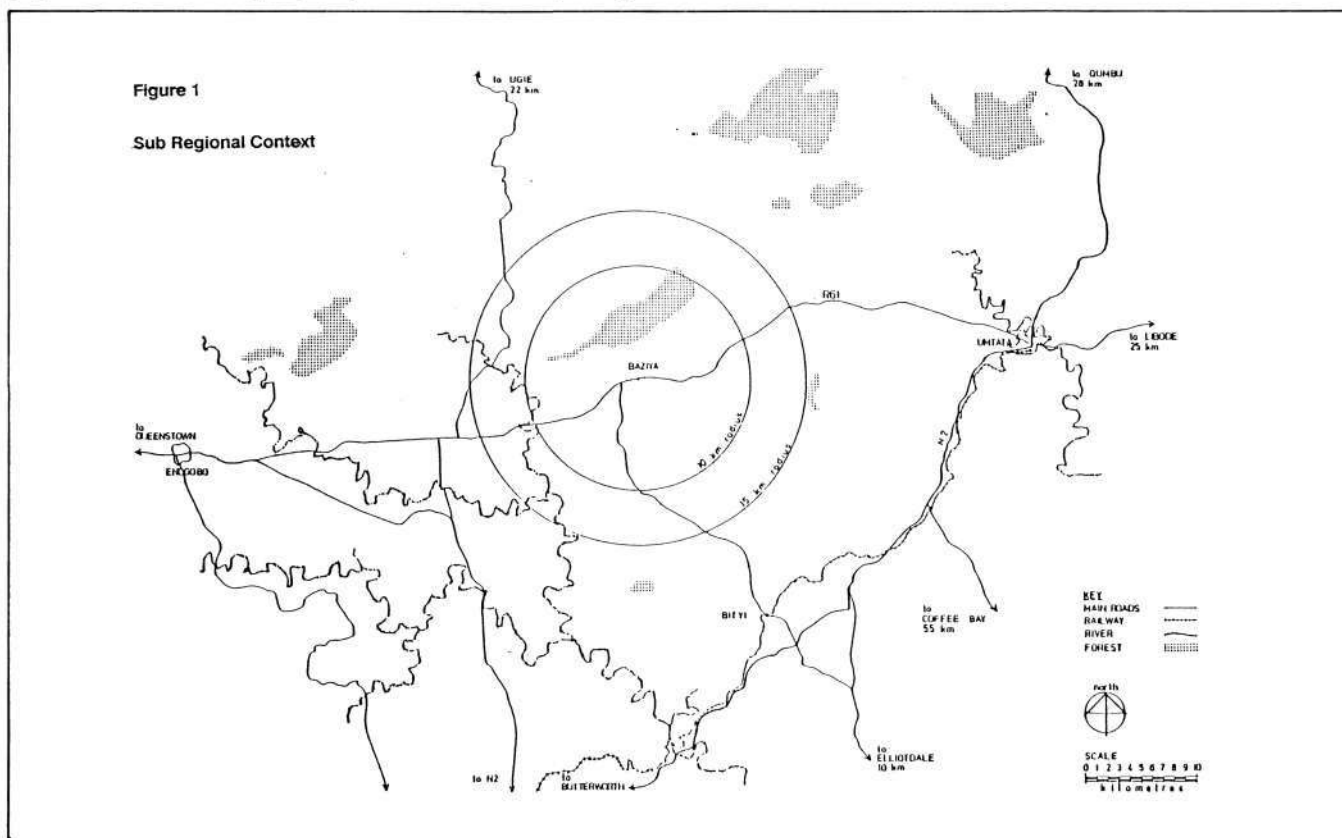


COMMERCIAL SERVICES IN RURAL AREAS - A CASE STUDY

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This short paper aims to make a few points about access to commercial services in the context of the debate on rural-urban linkages and urbanisation. The arguments are illustrated by examples from a case study of Baziya tribal authority (1986)¹ but supporting evidence can also be found from studies in other rural areas in Natal, KwaZulu and Transkei. Baziya has a population of 16 000 people (1900 households) living in

42 small villages within a radius of 15 km from the main centre of activities (3 shops, clinic, tribal authority office, disused sawmill). It is about 40 km west of Umtata, along the main road to Queenstown. (see Figure 1²). The purpose of our study there was to establish consumption patterns for goods and services as well as the productive potential of the area.



