



Standard Bank
Business & Commercial

Township Informal Economy Report

POWERING GROWTH

FROM THE GROUND UP

Insights into the businesses, challenges, and growth pathways shaping the township informal economy.

October 2025



Foreword



Naledzani Mosomane

**HEAD ENTERPRISE AND SUPPLIER DEVELOPMENT
STANDARD BANK SOUTH AFRICA**

The emerging township informal economy is not just a rising segment of South Africa's broader economic landscape, it is its heartbeat. It is where resilience meets innovation, where necessity births enterprise, and where informal businesses quietly power livelihoods, families, and communities. Yet, despite their undeniable contribution, emerging township entrepreneurs often remain on the margins of formal economic support.

At Standard Bank, we believe that inclusive growth is not possible without intentional investment in the emerging and township economy. This is why our Enterprise and Supplier Development (ESD) strategy is deeply rooted in enabling access – access to markets (both locally and internationally), to funding, to infrastructure, and to knowledge. We recognise that the barriers faced by township businesses are not just financial, they are systemic, historical, and often deeply personal.

This research was commissioned to listen more closely, to understand more deeply, and to act more meaningfully. It reveals a complex ecosystem of informal businesses, many of them unregistered, under-resourced, and operating in saturated markets. Yet, they are also deeply embedded in their communities, driven by purpose, and brimming with potential.

The findings are clear: township entrepreneurs need more than just capital. They need tailored support, affordable banking solutions, digital enablement, and partnerships that respect their lived realities. They need institutions that see them not as high-risk, but as high-potential.

Through our ESD programmes, we are committed to walking this journey with them. Whether it's through funding mechanisms that consider informal cash flows, business development services that build capability, or platforms that connect them to broader supply chains, our goal is to unlock the full potential of township enterprise.

This report is both a mirror and a map. It reflects the challenges, but also charts a path forward, one that requires collaboration between corporates, government, and communities. We invite all stakeholders to join us in building an economy that works for everyone, especially those who have long been excluded from its centre.

Because when township businesses thrive, South Africa thrives.

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Executive Summary

The township informal economy is a vital engine of economic activity and community resilience in South Africa, contributing significantly to employment.

Recent estimates suggest that the township economy is valued at over R900 billion annually¹, underscoring its significance as a dynamic and underleveraged segment of South Africa's economic landscape.

The Standard Bank Township Informal Economy Report provides a detailed understanding of these informal enterprises. Our study, based on a mixed-methodology approach, focused on businesses with an annual turnover between R100 000 and R50 million, primarily across Gauteng, Western Cape, KwaZulu-Natal, Limpopo, and North West.

The informal sector is predominantly led by South African males, aged 35-54, deeply embedded in their communities and often operating from homes or streets to minimise costs. Retail, transport, and hospitality are the dominant sectors, though a striking 80% of businesses are unregistered, hindering access to formal funding and markets. While 60%

¹Source: Unveiling the pulse of South Africa's Informal Sector: South Africa's New Gold; Trade Intelligence.

of businesses report growth, many face stagnation or decline due to rising input costs, limited market access, and poor financial planning. The surveyed businesses collectively account for over 7 500 jobs.

Township businesses have a complex relationship with banks, often using personal accounts for business due to perceived high fees, inaccessibility of credit, and past negative experiences. Cash remains the primary transaction method, driven by customer preference and limited digital literacy, though there is a preference for bank transfers among higher-income businesses. There is a clear distinction between South African SMEs, who tend to be traditional and reactive, and foreign owned businesses, who are more agile and customer-centric.

For these businesses to thrive, critical needs include marketing support, operational funding, skills training, and improved infrastructure. To unlock their full potential, a roadmap is essential: encouraging gradual formalisation, promoting the separation of personal and business finances, investing in foundational skills training, embracing affordable digital tools, and fostering strategic partnerships and local networks. Implementing these measures will empower township entrepreneurs and integrate them more fully into the formal economy.



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Introduction

The township informal economy is a vital yet often underrepresented component of South Africa’s broader economic landscape.

This report was commissioned to deepen understanding of the township business ecosystem, with a particular focus on informal enterprises that have historically received limited attention in the national economic discourse. The research focused on Gauteng, KwaZulu-Natal, Western Cape, Limpopo, and North West due to their high concentration of established and emerging township-based economic activity, the diversity of informal business models they represent and strategic relevance in South Africa’s domestic trade landscape. While formal businesses were also included in the study, the deliberate emphasis on informal enterprises reflect their significant role in local economic activity, employment, and community resilience.

This report aims to provide a nuanced understanding of township informal businesses, their demographics, financial behaviours, support needs, and growth potential. By centering the voices and experiences of township entrepreneurs, the report offers actionable insights for policymakers, financial institutions, and development partners seeking to unlock the full potential of South Africa’s township economy.



Methodology

This study employed a mixed-methodology approach, combining quantitative surveys amongst 250 informal businesses, in-depth interviews with 17 SMEs, and expert consultations with industry stakeholders to ensure a comprehensive and context-rich understanding of the township inforaml economy.

The study focused on businesses with an annual turnover between R100 000 and R50 million, a segment that represents the backbone of township commerce. This range captures a wide spectrum of micro, small, and medium enterprises (MSMEs), many of which operate informally but contribute meaningfully to local economies.

The township informal market refers to businesses that are not registered for Value Added Tax (VAT) and operate outside the formal regulatory framework. These businesses are often small-scale, unregistered, and not incorporated, and they usually do not comply with formal labour regulations or tax obligations [1]. The informal economy is a critical component of South Africa's labour market, accounting for nearly 19.5% of total employment as of late 2024.



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Decoding Township Businesses

Faces, Places, and Sectoral Footprint

Gauteng is home to the largest number of township businesses.

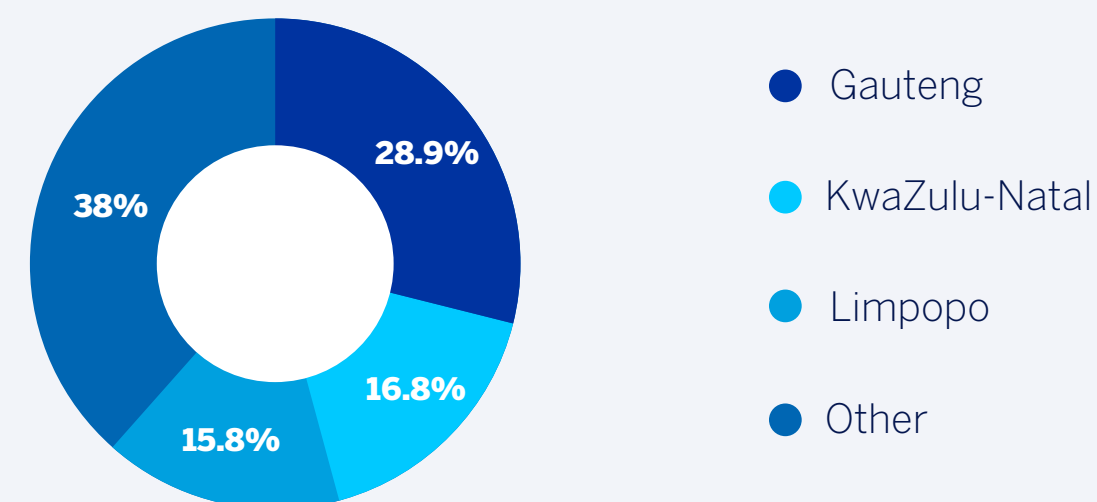
The research was conducted in five key provinces: Gauteng, Western Cape, KwaZulu-Natal, Limpopo, and North West, in townships that include Meadowlands, Cosmo, Langa, Khayelitsha, Lebowakgomo, Phoenix, amongst others. These provinces were selected due to their high concentration of township-based economic activity and their strategic importance in South Africa's trade and development landscape. For instance:

- Gauteng is the country's economic hub, home to the largest number of township businesses.
- Western Cape and KwaZulu-Natal are known for their vibrant informal sectors and strong tourism and retail linkages.
- Limpopo and North West represent emerging township economies with growing entrepreneurial activity, despite facing infrastructure and service delivery challenges.

Insights from the Standard Bank South Africa Trade Barometer (2024) reinforces the importance of focusing on these regions. The Trade Barometer highlights that small businesses in these provinces are increasingly prioritising domestic (local) markets, with 70% of surveyed businesses trading exclusively within South Africa.

Furthermore, focus on these specific provinces was in line with national data which shows Gauteng (28,9%), followed by KwaZulu-Natal (16,8%) and Limpopo (15,8%) as the largest business hubs. However, five out of nine provinces have seen a decline in informal businesses since 2001, predominantly driven by lack of support from entities and government.

Regional Business Distribution



Source: StatsSA 2023

Male owned SMEs dominate the landscape.

Demographics underscore the need for tailored support that considers both the socio-economic drivers and the lived experiences of township entrepreneurs.

- Our survey showed that Informal Businesses in these areas are dominated by males (59%).
- 64.1% of women cited joblessness as their primary reason for running an informal sector business—unlike men, where there was a percentage who chose entrepreneurship out of their own ambition. This highlights the role of necessity-driven entrepreneurship for women.
- The age group 35–54 dominates the sector, aligning with national SMME trends where older entrepreneurs tend to own more stable businesses.



