COPYRIGHT AND CITATION CONSIDERATIONS FOR THIS THESIS/ DISSERTATION

- Attribution — You must give appropriate credit, provide a link to the license, and indicate if changes were made. You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

- NonCommercial — You may not use the material for commercial purposes.

- ShareAlike — If you remix, transform, or build upon the material, you must distribute your contributions under the same license as the original.

How to cite this thesis

THE IMPACT OF SHEBEENS ON THE LOCAL ECONOMY: EVIDENCE FROM SOWETO, SOUTH AFRICA

By:

KGOTSO MASOLA
(201220444)

Submitted in partial fulfilment of the requirements for the degree

Master of Commerce

in

LOCAL ECONOMIC DEVELOPMENT

in the

College of Business and Economic Sciences

at the

UNIVERSITY OF JOHANNESBURG

Supervisor: Ms Naiefa Rashied
Co-supervisor: Professor Marius Venter

May 2020
ACKNOWLEDGEMENTS

It is through God almighty that I had the opportunity and the ability to travel this journey, for which I am truly thankful. I would also like to extend my gratitude to the following people who made this journey possible.

- To my incredible supervisor, Ms Naiefa Rashied, for her patience, understanding and the countless contributions made in my studies.
- My co-supervisor Prof Marius Venter for his contributions.
- To the National Research Fund (NRF) for their continual financial support towards my studies.
- I also wish to extend my gratitude to the following individuals who supported me to this point:
  - My mom, Caroline Motlhabane, for her love and support.
  - My sister, Dikeledi Nzama, and her family, for supporting me through this journey.
  - My brothers, Sola and Aley Masola, for their continued support and love throughout this journey.
  - To Lesego Pooe and his family, for all their support during my academic journey.
  - To Thendo Movenda, for her words of wisdom, motivation and continued support.
- All my friends who encouraged and motivated me to the end.

I am truly grateful.
ABSTRACT

Shebeens have long-standing significance in South Africa’s political landscape. In the apartheid era, shebeens were used as a recreational and political space for black people since they were not allowed to access regulated liquor establishments. In addition, shebeens provided a stable source of income for women. However, despite their political significance, shebeens are typically associated with violence, risky sexual behaviour and crime. They are also associated with excessive drinking due to the availability of cheap alcohol. Despite the many negative associations with shebeens, the impact of shebeens on local economic development is less understood.

Using Tshepo500000 cross-sectional data collected in 2017 by ResearchGO at the University of Johannesburg (UJ), this research project investigates the perceived contribution of shebeens to the local economy of Soweto, South Africa. Findings from the study suggest that shebeens improve the economic wellbeing of owners and community members through informal employment. However, the study also shows that shebeens fulfil a similar function as other informal businesses, in terms of income. The study proposes ways to study shebeens further in order to understand their role in South Africa’s township economies.

**Keywords:** shebeens, local economic development, informal sector, economic wellbeing, township economy, Soweto
# TABLE OF CONTENTS

DECLARATION ................................................................................................................i
ACKNOWLEDGEMENTS ..................................................................................................ii
ABSTRACT ......................................................................................................................iii
ACRONYMS ...................................................................................................................viii

## SECTION ONE

1. Introduction ..................................................................................................................1  
   1.1 Background of shebeens .........................................................................................1  
   1.2 Research question and objectives .........................................................................2  
   1.3 Methodology ...........................................................................................................3  
   1.4 Significance of this study .......................................................................................3  
   1.5 Outline of the study ...............................................................................................4

## SECTION TWO

2. Literature Review .........................................................................................................5  
   2.1 Local Economic Development ...............................................................................5  
      2.1.1 Theories of LED .............................................................................................7  
      2.1.2 LED in South Africa .......................................................................................9  
   2.2 A brief history of shebeens ....................................................................................11  
   2.3 Shebeens in South Africa .......................................................................................12  
      2.3.1 Classification of shebeens in South Africa .......................................................13  
   2.4 The negative impacts of shebeens on local communities .......................................16  
      2.4.1 Excessive supply of alcohol ............................................................................16  
      2.4.2 Alcohol Use Disorders ....................................................................................17  
      2.4.3 Productivity and unemployment .....................................................................17  
      2.4.4 AUD and health .............................................................................................18  
      2.4.5 Crime and violence .........................................................................................19  
   2.5 Theories of addiction ..............................................................................................19  
   2.6 AUD treatment ........................................................................................................21
### SECTION THREE

3. Research Methodology ........................................................................................................... 23
   3.1 Introduction ............................................................................................................................. 23
   3.2 Research design .................................................................................................................... 23
   3.3 Data ....................................................................................................................................... 23
   3.4 Ethical clearance .................................................................................................................... 26
   3.5 Variables ............................................................................................................................... 26
      3.5.1 Type of informal business ............................................................................................... 26
      3.5.2 Reasons for business ownership ..................................................................................... 27
      3.5.3 Number of employees .................................................................................................... 28
      3.5.4 Annual turnover .............................................................................................................. 28
      3.5.5 Level of education ......................................................................................................... 28
      3.5.6 Savings ............................................................................................................................ 29
   3.6 Analytical framework ............................................................................................................ 29
      3.6.1 F-test ................................................................................................................................ 33
   3.7 Conclusion ............................................................................................................................. 33

### SECTION FOUR

4. Introduction ............................................................................................................................... 35
   4.1 Assumptions Testing: One-way ANOVA ............................................................................. 35
      4.1.1 Normality .......................................................................................................................... 36
      4.1.2 Homogeneity of variance ............................................................................................... 37
   4.2 Analytical research ............................................................................................................... 37
      4.2.1 Reason for operating ....................................................................................................... 37
      4.2.2 Employees ........................................................................................................................ 39
      4.2.3 Annual turnover ............................................................................................................. 40
      4.2.4 Education ....................................................................................................................... 42
      4.2.5 Savings ............................................................................................................................ 43
   4.3 Comparative research .............................................................................................................. 45
SECTION FIVE

5. Conclusion ........................................................................................................ 49
   5.1 Conclusion and recommendations ................................................................ 49
   5.2 Limitations .................................................................................................... 50
   5.3 Recommendations .......................................................................................... 50

REFERENCE LIST .................................................................................................. 51

LIST OF FIGURES

Figure 2.1: Drink Attainments Layout ................................................................. 13
Figure 2.2: Neighbourhood Establishment Layout ............................................. 14
Figure 2.3: Traditional Shebeen ......................................................................... 14
Figure 2.4: Conversational Shebeen Layout ....................................................... 15
Figure 2.5: Isloti Shebeen Layout ....................................................................... 15
Figure 3.1: Map of Soweto ............................................................................... 24
Figure 4.1: Level of Education ........................................................................... 43

LIST OF TABLES

Table 2.1: Scholarly Definitions of LED .............................................................. 6
Table 3.1: Number of Businesses .......................................................................... 27
Table 4.1: Test of Normality ................................................................................ 36
Table 4.2: Test of Homogeneity .......................................................................... 37
Table 4.3: Reason for Business Ownership ........................................................ 38
Table 4.4: Number of Employees ......................................................................... 40
Table 4.5: Annual Turnover ................................................................................ 41
Table 4.6: Savings ................................................................................................ 44
Table 4.7: ANOVA ................................................................................................. 45
Table 4.8: Post-Hoc tests .................................................................................... 46
LIST OF APPENDICES

Appendix A: Data Sharing Protocol ..........................................................58
Appendix B: Extract of the Tshepo1million questionnaire ................................64
Appendix C: Language Editing Certificate ...................................................65
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>Alcohol Anonymous</td>
</tr>
<tr>
<td>AUD</td>
<td>Alcohol Use Disorders</td>
</tr>
<tr>
<td>COGTA</td>
<td>Co-operative Governance and Traditional Affairs</td>
</tr>
<tr>
<td>GPG</td>
<td>Gauteng Provincial Government</td>
</tr>
<tr>
<td>IDP</td>
<td>Integrated Development Plan</td>
</tr>
<tr>
<td>IPAP</td>
<td>Industrial Policy Action Plan</td>
</tr>
<tr>
<td>LED</td>
<td>Local Economic Development</td>
</tr>
<tr>
<td>NDF</td>
<td>National Development Framework</td>
</tr>
<tr>
<td>NFLED</td>
<td>National Framework for Local Economic Development</td>
</tr>
<tr>
<td>SETA</td>
<td>Skills Education Training Authority</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>SMME</td>
<td>Small, Medium and Micro-Enterprise</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>SOWETO</td>
<td>South Western Townships</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UJ</td>
<td>University of Johannesburg</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
</tbody>
</table>
SECTION ONE

1. Introduction
1.1 Background of shebeens

Shebeens have long-standing significance in South Africa’s political landscape. They are commonly known as informal drinking establishments that serve both traditional beer (*umqombothi*) and commercially produced alcohol in South Africa. Globally, the alcohol industry is worth $1324.1 billion (Chowdhary, *et al.* 2019) and by conglomeration, South Africa has a rich tradition of alcohol enterprises and production, which is approximately worth $7603.3 million (Vellios & Van Walbeek, 2018).

However, several benefits and drawbacks are associated with these establishments. For instance, shebeens are known to be associated with crime, violence, the excessive supply of alcohol and risky sexual practices (Pitptan, *et al.* 2016).

Despite their negative connotations, shebeens continue to play an important role in township economies in South Africa. Over the years, shebeens have played an important role of alleviating poverty through generating income and employment (Drivdal & Lawhon, 2014). They provide recreational spaces for the elderly, offering opportunities for music and dance. This allows patrons to express themselves culturally and gives rise and support to local music. Shebeens also offer games like pool and table soccer, which help patrons relax and socialise while visiting these establishments (Charman, *et al.* 2013:581).

As small businesses, shebeens are considered an important driver of Local Economic Development (LED). LED is a process by which local community stakeholders (including local governments, community-based groups and the private sector) work together to manage existing resources to create jobs and stimulate the economy of a well-defined territory. It emphasises local control, using the potentials of human, institutional and physical resources (Leigh & Blakely, 2016).

In South Africa, LED approaches are outlined in the draft National Development Framework for LED 2017-2022 (Department of Provincial and Local Governance, 2013). Among these strategies, the national development framework promotes inclusive economies; these involve developing and supporting informal sectors,
township economic development, inclusive rural economy and expanded public works programmes (Department of Co-operative Governance and Traditional Affairs, 2016). Shebeens have the potential to reduce poverty in South Africa and improve the welfare of unemployed South Africans. They contribute to informal markets, which are characterised by ease of entry, family membership, dependence on local resources and small-scale operations (Gardyne, 2005). However, despite their prominence in South African townships, little is known about how shebeens contribute to the lives of South Africans.

1.2 Research question and objectives

Promoting inclusive economies is an integral part of empowering previously disadvantaged South Africans to reduce poverty, and one way to promote inclusive economies is through LED. Municipalities typically use the National LED Framework (NFLED) to drive economic inclusion in order to improve the economic and social welfare of all community members (Department of Provincial and Local Governance, 2011). According to Venter (2014:722), “It is generally believed that municipalities are the foot-soldiers of local economic development (LED)”. Despite the existing NFLED, communities across South Africa continue to face high rates of unemployment, increasing poverty and a lack of formal education, at varying levels. As a result, community members often try to empower themselves by creating their own entrepreneurial opportunities. Community members thus raise capital to start informal businesses such as shebeens, tuck-shops, car washes and fish and chips outlets to create a sustainable income for the unemployed. However, it is not known who these businesses employ, how much income is generated, or their relationship with other businesses in the area. More specifically, with over 80% of beer sold by South African Breweries (SAB) consumed in townships, there is little scholarly evidence of the impact of shebeens on the local economy (Tsoeu, 2009).