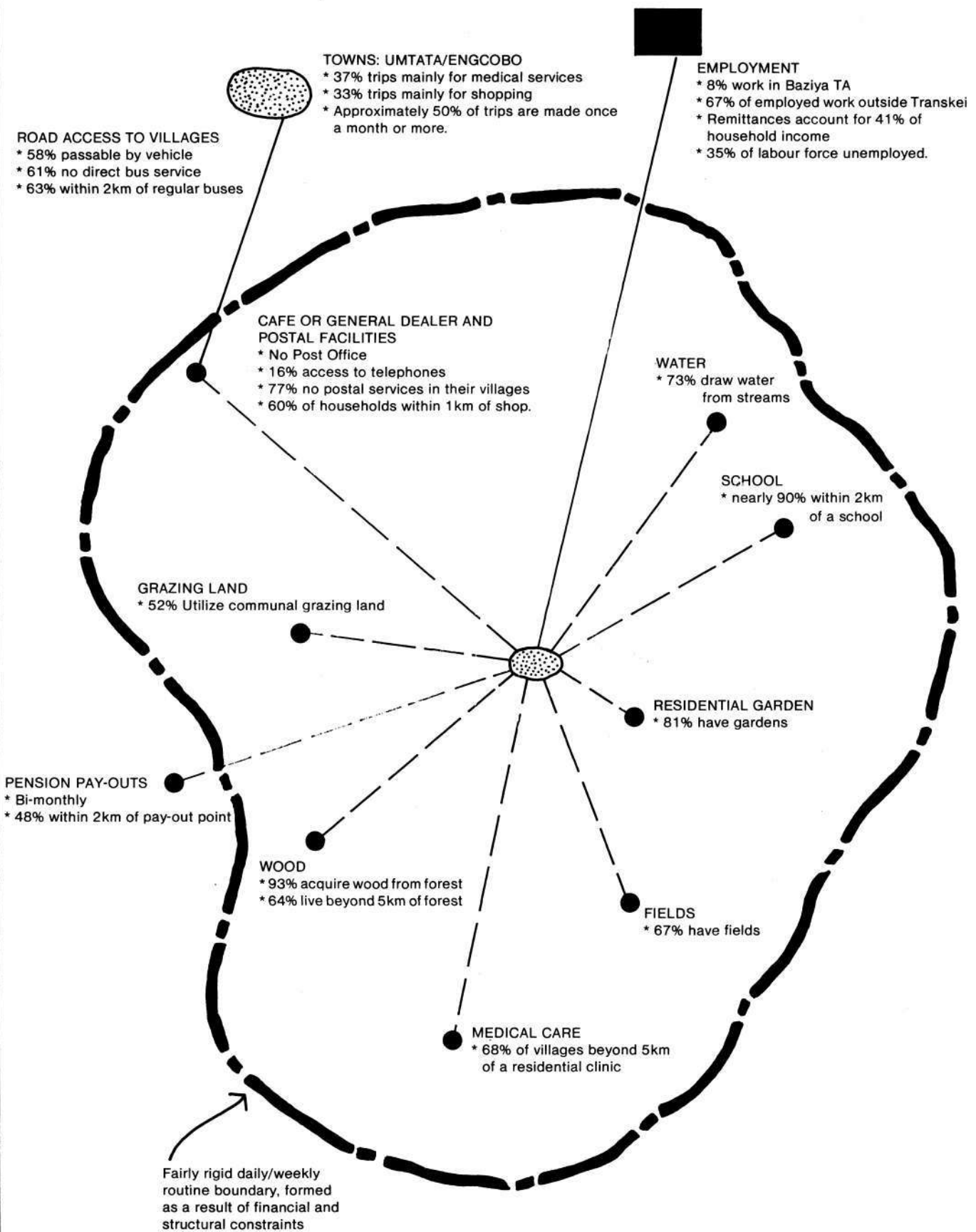
The first point to be made is that Baziya does not have a viable subsistence economy and in this respect it is typical of most rural settlements in South Africa. Most of the consumption needs are provided by goods purchased in urban areas and paid for by incomes originating in urban areas. Even in rare situations like Maputaland where rural households do produce a large proportion of subsistence needs (7 bags of maize annually - 9 bags are generally regarded as a subsistence level) as much as 60 per cent of household income is spent on basic foods and consumer goods produced outside the region³.

