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A conceptual comprehension of factors that impede growth of spaza shops in south Africa

Selepe, Bokamoso^{1*},  Litheko, Alpheaus²

^{1,2}*School Of Management Sciences North-West University, Mahikeng, South Africa.*

Corresponding author: Selepe, Bokamoso (Email: 31596304@mynwu.ac.za)

Abstract

This study explores the factors that impede the growth of spaza shops in South Africa, with a specific focus on the North-West Province. Despite their crucial role in supporting township economies, these informal enterprises face numerous challenges that hinder their development and long-term sustainability. Adopting a qualitative approach, the research is based on a systematic review of secondary literature sourced from academic databases, government reports, and industry publications. The study employs thematic analysis, guided by the Knowledge-Based Theory (KBT), to identify key themes related to business growth constraints and strategies. Findings indicate that spaza shops are constrained by limited access to finance, inadequate infrastructure, legal barriers, and increasing competition from formal and foreign-owned retailers. However, the study also highlights that strategic knowledge, market adaptability, informal networks, and customer engagement can serve as crucial growth enablers. The conclusion underscores that while knowledge-based strategies strengthen resilience, meaningful growth remains unattainable without structural reforms and institutional support. Practical implications suggest that spaza shop owners can benefit from adopting flexible business practices and enhancing community-based knowledge sharing, while policymakers and stakeholders must streamline formalization processes, expand access to finance, and invest in capacity-building initiatives. These interventions are essential for improving the viability and competitiveness of township enterprises in South Africa's informal economy.

Keywords: Business growth strategies, Business growth, Spaza shops, Township enterprises.

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1. Introduction

Informal township enterprises play a pivotal role in the economic landscape of many developing regions, serving as engines of local economic activity and sources of livelihood for many individuals [1]. Many South Africans, both male and female, turn to informal enterprises, often in similar fields of business, after failing to obtain employment in the formal

economy [1, 2]. One important part of this sector is spaza shops, which are informal convenience stores that often operate within homes and have a significant impact on local economies. By addressing the needs of the community and generating jobs, they promote socioeconomic transformation by providing essential products and services to low-income communities [3]. Despite their economic importance, spaza shops encounter multiple challenges to growth and operate in an unpredictable environment. These challenges include financial limitations, infrastructure deficiencies, legal restrictions, and increased competition from formal retail chains [4]. Although spaza shops are usually unregistered and exempt from several legal requirements, their access to funding and business support agencies is restricted due to their lack of official recognition [4, 5]. The South African government has implemented measures to formalize businesses, promote financial inclusion, and provide entrepreneurship training in order to improve the viability of informal businesses Pillay et al. [2]. Jacobs [6] emphasized the importance of implementing strategies to unlock the growth potential of spaza shops while ensuring their sustainability and regulatory compliance. The Ngaka Modiri Molema District Municipality (NMMDM) in South Africa has enforced by-laws for spaza shops to comply with food handling and health safety measures [7]. The NMMDM initiative addresses widespread concerns about food safety following incidents where children were reportedly killed across the country. Additionally, the by-laws introduced by the district municipality include programs for business formalization, access to finance schemes tailored for spaza shops operating in the informal sector, and capacity-building efforts to enhance entrepreneurial skills. Furthermore, spaza shops have the potential to expand their market reach and operational efficiency by adopting digital technology and mobile banking [8, 9]. However, challenges such as a lack of digital knowledge and poor infrastructure continue to be significant for spaza shops [9]. Nonetheless, discussions about digital literacy, infrastructure limitations, and the possibility of technology-induced exclusion exist, underscoring the necessity of comprehensive approaches to guarantee that every informal business can capitalize on technological breakthroughs [8]. This study aims to assess the factors impeding the growth of township enterprises, focusing on spaza shops in the North-West Province, South Africa. By examining the existing literature, the research aims to identify challenges and explore strategies that could support the sustainable development of these enterprises by using secondary data.

2. Literature Review

2.1. Theoretical framework

The theory of business growth has developed to support the literature on entrepreneurship by highlighting resource efficiency and innovation as important factors in sustained growth. Scholars like Kor and Mahoney [10] and Barney [11] see small businesses as utilizing underutilized resources to gain a competitive edge, whereas the Schumpeterian growth model emphasizes the importance of creative destruction in encouraging entrepreneurship. Business growth was examined from an entrepreneurial perspective by Musa and Semasinghe [12] and further research have connected it to innovation in developing countries.

The Knowledge-Based Theory (KBT) serves as the theoretical foundation for this study. Jakes [13] asserts that according to the Knowledge-Based View (KBV), a key non-depreciable asset that drives business success is strategic knowledge, which is deeply rooted in organizational culture, policies, and processes. This is further supported by the Penrosean Ideology, which highlights the importance of managerial experience and entrepreneurial expertise in identifying and exploiting growth opportunities [14]. Sustainable and long-term viability are fostered by effective knowledge management, especially strategic knowledge, which provides small enterprises with a distinct competitive edge.