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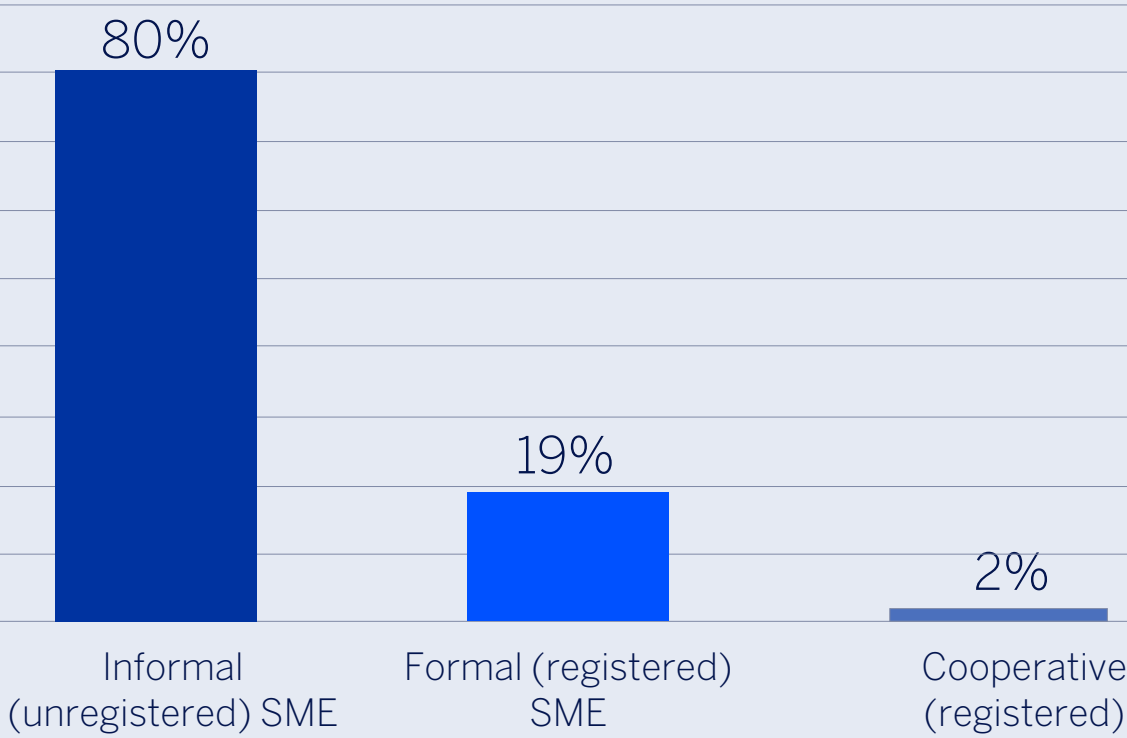
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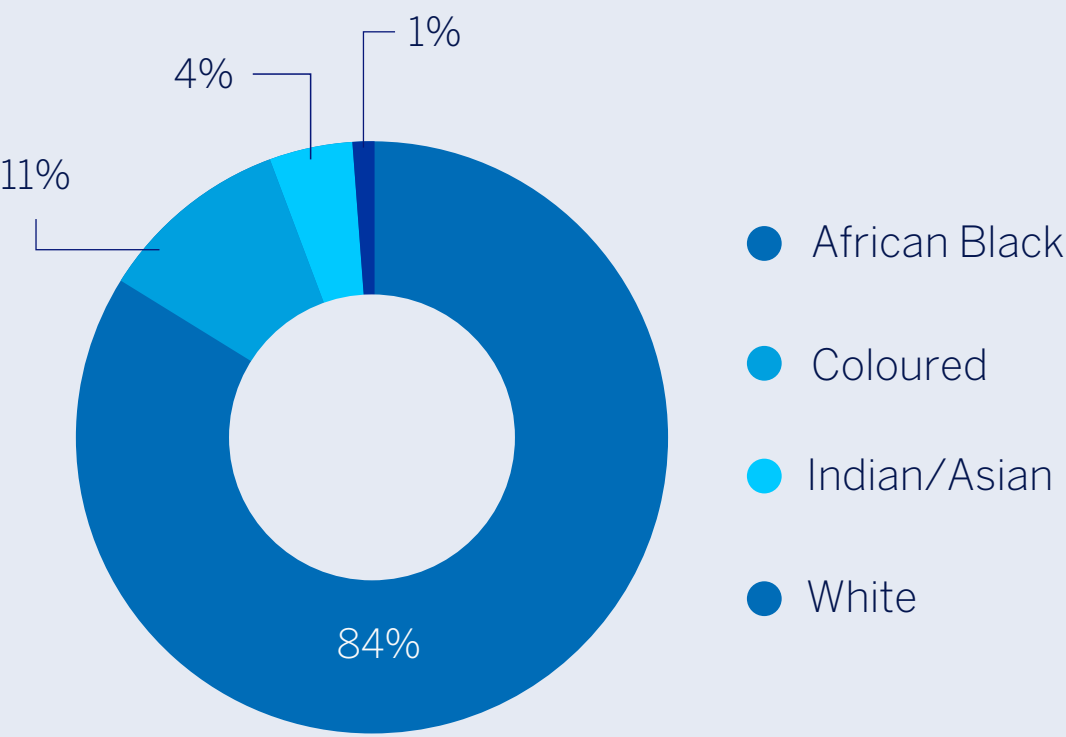
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Township Businesses by Business Category



Source: Standard Bank Township Informal Economy Research

Township Businesses by Owner's Race



Source: Standard Bank Township Informal Economy Research

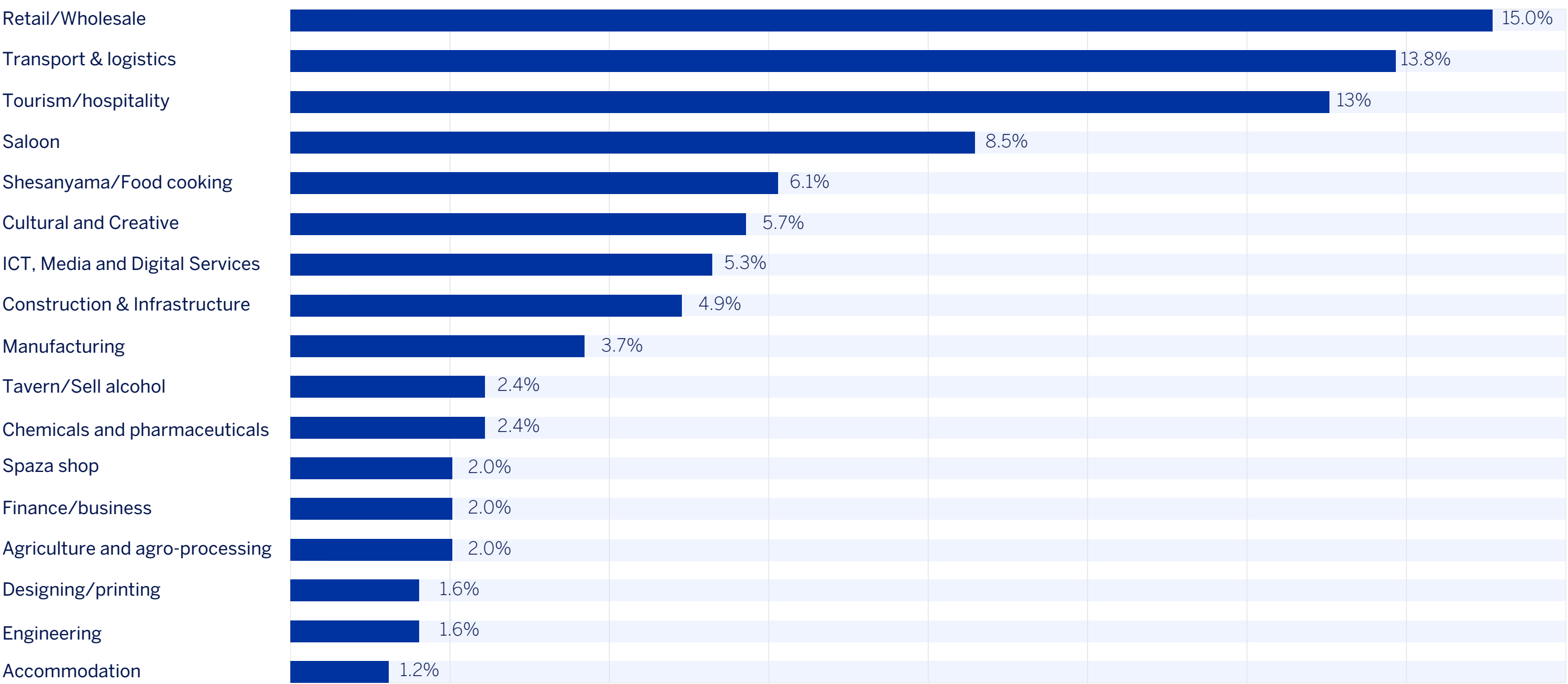
Retail, transport and hospitality are the dominant sectors.

Township businesses span a wide range of sectors, from retail and food services to creative industries and logistics. Most operate informally, with 80% unregistered, reflecting barriers to formalisation such as regulatory complexity and limited knowledge and access to support. Unfortunately, this informality limits their access to funding, contracts, and formal markets, reinforcing a cycle of exclusion from institutional support. Despite this, these businesses fill critical gaps in underserved markets,

often offering niche services that larger enterprises do not find feasible or overlook. Their adaptability and community integration make them essential to local areas.

Small businesses have found a gap in almost every economic sector and supply the niche market that big businesses cannot reach. However, township informal businesses often target and operate in saturated markets, driven by low barriers to entry, leading to intense price competition. This results in thin profit margins, especially in sectors like fast food and groceries. Without scale or differentiation, many businesses struggle to grow beyond subsistence levels.

Key Economic Sectors Across Township Businesses (up to 1%)