Secondly, in order to focus the discussion, three main groups of actors need to be considered:

- (a) Rural households which are mainly consumers, although they do produce a little.
- (b) Operators in the urban economy, including migrant workers who remit wages, government services and sources of income (pensions, disability grants, unemployment etc.) as well as producers of consumer and durable goods.
- (c) Those who operate at the rural-urban interface particularly, from the commercial point of view, rural traders and transport operators.

Thirdly, a discussion of commerce and rural areas would be incomplete without reference to the dispersed

Figure 2
Profile of rural life in Baziya



Source:
 Information from Chapter 3, Report I
 Concept adapted from C. Waddy (1983)

nature of settlement patterns (Figure 2). Baziya, with its 42 villages ranging between a few hundred and 1 200 people, is typical of many areas. In Transkei's north-west region (in which Baziya is situated) only 34 per cent of villages are on the network classified roads (i.e. those maintained by Transkei's Department of Works as opposed to tribal authorities) and 63 per cent of the region's people live in villages that are beyond a day's walk from the nearest town. This problem of access, coupled with the lack of basic infrastructure in villages (e.g. water, electricity, roads passable by buses and taxis), mean that households have to devote a substantial amount of resources to assembling basic inputs for survival (e.g. water, firewood, paraffin etc.) Quite apart from the time, effort and cost involved, there is the opportunity cost of resources that could be devoted to productive activities such as vegetable gardens, sewing, building instead. The many facets of poor accessibility makes life in rural areas expensive.

Turning more explicitly to income and expenditure, emphasis should be placed on the dynamics - the diverse in- and out- flows of goods and services from Baziya which illustrate the extent and nature of dependence that households in rural Baziya have on the urban economy.

The five main types of **inflow** to Baziya identified in Figure 3 are: cash income; interest on savings; information and innovation; public decisions and investment; other goods and services.

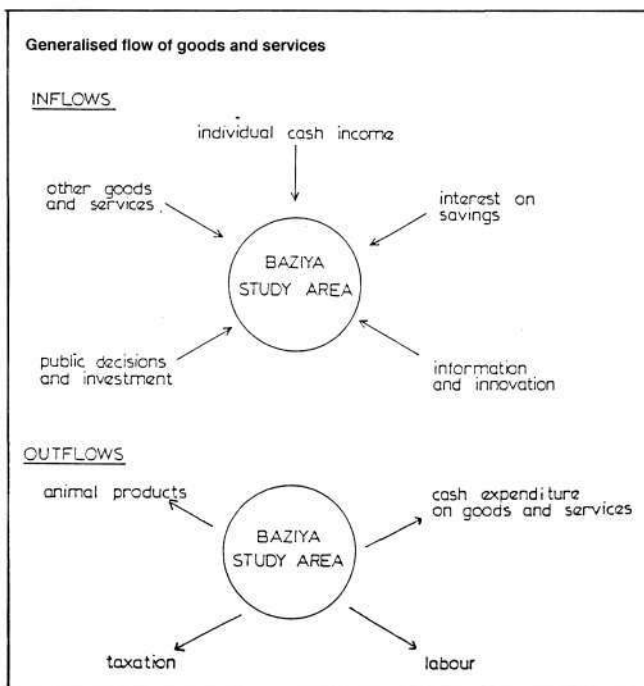


Figure 3

Household incomes in the study area are low in absolute terms, with the median for a household of 8,3 persons being in the order of R100 per month. Sources of cash income are analysed from sectoral and spatial points of view in Figure 4. These reveal that only 14 per cent of income earned by Baziya households is

generated directly within the study area, while a further 8 per cent is from within and beyond Baziya. The bulk income (78 per cent) is generated outside Baziya; 41 per cent from Transkei (mainly Umtata) and 37 per cent from the RSA. Interest on savings is another flow of cash into the study area. This amount may be considered negligible as very few households save (6 per cent of the sample) and savings account for little over 2 per cent of household expenditure.