This perspective is highly relevant to spaza shops, which rely on informal yet strategic knowledge to sustain and expand their businesses in township economies van Eyk et al. [15]. Mampheu [16] asserts that to overcome market challenges, maximize product options, and foster enduring customer loyalty, Spaza shop owners acquire and apply strategic knowledge gained from experience, client interactions, and community involvement. Unlike formal businesses, spaza shops can maintain their competitiveness despite financial and infrastructural constraints because they rely on local expertise regarding pricing strategies, supplier relationships, and consumer behavior. KBT's claim that knowledge is an important growth engine is supported by the ability to adjust to market demands, utilize the benefits of informal supply chains, and adopt flexible business processes [10].

Furthermore, KBT emphasises how crucial information sharing is to businesses [17]. Since many spaza shops are family-run or community-based, information is exchanged within trusted networks or passed down through generations. As owners regularly adjust their strategies in accordance with experiences gained and changing market conditions, this strengthens the sustainability and resilience of a business. Spaza shops may overcome challenges, including restricted access to formal financial services, regulatory hurdles, and rivalry from larger retailers, by using expertise as a strategic advantage. This will eventually promote long-term viability in the informal sector.

2.2. Challenges Encountered by Spaza Shops Operating in Townships.

2.2.1. Township Enterprises

Townships in South Africa are impoverished urban residential areas that were previously designated for Black, Coloured, and Indian residents under apartheid laws [18]. These settlements, which were usually found on the outskirts of cities, were distinguished by inadequate public services, limited infrastructure, and restricted economic prospects. Townships have developed into significant locations for local entrepreneurship and informal economic activity despite these fundamental challenges [19]. Certain townships have developed into innovative and economically productive regions over time. A prime example is Soweto in Johannesburg, which has experienced substantial transformation, where Vilakazi Street is one of its main economic hubs, a commercial centre, and a cultural monument. It has thriving enterprises that attract both domestic and international tourists, including restaurants, coffee shops, and souvenir shops. Enterprises like

Vuyo's and Sakhumzi Restaurant serve as examples of how township-based businesses can develop into reputable and sustainable brands [20]. Beyond tourism, Soweto is home to a wide range of small-scale enterprises, including food vendors, hair salons, spaza shops, and car washes, all of which help generate revenue and employment for the community [21].

Further to elaborate on this, these enterprises are classified as "township enterprises" compared to those operated by entrepreneurs outside the township, since they are largely managed by township residents to satisfy demands within and beyond the township [22]. They are varied, have an extensive degree of informality, and provide a range of goods and services. According to van Eyk et al. [15] the township enterprise, sometimes known as the "township economy," is estimated to be responsible for a total of 17% of employment in South Africa. For many individuals in a country with significant unemployment, the informal economy provides a lifeline because they cannot find formal jobs [13]. This study focuses on the informal sector of the township economy, specifically on the spaza shops in the Ngaka Modiri Molema District Municipality.

Examining less economically developed areas, such as the Ngaka Modiri Molema District Municipality (NMMDM) in the North West Province, is equally important as studying prosperous township economies like Soweto. The district's townships, such as Ikageleng in Ramotshere Moiloa, Itsoseng in Ditsobotla, Atamelang in Tswaing, and Montshiwa in Mahikeng, are similarly characterized by a high level of informality. Despite being an essential component of the local economy, spaza shops in this area continue to face challenges including limited financial access, poor infrastructure, and a lack of business support services [23]. These challenges highlight the importance of investigating how formal business growth strategies may be adapted and used to assist the expansion and sustainability of spaza shops in areas such as the NMMDM.

2.2.2. Formal And Informal Sector

2.2.2.1. Formal Sector

Literature by Kiaga and Leung [24] reveals that the term "formal sector" refers to regulated and legitimate commercial operations within communities. According to Darbi et al. [25] this sector usually consists of enterprises that are legally recognised, pay taxes, abide by laws, and are part of the formal economy. Literature reveals that township enterprises' formal sectors might differ globally according to the country and its unique economic framework. Literature by Sultana et al. [26] reveals that the formal sector, which contributes to GDP and offers structured employment and job security, is essential to economic stability and prosperity. According to Folkerts-Landau et al. [27] the formal sector is an important part of industrialized economies worldwide, with countries such as Germany serving as prime examples of its effectiveness. Schneider further asserted that Germany has maintained low unemployment rates and economic stability due to its strong industrial sector, which is reinforced by policies that encourage personnel training and technological innovation.