Shebeens are of particular interest in this discussion because they are typically associated with negative consequences in the mainstream literature. The aim of this research project was, inter alia, to examine the potential positive consequences of shebeens by investigating the following research question: How do shebeens positively contribute to
the local economy? The researcher investigated this question through the following sub-questions:

a. Do shebeens create an income for their owners?
b. How effective are shebeens at creating employment opportunities for community members, relative to other informal businesses?
c. How does shebeen-owner income compare with the income of other informal business owners?

1.3 Methodology

This research project used a unique dataset called Tshepo500000, gathered by ResearchGO at the University of Johannesburg (UJ), to identify township trends with respect to shebeens as part of the informal sector. The research report followed a quantitative method of study, whereby the data extracted from the Tshepo500000 were analysed using tables and figures. Furthermore, an analysis of variance (ANOVA) model was generated using the SPSS statistical software package to compare differences in income and other characteristics between shebeens and other informal businesses in Soweto.

In this research project, an informal business refers to groups of people who are self-employed in the informal or non-recognised part of the economy. Informal employment relates to people who work for those who are self-employed in the informal sector of the economy (Chen, 2012).

1.4 Significance of this study

This research project is important because it helps to identify whether and how shebeens contribute to inclusive economies through the informal sector. LED plays a significant role in ensuring there is economic growth and that poverty is reduced in local communities.
1.5 Outline of the study

Section One outlines the research problem. Section Two evaluates the relevant local and international literature related to the phenomenon under study. Section Three discusses the methodological approach used to investigate the impact of shebeens in the local economy of Soweto, followed by Section Four, in which the findings are discussed. Section Five concludes the research report and makes recommendations.
SECTION TWO

2. Literature Review

This section aims to provide an overview of the dominant themes in the literature related to informal businesses, LED, alcohol use and shebeens. The section begins by highlighting how informal businesses contribute to local economies, both nationally and internationally. Thereafter, the section explains how informal businesses contribute to LED. The section also explores theories of LED and how LED is applied in South Africa. Subsequently, theories related to alcohol use and shebeens are analysed concerning LED.

Informal businesses are defined as unregistered or unregulated businesses. According to Davies and Thurlow (2010:439), informal markets comprise of informal entrepreneurs who choose to operate unregulated businesses with the intention of making a profit. Informal businesses are regarded as drivers for LED in most developing countries. With its potential to create employment, the informal sector is often viewed as an appropriate tool for employment creation in the developing world and LED (Hoogedoorn & Visser, 2010:548). In South Africa, most participants in the informal economy are from lower economic classes (Charman, et al. 2015:37).

2.1 Local Economic Development

In response to localised social and economic problems, LED first originated in high-income countries as a result of the disappointing ‘top down’ strategy employed by most national governments (Rodríguez-Pose & Tijmstra, 2007). A ‘top down’ strategy is when the national government implements policies that would combat poverty and improve economic growth in the country. The main problem with this strategy is that it does not pay attention to localised problems that cause broader socio-economic issues, such as poverty; local areas and local authorities usually have little or no say in the strategies implemented. LED is thus implemented with the aim of achieving regional economic growth.
Different authors, depending on their contexts, define LED differently. Some of these definitions are provided in Table 2.1.

**Table 2.1: Scholarly Definitions of LED**

<table>
<thead>
<tr>
<th>Definition</th>
<th>Reference</th>
<th>Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Local Economic Development is a process where the local actors shape and share the future of their territory. We could define it as a participatory process that encourages and facilitates partnership between the local stakeholders, enabling the joint design and implementation of strategies, mainly based on the competitive use of the local resources, with the final aim of creating”</td>
<td>Canzanelli (2001:9)</td>
<td>Local partnership and control</td>
</tr>
<tr>
<td>“Local Economic Development (LED) is defined as a process in which partnerships between local governments, community-based groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well-defined territory. It emphasises local control, using the potentials of human, institutional and physical resources”</td>
<td>Helmsing (2001:64)</td>
<td>Local partnership and control</td>
</tr>
<tr>
<td>“Local economic development refers to the process in which local governments or community-based (neighbourhood) organizations engage to stimulate or maintain business activity and/or employment. The principle goal of local economic development is to stimulate local employment opportunities in sectors that improve the community, using existing human, natural, and institutional resources”</td>
<td>Blakely and Nancey (1994:xvi)</td>
<td>Employment creation</td>
</tr>
</tbody>
</table>
LED focuses on a specific area instead of a province or country. LED is a tool used to exploit opportunities that are available in regional sectors and could be used to combat poverty and enhance economic growth in that area. Furthermore, in low-income countries, LED is promoted to include those who were previously economically excluded (Rodriguez-Pose & Tijmstra, 2007).

In order to achieve economic growth and alleviate poverty in regional sectors, LED focuses on four specific aspects (Rodriguez-Pose & Tijmstra, 2007), namely:

- improving the competitiveness of local firms;
- attracting foreign investment;
- improving human capital and creating competitive workers; and
- improving local infrastructure.

### 2.1.1 Theories of LED

In addition to the four aspects of LED, there are several other theories that help us understand how LED may be applied and how its benefits can be realised. The following theories of LED ensure sustainable economic growth in local communities by ensuring employment creation, attracting investment and enterprise development (Plummer & Taylor, 2001). Insight into these theories will facilitate a more in-depth understanding of how shebeens contribute to local economies, with particular reference to South Africa.
I. **Growth Poles and Growth Centres**

The growth poles strategy focuses on investment in a specific region, in an attempt to inspire economic growth in the region and subsequently seek the economic wellbeing of inhabitants in that region (Parr, 1973). The strategy was proposed mainly to focus on combating particular economic issues in regional sectors. At the core of this theory is the notion of collective innovation by enterprises in regional sectors (Plummer & Taylor, 2005). This strategy was found to be effective in the mid-1960s in tackling regional problems in the United States.

II. **Competitive advantage theory**

This theory focuses on factors of production in the region. According to Plummer and Taylor (2005), if a region has competitive factors of production, such as human resources (skilled labour), knowledge resources, capital resources and infrastructure, the region will be productive and competitive in the relevant markets. Over the years, shebeens have improved their competitiveness by obtaining liquor licences and improving their facilities, upon obtaining licenses, they are called taverns (Plummer & Taylor, 2005).

III. **Enterprise Segmentation and Unequal Power Relations**

Large firms have dominance and control over resources (Plummer & Taylor, 2005). This means that small firms in regional sectors have less power related to the size of production. Plummer and Taylor (2005) suggest that networking between these enterprises can result in local firms dominating local resources and technology, which could improve local economic growth.

IV. **Learning Regions**

According to Landabaso, *et al.* (1999), a region’s ability to be innovative is dependent on the learning capacity of that region. A learning region represents the territorial and institutional attachments to learning organisations and interactive learning (Landabaso, *et al.* 1999).

Landabaso, *et al.* (1999) also state that learning, as an economic process, can subject the region to increasing returns by exposing the region to knowledge, which increases the possibilities and access to new knowledge. Knowledge and learning are emphasised as an essential aspect of local economic growth (Plummer & Taylor,
The learning region increases the competitiveness of small and medium enterprises (SMEs) in the region, improves skills and labour, and enhances innovations from entrepreneurs. However, most shebeen owners are not educated and do not receive any form of training; this makes it hard for them to be competitive in the market and come up with new and innovative ideas (McKeever, 1998).

2.1.2 LED in South Africa

In South Africa, LED emerged as a tool to correct the imbalances of the past and further address the issues of slow economic growth and high levels of unemployment. Moreover, LED was introduced to create a conducive environment where the state can effectively intervene at local level (Nel, 2001:1004).

During the apartheid era, LED theories where limited in scope and were mainly employed in the largest cities of South Africa (Rogerson, 2010:481). Moreover, fair policies of LED were introduced post-apartheid in South Africa. New LED theories and policies for improving LED in all South African municipalities were thus recognised in 1998 by the Department of Local and Provincial Government. However, even though new policies were introduced, there was still confusion about the role of LED and how it was meant to address poverty and unemployment (Rogerson, 2010:481). The confusion was caused by a misunderstanding of the actual role of LED and the relevant LED strategy meant to address these issues. Some policy makers recognised LED as the tool to develop a sustainable environment for economic activities, yet other policy members thought LED to be a tool that directly addresses unemployment issues through funding projects. This led to the introduction of the Local Economic Development Fund (LEDF), which intended to fund LED projects, aimed to reduce unemployment. This system was not efficient or sustainable. According to Rogerson (2010:483), the system was only beneficial to small projects, which, in most cases, would collapse because of financial mismanagement. Therefore, LEDF failed to have any sustainable long-term success (Rogerson, 2010:483).

The first National Framework for LED (NFLED) was developed during the year 2005-2006. The NFLED 2006-2011 was revised and replaced by the draft NFLED 2012-2017, which was then replaced by the draft NFLED 2017-2022. Moreover, within each
municipality, LED objectives and goals are contained in the Integrated Development Plan (IDP). The IDP is a process in which municipalities develop a five-year plan that includes an LED strategy to ensure economic and social development in the region (Abrahams, 2018:131). The IDP, together with the Industrial Policy Action Plan (IPAP,) was designed to address the goals of the National Development Framework (NDF) which aims to alleviate poverty and reduce inequality in South Africa (Harrison, 2001:189). The IPAP focuses on diversification of the economy, labour absorbing industrialisation, infrastructure development and movement to the knowledge economy. Compared to the IDP, the IPAP focuses on the national economy instead of the local economy. The IDP, including the LED strategy, is also reviewed annually and should include details on how the municipality intends to improve the welfare of community members. This plan requires a comprehensive understanding of the region with respect to potential opportunities and how these opportunities may be realised (Abrahams, 2018:131). Policy makers must ensure that the IDP addresses the problems faced by the community and its members. In so doing, the IDP must be formulated to ensure that it addresses the objectives of the LED pillars, which were introduced by the Department of Co-operative Governance and Traditional Affairs (COGTA). These pillars involve:

- building diverse and innovation-driven local economies;
- developing inclusive economies;
- enterprise development and support;
- developing learning and skilful economies;
- economic governance and infrastructure; and
- strengthening local systems of innovation.

The LED pillars were formulated based on the LED theories (Department of COGTA, 2017) in order to promote social and economic development in South Africa. The pillar of interest in this research project is the second one, namely developing inclusive economies. In this regard, shebeens, like other informal businesses, play an essential role in LED by creating informal employment.
2.2 A brief history of shebeens

Shebeens are unregistered informal and illicit establishments that sell alcohol in a specific local community (Charman, et al. 2014:32). Unlike taverns, that supply alcohol legally, shebeens were classified as illegal because they sold home-brewed alcohol. This alcohol is associated with increased harm due to the use of unknown dangerous impurities and contaminants during the brewing process (Onya, et al. 2012:1). Globally, “shebeen” is an Irish word meaning “illicit liquor” (Charman, et al. 2014:32). Historically, illicit trade resulted in the formalisation of many established alcohol enterprises through the age of “bootleggers” (United States (US)) and “cottage brewers” (Canada, United Kingdom (UK)). Illicit trading throughout the 20th century was a result of mostly state regulations and control, which were met with great resistance. The US 18th Amendment of 1920 intended to restrict alcohol enterprises or transactions, thereby unintentionally promoting the trade and distribution of illicit alcohol (Thornton, 1991).