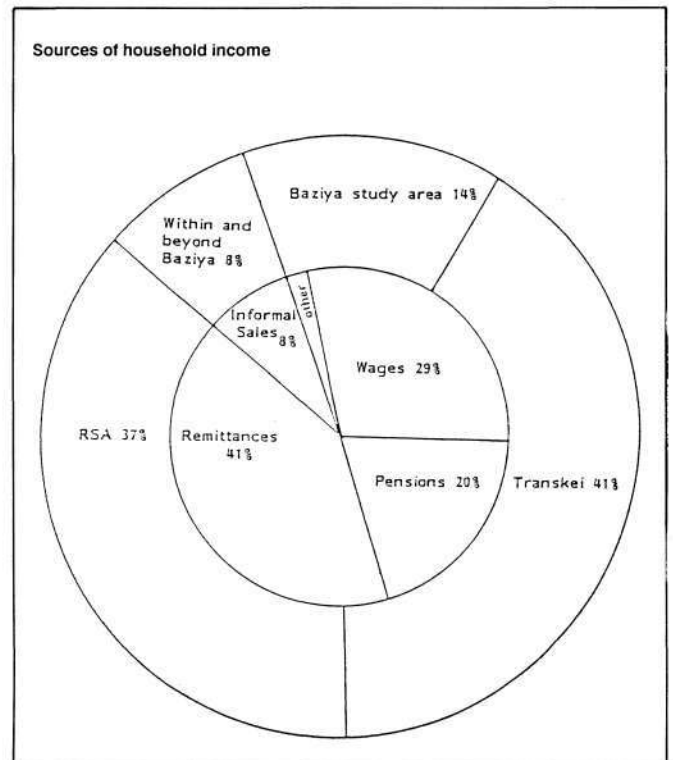


Figure 4

Information flows into the area by means of public media (e.g. press and radio), as well as institutions such as schools, clinics, government and non-governmental extension officers. The ideas transmitted include educational, entertainment and innovative information. A major source of innovation, and one that has yet to be tapped for development purposes, derives from the working experiences and urbanising influences of migrant workers in the RSA.

Government makes policy decisions that influence and control life in the study area. These decisions also give rise to investment (mainly public) in the region. It was beyond the present terms of reference to quantify this investment, but it would include such physical infrastructure and equipment as schools, clinics, roads, ploughing facilities, boreholes, dipping tanks, etc., as well as the wages paid to officials based in the area.

Other goods are brought into the area by local traders, speculators, people resident in the area who travel outside of the area in order to purchase goods for their own use, returning migrants, travelling sales people, informal operators particularly at pension pay points, and via catalogue ordering systems.

Services are administered in the area by both government agencies (e.g. schools, health services, agricultural extension, veterinary and dipping services etc.) and non-governmental organisations (e.g. communal gardens, savings clubs etc.).

The main types of **outflow** shown in Figure 3 are cash expenditure; labour; taxation and to a very limited extent, animal by-products such as wool.

Figure 5 indicates the sectors in which expenditure is made. It must be noted that almost all the expenditure items are, in fact, produced outside the study area, with the result that it is only the profit from sales which accrues to local traders. They, in turn, use most of their profit to buy goods manufactured outside the area. The survey of household purchasing indicated 25 per cent of purchases of lower order durable goods, such as paraffin stoves and blankets, were made outside the study area. All purchases of higher order goods such as radios and tractors were also made outside the area. It was only purchases of food products that were made almost exclusively within Baziya.

