INDUSTRIAL DEVELOPMENT AT NKOWANKOWA: A GEOGRAPHICAL ANALYSIS

by

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DEDICATION

To my loving wife Joan
My children,
Vonani, Nhlanhla and Darlene
and my mother
ABSTRACT

South Africa has more than 450 rural towns where 10% of the population, comprising about 80% of the country's poorest of the poor, live. To promote development and prevent the residents of these towns and the surrounding rural areas from migrating to the larger towns and cities in search of jobs (thereby putting more strain on the resources available there), it was imperative that these towns and the rural areas be developed.

This was the ideal aspired to in the seventies and eighties. After two previous attempts the government stepped in and launched the S.A. Regional Industrial Development Plan (RIDP) in 1982. The plan identified several smaller towns as potential recipients of special government incentives, to attract investments from the cities to these communities. Nkowankowa was one of these towns that was declared as an industrial development point (IDP).

The plan had both economic and political objectives. On the economic side the plan was an attempt at fostering economic growth and job creation to the benefit of the local communities, while at the same time alleviating the pressure of urban growth experienced by larger cities. On the political side, it was an attempt to contain the Black population within the Homelands.

As in the case of similar programmes implemented in other countries, this programme was less successful in South Africa. Most of the IDP's that showed some early success, soon failed. Nkowankowa was one of them. It started off well but soon stagnated and even declined.

Data collected from industrialists and Gazankulu Development Corporation (GDC) were analysed using a frequency and tabulation programme. Most industries were established between 1982 and 1985. From 1986 the rate of industrial establishment declined, This show that industrial development in Nkowankowa was less than originally planned.

The high failure rate of industries at Nkowankowa is due to the heavy dependence on incentives, agricultural and wood inputs. Periods of protracted droughts negatively affected processing industries in Nkowankowa. The decrease in the amount of incentives also forced firms to close or relocate to metropolitan areas.

It is recommended that the community in Ritavi district should be assisted with necessary skills to enable them to gain control over their own economic future. They should become more involved in the economic development and job creation of this area. More jobs can also be created by expanding agricultural activities and enlisting the help of tertiary institutions in supporting, training and advising this community.
OPSOMMING

In Suid-Afrika is daar meer as 450 landelike dorpies waar ongeveer 10% van ons land se bevolking, minstens 80% van die land se armste mense, woonagtig is. Dit is uiteraard belangrik om hierdie dorpies en gebiede verder te ontwikkel om te verhoed dat die groter meerderheid van hierdie bevolking na die meer ontwikkelde stede en dorpe migrer, op soek na werk en beter lewenstandaarde. Sulke migrasie sal baie groter druk op die bestaande hulpbronne van die ontwikkelende gebiede plaas.

Hierdie was die idiaal waartoe daar gestrewe was gedurende die sewentiger en tagtiger jare. Na twee probeer slae het die Regering vorendag gekom met die S.A. Streeksnywerheids-ontwikkelingsprogram (SNOP) gedurende 1982. Hierdie program het verskeie kleindorpies geïdentifiseer as potensiële ontvangers van spesiale regeringsaansporingsgelden om sodoende beleggings vanaf groter stede na die klein dorpies te trek. Nkowankowa was een van die dorpe wat as 'n Industriële Ontwikkelingspunt (IDP) aangewys is.

Die plan het beide ekonomiese en politieke doelwitte gehad. Die ekonomiese plan was om groei en werksgeleenthede tot voordeel van die plaaslike gemeenskappe te skep. Terselfdier tyd word die druk van stedelike groei wat deur die groot stede ondervind word, verminder. Die politieke plan was om die swart bevolking binne die tuislande se grense te hou.

Soos in ander lande was die sukses van hierdie plan in Suid Afrika nie haalbaar nie. Meeste van die IDPs (Nkowankowa ingesluit) wat aangewys was, het na aanvanklike vroeë suksesse baie you verkeerd geloop.

Data is van industrialiste en die Gazankulu Ontwikkelingskorporasie ingesamel en met behulp van frekwensi- en tabuleringsprogramme geanalyser. Die bevinding was dat die meeste industriële tussen 1982 en 1985 begin het. Vanaf 1986 het die industriële groei afgeneem. Dit wys dat die industriële ontwikkeling van Nkowankowa veel minder was as wat daar oorspronklik beplan is.

Hierdie industriële mislukking in Nkowankowa word aan die hoe afhanklikheid van aansporings, landbou- en houtgrondstowwe toegeskryf. Die industrië wat hierdie grondstowwe proseseer is deur die lang droogte negatief beïnvloed. 'n Vermindering in die hoeveelheid aansporings het industrië gedwing om te sluit of nader aan metropolitaanse gebiede te herlokaliseer.

Dit word aanbeveel dat die gemeenskap van Ritavidistrik gehelp moet word om die nodige vaardighede te bekom om beheer oor hulle eie ekonomiese toekoms te kry. Hulle behoort betrokke te wees by die ekonomiese ontwikkeling en werkskepping van die gebied. Meer werk kan geskep word deur die uitbreiding van landbou-aktiwiteite deur die hulp van tersiëre institute in te roep om die gemeenskap te ondersteun, op te lei en te adviseer.
1. INTRODUCTION AND GENERAL ORIENTATION

1.1 INTRODUCTION

The economic development of a country is characterised by an unequal distribution of activities. Geographers believe that industrial development in poor areas is a suitable solution to correct the imbalances in the spatial distribution of economic activities, either between or within countries.

The main objectives of industrial development are to raise peoples' living standards and to eliminate extreme social disadvantages and unemployment by increasing the local production of consumer, intermediate and capital goods, thereby expanding the circles of incomes, markets, technology and employment (De Souza, 1990; Development Bank of Southern Africa, 1993; Du Pisanie, 1989).

South Africa's space economy was also marked by unequal distribution of economic activities in its development. To promote development in poor areas, the government initiated the establishment of industries. Towns in less developed regions, were declared industrial development points (IDP's). To support growth in these towns, an infrastructure was built and funds were made available for the development of these towns. Incentives were provided to attract industrialists to establish themselves in these towns (Du Pisanie, 1989; Addleson and Tomlinson, 1986; Fair, 1982). Nkowankowa is one of the towns that was proclaimed an industrial development point (IDP) because of its situation in the outer periphery. This helped it to develop as an industrial area.

Economic policies that are used to induce industrial development in lagging areas, need to be evaluated from time to time to assess their effectiveness. It was for this reason that this study was undertaken.
1.2 DEVELOPMENT

Development means the social, economic and political transformation which affect countries and also refers to the promotion of the well-being of individuals in their societies (Astle, 1989:13; Fair, 1982:1). It is the unfolding of creative possibilities inherent in a society and it involves planners and people's values, goals and standards, making it possible to compare a present state against a preferred one (Hurst, 1974; Smith, 1981; DBSA, 1993).

Economic development refers to the process of growth in total and per capita income of a country, which is accompanied by changes in the structure of the economy. Changes such as the increasing importance of industrial as opposed to agricultural activity, lessening dependence on imports for the more advanced producer and consumer goods, and on agricultural or mineral products as main exports. Its main objective is to raise the living standard and well-being of the people in the country (De Souza, 1990).

Development addresses the total human needs, values and standards of good life. The general goals of development are life-sustenance, esteem and freedom and entails more than economic growth or economic development.

The goals of development are based on human well-being (Du Pisanie, 1989; De Souza, 1990). Its focus is on human development, i.e. expanding people's choices which range from enjoying a decent standard of living, leading a long and productive life and being educated to experience a greater sense of participation in the various activities of one's country (DBSA, 1993; Van der Kooy, 1986; De Souza, 1990). Development, therefore, means the realisation of human personality and a reduction in poverty, unemployment and inequality.

1.3 THE ROLE OF INDUSTRIES IN THE DEVELOPMENT OF A COUNTRY

One way of achieving development is by means of the industrial development of a region. Industrial activities represent a leading sector in the economies of developed countries. The industrial sector has always been considered a major factor in the economic development of countries, of regions and of the majority
of cities. Contrasts between developed and backward regions are, first of all, contrasts in the level of industrial development. Industrialisation is a dynamic instrument of growth, essential for the rapid economic and social development of countries, or of regions within countries.

Industrial development is an essential part of regional development. Throughout history, the development of countries, regions, and local areas depended on the establishment of manufacturing industries in towns and the growth of these towns into cities. Industrial development gives the region an immediate benefit in the form of improved employment and income opportunities, which creates the scope for the emergence of commercial and service sectors. Other industrial activities may also arise spontaneously (Hanekom, 1982).

Most geographers believe that industrial development is the only way in which underdeveloped countries and regions can eradicate poverty and backwardness. Industry creates by far the best conditions for the efficient functioning of the economy by maximising national income and by speeding up economic growth. With the help of industrialisation, which utilises modern production techniques, the rest of an economy can be diversified.

1.4 DEVELOPMENT OF SOUTH AFRICA'S NATIONAL SPACE ECONOMY

The development of a nation's space economy is influenced by metropolitan cities growing fast at the expense of the country's periphery, whose growth on the other hand, seems to be relatively slow or stagnant. When core cities grow so does the inner periphery, at the expense of the outer periphery (Berry et al, 1976; Healey & Ilbery, 1990).

With each major period of economic development through which a country passes, there is a corresponding restructuring of the space economy consisting of nodes, networks and surfaces (Fair, 1982 :11). The initial stages are characterised by greater differences between the core and the periphery, but as the economy grows the benefits of growth spread into the periphery and the space economy becomes
more integrated (Fair 1982:4, Hanekom 1982:12). This means that areas undergoing the initial development, benefit first. During the first stages of development, inequalities between core and periphery increase, reaching a climax during the industrial stage and then a decrease. This is so, because like a magnet, the core appropriates growth to itself by attracting capital and resources and by tapping the periphery until it is depleted. This causes the periphery to lag behind. Economic development in South Africa is an example of this tendency.

The four metropolitan areas, with the PWV as the dominant core area, appropriated growth to themselves since 1911 at the expense of especially the Black areas whose development lagged behind (Fair, 1982).