Moreover, Africa's formal sector differs from country to country, with some economies depending more on informal labour. For example, Etim and Daramola [28] states that Kenya has made progress in formalizing its workforce, especially through investments in technology-driven entrepreneurship and digital finance. However, challenges including inadequate infrastructure and a lack of skilled labor still prevent complete integration into the formal sector. In South Africa, despite employing about 70% of the workforce, the formal sector continues to be dominant despite ongoing variations brought on by government oversight of the economy, policy decisions, and impacts from the global market [29]. Formal employment increased in the second quarter of 2024 but declined in the following quarters, which was indicative of wider economic challenges. The report from the Quarterly Labour Force Survey states that even if the unemployment rate decreased from 32.1% in Q3 2024 to 31.9% in Q4 2024, risks still exist due to issues like company closures and downturns in particular industries. To maintain long-term economic resilience, strengthening the formal sector calls for focused policies, investments in skill development, and industrial innovation.

2.2.2.2. Informal sector

According to Burger and Fourie [30] the informal sector encompasses unregistered businesses such as shebeens, street sellers, and spaza shops. In many economies, the informal sector is essential, especially in developing nations, where it offers a substantial source of employment and income [28]. Globally, emerging economies are where the informal sector is most prevalent. For instance, literature by Patel et al. [31] asserts that millions of people labor in India's enormous informal sector, which includes construction, small-scale farming, and street hawking. A large portion of India's GDP comes from this industry, which employs people who are not officially registered. However, workers in the informal sector are more vulnerable since they frequently lack access to benefits, social safeguards, and job security [31]. In Africa, especially in countries like Nigeria, the informal economy plays a significant role in creating jobs. Etim and Daramola [28] and Onwo and Ohazulike [32] asserted that over 80% of Nigerian workers are employed in the informal economy, with many engaged in artisanal trades, small-scale retail, and farming. Despite its economic significance, Nigeria's informal sector faces challenges such as inconsistent support from the government, limited access to financing, and a lack of regulations. Although government statistics often undervalue this industry, it continues to serve as a lifeline for many.

The situation in South Africa's informal sector is more complex. Although the formal sector of the economy still dominates the nation, a significant portion of the population depends on the informal sector as a crucial safety net [33]. Despite this growth, workers in South Africa's informal sector still face challenges such as unstable economic conditions, restricted access to social benefits, and job insecurity, which are common to workers in other countries [28, 34]. Burger and Fourie [30] further asserted that despite being outside the formal economy's protection systems, the informal sector

continues to employ a large number of the country's unemployed due to high unemployment rates and slow job development in the formal sector. Policies that support the informal sector by providing workers with access to financial services, training, and improved working conditions are becoming increasingly necessary to help more people transition into the formal economy [2].

This sector, which employs about one-third of the workforce and contributes 6% to South Africa's GDP, is vital to economic stability, even though it operates outside of official legal frameworks [35]. Because it provides jobs for disadvantaged people, the informal sector is especially important during economic downturns [36]. Approximately two billion people worldwide are employed in the informal sector, which contributes 55% of Sub-Saharan Africa's GDP. Research reveals that about 2.5 million people are employed in this sector, accounting for 20% of all jobs in South Africa [24, 34]. Due to their exclusion from the legal labor market, many historically underprivileged groups now depend on the informal economy [34]. This study focuses on the literature related to the informal sector of the economy, specifically on Spaza Shops.

2.2.2.3. Spaza shops

Mukwarami [34] defines Spaza shops as small, community-based retail establishments that mostly operate in townships and informal settlements. They are an essential part of South Africa's informal sector. These enterprises, which are usually operated from homes or small structures, offer a variety of necessities, such as food, drinks, toiletries, and household supplies [34]. Spaza shops are similar to small, informal retail businesses found in other countries. In India, for example, small, family-run grocery stores known as "kirana stores" serve as the foundation of community retail, providing necessities in residential areas [37]. However, these businesses frequently encounter similar challenges associated with informality, such as restricted access to financing, unreliable supply chains, and limited support from the government [37, 38].

These informal businesses offer accessible goods to low-income populations while additionally participating in the reduction of unemployment [34, 37, 39]. Additionally, Willie [3] and Hare and Walwyn [39] asserted that, even though they frequently function outside of the established economic system, which restricts their ability to expand and ensure their financial stability. In South Africa, spaza shops play a significant role in the local economy, especially in communities with limited access to larger retail establishments [34]. Additionally, Loghdey [40] states that these stores give low-income people access to reasonably priced goods and serve as a major source of revenue for many businesses. Spaza shops encounter several challenges regardless of their importance to society, Matsietsi [8]. van Eyk et al. [15] literature reveals that many operate without formal permits, limiting their access to financial institutions, business training, and social security.