Source: Standard Bank Township Informal Economy Research



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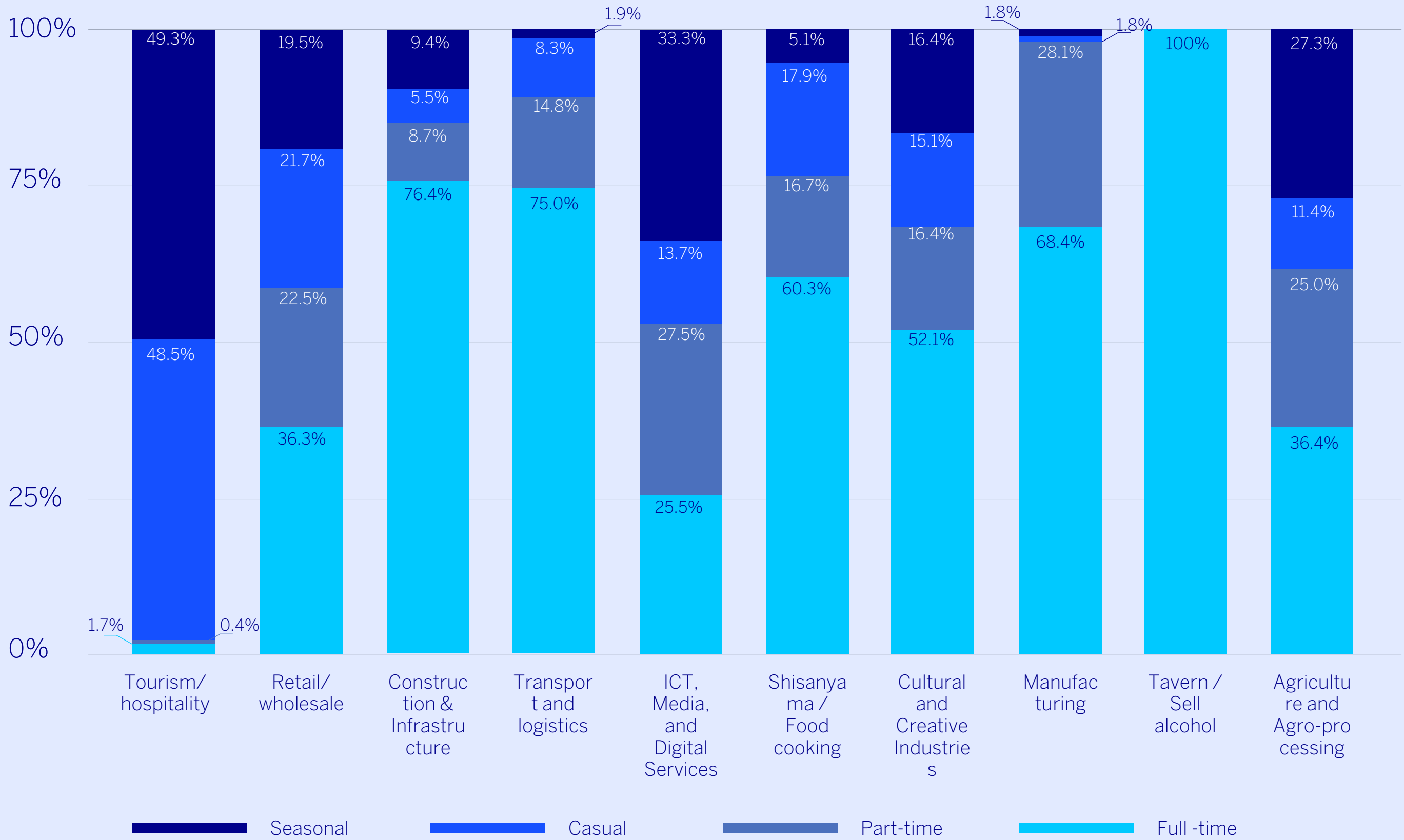
The informal economy is experiencing fragmented growth, with an increasing number of players entering the space.

The township informal economy economy is a major contributor to employment and local value chains. In this study alone, over 7 500 jobs were recorded across sectors such as tourism, retail, construction, and food services.

Most businesses have experienced upward growth (60%) from the time they started. However, a third (35%) of informal businesses surveyed indicated having remained the same, while 5% indicated that they have experienced some decline. This is mainly due to competition and lack of resources to expand their operations, along with markets remaining inaccessible to them. The three main reasons identified included:

- Rising input costs (materials, transport, rent).
- Limited access to markets and infrastructure.
- Poor financial planning and lack of business systems.

Top 10 Employment Sectors by Employment Type



Source: Standard Bank Township Informal Economy Research



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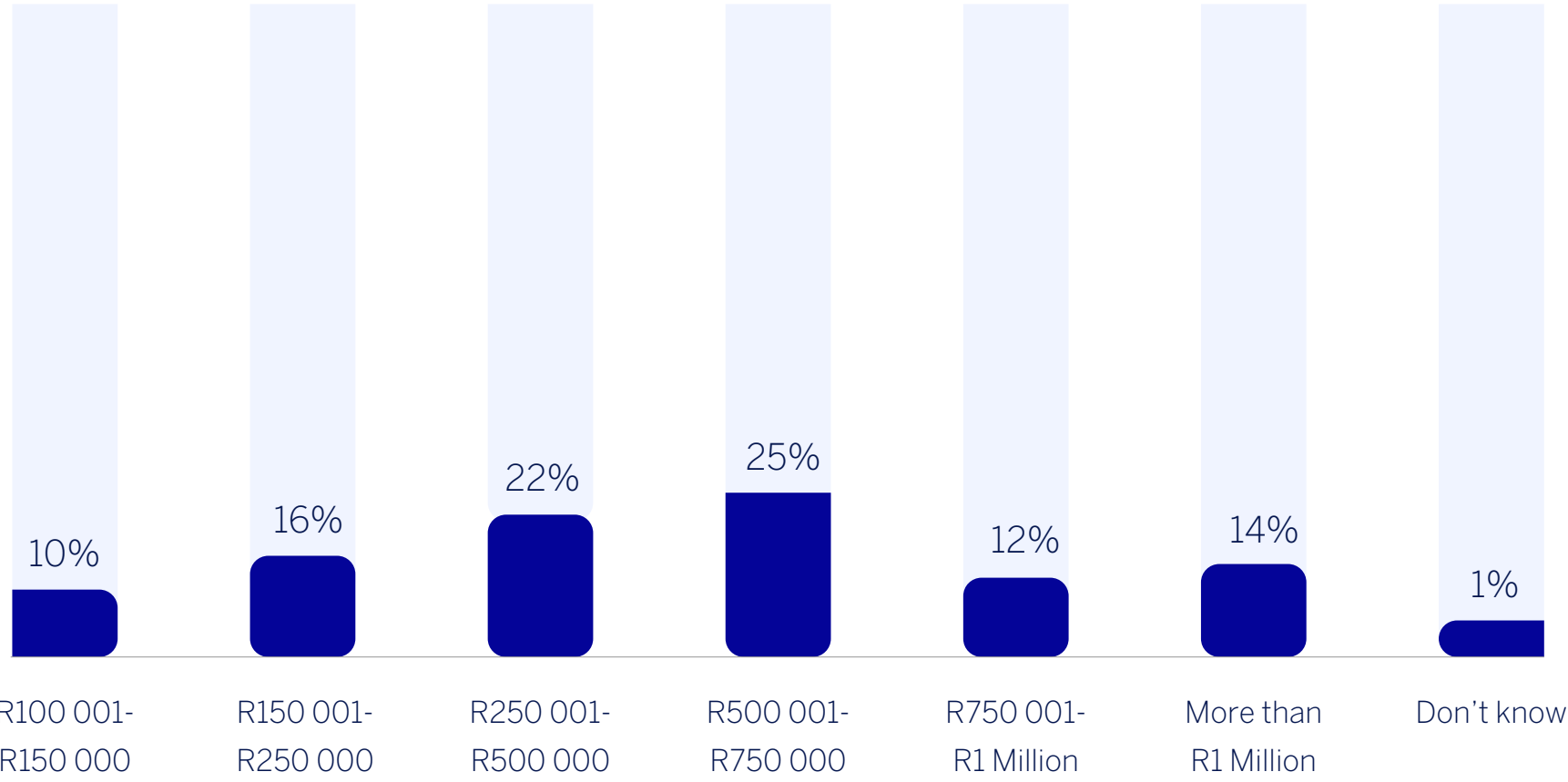
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The misalignment between corporate empowerment objectives and township SME priorities is a key reason why private sector transformation initiatives fall flat. Many township businesses remain focused on short-term survival rather than long-term growth. This mindset, coupled with a strong sense of community (Ubuntu), can sometimes hinder competitiveness in a rapidly evolving market.

Annual turnover among township businesses that were interviewed varied widely. While a small percentage earned over R1 million annually, the majority fell within the R100 000 to R500 000 range. This variation reflects the diverse nature of the informal economy, encompassing everything from micro-enterprises to more established small businesses. Even though some SMEs seem to make a considerable income, it is eroded by operating costs such as buying materials (stock), transportation of goods from suppliers and to clients.

Township Informal Businesses by Annual Turnover



Source: Standard Bank Township Informal Economy Research

Township entrepreneurs often rely on multiple income streams to sustain their livelihoods. In addition to their main businesses, many engage in side hustles such as car washes, gardening services, or informal lending (mashonisa). These supplementary activities are essential for meeting daily financial obligations, especially given the unpredictability of income from their primary ventures.

Most business income is received through bank accounts, although cash remains a dominant mode of transaction.

Township businesses also use mobile money platforms and retail money markets for convenience and accessibility. However, the use of formal banking services is often limited by high fees, lack of transparency, and past negative experiences. Many SMEs maintain multiple accounts, typically one for personal use and another for business, though these are not always formal business accounts.



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Key Takeaways

- **Geographic Concentration:** The research focuses on key provinces with high concentrations of economic activity, including Gauteng which is the country's main economic hub and home to the largest number of township businesses.
- **Community Market Focus:** The majority of small businesses surveyed in these provinces prioritise serving local communities.
- **Demographic Profile:** The sector is dominated by males, with women often driven by necessity citing joblessness as their primary reason for entrepreneurship. The average entrepreneur is between 35 and 54 years old.
- **Sectors and Informality:** Township businesses span a wide range of sectors, with retail, transport, and hospitality being the most dominant. A significant number are unregistered, which limits their access to funding and formal markets.
- **Uneven Growth:** While most businesses have experienced upward growth, a substantial number have either stagnated or declined, primarily due to intense competition and a lack of resources.
- **Economic Impact:** The township informal economy is a major contributor to employment, having encountered over 7 500 jobs in this study alone across various sectors, highlighting that it fills critical gaps in underserved markets.



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Inside the Township Business

Challenges, Strategies, and Livelihoods



Lesiba Matladi
SENIOR MANAGER, ENTERPRISE & SUPPLIER DEVELOPMENT, STANDARD BANK SOUTH AFRICA

“ While, township businesses often face a myriad of challenges which negatively impact their sustainability, those who have technical and strategic skills often have a strategic advantage.”

Township businesses often face daily financial struggles, with poor financial planning emerging as a significant challenge. Many entrepreneurs report inconsistent monthly income, making it difficult to plan ahead or save. A substantial portion of their earnings is consumed by rent and stock purchases, leaving little room for savings or reinvestment. Overspending and the inability to separate personal and business finances further exacerbate financial instability. Some SMEs manage to avoid early pitfalls by conducting research, securing startup capital, or taking calculated risks to differentiate their businesses. However, common challenges persist. These include high price sensitivity due to the absence of group buying benefits, transportation difficulties for stock collection, and limited access to vehicle financing, an intervention many believe could significantly reduce costs and improve efficiency.

