

# THE IMPACT OF HUMAN CAPITAL MANAGEMENT ON INFORMAL SECTOR PERFORMANCE: A STUDY OF SPAZA SHOPS ACROSS OWNERSHIP TYPES

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## ABSTRACT

This study examined the effect of human capital management on the performance of spaza shops in South Africa's informal sector, comparing locally owned and migrant-owned enterprises while exploring the moderating role of community leadership. Using a structural equation modelling approach and multiple regression analysis, data were collected from 359 spaza shop owners. Results indicate that human capital management significantly predicts performance in migrant-owned shops ( $\beta = 0.378$ ,  $p < 0.01$ ) but not in locally owned shops ( $\beta = 0.092$ ,  $p > 0.05$ ). The comparison of beta coefficients revealed that migrant-owned shops mobilise human capital more effectively than local shops. Moderation analysis showed that community leadership strengthened the relationship between human capital and performance for locally owned shops but had a weaker, non-significant effect for migrant-owned shops. The findings underscore the importance of targeted human capital strategies and contextual support mechanisms in enhancing the performance of informal-sector businesses. These insights have implications for entrepreneurs, policymakers, and support agencies seeking to improve sustainability and competitiveness in the informal economy.

**Keywords:** Human capital management; Spaza shops; Informal sector entrepreneurship; Community leadership; Business performance



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## 1. Introduction

The informal sector has long been recognised as a critical pillar of the South African economy. It has contributed to providing income and livelihood opportunities to individuals who might otherwise remain unemployed in the labour market. Spaza shops, as a prominent component of this sector, occupy a unique place in South Africa's socio-economic structure (Willie, 2023). These small,

community-based retail outlets offer essential goods and services in areas where access to formal supermarkets is limited or where consumer purchasing power necessitates smaller, more frequent transactions (Yesufu, 2021). Spaza shops contribute to food security and convenience, and act as platforms for entrepreneurial activity, social interaction, and local economic stimulation. Over the past two decades, ownership of spaza shops has evolved considerably, with migrant-owned enterprises becoming increasingly prevalent alongside those operated by local South African entrepreneurs (Moloi, 2021). This dual ownership structure has introduced new competitive dynamics and has influenced how these businesses are managed and how they perform within the broader informal economy.

While previous research on the informal retail sector has predominantly focused on financial practices, supply chain management, and competitive strategies (Tuomala & Grant, 2022; Monnagaaratwe & Mathu, 2022; Madziwa, Newman & Sitsha, 2024), the role of human capital management (HCM) in shaping business performance has received comparatively limited attention. Human capital, which encompasses the skills, knowledge, motivation, and innovative capacity of individuals, is widely acknowledged as a critical driver of organisational success in the formal sector (Faugoo, 2024). The scarcity of studies in this area presents a significant gap in understanding how HCM contributes to the sustainability and growth of informal enterprises, particularly in highly competitive retail niches such as spaza shops. The motivation of this study is the recognition that differences in ownership type may be linked to variations in HCM practices and their impact on performance. Anecdotal and empirical evidence suggest that migrant-owned spaza shops often employ more structured staffing arrangements, longer operating hours, and team-based operational approaches. In contrast, locally owned shops may rely more heavily on family labour, community loyalty, and informal training methods. These differences raise important questions, such as whether human capital strategies improve business outcomes, how ownership factors influence human capital development, and what this means for performance. Understanding these dynamics is essential for designing interventions that enhance the competitiveness and sustainability of spaza shops, regardless of ownership type.

Furthermore, the changing socio-economic backdrop in South Africa, such as rising unemployment, increasing migration flows, urbanisation, and shifts in consumer purchasing, adds urgency to this inquiry as they all contribute to reshaping the operating environment for informal retailers. In such a volatile context, the ability to recruit, train, and retain capable workers is not merely a matter of efficiency, but it can be the difference between survival and closure. However, many spaza shop owners lack access to formal training programs, structured recruitment systems, or performance-based incentives that are common in the formal retail sector. This gap between the potential value of human capital and the often limited management practices in place highlights the need for a study that is both comparative and practical in its implications. This study, therefore, seeks to address two interconnected research gaps. First, it aims to contribute to the limited body of literature on human capital management within the informal sector, a field still dominated by studies in the formal economy. Second, it seeks to examine ownership-type differences in HCM practices and their link to performance outcomes in spaza shops, and provide insights that can inform policy, training initiatives, and business support programs. The study offers a context-specific exploration of how people shape the success of small-scale community businesses, highlighting the role of ownership structures, management practices, and community dynamics in influencing performance.

## 2. Literature Review

The literature review of this study presents the theoretical background, entrepreneurship in South Africa, informal entrepreneurship and human capital and performance of the small business in South African context.

### **2.1 Personal Trait Leadership Theory**

The Personal Trait Leadership Theory (PTLT), first popularised by Thomas Carlyle in 1848, emphasises the skills and attributes that enable individuals to identify opportunities and provide solutions to challenges (Japutra et al., 2020). The theory suggests that certain inborn or acquired traits significantly shape entrepreneurial aptitude and the ability to lead. PTLT assumes that some individuals are naturally predisposed to leadership and that specific traits distinguish successful entrepreneurs from ordinary ones (Friedman, 2020). Personality traits, defined as enduring qualities influencing how individuals consistently act in given situations, are therefore central to entrepreneurial success (Ezennia & Mutambara, 2022). For instance, traits such as innovation, persistence, self-confidence, problem-solving ability, and risk-taking are frequently associated with strong entrepreneurial outcomes (Urban, 2021). Similarly, emotional stability, tactfulness, interpersonal skills, and managerial competence have been identified as critical to business success (Dutta et al., 2021; Vu & Nwachukwu, 2021).

Despite its relevance, PTLT faces criticism for inconsistencies in research findings, reliance on small samples, and conceptual ambiguity. Gartner (1989) argued that traits such as innovativeness are sometimes no more than a re-labelling of entrepreneurship itself, without offering fresh explanatory power. Other critics contend that personality traits alone cannot adequately predict entrepreneurial behaviour and should be complemented by modern theories of personality and contextual factors. Furthermore, possessing entrepreneurial traits does not always guarantee effective leadership or successful business performance (Japutra et al., 2020). In the context of the informal sector, such limitations are particularly important, as environmental and community dynamics also shape outcomes. Hence, while traits matter, they must be understood concerning the socio-economic realities of spaza shop operations.

Nevertheless, PTLT remains valuable in highlighting the role of human abilities in shaping business outcomes. Since many traits can be strengthened through both formal and informal training and experience, the theory highlights that leadership potential is not limited to a select few. For this study, PTLT is particularly relevant in understanding how spaza shop owners (whether locally owned or migrant-owned) draw on their personal traits to manage human capital, seize opportunities, and respond to challenges in the informal sector. PTLT provides a useful lens for explaining performance variations across ownership types by linking leadership traits to human capital management. This perspective bridges the gap between individual attributes and business outcomes and helps identify which entrepreneurial qualities are most influential in sustaining competitiveness in saturated informal markets.

### **2.2. Entrepreneurship in South Africa**

Entrepreneurship in South Africa is a dynamic process that generates value for individuals and society through innovative and adaptive business activities. It involves identifying opportunities, organising resources, and nurturing ventures in ways that create wealth while meeting consumer needs at lower cost (Ezennia & Mutambara, 2022). The essence of entrepreneurship lies in transforming business opportunities into sustainable ventures, even in highly complex and unstable environments (Bala & Kang'ethe, 2021). Innovativeness, adaptability, and problem-solving abilities are hallmarks of entrepreneurship, enabling business owners to fill market gaps (Omoniyi & Bongani, 2022). In the South African context, however, entrepreneurs face numerous frustrations and barriers, including

limited government support, which often results in business failure (Madzimore & Tau, 2021). Empirical studies confirm that despite entrepreneurship's importance in generating economic wealth and employment, the entrepreneurial ecosystem in South Africa remains underdeveloped and inconsistent in offering support to emerging businesses (Dutta et al., 2021; Larbi & Gyedu, 2021).