In the UK, illicit alcohol trading began in the 1930s (Tebbutt & Bourne, 2014). This came about because of the few Africans who migrated to the UK and were not allowed to visit regulated alcohol outlets. This particular group of migrants raised enough capital to form beer gardens in Manchester, which were subsequently frequented by the few Africans in the country (Tebbutt & Bourne, 2014). In the 1950s, these establishments became even more popular in Manchester, as more citizens began to visit the beer gardens. These establishments made a significant contribution to music, as musicians would visit these places to perform and write music (Evans & Shaw, 2004).

The evolution of the alcohol industry and the African consumer has a similar timeline. In most African countries, there was a prohibition on the use of alcohol by African people in the late 1980s (Ndabandaba, 1990). Despite Africans having their own traditional beer recipe, passed down for centuries, the ban was placed because the consumption of traditional beer was believed to decrease the productivity of workers (similar to the US Prohibition Act of 1920) (Ndabandaba, 1990). The irony of the ban was that alcohol was used by the owners of capital as a tool to entice African workers into accepting lower wages in mines, particularly in Johannesburg and wine farms in Cape Town.
2.3 Shebeens in South Africa

Shebeens, in South Africa, originated in the 1950s (Ndabandaba, 1990) and most South Africans assume the word “shebeens” is a South African IsiZulu word, meaning ‘affordable alcohol’. This is because, during the 1950s, IsiZulu-speaking women would sell alcohol to mine workers at low prices after work hours on street corners. At this stage, black people were allowed to buy alcohol at regulated outlets. By 1896, black people were prohibited from consuming European alcoholic spirits and drinking at upper class bars. It was believed that if black people consumed high levels of alcohol, they would not be productive at work, particularly in the mines. This led to black people resorting to setting up informal drinking establishments, particularly in South African townships (Ndabandaba, 1990).

Thereafter, shebeens became a popular recreational space for black people in South Africa (Ndabandaba, 1990:33). These establishments were used as a social setting for black people to consume alcohol in a relaxed environment. Moreover, during the era of apartheid in South Africa, black politicians also used shebeens as private venues for political meetings.

Women, with the intention of creating employment for themselves and sustaining their poor African households, typically operated shebeens. These women were referred to as “shebeen queens” (Rogerson & Hart, 1986). The beer sold in most shebeens was traditional African beer made from sorghum. According to Ndabandaba (1990), shebeen owners would design their establishments according to their target market; those who were targeting black elites, tycoons and professionals would make their shebeens neat and professional, with most of these establishments set up in renovated houses. These types of shebeens often sold commercially produced alcohol. Those establishments who targeted general workers, including teachers, police officers and nurses, would be set up in less-developed houses and would usually be unkept. In these places, the prices of alcohol were lower than in those targeting black elites. Shebeens that catered for general workers were predominantly set up in dilapidated houses. These kinds of classifications still exist today (Charman, et al. 2014), as described next.
23.1 Classification of shebeens in South Africa

Shebeens across South Africa come in a variety of different layouts and have different purposes, most of which relate to leisure activities. The development of social classes and different lifestyles among black people brought about different classes of shebeens (Rorich, 1989:79). This led to the creation of different types of shebeen settings to accommodate varying clients. Each shebeen layout is described below.

- Drink attainments: In these establishments, alcohol is the primary source of revenue. Recreational facilities like televisions, music, and pool tables play an important role in these establishments and young adults typically frequent drink attainments. Figure 2.1 presents a visual outline of drink attainments.

- Neighbourhood establishment: These are public spaces for local residents. Pool tables and soft music are common, and most people visit these places to socialise with other people. These establishments sell commercially produced alcohol.
Traditional shebeens: Owners usually build different structures within their yards for customers. These venues specialise in home-brewed traditional alcohol. Commercially produced alcohol is seldom sold in these venues.

Conversational shebeens: These shebeens lack recreational facilities and are generally visited by elderly clients who use the facility to sing gospel songs.
Isloti shebeens: Pool tables serve as a primary source of revenue. Although alcohol is sold in these establishments, it is consumed in small quantities.

In its effort to suppress the African community and secure municipal revenues, the apartheid government of South Africa created competition for shebeens called ‘beer gardens’, which were registered with local municipalities. Subsequently, these establishments were paying taxes, unlike shebeens. Beer gardens were met with significant resistance, and local shebeen queens began to insight people to burn them down. Beer halls were also threatening the revenue of poor African households. Using this network of resistance to their advantage, commercial producers and suppliers of
alcoholic products, such as the SAB, created a robust distribution network in the township. Since South African law prohibited black people from consuming commercially produced alcohol, as per the Liquor Product Act 60 of 1989, this distribution network provided commercial alcohol products to black people more easily (Mager, 1999).

The existence of shebeens in modern South Africa is thus justified by regulations put in place by the state against alcohol trading during apartheid (Drivdal & Lawhon, 2014). As per the Gauteng Liquor Act 59 of 2003, alcohol-serving venues must be at least 500 meters away from places of worship, schools, recreational facilities, treatment centres and public institutions. Furthermore, the venue should be zoned for business operations. However, these requirements are challenging for shebeen owners to adhere to as most operate from their homes.

2.4 The negative impacts of shebeens on local communities

Although shebeens are known to improve the welfare of their owners, they are known to present some economic adversities. The aim of this section is to outline these adversities by drawing on the existing literature.

2.4.1 Excessive supply of alcohol

Shebeens primarily supply alcohol that is not recorded by the state. According to Rehm and Poznyak (2015), globally, alcohol that is not recorded amounts to approximately 25% of all alcohol consumption. Unrecorded alcohol includes alcohol that is originally not produced for human consumption, alcohol that is produced at home, or alcohol that is obtained from any illegal source (Rehm & Poznyak, 2015). Unrecorded alcohol is most prevalent in low-income countries, mainly because traditional alcohol is cheap to brew and affordable for the poor. This creates high consumption of alcohol that is not recorded by the state. Furthermore, because most shebeens are not regulated, the state finds it hard to monitor the operations of these establishments; therefore, shebeens trade at any time they please and are not subject to the rule of law as opposed to formal liquor establishments (Watt, et al. 2012). This creates a high volume of alcohol supply and clients can access alcohol during any time of the day. Although it is not possible to
quantify the exact amount of alcohol sold in shebeens, the excessive supply of alcohol in local communities can potentially lead to alcohol use disorders (AUDs) (Williams et al, 2014:1955).

2.4.2 Alcohol Use Disorders

An AUD is defined as a pattern of alcohol consumption that involves problems controlling alcohol consumption, continuing to use alcohol even when it causes problems, or having withdrawal symptoms when the individual stops or decreases alcohol consumption (Schuckit, 2009). AUD can lead to many individual-level problems; it is known to result in financial distress as AUD patients often use most of their earnings to consume alcohol (Rehm, et al. 2009:2225). In fact, most go to the extent of borrowing money for the sake of alcohol consumption. According to Schuckit (2009), in most cases, AUD is likely to cause addiction, which is defined as a continuing, relapsing disorder that is justified by a compulsion to seek drugs or alcohol (Koob, 2011). The term ‘addiction’ also means to be dependent on or enslaved by a substance. This means that an individual cannot cope without the substance, and their body cannot function well without the substance. Becker and Murphy (1988:675) suggest that addiction is not only limited to substances; one can be addicted to gambling, sexual activities or even the internet.

Shebeens play a significant role in AUD. According to Scott-Sheldom, et al. (2014), shebeens supply alcohol at lower prices, which makes alcohol more easily accessible. Furthermore, since shebeens are unregulated, their operating hours are not governed, making alcohol available at any time. These conditions make it easy for people to access alcohol, which could lead to uncontrolled patterns of alcohol consumption.

2.4.3 Productivity and unemployment

AUDs have a significant negative impact on individuals and local communities as a whole. According to Osilla, et al. (2010), AUDs often cause a loss of productivity in work environments, which could result in job losses. Individuals who misuse alcohol are likely to indulge in alcohol the day before work, and this leads to individuals waking up sick or too tired to be at work. Those who manage to get to work are usually tired and less productive. Ásgeirsdóttir, et al. (2016) state that there is a significant positive
relationship between alcohol misuse and unemployment. Therefore, shebeen owners need to monitor their operating hours to ensure that they supply alcohol moderately.

2.4.4 AUD and health

AUD impacts individual health adversely; it can cause multiple problems to individuals by damaging body tissue and organs, causing psychological disorders, alcohol dependency and other substance dependencies (WHO, 2014). AUD can also cause liver injury and other chronic diseases that negatively impact the brain (Suzanne & Kril, 2014). Furthermore, alcohol misuse has a direct link with risky sexual behaviours that could result in being infected with HIV/AIDS as individuals who misuse alcohol are likely to become promiscuous and attract sexually transmitted diseases (Seth, et al. 2011). Risky sexual behavior describes the act that will increase the chances that a person will take part in a sexual activity with another person infected with sexually transmitted infections (Massman-Moore et al, 2010:968). This kind of risky behaviour is popular in shebeens. Those who meet new partners in shebeens are likely to indulge in sexual activities on the premises, either using public toilets or dark corners where they will not be seen. According to Seth, et al. (2011:132), those who meet new sexual partners at shebeens are likely to repeat such acts with different sexual partners. Kekwaletswe & Morojele (2014:78) concur that this increases the risks of attracting sexually transmitted diseases.

Survival sex in shebeens is also popular (Wojcicki, 2002). In these cases, females frequent shebeens because they are hoping to meet males who will give them money in exchange for sex. These unemployed women claim to be trying to provide for their families. In other cases, females allow males to buy them alcohol in shebeens and in return, males expect to indulge in sexual activities with them.

Most shebeens do not offer contraceptives that protect clients from sexually transmitted diseases (Seth, et al. 2011); however, Douglas-Jones (2014) found that shebeen owners do provide condoms in shebeen toilets, but individuals choose not to use them. Moreover, after indulging in alcohol, it is said that sexual desires become stronger, which results in high levels of exposure to sexually transmitted diseases such as HIV/AIDS (Kekwaletswe & Morojele, 2014:78).
2.4.5 Crime and violence

According to Charman, *et al.* (2014), shebeens have other negative impacts on the local communities apart from the excessive supply of alcohol. Shebeens are seen as places that represent a lack of safety as they create a suitable environment for criminal activities to take place. It has been observed that shebeens often group individuals with different backgrounds and characters in the same environment, which includes gangsters, drug dealers and sex workers (Faull, 2013). In such environments, illegal activities are bound to take place.

Shebeen customers are also likely to be victims of crime when they travel home. According to Masuku (2004), victims of night-time street muggings are often males walking home from shebeens. Shebeen owners are also exposed to crime; because shebeens are informal, they transact mainly using cash, making them victims of armed robbery (Herrick & Charman, 2013). Shebeens are also exposed to unauthorised police raids, which cause a loss of capital for shebeen owners.

It has also been found that violence is likely to occur in or around shebeens (Phetlo, *et al.* 2013). Herrick and Charman (2013) reported that most shebeens do not have a security system that ensures the safety of its clients. As a result, people visit shebeens armed with different kinds of weapons. In addition, high alcohol consumption is associated with domestic violence, particularly against children and women. According to Mazibuko and Umejesi (2015), males who consume excessive amounts of alcohol likely physically abuse their families, and women who visit drinking venues are likely to be abused by their spouse.