Entrepreneurship is often a solitary journey, with many individuals expressing a deep need for social reprieve outside of work. Despite the stress of self-employment, informal gatherings at taverns, car washes, and shisanyamas offer vital moments of connection and support, helping entrepreneurs combat isolation and maintain emotional well-being. This emotional isolation and mental health strain is exacerbated by the lack of support from intermediaries and government structures. The psychological toll of self-employment is a critical yet under-addressed dimension of township entrepreneurship.

Younger SMEs and those with professional backgrounds often demonstrate a competitive edge, bringing innovation and strategic thinking to their operations. They avoid early struggles by knowing how to research and access resources, having startup capital in some cases, and taking risks to make the business “more exciting”. However, they still face common challenges, including high price sensitivity and stock transportation difficulties.

Standard Bank Initiatives

Standard Bank Kasi SME Summit

The annual Standard Bank Kasi SME Summit is a dynamic and inclusive platform dedicated to advancing township-based entrepreneurship and celebrating the innovation, resilience, and economic contribution of township-based SMEs. This initiative promotes digital enablement and strategic thinking, empowering township SMEs to embrace innovation and scale their businesses.



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The location of business premises must be strategic

It determines visibility and accessibility to clients and suppliers, space for its activities, need for amenities, as well as marketing and branding.

The variety of physical environments is shaped by cost considerations, accessibility, and the availability of infrastructure. The most common business locations include residential homes, street-side setups, commercial buildings, industrial sites, and office parks. Residential homes, often garages or back rooms, are the most frequently used due to their affordability and proximity to the community. These spaces allow businesses to minimise rental costs, which are among their highest operational expenses.

However, street operations are also prevalent, leveraging the social and communal nature of township life. These open-plan environments offer visibility and customer engagement but often lack basic amenities and security. Commercial buildings, while more secure and better equipped, are typically used by service-oriented businesses that require a more formal setup. Industrial sites cater to businesses with heavy machinery or labour-intensive operations, while office parks are reserved for more established enterprises seeking professional environments and broader market access.

Location of business premises

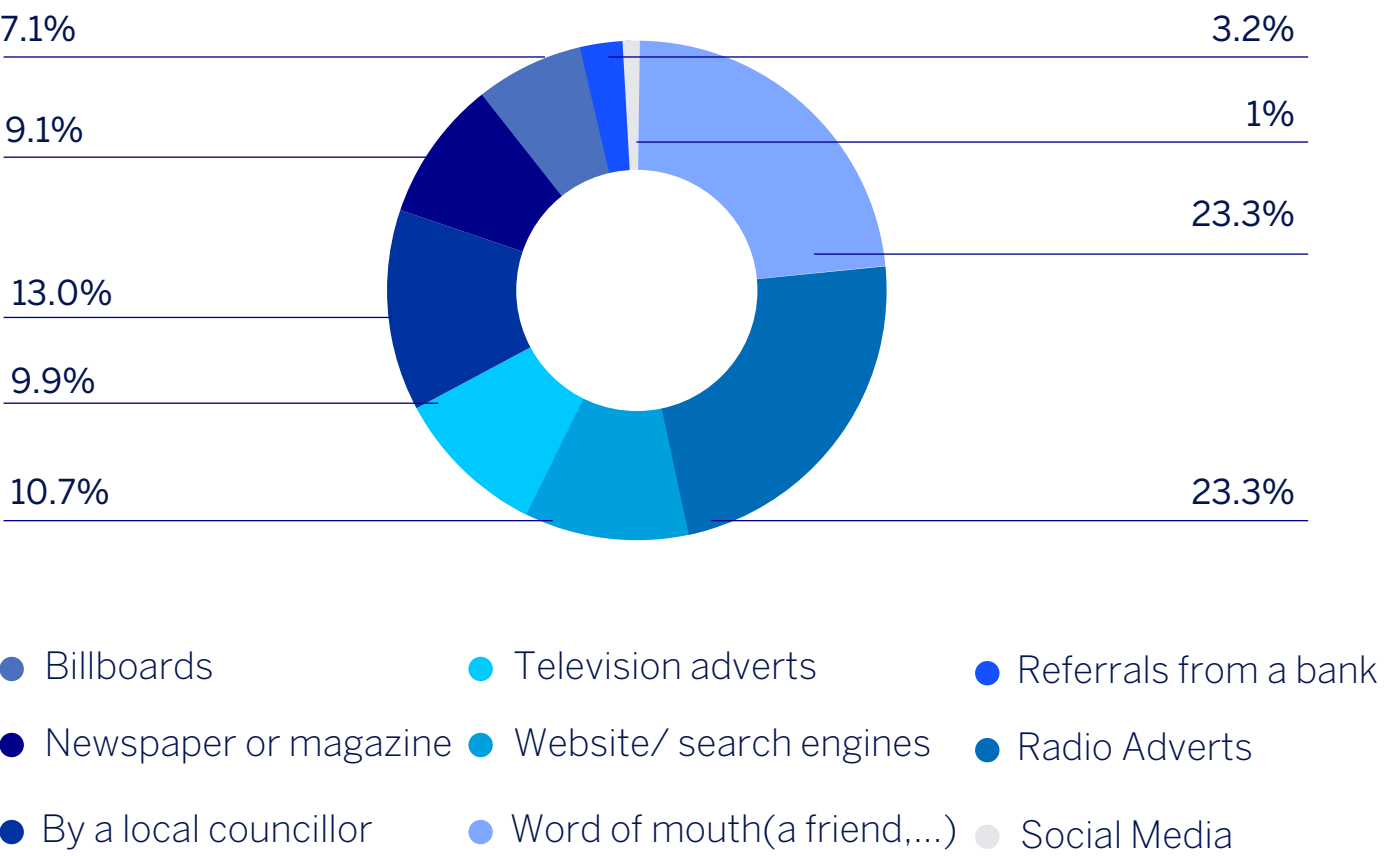


Source: Standard Bank Township Informal Economy Research

Evident is that access to essential basic and work-related infrastructure remains a critical issue. This lack of infrastructure, basics such as shelter, POS devices, containers and well-functioning machinery hamper the efficiency and growth potential of informal businesses.

Sources of information: Businesses have to gather information about their markets from different sources. Informal SMEs indicated that they rely more on word of mouth and radio as their primary sources of market information. These sources help businesses to understand their environment, make informed decisions, and stay competitive.

Sources of Market Information



Source: Standard Bank Township Informal Economy Research



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Business highlight

Thesis Lifestyle

Thesis Lifestyle stands as a beacon of township entrepreneurship, blending fashion with cultural identity. Founded in 2005, the brand has evolved into more than just a clothing label, it represents a lifestyle movement rooted in creativity, authenticity, and community pride. Through initiatives like the Thesis Run Cru and Cycling, the brand has actively supported local talent, fostering a vibrant cultural scene in Soweto.

Despite its success, Thesis has faced significant challenges. Access to capital remains a persistent barrier, limiting opportunities for expansion and innovation. The brand also contends with fierce competition from both global and local fashion players, requiring constant reinvention. Additionally, South Africa's broader economic instability, marked by high unemployment and inflation, has impacted consumer spending, particularly in discretionary sectors like fashion. Scaling operations while maintaining brand authenticity and managing logistics has proven to be a complex balancing act.



Achievements:

- Cultural Influence:** Thesis has become a symbol of township pride and youth culture. It's more than just a clothing brand, it's a lifestyle movement that promotes creativity, community, and authenticity.
- Community Engagement:** The brand is known for its strong community involvement, which blend music, fashion, and art to uplift local talent.
- Longevity and Growth:** Founded in 2005, Thesis has sustained itself for nearly two decades, which is a major milestone for any small business in South Africa, especially in the fashion industry.
- Retail Presence:** They've successfully operated physical stores in Soweto and other parts of Johannesburg, creating a tangible presence in the community.
- Collaborations:** Thesis has partnered with major brands like Adidas and Nike, which have helped elevate its profile both locally and internationally.

Challenges:

- Access to Capital:** Like many black-owned businesses in South Africa, Thesis has faced difficulties in securing funding and investment, which can limit expansion and innovation.
- Market Competition:** Competing with global fashion brands and local up-and-comers require constant innovation and marketing, which can be resource-intensive.
- Economic Pressures:** South Africa's economic instability, including high unemployment and inflation, affects consumer spending, especially in the fashion and lifestyle sectors.
- Scaling Operations:** Transitioning from a community-rooted brand to a national or global player presents logistical and strategic challenges, including supply chain management and brand consistency.



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Business highlight

Moja Cafe

Moja Café, founded in 2016 by Kutlwano Pitso, has become a cultural and culinary landmark in Orlando East, Soweto. The café merges food, music, and car culture to create a unique township lifestyle experience. Beyond its role as a restaurant, Moja Café has grown into a lifestyle brand, hosting events and attracting celebrities, influencers, and tourists. It has also contributed to local economic development by employing over 40 people.

However, Moja Café’s journey has not been without obstacles. Legal disputes over property ownership and municipal compliance issues have threatened its operations. The café also faces broader sustainability challenges, including economic volatility and the difficulty of recruiting skilled staff. These hurdles reflect the broader systemic issues that many township businesses encounter, particularly those operating in informal or semi-formal spaces.



Achievements:

-  **Cultural Hub in Soweto:** Founded in 2016 by entrepreneur Kutlwano Pitso, Moja Café quickly became a vibrant social and culinary hotspot in Orlando East, Soweto. It blends food, music, and car culture, creating a unique township lifestyle experience.
-  **Job Creation:** The café has employed over 40 people, contributing to local economic development and offering opportunities in a community with high unemployment.
-  **Brand Expansion:** Moja Café has grown beyond just a restaurant. It has become a lifestyle brand, hosting events and attracting celebrities, influencers, and tourists.
-  **Entrepreneurial Recognition:** Kutlwano Pitso has gained recognition for his innovative approach to township business, later also becoming known for his involvement in the then high-profile Konka Soweto venue.

Challenges:

-  **Property Disputes:** Moja Café has faced legal challenges related to the property it occupies. The house was originally a family home, and not all heirs agreed to its commercial use. This led to a court dispute and tension with the Motso family, who co-owns the property.
-  **Municipal Compliance Issues:** The City of Johannesburg raised concerns about by-law violations and building compliance, which threatened the café’s operations.
-  **Sustainability Pressures:** Like many township-based businesses, Moja Café has to navigate economic instability, fluctuating consumer spending, and the need to maintain relevance in a competitive entertainment and hospitality market. Challenges in recruiting the right staff are impacting the business.



