"We have just started fundraising for the second fund. We are now talking to local and foreign investors to gauge interest." ✘



Helping hand: Mkhize and Ketso Gordhan in her Sisters Tuck Shop