competition commission
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Media Statement

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COMMISSION REPORT HIGHLIGHTS BARRIERS HOLDING BACK RURAL AND TOWNSHIP BUSINESSES

The Competition Commission ("Commission") today launched its first ever Rural and Township Economy Report on the first day of the 20th Annual Competition Law, Economics and Policy Conference in Melrose Arch, Johannesburg. The report highlights the barriers that continue to hold back businesses operating in South Africa's townships and rural towns and shows how market and regulatory barriers affect business growth, competition, consumer welfare and inclusive economic participation in these areas.

Drawing on existing research, the Commission's enforcement experience, and two nationwide surveys commissioned by the Commission - a Business Survey and a Consumer Survey - the study provides a detailed picture of the challenges facing township and rural economies, and the opportunities that could be unlocked through more competitive and inclusive markets.

The surveys point to a dual challenge: local businesses face constraints in sourcing, selling and regulatory compliance, while consumers often have to travel beyond their immediate communities to access a wider range of goods and services. Together, the findings show that targeted improvements in local supply chains, routes to market and regulatory processes could support business growth, improve consumer choice and reduce the costs of participating in local markets.

The report finds that the profile of rural and township economies presents an opportunity to address the country's triple economic challenge of poverty, unemployment and inequality. Survey results show that many households in these areas remain under severe financial pressure, with 53% of rural residents, and between 37% and 47% of township residents, reporting monthly household income below R3,500. While there is significant business activity in townships, most businesses remain survivalist in nature, with a high presence of informal businesses. Importantly, most businesses are micro, small and medium-sized, and are independently owned by historically disadvantaged persons, underscoring the potential for economic progress if the barriers they face are addressed.

The report identifies three broad barriers affecting smaller local firms:

- **Procurement barriers:** Independent and informal firms often rely more on smaller suppliers, wholesalers and intermediary channels, which can leave them with less scale and bargaining power. Almost half (49%) of surveyed businesses believe suppliers charge them higher prices because of their business size, rising to 61% among independent businesses. This can increase input costs, reduce supply reliability and limit product range.

- **Limited routes to market:** Around half of surveyed firms sell mainly through their own physical stores, while access to major retailers and online channels remains limited. Fifty-one percent of township businesses and 48% of rural-town businesses sell through their own physical stores, compared with only 6% and 10%, respectively, that sell through major retailers. Online marketplace use is also limited, at 11% in townships and 9% in rural towns. Barriers include high rental costs, exclusivity arrangements, preference for established national brands in formal retail spaces, compliance requirements, limited digital capabilities and weak infrastructure. These constraints can keep smaller firms dependent on local walk-in trade and make it harder for them to enter the mainstream economy.

- **Regulatory barriers or "red tape":** Permits, licences, zoning rules, municipal by-laws, business registration, tax compliance and other requirements can impose significant costs and delays, particularly on smaller firms with limited administrative capacity. Independent and informal businesses report information gaps, administrative complexity, delays and costs when navigating permits and licensing processes. Service disruptions and infrastructure weaknesses further constrain business viability and market access.

An integral part of the fight against poverty is lowering the cost of living. The report finds that barriers facing rural and township businesses also have direct consequences for consumers. When local businesses struggle to source goods at competitive prices, access formal retail and digital channels, or expand, consumers may be left with fewer nearby choices, weaker product availability and higher effective prices. The Consumer Survey shows that many consumers shop outside their own township or rural town for products such as clothing and footwear, electronics, household goods and furniture, and even food and groceries. This is particularly pronounced for rural consumers, who generally travel farther than township consumers, making transport costs a significant part of the final price they pay.

Creating a more enabling environment for rural and township businesses is therefore central to tackling poverty, unemployment and inequality. "Whilst many in the formal sector see the collective value of the so-called Kasi Economy, inequalities will only reduce if residents in these rural towns and townships actively participate in that economy and are able to expand beyond its borders to participate in the formal malls and online purchases of middle-class South Africa." said Commissioner Doris Tshepe.

The report shows that unlocking the potential of township and rural economies requires improving the conditions under which smaller firms can procure, reach customers, comply with regulation and compete on fair terms. Addressing these barriers is important for spatial transformation, local enterprise development and consumer welfare. Improving market access and reducing red tape could make it easier for township and rural businesses to grow, create jobs for unemployed youth in these economies and participate more meaningfully in the economy. This will require coordinated action by business, local government, regulators and key role players.

The Commission will pursue a combination of competition advocacy, stakeholder engagement and inter-agency cooperation, targeted further research and, where warranted, screening or enforcement action. These interventions will focus on barriers that limit the ability of township and rural businesses to enter markets, expand and compete effectively, with the aim of improving market access and reducing red tape to stimulate local economic participation and improve outcomes for consumers.

The Rural and Township Economy Report and the two surveys are available on the Commission's website at https://www.compcom.co.za/rural-township-economy-project/

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