To foster a balanced development, industrial decentralisation was introduced as an industrial development policy for South Africa in the early 1960's. It was believed that this would remove market imperfections and encourage development by:

- reducing inequalities of large interregional disparities in economic development and welfare (equity goal)
- assisting the promotion of growth and development in South Africa's national space economy (efficiency goal).

1.5 CONCEPT DESCRIPTION

The following concepts used throughout this research require clarification, namely; government intervention, manufacturing industry, and industrial decentralisation.

1.5.1 Government intervention

Government intervention refers to any form of government interference in the working of the economy (market forces) to achieve desired economic ends. It may take the form of government declaring certain towns as industrial development points (IDP's) and channelling industrial development towards these towns by means of incentives.
1.5.2 Manufacturing industry

Manufacturing transforms raw materials into products. It is linked with the general economic development of a country or region directly and indirectly. The direct link is the immediate participation of industry in the creation of a final product and therefore national income. The indirect link is the influence of an industry on other spheres of the economy via production and information links. For the regional economy, decisive significance is attached to the degree to which the final product or income created by local industry, is distributed within the given region and the creation of jobs.

1.5.3 Industrial Decentralisation

Decentralisation refers to the movement of economic activities and capital to relatively more distant and less developed growth points. It differs from deconcentration in that the latter movement is to growth points on the edges of or close to existing metropolitan areas and large towns. Deconcentration points benefit from their proximity to a city and from access to large and differentiated markets, as well as suppliers, services and labour. Decentralisation points, on the other hand are isolated, and spatially more separated.

Firms locating at decentralisation points are dependent upon the services, material inputs and skills available there, which are sometimes very limited. In some cases they import their requirements from elsewhere in the country and from overseas, or they create their own by contributing to an increased level of demand for those services or inputs, resulting in the local establishment of new enterprises which provides those goods and services.

The reasoning behind decentralisation points comes from the growth centre theory, which maintains that a growth centre is relatively large and growing, and highly interlinked with the rest of the regional economy. The centre's growth can only be promoted through public investment in infrastructure, schools, health facilities and other social services. It also requires the decentralisation of public offices to the centre and the provision of a wide
variety of incentives to attract the private sector to locate at these decentralised points. It is hoped that the centre's growth will develop the region's economy. It was assumed that the centre's potential to attract private industry or services, will create local linkages which will stimulate the growth of the centre.

1.6 DECENTRALISATION POLICY IN SOUTH AFRICA

Preamble to South Africa's decentralisation policy started around 1940. The rapid acceleration of Black urbanisation and agricultural collapse of the Black reserves, led to the appointment of the Native Economic Commission in 1932 which recommended the improvement and development of the reserves. Although nothing was done to promote industrial development in the reserves until 1940, little effort was made to improve agriculture from the early 1930's.

The establishment of the Industrial Development Corporation (IDC) in 1940 initiated industrial decentralisation policies in S.A. The IDC promoted national industrial development by financing and underwriting state and private investments. It initiated and assisted projects like SAPPI, SASOL, FOSKOR, etc. and it contributed much to South Africa's post-war economic development (Rautenbach, 1982).

In the 1940's and the 1950's, economic development in the outer periphery (Black areas) was characterised by subsistence production with isolated trading posts. This caused black workers to migrate to the developed core areas of South Africa. Economic development in the outer periphery was given low priority.

Following the Tomlinson Commission's recommendations, the Nationalist government devised a plan in 1960 for industrial decentralisation. The period between 1960 and 1968 saw the implementation of a large scale industrial decentralisation policy following the initial announcement by prime minister H.F. Verwoerd in 1960. A number of incentives (subsidies to social overhead capital, tax concessions, financial assistance, labour concessions, transport subsidies,
located in border areas near the Black areas, later called the Homelands. In 1969, the Bantu Investment Corporation (BIC) was formed with the objective of buying out White trading ventures and selling them to African businessmen at subsidised prices.

In the late 1970's South Africa's industrial policy was dominated by the National Physical Development Plan (NPDP) of 1975, which was based on the 1967 Physical Planning Act. This act discouraged industrial development in metropolitan areas by placing restrictions, for example, on water consumption and employment figures of non-whites. The NPDP was aimed at achieving balanced economic growth by the judicious use of South Africa's available resources. Both natural and human resources had to be taken into consideration. New growth poles were identified near and inside the Homelands (Fair, 1975).

A need for co-operation between the Homelands and the central government led to the birth of the 1982 Good Hope Programme (GHP), which favoured the integration of the economy of Black areas with that of White areas. Its goals were to achieve;

- more balanced economic activities in South Africa, and
- an increase in the pace of development in the national and independent Homelands.

This was necessitated by the fact that all previous attempts to develop the Homelands met with little success and the South African economy was still characterised by an overconcentration of economic activities in the four metropolitan areas (Fair, 1982).

1.7 THE GHP REGIONAL INDUSTRIAL DEVELOPMENT PROGRAMME (RIDP)

The Good Hope Plan (GHP of 1982) believed that to achieve its goals, an industrial policy should be applied as follows:

- higher incentives should be allocated to development points within the Homelands to encourage industrialisation in the Homelands and compensate for locational disadvantages such as poor infrastructure, lack of skilled labour, etc.
long-term incentives were introduced to take care of permanent cost disadvantages inherent in the establishment of development points in remote areas. The short term situation was improved by giving of cash rather than tax concessions to help industries overcome their cash-flow problems, especially during the first years in operation.

Figure 1.1 Development regions of the Good Hope Plan (1982 RIDP)

- the establishment of the Development Bank of Southern Africa encouraged the private sector to assist in developing the declared industrial development points.
- co-operation and consultation between the government and all interested parties, through the establishment of regional advisory committees.
- acknowledgement of the importance of small enterprises and the informal sector in rural industrial development.

The 1982 RIDP saw S.A.'s national economy comprising of nine broadly defined development regions which included the Homelands (Figure 1.1). It was felt that a development region should include areas with common development problems and complementary development resources. All areas
of the region should depend on the same industrial nucleus and/or growth point. The nine development regions were as follows:

A. Western Cape
B. Northern Cape and part of Bophuthatswana
C. Orange Free State, Quaqua, and Thaba Nchu district (Bophuthatswana)
D. Eastern Cape, Ciskei and southern part of Transkei
E. Natal, KwaZulu and the northern part of Transkei
F. Eastern Transvaal and KaNgwane
G. Northern Transvaal, Gazankulu, Lebowa and Venda
H. PWV, KwaNdebele and part of Bophuthatswana
J. Western Transvaal and part of Bophuthatswana

When planning the new development regions, the Good Hope Conference paid attention to the development priorities of each region. The criteria used to determine the development priority of regions were:

- the need for the creation of employment
- the need for a higher standard of living
- the potential of a region to meet its own future employment needs.

According to development priorities, regions D, G and E were high on the list because of their high population growth, unemployment, large number of people entering the job market each year and failure of these regions to raise their living standards. Region E and G were considered to be secondary in development urgency to region D (see Table 1.1 for the ranking of the regions).

Table 1.1 Regional development needs

<table>
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<th>Region</th>
<th>Relative development need (1 = High, 9 = Low)</th>
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<tr>
<td>D</td>
<td>1</td>
</tr>
<tr>
<td>E &amp; G</td>
<td>2 &amp; 3</td>
</tr>
<tr>
<td>A, B, C, F &amp; J</td>
<td>4, 5, 6, 7 &amp; 8</td>
</tr>
<tr>
<td>H</td>
<td>9</td>
</tr>
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</table>
Nkowankowa and Giyani were identified as industrial development points in region G's former Gazankulu Homeland. The location of Nkowankowa in relation to Tzaneen and Phalaborwa was thought to be an advantageous position.

1.8 STATEMENT OF THE PROBLEM

Nkowankowa became an industrial area as a result of government intervention in the South African space economy by declaring it an industrial development point in 1982. The main objective was to develop and provide employment to the people in Nkowankowa and the surrounding areas, thereby reducing unemployment, poverty and inequality.

The success of Nkowankowa depended on the number of factories that established themselves in Nkowankowa and the increase in the number of people employed in these factories. It is therefore necessary that it should be evaluated. In order to evaluate the success of government intervention to promote growth in Nkowankowa the following hypothesis has been postulated:

*The initiation of industrial development at Nkowankowa with the aid of government incentives has been less successful than originally planned!*

It is hoped that this hypothesis will shed light on the success of Nkowankowa as an industrial development point (IDP).

1.9 THE STUDY AREA

The choice of Nkowankowa as the study area was influenced by the quest to study the effect of government intervention on the development of rural (peripheral) areas.

Nkowankowa is located in the Ritavi district of Region G (now the Northern Province) (Figure 1.2). It is located south east of Tzaneen and consists of two areas, Ritavi I and Ritavi II, all bordering on the Letaba (Tzaneen) district.
Nkowankowa is situated in Ritavi II (Figure 1.3). It lies south of the railway line which forms the boundary between Ritavi II and the Letaba district.

![Location of study area in South Africa.](image)

**Figure 1.2** Location of study area in South Africa.

Nkowankowa is at the centre of the lowveld farming region. It has an average rainfall of 500mm to 625mm per year with warm summers and mild winters. It is characterised by shallow soils, poorly developed sandy soils, red sand and loamy lithosols and rock outcrops. It has lowveld vegetation and sweet grasses.

The choice of Nkowankowa as an industrial development point was inspired by the following factors:

- Nkowankowa's high urbanisation level and high population density which could provide the manufacturing industry with a large labour pool.
- Nkowankowa's accessibility to a large number of people in the districts of Ritavi and Letaba (Tzaneen).
- Its existing industrial nucleus and availability of infrastructure.
- Its position in relation to the Tzaneen and Phalaborwa growth points.
- It's potential as a deconcentration point for Tzaneen and Phalaborwa.
- The availability of labour, raw materials and markets.
Figure 1.3 Ritavi district.