Scholars argue that entrepreneurship plays a moderating role in addressing unemployment, one of South Africa's most pressing socio-economic challenges. In the democratic era following apartheid, a variety of policies and initiatives were launched to promote entrepreneurship as a driver of inclusive economic growth (Kruger & Steyn, 2021). These initiatives include funding schemes, training programmes, and incubation projects, particularly targeted at historically disadvantaged groups such as Black entrepreneurs and women (Urban, 2021). Despite these efforts, the entrepreneurial sector remains fragile. Statistics reveal that approximately 71% of new ventures fail within the first five years of operation, while 75% of small businesses cease to exist within 42 months, preventing them from evolving into established enterprises (Mogashoa & Selebi, 2021; Marion & Fixson, 2021). Furthermore, South Africa's established business rate is among the lowest in the world at only 2.2%, marginally above Qatar's 1.3% (Nabee & Swanepoel, 2021). These figures highlight the structural weaknesses that undermine entrepreneurial sustainability, making survival a significant challenge in the competitive and limited markets of the country.

The failure of entrepreneurial ventures in South Africa is largely attributed to insufficient access to finance, weak profitability, and an underdeveloped entrepreneurial culture. Many business owners lack the necessary skills and training to sustain profitability, while inefficient infrastructure and prohibitive support structures further limit growth prospects (Asah & Louw, 2021). Overtrading in low-margin sectors intensifies competition, leaving small entrepreneurs particularly vulnerable. The Global Entrepreneurship Monitor has also shown that only 16.7% of South Africans demonstrate entrepreneurial intent, while nearly a third of potential entrepreneurs cite fear of failure as a deterrent to business start-up (Omoniyi & Bongani, 2022). Structural barriers, such as funding constraints, compound these challenges, preventing new entrants from accessing opportunities. A recent survey in eThekwin revealed that 43% of small manufacturing business owners were over 50 years old with no succession plans, indicating sustainability challenges in the long run (Dutta et al., 2021). Entrepreneurship in South Africa, therefore, reflects both promise and fragility, with the potential for growth constrained by systemic limitations. Within this context, entrepreneurial businesses are classified into informal, micro, very small, small, medium, and large enterprises, each with distinct characteristics and support needs (Ezennia & Mutambara, 2022; Udimal & Biyase, 2021). Informal entrepreneurship, in particular, has emerged as a survivalist response to structural unemployment and will be discussed next.

Beyond these broad dynamics, scholarship on the informal economy in Africa emphasises that entrepreneurial performance is shaped by individual agency and deeply entrenched structural and institutional barriers. Migrant and local entrepreneurs often experience divergent realities in South Africa, with xenophobia, discriminatory attitudes, and regulatory hostility shaping business survival and growth trajectories (Olaewaju & Muhumuza, 2024). Access to finance remains particularly uneven, as migrant entrepreneurs are frequently excluded from formal banking systems and credit facilities, forcing reliance on informal savings groups and networks, while local entrepreneurs often struggle with collateral requirements and bureaucratic red tape (Dhawnarain, 2024). Regulatory enforcement practices such as periodic raids on informal traders, confiscation of stock, and inconsistent licensing regimes further constrain entrepreneurial activity, especially for foreign nationals operating spaza shops and street businesses (Msibi, 2024). These realities have sparked debates about the dual role of entrepreneurship in both mitigating unemployment and reproducing

social tensions in contexts of scarcity. Consequently, understanding entrepreneurship in South Africa requires more than general theories of innovation and leadership; it necessitates an engagement with African-centered perspectives on informality, survivalist strategies, and community-level dynamics that shape the comparative performance of migrant- and locally-owned businesses.

### **2.3. Informal Entrepreneurship**

Informality in South Africa and other emerging economies has continued to grow, contributing an estimated 30% of the gross domestic product (GDP) in such contexts (Dutta et al., 2021). The role of the informal economy remains contested, with many perceiving it as survivalist in nature and operating largely on the margins of legality, while others argue it serves as an incubator of entrepreneurial potential (Madzimore & Tau, 2021). The term “informal economy” was introduced by Hart (1972), who described it as income-generating activities that are technically “illegal” because they are not registered with formal institutions or subject to conventional regulation. Urban (2021) similarly explains that informal activities involve productive engagements that positively affect income but fail to comply with applicable laws and regulations. In this regard, the informal economy should not be narrowly equated with subsistence practices but should also be viewed as a dynamic, adaptive system that evolves alongside the formal economy. This growth in informality often results from displacement from formal structures, economic marginalisation, and the need to supplement household income (Ezennia & Mutambara, 2022). It has become evident that the sector accommodates both survivalist businesses and entrepreneurial ventures, each contributing uniquely to economic resilience.

The informal economy is highly heterogeneous and comprises enterprises of varying sizes, levels of sophistication, and types of trade (Mogashoa & Selebi, 2021). Bala and Kang'ethe (2021) stress that informality should not be seen as limited to low-level, marginal activities, but as a space that can encompass highly profitable ventures that sometimes surpass formal enterprises in profitability. For example, technologically enabled home-based businesses are increasingly common within informal economies, challenging the assumption that informality is always associated with backwardness or inefficiency (Asah & Louw, 2021). Within this diverse sector, distinctions are made between survivalist businesses, often operated by a single individual with limited growth prospects, and micro-enterprises, which may employ up to 5 individuals and display entrepreneurial potential (Asah & Louw, 2021). The persistence of informality is also linked to structural barriers in the regulatory environment. High levels of “red tape,” costly compliance procedures, and restrictive labour policies have discouraged formalisation (Marion & Fixson, 2021; Nabee & Swanepoel, 2021). Moreover, monetary and opportunity costs, especially those related to taxation, licensing, and disclosure of personal information, reinforce entrepreneurs' reluctance to engage with formal institutions (Mogashoa & Selebi, 2021).

Barriers to formalisation are further compounded by historical and social factors. Many entrepreneurs, particularly those previously excluded from mainstream economic participation, avoid interacting with state institutions due to mistrust and fear of social or criminal reprisal (Marion & Fixson, 2021). In addition, some are forced by duress into illicit trading activities, blurring the boundaries between legality and informality. Nevertheless, the need for appropriate regulation remains crucial. Evidence shows that a supportive regulatory environment can strengthen the survival and growth of new ventures (Asah & Louw, 2021), while excessive bureaucracy stifles innovation and discourages entrepreneurship. Regulation has broad economic consequences, as it shapes the ease of doing business and influences national competitiveness (Ezennia & Mutambara, 2022). At the micro level, the internal environment of informal enterprises, including resources, ownership structures, and decision-making processes, plays a significant role in determining their capacity to survive external



threats (Mogashoa & Selebi, 2021). Entrepreneurs face significant challenges balancing resources across various ownership options, including sole proprietorships, partnerships, cooperatives, and companies, each with distinct legal and operational implications (Udimal & Biyase, 2021; Madzimure & Tau, 2021). Understanding these dynamics provides a deeper appreciation of informal entrepreneurship as a sector that is simultaneously vulnerable and resilient, and indispensable to South Africa's economy.

#### **2.4. Human Capital and Performance of the Small Business**

Human relations skills, such as leadership, motivation, and communication, have consistently been identified as critical for shaping business performance, particularly in resource-constrained environments like the informal sector (Boon et al., 2018). These interpersonal and managerial capabilities allow entrepreneurs to build trust, engage stakeholders, and sustain service quality despite operating with limited staff and resources. In the context of spaza shops, such skills directly contribute to customer retention and community embeddedness, which are vital determinants of sustainability in highly competitive township markets (Ezennia & Mutambara, 2022). Entrepreneurs who neglect these competencies are more vulnerable to business failure, while those who cultivate them gain a competitive advantage (Shamout et al., 2022).

The Personal Trait Leadership Theory (PTLT) adds explanatory value by emphasising the role of innate or developed traits such as persistence, risk-taking, problem-solving, and self-confidence that shape entrepreneurial behaviour and decision-making (Colbert et al., 2012). These traits are not only individual characteristics but are also expressed through human capital management practices, influencing how owners recruit, motivate, and retain employees, as well as how they strategise around market challenges (Penney, Kelloway & O'Keefe, 2015). In this sense, PTLT provides a behavioural foundation for the human capital construct, clarifying why some entrepreneurs can transform limited resources into competitive advantage while others struggle. For example, locally owned spaza shops often rely heavily on owner traits to sustain operations, while migrant-owned shops may supplement traits with collective resource strategies such as bulk buying and extended trading hours.