2.5 Theories of addiction

The aim of this section is to discuss foundational theories that explain alcohol use and misuse to understand drinking patterns.

I. Behavioural Theory

The behavioural theory suggests that people consume alcohol because they choose to do so. In most cases, people consume alcohol because they were influenced at an
early age (Taylor, 2000). This is more relevant to impressionable youngsters who are vulnerable to the environment in which they grow up. People often consume alcohol because of peer pressure or because they grew up around adults who consume alcohol (Stude et al, 2014:15). According to this theory, people seek more alcohol after the initial consumption due to the addictive properties of alcohol.

II. **Attachment Theory**
An interconnected relationship between the child and the caregiver has an impact on how people react to stress and distress (De Rick, et al. 2009). This theory suggests that external actions by the caregiver under distress influence how children react when they face problems (Bretherton, 1985:6). Therefore, if a caregiver responds to distress by indulging in alcohol, the child will likely react in the same way as they mature (Gilligan & Kypri, 2012:11). Furthermore, if caregivers visit shebeens with a child, the child is likely to indulge in alcohol at an early age.

III. **Delueze’s Theory of Addiction**
This theory postulates that people become addicts because of the problems or challenges they face. According to Oksanen (2013), although stress and depression contribute significantly to people’s alcohol consumption, it does not necessarily mean that individuals immediately become addicts. Delueze’s theory suggests that addiction is a process rather than a static disorder. Although addiction is strong, it is a disease that is formed over time. Individuals do not consume alcohol for the first time and become addicts. Instead, the time they spend consuming alcohol and the quantity of alcohol they consume cause them to fall into the trap of addiction (Oksanen, 2013). Their bodies become accustomed to this substance and eventually becomes dependent on it. This disease develops until the body is fully dependent on alcohol. This means that individuals initially do not lack complete control over addiction as it is still weak. Only once the addiction becomes strong, does an individual lose their sense of control over it. Therefore, if discovered early, it can be rectified. Based on this theory, shebeens are therefore not responsible for addiction, yet their presence stimulates addictive behaviour as they supply alcohol.
IV. **Intrusion theory**

According to the intrusion theory, alcohol misuse is a result of strong craving and desire (Kavanagh, *et al.* 2005). This theory suggests that thoughts are the main drivers of cravings and defensive pleasures, and negative effects usually accompany desires of alcohol consumption. According to Kavanagh, *et al.* (2005), the intrusion theory is based on the following assumptions:

- The more individuals think about alcohol consumption, the more their alcohol cravings increase.
- Greater intensity or craving for alcohol over the week would result in more alcohol consumption over the weekend.
- People with depression and melancholy have stronger cravings for alcohol.

Shebeens create an environment that supports many of the abovementioned theories, since they do not have specified operating hours and individuals can access alcohol in these establishments as and when their cravings overwhelm them. While this theory does not suggest any direct relationship between alcohol misuse and shebeens, shebeens can be seen as a catalyst to encourage alcohol misuse as they supply alcohol at lower prices and provide easy access.

2.6 **AUD treatment**

There are different treatments available for AUD. Donnelly (2011) proposed two methods, namely replacement therapy and aversion therapy to treat AUDs and drug addiction. Replacement theory is characterised by substituting a harmful substance with a non-harmful substance that offers the same results as the harmful substance. However, this treatment is based on the assumption the individuals will eventually stop using the substance. Conversely, the aversion theory involves the use of a completely different treatment that reacts negatively to the substance to which individuals are addicted. Kaskutas (2009) claims that psychological interventions, such as Alcoholics Anonymous (AA), are also made available to individuals with AUD, to help reduce alcohol misuse and create an environment of support.
Despite these different treatment options, the availability of shebeens makes it difficult for people to overcome their addiction. According to Toomey, *et al.* (2017), shebeens often sell alcohol to already intoxicated customers and those already suffering from AUD. This results in persistent issues of alcohol misuse. Although this is seen as a social problem, shebeen owners maintain that their aim is to improve their welfare and the welfare of society by creating informal employment and providing entertainment and cultural recreation in the community (Rogerson & Hart, 1986). Despite the adverse health consequences that usually accompany this goal, their aim is in line with the objectives of LED.

### 2.7 Conclusion

This section intended to provide an overview of the dominant themes in the literature related to informal businesses, LED, alcohol use and shebeens. The section began by highlighting how informal businesses contribute to local economies, both nationally and internationally. Thereafter, the section explained how informal businesses contribute to LED and explored theories of LED and how LED is applied in South Africa. Thereafter, theories related to alcohol use and shebeens were analysed with respect to LED. The section that follows explains the methodology that was used in this research project.
SECTION THREE

3. Research Methodology

3.1 Introduction

This section describes the methodology employed in this research project. The section begins by presenting the research approach taken, the tools used to collect the necessary data, and the econometric techniques used to analyse the data.

3.2 Research design

A quantitative research design was used in this research project to measure the extent to which shebeens act as a catalyst for LED in Soweto. A qualitative study involves an interpretive, naturalistic approach to its subject matter, meaning that the researcher studies things in their natural setting and attempts to bring meaning to them through interpretation (Njie & Asimiran, 2014:35). An advantage of the design is that it provides rich information at the individual level, which forms the basis for more complex follow-up empirical inquiries. The data used in this research project was gathered by Tshepo500000 data collectors using convenience sampling. Convenience sampling, also referred to as accidental sampling, is a non-random sampling technique were members of the target population who meet the inclusion criteria, such as accessibility, geographical proximity, availability at a given time and willingness to participate, are invited to participate in the study (Etikan, et al. 2016:2). The method followed by Tshepo500000 makes this dataset reliable for this study. Therefore, convenient sampling was used in this research project because it is time and cost-effective.

3.3 Data

The researcher made use of wave 1 of the Tshepo500000 dataset (currently known as Tshepo1Million), which was collected in 2015. The Tshepo1Million data is cross-sectional in nature and was collected at one point in time from different individuals and households around the Gauteng province. Using a survey instrument, this dataset was collected by ResearchGO at UJ. The Tshepo1Million dataset is a provincial survey of 49 777 individuals from South Western Townships (SOWETO), Diepsloot, Alexandra,
Thembisa, Ivory Park, Katlehong, Thokoza, Orange Farm, Shoshanguve and Mamelodi. The survey examines a number of social and economic issues faced by the respondents. The data collectors applied a Computer Aided Personal Interviewing (CAPI) for the field work. They conducted face-to-face interviews using portable electronic devices, such as a tablet, from which survey questions were read, and responses were captured by the data collectors. Enumerators also captured location data after the interview. This research project only focused on the dataset that was collected in Soweto, which is home to over 1.2 million people; it is the largest township in South Africa and is around 200.03 km² in size. Figure 3.1 depicts a map of Soweto. The interest of studying shebeens in Soweto arose from the researcher residing in Soweto and seeing the trends of alcohol use and the number of shebeens in the area. Therefore, the researcher developed an interest in studying the impact of shebeens in Soweto.

![Figure 3.1: Map of Soweto](source: SA venues, 2017)

Tshepo500 000 (currently known as Tshepo1Million) is a youth skills empowerment initiative funded by the Gauteng Provincial Government (GPG). This initiative was introduced in 2014, with the purpose of empowering young people to collect data as a
form of employment. The Tshepo1Million project is funded with approximately R5 million per annum, by the GPG. The intention is to co-fund initiatives with the private sector and the Sector Education and Training Authority (SETA) to support and accelerate more extensive and new opportunities. To achieve their youth empowerment goals, Tshepo1Million employs youth in four different ways, namely:

- Demand-led learning, which involves training and skills development, depending on market demand.
- Transitional placement, which refers to paid work performed on a temporary basis, for the sake of developing experience.
- Decent jobs, which refer to paid work on contract, but on a full-time employment basis.
- New economy or SMMEs, which refer to the facilitation of a young entrepreneur establishing and operating a new enterprise.

Cross-sectional data are data with one or more variables collected at one point in time (Gujarati & Porter, 2003:99). Cross-sectional data is crucial because it is often used to determine commonness at a certain point in time (Levin, 2006:24). In this case, all data from the respondents were taken at a specific point in time, in 2015. Cross-sectional research is useful in terms of measuring effect. For example, respondents exposed to a particular intervention could be analysed at a different point in time to determine the effectiveness of the intervention. There is only one group assessed at a particular point in time and the researcher could have numerous outcomes from that dataset. Another advantage of cross-sectional studies is that they are cheaper and quicker to conduct relative to panel data studies. However, a key demerit of cross-sectional research is that a rare phenomenon (typically over time) cannot be efficiently and effectively studied, regardless of sample size. In terms of this research project, cross-sectional data were useful because it helped the researcher understand how shebeens contributed to Soweto’s local economy in 2015.
3.4 Ethical clearance

For ethical purposes, Tshepo1Million followed a data sharing protocol. This protocol was developed to facilitate the legal, secure depersonalisation, analysis and sharing of information between all stakeholders involved. In addition, it was developed to ensure that users of the data understand the basics of ethical practice while working with this data. For a copy of the data sharing protocol, refer to Appendix A. Ethical clearance was also obtained through the Faculty of Humanities Ethical Clearance Committee.

Due to the nature of the Tshepo1Million project, data gatherers made use of convenience sampling. Convenience sampling is non-random sampling where members of the population who meet specific criteria, such as accessibility, availability at the point of data gathering, and willingness to participate, are invited to participate (Etikan, et al. 2016:2). Data collectors worked mainly in the Gauteng province and surveyed informal business owners in their own areas of residence. Therefore, this research project does not make inferences about the South African population; instead, it comments on the specific areas concerned, namely Soweto.

3.5 Variables

3.5.1 Type of informal business

The Tshepo500 (now Tshepo1Million) dataset captured different types of businesses that are owned by individuals across informal settlements around Gauteng province. Informal businesses were categorised, and individuals were asked to select from the various categories. A binary strategy was employed in this questionnaire as individuals provided a value of 1 if they owned a type of a business, and 0 otherwise. For the purpose of this research project, shebeen owners were selected as the main variable of interest. Individuals were asked whether they owned shebeens in Soweto. Shebeen owners were assigned a value of 1, and remaining respondents were assigned a value of 0. The dataset had 9 963 respondents across Soweto, all of whom owned different types of informal businesses. The informal businesses selected for this study included shebeens, tuck-shops, car washes, and fish and chips shops.
Table 3.1: Number of Businesses

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shebeens</td>
<td>146</td>
<td>10.9</td>
<td>10.9</td>
<td>10.9</td>
</tr>
<tr>
<td>Tuck-Shop</td>
<td>843</td>
<td>63.0</td>
<td>63.0</td>
<td>73.9</td>
</tr>
<tr>
<td>Fish &amp; Chips</td>
<td>308</td>
<td>23.0</td>
<td>23.0</td>
<td>96.9</td>
</tr>
<tr>
<td>Car Wash</td>
<td>41</td>
<td>3.1</td>
<td>3.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1338</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s compilation

The total number of tuck-shop owners in the sample was 843, car washes was 41, fish and chips shops was 308, and shebeens was 146. The sample size in this research project was 1338. From this sample, Table 3.1 shows that the least prominent business in Soweto was car washes, at 3.1% of the frequency, followed by shebeens at 10.9%. The majority of the sample contained tuck-shops (63%), followed by fish and chips shops (23%).