Additionally, research reveals that because they depend on wholesalers who might provide erratic delivery schedules or limited credit, spaza shop owners frequently face supply chain challenges [9]. Furthermore, an increasing threat comes from competition from bigger retail chains and, more lately, big supermarkets like Shoprite that target township populations [15]. Nonetheless, the spaza shops industry keeps up its resilience by adjusting to the demands of the community and its customers. Willie [3]; Hare and Walwyn [39] and Aaker and Moorman [41] states that to strengthen their economic function and sustain the livelihoods of the business owners who operate them, efforts must be made to formalize and support spaza shops through governmental interventions, such as expanding access to financing, business training, and infrastructure.

According to Mukwarami [34], these enterprises, with more than 150,000 spaza outlets across the country, are important economic hubs. They have a market worth of about R178 billion and contribute 30–40% of South Africa's yearly food expenditures. Spaza shops are essential to township economies because they sustain livelihoods, encourage entrepreneurship, and boost local economic growth [3]. Their competitiveness and sustainability in the informal economy may be enhanced through implementing effective business growth strategies, such as diversification, product development, and market penetration.

2.3. Business Growth Strategies

Business growth strategies are comprehensive plans developed for improving an organization's revenue, market share, and level of competitiveness [42]. From diversifying product lines and entering new markets to improving operational efficiency through the advantages of technological improvements, these strategies cover an extensive range of operations [43]. The aim is to find and seize new opportunities for growth while strengthening the business's vital aspects. Varadarajan [44] argues that an in-depth understanding of the market, customer demands, and the competitive environment is necessary for effective growth strategies, as is the flexibility to adjust to changing trends in the market. This combination needs to incorporate a strong business scale plan, which guarantees that when the business grows, its core structures and processes will change to efficiently accommodate this growth [43].

2.3.1. Market Penetration.

According to Muriithi and Waithaka [45] defines the term market penetration as an approach to growth that aims at expanding the distribution of existing products within existing markets. In other words, the objectives of this growth strategy are to increase market share within current market segments, grow the market overall, and sell more current products to your current customer base by attracting customers from direct competitors [9]. For spaza shops, this entails being aware of the locals' preferences, culture, and purchasing power. Key strategies could include providing low-cost goods or services, tailoring products to meet community demands, relying on word-of-mouth advertising and community

involvement, and establishing partnerships with similar businesses [40]. Spaza shops can grow their customer base, increase sales, and support local economic development by effectively entering these markets.

2.3.2. Market Development

For businesses seeking new opportunities for growth despite reaching market saturation in their current markets, this approach is effective. To find new markets that are suitable for their goods or services, businesses must undertake in-depth market research as part of the market development process [45]. There are various ways a business could open new markets. The business might launch its product in another geographic area [46]. Alternatively, they could adjust their growth marketing and sales strategy in an area where they currently conduct business to target a different demography [41]. However, for spaza shops, this strategy could pose a high risk by entering an unfamiliar market; hence, it typically requires a higher level of investment. Spaza shops, however, can mitigate some of the risks associated with this strategy by staying close to markets in which they already operate.

2.3.3. Product Development

A product development strategy involves creating new and improved products for an existing clientele, which includes current customers and new customers who either already have or are considering purchasing a similar item [47]. Evolving customer demands and maintaining an advantage over competitors are the objectives of this strategy. Nonetheless, businesses must invest in research and development to produce new goods or services through product development [47, 48]. Product development strategies include designing new features or functionalities, enhancing the performance or quality of the product, and ensuring the product remains competitive [48]. Spaza shops can therefore do in-depth market research to understand the demands and preferences of their target audience. Gurcaylilar-Yenidogan and Aksoy [49] argue that through consumer feedback collection, prototype iteration, and thorough product testing, these enterprises may ensure that their products meet market demands within the community and maintain their competitiveness.

2.3.4. Diversification

As a growth strategy, diversification entails growing a business into new product or service categories or market segments [48]. By avoiding reliance on a particular product or market, diversification helps businesses lower risk. However, to diversify, a business must have a thorough understanding of the new product or market it is entering [47-49]. Spaza shop owners can diversify by entering new markets or industries unrelated to their current products, often in an attempt to reduce risk and seize new opportunities. By using this strategy, spaza shops can diversify their sources of income and decrease their dependence on a specific market or product, such as by targeting multiple consumer categories, expanding into new geographic areas, or introducing new product lines [49].