1.10 RESEARCH MODEL

For the research process to be orderly, a research model is put forward which shows the research method to be followed (see Figure 1.4). It is also an approach which enables the researcher to be selective and it reduces incidental details. This research process consists of five chapters.

In chapter one the industrial decentralisation policy in South Africa and its effect on industrial and economic development is discussed. Chapter two deals with
development theories and their strategies. Chapter three discusses Nkowankowa's potential as an industrial development point and its locational factors for industrial growth. Chapter four looks at the growth of industries and their influence on the reduction of poverty and unemployment. Chapter five looks at the success of Nkowankowa as an industrial development point.

Figure 1.4 Research Model.
2. DEVELOPMENT AND THE INEQUALITY PROBLEM: A GLOBAL VIEW

2.1 INTRODUCTION

Spatial inequality of economic activities and wealth between and within countries have worried social scientists from the beginning of the twentieth century (Hunt, 1989). It was hoped that economic development would address these inequalities. However, of particular concern to geographers is finding suitable spatial solutions to the unequal distribution of wealth and economic activities. As the problem of spatial disparities in levels of economic development is one of widespread concern, examples may be given of many nations, capitalist or socialist, developed or underdeveloped, who used active strategies to mould a more equitable territorial distribution of economic activities.

The main concern of developing countries is:
- how to limit or moderate the growth of capital cities.
- how to plan a balanced spatial distribution of population and economic activities (Nkambule, 1992:16).

Finding a solution to these problems is difficult. There is no evidence of a reduction in inequalities in countries where efforts to induce migration to poor regions are promoted (Nkambule 1992:16). Major cores continue to grow at a rapid rate.

For efficiency and equity objectives, various governments in the First, Second, and Third Worlds have used three basic spatial strategies to promote a more balanced distribution of economic activities and therefore enhance economic development in the economic peripheral area of the country namely:
(i) the construction of new cities in underdeveloped regions
(ii) the attraction of people to remote areas
(iii) the inducement of the private sector in or to remote areas (Haggett, 1983:537).
For equitable distribution of economic activities and better administration the first strategy is most favoured. New cities are constructed in depressed regions to generate increased employment opportunities for the local inhabitants. Abuja, the new capital of Nigeria for example, was established in the interior of the country to the north of Lagos, the old capital, to stimulate growth in the north. Lilongwe in Malawi and Dodoma in Tanzania, are two other examples (Fair, 1982, Haggett, 1983).

For administrative reasons and the development of remote areas the second spatial strategy is also used. Brasilia, the new capital of Brazil, which is located in a remote area in the central plateau in the western interior some 900km from the old coastal capital of Rio de Janeiro, provides a good example.

In areas where agglomeration is reducing the well-being of city residents, the third strategy is more favoured. In order to solve congestion in Britain's London and Birmingham metropolitan areas, the government discouraged expansion in these cities by encouraging industrial activities to deconcentrate to the nearby suburban industrial parks.

Subsidised housing and tax concessions were offered to people and industrialists in Ireland and Sweden for their willingness to move from big cities to settle in remote areas (Haggett, 1983). Private industrialists are encouraged to establish themselves in a few selected growth points by offering incentives.

South Africa also followed similar lines. A number of industrial growth points were proclaimed in underdeveloped regions to get industries to move away from the major metropolitan areas. In order to attract the industrialists to move to these growth points, basic incentives (infrastructure, water, roads, power, tax reduction, transport subsidies, telecommunication, relocation benefits, etc.) were provided (Du Pisanie, 1989; Fair, 1982).

The failure of spatial policies to equalise economic disparities is blamed on economic and political factors. It is difficult to expand the infrastructure and to attract industries to the periphery with limited capital and poor incentives. More
often political gains rather than economic ones, tend to determine a country's spatial industrial policies. The success of any spatial policy should depend largely on a government's sound, strong economic and social motives when adopting a specific development policy (Nkambule, 1992:17).

2.2 DEVELOPMENT PARADIGMS AND THEIR STRATEGIES

The dynamism of development as a concept has influenced social scientists in formulating and adopting different theories and models of development throughout the 20th century to address the spatial problem of inequality in development (Fair, 1982:1).

Three paradigms dominate thought on development, namely:
- the diffusionist or modernisation paradigm
- the dependency paradigm
- the reformist paradigm (Fair, 1982:3).

The political and economic systems of a country determine the paradigm it uses (Hunt 1989). Most capitalist countries use the diffusionist paradigm, while socialist countries favour the dependency paradigm. Both socialist and capitalist countries hope to find the strategies that would best solve the spatial problems of inequalities, between and within countries (Webster, 1984:43).

2.2.1 Diffusionist / modernisation paradigm

Developing countries or regions within a country follow the steps of developed countries along the path of economic development they took over many years (Healey & Ilbery, 1990:289). Emphasis is placed on capital formation and the increase in per capita income (Astle, 1989:13, Fair 1982:6).

It was believed that this would bring high standards of living and solve the problem of developing countries and regions within a country, because rapid economic growth is necessary for developing countries and regions to modernise and achieve high standards of living.
This modernisation involves following the fixed stages of development through which all countries pass as their economic and social structures are transformed or modernised from traditional rural-agricultural to modern urban-industrial in character (Astle, 1989:14).

As soon as development is triggered, it is believed that it can only be sustained by industrialisation, which involves the transfer of technology and capital from developed countries to developing countries or from core areas to peripheral areas. Thus social and economic benefits will trickle down to the country's poor, rural population in the form of employment and income (Astle, 1989).

To promote development in backward areas modernisation uses the growth centre strategy. This is a direct application of modernisation to the practice of spatial development. Governments use it to reduce inequalities between core and peripheral regions within national space economies (Fair 1982). The term growth centre is derived from Francois Perroux's growth pole theory (Hurst, 1974; Simon, 1990). The growth pole is made up of propulsive industries that have strong internal linkages with each other and whose growth is dependent on their backward and forward linkages (Healey & Ilbery, 1990:305). Various countries have employed this strategy in order to achieve the following (Fair, 1982):

- establish new poles of growth in remote peripheral resource-rich but underdeveloped regions, e.g. Guaid Guayana in Venezuela and Phalaborwa in the Northern Province of South Africa,
- establish new centres in lagging or underdeveloped peripheral areas, such as the new capital of Abuja in Nigeria or new towns such as Giyani and Seshego in the former homelands of Gazankulu and Lebowa,
- develop satellite towns on the fringes of metropolitan centres - such as London's New Towns or the Rosslyn and Babelegi industrial areas north of Pretoria.

Modernisation came under criticism because of its failure to reduce inequalities between and within countries (Fair, 1982:19). Although it was aimed at reducing inequalities and improving the standard of living in developing countries and in
poor regions, it resulted in the core gaining more strength instead of
development trickling down to poor regions.

Despite its failure to reach its intended goal of helping poorer regions, this
paradigm is still playing a major role in human settlement strategies in both
developed and developing countries.

2.2.2 Dependency paradigm

The failure of the modernisation theory to handle the increasing polarisation of
the world economy frustrated many social scientists within the Third World

The inadequacies of the modernisation concept in general and in Rostow's
model in particular led social scientists to suggest an alternative theory of world
polarisation, i.e. the theory of underdevelopment. This theory believes that the
less developed areas will not catch up with the developed areas, because
modernisation strengthen the development of developed countries at the
expense of less developed countries (Healey & Ilbery, 1990).

The dependency paradigm sees development as a revolutionary replacement
of capitalism by socialism (Webster, 1984:43; Fair, 1982:23) and that its
success will lead to a more balanced social structure, because it emphasises
self-reliance and the use of local materials for development as its goal. This will
in turn reduce the need for and therefore the cost of imports. This theory is
aimed at advocating the practical acceptance of human equality through the
involvement of people in decision-making, and in identifying people's basic
needs as a priority. Participation at grassroots level is encouraged and self-
reliance is fostered. It is aimed at improving the standard of living within the
country and reducing its dependence on developed countries (Healey & Ilbery,

The advocates of this theory see redistribution of economic growth as both an
international and a national necessity (Astle, 1989:14). At a global level it
demands a "New International Economic Order" (NIEO) to revise the rules of international economic relations to provide more equal opportunities for all countries (Astle, 1989).

Strategies are developed to benefit rural people and are designed to respect the environment and encourage self-help through participation and cooperation. These strategies include the modernisation of agricultural and rural, regional and welfare development.

However, its advocacy of socialism and its emphasis on self-reliance and participation of people in decision-making makes it difficult to apply in real situations because socialism tends to control and discourage self-reliance and individual initiative. Its implementation is difficult because it does not have clear cut policies for implementation (Fair, 1982). The advocacy of socialism as a strategy no longer has merit because of its failure in most of the former socialist countries.

2.2.3 The reformist approach

This approach tries to strike a balance between the diffusionist and the dependency theory. It centres on the construction of a national capitalist path of development within the constraints of the capitalist world system. It tries to modify capitalism in order to meet the inadequacies that the experience of development efforts in the 1950's and 1960's had shown. It realised that development could not take place if the distribution of income was such that relatively few rich people earned the largest share of the national income. As a result of greater equality in income, distribution received more attention and popularised the phrase "redistribution-with-growth" (Healey & Ilbery, 1990; Fair, 1982:37).

The growth pole strategy became the major vehicle for the deliberate diffusion of wealth and economic activities to poor peripheral regions, with the aim of eradicating poverty and improving people's basic needs for nutrition, health, shelter, education and other essentials (Fair, 1982:37).
Reformists have concentrated on promoting export-oriented industrial strategies, which take advantage of the developing countries' capacity for labour-intensive industries and the export of their products to capital-rich industrialised countries. Taiwan, South Korea, Hong Kong and Singapore are seen as successful examples of the implementation of this policy (Malecki, 1991).

The reformists' view of self-reliance means generating the spirit of self-help among workers and peasants, and also some national bourgeoisie or capitalist class working towards greater economic independence for itself and the nation against competition from international capitalists, including multinational corporations. Governments are required to assist by imposing tariffs on imported goods and other protective measures. Development comes to mean a way of gaining control of one's destiny through growing confidence, self-help and co-operation and commitment to reduce dependence without changing the system (Healey & Ilbery, 1990; Oman & Wagnaraja, 1991).