3.5.2 Reasons for business ownership

The Tshepo1Million dataset also included reasons for business operations as part of the survey instrument. The variables were categorical, and each category is listed as follows:

- Because I was unemployed
- To supplement my current income
- There was an opportunity
- To empower the community
- Other

Investigating the reasons for business ownership was important in this research project because it facilitates an understanding of the reasons why shebeens persist
even though authorities attempt to shut them down. Furthermore, investigating the reasons for business operations helped the researcher to compare these reasons with those of other informal businesses.

### 3.5.3 Number of employees

According to Hussmanns (2004:4), informal businesses have the potential to create informal employment in local communities. Investigating the number of employees in each informal business was critical in order to compare the employment created by shebeens with the employment created by other informal businesses. The variable for number of employees was divided into four categories, namely 0 employees, 1 – 5 employees, 6 – 10 employees, and 11 – 20 employees.

### 3.5.4 Annual turnover

The Tshepo1Million dataset provided information on the informal businesses’ annual turnover. The information was categorised into five groups. The first group generated R0.00 – R4999.99 per annum, the second group generated R5 000.00 – R19 999.99 per annum, the third group generated R20 000.00 – R39 999.99, the fourth group generated R40 000.00 – R79 999.99, and the last group generated over R80 000.00 per annum.

### 3.5.5 Level of education

Tshepo500000 provided information on the level of education for each business owner. The information included those who did not have any formal education, those who had primary education (Grade 0-7), those who had higher education (Grade 8-10), and those who had Grade 11-12. It also included tertiary education such as college certificates, technikon and university graduates and other postgraduate qualifications.
3.5.6 Savings

The dataset also contained information on savings. This variable was binary, taking the value of 1 if the individual business owner was saving, and 0 if they were not. Another variable captured the level of savings for each person. The first category was savings with banks, the second category was savings with non-banking institutions, including stokvels, savings at home and other forms of saving.

During the data cleaning process, data points that did not make sense or had errors were excluded from the dataset. For example, with the income variable, all data points marked as R0.00 for income who reported greater than R0.00 for expenses were excluded from the analysis as they were found to be inconsistent. A similar procedure was used for annual and monthly turnover. Regarding savings, respondents who did not provide any information about their savings were also omitted from the dataset. Those who did not mention the reasons for business ownership were represented in the “other” category.

3.6 Analytical framework

A parametric technique was employed in this research project to compare shebeens with other informal businesses in Soweto. Unlike non-parametric tests, parametric tests assume an underlying statistical distribution in the data. Therefore, for a one-way ANOVA model to hold, each sample should follow a normal distribution and the variance should be homogeneous. Non-parametric tests do not rely on these underlying assumptions; they often lack statistical power when compared to parametric tests, particularly when the sample size is low (Whitley & Ball, 2002:513). ANOVA is appropriate in dealing with categorical variables. This project used the one-way ANOVA model to compare shebeen turnover and the turnover of other informal businesses in Soweto. The benefit of using a one-way ANOVA was that the researcher was able to make a reliable comparison from the categorical dataset.

ANOVA is a statistical technique used to investigate and explore the differences between the dependent variable and the group of independent variables. A statistical technique is used to determine if two or more population means are the same.
Should the population means be the same, treatment factors have the same impact across the population. This technique is thus used to measure if the means of the independent variables are the same.

The ANOVA technique makes two assumptions. The first is the normality assumption, which tests if the residuals are normally distributed. The second assumption relates to the homogeneity, which tests if the residuals are equal. The principle of ANOVA is that the total variation is divided into two parts; one attributed to a specific cause, which is known as the variation between the estimates, and one which is attributed to a chance, which is known as a variation within the estimates (Bower, 2000). The main purpose of ANOVA is to see if two or more population means are equal, and to determine the differences between the “within the sample” estimate and the “between the sample” estimate. The measure used for variability in ANOVA is known as a mean square (Von Neumann, et al. 1941:154), which is illustrated by equation (2).

\[
\text{Mean square} = \frac{\sum (Y_i - \bar{Y})^2}{n - 2}
\]

ANOVA models can be a two-way or a one-way model. A two-way ANOVA model has two treatment factors (Fujikashi, 1993:316) and the one-way ANOVA analysis has one treatment factor or measurement factor. A measurement factor is used to investigate if there are different effects on different groups. For example, in a medical study, ANOVA can be used to investigate if a drug has the same effect in different groups, such as “males” and “females”. The “drug” is regarded as a measurement factor or treatment factor. Therefore, the model would then be a one-way model. However, if the study has two factors, that is “drug” and “time”, then the study would have two measurement factors, and the model would then be referred to as a two-way ANOVA. This research project had one factor, namely annual turnover, and aimed to investigate the difference between shebeens, tuck-shops, car washes and fish and chips shops. Therefore, a one-way ANOVA model was used.

The model compared the variances of two or more groups for one dependent variable. With a one-way ANOVA model, there is one measurement per factor and this factor is assigned to a group. To compute this mathematically, it must first be assumed that
there is no difference between the groups, that is, the group means are the same. This would be illustrated using the following model:

\[ x_{.4} = \mu + e_{.4} \] (3)

Where \( \mu \) is the population mean, and \( e_{.4} \) is the error term, generally caused by measurement error. If there is a difference between the groups, the model is then illustrated by

\[ y_0 = \tau; + \mu + e_0 \] (4)

Where:

\( \tau; \) is the measurement factor.

This research project used annual turnover as a measurement factor to draw a comparison between the informal businesses. \( k=1 \ldots K \), \( k=g(n) \) is an indicator function where, if \( k=g(n) \), the \( n\)th function is assigned to the \( k\)th group. \( \mu \) is the grand mean; that is, the mean of all means (Smith, et al. 1997:1610). The grand mean is used to make a comparison against other variances from the independent variables. In order to obtain the grand mean, the calculations below are followed.

Firstly, the total variance in the dataset is calculated. The total variance observed in the dataset can be estimated using the following model.

\[ s^2 = \frac{\sum_{AB^*}^F}{\text{OBI}} \] (5)

Where:

\( s^2 \) is the standard deviation,
\( y_i \) is the \( i\)th observation,
\( n \) is the number of observations,
\( y^* \) is the mean of the \( nth \) observation.
In the above equation, the numerator is also known as the sum of squares, and in the ANOVA model, it is also known as the total sum of squares. Therefore, the total sum of squares equation is estimated using equation (4).

\[ SS_K = \sum_{0}^{0} (y - y^*) = \]  \hspace{1cm} (6)

The denominator in the total variance equation represents the degrees of freedom that are associated with the mean variable, which is denoted by \((n-1)\). The sample variance is also referred to as the mean square because it is obtained by dividing the sum of squares by the degrees of freedom. Therefore, the total mean square is denoted using the following equation:

\[ MS_K = \frac{''p}{\%\&\{*'p\}} = \frac{''p}{0BI} \]  \hspace{1cm} (7)

Where:

\( SS_T \) is the total sum of squares.
\( n-1 \) is the degree of freedom.

For a perfect model that passes through all observed data points, the total sum of squares (\(ssr\)) equals the model sum of squares (\(ssr\)). For an imperfect model, where there is unobserved data, we need to account for the error term, using the following equation:

\[ SS_Q = \sum_{0}^{0} e^2 = \sum_{0}^{0} (y - y^*) = \]  \hspace{1cm} (8)

Where:

\( SS_\varepsilon \) is the sum of errors.
\( e^2 \) is the error term.
\( n \) is the number of observations.
Therefore, the analysis of variance is calculated using the following model.

\[ SS_K = SS_R + SS_Q \]  

(9)

3.6.1 F-test

The ANOVA test uses the F-distribution, and the information about the variance of each population (within) and the grouping of the population (between) to help conclude if there is a difference between the population means and the grand mean (Nei, 1977:256). This comparison is important to measure if the treatment factor has the same impact across all groups. Investigating the difference in this research project enabled the researcher to indicate whether shebeens had the same effect as other informal businesses on the income generation of the business owner. The F-test equals the residual sum of squares divided by the model sum of squares. This is denoted using the model:

\[ F_T = \frac{U^\prime V}{U^\prime W} = \frac{\sum d}{\sum w/(nB=)} \]  

(10)

Where:

- \( F_0 \) is the F-statistics
- \( MSR \) = is the residual sum of squares.
- \( MSE \) = model sum of squares.

For a simple regression, F-statics has 1 degree of freedom on the numerator that is \((n-1)\) and 2 degrees of freedom on the denominator, thus \((n-2)\).

3.7 Conclusion

The aim of this section was to discuss the research method employed in this project. This section showed that a quantitative method was used to investigate the impact of shebeens on the economy of Soweto. A cross-sectional dataset, obtained from Tshepo1Million, was used to run an ANOVA model that enabled the researcher to
compare shebeens and other informal businesses in Soweto. Furthermore, the data were analysed using graphs and tables to draw the comparison between shebeens and other informal businesses.
SECTION FOUR

4. Introduction

This section aims to analyse the economic impacts of shebeens on the local economy of Soweto. Shebeens and other informal businesses are examined, such as tuck-shops, car washes and fish and chips shops, to a) ascertain whether shebeens have any kind of economic impact in the area, and b) compare the economic impact of shebeens relative to the economic impact of other informal businesses. Here, economic impact refers to the effect that shebeens have on the financial wellbeing of community members in Soweto. This includes the impact of shebeens on informal employment in Soweto, the levels of savings by the owners of these establishments and the level of income received by shebeen owners. As discussed in the previous sections, the researcher made use of the following variables for comparison: the annual turnover of these informal businesses, level of savings, number of employees, reasons for operation, and level of education. Furthermore, the research project made use of the one-way ANOVA test to compare shebeens’ turnover with other informal businesses’ turnovers. In order to employ this technique in this project, the researcher had to ensure that the dataset met the ANOVA assumptions. According to Keselman, et al. (1998:4), every parametric statistical tool is based on a set of assumptions, and a violation of these assumptions may lead to a misuse of the tool. Violation of ANOVA assumption can lead to either a type 1 error, where the null hypothesis is falsely rejected, or a type 2 error, where the null hypothesis is falsely accepted (Kim, 2017:22). The next section tests whether the assumptions of the one-way ANOVA were satisfied by the data collected for this project.

4.1 Assumptions Testing: One-way ANOVA

The ANOVA test is underpinned by two key assumptions, namely normality and the homogeneity of variance. It is crucial for this test to meet the normality assumption for the inferences to be reliable. Furthermore, if the normality assumption is not met, the power of the test becomes low for an appropriate alternative value against the null hypothesis (Gali, 2015:2). Similarly, the homogeneity assumption should be met for
inferences to be reliable. Failure to meet the homogeneity assumption could lead to a biased t-test when the large sample is associated with the large group size. This will influence the level of significance for the t-test and subsequently lead to false rejection of the null hypothesis (Ramsey, 1980). The following sections test the data to ensure that these assumptions are, in fact, met.

4.1.1 Normality

Hypothesis testing in ANOVA is conducted using the $F$-test, which is based on the assumption that the data are taken from a normally distributed population, where the error term ($e_i$) is a normal random variable with the mean value of zero and the variance and infinite variance (St & Wold, 1990:127). If data are not normally distributed, ANOVA would be an inappropriate technique for analysis, unless the central limit theorem (CLT) is applied. With the CLT, if there are large numbers of independent variables, the distribution of their sum becomes normally distributed as the number of such variable increases indefinitely (Gujarati & Porter, 2004:99). The following null hypothesis is followed to test for normality.