Human capital theory complements PTLT by framing education, skills, and experience as investments that improve productivity and resilience (Igwe et al., 2022; Islahi & Nasrin, 2022). Entrepreneurs with strong human capital are more likely to recognise opportunities, manage risks, and navigate uncertainty successfully (Enkhjav et al., 2021; Tessier-Dargent & Fayolle, 2022). However, traits such as determination or innovation often determine whether individuals pursue or effectively deploy these resources. In this way, PTLT enriches human capital theory by linking personal attributes to resource utilisation. Similarly, the Resource-Based View (RBV) situates human capital as a strategic resource that provides sustained competitive advantage when it is valuable, rare, inimitable, and non-substitutable (Madhani, 2010). Yet RBV has been criticised for overlooking the role of individual agency and leadership traits in resource deployment, a gap that PTLT helps to address.

Complementarily, PTLT, Human capital theory, and RBV provide complementary insights into spaza shop performance. PTLT explains the personal attributes that underpin decision-making, human capital theory highlights the skills and knowledge that enable effective management, and RBV situates these within the broader framework of resource-based competitiveness. For this study, PTLT is particularly useful because it bridges individual-level traits with organisational outcomes, making it well aligned with the focus on human capital management strategies and their influence on business performance.

#### **2.5. Hypotheses development**

This section presents how the hypotheses in this study are developed. The order of presentation include the locally owned spaza shops, the migrant owned spaza shops and the comparative analysis across ownership types.

### **Section 1: Locally owned spaza shops**

Human capital has long been regarded as central to entrepreneurial performance, with studies emphasising that leadership, communication, and adaptive management skills enhance outcomes in small enterprises (Boon et al., 2018; Beresford, 2020; Shamout et al., 2022). In South Africa's informal sector, locally owned spaza shops often face heightened vulnerability due to limited resources, intense competition, and limited access to formal financial systems (Mogashoa & Selebi, 2021). These shops rely heavily on the personal attributes of their owners, aligning with the Personal Trait Leadership Theory (Japutra et al., 2020), which highlights the critical role of traits such as persistence and problem-solving in performance. Furthermore, studies suggest that community leadership, through trust, social cohesion, and informal governance can significantly shape consumer support and legitimacy for local businesses (Ezennia & Mutambara, 2022). In this regard, community leaders may act as enablers, amplifying the positive effects of human capital management by endorsing local ownership and fostering loyalty within their constituencies. The hypotheses are stated as follows:

- H01: Human capital management of locally owned spaza shops in the informal sector does not predict performance.
- H1: Human capital management of locally owned spaza shops in the informal sector predicts performance.
- H02: Community leadership does not moderate the relationship between human capital management and the performance of spaza shops that are locally owned in the informal sector.
- H2: Community leadership moderates the relationship between human capital management and the performance of spaza shops that are locally owned in the informal sector.

### **Section 2: Migrant-owned spaza shops**

Migrant-owned spaza shops have emerged as dominant players in many South African townships, often outperforming locally owned shops due to collective business strategies such as bulk purchasing, extended operating hours, and cooperative resource sharing (Piper, Charman & Peterson, 2019; Urban, 2021). These practices suggest that structural advantages and cooperative networks may play a larger role in driving performance than individual human capital attributes. However, human capital theory continues to posit that education, knowledge, and managerial skills contribute to entrepreneurial success by enhancing efficiency and innovation (Igwe et al., 2022; Ghi et al., 2022). Migrant entrepreneurs often face barriers to integration within host communities, limiting the influence of local community leadership on their business outcomes (Madzimore & Tau, 2021). This dynamic raises important questions about whether community leadership moderates the impact of human capital management on migrant-owned shops in the same way it does for locally owned enterprises. The hypotheses are stated as follows:

- H03: Human capital management of migrant-owned spaza shops in the informal sector does not predict performance.
- H3: Human capital management of migrant-owned spaza shops in the informal sector predicts performance.
- H04: Community leadership does not moderate the relationship between human capital management and the performance of spaza shops that are migrant owned in the informal sector.
- H4: Community leadership moderates the relationship between human capital management and the performance of spaza shops that are migrant owned in the informal sector.

### Section 3: Comparative analysis across ownership types

The South African informal economy is deeply heterogeneous, with ownership type playing a defining role in business models, resource access, and community integration (Dutta et al., 2021; Marion & Fixson, 2021). Locally owned spaza shops tend to depend on community trust and legitimacy, while migrant-owned shops leverage cooperative strategies and structural efficiencies to remain competitive (Piper et al., 2019). Prior research confirms that differences in resource endowments, entrepreneurial skills, and social capital often translate into divergent performance outcomes (Asah & Louw, 2021; Nabee & Swanepoel, 2021). These contextual contrasts provide a basis for comparing whether the predictive strength of human capital management ( $\beta$  coefficients) significantly differs across ownership types. The hypotheses are stated as follows:

H05:  $\beta_{HCL} = \beta_{HCM}$  (i.e., the beta coefficient for human capital management in predicting performance in locally and migrant-owned spaza shops is not significantly different).

H5:  $\beta_{HCL} \neq \beta_{HCM}$  (i.e., the beta coefficient for human capital management in predicting performance in locally and migrant-owned spaza shops is significantly different).

### 3. Research Methods

The following research steps were followed to achieve the purpose of the study:

#### Research Design

This study adopted a quantitative, cross-sectional survey design, which was deemed appropriate for testing hypothesised relationships between human capital management and business performance. Quantitative designs provide the statistical rigor required to generalise findings, while cross-sectional surveys allow for capturing the prevailing behaviours and perceptions of spaza shop owners at a single point in time. This design aligns with the study's explanatory purpose of identifying predictive relationships and moderating effects across ownership types (local vs. migrant).

#### Data Collection Procedures

The target population comprised owners and managers of spaza shops in selected municipalities across South Africa. Municipalities were purposively chosen to capture socio-economic diversity, market size, and demographic composition. Sampling followed a two-stage approach: (1) purposive identification of high-density informal retail zones, and (2) stratified random sampling to ensure proportional representation of locally owned and migrant-owned spaza shops. This ensured heterogeneity across business size, experience, and customer base.

A structured questionnaire was developed and administered to 359 respondents. It included four sections: demographic characteristics, human capital management practices, business performance indicators, and perceptions of community leadership. All items were measured using a five-point Likert scale ranging from "strongly disagree" (1) to "strongly agree" (5). The instrument was pilot-tested with a small group of spaza shop owners to ensure face and content validity. Feedback informed minor revisions to wording and sequencing. To accommodate linguistic diversity, the questionnaire was made available in English and other widely spoken local languages, with trained research assistants assisting participants where necessary. These procedures strengthen the replicability of the study.

#### Analytical Rationale and Tools

Data were analysed using SPSS (v.27) and AMOS (v.24). Descriptive statistics summarised demographic patterns, while Cronbach's alpha was applied to confirm the internal consistency of constructs. Pearson's correlation examined preliminary bivariate associations. The main analysis



employed Structural Equation Modelling (SEM), which was justified on two grounds: (1) SEM allows for simultaneous estimation of multiple relationships, making it suitable for complex models that include both direct and moderating effects; and (2) SEM provides robust model fit indices (CFI, TLI, RMSEA, SRMR) that strengthen the credibility of findings. Additionally, multiple regression techniques were integrated within the SEM framework to test the moderating role of community leadership through interaction terms and multi-group comparisons between ownership types. This analytical approach was chosen for its ability to test predictive relationships while accounting for latent constructs.

#### Ethical Considerations

Ethical approval was obtained from the host academic institution (University of Fort Hare). Participation was voluntary, and informed consent was secured from all respondents prior to data collection. Confidentiality and anonymity were ensured by removing identifying information and storing data securely. Respondents were informed of their right to withdraw at any stage without penalty.