Reformists believe that the problem of poor (rural) areas has to be tackled at three levels namely, at the local level where the problem actually occurs, at the national level of the society within which the poor area or region is embedded, and at the international level of the world economic system with which the first two are linked.

The influence of varying social and ethical norms on the definition of basic needs, makes the reformist theory confusing because individual countries choose their own basic needs levels. Their approach to basic needs may not lead to a significant change in development strategy or to a shift in the allocation of resources (Streeten, 1981:68, Oman & Wagnaraja, 1991:116).

2.3 DEVELOPMENT STRATEGIES

From the three paradigms various development strategies were formulated to help address the development problem. The next few examples of strategies will be discussed.
2.3.1 Growth-oriented strategy

The domination of the 1950's and 1960's development ideas by Rostow's stages of economic growth (Fair, 1982; Mabogunje, 1980; De Souza, 1990) caused development to be seen as a matter of economic growth. Its aim is to increase the rate of output of the economy by increasing the rate of capital formation. It was believed that the growth of the gross national product (GNP) would bring about high standards of living and therefore the emphasis was put on the mobilisation of saving and investment.

It was also believed that economic growth would trickle down to the poor in later stages of development and that poverty therefore should not be a major concern initially. More important was to build capital, infrastructure and the productive capacity of the economy. The poor first had to sacrifice the benefits of development so that the rich could be free to provide incentives to innovate, save and invest (Hunt, 1989). Development policies were designed to focus investment on the modern sector, where technical and commercial linkages were the strongest (Malecki, 1991; Hunt, 1989). Redistribution of income was seen as a threat to the attainment of higher rates of capital accumulation, as it was assumed that a higher proportion of profit than wages, was saved. The role of consumption as a way to stimulate higher production, was ignored out of fear that it would reduce savings and investments.

The belief that the benefits of economic growth would trickle down or that savings, investment and accumulated wealth of the rich would eventually benefit the poor, turned out to be wrong. In some countries economic growth was spectacular, but development (measured in terms of poverty reduction) was not adequate. With economic growth, inequalities increased. It also lead to the growth of a dual economy. Increasing poverty and inequality became an unnecessary prerequisite for the accumulation of capital and the stimulation of entrepreneurship (Berry, et al 1976:265).
2.3.2 Employment-oriented strategy

The failure of the growth-oriented strategy to solve inequalities, mounting unemployment and underemployment, led the International Labour Organisation (ILO) to come up with an employment-oriented strategy as an alternative. This strategy is directed at higher employment levels in the developing countries. Its aim was to generate employment, for it reasoned that income can only be redistributed by means of increased employment. The growth-oriented strategy was therefore modified to maximise not only output, but also the rate of labour absorption. Labour-intensive industries rather than capital-intensive industries were favoured and new projects were biased towards the creation of more jobs for the jobless. Small scale and informal sector production was encouraged (Du Pisanie, 1989:11).

This strategy failed because the achievement of both a higher output and an increase in employment was not possible. It was only possible where conditions for high technical and managerial efficiency existed and that factor prices indicated their real value (cost). These conditions were not common in developing countries and thus the substitution of labour for capital was often not a viable economic proposition for the modern sector.

Substitution of labour for capital resulted in separate policies for the traditional and modern sectors of the economy. With the modern sector being capital-intensive, and the traditional sector labour-intensive (to absorb unemployment and under-employment, it soon became clear that poverty was not necessarily linked to unemployment and underemployment.

Poverty was the end result of employment's failure to provide the necessary means for satisfactory existence. It was soon discovered that factors such as insufficient education, ill health, bad quality food, people's attitude, inadequate financial institutions and inappropriate systems of land ownership caused both labour and capital to be under-utilised, because people were not trained to operate the available capital equipment properly.
ILO's attempt to use this strategy in Colombia, Kenya, the Philippines, Iran and Sri Lanka to provide employment to the unemployed poor, failed to create productive employment activities and failed to contribute meaningfully to these countries' economic growth (Streeten, et al 1981).

2.3.3 Poverty-oriented (Growth-with-distribution) strategy

The failure of the employment-oriented strategy led policy makers to shift their concern from employment to the working poor and how to make their labour remunerative. The whole social system (production, distribution, standard of living, motivations, attitudes and policies) had to be improved (Fair, 1982). Wealth, assets, productive resources and output were to be re-allocated in favour of defined poverty groups.

This strategy also did not achieve success because institutional arrangements in many developing countries are biased in favour of the rich and middle income groups and policies aimed at helping exclusively the poor could not be implemented. Unequal land and power distribution in the developing countries made it difficult either to redistribute income or to eradicate poverty. The relationship between government and business tends to support the upper strata, who are not interested in equalitarian reforms.

Since decision-making is done exclusively by the rich in favour of the rich, it became clear that there were no instant solutions to the poverty and especially inequality problem.

2.3.4 Basic needs strategy

Since no strategy provides instant solutions for poverty, it was felt that relieving the poor of their worst suffering was more important than reducing inequality (Streeten 1979). It was also believed that basic needs define poverty more clearly than inequality, for it spells out in detail basic human needs in terms of health, food, education, water, shelter, transport, job, household goods and non-material needs such as public participation, cultural identity and a sense of
purpose in life and work, which interacts with material needs. The basic needs strategy broadens the concept of development in the sense that it includes human needs (social, psychological, cultural, economic and ecological needs). It also provides a way for solving a number of separate but related problems (Coetzee, et al 1985:7; Streeten, 1979:31).

To implement this strategy, investments have to be directed from physical capital to human capital, from urban to rural development and from capital-intensive to labour-intensive to generate and distribute income in such a way that an effective demand is made for basic goods and services and, to organise production to match the demand for basic goods and services (Webster 1984:34). Self-reliance and decentralisation of decision making is at the centre of the basic needs strategy (Coetzee, et al. 1985:21).

This is made possible by breaking institutional barriers and lowering basic goods production costs by directing demands to goods and services that are cheaper to produce and by encouraging people to buy cheaper products produced with appropriate techniques aimed at equal distribution of income (Khan, 1977:109; Lee, 1981 :119).

The satisfaction of basic needs requires decentralisation of both decision-making and production. Central planning provides the macro-economic context through which decentralised planning can take place by setting appropriate price relationships, by organising activities that are subject to important economies of scale (e.g. ESKOM, ARMSCOR), by maintaining a balance between supply and demand for non-local inputs and by the selective provision of skills, resources and information. It also stimulates Research and Development (R&D) that will concentrate on labour intensive, appropriate methods of production (Khan, 1977:10)

2.3.5 Inward industrialisation strategy

This strategy is aimed at generating domestic growth by supplying basic consumer goods and services to the rapidly growing urban population. At the
same time the existing industries should be expanded with the objective of giving the ever increasing labour force employment (Du Pisanie, 1989; Rogerson, 1989; Nkambule, 1992).

Inward industrialisation requires the government to intervene in the space economy by redirecting urban expenditure in favour of basic urban infrastructure like self-help housing schemes and ensuring that the benefits of any project reach the poor. The government should encourage saving through positive interest rates, relieving pressure on the exchange rate and bringing down the average income tax, inflation rates and the creation of jobs and new demands of locally produced consumer goods.

2.3.6 Multi-sectoral strategy

This strategy is aimed at developing all sectors of the economy, especially agriculture, as the majority of the people in underdeveloped areas are rural dwellers (Fair, 1982:81-82; Panel of Experts, 1989:137). The failure of modernisation to trickle down to poor communities is sometimes attributed to the overemphasis on the secondary sector at the expense of the other sectors (Fair, 1982; Coetzee et al, 1990).

If industrial growth fails to develop regions, this strategy maintains that alternative strategies should be found in other sectors such as agriculture and services. The use of this strategy in regional development could entail the possible involvement of local people. This would result in developing entrepreneurial and management skills, and change the status quo of relatively unskilled workers (Panel of Experts, 1989:137).

2.4 CONCLUSION

The discussion on the various theories and their strategies is aimed at providing a background to establish how these theories influenced the whole question of development in South Africa.
The history of South Africa's industrial development since the beginning of industrial decentralisation in the 1960's, proves that the Diffusionist paradigm played an important role in the development of South Africa's space economy. The growth centre strategy was used to establish industrial decentralisation points (IDP). It was hoped that the implementation of these IDP's would stimulate the growth of economic activities in the periphery. The government used this strategy to declare Nkowankowa an industrial development point.

In the next chapter, Nkowankowa's potential as an industrial development point and its locational factors for industrial establishment will be discussed.
3. INDUSTRIAL LOCATION AT NKOWANKOWA

3.1 INTRODUCTION

Nkowankowa, as an industrial development point is the product of government intervention in the space economy of South Africa which is based on the growth centre strategy. The potential of this point will be analysed in accordance with this strategy.

The required data for analysis were collected by means of fieldwork using a computer compatible questionnaire. The questionnaire consisted of two sections, namely; section A, that was to be completed by the industrialists (employers) and section B by the Gazankulu Development Corporation. The information from the questionnaire was analysed using a frequency and tabulation programme. Nkowankowa had 28 industries in 1994 and all of them were surveyed.

3.2 POTENTIAL OF NKOWANKOWA AS AN INDUSTRIAL DEVELOPMENT POINT

The growth centre strategy was used for establishing industrial development points. Meaningful development of a growth centre depends on the following (Hurst, 1974: 332; Smith, 1981; Hanekom, 1982:24; Hanekom, 1986:17; Simon 1990:8):

- The presence of human and natural resources which can promote development.
- A favourable location with reference to the national space economy (it must not stretch from a developed core to some lesser developed regions, but should be between two core regions).
- The exploitation of all sectors in the development of a region. Emphasis should not be placed on the manufacturing sector only, but agriculture, tourism, etc. should also be exploited (multi-sectoral approach).
• The presence of propulsive industries that can promote dynamic growth through the stimulation of backward and forward linkages to maximise the investment multiplier (agglomeration economics).