2.4. Research Model

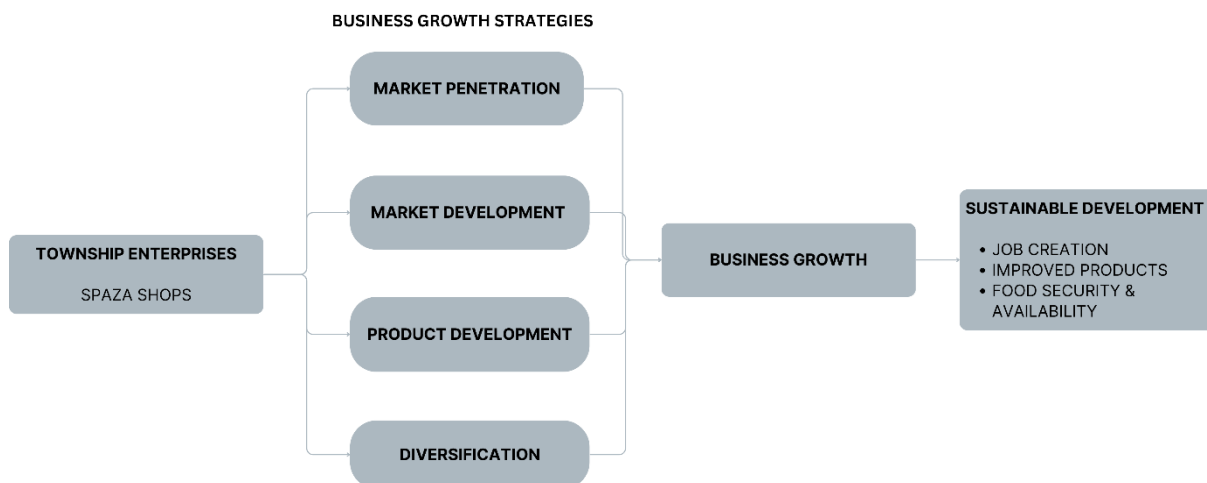


Figure 1.
The framework for this study is.

The figure illustrates a cause-and-effect relationship in which township businesses, particularly spaza shops, are a key component of local economies. Through the implementation of well-structured business growth strategies, such as diversification, product development, and market penetration, township enterprises can achieve significant improvements in revenue, market reach, and operational efficiency. As a result, township economies experience increased food security, better product availability, and job creation, all of which have an important effect on sustainable development. Ultimately, the capacity of spaza shops to grow strategically not only enhances their ability to withstand financial challenges but also significantly contributes to the long-term socioeconomic survival of their local communities.

3. Methods

The paper will use secondary data to collect relevant information and conduct a thorough textual examination of the existing literature on the topic under consideration. This study will employ a qualitative research approach to provide an extensive understanding of the factors impeding the growth of township enterprises. This method aims to interpret the main structural and socioeconomic challenges that hinder township enterprises from expanding and to contextualize their difficulties. Berkwits and Inui [50] state that qualitative research uses techniques such as case studies and participant observation, which produce a narrative descriptive account of a practice or environment. Several scholars have explored business growth constraints in township economies, providing a rich source of secondary information for this study.

The methodology's first step is selecting research databases for a thorough literature review. The study will utilize data from a variety of scholarly resources, such as Business Source Complete, SAMEDIA, SAE Publications, ResearchGate, EBSCOhost, ProQuest, Emerald, Academy of Management Journal, Sabinet, and Google Scholar, to guarantee comprehensive coverage of research on business growth issues in township enterprises. To obtain information about the structural and economic elements that affect township enterprises, the study searched pertinent industry reports, government publications, business news, and other internet materials. These sources offer valuable perspectives that will enhance the research, even if they do not always directly address township enterprise growth. To examine the gathered data, a thematic analysis will be used. This approach is suitable as the goal of the study is to understand themes and similarities in the dataset regarding the barriers to business growth in township economies. Furthermore, a deductive approach based on researcher-driven analysis and current theories will be employed to discover important themes [51, 52]. The study will focus on aspects that address the practical significance of overcoming township business growth barriers, considering the lack of targeted policy interventions and limited business support structures. To develop a persuasive argument explaining how and why specific challenges impact township enterprises, the researcher will identify and analyze significant themes. Additionally, to create a coherent narrative illustrating how and why the coded data within each theme offer unique insights, contribute to the overall understanding of larger questions, and interact with other themes, the researcher will emphasize the most significant aspects of each theme and the dataset areas they cover, as explained by Kiger and Varpio [51]. Through data clustering and analysis, a list of codes that are most pertinent to this study will be created. Table 1 presents the collection of codes and themes.

Table 1.
Themes and codes.

Themes	Codes
Knowledge-Based View	<ul style="list-style-type: none"> Strategic Knowledge as a Growth Driver Market Adaptability and Informal Business Strategies Information Sharing and Business Sustainability
Challenges encountered by spaza shops	<ul style="list-style-type: none"> Financial constraints and limited access to capital. Market competition and market behaviour Socio-Economic and External Environmental Factors
Business Growth Strategies	<ul style="list-style-type: none"> Market Expansion Strategies Product Innovation and Development Diversification for Business Sustainability

4. Results and Discussion

The data were clustered into broader themes and analysed in a manner that directly addresses the research questions and objectives.