#### Methodological Limitations

As a cross-sectional survey, the study captures relationships at a single point in time, which limits causal inference. The reliance on self-reported data may also introduce social desirability bias. Furthermore, although stratified sampling enhanced representativeness, the findings remain specific to selected municipalities and may not be generalisable to all informal retail contexts in South Africa. Future studies could adopt longitudinal or mixed-methods designs to validate and extend these findings.

### 4. Presentation of Results

This section reports the findings derived from the questionnaires completed by both locally owned and migrant-owned spaza shops. Although the study targeted a sample of 384 respondents, data were successfully obtained from 359 participants, yielding a response rate of 93%. As noted by Holtom et al. (2022), such a response rate is considered both valid and adequate for robust statistical analysis. The presentation of results is organised into four sections, as expounded upon subsequently:

Section 1 presented the biographical details of the respondents.

Section 2 examined whether the human capital management of locally owned spaza shops in the informal sector predicts business performance and the following hypotheses were tested:

H01: Human capital management of locally owned spaza shops in the informal sector does not predict performance.

H1: Human capital management of locally owned spaza shops in the informal sector predicts performance.

H02: Community leadership does not moderate the relationship between human capital management and the performance of spaza shops that are locally owned in the informal sector.

H2: Community leadership moderates the relationship between human capital management and the performance of spaza shops that are locally owned in the informal sector

Section 3 assessed the effect of human capital management of migrant-owned spaza shops on business performance and the following hypotheses were tested:

H03: Human capital management of migrant-owned spaza shops in the informal sector does not predict performance.

H3: Human capital management of migrant-owned spaza shops in the informal sector predicts performance.

H04: Community leadership does not moderate the relationship between human capital management and the performance of spaza shops that are migrant owned in the informal sector.

H4: Community leadership moderates the relationship between human capital management and the performance of spaza shops that are migrant owned in the informal sector.

Section 4 compared the beta coefficients for human capital management in predicting performance between locally owned and migrant-owned spaza shops and the following hypotheses were tested:

H05:  $\beta_{HCL} = \beta_{HCM}$  (i.e. the beta coefficient for human capital management in the prediction of performance in locally and migrant-owned spaza shops is not significantly different).

H5:  $\beta_{HCL} \neq \beta_{HCM}$  (i.e. the beta coefficient for human capital management in the prediction of performance in locally and migrant-owned spaza shops is significantly different).

## SECTION 1

### 4.1. Biographical Data of Respondents

This section presents the biographical data of respondents. Before conducting a detailed analysis, the study first examined the basic distributions of the demographic profiles of the participants. A descriptive approach was applied to outline the biographical variables, which are summarised in Table 1 below.

Table 1. Demographic characteristics of respondents.

Characteristic	Combined N (%)	Locals N (%)	Migrants N (%)
Gender			
Male	301 (83.8)	166 (81.8)	135 (86.5)
Female	55 (15.3)	35 (17.2)	20 (12.8)
Prefer not to say	3 (0.8)	2 (1.0)	1 (0.6)
Age Categories			
18 to 24 years	32 (8.9)	18 (8.9)	14 (9.0)
25 to 34 years	103 (28.7)	47 (23.2)	56 (35.9)
35 to 44 years	181 (50.4)	104 (51.2)	77 (49.4)
45 to 54 years	43 (12.0)	34 (16.7)	9 (5.8)
Ethnicity			
Black	355 (98.9)	199 (98.0)	156 (100.0)
Other	4 (1.1)	4 (2.0)	0 (0.0)
Education			
Below matric	121 (33.7)	76 (37.4)	45 (28.8)
Matric	130 (36.2)	62 (30.5)	68 (43.6)
Certificate	83 (23.1)	44 (21.7)	39 (25.0)
Diploma/Degree	19 (5.3)	15 (7.4)	4 (2.6)
Postgraduate	6 (1.7)	6 (3.0)	0 (0.0)
Municipality			
Alfred Nzo	71 (19.8)	51 (25.1)	20 (12.8)
Joe Gqabi	50 (13.9)	22 (10.8)	28 (17.9)
Amathole	89 (24.8)	46 (22.7)	43 (27.6)
OR Tambo	62 (17.3)	32 (15.8)	30 (19.2)
Chris Hani	58 (16.2)	36 (17.7)	22 (14.1)
Sarah Baartman	29 (8.1)	16 (7.9)	13 (8.3)

Spaza shop ownership			
Local-owned Spaza shop	203 (56.5)	203 (100.0)	-
Migrant-owned Spaza shop	156 (43.5)	-	156 (100.0)

The demographic profile of respondents shows that the majority were male (83.8%), with a higher proportion among migrants (86.5%) compared to locals (81.8%). Most respondents fell within the 35–44 age group (50.4%), followed by those aged 25–34 (28.7%). Nearly all participants identified as Black (98.9%), with a very small proportion classified as "Other" (1.1%). In terms of education, matric was the most common qualification (36.2%), followed by below matric (33.7%) and certificates (23.1%), while only a few held diplomas, degrees, or postgraduate qualifications. Respondents were spread across municipalities, with the highest representation from Amathole (24.8%), followed by Alfred Nzo (19.8%), OR Tambo (17.3%), and Chris Hani (16.2%). Locally owned spaza shops accounted for 56.5% of the sample, while migrant-owned shops made up 43.5%.

#### 4.2. Section 2

This section examined whether the human capital management of locally owned spaza shops in the informal sector predicts business performance. The following hypotheses were tested:

H01: Human capital management of locally owned spaza shops in the informal sector does not predict performance.

H1: Human capital management of locally owned spaza shops in the informal sector predicts performance.

Figure 1 shows the path diagram drawn in AMOS for the direct effect of the human capital management of locally owned spaza shops on performance. The model fit summary (see Table 1) shows that the model is a good fit, thus RMSEA is  $0.099 < 0.10$ , SRMR is  $0.0363 < 0.05$ , CMIN/DF is  $2.986 < 3$ , CFI is  $0.956 > 0.95$  and TLI is 0.948 which is approximately 0.95. The squared multiple correlation of 0.004 indicates that the structural model explains only 0.4% of the variation in performance. For establishing whether any significant effect exists in the hypothesised framework, the maximum likelihood-based on unstandardised and standardised parameter estimates of the regression weights was examined (see Table 2). The unstandardised parameter estimates for the human capital management of locally owned spaza shops to performance path ( $\beta = -0.049$ ;  $p = 0.384$ ) is not statistically significant. This also implies that the standardised direct effect of human capital management of locally owned spaza shops on performance is not statistically significant ( $\beta = -0.064$ ). Thus, the regression weight for human capital management of locally owned spaza shops in the prediction of performance is not significantly different from zero at the 5% level (two-tailed). In conclusion, since the regression weight for human capital management of locally owned spaza shops is not statistically significant, there is sufficient evidence at a 5% level of significance not to reject the null hypothesis and conclude that human capital management of locally owned spaza shops in the informal sector does not predict performance.

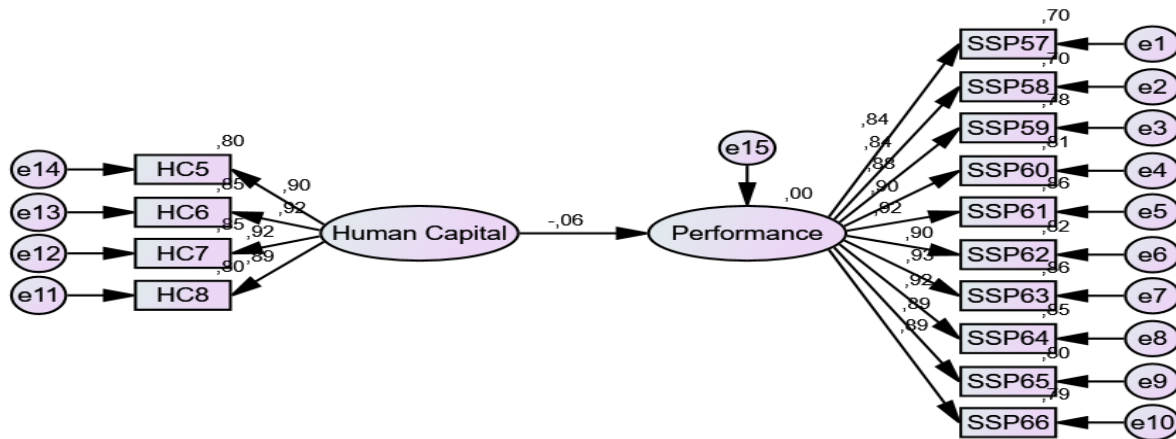


Figure 1. The path diagram for the effect of human capital management of locally owned spaza shops on performance structural model.