Conkling and Yeats (1976) maintain that the industrial development potential of a place depends on its human and natural resources, technological progress and capital accumulation, while Hanekom (1982) also adds advantageous location to the list. Therefore a brief discussion of Ritavi's agricultural land use, mining and quarrying activities is necessary, because these activities act as suppliers of industrial raw materials as a market for industrial products.

3.2.1 Agricultural land use

Nkowankowa is situated in the Ritavi district where the growth of the agricultural sector has been difficult because of periodic droughts, traditional farming practices, high rural population density, and the communal land tenure system. Nkowankowa's situation at the centre of the Lowveld farming region gives it an added advantage in the establishment of food and timber processing industries.

The Lowveld has a large and diversified commercial agricultural sector, which produces large varieties of cereal crops, fruit, vegetables and livestock. 90% of the tomatoes produced in the Northern Province come from the Lowveld. It also produces 70% of the fruit products such as bananas, avocados, mangoes, and citrus fruits. Maize, sorghum, cotton and tobacco are also produced. Some of these agricultural products are used by industries in Nkowankowa as raw materials.

Commercial farming lands in the Lowveld area are concentrated in the Letaba and Phalaborwa districts, while subsistence farming dominates in the Ritavi district. Most commercial agricultural projects were undertaken by the Gazankulu Development Corporation (GDC) and Gazankulu Department of Agriculture and Forestry.
The mountain slopes and foot hills of the Drakensberg Mountains in the Letaba district are used for tree planting. The most common trees that are found here are bluegum and pine. Although most of the sawmills are found along the major roads in these plantations, timber and furniture industries at Nkowankowa are using the output of these sawmills as its inputs.

Nkowankowa has to compete with Tzaneen, Letsitele and Phalaborwa for the same agricultural and forestry inputs/raw materials. Tzaneen specialises in commerce and services, while Letsitele processes agricultural products.

3.2.2 Mining and quarrying

Neither Ritavi I nor Ritavi II has mining potential of any significance. Mining activities occur in Phalaborwa, which is 55km East of Nkowankowa, and Gravelotte, which is 25km from Nkowankowa. Minerals mined near these two towns are copper, phosphate and gold. Phosphate is used by the fertiliser manufacturing industry to produce fertilisers.

Limited quarrying activities for the building and construction industries take place at Nkowankowa. In 1980 approximately 182 people were employed in quarrying (DBSA 1986), while in 1990 the number employed in this sector increased to 301 (DBSA 1993). Industrial growth has succeeded in stimulating the growth of quarrying activities by 6,5 percent per year between 1980 and 1990.

1.2.3 Human resources

The development of a place depends partly on its people, and their attitudes and value systems. Wolmarans (1990:21) reminds us that development starts with people and with their education, organisation and discipline and not with goods. Malecki (1991:365) emphasises education as an important attribute that can lead to the success of industrial development.

The population of Ritavi district increased from 78 930 in 1980 to a total of 132 399 in 1990, an average increase of 6,8 percent per year (Table 3.1). The
population density in 1980 was 59 people per square kilometre, while in 1990 the population density had risen to 107 people per square kilometre (DBSA 1993).

Table 3.1 Total population (Gazankulu)

<table>
<thead>
<tr>
<th></th>
<th>ESTIMATE FOR</th>
<th>% GROWTH / YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>GIYANI</td>
<td>173320</td>
<td>218986</td>
</tr>
<tr>
<td>MALAMULELE</td>
<td>117607</td>
<td>132534</td>
</tr>
<tr>
<td>MHALA</td>
<td>120941</td>
<td>145326</td>
</tr>
<tr>
<td>RITAVI TOTAL</td>
<td>78930</td>
<td>104515</td>
</tr>
<tr>
<td>URBAN</td>
<td>6505</td>
<td>8067</td>
</tr>
<tr>
<td>RURAL</td>
<td>72425</td>
<td>96488</td>
</tr>
<tr>
<td>GAZANKULU TOTAL</td>
<td>490258</td>
<td>601361</td>
</tr>
<tr>
<td>URBAN</td>
<td>15014</td>
<td>24128</td>
</tr>
<tr>
<td>RURAL</td>
<td>475244</td>
<td>577233</td>
</tr>
</tbody>
</table>

The average population increase for Ritavi district was 5.8% between 1980 and 1985. From 1985 to 1990 it was 4.8%, while that of the rest of Gazankulu Homeland was 4.2% and 3.6% respectively. This is higher than the natural growth rate of 2.3% for South Africa as a whole during the same period (i.e. between 1980 and 1990). Although this increase is attributed to population resettlement in the former homelands, it is to a certain extent the result of natural increase and employment opportunities provided by the factories in Nkowakwana.

In 1980 as well as in 1990, the largest part of the population was located in the rural areas. During the period 1980-85 and 1986-1990 the rate of urban population growth decreased from 4.4 percent to 4.2 percent. This is caused by the movement of families back to the villages as the rising cost of urban life is not matched by the little rate of wage increase.

In 1980, the age distribution of the population shows that on average, 50.6 percent of Ritavi's population were younger than 15 years as opposed to Gazankulu's 53.4 percent, while 46.4 percent was in the age group 15-64 years and three percent above 64 years as opposed to Gazankulu's 43.3 and 3.3 percent respectively (see Table 3.2). This indicates a high dependency ratio. However the period between 1980 and 1990 influenced the demography.
of the area positively. The number of people in the age group 15-64 years and 65 years and above increased while the number of people in the age group 1-14 decreased (Figure 3.1).

Table 3.2 Population age structure (Ritavi district)

<table>
<thead>
<tr>
<th>YEAR / AGE</th>
<th>1-14</th>
<th>15-64</th>
<th>65 +</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ritavi</td>
<td>1980</td>
<td>50.6</td>
<td>46.4</td>
</tr>
<tr>
<td></td>
<td>1990</td>
<td>49.8</td>
<td>46.8</td>
</tr>
<tr>
<td>Gazankulu</td>
<td>1980</td>
<td>53.4</td>
<td>43.3</td>
</tr>
<tr>
<td></td>
<td>1990</td>
<td>51.4</td>
<td>45.2</td>
</tr>
</tbody>
</table>

In 1980 the dependency burden for every 100 people was 115.5, while in 1990 the dependency ratio was 113.7 compared to Gazankulu's 130.9 and 121.2 respectively.

Figure 3.1 Population pyramid of Ritavi.

The level of education is an important indicator of the potential to sustain industrial growth (Malecki, 1991: 364). Education is a prerequisite for requiring skills needed for higher labour productivity. Table 3.3 shows educational levels in percentage for the Ritavi district (DBSA, 1993).


There was also a decrease in the percentage of people with no education, while the percentage of people who had gone to school increased.

In Ritavi district 45.5% of the population has received primary, secondary and tertiary education, which is higher than that of the rest of Gazankulu (41.3%). It was therefore believed that Ritavi has a potential to sustain industrial growth (see Figure 3.2).

The improvement in the level of education is expected to have a positive effect on the quality and productivity of the companies in Nkowankova. Although most of the industrialists surveyed were not happy about the quality of their labour force, it is expected that in the near future the quality and productivity of the labour force will improve.

Figure 3.2 Education level of Ritavi.
Table 3.4 Ritavi: labourforce (DBSA; 1993)

<table>
<thead>
<tr>
<th>Labourforce category</th>
<th>1980</th>
<th></th>
<th>1990</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>number</td>
<td>%</td>
<td>number</td>
<td>%</td>
</tr>
<tr>
<td>potential labourforce</td>
<td>37 750</td>
<td>100</td>
<td>37 750</td>
<td>100</td>
</tr>
<tr>
<td>subsistence/informal sector</td>
<td>24 896</td>
<td>65.95</td>
<td>24 896</td>
<td>65.95</td>
</tr>
<tr>
<td>labourforce</td>
<td>12 854</td>
<td>34.05</td>
<td>12 854</td>
<td>34.05</td>
</tr>
<tr>
<td>formally employed</td>
<td>4 488</td>
<td>18.4</td>
<td>7 183</td>
<td>19.03</td>
</tr>
<tr>
<td>informally active</td>
<td>419</td>
<td>1.75</td>
<td>3 053</td>
<td>8.09</td>
</tr>
<tr>
<td>unemployed</td>
<td>2 300</td>
<td>9.43</td>
<td>2 618</td>
<td>6.93</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7 207</td>
<td>29.58</td>
<td>12 854</td>
<td>34.05</td>
</tr>
</tbody>
</table>

Table 3.5 Nkowankowa employment figures (DBSA; 1989)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>1 301</td>
</tr>
<tr>
<td>1983</td>
<td>1 165</td>
</tr>
<tr>
<td>1984</td>
<td>2 320</td>
</tr>
<tr>
<td>1985</td>
<td>2 691</td>
</tr>
<tr>
<td>1986</td>
<td>3 623</td>
</tr>
<tr>
<td>1987</td>
<td>4 893</td>
</tr>
<tr>
<td>1988</td>
<td>5 123</td>
</tr>
<tr>
<td>1989</td>
<td>5 180</td>
</tr>
</tbody>
</table>
The establishment of the Gazankulu Training Trust (GTT) which is engaged in the training of the employed and the unemployed people around Nkowankowa is welcomed. People are taught basic technical skills to enable them to function more efficiently in jobs that needs certain skills.

Table 3.6 Industrial establishment at Nkowankowa

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Number established</th>
<th>Number closed</th>
<th>Number still functioning in 1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1980</td>
<td>6</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>1980</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1981</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1982</td>
<td>3, 2</td>
<td>2, 1</td>
<td>1</td>
</tr>
<tr>
<td>1983</td>
<td>14</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1984</td>
<td>20</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>1985</td>
<td>13</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>1986</td>
<td>9</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>1987</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>1988</td>
<td>6</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>1989</td>
<td>6</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>1990</td>
<td>6</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td>1991</td>
<td>0</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>1992</td>
<td>2</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>1993</td>
<td>6</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>99</td>
<td>71</td>
<td>28</td>
</tr>
</tbody>
</table>
Ritavi district had a total potential labour force of 24,387 in 1980 and 37,750 in 1990. More than half of its potential labour force was engaged in subsistence agriculture and the informal sector. Table 3.4 shows that in 1980 18.4% were formally employed while 9.43% of the population were unemployed. In 1990 19% were formerly employed while 6.9% of the labour force were unemployed.