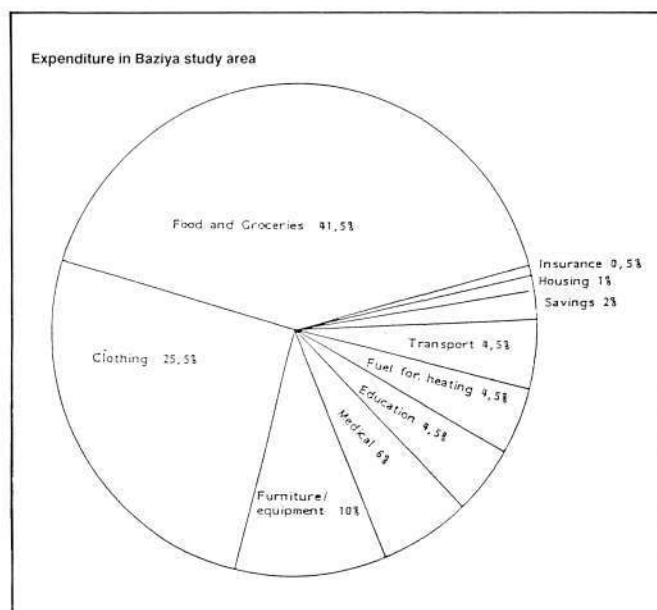


Figure 5

The labour force in the study area comprises 32 per cent of the total population, 21 per cent of whom were in active employment at the time of the survey while 11 per cent were temporarily unemployed and seeking work. Unemployment in the study area is thus in the order of 35 per cent of the labour force. The spatial distribution of these jobs shows that 10 per cent work within a 15 % radius of Baziya, 22 percent in Umtata and at other places in Transkei and 68 per cent in RSA.

Residents of the area pay various taxes to central government such as livestock tax, income tax for wage earners and general sales tax. Migrants also pay various forms of indirect taxation while in R.S.A. the main tax paid to the Tribal Authority is a levy varying from R2 - R10/household depending on the size of the

village. Although it has not been possible to quantify this expenditure formally, some preliminary estimates can be made using prevailing levels of GST, and assuming a median household monthly cash expenditure of R150,00 for the 1 902 households in the study area. On this basis the households in Baziya Tribal Authority pay an estimated R16 000 per month by the way of GST. Stock tax at annual rates of R1,50 per head for cattle and horses, R5,00 for donkeys and 25c for sheep and goats, yield an annual outflow from Baziya of almost R10 000. Only 12 per cent of the households in the sample earned incomes above the lowest taxable level (R2 520 per annum). These households pay an estimated R3 000 per year in income tax.

Overall, the estimated annual outflow from Baziya by way of taxation is as follows:

TABLE A : TAXATION OUTFLOW FROM BAZIYA

General sales tax	R192 000
Stock tax	R10 000
Income tax	R26 600
Total	R228 600

Quantified estimates were made of two categories of outflow: cash expenditure and taxes. The dominant pattern of cash expenditure flows is one of transfers from households to traders in the area (food, groceries, durables and some services accounting for 89 per cent of cash expenditure) from whom in turn, transfers are made to the Transkei and RSA economies respectively. Less significant is the direct expenditure by Baziya households in Transkei and the RSA, mainly on durable goods. Taxes flow from households to the Transkei government coffers. It is only the 9 per cent of cash expenditure on education and some medical services that appears to circulate in the local economy.

The income and expenditure flows are summarised diagrammatically in Figures 6 and 7.

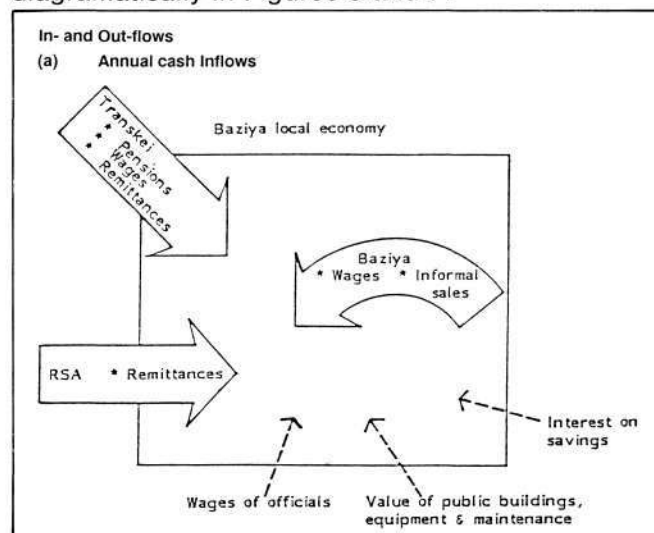


Figure 6

Cash inflows to the Baziya study area emanate from three main areas: local (14 per cent), Transkei (41 per cent) and the RSA (37 per cent), with a further 8 per cent from both within and beyond the study area. In addition there are other inputs (unquantified at this stage) in the form of wages paid to officials based in the area, interest on savings and the value of public buildings, equipment and maintenance.