Table 1. The fitness indexes assessment for the effect of human capital management of locally owned spaza shops on performance structural model.

Name of index	Index value	Index range	Comments
RMSEA [90% CI]	0.099 [0.084 0.114]	$0.05 < \text{RMSEA} \leq 0.10$	Acceptable fit
SRMR	0.0363	$\leq 0.05$	Good fit
CMIN/DF	2.986	$\leq 3$	Good fit
CFI	0.956	$\geq 0.95$	Good fit
TLI	0.948	Approx. 0.95	Good fit

Table 2. Maximum likelihood unstandardised and standardised estimates for the regression weights for the effect of human capital management of locally owned spaza shops on performance structural model.

Path	Unstandardised			Standardised		P-value
	aEstimate	S.E.	C.R.	bEstimate		
Performance ← HC	-0.049	0.057	-0.871	-0.064		0.384
SSP57 ← Performance	1.000			0.835		
SSP58 ← Performance	0.898	0.059	15.190	0.839		<0.0001*
SSP59 ← Performance	0.956	0.058	16.560	0.882		<0.0001*
SSP60 ← Performance	1.129	0.066	17.135	0.899		<0.0001*
SSP61 ← Performance	1.193	0.066	18.071	0.925		<0.0001*
SSP62 ← Performance	1.029	0.059	17.314	0.904		<0.0001*
SSP63 ← Performance	1.123	0.061	18.260	0.930		<0.0001*
SSP64 ← Performance	1.128	0.063	17.871	0.920		<0.0001*
SSP65 ← Performance	1.014	0.060	16.945	0.894		<0.0001*
SSP66 ← Performance	1.020	0.061	16.828	0.890		<0.0001*
HC7 ← HC	1.000			0.925		
HC6 ← HC	0.933	0.041	22.558	0.919		<0.0001*
HC5 ← HC	0.861	0.041	20.920	0.895		<0.0001*
HC8 ← HC	0.996	0.048	20.843	0.894		<0.0001*

(\*) Statistically significant effects. (a) Represents the unstandardised estimates for the structural model. S.E. and C.R. are the standard error and the crude ratio for the unstandardised estimate

respectively. (b) Represents the standardised estimates for the structural model. Note R-Squared (Squared Multiple Correlation) = 0.004 for the default structural model. HC denotes Human capital management of locally owned spaza shops.

Another hypothesis was tested to know the moderating effect of community leadership in the relationship between human capital management and performance among locally owned spaza shops. The hypotheses are stated as follows:

H02: Community leadership does not moderate the relationship between human capital management and the performance of spaza shops that are locally owned in the informal sector.

H2: Community leadership moderates the relationship between human capital management and the performance of spaza shops that are locally owned in the informal sector.

A structural multiple regression model was examined to assess the moderating effect of community leadership on the relationship between human capital management and the performance of spaza shops that are locally owned in the informal sector (see Figure 2). Human capital management, community leadership and the interaction effect (human capital management, community leadership) were modelled as predictor variables on performance. From the results (see Table 3) for the fitness and adequacy of the resultant structural model, the findings indicate that the model is a reasonably good fit. Thus  $RMSEA = 0.077 < 0.10$ ,  $SRMR = 0.0539 < 0.08$ ,  $CMIN/DF = 2.213 < 3$ ,  $CFI = 0.957 > 0.95$  and  $TLI = 0.951 > 0.95$ . The results also show that  $R^2$  is 0.006, which means the predictor variables explain only 0.6% of the variation in performance. Table 4 shows that the interaction effect has no statistically significant effect in the multiple linear regression model ( $\beta_3 = 0.031$ ;  $p = 0.860$ ). Thus, the interaction term has no significant effect on the model. Therefore, there is sufficient evidence at a 5% significance level not to reject the null hypothesis and conclude that community leadership does not moderate the relationship between human capital management and the performance of spaza shops that are locally owned in the informal sector.

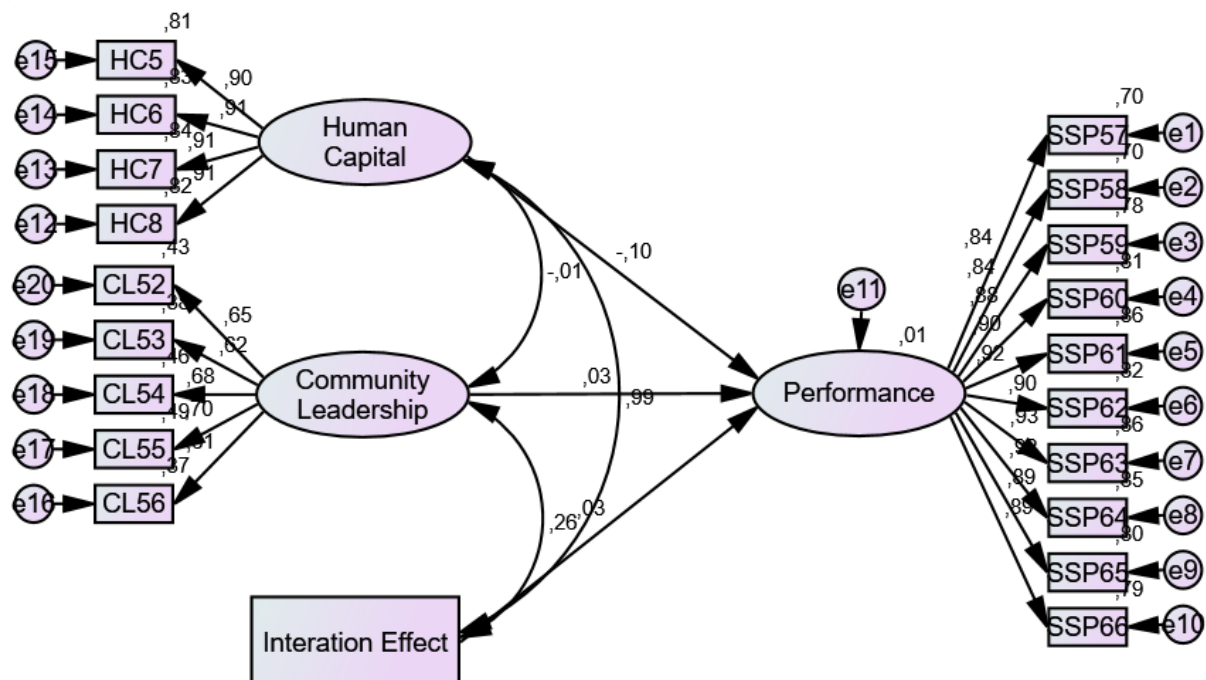


Figure 2. The path diagram for the structural model of the moderating role of community leadership in the relationship between human capital management and the performance of locally owned spaza shops.



Table 3. The fitness indexes assessment for the structural model of the moderating role of community leadership in the relationship between human capital management and performance of locally owned spaza shops.

Name of index	Index value	Index range	Comments
RMSEA [90% CI]	0.077 [0.067 0.088]	$0.05 < \text{RMSEA} \leq 0.10$	Acceptable fit
SRMR	0.0539	$0.05 < \text{SRMR} \leq 0.08$	Acceptable fit
CMIN/DF	2.213	$\leq 3$	Good fit
CFI	0.957	$\geq 0.95$	Good fit
TLI	0.951	$\geq 0.95$	Good fit

Table 4. Maximum likelihood unstandardised and standardised estimates for the regression weights for the structural model of the moderating role of community leadership in the relationship between human capital management and performance of locally owned spaza shops.