In accordance with the Good Hope Conference Nkowankowa, Giyani and Mkhuhlu were selected as industrial development points in the former Homeland of Gazankulu. Both Nkowankowa and Giyani were in development region G (Northern Province) while Mkhuhlu was in development region F (now Mpumalanga Province). Nkowankowa had higher growth prospects than Giyani because of its location in relation to Tzaneen and to a lesser extent to Phalaborwa.

These two older towns have established processing and service industries, but with superior incentives in Nkowankowa it was felt that labour intensive industries will relocate from these two towns and the metropolitan areas to Nkowankowa. This would reduce unemployment and poverty.

Table 3.4 and 3.5 show that, in 1989 40% of the labour force in the Ritavi district were employed by firms in Nkowankowa which in 1990 stood at 12,854 (Table 3.4).

3.3 INDUSTRIAL ESTABLISHMENT AT NKOWANKOWA

The history of industrial establishment in Nkowankowa dates back to 1943 with the establishment of citrus fruit container and processing plants, and later wood processing plants. The first industries were concentrated along the railway line around Letaba (Banana) station (see Figure 3.3 and Figure 4.1, p.56).

In the late 1970's and early 1980's the industrial area was expanded to the southwest, with a new railway siding which made it possible for goods to be
delivered to the industrial sites. By 1984/1985 the industrial area had expanded to the West, across the Bindzulani Tarental road (Figure 1.3). The first industrial area became *Industrial park I*, while the new one on the west became *Industrial park II*.

According to the Gazankulu Development Corporation (GDC), the industrial area was placed under its control in 1971. Table 3.6 indicates the total number of industries that was ever established before 1980 and up to 1993. Table 3.7 shows the establishment of the existing industries up to 1993. Because of poor management, industrial strikes, and the rising transport costs between Nkowankowa and the market a number of firms was closed between 1982 and 1989. Firms that were still doing well during this period either bought neighbouring firms or expanded to neighbouring empty factory buildings.

Figure 3.3 Industrial and residential areas of Nkowankowa.

Nkowankowa has 84 serviced industrial sites of which 67 sites were occupied by the 28 remaining factories in 1993. This shows that as factories were closed some were expanding to occupy the place left by these firms. In 1993 the occupancy rate of the industrial sites was 80%, which suggests that the high closure rate was compensated by the expansion of the thriving factories.
Table 3.7 Establishment of existing industries at Nkowankowa.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Number of industries surveyed in 1994</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1980</td>
<td>6</td>
<td>21,4</td>
</tr>
<tr>
<td>1980</td>
<td>1</td>
<td>3,6</td>
</tr>
<tr>
<td>1981</td>
<td>1</td>
<td>3,6</td>
</tr>
<tr>
<td>1982</td>
<td>1</td>
<td>3,6</td>
</tr>
<tr>
<td>1983</td>
<td>4</td>
<td>14,3</td>
</tr>
<tr>
<td>1984</td>
<td>2</td>
<td>7,1</td>
</tr>
<tr>
<td>1985</td>
<td>0</td>
<td>0,0</td>
</tr>
<tr>
<td>1986</td>
<td>0</td>
<td>0,0</td>
</tr>
<tr>
<td>1987</td>
<td>2</td>
<td>7,1</td>
</tr>
<tr>
<td>1988</td>
<td>2</td>
<td>7,1</td>
</tr>
<tr>
<td>1989</td>
<td>1</td>
<td>7,1</td>
</tr>
<tr>
<td>1990</td>
<td>1</td>
<td>3,6</td>
</tr>
<tr>
<td>1991</td>
<td>0</td>
<td>0,0</td>
</tr>
<tr>
<td>1992</td>
<td>2</td>
<td>7,1</td>
</tr>
<tr>
<td>1993</td>
<td>5</td>
<td>17,9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>28</td>
<td>100,00</td>
</tr>
</tbody>
</table>

Most of the industries that were affected by high closure rate were food processing industries, furniture making industries, clotting, pottery and candle manufacturing industries (Table 3.10)
3.3.1 ORIGIN OF INDUSTRIES

In support of Addleson et al (1985: 179) and the Panel of Experts (1989:39), this survey found that 60,7 percent of the industries in Nkowankowa were new industries (first time operation), while 39,3 percent relocated from other places. Out of the industries that relocated to Nkowankowa, 45,4 percent relocated from the PWV area, 18,2 percent from the Northern Transvaal, while 27,3 percent were from Natal and 9,1 from the Cape Province (see Table 3.8).

Table 3.8 Origin of factories in Nkowankowa.

<table>
<thead>
<tr>
<th>ORIGIN</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>First time operators</td>
<td>17</td>
<td>60,7</td>
</tr>
<tr>
<td>PWV</td>
<td>5</td>
<td>17,9</td>
</tr>
<tr>
<td>N.TVL</td>
<td>2</td>
<td>7,1</td>
</tr>
<tr>
<td>Natal</td>
<td>3</td>
<td>10,7</td>
</tr>
<tr>
<td>Cape</td>
<td>1</td>
<td>3,6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>28</strong></td>
<td><strong>100,0</strong></td>
</tr>
</tbody>
</table>

3.3.2 OWNERSHIP OF FIRMS IN NKOWANKOWA

According to this survey, 75 percent of the companies were privately owned, while 17,9 percent of the companies were branch companies of multi-locational firms or corporations and 7,1 percent were parastatal companies (see Table 3.9). Malecki believes that the majority of the firms in rural (peripheral) areas are branches of multi-national firms, which takes an advantage of displaced farm workers, who do not think of themselves as belonging to an industrial force (Malecki, 1991).
Table 3.9 Ownership of firms.

<table>
<thead>
<tr>
<th>FIRMS</th>
<th>NUMBERS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privately owned firms</td>
<td>21</td>
<td>75.0</td>
</tr>
<tr>
<td>Multilocational firm branches</td>
<td>5</td>
<td>17.86</td>
</tr>
<tr>
<td>S.A. Corporation (Parastatal)</td>
<td>2</td>
<td>7.14</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>28</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Contrary to Malecki’s belief and the findings of Addleson and Tomlinson (1986), as well as Welling and Black (1987), who found that most of the industries in the peripheral areas are branch industries drawn by cheap labour (especially women because they tend to work for lower wages and have less inclination to join unions than men and because their behavioural characteristics are suitable), most firms in Nkowankowa were new first time operators and their establishment is mostly influenced by incentives.

### 3.4 TYPES OF INDUSTRIAL ACTIVITIES

The Panel of Experts (1989) discovered that the majority of firms in the industrial decentralisation points consists of various groups of industrial firms of which the following are common: food processing, textiles, weaving, apparel, wood products, furniture, non-metallic mineral products, and metallic products. In this survey most of the firms fall under the industrial groups mentioned above (see Table 3.10).
Table 3.10 Industrial types

<table>
<thead>
<tr>
<th>Industrial type</th>
<th>1989,  %</th>
<th>1993, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>food</td>
<td>11</td>
<td>22,4</td>
</tr>
<tr>
<td>timber</td>
<td>5</td>
<td>10,2</td>
</tr>
<tr>
<td>furniture</td>
<td>7</td>
<td>14,3</td>
</tr>
<tr>
<td>iron &amp; steel</td>
<td>4</td>
<td>8,2</td>
</tr>
<tr>
<td>printing</td>
<td>2</td>
<td>4,1</td>
</tr>
<tr>
<td>construction products</td>
<td>4</td>
<td>4,1</td>
</tr>
<tr>
<td>ornaments</td>
<td>3</td>
<td>6,1</td>
</tr>
<tr>
<td>automobile industry</td>
<td>3</td>
<td>6,1</td>
</tr>
<tr>
<td>clothing</td>
<td>3</td>
<td>6,1</td>
</tr>
<tr>
<td>pottery &amp; candles</td>
<td>3</td>
<td>6,1</td>
</tr>
<tr>
<td>electrical products</td>
<td>2</td>
<td>4,1</td>
</tr>
<tr>
<td>fertilisers</td>
<td>1</td>
<td>2,0</td>
</tr>
<tr>
<td>glass</td>
<td>1</td>
<td>2,0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>49</strong></td>
<td><strong>100,0</strong></td>
</tr>
</tbody>
</table>

Now that the history, ownership and types of industries at Nkowankowa have been discussed it is necessary to look at Nkowankowa's potential to sustain industrial growth.
3.5 FACTORS THAT INFLUENCED INDUSTRIAL ESTABLISHMENT AT NKOWANKOWA

There are a number of factors that influence entrepreneurs to establish their factories in a place. According to Felsenstein (1988, 365 - 374), Kelly and Keeble (1988,3 - 15) and Healey and Ilbery (1990, 110), the most common factors are:

* market location
* availability of raw materials
* availability of labour (quality, costs, unions)
* existing capital infrastructure (transport of raw materials, water supply, power, existing business environment),
* government intervention
* political stability
* availability of industrial premises
* personal considerations
* enterprise characteristics (nature of enterprise, product nature), and
* social environment.

Johnson(1989:33) goes a little further and tries to arrange these factors in the following order of importance:
- government incentives at state and local level
- inter-industry linkages
- locational influence of labour

Since industrialists establish their factories with an aim of making profit, the entrepreneur will choose the optimal place by evaluating all the factors that influence the choice of establishment. The choice would be made by determining where the biggest difference between income and expenditure will occur in the long run.

Determining the optimal place of establishment is not the same for all enterprises because the critical factors influencing the establishment differ from enterprise to enterprise.
In support of Smith and Coetzee's (1987) finding with regard to government incentives as the main factor influencing locational decisions, the Panel of Experts (1989) and Addleson et al (1985) have produced the following rank of locational factors as indicated in Table 3.11.