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South African vs. Foreign SMEs

Two Mindsets

The township informal economy is shaped by two distinct business profiles: South African SMEs and foreign national SMEs. Each group brings unique strengths and challenges, contributing to a diverse yet often fragmented marketplace.

South African SMEs are typically characterised by a traditional, reactive, and inward-focused mindset. While deeply embedded in their communities and prioritising immediate local needs, they often exhibit a cautious approach to change and a reliance on familiar methods. This can lead to:

-  **Resistance to change**
They tend to be set in their ways, making tactical and operational decision-making challenging and often requiring significant external guidance and support for the adoption of new technologies or business models.
-  **Limited strategic vision**
Despite their strong understanding of current community needs, they often lack a broader, strategic perspective to anticipate future customer demands or market trends.
-  **Transactional focus**
Their approach is typically transactional, centred on fulfilling present needs rather than inspiring customer aspirations or driving future trends.
-  **Uniform customer approach**
They tend to treat all customers uniformly, overlooking varying mindsets and behaviours that could influence purchasing decisions and unlock new opportunities.

In contrast to their South African counterparts, foreign-owned businesses are often characterised by an agile, aspirational, and customer-centric approach. They readily embrace innovation, adapt quickly to market trends, and frequently introduce new products and services. Their success is often underpinned by:

-  **Adaptability and risk-taking**
Unlike local SMEs, they are more willing to take calculated risks and embrace novel business ideas, contributing to their dynamic presence in the market.
-  **Strong support networks**
They benefit from tight-knit community support, which provides valuable guidance and facilitate the sharing of best practices among members.
-  **Customer-centric innovation**
By integrating into communities through language, tailored product selections, and customised services, they gain unique outsider perspectives. This helps them to better anticipate and meet evolving customer needs.
-  **Driving consumer behaviour**
Foreign owned SMEs actively shape consumer behaviour by driving demand for new products and payment methods. They leverage creativity, for example, by using Point-of-Sale (POS) machines for both transactions and withdrawals, monetising convenience in ways that local businesses might overlook.

These contrasting dynamics have, at times, led to friction between local and foreign owned SME's. This highlights the need for more inclusive support structures that aim to level the playing field and foster a more equitable and collaborative informal economy.



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Key Takeaways

- **Financial Instability is Pervasive:** Township SMEs often grapple with inconsistent income, poor financial planning, and difficulty separating personal and business finances, leading to significant instability.
- **High Operational Costs:** A large portion of earnings go towards rent and stock. Businesses also face high price sensitivity, with a lack of group buying benefits, and transport challenges for stock, further eroding profits.
- **Contrasting Entrepreneurial Mindsets:** South African SMEs tend to be traditional and reactive, prioritising immediate needs. In contrast, foreign owned businesses often display an agile, aspirational, and customer-centric approach, embracing innovation and leveraging strong support networks.
- **Strategic Location is Key:** Businesses prioritise affordable locations, with many operating from residential homes to minimise high rental costs. Street-side operations are common for visibility, but often lack basic amenities.
- **Informal Information & Infrastructure Gaps:** These SMEs primarily rely on word-of-mouth and radio for market information. Critical infrastructure like proper shelter, POS devices, and reliable machinery remains a significant unmet need.
- **Learning from Case Studies:** Successful township businesses like Thesis Lifestyle and Moja Café demonstrate innovation and community engagement but still contend with significant challenges such as access to capital, market competition, and regulatory compliance.



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Banking the Informal Economy

Township businesses have a complex and often conflicted relationship with banks. While banking penetration is high, many businesses use personal accounts for business purposes, and only a minority have formal business accounts. Most business income is received through bank accounts, although cash remains a dominant mode of transaction. These SMEs also use mobile money platforms and retail money markets for convenience and accessibility. However, the use of formal banking services is often limited by the following key barriers:

The Standard Bank South Africa Trade Barometer confirms that small businesses struggle with access to credit, citing poor credit histories (39%) and lack of collateral (25%) as major obstacles. Despite improvements in digital banking, many SMEs still prefer cash due to convenience and control.

High fees and lack of transparency. Business owners are looking for banking solutions that are affordable.



When I started using my business account, it was affordable. Now I'm paying over R1 000 a month. This is alot. I don't get business every month.

SME earning ZAR 250,000 per annum

Perceived inaccessibility of credit products. The banking space is cluttered, yet customers still have unfulfilled needs.



There's a lot of new products; some are so difficult to understand. I am not sure if they will help my business.

SME earning ZAR 150 000 per annum

Mistrust due to past negative experiences. Majority of the business owners need education and empowerment.



After banking with them for over 3 years, they declined my overdraft application. Only now they tell me I have used the account incorrectly.

SME earning ZAR 600 000 per annum

There are 5 key needs when it comes to banking:

1

Easy Access to Banking Service

This is a common need across all businesses.

The businesses need access to a banking service. The service is more than just a bank account. Simplicity is key.

"I want a bank with simple banking products including the app"
(Majority Sentiment)

2

Cost Efficient

Most prevalent in the informal trader and entry small business banking.

Affordability is key to these customers as businesses are not financially stable and predictable.

"I left that bank because the costs to deposit money at the ATM was too high for my customers" (ZAR 200 000 per annum)

3

Access to Funding/Lending

Most prevalent need for the informal business which creates barriers to entry for business banking.

Banks are perceived to make funding so difficult and almost impossible.

"Even when I have a signed business contract in hand, it is not easy to get funding." (ZAR 1 000 000 per annum)

4

Tailor-made Service

This is a common need across all businesses.

Businesses are different. Therefore, servicing should also be different.

"I had a business banker who didn't even understand that my business is mostly busy in summer" (ZAR 3 000 000 per annum)

5

Partnership & Consultancy

Most prevalent in upper income segment space.

Businesses need far more than just an account.

"The business needs a bank that can be a partner and help us grow into commercial businesses" (Majority Sentiment)



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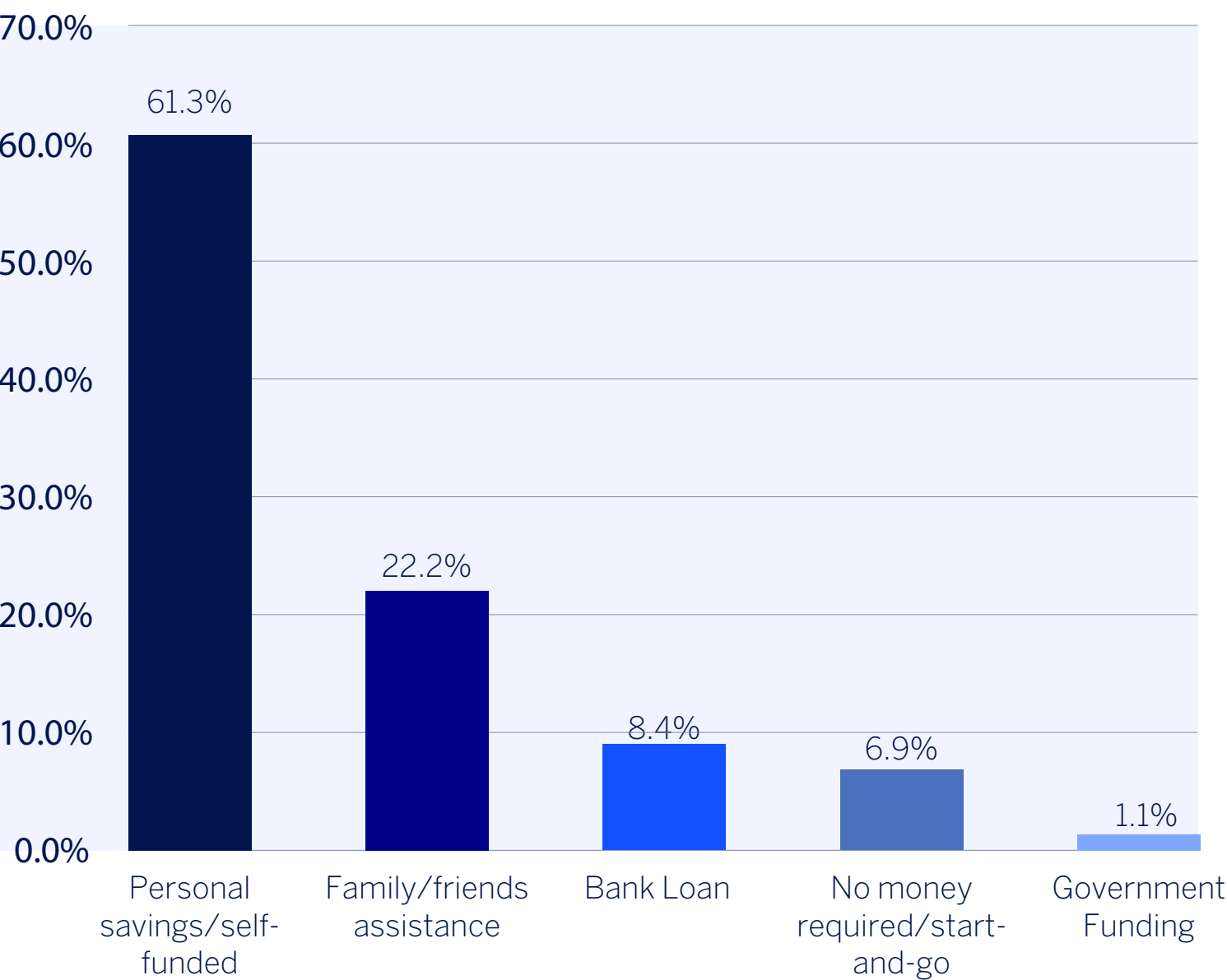
Financial instability is a recurring theme among township businesses.

Most are self-funded (57%) and lack formal accounting systems, with 77% managing finances manually. This limits their ability to access credit and scale operations. While some businesses use multiple bank accounts, many remain sceptical of formal banking due to perceived complexity and high costs. Bridging this gap requires simplified financial products, education, and trust-building initiatives.

Most businesses started using personal funding; mostly because their operations were not formalised and could not qualify for funding from formal lending institutions. Majority of businesses do not use any accounting system; they indicated that they do their accounting manually or have no accounting system/package.