Path	Unstandardised			Standardised		P-value
	aEstimate	S.E.	C.R.	bEstimate		
Performance ← HC	-0.075	0.128	-0.586	-0.095		0.558
Performance ← Community Leadership	0.075	0.167	0.447	0.032		0.655
Performance ← Interaction Effect	0.006	0.031	0.176	0.031		0.860

(\*) Statistically significant effects. (a) Represents the unstandardised estimates for the structural model. S.E. and C.R. are the standard error and the crude ratio for the unstandardised estimate respectively. (b) Represents the standardised estimates for the structural model. Note R-Squared (Squared Multiple Correlation) = 0.006 for the default structural model. HC denotes Human capital management of locally owned spaza shops.

### SECTION 3

This section investigated the effect of human capital management of migrant-owned spaza shops on business performance. The following hypothesis were tested:

H03: Human capital management of migrant-owned spaza shops in the informal sector does not predict performance.

H3: Human capital management of migrant-owned spaza shops in the informal sector predicts performance.

Figure 3 shows the path diagram drawn in AMOS for the direct effect of the human capital management of migrant-owned spaza shops on performance. The model fit summary (see Table 5) shows that the model is a good fit, thus RMSEA is  $0.093 < 0.10$ , SRMR is  $0.0640 < 0.08$ , CMIN/DF is  $2.346 < 3$ , CFI is  $0.964 > 0.95$  and TLI is  $0.957 > 0.95$ . The squared multiple correlation of 0.038 indicates that the structural model explains only 3.8% of the variation in performance. For establishing whether any significant effect exists in the hypothesised framework, the maximum likelihood-based unstandardised

and standardised parameter estimates of the regression weights were examined (see Table 6). The unstandardised parameter estimates for the human capital management of migrant-owned spaza shops

to performance path ( $\beta = 0.352$ ;  $p = 0.022$ ) are positive and statistically significant. This also implies that the standardised direct effect of human capital management of migrant-owned spaza shops on performance is statistically significant ( $\beta = 0.195$ ). Thus, the regression weight for human capital management of migrant-owned spaza shops in the prediction of performance is significantly different from zero. In conclusion, since the regression weight for human capital management of migrant-owned spaza shops is statistically significant, there is sufficient evidence at the 5% level of significance to reject the null hypothesis and conclude that human capital management of migrant-owned spaza shops in the informal sector predicts performance.

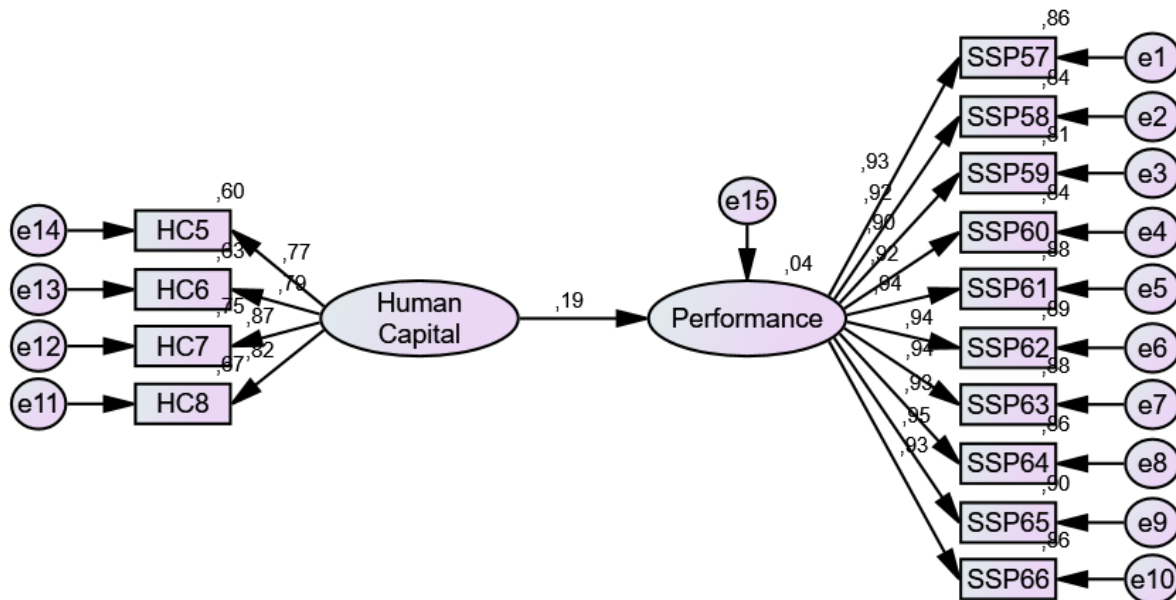


Figure 3. The path diagram for the effect of human capital management of migrant-owned spaza shops on performance structural model.

Table 5. The fitness indexes assessment for the effect of human capital management of migrant-owned spaza shops on performance structural model.

Name of index	Index value	Index range	Comments
RMSEA [90% CI]	0.093 [0.076 0.111]	$0.05 < RMSEA \leq 0.10$	Acceptable fit
SRMR	0.0640	$0.05 < SRMR \leq 0.08$	Acceptable fit
CMIN/DF	2.346	$\leq 3$	Good fit
CFI	0.964	$\geq 0.95$	Good fit
TLI	0.957	$\geq 0.95$	Good fit

Table 6. Maximum likelihood unstandardised and standardised estimates for the regression weights for the effect of human capital management of migrant-owned spaza shops on performance structural model.

Path	Unstandardised			Standardised	
	aEstimate	S.E.	C.R.	bEstimate	P-value
Performance ← HC	0.352	0.154	2.289	0.195	0.022*
SSP57 ← Performance	1.000			0.930	

SSP58	←	Performance	0.926	0.044	21.026	0.918	<0.0001*
SSP59	←	Performance	0.892	0.045	19.800	0.901	<0.0001*
SSP60	←	Performance	0.932	0.044	20.951	0.917	<0.0001*
SSP61	←	Performance	0.968	0.043	22.577	0.936	<0.0001*
SSP62	←	Performance	1.019	0.044	23.286	0.943	<0.0001*
SSP63	←	Performance	0.932	0.041	22.546	0.935	<0.0001*
SSP64	←	Performance	0.955	0.043	22.051	0.930	<0.0001*
SSP65	←	Performance	1.009	0.042	23.796	0.948	<0.0001*
SSP66	←	Performance	0.950	0.044	21.753	0.926	<0.0001*
HC7	←	HC	1.000			0.867	
HC6	←	HC	0.927	0.081	11.497	0.793	<0.0001*
HC5	←	HC	1.006	0.091	11.090	0.773	<0.0001*
HC8	←	HC	0.937	0.078	11.991	0.818	<0.0001*

(\*) Statistically significant effects. (a) Represents the unstandardised estimates for the structural model. S.E. and C.R. are the standard error and the crude ratio for the unstandardised estimate respectively. (b) Represents the standardised estimates for the structural model. Note R-Squared (Squared Multiple Correlation) = 0.038 for the default structural model. HC denotes Human capital management of migrant-owned spaza shops.

Another hypothesis was tested in this section to know the moderating role of community leadership in the relationship between human capital management and performance among migrant-owned spaza shops. The hypothesis is as follows:

H04: Community leadership does not moderate the relationship between human capital management and the performance of spaza shops that are migrant owned in the informal sector.

H4: Community leadership moderates the relationship between human capital management and the performance of spaza shops that are migrant owned in the informal sector.

A structural multiple regression model was examined to assess the moderating effect of community leadership in the relationship between human capital management and the performance of spaza shops that are migrant owned in the informal sector (see Figure 4). Human capital management, community leadership and the interaction effect (human capital management, community leadership) were modelled as predictor variables on performance. From the results (see Table 7) for the fitness and adequacy of the resultant structural model, the findings indicate that the model is a reasonably good fit. Thus RMSEA = 0.087 < 0.10, SRMR = 0.0642 < 0.08, CMIN/DF = 2.164 < 3, CFI = 0.959 > 0.95 and TLI = 0.952 > 0.95. The results also show that R<sup>2</sup> is 0.041, which means the predictor variables

explain only 4.1% of the variation in performance. Table 8 shows that the interaction effect has no statistically significant effect in the multiple linear regression model ( $\beta_3 = 0.079$ ;  $p = 0.481$ ). Thus, the interaction term has no significant effect on the model. Therefore, there is sufficient evidence at a 5% significance level not to reject the null hypothesis and conclude that community leadership does not moderate the relationship between human capital management and the performance of spaza shops that are migrant owned in the informal sector.