Table 3.11 Factors favouring decentralised industrial establishment

<table>
<thead>
<tr>
<th>Locational factor</th>
<th>Rank order of (Panel of Experts)</th>
<th>Addleson</th>
</tr>
</thead>
<tbody>
<tr>
<td>incentives</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>availability of cheap labour</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>availability of cheap buildings</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>appropriate infrastructure</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>stable workforce</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>availability of cheap land</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>adequate water and energy</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>availability of skilled labour</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>adequate industrial relations</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>proximity to markets</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>proximity to service suppliers</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>proximity to raw materials</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>quality of life</td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td>productivity of labour</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>proximity to similar companies</td>
<td>15</td>
<td>12</td>
</tr>
</tbody>
</table>

The above-mentioned factors also had an influence on the establishment of industries at Nkowankowa, although their rank order may not be the same. Using the mentioned factors, industrialists' response in Nkowankowa produced Table 3.12 below (showing the main reasons why individual firms decided to
establish their factories in Nkowankowa).

The most important reasons in order of importance in this survey that influenced entrepreneurs in deciding to locate their factories at Nkowankowa are:

- **Government assistance (incentives)** - As a result of the regional development incentive programme it has become more advantageous to establish enterprises in areas where the programme’s benefits apply.

Table 3.12 Factors influencing industrial establishment in Nkowankowa

<table>
<thead>
<tr>
<th>Industry / location factor</th>
<th>Food</th>
<th>Metal</th>
<th>Printing</th>
<th>Automobile</th>
<th>Building</th>
<th>Clothing</th>
<th>Furniture</th>
<th>Timber</th>
<th>Sundry</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Raw material</td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Incentives</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Stability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Proximity to one’s farm</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>28</td>
</tr>
</tbody>
</table>

- **Labour** - In Nkowankowa and the surrounding districts labour is freely available and relatively little labour unrest occurs. The labour costs are also not too high because most firms train its workers internally.

- **Markets and Infrastructure** - The fact that Nkowankowa is having a good road and rail route system makes it accessible to both local and national markets.
Proximity to owner's home or farm - Entrepreneurs (in the food, timber and building industries) that are operating for the first time have been motivated to establish their factories because Nkowankowa is close to their place of residence (home or farm). With its superior incentives and being closer to their homes, Nkowankowa industrial area encouraged them to establish their factories.

Raw materials and nature of the end product - Proximity to the source of raw materials have an influence on industrial location. Industries that process bulky raw materials (furniture and timber) will find it advantageous to settle next to the source of raw materials, while factories that work with less bulky raw materials will benefit by locating next to their markets.

Transport - Efficient rail transport was also cited as a factor that encouraged entrepreneurs to establish themselves at Nkowankowa industrial area.

Table 3.13 Location of market areas.

<table>
<thead>
<tr>
<th>market location</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>local</td>
<td>44.6</td>
</tr>
<tr>
<td>metropolitan areas</td>
<td>45.6</td>
</tr>
<tr>
<td>neighbouring countries</td>
<td>1.5</td>
</tr>
<tr>
<td>overseas</td>
<td>8.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 3.13 shows the location of markets for the products of industries at Nkowankowa. 44.6 percent of these markets are local, while 45.6 percent of their markets are made up of metropolitan areas, especially the Gauteng (PWV) metropolitan region. 1.5 percent of the markets are in neighbouring countries, and 8.3 percent of the market consists of overseas countries.
With regard to raw materials, Table 3.14 shows that 44 percent of the firms obtain their raw materials from Ritavi and Tzaneen districts. 35 percent from the rest of South Africa, and 7 percent obtain their raw materials from neighbouring countries while 14 percent obtain their raw materials from overseas.

Table 3.14 Origin of raw materials

<table>
<thead>
<tr>
<th>origin</th>
<th>frequency</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>local</td>
<td>12</td>
<td>44</td>
</tr>
<tr>
<td>rest of South Africa</td>
<td>10</td>
<td>35</td>
</tr>
<tr>
<td>neighbouring countries</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>overseas</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>TOTAL</td>
<td>28</td>
<td>100</td>
</tr>
</tbody>
</table>

This research shows therefore, that the main reason for the 28 industrialists locating at Nkowankowa can be ranked as follows:
- government incentives
- availability of labour
- proximity to market area
- proximity to entrepreneur's home / farm
- availability of raw materials.

This survey rated government incentives as a major contributory factor in deciding to locate at Nkowankowa. Almost all the respondents considered incentives as the major reason for establishing their firms in Nkowankowa. Without incentives it would have been difficult for them to establish themselves in Nkowankowa.

Contrary to the Welling and Black (1986) finding that access to markets and skilled labour are decisive factors affecting location in metropolitan firms.
ranking, most industries in Nkowankowa are attracted by incentives

The choice of Nkowankowa as an industrial development point was a correct choice, because it is strategically better situated. The choice also correspond with the wishes of the government, which encourages entrepreneurs to establish businesses in rural areas in order to create a balance between the spatial distribution of economic resources.

3.5 CONCLUSION

The factors discussed above were aimed at assessing the potential of Nkowankowa as an industrial development point. The situation of Nkowankowa at the centre of the Lowveld commercial farming area and the availability of manual labourers who are needed by most firms in this industrial point gives it an advantage. The availability of female workers also gives Nkowankowa more potential for the establishment of clothing and textile industries.

Now that the various factors that influenced the location of industries in Nkowankowa have been discussed, the following chapter will look at the growth of industries and their influence on the reduction of poverty and unemployment.
4. INDUSTRIAL DEVELOPMENT AT NKOWANKOWA.

4.1 INTRODUCTION

In their study of industrial development points, the Panel of Experts (1989:57) placed Nkowankowa amongst the 20 most popular development points in South Africa. This is mostly attributed to the fact that the money invested had a positive influence on industrial development, employment, infrastructure, and retail development of the area. The popularity of Nkowankowa industrial area saw it expanding from Nkowankowa Industrial park I (section I) to industrial park II (section II) in the west (Figure 4.1).

![Figure 4.1 Industrial expansion.](image)

4.2 INDUSTRIAL GROWTH

According to this survey the number of industries in Nkowankowa grew from six in 1979 to 28 existing factories in 1993. An average growth rate of 26.2 percent per year (Table 3.6).
Table 4.1 Industrial establishment and closure.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Number established</th>
<th>Number closed</th>
<th>Number still functioning in 1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1980</td>
<td>6</td>
<td>0</td>
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<td>TOTAL</td>
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<td>71</td>
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Figure 4.2 Types of industries.
The industrial growth as recorded by the Gazankulu Development Corporation reflects a much higher growth than that recorded in this survey. This is due to the fact that most of the industries that were established between 1980 and 1989 had a high failure rate (Table 4.2).

According to the Panel of Experts (1989), Nkowankowa had 49 industries in 1989 and most of them were engaged in processing timber, food, manufacturing furniture, metal, construction and clothing factories (Figure 4.2 shows the types of industries in Nkowankowa).

One of the major objectives of industrial development points (growth centres) was to provide rural inhabitants with work (Panel of Experts, 1989; Addleson and Tomlinson, 1986; Dewar, 1987). One of the secondary goals of the Good Hope RIDP was to attract labour-intensive firms to the industrial development points making growth in the development areas a strong employment base.

The government's main aim in promoting the location of industries in Nkowankowa, was to create employment opportunities for the inhabitants of Ritavi and neighbouring districts in development region G (now Northern Province).

According to the Gazankulu Development Corporation (GDC), Nkowankowa provided work for 4,893 people between 1982 and 1989. Figure 4.3 shows that the number of employees grew from 1,301 in 1982 to 5,180 in 1989. This was an annual increase of 25.8 percent per year. Figure 4.4 verifies that a decrease in the number of unemployed occurred between 1980 (9.5%) and 1990 (6.9%).
Industrial development also influenced the establishment of the Bindzulani Business centre. In order to serve the industrial community of Nkowankowa, the Bindzulani shopping centre came into being with chain shops such as Score, Fairways, Ellerines, etc. establishing themselves in Bindzulani.
The value of industrial products also increased from R5 million in 1980 to R74 million in 1993, which is 1300 percent in a period of 14 years (see Figure 4.5).

This growth in the number of employees, retail business and value of industrial products was a further confirmation that the aim of the 1982 Good Hope Industrial Programme was to some extent achieved. The directive was a definite success with regard to employment, because the growth of employment in manufacturing has been 45 percent per annum in Nkowankowa. The industries also triggered the establishment of a business centre.

![Growth of industrial products](image)

Figure 4.5 Industrial products value

### 4.3 INFRASTRUCTURE

The growth of industries in Nkowankowa also led to the improvement of infrastructure in the area. Roads were tarred, water reticulation was improved and telecommunication was upgraded.

Most of the industrialists locating in industrial development points were satisfied with the infrastructure (Panel of Experts 1989). This belief is supported by the Nkowankowa survey which also found that most of the industrialists
were satisfied with the infrastructure (see Figure 4.6 below).

Figure 4.6 Satisfaction with infrastructure

With regard to transportation the survey found that 75 percent of the respondents transport raw materials and finished products to and from their factories by road. Rail transport was used by 7.1 percent while 17.9 percent used road and rail.

More than 60 percent of the industrialists were satisfied with the road conditions, railways and electricity supply. The only problem is the water supply, which was compounded by the drought conditions. The major problem with the water supply is burst pipes as a result of poor workmanship which leaves industrialists without water for days.

4.4 NKOWANKOWA'S SUCCESS AS AN IDP.

The fair amount of success at Nkowankowa as an industrial development point, is mostly attributed to the fact that the money invested in it had a positive influence on the reduction of unemployment in the area. The 28 factories which
occupied 67 of the fully serviced industrial sites, provided employment to almost 5 200 people in 1994. Of the 99 firms ever established, 71 industries closed down or merged with bigger firms in the same industry (GDC) between 1980 and 1993. This is 72 percent of the industries that were ever established at this industrial development point.