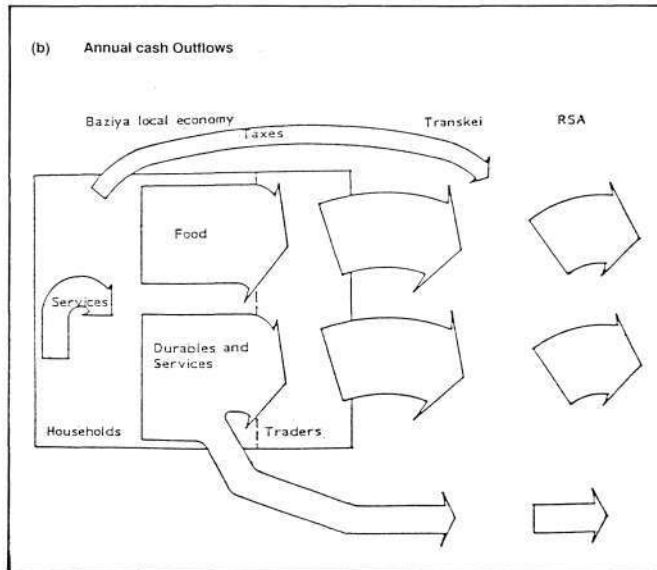


Figure 7

The outflows from Baziya are mainly in the form of labour (10 per cent to Transkei and 90 per cent to the RSA), cash expenditure and taxation. Four main patterns emerge. Firstly, from households to local traders, to Umtata retailers or wholesalers, to RSA producers, e.g. in the case of purchases of food, or lower order durables. The second pattern is from Baziya households directly to Transkei in the form of taxation or the purchase, in Umtata, of items manufactured in Transkei. A third pattern is directly from households to RSA firms, mainly involving the purchase of higher order durables. Finally, only a small proportion of cash expenditure by Baziya households remains in the area to circulate via payments for services such as health care, schooling or purchase (formal and informal) of locally produced goods.

Finally, we should consider shopping patterns *per se*. The full spectrum of items bought by Baziya households has been grouped into three categories according to frequency of purchase, durability and cost. These are:

consumption goods which include food, groceries and items generally associated with daily household subsistence, such as candles, soap and samp;

lower order durables, which are fairly low cost capital items purchased less frequently than consumption goods, and include such products as blankets, crockery and paraffin stoves;

higher order durables, which are those seldom purchased, high cost capital items including furniture, radio-cassettes and hi-fi sets.

Goods of all three types are available at stores within the study area as well as in the closest towns, Umtata and Engcobo. In practice, the actual place of purchase of goods of each order is determined by a variety of factors.

(a) Consumption goods are typically purchased on a daily or weekly basis at the store nearest the homestead. Less often, bulk purchases of these items are made at larger general dealers or at supermarkets outside the study area, usually at monthly intervals. It would appear that the main determinants of where, and how often, these items are purchased, relate to the household consumption rate and the capacity of the household to store goods, particularly perishables. Consequently, purchases are often made at short intervals from the nearest shop. In the north-west region surrounding Baziya there are 1 143 rural shops (33 in Baziya). An earlier region-wide survey (1982) revealed that many were poorly stocked and carried a very limited range of goods. On average only **two** items were purchases on a shopping trip with a median expenditure of R1,20 (1982 prices)⁴.

(b) Lower order durables. Purchases of these goods occur typically at monthly to yearly intervals and are made either at the large general dealers in the study area or the nearest towns. Almost half the purchases were made within the 10 km zone, while a quarter were made beyond the study area in nearby towns. Baziya Enterprises, situated on the main road adjacent to the sawmill and close to the best-off villages in the area, emerged as by far the most significant shop in the area.

(c) Higher order durables generally reflected "once-off" purchases. About 20 per cent were bought within the Baziya area, 40 per cent in Umtata and 40 per cent elsewhere, mainly in the PWV area.