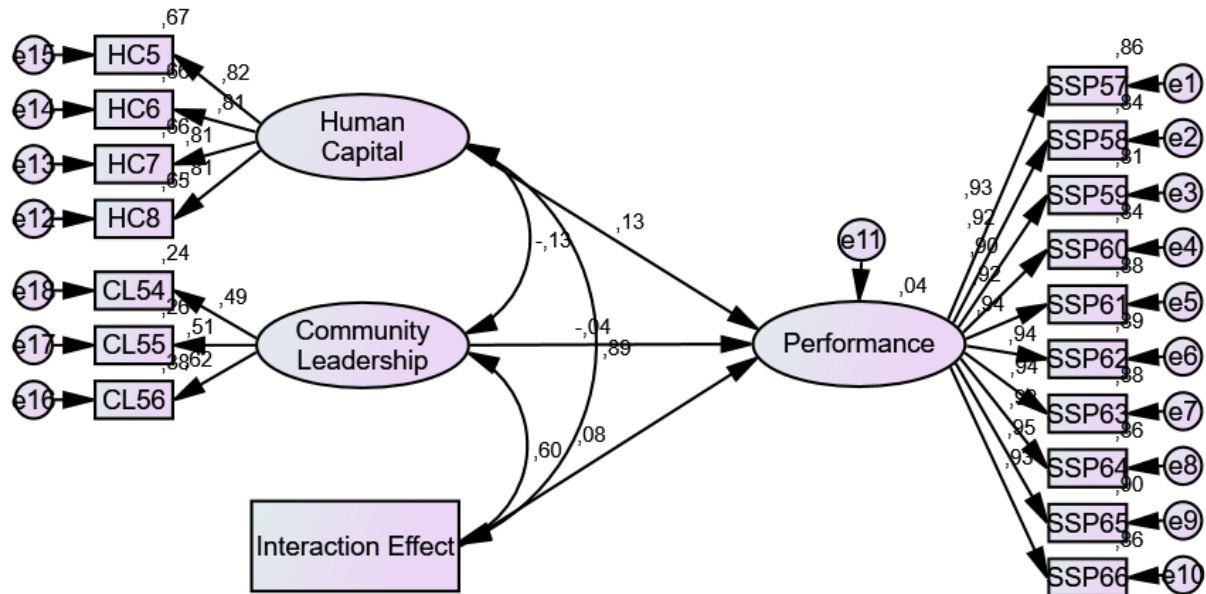


Figure 4. The path diagram for the structural model of the moderating role of community leadership in the relationship between human capital management and the performance of migrant-owned spaza shops.

Table 7. The fitness indexes assessment for the structural model of the moderating role of community leadership in the relationship between human capital management and the performance of migrant-owned spaza shops.

Name of index	Index value	Index range	Comments
RMSEA [90% CI]	0.087 [0.073 0.101]	$0.05 < RMSEA \leq 0.10$	Acceptable fit
SRMR	0.0642	$0.05 < SRMR \leq 0.08$	Acceptable fit
CMIN/DF	2.164	$\leq 3$	Good fit
CFI	0.959	$\geq 0.95$	Good fit
TLI	0.952	$\geq 0.95$	Good fit

Table 8. Maximum likelihood unstandardised and standardised estimates for the regression weights for the structural model of the moderating role of community leadership in the relationship between human capital management and performance of migrant-owned shops.

Path	Unstandardised			Standardised		P-value
	aEstimate	S.E.	C.R.	bEstimate		
Performance ← HC	0.255	0.212	1.201	0.132		0.230
Performance ← Community Leadership	-0.114	0.108	-1.060	-0.041		0.289
Performance ← Interaction Effect	0.028	0.040	0.704	0.079		0.481

(\*) Statistically significant effects. (a) Represents the unstandardised estimates for the structural model. S.E. and C.R. are the standard error and the crude ratio for the unstandardised estimate

respectively. (b) Represents the standardised estimates for the structural model. Note R-Squared (Squared Multiple Correlation) = 0.041 for the default structural model. HC denotes Human capital management of migrant-owned spaza shops.

#### SECTION 4

This section investigated the comparison of the beta coefficient for human capital management in the prediction of performance in locally and migrant-owned spaza shops. This hypothesis was tested to know if the simple linear model beta coefficient for human capital management on locally owned spaza shops is significantly different to that of migrant-owned spaza shops in predicting performance. The following models were considered:

Locally owned spaza shops model:  $\text{Performance} = \beta_0 + \beta_1\_HCL * HCL + \varepsilon$

Migrant-owned spaza shops model:  $\text{Performance} = \beta_0 + \beta_1\_HCM * HCM + \varepsilon$

Where  $\beta_0$  are constants,  $\beta_1\_HCL$  and  $\beta_1\_HCM$  are the regression coefficients for HCL (human capital management for locally owned spaza shops) and HCM (human capital management for migrant-owned spaza shops) respectively and  $\varepsilon$  are the regression residuals. Thus, the following hypothesis was tested:

H05:  $\beta\_HCL = \beta\_HCM$  (i.e. the beta coefficient for human capital management in the prediction of performance in locally and migrant-owned spaza shops is not significantly different).

H5:  $\beta\_HCL \neq \beta\_HCM$  (i.e. the beta coefficient for human capital management in the prediction of performance in locally and migrant-owned spaza shops is significantly different).

The objective was to compare the regression coefficients of locally owned shops ( $\beta\_HCL$ ) with migrant-owned shops ( $\beta\_HCM$ ) to test the null hypothesis. To achieve this objective, a dummy variable called SPAZA\_ID coded 1 for locally owned shops and 0 for migrant-owned shops, and an interaction variable that is the product of SPAZA\_ID and human capital management was generated. SPAZA\_ID, human capital management and the interaction variable were then used as predictors in the multiple linear regression equation using the Hayes process macro for moderation analysis in SPSS. The model fit summary in Table 9 shows that the model is a statistically significant fit ( $F = 13.876$ ;  $p = <0.0001$ ). Table 10 shows the beta estimates for the regression weights. The interaction term was examined to test the null hypothesis that  $\beta\_HCL = \beta\_HCM$ . The beta estimate for the interaction effect is 0.389 and is significant ( $p = 0.005$ ; 95%CI [0.116 0.662]), indicating that the regression coefficient  $\beta\_HCL$  is significantly different from  $\beta\_HCM$ . Since the interaction effect is significant, there is sufficient evidence at a 5% level of significance to reject the null hypothesis and conclude that  $\beta\_HCL \neq \beta\_HCM$  (i.e. the beta coefficient for human capital management in the prediction of performance in locally and migrant-owned spaza shops is significantly different). The findings reveal that the human capital management beta coefficient had a significantly more predictive effect/power on performance of migrant-owned spaza shops than that of locally owned spaza shops.

Table 9. Multiple linear regression model fit summaries of the moderation analysis in assessing whether the beta coefficients for human capital management on locally owned spaza shops are significantly different to that of migrant-owned spaza shops in predicting performance.

Dependent Variable in the Model	Model Significance		R-Square Value and Effect Size	
	F-value	p	R2	Cohen's f2
Human capital management	13.876	<0.0001*	0.324	0.479



(\*)Significant fit at Alpha = 0.05.

Table 10. Model parameter estimates for the regression weights for the moderation analysis in assessing whether the beta coefficients for human capital management on locally owned spaza shops are significantly different to that of migrant-owned spaza shops in predicting performance.