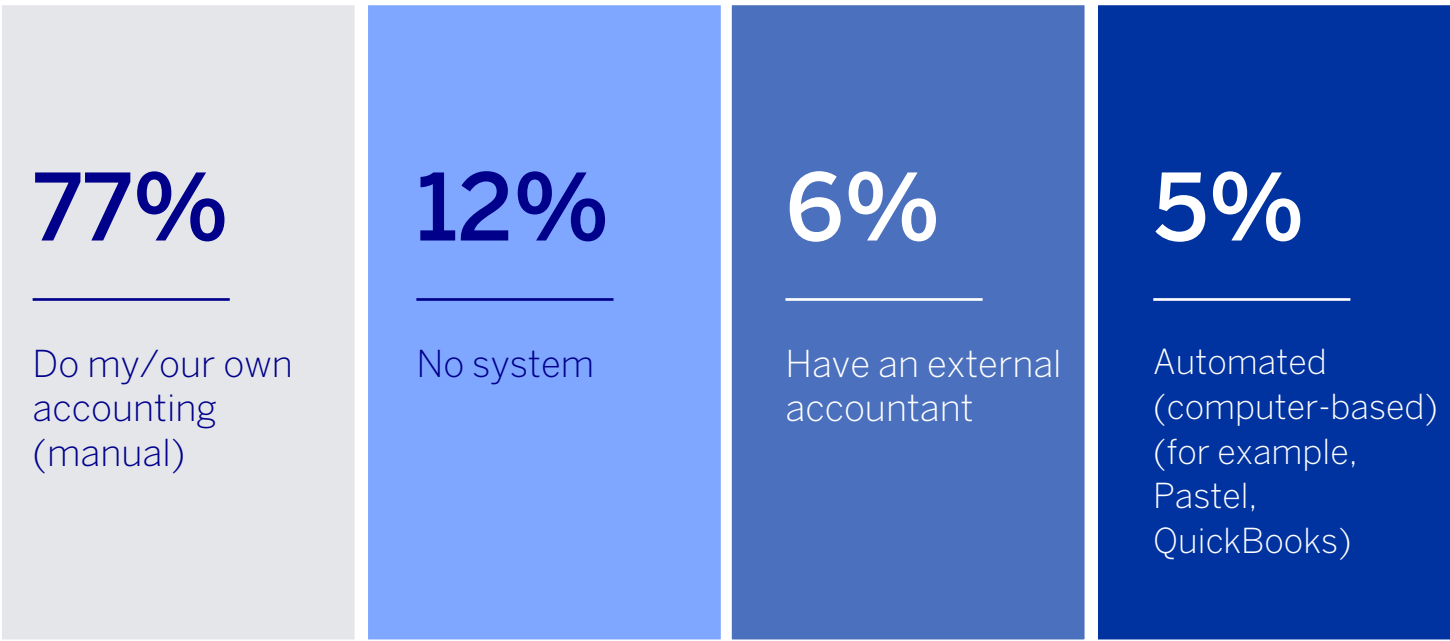
Banks have a role but are not perceived as a key enabler to their day-to-day wins. Rather, they are a last resort when the support of family, connections or their own experience cannot unlock opportunities.

Business Funding



Source: Standard Bank Township Informal Economy Research

Accounting Preferences



Source: Standard Bank Township Informal Economy Research

Three main beliefs about banks

01

Banks are for loans

- Limited engagement with available banking products and services. They are not known to offer much outside of loans and accounts.

02

We do not qualify

- A history of exclusion and bad experiences. Assumption is that banks always require formal documentation such as payslips and financial statements, which these SMEs do not have.

03

The interest fees will set me back

- Government is considered more sympathetic and willing to offer better loan options for SME's, even though they are slow to act.

Business banking customers are in the market looking for better deals, offers and partnerships. Once the seed for entrepreneurial growth has been planted, these businesses still need solutions that put power into their hands, but they do not know where to turn.

Financial institutions can play a transformative role by offering:

- Low-cost, easy-to-use business accounts.
- Flexible credit products tailored to informal businesses.
- Financial literacy programs to build trust and capability.
- Partnerships with local networks to improve reach and relevance.



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Standard Bank SME Product Suite Overview

Banking Solutions Tailored for Township Entrepreneurs.

Standard Bank offers a range of products designed to meet the unique needs of informal and township-based SMEs:

1 My MoMoBiz:

Simple, affordable transactional bank account for small businesses which allows business owners to manage their finances on the go with dedicated support from a team of business bankers.

2 Business Loans:

Cash-flow, liquidity or working capital solutions that help SMEs make the quick decisions their businesses need to remain sustainable or keep growing.

3 SimplyBLU:

A comprehensive payment solution which includes card machines, a mobile app for managing sales and stock, and an easy-to-use online store builder, all backed by real-time insights via our web portal.

4 Small business insurance:

Insurance solutions to guard against disruption, damages, losses or liability with cover that's relevant to township SMEs.

5 Enterprise and Supplier Development:

A holistic offering which includes financial and non-financial support for black-owned South African SMEs with a turnover of less than R50m.



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Key Takeaways

- **Complex and Conflicted Banking:** While banking penetration is high, most township businesses use personal accounts for business, and cash remains a dominant transaction method, highlighting a conflicted relationship with formal banking.
- **Significant Barriers to Formal Banking:** High fees, a lack of transparency, a perceived inaccessibility of credit products, and deep-seated mistrust from negative past experiences are key obstacles preventing full engagement with formal financial services.
- **Self-Funded and Manual Accounting:** A majority of businesses are self-funded, and a vast majority manage their finances manually, which severely limits their ability to access formal credit and scale operations.
- **Banks as a Last Resort:** Financial institutions are not typically viewed as primary enablers for day-to-day business success but rather as a fallback option when other informal support networks are exhausted.
- **Clear Needs for Banking Solutions:** Businesses are actively seeking affordable, easy-to-understand banking products, as well as educational support to overcome past negative experiences and build trust.
- **Transformative Role for Financial Institutions:** There is a significant opportunity for banks to play a pivotal role by offering low-cost business accounts, flexible credit tailored to informal businesses, and effective financial literacy programs.



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Powering Progress

Digital Financial Solutions for Township Businesses

Persistence of Cash and Emergence of Digital Alternatives: Despite the increasing availability of digital financial tools, cash remains the dominant mode of transaction for township businesses. These SMEs primarily use cash for daily living expenses, such as transport, groceries, and school lunches. While cash is widely used for business transactions, businesses themselves indicate a preference for EFT/Bank transfers (56%). Mobile money and bank transfers are also utilised, particularly for stock purchases and rent payments. EFT/Bank transfers are favoured by higher-income businesses due to their safety and their ability to provide accounting records. With crime being a concern for some businesses, having transactions via EFT/Bank transfers are seen as a safer alternative. Interestingly, cash and Point-of-Sale (POS) transactions are perceived to carry similar risks of robberies.

Barriers to Digital Payment Adoption: The adoption of digital payment systems, such as POS devices, remain limited. Several barriers hinder their widespread uptake:

-  **Customer preference for cash:** This is a significant factor, as these businesses are typically led by customers when it comes to transaction methods. While swiping, tap, and mobile money are preferred by some, cash continues to dominate.
-  **Lack of POS infrastructure:** The high cost of POS devices contribute to their limited presence.
-  **Limited digital literacy:** This is particularly prevalent among older SMEs.
-  **Safety concerns:** Many businesses express concerns about the safety of contactless payments, especially when transactions do not require a PIN.

Although mobile phones are widely used for communication and marketing, the adoption of digital payments on these devices remain constrained by these key barriers. While banks have led educational efforts around cashless platforms, overall uptake remains slow.



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Current Digital Tool Usage:

While not yet widespread, digital wallets and mobile money services are used by some businesses, especially Mashonisas¹ and clothing retailers who may prefer untraceable transactions.



¹A local term for informal money lenders who operate outside the formal banking system. Mashonisas offer quick loans, often in cash, but typically charge extremely high interest rates and operate without regulation or consumer protection

Transaction modes by order of frequency

01	Cash	This cash is used for daily living such as kids lunch, taxi transport, daily grocery top-ups.	→ This money generally does not get banked.
02	Swipe	Predominantly noted in Spaza stores, hair salons and food businesses.	→ This money is used to buy stock and pay rent.
03	EFT	These are higher-income businesses such as B&B's, Construction and Funeral services.	→ This money usually remains in the business.
04	Tap 'N Go	These businesses don't want to keep cash on the premises for safety but cannot afford the big POS from banks.	→ Taverns and beauty businesses prefer this.
05	Mobile Money and Mobile Market	This mode is preferred by clothing shops and Mashonisas as this is money that flies below the radar.	→ Mashonisa prefer outgoing and incoming money to be untraceable

Transaction platforms by level of awareness

01	Swiping machines	Bank education has led these SMEs to desire this device. It is considered costly but customers find it safe.	→ Mostly used for bigger purchases as they are costly. SMEs sometimes charge customers for using this form of payment.
02	Tap 'N go	Signage on POS Cashiers.	→ Customers worry about safety of tap and go as it sometimes doesn't request pin
03	Mobile Money	Telco and banking have led this education.	→ Very handy when one has lost their card.
04	Digital Wallet	Apple Pay and Samsung Pay are pre-installed on their respective phones.	→ Barely used at all across by customers
05	Cashless Solution	Signage at spaza stores.	→ Used for airtime and electricity



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Key Needs Identified by Township SMEs