4.1. Knowledge-Based View

4.1.1. Strategic Knowledge as a Growth Driver

The analysis revealed that strategic knowledge is a vital resource that accelerates business growth, especially for small businesses in the informal economy. According to the Knowledge-Based Theory (KBT), knowledge that is ingrained in organizational culture and business procedures provides companies with a long-term competitive edge. This view is further supported by research by Kor and Mahoney [10], which claims that managerial experience and entrepreneurial knowledge are essential for observing and exploiting growth opportunities. Furthermore, literature by Mampheu [16] emphasizes that in the setting of township economies, spaza shop owners rely on customer relationships, community involvement, and experiential knowledge to overcome financial and infrastructural restrictions and promote long-term business survival.

4.1.2. Market Adaptability and Informal Business Strategies

The analysis reveals that market flexibility is widely acknowledged as a critical factor in determining the viability of small businesses [53]. Informal businesses, such as spaza shops, in contrast to formal ones, operate within highly dynamic and flexible market systems that allow them to adapt their product offerings, supplier relationships, and pricing strategies in response to current market conditions. Deliberate knowledge acquisition, even if informal, forms the basis of this adaptability, enabling business owners to identify opportunities, mitigate risks, and sustain growth. Furthermore, spaza shops possess a competitive advantage through their ability to utilize informal supply networks and community-based knowledge, which helps them to overcome regulatory challenges and increasing competition from larger retailers.

4.1.3. Information Sharing and Business Sustainability

Researchers argue that one of the main factors influencing the viability of businesses in informal economies is the exchange of knowledge within trustworthy networks [17, 54]. Many spaza shops are family-run or community-based enterprises, and maintaining business continuity depends heavily on the transfer of knowledge between generations. Analysis reveals that business resilience in difficult economic environments is strengthened by the strategic ideas that are passed down via experience, ranging from supplier negotiations to customer retention tactics. This is in line with research by Hughes et al. [17], which indicates that small enterprises can overcome challenges such as changing customer preferences and restricted access to formal financial institutions by using knowledge-sharing methods. As a result, literature reveals that informal enterprises that successfully apply knowledge-sharing techniques improve their competitiveness and support the informal sector's long-term viability.

4.2. Challenges Encountered by Spaza Shops

4.2.1. Financial Constraints and Limited Access to Capital

The analysis revealed that the primary challenges to the growth of township businesses are inadequate funding and restricted access to finance. As explained by Mukwarami [34], due to their informal nature, lack of financial records, and restricted access to collateral, numerous enterprises in these areas find it difficult to obtain capital and meet the strict requirements imposed by commercial banks. Township enterprises are often viewed as high-risk ventures by traditional financial institutions, which results in loan rejections or the imposition of exorbitant interest rates that make borrowing impossible. Moyo [33] further asserts that these enterprises find it difficult to expand, make necessary infrastructure investments, and increase overall business efficiency without adequate funding. The lack of financial accessibility also limits these businesses' capacity to compete effectively in the market, jeopardizing their long-term viability. Targeted interventions are needed to address these financial limitations, such as creating inclusive financial policies, expanding microfinance availability, and supporting initiatives aimed at integrating township businesses into the formal financial system.

4.2.2. Market Competition and Consumer Behaviour

The literature reveals that the growth and sustainability of township businesses are significantly influenced by consumer behavior and market rivalry. Due to economies of scale, improved supply chain management, and greater brand awareness, larger, more established merchants and supermarkets can pose a serious threat to township enterprises [55]. Existing research indicates that since small businesses find it difficult to compete on pricing, product variety, and service quality, this makes the business environment challenging for them. Furthermore, aggressive pricing techniques employed by foreign-owned businesses, particularly in the retail sector, have put the survival of local businesses at even greater risk. Due to their frequently low purchasing capacity, township residents are price-sensitive and prefer less expensive goods, even if it means choosing larger rivals over smaller ones. This makes consumer behavior another problem. Furthermore, prior studies of Willie [3], van Eyk, et al. [15], Mukwarami [34] and Fatoki and Oni [56] has been asserted that township business owners are under increasing pressure to modify their products due to changes in consumer preferences brought about by branding, convenience, and perceived product quality. Township businesses require focused assistance in areas such as supply chain management, pricing strategy, branding, and customer interaction if they want to stay competitive. Enhancing financial accessibility, promoting entrepreneurship training programs, and encouraging cooperation among township businesses could all help these businesses better navigate market competition and increase their long-term viability.