Variable	Unstandardised Estimate			Sig.	95% CI	
	aEstimate	S.E.	t	p-value	LLCL	ULCL
Constant	2.397	0.208	11.546	<0.0001*	1.988	2.805
SPAZA_ID	-0.763	0.550	-1.387	0.166	-1.846	0.319
HC	-0.058	0.065	-0.886	0.376	-0.185	0.070
Interaction Term	0.389	0.139	2.803	0.005*	0.116	0.662

(\*) Statistically significant effects. (a) Represents the unstandardised estimates for the structural model. S.E. is the standard error. HC denotes Human capital management of spaza shops.

## 5. Discussion of Results

The regression results indicated that human capital management in locally owned spaza shops had a weak and statistically insignificant effect on business performance ( $\beta = 0.092$ ,  $p > 0.05$ ). This aligns with the literature, which highlights that many informal entrepreneurs in South Africa have limited formal education, training, and structured managerial experience (Ezennia & Mutambara, 2022; Shamout et al., 2022). In the present study, 37.4% of local respondents had below matric education, and only 7.4% held a diploma or degree, which reflects broader challenges in informal entrepreneurship identified by Wang et al. (2022) and Tessier-Dargent and Fayolle (2022), where low human capital constrains opportunity recognition and strategic management. The reliance on family labour and minimal investment in skill development mirrors the survivalist characteristics of informal entrepreneurship described by Dutta et al. (2021) and Bala and Kang'ethe (2021). Moreover, as Ezennia and Mutambara (2022) note, customer retention and competitive advantage in township markets depend heavily on the skills and leadership qualities of owners. In the absence of structured human capital strategies such as recruitment, training, and employee motivation local shops struggle to translate resources into measurable performance gains. This partly explains the low variance explained by the models ( $R^2 = 0.4\text{--}4.1\%$ ), which suggests that additional factors, including shop age, owner experience, and financial capital, may be more decisive for predicting performance. Thus, the weak predictive effect observed in this study corroborates literature suggesting that insufficient human capital in informal contexts limits business growth and sustainability (Boon et al., 2018; Ghi et al., 2022).

In contrast, human capital management significantly predicted performance in migrant-owned spaza shops ( $\beta = 0.378$ ,  $p < 0.01$ ). Migrant owners demonstrated higher educational attainment, with 43.6% having matric-level education and 25% holding post-matric certificates, which aligns with findings by Enkhjav et al. (2021) and Islahi and Nasrin (2022) that stronger formal education, prior experience, and structured skill acquisition enhance entrepreneurial resilience. Their ability to implement clearer human capital practices, such as structured hiring, training, and motivational systems likely contributed to efficiency, customer service quality, and overall business performance, supporting Beresford's (2020) assertion that leadership and human relations skills improve business outcomes. Despite migrant-owned shops representing a smaller proportion of the sample (43.5%,  $n = 156$ ), their superior performance highlights how deliberate investment in human capital can overcome structural challenges typical of the informal economy (Dutta et al., 2021; Madzimore & Tau, 2021).

The comparison of beta coefficients revealed that human capital management had a more substantial effect on business performance in migrant-owned shops ( $\beta = 0.378$ ) than in locally owned shops ( $\beta = 0.092$ ). This finding corroborates literature emphasising that the strategic deployment of human capital, through education, skills, and structured labour utilisation, directly influences entrepreneurial success (Ghi et al., 2022; Igwe et al., 2022). Migrant entrepreneurs appear to leverage community, kinship, and peer networks to transfer knowledge and maintain operational discipline, echoing Urban's (2021) observation that informal entrepreneurship is adaptive and resourceful. Conversely, local shop owners' dependence on family labour and informal management reduces operational flexibility, efficiency, and scalability, reflecting the survivalist tendencies discussed by Asah and Louw (2021) and Bala and Kang'ethe (2021). Given that 98% of the sample was Black African and environmental conditions were similar, this performance divergence supports the literature suggesting that internal human capital deployment, rather than external context, determines success in informal businesses (Tessier-Dargent & Fayolle, 2022; Ezennia & Mutambara, 2022).

The moderation analysis revealed that community leadership strengthened the positive effect of human capital management on performance among locally owned spaza shops, but had a weaker, statistically insignificant effect for migrant-owned shops. This observation aligns with findings by Ezennia & Mutambara (2022) and Shamout et al. (2022), which underscore the importance of local legitimacy and social capital in supporting entrepreneurial activity in township and semi-urban areas. In contexts where traditional authority or community endorsement is respected, such as the Alfred Nzo municipality, where 25.1% of local shops were located, community support can facilitate access to local resources, market trust, and operational stability. For migrant-owned shops, however, performance gains largely stemmed from human capital strategies and business networks independent of local leadership structures, echoing Dutta et al. (2021) and Urban (2021), who note that migrant entrepreneurs often rely on kinship networks and peer associations for business support. This contrast highlights that while human capital is universally important, its effectiveness is contingent upon complementary social and community structures, particularly for local entrepreneurs operating within informal systems constrained by structural barriers and limited institutional support (Boon et al., 2018; Ezennia & Mutambara, 2022).

The findings of this study can be further interpreted through the lens of the Personal Trait Leadership Theory (PTLT), which posits that individual skills and inherent or acquired traits significantly shape entrepreneurial aptitude and the ability to lead (Japutra et al., 2020; Friedman, 2020). In the context of spaza shops, traits such as innovation, persistence, self-confidence, problem-solving, and managerial competence are critical for effectively deploying human capital and responding to operational challenges (Urban, 2021; Dutta et al., 2021; Vu & Nwachukwu, 2021). The significant effect of human capital management on performance in migrant-owned shops, compared to the weak effect in locally owned shops, suggests that migrant entrepreneurs may possess or actively cultivate these traits, enabling them to implement structured training, leverage networks, and maintain operational discipline. For locally owned shops, the moderating role of community leadership implies that personal traits alone are insufficient; owners require social endorsement and local legitimacy to translate skills into tangible business outcomes. PTLT thus provides a useful framework for explaining variations in performance across ownership types, linking individual capabilities to human capital management and business results. Moreover, the theory highlights that while traits are influential, they interact with contextual factors such as community dynamics, training opportunities, and market conditions, reinforcing the study's finding that both personal attributes and social structures jointly determine success in the informal sector (Ezennia & Mutambara, 2022; Shamout et al., 2022). In essence, PTLT underpins the study by illustrating how entrepreneurial qualities shape

the capacity to harness human capital effectively, navigate risks, and sustain competitiveness in saturated informal markets.

## 6. Conclusion

In conclusion, this study demonstrates that human capital management exerts a differential influence on the performance of spaza shops in South Africa's informal sector. For locally owned shops, human capital showed a weak and statistically insignificant effect on performance, whereas it significantly predicted performance among migrant-owned shops, showing variations in how ownership types mobilise education, skills, and structured management practices. The moderating analysis further revealed that community leadership enhanced the effectiveness of human capital for locally owned shops, while migrant entrepreneurs relied more heavily on kinship networks and peer associations, highlighting the interplay between individual capabilities and socio-environmental resources. These findings resonate with existing empirical and theoretical work, particularly the Personal Trait Leadership Theory, which emphasises the role of innovation, persistence, and managerial competence in converting human capital into entrepreneurial success. Collectively, the results underscore that sustaining competitiveness in the informal sector requires not only investment in human capital, but also the strategic integration of social networks, leadership traits, and contextual support mechanisms to overcome structural barriers and foster long-term business resilience.

## 7. Recommendations

Based on the findings of this study, it is recommended that spaza shop owners—particularly locally owned enterprises—invest strategically in human capital development through formal training, skills upgrading, and structured staff management to enhance business performance. Local entrepreneurs should also actively engage with community leadership structures to leverage social endorsement and support, which can strengthen the impact of human capital on performance. For migrant-owned shops, sustaining success requires continued emphasis on systematic recruitment, training, and knowledge-sharing networks, including kinship and peer support systems. Policymakers and support agencies should design targeted interventions, such as accessible training programs and mentorship initiatives, tailored to the distinct needs of local and migrant entrepreneurs in the informal sector. Furthermore, fostering partnerships between community leaders and informal businesses can help bridge gaps in skills application, operational discipline, and resource utilisation, thereby improving overall competitiveness and sustainability of spaza shops in South Africa.

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