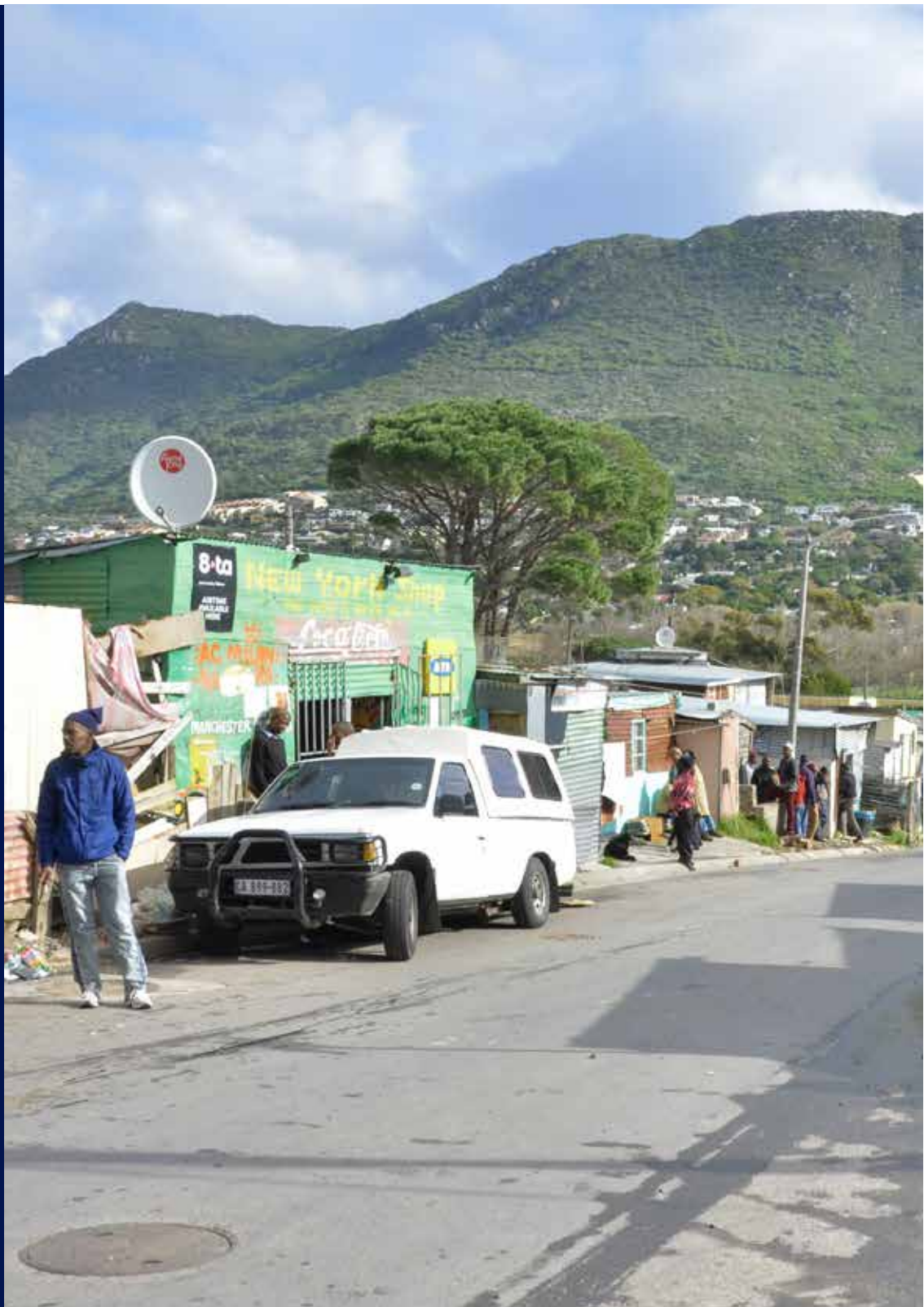
For a successful transition toward a more cashless economy, several crucial needs have been identified:

Enhancing Accessibility and Affordability of Digital Tools

-  **Universal Banking Access:** A fully banked population is essential, as having a bank account is a prerequisite for qualifying for a Point-of-Sale (POS) device.
-  **Affordable POS Systems and Low Bank Fees:** POS systems must be affordable and accessible to businesses of all sizes, with low acquisition costs. Similarly, bank fees need to be low to encourage the banking of funds.
-  **Simplified Onboarding and Digital Education:** There's a strong need for simplified onboarding processes and comprehensive digital education, especially for first-time users, to ensure wider adoption. SMEs specifically need assistance and support with onboarding, with steps that are simplified and easy to apply for.
-  **Widespread POS System Access:** Digital payment platforms and POS systems need to be easily accessible, including within bank branches, to further entrench their use. These businesses also highlight a desire for contactless payment options, as they want to fall in line with customer needs and trends, noting that contactless payments are increasingly in use by customers.

Improving Financial Flow and Security

-  **Instant Fund Settlement:** Businesses require instant settlement of funds into their bank accounts to maintain healthy cash flow. They explicitly state that they do not want to wait for their cash from the POS device; they want the cash to be directly deposited into their account.
-  **Access to Credit:** Leveraging transaction data from POS devices to assess creditworthiness could provide SMEs with much-needed access to credit. To drive growth in their businesses, they want their POS device to allow access to loans, considering it provides insight into their income and consistency.
-  **Flexible Payment Terms:** Both SMEs and their customers would benefit from more flexible payment terms. To drive accessibility, businesses are seeking flexible payment terms for themselves and also desire the ability to track loans and credit for their suppliers.
-  **Enhanced Cybersecurity:** Strengthening online security is crucial to combat cybercrime and provide peace of mind for both businesses and customers.



These insights clearly indicate that township businesses desire innovative, affordable, and user-friendly digital solutions. Meeting these needs can help them grow their businesses and significantly improve their financial security.



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Standard Bank Initiatives:

Unpacking SimplyBLU – Digital Commerce for Township SMEs

Standard Bank’s SimplyBLU platform empowers township entrepreneurs to build and manage their own online stores without needing technical skills. It offers built-in templates, secure payment gateways, mobile app functionality, and social media integration. Businesses can accept local and international card payments, issue invoices, and manage inventory from one portal. In a market where digital literacy and affordability are barriers, SimplyBLU provides a low-cost, user-friendly solution that enhances visibility, customer engagement, and financial inclusion.



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Key Takeaways

- **Cash Remains King:** Despite growing digital options, cash is still the dominant transaction method for township businesses and daily expenses, largely due to customer preference.
- **Preference for Bank Transfers:** While cash is common, EFT/Bank transfers were preferred by over half of businesses for their safety and record-keeping benefits, especially for larger transactions.
- **Significant Adoption Barriers:** Widespread digital payment adoption is hindered by customer preference for cash, high costs of POS devices, limited digital literacy, and safety concerns over contactless payments.
- **High Demand for Digital Solutions:** SMEs express a strong need for more accessible and affordable digital tools, including universal banking access, low-cost POS systems, simplified onboarding, and instant fund settlement.
- **Leveraging Data for Credit:** Entrepreneurs see POS data as a pathway to accessing much-needed credit and desire flexible payment terms for both themselves and their suppliers.
- **Cybersecurity is Crucial:** Strengthening online security is a key need to combat cybercrime and build trust for broader digital adoption.



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Unlocking Growth in the Township Economy



Nokhanyo Ntshingila
SENIOR MANAGER, ENTERPRISE & SUPPLIER DEVELOPMENT PROGRAMMES,
STANDARD BANK SOUTH AFRICA

“ Non-financial support is a key enabler of financial growth for many township enterprises.

Township businesses operate in a resource-constrained environment where access to support is fragmented and inconsistent. Informal businesses often do not qualify for formal business assistance, and as alluded, they started their businesses using personal savings and receiving assistance from friends (13%) and family members (10%). Very few businesses have received assistance from government institutions such as NYDA (5%) and DBSD (5%). Majority of businesses (57%) are self-funded and self-taught without any assistance.

As township businesses mature, there is a clear opportunity to support them with tailored digital solutions, marketing platforms, and capacity-building programs. Bridging the digital divide will be essential to unlocking their full potential and integrating them into broader economic value chains.

Key needs identified include:

- Marketing support (63%) to improve visibility and customer acquisition. Without proper marketing, location becomes a major driver of visibility and customer reach. But even the best location cannot make up for deeper challenges.
- Funding for operations (40%), especially for stock and equipment. Limited access to finance is a key inhibitor to SME sustainability and growth.
- Skills training (38%) in areas such as financial literacy, digital tools, and business management.
- Infrastructure (37%), including secure premises, electricity, and internet access.

What they really need is a combination of funding, training, and equipment to build sustainable businesses. Many informal SMEs are self-taught, especially amongst the older generations. Structured training programs could significantly improve business sustainability and growth. The Standard Bank Trade Barometer further highlights that small businesses often lack the collateral and credit history required to access finance, reinforcing the need for alternative support mechanisms.

These SMEs know that technology is key to growth, it helps them reach new customers and build credibility. Technology adoption among township businesses are growing but remains uneven.

While WhatsApp (74%) and Instagram (47%) are widely used for marketing and communication, more advanced tools like websites (30%) and business apps (36%) are less common. This reflects both cost barriers and limited digital literacy.

WhatsApp is the go-to tool for its ease and low cost although having a website, business app, or using tools like MS Office signals professionalism and legitimacy. These are seen as markers of a serious, established business.

In the township context, affordability and relevance remain key. The Standard Bank Trade Barometer notes that while digital payment adoption is increasing, cash remains dominant for domestic transactions, especially among small businesses.

Bridging the digital divide will require affordable tools, training, and incentives to adopt digital platforms that enhance visibility, efficiency, and customer engagement.



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Township businesses face intense competition, often operating in saturated markets with limited differentiation.

Competition is intensive in the informal sector since there are no rules or guidelines to govern it. On average, there were 20 similar businesses per community, with sectors like ICT, logistics, and retail being the most crowded. There are businesses within a local community doing the same business and creates unfair competition to some.

Average number of businesses by sector

ICT, Media, and Digital Services	31
Transport and logistics	28
Health and safety	21
Retail/wholesale	20
Engineering	19
Cultural and Creative Industries	18
Construction and Infrastructure	18
Manufacturing	16
Shisanyama / Food cooking	14
Saloon	12
Finance/business services	11
Tourism/hospitality	10
Agriculture and Agro-processing	9
Spaza shop	6
Sports	6
Tavern / Sell alcohol	5
Accommodation	4
Designing / Printing	4
Chemicals and pharmaceuticals	4
Carpentry	4
Car wash	4
Automotive, Aerospace and Defence	4
Mining or Mineral Beneficiation	3
Bakery	3
Sound and dj'ng	3
Industrialization of Cannabis	1
Lecture / Education	1

Source: Standard Bank Township Informal Economy Research

Many businesses face fierce competition in their communities; because of the small market base. Only 38% of businesses believe they have a competitive edge, leaving the majority feeling vulnerable. In fact, 14% say their businesses are not competitive at all, highlighting how intense and challenging the market has become for most.

Level of confidence in the competitiveness of their business



Source: Standard Bank Township Informal Economy Research

Marketing remains a critical gap. Most businesses rely on word of mouth (59%) and radio (59%), with minimal use of social media (1%). This underutilisation of digital channels limits their ability to scale and reach new markets. There is a clear opportunity to support township businesses with affordable marketing tools, training in customer segmentation, and access to platforms that amplify their reach.