4.2.3. Socio-Economic and External Environmental Factors

The literature further reveals that socio-economic and external environmental factors significantly impact the growth and sustainability of township enterprises. According to Mukwarami [34], research indicates that township areas' high crime rates pose a significant risk to enterprises, as they can lead to financial losses, increased security expenses, and a decline in confidence among clients. In addition to disrupting daily operations, theft, vandalism, and robbery hinder investment and growth for many business owners. Furthermore, Aaker and Moorman [41], Fatoki and Oni [56] and Badhan et al. [57] added that uncertain economic conditions that raise the cost of products and services, such as inflation and currency fluctuations, make it harder for small enterprises to stay profitable. These challenges are worsened by political and policy uncertainty, as an unpredictable corporate environment is created by inconsistent regulations and a lack of government support.

Additionally, studies by Loghdey [40] reveal that township communities' low incomes and high unemployment rates restrict consumers' purchasing power, which lowers demand for products and services. Due to the target market's financial limitations, many township businesses find it difficult to build a consistent clientele. These businesses' ability to expand is further hindered by the absence of sufficient government assistance, which includes restricted access to grants, business development initiatives, and regulatory relief. A comprehensive strategy that involves enhancing security, stabilizing economic policies, boosting government assistance, and supporting programs that promote financial inclusion and entrepreneurship in township economies is needed to address these socioeconomic and environmental issues.

4.3. Business Growth Strategies

4.3.1. Market Expansion Strategies

Muriithi and Waithaka [45] literature suggests that market expansion is a basic strategy for business growth that includes expanding a company's distribution and reach inside current or new markets. This can be accomplished through market development, which comprises locating new customer categories or geographic areas for expansion, or market penetration, in which businesses aim to increase their present market share by attracting clients away from rivals [58]. According to Kormakova et al. [59], market development entails greater risks due to the need for substantial investment and adjustment to new markets, whereas market penetration enables businesses, like spaza shops, to fortify their position by utilizing consumer preferences and community involvement.

4.3.2. Product Innovation and Development

The literature further reveals that ensuring products adapt to changing consumer needs and product development plays a crucial role in boosting business sustainability and competitiveness [60]. To attract both current and potential customers, this strategy entails improving product features, raising the quality, or launching completely new goods [61]. For spaza shops, this entails responding to consumer preferences and market feedback to customise items to the unique demands of their local communities [56]. Since businesses need to make investments in improving their products to stay ahead of the competition, research and development (R&D) are essential to this process [62]. Furthermore, strategies such as continuous upgrades and prototype testing ensure that new items meet consumer expectations, enabling informal enterprises to maintain their market position.

5. Recommendations and Implications

The analysis emphasizes the significance of strategic knowledge for the growth and sustainability of spaza shops operating within township economies. According to the Knowledge-Based Theory (KBT), experience, learning, community involvement, and organizational strategies that incorporate knowledge offer informal businesses a long-term competitive advantage. Deliberate yet informal knowledge acquisition fosters flexibility, enabling entrepreneurs to adapt to changing market conditions, optimize product offerings, and maintain customer loyalty. Business resilience is further enhanced through information sharing within reliable social and family networks, particularly when addressing operational and environmental challenges. This aligns with previous research indicating that knowledge-sharing behaviors, whether peer-based or intergenerational, are vital for the long-term survival of businesses in the informal sector.

Despite these benefits, spaza shops encounter several contextual and structural challenges that impede growth. One of the main obstacles is still financial limitations, which become more severe due to limited access to traditional financial institutions and loans. Additionally, established formal traders who have economies of scale and high brand recognition compete fiercely with spaza shops, and market positioning is further complicated by price sensitivity and changing consumer preferences. Furthermore, demand is constrained, and operating expenses are increased by external socioeconomic issues such as high unemployment, inflation, policy instability, and crime. The literature emphasizes the need for multifaceted approaches, such as improved government assistance, business growth, and inclusive financial policy. Additionally, it is crucial to implement corporate growth strategies, including product innovation and market expansion. In competitive and often unpredictable township circumstances, these strategies enable informal businesses to expand their market reach, efficiently address evolving consumer demands, and enhance overall business sustainability.

Building upon the results and theme analysis, several implications emerge that are essential for improving the expansion and sustainability of spaza shops in township economies. These implications inform a set of strategic suggestions aimed at key stakeholders such as business owners, policymakers, and stakeholders in public-private partnerships. The recommendations fall into three categories: (1) Implications for Spaza Shop Owners; (2) Implications for Policy Formulation; and (3) Implications for Public-Private Partnerships. Each category highlights targeted actions and considerations necessary for addressing the structural challenges identified in the study while leveraging the strategic advantages inherent in the informal economy.