H$_0$: Data are not normally distributed.
H$_1$: Data are normally distributed.

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Shapiro-Wilk Statistic</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Shebeens</td>
<td>0.195</td>
<td>145</td>
<td>0.1371</td>
</tr>
<tr>
<td>Tuck-Shop</td>
<td>0.220</td>
<td>843</td>
<td>0.1189</td>
</tr>
<tr>
<td>Fish &amp; Chips</td>
<td>0.626</td>
<td>308</td>
<td>0.1978</td>
</tr>
<tr>
<td>Car Wash</td>
<td>0.735</td>
<td>41</td>
<td>0.9541</td>
</tr>
</tbody>
</table>

Source: Reseracher's compilation

Table 4.1 represents the normality test results. The p-values of the car washes, tuck-shops and fish and chips shops are 0.1189, 0.1978 and 0.9541, respectively. Therefore, the null hypothesis is not rejected, and it can be concluded that there is no
sign of misspecification as the p-values are greater than the significant level of 0.05. This suggests that the data sampled are normally distributed.

### 4.1.2 Homogeneity of variance

This assumption implies that the residual variance is the same in all groups. This was important in this research project to ensure the reliability of the results. The largest and smallest variances within groups should not differ by more than one order of magnitude. The reason for assuming homoscedasticity is that the residuals are pooled in order to provide an estimate of the variance that can be used for all groups simultaneously (Stahle & Wold, 1989:12). The following null hypothesis is used in this test.

**H0**: Equal variances.

**H1**: No equal variances.

#### Table 4.2: Test of Homogeneity

<table>
<thead>
<tr>
<th>Income</th>
<th>Levene Statistic</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on Mean</td>
<td>4.048</td>
<td>3</td>
<td>1333</td>
<td>0.067</td>
</tr>
<tr>
<td>Based on Median</td>
<td>2.868</td>
<td>3</td>
<td>1333</td>
<td>0.065</td>
</tr>
<tr>
<td>Based on Median and with adjusted df</td>
<td>2.868</td>
<td>3</td>
<td>633,488</td>
<td>0.066</td>
</tr>
<tr>
<td>Based on trimmed mean</td>
<td>2.895</td>
<td>3</td>
<td>1333</td>
<td>0.074</td>
</tr>
</tbody>
</table>

Source: Researcher's compilation

Table 4.2 provides homogeneity test results, with a p-value of 0.067 based on the mean. Therefore, the null hypothesis is not rejected. These calculations suggest that the dataset used in this study is suitable for a one-way ANOVA test.

### 4.2 Analytical research

#### 4.2.1 Reason for operating

This section examines the reasons for business ownership by informal business owners.
Table 4.3: Reason for Business Ownership

<table>
<thead>
<tr>
<th>Reason for business ownership</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>1336</td>
<td>99.9</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>To survive</td>
<td>541</td>
<td>40.4</td>
<td>40.5</td>
<td>40.5</td>
</tr>
<tr>
<td>Because I was unemployed</td>
<td>419</td>
<td>31.3</td>
<td>31.4</td>
<td>71.9</td>
</tr>
<tr>
<td>To have income while I'm unemployed</td>
<td>113</td>
<td>8.4</td>
<td>8.5</td>
<td>80.3</td>
</tr>
<tr>
<td>Supplement my formal income</td>
<td>23</td>
<td>1.7</td>
<td>1.7</td>
<td>82.0</td>
</tr>
<tr>
<td>Had a good business idea</td>
<td>97</td>
<td>7.2</td>
<td>7.3</td>
<td>89.3</td>
</tr>
<tr>
<td>To take advantage of government opportunities</td>
<td>4</td>
<td>0.3</td>
<td>0.3</td>
<td>89.6</td>
</tr>
<tr>
<td>To empower our community</td>
<td>29</td>
<td>2.2</td>
<td>2.2</td>
<td>91.8</td>
</tr>
<tr>
<td>Invited by a friend or neighbour to join</td>
<td>99</td>
<td>7.4</td>
<td>7.4</td>
<td>99.2</td>
</tr>
<tr>
<td>Started as a hobby then decided to pursue it</td>
<td>11</td>
<td>0.8</td>
<td>0.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>1338</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>2</td>
<td>0.1</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s own calculations

Table 4.3 shows that the main reasons for individuals to operate a business is because they needed to survive. Of the respondents, 40.5% of all business owners opened a business because they wanted to survive. This was followed by 31.4% of business owners saying that they were operating businesses because they were unemployed, and 8.5% indicated that they were operating businesses because they wanted to supplement their formal income. Table 4.3 also indicates that 7.3% of business owners were operating their business because they saw a good opportunity and 7.4% were invited by friends to operate the business.

With a high unemployment rate of 27% in South Africa (Statistics South Africa, 2018:6-8), most people who are unemployed try to find an informal means to generate an income. As a result, informal business is usually a solution for unemployed people in
townships, such as Soweto. According to Bothma and Blaauw (2003:40), people who are unable to find employment in the regulated market usually find a means of survival in the informal sector. The above statistic confirms that most business owners start their businesses for reasons related to economic ‘survival’.

A secondary finding is that some who start informal businesses use it to supplement the income from current employment. From Table 4.3, it is observed that, at the time of the project, 8.4% of informal business owners in Soweto operated businesses because they wanted to supplement their income.

4.2.2 Employees

In this section, the number of employees is compared per type of informal business in Soweto to obtain more insight into employment creation related to informal businesses in Soweto.

Table 4.4 shows that 26%, 62.5%, 29.3% and 39.3% of shebeens, tuck-shops, car washes and fish and chips shops respectively had no employees. Table 4.4 also shows that 68.5% of shebeens in Soweto had 1-5 employees, 36.5% of tuck-shops had 1-5 employees, 53.7% of car washes and 55.5% of fish and chips shops had 1-5 employees, respectively. This suggests that shebeens are among the informal businesses that provide the most employment. Table 4.4 also shows that only 5.5% of shebeens, 1.2% of tuck-shops, 17.4% of car washes and 5.2% of fish and chips shops had 6-20 employees. This suggests that car washes may be more labour-intensive than other forms of businesses in the sample. Table 4.4 shows that shebeens have the potential of addressing pillar 2 of local economic development, that is, developing an inclusive economy. Table 4.4 shows that shebeens have the ability of creating employment, this creates an inclusive local economy.

Running a shebeen also requires a fair amount of labour as the owner must deal with intoxicated people, necessitating employees who are able to assist. Similarly, informal takeaways, such as fish and chips shops, are seldom industrialised and thus require manpower to assist with essential business activities such as the peeling, chopping and frying of potato chips.
Table 4.4: Number of Employees

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>No. of Employees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>1 to 5</td>
</tr>
<tr>
<td>Shebeens</td>
<td>38</td>
<td>100</td>
</tr>
<tr>
<td>Count</td>
<td>% within Type of Business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>26.0%</td>
<td>68.5%</td>
</tr>
<tr>
<td>Tuck-Shop</td>
<td>527</td>
<td>306</td>
</tr>
<tr>
<td>Count</td>
<td>% within Type of Business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>62.5%</td>
<td>36.3%</td>
</tr>
<tr>
<td>Fish &amp; Chips</td>
<td>121</td>
<td>171</td>
</tr>
<tr>
<td>Count</td>
<td>% within Type of Business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>39.3%</td>
<td>55.5%</td>
</tr>
<tr>
<td>Car Wash</td>
<td>12</td>
<td>22</td>
</tr>
<tr>
<td>Count</td>
<td>% within Type of Business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>29.3%</td>
<td>53.7%</td>
</tr>
<tr>
<td>Total</td>
<td>698</td>
<td>599</td>
</tr>
<tr>
<td>% within Type of Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>52.2%</td>
<td>44.8%</td>
</tr>
</tbody>
</table>

Source: Researcher’s own calculations

4.2.3 Annual turnover

This section analyses the annual turnover of the informal businesses sampled in Soweto.
According to Table 4.5, 4.1% of shebeens, 7.6% of tuck-shops, 12.2% of car washes, and 12.7% of fish and chips shops had an annual turnover of R0.00 – R250.00 per annum. According to Charman, et al. (2017:43), this annual turnover is below the minimum turnover of R12 600.00 that informal businesses make. Table 4.5 also shows that 4.1% of shebeens had an annual turnover of R1 500.00 – R1 499.00, compared to 9.7% of tuck-shops, 7.3% of car washes, and 7.8% of fish and chips shops. Furthermore, 9.6% of shebeens in Soweto, 12.6% of tuck-shops, 16.4% of car washes and 22% of fish and chips shops had an annual turnover of R1 500.00 – R4 999.00, which is below the threshold of R12 600.00 defined by Charman, et al. (2017:43).
Table 4.5 presents that 16.4% of shebeen respondents in Soweto had an annual turnover of R5 000.00 – R19 999.00, compared to 15.7% of tuck-shops, 26.8% of car washes and 17.2% of fish and chips shops. Furthermore, 6.8% of shebeen owners, 8.7% of tuck-shop owners, 9.8% of car wash owners, and 5.5% of fish and chips shop owners reported an annual turnover of R20 000.00 – R39 999.00, respectively. This is above the minimum threshold defined by Charman, et al. (2017:43).

According to Charman, et al. (2017:43), at most, informal businesses have a turnover of R54 000.00 per annum. Table 4.5 shows that 14.4% of shebeens in Soweto, 6.9% of tuck-shops, 7.3% of car washes and 7.3% of fish and chips shops had an annual turnover of R40 000.00 - R69 999.00. The table also shows that 22.6% of shebeens, 5.9% of tuck-shops, 2.4% of car washes and 3.2% of fish and chips shops in Soweto had an annual turnover of R70 000.00 – R199 999.00. This is above the highest turnover defined by Charman, et al. (2017:43). Finally, 21.9% of shebeens in Soweto, 32.7% of tuck-shops, 12.2% of car washes, and 35.1% of fish and chips shops had an annual turnover of R200 000.00 – R399 999.00. Moreover, most of the business owners had a turnover above R20 000.00 per annum. This was consistent across all four businesses.

4.2.4 Education

This section looks at the level of education of informal business owners in Soweto.

Figure 4.1 shows that, among the sampled business owners, few did not have any education. Figure 4.1 shows that 16.4% of shebeen owners had no education, 7.1% of tuck-shop owners did not have any education, 10.6% of fish and chips shop owners and 4.9% of car wash owners had no education. Across all businesses, the majority of business owners had grade 8-12 level of education. As illustrated, 76% of shebeen owners and tuck-shop owners held grade 8-12 level of education, whereas 87.8% of car wash owners, and 66.9% of fish and chips shop owners held a grade 8-12 level of education.
Figure 4.1:  Level of Education
Source: Researcher's calculations

Figure 4.1 also shows that very few university graduates open informal businesses in Soweto. Only 6.2% of those who had university qualifications owned shebeens in Soweto and 5.2% of those who held university qualifications owned tuck-shops. Furthermore, 4.9% of car wash owners and 3.8% of fish and chips shop owners reported having a tertiary education.