The survey also investigated the **full cost** to Baziya residents of obtaining certain durable items from the nearest towns, Umtata and Engcobo. Table B shows product purchase profiles of a number of durable items. Figures quoted here refer to cash costs, to which should be added the opportunity costs of time taken in travelling to make the purchases and the assistance given by members of the village community in carrying goods home from the bus stop. It should also be borne in mind, however, that trips are made regularly to Umtata and Engcobo for a number of reasons including the purchases of durables; furthermore, most of the items bought, were also available at shops in the study area. The reasons given for purchasing them in Umtata

or Engcobo were either because these items were perceived as being cheaper in the larger centres, or because they were more readily available.

The case reports trace the route taken (with costs) from the place of purchase to the buyer's home, indicating the different transport modes used.

Table B.

PRODUCT [Quantity]	TOTAL PURCHASE COST (R)	PLACE OF PURCHASE	DESTINATION	DIS- TANCE (km)	COST OF DELIVERY TO BUS RANK ⁽¹⁾ (R)	TRANSPORTATION FARE TO VILLAGE (R)			DELIVERY TO HOMESTEAD		TOTAL COST (R)	REASON FOR PURCHASE
						MODE	FARE (R)		MODE	CASH COST		
							Person Return	Goods				
Window frames [3]	183,00	Mandla ka- Moya Umtata	Jojweni	40	3,00	Bus	7,00	1,50	Assisted by villag- ers	Nil	194,50	Not available at Baziya Enter- prise ⁽⁴⁾
Door frame[1]	24,60	Engcobo	Nqwati	70	Nil	Bus	4,00 ⁽²⁾	0,40	Carried by own child- ren	Nil	29,00	Not specified
Ceiling board[1]	9,94	Jobs Hardware Umtata	Sikobeni	34	Nil	Bus	3,40	0,70	Carried by own children	Nil	69,95	Not specified
Cover strips[16]	49,92		Sikobeni	34	Nil	Bus						
Trunk[1]	49,90	Johannes- burg[3]	Kwa Saba	36	3,00	Bus	2,25	0,25 ⁽²⁾	Self	Nil	52,40	Returning mig- rant
Creosote Poles[2]	13,00	Mandla Ka- Moya Umtata	Bityi	47	Nil	Bus	5,20	1,00	Self	Nil	19,20	Ordering takes too long
Corrugated iron sheets [5]	55,00	Mandla Ka- Moya Umtata	Mbekezweni	43	Nil	Bus	9,60	2,50	Carried by own child- ren	Nil	67,10	Cheaper here

- Notes**
1. People are available to assist transporting goods from stores to the bus rank for a fee.
 2. Estimated from the schedule of fares and tariffs.
 3. Although the purchase was made in Johannesburg, only transportation costs from Umtata were considered.
 4. Also purchased R81,00 worth of groceries in this trip.

Subject to reservations about drawing statistical conclusions from a sample of this nature, an attempt was made to arrive at the likely proportional increase in costs due to transport. The mean increase attributable to transport costs was 11,5 per cent of purchase price. This seems plausible because the purchases were made at wholesalers in Umtata/Engcobo where a shopkeeper's price currently varies between 10 and 50 per cent of the wholesale suppliers price.

The conclusions to be drawn from this brief review are limited. But we can say that access to commercial services are an integrated part of rural-urban linkages, that they constitute an important strand of the oscillating urbanisation process and that their characteristics are fairly complex. □

NOTES

- 1 The Baziya case study is based on 3 reports: Vandeverre, Aspey, Robinson and Associates (1986) I "Activity patterns in Baziya"; II "Agriculture in Baziya" and III "Baziya Tribal Authority - interpretive summary" commissioned by Transkei Appropriate Technology Unit (TATU).
- 2 All figures and tables are taken from Baziya Report III.
- 3 VARA (1989) "Ubombo-Ingwavuma Structure Plan" Report to Department of Development Aid and KwaZulu Department of Economic Affairs.
- 4 VARA (1987) "Transkei North-West Region: Spatial Development Plan" Report to Transkei Development and Cabinet Secretariat.