5.1. Implications for Spaza Shop Owners

Evidence from reviews suggests that spaza shop owners can improve the sustainability and growth of their businesses by actively employing knowledge-based strategies. Despite financial constraints and market competition, businesses will be able to maintain their competitiveness through establishing a strong emphasis on customer relationships, market adaptability, and experiential knowledge. Additionally, working together in informal supply networks and taking part in knowledge-sharing initiatives will help them overcome financial obstacles. Owners should consider product innovation and differentiation strategies by adjusting their product offerings to suit changing consumer tastes in order to secure long-term success. Their market position would be further strengthened by making investments in strategic business planning and financial literacy.

5.2. Implications for Policy Formulation

Furthermore, the reviews have emphasized that to foster a more welcoming economic environment for spaza shops, the government should simplify restrictions. Formalizing spaza shops will enable them to access financial opportunities from financial institutions and legal protection by streamlining business registration processes and lowering administrative challenges. Furthermore, rather than enforcing stringent regulations that restrict township businesses' operational liberty,

legal frameworks need to be developed to acknowledge and encourage their distinctive dynamics. A safer and more stable business environment for spaza store owners will also result from addressing crime and maintaining regulatory consistency.

Further findings reveal that for township enterprises to remain feasible, government support is important. Spaza shop owners may overcome capital constraints by receiving targeted financial support through grants, loan initiatives, and business development programs. To provide small business owners with the necessary skills, entrepreneurial training programs demonstrating financial planning, marketing strategies, and supply chain management should be offered. Additionally, by incorporating spaza shops into formal economic frameworks with incentives based on policy, they will be better equipped for development and competition.

5.3. Implications for Private-Public Partnerships

Evidence from reviews further reveals that enhancing spaza shops requires cooperation between the public and private sectors. Government organizations and financial institutions should collaborate to provide easily accessible loan options designed for informal enterprises. To provide spaza shops with improved prices, product diversity, and distribution efficiency, large retailers and wholesalers need to establish inclusive supply chain models that incorporate them. Enhancing market access for township enterprises, boosting security, and developing infrastructure should also be the main goals of public-private partnerships. In township economies, these collaborative activities will support the long-term viability and economic empowerment of informal entrepreneurs.

Spaza shops in township economies need to be sustained and expanded through an integrated approach that includes financial assistance, knowledge-based strategies, regulatory reforms, and collaboration. To stay competitive, spaza store owners need to concentrate on knowledge-sharing and market flexibility, and the government should create an atmosphere that is more conducive to business. Furthermore, public-private collaborations are essential for resolving infrastructure and financial problems and guaranteeing the success of spaza shops. By implementing these suggestions, the township business community can make a substantial contribution to job creation and local economic growth, promoting a more resilient and equitable economy.

6. Conclusion

The analysis emphasizes the significance of strategic knowledge for the growth and sustainability of spaza shops operating within township economies. According to the Knowledge-Based Theory (KBT), experience, learning, community involvement, and organizational strategies that incorporate knowledge offer informal businesses a long-term competitive advantage. Deliberate yet informal knowledge acquisition fosters flexibility, enabling entrepreneurs to adapt to changing market conditions, optimize product offerings, and maintain customer loyalty. Business resilience is further enhanced through information sharing within reliable social and family networks, particularly when addressing operational and environmental challenges. This aligns with previous research indicating that knowledge-sharing behaviors, whether peer-based or intergenerational, are vital for the long-term survival of businesses in the informal sector.

Despite these benefits, spaza shops encounter several contextual and structural challenges that impede growth. One of the main obstacles is still financial limitations, which become more severe due to limited access to traditional financial institutions and loans. Additionally, established formal traders who have economies of scale and high brand recognition compete fiercely with spaza shops, and market positioning is further complicated by price sensitivity and changing consumer preferences. Furthermore, demand is constrained, and operating expenses are increased by external socioeconomic issues such as high unemployment, inflation, policy instability, and crime. The literature emphasizes the need for multifaceted approaches, such as improved government assistance, business growth, and inclusive financial policy. Additionally, it is crucial to implement corporate growth strategies including product innovation and market expansion. In competitive and often unpredictable township circumstances, these strategies enable informal businesses to expand their market reach, efficiently address evolving consumer demands, and enhance overall business sustainability.

7. Contributions

BS was the lead author and contributed extensively to the conceptualization and design of the study, conducted the systematic literature review, developed the theoretical framework, and performed the thematic analysis and interpretation of findings. BS also structured the research model, formulated the practical implications, and was responsible for drafting and refining the full manuscript. AL contributed by drafting the original abstract, providing feedback on the research direction, and reviewing the manuscript for structure and academic quality. Both authors reviewed and approved the final version of the paper.

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