4.2.5 Savings

This section examines the savings from business ventures. Although we cannot quantify the amount that is saved by these business ventures, the percentage of business owners who save is considered.
Table 4.6: Savings

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Not Saving</th>
<th>Saving with banks</th>
<th>Stokvel or community savings</th>
<th>Funeral plan or burial</th>
<th>Hospital plan</th>
<th>Pension plan</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shebeens</td>
<td>Count</td>
<td>24</td>
<td>78</td>
<td>17</td>
<td>19</td>
<td>0</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>% within Type of Business</td>
<td>16.4%</td>
<td>53.4%</td>
<td>11.6%</td>
<td>13.0%</td>
<td>0.0%</td>
<td>0.7%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Tuck Shop</td>
<td>Count</td>
<td>389</td>
<td>278</td>
<td>67</td>
<td>82</td>
<td>2</td>
<td>2</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>% within Type of Business</td>
<td>46.1%</td>
<td>33.0%</td>
<td>7.9%</td>
<td>9.7%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Fish &amp; Chips</td>
<td>Count</td>
<td>103</td>
<td>132</td>
<td>40</td>
<td>30</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>% within Type of Business</td>
<td>33.4%</td>
<td>42.9%</td>
<td>13.0%</td>
<td>9.7%</td>
<td>0.0%</td>
<td>0.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Car Wash</td>
<td>Count</td>
<td>15</td>
<td>22</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>% within Type of Business</td>
<td>36.6%</td>
<td>53.7%</td>
<td>7.3%</td>
<td>2.4%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>531</td>
<td>510</td>
<td>127</td>
<td>132</td>
<td>2</td>
<td>4</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>% within Type of Business</td>
<td>39.7%</td>
<td>38.1%</td>
<td>9.5%</td>
<td>9.9%</td>
<td>0.1%</td>
<td>0.3%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Source: Researcher’s own calculations

Table 4.6 suggests that some informal business owners do not save, while others save, either formally or informally. Table 4.6 indicates that only 16.4% of shebeen owner respondents, 46.1% of tuck-shop owners, 33.4% of fish and chips shop owners and 36.6% of car wash owners respectively did not save. Of those who saved, 53.4% of shebeen owners in the sample saved formally with banks. Similarly, 33% of tuck-shop owners, 53.7% of fish and chips shop owners and 38.1% of car wash owners saved with banks. Table 4.6 also shows that the majority of these business owners did not have pension funds or hospital cover.
4.3 Comparative research

This section analyses the results obtained from the one-way ANOVA test. This test was computed using the Statistical Package in Social Science (SPSS) software, with the intention of comparing shebeen owners’ income with other business owners’ income, namely tuck-shops, fish and chips shops and car washes.

In order to compare the impact of shebeens and other businesses, monthly personal income variables were used across all four businesses. This data were also obtained from the Tshepo1Million dataset. This led to the following hypothesis:

**Null hypothesis 1**: There is no significant difference between income earned by shebeen owners and other business owners, namely, tuck-shops, car washes and fish and chips shops.

<table>
<thead>
<tr>
<th>Table 4.7: ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Source</strong>: Researcher’s compilation</td>
</tr>
</tbody>
</table>

Table 4.7 tells us whether there is a significant difference between the income earned by shebeen and other business owners. The p-value between groups is 0.015, which is less than the significant level of 0.05. Therefore, the researcher rejects the null hypothesis and concludes that there are significant income differences across different businesses owners.

To confirm whether differences occurred across all businesses, a post-hoc ANOVA test was used to determine which means are different from each other (Hilton & Armstrong, 2006:35). This led to the following hypotheses:
**Null hypothesis 2**: There is no significant difference between income earned by shebeen owners and income earned by car wash owners.

**Null hypothesis 3**: There is no significant difference between income earned by shebeen owners and income earned by tuck-shop owners.

**Null hypothesis 4**: There is no significant difference between income earned by shebeen owners and income earned by fish and chips shop owners.

**Table 4.8: Post-Hoc tests**

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Hochberg</th>
<th>Mean Difference (I-J)</th>
<th>Std. Error</th>
<th>Sig.</th>
<th>95% Confidence Interval Lower Bound</th>
<th>95% Confidence Interval Upper Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuck-Shop</td>
<td>Shebeens</td>
<td>2256.060</td>
<td>775.998</td>
<td>0.022</td>
<td>211.47</td>
<td>4300.65</td>
</tr>
<tr>
<td>Fish &amp; Chips</td>
<td></td>
<td>2637.753</td>
<td>869.300</td>
<td>0.015</td>
<td>347.33</td>
<td>4928.17</td>
</tr>
<tr>
<td>Car Wash</td>
<td></td>
<td>3037.278</td>
<td>1526.724</td>
<td>0.250</td>
<td>-985.31</td>
<td>7059.87</td>
</tr>
</tbody>
</table>

Source: Researcher’s Compilation

**Table 4.9: Descriptive Statistics Income**

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>95% Confidence Interval Lower Bound</th>
<th>95% Confidence Interval Upper Bound</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shebeens</td>
<td>145</td>
<td>5117.77</td>
<td>16798.115</td>
<td>1395.007</td>
<td>2360.43</td>
<td>7875.10</td>
<td>0</td>
<td>200000</td>
</tr>
<tr>
<td>Tuck-Shop</td>
<td>843</td>
<td>2861.71</td>
<td>8073.073</td>
<td>278.051</td>
<td>2315.95</td>
<td>3407.46</td>
<td>0</td>
<td>200000</td>
</tr>
<tr>
<td>Fish &amp; Chips</td>
<td>308</td>
<td>2480.01</td>
<td>3395.145</td>
<td>193.456</td>
<td>2099.34</td>
<td>2860.68</td>
<td>0</td>
<td>37464</td>
</tr>
<tr>
<td>Car Wash</td>
<td>41</td>
<td>2080.49</td>
<td>2550.120</td>
<td>398.262</td>
<td>1275.57</td>
<td>2885.40</td>
<td>0</td>
<td>12000</td>
</tr>
<tr>
<td>Total</td>
<td>1337</td>
<td>2994.49</td>
<td>8655.656</td>
<td>236.720</td>
<td>2530.11</td>
<td>3458.88</td>
<td>0</td>
<td>200000</td>
</tr>
</tbody>
</table>

Source: Researcher’s Compilation
Table 4.8 shows the results of the post-hoc test. The post-hoc analysis is carried out to assess which differences are significant (Benavoli, et al. 2016:1). This analysis was conducted in this research project to show which informal businesses are different from shebeens. The table shows that the p-value between shebeens and tuck-shops is 0.022, which is less than the significant value of 0.05. Therefore, the null hypothesis is rejected and there is a difference between shebeen owners’ income and tuck-shop owners’ income. Table 4.9 shows that the mean income for shebeens was R5 117.77, which is higher than the tuck-shop owners’, which was R2 861.71 per month, as per Table 4.9.

Table 4.8 further shows that the p-value between shebeens and fish and chips shops is 0.015, which is less than 0.05. Therefore, the null hypothesis is rejected, and the researcher concludes that there is a difference in shebeen owners’ income and fish and chips shop owners’ income. This is further justified by Table 4.8 showing that the shebeen owners’ income of R5 117.77 is higher than that of fish and chips owners, of R2 480.01.

However, Table 4.8 depicts different results for car washes. The p-value for car washes and shebeens is 0.25, which is greater than the significant value of 0.05. Therefore, the researcher does not reject the null hypothesis. This can be justified by Table 4.9 showing an income earned by car wash owners of R2 080.49, which higher than that of tuck-shop owners and fish and chips shop owners.

Table 4.7, 4.8 and 4.9 depict that there is a significant difference between income earned by shebeen owners and income earned by other informal businesses. However, Table 4.8 shows that there is no significant difference between income earned by shebeen owners and car wash owners. From the above tables, it is evident that shebeen owners earn more income compared to other informal business owners.

### 4.4 Conclusion

This section analysed the findings obtained from this project. The section indicated that the data used in this study were suitable for the ANOVA model by meeting the normality and the homogeneity assumptions. The findings from this study reflected
that there is a significant difference between income earned by shebeen owners and other informal business owners. From the post-hoc test, this section presented that shebeen owners earn a significantly different income than tuck-shop owners and fish and chips shop owners. This suggests that shebeens are more financially lucrative than car washes, tuck-shops and fish and chips shops.

This research project also presented the reasons for businesses ownership. Like other informal businesses, it was found that shebeen owners operate shebeens mainly for survival reasons and a lack of employment. Furthermore, this research project showed that shebeen owners are able to save more than other business owners. The following section concludes this research project.
SECTION FIVE

5. Conclusion
5.1 Conclusion and recommendations

The aim of this research project was to establish how shebeens contribute to the local economy of Soweto. This was determined by examining the employment and income-generating ability of shebeens compared to other informal businesses, namely car washes, tuck-shops and fish and chips shops. The second aim was to investigate the difference between the income earned by shebeen owners compared to the income earned by other informal businesses. This indicates whether shebeens are more profitable compared to tuck-shops, fish and chips shops, and car washes.

This research project did not investigate the negative aspects of shebeens; therefore, conclusions in this regard are not included. It was found that shebeens contribute to employment in Soweto, as evidenced by the number of jobs these establishments create. Shebeen owners are able to save formally and informally from their shebeen earnings, making them suitable business establishments. Of the sample, a large proportion of shebeen owners established shebeens because they were looking for a source in income and because they were unemployed. This suggests that shebeens are not established to intentionally harm society.

The second part of this research project compared the difference between income earned by shebeen owners and income earned by other informal businesses in Soweto, such as car washes, tuck-shops, and fish and chips shops. The findings reflected that there is a significant difference between income earned by shebeen owners and income earned by tuck-shop owners, as well as fish and chips shop owners, meaning that the income earned by shebeen owners is not the same as the income earned by other informal businesses. The income earned by shebeen owners is more than the income earned by tuck-shops and fish and chips shop owners, suggesting that shebeens are more profitable than tuck-shops and fish and chips shops; making them an attractive form of informal business in townships, like Soweto.
Therefore, shebeens affect the local economy of Soweto by creating informal employment for the community, creating an income stream for shebeen owners and providing future financial security to shebeen owners through their savings. This suggests that shebeens make a positive contribution to the economy of Soweto.

5.2 Limitations

This research project had a few limitations. Firstly, the dataset used in this research had an array of weaknesses. The data did not capture important variables that would have allowed the researcher to compare shebeens with other informal sectors more effectively. Variables such as profit and cost of business operations would have improved the accuracy of this project. Also, information on the quantity of alcohol sold on these premises would have improved the accuracy of this project. Furthermore, the income variable in the Tshepo500 000 dataset was not cross-verified using secondary measures by the data collectors. The data are thus limited to Soweto and Gauteng, which means that inference is limited to these areas. Since convenience sampling was used, there are likely to be many biases that could potentially affect the reliability of the findings in this study. Furthermore, the data provided little insight into the deeper trends of shebeens, such as shebeen traffic, purchasing strategies and business models.

5.3 Recommendations

Further research is needed to better understand the operational aspects of shebeens. More reliable and detailed datasets could prove beneficial to investigating shebeens in greater depth. From a policy point of view, this research project shows that shebeen owners operate shebeens because they do not have any other form of income. This implies that the reasons for establishing shebeen operations stem from a problem of unemployment. This challenge of unemployment needs to be prioritised in townships like Soweto, and South Africa in general, to reduce the number of informal businesses that potentially harm society.


area census approach to measure the township informal economy in South Africa. 

economy of Ivory Park, Johannesburg." *Mean streets: Migration, xenophobia and 
informality in South Africa, Southern African Migration Programme, Cape Town*.

in Informal Employment Globalizing and Organizing (WIEGO) working paper.