![Graph showing industrial establishment and closure](image)

Figure 4.7 Industrial establishment and closure

If the success of Nkowankowa as an industrial development point (IDP) is based on the number of industries which have failed, government initiative to make Nkowankowa an IDP has been less successful than originally planned (Table 4.2 and Figure 4.8). The establishment of new industries in Nkowankowa seem to be offset by the failure rate of the existing industries located here in the past.

According to the Gazankulu Development Corporation, the number of industries that have closed between 1980 to 1993 was mostly due to a buyout or a merger of two existing firms in the same industry in order to consolidate their positions. This is explained by the fact that by 1993 the occupancy rate of the serviced industrial sites was still 64.3 percent, of its 1989 level.
As incentives were necessary to attract industries to Nkowankowa, most industrialists fear that the ambiguity with regard to the new incentive scheme of 1991 might threaten their existence. In the same light, industrialists also feel that the removal of incentives will reduce their competitiveness in both national and international markets, and this might force them to decide to relocate to areas with better locational opportunities.

Government initiative to promote industrial growth in Nkowankowa was not an overall success. It is for this reason that 70% of the industrialists believe that the removal of industrial incentives in the peripheral areas will harm industrial development in these areas. They believe the government should continue to provide incentives to encourage Nkowankowa to grow and become an independent industrial area that can support itself.

4.5 CONCLUSION

The growth of Nkowankowa as an industrial area depend mostly on the support provided by the government and this makes it vulnerable to failure should the support decrease or be withdrawn. The long distance between Nkowankowa and its markets in the metropolitan areas makes it difficult for entrepreneurs in Nkowankowa to be competitive because of the high transport costs. This renders industrial development in Nkowankowa less successful. This is shown by the high failure rate of firms in Nkowankowa.

In the final chapter, the influence of both the locational factors and government intervention will be considered before a final conclusion is made concerning the success of Nkowankowa as an industrial development point.
5. SYNTHESIS

The purpose of this study was to investigate the effect of government intervention on development in the Ritavi district, specifically industrial development at Nkowankowa. The preceding chapters were aimed at clarifying the fact that even in a free market economy, government intervention can help in bringing about meaningful development in the less developed regions of a country. The study showed that the South African government's intervention brought about the successful establishment of Nkowankowa as an industrial area, which was evident from an increase in the number of people employed by the factories in Nkowankowa and the increase in the number of firms established. This has also lead to the decrease in the rate of unemployment.

Industrial development is taken to be the best solution for developing the economy of backward regions or countries. It can hasten development and eradicate poverty and backwardness by creating work opportunities, increasing the value of goods produced in an area. Industrial development creates the best conditions for efficient functioning of the economy as it maximises national income and speeds economic growth. It also diversifies the rest of the economy. The positive relationship between industrial development and economic development has helped South Africa attempt solving the problem of regional inequalities by industrial decentralisation. It was hoped that the problem of population overconcentration in metropolitan centres, and inequalities, poverty and unemployment in the outer periphery would be solved by industrial decentralisation. Industrial development in the outer periphery was regarded as necessary for economic development, bringing about the equitable distribution of the benefits of industrialisation among all sectors of the population.

With regard to raw materials, labour and accessibility to markets Nkowankowa do have the potential to develop as an industrial development point. Nkowankowa's situation in the Lowveld Commercial farming area, the mining activities at Gravelotte and Phalaborwa, and the large numbers of unskilled labourers in Ritavi district, place it in a favourable position for the establishment of, especially food processing and
mineral benefaction industries, and therefore as an industrial development point.

Although Nkowankowa does have potential to grow as an industrial development point, it could have been difficult to initiate industrial development without government support. The number of industries that were established since 1982 showed that government initiative did help in establishing Nkowankowa as an industrial development point (Panel of Experts, 1989:58).

The amount of success achieved by initiating industrial growth in Nkowankowa may be temporary, because the industrial decentralisation policy used to establish these industries had some serious weaknesses. Most long-term incentives encouraged industries to establish themselves where, without subsidies, they could not be profitable (Panel of Experts, 1989).

Nkowankowa does not have the urban agglomeration effect necessary to attract old and branch factories to establish themselves in this industrial point and most of the decisions to locate in Nkowankowa are artificial and based on incentives rather than any genuine economic consideration.

The influence of incentives on industrial settlement at Nkowankowa has resulted in the establishment of a number of new factories that are operating for the first time in Nkowankowa. Lack of skills in production and financial management have lead to a failure in some of these new firms.

Of the 89 factories that were established in Nkowankowa between 1982 and 1993, 69 factories either failed or merged with the existing factories. Most of the factories that failed were new firms which operated for the first time in Nkowankowa (GDC).

The failure of most of the industries at Nkowankowa is blamed on the fact that the decentralisation policy had both political and economic objectives. This has made the government to:

- Choose too many growth points instead of a limited number to ensure success (Hanekom, 1986:17). This resulted in many growth points competing with each other for a limited number of established factories that needed to relocate to growth
point or firms that wants to establish their branch factories.

- Introduce long-term incentives which encouraged industries to establish themselves in areas where, without subsidies, they could not be profitable.

The decentralised industries did not have strong propulsive characteristics and failed to attract other industries to the development points via backward and forward linkages. In other words, a lack of agglomeration benefits at nearly all development points.

5.1 HYPOTHESIS

The Government's attempt to develop Nkowankowa as an industrial area, with the aim of fostering economic growth and job creation to the benefit of the local community around Nkowankowa, met with little success. Of the 99 firms that established themselves in Nkowankowa until 1993 71 have either closed, merged with other similar firms or relocated to other industrial areas. Of 49 firms that were in Nkowankowa in 1989 only 20 factories are still operating.

Out of the 28 existing factories in Nkowankowa, eight were established between 1990 and 1993. This show that Nkowankowa is not successful as an industrial area than was originally planned. The hypothesis (p.19) therefore can be accepted, because since 1990 the failure rate of industries is higher than the rate of industrial establishment. If this trend persist then by the year 2000 there will be less than ten industries left in Nkowankowa. However it must be stated again that these 28 industries did bring some relief to the unemployment problem.

The Panel of Experts (1989), in their evaluation of the 1982 RIDP, maintains that the successes achieved by certain industrial development points are overshadowed by the failure of many declared industrial development points. They attribute the failure of the industrial decentralisation policy to achieve its objectives on incentives which encouraged industrialists to settle in an area where they cannot succeed without incentives.
Success has been achieved at the micro-level with industrial development at certain development points and at a macro-level with the impact on the location of employment in manufacturing (Panel of Experts, 1989). However when these achievements are compared with the overall need for job creation and with overall urbanisation trends in South Africa, they become relatively insignificant. The RIDP’s ultimate goal should be to promote the self-sustaining economic growth and development of the integrated South African economy. It is recommended that the multi-sectoral strategy is the best approach because it takes a global approach to development. It seeks alternative means of development in agriculture, services, tourism and appropriate small and informal industries that are geared to local needs and resources.

Because of the bureaucracy associated with central planning it is recommended that industrial development administration be decentralised to local authorities so that each local authority can develop its own industrial policy, under the supervision of the provincial and central governments.

The main elements of industrial policy which need to be taken into consideration are:

- Provision of serviced lands with good infrastructure which can either be sold or leased to firms desiring sites or to property firms to develop industrial buildings.

- Provision of buildings and/or the maintenance of the existing buildings to meet the demand of firms for factory buildings. Factory buildings may be sold, rented or leased to firms. These buildings may be grouped on industrial estates, industrial parks or science parks (Malecki, 1991).

- Provision of housing. Since local authorities will manage public sector housing and control access to such housing, accommodation may be offered to key employees of plants moving into the area.
- Provision of financial aid to factories by offering them reduced rents, rent-free periods, by providing mortgage for the development of land and buildings and by providing loans and grants. Act as a guarantor of loans, invest in the shares of a local company, or even raise financial aid to the industry through industrial development bonds.

- Industrial promotion by setting up industrial development panels (to promote contact between local government and industry and to co-ordinate an authority's approach to industrial activities).

- Appointing industrial development officers to expand and maintain the area's manufacturing activities and to run advertising campaigns to draw firms attention to the benefits of the area.

- Provision of information on markets, suppliers, sources of funds and availability of local sites and premises.

- Providing training in business skills to potential entrepreneurs.

5.2 FUTURE PROSPECTS

Nkowankowa, like many other small industrial development points, is located in an area most desperately in need of development. Poverty and unemployment levels are still high in these areas. Illiteracy and high population growth rate are prevalent. There is little investment from the private sector, and they depend on the state for financial support.

Most of the development that take place in these industrial development points are financed by the government. This puts these development points in a vulnerable position should government sources of funds to assist them become dry. Their economy will deteriorate and their position will worsen.
In order to help these towns develop, the government should involve the underdeveloped communities. The underdeveloped community should be assisted to gain control of their own economic future. A particular community's capabilities should be analysed and entrepreneurship be given a boost. Business areas should be upgraded and improved by getting the underdeveloped communities to play a larger role in managing these areas.

The Ritavi I and Ritavi II communities should be assisted to give them the opportunities to become involved in economic development and job creation in their own areas. New businesses should be developed while existing firms should be helped to expand. Local development agencies which will be sensitive to local demands, need to be established to support small firms that are established in the IDP.

More jobs may also be created by expanding agricultural activities. This may be done by enlisting the aid of tertiary education institutions and also by making them to be actively involved in the support, training, and advice given to redevelop small industrial towns like Nkowankowa.

The industries at Nkowankowa are failing to develop Ritavi, and it will remain a marginal area, whose resources are inadequate to sustain the demands being placed upon it. Ritavi will not remain a viable entity in terms of providing for its present population's basic needs, nor for improving their quality of life to any significant degree.

In order to achieve some improvement in the opportunities of Ritavi's people, Nkowankowa together with Tzaneen and Lenyenya should provide the solution. It is also clear that any economic development will need to draw on a variety of sectors and projects.
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