Cell phones enable instant and widespread geographic communication, allowing individuals and businesses to stay connected with the world. Businesses have highlighted that they prefer to be contacted through cell phone calls or sms. Cell phones facilitate easy access to clients and suppliers. It also contributes to increased efficiency and collaboration in business. However, email also remained highly preferred.

Environmental challenges that hinder businesses remain consistent across all SMEs, with lack of government services affecting their businesses – this includes water, electricity and other services. The prevalent crime and natural disasters (more dominant in KwaZulu-Natal) also hinder growth of businesses.



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Ubuntu

The township informal economy exhibits a mixed landscape of business interconnectedness and community engagement. While a significant 28% of businesses actively contribute to a local value chain by paying other businesses for services, a larger majority, 72%, operate independently, handling all aspects themselves. This suggests a fragmented business ecosystem where opportunities for internal economic circulation are not fully realised. Nevertheless, the spirit of "Ubuntu" is strong, with 63% of businesses demonstrating a commitment to their communities by giving back in various ways, highlighting their deep embeddedness and potential to contribute significantly to local and national economies with proper support.

In terms of reach, nearly half (44%) of these businesses serve both their immediate local communities and nearby areas, while 32% focus solely on locals, and a quarter (24%) extend their reach further to customers from the broader city, province, or even national level.



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Standard Bank Initiatives:

Standard Bank Youth Forward Programme

Recognising the potential of youth-led businesses, Standard Bank partnered with GIBS to deliver a six-month development programme focused on leadership, management, and entrepreneurial skills. This programme supports long-term growth and formalisation, addressing the skills gap and fostering resilience among emerging entrepreneurs.

Gauteng Township Development Programme

The Gauteng Township Development Programme, supports township SMEs with business and skills development. Each year, 100 township businesses are selected for tailored support and grant funding. This programme directly addresses the challenges of limited access to skills and funding, helping township SMEs build sustainable operations in highly competitive environments.



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Key Takeaways

- **Fragmented Support Ecosystem:** Township businesses are predominantly self-funded and self-taught, with minimal access to formal government or institutional assistance, relying more on personal networks.
- **Critical Gaps in Core Needs:** The most pressing needs include marketing support, operational funding, skills training in financial literacy and business management, and basic infrastructure.
- **Uneven Digital Adoption:** While WhatsApp is widely used, adoption of more advanced digital tools like websites and business apps remain limited due to cost barriers and digital literacy.
- **Intense Market Competition:** Businesses face fierce competition in saturated markets, with only a minority feeling they have a competitive edge.
- **Traditional Marketing Dominance:** Most businesses rely heavily on word-of-mouth and radio, largely underutilising digital marketing channels, limiting their reach and scalability.
- **Persistent Environmental Challenges:** Lack of essential government services (water, electricity), high crime rates, and natural disasters consistently hinder business operations and growth.
- **Ubuntu and Value Chain Gaps:** While the spirit of "Ubuntu" is strong, with a high percentage giving back, the local value chain remains fragmented, with a majority of businesses operating independently rather than contributing to broader local economic circulation.



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Standard Bank ESD Programme :

Driving Inclusive Growth

Standard Bank Enterprise and Supplier Development (ESD) Programme

The Standard Bank ESD programme is a cornerstone of Standard Bank’s commitment to inclusive economic transformation. It is designed to support historically disadvantaged Black-owned SMEs (BSMEs) by enabling access to finance, business development services, and market opportunities.

Through strategic partnerships and tailored interventions, the programme helps entrepreneurs start, manage, and grow sustainable businesses

- 1

Access to Finance:

Including purchase order finance, supplier development loans, and sector-specific funding such as Agric-ED for emerging farmers.
- 2

Access to Business Development:

Through mentorship, technical training, and bespoke support aligned to business needs.
- 3

Access to Markets:

By integrating SMEs into Standard Bank’s supply chain and facilitating external procurement opportunities.

At Standard Bank, we believe that township businesses have high potential. By investing in their growth, we are helping to build a more inclusive and resilient economy, one township at a time.



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The township informal economy is primarily driven by South African-owned businesses, predominantly male and aged 35-54, who are deeply embedded in their communities, often operating from homes or streets to minimise costs. Their motivations are multifaceted; while women are largely driven by joblessness, men are more likely to pursue entrepreneurship by choice, with common drivers for all including economic necessity, lack of formal employment, and a desire for independence. These businesses are largely self-funded, receiving minimal government or institutional support.

Township businesses play a crucial role within their communities, serving as key employers, particularly in tourism, retail, and construction sectors, and demonstrating a strong commitment to "Ubuntu" by giving back through sponsorships and local engagement, with close to two-thirds actively contributing. Despite high community trust, these SMEs often feel isolated from formal support systems, contributing to significant challenges. Their top needs revolve around improved market access, funding, skills training, and infrastructure.

They grapple with poor financial planning, limited digital literacy leading to low POS and digital banking usage, high operating costs, and restricted access to formal credit, further compounded by a lack of HR skills and business management capacity which hinders their ability to scale or formalise.

To address these challenges and foster business stability, a clear roadmap emerges: encouraging gradual formalisation through registration and compliance to unlock funding and market access; promoting the separation of personal and business finances for improved visibility and credibility; investing in foundational financial and operational skills training; embracing affordable digital tools like mobile payments and business apps; and fostering engagement with local networks and support platforms for shared resources and market opportunities. Implementing these measures is crucial to empowering these vital community enterprises and harnessing their full potential for both local and national economic development.



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Standard Bank Enterprise Banking

Business is a key part of society, and at Standard Bank, we proudly back businesses that continue to better our nation. You can bank on us to support you to start, manage and grow your business. Partner with us and access a range of tailored enterprise banking solutions that come equipped with the relevant tools and benefits you need for every step of your business’s journey. From accounts for day-to-day banking, lending solutions to expert guidance, valuable resources, and curated content, we’ve got everything you need to turn your dreams into reality.

Get In Touch With Us

We’re ready to support you with any business enquiries so you can take your dream further.

Contact your dedicated provincial Enterprise Direct Team.

Area	Province	Telephone	Email Address
Mpumalanga Enterprise Direct	Mpumalanga	+27108242920	EnterpriseMP@standardbank.co.za
North West Enterprise Direct	North West	+27108242923	EnterpriseDirect.NorthWest@Standardbank.co.za
Gqeberha Enterprise Direct	Eastern Cape	+27108242921	enterprisedirect.easterncape@standardbank.co.za
East London Enterprise Direct	Eastern Cape	+27108242926	enterprisedirect.easterncape@standardbank.co.za
KZN Enterprise Direct	KwaZulu-Natal	+27108242922	enterprisedirect.kzn@standardbank.co.za
Kopano Central Enterprise Direct	Free State/ Northern Cape	+27108242924	enterprisedirectfsnc@standardbank.co.za
Limpopo Enterprise Direct	Limpopo	+27108242925	enterpriselp@standardbank.co.za
WC City and South Enterprise Direct	Western Cape	+27108242927	enterprisedirectwesterncape@standardbank.co.za
WC Tygerberg Enterprise Direct	Western Cape	+27108242929	enterprisedirectwesterncape@standardbank.co.za
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Appendix:

Glossary Of Financial And Business Terms

BSME (Black-Owned SME)

A small or medium business that is majority-owned by black South Africans, often supported through transformation programmes.

Enterprise and Supplier Development (ESD)

A programme that helps small businesses grow by offering funding, training, and access to markets, especially for historically disadvantaged groups.

Purchase Order Finance

A loan that helps a business fulfil a customer order before receiving payment, based on a confirmed purchase order.

Supplier Development Loan

A loan offered to businesses that supply goods or services to larger companies, often with better terms to help them grow.

Preferential Procurement

A strategy that gives preference to certain suppliers (for example, township or Black-owned businesses) when awarding contracts.

Point-of-Sale (POS) Device

A machine used to accept card payments from customers, such as swipe or tap devices.

PocketBiz

A mobile POS device from Standard Bank that allows SMEs to accept card payments securely while on the move.

SimplyBLU

A digital platform that helps small businesses create online stores, accept payments, and manage transactions, all without needing technical skills.

Digital Literacy

The ability to use digital tools like smartphones, apps, and online banking effectively.

Cashless Economy

An economy where most payments are made electronically instead of using physical cash.

Collateral

Something valuable (like a car or property) that a borrower offers to a lender as security for a loan.

Creditworthiness

A measure of how likely a person or business is to repay a loan, based on financial history and income.

Overdraft

A facility that allows a business to spend more money than is available in its account, up to the asset limit.

Revolving Loan

A loan that allows repeated borrowing and repayment, up to a fixed credit limit.

Term Loan

A loan that is paid back over a fixed period with regular payments.

Grant Funding

Money given to a business that does not need to be repaid, usually to support growth or innovation.

Mashonisa

A local term for informal money lenders who operate outside the formal banking system. Mashonisas offer quick loans, often in cash, but typically charge extremely high interest rates and operate without regulation or consumer protection.

EFT (Electronic Funds Transfer)

A digital method of sending money from one bank account to another.

Digital Wallet

A software-based system that stores payment information and allows users to make electronic transactions.

Onboarding

The process of registering and setting up a new customer or business with a service, such as a bank or digital platform.



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About The Research

Conducted between March and May 2025, the research employed a mixed-methods approach, combining both primary and secondary data sources to ensure depth, accuracy, and contextual relevance.

The study was executed in two phases. Phase 1 consisted of qualitative engagements consisting of 17 in-depth interviews with township businesses, supported by 3 one-on-one interviews with industry experts. Phase 2 involved quantitative surveys with a total of 250 township-based businesses were surveyed across five provinces, namely Gauteng, Western Cape, KwaZulu-Natal, Limpopo and North West, capturing insights into business demographics, financial behaviour, technology usage, and economic impact.

To complement the primary research, the study incorporated secondary data from reputable sources including, Statistics South Africa (Stats SA) – for demographic, employment, and informal sector trends, Standard Bank Africa Trade Barometer – to contextualise township trade dynamics within broader regional and continental trade patterns and other public and proprietary datasets – including government reports, academic literature, and market intelligence platforms. This triangulation of data ensured a robust and multidimensional view of the township economy.

The Report was produced by Standard Bank Business and Commercial Banking Research & Insights. For any questions or information requirements on this report please contact BCBResearchandInsights@standardbank.co.za.



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