Chowdhary, P., and Bharagava, N., 2019. *Toxicity, Beneficial aspects and treatment 
of alcohol industry wastewater*. In *Emerging and Eco-Friendly Approaches for 
Waste management*, 83-97. Springer, Singapore

Department of Corporate Governance. 2016. National Development Framework for 
LED.

Department of Provincial and Local Governance. 2013. National Development 
Framework.


Douglas-Jones, I.M., 2014. *The willingness of tavern and shebeen owners in Gqebera, 
Port Elizabeth to implement or strengthen existing HIV prevention efforts and 
measures in their establishments* (Doctoral dissertation, Stellenbosch: Stellenbosch 
University).

attachment system: an empirical study of attachment style, alexithymia, and 
psychiatric disorders in alcoholic inpatients. *Substance Use & Misuse*, 44(1):99-
114.


Drivdal, L. and Lawhon, M., 2014. Plural regulation of shebeens (informal drinking 

Emerson, R.W., 2018. MANOVA (Multivariate Analysis of Variance): An Expanded 
Form of the ANOVA (Analysis of Variance). *Journal of Visual Impairment & 


Hussmanns, R., 2004. Measuring the informal economy: From employment in the informal sector to informal employment. Policy Integration Department, Bureau of


World Health Organization and World Health Organization. Management of Substance
Appendix A: Data Sharing Protocol

Data Sharing Protocol
Agreement for Sharing Data between Partners of the Tshepo 1 Million Project
1. **Preface**

The balance between the need to share information and the protection of confidentiality is often a difficult one to achieve. A data sharing protocol is a formal agreement between organisations that are sharing data, especially where personal information/data sets (electronic and manual) are involved. For the purpose of this protocol, the terms ‘data’ and ‘information’ are synonymous.

2. **This Data Sharing Protocol**

This protocol has been developed to facilitate the legal, secure and confidential collation, depersonalisation, analysis and sharing of information between organisations working in partnerships related to the Tshepo 1 million project. Organisations involved have a responsibility to ensure that their use of data and personal information is lawful, properly controlled and that an individual’s rights are respected. This document is intended to ensure that personnel working for and on behalf of the Tshepo 1 million project and all partners understand the importance of good practice when dealing with data, especially personal information, are conscious of their obligations regarding compliance with data protection legislation and appreciate the rules by which data may be accessed and processed.

3. **The Tshepo 1 Million Project**

Tshepo 1 Million, previously known as Tshepo 500 000, is a youth skills empowerment initiative by the Gauteng Province designed to break down the barriers that young people encounter when looking for work opportunities. The initiative is being delivered through partnerships between Provincial Government, Local Government, State Owned Enterprises, Private Sector and Institutions
of Higher Learning. The project includes an ongoing research component, which began in 2016 with a comprehensive study, conducted by ResearchGo, in nine townships in Gauteng resulting in about 50 000 completed surveys. The Tshepo 1 million project and its partners intend to use available data to provide a spatial picture of townships economic activity in Gauteng. This will enable strategic planning of services and facilities as well as demonstrating shifts or trends in the township economy by providing definitive baseline data for any further mapping and research.

4. The Sharing of Tshepo 1 Million Data
   It is considered as an effective use of data collected and processed by the Tshepo 1 million project to make this data available to partners that have a bona fide interest in the information. The sharing of data is therefore seen as important and beneficial for co-operation and partnership.

   In addition to any other relevant agreements, organisations using any type of data held by Tshepo 1 million will be bound by the requirements of this data sharing protocol, which applies vicariously to their staff members as well.

5. Legal Framework
   In writing this agreement due attention has been paid to the views of partners where possible, and taking into account relevant legislation where applicable, including:
   - The Constitution of South Africa 1996
   - The Protection of Personal Information Act, 2013 (Act 4 of 2013)
   - The Promotion of Access to Information Act, 2000 (Act 2 of 2000)
   - The Promotion of Access to Information Amendment Act, 2002 (Act 54 of 2002)
   - The Spatial Data Infrastructure Act, 2003 (Act No. 54 of 2003)

6. Personal and Anonymised Information
   ‘Personal information’ refers to any information held as either manual or electronic records, or records held by means of audio and/or visual technology, about a living individual who can be personally identified from that information. The definition is ‘technology neutral’. A person’s full name is an obvious identifier, but a person can also be identified from other information, including a combination of identification elements such as physical characteristics, pseudonyms, occupation, address etc.
Anonymised data is data from which all data items that could lead to an individual being identified, either directly, or by summation have been removed. Personal information cannot be derived or produced from anonymised data, even when combined with any other anonymised data sources. Anonymised data about an individual can be shared without consent, since the identity of the individual cannot be determined from it.

7. Data Sharing Principles

- In normal circumstances, data from the Tshepo 1 million project will be processed in such a way as to produce anonymised statistical or aggregated data from which it is not possible to identify any individual. This data will then be shared as appropriate with partners.

- Data in a less aggregated form or personal data will be shared by Tshepo 1 million in special circumstances, and only with those organisations which can demonstrate a professional or legal requirement for having access. All personal data must be treated with the utmost confidentiality.

- Personal information and any data supplied to the partner will not be used for any other purpose than that for which it was supplied to the partner.

- Information should not be handed to a third party without prior agreement.

- Commercial use of information or alternative use resulting in income generation partially or wholly through access to and/or manipulation of Tshepo 1 million data is prohibited without written permission from the Tshepo 1 million project.

- Data will only be made available for commercial or marketing purposes by special request, the merits of which will be assessed by Tshepo 1 million on a case by case basis.

- Information sets may be subject to specific conditions, and handling and data manipulation fees may be required.

- The Tshepo 1 million project may decide to restrict the availability of certain information, but in keeping with the notion that information sharing will promote reciprocation i.e. that information should be readily available to any person who helped collect or collate it.
8. Security of Data

Regardless of the type of data being accessed, processed and stored, security is considered of paramount importance. All data that is held by Tshepo 1 million is held on secure servers, with access restricted to internal use by appropriate members of staff. All partners are similarly expected to ensure that security in place is sufficient to protect the data from unauthorised access. It is understood that each partner may have differing security needs and policies, however it is important that all reasonable steps are made to ensure data is kept private and confidential at all times and to make staff aware of their obligations in this respect.

In particular all partners must take appropriate technical and organisational measures against unauthorised or unlawful accessing and/or processing of personal data and against accidental loss of personal data. This will include restricting access to such data and taking reasonable steps to ensure employees who have access to personal information are aware about their responsibility to protect data and apply data only for the purposes for which it was supplied. In addition, adequate physical security of the premises for secure physical storage and management of non-electronic data, as well as appropriate technological and IT related security measures, such as password protected computer systems, having regard to the state of technology available and the cost of implementing such technology, and the nature of the data being protected.

All data collected, stored, processed or shared by the Tshepo 1 million project is tracked and recorded. This provides an audit trail of where data has come from and where it is going. It is expected that partners will also be able to provide robust audit trails for all data they hold that is considered personal or sensitive.
9. Declaration of Acceptance

On behalf of the organisation specified below, I agree to the conditions laid out in this data sharing protocol.

Signed: K. Masola................. Date: 06/08/2019

Name: Kgotsa Masola

Position: Mcom Student

Organisation: School of Economics. (UJ)

Address: 10878, Indian Shot street
Protea Glen
1818

Telephone: 082 841 5805 Email
kgotsa.masola123@gmail.com
## Appendix B: Extract of the Tshepo1million questionnaire

<table>
<thead>
<tr>
<th>Q no:</th>
<th>Column</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,1501</td>
<td>Retail - Fish and chips</td>
<td>Type of business</td>
</tr>
<tr>
<td>1,1506</td>
<td>Retail - Spaza shops</td>
<td></td>
</tr>
<tr>
<td>1,1716</td>
<td>Services - Car Wash</td>
<td></td>
</tr>
<tr>
<td>1,1725</td>
<td>Services - Shebeen or Tavern</td>
<td></td>
</tr>
<tr>
<td>2.06</td>
<td>Township</td>
<td></td>
</tr>
<tr>
<td>2.23</td>
<td>Education</td>
<td>What is your highest level of education?</td>
</tr>
<tr>
<td>2.37</td>
<td>Employees</td>
<td>How many people do you employ?</td>
</tr>
<tr>
<td>2.39</td>
<td>NEW_Annual Turnover</td>
<td>How much was your turnover for the last 12 months?</td>
</tr>
<tr>
<td>2.4</td>
<td>NEW_Monthly Turnover</td>
<td>How much is your average turnover a month taken over the last 12 months?</td>
</tr>
<tr>
<td>2.4101</td>
<td>To survive</td>
<td>Why did you start the enterprise?</td>
</tr>
<tr>
<td>2.4102</td>
<td>Because I was unemployed</td>
<td></td>
</tr>
<tr>
<td>2.4103</td>
<td>To have income while unemployed</td>
<td></td>
</tr>
<tr>
<td>2.4104</td>
<td>Supplement my formal income</td>
<td></td>
</tr>
<tr>
<td>2.4105</td>
<td>Had a good business idea</td>
<td></td>
</tr>
<tr>
<td>2.4106</td>
<td>Take advantage of government opportunities</td>
<td></td>
</tr>
<tr>
<td>2.4107</td>
<td>To empower our community</td>
<td></td>
</tr>
<tr>
<td>2.4108</td>
<td>I saw an opportunity in the community</td>
<td></td>
</tr>
<tr>
<td>2.4109</td>
<td>Invited by a friend or neighbor to join</td>
<td></td>
</tr>
<tr>
<td>2.411</td>
<td>It started as a hobby and I decided to pursue it</td>
<td></td>
</tr>
<tr>
<td>2.4111</td>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>3.4601</td>
<td>Savings_None</td>
<td>Do you have any savings?</td>
</tr>
<tr>
<td>3.4602</td>
<td>Savings_With a Bank</td>
<td></td>
</tr>
<tr>
<td>3.4603</td>
<td>Savings_Stockvel or Community-Saving</td>
<td></td>
</tr>
<tr>
<td>3.4604</td>
<td>Funeral plan or Burial society</td>
<td></td>
</tr>
<tr>
<td>3.4605</td>
<td>Savings_Hospital Plan</td>
<td></td>
</tr>
<tr>
<td>3.4606</td>
<td>Savings_Pension Plan</td>
<td></td>
</tr>
<tr>
<td>3.47</td>
<td>Savings other</td>
<td>Please specify</td>
</tr>
<tr>
<td>3.48</td>
<td>Income</td>
<td>What is your monthly income</td>
</tr>
</tbody>
</table>
Appendix C: Language Editing Certificate

Between the lines editing
Leatitia Romero
Professional Copy Editor, Translator and Proofreader
(BA HONS)
Cell: 083 236 4536
leatitiaromero@gmail.com
www.betweenthelinesediting.co.za

1 June 2020

To whom it may concern:

I hereby confirm that I have edited the research project entitled: “IMPACT OF SHEBEENS ON THE LOCAL ECONOMY: EVIDENCE FROM SOWETO, SOUTH AFRICA”. Any amendments introduced by the author hereafter are not covered by this confirmation. The author ultimately decided whether to accept or decline any recommendations made by the editor, and it remains the author’s responsibility at all times to confirm the accuracy and originality of the completed work.

Leatitia Romero

UNIVERSITY OF JOHANNESBURG

Affiliations
PEG: Professional Editors Group (ROM001)
EASA: English Academy of South Africa
SATI: South African Translators’ Institute (1003002)
SREP: Society for Editors and Proofreaders (15689)
REASA: Research Ethics Committee Association of Southern Africa (104)